

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, grey, and olive green, creating a modern, abstract architectural feel.

Rai

Reports and
Financial Statements as at
31 December 2017

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This document has been translated into English for the convenience of the readers. In the event of discrepancy, the Italian language version prevails.

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Corporate Officers

Board of Directors

Chairperson Monica Maggioni

Directors Rita Borioni
 Arturo Diaconale
 Marco Fortis
 Carlo Freccero
 Guelfo Guelfi
 Giancarlo Mazzuca
 Paolo Messa *until 1 June 2017*
 Franco Siddi

	<i>until 6 September 2017</i>	<i>as of 6 September 2017</i>
Board Secretary	Nicola Claudio	Anna Rita Fortuna

Board of Statutory Auditors

Chairperson Biagio Mazzotta

Standing Auditors Anna Maria Magro
 Roberto de Martino

Alternate Auditors Pietro Floriddia
 M.M. Assunta Protopapa

General Manager

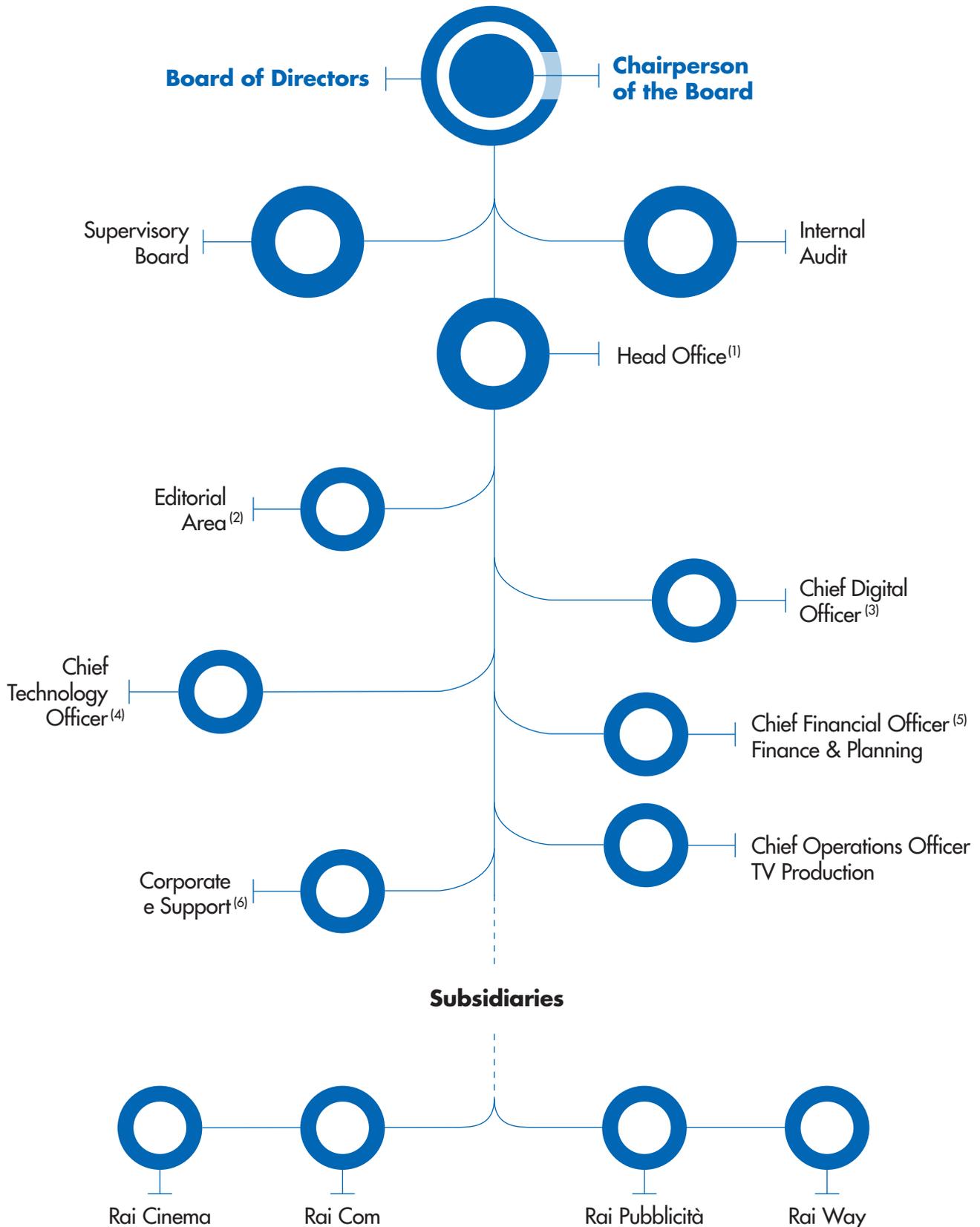
	<i>until 6 June 2017</i>	<i>as of 9 June 2017</i>
	Antonio Campo Dall'Orto	Mario Orfeo

External Auditor

PricewaterhouseCoopers

Organisational Framework

(short form)



⁽¹⁾ Includes, *inter alia*, Governance and the Corporate Secretariat, covering the General Manager's Staff and the Board & Corporate Secretary.

⁽²⁾ Includes: the Editorial Board for Information Programmes, Editorial Coordination for Television Scheduling, Mastheads, TV Channels and Genres, Creative Division, and Radio.

⁽³⁾ Reporting to the Chief Digital Officer are: Digital, Libraries, and the Public Utility Service.

⁽⁴⁾ Reporting to the Chief Technology Officer are: Quality & Planning, the Research and Technological Innovation Centre, Frequency Planning & Spectrum Management, Satellites Service, ICT, Security & Safety, Real Estate Assets, and Services.

⁽⁵⁾ Reporting to the Chief Financial Officer are: Strategic Planning & Management Control, Administration & Finance, TV Licence Fees, Tax Affairs, Methodological Legal Support, and PMO.

⁽⁶⁾ Includes, *inter alia*, Communications, External, Institutional & International Relations, Human Resources & Organisation, and Legal & Corporate Affairs.

Letter to the Shareholders from the Chairperson of the Board of Directors

Dear Shareholders,

Rai's 2017 financial year closed with positive financial and editorial results against a background of renewed certainty over the continuity of the mission which has been assigned to it.

In financial terms, the financial statements show a net profit in line with the previous year, despite a significant decrease in revenue, both from licence fees and advertising.

Specifically, the drop in public resources was more than €130 million, primarily due to the reduction of the total annual licence fee from €100 to €90, and to a much lesser extent to the 50% allocation of surplus tax revenue to Rai compared to 67% in 2016. The decrease in advertising revenue totals €50 million and was negatively affected by the absence of the benefit connected with major sporting events in programming and negative performance of the reference market.

Rationalisation and optimisation of the cost structure however made it possible to break even and to free significant resources to earmark to reinforce the Group's equity. The net financial position also reported a strong improvement.

Therefore, at the end of the three year period the main financial ratios were positive overall and this allows us to get ready to face the next challenges with confidence.

From an operating standpoint, Rai continued to select, set up and implement projects able to adequately respond to consolidated market trends, both in Italy and abroad, which is worth remembering.

The increase in video consumption, increasingly via mobile and in on-demand mode, driven by Millennials and Post Millennials, with the transformation of the average user profile towards a more dynamic, interactive and multi-platform model. The achievement of leadership in terms of traditional television reach, including thanks to the expansion of the subjects on offer. The growth of social media as an elective source of information for new generations. The migration of listening to music towards streaming, fostered in Italy by the extremely high diffusion of smartphones.

These trends, acting in part also as a cause, are associated with the disruptive force of a new type of competitor, the global tech-giants, known for their high level of financial resources and distinctive skills in creating inclusive ecosystems, able to allocate significant sums to produce original contents, bringing them directly to the end user, leading to increased disintermediation of the purer aggregators.

And as a consequence on everything, the explosion of the offering of contents on all platforms, making it more difficult to stand out and making the ability to customise a key factor to success.

Rai, in this context, has created innovation initiatives in the digital ecosystem, by adding RaiPlay Radio, and its app, to RaiPlay, which has also entered the world of smart TVs. RaiPlay Radio is the multimedia portal dedicated to the radio offer,

enhanced by five new channels, that can be listened to on Dab+ and also on TV, which makes it possible to directly access both in live and on demand modes. This same logic aimed at intercepting and attracting younger and more technically competent users, is seen in the careful revision of Rai's presence on the main social networks. Moreover, a project to overhaul the contents management system and interface proposed to users for the Rainews.it portal has almost been completed.

Rai's editorial offer witnessed a year of important achievements. The success of Rai TV series continued in the television segment, which monopolised, as in past years, the ranking of the most watched shows. TV series came into contact with 45.2 million viewers on Rai 1 - 77% of the entire country, fully meeting the Public Service goal to propose a varied offer for everyone without exclusion.

Winning such vast audiences is particularly linked to the ability to create "events", for example with the international co-production of *Maltese - Il romanzo del commissario*, a powerful crime drama set in Trapani in the 1970s. A series par excellence characterised by a blend between the great tradition of civil narrative and the ability to reinvent the genre through a sophisticated and cinematographic storytelling and aesthetics. *La porta rossa* on Rai 2 was also important in the strategy to opening our productions abroad. It was distributed globally by Studio Canal and acclaimed as one of the most interesting and innovative series at a European level.

There were also numerous new features and events in the entertainment field, with an innovative proposal not exclusive of Rai 1, which remains the top network. *Il Collegio*, for example on Rai 2, managed to recover the "lost" audience of general TV, i.e. teenagers, contributing to change the perception of Rai with this target, fundamental including for the natural inclination of the younger age group to centre their media needs around other devices.

Rai, a place for great collective events with a strong cultural focus, proposed the extraordinary night-time visit to celebrate the magic of Venice. *Stanotte a Venezia* was a major creative and productive undertaking, with the use of drones and helicopters, able to reach and charm 5 million viewers.

Information, a decisive sector for every Public Service, confirmed its reliability in relation to the population, with Rai news shares clearly higher than any national competitor.

For children, an area where we have always dedicated maximum attention, we recently conceived and made available RaiPlay Yoyo to accompany the digital evolution. It is aimed at all children and their families. The new app blends the "magic" of Rai Yoyo and the innovation of the RaiPlay family.

The vast scope, quality and variety of the proposed editorial offer has allowed Rai to maintain its leadership of the television market with a 36.5% share for the entire day and 38.5% for prime time confirming its top ranking also for viewers of specialised channels, with 7.4% share for the entire day. Rai Play grew 57% in 2017 in media news and the Rai digital audience progressed at a faster pace compared to market trends, with the mobile component increasing 45% compared to 2016. Radio channels stood at 11.3% of market share.

In terms of the reference legal framework, 2017 was a fundamental year for Rai for confirming its Public Service mission and establishing the salient points.

With a Decree of the President of the Council of Ministers of 28 April 2017, according to the procedures established by law, Rai was appointed exclusive concessionary

of the radio and television Public Service and – for the first time in its history, also to improve the digital literacy process of the multimedia country.

Specifically, with the new concession the main “added value” elements were identified which give substance to the company’s public role, including due to the far-reaching changes of the media system.

In the interest of all Italians, Rai has been called on to produce and distribute audiovisual and multimedia contents on all distribution platforms aimed at ensuring complete and impartial information, to encourage education, civil growth, judgement and critical skills, social progress and cohesion, to promote the Italian language, culture, creativity and environmental education, to safeguard the national identity and ensure socially useful services.

I would like all of us who have the honour of working at Rai to stop and reread these few lines often, to check that what we plan and create meets these goals as best as possible, without any type of mediocrity, by accepting, and even requesting, any grounded criticism related to any deviation from loyalty to this mission and the principles used to implement it.

The Convention was later integrated, as required therein, with a five year service contract with the Ministry of Economic Development, which identifies Rai’s specific rights and obligations. The Council of Ministers, in its 22 December 2017 meeting, approved the draft of the Contract for the 2018 to 2022 period, later signed by the parties and published in the Official Gazette of 7 March 2018.

Rai has numerous new commitments that it will have to face and they will all have a significant impact on the offer and business profile.

We would like to mention just a few of the most significant, which will be accurately described in detail in specific operating projects to exchange with the same Ministry and which will then be implemented in the three year editorial plan and business plan for which preliminary activities are already in progress.

Increase in signal distribution to 100% of the population, upgrading the development of networks as part of the European process to change the frequencies in the 700 band from TV to telecommunications; development of an institutional channel to make citizens aware of the operating issues of the various bodies and increase their participation in public life; development, for the first time, of a channel in English of an informative nature, to promote Italian values and culture in the world, and aimed at distributing films, documentaries and television shows; reinforcement of the driving role in the development of the Italian audiovisual system and independent production; review of the theme and information offer; extension of the offer for disabled people; identification of interventions to expand the protection of linguistic minorities.

I would like to mention another commitment that I particularly cherish and which, again following certain episodes that recently alerted government and control bodies on a worldwide level and shocked the public, has also become a key factor in Italy. The commitment is the result of the increasingly alarming threats to the correctness and quality of information as a consequence of the widespread technological and industrial changes of the media system. Specifically, the pervasiveness and speed of news, the development of platforms increasingly guided by mere arithmetic algorithms and the concentration of most of the economic resources among a handful of tech-giants, now the main source of access to information.

In this context, even acknowledging a greater sensitivity that is starting to mature within these platforms, the role the independent Public Service broadcasters can have and must perform is clearly crucial, because it is the basis of their mission. Precisely for this reason, the control function that the Contract delegates to Rai to fight the spread of fake news will have to be performed with utmost accuracy and in-depth analysis, adopting the best practices in terms of fact checking.

Generally, the economic dimension of the other commitments assigned to Rai, distributed over the long-term, is very high; thus it is particularly clear that the service contract recognises that the business plan strategic objectives must also be based on the definition of adequate public resources that Rai can depend on.

This year, as required by law, Rai has prepared a non-financial statement for the first time, combined with the corporate governance report, required by the service contract. Rai will increasingly dedicate more focus to these documents because, in a context of sustainable economic balance, it is precisely the non-financial and corporate governance dimensions that constitute the essence of our existence in a world more and more crowded with operators of various nature, and reflecting on this, with the aid of all those who for whatever reason are in contact with us, will help to improve our offer.

We would like that an effective representation of our many, and often little known, activities in these areas could help to defeat the prejudice and scepticism of a few and reinforce the confidence of many, and they are the majority, who already perceive Rai as a reliable and authoritative source of information, already like our cultural proposals, already turn to our lighter programmes to peacefully relax, finding even in their downtime a thread of a vision, a thought and focus on society, they already turn their children and young people over to us without fear because they know our programming protects their well-balanced development.

The Board of Directors' term in office ends with the approval of these financial statements. I have had the privilege and honour to be its chairman.

We would like to express our gratitude for the trust you have placed in us and together express our thanks to all of the professionals who have helped us to try and offer – within the unity of a polyphonic project open to content innovation, styles and languages – products that meet the expectations and preferences of the public and everyone.

There are not many others like Rai that can find a single word to describe them. Rai is the Public Service concessionary, it is an entity with public law profiles, it is a Company of general interests, but also an undertaking on the market that must protect its own profit, and for all of these reasons it is also governed by a multitude of authorities that guide and control it, each in its own area.

But, leaving rhetoric aside, more than anything else Rai is – and is committed to being so on a daily basis – a place for all Italians and our national community. A place for originating thoughts, sharing interests; a place for debate and discussion marked by the duty of contributing to reflect on the major issues that increasingly open and interconnected societies raise for our intelligence and conscience.

Financial Highlights

Rai SpA

Income statement

(€/million)	FY 2017	FY 2016	Change
External revenue	2,443.9	2,627.7	(183.8)
External costs	(1,357.9)	(1,521.9)	164.0
HR expenses	(888.7)	(928.2)	39.5
EBITDA	197.3	177.6	19.7
EBT	(25.0)	(24.6)	(0.4)
Profit/(Loss) for the year	5.5	4.2	1.3

Capital structure

(€/million)	31.12.2017	31.12.2016	Change
Equity	808.4	799.4	9.0
Net financial debt	181.0	563.5	(382.5)
Total financial position	989.4	1,362.9	(373.5)

Investments

(€/million)	FY 2017	FY 2016	Change
Investments in programmes	200.0	210.1	(10.1)
Other investments	84.5	64.4	20.1
Total investments	284.5	274.5	10.0

Personnel

(units)	31.12.2017	31.12.2016	Change
Permanent and fixed-term employees	11,850	12,003	(153)
of which fixed-term	795	700	95

Rai Group

Consolidated income statement

(€/million)	FY 2017	FY 2016	Change
External revenue	2,624.0	2,809.5	(185.5)
External costs	(1,033.8)	(1,151.3)	117.5
HR expenses	(983.3)	(1,031.7)	48.4
EBITDA	606.9	626.5	(19.6)
EBT	24.0	45.4	(21.4)
Profit/(loss) for the year	14.3	18.1	(3.8)

Consolidated capital structure

(€/million)	31.12.2017	31.12.2016	Change
Equity	480.1	476.6	3.5
Net financial debt (cash and equivalents)	209.0	549.6	(340.6)
Total capital structure	689.1	1,026.2	(337.1)

Consolidated investments

(€/million)	FY 2017	FY 2016	Change
Investments in programmes	443.7	472.6	(28.9)
Other investments	112.5	85.9	26.6
Total investments	556.2	558.5	(2.3)

Group personnel

(units)	31.12.2017	31.12.2016	Change
Permanent and fixed-term employees	13,058	13,230	(172)
of which fixed-term	858	741	117

Separate Financial Statements as at 31 December 2017

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Mission

After approval by the Parliamentary commission for the general guidelines and supervision of radio and television services of the required opinion, the Decree of the President of the Council of Ministers was published in the Official Gazette no. 118 of 23 May 2017 which established Rai as the official concession holder of the radio, television and multimedia Public Service for the duration of 10 years starting on 30 April 2017, and approved the draft of the convention attached to the concession.

The subject of the concession is the radio, television and multimedia Public Service to be considered as a general interest service, consisting in production and broadcasting activity on all distribution platforms for direct audiovisual and multimedia contents, including through the use of new technologies, ensuring complete and impartial information, as well as to encourage education, civil growth, progress and social cohesion, promote the Italian language, culture and creativity, safeguard the national identity and ensure socially useful services.

The negotiation process for the new Service Contract for the 2018-2022 five year period was then started which was later published in the Official Gazette of 7 March 2018.

Market scenario

In a context where media market paradigms quickly and pervasively change, the time and procedures for managing innovation have been drastically reduced. The disruptive players, i.e. the Internet Giants (Facebook, Amazon, Apple, Netflix and Google), force national and international Media Companies as well as telecommunications operators – now fully part of the competition – to rethink strategies and organisational and production models.

The year 2017, following the footsteps started at the end of 2016, was characterised by numerous Merger & Acquisition transactions which, even if partly still in the hands of various competent authorities, have triggered a process to redefine company boundaries, redrawing the national and worldwide competition context.

One of the most ambitious distribution network and contents integration projects was between the telecommunication giants USA AT&T and publisher Time Warner, whose business ranges from film (Warner Bros.) to television (HBO, Cinemax, TNT, CNN, Cartoon Network, CW); and from publishing (New York Times and Washington Post) to digital (Machinima, DramaFever). The American Department of Justice filed a civil lawsuit in November 2017 because the proposed acquisition violated the federal antitrust laws.

The same market strategy, aimed at vertically integrating production, distribution and sale of contents, includes the takeover attempts of 21st Century Fox by Walt Disney and Comcast, and the possible new merger between CBS and Viacom – separated in 2006 – initiatives aimed at facing the competition with the OTT (Netflix, Amazon Prime Video and Hulu) and with the major international players.

At the end of 2017, Walt Disney offered 52.4 million dollars to acquire, through a share swap, most of the assets of 21st Century Fox: air and cable TV channels, Fox Studios but also two major international investments – Sky in Europe and Star in India – with the exclusion of the News and Sport divisions. Comcast, the biggest cable operator in the USA, relaunched the 15% Disney offer and would be willing to waive Fox's regional sports channels, to aim exclusively at acquisition of 61% of Sky Plc. The transaction would permit the Media Company that obtains the agreement to increase its influence on the film production and television market, but also to obtain greater visibility worldwide, through the acquisition of Star India (58 channels in 8 languages) and through the SVoD Hulu service, already co-owned by Comcast, Fox and Disney. Hulu has been confirmed as the strategic platform in direct competition with Netflix.

Negotiations also began at the end of 2017 for a potential agreement between CBS (which controls, among other things, the CBS network – the most popular in the USA, the Showtime brand and Simon & Schuster publishing house) and Viacom, which controls other important cable TV channels, such as MTV, Nickelodeon and Comedy Central, as well as Paramount Pictures. The combined assets of the two groups, perfectly complementary, would result in a competitive Media Company.

Expanding and conquering new markets and audiences is an inevitable strategy. The partnership between Walt Disney and the e-commerce giant Alibaba has the same focus. It involves the distribution of films and TV series, major sagas and cartoons on the Chinese video streaming platform *Youku Tudou*. The streaming platform has 580 million registered users and a daily average of 1.2 billion viewings. The Chinese operator to strengthen its presence in the *family entertainment*, has already finalised agreements with other important international Media Companies, including Warner Bros, Paramount, Fox, NBCUniversal and Sony Pictures Television. In November 2017 Alibaba also closed a deal with Netflix for the distribution, in the 190 countries where *Over the top* is active, of the first Chinese TV series (*Day and Night*) produced by *Youku*. The Internet Giants continue to expand their distribution of contents through their platforms, accentuating the competition with broadcasters and the pay world. Important agreements in 2017 involved sports events: Facebook and *LFP*, the association responsible for the organisation of the Spanish football championship, signed a deal to broadcast the matches of the *Primera División* in live streaming and with *Major League Baseball (Mlb)* for live broadcasting of twenty games of the American baseball league 2017 season on social networks. Live streaming will be available for all users who have an account on the social network. Twitter announced an agreement with *Wnba* to broadcast the women's professional basketball games; Amazon, in addition to broadcasting the matches of the *National Football League (Nfl)*, thanks to an agreement with ATP World Tour, obtained the rights for streaming coverage of important tennis competitions for the years 2019-2023 in the UK and Republic of Ireland. All Amazon Prime Video account holders will have exclusive access to 37 tournaments (Masters 1000, twelve ATP 500 tournaments, twelve ATP 250 tournaments and the NextGen ATP Finals).

Traditional broadcasters stipulated agreements for sharing sports rights. The understanding for the XXIII winter Olympic Games in PyeongChang reached between Rai and

Discovery is along these lines. The latter broadcast the event on EuroSport1, EuroSport2 and on the SVoD service *Eurosport Player*; Rai obtained the rights for free to air broadcasting for a package of one hundred live hours, on Rai 2 and Rai Sport+HD. In terms of football, Mediaset – for the first time in its history, in part due to the absence of the Italian national team in the competition, was awarded the exclusive broadcasting rights for the World Cup to be held in Russia in 2018 and will offer all the matches free-to-air both in Italy and Spain.

Remaining on the topic of contents, in February 2017, Tim and Rai signed a strategic agreement which allows VoD platform subscribers to see the first broadcasts of the RaiCinema/O1 Distribution films. A year after they come out in theatres, the films will be made exclusively available on TimVision for twenty-four months and starting from the thirtieth day after they are put online, they be put on Rai Networks for free.

Vodafone has instead expended its TV service, launched in December 2016, permitting viewing traditional digital terrestrial channels, NOW^{TV} entertainment and Discovery Italia, De Agostini and Viacom International Media Networks channels. Thanks to new agreements with major worldwide players (including Sony Pictures Television, 20th Century Fox, Lionsgate, BBC Worldwide, National Geographic), Vodafone has also enhanced the catalogue of its on-demand contents.

Figures published by *Digital Trends 2017* of Ergo Research confirm the interest individuals have in these types of services: the use of SVoD services in Italy in 2017 almost tripled compared to 2016: 4.5 million families (9.6 million of over 15 individuals) declared that they had used at least one paid on-demand service against 1.6 million in 2016. Behind this phenomenon we find a high percentage of trialist user conversion (who pass from a free trial to the paid offer), as well as a progressive approach of audiences normally linked to linear offers.

The explosion of TVoD and SVoD services along with the confirmation of TV catch up and AVoD services, has been accompanied by an increase in the spread of devices: in 2017 the screens available to Italian families increased 4% (reaching 109 million) while devices to connect the TV increased 10% (reaching a penetration of 46%).

Access to contents through the connected TV increased 24%, reaching 12.4 million users; the pool of TV on web users grew 12%, hitting 20.4 million individuals.

In terms of contents, 2017 witnessed a confirmation of the scripted formats, especially serials, a phenomenon highly influenced by the

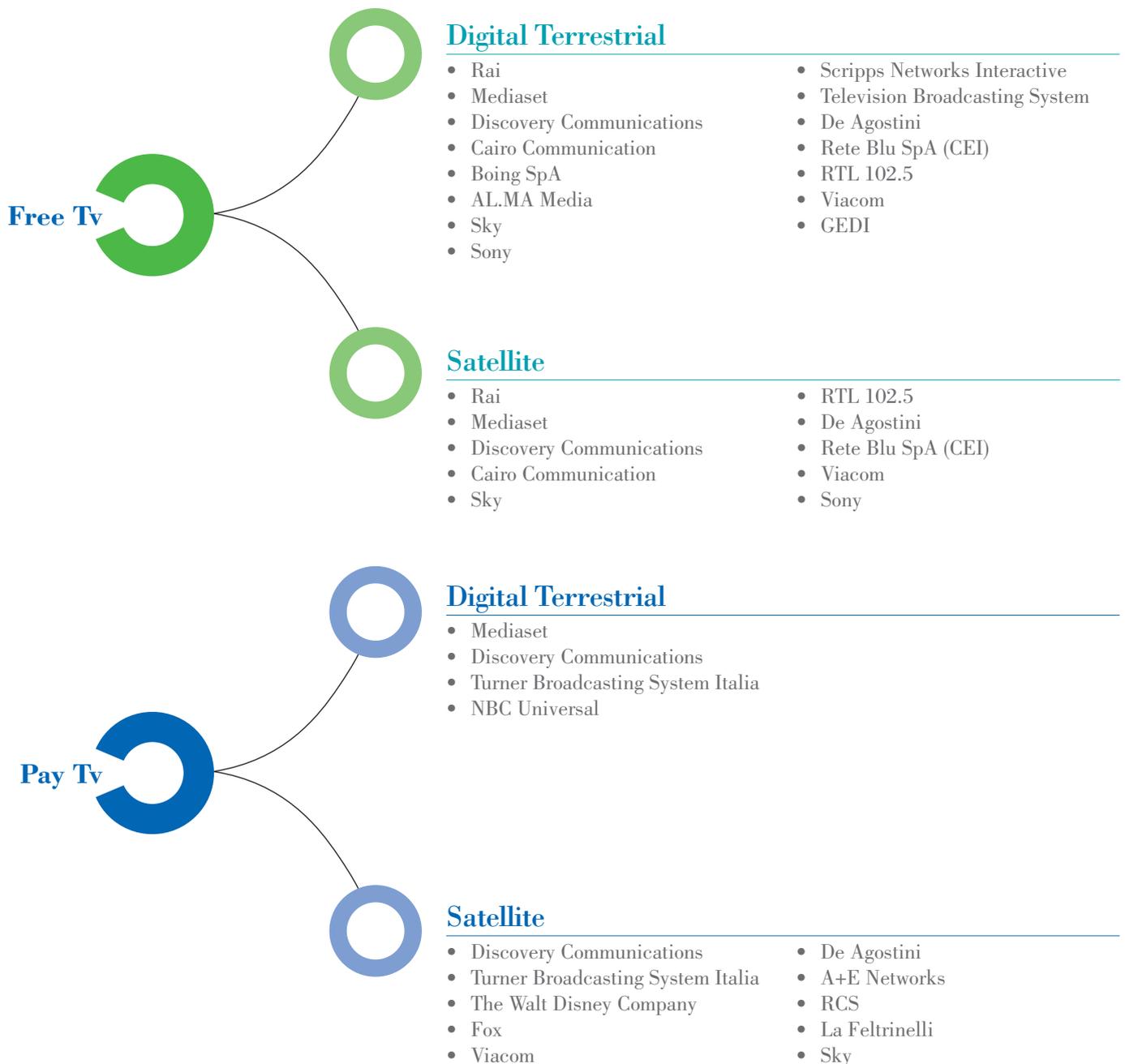
proliferation of SVoD offers: 31.4 million viewers, of which 17.1 regular viewers (Ergo Research).

Unlike what the market expected, the proliferation of SVoD channels and platforms in Italy did not lead to a cut in the consumption of traditional

Pay TV, but rather an overlapping of offers. In the international market instead, based on the results of important studies, more and more users are abandoning costly subscriptions to Pay TV or at least reducing the type of subscription and eliminating contents packages.

Main television operators active in Italy

(Source Rai)



In terms of devices, based on the results from the *Osservatorio Mobile B2c Strategy* of Politecnico di Milano in 2017, 31.1 Italians connected monthly to Internet from smartphones and tablets, of these almost 11 million (37%) are mobile only; this percentage increases to 61% on an average day. The year 2017 also witnessed Mobile only users exceeding PC only users. The average time spent browsing on mobile represents 64% of the total time online and is equal to around 45 hours per month per user: of these, 88% is spent using apps (the vast majority involving Google and Facebook owned applications). Moreover, the weight of mobile is increasingly significant for purchases: three mobile browsers out of four use a smartphone during purchase processes and more than 40% use it to buy.

News and fact checking

Right after television, confirmed as the medium with the greatest informational value, the mobile and PC represent the media with a higher and higher percentage of users who use them to access the news. The informative strength of Internet, as confirmed by the *Report*

on Information Consumption by AgCom for 2017 continues to increase; Italians who go online to get information totals 26.3% of the population, 48.2% did so through television, 17.1% with newspapers and 8.4% with the radio.

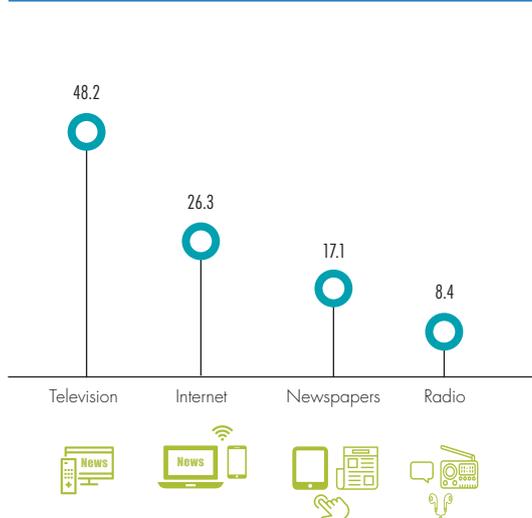
Among the Italians who access information online, 54.5% did so via so-called algorithmic sources; of these, 36.5% through social networks and 36.5% with search engines. However, the latter are considered reliable by less than 24% of users.

The phenomenon of little trust in information sources, especially those distributed via Internet, can be partly explained by the growing spread of devices which, despite increasing the possibility of exposure to information, may also foster a superficial and distracted consumption of news at the same time, increasing the risk of disinformation.

An important trend connected to the various forms of disinformation, which can be found mainly on social networks (Facebook *in primis*), is the result of the concept of ideological polarisation, which leads to so-called echo chambers, composed of individuals who relate and discuss only within a circle of people with similar ideology.

Main source of information for Italians (2017; % of the population)

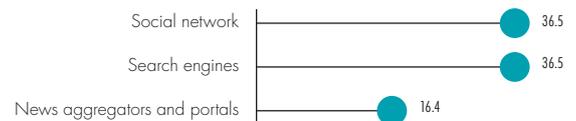
(source: AgCom - *Report on Information Consumption*)



Access to information through main algorithmic and publishing sources (2017; % of the population)

(source: AgCom - *Report on Information Consumption*)

Algorithmic sources



Publishing sources



These “ideological bubbles” can expose individuals to selective “stories”, driving them to not shift from their acquired convictions, reducing the fact checking of the information and in the end limiting their critical thinking.

Based on the 14th Report on communication *I Media e il nuovo immaginario collettivo*, published in October 2017 by Censis, both fake news and post-truth are connected to the subject of information.

The use of fake news may be related to two goals, one commercial and the other political-social. In the first case it is the social networks to distribute fake news, through the dissemination of sensationalistic posts and click bait full of advertising which buried the users; in the second case, specific stakeholders spread ambiguous, suspect and detrimental news aimed at discrediting other parties. The latter case is often the cause of the Internet Haters phenomenon (individuals who, hiding behind virtual or real alias, use various online platforms to express their hate towards specific categories or subjects). Research shows that it is the youngest (the majority of internet users) who are most vulnerable: 58.8% of 14-29-year-old internet users believed news that later turned out to be false. Fact checking is becoming increasingly widespread to fight the fake news phenomenon: 48.1% of social network users (the percentage rises to 52% among young people) stated that they check reliability of information before sharing it and, in part in the wake of the debates on fake news and hate news, Facebook, after having become

one of the main sources for the distribution of informational contents, witnessed a slowdown in 2017, reporting stable, and no longer growing, values: Italian who stated they used the social network to access news totalled 35% against 35.5% in 2016.

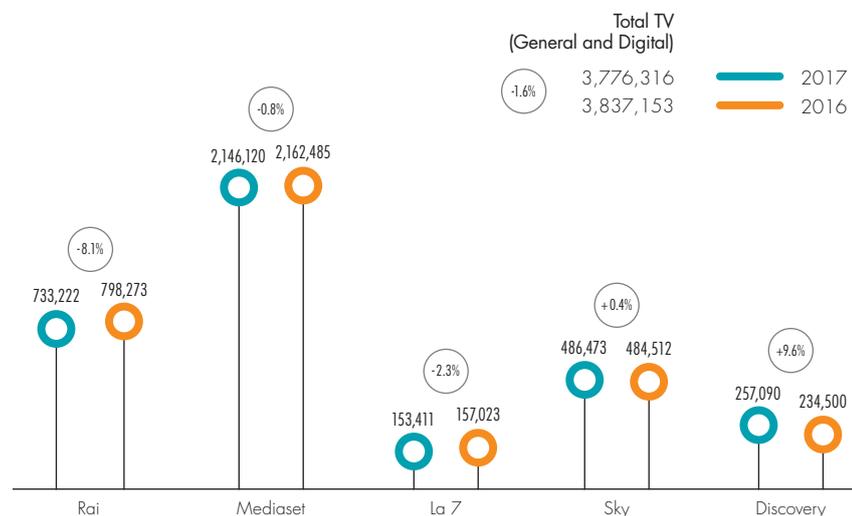
Analysis and research activities on fake news issues and online disinformation have been started at a European and national level. To this end, at the end of 2017, the European Commission launched a public consultation and established a group of experts with the aim of contributing to define a common EU strategy for fighting the spread of fake news. The Italian AgCom established a *Tavolo tecnico per la garanzia del pluralismo e della correttezza dell’informazione sulle piattaforme digitali*, aimed at promoting self-regulation of platforms and the exchange of best practices to identify and fight online disinformation phenomena.

Advertising

Based on official Nielsen figures, the advertising market reported a drop of 2.1% compared to 2016 in Italy, from a value of €6.38 billion to €6.25 billion. If the Search and Social component is included, again based on Nielsen estimates, the advertising investment market grew from €8.21 billion to €8.25 billion, for an increase of 0.4% over 2016. In terms of the performance of the various media, against a 1.6% drop of TV, there was a positive trend for Radio (+5.4%) and the digital segment (+7.7%, +1.7% excluding Search and Social).

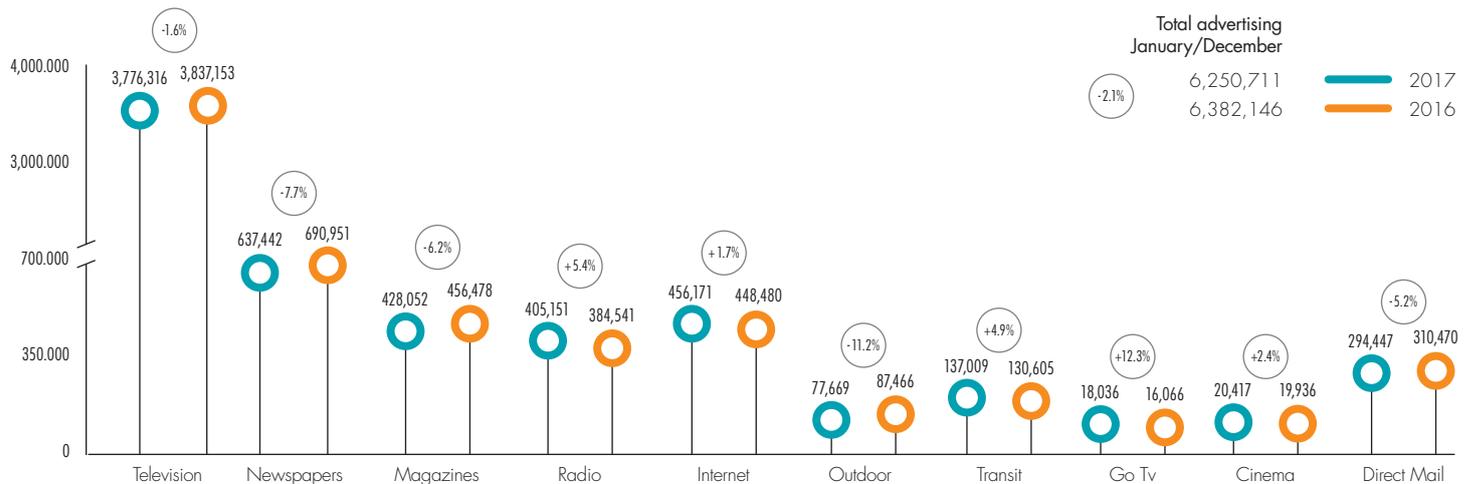
Advertising market estimates - TV (Net figures)

(Thousands of Euro)



Changes in advertising revenue by medium

(source: Nielsen, figures in thousands of Euro)



The printed segment is still strongly down: -7.7% for Newspapers and -6.2% for Magazines. Positive signs for Cinema (+2.4%).

In terms of the television market, regarding advertising revenue of the various publishers, the figures are down Rai (-8.1%), La7 (-2.3%) and Mediaset (-0.8%).

The significant decrease for Rai is mainly due to the higher revenue in 2016 connected with major sporting events as well as the interruption of advertising revenue on three specialist channels, which started in May 2016. Discovery's results were positive – they achieved, in terms of percentage change, the best over all performance (+9.6%) – and Sky (+0.4%).

In Europe the request for digital advertising campaigns on brand safety contexts increased and interest for video programmatic campaigns rose at the same time. This context includes the start-up of the Ad Exchange *Ebx - European Broadcaster Exchange* platform in June 2017, a joint venture between Mediaset commercial operators (Italy and Spain), ProSiebenSat.1 (Germany), TF1 (France) and Channel 4 (UK) as of November.

The main publishers continued their portfolio diversification in 2017, creating highly specialised channels, while players from other editorial sectors, platforms or other markets (Telecommunications and Internet Giants) continued to expand their offering often overlapping that of traditional television broadcasters.

In relation to the satellite platform, the share of Sky subscribers has basically remained stable at just over 4.4 million families. For the other paid TV services, Mediaset Premium, distributed by DTT, supposedly reaches 1.6 subscribers based on figures released by the Group.

Use of the free TivùSat satellite platform has slightly increased which in the period in question, states to have exceeded 3 million active cards and more than 2.2 million user families.

Channels

The following changes occurred in Italy in 2017 in terms of the competition framework:

- as of January, the channels Rai News 24, Rai Yoyo, Rai Gulp, Rai Storia and Rai Scuola were also broadcast on Tivùsat in HD;
- the channel Rai Sport 2 was closed in February and Rai Sport+ HD on channel 57 was launched; the standard version is present at the position LCN 58. Broadcasts of the AXN and AXN Sci-Fi channels on the Sky satellite platform ended;
- Rai completed the rebrand of its channel portfolio in April introducing news graphics for its 10 specialised channels (Rai 5, Rai Movie, Rai Sport, Rai Yoyo, Rai Gulp, Rai Storia, Rai Premium, Rai Scuola, Rai Italia and Rai World Premium). Sky Italia also launched *NOW^{TV} Mobile* to use mobile contents;
- Rai and France Télévisions signed a framework agreement in June for cooperation and the development of co-production partnerships. The agreement, which originated from a common desire to participate in the construction of a “European public opinion”, includes the creation of a series of projects which will be governed by single application agreements and allow the parties to enhance the production of top-quality, European related contents to use for national programming and international distribution. Sky was awarded the rights (as occurred earlier in Germany)

for broadcasting all of the UEFA Champions League and UEFA Europe League matches starting from the 2018 season and for the following three years;

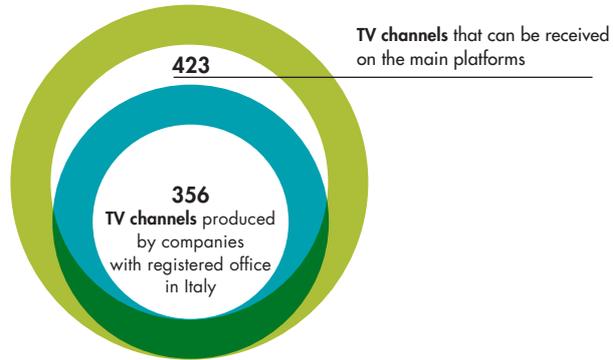
- Radio Subasio formally became part of Mediaset’s radio group in August;
- Sony Pictures Entertainment Italia launched Cine Sony in September, a broadcaster dedicated to the world of cinema (LCN 55);
- Alpha, a channel owned by De Agostini started in October, which replaces Split Tv (LCN 59);
- Viacom International Network launched Spike, a channel dedicated to a 24-54 age, mainly male, target (LCN 49);
- RaiPlay Radio debuted in December, Rai’s new platform with live and on-demand contents of Radio 1, Radio 2, Radio 3, Isoradio, Gr Parlamento and 5 specialised (Radio Tuttaitaliana, Radio Classica, Radio Techetè, Radio Live and Radio Kids).

As of December 2017, there was a total of 356 TV channels under TV editors – net of any duplications – available on DTT, DTH or both platforms; of these 356, 125 can be watched on the digital terrestrial platform (including two channels of the Giglio Group, which, despite having a national license, are broadcast on local MUX) and 287 on satellite (free and pay). Fifty-six of the total 356 are available on both platforms.

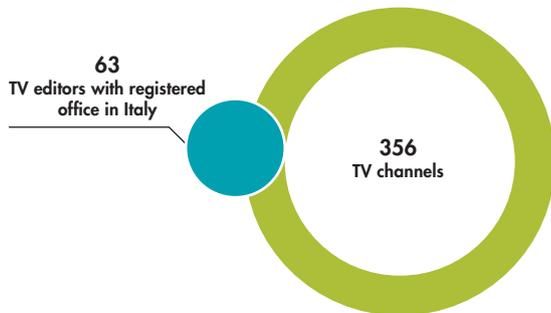
In terms of the business model, a total of 124 free channels are available, 70 of which can be seen on the TivùSat platform; there are 232 paid channels, 202 can only be viewed on Sky Italia, 29 only on Mediaset Premium and one, Cartoon Network, available on both platforms. The HD offering has expanded, increasing from 96 channels in 2016 to 106 at December 2017 (30% of the total) after overlapping on the various platforms. HD channels are mainly present on satellite (93 channels). There is only one channel that broadcasts 3D contents.¹

¹ Data processed by Confindustria Radio Televisioni (CRTV).

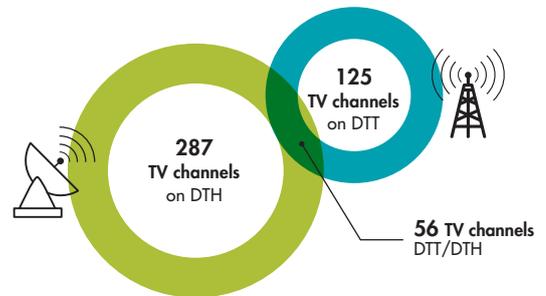
TV channels in Italy



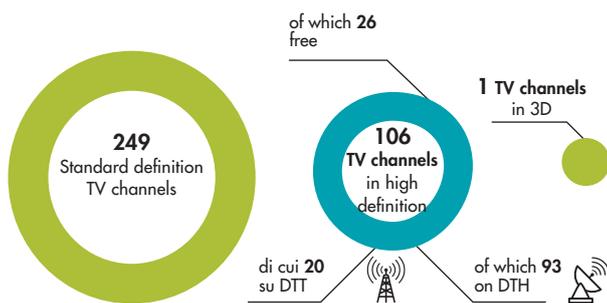
TV editors and channels



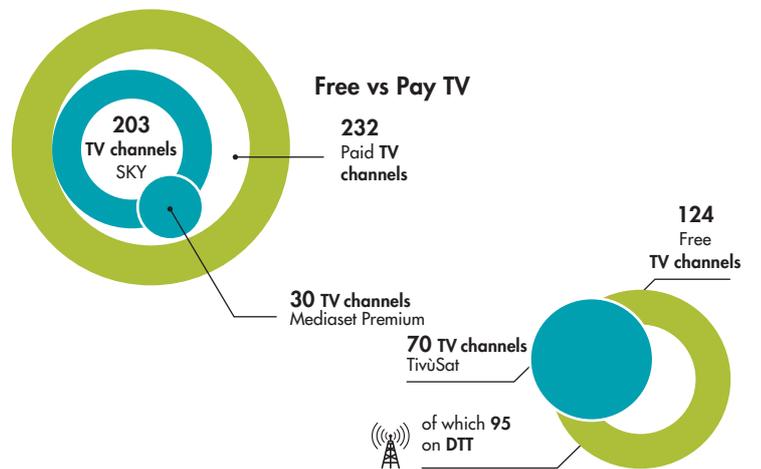
Platforms



HD and others

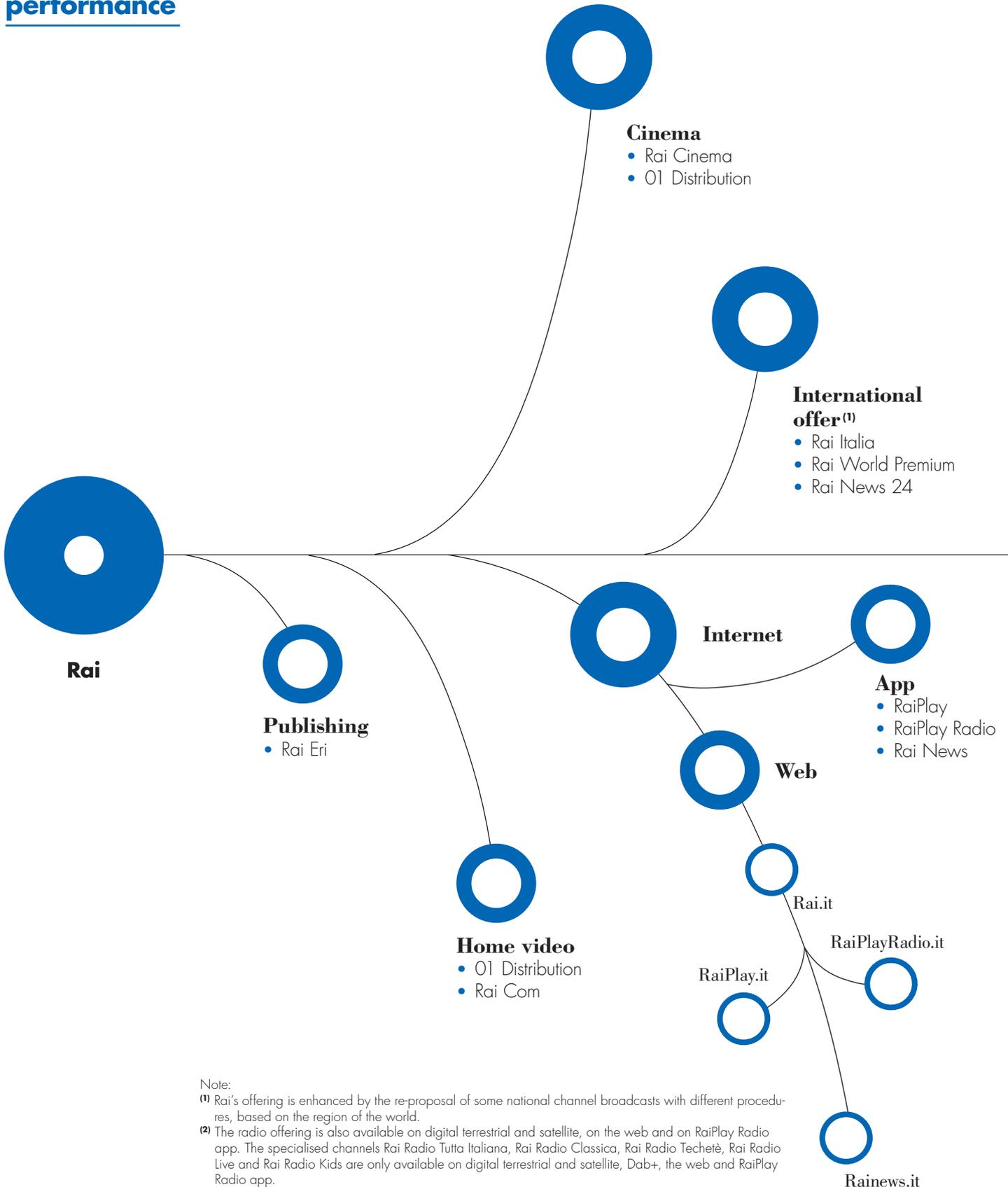


Free vs Pay TV



The Rai product offer and performance

Map of the offer



Note:

- (1) Rai's offering is enhanced by the re-proposal of some national channel broadcasts with different procedures, based on the region of the world.
- (2) The radio offering is also available on digital terrestrial and satellite, on the web and on RaiPlay Radio app. The specialised channels Rai Radio Tutta Italiana, Rai Radio Classica, Rai Radio Techetè, Rai Radio Live and Rai Radio Kids are only available on digital terrestrial and satellite, Dab+, the web and RaiPlay Radio app.
- (3) The television offering is available on DTT, satellite and RaiPlay.
- (4) Can only be viewed on Tivù Sat.
- (5) Visible in areas reached by MUX5 and on satellite only on Tivù Sat.
- (6) Can be used entirely on the Sky platform.



Radio⁽²⁾

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

Television⁽³⁾



Generalist channels

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

Semi-generalist 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⁾

Special-interest 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
- Rai Gulp
- Rai GulpHD⁽⁴⁾
- Rai YoYo
- Rai YoYo HD⁽⁴⁾



Information

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

Editorial offer

The Rai Group ensures a vast and diversified Public Service offering, present on all platforms, able to address the public in all its forms.

Based on what is expressed in the new 2018-2022 Service Contract, approved in January 2018, Rai is committed to expanding and diversifying its television, radio and multimedia offering.

The general principles expressed in it include:

- guarantee a plurality of contents through different formats and genres, in compliance with the principles of impartiality, independence and pluralism;
- offer attention to various generational, cultural, religious and gender needs, as well as to minorities and disabled individuals, in order to promote the development of an inclusive, equal and respectful society, distributing information aimed at forming a culture of legality and respect for gender diversity;
- promote socio-cultural development through interventions that foster the cultural and creative system and talents including aimed at a greater opening to international scenarios;
- contribute to digital literacy by encouraging the use of information and communication technologies;
- promote the image of the country, through the development of projects that could potentially interest the international public;
- focus on the world of minors, guaranteeing their protection through compliance with laws to their advantage and encouraging them to explore subjects of the most diverse learning areas;
- support technological development including through experimentation with new broadcasting procedures in line with market evolutions.

Among the main initiatives promoted by Rai during 2017 is the consolidation of the renewal process begun in 2016, which is based on two fundamental approaches: on one hand enhancement of the editorial offer and on the other completion of the *brand refresh*.

In terms of enhancing the offer, in order to clearly identify the mission of the generalist channels, their ranking has been further refined, through the identification of a clear and well-organised editorial identity. This process was activated through the use of diversified languages, themes and formats aimed at different audiences, which consolidated and made concrete a far-reaching editorial updating process, perfectly consistent with the Company's Public Service role.

Rai, in fulfilling its specific role, can never absolve itself from informing completely and pluralistically, from telling the contemporary reality and the territory, addressing all audiences and promoting

the dissemination of the culture and an adequate image of Italy abroad.

In terms of the brand refresh issue, the pursued objective has been to identify a new and consistent design portfolio for all Company brands, within the framework of a single and distinctive corporate identity and at the same time able to assign each Network with a consistent graphic style that is clearly recognisable. Designing started from reviewing the first element of the corporate identity, i.e. the Rai logo which, although unchanged, has been correctly spaced, to communicate a solid and precise company, where there is focus on what is public; this operation was extended to all areas where there is a presence and application of the Group's identity (on air, off air, digital). Everything was reformulated in line with the corporate identity, highlighting the specific nature of each Network. The square thus became the basic module for the development of all the corporate identity, with an operation broken down into two phases: the first regarded the development of the visual identity of the three generalist channels (Rai 1, Rai 2 and Rai 3) and semi-generalist channel Rai 4, the second involved the restyling of the ten specialist channels. From cinema to sports, from cultural entertainment to kids, the idents for the specialised Networks also start from the square, but more directly and explicitly illustrate the editorial themes of each one.

Another series of important initiatives involved the audience measurement systems, for ensuring maximum transparency in reporting and adequacy in relation to international best practices. A commitment, partly to be completed, that should comply with the guidelines issued by AgCom and hopefully be shared by all sector operators.

Rai sustains and promotes an audience measurement approach through the *Joint Industry Committee* which currently measures the audiences of TV and digital and includes editors and associations that combine advertising investors and communication operators (UPA, Assap/Assocom). In terms of radio, Rai has maintained its guiding role for the Tavolo Editori Radio (TER), where all national and local editors participate, working to create the 2017 survey.

In detail, in relation to television audience measurement, Auditel has created and developed significant innovations in 2017 for the evolution of research on audiences, aimed at better representing current and future use scenarios.

The most significant projects in this area include:

- *Superpanel* (operative). Starting 30 July 2017, in part to reduce the statistical variability of audiences for low audience channels, the Auditel television audience figures were measured through a continuous measurement sample (panel) three times larger than previous ones and two thirds new, with a considerable increase in the significance of data produced for all measured broadcaster. An additional 10,400 families were added to the 5,700 families of the panel, already representative of the population resident in Italy. They were selected based on the same representation criteria used to date, for a total of 16,100 families, equal to around 43,000 individuals 4 years and older.
- *Total Audience* (in the process of being created). A study was created to identify technological/methodology partners in order to measure web-distributed (on PC, tablet, smartphone and smart TV) television content audiences and integrate them within the Auditel standard. Similar to the approaches from the international scenario, measurement of digital use will be based on the use of census data (thus with measurement of all consumption), where assignment of the average socio-demographic profile of users of specific online contents will be determined through measurement on the panel.

A final important element that characterised Auditel's activity in 2017 was the start of the single Auditel/Audiweb Basic Research (RdB), which is aimed at providing uniqueness of references for the market in terms of data on the availability and use of platforms and devices for consumption of televisions contents and access to internet.

The sole survey follows the innovative sampling procedures developed by Auditel, based on lists of addresses instead of voter lists without resident foreigners.

In terms of digital audience measurement, in 2017 Audiweb promoted the creation of a new method system, able to get around the limitations of measurement conducted to date, in order offer a product increasingly in line with the reference market. Audiweb 2.0 was conceived to return decidedly prompt and accurate representation of the new consumption procedures for online editorial contents, increasingly used on mobile devices and through apps.

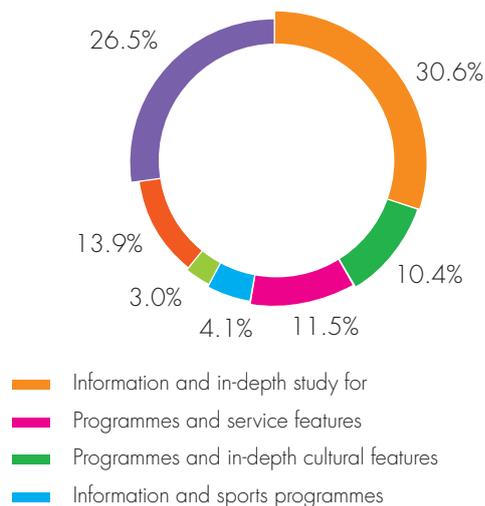
A process begun in 2015 was completed in 2017 which will permit – starting in 2018 – to have to Digital audience volumes closely after the distribution of the editorial content, thanks to the use, in addition to the census data from the editors and those for a specific Nielsen panel, of data obtained from Nielsen through a specific agreement with Facebook.

The main innovations regard:

- the availability of data on a daily and weekly basis (within 3 days from the period measured) profiled by gender and age bracket;
- the correct assignment to editors of the traffic related to their contents when used in in-app browsing mode within third party platforms (for example: Facebook "Instant Article" and Google AMP - Accelerated Mobile Pages);

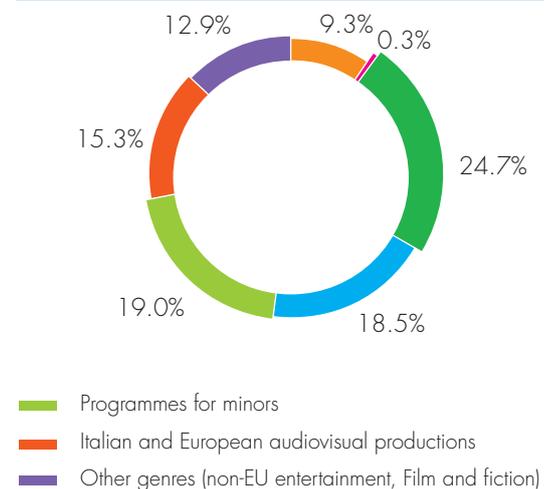
Programming by genre on generalist networks

(source Rai)



Programming by genre on specialised networks

(source Rai)



- the measurement of videos used on mobile devices (smartphone/tablet/personal media player) both from browser and app;
- expansion of the numerosness of mobile device measurement panel;
- inclusion of 13-17-year olds in the mobile device measurement panel;
- the use of census data (referred to human browsing and developed in Italy) including for the mobile device use part;
- the availability of monthly data for new socio-demographic targets of public interest (In charge of purchases and presence of 0-2 year old children in the family).

In terms of radio audience measurement, in the beginning of 2017 the first audience measurement was started conducted by the company Tavolo Editori Radio, specifically established to represent the entire radio market. The general measurement system is broken down into:

- main survey for measuring Yesterday Average Day audiences and of the last 7 days, through 120,000 annual telephone interviews (Computer-Assisted Telephone Interviewing - CATI), with similar questionnaire to the one used for 2016, created jointly by the institutes GfK and Ipsos, each for a semi-sample of 60,000 interviews; parallel survey for measurement of audiences in the past 14-28 days on 20,000 annual interviews (again with CATI technique) and implemented by the DOXA institute.

In addition to introduction of the parallel survey on 14-28 day audiences, method innovation elements, compared to the previous radio audience measurements conducted by the GfK institute (Radiomonitor survey) include: extension of the sampling with the inclusion of municipalities with over 4,000 inhabitants (5,000 inhabitants for Radiomonitor) and introduction of a interview share proportional to the Italian population including for the over 75 class (previously included within the over 65 class).

Digital terrestrial and satellite television

The year 2017 witnessed significant investments in digital terrestrial by major national and international groups, which further enhanced the DDT offer: AXN launched *Pop*, Scripps Networks the *Food* channel, Viacom *Spike*, Sony *Cine* Sony and DeA *Alpha*, confirming its ranking as the main television platform in Italy, with 95% penetration, despite a drop of three percentage points compared to 2016.

Rai, among the operators active on the market, proposes the largest offer on the DTT platform with 14 nationally broadcast channels:

- three generalist networks: Rai 1, Rai 2, Rai 3 available both in SD and HD;
- eleven semi-generalist or specialised 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. Of these, Rai 4, Rai Premium and Rai Sport+HD are also available in high definition.

Digital satellite, complementary in relation to digital terrestrial, makes it possible to reach parts of the population not covered by DTT. Based on the model of experiences in other countries, Rai – along with Mediaset, Telecom Italia Media, Confindustria Radio Tv and Aeranti-Corallo – contributed to create the free TivùSat platform. All 14 Rai channels are available on the platform, including in HD mode. In addition to and to support the linear television offer, Rai proposes interactive applications and on-demand video services via internet that can also be used on connectible TVs (smart TV or through certain types of interactive decoders).

The year 2017 was also characterised by Rai's progressive opening to global markets. After co-production of the series *I Medici*, the Group undertook a collaboration with Netflix to create the TV series *Suburra*. This cooperation represents the first direct investment in an original Italian content for the streaming platform.

The diversification and enhancement of programming has thus made it possible to obtain important results in terms of image and audience. Various approaches were taken: major international co-productions revolving around the symbolic force of Italian culture, history and literature. These include the new projects *Il nome della rosa* and *L'amica geniale* (original series produced by HBO-Rai); genre series, characterised by strong identity theme *I Bastardi di Pizzofalcone*, *Rocco Schiavone* and *Montalbano*; innovative programmes, which use narrative language and contemporary visual codes, such as *Non uccidere*. Lastly, new generations of narration like the fantasy of *Sirene* and the drama with supernatural inserts *Sorelle* and biopic miniseries format *in arte Nino* and *Principe Libero*, the latter aired at the beginning of 2018.

Rai won the challenge of expanding and varying the language for telling fictional and met with great success with Italian audiences at the same time. The showcase of this editorial and business strategy is represented by the creation of the international co-production, *Maltese – il romanzo del commissario* broadcast on Rai 1 in spring 2017.

In this product the production value reached levels of excellence in relation to the domestic market and absolute comparability in relation to the international market. From writing to the making of the film, and acting at cast level, Maltese proposed an extraordinary mix (particularly for the Italian market and for Rai's fiction tradition) of narrative potential, subject/historical significance and new, highly evocative settings.

Again Rai 1, through the previously mentioned *Sirene*, returned the fantasy genre to prime time, obtaining good audiences, with peaks over 30% share on younger targets and an average age of 4 years younger than the network's. The results on RaiPlay were also excellent, where the series episodes totalled 2.8 million *media views* overall. The first episode in particular recorded the best debut ever for a fiction on RaiPlay thanks to the 437 thousand *media views* in the first seven days of programming on the platform. *Sirene* was also the first Rai show in the classification of the most commented fiction by internet users on social media, with 185,700 total interactions between Twitter and Facebook.

In terms of audience the fictions broadcast on the leading Network recorded an average share of 22.3% and average audience of 5.5 million viewers.

Rai 1, in its role as a place of major collective events with a strong cultural connotation, proposed *Stanotte a Venezia*, in 4K format and created with the use of drones, helicopters and specially created visual effects; it was a major success with the public with almost 5 million views and a share of 25%, with good feedback also on social media

In an attempt to make the mainstream audience more loyal and add new audience flows at the same time, the Network increases its control of the area of desires for evasion, lightness and fun, through new contents and faces that are highly recognisable and crossmedia. Along these lines is the evening event *La Notte di Vasco*, original format aimed at intercepting as large an audience and possible and covering all targets. Rai 1 reinforced its role as 'house of not-to-be-missed events' thanks to the broadcasting of additional music related shows with *Uno due tre... Fiorella*, *Colosseo di Roma*, *Andrea Bocelli show*, *Celebration* and the second edition of the one man show *Panariello sotto l'albero*.

Moreover, ever year Rai has confirmed its ability to know how to create and continuously reinvest the top event par excellence of the Italian media market: the *Festival di Sanremo*.

The success of this event/brand is not a given and even less "automatic". This brand has encountered times of difficulty over its long life. In the latest editions we have witnessed an escalation of unprecedented successes which have shown the best side of Rai's creativity and entertainment know how making the event, in addition to an unequalled point of pride and never reached by national and international competitors, a time to create new personalities, new trends, new performance languages, able to influence the entire media market.

Excellent results for the evening event *Falcone e Borsellino* – aired live and without advertising – which had the merit of performing the Public Service role in an innovative manner, telling the personal and professional stories of the two judges directly from the historic spots of their story: excellent results were obtained also in terms of social media interaction thanks to the participation of more than 18 thousand users who generated a total of 28 thousand interactions.

Rai 1 also innovated the structure of its offer by placing *Che tempo che fa* (historic Rai brand) in the greatest audience time band on the leading Network. In a particularly difficult social context phase, Rai 1 decided to focus on telling about the beauty of Italy and how much good it "contains", celebration of its customs and culture giving a leading role to the story of the real country, compared to previous seasons. In day time, important signs of renewal can be seen in the relaunch of the morning time band, where significant editorial interventions have been made which revitalised audience and re-sparked its image. In particular, *La Prova del cuoco*, *Storie Vere* and *Buono a sapersi* have again ranked Rai 1 as leader in terms of audience.

Rai 2 also showed significant signs of renewal by broadcasting *Il Collegio* in prime time, a product that managed to attract a young audience thanks to the blend of languages and genres, from observational documentary to reality show. With a share over 15% in the segment represented by 8-19 year olds, it greatly contributed to changing the perception of Rai in this target, reaching the aim of a TV that speaks to all audiences. The feedback on social media was also excellent, where many requests were received from young people asking to participate in the casting. The Network also demonstrated that it knows how to innovate informative language, continuing with trying an infotainment programmes with a fresh and innovative style: *Nemo*. The programme represented a challenge to the traditional information of talk shows.

The most viewed programmes (Top 3)

For the programmes with various episodes, the audience of the most viewed episode is shown. Source: Auditel

	Title	Channel	Date	Audience	Share	
Current events	1	Message from President Mattarella	Unified networks	31/12/2017	9,591,000	54.7%
	2	Che tempo che fa	Rai 1	24/09/2017	4,416,000	19.9%
	3	Falcone e Borsellino	Rai 1	23/05/2017	4,213,000	18.7%
Investigations	1	Porta a porta Speciale	Rai 1	19/01/2017	4,061,000	15.5%
	2	La passione sotto le macerie	Rai 1	14/04/2017	2,590,000	11.9%
	3	L'Arena Speciale	Rai 1	26/03/2017	2,398,000	17.8%
Culture	1	Stanotte a Venezia	Rai 1	13/06/2017	5,067,000	25.1%
	2	Concerto di Capodanno	Rai 1	01/01/2017	3,691,000	24.6%
	3	Concerto di Natale	Rai 1	25/12/2017	2,472,000	22.3%
Science and environment	1	Linea Verde	Rai 1	12/02/2017	3,555,000	21.0%
	2	Super Quark	Rai 1	26/07/2017	3,141,000	17.9%
	3	Linea Blu	Rai 1	02/12/2017	2,395,000	13.6%
Children	1	60° Zecchino d'Oro	Rai 1	09/12/2017	2,805,000	17.2%
	2	L'attesa	Rai 1	24/12/2017	2,356,000	14.9%
	3	Happy birthday Topolino	Rai 2	08/12/2017	835,000	5.6%
Cartoons	1	Il Piccolo principe	Canale 5	16/01/2017	2,796,000	10.4%
	2	Frozen il regno di ghiaccio	Rai 2	24/12/2017	2,471,000	12.7%
	3	Cattivissimo Me 2	Italia 1	28/01/2017	2,453,000	9.9%
Service	1	Complimenti per la connessione 2	Rai 1	24/07/2017	3,753,000	19.5%
	2	La partita nel cuore	Rai 1	30/05/2017	3,146,000	14.7%
	3	Con il cuore nel nome di Francesco	Rai 1	10/06/2017	3,025,000	18.1%
Religion	1	Rito della via Crucis	Rai 1	14/04/2017	3,863,000	16.6%
	2	Benedizione Urbi et orbi	Rai 1	25/12/2017	3,063,000	28.2%
	3	Angelus	Rai 1	01/01/2017	2,987,000	23.5%
Sports	1	Qualification for World Cup: Italy - Sweden	Rai 1	13/11/2017	14,799,000	48.0%
	2	Uefa Champions League: Juventus - Real Madrid	Canale 5	03/06/2017	13,018,000	54.7%
	3	Coppa Italia: Juventus - Lazio	Rai 1	17/05/2017	10,261,000	39.0%
Sports special features	1	Victory lane	Rai 1	30/07/2017	2,821,000	24.6%
	2	90° minuto	Rai 2	19/11/2017	1,954,000	11.0%
	3	La domenica sportiva	Rai 2	28/05/2017	1,722,000	12.7%
Entertainment	1	67° Festival di Sanremo	Rai 1	11/02/2017	12,087,000	58.3%
	2	Sanremo Start	Rai 1	07/02/2017	11,038,000	38.2%
	3	Striscia la notizia	Canale 5	30/01/2017	6,373,000	22.7%
Italian fiction programmes	1	Il commissario Montalbano	Rai 1	06/03/2017	11,630,000	44.4%
	2	Maltese il romanzo del commissario	Rai 1	08/05/2017	7,516,000	30.2%
	3	I bastardi di Pizzofalcone	Rai 1	06/02/2017	7,160,000	27.1%
Film	1	Belle et Sebastien	Rai 1	02/01/2017	6,121,000	22.7%
	2	Il principe abusivo	Rai 1	03/01/2017	5,288,000	20.6%
	3	Maleficent	Rai 1	01/01/2017	4,933,000	20.4%

Each topic in the show is told from a multitude of viewpoints, so that viewers can create personal opinions by listening to different and contemporary experiences. Moreover, through Ted Talks and immersion filming with a microcamera, *Nemo* showed Rai's desire to address various audiences and open up to technological innovation. The Network also focussed on innovative fictions, trying new genres like fantasy, broadcasting the previously mentioned *La porta rossa*. In terms of entertainment, Rai 2 continued to be an innovation driver, by trying new languages by revising the genre. The Network proposed the second edition of *di Stasera Casa Mika* and also *Facciamo che io ero*, intercepting the expectations of more active and less traditional audience. The Network also adopted the international trend of "moving forward by looking backward", with *Indietro tutta 30 e l'ode: two event evenings*, the first aired at the same time also on Radio 2, to celebrate the 30 years of *Indietro tutta*, the famous programme conducted by Renzo Arbore and Nino Frassica.

Rai 3, continued to experiment with new languages, styles and contents, always consistent with its Public Service mission. The Network shows that it is anchored in modernity, telling of the daily life surrounding the viewer. Rai 3, in addition to the topics it generally covers, dealt with social issues not always accessible to the public at large. For example, through products like *I ragazzi del Bambino Gesù*, *Operai* by Gad Lerner and *Sono Innocente*, Rai 3 explored taboos connected with diseases, including serious, faced by children; it took a close-up look at the world of new workers, investigating the traditional industrial environment and new realities like Amazon; lastly, it told the stories of common people involved in judicial errors.

The segment dedicated to information was overhauled, thanks to the introduction of *#Cartabianca*, a programme conducted by Bianca Berlinguer, in prime time. The attention dedicated to the various social and cultural realities in Italy was enhanced by the Network in the final months of 2017, through attentive and innovative programming. One example of this is the introduction of the Network's historic brand *Chi l'ha visto?* into the day time bracket which, through daily updates, aired from 11:30 to 11:55, is aimed at distributing and reinforcing the Public Service programming. The programmes *Senso Comune* and *La strada senza tasse* have given a voice to everyday Italy, common people who live in a social context where news and politics cannot be neglected. Rai 3, thanks to the programming of Italian films on Friday night, has become the promoter of the country's cinematographic heritage, reinforcing the image of a network sensitive to Italy, even from a strictly cultural viewpoint.

Radio

Radio has been confirmed as one of the pillars of Italians' media consumption; as with traditional television, the medium has been able to withstand and use new communication procedures and technological innovation, integrating its offer with new contents, format and social interactions, with positive feedback including in terms of advertising revenue.

Technological innovation has further changed the procedures for using radio services, with an increasingly frequent combination with the traditional devices present in cars with listening through mobile devices (smartphones and tablets). With these devices it is possible to listen to traditional FM analogue radio and in Dab+ and use online streaming services (through aggregators or apps) or digital native radio web. The December 2017 launch of the multimedia platform dedicated to the RaiPlayRadio.it radio offer is along these lines. It replaced RadioRai.it with a consumer-friendly innovative technology, significantly improving the audience's listening experience.

The Rai offer is the largest in Italy in terms of numbers of genres and channels with:

- three highly characteristic radio stations: Radio 1, Radio 2 and Radio 3;
- Isoradio, the traffic information station;
- Gr Parlamento, station dedicated to the Institutions.

Rai's radio offer was further enhanced on June 2017 with the launch of five specialised digital stations, each aimed at covering a specific subject area, able to satisfy different moods and needs. The stations can be received with Dab+, the RaiPlayRadio app, via web and on digital terrestrial and satellite with the numbering dedicated to radio stations.

Specifically, the five new stations are:

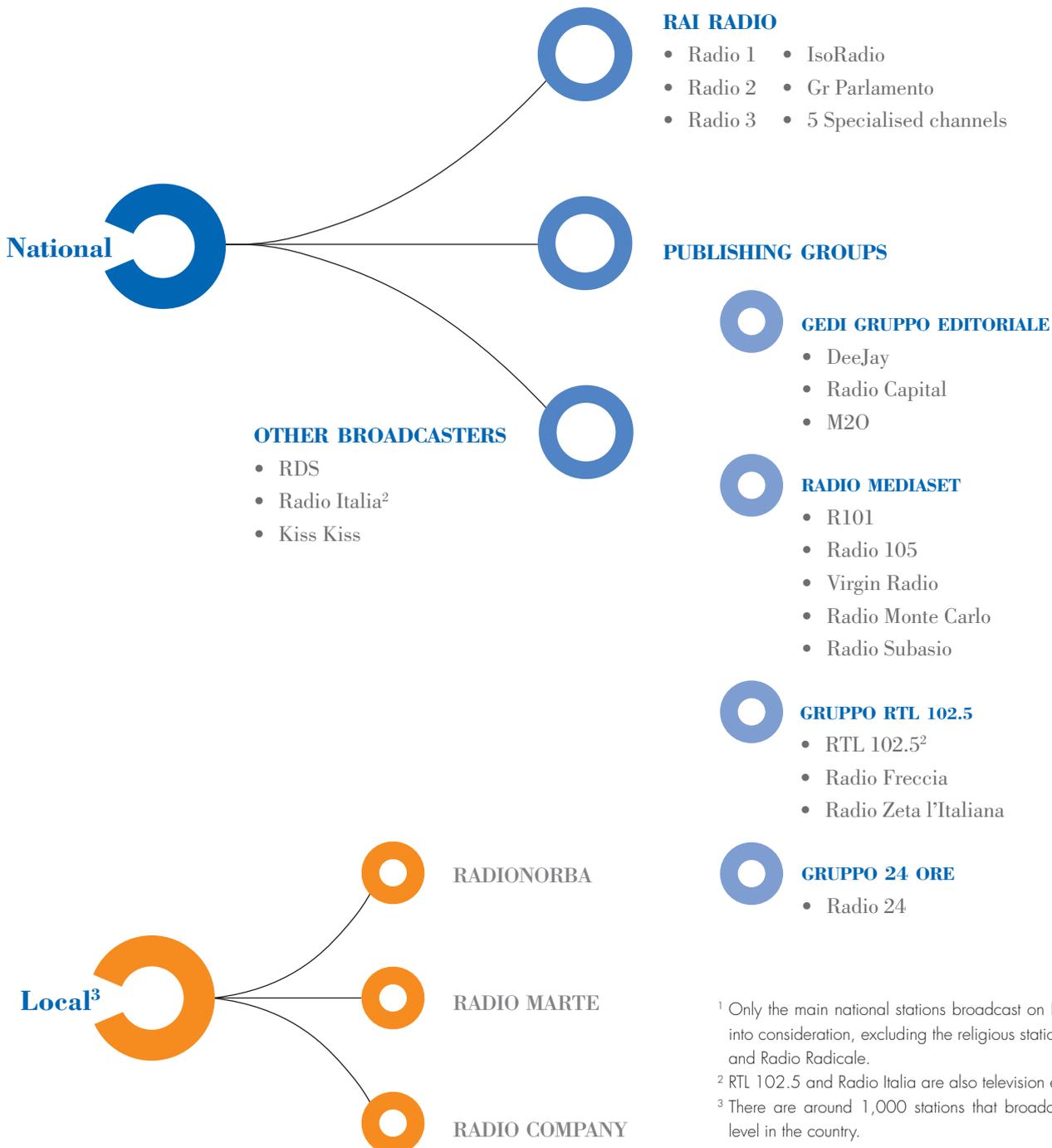
- Rai Radio Tutta Italiana – flow radio, exclusively dedicated to Italian music from the 1960s to present, its main feature is easy listening. The core of the programming will be *Italian compilation*, with songs broadcast based on time and chronology criteria;
- Rai Radio Classica – station for musicians, but above all for enthusiasts, dedicated to classical Italian and international music. In addition to recordings, much space will be given to deferred live shows, with a broad offering dedicated to events, festival and concert seasons. Many appointments connected with the national symphony orchestra season of Rai;
- Rai Radio Live – station dedicated to major concerts, but also the history of the country to

promote the geographical organisation of the country. With a pop and mainstream slant, the station tends to be a renewed Public Service model. Along with programming of many music genres, the offer is enhanced with an updated calendar of the main cultural, musical and social events;

- Rai Radio Kids – a station with diversified programming aged at children under 10, with the soundtracks from cartoons and love action series, fairy tales, information, music and literature education. In addition, there are many in-depth features on various topics (nature, performances, events, science, the environment, tourism and technology);

Main operators active in the radio market ¹

(Source Rai)



¹ Only the main national stations broadcast on FM were taken into consideration, excluding the religious station Radio Maria and Radio Radicale.
² RTL 102.5 and Radio Italia are also television editors.
³ There are around 1,000 stations that broadcast on a local level in the country.

- Rai Radio Techetè – station with a great heritage of past radio programmes; it is also aimed at anyone who is curious of any age primarily thanks to interaction with social media. The main themes are variety, with the best of the Radio's entertainment (from *Alto Gradimento* to *Gran Varietà*), sports, reported by the historic announcers of *Giornale Radio*, and fiction. Radio Techetè is a project in line with the context of other European entities which aim to re-propose and promote their archives.

In this new digital scenario, the Radio has proven vital in terms of the audience reached and renewed interest from the market; The competition framework was further redefined after the consolidation of the Radio Mediaset group, which finalised an agreement to purchase Radio Subasio.

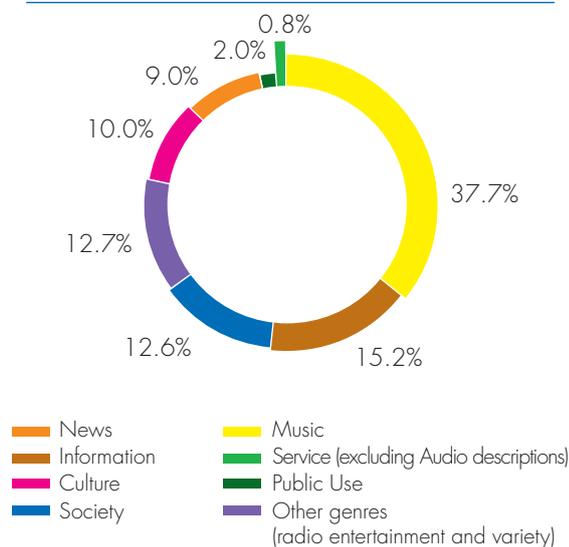
The breakdown of the national radio offer is marked by the co-presence of important multimedia editorial groups, vertically integrated including in terms of advertising revenue: Rai (Rai Pubblicità SpA); Mediaset (Mediamond SpA); SpA) and Gruppo 24 Ore (Il Sole 24 ore SpA). Along with these are native independent radio companies that work only in radio: RTL 102.5, Radio Dimensione Suono and Radio Italia.

There were around 1,000 stations² in the local radio segment in June 2017, with extremely varied signal coverage levels (from municipal areas to multi-regional areas) and audience figures.

² Confindustria Radio Televisioni, July 2017.

Radio programming by genre

(source Rai)



Overall, a local station is able to attract a significant audience share, thanks to its strong roots in the area, and the level of editorial proposal which, for many stations, is competitive even in relation to national networks.

Digital

Rai's offer at the end of 2017 is mainly composed of:

- Rai.it: the portal, organised into 5 areas (News, Sport, TV, Radio and Corporate), aggregates and makes accessible all on air programming and the relative contents available on web of all the TV networks, radio stations and informative and multimedia contents of newspapers. A guide to the Group's channel programming is available and it is possible to access corporate information.
- RaiPlay.it: is a multiplatform environment where it is possible to access, at no cost, using an evolutive and adaptive interface, Rai video contents in live streaming (14 TV channels) and on-demand (*Replay Tv* service: access to the offer for rights of 8 TV channels in the past 7 days). It is also possible to access exclusive contents on-demand for the web from the Teche and Rai productions archive. The offer is available via web ad through apps. Some of the contents present on RaiPlay, aimed at the young and very young, are also distributed on You Tube in order to expand the user audience. Rai Play entered the Smart TV world in December 2016 and reported strong growth during 2017: from 22 thousand unique browsers in January (63 thousand views), to 37 thousand in December (140 thousand views).
- RaiPlayRadio.it: is the multimedia portal dedicated to the radio offer. Launched in December 2017, it replaces Radio.Rai. it and offers the possibility of accessing live broadcasts of 10 of the Group's radio stations, 5 on air and 5 digital, both in live and on-demand modes and can be used to access all of the network and programme portals. The offer is available via web ad through apps. The interface of the new portal proposes a series of technological innovations and usability such as the floating player and extended live.
- Rainews.it/TGR web: is the portal where it is possible to access all Rai information. News updated in real time enhanced with videos and gallery, latest editions of TV and radio news programmes, live shows from Rai News 24 and the most significant events of the day. The creation of a programmes initially called *Rai24*, was completed and almost finalised in the second half of 2017, it involves a complete overhaul of the content management system and the interface proposed to users.

The TGR web distribution plan continued: after Florence, the regional offices of Venice, Bari and Trieste (in Slovenian) also went online.

Rai consolidated and rationalised its official presence on the main social networks (Facebook, Instagram and Twitter) in 2017, aimed at intercepting an increasingly vast user pool, younger and more technologically skilled, as well as to position its corporate brand and single product brands in a cleared and more effective manner overall and organised based on social platforms. An innovation process was continued along these lines for both the instruments and formats used. Among other things live broadcasts were tried on Facebook allowing Rai's talents and faces to dialogue with the audience and the main profiles have become piratically constant and structured, along with the communication of on air contents and referral activity, i.e. referral to Rai digital platforms and app downloading. New formats have been developed designed exclusively for the social platforms with the aimed of greater user involvement and reinforcement of the channel brand positioning to promote the offer. The *Timeline* format (previously *Pre-Agorà*) takes this approach, i.e. a press review of the main issues of the day broadcast simultaneously on RaiPlay, Facebook, Twitter and You Tube, before the programme *Agorà* is aired. This project is aimed at maximising the reach of the audience which is not necessarily television.

The Rai Group, through a specific newly established structure, in line with the Digital Agenda for Europe and the works of the Agency for a Digital Italy, performed activity aimed at basic literacy, development of digital skills and awareness of citizens. These include the initiatives proposed in the Rai 1 programme *L'Eredità* and second season of the fiction *Complimenti per La Connessione*, produced by Rai Fiction and again broadcast by Rai 1 in prime time.

Initiatives continued during the same period to reinforce the *Teche* brand as a point of reference of Public Service for the country's audiovisual history. The important activity to promote and use the historic programmes of the Rai archive by selecting and providing programmes for the RaiPlay platform is part of this approach; in the on-demand service, the section called *I Favolosi* is one of the most popular and most searched for categories among digital users.

The *Meteo e Mobilità* service was created and designed for the Public Utility area, which entails the creation of an app and a portal which will be available online in the second half of 2018, in accordance with the various institutional information sources (Aeronautica Militare, CCISS, Protezione Civile).

The Group's commitment to include people with sensory disabilities has remained constant. Rai has exceeded the Service Contract objectives in this area, by proposing more than 15,000 of programmes subtitled in Italian, 700 hours of programmes in English and hours of subtitled programmes on the web. Audio-descriptive contents have also witnessed a significant increase; the produced hours rose compared to 2016 by 65% for a total of around 1,500 hours. Programming in sign language was in line with 2016. Editorial activities dedicated to people with sight disabilities continued on the Rai Easy Web site.

The Televideo service offer was further enhanced with new features regarding the environment, books, territory and snow report (15,000 pages between the national Televideo and 21 regional Televideo site).

Rai's vast offer is present on interactive digital terrestrial televisions and decoders certified with the Dgtvi Gold and Platinum sticker with the services Rai Play, TGR, Rai News Rai Sport and Telecomando.

Cinema

The role played by the subsidiary Rai Cinema is important. It continued its activity in 2017 to acquire films and fiction, with the aim of enhancing Rai's programming from a quality and quantity standpoint.

Moreover, the company continues to maintain a leading role in national and European film production activity and in commercial exploitation activity through 01 Distribution.

During the period in question, Rai Cinema distributed 30 films to theatres reaching 4th place in the ranking of distributors – the top Italian one after the major American studios – with a market share of 10.2% of presences.

The year 2017 was also filled with recognitions and successes. 6 films selected for the *Cannes Film Festival*; 16 *David di Donatello*; 7 *Globi d'Oro* and 15 *Nastri d'Argento*. Rai Cinema participated in Venice's *Mostra d'Arte Cinematografica* with 23 titles including films, documentaries, one restored film and two short features.

Rai Cinema was present at the *Festival di Roma* with 13 titles and *Torino Film Festival* with 3 films.

International offer

The distribution and sales and marketing of Rai channels on the international market is assigned to the subsidiary Rai Com SpA; specifically, the latter handles the European distribution of broadcasting rights of television and radio channels (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 the non-EU distribution of Rai Italia (the Channel offers a *Best of Rai* programmes plus the presence of original programme production for Italian abroad, including a TG in English) Rai World Premium (the channel that broadcasts original fictions produced by) and Rai News 24. Moreover, Rai Com sells and distributes Rai Radio 1, Rai Radio 2 and Rai Radio 3 radio channels, including in non-EU areas.

The offer of channels is performed through local television platforms with different procedures, both free and pay:

- in the United States, Canada, Australia and Europe the channels are offered to subscribers in "Package" or "Premium - A La Carte" plans. The subscribers – to view Rai channels – pay a monthly fee, in addition to their subscription with their operator;
- in Asia, the Rai Italia is in free to air mode;
- in Latin America and Africa, the channels are offered in "Basic" or "Extended Basic" mode, where the subscribers only pay the monthly subscription price to the operator, with no additional costs.

Offer performance

TV offer performance

The average number of viewers in 2017 that watched television dropped slightly, 10 million for the entire day (-138 thousand viewers compared to 2016) and almost 24 million for prime time (-719 thousand viewers).

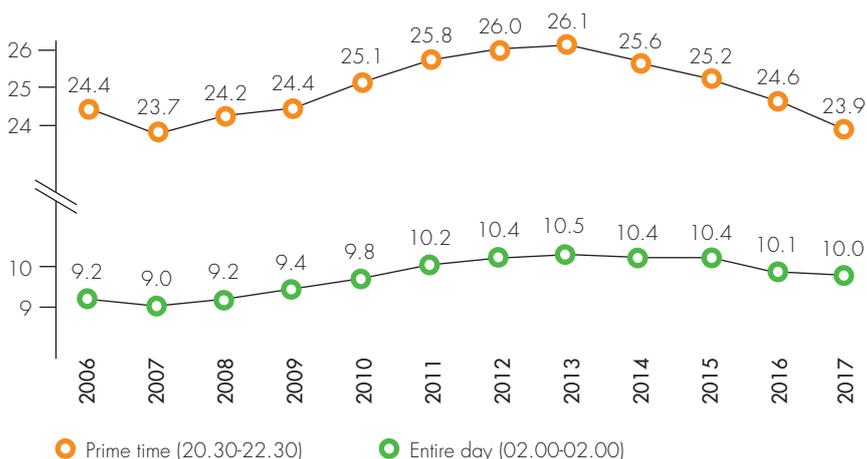
The Rai Group widely confirmed its market leadership with 36.5% of the share for the entire day (-0.2 percentage points compared to 2016) and 38.5% for prime time (-0.1 points); Mediaset stands at a 31.3% share for the entire day (-0.2 points vs 2016) and 31.6% in prime time (+0.1 points).

Overall, the traditional generalist Networks (Rai 1, Rai 2, Rai 3, Canale 5, Italia 1, Rete 4 and La7) continue their consolidation trend, dropping to 56.5% share on a daily basis (-1.3 points vs 2016) and 60.0% in prime time (-1.1 points vs 2016). This decrease is offset by semi-generalist channels – *de facto* evolution from traditional generalist channels – which rose, for the entire day from 7.4% in 2016 to 8.7% in 2017 and in prime time from 7.2% in 2016 to 8.7% in 2017. Specialist channels tend to remain stable for the entire day at around 34.8% but dropped in prime time from 31.7% in 2016 to 31.3% in 2017.

In detail:

- Rai 1 with 16.7% share for the entire day (stable compared to 2016) and 18.9% in prime time (+0.4 points vs 2016) is confirmed as the most viewed Network and maintained a good margin over the top Mediaset channel, Canale 5, which achieved 15.6% (+0.1 points) for the entire day and 15.3% (+0.3 points) in prime time;
- Rai 2 dropped to 6.1% (-0.6 points) for the entire day and to 6.6% (-0.6 points) in prime time;
- Rai 3 reports a share of 6.3% (-0.2 points) for the entire day and 6.2% (-0.6 points) in prime time.

Evolution of the average television audience (Source: Auditel, figures in millions)



In terms of the performance of the competition's main channels during the period in question, the following results are reported: Italia 1, reports 5% (-0.2 points) for the entire day and 5.3% (-0.2 points) for prime time; Rete 4, reports 3.9% (-0.2 points) for the entire day and 4.1% (-0.2 points) for prime time; La7, reports 2.9% (-0.3 points) for the entire day and 3.6% (-0.4 points) for prime time; Tv8, reports 1.8% (+0.5 points) for the entire day and 2% (+0.5 points) for prime time; Nove reports 1.4% (+0.4 points) for the entire day and 1.6% (+0.6 points) for prime time.

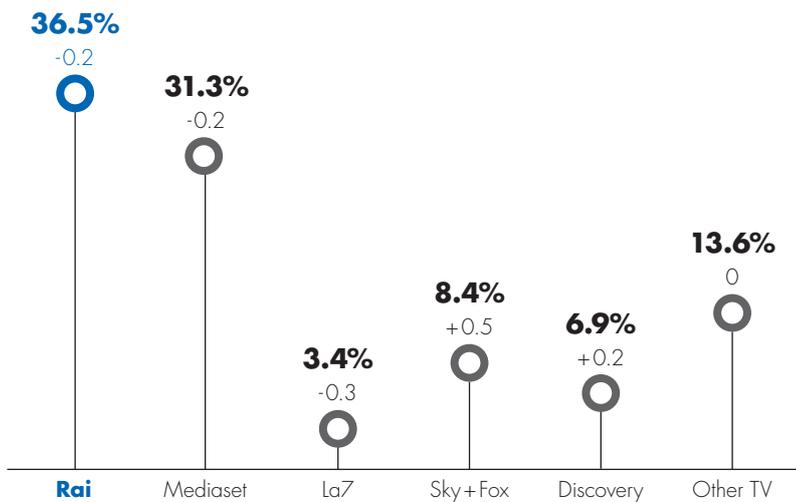
Report on Operations of the Board of Directors

Share for the period 1 January - 31 December 2017

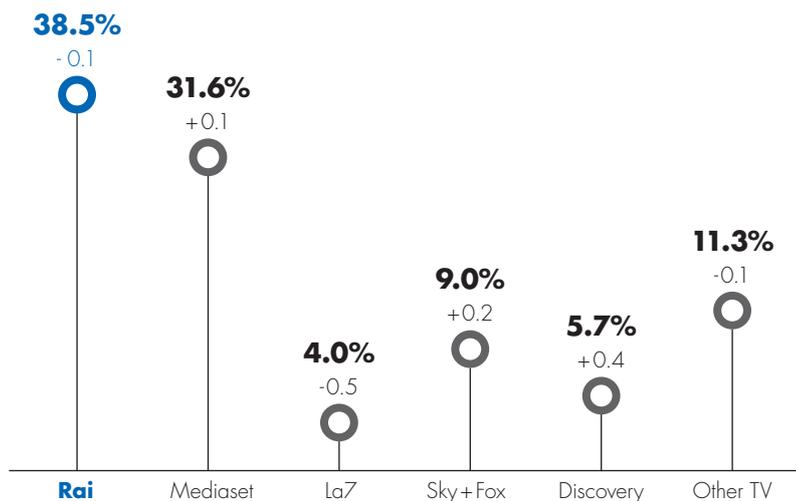
Total individuals (4+ years old)

		<i>Share Entire day (02:00 – 02:00)</i>		<i>Share Prime time (20:30 – 22:30)</i>
	2017	2016	2017	2016
Rai 1	16.67%	16.63%	18.92%	18.49%
Rai 2	6.08%	6.72%	6.64%	7.21%
Rai 3	6.32%	6.47%	6.16%	6.72%
Rai Generalist	29.07%	29.82%	31.72%	32.43%
Rai 4	1.47%	1.00%	1.64%	1.15%
Rai Premium	1.13%	0.95%	1.16%	0.96%
Rai Movie	1.09%	1.08%	1.28%	1.28%
Rai 5	0.41%	0.34%	0.43%	0.35%
Rai Storia	0.26%	0.25%	0.29%	0.28%
Rai Scuola	0.02%	0.02%	0.03%	0.02%
Rai Yoyo	1.51%	1.33%	0.93%	0.83%
Rai Gulp	0.47%	0.55%	0.41%	0.44%
Rai Sport	0.50%	0.84%	0.38%	0.63%
Rai News 24	0.57%	0.51%	0.21%	0.20%
Rai Specialised	7.43%	6.87%	6.77%	6.16%
Total Rai	36.50%	36.69%	38.49%	38.58%
Canale 5	15.60%	15.50%	15.25%	14.91%
Italia 1	5.01%	5.23%	5.31%	5.50%
Rete 4	3.94%	4.12%	4.14%	4.32%
Mediaset Generalist	24.54%	24.85%	24.70%	24.72%
Mediaset Specialised	6.78%	6.66%	6.93%	6.82%
Total Mediaset	31.32%	31.51%	31.63%	31.55%
Total La7	3.41%	3.67%	3.98%	4.46%
Total Sky without Tv8	5.37%	5.35%	5.70%	5.95%
Total Fox	1.15%	1.17%	1.27%	1.29%
Total Discovery without Nove	5.46%	5.67%	4.11%	4.25%
Total MTV- Viacom	1.35%	0.90%	1.29%	0.74%
Other broadcasters	15.44%	15.04%	13.53%	13.18%
Total TV	100.00%	100.00%	100.00%	100.00%

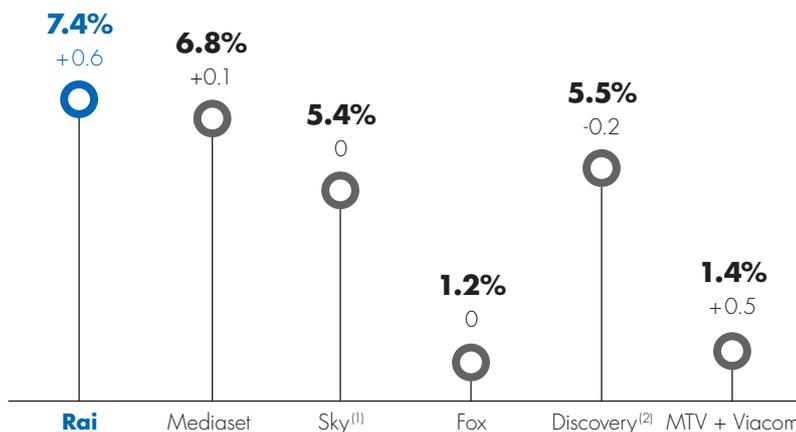
TV audience daily average (02.00 - 02.00, source Auditel)
(Generalist and specialist channels)



TV audience prime time (20.30 - 22.30, source Auditel)
(Generalist and specialist channels)



Comparison between specialised editors
(Entire day share 02.00 - 02.00, source Auditel)



(1) Sky values for not include the channel TV8

(2) Discovery values for not include the channel Nove

In terms of the Rai Group's performance, the good results achieved by the semi-generalist and specialised networks, which obtained a total of 7.4% share for the entire day (0.6 points of share compared to 2016); the channels reporting the highest growth compared to last year included Rai 4 with +0.5 points and Rai Yoyo and Rai Premium with +0.2 points. Mediaset's semi-generalist and specialised offer reports 6.9% (+0.1 points) for the entire day in part thanks to programming of premium football events.

Radio offer performance

Radio audience measurements conducted by the company Tavolo Editori Radio started in February 2017 and the reference period for 2017 was from 4 May to 18 December.

Radio penetration in 2017 totalled 67%, with an average time spent per day of 3 hours and 20 minutes; slightly more than 6.3 million average audience in the 06:00-24:00 time band, total medium.

In terms of audience share (06:00-24:00) of the main editorial groups, Rai Radio, with its four main channels (Radio 1, Radio 2, Radio 3 and Isoradio) reported an average audience of 713 thousand individuals and a share of 11.3% in 2017. Radio Mediaset, with four channels (R101, Radio 105, Virgin Radio and Radio Montecarlo), reported an average audience of around 1 million users with a share of 16.6%; 102.5 (RTL 102.5 and Radio Freccia) reported an average audience totalling 770 individuals and 12.1% share; Gedi Gruppo Editoriale (including Radio DeeJay, Radio Capital and M2o), reported an average audience of 673 individuals and a share of 10.6%.

The main radio stations of the Rai Group reported the following results (06:00- 24:00 time band):

- Rai Radio 1, with an average audience of 309 thousand individuals and a share of 4.9%, ranked 6th;
- Rai Radio 2, with an average audience of 219 individuals and 3.4% share, is in 7th place;
- Rai Radio 3, with an average audience of 137 individuals and 2.2% share, is in 11th place;
- Isoradio is in 17th place with 52 thousand listeners and 0.8% share.

In terms of the main competitors:

- RTL 102.5, with an average audience of 713 thousand individuals and a share of 11.2%, ranked 1st;
- followed in 2nd place by Radio 105 with 601 individuals and a share of 9.4%;
- RDS ranked 3rd with an average audience totalling 460 thousand individuals and a share of 7.2%;

- Radio DeeJay in 4th place with an average audience of 431 individuals and 6.8% share;
- Radio Italia is in 5th place, with an average audience totalling 395 thousand individuals and a share of 6.2%.

Digital and social offer performance

The total digital audience (source Audiweb) continues to grow: in 2017 it reached 24.2% unique users on a daily average, with an increase of 8.7% compared to 2016. The daily average of Italians accessing Internet from PC is 10.6 million, down 0.9% compared to last year; users who access from mobile increased 11% and totals 21.3 million.

An average of 31.7 individuals, i.e. 57.6% of the Italian population connected to Internet at least once on a monthly average in 2017; this figure is up 9.5% compared to 2016. Users who browsed from PC are 25.3 million, with a growth of 0.3% compared to last year; those who connected to Internet from mobile totalled 27.9 million, with a growth of 15.6%.

Users who connected at least once a month to one of the various Rai sites or apps totalled 5.7 million (18.1% of the digital population), with a drop of 3.8% compared to 2016. It is reasonable to believe that this drop could be attributed with the comparison with a year, 2016, where Rai offered, including via the web, two very important sports events like the European football cup and Rio Olympics, which produced volumes of traffic difficult to repeat without competitions of this type; with the framework of this context, such a limited drop should be considered positive overall.

The main activity performed by online users is watching videos: 26.1 million individuals used them in 2017, equal to 82.3% monthly users of Internet.

The Rai video offer reported excellent results in 2017 (source: Webtrekk figures): an overall total equal to 620 million average views, with a monthly average of 51.7 million (+29% vs 2016) and 10.7 million unique browsers per month (+7% over 2016).

The total offer of the Rai Group generated, in 2017 (source: Webtrekk figures) an overall traffic equal to 3,9 million pages viewed, with a monthly average of 327.7 million (+34% vs 2016) and 36.2 million unique browsers per month (+19% over 2016).

The three main Rai applications for mobile reached at total of 16 million downloads at the end of 2017: 12.9 million (including Rai Tv updates) for RaiPlay; 1.9 million for and 1.3 million for Rai News.

In 2017, the 12 main Rai profiles present on the Facebook, Twitter and Instagram platforms (Rai 1, Rai 2, Rai 3, Rai 4, Rai 5, Radio 1, Radio 2, Radio 3, RaiPlay, Ufficio Stampa, Rai News and Rai Sport) exceeded a total of 8.4 million fans and followers.

Thanks to the developed social media strategy, significant results were also achieved by the 2017 *Festival di Sanremo* which was the most social Italian TV entertainment event ever, with a total of 27.6 interactions (Facebook and Twitter) in the week of programming (Nielsen Social Content Ratings).

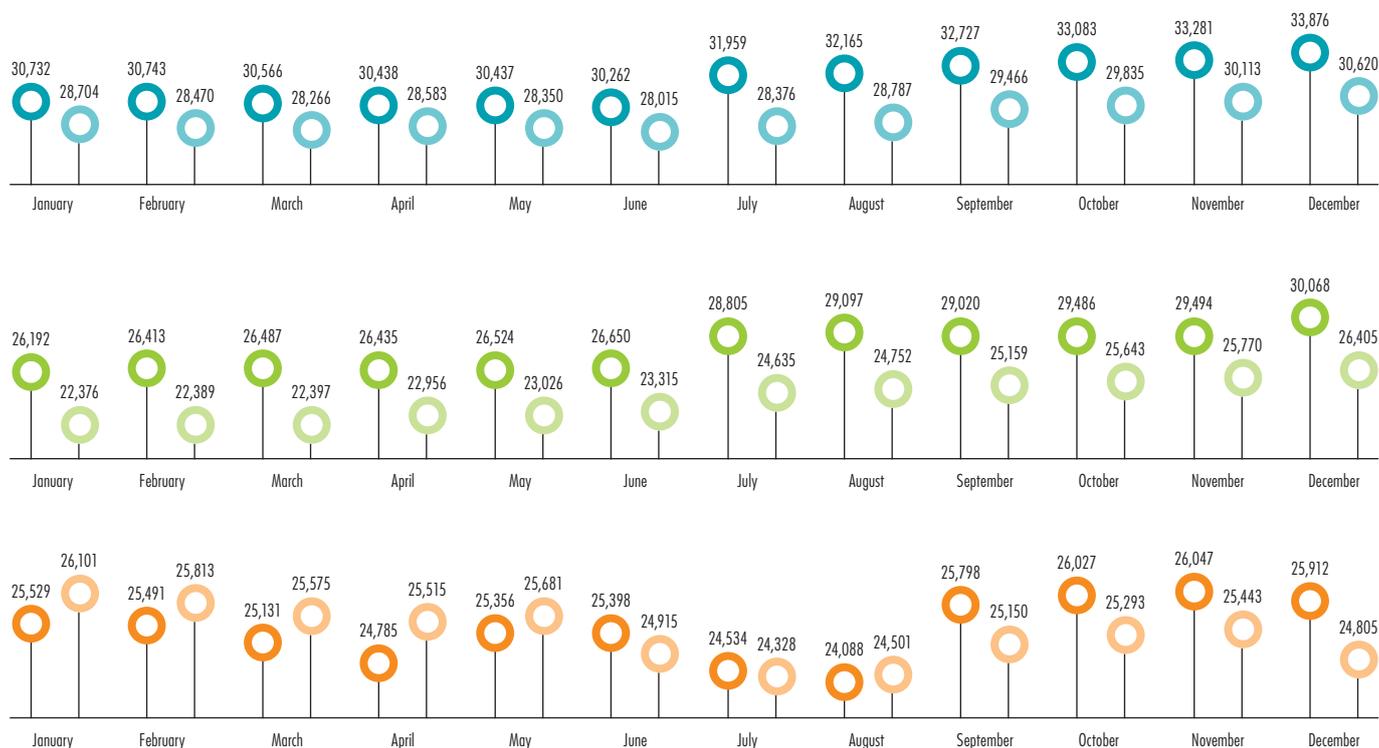
Excellent performance was reported for the digital offer dedicated to the 100th edition of the *Giro d'Italia* with a responsive site and a *War Room* which allowed the social managers of all the networks involved in covering the *Giro* (Rai 2, Rai Sport, Radio 1, Rai Play) to develop and contents plan and cross platform communication and varied and synergic coverage. The race involved 1 million unique users and generated more than 2 million interactions.

The share of Facebook and Twitter interactions related to Rai programming, in the period in question, was equal to 36.3% of total interactions generated by television programming on a national scale, not including sports events. With this share, Rai is the second editor for number of generated interactions.

Digital Audience per month (unique users)/000

(source Audiweb)

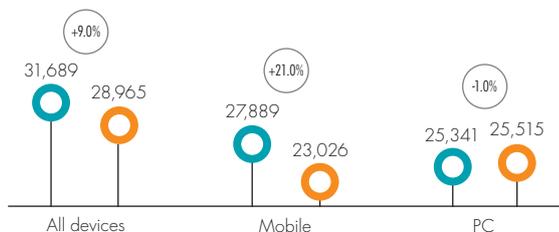
All devices 2017 2016 Mobile 2017 2016 PC 2017 2016



Digital Audience media (unique users)/000

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

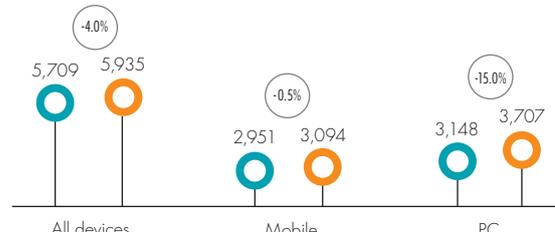
2017 2016



Digital Audience Rai average (unique users)/000

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

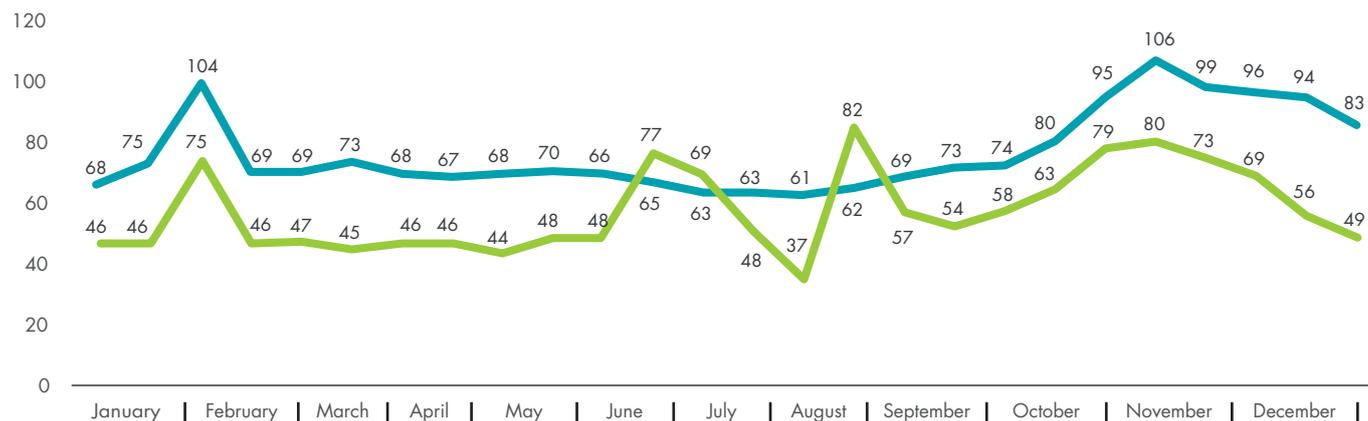
2017 2016



Rai Internet Traffic (millions of pages viewed)

(source Webtrekk)

2017 2016



Activities

Television	44
Generalist channels	44
Semi-generalist and special interest channels	54
Information	74
Fiction	80
Cinema	83
Radio	87
Digital	94
Teche	97
Public Service Function	98
Digital inclusion	99
Sales activities	100
Advertising	100
Sales	101
Other activities	105
Technological activities	105
Broadcasting	115
Communication and Public, Institutional and International Relations	118

Activities

Television

Generalist channels

Rai 1

Rai 1 preserves its image as a prestigious and authoritative channel, representing the national identity and supporting people's everyday life. This channel has the ability to unify and attract a very wide audience, acting as a warm and secure port of call.

Rai 1 has confirmed its leadership both in terms of audience and completeness and plurality of its offer.

The 24 million daily contacts; 16.7% share for the entire day and 18.9% share in prime time (respectively +0.03 and +0.41 percentage points over 2016); a significant increase in share for younger audiences, +1.0% in prime time for young people 15 to 24 years old; an increase in higher educational levels (+2.0% in prime time with university graduates) and +2.4% in prime time with Sky subscribers, demonstrate the aggregating force of a network that has know how to create an editorial proposal able, compared to the past, to attract new audiences and at the same time ensure the stability of the share in an increasingly competitive and fragmented context.

Its strength is based on programming that covers diverse television genres and is characterised by the quality of its contents able to ensure a shared and universal use. The continual evolution of the

channel is a key feature, at the same pace as the country and with the world it covers.

Assets such as uniqueness, transversal nature, authoritativeness, excellence, elegance, civil commitment, are organised in a decisive manner, with varied and contemporary language for as vast an audience as possible.

The evolution of programming has continued along the path of innovation of new genres, formats and languages in a continuous search for contents increasingly in line with the Public Service mission.

The **fiction** season reported excellent results with a 1.8% increase in share compared to 2016 and continued with the model of a balance between returning series of well-known products, the proposal of new programmes, events linked to the history of Italy and civil commitment.

The 11.6 million reached with the new episodes of *Il Commissario Montalbano* marked an all-time record for the TV movie series taken from the novels by Andrea Camilleri.

Che Dio ci aiuti 4, *Un passo dal cielo 4* and *Tutto può succedere 2*, brought originality and innovation and achieving 50% share peaks among younger people.

The new series, *I bastardi di Pizzofalcone*, *Sorelle*, *Di padre in figlia*, *Il commissario Maltese* and *Scomparsa* exceeded 25% of average share with peaks over 30%.



1. *Che tempo che fa*
2. *I bastardi di Pizzofalcone*
3. *Il commissario Montalbano*
4. *Festival di Sanremo 2017*



An extraordinary sequence of successes continued for miniseries and event TV movies. *I fantasmi di Porto Palo*, *Studio Uno*, *In arte Nino*, *La musica del silenzio* totalled an average share of 25.5% equal to 6.4 million viewers.

As regards **entertainment** popular shows such as *Ballando con le stelle*, *Tale e quale show* and *I migliori anni* managed to innovate combining class, elegance and an ability to thrill. Completely novel in series was the début of Fabio Fazio and his successful talk show *Che tempo che fa* on Rai 1.

Naturally, major events capable of generating amazing successes were not missing: *il Festival di Sanremo* (the most viewed in the last 15 years), the return of Gigi Proietti with his *Cavalli di battaglia*, final of the *Eurovision song contest*, 3 evenings of *Wind Music Awards*, lo extraordinary success of *La Notte di Vasco*, celebration of Luciano Pavarotti 10 years from his death, special meeting of two colossals of the stage such as Andrea Bocelli and Elton John in the lovely setting of the Colosseum, TV début of Fiorella Mannoia and 2 evenings with the comedy of Giorgio Panariello. They were 21 contemporary event nights of quality shows, 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 ratings characterised the **cultural education** offer confirming that it is a mainstay and strong point of broadcasting.

The extraordinary night visit of Alberto Angela represented a major creative and productive undertaking to celebrate the magic of Venice able to reach more than 5 million viewers, 25.1% share of the entire audience and 33.2% of university graduates, while the summer season of *Superquark* was the most viewed in the past 5 years.

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

Cinema also took a leading role in the prime-time schedule and returned to have very high audience ratings. The 22.6% share and 6 million viewers for *Belle e Sebastien*, 20% for *Maleficent* and the excellent results achieved by Italian cinema combined with an agreement with Tim Vision made major cinema on Rai 1 increasingly significant and strategic.

Rai 1 has always stood for authoritative **information**. In addition to the continuation of journalistic analysis of news, politics and manners in the late evening *Porta a Porta* programme, reinforcement of *Petrolio* and the daily live broadcasts of *Uno Mattina* and *La vita in diretta*, Rai 1 again devoted very special attention to major events in Italy and the world, promptly adopting its schedule to make room for live analysis and breaking news and thus becoming the point of reference, as far as news was concerned, for the entire TV offer.

For **sports** fans, in addition to the *Formula 1* races and the *Tim Cup* matches and major national football matches, Rai continued to excite emotions with *Europei di calcio Under 21* capable of achieving peaks of 35% share and 8 million viewers.

Moreover, the network has continued its gradual renewal and consistent language and contents programme in the daytime as well with an editorial policy that places priority on a direct relationship with the audience and shows with a strong Public Service mission, without neglecting fun and quizzes, for example in *Reazione a catena*, *L'Eredità* and the return of *I Soliti Ignoti 3* times of unquestionable success in the strategic and important afternoon and pre-prime time slots.

“Rai 1, in a continually changing scenario, aims at confirming its authoritativeness and at the same time experimenting with new products, genres and languages in order to involve all audiences and meet the needs and expectations of a constantly changing public.”





MLN

AVERAGE DAILY CONTACTS

17.274



MINUTES SEEN PER DAY

50



SHARE IN 24 HOURS

6.1%

PRIME TIME SHARE

6.6%

Rai 2

Rai 2 is a popular, eclectic general interest channel in which new formats and languages blend with more traditional content. A Network where “no one is left out”.

Rai 2 demonstrated in 2017 that it is still loyal to change, by continuing its journey to search for new languages and new audiences, winning over the affection of viewers, the interest of critics and attracting new generations by leveraging on innovation.

Experimenting and innovation obviously entail a risk component and a natural failure rate. In terms of the produced experimentation, the fact that a very high percentage of the new proposals met with success is extremely significant. A very positive result, considering the plentiful and highly competitive scenario, such as the multi-channel offer.

The exploits of some shows and the social traffic generated by the Network’s initiatives confirm the activation of a “seduction principle” geared to an audience of young people/young adults. Rai 2 is the leading Italian TV channel in terms of registered social media users: a total of 5 million, divided between Facebook (3.5 million), Twitter (935 thousand) and Instagram (533 thousand). The increase in new members in 2017, totalling an overall 1.6 million users is particularly significant.

Rai 2 has preserved its Network status as “no one is left out” a claim of one of the most significant shows of recent seasons: *Nemo*. An ambitious project which perfectly embodies the concept of loyalty to change, both for its ability to subvert the rules of prime-time information, superseding the classic talk show formula, and for the tenacity which has characterised its path towards final acceptance.

Nemo – nessuno escluso recounts the reality and complexity through the stories of people, putting the protagonists directly in the centre of the story without any mediation or using the live experience that reporters do in reality. Each film is aimed at telling of a trip, the news with an immersion approach that the reporters bring to the studio without hiding their opinions.

This format immediately met with great interest from those in the industry and more than positive opinions from an attentive and curious audience. Interest also exploded on the web, where a particularly active community was formed and became popular, especially on Facebook. The broadcasts that make up the programme, distributed on social media, have demonstrated a very high “viral” potential. Some of the videos have totalled more than 6 million online views each (the assault on the reporter Piervincenzi by a member of the Spada family and also studio interviews on topics such as immigration and addictions).

1. *Il Collegio*
2. The fiction *La porta rossa*
3. *Rai dire nius*
4. The celebratory show *Indietro tutta 30 e l’ode*
5. *Nemo – Nessuno escluso*



The audience results did not arrive immediately, but the fine-tuning work and implementation of the format led to a constant audience growth until reaching results considerably higher than the average of political talk shows (between the end of April and end of May *Nemo* consistently exceeded 5% of the share with a peak of 7.1% and 1.5 million viewers for the last episode of the spring season). The average results were also confirmed in the following autumn season.

As regards the **docureality entertainment** genre and all its new types, *Il Collegio* is the most significant innovation of 2017, an impossible voyage to search for the “lost” audience of Rai and generalist TV: adolescents.

A brand new narrative engine – “time travel” – with teenagers playing a starring role for the first time, a complex user agreement (a base of reality with docufiction elements and historical re-enactments) but easy to watch tanks to strong entry hooks such as identification with the stars, an emotional storytelling, a curiosity effect combined with nostalgia.

It is a social experiment based on the romance of adolescent development (individual and group reactions to institutions in a situation of hardship compared to common comforts) and the rediscovery of “analogue” relationships in the digital era.

Il Collegio reformatted the reality show world, going beyond the single narrative approaches of the current television offer but including them at the same time, turning out to be a real cultural phenomenon, especially with the younger generation. The most interesting aspect from analysis of the data goes beyond the absolute numbers (8% share and audience totalling 2.1 million, average age 45) and regards the audience composition. In addition to the excellent performance among the elective audience of young adults, the most significant figure is that the programme was enthusiastically received by children and teenagers. The share for children and early teens between 8 and 14 totalled 17.1% (rising to 25.5% in the second edition, while for 15 to 19 year olds the share was 15.5% (this rose to 19.3% in the second edition). Given the increase from episode to episode, proof of the fact that more and more teenagers identified with and became fans of *Il Collegio*, in part thanks to work of mouth.

This share of millennials automatically brings the social media world with it, especially with a following on Twitter, Instagram and Facebook. In addition to having achieved the leadership of trend topics on Twitter when the *Il Collegio* was being broadcast, it generated millions of video views on Facebook.

This all proves that the teenage audience is willing to watch Rai 2 and to bring the Rai brand closer to a difficult and evasive target like young people it is necessary to weave a tale that is able to make them curious and involve and inspire them.

The sixth season of *Pechino Express*, a docureality entertainment was proposed in autumn which, from series to series, continues to provide a major contribution to Rai 2’s identity in terms of overall image, on air (share of 8.3% equal to an average audience of 1.9 million) and online performance, confirming it as the social media broadcast par excellence with a Facebook community of 409 thousand users.

New frontiers of docureality entertainment were explored in the spring, extremely vital and interesting territories. One development approach entailed the **docureality sitcom**, a genre type is a decidedly comedy vein, that originates from a combination of the traditional elements of *reality* and the comedy of scripted.

Two shows more than the others managed to combine the languages of *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 and fun trip across Japan in the search for an extreme and involving experience. The stars, all over 65 and accustomed to a comfortable, luxurious lifestyle, left their comfort zone to face *anon the road* adventure without a precise itinerary, the only goal was to have uncommon experiences that they had (probably) always dreamed of. They were accompanied by a porter willing to do anything in order to have this experience in close contact with his idols.

The series was composed of two episodes and watched by more than a million and a half viewers with an average share of 6.5%.

In *Secondo Costa* docureality formula underwent a further evolution and hybridisation combining a contemporary story, reality, sarcasm and comedy elements. A voyage immersed in the opportunities and contradictions of society with a completely personal story of Italy, through meetings, interviews and direct experiences. An itinerary broken down into four complex and controversial issues, that stimulate and raise curiosity: love, integration, health and food.

The series recorded a share totalling 5.9% and great interest in the highest educational and socio-cultural groups along with a strong social media following.

Reconfirmed shows include a more traditional one, must still very reliable in terms of its popularity, *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. The programme was able to maintain its audience in an increasingly challenging competitive context, reaching a share of 8.2% in terms of individuals and an excellent 8.4% for the 25-54 target.

Two different projects were proposed for the summer season which had love as a common theme: *Diversamente Amore*, the story of the extraordinary normality of couples who live with the disability of one of the two partners, and *Adesso Sì*, the stories of homosexual couples who finally have the chance to make their dreams come true with the approval of the law on civil unions.

Rai 2's docureality also continued in autumn. It is through this language that a long journey began between the young and very young, investigating and recounting two aspects that are very different from each other: on one hand the hateful phenomenon of bullying with *#Mai più Bullismo* and on the other the relationship young people have with contemporary and controversial issues with *Giovani e...*

#Mai più Bullismo is the first social coaching TV programme which focusses on bullying, unfortunately a very contemporary issue, and directly involving young people and, with them, families, schools and institutions. This project has become a key element of a campaign sponsored by the Italian Ministry of Education, University and Research.

The characteristic of this programme is its immersion technique, presenting the victim's point of view without filters in a diary in the form of images. Stories, persons, contexts, families and problems, were told from the inside as they had never been told before. The aim was to act as an instrument useful for reflection, acting on those who suffer these hateful actions and those who commit them. Interpreting its mission as a Public Service, the programme did not stop at merely describing and denouncing a serious, widespread phenomenon but sought possible ways to resolve individual cases.

The voyage in the world of young people continued in autumn that had been started with *Giovani e ricchi*, the *docureality* that sparked off heated discussions, divided critics and recorded great success with the public (10.5% share and around a million viewers).

All of this confirms the narrative potential and ability to stimulate this almost observational formula, which is new on the Italian scenario.

As regards **studio based entertainment shows**, Rai 2 once again is home to talents and great variety respun in a contemporary aspect, as seen in the success of Virginia Raffaele and her *Facciamo che io ero*. A contemporary variety on identity on the possibility to play being anyone, even oneself. A *one woman show* with a high level of entertainment thanks to an impactful set design inspired by the circus and a cast backed by an exceptional star and many great guests. With *Facciamo che io ero* Rai 2 once again demonstrated its ability to propose intelligent and evolutionary entertainment at still attract significant audiences; variety in its purest form, composed of writing, talent and preparation that viewers have proven to enjoy.

The four episodes of the cycle recorded an average share of 12.6%. The debut show was the one that registered to highest share (14.8%) and audience (3.4 million) while the second episode was the most watched prime time programme seen that evening. Audience and quality were also witnessed from the performance recorded with secondary school (14.8%) and university (15.7%) educated viewers.

Rai 2 also confirmed its role as home to talents and **classical variety** reworked in a contemporary key with the second season of *Stasera a Casa Mika*, the show that was the event of autumn 2016.

The original formula of the first edition – a major star from the international pop scene, a series of world-standard guests, a modern format combining classic and contemporary, music, comedy, irony and also impelling themes for the necessary narration of what is happening in Italy – was integrated with new elements. Greater emphasis was placed on hybrid TV language: moments of *fiction* alternated with live performances of singers and *comedians* and *docureality*.

Indietro tutta 30 e l'ode, the show celebrating the thirty-year anniversary of the historic Rai 2 programme turned out to be a real television phenomenon. The extraordinary success of the two event evenings (average share of 17.3%) showed how the decision to bet on top quality television is a winner. The first of the two episodes produced the best Rai 2 audience result since June 2014: 19.2% share with 3.9 million viewers. The programme, starring Renzo Arbore, Nino Frassica and Andrea Delogu, went beyond the *amarcord* and the nostalgic twist proposing a modernised format with a high degree of comedy.

Comedy and irony represent a fundamental asset of the **entertainment** offer. This is demonstrated by the series of shows that characterised the first half of 2017. One of the new programmes, *Sbandati*, a project started in autumn 2016 that managed to discuss television (and more) lightly but also sarcastically. The format embodies Rai 2's idea of experimentation thanks to an extremely flexible formula, able to change contents, segments and even cast, as seen in the changes in the panel lists and conductors with very different styles of running the show but able to convince the audience and critics.

Sbandati is also and above all a mixture between social media and TV. A complete integration from a writing and editorial viewpoint ensured a strong presence of the programme on social media as well. The experimentation with live moments on Facebook and constant and active participation of users during live broadcasting was also of great interest.

The *Rai dire nius* project, again in a comical vein, is the first "fake new programme without fake news" attempting to win over prime time access. It was successful: the programme was watched by an average of a million and a half viewers, with a high educational level, reporting an 8.7% of university educated.

Reconfirmed shows worthy of mention include *Quelli che il calcio*, the formula that links football with comedy and a search for new talents, and *Made in Sud*, which experienced a season characterised by a strong overhaul of the cast.

Also, of note is the experience of *Furore 20 years*, an operation to relaunch the historic brand of *Furore* which, to celebrate its 20-year anniversary, re-proposed its traditional strong points along with contemporary elements, with a reboot project for the grandfather of the so-called feel good format (halfway between music and comedy) which attracted around 1.6 million viewers for a share of 7.3%.

In day time Rai 2's afternoon was confirmed with its *Detto/Fatto* which maintained and strengthened the results achieved through the restyling and integration activity started last season.

From a digital standpoint, *Detto/Fatto* has become a point of reference for online video tutorials, with millions of views and shares. Able to gather a strong community on Facebook (currently the programme page has 733 thousand members, one Rai's highest) and to make the tutors quickly become full-fledged influencers.

The exploration continued also through the language of **fiction** covering a borderline area between generalist TV and multichannel offer in both free and pay versions, a market segment which finds fertile ground on Rai 2 thanks to consistency with the rest of the offer. The proposed fictions all of great quality and impact, not just traditional, propose narrative formulas and quality levels comparable with the great international offer. These include the great exploit of *La Porta Rossa* (an average of 3.3 million viewers for a 13.7% share in spring 2017) providing an encore for the autumn 2016 hit *Rocco Schiavone*.

Non Uccidere was proposed in June, a fiction which more than the others retraces international noir and markedly northern European atmospheres. The *Non Uccidere* is interesting: for the first time for the Rai offer, the entire new season premiered on RaiPlay on the web and later released on air on Rai 2.

The cult show *l'ispettore Coliandro* returned in autumn, which started a wave of "Rai 2 style" fiction programmes. *Coliandro*, which drew the interest of 2 million viewers with a share totalling 8.1%, shares with *Schiavone* and *La Porta Rossa* a very demanding audience profile and, compared to its "colleagues" has a more distinctly comedy tone and an *action* vein inspired by international productions.

Formula 1 (qualifications and deferred overviews of GP) and *Tim Cup* played an important role in the Network's prime time sports offer. These two events were joined by a great new feature: for its hundredth anniversary *Giro d'Italia* landed on Rai 2 this year. A promotional operation that met with great success and brought the event average from 8.7% for the 2016 edition to 13.6% for the 2017 edition with an increase of around 5 percentage points of total individuals and 3.7 percentage points on the 25-54 age target (share totalling 8.4%). All this demonstrates the value of the Rai 2 brand even for events of this type.

The sports offer became premium during the summer with *Mondiali di Nuoto*, *Pallanuoto*, *Tuffi* from the swimming pools of Budapest and the *Campionati del Mondo di Atletica Leggera* from London.

In terms of **serials**, Rai 2's offer is *crime* premières and thus before the pay offer. During the summer a significant amount of exclusive shows with completely novel features were proposed, including *MacGyver* and *Rosewood*, reconfirmed (*Criminal Minds – Beyond Borders*), premières (*Cobra 11*) and a classic of female thrillers *Nel segno del giallo*. In autumn the *free* première of the 12th season of *Criminal Minds*, charismatic personalities such as Jason Bull of *Bull* and

Rai 3



AVERAGE DAILY
CONTACTS

17.269



MINUTES SEEN
PER DAY

52



SHARE IN 24 HOURS

6.3%

PRIME TIME SHARE

6.2%

Sherlock Holmes of *Elementary*, as well as the best-loved investigation team of Rai 2 of the *NCIS* franchise. All available in double audio.

The audience results, and social media performance produced by *Voyager – ai confini della conoscenza* confirm the popularity and affection Rai 2's audience accords the programme which continued to show our "extraordinary Italy" and recount the mysteries of "what you can't talk about...". The seven instalments (plus the monographic special on Madre Teresa of Calcutta) drew the attention of 1.8 million viewers with a share totalling 9.4% and an audience profile characterised by a high school and university educational background.

On social media *Voyager* showed it was one of the leading educational programmes with a constantly growing trend and a very eager and active community. Its fan base on Facebook corresponds to more than 325 thousand users. All the instalments of this last summer cycle were among the trend topics of Twitter. Consumption on the social media is a real second screen, with a community of enthusiasts who are very active and eager to comments on instalments in real time.

Lastly, two projects with a strong Public Service value were aired during the summer: *Robinù* a *docufilm* event presented at the 73rd International Film Festival in Venice, a direct account without mediation of the forgotten war that bathed Naples in blood and involved gangs of teenagers who fought by shooting kalashnikovs and the two pilot evenings of *M di Michele Santoro* – later a serial in Rai 3 – which proposed an experimental manner for a new story telling strategy based on great figures from recent or remote history, leading personalities who in the collective imagination have become, even at a popular level, synonymous with mystery.

“Rai 2 continues to attract viewers, the interest of critics and appeals to new generations by leveraging innovation. The performance of certain shows and the generated social media traffic show its attraction with young people and young adults is a process growing stronger and stronger.”

Rai 3

Rai 3 is the Network of commitment and renewal: innovative elements alongside traditional faces and shows, identifying values redone in a contemporary key, without neglecting the new forms of television use.

In 2017 Rai 3 was the third Network of the entire day on the Italian television scenario, totalling a share of 6.3%. The schedule focussed on innovation and experimentation but also strengthening of the Network's historic brands. Based on the latest Qualitel, research to measure the overall success of the offer, Rai 3 reported a clearly positive score (7.6) with an increase in the Fiction segment (8.3) in part thanks to its high level of recognisability.

Current events, culture, history, health and protection of consumers have always characterised the Public Service nature of the Network's day time.

Agorà became a newsroom to all effects, with an open plan editorial staff room and ever more detailed and modular inflows and outflows of information. Management and the editorial team present 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.

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

Rai 3 opened a new window in the first half of the year right after the 12 noon Tg3 news and as of September starting at 11:30, a very important service for the public: *Chi l'ha visto?* 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*, broadcast until May and then, starting in September, replaced by *Passato e Presente*, both produced by Rai Cultura, have become an appointment for Rai 3's audience.

Three hours of live broadcasting 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.

A risky, but successful experiment was *#Cartabianca*. 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. news.

The **weekend day time** exploited the Network's productions by rerunning a few of the mainstays of the week's programmes: *Tutta salute* on Saturday and *Geo* on Sunday.

Saturday has also become the day when the public see the more important role assumed by *Tv Talk*, now produced by Rai 3 instead of Rai Cultura. A rich parterre of never boring guests to narrate current events through television and other media. Saturday afternoon is also characterised by *Per un pugno di libri*, which by having kids play, manages to talk about books including to an adult audience.

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*, her authoritative face-to-face interview providing access to current events.

The voyage around the world in *Kilimangiaro* continued, its objective being to make the language of educational documentaries easier to understand.

In **access time** the attempt to recount present-day life and reality in the slot after the news was very successful for capitalising on and making the most of the work the channel has done for the 7.00 p.m. appointment and exploiting the audience generated as much as possible by blending languages and genres.

1. *Chi l'ha visto?*
2. The programme on nature, *Geo*
3. The stars of *Un posto al sole*



This is 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* (able to combine information, comedy and provocation), *Caro Marziano* (micro-stories that are moving, fun and narrative) and *Senso Comune*, a choral narration of current topics but also a real anthropological investigation that crosses Italy from the North to the South.

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, *Le parole della settimana* is able to combine current affairs with the pleasure of narration.

The two Sunday serials: a new series of *Dieci comandamenti*, the lives of others told with a "lay" and original style and *Le ragazze del '68*, a "coloured" and intense strip of "girls" who lived in a difficult time filled with changes, short stories of those who contributed to and witnessed the modernisation of Italy.

Rai 3 Monday prime time deployed its traditional information products: *Presa Diretta* and *Report*, two different, but complementary ways of recounting the complexity of national facts and worldwide problems. *Report* in the first half of the year had the investigations of *Indovina chi viene a cena* as locomotive, dedicated to food, environment and health.

Tuesday witnessed the prime time début of *#Cartabianca*, Rai 3's new political talk show which attempted and will continue to find a new path for recounting politics.

Chi l'ha visto? on Wednesday is still the biggest popular storytelling product on Italian TV. An incomparable – and not clonable – mix of Public Service, 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.

During the first half of the year *Mi manda Rai 3* returned to prime time on Thursday, while in autumn, the evening was dedicated to cinema, after a cycle of documentaries.

Friday also featured a cycle of Italian films and the great fiction: *Gomorra*.

The new programme *Sono Innocente* on Saturday used the studio and docufiction to narrate the drama and liberation of men and women who

have been the victims of judicial errors. Starting in October the Saturday appointment was dedicated to *Ulisse*, 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.

Cinema was also featured on Sunday after the programme *Che tempo che fa* was moved to Rai 1.

The **late evenings** are packed with experiments and enjoyments.

Beside long-established but constantly evolving narrative such as *Storie Maledette*, *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. *I ragazzi del Bambino Gesù*, using docufiction language demonstrated how children and their families fight daily to overcome serious diseases. The, the investigation-story of the programme *Operai*, a journey within the difficult world of work in an attempt to discover why it is always less paid, less respected and less needed.

But also, the new series of *Fuori Roma*, where the voyage continues in the small Italian cities where changes in the political scenario are seen more clearly; *Indovina chi viene dopo cena*, investigations and exclusive encounters to narrate the state of the environment, wildlife and how modern eating habits are affecting the entire ecosystem and our future; *Il paese è reale*, a cycle of documentaries to tell the story of Italy and its complexity; *Ricchi e poveri* to underline the worsening of a lack of equality in Italy; *La mia passione*, interviews with figures who have excelled in their art or profession, following a vocation who have thus led exemplary lives; *Brexit*, the adventures of a comedian who lands in England right after the Brexit vote.

In terms of the presence on web and social media, Rai 3 developed an active network of around 80 profiles divided among the main media: Facebook, Twitter and Instagram. The aim is to recount productions and programming with various contents through social media activities: "premium" video (editing and ad hoc graphics), video clips of subtitled programmes, link-posts of the Rai Play episode, photos, backstages and live tweeting, stimulating participation and proposing "viral" contents that can expand the Network's audience.

The Rai 3 network currently has a total user pool broken down as follows:

- Facebook: around 4 million likes (top page: *Report* 1.3 million; Rai 3 500 thousand; *Presadiretta* 439 thousand; *Kilimangiara* 300 thousand; *Chi l'ha visto* 294 thousand);
- Twitter: 2.1 million followers (top profile: *Report* 1.2 million, Rai3 250 thousand, *Presadiretta* 180 thousand, *Tv Talk* 105 thousand);
- Instagram: 120 thousand (active from the beginning of 2017).

There are numerous projects on live streaming activities of the social platforms, a meeting point between television specs and digital logics. These include a confirmed weekly schedule of more than 10 live social medias and a "production line" has been launched dedicated to RaiPlay with previews, extras and originals.

The videos produced by the Rai 3 network in the last quarter of 2017 received around 45 million viewers on the three social media with a daily average of over 500 thousand people.

“Rai 3 is the network with a generalist profile and a solid and diverse identity, that proposes modern information, experimental formats and a public and private narration of events and socio-cultural changes of our time with an inclusive style.”

Semi-generalist and special interest channels

Rai Gold

Rai 4

Rai 4 is a channel for fans of films and cult genre TV series, such as action, crime/thriller, epics, fantasy, science fiction and horror which remain the core of an offer that is enhanced by original formats and special events.

With around a half a point increase in the share average compared to the previous year, 2017 achieved various top records in the nine years of the Network's history, confirming its capacity to compete with the new generalist offer of the Sky and Discovery groups.

At the end of the calendar year, the share average for total individuals stood at 1.5% for the entire day (+0.5 percentage points compared to 2016) and 1.64% for prime time (+0.49 percentage points).

The 15-44 year old target achieved even better figures: 1.84% for the entire day, 1.80% for prime time, with presence equally divided between the three decades of the target age.

The prime-time programmes with an audience over 500 thousand individuals more than doubles rising from 67 shows in 2016 to 165 in 2017.

The schedule offered many **special events** and **original formats**.

A successful début for the film-concert The Rolling Stones: *Havana Moon in Cuba*, proposed in prime time on 1 January (2.52% share), 2017 witnessed the confirmation of the now traditional musical appointments with *BRIT Awards*, in February in late evening, and with the two semi-finals of the *Eurovision Song Contest*, in May in prime time (share of 1.94% and 2.41%), plus the live presentation in June of *One Love Manchester*, a concert-event to remember the victims of the Manchester Arena attack, exclusively broadcast on Rai 4 for the first 45 minutes and later at the same time as Rai 1 (totalling a 2.25% share for Rai 4).

The nighttime live broadcast of the *Emmy Awards* from Los Angeles in September was confirmed, now in its 4th edition on Rai 4.

Late evening has remained the best time for experimenting with original formats, with the talk show *Kudos: Tutto passa dal web* and the format *travel & adventure Bangkok Addicted*, spin-off of *Pechino Express*.

Rai 4

MLN

AVERAGE DAILY CONTACTS

5.556



MINUTES SEEN PER DAY

38



SHARE IN 24 HOURS

1.5%

1. *Eurovision song contest 2017*
2. *Criminal Minds*
3. *Games of thrones*
4. *The Equalizer: Il vendicatore*
5. *Parker*
6. Sigourney Weaver in the *Alien* saga



In terms of **serials**, with an average share of 2.17% in prime time and 2.38% in the afternoon strip, with 64 episode and more than 500 thousand viewers and a peak of 866,224 individuals for a 3.48% share, *Criminal Minds* is still the most followed serial on Rai 4.

The "rerun" of shows already broadcast by other generalist channels – specifically Rai 2 – was confirmed a virtuous practice also in the cases of *Ghost Whisperer* (peak of 551,611 viewers for 2.54% in pre-access), *CSI: Cyber* (peak of 463,519 viewers for 2.31% in prime time), *Limitless* (peak of 461,028 viewers for 3.54% in late evening) and *Cold Case* (peak of 449,498 viewers for 2.83% in the morning time slot).

The *Gomorra* case is different (peak of 788,448 viewers for 3.54%), re-proposed in autumn in prime time along with a review of Italian crime genre films.

There was no lack of première productions exclusive for Rai 4, fundamental for the editorial characterisation of the offer, such as *Scorpion* and the queen of the epic series, *Games of thrones*.

Also worthy of note, the re-proposal of the cult series *X-Files* in HD, broadcast in various time slots thanks to the exhibition week mechanism.

Prime time films continue to be the backbone of the channel's audience, also carefully created by mixing Rai Cinema catalogue products with premières chosen specifically by Rai 4. The "double" 2017 audience champion is part of the latter group, as well as the first show in the channel's history to exceed an audience of a million: *The Equalizer: Il vendicatore*, and action film with Denzel Washington seen by 1,043,977 individuals for a 4.54% share when first shown free in May and 988,612 individuals for 4.04% when rerun in October.

Another Rai 4 acquisition, the crime drama *Parker*, with Jason Statham beat its previous 2016 record with 892,101 viewers for a 4.17% share in June and was reshown at the end of September with an audience of 751,533 for 3.06%.

A double result between the first viewing and rerun also for the epic-fantasy *Il mistero di Ragnarok* (572,801 for 2.07% and 683,035 for 3.08%), *Pathfinder: La leggenda del guerriero vichingo* (630,586 for 2.37% and 553,438 for 2.08%) and *Centurion* (592,371 for 2.27% and 639,483 for 2.48%), as well as for the eccentric surreal comedy *Grand Budapest Hotel* (550,451 for 2.28% and 571,918 for 2.52%), the top film for a rich Cult cycle.

The practice of immediate rerun in prime time after the generalist broadcast confirms the excellent results with the franchise *Marvel* (average 2.63%) and *007*, which in its post-modern trilogy arrangement with Daniel Craig reached an average of 3.27%.

The particular experience with the *Alien Legacy* cycle deserves special mention, which rerun right after Rai 2 prime time *Prometheus* (813,998 for 3.39%) exclusively flanked the library shows for the very popular saga started by Ridley Scott. The review was broadcast in spring, totalling an average of 2.23%, at the same time that the last film of the saga came out in movie theatres, based on a communication strategy to be duplicated possible for other media franchises. The same films were re-proposed as a prime-time daily review during the first week of gift broadcasting under the label *Alien Week*, registering a new peak for *Prometheus* (615,760 for 2.54%).

“The “middle ground” that separates traditional television from the intensive and selective consumption of web is ample, and certainly fertile. For fans of certain genres, a television schedule effectively organised in evening slots and movie cycles is still an indispensable instrument for discovering new products that to varying degrees are similar to those already known and loved.”

Rai Movie

■■■■■/MLN

AVERAGE DAILY CONTACTS

5.694



MINUTES SEEN PER DAY

27



SHARE IN 24 HOURS

1.1%

Rai Movie

Only cinema selected for you, this is the spirit of Rai Movie, the channel for all genres: comedies, thrillers, action films, sentimental westerns and horror movies. This channel is capable of placing the genre preferred by viewers at the centre of the scene.

With a constantly changing audiovisual scenario, the arrival of new channels devoted to cinema and an expansion of prime-time films of the channels TV8 and Nove, Rai Movie has basically held its place and met its set audience goals. This result was obtained thanks to a knowledgeable and constant focus on broadcasting decisions and strengthening of the strategy of immediate rebroadcast of products used by generalists. The results were also maintained by enhancing the programming of Italian products, even before the new Cinema Law became effective.

With 14 films a day, Rai Movie represents a unique feature in the television offer. Its programming covers all cinema genres. Despite having the flag genre in western, each prime time and other proposals are designed to reach and satisfy all audiences.

Many theme broadcasts, as always. To highlight the relaunch of the Salone Internazionale del Libro di Turin (18-22 May) the channel programmed a cycle of around thirty films taken from books

and dedicated ample space to the Salone and its initiatives in the Magazine and on social media.

In October, in line with the media partnership between Rai Movie and the show "Bestiale! Animal Film Stars", which was held from June to January at the Museo del Cinema of Turin, Rai Movie devoted a week of forty films on the relationship between cinema and animals.

Specific broadcasts were dedicated as customary to *Giornata della Memoria* 27 January, 8 March for *Giornata della Donna*, *Giornata della Legalità* on 21 March and *Festa della Musica* 21 June. For the Bi&Fest (21 to 28 April) where Rai Movie was media partner, the channel participated with a selection of the best retrospectives that the festival dedicated to Vittorio Gassman and Dino Risi.

The first half of the year was characterised by the availability of the entire film catalogue of the secret agent *James Bond 007*. Rai Movie decided to propose them for the first time based on an innovative logic that, by deviating from the traditional and over-used chronological order, placed different periods of the saga side by side, give viewers a direct comparison between episodes played by Sean Connery and those by Roger Moore, or those between Timothy Dalton and Pierce Brosnan. A *Snap Movie* analysis was dedicated for each film, encouraging lively discussions with and between the viewers on the channel's social media pages.

1. *The Missing* by Ron Howard
2. *Snap Movie*
3. Salone internazionale del libro di Torino
4. Marco Giallini in *Movie Mag*
5. *L'Oroscopo del cinema*



In compliance with a specific request from the Company, for all of 2017 Rai Movie broadcast foreign films in "dual audio", with the original soundtrack proposed on the second digital terrestrial audio channel.

Always attentive to reserve significant space for Italian production, Rai Movie reinforced Italian programming by inaugurating the cycle *martedì italiano*, in prime time and consolidating its late evening Friday proposal devoted to top quality Italian cinema.

Rai Movie continued in 2017 to invest in productions which, in keeping with the programming, reinforce its identity as TV channel of cinema.

Movie Mag, a magazine of cinema current events and analysis, acts as a container able to provide a vast overview for all worldwide cinema, with a special focus on Italian films. Films coming out or being made, awards and Festivals, the history of cinema and its protagonists: there are the ingredients of the magazine, which added close collaboration with Anica during 2017. Based on an agreement with the national association for the cinema and audiovisual industry (Anica), *Movie Mag's* editorial staff creates a weekly news programme that focus on current national production and distribution topics.

Movie Mag reinforced its audience in 2017 compared to the previous year reaching significant numbers for such as specialised production: the late evening episode aired on Wednesday 15 November was seen by 169,208 viewers and the 15 March one had a share of 1.09%. The 2017 average was 0.63% with 97,000 viewers.

Movie Mag is also rerun on Rai 1 with results in line with the Network's goals.

Rai Movie is also the TV for Festivals: the Venice, Rome and Turin film festivals were guests in the daily analyses devoted to them with the Daily formula, the daily specials transmitted during the events which, along with live broadcast of the opening ceremonies, awards, TV calls, red carpets and press conferences – on the channel or in web streaming offered widespread coverage of the most important Italian cinema appointments. Moreover, Rai Movie was the only Italian television station to provide complete information on the European Film Award, broadcast from Berlin this year.

With monographic specials, Rai Movie continues to act as a producer of a line of documentaries dedicated to major personalities and the most important cinema themes, including *24/25 Cinema e Tv*, a special on the love and hate relationship between these two media, which

obtained a share of 1.81% with 108,000 viewers. Most of the images of this special are from the Museo del Cinema and dal Museo della radio e della televisione of Turin.

In addition to its television schedule, Rai Movie has long worked on the web, aiming at integrating traditional TV programming with the network's website and with social media communication on official Facebook and Twitter profiles. Directly managed by the editorial staff and able to involve a qualified group of users, the social media accounts offer the public a constant and informal contact with the editorial staff: for often constructive reports, to answer the many requests for access available on-demand on RaiPlay and to interact in the debates between fans. Social media activity contributes in an increasingly effective manner to the channel's identity, proposing it as an important and reliable point of reference for cinema fans.

The *SnapMovie* programmes as been enhanced precisely as a premium content offered on social media: a short series of video clips published daily on Facebook and Twitter, which informally but efficiently describe one of the 14 films on the day's schedule every day. Normally presented by a member of the editorial staff for certain occasions – cycles or special initiatives – the videos are entrusted to the critics of specialised magazines such as Ciak or FilmTV.

To further stimulate the interaction with the public, the digital project has also integrated a weekly collaboration with Simon and the Stars, the best-loved astrologist on the web, for *Movie Mag* they have created the *Oroscopo del cinema* and selected the films best suited for the best astrological signs from the films in the 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 Premium

MLN

AVERAGE DAILY CONTACTS

4,057



MINUTES SEEN PER DAY

40



SHARE IN 24 HOURS

1.1%

Rai Premium

Rai Premium is the channel of narrative: the best Italian and foreign TV drama and comedy works with the most notable entertainment successes of the present and recent past to make viewers think, laugh and thrill.

2017 closed for Rai Premium with a certainly positive result: the virtuous programme started the previous year has strengthened, allowing the channel to reach daily averages of around 1.1% share and 4 million contacts. The channel has achieved 1.5-1.6% shares on particularly positive days, with an increase in 20 percentage points compared to the previous year.

The productions *Intramontabili*, *La Rai di Bernabei*, *Speciali Rai Premium* and *Diario TV* registered flattering results, with the dual aim of promoting the material of Teche Rai and renewing the audience's affection with the channel's own style.

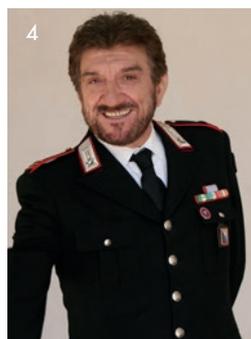
Unlike the recent past, the availability of a long prime time series during all of 2017 like *Blue bloods*, a light crime, especially suited to viewing by families and mainly females, allowed the channel to continue its prime-time tradition dedicated to acquired products.

In terms of its traditional strong point, rerunning the best and most popular of Rai fiction, a winning strategy has been to select Saturday and Sunday daytime programming of marathons of productions broadcast in various afternoon time slots during the week, a formula which has let the public review evergreen series over the weekend, such as *Un medico in famiglia*, *Il maresciallo Rocca*, *Ho sposato uno sbirro* and others.

In terms of prime time devoted to Rai productions, the strategy of quickly rerunning the premières of fictions and entertainment to continue to exploit them, performing an indispensable TV replay function for an audience less likely to use information technology, including due to age.

“TV drama and comedy works and entertainment of yesterday and today for timeless emotions, all to be lived again, above all by a more adult public still remote from the digital world.”

1. *Matilde Bernabei interviewed by Giovanna Ventura*
2. *Dario Salvatori from Naples' Teatro San Carlo for Senza Orario e Senza Bandiera*
3. *Blue bloods*
4. *Il maresciallo Rocca*
5. *Un medico in famiglia*



Rai Italia

Rai Italia is the Rai channel for Italians abroad: original productions and the best of Rai's offer.

Rai Italia operates on the international TV market with an offer on three channels divided by continents (Americas, Africa, Australia/Asia) and created in compliance with the arrangements made the Agreement in between the Italian Prime Minister's office and the Company regarding Rai programmes for Italians abroad.

Rai Italia's schedules - based on the specific time zones - offer a "best of" the Rai networks, selecting the best programming in terms of information, entertainment, sports, fiction, art and culture.

The offer includes original productions dedicated to Italian abroad and the promotion of Italy in the world, in line with the mission stated in the agreement between Rai and the Italian Prime Minister's office.

There were many original productions in 2017. The most striking of these include *Community*, a newspaper container that recounts the Italian communities abroad through original films from the five continents, studio guests with their international experiences, experts for service information for those who live and travel abroad, linguists from the Dante

Alighieri Society for the promotion of the Italian language.

A magazine version of the programme, on the significant stories and testimonials of Italians in the world, was hosting on Rai 3, thus contributing to spread information in Italy about Italians living abroad, in reply to the widespread request for feedback.

Italian Beauty, an original production to promote Italy and highlight its art treasures, its land and Made in Italy products and all the elements that make travelling and living in the country a unique experience. A series of specials of *Italian Beauty* was produced in 2017 with English subtitles.

Also, in 2017, *Cristianità* offered a look at faith and the Catholic church in the world and *La giostra dei goal* let all fans follow football's series A matches live, including live pre- and post-match shows.

To complete the television offer for abroad, it is possible to watch original Rai Italia programmes on the site www.raitalia.it and through social media.

“Rai Italia is a container of genres for Italians in the world which makes those far away feel at home.”

1-2. *Italian Beauty*
3. *La giostra del goal*



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, with the capacity to override outdated scheduling concepts 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 three 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 schedules of general interest channels through its 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, the new show *Passato e Presente* (daily with rerun on Rai Storia), *Sanghenapule* by and with Roberto Saviano, *Diario Civile*, *Provincia Capitale*, *Tv Storia*, *Storia della Letteratura*, *Save the date* and *Terza Pagina* on Rai 3; also broadcast on Rai 3, *Sembra ieri cronache e storia* produced in collaboration with Rai News.

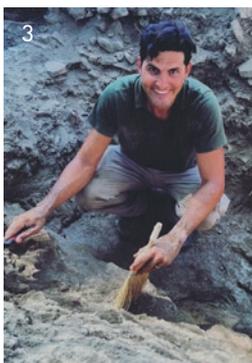
Rai Cultura is the centre of expertise for the production of serious music: in fact, exclusive

events and prestigious concerts are produced by Rai Cultura and on air on general interest channels. The main events aired in 2017 included, the live opera *Andrea Chenier* by Umberto Giordano for inauguration of the season at Milan's Teatro alla Scala, broadcast 7 December on Rai 1, which achieved a share of 11.1% with more than 2 million viewers, the *Concerto di Capodanno da Vienna* and *Teatro La Fenice di Venezia*, *il Concerto dell'Epifania*, the *Concerto di Pasqua* from the Cathedral in Orvieto, the *Concerto per le celebrazioni del 71° Anniversario della Festa della Repubblica* from the Sala dei Corazzieri at the Quirinale, the *Concerto di Natale 2017* from Teatro alla Scala and Assisi, as well as the live broadcast *Concerto di Natale* from the Aula del Senato.

In terms of its web presence, Rai Cultura is currently one of the main influencers in the cultural debate on Internet. A demanding role, consolidated and reinforced in 2017 through a cross-media review of all production, currently more closely tied to the web and the forms of reuse, sharing and discussion of social media networks.

The current digital offer of Rai Cultura is organised into 3 horizontal portals linked to the corresponding thematic television channels (Rai 5, Rai Storia, Rai Scuola) and 6 vertical-thematic video portals (Rai Arte, Rai Letteratura, Rai Filosofia, Rai Scienze, Rai Italiano, Rai Economia).

1. Marco Martinelli in *Memex*
2. Riccardo Muti
3. Darius Arya in *Under Italy*
4. Massimo Bernardini in *Tv Storia*
5. Matteo Bordone in *Digital World*
6. Paolo Mieli in *Passato e Presente*



Rai 5

 /MLN

AVERAGE DAILY CONTACTS

3.402



MINUTES SEEN PER DAY

17



SHARE IN 24 HOURS

0.4%

This organisation of the platform has made it possible to achieve results that currently make Rai Cultura one of the most significant channels on the Italian scenario, leading it to experiment (with great audience feedback and major attention from the media and industry operators) with creating cross-media projects, hundreds of only web contents, Web Doc, thematic analysis specials and cloud instruments for students and teachers.

This work was further reinforced thanks to the upgrade of all portals and through a strategic project to renew and expand the offer of the Rai Scuola portal aimed at creating a large educational media library with contents, services and instruments suitable for intercepting a wide range of the world of young people and teachers. Along these lines important media partnerships were started during the year with CEPELL (Centro per il libro e la lettura), Forum del Libro, MIBACT and MIUR to create and narrate together the most significant initiatives and projects that involved the school world in 2017.

The traffic data of the Rai Scuola offer show a high impact growth trend: Rai Scuola page impressions rose from 7,155,495 in 2016 to 17,073,801 in 2017 and unique browsers from 2,542,635 in 2016 to 5,113,629 in 2017 (figures from Marketing Rai).

It should be noted that the traffic generated on the RaiPlay platform from Rai 5 live broadcasting in terms of media views totals 3.2% of all the available live broadcasting traffic; Rai Storia's live broadcasting is equal to 2% of total live broadcasting (figures from Marketing Rai).

Rai Cultura's cross-media effort also concentrated on the media narrative of the main Italian cultural events through the creation of live streaming and creation of dedicated specials with numerous interviews of leading interpreters of the national and international cultural scene.

Moreover, social media accounts are followed by more than 1.3 people who are involved daily with information on television programming and on cultural events.

Rai 5

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

Items that stood out in the 2017 schedule included *Dario Fo e Franca Rame: la nostra Storia*, which paid homage to the two extraordinary artists; *Gli sci di Primo Levi*, produced for the 30 year anniversary of the writer's death; *L'attimo fuggente* with its new way of narrating poetry and poets on TV; documentaries dedicated to the Premio Campiello and *L'opera italiana* told by a top level narrator Elio, leader of the group Elio e Le storie tese.

In-depth analysis on the subjects of art, painting and sculpture were offered by programmes such as *La vera natura di Caravaggio*, the series *The sense of beauty*, *The story of film*, *Art of Scandinavia*, *Rinascimento* and *I secoli bui un'epoca di luce*, the many monographic documentaries offered in prime time including *Picasso, una vita* and *Kupka Astrattismo e modernità* or even in access like *Manet, ritratti di vita* or *Rembrandt*.

As regards theatre, theme cycles and monographic reviews to follow the artistic programmes and biographies of well-known actors and directors: the cycles *Comedians* (among others, Gino e Michele, Paolo Rossi, Claudio Bisio) and *La poesia del circo* with the performances of the company *Finzi Pasca*, monographic cycles on Claudio Bisio, Teresa Mannino, Alessandro Baricco, Luca Barbareschi, Gioele Dix, Ale&Franz, along with the popular theatre of Marco Paolini and Ascanio Celestini. And lastly, in June, a long tribute to Luigi Pirandello with the documentary *Un attore in cerca d'autore. Sulle tracce di Pirandello*, to remember the great Italian playwright 150 years from his birth.

And not just Italian theatre, but also analyses on what have been the most famous musicals in the world: the series of documentaries *Broadway*.

Rai 5 is also nature, environment, travel and explorations of considerable anthropological interest both at day time (international documentaries such as *Il libro della savana*, *Avventure botaniche*, *India Selvaggia*, *Wild Sudamerica*) and at prime time (the main ones including the fourth series of *Wild Italy e poi Ghost Town*, *Coast Australia*, *Attenborough e la grande barriera*, *Wildest Artic*, *Wild Iberia*, *Wild Japan*).

In terms of serious music and opera, Thursday prime time programming was completely dedicated to this genre: the live concerts of

Rai's Orchestra Sinfonica Nazionale, analysis programme *Nessun dorma*, a new series with Riccardo Muti and the young people of the Orchestra giovanile Cherubini, without forgetting the important programming dedicated to Maria Callas for the 40th anniversary of her death.

Rai 5 also aired impressive live broadcasts of operas, concerts and ballets from the main Italian theatres and opera houses; among them: the ballet *Romeo e Giulietta* by Sergej Prokof'ev from Teatro alla Scala in Milan, the étoile Roberto Bolle and guest artist Misty Copeland; *La Gazza Ladra* by Rossini, conducted by Riccardo Chailly and directed by Oscar winner Gabriele Salvatores from Teatro alla Scala in Milan; *Manon Lescaut* by Giacomo Puccini from Teatro Regio of Turin; *La Cenerentola* and *Il viaggio a Reims* by Rossini from Teatro dell'Opera of Rome; the diptych composed of *La voix humaine* by Francis Poulenc and *Cavalleria rusticana* by Pietro Mascagni directed by Emma Dante at the Teatro Comunale of Bologna with Michele Mariotti conducting; *il Don Carlo* by Verdi from Opera di Firenze for the 80th Edition of the Festival del Maggio Musicale Fiorentino, conducted by Maestro Zubin Mehta; *A Midsummer Night's Dream* from Teatro Massimo of Palermo; *La rondine* for the opening of the opera 2017-2018 season of Teatro dell'Opera in Florence; *La damnation de Faust* for the inauguration of the 2017-2018 season of Teatro dell'Opera of Roma.

In total, in 2017 Rai 5 proposed 830 hours of serious music and ballet performances, devoting ample space (more than 300 hours) to the broadcast of operas, many of which in prime time, as well as 350 hours of theatre performance.

In terms of pop, rock, jazz and world music, in addition to the traditional summer appointment live from Melpignano of *La notte della taranta*, there was also a rich offer of documentaries, series and concerts offered in prime time and during the night (including *Sonic Highways*, *The Ronnie Wood Show*, *Soundbreaking*, *The Blues*, *Discovering* and *Rock legends*) and monographic bio-pics dedicated to the *Beatles*, *Rolling Stones*, *David Bowie*, *Placebo*, *Nile Rodgers* and *Nat King Cole* among others.

One of the production highlights was the weekly show *Save The Date*, a magazine that presents the most important and original appointments on the Italian cultural scene. In addition to its traditional weekly appointment, in 2017 the programme followed up with special edition and monographic episodes on significant events such as the production of *Tannhäuser* at Gran Teatro La Fenice in February 2017; the new Fiera dell'Editoria Italiana in Milan *Tempo di Libri*, the first G7 of Culture held in Florence

on 30 and 31 March 2017, *Thessaloniane internazionale del Libro di Torino*, the 60th edition of *Festival di Spoleto* and 2017 edition of *Roma Europa Festival*. Specials of note included the monographic episode *Arlecchino segreto*, devoted to the actor Ferruccio Soleri.

Other productions included the cycle *Opera aperta*, a twelve-episode analysis on the major issues of philosophy; the weekly shows *Terza pagina*, press review magazine on current literary culture. Among documentaries, the productions *In scena* which in 2017 narrated with dedicated episodes: the *Premio Strega Europeo*, the *Premio della danza 2017*, the concert that the city of Bologna holds each year dedicated to the memory of the victims of the 2 August 1980 attack, the music festival *MiTO* held each year in Milan and Turin, and lastly the theatre and music performance involving Mimmo and Giacomo Cuticchio as protagonists of a great event held in October at the Quirinale.

For the review *Auditorium!*, the cultural magazine that narrates the events held at the Auditorium Parco della Musica of Rome, Rai Cultura in 2017 followed *Roma – La Storia dell'Arte VII Edizione* and *Libri Come*. Lastly, of note the documentary which recounted the 2017 edition of the *Festival di letteratura e cultura ebraica* and the closing concert of *Prix Italia 2017*.

“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.”

Rai Storia

 / MLN

AVERAGE DAILY CONTACTS

1.529



MINUTES SEEN PER DAY

24



SHARE IN 24 HOURS

0.3%

Rai Storia

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: a radio/television Public 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 has produced more than three thousand hours of broadcasts over the last three years. A radio/television and cross-media Public Service that involves the entire spectrum of social media and networks that becomes a memory bank for everyone and can be used on any screen.

In addition to regular daily programmes *Il giorno e la storia*, *Mille papaveri rossi* and the great novelty *Passato e Presente con Paolo Mieli* (broadcast on access prime time after the first issue at 1:15 p.m. on Rai 3) during 2017 the network precisely defined the themes for the prime time offer.

The narration of history and places characterised programmes like *Cronache dall'Antichità* and *Cronache dal Medioevo*, the successful series where the viewer is taken to the places and events of the ancient world and Medieval period; *Italia. Viaggio nella bellezza*, a programme in collaboration with the MiBACT with the aim of promoting and enhancing the Italian cultural and landscape heritage; *La croce e la spada*, discussed devotion to patron saints, which started to define the architectural and design of many Italian localities in the Middle Ages; *Città d'Italia – Mare Nostrum*, documentaries dedicated to the places on our peninsula that overlook the Mediterranean and also *a.C.d.C.*, the programme that recounts human history "from homo sapiens to Napoleon".

The places of the country involved in the 100th edition of the pink jersey race were the protagonists of *Viaggio nell'Italia del Giro*, broadcast during the day time on Rai 2 with reruns on Rai Storia and Rai Sport.

Spaces dedicated to the main male and female protagonists of the past were confirmed: the biographies of famous *Italiani* introduced by Paolo Mieli (new episodes include those dedicated to Umberto Eco, the photographer-actress-revolutionary Tina Modotti, Roberto Rossellini, Elio Fiorucci, and Don Milani) and

the main figures of *I grandi discorsi della storia*. From the portraits of *Grand'Italia*, devoted to Italian women who in various areas made Italy great in Europe and in the world, making their voices heard thanks to their passion and vitality to *Mariangela!*, a series with episodes on Mariangela Melato told by an excellent leading man, Renzo Arbore. Lastly, at ten years from his death, Rai Storia devoted five prime time episodes to Enzo Biagi recounting this man and journalist through exclusive accounts and contributions.

Ample room was given to inquiring into important issues such as legality, justice, the fight against organised crime and terrorism. The documentaries *Diario Civile* told of the figures of Paolo Borsellino (18 July, 25 years after the attack in Via d'Amelio), *Marcello Torre, Vera Pegna e Pio La Torre* (to commemorate the 35th anniversary of his assassination) in 2017, among others.

Space was also given to talking about the institutions (the special on the *Consiglio Superiore della Magistratura*) and analysis of important events, celebrated by offering dedicated broadcasting, such as *Giorno della Memoria in ricordo della Shoah* (27 January), *Giorno del ricordo in memoria delle vittime delle foibe* (10 February), *Giornata Internazionale della Donna* (8 March), *Giornata della Memoria e dell'Impegno in ricordo delle vittime innocenti delle mafie* (21 March) and *Anniversario della Liberazione* (25 April).

Particularly worth mentioning, the special productions related to the 25th anniversary of the Capaci and Via d'Amelio attacks: *MAXI, Il Grande Processo a Cosa Nostra*, broadcast on Rai 1 and rerun on Rai Storia (a documentary that other than being based on the priceless testimony of Pietro Grasso and 1,400 hours of filmed material, proposed never seen films from the archive of the Maxi Trial); *Giovanni Falcone*, documentary which covers the personal story of the Palermo judge and focuses on his character, disposition and virtues, talking about his experiences and stories, and gathering the accounts and memories to those who were close to him. Other important Specials were dedicated to the *Battaglia di Caporetto* (for the 100th year anniversary), *all'Azione Cattolica* and *Polizia Stradale*.

Contemporanea, the new 2017 offer broadcast in prime time on Friday evening, represents an attempt to change from "narrating history" to "narrating the present" through a selection of major documentaries on current events, a glimpse of contemporary affairs which will be the history of tomorrow.

New episodes were also proposed of *Argo – Un viaggio nella storia*, the TV magazine devoted to history and its narration and the discovery of times and places; the brand new series *Storia della famiglia*, which talks about the Italian family, from ancient times to the Renaissance, from the period of the Enlightenment to the 20th century; the series *I padrini*, which proposes the depictions of Italian-American Mafia bosses and lastly, the re-proposal of the award winning series *Apocalypsee, WWII* in colour.

Important prime time proposals were devoted to major international personalities such as *Lady Diana* (31 August, commemoration of 20 years from her death), *Ernesto “Che” Guevara* (10 October, 50 years after his death) and the three-episode series *Viaggio in memoria di John Fitzgerald Kennedy* devoted to the great American president.

Lastly, of note is the documentary *Così vicini, così lontani*, co-produced by Rai Cultura and NHK, the Japanese Public Service, which recounts – 150 years after the first treaty between Italy and Japan – the history of relations between the two countries and two populations.

“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 formal and informal 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 by expanding the offer of the programme *Memex* which, in addition to prime time, is being broadcast in early evening slot with analyses, documentaries and specials created to narrate the great events of scientific education.

Ample prime time space was also given to in-depth documentaries of a didactic-educational nature related to current events, including: ecology, science, nature, respecting the environment and recycling materials, eco-friendly

cities, cultural exchange and integration and legality.

The second edition of *Toolbox* was confirmed with its appointments dedicated to the narrative of European citizens, analysis of academic subjects and issues strictly tied to good schooling and support for educational activity (especially of note the series *Coding* on the dissemination of coding in schools) and the new edition of *Speciali di Rai Scuola*, eleven episodes for following the most important appointments for the school world and Italy, including the *Giornata della Memoria* and *Giornata della Legalità*.

The channel also paid strong attention to philosophy with the continuation of the programme *Zettel Debate. Fare filosofia*, with the in-studio debate stimulated and guided by two excellent hosts: the professors Maurizio Ferraris and Felice Cimatti.

The changes related to digital technology, with special focus on both technological innovations and the impact that they have in various sectors (information, school, society, finance, environment, health, etc.) are instead the core of the second edition of *Digital World*, broadcast from October to December 2017.

“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.”

Orchestra Sinfonica Nazionale

The relaunch and repositioning of the Orchestra Sinfonica Nazionale was performed by its complete insertion in Rai Cultura’s editorial project. No longer a musical formation whose activity is to perform live concerts, but a continual and structural participation in the Company’s offer. This new vision is characterised by increasingly frequent synergies and, in terms of programming, by its constant presence in Rai 5 schedules.

The concert season includes 24 concerts, all live or deferred on Radio 3 and once a month also on Rai 5; the concerts filmed by TV are all available on the RaiPlay portal, the more important ones are proposed to the Euroradio circuit and 2see web platform.

Many appointments characterised 2017, performances held in-house and elsewhere:

- 46 symphony concerts for subscribers at the auditorium Thursday and Friday;
- 8 thematic or monograph concerts at the Auditorium (contemporary musical review and spring review with the constant presence of soloists-violinists);
- 7 concert-performances *Il mago di Oz*;
- 13 chamber music concerts both in-house and elsewhere;
- 6 chamber music concerts at the Quirinale for the review *Concerti del Quirinale* of Radio 3;
- 16 concerts in Italy and 2 abroad;
- 3 creations of sound tracks for Rai fiction;

The symphony concerts witnessed the début of some young artists but also already popular international music performers including Baiba Skride, Beatrice Rana, Emmanuel Ceysson and Benjamin Grosvenor.

And other soloists who were able to enhance every single musical programme. These include the violinists David Garrett and Sergey Krilov, the pianist Alexander Melnikov, the voice of Krassimira Stoyanova and cellist Mischa Maisky.

There was no lack of performers know to and popular with younger audiences such as the violinist David Garrett and the voices of The Swingles.

Special attention was devoted to contemporary music performances, for the review of *Rai Nuova Musica*, with 3 concerts where space was given to the première performances and first performances in Italy, proposing pieces by young

composers and great figures of historical avant garde.

The Festival di Primavera (4 concerts in *Auditorium*) witnessed the presence of violinists such as Ray Chen, Vilde Frang, Joseph Špaček and lastly the young prodigy Daniel Lozaković, who faced pages of classical and contemporary repertoire.

Among the conductors who characterised the symphony season – in addition to the constant presence of the main conductor James Conlon – well-known conductors from the international music scenario took to the stage (Fabio Luisi, Dennis Russel Davies, Christoph Eschenbach, Juraï Valûha, etc.).

The Orchestra's participation in the second edition of the performance *WOW-Il Mago di OZ* was significant from an educational perspective, with the presence of more than 1,500 of which 50 actors and the rest as active audience, who worked together with the musicians of the Rai Orchestra and Compagnia Teatrale Venti Lucenti to put on the performance created for the rights of children and adolescents' week.

The performance was also attended by around 6,000 children from preschools, elementary schools and high schools of Turin and its province.

The protagonist children carried out a training programme over various months (from April to November 2017) as well as around 40 teachers who took part in the project and the final performance.

1. Orchestra Sinfonica Nazionale conducted by James Conlon



The project as a whole has seen the collaboration of the MIUR, the Foundation for the School of the Compagnia S. Paolo and the Department of Education of the City of Turin.

The project entitled "La casa dei suoni", is part of the education are, created in collaboration with Fondazione del Teatro Ragazzi e Giovani Onlus, used to make preschool and school age children more familiar with the musical instruments that animate the Symphony. Each instrument was recounted as if it were a personality in a circus where music is the protagonist.

And lastly, the start of the masterclasses "Professione Orchestra" aimed at young musicians who want to make music their life; project created with the Academy of Pinerolo with the participation of the "first parts" of the Symphony Orchestra as teachers who transmitted the techniques and procedures for dealing with passages and solos of the symphony repertoire and section rehearsals, along with attentive individual work aimed at enhancing the ability to control musical performance.

There were numerous off-site appointments, including the Rome concerts of the Academy of Santa Cecilia season, in Venice during the symphony season of Teatro La Fenice and for the inauguration of the Biennale Musica, in Ravenna for that city's musical festival, at MiTo Settembre Musica with evening performances in both Turin and Milan and in Aix les Bains for the Festival Nuits romantiques. And also, in Vienna and Verona under the prestigious conducting of Semyon Bychkov.

Lastly, participation in the important international show, the Rossini Opera Festival in Pesaro with the performance of important opera passages such as *Le Siège de Corinthe* and *La pietra del paragone* and from the symphony repertoire with the concert *Stabat Mater*.

Along with the Orchestra's public activities, it is increasingly involved – in collaboration with Rai Com – in creating the sound tracks for TV movies for the main generalist Networks. Among those worthy of mention *Provaci ancora Prof*, *Non uccidere* and *Il Paradiso delle signore*.

Almost 40 thousand users follow the Orchestra's Facebook page which is the most followed and popular social media profile for the public. Its growth on Twitter has also been significant, in part thanks to the stories of off-site concerts made daily on the page:

- 3,700 followers for a total of 3 million and a half views during 2017;
- 295 thousand average views of tweets with peaks of 830 thousand for the concerts with David Garrett and 527 thousand with the presentation of the new season.

Interaction with foreign users during the 2017 Rossini Opera Festival was also very high.

The Instagram profile, created with the aim of reaching a younger audience, currently has 1,600 followers. The Orchestra will put greater focus on this in the near future to reach a different audience than its traditional one.

Along with the newsletter, which has just under 3 thousand subscribers, targeted mailing lists have been added for audiences with different interests: season ticket holders, university students, occasional public and associations.




AVERAGE DAILY CONTACTS

3.325


MINUTES SEEN PER DAY

65


SHARE IN 24 HOURS

1.5%


SHARE 4-7 YEARS OLD

13.0%

Rai Kids

The proposal of a new, rich and innovative editorial offer for children and young people, is one of the qualifying elements of Rai's strategy, a promoter of a culture where childhood finds more and more space and reception. In this context, Rai Kids intends to be the stimulus and instrument of the editorial commitment of Public Service, with three main objectives:

- responsibility to the audience of children and young people and their families;
- involvement of the best talents and national audiovisual companies for cartoons and programmes for young children;
- search for new forms, styles, languages and interaction methods in line with the time.

Rai Yoyo

Rai Yoyo is the television for pre-school age children, their first channel, calling card of a Public Service that wants to immediately become your friend. A Network without advertising that only wants to offer, asking for nothing in return.

The Rai offer for pre-school children, structured based on a solid and accurate narrative foundation, is to help them to discover themselves and the world around them and understand that there is also a place for them, that difficulties can be overcome, that others can be friends and that decisions and actions have consequences.

The affection of family members is a keystone, but friendship is just as important and becomes narrative.

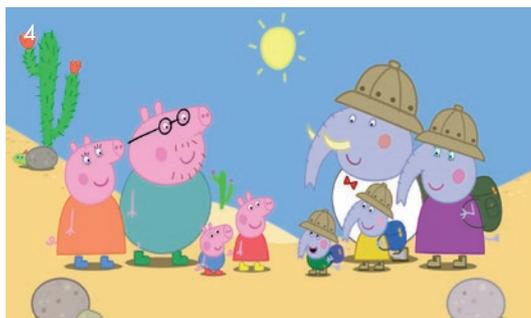
Rai Yoyo proposes stories, worlds, colours and different techniques, broadening languages to stimulate a more complete sensitivity in children, breaking the laziness of wanting to watch and rewatch the same programme a thousand times.

With the increase in channels and platforms, the offer for little ones has tended to become more and more specialised (infant TV, preschool, upper preschool or bridge): during all of its schedule Rai Yoyo hosts and organises a series of different programmes, combining general fun storytelling with valuable learning with programmes with specific curricula, language learning, art, history, science and maths.

Rai Yoyo's audience starts from a very young age to change from watching colours on TV to playing with their parents' smartphones and to become immersed in tablet touchscreens. It is for this reason that Rai Yoyo's programming started out integrated from the beginning with the non-linear offer of the website and RaiPlay, centred around popular shows, but always varied and multiple. Products proposed by the station are divided into:

- Studio entertainment productions (such as *La Posta di Yoyo*, *Bumbi*, *L'Albero Azzurro*);
- purchased series (such as *Peppa Pig*, *PJMask*, *Masha e Orso*, *Bob Aggiustatutto*, and many others);
- co-productions (including *Topo Tip*, *Minicuccioli*, *Yoyo*, *Giulio Coniglio*, the very popular *Pimpa*, and even more).

1. *La Posta di YoYo*
2. *Masha's spooky stories*
3. *Albero Azzurro*
4. *Peppa Pig*
5. *PJ Masks*
6. *Bumbi*



Rai Gulp

AVERAGE DAILY
CONTACTS

1.755



MINUTES SEEN
PER DAY

38



SHARE IN 24 HOURS

0.5%



SHARE 8-14 YEARS OLD

3.8%

The portal www.raiYoyo.rai.it accompanies the network offering, hosting not just replays of broadcast series, but also ad hoc videos and informative contents to involve children and their parents in all the channel's programmes and initiatives.

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

Rai Gulp

Rai Gulp is the TV for children who are changing, and it certainly has a demanding mission: first early elementary school and then early secondary school at an age when each year is different, and children grow up quickly.

Rai Gulp is a channel for school aged children, from the beginning of elementary school to the early teen years. These are children who are discovering school, reading, autonomy and differences. They start to see television channels for children, in an increasingly expanded and personalised menu and to watch prime time TV. They have smartphones and tablets, start interacting on social media and gradually find all sorts of contents on web – directly or through classmates or older siblings.

The Public Service offer opens to all languages: cartoons, fiction, in studio programmes, documentaries and films. In an increasingly close connection between the television channel and the online and social media offer.

A special commitment is dedicated to helping children to grow as citizens, develop insight and a critical spirit, reject discrimination and promote confidence in themselves and in their own abilities.

This does not just involve rejecting stereotypes (which come in massive doses from the web, advertising and the persistence of archaic cultural beliefs), but performing a positive action to devalue them in an intelligent and respectful manner.

Special focus is devoted to two mainstays which occasionally overlap: the rejection of bullying and stereotypes in general. The objective is to offer programming that fights them, discourages them with intelligence and demonstrates their inconsistency and uselessness.

Channel programmes can be divided into:

- entertainment studio productions (such as *Gulp Music* or *Sport Stories*);
- bought series (live series such as *Soy Luna* or cartoons including *Peter Pan*, *Vita da Giungla*, *Spiderman*);
- co-productions, which represent the main component of the network offer (cartoons such as *Geronimo Stilton*, *Zorro* or *Scream Street*, and live series like *Alex and Co.* and *Maggie e Bianca Fashion Friends*).

1. *Gulp Music*
2. *Alex & Co.*
3. *Maggie e Bianca*
4. *Scream Street*



The portal www.raigulp.rai.it proposes contents filled with educational ideas, able to offer children the possibility to have fun by always interacting directly with the channel. This is created not just through tailored productions but also with a dedicated blog, a strong presence on social media, a photo gallery of the preferred stars and with the possibility of reviewing broadcasts on Rai Play.

“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 viewer’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

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 the channel devoted to information updates in Italy, the only one in Italy to broadcast live 24 hours a day, 365 days a year, at the same time populating the Rainews.it web portal and the Teletext platform. There are three "essential parts" that compose the information and multiplatform offer under Rai News 24 and which are synchronised: the contents of the television channel find space and arrangement on the IT portal and on the teletext platform. And vice versa.

Over time Rai News 24 has progressively accentuated its all news vocation, increasing the timeliness of news, covering an always growing number of national and international events with long live broadcasts, services and analyses with guests and experts as well as reports.

The increase in the production of original contents – enhanced by streamlines, flexible and punctual analyses – is also possible in synergy with other Rai newsrooms (especially regional ones) and the involvement of correspondents from Rai's foreign offices.

In an increasingly competitive scenario, Rai News 24 has confirmed and consolidated its leadership in audience, passing from a daily share of 0.50% measured in 2016 to 0.057% in 2017 and maintaining, in the 6 to 8 morning slot – considered prime time for all news broadcasters – an average of 3% just on the digital terrestrial channel 48.

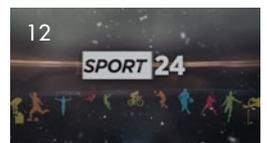
Rai News 24 television offer in 2017 proposed:

- more than 5,000 hours of news, live broadcasts and reviews;
- 460 hours of analysis on news events;
- 430 hours of economy and political-parliamentary debate;
- 660 hours of talk shows;
- 228 hours of weekly shows (culture, health, cinema, cars, etc.).

Rai News 24 reporters and correspondents were involved in more than 2,800 live connections from Italy and abroad to recount and document events including for networks and newsrooms, promoting the optimisation of Company resources.

News and updates are always available on the **Rainews.it** portal as well, which provides space for the best informational production of the whole Company and accompanies each news with texts, photos, videos, webdocs and latest generation multimedia products to provide free, impartial, in-depth and 360-degree information.

1. *Amarcord*
2. *#Bastalasalute*
3. *CheHashtagcheffa*
4. *Frammenti D'Arte*
5. *Cronache Italia*
6. *Cronache Mondo*
7. *Economia 24*
8. *Mordi e Fuggi*
9. *Il Sabbatico*
10. *La Bussola*
11. *Meteo 24*
12. *Sport 24*
13. *Newsroom Italia*
14. *Oggi in Prima*
15. *Sembra Ieri*
16. *Piano Pianissimo*
17. *Pillole di Fisica*
18. *Sabato-Domenica 24*
19. *Vroom*
20. *Telegram*
21. *Tuttifrutti*
22. *Headlines*



The website registers an average of 3 million unique users monthly, with around 250 thousand contacts daily.

Activity regarding social media is characterised by a clear growing trend over the past 12 months: the Facebook page is followed by 365 thousand users and more than 1.5 million people a month interact with the Rai News 24 posts (+30%), while there are more than 950 thousand followers on Twitters with average monthly increase of 11%.

Televideo is a solid tool in the news scenario and in the habits of Italians with an offer that, from the initial 300 pages broadcast in 1984, has progressively grown bringing it to the cutting edge of European teletexts. It continues to be a simple, timely and essential news source which, according to 2017 Censis figures, Italian recognise and authoritative, fast and reliable. It has been broadcast for years in its national format on all Rai channels and in its regional format on Rai 3.

In part thanks to technological evolutions, the teletext service, available on the web and exploitable on tablets and mobile devices, continues to maintain a very high position in the ranking of media used for information by Italians (around 10% of total users).

“New infrastructures and synergies are bringing Rai News 24 into line with the most modern competitors in the all-news information sector.”

Rai Sport

An increasingly vast range of sports, from football to Formula One, from international swimming to the great Giro d'Italia's cycling; availability of new multimedia tools for watching and re-watching the most significant sports events; constant presence on social media for experimenting with cutting edge languages and communication tools, close to the spirit and customs of millennials. This is Rai's mission in sports.

Italy's national football team is a great Rai exclusive, confirmed and renewed in 2017. A love that shows not sign of fading and goes beyond the delusion for the results obtained during the qualifications for the coming World Cup in Russia. More than 8.9 viewers watched the first half on Rai 1 of the match with Spain on 2 September in Madrid with a share of 42.94%; almost 8 million during the second half when the weight of a loss was becoming clear. But it was the decisive (and failed) tiebreaker with Sweden to show the size of the passion for the destiny of Italy's national team. Specifically, it had an effect on the figures for the return home match in Milan which reached a peak of 15.8 million viewers at 9:20 p.m. Web participation on web was equally significant.

Views on Rai Play surpassed a million; 364 thousand interactions, i.e. the sum of all the actions and reactions on the Facebook/Twitter platform (likes, comments, shares, etc.). The interactions recorded after the loss during the first leg game in Stockholm were just under 700 thousand.

The editorial decision to focus on the Coppa Italia was winning, with a feedback unimaginable up to a few years ago, when it was considered as a second-class event compared to the championship and European Cups. Thanks also to the importance of the prime-time live broadcasts of the round of 16 on Rai 1, the Coppa Italia has become a highly desired championship. Just one audience figure proves this: the Lazio-Juventus final at Rome's Stadio Olimpico, with the President of the Republic in attendance, was watched by an average of 10.26 million viewers with a share that almost reached 40%. But the previous matches had audiences worthy of a European or world championship: 8.6 million for Napoli-Juventus, and almost the same for Juventus-Napoli and Juventus-Milan.

All was not football, however. In 2017 Rai was also the "Host of Giro d'Italia": edition number 100 of the most popular and well-loved cycling race was broadcast in exclusive with an unprecedented production effort in terms of quality of the images and for the involvement of reporters and technical structures.

Rai 2, the Network devoted to the Giro d'Italia, presented a schedule created in minimum detail to enhance the strictly sports aspects and more spectacular ones in the various athletic endeavours of the racers. A daily story was created that involved and fascinated millions of people in part thanks to the representation of Italy's beautiful landscape.

La Grande Corsa opened the curtain on Giro d'Italia every day, a broadcast discussing techniques beforehand and entertainment, not just devoted to cycling fans but also a more uniform audience of a generalist network; this was followed by long live coverage of the route for the day until the traditional *Processo* with analyses, background, interesting behind the scenes facts and statistics; the day ended with *Viaggio nell'Italia del Giro*, a programme where a glimpse of cultural aspects and customs moved at the same rate as the pace of the cyclists.

These editorial and production decisions were awarded with success with the public and audience figures: the 20th and second to last route, from Pordenone to Asiago, registered the highest average audience, with 3.3 million viewers and a share of 27.43%. Second place, in the ranking of viewers attention, was the winning stage of Vincenzo Nibali on the climb of Bormio after Mortirolo and the double climb of the Stelvio pass with more than 2.5 million viewers and a share of 22.99%

The Bormio stage established a live record for the Giro d'Italia on Rai Play with 741,000 views (Media Views Live) and some social interactions

(Facebook + Twitter) which involved 153,700 users.

The presence of sports on the web is even more significant with Formula One. For the Monte Carlo grand prix, in addition to the almost 380 thousand viewers in streaming on Rai Play, an increase of +300% of number of download was recorded and +30% in the number of registrations. This was a surprising result and something for Rai to learn from.

The impulse behind this result was obviously Ferrari's team of Vettel and Raikkonen. The renewed competitiveness of the "Red Team" on the roads of the Principality was seen on Rai 1 by around 5.8 million viewers with an average share of 35.50%. The share for Vettel's previous victory in Bahrain was even higher: 36.60% with more than 4.5 million viewers.

Monza for car racing is the "speed temple" par excellence; the circuit manages to combine tradition, passion and skill like none other. A long history that identifies with Formula One and with Rai broadcasts: The 1953 Italian Grand Prix was one of the experimental live broadcasts that came a few months before official programming of the "newborn" television.

Monza 2017 with the dual Mercedes victory and third place for Ferrari's Vettel, drew a record audience for the long live broadcast that attracted around 6.3 million viewers to Rai 1 TV screens almost reaching a 40% share. The number of contacts at more than 11 million was also very high.

1. Usain Bolt at the world track and field championships
2. The Italy-Sweden match for the qualifications for the Russia 2018 World Football Cup
3. Federica Pellegrini at the Budapest world swimming championship
4. Tom Dumoulin at Giro d'Italia
5. The Lazio – Juventus Coppa Italia final



But the first place in contacts was reached during the prime-time live broadcast on Rai 1 of the Mexico Grand Prix: 14,848,216 despite the fact that Ferrari had begun to lose ground in its battle with Hamilton's Mercedes for the world championship.

Generally, Rai's editorial decision to give priority to topics aimed at a more uniform audience was winning, along with the recognised technical skills of the supporting reporters and commentators: exclusive interviews with the drivers, aimed at showing the less known sides of their personalities; the stories of the pit box staff and their work methods; the unusual features of an increasingly sophisticated technology.

Swimming and its champions are also protagonists at Rai: Federica Pellegrini's final at the Budapest World Aquatics Championships for the 200-metre freestyle on 26 July on Rai 2 resulted in an average more than 1.2 million viewers for a share of 12.09%. The audience peak was reached on 30 July with more than 2.2 million viewers who watched the triumph of Gregorio Paltrinieri in the 1,500 metres.

The entire world event, considering the summer period and afternoon time slot, confirmed the interest in swimming and other aquatic sports (diving, water polo and synchronised swimming) with an average of 978 thousand viewers and a share of 9.8%. There were 120,555 views on web, a peak of 377,400 interactions on Facebook and Twitter for 286 thousand users involved.

Another typical summer sport, athletics, maintained a constant public following, despite the fact that at the London world championship – which Rai broadcast live from 4 to 13 August – there were no Italian athletes able to compete for medals. This is because the international dimension of athletics takes priority over rooting for a specific side.

The day of the final recorded the most significant results both on the web and on TV: there were 66,144 views on Rai Play, 28,400 interactions and users involved on Facebook totalled 21,300. It was on Rai 2 where it was possible to verify the extent of the great expectations for the test of the Jamaican Usain Bolt, with an increasing audience up to a peak of 22.47% share and an evening average of 11.79%. But the entire period of the championships had positive feedback, with almost 1.4 million viewers and 8.8% share.

The victories, losses, medals won and those missed by a hairbreadth, the passions that sports events arouse, also had other major stages, those of winter sports. Rai renewed its contract that ties it to the World Cup for skiing and provided

maximum coverage for the most famous alpine races including Wengen, Kitzbuhel, Cortina and Garmish, and the world championship in Saint Moritz with the bronze medal for Sofia Goggia in the giant slalom, a preview of her Olympic victory in the downhill at the South Korean games of PyeongChang in 2018.

“Rai Sport always offers certain programming references so no one missing appointments with their preferred sports and is a constant presence for recounting events and broadcasting analyses and discussions. To unite and participate.”

**AFTERNOON
EDITION AUDIENCE**

(SHARE)

**EVENING EDITION
AUDIENCE**

(SHARE)

**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.

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 and reliability of its programmes, in which it covers all the most important events.

After the extraordinary live call of Pope Francis in 2016 made during the space devoted to the TV news in *Unomattina*, 2017 will be remembered for the brief meeting of the Pope with the Tg1 correspondent during the traditional love broadcast in Piazza di Spagna in Rome for the feast of the Immaculate Conception.

Tg1 increased its audience in 2017. In the 8:00 p.m. edition the share reached 24.34% against 24.06% of 2016 achieving an increase of 0.25 percentage points. Positive figures also for the 8:00 a.m. morning edition which totalled almost 1.3 million viewers and 23.03% share. The values for the 1:30 p.m. edition remained basically stable.

The reason for the success of Tg1 is the authoritativeness, elegance and pluralism that has always marked it, as well as 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.

There are also many special features. The discussions in *Tv7* and *Speciale Tg1* should not be overlooked with the many other theme-based features, such as *Tg1 Economia*, *Tg1 Billy*, the online library open to readers, *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 cars 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 news, the selection of news, care in the transmission of images and rigour in contents are the factors that make Tg1 a reliable news programme a window on the world for all Italians and a mixture of tradition and innovation."

1. The Pope live on Tg1



Tg2

Tg2 confirms its vocation as a Public Service news programme, faithful to the principles of correctness, pluralism and detailed and continuous checking of sources and the truth of news, through information based on analysis, innovation and experimentation.

A strategic editorial programme aimed at reinforcing – again in 2017 – a production system and an offer which is increasingly modern, efficient and in line with changes in audience and society.

One thousand hours of broadcasting, for around 3,400 episodes, divided into the three main daily news editions, 14 features, 24 special and extraordinary editions, 5 running commentaries. A widespread presence in the country of correspondents and teams and ultralight broadcasting systems for live connections. Maximum and timely coverage of every issue, with the aim of pursuing total efficiency of the production model – in terms of creation and narration – and language for images.

Tg2 continues to attract viewers, through an attentive and well-organised offer and with a brand and product recognition that has become more accentuated. Live connections, original stories, the presence of studio guests and on the set during live connections, especially during the 8:30 p.m. edition represent the identifying feature of the news programme. Audience figures award Tg2 and considerably contribute to reinforcing the channel's editorial performance. The 1:00 p.m. edition is close to a 1.5% share; 4% for the afternoon one and 7.8% for the evening edition.

The last appointment, which has taken on an increasingly significant connotation in Rai 2 programming, to the extent that many prime-time protagonists of the network enthusiastically agree to the proposal to promote their programmes during the 8:30 p.m. Tg2.

Once again in 2017 the news programme guaranteed maximum coverage of national and international events, constantly providing current affairs, giving a voice to the stories of protagonists and emergencies. An even more concrete production effort, with correspondents and technical equipment, for special issues where extraordinary editions, specials, running commentaries, prime time and live reports have been produced. Specifically, news events like the Rigopiano tragedy, or emergencies like earthquakes, immigration and landings of illegal immigrants. But also, many election appointments, such as the French presidential elections and the Italian local government elections; institutional events such as the G7 in Taormina, the 60th anniversary of the Rome treaties, the inauguration of the judicial year of the Corte dei Conti, annual report of Bank of Italy and Plenum of the Consiglio Superiore della Magistratura dedicated to the 25 years of the Capaci attack.

And the dramatic international news events, with the terrorism emergency playing a leading role and protests in Barcelona for the events related to the referendum on Catalonia's independence; climate emergencies, one of the most important hurricane Irma, which devastated the north-eastern islands of the Caribbean. Tg2 dedicated ample space to these issues, guaranteeing news coverage with correspondents in the affected areas. For example, during hurricane Irma, the news station's correspondent was the only one

1. Live broadcast from the United States for hurricane Irma
2. Live broadcast from Ischia for the earthquake



to reach the areas hit by the storm, producing a report with unique images and eye-witness accounts. Complete and live local live coverage was also provided during the weeks that the tensions in Spain continued.

As regards issues more closely related to national news, the information for the earthquake emergency was extraordinary, both due to new dramatic events which occurred at the beginning of 2017 and at the end of the summer with the earthquake on Ischia; and to remember the August 2016 quake to keep attention focused on reconstruction.

A special commitment is linked to femicide and problems related to violence against women. In this context, there were various moments of analysis and reflections, with ample pages on the various Tg editions, features and reports, even the creations of news programmes almost entirely dedicated to the phenomena, such as the 8:30 p.m. one of 24 November at the same time as the Worldwide Day against violence towards women, established by the General Assembly of the United Nations.

Cultural events also play a leading role, with live broadcasts of season openings of the most important Italian theatres and live interviews with major performers.

Innovation and experimentation characterised another Tg2 product, *la Carta d'Italia*, a journey to the north-western part of Italy, a trip proposed in the prime-time edition; a close-up look at the excellences, economy, history and culture of Piedmont and Liguria. A product awarded by audiences with an average share of 9.5%.

Tg2 also handled programmes dedicated to themes such as the 500th anniversary of the Protestant reform, the 62nd regatta of the Ancient Marine Republics, the historical one of Venice, renewed this year in the editorial and technical part (four new live stations from the symbolic spots of the lagoon city to enhance the running commentary with guests and experts). A live broadcast popular with viewers with a share close to 6%.

Another unique ingredient of Tg2 are its features, which became 14 this year, and recorded an average share near 10%. These products require dedicated resources and processing sites during the creative, design and packaging phase. The features which experimented with live broadcasts in 2017, with studio guests and live connections – were:

- *Dossier*: weekly focus on the most important events;
- *Dossier storie*: stories of life and personalities, brand new stories;

- *Mizar*: events and figures of art and culture;
- *Achab libri*: focus on literary production, accompanied by interviews of authors;
- *Cinematineè*: space dedicated to cinema production, with interviews with directors and actors;
- *Tg2 punto di vista*: weekly focus, often live, on weekly events;
- *Si viaggiare*: a journey among beauties of art and archaeology, mainly Italian;
- *Eat parade*: a page dedicated to Italian food and wine delicacies;
- *Tutto il bello che c'è*: a feature which tells positive stories with particular focus on young people, the academic world, the world of the disabled and the vast network of non-profit associations involved in volunteer work and projects to support others, a space that deals with good news at 360 degrees connected with the third sector;
- *Costume e società*: a traditional feature which offers a national and international view on trends in society, fashion, design and crafts;
- *Medicina 33*: long-established feature with medical information;
- *Tg2 motori*: news concerning the automotive sector with special attention to green power products;
- *Tg2 lavori in corso*: daily strip with spaces for social media, local news, art, domestic economy and volunteer associations. Many studio guests and with a page dedicated to international news and analyses, with space reserved for fake news;
- *Tg2 divino*: new feature dedicated to the connection between wine and culture, with the presence of producers who represent the excellence of Italy's land.

At the end of 2017, Tg2 renewed and increased its news offer on the web, with a real restyling of its website, including reinforcing its loyalty relationship with social media users, through constant implementation of digital strategies. The news programme used its own accounts to launch campaigns, live events and important editorial appointments, ensuring continuous updating of services and news on both the web page and part devoted to social media.

“Tg2 continues its strategic and well-organised editorial programme aimed at reinforcing a production system and an offer which is increasingly modern, efficient and in line with changes in audience and society.”

Tg3

Tg3 the news programme about real life, with numerous guests and experts in the studio to help understand reality. A programme with a strong identity, its always tells the fact live. Its lets viewers be present where the events are happening.

This is the news programme which goes on air live with special editions about emergencies, both in Italy and abroad. In 2017 it covered the attacks in Istanbul, Manchester, London, Stockholm, Barcelona, Paris, and the Coptic church in Egypt, along with the elections in Catalonia and earthquakes in Italy.

The average share for the 7:00 p.m. edition is one the rise and reaches 10.3%, with more than 1.6 million viewers. With approximately 900 hours of broadcasting including news and features, Tg3 has consolidated a loyal following among viewers.

The news offer starts at noon with the only Rai news programme produced in Milan, the first of the morning time slots, with many live connections with network correspondents and reporters around Italy, ensuring coverage of all the events on with a constant focus in economic issues and their effects on daily life.

This is followed by the 2:20 p.m. edition with a 10.5% share, up half a point, a news programme particularly sensitive to the problems of consumers and families with the daily presence of guests.

The news day ends with *Linea Notte*, steady above 5.4% share, once again a favourite venue for comment and analysis anticipating the issues of the following day.

The balance sheet for *Tg3 nel Mondo* was again positive, a weekly show on international current affairs that provides a view of the international political situation with live participation from guests from all over the world.

Tg3's Public Service information is completed with *LIS*, the news in sign language, and *Fuori Tg* which returned to its 12:25 p.m. time slot and strengthened the bond with viewers who take part in each instalment live.

Tg3's news offer is completed with many other features.

Cultural analysis is featured on *Fuori Linea*, which airs every Sunday from an artistic venue, a museum, a historical spot, and exhibition or a theatre, and *Chièdiscena* dedicated to live shows, dance and theatre on Saturday nights.

For foreign politics, *Agenda del Mondo* a reportage related through the stories and everyday life of the protagonists, who are personalities that are not always well known, but represent their realities.

Again, on the topic of foreign politics, the four episodes of *Il Mondo Nuovo* were produced in collaboration with Rai 3 with reporting that narrates particular international situations.

Pixel a feature on science and technology that talks of innovation concerning developments from web and technologies linked to new sources of energy and environment; *Persone* proposes personal life stories, which are interesting due to their originality and curiosity.

Tg3 put considerable effort into using the social media and internet: all the news editions and special features can be seen again online. The first news programme to use social networks, Tg3 has more than 174,000 Facebook users and has over 187,000 Twitter followers. And these numbers are rising all the time.

“Tg3 has again been a news programme that enjoys a loyal audience, with a recognisable brand and a growing public following that wants and appreciates news analysis.”

1. *Chi è di scena*
2. *Fuorilinea*
3. *Pixel*



TGR

Near the territory, near you.

Rai's regional offices are the parts of a well-organised puzzle that permit the radio and TV Public Service to ensure efficient and constant news coverage. The News Programmes Regional and a real strong point thanks to the widespread sites and around 700 reporters, guaranteeing a constant presence in the country, useful not just for the regional news programmes, but which enables Rai to promptly be on-site where the most important events occur in the country.

Again in 2017 the Regional News Programme played a strategic and important role for news, but it never took the limelight away from the earthquake and has always been present where events occur. The relationships that connect it to the various communities and all social, economic and cultural realities make it possible to narrate an Italy sticking to reality, where coverage is not just devoted to emergencies, but also reports, suggestions and complaints from civil society.

In this context, the numerous social campaigns started by the programme have continued without stopping. One more reason for citizens to feel that Rai is close to the territory and at the same time bring TGR closer to the population.

Proof of this is in the audience figures for the two main news programmes, the one at 2:00 p.m. and the one at 7:30 p.m.. In fact, the regional news obtained Rai 3's peak audience figures, with shares of 16% and 12%, respectively.

TGR also has numerous outstanding nationwide features, in the forefront of which is *TGR Leonardo*, the only science and technology news programme which combines a focus on daily current affairs with the seriousness of documentation and analysis.

There is also *Petrarca*, a magazine on the priceless world of Italian culture, and *Mezzogiorno Italia*, a journey to southern Italy to discover aspects, problems, personalities, stories and places often ignored or not known well enough.

The experience of the last few years, not only with regard to emergencies, was further evidence of the need on one hand to preserve and appreciate the part played by local newsrooms and on the other hand to exploit resources as much as possible by making the best use of technological evolution and adopting leaner and increasingly effective organisation and production models. A technological modernisation was completed

in 2017 with the conclusion of the digitalisation project for all newsrooms. The web offer was also expanded, it is scheduled for completion in 2018.

“In 2017 TGR reinforced its coverage of traditional media, becoming one of the most popular programmes, aware of the innovative challenge launched by the digital world.”

Rai Parlamento

NO. FEATURES

11



TOTAL HOURS OF BROADCASTING

249



TOTAL EPISODES

1,027

Rai Parlamento

Rai Parlamento, point of reference for experiencing the institutions live, is the news programme which informs TV users of the doings of the Italian and European Parliaments, parliamentary commissions and in general on national politics.

During the 2017 the programme, direct contact of parliamentary institutions, created three editions of *Tg Parlamento*, the morning on Rai 1 (234 editions for a total of more than 11 hours), the afternoon on Rai 2 (238 editions for more than 28 hours) and the night on Rai 3 (224 editions for around 34 hours).

The news programme, this year with a new theme song, offers citizens an accurate report on current affairs of the Chamber and Senate, on the main topics of the political agenda, activities and initiatives of the Government.

Political current affairs were also the subject of 38 *Approfondimenti Tg* aired on Rai 3 and 16 *Speciali*, on Rai and Rai 3, each lasting around an hour.

There were a total of 40 *Question Time* in 2017, the traditional question and answer sessions of parliamentarians to the executive representatives broadcast live: 38 from the Chamber and 2 from the Senate for a total of around 48 hours.

The proceedings and agenda of the national and European political debate were at the centre of 47 episodes of *Settegiorni* – the weekly analysis with inquiries, services and interviews on the most important issues being discussed in the Senate and Chamber and same number of broadcasts (for more than 41 hours) of the show *Punto Europa* dedicated to the activities of the European Parliament.

The world of associations was narrated during the 85 episodes of *Spazio Libero*. Rai Parlamento also created 10 *Documentari* in 2017 on the history, architecture and interiors of the Halls of politics.

1. *Punto Europa*
2. *Settegiorni*



Fiction

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

Rai's commitment to encouraging Italian and European audiovisual production is 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.

In 2017 new TV drama and comedy works were shown on Rai 1 on 101 evenings, obtaining the highest result since 2009: an average share of 22.2% and average audience of 5.5 million.

Reruns were broadcast on 27 evenings, with very positive audience figures. The rerun shows totalled a share of 20.6% and average audience of 4.7 million confirming the value of rerunning fiction.

Overall for the year being analysed, Rai 1's fiction came into contact with 45.2 million viewers, equal to 77% of the entire country, fully meeting its goal to propose an "offer for everyone" no one excluded. Moreover, if the Italian population were divided into clusters, an inclusion over 60% would be found for all profiles: children, young people, adults, senior citizens, males, females, higher and lower educational backgrounds, Pay TV subscribers, large and small municipalities.

Rai 1's result makes this channel not only the leading TV drama and comedy broadcaster in Italy in terms of offer and audience, but one in the very front rank at European level, and to this Rai 2 must be added. The second Network broadcast 17 original fiction works in the evenings, with an average audience of 2.1 million viewers and an average share of 9%.

Rai 3 aired 3 première evenings and 219 episodes of the series *Un Posto al Sole*, which had an average daily share of 8% and made a valuable contribution to this Network's advance in prime time.

As in previous years, once again in 2017, the top ten of Italian fiction was solely composed of Rai labelled productions. *Il commissario Montalbano* was confirmed the most viewed programme of the flagship Network (excluding *Festival di Sanremo*) with an average audience exceeding 11.3 million and a 42.7% share. Particularly satisfactory is the feedback from the youngest targets (males 15-24: 29,3%; females 15-24: 32,9%; females 25-44: 28,9%), on an

audience with a high educational background (secondary school target: 45.8%), but above all university educated target (56%).

The series *I bastardi di Pizzofalcone* arrived in second place. It is taken from the best sellers by Maurizio De Giovanni and set in a Naples far from the usual stereotypes (7 million viewers, 26.3% share), followed by the two-episode miniseries *C'era una volta Studio 1* (6.9 million viewers, 26.8% share).

Even for audiences who subscribe to satellite Pay TV, the top ten fiction programmes by share are composed solely of Rai shows. The top position is held by *Il commissario Montalbano* (44% share, +5.8 percentage points over 2016), followed by *Maltese - Il romanzo del commissario* (27.8%) and the series *Di padre in figlia* (27.4%), a family saga set in north-east Italy and which revolves around a young woman's fight to become a businesswoman in a man's world.

The figures demonstrate that even with a rich offer such as that of satellite Pay TV, Rai Fiction's proposals continue to satisfy the tastes and expectations of the most demanding audience.

The main reason that TV drama and comedy works manage to reach such vast audiences in general interest channels is that they have the capacity to become an event: a not-to-be-missed appointment to see and share live. This is what happened in October 2016 with *Medici - Masters of Florence* and was repeated in 2017 with *Maltese - Il romanzo del commissario* (6.4 viewers and 26.3% share) a powerful crime drama set in Trapani in the 1970s.

In a season marked by an offer with excellent quality and variety, *Maltese* represented, due to its contents and style, a new finish line and a complete change for Sunday fiction programmes: a series par excellence characterised by a blend between the great tradition of civil narrative and the ability to reinvest the genre through a sophisticated and cinematographic storytelling and aesthetics.

As regards the offer composition, 2017 presented the new results of experimental work conducted in recent years. The bouquet of proposals was renewed and enhanced by the return of supernatural/fantasy, using the strong trigger of sentimental melodrama (*Sorelle*) or as the central element of narration and language (*Sirene*). An innovative approach involving all the Networks, like the case of the supernatural crime drama on *La porta rossa* on Rai 2 which potentially introduces a blend of almost all genres.

1. *L'ispettore Coliandro*
2. *Studio Uno*
3. *I fantasmi di Portopalo*
4. *I Bastardi di Pizzo*
Falcone
5. *Sotto copertura 2*
6. *Sirene*
7. *Il commissario*
Montalbano
8. *La musica del silenzio*
9. *Paolo Borsellino –*
Adesso tocca a me
10. *Di padre in figlia*



Crime drama also evolved in its search for new narrative paths and formulas such as the previously mentioned *Maltese* or in *I bastardi di Pizzofalcone* – characterised by protagonists in chiaroscuro – adding life at the same time to long sellers such as *Un passo dal cielo 4* or the anthological series like *Sotto copertura 2* with greater realism and action tones.

There was no lack of shows based on narration of the recent past, conceived as a stimulus to rethink the present: *Di padre in figlia* along the lines of the analysis of women's conditions; *Maltese* for an unusual look at the 1970s; *I fantasmi di Portopalo* which looks at an issue which is often abstract such as illegal immigration, making it human and real; *Paolo Borsellino - Adesso tocca a me*, docufiction on the judge killed by the Mafia in 1992.

In terms of the national popular imagination *In arte Nino*, biopic on the star performer Nino Manfredi (5.6 million viewers and 23.4% share), and *La musica del silenzio*, taken from Andrea Bocelli's autobiography with the same title (6 million viewers and 25.1% share), bringing personalities and excellent stories to the screen with a universal symbolic value receiving positive audience feedback including for the selected format: TV movie in a cinematographic mould.

In terms of Rai 2, its popularity was confirmed for the innovation work carried out on fiction programmes intended for prime time. *La porta rossa*, the supernatural crime drama written by Carlo Lucarelli and Giampiero Rigosi, obtained excellent feedback from critics and the audience (more than 3.5 million viewers and 14.3% share) specifically winning over a female audience (15.6%) and those with a high educational level (15.7%). Distributed abroad by Studio Canal and acclaimed as one of the most interesting and innovative series on a European level, for the original mixture of genres which unit paranormal detection and mystery, *La porta rossa* constitutes another example of Rai fiction's new path dedicated to audiences who enjoy contemporary serials.

The popularity of *L'ispettore Coliandro* was also confirmed, now in its sixth season. The new episodes, with improved screen writing thanks to a clearer action slant, were followed by 2 million viewers with 8.1% share (+1.45 percentage points compared to the time slot average of the Network). The result with the male 15-24 (10%) and university educated (12.1%) targets in particular was very positive.

On Rai 3, in addition to the traditional appointment with the soap opera *Un posto al sole*, the serial docufiction *I mille giorni di Mafia Capitale* represented a narrative challenge, but

also linguistic where, through ROS wire-tapping and original documents, investigations were reconstructed which brought to light the network of affairs and murky relationships that marked Rome. A project which, in terms of themes and language, comes close to some major international productions such as *The Jinx* or *Making A Murderer*.

Even as regards the offer of the new RaiPlay platform, fiction represented one of the most viewed contents by Internet browsers. Out of a total figure of more than 350 million media views, fiction accounts for 37% of the total VOD offer with more than 131 million media views, followed by the "TV programme" category with 94.7 million media views. The total traffic generated by Rai fiction just in 2017 is quantifiable in 85.9 million media views. On the podium of most view shows, first place goes to *Che Dio ci aiuti 4* with 18.3 million media views, followed by *Tutto può succedere 2* (11.5 million media views) and *Un passo dal cielo 4* (8.2 million media views).

Cinema

Rai Cinema continued its activity in 2017 to acquire films and fiction, with the aim of enhancing Rai's schedule from a quality and quantity standpoint.

Moreover, the company maintains a leading role in national and European film production activity and in commercial exploitation activity through the O1 Distribution division.

Acquisition

In terms of procurement activities for the Networks, with the Major Studios two packages were formalised at the beginning and end of the year with Sony Pictures Television Distribution, for a total of 145 films (current and library including *Amazing Spiderman 2*, the female remake of *Ghostbusters* and futuristic romance *Passengers* with Jennifer Lawrence), 21 TV movies and 4 current series (including *the Good doctor* for Rai 1 and *S.W.A.T* for Rai 2) with the availability of free TV rights until 2020.

With CBS and the extension of the existing framework agreements for the years 2018/2019, already defined at the end of 2016, the renewal was added for series for

Rai2 and Rai4 schedules, including *Navy NCIS*, *NCIS: LA* and *Hawaii Five-0*.

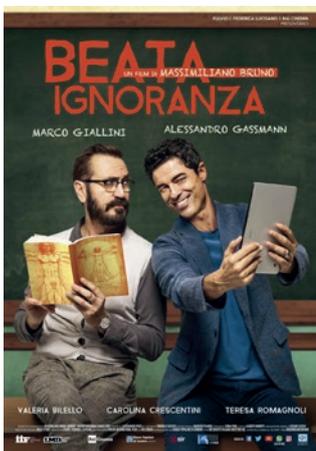
Shows were procured from The Walt Disney Company Italia for the Christmas period (the live action which was also a box office hit in Italy *Cinderella* and cartoon special *Olaf's Frozen Adventures*), the series sequel for generalist channels, the Kids product for kids channels and renewal of the series *Alias* and *Criminal Minds* for Rai 4.

Procurement of quality cinema from independent Italian distributors continued in order to integrate the film offer on all Networks.

Related to the more specifically television product, a large selection comes from the German companies Beta and ZDF: the volume deal for 2018-2020 was renewed with the former, as well as a product selection for the last year of the 2015-2017 deal; from the latter a sizeable amount of product was added to inventory that can be used in summer prime time and day time of generalist channels.

As regards international shows for distribution, the long-term agreement with Leone Film Group made it possible to expand the distribution list of new

1. *Beata ignoranza*
2. *La La Land*
3. *Mister felicità*
4. *Smetto quando voglio ad honorem*
5. *Smetto quando voglio masterclass*
6. *Wonder*
7. *Ammore e Malavita*
8. *La Tenerezza*



shows: the beautiful *Wonder*, with Julia Roberts and Owen Wilson, a film adaptation of the novel of the same name written by R. J. Palacio, released at the end of the year with excellent results; the new film by Steven Spielberg, *The Post*, with Tom Hanks and Meryl Streep; *Soldado*, the first American film by Stefano Sollima; *Robin Hood*, very spectacular *House With a Clock in Its Wall* a fantasy/mystery with Cate Blanchett; 6 shows acquired in distribution service (*Remi: Nobody's Boy*, family target, *Current War* by Alfonso G. Rejon, with Benedict Cumberbatch on the story of the giants of electricity, Edison and Westinghouse, *The Spy who Dumped me*, a comedy with Mila Kunis; *12 Strong*, a war film, *Hotel Artemis*, an action film with Jodie Foster and *Flasky*, an irreverent comedy with Charlize Theron).

Plus, *Human Flow*, the documentary by Ai Weiwei, filmed in 23 countries over the period of more than a year, which represents the living conditions of 65 million homeless who escaped from their homes in search of new lives, presented at the Venice Film Festival and came out in theatres as an event last 2 October, and *Raid Dingue* by Danny Boom.

Movie production

During 2017 Rai Cinema helped to make a very large number of movies which make up a widely diversified range of products.

Among the movies completed and being released in the first months of 2018: *Hannah*, second work of Andrea Pallaoro; *Ella & John - The Leisure Seeker* by Paolo Virzì and *Nato a Casal di Principe* by Bruno Oliviero, presented at the Venice Film Festival; *Si muore tutti democristiani*, début by Il Terzo Segreto di Satira; *Guarda in alto*, first work by Fulvio Risuleo; *MUN – Metti una notte*, directing début of Cosimo Messeri, presented at the Rome Film Festival; *Balon*, by Pasquale Scimeca; *Blue Kids* by Andrea Tagliaferri; *Favola*, directing début of the video-artist and writer Sebastiano Mauri; *Tito e gli alieni*, second work by Paola Randi; *Al massimo ribasso* by Riccardo Jacopino, presented at the Turin Film Festival; *Il ragazzo invisibile - Seconda generazione* by Gabriele Salvatores; *A casa tutti bene* by Gabriele Muccino; *Una vita spericolata* by Marco Ponti; *Ricchi di fantasia*, comedy by Francesco Micciché; *Nome di donna*, new work by Marco Tullio Giordana; *Quanto basta* by Francesco Falaschi; *Il rumore del sole*, third work by Mirko Locatelli; *Drive Me Home*, first work by Simone Catania.

Among the movies in post production: *Io, il tubo e le pizze*, autobiographical docufiction by Ugo Gregoretti, taken from his book *La storia sono io*; *Il flauto magico di Piazza Vittorio*, an alternative

version of Mozart's masterpiece, conducted by Gianfranco Cabiddu and Mario Tronco, set in the multicultural Rome neighbourhood: *Piazza Vittorio*; *Lazzaro felice* by Alice Rohrwacher; *Capri Batterie* by Mario Martone; *Euforia*, second work by Valeria Golino; *Achille Tarallo* by Antonio Capuano; *Io sono Tempesta* by Daniele Luchetti; *Contromano*, bitter-sweet film that marks Antonio Albanese's return to directing; *Land*, by the British-Iranian director Babak Jalali; *Sembra mio figlio* by Costanza Quatriglio; *Ricordi?*, a return to directing by Valerio Mieli; *Ovunque proteggimi* by Bonifacio Angius; *Un confine incerto* by Isabella Sandri; *Arrivano i prof* by Ivan Iliev; *Il grande spirito* by Sergio Rubini; *L'ospite*, second work by Duccio Chiarini.

But also, *Notti magiche* by Paolo Virzì; *Una storia senza nome* by Roberto Andò; *L'uomo che comprò la luna*, comedy by Paolo Zucca; *Troppa Grazia* by Gianni Zanasi; *Il primo re* by Matteo Rovere; *Dogman* by Matteo Garrone; *Gli indesiderati d'Europa* by Fabrizio Ferraro; *La direzione del tempo* by Vincenzo Stango; *Menocchio*, long-awaited film by Alberto Fasulo; *Cruel Peter*, horror film by Christian Biscaglia and Ascanio Malgarini; *Kip Fisher e l'uomo dei ghiacci* by Gabriele Pignotta; *Il Vegetariano*, second work by Roberto San Pietro; *Like me back*, second work by Leonardo Guerra Seragnoli; *Figlia Mia*, second work by Laura Bispuri; *Fiore Gemello*, second work by Laura Luchetti; *Potere Lucano*, second work by Gigi Roccati; *Finalmente Sposi* by Lello Arena; *Restiamo Amici* by Antonello Grimaldi.

The following international projects are worthy of mention: *Todos lo saben* by the Iranian director Asghar Farhadi; *Walking to Paris*, the new project by the great English director Peter Greenaway; *History of Love*, second work by Slovenian director Sonja Prosenec; *I villeggianti*, fourth film by Valeria Bruni Tedeschi; *Il libro delle visioni*, first fiction work by Carlo Hintermann.

Among the movies in post production, many are first works: *Thanks for Vaseline* by Gabriele De Luca; *Il mangiatore di pietre* by Nicola Bellucci; *Dei* by Cosimo Terlizzi; *La fuitina sbagliata* by Mimmo Esposito; *Hotel Gagarin* by Simone Spada; *Resina* by Renzo Carbonera; *La terra dell'abbastanza* by the very young Fabio and Damiano D'Innocenzo; *Ride*, first work by Valerio Mastandrea; *La bambina sintetica*, by Karole Di Tommaso; *Metti la nonna nel freezer* by the young Giuseppe Stasi and Giancarlo Fontana; *La profezia dell'armadillo*, by Emanuele Scaringi; *San Valentino Stories*, a romantic Neopolitan comedy in three episodes, with all debuting directors; *Ci vuole un fisico* by Alessandro Tamburini; *Due piccoli italiani* by Paolo Sassanelli; *Saremo Giovani e Bellissimi* by Letizia Lamartire; *Il dente del giudizio* by Gregorio Sassoli.

Among products in preparation or where filming has just begun: *Palloncini* by Laura Chiossone; *Tutte le mie notti*, thriller by the debuting Manfredi Lucibello; *La Famosa invasione degli orsi in Sicilia*, animation film, in co-production with France, directed by the artist Lorenzo Mattotti; *Freaks out*, the next highly awaited film by Gabriele Mainetti; *La befana viene di notte* by Michele Soavi; *Skeleton Story* by Alessandro Rak; *Momenti di trascurabile felicità e infelicità*, taken from two books by Francesco Piccolo, written by the same Piccolo and by Daniele Luchetti; *Il traditore* by Marco Bellocchio; *Se un giorno tornerai*, interpreted and directed by Marco Mazzieri; *Il mio corpo vi seppellirà*, western pulp directed by Giovanni La Parola; *Assandira*, the new film by Salvatore Mereu; *Dormiremo da vecchi*, acid comedy written by Fabio Bonifacci, taken from a novel by Pino Corrias; *Di fame non si muore*, first work by Umberto Spinazzola; *Hogar*, first work by the documentarist Maura Delpero; *Paradise*, first fiction work by Davide Del Degan; *Sole*, first work by Carlo Sironi; *White Flowers*, directed by Marco De Angelis and Antonio Di Trapani; *Martin Eden* by Pietro Marcello; the second work by Fabrizio Maria Cortese, *Free*; *I destini generali* by Stefano Chiantini.

Among the developments completed during the year: the first work by Samuele Sestieri, *Da un'altra parte*; the new film by Amos Gitai, leading Israeli director, *Doña Gracia*; *Charleston*, by Emma Dante, taken from her play *Le sorelle Macaluso*; *L'alba di domani* by Mario Orfini and Francesco Castellani; *In absentia* by Matteo Bernardini; *Guida romantica ai posti perduti* by Giorgia Farina and Carlo Salsa; *La notte più lunga dell'anno* by Andrea Di Consoli, Simone Aleardi and Cristina Borsatti; *Essere* by Leonardo Guerra Seragnoli; *100 di questi giorni* by Alberto De Angelis and Marco Trabucchi; *Tip Tap Time* by Liliana Cavani.

Among developments in progress: the new film by Cosimo Gomez, *Sangue Gruppo Zero*; *Gli infedeli*, a product produced from Lebowski by Riccardo Scamarcio; *Il buco*, written by one of the most awarded and talented Italian directors, Michelangelo Frammartino; *Un Drago a forma di nuvola*, readaptation of an Ettore Scola script, rewritten by Margaret Mazzantini and Sergio Castellitto; *Effetto domino*, from the book of the same title by Romolo Bugaro, written and directed by Alessandro Rossetto; *Lacci*, from the novel of the same name by Domenico Starnone, directed by Daniele Luchetti; *Un cielo stellato sopra il ghetto di Roma* by Israel Cesare Moscati; the new project by Jonas Carpignano, *A Chiara*; *Resilient* by Roberto Faenza and Ben Skerker; *Black* by Cristian Bisceglia, Fabio Ciampo and Sarah Maestri.

Documentary production

As regards the cinema of reality and documentaries, Rai Cinema started 48 projects,

in line with its editorial policy and the mandate to support independent authors and producers. Among the various projects, it is worth mentioning those of emerging young directors: Riccardo Palladino, Martina Melilli, Marco Proserpio, Michele Pennetta, Giuseppe Valentino, Michele Cinque, Andrea Sorini, Francesco G. Raganato and Maria Tilli.

Moreover, new docufilms of well-known authors should be noted, including: Nanni Moretti, Roberto Minervini, Marco Bellocchio, Gianfranco Rosi, Wilma Labate and Gianfranco Pannone.

As regards television broadcasts, the four documentaries of the cycle *Nel nome del popolo italiano* recorded excellent audience figures. They were dedicated to four national heroes: *Vittorio Occorsio* (Audience 674 thousand, Share 6.82%, Contacts 2.5 million), *Piersanti Mattarella* (Audience 1 million, Share 8.31%, Contacts 4.1 million), *Marco Biagi* (Audience 919 thousand, Share 12.78%, Contacts 2.5 million) and *Natale De Grazia* (Audience 691 thousand, Share 7.22%, Contacts 2.5 million) all aired on Rai 1; *Pino Daniele, il tempo resterà* (Audience 1.1 million, Share 4.93%, Contacts 6.2 million) and the second rerun of *Fuocoammare* (Audience 861 thousand, Share 3.38%, Contacts 5.7 million) broadcast by Rai 3.

Festivals

The year 2017 was also filled with recognitions and successes.

Six films were selected for the **Cannes Festival**: *Sicilian Ghost Story* by Fabio Grassadonia and Antonio Piazza, which successfully opened the *Semaine de la Critique*, the three films selected for the *Quinzaine des Réalisateurs* – *L'Intrusa* by Leonardo Di Costanzo, *Cuori Puri*, first work by Roberto De Paolis, and *A Ciambra* by Jonas Carpignano, winner of the European Award Cinemas Label and designated by Italy to compete in the Academy Awards in the Best Foreign Film category – and two prestigious international films such as *Wonderstruck* by Todd Haynes, selected for the competition, and *D'après une histoire vraie* by Roman Polanski, not in the competition.

Several awards were received after Cannes: 16 **David di Donatello**, including Best Film and Best Director both awarded to *La pazza gioia* by Paolo Virzi, 7 Golden Globes and 15 Silver Ribbons, with the triumph of *La tenerezza* of Gianni Amelio, winner of the Best Film and Best Director categories.

Rai Cinema participated at the **Venice Film Festival** with 23 titles including films, documentaries, one restored film and two short features.

Among these *La La Land* by Damien Chazelle, which enabled Emma Stone to win the Volpi Cup as

best leading actress, and *Liberami*, the documentary by Federica Di Giacomo on exorcisms in our age, which won the Orizzonti Prize.

During the final months of the year Rai Cinema was present at the **Rome Film Festival** with 13 works, including movies and documentaries, and at the **Turin Film Festival** with 3 movies.

Distribution

In 2017 Rai Cinema distributed 30 films with a total box office take of €56.5 million, more than 9 million tickets sold, reaching 4th place in the ranking of distributors – the top Italian distributor after the major American studios – with a market share of 10.19% of presences.

The titles that recorded the best performance were: *Mister felicità* by Alessandro Siani, with box office takings of around €10.5 million and *La La Land*, winner of 7 Golden Globes and 6 Oscars – including best director and best actress – which collected €8.7 million at the box office. They were followed by *Beata Ignoranza* by Massimiliano Bruno with €4.1 million and *Smetto quando voglio – Masterclass* by Sidney Sibilia with €3.5 million.

Lastly, the fantastic *Wonder* was released on 21 December and collected more than €5 million in 10 days.

Rai Cinema is in 5th place in the home video market with a market share totalling 4.5% for new 2017 features and 4.1% for the entire library. The best 2017 performances were achieved by *The Hateful Eight* by Quentin Tarantino, *La pazzia gioia* by Paolo Virzi, *The Wolf of Wall Street* by Scorsese Martin and *Veloce come il vento* by Matteo Rovere.

Commercial agreements

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.

In terms of Pay TV/SVoD transfers of note are the agreement defined at the beginning of the year with Telecom for the exclusive transfer of the rights to 20 films released in 2016 to the TIMvision digital platform, and the year end agreement with Amazon for the exclusive transfer of the rights to 21 films released in 2017 on the Amazon Prime Vision streaming platform, with the possibility of extending it for another year.

In collaboration with Rai Com agreements have been finalised with Amazon for the non-exclusive SVoD transfer of a package of Rai Cinema library films and a renewal with Netflix for the transfer of 50 titles including Rai Cinema 2nd pay and library.

Agreements were also confirmed with the major digital platforms for the distribution of products in TVOD and EST modes such as iTunes, Chili, Timvision, Google Play, Sony, Xbox of Microsoft and Wuaki.

As regards the channel of news-stands, thanks to agreements in place with Mondadori and with the L'Espresso Group a consistent presence of Rai Cinema's has been recorded.

Lastly, in December the Free TV rights were transferred to Discovery for 49 films for a total of 137 broadcasts.

Numerous works have been granted to Rai Com for foreign sales; among these *Lasciati andare* by Francesco Amato, *Il colore nascosto delle cose* by Silvio Soldini and the last two films of the trilogy *Smetto quando voglio* met with success.

Rai Cinema Channel results continue to grow which, in 2017, reinforced its role as the distributor of film contents by covering event nights and previews: Cannes Festival, Nastri d'Argento, Ciak d'Oro, Globi d'Oro, Venice Festival, Turin Festival, as well as the showing of documentaries *Vedete sono uno di voi*, by Ermanno Olmi, inside Milan's Cathedral, *Il tempo resterà*, tribute to Pino Daniele, at Naples' San Carlo theatre, *Alla ricerca delle radici del male*, by Israel Cesare Moscati, at the Sacratio delle Fosse Ardeatine.

Rai Cinema Channel has become a national point of reference for short features. Two agreements in this area were finalised in the second half of 2017: with MiBACT – to provide exposure for the short features of the project *MigrArti*, which was offered a dedicated channel on its web platform for a month, awarding a prize to the most viewed and selecting 10 of the online short features to broadcast on TV – and with Rai 1 – to make a space available each week devoted to the short features of the Rai Cinema Channel. Both agreements have been reconfirmed for 2018 as well.

Two projects will be distributed on the web and networks for the production of web and TV formats: *Lato B* on Italian comedy from the 1960s through its major stars and *La dolce vita*, to make the public more aware of the most entertaining Italian actresses.

And once again in 2017 Rai Cinema Channel has been at the forefront in many charity projects including *Medicinema* and *Telethon*.

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 between the most deep-rooted consumption of society and the expectations of an increasingly diversified and demanding audience.

The proliferation of content, formats and technology that characterise the radio, a deeply innovative segment for Rai, able to interpret the fluid identity of sound in all its versions and claiming a place in the centre of the digital scenario.

The extension of the Dab+ network accompanies a process of production and editorial migration which has been in progress for some time and which has already been perceived by habitual listeners of digital devices and thanks to its RaiPlay Radio website and app. Rai's commitment to develop and promote digital radio is one of the near future priorities of the Company.

The composite make-up of radio, deeply rooted in people's habits and ready for hybrid behaviours, requires a multitude of objectives and skills, creativity and the daily work of all operators.

Rai Radio works in a complex and dynamic market context, full of national and local editors, with the main goal of complying with the commitments set out in the Public Service Concession and Service Contract.

The offer is organised into 10 channels, broadcast on 8 technological platforms, diversified based on editorial mission and reference target, all also active on the web and social media: the generalist channels Radio 1, Radio 2 and Radio 3; special interest channels Isoradio and GrParlamento; specialist channels.

Generalist channels

Radio 1

Radio 1 has confirmed its informative, reliable, credible and authoritative mission. The editorial staff produce more than 200 weekly editions of Gr1, 66 editions of Gr2, 35 editions of

Gr3, of varying duration, and the page developed by the sports editorial staff. An intense and fascinating job, to recount the complex dynamics of politics, economy, trade union life, finance, news, foreign events, social upheaval, the land, cultural events and performances. Information characterised by direct coverage and analysis, for example: *Il 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 e Fatima*, *Banca d'Italia*.

Sports remains a mainstay of Radio 1 and Gr, with a wide range of events: Series A and B Championships, Champions League, Formula 1 and MotoGP, plus basket ball, volleyball, rugby, track and swimming.

A major container of free sports rights. Radio 1 Sport entertains audiences with its afternoon programme *A tutto Campo* and with *Radio anch'io Sport* on Monday morning: two live sports current events programmes, with participation from listeners.

Zona Cesarini is broadcast in the evening: traditional appointment dedicated to international Champions and European League tournaments. On weekends there is space for recounting and the stories of sports personalities with *Extratime* in the morning time slot and direct coverage with pitches and race circuits with *Sabato Sport* and *Domenica Sport*, in the afternoon.

Maximum commitment for major events: a long and in-depth radio news programme for the 100 years of Giro di Italia, enhanced by *Sulle Strade del Giro*, the live arrival at the stage finish line with the first immediate impressions and *Fuori Giro*, the post-stage commentary.

Radio 1 was once again the media partner of Internazionali BNL d'Italia in 2017, with a broad editorial offer, to recount the thrills of every match and the curiosities of the main courts.

In addition to consolidating its own audience, Radio 1 invests in new audience segments: women and young people above all. An experiment that starts from language, quality music and results in new editorial proposals: *Vittoria*, a

1. The conductors of *Un giorno da Pecora*
2. Live broadcast of Giro d'Italia



daily programme dedicated to the great small challenges of the woman's world, with stories of success, life and beauty.

Radio 1 is a radio of contents, with a schedule filled with appointments starting in the early hours of the day. It starts with *6 su Radio 1*, aired at dawn, followed by *Radio anch'io*, the dialogue with listeners, investigations and specials. Next comes the new press review semi-series *Senza titolo*. The space for listener complaints, *La Radio ne parla* has been confirmed and renewed, followed by the new light-hearted magazine *Tre di cuori*. In the afternoon *Un giorno da Pecora* debuted on Radio 1, a political satire programmes, the new appointments *Fuorigioco* and *Mangiafuoco*, followed by *Italia sotto Inchiesta* and *Zapping*. Numerous media partnerships were confirmed in 2017: Festival della Bellezza of Verona, Festival dell'Economia of Trento, Teneramente, festival del Vittoriale of Gardone Riviera, Trento Film Festival, Festival del giornalismo alimentare, Musicultura in Macerata, Pordenone Lege, Premio Luchetta Incontra in Trieste, and *Radio 1 Plot Machine* at the Reggia di Caserta.

Radio 1's main projects regarding interaction with listeners involved setting up and developing work on social medias. Radio 1's social media management team has worked to increase its *vanity metrics* and to increase and enhance interaction on all its social media profiles: Facebook page, Twitter and Instagram profile. The social team proposes to create and develop a Radio 1 community. One of the vanguards of the new initiatives is the web formats, created based on twitter analytics to segment the audience based on interest categories.

To improve social interaction, Radio 1 creates native web contents proposed in the form of video web features, with fixed weekly appointments (based on the principles of consistency and punctuality prized by the network) dedicated to outstanding figures in the music world and related to cinema as well as connected to TV events, promoted over time by Rai channels.

For example, the most recent is a video on Fabrizio De Andrè shared the day *Principe Libero* was aired on Rai 1.

Radio 2

Multi-platform production projects focus on music, events and live programmes and concerts, local coverage, social campaigns, brand visibility through cross-media, plus strong increase of on field activity: these were the features Radio 2 tried to reinforce in 2017, without losing sight of the objective to combine entertainment, quality and contents.

The 2017 on air offer, with the precise intent of reinforcing the station's identity, witnessed a consolidation action of the programming presented during the previous seasons.

Cult products with a strong appeal for listeners were confirmed. *Il Ruggito del Coniglio* and *Caterpillar* – broadcast for more than 20 years – *Caterpillar AM*, *610*, *Decanter* – *Radio 2 Social Club*, *I Provinciali*, *Non è un Paese per Giovani*, *I Sociopatici*, *Me Anziano*, *You TuberS*, generational confrontation with an incredible series of personalities on the 'senior citizen' side.

Week nights saw both *KGG*, and *Back2Back* promoted in the second half of the year; the night format, *Musical Box* was also reconfirmed. It is involved in the presentation of new trendy music projects.

In the weekend, the historic *Black Out*, *Programmone*, *Ettore*, *Coniglio Relax*, *Italia nel Pallone*. But also *Hit Story*, a journey through authorial music and, in the second half of the year, *Senti che storia*, *Gli Sbandati di Radio 2* and *Girl Solving*.

The strategy developed around the live concept was again one of the Station's strong points:

- **live with close-up encounters broadcast from the studios of Via Asiago:** Thegiornalisti, Diodato, Ermal Meta, Marianne Mirage, Ex Otago, Mannarino, Tiromancino, Coez, Stato Sociale, Levante, Paola Turci, Elodie with Michele Bravi, Lodovica Comello, Gue Pequeno, Carl Brave, Bersani, Brunori Sas, Joan Thiele, Jovanotti and Tiziano Ferro on air and online with live Facebook to attract a new audience;

1. CaterRaduno Concert in Senigallia
2. Live concert with Ermal Meta



- **mini live** with musical and sound exhibitions by young trendy groups in the *Rock and Roll Circus*, *Babylon* and *Musical Box*;
- **live broadcasts with territorial events**, live from the Radio 2 truck, from squares and theatres, often thanks to activation of media partnerships *M'illumino di Meno*, Festival di Sanremo, Bit, Vinitaly, Concerto romano del Primo Maggio, Festa della Bicicletta, Giro d'Italia, Partita del Cuore, Biografilm Festival, La Festa della Musica, Il CaterRaduno, Lucca Summer Festival, Rock in Roma, La Notte Rosa, Trip Festival, Giornate Internazionali del Cinema di Maratea, Siren Festival, La Barcolana, Roma Europa Festival/Digitalife, Lucca Comics and Games, Club to Club Torino, Torino Film Festival, Più Libri Più Liberi.
For big events such as Festival di Sanremo and Giro d'Italia, the Network activated a significant and completely original production commitments; for the Giro 50 live hours were produced in 21 daily stages, for more than 3,000 km of the race with a truck stage which acted as the base in all the cities crossed by the race.

Radio 2 was also present on the international scene with Eurosonic of Groningen, the showcase festival of new European music; and from Barcelona with Primavera Sound, the Spanish festival which combines the best of the international music scene, and with Sonar, the annual event with electronic musica and multimedia art.

As always there were numerous synergies in terms of editorial content with TV programming (simulcast, TV links, panellist exchange, etc.):

- **with Rai 1** for the Eurovision Song Contest; *Pavarotti: un'emozione senza fine*; *Andrea Bocelli Show*; *Il Ruggito del Coniglio* from *Uno Mattina* and *La Vita in diretta*; *Caterpillar AM* from *Uno Mattina*; *Decanter* with *La prova del cuoco*; *Sarà Sanremo*;
- **with Rai 2**, Andrea Delogu, voice of *I Sociopatici*, conducted *Stracult e Indietro Tutta 30* e *l'Ode* (simulcast on Radio 2); Matteo Bordone of *Gli Sbandati di Radio 2* was the protagonist of the panelist exchange with the televised *Gli Sbandati*;

- **with Rai 3** for the 1 May concert;
- **with Rai 4** for *Rai Dire Nazionale* collaboration for the World Cup qualifications, as related by Gialappa's Band, continued in the first half of the year; *Tomorrowland Festival*; *Emmy Awards*;
- **with Rai News24** *Caterpillar* to *Telegram* with the Director Antonio Di Bella.

Radio 2 brings its community into social awareness campaigns regarding the chief topics of the day, for example "M'illumino di meno", the Energy Saving Day launched and supported by *Caterpillar*, which for years has represented the largest radio awareness campaign on energy consumption and sustainable mobility. The project organised on air, on the web and on social medias, was again sponsored in 2017 by the highest authorities of the State and participation from the main Italian and international monuments, such as the Colosseum, as a symbolic gesture of energy saving.

The multimedia contents of Radio 2 programmes, videos, exclusive backstage programmes, live programmes and photos can be listened to using RaiPlay Radio and the station's Facebook pages.

Radio 3

In 2017 Radio3 confirmed its practically exclusive profile on the radio scenario, formed by spoken and quality music contents and a variety of issues spanning current affairs, history, science, the arts, books, ideas, live concerts and theatre, live music, music from all periods, local festivals and major commemorations.

The common denominator is continued interaction with the audience, starting with *Prima Pagina* which every morning, from Monday to Sunday, devotes much of its broadcast to a direct approach with listeners, who intervene to comment and ask questions on the most crucial topics of the day. A great success which has been continuing for more than forty years. Next *Tutta la città ne parla*, the current affairs broadcast that every day, from 10:00 a.m. to 11:00 a.m., analyses an issue which emerged during the telephone calls from listeners of *Prima*

1. Sixth edition of Giornata ProGrammatica
2. Eighth edition of Materadio



Pagina, weaving the skills of experts, accounts of protagonists, reflections of historians, philosophers and writers, experiences of citizens and messages of listeners. Interaction was also introduced into the musical field with the daily adoption of a word that acts as *fil rouge* in all the musical broadcasts, a word that stimulates listeners to interact via text message and whatsapp.

All of the materials are re-proposed on Radio 3's social media and can be listened to again in streaming and on podcast. As regards its presence in the country, Radio 3 always broadcast live from the most important cultural events: the Science Festival in Rome and the Art Fair in Bologna; the Film Festival in Berlin; Libri Come – the book and literature fair at Auditorium Parco della Musica in Rome; Tempo di Libri in Milan; the Book Fair in Turin, the Film Festival in Cannes and the Biennale Art Exhibition in Venice and International Film Festival, the Economy Festival in Trento, the Locarno Festival, the Literature Festival in Mantua, the International Journalism Festival in Ferrara and the Philosophy Festival in Modena in September. Radio 3 itself has also organised the very popular *Feste di Radio 3*: the third edition live from Forlì, the seventh *Materadio*, live from Matera.

Radio 3 was involved in social and environmental issues as well in 2017, devoting various episodes of morning broadcasts such as *Tutta la città ne parla* and *Radio3Mondo*. Specifically, coverage was given to the Festival of Human Rights and the first edition of *Giornata del Paesaggio*, an event of the Ministry of Cultural Heritage and Activities and Tourism, with media partner Radio 3, which promoted the culture of the landscape to make citizen aware of the issues and values for safeguarding the land based on the fundamental principles of the Constitution. Social networks were also involved by sharing images of the most popular sports on Facebook, Twitter and Instagram publishing photos along with the hashtag #paesaggioitaliano.

Festivals organised directly by Radio 3 were particularly significant: the third edition of *Festa di Radio 3* in Romagna; the eighth edition of *Materadio*, from the Basilicata city proclaimed European Capital of Culture 2019, and the fifth edition of *Radioeuropa* in Perugia. These presences meet the logic of making those subjects which are always the focus of broadcasting even more attractive and make it possible to encounter the Network's audience live.

From a musical standpoint noteworthy events includes live broadcasts from Teatro alla Scala, for both the opera and symphony seasons, from the Regio of Turin, Comunale of Bologna, Fenice of Venice, Teatro dell'Opera of Rome and San Carlo of Naples. The Rai National Symphony Orchestra was a constant presence

with Symphony Season concerts and cycles of *Rai Nuova Musica*, devoted to contemporary music. Radio 3's *I concerti del Quirinale* continued, a prestigious series of musical events produced live every Sunday morning, now in its eighteenth year and which has witnessed increased audience participation.

Euroradio concerts continued to enrich the morning and Sunday afternoon schedules. They are from the main worldwide institutions and make it possible to propose famous orchestras. Furthermore, there were works from the opera seasons of major theatres.

Mention must also be made of collaboration agreements with major institutions such as the programme *La Lingua Batte* with the Education Ministry (MIUR).

Renewed collaboration for the sixth edition of *Giornata ProGrammatica*.

There is increased focus on new formats and the needs of an audience that, along with traditional broadcasting forms, is more and more likely to select deferred listening to programmes. Special care is taken in packaging contents that can be listened to again in streaming or downloaded as podcasts, a popular choice with users, as demonstrated with the results obtained by the broadcasts of *Ad Alta Voce* and *Wikiradio*. The offer of films, images, e-books and non-traditional contents for a radio station has increased through the use of social networks, especially video streaming activity, above all for special initiatives.

There are many broadcasts and appointments as always which commemorate important dates in Italy's history, such as the Day of Memory, 8 March for International Women's Day, the World Poetry Day on 21 March and many others.

Special interest stations

Isoradio

On the air 24 hours a day, 365 days a year, Isoradio's mission is of great social relevance, it promotes a culture of safety and driver education to its users. Due to the fact that the schedule by nature does not have a fixed pattern of appointments and/or programmes, the subject is dedicated to a series of analyses with the Institutions that manage traffic, such as the various Police bodies, Anas, Aiscat, Autostrade per Italia as well as competent Local Entities and Ministries. Moreover, specific focus has been given in recent years to young people and schools with spaces devoted to children in the final grades of elementary school and lower and upper secondary schools. *Studenti a Isoradio* Students from one or more classes of schools from all over the country

were hosted in the Rai Studios of Saxa Rubra every Tuesday, with the voices of young people talking about road education and safety programmes of their schools in a partially live broadcast.

Notte Sicura con Isoradio was launched by Isoradio in March 2017 to provide live accompaniment to listeners every day of the week from 12:20 a.m. to 5:30 a.m..

The night broadcast includes live links with the Highway Police (above all during the night between Saturday and Sunday at the exits of nightclubs), with the Carabinieri (which provides live accounts of the work of patrols in service in various parts of the country), with the Treasury Police (controls at borders, maritime and airports) and with the Fire Brigade (links with provincial squads on interventions performed).

Between 2017 and the beginning of 2018 Isoradio proposes another very socially relevant initiative: *In Viaggio con la Costituzione*, created to celebrate the 70th anniversary of the Italian Constitution. Every day all of the Isoradio conductors in turn read an article from the Constitution which was explained and commented on using language understood by everyone by professor Alfonso Celotto, Chair of Constitutional Law at Roma Tre University. Isoradio also provides space for campaigns authorised by Rai Sociale Management and numerous analyses dedicated to events related to environmental protection, energy saving, protection of cultural and artistic heritage and associations that represent citizens and consumers.

A special place in programming is reserved for particular institutional commemorations, such as the Day of Memory, the Day of Legality, Day of Memory and Day of the Republic.

All of the covered topics related to traffic, are re-proposed on the institutional website www.isoradio.rai.it, and constant and continuous contact with listeners is ensured by the possibility of sending text messages to a dedicated number 348.1031010, which receives an average of 200 text messages per day.

Gr Parlamento

The institutional station of Rai Radio, Gr Parlamento mainly deals with the parliamentary activities of the Senate and Chamber, with live broadcasts of sessions from the Houses and selecting, if there is more than one at the same time, the sessions of greatest collective interest based on the themes treated and currentness of the subjects, possibly aired deferred broadcasts of the other sessions. Works of the Commissions are also broadcast deferred, with priority given to issues of the greatest public interest. Gr Parlamento also follows

conventions, initiatives, appointments and press conferences of institutional venues.

Information is ensured by five daily news programmes and an ample daily press review. The schedule also includes daily in-depth features with the participation of MPs, political leaders, commentators, experts in the specific subjects, obviously respective informational pluralism.

Other in-depth features deal with the subjects of rights, diversity, social and the third sector: *Italia che va*, *Federalismo solidale*, *No Profit*, *Parlamento 2.0*. There are numerous specials at the time of significant political and parliamentary events, starting from national and local elections results, which add to an exclusive information bouquet available to professionals of institutions and news, and all citizens.

Specialised stations

Launched in June 2017, the new specialised stations make up a diversified offer and flank the more established brands to compose a complete and exclusive offer, aimed at sectoral audiences and habitual web users. They are listened to on Dab+ but also on television, both DTT and satellite, and naturally via apps.

A wide range of subjects are covered: music from the 11th to 21st century, a kids channel, events in Italy, and archive of radio soundtracks and Italian pop music.

Radio Classica

The point of reference for all Italian and international serious music, from ancient to contemporary music, for musicians and simple fans. Performances from records and deferred live concerts, with professional, yet modern and appealing, language. The schedule includes appointments with opera, musicals, operetta and orchestra repertoire: a space dedicated to the national symphonic orchestra of Rai and Rai orchestra seasons from the historical archive. For fans of ancient music, the repertoire from the Middle Ages to late Baroque, as well as arias, duets, trios and scenes from the opera repertoire, chamber music, the great Romantic Age repertoire, the Quirinale concerts, and the music of soundtracks.

Radio Kids

Fun, music and participation. These are the passwords of Rai Radio Kids, the radio devoted to children for "eye and hand free" entertainment. The heart of the channel are the songs, cartoon soundtracks, ferry tales, stories and readings. And

then *Big Bang*, the talk show that recounts the day with gags, music and games. In addition, more information on nature, performances, events, science, the environment, tourism and technology. Focus also on the littlest children with the songs from Zecchino d'Oro, dances of *Melevisione*, cartoon jungles of Rai Yoyo and songs from Rai Gulp drama and comedy programmes. In *Facciamo festa*, baby dance is the feature. And the night, lots of lullabies and music suitable for dreaming. Radio Kids: a voice for sentiments, emotions and creativity of children

Radio Live

Events in Italy, live music and the great hits from the 80s and 90s: a new way of being a Public Service, thanks to the pop and mainstream slant. The music genres cover pop, rock and also dance, but also jazz and the Mediterranean sound with *MusicaMed* and an updated calendar with all the cultural, musical and social events, followed daily by *Fronte del Palco*. In addition, musical interviews of *Era ora*, the C side of music and colloquial ones of *Questioni di Stilo*: two new, different ways for talking about music and culture on the radio. On the weekend, *Vita da Strada*, to discover Italian towns, wine and food shows and events related to the world of literature. Lastly, the great top quality music of *Setlist*.

Radio Techetè

An original way for promoting the best of Italian radio from post-WWII to the present: this is the offer of Rai Radio Techetè. The channel is mainly based on spoken radio and is aimed at an audience of fans but also anyone of any age who is curious, thanks and above all to interaction with social media. The main themes are variety, sports and fiction. This is the best of radio entertainment, the thrill of sports told by historical radio newscaster, the histories of music, the special with birthdays and commemorations told through archive material. Plus, the voices and personalities who made radio great, the most famous programmes re-proposed in their entirety, theatrical comedies for radio, the great drama and comedy, all of the great stories to listen to and re-listen to.

Radio Tutta Italiana

Italian music from Rai. The distinctive feature of Rai Radio Tutta Italiana is easy listening, with quickly spoken interventions and in-depth information never lasting more than three minutes. The morning is time for *Tutta Italiana Classic*: 120 minutes dedicated to the hit Italian songs from

1960 to 2000; *Mi ritorni in mente* covers the most important events year by year; *Cantare è d'amore* proposes the most beautiful love songs from the last fifty years; *Tutta Italiana compilation* is the *fil rouge* of the station: a selection of recent and past hits.

Lastly, more than 120 profiles dedicated to the star singers from Umberto Bindi to Tiziano Ferro. And there is plenty of space for emerging singers and new independent trends. Rai Radio Tutta Italiana is also on FM as the theme song of Rai Gr Parlamento during the evening and night time slots.

Genres, success, audiences

The editorial profile of generalist stations is organised into genre shares defined by the Service Contract, which as of 2018 will also include the specialist channels: news, information, culture, society, music, service and public utility.

Radio 1. News and information exceed 55% of the broadcast hours; this is followed by 26% music, concentrated in the late evening time slot and society with 12.7%. The minimum amount required by the Service Contract (total 70%) is more than fully complied with.

Radio 2. The main genres are music (34.3%) and society (21.8%), while the share of other genres (e.g. variety and entertainment) total 37% overall. There is no total minimum share.

Radio 3. The prevalence of music (52%) and culture (29%), followed by information (9%) that describe a station that fully guarantees the 90% required by the Service Contract.

The transversal public utility genre includes information on traffic (223 weekly updates in all time slots) and weather (118), a continuous service with high added value, especially for the population on the move, which becomes the main ingredient for Isoradio.

The main quality indicator is the Qualitel survey, created by the Istituto GfK in 2017. The average value of the radio medium (6.4%) has been clearly exceeded by the approval rating of all the measured channels: 6.8% for Radio 1, 7.1% for Radio 2, 7.3% for Radio 3 and 7.2% for Isoradio.

The audience measurement sponsored by TER Tavolo Editori Radio and performed by GfK-Ipsos, assigned the following share values to the four measured Rai stations: Radio 1 4,9%; Radio 2 3,4%; Radio 3 2,2%; Isoradio 0,8%. The Group's total share (11.3%) puts Rai in second place in the national ranking; the Mediaset group is in first place with four stations (16.6%), Gedi group is in third place with 3 stations (10.6%).

Special initiatives

Progetto Rai - EUYO European Union Youth Orchestra

EUYO is a youth orchestra founded by Claudio Abbado, composed of musicians 16 to 26 years old, financed by the EU Commissions and resident in Ferrara for 2018-2020, with registered office in Palazzo di Via Asiago, and is the result of an institutional and cultural agreement.

It is also thanks to this that RadioRai ensures the organisation of auditions for Italian candidates and the promotion of EUYO's artistic goals, based on the universal language of music.

Prix Italia

A prestigious international competition and a time for reflection on the emerging themes common the media operators, Prix Italia is a showcase of the best worldwide multimedia productions.

Rai Radio normally participates in the Prix's full programme: it animated the entire day in 2017 with the workshops *Fake news radiofoniche* and *I nuovi formati della Radio*, with numerous international interventions. The day ended with the concert *Renzo Arbore L'Orchestra Italiana* at Teatro Dal Verme, preceded by a presentation of new autumn features.

Open to the Public

There were numerous educational visits to the Via Asiago building during 2017 integrated as of March in the "Rai Porte Aperte" Project. Its debut was hosted right in the historic Sala A, in the presence of two students from Amatrice invited for the occasion. Around 200 secondary school and university students followed the multimedia exhibition programme to learn about the architectural and artistic treasures of the building and its ultra modern production core.

Regional Programming

A significant portion of territorial programming aired in Radio 1 confirms its vocation as a radio close to the community and its realities, communicating information (three daily regional news editions) and programmes under conventions broadcast in the Regions with an autonomous status to ensure local independence and protection of linguistic minorities: Valle d'Aosta, Trentino, Autonomous Province of Bolzano, Friuli Venezia Giulia, Sardinia and Sicily.

A travelling production line was started in 2017 to reach most of the Sites.

Audio descriptions

The television audio description service for the blind and visually impaired is broadcast on Radio 1 in medium wave.

The most important TV drama and comedy shows and series have become accessible to those with sensory disabilities. A total of 500 hours was broadcast in 2017.

Radio for social affairs

The institutional and social schedule of Rai Radio coordinates the social communication of all channels, for a better coverage of awareness, communication and fund-raising campaigns, promotion of initiative and engagement of the public on social issues and third sector activities. 39 fun draining campaigns, 17 awareness campaigns and 43 institutional campaigns of the Italian Prime Minister's Office were planned in 2017.

Production and platforms

Installations and systems

There were numerous renewal interventions of the installations and equipment, including two complex Studio/Direction and the sorting installation of the Palermo Site, two audio mixers for the departments of External Recording of Rome, as well as two radio studios of Radio 1 at Saxa Rubra, with new set design set ups and the creation of a video filming installation to allow broadcast in web streaming and on the main social media networks by the Radio 1 schedule.

A new IT system is also in use for automatic scheduling of musical programming, IT equipment for reporters has been improved to facilitate linkage and external processing without technical personnel. The digitalisation project for historical broadcast audio tapes and recovery of works awarded with the Prix Italia is in an advanced stage.

RaiPlay Radio

The new RaiPlay Radio platform, designed based on the success of RaiPlay, makes a wide range of radio contents immediately available. The interface is optimised for use from a browser and via app, for live and aod (audio on-demand) flows, enriched with texts, photos and video clips.

Radio Digitale Dab+

The development of the radio digital terrestrial network is one of the strategic priorities of the Rai Group, in technological and productive terms, but also editorial related and for market ranking. Among the key factors of the digital network on the horizon of Radio in Italy, are the expansion in the EU area, of the internal laws and provisions (Agcom, MISE), strategies of the builders and of private radio groups.

Digital

The editorial and business strategy undertaken in the second half of 2016 was confirmed in 2017. Rai brought RaiPlay to the world of online TVs on 14 December 2016: since then unique browsers have increased in 2017, rising from a daily average around 22,000 in January (63,000 views) to around 37,000 in December (around 140,000 views a day).

With RaiPlay the Public Service broadcaster talks more and more to everyone: 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 device.

In December the total digital audience reached 33.9 million users, 61.7% of Italians from two years of age onwards: on the average day 24.8 million Italians were online, while 21.3 million (48.5% of Italians between 18 and 74 years of age) browsed from mobile devices. Furthermore, 13.8 over-18 Italians browsed exclusively from mobile devices in the average day (source Audiweb).

At the end 2017, the offer essentially consisted of:

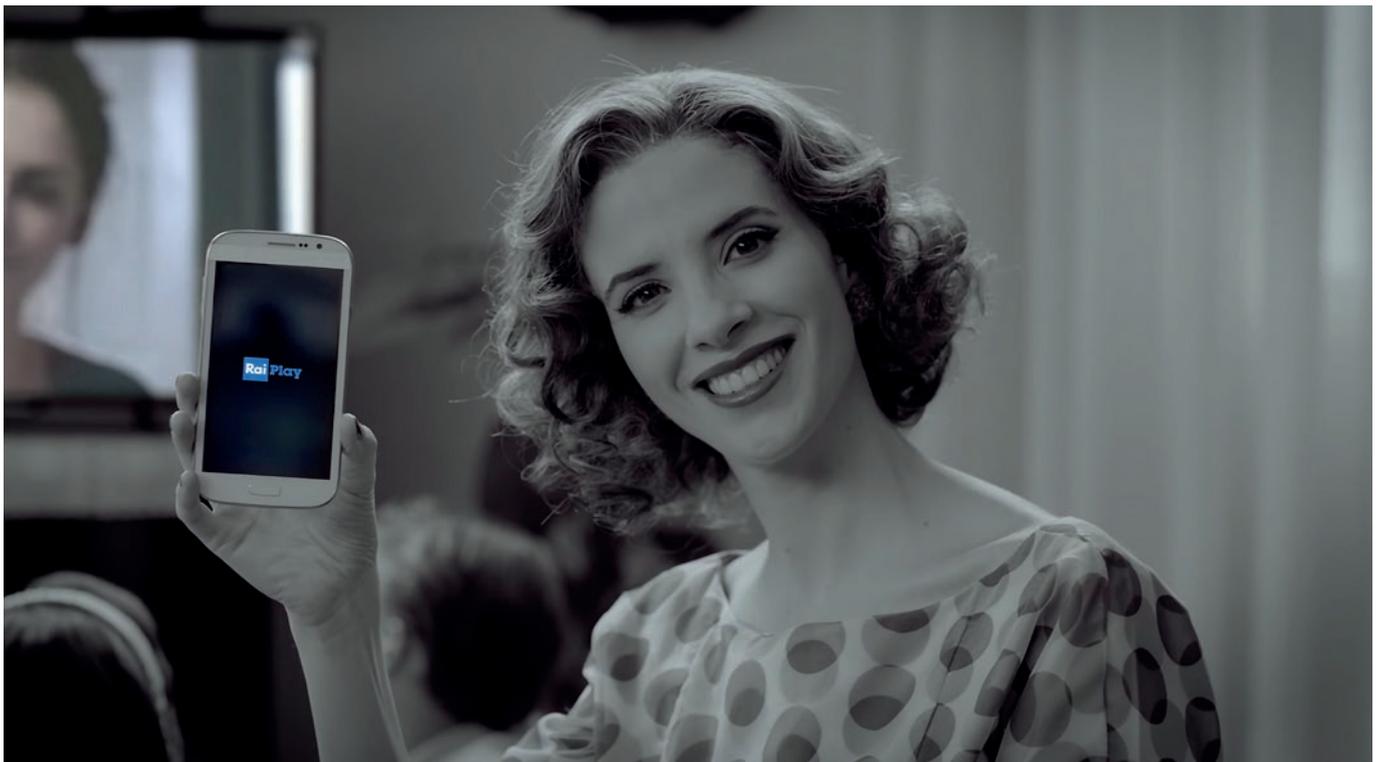
Rai.it: the portal that is inclusive and makes the vast Group's web offer easily accessible.

Rai.it promotes all the programmes on air and gives access to them, with their web available contents, from all TV networks and radio channels, as well as to information and multimedia content from all the news mastheads, directly reporting the most important news of Rai News and Rai Sport. Rai.it also proposes a series of services that are of great importance and interest to audience, such as the guide to the Rai programmes and the access to the corporate information of Rai. Rai.it includes the offer of the programme, channel and service websites.

RaiPlay.it: the multi-platform environment for access, through an advanced and adaptive graphical interface, to a selected video offer of Rai that is made available on non-linear platforms. The offer consists of:

- live streaming of 14 TV channels;
- the Replay tv service, 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, with a rich video on-demand offer selected from TV channels, in addition to contents exclusive to the web from the Teche Archives and Rai productions ordered by genres and re-proposed through specifically theme-related selections.

Specifically, the catalogue offer is broken down into sections related to programmes (most of the offer of the 14 television stations), drama and comedy (very large repertoire of quality drama and comedy produced by Rai), films (a rich



catalogue of around one thousand films from the 1930s to the present day), documentaries (the best international productions) and music (classical to jazz, with famous international performers).

In addition, integration procedures have been further consolidated between the various platforms, for example web/app and MHP, for use and integrations of contents in live streaming and on demand with the television broadcast.

With a view of expanding the user audience use of the YouTube platform was successfully experimented for the distribution of contents parallel to RaiPlay for young people and children, stable Google player users. Programmes such as *il Collegio* and *Camera Cafè*, published with different policies and diversely integrated with the RaiPlay offer, encountered excellent success with users who are not usually Rai network viewers. This experience certainly laid the foundations for an expansion of distribution – in free format – of the Rai product and brand on more platforms (RaiPlay, YouTube and MSN) for increasingly large user audiences.

RaiPlayRadio.it: the radio world portal which replaced the previous Radio.Rai.it offer at the end of 2017.

In addition to the access to live broadcasts from 10 radio stations – 5 on air and 5 digital – and all of the portals of the Radio networks and programmes, the new interface offers a series of technological innovations and usability as a floating player and extended live. Created for the web in responsive mode and as app for smartphones and tablets, the new RaiPlay Radio also has a wide range of on-demand audio contents including texts, photographs and videos, most of which are exclusive.

Rainews.it: the reference portal for Rai information, including regional.

In the new area a project is being implemented to completely revise the user experience and the 'engine' available for newsrooms for the production and publication of contents. The project involves a 'national (corresponding to the rainews.it portal) and regional component aimed at publication of the web offer of the TGR sites and always includes training activity for the reporters and support for them during the "experimental" phase.

As regards **sports information**, and in particular that connected with Rai Sport and its portal, in the first half of 2017 a web special was created dedicated to Giro d'Italia which collected and integrated the web contents produced by the Radio (Radio 1/GRR and Radio 2), proposing them to Rai users in a structured and coordinated manner between the newsrooms.

In terms of **weather and traffic**, the creation of an app and portal was planned, to put online in the second half of 2018, in order to propose users an innovative offer in terms of exploitation procedure and contents.

Certain Rai web services (e.g. RaiPlay, RaiPlay Radio, Rai News, Rai Sport) are also accessible in the form of applications for the main smartphone and tablet platforms. In addition, the on-demand video offer is also present on Smart Tv Samsung, Apple Tv and Android Tv.

The application offers on-demand free contents and videos to view and review comfortably from a living room: it is possible to access the RaiPlay service and a selection of the best on-demand Rai contents organised and selected for each channel and in an original manner for each platform. Rai is also present on interactive digital terrestrial TV sets and decoders (Gold stamp certified) with RaiPlay.it, TGR and Telecomando services.

In 2017 Rai consolidated and rationalised its official presence on the main **social networks** (Facebook, Instagram and Twitter) with the objective of capturing an increasingly vast social media user basin, younger and more technologically skilled in socio-demographic terms and to position the brand and product in a more contemporary light.

For this rationalisation process of its presence on social media and to optimise the communication and product strategy, many profiles which were no longer current where eliminated, with a drop of a total of 1,050 to less than 400 for the total Company.

This decrease was obtained thanks to coordination with the platforms which supported the process making it possible to migrate fans/followers of closed profiles to those still active in order not to lose the total number of users.

At the same time a centralised matrix for management of credentials for all social media users has been finalised, with the exception of news related ones for the time being.

The strategy of ranking each profile/editor and innovation of formats and tools has continued. Live broadcasts in Facebook, where Rai talents and personalities can dialogue with the public and answer questions has been successfully tested on almost all profiles; the main television and radio networks, along with Rai News have a fixed presence on Instrument including the feed of stories and live, which is very important for reaching the youngest users; referral activities, i.e. referral to the Rai digital platforms and app downloading, have become constant and structured practices; along with the communication of aired contents. Very advanced technological solutions have been tested and introduced for social media live broadcasts,

for example software that can be used to make "multicamera" live broadcasts launched for the Digital Room special set up by Rai Digital at Forte Santa Tecla during *Festival di Sanremo*.

Important activities were also tested related to the development of formats designed exclusively for social media platforms. The first of these *Timeline* (previously: *Pre-Agorà*) which precedes and launches the broadcasting of *Agorà*, where a press review is presented of the hot topics of the day filtered through comments on social media. For the first time in Rai's history this product was programmed live, from Monday to Friday at 7:45 a.m., simultaneously on Facebook, Twitter, YouTube and RaiPlay making it possible to maximise the reach to an audience that is not necessary television.

At the same time, in 2017 other different ad hoc formats were developed conceived exclusively for social media platforms that were aimed at reinforcing user involvement and positioning the channel brand with a view to promoting the offer (social media live broadcasts of Rai 3 and the analysis of the episode topics with the experts of *Tutta Salute* or reporters of *Report* and *Preso Diretta*, the series *Top Sophia* on Rai 2 taken from various programmes, etc.) or the extension of the concession holder portfolio (the tutorials of *Detto Fatto* assessed as *branded content* on Facebook). Thanks to the particular social media strategy developed, Sanremo 2017 was the most social media Italian TV entertainment event of all time, with a total of 27.6 million interactions during the programming week (Twitter, Facebook source Nielsen Social Content Ratings).

Compared to the previous edition, social media activities enhanced the referral component to RaiPlay contents. In the first half of 2017 contents related to the *Festival di Sanremo* totalled 12.3 million views recording a growth of 40% compared to those – also related to *Festival di Sanremo* – exploitable on Rai.tv in the first half of 2016. Direct streaming with 2.5 million views recorded an even sharper growth of 2016, +67%.

Generally, in the first half of 2017, the share of Facebook and Twitter interactions related to Rai programming was 53% of total interactions generated by television broadcasting on a national scale. With this share Rai is the number one Italian editor for the number of interactions generated in social media platforms from January to June 2017 (with the exclusion of sports events, source NSCR).

The year closed with a positive balance where Rai interactions of social media platforms (Twitter and Facebook) totalled 53.9 million including sports events and 38.1 excluding broadcast sports events equal to 36.3% of total TV social

media activities on entertainment in Italy (Source: NSCR).

As done earlier for Euro2016 and Rio2016, Rai created a digital offer dedicated to the 100th edition of the Giro d'Italia with a responsive website and a social media war room, hosted by Radio 1 at Saxa Rubra, which let the social media managers of all the networks involved in the narrative on the race (Rai 2, Rai Sport, Radio 1 and RaiPlay) develop a contents plan and cross platform communication and a varied and highly synergic story. The objective, shared with partner RCS, was to extend knowledge of the race to a young and digital target. On Facebook and Twitter, *Giro 100* involved 1 million unique users and generated more than 2 million interactions.

As regards **communication**, new traffic building campaigns were consolidated and developed on the Twitter and Facebook/Instagram platforms as well as finalisation in June of an agreement with Google for planning on the Google and YouTube platform. The campaigns regarded a cross section of the main entertainment programmes and sports and radio events. Considerable effort was put into play for the communication for RaiPlay *Anteprima/Non Uccidere*, for which a digital campaign was developed with a street art video aimed at awareness of the operation and traffic to the website/app download. The campaign, active for ten days of *Anteprima*, resulted in 73,000 unique clicks to the contents of *Non Uccidere* on RaiPlay out of a total of 226 thousand unique browsers for the second season episodes (sources: Facebook Business Manager; Webtrekk).

The joint planning strategy with a view to traffic planning on Facebook/Instagram and Google was completed starting from the summer RaiPlay campaign, which promoted a dedicated non-linear and mobile offer in a period when linear broadcasts are traditionally ignored, which produced almost 95,000 installations of the RaiPlay App and almost 900,000 clicks on the RaiPlay website in the 19 July - 28 August 2017 period, as well as an important development of the ranking of RaiPlay product searches on Google (sources: Facebook Business Manager; Google Analytics, Webtrekk).

Traffic building activity continued in autumn and revolved around products with a greater appeal potential for new users to the RaiPlay platform; the launch of RaiPlay Radio was also developed and accompanies along with all the communication materials related to it, while the digital campaign dedicated to positioning, traffic building and App download of the new platform – which only became available in December 2017 – will only be able to be assessed at the end of the process, in 2018.

In this context, a monitoring model needs to be consolidated for conversations and reputation, along with management of crises on social media platforms in order to intercept and promptly manage all conversations which can negatively or instrumentally affect the Company. To reinforce the model a crisis case matrix and response models have been developed. The activity requires constant monitoring and an immediate reactivity, including with the assistance of an external partner.

As regards the digital sector **performance** in 2017 Webtrekk):

Rai.it generated an overall traffic of 168 million pages visited, with a monthly average of around 14 million and 3.2 million unique browsers, reporting a decrease compared to 2016 due to promotion of the multimedia offer in RaiPlay.

The **Radio portal** recorded a total of 170 million pages visited, with a monthly average of 14 million (+1% vs 2016) and 1.2 million unique browsers (-16% vs 2016).

RaiPlay recorded overall traffic of 490 million video views, with a monthly average of 41 million (+50% vs 2016) and 11.2 unique browsers (+5% vs 2016).

RaiNews.it recorded a total of 35 million video views, with a monthly average of 2.9 million (-12% vs 2016) and 6.8 million unique browsers (+8% vs 2016).

The distribution of syndicated contents in 2017 generated 471 million video views, with a monthly average of 39 million views.

The most successful applications were:

- RaiPlay – with more than 6.7 million downloads (net figure of updates);
- RaiNews – with more than 1.264 million downloads;
- RaiPlay Radio (Radio.Rai) – with more than 1 million downloads (net figure of updates).

Teche

Again in 2017 initiatives continued aimed at reinforcing the brand as a point of reference of Public Service for the country's audiovisual history.

A result obtained in part thanks to the participation, through the supply of Rai repertoire materials, in many cultural initiatives that took place in Italy and abroad.

The most significant initiatives included: the show "Totò Genio" in Naples from 13 April to 9 July; the show "TV70 Francesco Vezzoli guarda la Rai" in Milan organised by the Fondazione Prada from 9 May to 24 September; presence at BIF&ST in Bari from 22 to 29 April with retrospective dedicated to the works of Vittorio Gassman and Dino Risi; the show on Renzo Arbore in Rome and Naples; the participation at the celebrations for the hundred year birthday of Carlo Cassola; MIBAC's virtual show cinemacensura.com; participation at the International Venice Film Festival with the presentation of the restoration of the film for TV *La lunga strada del ritorno* by Alessandro Blasetti; the participation at the Communication Festival of Camogli as well as the shows organised by the National Film Library at the Trevi Cinema in Rome.

Rai Teche continued the important activity to promote and use the historic programmes of the archive by selecting and providing programmes for the RaiPlay platform.

The *I Favolosi* section was and is one of the most powerful sources of appeal for digital users.

The 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.

It is important to remember that in 2017 a new release of MMC became available to users, re-designed and reorganised structurally and technologically to make searches easier and more efficient and thus certainly more useful for the Company's production activity.

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 2,200,000 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 Rai archive assets; they also

handle legal obligations with regard to the utilisation of copyright works.

Negotiations continued with SIAE for renewal of the framework agreement and understandings with the main record producer associations were finalised for the use of records, bases no longer on the market and music videos in radio and TV programming and online: SCF, Consorzio Fonografici and ITSRIGHT. Agreements have also been finalised with the major collecting of musicians and performers.

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.

Public Service Function

Weather and Traffic

Many initiatives have been proposed for 2017 to offer weather and traffic related contents for use on Rai radio and TV networks. These include planning of airing special services at the time of important sports and musical events: for *Giro d'Italia* contents were produced for the areas the race went through, broadcast by Rai Sport; for *Speciale Vasco Rossi* – which anticipated the concert in Modena Park, an event that witnessed the participation of 220,000 people – in collaboration with Rai Radio Live, specific contents were created on the weather forecasts for the day of the concert and useful information on traffic and road conditions.

A new product was developed for digital radio which, in just over a minute, describes the weather forecast and traffic for Italy.

Meteo Europa was created for radio stations broadcast nationally, an analysis of weather conditions abroad with focus on certain major European cities. Isoradio added two 5-minute traffic analysis programmes from metropolitan areas, with information supplied by the Municipal Police forces.

There is no lack of tailored contents for single areas, such as the weather forecasts created for

Buongiorno Regione Molise and *Buongiorno Regione Campania*.

Activity continued to develop new logistical and technological infrastructure to support radio and TV broadcasting and the spread of web and mobile platforms. A new scene design, graphics and technological project is shaping up that is particularly original and with a high visual impact aimed at promoting the recognisability and differentiation of the Rai offer.

The agreement with the Italian Air Force for weather services was finalised and the agreement with the Ministry of Transport and Civil Protection for traffic news is being renegotiated.

The following were created in 2017:

- for radio:
 - *Onda Verde* news programmes: 223 weekly editions spread out and distributed in the schedules of the three radio networks and GR Parlamento from 5:30 a.m. to 12:30 a.m.; 21 radio appointments per week distributed in the night schedule of Isoradio;
 - *Meteo*: bulletin 118 editions per week spread out and distributed in the schedules of the three radio networks from 6:00 a.m. to 11:30 p.m.; 84 editions a week from 5:30 a.m. to 12:30 p.m. in Isoradio's schedule;
- for television:
 - *CCiSS Viaggiare Informati* news programmes: 96 editions per week from 5:55 a.m. to 7:30 p.m. distributed in the schedules of Rai 1, Rai 2, Rai 3, TGR Rai News and Web;
 - *Meteo* news programmes: 92 editions per week distributed 24 hours a day in the schedules of Rai 1, Rai 2, Rai 3, TGR and Rai News.

Accessibility

Rai's constant commitment to guarantee the inclusion of people with sensory disabilities, has made it possible to further increase the objectives of the Service Contract. Specifically, around 15,000 hours of programmes are subtitled in Italian, 700 hours of programmes are subtitled in English and 1,000 hours of programmes are subtitled on the web. In line with the previous year broadcasting in sign language is included in special new programmes broadcast by the general interest channels.

Audio described contents underwent a significant increase in terms of hours of broadcast product starting in January 2017: around 1,500 hours equal to a 65% increase compared to the previous year.

The Rai Easy Web continued its editorial activity dedicated to sight impaired individuals, which includes the traditional offer of multimedia works and stories of an educational nature. The proposal of Easy Web specials completes the contents offer, containers created to offer reference users the possibility to consult an accurate selection of the company archive present on Rai portals in a simple manner. A total of 27 specials were produced during the year (including *100 anni del Giro d'Italia*, *500 anni di Protestantismo*, *100 anni della Rivoluzione russa* and *50 anni dalla scomparsa di Totò*).

Televideo

The offer was enriched in 2017 with new features on the Environment, Books and Territory and Snow report which further expand the daily offer of more than 15,000 pages between the national Televideo and 21 regional Televideo sites. A feature was produced on Palermo, the Italian capital of culture for 2018 and information added on the presence of the programme *Sereno Variabile* in the region of reference.

In terms of the territory Televideo's editorial staff created and published a feature on *Borghi d'Italia*, which is attracting interest from other publishing structures, such as Rai Radio Kids and Radiocorriere Tv.

The same strategy to expand the distribution of contents created by Televideo's editorial staff is the basis for a collaboration agreement, again with Radiocorriere Tv, for features on music, cooking and books. Collaboration with TV channels has also been reinforced to anticipate and inform on broadcast contents and with radio channels for inserting their schedules.

Collaborations and joint projects continue with the Coast Guard, the Italian Research Council (CNR), the Italian Environment Fund (FAI) and the National Astrophysics Institute. Lastly, collaboration has begun with ANICA to publish the trailers of films schedules for screening in cinemas.

Digital inclusion

Within the framework of activity aimed at basic literacy, awareness and development of digital skills, studies and analyses were performed on issues related to the digital transformation of the country system and Italians in a territorial, European and global vision; the designing and planning of actions and editorial contents for the 2017/2020 three year period in line with the Digital Agenda for Europe and the works of the Digital Agenda for Italy; assistance and authorial support to the publishing areas to make the existing offer more inclusive; start-up of the development of new inclusive, native digital

contents, aimed at various digital distribution platforms.

Among the activities most visible to the public: enhancement in terms of literacy and awareness of the Rai programme *L'eredità* and the second series of the TV drama and comedy series *Complimenti per La Conessione*, broadcast by Rai 1 in its summer schedule during prime time. The series, which was also rerun, was preceded and accompanied by an effective crossmedia communication campaign of advertisements. The two initiatives resulted in Rai receiving a special mention of the Premio Agenda Digitale Italiana 2017.

Sales activities

Advertising

The general economic expansion of the various Euro area countries has been reflected in Italy – despite with lower values and growth trends compared to the European average – with an increase in private spending and investments; exports have benefited from the widespread global recovery and the decrease in the unemployment rate has support the growth in spending.

In this context, the advertising investment market in 2017 witnessed a decrease of -2.1% compared to 2016 and television a negative change of -1.6% (from €3.83 billion of 2016 to €3.77 billion of 2017).

Positive performances were reported for radio (+5.4%), cinema (+2.4%), internet (+1.7%), Go Tv (+12.3%) and Transit (+4.9%) (source Nielsen).

In the scenario described above, **Rai Pubblicità**, the advertising sales division of the Rai Group, reported a total net decrease of 7.3% for advertising revenue in 2017.

The comparison with the previous year is penalised because event years include the positive effect of major sports events. Therefore, Rai's decision to stop advertising sales on the specialised TV channels (Rai Yoyo, Rai5 and Rai Storia) only occurred starting from the second quarter of 2016.

Neutralising the increased revenue from major sports events in 2016 and income from the three specialist channels no longer saleable in 2017, the 2017 offset from a "homogeneous" 2016 more correctly reports a -2,4%, a value in line

with the trend of the advertising market, which net of social media and search engines reports, as stated above, a decrease of -2.1% for 2017 (source Nielsen).

Television overall reported a decrease of 8.2%, with general interest TV dropping 9.0% and specialised TV 1.1%, changes which, if compared more correctly with a homogeneous scope of events and channels, reports for all TV -3.2%, with general interest TV decreasing 4.2% and specialised TV increasing 4.8%.

Rai Pubblicità reported the best market trend for radio (which grew 5.8%), web (up 8.1%) and cinema, which reports an increase of 16.4%.

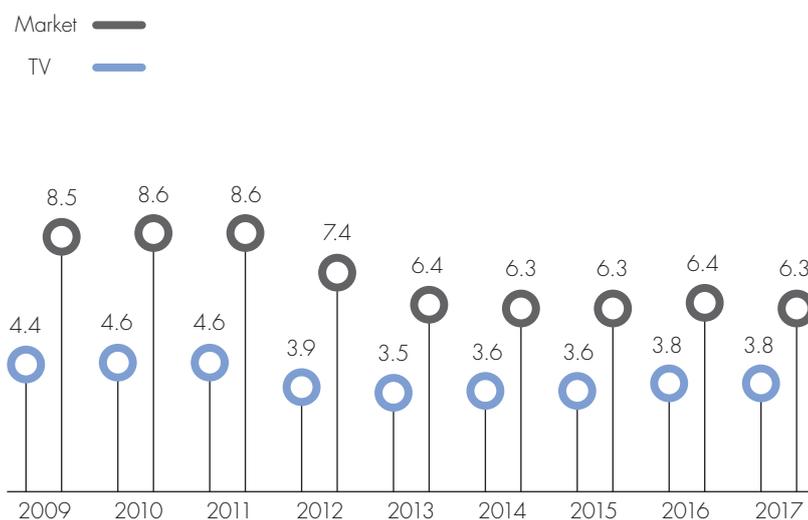
In a market scenario which is radically evolving, in which there is a tendency to fragmentation and heightened competition among broadcasters and in which the digital and multimedia sectors are expanding, Rai Pubblicità has begun an assessment process and set up a plan for transition to digital.

This transformation, aimed at accompanies the broadcaster's changeover to a *Digital Media Company*, witnessed the reinforcement of the training and development activity started in 2016 for the *Rai Pubblicità Learning School* – in part thanks to collaboration with Polytechnic University in Milan – and an important change in the organisational structure aimed at strengthening the business functions and publishing synergy with Rai.

Moreover, Rai Pubblicità is gradually redesigning its main value chain processes thanks to the development of systems which make it possible to increase the speed and effectiveness of the response to market feedback.

In this area, changes have been made to planning and purchase requests from the media centres of the main advertising products; on the support of interactive processes between the sales force and the market; on re-engineering of invoicing software in order to increase system flexibility in light of a crossmedia approach to business, ensuring complete integration of operating and accounting systems at the same time.

Trend in advertising investments in billions of Euro (source: Nielsen)



Sales

Rai Group's sales activities are managed by the wholly-owned subsidiary Rai Com.

Agreements with Public Authorities, Institutional Bodies and Non-profit Organisations

The area Agreements with Public Authorities, Institutional Bodies and Non-profit Organisations finalises and manages the negotiations for all Agreements with local Public Authorities, Institutional Bodies and Non-profit Organisations, of contracts resulting from the Rai/State Service Contract obligations (language minorities and Rai Italia) with the exception of Ministries (activity managed directly by the Parent Company) as well as activity connected with Rai's National Symphony Orchestra and national and European calls for tenders.

Despite the reduction of resources allocated to the local Institutions and consequently a decrease in their budgets for communication, relations were further strengthened in 2017 with various institutional partners and new collaborations were created.

Some of these include:

- the agreements with Friuli Venezia Giulia involving the distribution of Rai 3 on the TivùSat platform and territorial promotional interventions in the feature *Est Ovest*;
- the agreement with Unicef for one prime time on Rai 1;
- a new agreement with the Region of Abruzzo to promote its territory;
- the agreement with Anas for the creation and broadcast of a documentary on the roads of Italy for the 90th anniversary of the founding of the company;
- an agreement with Eur SpA for a special episode of *Quante Storie*.

Also of note, the renewal of Agreements with the Prime Minister's Office regarding broadcasts to safeguard the interests of French, Slovene and Friulian linguistic minorities and for Italians abroad. An ambitious partnership with the Region of Basilicata continues with a series of communication activities leading up to 2019, the year when Matera will become the European Capital of Culture.

Lastly, also worthy of mention the Agreements with the Region of Liguria for communication activities during the Sanremo Festival and with the Sardinia Region for the production of programmes in Sardinian.

Activity for the concerts of Rai's National Symphony Orchestra and for radio continued with good results.

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 other parties, and of the marketing of Rai musical products.

As regards the distribution of **TV and cinema content**, 2017 reported a good trend in sales for both cinema and TV product sales.

Globally most revenue comes from Western Europe, Eastern Europe and North America.

The six new TV movies of *Il commissario Montalbano* confirmed the validity of the series as well as the sales in all the areas where the programme was already distributed. Among these, strong interest was reported in areas acquired directly by the producer: Spain, France, United Kingdom, Latin American, Australia and Eastern Europe.

The programmes which most contributed to the composition of revenue, in addition to *Il commissario Montalbano*, include the TV series *Non Uccidere*, and the films *Lo chiamavano Jeeg Robot* by Gabriele Mainetti and *Lasciati Andare* by Francesco Amato.

Interest in comedy genre films was reconfirmed by airlines throughout the world; plus the fiction show *Montalbano* sold to British Airways and Singapore Airlines.

The long series in costume recorded a great success with the series *Il Paradiso delle Signore* in Latin America, Eastern Europe, Philippines and the United States. Other successful contemporary series were *Sorelle* and *I Bastardi di Pizzofalcone*.

The restoration of the series *La Piovra* obtained significant results in Russia, the United States and the Netherlands.

Non-fiction events include the sale to Abu Dhabi Media of the live rights of *Palio di Siena*, confirmed also for 2017, and the sale of *Detto Fatto* to Rogers in Canada.

Moreover, thanks to new production agreements for documentaries, in 2017 it was possible to start various commercial agreements for the distribution of *Stanotte a Firenze* and *Stanotte a Venezia* in many countries including the United States, Mexico, Greece and Cyprus, Russia and Eastern Europe.

Important shows among the documentaries included *Crazy for Football* and the Magazine *Italiana 2017*. Various documentaries were also distributed on airlines including Qatar

Airlines which decided to add two episodes of *Italiana 2017* to the shows available on aeroplanes.

In terms of the sales of theatrical cinema, the first part of the year recorded a positive trend thanks to the sales of shows including *In Guerra per Amore* by Pif, *La Tenerezza* by Gianni Amelio and *Lasciati Andare*.

There were also good sales results for *Gatta Cenerentola* by Alessandro Rak and *Ammore e Malavita* by the Manetti Bros.

As regards **serious music**, product demand in 2017 grew in already solid markets and those of minor significance in territorial terms.

In Japan NHK acquired the distribution rights to the opening of the La Scala season, while the company Tohokushinsha acquired the entire repertoire produced in 2017 by Teatro alla Scala as well as the Concert from Piazza Duomo conducted by Maestro Chailly, already broadcast live 11 June in all of Europe. On that occasion, Arte, ZDF, Bayerish Rundfunk and WDR had guaranteed a very vast territorial coverage for the product in centre and north Europe (German and French language companies, including French speaking companies overseas) plus Slovenia and Hungary.

The operas of the Scala, Teatro dell'Opera of Rome and the Rossini Opera Festival were distributed in Hungary (MTVA), Belgium (RTBF), Switzerland (RSI), Spain, Finland and the Czech Republic (Ceska Televize) where a new audience is present that is very interested in the Rai brand, not just in terms of live events but also already performed shows.

This positively influenced the market, on one hand by improving the requested quality and attracting the attention of new partners and on the other by positively increasing the demand for rights for titles present in the catalogue.

The distribution of DVD rights is no longer limited just to publishers that have an exclusive representation agreement with the artists; this is the case of Decca that holds the exclusive representation agency for recording and digital rights of operas conducted by Maestro Riccardo Chailly. In 2017 Decca acquired the DVD rights of the best productions from Teatro alla Scala of Milan conducted by Riccardo Chailly, including *Giovanna D'Arco*, *Madama Butterfly* and *La Fanciulla del West*. Other labels such as C-Majors or Hardy Classics acquired DVD rights for new and Rai historic archive productions.

The presence of "opera and concerts" product in movie theatres in some countries, including Italy, has strongly captured the interest of Entities or cultural centres which have taken part in the project for the first time (Lincoln Center in New York, Opera di Parigi, Istituto Italiano di Cultura of Buenos Aires).

Similarly, the presence of a live signal, especially for Opening Night at the Scala in Italy, has enabled Rai Com to have a customer portfolio that includes major companies such as the Gruppo Cimbali, with a projection in the Museo del Caffè in Milan, or Banks such as Intesa San Paolo for the Christmas concert in the Basilica of Assisi where audio rights were acquired for the creation of a CD for international customers.

Again in 2017 certain airlines including Cathay Pacific and Emirates broadcast in flight the Opening Night of the Scala and the ballet *Romeo e Giulietta*, while once again for Christmas, Rai Com created an editorial project for Intesa San Paolo with the Opera *Manon Lescaut* from the Teatro Regio of Turin.

Rai channels marketing and distribution abroad

Rai channels are marketed and distributed throughout the world.

The year 2017 witnessed a substantial stability of the presence of Rai Networks in non-EU areas with an increase in Latin American – thanks to new distributors –, a consolidation in Canada and a slight drop in the United States due to a slowdown in the Pay TV sector.

In the European area, in addition to a stable presence in many countries, in particular, in Switzerland, Belgium, Germany, Austria, France and Netherlands, negotiations are in progress with operators in other territories, including Russia, through cooperation with EBU and Eastern Europe (including Bulgaria, Hungary, Croatia and Slovenia).

Marketing and Business Development

As regards the TV magazine *Italiana*, the international commercial programme started in 2015 aimed at identifying new business lines connected with the main assets of our country (culture, food and tourism), negotiations were conducted in 2017 that reinforced distribution in China, Russia and the former Soviet Union, Canada, United States, EMEA and Asia/Oceania, thus ensuring distribution which basically covers all geographic areas with the exclusion of South America.

Another important business approach entailed agreements in the artistic/cultural area – based on co-production partnerships with entities and important market players – for the creation of editorial projects to enhance the catalogue for international distribution and national programming. These include agreements with Arte, France Télévisions and RSI.

These partnerships propose creating television products on common subjects and with transnational languages, facilitating their commercial distribution. The high strategic value of these initiatives is represented by the possibility for editorial subjects to participate directly in the definition of single projects by intervening right from the beginning of the creation and planning process with the result of obtaining a product designed and created from the start including for being aired on Rai Networks.

After an initial agreement of this type with Arte in 2016 which involved the creation of an international version of the 52nd of the programme *Stanotte a Firenze*, the following were created in 2017 again with Arte: *Cinekino*, *Stanotte a Venezia*, the Taormina concert for the G7 meeting and a documentary for the 60th anniversary of the Festival di Spoleto.

The partnership with RSI led to the achievement of important documentaries, one on the history of Palazzo Vecchio in Florence – broadcast on the Swiss channel LA1 and on Rai 3 in March 2018 – and a second product for the 20th anniversary of the death of Steheler.

Sports Rights

Many activities were performed to market sports rights.

Current agreements continued for the distribution in Italy of the JTV sport theme channel with the SKY platform, and abroad the theme channels JTV, Roma Tv, Lazio Style Television, as well as marketing archive rights in Italy and abroad for the Club libraries.

The retrocession of production rights granted in Infront was defined and the subsequent proxies to Lega Calcio including for the 2017/2018 season for TV viewing of the internal matches of 5 Clubs of the Serie A division (Atalanta, Bologna, Chievo Verona, Crotone and Sampdoria). Various sports images present in the Rai archives were sold.

Italy Marketing

Music Publications

In its capacity as Music Publisher, Rai Com develops and manages Rai's Music Catalogue and handles the acquisition and distribution of rights related to light music, contemporary music and serious music and prose.

In 2017, to support Rai programming, 24 new television programme layouts were created, between editions and productions. These include: *Frontiere speciale "Caso Regeni"*, *Uno Mattina in Famiglia*, *Geo*, *Carta Bianca* (serial strip), *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 coediting with Goody Music), *Linea Bianca*, *Sereno Variabile*, *Formula Uno*, *Giro d'Italia* and *Kudos*. Music from the Rai Com library was used in 31 documentaries based on requests from the channels Rai Storia, Rai 1 and Rai 3.

New jingles were developed for the rebranding of the channels Rai 5, Rai Movie, Rai Premium, Rai Yoyo and Rai Storia. Signature tunes were also created for the new digital radio stations including Rai Radio Tutta Italiana, Rai Radio Live, Rai Radio Techetè, Rai Radio Kids and Rai Radio Classica and for Rai Radio 2 all the new Network identities for summer 2017 and for 4 new programmes of the summer schedule were recorded.

The important synergy for the edition and musical productions of scores in collaboration with Rai Fiction was confirmed. Of particular importance, leading shows including: *L'ispettore Coliandro 2*, *Il ritorno*, *Scomparsa*, *Romanzo Familiare*, *Linea Verticale*, *Paolo Borsellino Adesso Tocca a me*, *Mafia Capitale*, *Il Commissario Montalbano*, and the TV movie *In Arte Nino*. There were also many documentaries of a scientific and educational nature including *Ulisse Il Piacere della Scoperta* and *Radici*.

Also of note the consolidated collaboration with Rai's National Symphony Orchestra of Turin which made it possible to create masterpiece works totally performed in-house.

The musical editions of contemporary music further enhanced the catalogue and were present on Rai broadcasts (Radio3 and Filodiffusione) but also abroad on Radio France, France Musique, BBC Radio3. Important musical works were presented at prestigious Festivals including Ultraschall (Berlin), Dark Music Festival (Reykjavik), Printemps

des Arts (Montecarlo), MARS (Los Angeles), Beijing Modern Music Festival (Beijing).

Many compositions were presented in Italy and abroad: at Philharmonie of Paris, NRK of Oslo, Freiburg Theater, Museo del '900 (Milan), Opera of Lieges, 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).

In terms of serious music and prose, Rai coordinated relationships with the most important Italian Theatres and Opera Houses, resulting in a schedule for the 2017/2018 season earlier than in previous years, providing support for the creation of the Rai Group's publishing guidelines and definition of the titles to add to the All'Opera film playbill.

Serious music and drama rights were also acquired – opera, ballet, concerts, performances and documentaries – necessary for meeting the publishing needs of the Rai Networks and marketing and promotion activities at national and international level.

Rai Eri

The renewal and relaunch started in 2015 continued.

2017 witnessed the continuation of the commitment to return faces and voices of Rai television and radio broadcasting back to Rai Eri that are traditionally published by third parties, but also to add top quality authors loved by readers to the catalogue.

Best-sellers of the season emblematic of this approach were the essay by Roberto Giacobbo *L'uomo che fermò l'apocalisse* (three editions) and *L'inganno della mafia* by Nicola Clattering and Antonio Nicaso (two editions). The year closed with the publication of the book *Bevi qualcosa Pedro!* where Tullio Solenghi retraces his artistic path, with and without the Trio, dedicating his memories to his friend Anna Marchesini.

There was no lack of attention for the world of the young and very young. In April a new novel by Mattia Briga with Andrea Passeri, *Novocaina* was released, which brought the Rai Eri brand on tour in stores all over Italy and for which a new marketing strategy was successfully tested, with the inside cover of free press "Leggo".

Sales for Rai Eri books were more than positive. The essay by Roberto Giacobbo reached and exceeded the sales volumes achieved by the author with his two previous books, released by the market leader Mondadori, an excellent result in part due to the synergy – at the time it was

launched – with successful Rai programmes, on particular *Che tempo che fa*.

Rai Eri's presence intensified on the not very easy foreign market, with the sale of the translation rights to Spanish of *Fedeltà e cambiamento* by Monsignor Dario Edoardo Viganò and *Non aver paura di perdonare* by Father Luis Dri, the "confessor of Pope Francis".

Rai Eri was one of the few publisher protagonists at two major editorial events in spring 2017, *Tempo di Libri* in Milano and the Turin Book Fair, with sold-out presentations every day – long queues at the book signings for Roberto Giacobbo at both events and for Gratteri and Nicaso in Turin – and a significant increase in direct sales revenue from books at the Turin Fair.

And last but not least a new collaboration agreement with Alberto Angela, certainly one of the most important and well-known figures of Rai's schedules.

Actions aimed at reorganising the business continued including initiatives aimed at the relaunch process started in 2015: scouting, intensification of contacts with agencies, reinforcement of the sales and marketing sector and optimisation of inventory management. The rationalisation of procedures – in particular those related to the provision of publishing services – resulted in positive effects on the product and the new sales network has enabled a significant improvement of distributed product at the time of the launch, a factor for the exposure and success of books.

Library and consumer product

In line with the reference market trend, the consumer product also became stronger in the new media area (Avod, ESTvod, SVoD) however, without neglecting traditional commercial segments.

Teche. Thanks to Rai's exclusive archives and renewal of the main framework agreements with the Italian broadcasters and with those present on the pay platforms for the exploitation of animation content.

Home Video Italia. Many Rai brand titles as always – important for product exposure and quality – and strategic sales close to the broadcast (*L'ispettore Coliandro* and *Sirene*). Excellent performance also for the sale under license of *Guerre Mondiali*.

Normal Trade. Worthy of note the distribution activity carried out by Terminal Video and the recent agreement finalised with the bookshop

of the Vatican Museums for the on-site sale of Vatican/Vatican Museums related DVDs.

Licensing. Many initiatives were proposed to the market in 2017 including *I Gemellini Yo Yo*, and co-editions (book/activity book) were developed devoted to one of the currently most successful properties on the Italian market, *PJ Mask*.

Digital Extension. Telephone interaction activities decreased due to the fewer prime times supported by television voting mechanisms in the 2017 schedule. As regards the New Media business, a further substantial growth rate was recorded both in the SVOD market and EST/TVOD market. The management of the Rai Group's digital rights in 2017 allowed key SVOD agreements to be reached with all the market operators: Netflix, TimVision, Infinity and Amazon; for EST/TVod, commercial positioning was strengthened on all platforms present in Italy.

Other activities

Technological activities

Technological planning

Company activities in the technological planning area have long been aimed at promoting a strategic transformation programme for Rai from Broadcaster to Digital Media Company.

Numerous technical 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 and greater effectiveness and efficiency of Company processes.

The various projects act on four technology enablers that are peculiar to the Digital Media Company:

- *the dematerialisation*, i.e. digitisation of content and operational and supporting processes;
- *expansion of distribution networks* and the 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 three 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; an improved efficiency and innovation of technology infrastructure; more flexible systems and processes in relation to the changes in the business; safety of contents and key assets in terms of Business Continuity and Disaster Recovery;
- **service protection and quality:** an improved radio and TV signal reception; an increasingly reliability of digital distribution, with a reduced latency time; increased quality of broadcasting of contents and services.

Technical and institutional agreements

Numerous activities related to the promotion, finalisation and management of collaboration agreements with Institutions, Universities and Research Entities to implement special initiatives in the technological area, as well as identification and development, mutually with Rai Com, of economic opportunities related to project financing. The activity also includes analysis of the technical implications of the National Service Contract.

During 2017 agreements were entered into with Universities, Research Centres, sector Trade Associations, with the specific objective of starting experimental projects aimed at improving the technical quality of the radio and TV programming of Rai towards its users. In the National Cluster Technology area, coordination of the projects *La città educante* and *Social Museum Smart Tourism* has also been assured.

Moreover, for an experimental project with advanced technology to apply to audiovisual production, a document in 4K-HDR *Back to Iraq* was created and broadcast on Rai 1 during the show *Petrolio*.

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 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 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.

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.

The experimental measurement system was further fine-tuned, 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.

Lastly, the first hw/sw system was implemented able to evaluate the quality perceived by users of the Rai web TV services and that of its main competitors. This system can be used to plan specific comparative measurement campaigns of the live and/or on-demand service quality of any web portal and be able to summarise their many quality parameters in an explanatory dashboard.

Real Estate Assets and Services

Rai manages its own real estate assets, connected services and individual and office equipment, ensuring an adequate service level for the user facilities.

The many activities include, among others, promotion and development of the real estate assets at Group level and projects aimed at upgrading buildings to the best quality and functional standards.

The real estate database, which is composed of mapping of all property and the relative documentation is continuously updated and developed for integrated management of technical, administrative and managerial activities, with Geographic Information System (GIS) and Building Information Modeling (BIM) systems and applications.

Managed real estate assets are distributed throughout the country and total around 780,000 gross square meters, of which 660,000 Rai company property and 120,000 square meters owned by others.

The usable gross area, excluding common parts, totals around 450,000 square meters, composed of 37% for offices and editorial staff, 31% for television and radio studios and other production technical areas and 32% for garages, warehouses and other service areas.

The territorial distribution shows that most of the sites are for the production centres of Rome, Turin, Milan and Naples (59%). The regional sites have 21% of the buildings and offices that are part of the head office 20%, distributed between Rome (10%) and Turin (10%).

The most significant buildings include the one on **Viale Mazzini in Rome** designed by the architect Francesco Berarducci which in plane view represents the acronym RAI (Radio Audizioni Italiane) with the famous statue of Francesco Messina's dying horse at the main entrance; **Turin Production Centre** which houses the *Museo della Radio e della Televisione* con 1,200 mementos and historical artefacts of the origins of Rai; **Auditorium Arturo Toscanini of Turin** used for concerts since 1872 and based on the original layout of the Regio Ippodromo Vittorio Emanuele II of 1856; **Palazzo Labia di Venezia**, which houses the Regional Office for Veneto, a Baroque period building that bears the name of the noble family who had it built in the second half of the 17th century on the banks of the Grand Canal and which owes its fame in particular to the frescos by the Venetian master painter Giovan Battista Tiepolo, including the cycle depicting *Antonio e Cleopatra*.

Activities continued in 2017 regarding the demanding project to renovate and bring up to standard the studios on Via Nomentana at the Rome production centre, fire prevention certificates were renewed for certain buildings as well as extraordinary maintenance and renewal operations for systems, in particular at the Saxa Rubra centre.

One important activity currently in progress is the assessment of the structural compliance of Company buildings to the safety requirements of current technical regulations and laws.

The assessment involves mainly buildings built before seismic laws came into force or based on superseded laws. To this end, intervention priority was identified taking into account the earthquake hazard of the sites and vulnerability and exposure of the buildings. Guidelines have been prepared to perform testing, a test campaign has been started organised into preliminary surveying, study of the mechanical characteristics of the materials and land of the foundation and numeric analysis to verify the seismic adequacy of the structures. If a structure turns out to be non-compliant, designing and execution of the necessary works to bring it up to standard will be performed.

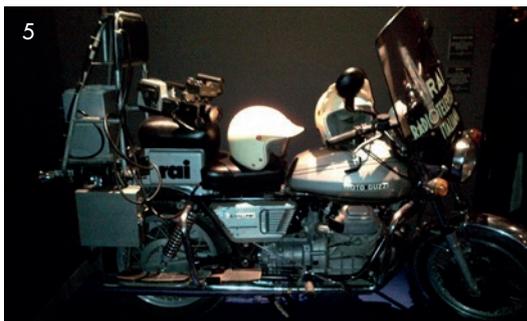
As regards the progressive adoption of Building Information Modeling (BIM) technologies a research project has been developed in collaboration with Politecnico University of Milan, which produced the Rai Proprietary Guidelines as preparation for designing, modelling and management of the company real estate in BIM environment, which represents the first example in Italy in this field and which puts Rai at the cutting edge in this sector.

Report on Operations of the Board of Directors

The methodology is aimed at new projects and renovation and maintenance of existing buildings, in order to improve process efficiency, increase property value and achieve management savings. The Rai Guidelines were validated on a pilot case

identified in the regional Bologna site and will be applied in coming years to modelling of all company property enabling BIM management of contracts for works and services in accordance with laws governing public contracts.

1. The Rai offices on Viale Mazzini in Rome
2. Rai's symbol statue, the dying horse of Francesco Messina
3. The Turin offices on Via Verdi
4. Palazzo Labia, Rai Regional Office for Veneto
5. Motorcycle at the Museo della Radio e della Televisione
6. Auditorium Rai Arturo Toscanini of Turin



Information and Communication Technology

The information technology and telecommunication products and services are provided to all Rai organisations and Group companies with integrated and flexible mechanisms for governance, ensuring the coordination and management of assets – applications, systems, infrastructure, communications networks – and investment policies and priorities based on the value of the undertaken initiatives in terms of efficiency, effective and cost containment

The digital transformation – fast and complex – has meant considering the role of Information and Communication Technology in order to support Company changes through constant collaboration and interaction with business, for an innovation that cannot just be technological, but also cultural and organisational.

Change of the paradigm has required considerable investments in integration architecture, change management, connectivity infrastructures, data centre and technologies for security.

The Portfolio of company business projects makes the prospect of long-term change tangible and is consistent with the Company's strategic guidelines:

- **transformation into a Media Company:**

- the availability of the new Right Management system allows the governance of the Group's Portfolio of Rights for the exploitation of contents on various platforms, has been integrated with new classification information of the right sheet; in 2017 the development of the Rai Multimedia Catalogue search system and correlated data warehouse tool was completed;
- the objective of providing marketing analysts and editors with research and analysis tools for social media phenomena led to implementation of a social intelligence platform to monitor the existing information flow within the main social networks, identifying topics of interest and monitoring them. The short-term perspective includes the integration with a layer datalake and sentiment analysis, while the medium-term design entails significant investments dedicated to development of Business Intelligence and Big Data platforms;
- the exploitation of new business models on diversified access/distribution platforms required evolution of the virtual system for distributing digitalised files (IP File Based Network), as well as upgrading of the Web Farm infrastructure and nodes exposed to Big Internet to ensure an effective and efficient

distribution of contents and services for Rai. Data transmission and distribution strategies have also been redefined;

- **availability of digital platforms all along the entire chain value:**

- the Full Digital agenda on management on management processes has entailed upgrading interventions of the procurement cycle, company Digital Workspace (Raiplace) and communication and collaboration tools, with completion of the distribution of telephony IP and updating of the video conference system and Skype for business;
- actions were taken on the Schedule system in order to integrate the planning of the broadcasting (Scheduler module) into the ube System for digital content management. All digital broadcasting of Rai Scuola and Rai Storia will be available in the coming months, to be followed by progressive extension of the system to all channels;
- the commitment continued aimed at the release of a new digital platform for news agencies, integrating newsrooms' and content processing tools;

- **changes in organisational and production models:**

- within the context of economic planning, supported by the Integrated Planning System (ISP), in addition to reinforcement of the tools already available for management of plans, a development was implemented for governance and monitoring of orders, will allow the improvement of the planning and control of major financial events; pre-production and change management projects aimed at users are currently in progress;
- the new tool *Primsys*, for the planning of production resources over periods of time in strategic and operational terms, has been made available at production centres for short-term scheduling and reporting. Implementation of a solution to support medium-long term planning has been started at the same time;
- an integration design for the schedule, SIP and *Primsys* system has been prepared to make the entire planning system digital and completely exploit the simulation potential offered by the systems;
- the implementation and start-up of the contract management system for employees and independent contractors has been completed; the related business intelligence tools are in the creation phase;
- as regards licence fees support activity was performed for alignment with the new model for their collection;

- **availability of an IT Data Center layer:**
 - participation in the consolidation design of data centres located in Italy in a modern and scalable IT Data Center, the technological mainstay for the digital transformation, working in a business continuity and disaster recovery context aimed at the strategic management of information and contents. The implementation of the new technological layer requires Rai's commitment and highly specialised suppliers;
- **availability of infrastructure for security:**
 - to increase the level of protection in relation to IT risks, tools have been reinforced to collect and analyse data that trace relevant events in the information security context (Log Management), for real time control of what happens on the network (Network Access Control) for monitoring software license contracts and preventing malware.

Furthermore, work was done to manage the Portfolio of management projects, which includes actions for system optimisation, of a functional and performance nature, required by the lines of business.

Likewise, distribution of services to Rai and Group companies was ensured through monitoring of technological infrastructures. For the functioning of the operating engine, Rai pursues criteria of excellence and quality, basing its operating model on the principles of IT Service Management.

Research and Development

The experimentation into and implementation of new technology platforms for transmission, telecommunications and television production are at the centre of the R&D strategies of Rai, as an essential prerequisite for product development, in line with the transformation into a Digital Media Company.

The current development of the radio and television system technology is guided by:

- commercial availability of television screen with increasingly higher definition (HD, and Ultra-HD 4K) and better viewing quality (HDR);
- the increasingly widespread possibility for users to use connected televisions and other devices to exploit contents in various modes (linear and on-demand);
- more and more intense interaction between the radio-television world and social media;
- the availability of new technologies, based on Artificial Intelligence methods and technologies including deep learning, to use in the area of analysis, indexing and processing of audio-video contents;

- widespread introduction of fixed broadband and new transmission technologies and standards for mobile telephony (5G).

Thus, it is indispensable to define new television and multimedia product types that are highly interactive and new promotional procedures based on the knowledge and profiling of users.

The main research and development topics in 2017 regarded the evolution of production systems and audio/visual coding, study of new multi-media services and evolution of the fixed and mobile distribution networks.

The transition towards the **Full HD** format – with the prospect of moving towards even more advanced formats – within the scope of a reduction in frequency resources and a new planning of digital terrestrial TV by 2020/2022 entailed the study and evaluation of video quality using any encoding techniques available (Mpeg-2, Mpeg-4, Hvc), in order to contribute to the definition of the Company's strategies for the management of digital Multiplex. Applicability studies were started for encoding techniques based on profound neural networks, aimed at contributing to the future technological-scientific development of international standards (MPEG, ISO-IEC, ETSI).

As regards the evolution of production systems, new technologies and appliances were developed and analysed able to handle very high-quality television signals all along the production and distribution chain, paying particular attention to standardisation problems of new formats, also with a view to a pervasive transition to the IP technology. Study and experimental activities were performed aimed at understanding the maturity and concrete applicability of emerging standards, such as SMPTE 2110, including through laboratory tests and developments and the participation at events organised by international entities.

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. Significant commitment was also devoted to the application of a new DVB specification for UHD and HDR services. The Alberto Angela documentary *Stanno a Venezia*, produced in UHD HDR, was broadcast on TivùSat, the first broadcast in Italy in this format, aired at the same time in HD and SD on Rai 1.

Experimental HDR production continued with the creation of some self-promotional commercials for Rai programmes. Laboratory tests were also performed on devices able to “artificially” produce HDR signals from archive conventional materials (SDR).

The objective of the **Teca Master digitalisation project**, fully in the implementation phase, is to save the contents of the company analogical archive – composed of video cassettes and films – on digital master files, easily exploitable in production and distribution contexts. The dimensions of the Rai archives require the use of automation as much as possible to complete digitalisation within the desired time frame. The year saw the completion of the technological infrastructure for the transfer Betacam/IMX formats and for the digitalisation of film formats for the Via Salaria Rome office. The same type of system is expected to be used also for digitalisation of the analogue contents of the regional offices and outlying production centres. Quality Control studies are connected with this project to check the effectiveness and the validity of the digitalisation processes and the resulting master files and on Digital Preservation which handles the measures aimed at ensuring the future usability of digital archive contents as storage technologies and production formats evolve.

In the field of advanced **Content Management** systems, experimental activities have been started for indexing and visual search of video contents, both through the use of standard components and technologies (MPEG CDVS) and through the use of cutting edge market components. The aim of these experiments is to understand the performance and applicability of these technologies, especially in the archiving realm. Experimental studies were started at the same time in the automatic classification field based on Deep Learning networks, aimed at the study of innovative architectures for classifying video contents enabling documentation cost optimisation and increasing the potential for exploiting contents.

Starting in 2018 an interactive platform will be available in Italy on new televisions based on the new HbbTV standard, which will replace the current MHP used to date. To support the transition, the main interactive applications, *Telecomando* and RaiPlay have been adapted to the new HbbTV format and their operation has been tested on the first television prototypes made available by the main manufacturers.

The new applications were presented during a HbbTV symposium, organised in Italy by the HbbTV consortium (together with HD Forum Italia)

precisely at the time of this migration, along with a slow motion TV demonstrator aimed at improving the understanding of speaking for senior citizens, foreigners and hearing impaired users.

For the purpose of technology and service development activities to support accessibility to Rai products for the disabled, the *La cultura accessibile* project was continued, based on two approaches: *Museo Accessibile*, creation of a museum programme aimed at including disabled individuals at the Radio and Television Museum of Turin, and *Progetto Beethoven – Accorda la Sinfonia al tuo Sentire*, creation of a space accessible for people with a hearing implant or aid at the Rai Arturo Toscanini Auditorium.

Industrialisation of an end-to-end production system for companion screen applications was started during the year called **Rai Bridge**, based on the results of the financed project *BRIDGET* completed in February 2017. The system includes an authoring suite used to enhance linear TV with synchronised contents, and an Android application for exploitation of this experience by users.

Activity continued aimed at the creation of a production platform geared towards Data Journalism, which involves the use of Hyper Media News and Concept Book systems, developed by Rai, as multisource indexing and search engines integrated with third party systems to support the production process.

In order to reduce the risk of inefficiencies in the radio and TV SFN terrestrial broadcasts currently provided by Rai, problems related to the correct synchronisation of transmitters of an isofrequency DTT network were dealt with, 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 currently used and a second series of tests was designed related to the use of time/frequency signals distributed via satellite. These tests were performed in collaboration with the National Metrology Research Institute (INRIM) and the Antares consortium.

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 Dab service coverage and continuity inside highway tunnels. Two other projects are in the process of being defined again for the study of service continuity in tunnels, one in an advanced phase with the Italian Motorway company (ASPI) aimed at creating an implementation example (a test

bed) for the proposed techniques and the other with the Valle d'Aosta Motorway Connection company aimed at studying the propagation and integration of the proposed techniques with the existing transmission infrastructures. For the distribution of regional news programmes on the national network Dab+ at single frequency (SFN) a demonstrator was constructed, which allows the parallel broadcasting of all the regional news programmes ensuring the objectives of low transmission capacity and good audio quality. The proposed system allows automatic receiver switching to the regional news selected by the user.

Furthermore, as regards radio, the development of new services aimed at users equipped with connected receivers, such as **Hybrid Radio** continued for the customisation of contents and schedule. These activities were performed in collaboration with other EBU members.

Within the framework of the EU 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 networks, with specific reference to the introduction of broadcast modes in next-generation mobile technology. In this context, a comparative study was completed between mobile networks and broadcast networks for the spread of the 5G-Broadcast transmission broadcasting technology. It was started in 2016 in collaboration with the Turin Polytechnic University. Collaboration with the German Braunschweig University in Lower Saxony continued for the development of a transmission demonstrator from the TV content broadcast networks to mobile terminal and a new joint project was started with Polytechnic University of Turin to study the characteristics of mobile terminal antennas in the near future. Lastly activities in the DVB area have continued to assess the potential of **Wib** (Wide Band Frequency Reuse -1) as an alternative to conventional DTT planning. The results of the various activities described above were presented in four articles at the 2017 IBC conference in Amsterdam.

In collaboration with the University of Turin, Physics Department, an analysis and experimentation programme was completed on the use of new electromagnetic field configurations (beams with different scattering) in order to reuse the same channel to transmit more signals. The study analysed the theoretical aspects regarding the radio section project and system performance (spectrum efficiency and comparison with MIMO techniques) while in terms of experimentation simultaneous transmission tests were performed at a short distance for two digital television signals on the same frequency. The

results were published in international scientific journals.

As regards the **participation in financed projects**, the H2020 MULTIDRONE project started at the beginning of 2017. The project involves the study of a coordinated management system of fleets of drones for the TV broadcasting of special events and to date Rai has substantially contributed to the definition of the production requirements and is in charge of development activities for the technical specifications for integration of the system in production processes. Work proceeded on 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 currently employed for multi-media services and Video-on-Demand to "connected" devices (PCs, tablets, smartphones).

The H2020 5Gcity project started in the second half of 2017, which intends to develop and use three test beds for testing in the cities of Barcelona, Bristol and Lucca, certain functionalities essential in the context of 5G technologies, including edge computing and neutral cell. To test the infrastructures that the project partners will make available in the three cities, Rai started to create some embedded content application (360° video) related to the city of Lucca and Puccini's museum/birth home.

Frequency Planning and Spectrum Management

The activity was developed along many guidelines in 2017.

Strengthening and protection of digital terrestrial TV (DTT) services of Mux 1 Rai

Activities continued to minimise the interference impact to the detriment of the reception of Mux 1. Specifically, a major and old problem was resolved which involved some regions of central Italy, thanks to the coordination activity and participation in radioelectric measurement campaigns in the area – in collaboration with Rai Way and along with the counterparty. and through the definition of supporting technical-regulatory documentation. The issue had started from the switch off analogue television and advent of DTT and the risk was not remote of having to greatly reduce the broadcasts from the Monte Nerone installation in the Marche, with negative, difficult to repair, consequences on the Public Service.

In other areas solutions were identified to resolve interference problems caused by the application of the recent regulatory provisions aimed at

freeing private frequencies in potential interference with abroad. Based on these provisions, the allocation of alternative resources to the local broadcasters ended up in conflict with Rai uses, in some cases causing a temporary deterioration of the radio and TV Public Service.

With a view of being the Public Service to the entire population, technical procedures have been defined to resolve poor reception situations in areas which are critical due to their specific landscapes (Piedmont, Trentino Alto Adige, Marche, Umbria, Campania and Basilicata).

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

The European Parliament and Council decision 899 was adopted in 2017 concerning the use of the UHF band in Europe, which entails, specifically, the date of 30 June 2020 – with a tolerance of 2 years for proven special needs - as the final deadline for television services to release the 700 MHz band to mobile services.

Rai, in the debate prior to this approval, was committed to providing support to EBU so that exclusive use of the remaining frequencies of the UHF band was guaranteed for the broadcasting terrestrial platform, at least until 2030. This certainty of frequency resources is an essential premise for dealing with the investments necessary for re-channelling TV services following the release of the 700 MHz band.

For Confindustria Radio TV activity, data has been provided on the status of broadcasting technologies related to the Rai digital networks and the other elements necessary for the Watchdog on the innovation of audiovisual media services. This watchdog was established by AgCom to monitor the development and distribution of transmission and signal coding services for the DTT service, both from the viewpoint of broadcaster operators and viewpoint of receivers available at users (to be handled by distribution companies) with the dual aim of:

- assessing the refarming costs of the 700 MHz Band which must be borne by the broadcasters;
- allowing the identification, in the new National Frequency Assignment Plan, of transmission/coding standard combinations in line with the evolution of the receivers available at users.

Radio: improvement of digital service and protection of analogue service

In line with the Company's commitment for the development of the digital radio network, a technical project has been developed for the creation of installations that permit the broadcast of the Dab+ service along the motorways A1 (Milan - Salerno) and A4 (Turin-Trieste). These motorways with high traffic volumes include greater passage of high end or new generation cars more likely to be equipped with digital radio receivers, and geographical areas with more reception problems for analogue radio services (FM).

Along with the commitment to digital radio, a major focus has been maintained on defending analogue radio service (FM) which has always suffered from a lack of preventive planning and which thus needs to be constantly monitored, on different levels, ranging from participation in measurement campaigns, when interference situations arise, participation in technical tables and formal actions, including judicial.

Of interest is the most recent commitment to protect the GR Parlamento service broadcast to cover the Rome area from the Monte Cavo site. This activity, which is still not finished, was caused by the attempt of a broadcaster to obtain from the Ministry an unfair protection of its service – which turned out to be illegally performed based on a study and research carried out by Rai – to the detriment of the broadcasts of GR Parlamento.

National and international coordination

The main activity that is the basis of international and national coordination is represented by assessment of interference scenarios produced by the installation and/or modification of analogue and digital installation, both for TV and radio.

Specifically, international coordination of frequency entails a computerised analysis activity to ensure compatibility with the use of spectrum resources of bordering electrically-radio countries, based on procedures and technical standards of specific coordination agreements. Around 80 frequency coordinations were managed in 2017 requested by MISE.

Relations with Local and National Authorities (AgCom, MISE, Corecom) and support for relations with parliamentary institutions. Direct relations with users.

Rai responded to questioning, interpellations and communications related to radio and TV broadcasting and requests for technical information from Institutions, Local and National Authorities and individual citizens.

The management of responses to reports, in coordination with all involved Company

subjects and with Rai Way indicates the processing of around 80 cases involving a total of approximately 500,000 people from the beginning of the year to date.

Increase of the offer in MUX DTT platforms

The offer on DTT platforms increased during the year, with subtitling for the hearing impaired on the channels Rai 1 HD, Rai 2 HD and Rai 3 HD; addition of the second audio for broadcast in the original language on Rai Sport, Rai 5 and Rai Premium; the addition of an additional four radio stations (Rai Radio Tutta Italiana, Rai Radio Techete, Rai Radio Live and Rai Radio Kids).

Relations with Rai Way

For activities connected with the management of the Turnkey Supply Service Contract between Rai and Rai Way for the supply of broadcasting and distribution services used to perform the obligations of the radio and TV Public Service obligations, numerous jobs were performed. The most significant ones undertaken in 2017 include: the release of the 3.7-3.8 GHz band, the extension of the Dab+ network, the rerouting of MUX1 plants operating on ch. 6, 7, 11 in Campania, Lombardy and Abruzzo, the construction of additional systems of the MUX1 network, to which are added various supplies of connectivity for different television productions.

Satellite activities

As of the first days of January 2017 all Rai channels were transmitted by satellite in standard and high definition. This goal was reached thanks to the completion – implementing the company strategic plans bearing an integrated vision of the development of the Networks and platforms of the satellite transmission plan of the Rai offer in high definition (Full HD Sat Plan).

Moreover, for the Company's strategy to improve the video quality, which reinforces the technological leadership of the Public Service, broadcast activities were coordinated in simulcast by satellite with UHD/4k technology for the programme *Stanotte a Venezia*, film *Suspiria* and, in collaboration with the Centro Televisivo Vaticano, the Christmas Mass live from the St. Peter's in Rome. With these initiatives Rai has confirmed that it is at the forefront of technological developments for quality innovation of the product which it will use selectively on satellite including UHD-HDR.

Support was provided to Rai Com to develop a broadcasting and distribution strategy of Rai channels in the world.

Coordination activities continued towards TivuSat – specifically regarding the strategic development of the free platform via satellite, monitoring major distribution, relations with decoder and television manufacturers (to define the specifications for new terrestrial, IP and satellite receivers in light of the 2020-2022 switch-off and growing availability of 4K contents), supply of schedule information for EPG – and towards Rai Way for the management and development of satellite services, as well as with satellite receiver manufacturers to supply indications related to technological developments and participate in national and international standardisation activity – and with the Ministry of Economic Development, AgCom and Confindustria Radio Tv for their specific profiles of expertise.

Broadcasting

Rai Way – Network Operator of the Rai Group – in its activity 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 Contribution Services, to be intended as one-way transport services:
 - between fixed sites and/or video/audio/data via analogue or digital circuits;
 - of the radiofrequency signal from the satellite within a geographical area of a certain 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, mobile 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) and 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 (satellite);
- IPTV (internet);
- cable TV.

Italy is characterised by having a 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 analogue and digital format (DAB - Digital Audio Broadcasting) and no expiry dates have been set for a switch-off of the analogue signal, in line with many other European countries.

The experience Rai Way has gained in operating transmission and broadcasting networks allow it to play a central role in its reference scenario, in a favourable position for also being able to explore markets related to the development of new generation telecommunication networks.

The Service Agreement 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 significant services performed in 2017 include:

- contribution services for sports and institutional events World Championships of downhill skiing in Switzerland, the G7 Summit in Taormina, World Swimming in Budapest, World Track and Field in London), provided with technological solutions able to ensure a high level of reliability;
- for satellite contribution services, updating to video standards of the satellite receivers located at the production centres of Milan

and Rome Saxa Rubra and activation of new transponders on satellite E10A at 10° E and on satellite E36 E at 36° E;

- the refarming process of Mux 1 following the assignment through the “beauty contest” of frequencies coordinated with the local broadcaster. Specifically, Rai Way completed the Mux broadcasting frequency changeover for TV and radio channel (Rai 1 - Rai 2 - Rai 3 - Rai News 24 - Radio 1, Radio 2 - Radio 3) in Campania. Activities were begun to free the high part of the band 3.6-3.8 GHz in order to move the connections operating in channels 4, 5, 6 and 7 of this band of frequencies, in compliance with the European Union’s decision on the policy for the spectrum and harmonisation of the abovementioned band;
- the extension of the radio digital terrestrial distribution service Dab+, starting from main motorway routes, upgrading to video standards MPEG 4 SD 4:2:2 and MPEG 2/4 HD 4:2:2 of the satellite distribution service and activation of new transponders for satellite contribution with occasional use;
- experimental activation of an access point to the Rai Way network, to develop the injection point network.

As regards the market of third party customers, the Tower Rental segment, a major contributor to revenue, continued to report the pressure started with optimisation actions by MNOs operators, including due to the effect of the recent Wind/H3G merger. Therefore, with the aim to reduce risk, it was considered opportune to identify potential customers/partners interested in collaborating in new businesses, in order to identify markets with a greater potential and more receptive to the value proposition proposed by Rai Way.

In relation to the main MNOs, Rai Way continues a commercial line in 2017 aimed at stabilising revenue, put at risk by aggressive cost reduction actions undertaken in recent years by customers, including by promoting incentive tariffs in consideration of the customer’s commitment not to dispose of additional stations for a certain number of years.

Talks were started in 2017 with a new operator entering the Italian mobile telephony market, Iliad, for setting up a framework agreement to host it on Rai Way infrastructures.

In relation to TV and radio broadcasting customers, Rai Way engaged in numerous projects aimed at developing evolutive services compared to mere equipment and antenna hosting, promoting a commercial proposal to supply an end-to-end service, typical of network operators. Agreements in the finalisation stage with certain major local radio and TV operators are part of this context.

With the view to exploring new markets with a high potential, a technical/commercial scouting project was carried out for new opportunities, particularly the supply of FWA connectivity services in digital divide areas and supply of broadband services for data transmission on private networks offered to business customers. For this purpose, joint initiatives with certain vendors were undertaken to create partnerships and commercial relations were started with certain customers who had shown significant interest in the proposed initiatives.

Being able to leverage on a decade of know-how gained in operating networks and broadcast services, a fundamental role is played by the innovative initiatives started during the year, aimed at identifying business areas that can promote Rai Way’s assets over the medium term and ensure the necessary support for growth.

Security & Safety

Actions were also implemented in 2017 to contribute to increasing employee safety and security of assets and business based on the following guidelines:

- ensure the review of operating processes to guarantee their compliance with national and international legislation on safety and security;
- ensure maintenance of the infrastructures, plants and equipment to the highest reference standards;
- promote the maintenance of safety and security standards for all operators and third parties working in any capacity at the Company;
- monitor that workers have updated information and adequate training and ensure that any event that can have effects on the improvement of processes is reported to the Supervisory Authority.

As regards occupational health and safety (Legislative Decree 81/08) the Company’s objective for continual improvement of the relative conditions, including through the promotion of a culture based on an increase in the awareness and involvement of all subjects, at all levels, concerning preventions was confirmed during 2017.

The **Company healthcare service** continued its activities reinforcing and further improving the results obtained in previous years. It carried out healthcare surveillance for the protection of health required in workplaces by Legislative Decree 81/08, by performing 5,223 preventive and periodic check-ups, at Rai sites located throughout the country.

203 preventive interventions were activated at the Rome and Milan occupational medical centres to protect the health (check-up and vaccinations) for personnel sent abroad to geographic areas with a biological risk.

Preventive protection procedures were followed up required for workers assigned to job entailing specific risks for safety, injury and the health of others (alcohol and mood-altering substances).

22 healthcare plans were prepared for major production events performed in the country.

The activities were not just carried out for Rai but also for Group companies in compliance with normative obligations and to standardise preventive interventions. In this context, first aid training courses, including specific risks (DM 388/03) were delivered by Rai Way throughout Italy and for 15 editions.

As regards **prevention and protection** activity revolved around continuous updating of the Risk Assessment Document for Occupational Health and Safety, regarding already existing risks and new emerging risks, as well as activities to ensure the three year renewal of Certification based on the OHSAS (Occupational Health and Safety Assessment Series) standard.

Monitoring continued of the processes adopted by the operating structures for production events and construction sites, checking the documentation and activities performed by in-house personnel and consultants. The process continued to implement an Environment Management System pursuant to the standard EN ISO 14001 and a Waste Management procedure was implemented including through information and training sessions. It is aimed at rationalising activities and obtaining complete compliance with pertinent normative obligations. It should be noted that the fruitful activity performed (Legislative Decree 81/08) resulted in company accident rates (relative frequency and seriousness) being lower than the INAIL average for companies with similar characteristics.

As regards asset protection, studies and scouting were undertaken to identify new technologies aimed at adjusting the technical systems to the changed reference context. Support was supplied for activities connected with the supply of company asset protection services and systems of the production centres as well as specialist consultancy in preparing contract bills of materials and technical specifications for procurement of security services.

Operating support was also provided for around 250 events including *67th Festival di Sanremo, Presentazione dei Palinsesti televisivi Autunno-Inverno, Telethon, Sanremo Giovani, Porte Aperte*, etc.

In this context, the central role of **security** activity was confirmed which is developed transversally in Italy ensuring Rai constant and intense relations with law enforcement and positive effects on the entire Company security system.

Monitoring activity continued during the year to support journalist missions abroad in at risk countries or locations, with weekly reports and geolocalised map, for around 600 employees and freelancers; in this context collaboration with the Ministry of Foreign Affairs and International Cooperations was reinforced with exchange of information to protect personnel on missions.

Survey activity continued on pertinent Company policies to protect information, in the relative degree of updating and effectiveness threshold. The necessary corrective measures were implemented with the interaction of all involved subjects for any critical issues which were found.

Collaboration and discussion continued with the main **information security** players, both institutional and private, including at international level and constant updating of the technical know-how through attendance at the most qualified workshops, meetings and seminars of the sector.

As regards the new European Regulation concerning data protection (GDPR) an analysis and assessment technical table for the necessary interventions is in progress with the participation of all concerned subjects.

In terms of **risk management**, collaboration and discussion with the main sector players has been reinforced and the relative preventive assessments have been performed. For serious events, for example the halt on sending reporters to Congo, coordination support has been supplied, if necessary, with the competent authorities.

On an international level actions continued aimed at developing stable and long-lasting relations with institutional and category contacts (for example: EBU - Network & Learn for Security Officers, ASIS, La Sapienza University of Roma, University of Chieti, Centro Italiano di Studi Superiori per la Formazione e l'Aggiornamento in Giornalismo Radiotelevisivo) to develop joint activities concerning safety and security.

Communication and Public, Institutional and International Relations

Rai's communication projects in 2017 were based on the requirement to enhance the Public Service role of the Company, by pursuing the strategic objectives of affirmation and reinforcement of its brand, not only through the offer of the main products of channels and newsrooms – in an increasingly crossmedia viewpoint – but also through a series of other initiatives, complementary to its publishing offer, able to create consensus and value, placing priority on quality and excellence and grasping current trends.

Different tools were used in 2017 depending on the target addressed.

1. *Viaggio nel cuore dell'Italia*, a tour of the regions affected by the earthquake
2. Celebrations for the 25th Legality Day
3. Fundraising for AIRC
4. The show "Vezzoli TV70"
5. Social campaign against violence on women
6. Screening of *Stanotte a Venezia* at Palazzo Labia

- **for Rai audiences.** 84 communication plans were started (37 of which connected to institutional initiatives) and 54 corporate events were organised (+20% compared to last year). The events that received the most attention from the public included: *I ragazzi del Bambino Gesù*; the première of the television drama *I due soldati* for the

Day of memory and commitment with *Libera contro le mafie*; *Viaggio nel cuore dell'Italia - il Turismo solidale per le Regioni colpite dal sisma*; the *Morrione Award*; the portal *RaiPlay - Phase 3 - Connected tv*; *La Rai che vorrei* (online contest dedicated to Millennials); the *Firma del Protocollo Paraolimpico*; the pact for literature (with MIBACT); the Show *Vezzoli Tv70*; the 4K screening of *Stanotte a Venezia* at Palazzo Labia; the 25th Day of Legality (anniversary celebration of the Capaci attack); the Festival dei Due Mondi in Spoleto; the Prix Italia in Milan; Rome Film Festival; Presentation of a stamp dedicated to the programme *Carosello*.

Moreover, the *Porte Aperte* project was started in 2017. Its aim is to bring children and young people closer to Rai with more than 500 education visits in Italy for around 15,000 students and 3,000 children involved in special events in the country as well as 14 school-work projects.

Contact with users is constantly monitored through the Contact Center which ensures – by managing around 700 thousand requests for information – a communication/information channel in addition to web tools;

- **for the media:** through press releases (around 10 thousand), press conferences and photographic services (107 press conferences organised and 75 photographic services).

Much space was given to issues that characterise and mark the commitment entrusted to Rai by the new Service Contract, in a context of increasing social responsibility. In this context, the following were undertaken in 2017:



- **social campaigns**, i.e. communication campaigns on themes of social relevance and great interest where Rai is the promoter (fight against femicide, against bullying, protection of primary and universal rights and increase in civic sense). During the year 39 fundraisers (Airc, Telethon, etc.), 17 awareness campaigns and 14 social communication ads (screened 420 times) were performed, plus advertisements and progress spots (7) and of supranational agencies (3);
- **institutional campaigns** aimed at promoting a more complete knowledge by citizens of the operation of the government.

But Rai communication initiatives also entailed activities performed in the area of:

- **Institutional Relations.** Through information and collaboration with the Institutions and supervisory bodies, in a context aimed at reinforcing the Company's transparency, relations were managed with the Supervisory Commission (for 136 questionings and 25 examinations, including 13 of Rai top management), with AgCom and monitoring of legislative activity (both Italian and European) with assessment of effects for Rai. Specifically, in 2017 support activities were performed to define the contents of the 2018-2022 Service Contract which will lead to direct involvement of Rai in creating, among other things, some specific strategic projects (an informational channel in English to promote Italian values and culture; a channel dedicated to communication concerning institutions; further commitment to protect linguistic minorities as per Law no. 482/1999). In addition, activities were performed on the issue of accessibility (new subtitling activities of TGR and special feature channels, expansion of the offer on Rai Play, review of the sign language translation procedures, etc.) as well as on issues of social inclusion. Relations with various realities in Italy are also managed, with particular focus on consumer protection organisations.
- **Public Relations.** Issues related to young people (job training, discovery of the pleasure of reading, legality as culture, culture as knowledge and with a focus on Italian excellences) were supported through projects through 364 media partnerships. Rai supported the "Italian Olympics" and the one for philosophy in collaboration with MIUR and celebrated the 20th anniversary of European Volunteer Service. Literature was focussed on with "Salone del Libro di Torino", "Tempo di Libri di Milano", "Fiera del libro per ragazzi" of Bologna, "Maggio dei libri" and "Più libri più liberi" at Nuvola Fuksas of Roma. Great events of an international artistic nature were promoted with "Roma Europa Festival" as well as dozens of other initiatives. The limelight was on the web, specifically for the event *Parole O-Stili*, and on immigration with the various festivals including that of Mediterranean culture "Sabir". Focus on Italian excellences with "Italian design day" in the world, on the environment and territory with mapping of the cultural heritage in the earthquake areas, the first "Giornata nazionale del Paesaggio" and "Settimana del FAI". Rai celebrated the institutions with the "70th Anniversary of the Polizia Stradale" and keeps alive the memory of its civilian heroes, such as Falcone and Borsellino, and the victims of the Ustica disaster 37 years after the tragedy.
- **International Relations.** A series of actions were promoted aimed at promoting the international ranking of Rai and the promotion of its brand abroad, by reinforcing the Company's role as a player able to compete in the new global context.

1. Commitment with the Fondazione Telethon



Moreover, an attempt was made to contribute to confirmation of its Public Service role, its values and relative economic sustainability, in close collaboration with the international network of stakeholders and other broadcasters. The work performed in 2017 is part of this context:

- the consolidation of Rai's presence in the major European and non-EU industry associations (EBU, COPEAM, CIRCUM, CMCA, ABU, ASBU, CRI-Comunità Radiotelevisiva ItaloFona) where Rai worked to support a policy of multilateral cooperation, including through participation in strategic projects of an international standing (e.g. "Keep Media Good", "Celebrate Diversity- Eurovision Song Contest");
- the active role played by Rai in the Med group of EBU, an essential platform for consolidating relationships and mutual knowledge with operators of such a strategic and central region as the Mediterranean and to promote multilateral cooperation in the area;
- participation, organisation and coordination of events (including the "HBB Symposium"; "Euyo – Un Ensemble per la cultura"; for the 60th anniversary of the Rome treaty and the 30th of the Erasmus programme, "Reconnecting Europeans"), co-productions (4), international conferences and meetings (150), international training events (4) as well as development of strategic alliances with other broadcaster (including the Agreement with France Télévisions), foreign operators and international organisations of the various geographical areas of the world, including the signing of memorandums of understanding and agreements of an institutional nature (4).

Certain projects in progress are worthy of mention:

- establishment of an analysis table on issues of interest to the Public Service (immigrations, civics education, work, justice, family, city, diversity, social integration, etc.) which may possibly act to support the permanent Study Department on Public Service issues which Rai si asked to organise based on the 2018-2022 Service Contract;
- establishment of a coordination table with the Secretariat for Communication at the Vatican and an internal coordination table dedicated to Institutional communication;
- participations at the 82 international and national Festivals, to promote the brand, with 380 products registered (for 111 nominations as well as 60 awards won).

Agreements with the Central Government

For activities related to Institutional Agreement with Ministries, in 2017 new agreements were defined and existing collaborations renewed to continue communication campaigns started in previous years.

The most significant agreements stipulated in 2017 include:

- *Ministry for Employment and Social Policies.* Formulation of a new agreement to distribute and promote a communication campaign on institutions activities and services for citizens which refer to promotions of the "long-ago trade" through the use of technology, reform of the third sector, hiring policies for migrant workers and instruments to fight poverty based on active inclusion;
- *Ministry of Education, University and Research.* Activation of a new agreement to produce an animated film dedicated to the Shoah;
- *Ministry of Agricultural, Food and Forestry Policies.* Formalisation of two agreements aimed at the promotion of Italian extra virgin olive oil and creation of a communication campaign aimed at promoting a fight against food waste;
- *Minister of Cultural Heritage and Tourism.* Finalisation of an agreement for an informative campaign to promote literature through the creation of the Rai Culture programme *Invito alla lettura 2*;

The most significant Institutional Agreements in 2017 that generated revenue include:

- *Ministry for Employment and Social Policies/ ANPAL.* Renewal of the collaboration to create a communication and orientation campaign on the job market and social policies, as well as continuation of activities related to an agreement to produce the programme *Il Posto Giusto*;
- *Ministry of the Interior.* Continuation of communication activities aimed at promoting inclusion and integration and analysing the reality of the migrant communities existing in Italy through the production of the programme *Radici*;
- *Ministry of Agricultural, Food and Forestry Policies.* Communication initiatives aimed at promoting the world of fishing and aquaculture, the agriculture and food crop sector and organic agriculture, including through the production of specific programmes such as *I Signori del Vino* and *Friigo*;
- *Ministry of Infrastructures and Transportation.* Communication campaign dedicated to the world of road haulage with dedicated spaces in the programme *Easy Driver*.

Changes in the regulatory framework

2017 was characterised by a number of laws and regulations disciplining the sector as illustrated below.

Concession of the Public Service for radio, television and multimedia and renewal of the Service Agreement

With Prime Ministerial Decree of 28 April 2017 containing "Assignment of the radio, televisions and multimedia Public Service concession and approval of the annexed draft agreement", Rai was formed as concessionaire of the radio, television and multimedia Public Service on an exclusive basis for a decade, starting from 30 April 2017. The same President of the Council of Ministers decree approved the agreement structure attached to the concession, preceded by the "CambieRAI" public consultation on the obligations of the Public Service for radio, television and multimedia which ended on 30 June 2016.

Renewal of the concession complied with article 9 of Law 198 of 26 October 2016, (so-called Publishing law) which, amending article 49 of Legislative Decree 177 of 31 July 2005 containing the Consolidated Act of audiovisual and radio media services (hereinafter TUSMAR), established a new procedure for concession of the Public Service for radio, television and multimedia.

The negotiation procedure for the new five-year Service Agreement was then started.

In its meeting of 22 December 2017, the Council of Ministers definitively resolved the draft national Service Contract between the Ministry of Economic Development (MISE) and Rai for the period 2018-2022 after the Parliamentary General Policy and Supervisory Committee for radio and TV systems voiced its prescribed opinion on 19 December 2017.

The Agreement was then approved by the Company's Board of Directors and signed by the parties (please see *infra* significant facts occurring after the year ended).

The new Service Agreement represents the first application of the ten-year Convention and establishes construction of a Public Service that can relate even more with Italian citizens. The Agreement aims to:

- extend the Public Service mission assigned to Rai from radio and television to multimedia, in parallel with its becoming a Media Company. This is a highly significant task that fits into the mission to favour digital literacy over which our country is behind the rest of Europe;
- spread the signal to 100% of the population, so that the Public Service offer reaches all Italians;

- strengthen commitments towards the disabled, with measures such as:
 - an increase from 70% to 85% of the programme share to be subtitled; progressive extension of commitments on special-interest channels;
 - introduction of the obligation to audio-describe at least three-quarters of prime time films, TV series and audiovisual products launching experimentation of other types;
- favour the growth of the Italian audiovisual system, by defining specific investments with independent producers and developing original formats;
- develop a new English language channel which, based on the model of the main European public services, creates an attractive offer for foreigners interested in knowing our country;
- guarantee absolute transparency and immediacy in the communication of activities carried out and results obtained, defining mechanisms able to show citizens where and how their licence paid is used;
- identify actions to extend the protection of linguistic minorities from historical ones (established by Law 103 of 1975), to those introduced by the Convention (Friulano and Sardinian) to those set forth in Law 482 of 1999;
- develop a new institutional channel to bring citizens closer to how the various institutions operate (not just Parliament and Government, but also European ones, the Presidency of the Republic, the Authorities, the Court of Auditors, etc.) to increase their sense of participation.

Setting of television licence fees

Article 1, paragraph 40, of Law 232 of 11 December 2016, (*State budget for financial year 2017 and multi-year Budget for the 2017-2019 three-year period*) established, for 2017, the reduction to €90 for the TV licence for private use, recently confirmed for financial year 2018 by paragraph 1147 of Law 205 of 27 December 2017, containing "*State budget for financial year 2018 and multi-year Budget for the 2018-2020 three-year period*".

Application of regulations to contain public spending

Paragraph 1096 of Law 205 of 27 December 2017, established permanent exclusion of Rai from the expenditure containment applicable to subjects included in the ISTAT list (related to which, article 6, paragraph 4 of Decree Law 244 of 30 December 2016 had already deferred any effects for Rai to 1 January 2018), establishing that "*in order to ensure full,*

effective execution of the activities functional to achieving institutional and corporate targets attributed to the concessionaire of the radio, TV and multimedia Public Service, and guarantee competitive balances in the broadcasting market, expenditure containment regulations shall not apply to Rai - Radiotelevisione italiana SpA for what concerns the management, organization, accounting, finance, investments and disinvestments foreseen by legislation in force for subjects on the ISTAT list (...)".

Public contracts

Legislative Decree 56 of 19 April 2017 including "Additional, corrective provisions to Legislative Decree 50 of 18 April 2016", at a year after the Public Contracts Code came into force (Legislative Decree 50 of 18 April 2016), made numerous amendments to it, including: two-year programming for the purchases of goods and services and three-year programming for works; planning works and feasibility studies; identification, appointment and incompatibility of the Project Manager; below threshold contracts; direct assignments; qualification of the contracting entities; procedures to choose the contracting party; awarding committee; tender documentation and guarantees for taking part in the procedure; conformity tests and audits; concession contracts; company rating and qualification of the executors of public works; award criteria; methods to calculate anomalous offers; subcontract; penalties for late compliance and amounts withheld on invoices.

During 2016 and 2017 ANAC issued some implementation guidelines for provisions in the new Public Contracts Code, including those related to: procedures for assigning public contracts for amounts under the threshold of community relevance; market surveys, training and management of the economic operator lists; appointment, role and tasks of the project manager for assigning supply contracts and concessions; the most economically advantageous offer; procedures negotiated without prior publication of a call for bids in a case of supplies and services considered non-perishable.

The Authority also adopted other measures not set forth in the Code but related to regulating public contracts, including: contractual clauses for the assignment of insurance services; guidelines for assigning engineering and architectural services; it updated guidelines on the traceability of financial flows; it issued the type 1 tender related to assigning service agreements and supplies over the community threshold assigned based on the most economically advantageous offer criterion.

Following the corrective measure coming into force (Leg. Decree 56/2017), ANAC updated the guidelines on institutions and articles amended by it and not all guidelines have as yet been updated (e.g. under threshold assignment procedures; company rating).

To implement the Code in full, some Ministerial Decrees (D.M.) and President of the Council of Ministers Decrees (D.P.C.M.) need to be adopted, including, *inter alia* and for what is of interest related to public contracts, those related to: planning; registration in the lists of certified contracting entities; digitalisation of procedures; certification of economic operators; methods applied to conduct conformity audits and execution of contracts.

New cinema and audiovisual regulations and the Code of Performing Arts

Cinema and audiovisual

Law 220 of 14 November 2016, containing "Cinema and audiovisual regulations" delegated the Government to reform and rationalise several aspects of sector regulations; including attribution of Italian nationality to cinema and audiovisual works, subject of the subsequent Decree of the President of the Council of Ministers of 11 July 2017 containing "Provisions for acknowledgement of audiovisual works" and introduced several financing and fiscal measures to support the cinema and audiovisual sector. The Law in question was then applied through several decrees, including, of particular importance, Legislative Decree 204 of 7 December 2017 containing "Reform of legislative provisions on promotion of European and Italian works by the suppliers of audiovisual media services, regulated by article 34 of Law 220 of 14 November 2016", which laid down precise obligations on both the programming and investment in European works for Rai and the other suppliers of audiovisual media services. In particular, for what concerns programming obligations, it foresees:

- I) a mechanism progressively increasing programming shares (calculated on an annual basis) as of 2019;
- II) as of 1 January 2019, the reserve of a sub quota (also calculated on an annual basis) for original Italian audiovisual works, wherever they are produced;
- III) a diffusion time share (calculated on a weekly basis) of the 18 to 23 time bracket, reserved for cinema and audiovisual works of fiction, cartoons, original documentaries or other works with a high cultural or scientific content, including the TV editions of theatrical works, original Italian, wherever produced.

For what concerns investment obligations, it specifies:

- I) a share allocated, in full for 2018, to the pre-purchase, purchase or production of European works produced by independent producers, raised progressively from 2019. Foreseeing, as of 2019, a reserve in that quota for works produced by independent producers;
- II) an investment with parameters established on net total revenue, reserved for original Italian cinema works, wherever produced by independent producers, raised progressively from 2019;
- III) a sub quota, fixed over time, reserved for animation projects specifically produced by independent producers for children's education.

Whistleblowing

Law 179 of 30 November 2017 containing "Provisions for the protection of those notifying offences or irregularities they have gained knowledge of through a public or private work relationship" has introduced important measures on protection for employees notifying offences or irregularities they have gained knowledge of through their work, in both the public and private sectors. In particular, it establishes that the organisation and management Model pursuant to Legislative Decree 231 of 8 June 2001, containing "Regulations on the administrative responsibility of legal entities, companies and associations that are not legal entities" should foresee one or more channels which, protecting the integrity of the entity, enable those who for any reason represent or manage the entity (and those who are subjected to the management or supervision of the latter) to present detailed notification of illegal conduct basically constituting predicate offences or violations of the Model, founded on precise, concordant facts they have gained knowledge of through their functions.

Copyright and management of connected rights

Collective management of copyright and connected rights

Legislative Decree 35 of 15 March 2017, containing "Implementation of directive 2014/26/EU on the collective management of copyright and connected rights and on the concession of multi-territorial licences for rights to musical works for on-line use in the internal market", also established requirements for guaranteeing correct functioning when collective and independent management bodies manage copyright and connected rights, and requirements for the aforementioned multi-territorial licences being granted by collective copyright management bodies. The most interesting provisions for the Company are articles 22 (Concession of licences) and 23 (User obligations) which regulate collecting relations with users of repertoires; with specific reference to mutual communication/information obligations (article 27).

Liberalisation of the management of copyrights

Law 172 of 4 December 2017, conversion into law with amendments of Decree Law 148 of 16 October 2017, containing "Urgent provisions for financial purposes and non-deferrable needs Amendment to the regulation of the extinction of an offence for restorative conduct", in article 19 extended the possibility to operate directly in Italy as intermediaries to manage copyrights for all collective bodies set up in Italy, flanking the Siae.

Fee for the use of recordings

Paragraph 56 of article 1 of Law 124 of 4 August 2017 containing "Annual law for the market and competition" amended article 73 of Law 633 of 22 April 1941 containing "Protection of copyrights and other rights connected to its operations", stating that the fee for use of recordings for profit also through cinema and broadcasting (including communication to the public by satellite) be paid, for each recording used, separately to the producer of the recording and performers, and cannot be waived or transferred by those performers.

Communication of non-financial information and information on diversity

Legislative Decree 254 of 30 December 2016 containing "Implementation of Directive 2014/95/EU of the European Parliament and Council of 22 October 2014, containing

amendment to Directive 2013/34/EU related to the communication of information of a non-financial nature on diversity by some large companies and groups", was issued to implement Law 114 of 9 July 2015 (European Delegation Law 2014). Its provisions apply to the declarations and reports on financial years starting from 1 January 2017 and establish, for public entities and large groups, with certain requirements linked to the number of employees and size, the obligation to draw up and publish, for each financial year, a non-financial declaration with specific contents (on environmental, social, related to personnel, respect for human rights, the fight against active and passive corruption with reference to which, if the entity should not practice policies, provides clear, structured reasons) and, when they are parent companies of a large group, a consolidated non-financial declaration (article 4). That declaration may be included in the directors' report, individual or consolidated, or be a separate report, similarly individual or consolidated. In both cases it must be published in the register of companies and on the website of the EIP or the parent company. Rai has opted for the consolidated separate declaration.

Anti money laundering

Legislative Decree 90 of 25 May 2017 containing "*Implementation of the Directive (EU) 2015/849 related to preventing use of the financial system to launder the proceeds of criminal activities and finance terrorism and containing amendments to directives 2005/60/EC and 2006/70/EC and implementation of the regulation (EU) 2015/847 concerning information accompanying the transfer of funds and which abrogates regulation (EC) 1781/2006*" rewrote Legislative Decree 231 of 2007 (implementing the previous anti money laundering directive), introducing several novelties also concerning the addressees of obligations, registration, communications to competent Authorities, the notions of effective owner and politically exposed person, suitable auditing of customers, controls, obligations to store and sanctions.

More specifically, the measure established that provisions in the amended article 10 (on communication to the Financial Information Unit of data and information concerning suspicious transactions and adoption of suitable internal procedures, on the one hand, to assess the levels of exposure of the offices to the risk, on the other containing the measures needed to mitigate it) shall also apply – as part of the procedures chosen by the contracting party for assigning works, supplies and services based on provisions in the public contracts code – to companies in

which public administrations or their subsidiaries are investees, pursuant to article 2359 of the Civil Code, related to their activities of public interest disciplined by national or European Union law, as well as subjects appointed to collect taxes as part of national or local tax needs, whatever their legal status.

Split payment

Law 96 of 21 June 2017 containing "Conversion into law, with amendments, of Decree Law 50 of 24 April 2017, containing urgent provisions on financial matters, initiatives for territorial bodies, further actions for areas affected by earthquakes and development measures" introduced a number of measures, mainly fiscal, labour and public accountancy, including the provisions in article (*Provisions to contrast tax evasion - split payment*) extending application of so-called split payment (mechanism of paying VAT owed for transactions with public subjects, by which the Revenue Office is able to acquire from the latter directly the tax charged by their suppliers) to VAT owed for all transactions (supply of services and sale of goods for which a bill is issued as of 1 July 2017) with companies controlled by Ministries and the relative direct or indirect subsidiaries, and listed companies. At a request from the transferor/supplier the transferee/customer must issue a document declaring that they are referred to parties subjected to split payment regulations: transferors and suppliers holding that declaration must apply that VAT payment mode; application is also extended to fees for services subjected to withheld taxes on income (e.g. fees paid to professionals). The subsequent decree of the Ministry of Economy and Finance of 27 June 2017 containing "*Methods to implement paragraphs 1 and 2 of article 1, of Decree Law 50 of 24 April 2017, converted, with amendments, by Law 96 of 21 June 2017, on splitting payments for VAT purposes*", established implementation of the provisions introduced. Rai took the actions needed to ensure Company and Group compliance with the law described; operational, as specified, referred to invoices made out to it as of 1 July 2017.

Corporate Governance

Preventing corruption

In its meeting of 25 January 2017, the Company's Board of Directors approved the 2017-2019 Three-Year Corruption Prevention Plan. In particular, it updated the protocols of the General Areas set forth in the PNA and, specifically, of the area "Assigning works, services and supplies" and "Personnel acquisition and promotion".

Limit to compensation

In April 2017, with a note from the Ministry for Economic Development and attached opinion of the Attorney General's Office, the Company received clarifications on interpreting article 9 of Law 198 of 26 October 2016, (so-called Publishing Law). It established application for directors, employees, collaborators and consultants of the party attributed the Public Service for radio, television and multimedia, when the professional service is not established by regulated tariffs, of a compensation limit of €240,000, fixed by art. 13 of Decree Law 66/2014 (converted with Law 89/2014); specifying that, in order to respect that limit, exclusions set forth in art. 23-bis of Decree Law 201/2011 (Law 214/2011) related to companies issuing financial instruments listed on regulated markets and to their subsidiaries shall not be applied. The Ministry confirmed the full legitimacy of application of the limit being excluded from contracts for services of an artistic nature, establishing that the management bodies of the Company should identify "in a comprehensive plan, criteria and parameters for clear, correct identification of contracts for services of an artistic nature, mechanisms for calculating their compensation and their value related to editorial plan targets", in order to establish self-regulation on the subject. The policy was adopted in the Board of Directors' meeting of 14 June 2017.

Adaptation of the Organisation, Management and Control Model

Because of the regulatory novelties and changes to the Company's organisation and corporate structure, in its meeting of 27 July 2017 the Board of Directors approved the update to the Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001.

Market abuse

As an issuer of financial instruments listed on the Irish regulated market, Rai is obliged to comply with the Market Rules adopted by the Irish Stock Exchange ("Irish Stock Exchange Rules" or "Listing Rules") and Community, Italian and Irish regulations on transparency and market abuse. The latter updated by Rules executing Regulation 596/2014 that came into force on 3 July 2016. In 2017, Rai updated rules on managing the Register of persons with access to privileged information and the relative Regulation.

Protection of personal data

In December 2017 the Company appointed the Data Protection Officer (DPO) in compliance with EU Regulation 2016/679 (so-called GDPR, General Data Protection Regulation) on the protection and free circulation of personal data, which abrogates Directive 95/46/EC and which will be directly applicable in all EU member States from 25 May 2018.

Recruiting personnel

In 2017 Rai updated its personnel selection and recruitment criteria and how positions were assigned.

Public contracts

Following the fact that regulatory measures implementing the Public Contracts Code are progressively coming into force, Rai is adjusting its internal procedures for assigning public contracts in the so-called ordinary sector for assignments not excluded by application of the Code. Updating for sectors excluded from Code application was completed with approval of the Board of Directors' resolution of 27 July 2017, in compliance with the new contract assignment criteria and procedures pursuant to article 49-ter TUSMAR, added by Law 220 of 28 December 2015, (hereinafter Rai Reform Law). The new rules for contracts excluded, adopted after the updating process, came into force as of 1 December 2017. Rai – where there are no specific assumptions legitimising direct negotiations with a single operator (e.g. operator holding exclusive rights to artistic elements, such as formats and/or screenplays, indispensable for creating programmes) – continues to assign contracts excluded from the Rai Reform Law following a tender procedure involving at least three economic operators, if on the market; normally selected, in compliance with the rotation principle, from amongst those registered in the List of Rai Suppliers, created by the Company.

That List is the priority instrument used to identify the subjects who will take part in tenders possibly called by Rai both as part of the broadcasting service excluded from application of the new Public Contracts Code and as part of the call for bids procedure established by the new Public Contracts Code for the ordinary sector (i.e. contracts below the community threshold). Provisions related to the new Rai Supplier List came into effect on 1 February 2018.

Corporate Governance Report - the Control Model Governance of Rai and the Internal Control and Risk Management System

The Internal Control and Risk Management System

The Internal Control and Risk management System (SCIGR) is "all the instruments, organisational structures, company rules and regulations that enable the company to be managed in a healthy, correct way consistent with company goals established by the Board of Directors, through a suitable process to identify, measure, manage and monitor the main risks, and by structuring suitable information flows to guarantee circulation of information".

The Rai Internal Control and Risk Management System, approved by the Board of Directors on 18 December 2014, is integrated in the more general organisation and corporate governance structures and is divided into three roles.

An efficient Internal Control and Risk Management system favours informed decisions and helps protect corporate assets, the efficiency and effectiveness of company processes, the reliability of financial information, compliance with laws and regulations and the Articles of Association and internal regulations.

The System's goal is to mitigate risk by managing it and not the elimination of the risk inherent in each management and control process.

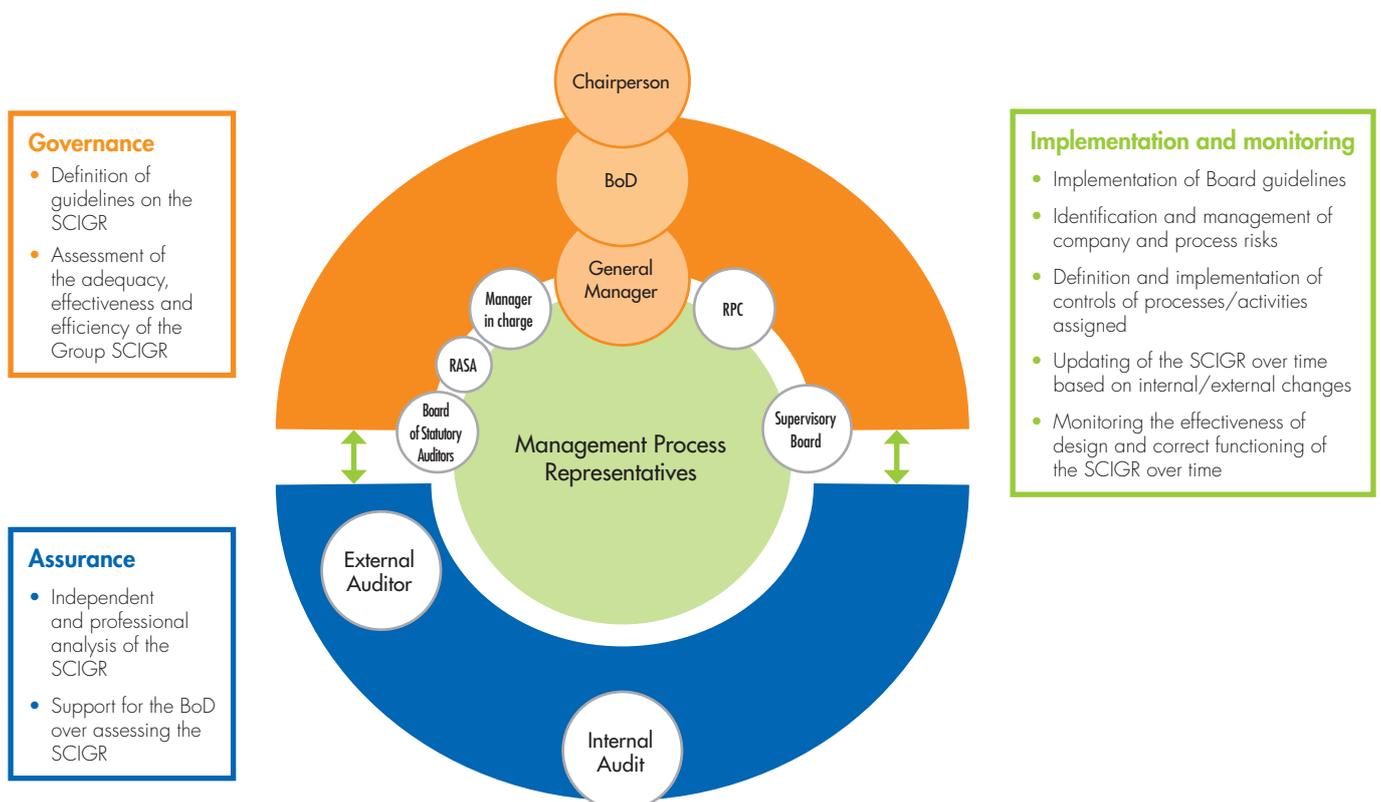
Rai uses the *Committee of Sponsoring Organizations Report* as a reference framework, acknowledged both in Italy and internationally, to implement, analyse and assess the Internal Control System.

Internal controls, of the Internal Control and Risk Management System of Rai, are structured on three levels: Management (I Level), Management with monitoring functions (II level), Internal audit (III level).

Also considering the noticeable organisational change started in 2017, with Rai becoming an integrated Media Company, during 2018 the company is planning to update the anti-corruption risks areas.

The regulatory and provision framework of the Internal Control and Risk Management System is mainly represented by:

- Company Articles of Association;
- Service Contract;
- Code of Ethics;
- Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001;
- Three-year Corruption Prevention Plan;
- Regulatory, organisation and powers system of Rai SpA;
- Model for the management and processing of notification of potentially illegal, irregular or reprehensible facts;



- Internal disciplinary system;
- Guidelines on Internal auditing activities, integrating the Guidelines on the Internal control and Risk Management System;
- Regulation for the management and coordination activities performed by Rai on its subsidiaries.

As an important information element related to the year of reference for these Financial statements, please note that the main Internal Control System actions that received a strong stimulus were:

- harmonisation between the Code of Ethics, Organisation, Management and Control Model pursuant to Legislative Decree 231/2001 and the Three-year Corruption Prevention Plan and the Plan for Transparency and Company Communication;
- implementation of provisions in Law 220/2015 "*Reform of the Rai and of the Public Broadcasting Service*" and of the new supply contracts code Legislative Decree 50/2016 by adopting new "*Criteria and methods when recruiting personnel and assigning collaboration positions*" and new "*Internal instructions for procedures assigning works, services and supplies related to contracts excluded from application of the Public Contracts Code*";
- training and sensitisation of *management* and *employees*, to reinforce the control structure and support ongoing improvement of management processes with stimulus for information and training activities concerning Legislative Decree 231/2001 and Law 190/2012 which involved preparation of specific company "intranet" sections, the provision in 2016 and 2017 of E-Learning courses on anti-corruption (and correlated 2017 update) and the Organisation, Management and Control Model, for all personnel, each lasting about 4 hours.

The code of ethics

The Code of Ethics regulates all the rights, duties and responsibilities that Rai has with the stakeholders it interacts with when performing its activities and is aimed at the corporate Bodies, the General Manager, managers, employees, collaborators and all those holding commercial and/or financial relations of any kind with Rai or who act on its behalf based on specific mandates.

The Code of Ethics was drawn up for the entire Group so is binding for all companies controlled directly or indirectly by Rai.

The Code is valid both in Italy and abroad, with any adjustments needed for the different situations of countries Rai operates in, also through its subsidiaries.

The Code of Ethics was reviewed and updated in 2017 to highlight what was set forth in the Three-year Corruption Prevention Plan; also establishing specific information flows between the Stable Committee for the Code of Ethics and the Corruption Prevention Manager.

Monitoring effective compliance with the Code of Ethics and the will to contrast conduct that goes against its principles, formulating amendment proposals based on periodic updating of the Code and assessment of notifications received, are assigned to the Stable Committee for the Code of Ethics, which assures continual flows of information to the Rai Supervisory Body pursuant to Legislative Decree 231/2001 and to the Corruption Prevention Manager and periodic reporting on actions taken following notifications received and their results.

The Code also establishes that the Supervisory Body provide observations on ethical problems and on presumed breaches of the Code of Ethics that could occur as part of its area of responsibility; occur as part of its area of responsibility notify the Stable Committee for the Code of Ethics of any breaches to the Code itself; monitor effective application of any measures imposed following breaches to the Code of Ethics.

The Organisation, Management and Control Model

Rai adopted an Organisation, Management and Control Model pursuant to Legislative Decree 231 of 8 June 2001 on the administrative accountability of entities.

The Organisation, Management and Control Model was introduced in 2005 by the Board of Directors. During 2013, and then in 2015 and 2017, the Model was updated based on the progressive regulatory expansion to cover new types of offence and the organisational changes in the Company.

The Rai Organisation, Management and Control Model contains the description of methods and responsibilities for approving, implementing and updating the Model and foresees standards and control measures referred to offences included in Legislative Decree 231/2001 until July 2017.

Related to updating, the Model in force as of 2013 established the creation of a "Team 231", including the main staff managements, assigned the task of formulating Model updating and/or adjustment proposals presented by the General Manager to the Board of Directors, having informed the Supervisory Body. Model updating can be launched by the Supervisory Body which is also assigned its updating based on what is set forth in legislative Decree 231/2001, the heads of management/structure and Team 231 itself.

Control standards are prepared based on principles and indications in the Guidelines of Confindustria, and on the best international practices.

Every six months, the Supervisory Body, collectively, sends the Board of Directors, the Board of Statutory Auditors and the General Manager a Report on activities carried out and on the other information established by the Model, expressing its recommendations for the best suitability and effective implementation of the offence prevention system indicated in the regulation referred to. The body currently has three members, of which one a company employee, and falls from office when the Board of Directors that appointed it expires; though still performing its functions temporarily until the new Board of Directors appoints a new Body.

The Model adopted by Rai establishes that the Supervisory Body of the Parent Company include the Head of Internal Audit *pro tempore* due to the function performed. The Body, to implement its annual supervisory action plan, mainly avails itself of the Internal Audit Department in order to use its consolidated operating methods and resources with suitable technical skills.

The Supervisory Body performs specific actions and monitors Model adequacy in compliance with Legislative Decree 231/2001 and to ascertain the level of effective prevention system implementation and efficiency and performs analysis and investigation to check compliance with provisions in the aforementioned decree.

The most recent update to Model 231 and the Code of Ethics was approved by the Board of Directors of the Parent Company in its meeting of 27 July 2017, considering amendments to regulations that came into force with Law 220/2015, changes to the Company's organisation structure, recommendations made by the Supervisory Body in the periodical Reports transmitted to top management and in order to simplify the Model and harmonise it with regulatory company tools (in particular the Three-year Corruption Prevention Plan). Special attention is reserved for the results of audits conducted by the Internal Audit Department and monitoring of the resulting corrective actions identified to improve Company efficiency and strengthen controls established to prevent crimes. There are also recurrent relations with the Board of Statutory Auditors of the Parent Company.

Anti-corruption and transparency

With reference to preventing corruption, Rai SpA has implemented provisions in Law 190 of 6 November 2012 containing "Provisions for the prevention and suppression of corruption and illegality in public administration".

With its resolution of 18 December 2014, the Rai Board of Directors appointed a Manager responsible for the Prevention of corruption and for transparency and, in the same meeting, approved the procedure for the model for the management and processing of notification of potentially illegal, irregular or reprehensible facts, then updated with Board resolution of 16 July 2015.

The corruption Prevention Manager was assigned to fulfil what was established by Law 190 of 6 November 2012, by the National Anti-corruption Plan, and by ANAC and the Ministry of Economy and Finance, as the controlling body.

With a subsequent resolution of 29 January 2015, the Board of Directors adopted the Three-year Corruption Prevention Plan (PTPC) of Rai SpA (2015-2017), then presented to the National Anti-corruption Authority. It was the first time the law in question had been implemented by Rai SpA and, furthermore, indicates principles and implementation criteria for Rai subsidiaries related to management and coordination.

During 2016 and 2017, the PTPC was updated, re-projecting structure, method and logic. The main changes introduced were the result of three separate activities: implementing the National Anti-corruption Plan, the guidelines and recommendations of ANAC, Risk Assessment and analysis of the results of audit reports and investigations into notifications received. More specifically, we finalised protocols for the Personnel Acquisition and Progression Area and rationalised protocols for the Purchasing Department.

With the Three-year Corruption Prevention Plan, the Public broadcasting Service concessionaire does not only have to implement Law 190/2012. It also has to identify and define guidelines and programmatic, preparatory activities for the adoption, development and implementation of the document itself.

The goal is to implement an internal control and prevention system integrated with other systems adopted by the Company, taking the opportunity, indicated in the aforementioned Law, to introduce new measures and/or strengthen existing ones through a coordinated action, to contrast corruption and illegality more effectively.

With that in mind, the RPC operates to check the compliance and adequacy of the PTPC through the following four lines of action, involving other company structures: i) document analysis of notifications, where contents are examined with anti-corruption in mind to structure any further prevention controls and make adjustments to the PTPC; and Audit reports, whose contents and audit results are examined to assess the potential impact on risk Areas and sensitive activities, and on correlated transversal control principles and protocols, ii) field activities by promoting Control Self Risk Assessment and activating specific audits, iii) analysis and monitoring of periodical information flows with the different company interlocutors, iv) monitoring by analysing declarations in the Annual Information Forms of the Anti-corruption Representatives.

The latter for their respective areas of responsibility, coordinating with the RPC to provide elements and findings on implementation of the PTPC in the structures and reference processes, and on adjustment actions deemed necessary for effective prevention. During 2017, the notion of Anti-corruption Representative was identified better so those roles are now held by the heads of Top Management organisational structures (those reporting directly to the Chairperson, General Manager, Chief Officers and all Management heads), the Heads of Regional Offices and of the Regional Editorial Offices of Regional News, the Heads for foreign

Correspondence Offices and the Heads of the TV Production Centres of Rome, Milan, Naples and Turin.

To valorise those roles better and update them continuously, we have finalised a periodical newsletter system and a specific dedicated area on the company intranet containing important data, documents and information on anti-corruption and transparency, with a section reserved for managers and one accessible to all employees.

Moreover, during the year, several training sessions were held to cover the entire company population (also through e-learning) targeted at analysing corruption prevention and enabling personnel to understand the contents and updates of the aforementioned Three-year Plans.

The RPC provides the results of the aforementioned activities in six-monthly and annual reports to Top Management and to the Administration and Control Bodies.

The Three-year Corruption Prevention Plan is updated every year, considering progressive implementation of activities planned, highlighting actions to be taken and the goals and priorities set by Top Management, indications from ANAC and MEF and other Authorities, any regulatory and organisational changes to the company structures and any indications from the Head of Corruption Prevention.

It is through these adjustment and fine-tuning activities that the document can comply with the dual target of preventing conduct that is potentially exposed to corruption offences and strengthen the principles of legality, correctness and transparency when managing activities in Rai, promote correct company structure operations and protect the reputation and credibility of the Public Service broadcasting concessionaire.

In its meeting of 30 January 2018, the Board of Directors approved the Three-Year Corruption Prevention Plan for the 2018-2020 three-year period.

For what concerns transparency, considered by the PNA as one of the main anti-corruption levers and measures available to the Company, on 28 December 2015 Law 220/2015 on Reform of the Rai and the Public Broadcasting Services was approved. It brought in significant company transparency novelties. Consequently, on 28 May 2016 Rai prepared and adopted the new Plan for Transparency and Company Communication establishing the criteria and methods for defining, publishing and updating the data, documents and information set forth in regulations in force. That data was

published on the company website in the section called "*Rai for Transparency*" as of 25 July 2016.

The aforementioned Plan replaces the previous "Three-year Programme for the Transparency and Integrity of Rai SpA" and the Head of Transparency no longer exists (that responsibility had been assigned to the Head of Corruption Prevention). The relative responsibility is now attributed to the General Manager.

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Other information

Human Resources and Organisation

In 2017 actions to rationalise resources continued; privileging internal mobility, even by use of job posting and the reconversion of professional profiles. The Company continued to use personnel development tools, based on structured, integrated logics, to guarantee full knowledge of single resources in terms of appraisal, mapping skills, analysing potential, training needs.

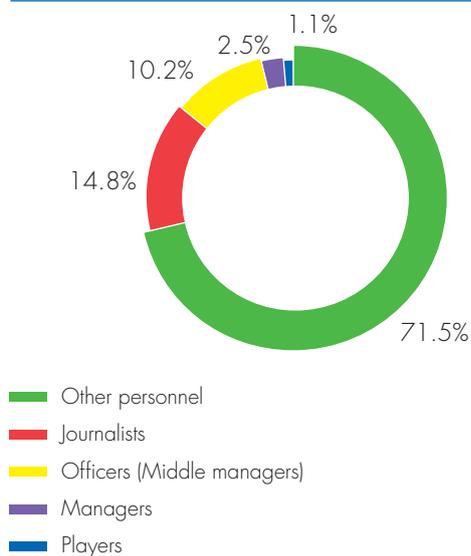
Management of that information, even through consistent evolution of reference tools, will enable implementation of an integrated resource growth and management system.

Analysing numerical details, the Rai workforce, including top management with fixed term contracts, went from 11,303 units at the start of the year to 11,055 at end 2017. The graphs show the division by macro categories and gender.

Movements recorded 349 terminations of which 29 for having reached pension requirements, 112 with incentives, 7 for intra-group mobility, 184 for consensual termination and resignation – and 101 hired.

Those hired can be detailed by the following motives: 44 to stabilise fixed term personnel; 25 for intra-group mobility; 19 reintegrated following litigation; 13 (of which 7 apprentices and 2 to restore roles missing in the National Symphonic Orchestra of Turin) for arrivals to restore the workforce due to turnover, to strengthen some structures or for new needs.

Workforce by macro categories



Referred to **Artistic Resources**, activities continued to maintain fees for external collaborators, especially for those already reduced in past years.

Law 198/2016 "Limit to fees for directors, employees, consultants and collaborators" coming into force in November 2016 involved, in the first few months of 2017, a considerable effort in terms of processing frameworks simulating the various impact scenarios from application of that law in relations between Rai and external collaborators paid fees exceeding €240,000, referred both to existing contracts and renewals planned. Following approval, on 14/6/2017, of the Board Resolution on the "Comprehensive plan of criteria and parameters for the identification and compensation of contracts with services of an artistic nature", the provisions therein were applied to all contracts being renewed.

For the Casting sector, in 2017 contestants, actors, columnists were selected for 9 TV productions, as well as actors to be used for TV advertising on behalf of Rai Pubblicità. The sector has a database that increased in 2017 with the auditions of 9,906 potentially usable resources.

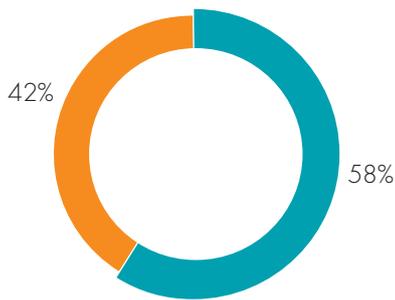
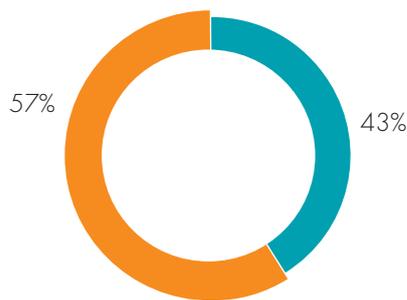
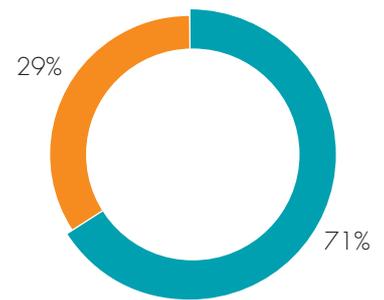
For what concerns **Internal Communication** activities, in order to expand and make RaiPlace – the communication tool between Company and employees – more effective, development continued on the project to create a new intranet portal to be released in the first semester 2018, richer in content and better integrated with the company's information systems.

Considering the logics guiding changes to the **organisational structure** during 2017, please note, above all, targeted actions to establish organisational controls directing, coordinating and controlling complex phenomena such as corporate governance, the "learning organisation", and planning the training offer.

In that context, significant organisational changes were made to the macro structure, to pursue efficiency and effectiveness goals by positioning some Departments elsewhere as an alternative to previous solutions, and to review the organisation perimeters of some areas to give them a dimension that was better related to business needs.

The main organisational actions implemented in 2017 based on the above points include:

- setting up the Governance and Corporate Secretariat Department reporting directly to the General Manager, to create synergy over support for Top Management and for Rai and Group governance;
- setting up the Rai Academy Department reporting directly to the Head of Human Resources and Organisation and provide

Division of workforce
between men and womenDivision of recruitment
between men and womenDivision of terminations
between men and women

Men Women

specific control for the “Academy” project which considerably expands the traditional Rai training mission, and subsequent assignment of selection and training to that area;

- including the Security & Safety and Real Estate Assets and Services Departments in the CTO area, for important synergy with the technological, engineering and IT components present in those areas;
- positioning the TV Production Department – formerly under CTO – to report directly to the GM while setting up the Chief Operations Officer - TV Production area, considering the main dimension of the area’s operations and unquestionable critical mass represented;
- establishing that the Regional and Foreign Office Coordination Department report directly to the General Manager, considering limited synergy that emerged from its previous position in the CFO area.

Please note, at a different level, specific actions to optimise the organisational structure to both rationalise Departments and to complete structures, missions, responsibilities and job descriptions. In particular, it is worth mentioning:

- re-organisation of the Public Utility Services Structure (then renamed Public Utility) under the Chief Digital Officer which established the second level responsibility and the area of competence (including assigning editorial responsibilities and operational management of the website “RAI CCISS”, of the TV studio of the CCISS and the Onda Verde stations, as well as functional coordination of information contents for the weather and mobility, management of audio description processes and programme subtitling etc.);
- revision of the organisational structure and responsibilities of the Real Estate Assets Department which, besides creation of a second level structure enabling greater organisational clarity and more specific identification of responsibility over operating and process aspects, established two

Staff structures called respectively “Safety, Health, Environment”, to apply obligations set by regulations in the Department, and “Management Support” to support the Director to assure compliance of Department processes with internal regulations and the law;

- revision of the organisational structure of the Legal and Corporate Affairs Department by setting up the line structure “Legal Advice in the Community, International and Digital Area” to create a system to provide assistance and specialised legal advice for IT law and connected and regulatory profiles for the digital, internet disputes, cybercrime, internet copyright, etc. areas; revision of the organisational structure and responsibilities of TV Production, through which, above all, the Department mission was updated, highlighting the role of company partner able to grasp advanced opportunities linked to technological potential and production process;
- the second level structure of those reporting to the Director was also established, thus enabling specialised Department controls, hence, greater organisational clarity;
- revision of the organisational structure and responsibilities of the Rai 1 Department, to strengthen editorial and managerial product governance and help structures focus better. That revision was recently completed by the Infotainment Structure;
- revision of the organisational structure of the Rai Ragazzi Department and responsibilities of the Department’s new editorial structures, based on transversal control of the “kids” type.

And lastly, revision and improvement continued on Company operating processes (e.g. management procedures for collaborators supporting the new computer systems managing them, processes managing Product Placement and Branded Content, updating of the Fiction product management processes), and issuing specific procedures (e.g. “criteria and methods for recruiting personnel and for appointing

collaborators"). Operational indications and instructions have also been prepared to support execution of important activities.

As regards **Industrial Relations**, for personnel regulated by the CCL (National Contract) for middle managers, office staff and workers, in the first few months of the year provisions in the new Industrial Relations were implemented - applying the Consolidation Act on Representation of 10 January 2014.

Negotiations to renew the Collective Labour Contract were also developed, for both the specific technical commissions set up on professional profiles, on regulatory and labour market issues, and as part of the contractual coordination Table with the National Secretariats of OO.SS. (Trade Unions) and the Contractual Delegation.

For the journalist sector, referred to the TGR (regional news), meetings continued between the Company and the Trade Union on the project to establish regional information on the Web and on social network platforms.

More specifically, experimentation launched primarily in the Tuscan editorial office was properly defined with Usigrai and specific agreements were formalised with union representatives to continue the regional experimentation, in the first semester, in the Trieste (Italian and Slovenian) and Venice editorial offices and, in the second part of the year, in those in Palermo and Bari.

On this subject, discussions continued with the Trade Union to identify further editorial offices to start the experimentation in.

For what concerns renewing contracts, discussion started on specific subjects with a number of meetings focussed on production models and welfare.

In the **Litigation and Regulatory** sector, besides customary consultancy activities with requesting structures and single employees in order to take action to prevent and/or reduce the number of labour disputes, 39 settlement reports were signed with the unions, to close 22 cases pending and prevent 17 potential disputes. Furthermore, support was given to settle 43 positions in court, assessing the settlement conditions of each applicant. 116 precautionary transactions were formalised with the same number of workers encouraged to leave (whilst defining 6 pending cases and three out-of-court claims), and then executing 33 final sentences, to avoid appeals as to quantum.

With rationalisation and simplification in mind, we started an activity to sum up provisions in force by subject and to make it easier for workers to access single regulations, by publishing the so-called "consolidated acts" on the following subjects: *"Worker absences due to illness"*,

"protection of maternity and paternity for male and female employees", *"Pre-payment of severance indemnity"*.

Related to legislation novelties, instructions were, in particular, provided on *"Protection of maternity and paternity"* for the failed extension for 2017 of the optional leave for the working father and the extension of the obligatory leave for employee fathers, and vouchers to purchase baby-sitting services and contributions for day care.

Moreover, indications were provided on how to interpret civil unions and living together without being married referred to the effects on the granting of leave pursuant to law 104/92 and extraordinary leave pursuant to art. 42, paragraph 5, Legislative Decree 151/2001.

Moreover, the new regulations on both *"Reduction of the prognostic period indicated in the medical certificate for illness"* and the *"Digitalisation of the medical certificate of pregnancy"*.

Last of all, operating indications were provided following application of the new system referred to the *"Worker absences for illness - passage of performing arts workers to the INPS system"* (Inps. circular 124 of 3/8/2017).

The **Regulations** sector examined and established, following notification by the structures involved, and by the Stable Committee for the Code of Ethics, almost 200 potentially significant cases from a disciplinary point of view. Based on inquiries carried out, it was decided to proceed from a disciplinary point of view in about 70 cases, inflicting about 60 disciplinary sanctions, including 1 dismissal; whereas about 30 proceedings were still ongoing at 31 December 2017. Moreover, 44 disciplinary proceedings pending at 31 December 2016 were settled, of which one ending with dismissal.

Then all activities connected to the inquiry and company representation were performed for the conciliation and arbitration procedures established by art. 7, paragraph 6, Law 300/70, as well as those foreseen by the Rai/Usigrai agreement of 21 May 2007. This was implemented – following choice of three new arbiters – with them being contracted. Finally, normal advisory support was provided to other company structures and associated companies; along with the usual assistance if the disciplinary measures imposed should be contested in court.

The **Selection** area activities mainly concerned the start and implementation of some projects to valorise human capital present in Rai, activation of selection processes for external resources for several professional profiles, appraisal of some internal resources, employer branding

activities and the addition of some students on an internship.

Related to external selections some actions were taken, activated through a public notice, to search for several professional figures.

Related to obligations resulting from Law 68/99 "*Regulations for the disabled right to work*", we assessed 74 resources belonging to protected categories as office employees, assistants to programmes, documentaries, ICT technicians and editors.

Then in view of specific management needs, in the ranking drawn up for the Professional Journalists 2015, further resources were identified to be contracted on fixed term employment contracts.

Activities continued to develop and valorise TD or TI colleagues involved in task changes (65 resources).

For the office and technical area, 17 resources were assessed for their potential. They hold degrees in Law, Economics, Political Science and Engineering.

In a strategic employer branding plan, during the year the Selection area collaborated with the Communication, External, Institutional and International Relations Department to set up the **Rai Open Doors** initiative.

More specifically, to bring the company together with the Italian educational system, please note that the Company welcomed 210 internships coming from the main Universities and Schools of Journalism acknowledged by the National Order of Journalists and 14 School Work Rotation projects were launched with some schools from all over Italy; involving about 300 students. The Selection area took part in some initiatives (job meeting, career day) to meet students, graduates or those about to achieve a Master's, for an internship in the Company.

For what concerns **Training**, 2017 focussed on the development and consolidation of corporate culture for what concerns regulatory compliance, including training on Health and Safety in the workplace, and on the development of the competences and know-how of Rai human resources. Operations with the greatest impact from an involvement point of view include the launch of a mass campaign dedicated to training Safety Representatives, with about 1200 colleagues taking part in the classroom. Alongside courses held for Representatives, training was also organised for Safety Managers, involving 600 people. For this, in continuity with

a prior initiative only involving regional offices, a specific e-learning course was launched. Shared with the Security & Safety Department, we also organised a first course for Environmental Representatives and those Delegated to manage the SISTRI system. These initiatives were flanked by the customary obligatory training ones; for example, General Training on Safety, training of the First Aid operator teams, courses for Prevention and Protection Service and RLS operators.

Basic classroom courses continued, for new employees, on the anti-Corruption law and the Rai Anti-corruption Plan.

Updating training was also arranged for the Anti-corruption Plan and for the Management and Control Model pursuant to Legislative Decree 231. Several meetings were arranged, designed and implemented based on the needs of company Structures involved, on the impact of the Public Works Code, from the management and organisational point of view, for both the attribution stage and on execution of contracts.

Managerial training continued with useful actions for acquiring organisational tools and attitudes to implement company strategies.

On this point, please note, for their importance, the third and fourth editions of the course PER.FOR.MA MM (Managerial Training for Middle Management), each for groups of about 40 middle managers, to develop and align common managerial action knowledge and methods in those taking part and promote a people-oriented management approach.

As part of training supporting technological innovation, please note the end of the multi-year training campaign for the news production system of regional offices, involving both journalists and technicians. From the second half of 2017, with the collaboration of the Digital Department, a training plan was launched that will gradually involve all offices, to disclose knowledge common to all the regional editorial offices to manage and circulate news on-line and provide technical methods and indications on use of social networks by regional editorial offices. This involved offices in Florence, Trieste, Venice, Bari and Palermo, for a total of 179 journalists.

A first training course was launched on techniques to extract, process and interpret big data, for operators in all company areas involved.

Moreover, the ongoing company information system implementation and renewal processes have been accompanied systematically by ad hoc training, as with the applications Tcube/On Air, SAP, S.I.P., ESPERS; plus, in 2017, a course on how to consult the multimedia catalogue of Teche correctly, for the Studio Set Up personnel in the Rome TV Production Centre.

Lastly, we would like to mention the start of activities to design the new Rai Academy, created with the strategic objective of consolidating and promoting ongoing, modern, innovative training processes; to turn Rai into a learning organisation. More specifically, through the future Rai Academy web portal, all employees can consult the training initiatives catalogue directly; of which many courses can be done online. This will facilitate knowledge and access to an ample training offer, supporting skill circulation and development. Rai Academy is expected to be launched for 1 September 2018.

Intercompany Relations

In 2017 the Rai Group continued operations based on an organisational model foreseeing that some activities be performed by companies set up specifically.

Relations with subsidiaries and associates are based on normal contracts negotiated at current and market values.

For details on commercial and financial relations with Group companies please refer to what was said in note 17.4 "Transactions with Related Parties" in the explanatory notes to the Separate Financial Statements.

Related to Rai Way, please note that the relative shares, listed on the screen-based Stock Exchange of Borsa Italiana since 19 November 2014 following completion of the Global Offer, recorded a highly positive performance in 2017 increasing by 41.8% (46.1% rectified for distribution of the dividend) decidedly higher than +15.5% of the FTSE Italia All Share index and the +32.3% of the FTSE Italia Mid-cap index. The trend is included in the aforementioned positivity of the overall context, also at sector level. Rai Way closed 2017 with capitalisation of €1,380.4 million.

During 2017, the percentage of Rai Way share capital held by Rai SpA remained stable at 64.971%.

Additional information

Related to technical needs connected to the obligation to draw up consolidated financial statements, pursuant to art. 16 paragraph 4 of the Articles of Association, Rai avails itself of the right established in art. 2364 of the Civil Code which allows the ordinary Shareholders' Meeting to be called to approve the Financial Statements within 180 days from the end of the financial year.

Lastly, please note that the Company does not have any treasury stock, not even through trust companies or third parties and that, during the year the Company did not either purchase or sell those shares.

Rai Cinema

(€/million)	31 December 2017	31 December 2016
Revenue	321.1	354.0
EBIT	31.7	75.5
Profit/(Loss) for the year	21.4	50.1
Total profit/(loss) for the year	21.4	46.8
Shareholders' equity	261.0	287.2
Net financial position	(160.4)	(106.1)
Investments	243.5	262.3
Workforce (in units)	140.0	136.0
of which fixed-term	9.0	2.0

Rai Com

(€/million)	31 December 2017	31 December 2016
Revenue	52.1	57.0
EBIT	13.5	13.7
Profit/(Loss) for the year	12.0	6.9
Total profit/(loss) for the year	12.0	6.9
Shareholders' equity	118.5	113.1
Net financial position	137.6	102.9
Investments	0.3	0.2
Workforce (in units)	106.0	110.0
of which fixed-term	10.0	10.0

Rai Corporation

(\$/million)	31 December 2017	31 December 2016
Revenue	-	-
EBIT	(0.1)	(4.1)
Profit/(Loss) for the year	(0.1)	(4.1)
Total profit/(loss) for the year	(0.1)	(4.1)
Shareholders' equity	-	0.1
Net financial position	4.0	4.1
Investments	-	-
Workforce (in units)	-	-
of which fixed-term	-	-

Rai Pubblicità

(€/million)	31 December 2017	31 December 2016
Revenue	655.0	706.0
EBIT	4.0	4.2
Profit/(Loss) for the year	0.5	(0.4)
Total profit/(loss) for the year	0.5	(0.6)
Shareholders' equity	29.8	29.3
Net financial position	(3.7)	22.7
Investments	1.8	2.0
Workforce (in units)	361.0	359.0
of which fixed-term	36.0	22.0

Rai Way

(€/million)	31 December 2017	31 December 2016
Revenue	217.0	215.6
EBIT	81.4	65.6
Profit/(Loss) for the year	56.3	41.8
Total profit/(loss) for the year	56.7	41.2
Shareholders' equity	176.4	161.5
Net financial position	(4.8)	(9.4)
Investments	26.2	19.5
Workforce (in units)	601.0	622.0
of which fixed-term	8.0	7.0

Economic balances of Rai SpA with subsidiaries, joint ventures and associates as at 31 December 2017 and 2016

Subsidiaries (in €/'000)	Rai Pubblicità	Rai Cinema	Rai Com	Rai Way	Rai Corporation in liquidation	Total Subsidiaries
Non-current financial assets						
As at 31 December 2017	-	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-	-
Current financial assets						
As at 31 December 2017	3,694	161,199	-	-	-	164,893
As at 31 December 2016	-	107,033	-	-	-	107,033
Current trade receivables						
As at 31 December 2017	180,812	3,134	85,422	4,262	-	273,630
As at 31 December 2016	214,690	3,414	85,092	5,252	-	308,448
Other current receivables and assets						
As at 31 December 2017	15,116	7,185	3,495	17,311	-	43,107
As at 31 December 2016	4,196	19,613	3,837	19,375	-	47,021
Current financial liabilities						
As at 31 December 2017	-	(788)	(136,440)	(76)	(3,314)	(140,618)
As at 31 December 2016	(22,647)	(920)	(102,623)	(117)	(3,865)	(130,172)
Trade payables						
As at 31 December 2017	(68)	(15,907)	(9,018)	(58,558)	-	(83,551)
As at 31 December 2016	(391)	(20,935)	(8,855)	(61,790)	-	(91,971)
Other current payables and liabilities						
As at 31 December 2017	(1,128)	(445)	(29)	(2,538)	-	(4,140)
As at 31 December 2016	(2,768)	(3,056)	(3,048)	(2,456)	-	(11,328)
Non-current financial liabilities						
As at 31 December 2017	-	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-	-

Joint ventures and associates (in €/'000)	Auditel	San Marino RTV	Tivù	Tavolo Editori Radio	Total Associates
Non-current financial assets					
As at 31 December 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Current financial assets					
As at 31 December 2017	-	517	-	-	517
As at 31 December 2016	-	-	-	-	-
Current trade receivables					
As at 31 December 2017	-	51	106	1	158
As at 31 December 2016	-	83	260	-	343
Other current receivables and assets					
As at 31 December 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Current financial liabilities					
As at 31 December 2017	-	-	-	-	-
As at 31 December 2016	-	(73)	-	(13)	(86)
Trade payables					
As at 31 December 2017	-	-	(416)	(477)	(893)
As at 31 December 2016	(2,711)	-	(1,026)	-	(3,737)
Other current payables and liabilities					
As at 31 December 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-
Non-current financial liabilities					
As at 31 December 2017	-	-	-	-	-
As at 31 December 2016	-	-	-	-	-

Report on Operations of the Board of Directors

Economic balances of Rai SpA with subsidiaries, joint ventures and associates as at 31 December 2017 and 2016

Subsidiaries (in €/'000)	Rai Pubblicità	Rai Cinema	Rai Com	Rai Way	Rai Corporation in liquidation	Total Subsidiaries
Revenue from sales and services						
At 31 December 2017	568,639	10	60,470	55	-	629,174
At 31 December 2016	617,307	-	63,391	55	-	680,753
Other revenue and income						
At 31 December 2017	3,407	3,625	4,279	11,041	-	22,352
At 31 December 2016	3,542	4,637	4,254	11,990	-	24,423
Costs to purchase consumables						
At 31 December 2017	-	-	(2)	-	-	(2)
At 31 December 2016	-	-	(1)	-	-	(1)
Costs for services						
At 31 December 2017	309	(284,993)	(10,988)	(203,340)	-	(499,012)
At 31 December 2016	114	(320,291)	(10,775)	(202,683)	9	(533,626)
HR expenses						
At 31 December 2017	1,629	1,188	600	565	-	3,982
At 31 December 2016	1,781	1,181	906	646	-	4,514
Other costs						
At 31 December 2017	-	-	(387)	-	-	(387)
At 31 December 2016	-	-	(504)	-	-	(504)
Depreciation, amortisation and write-downs						
At 31 December 2017	-	-	192	-	-	192
At 31 December 2016	-	-	(480)	-	-	(480)
Provisions						
At 31 December 2017	-	-	-	-	-	-
At 31 December 2016	-	-	-	-	-	-
Financial income						
At 31 December 2017	31	50,013	7,780	27,162	-	84,986
At 31 December 2016	8,016	45,644	6,700	25,306	-	85,666
Financial expense						
At 31 December 2017	-	(8)	-	(13)	-	(21)
At 31 December 2016	(94)	(4)	-	(14)	-	(112)

Joint ventures and associates (in €/'000)	Auditel	San Marino RTV	Tivù	Tavolo Editori Radio	Total Associates
Revenue from sales and services					
At 31 December 2017	-	-	537	-	537
At 31 December 2016	-	-	512	-	512
Other revenue and income					
At 31 December 2017	-	25	45	7	77
At 31 December 2016	-	22	45	-	67
Costs to purchase consumables					
At 31 December 2017	-	-	-	-	-
At 31 December 2016	-	-	-	-	-
Costs for services					
At 31 December 2017	(7,937)	3	(1,663)	(477)	(10,074)
At 31 December 2016	(7,440)	3	(1,681)	-	(9,118)
HR expenses					
At 31 December 2017	-	169	-	-	169
At 31 December 2016	-	169	-	-	169
Other costs					
At 31 December 2017	-	-	-	-	-
At 31 December 2016	-	-	-	-	-
Depreciation, amortisation and write-downs					
At 31 December 2017	-	-	-	-	-
At 31 December 2016	-	-	-	-	-
Provisions					
At 31 December 2017	-	-	-	-	-
At 31 December 2016	-	-	-	-	-
Financial income					
At 31 December 2017	-	6	-	-	6
At 31 December 2016	-	3	-	-	3
Financial expense					
At 31 December 2017	-	-	-	-	-
At 31 December 2016	-	-	-	-	-

Important facts occurring after the financial year ended

Underwriting of the national service Agreement between MISE and Rai

On 11 January 2018 the Rai Board of Directors approved the text of the Service Agreement. After that the Agreement was signed by the Company and the Ministry. The agreement was then published in the Official Gazette on 7 March 2018.

Setting of television licence fees

On 9 February 2018, the decree of the Ministry for Economic Development dated 21 December 2017 was published in the Official Journal, containing provisions for "Special television licence fees for 2018". The decree sets for the current year the amounts of special licence fees for the possession of radio receivers or television sets on non-household premises and of special licence fees for the possession of radio receivers or television sets in cinemas, theatres and comparable premises, in accordance with the amounts set forth in tables 3 and 4 annexed to the ministerial decree of 29 December 2014.

Subsidiary Rai Way

On 16 February 2018 Rai Way notified that it had submitted, with F2i Fondi Italiani per le Infrastrutture SGR SpA ("F2i"), a joint binding offer, subject to certain conditions, as part of the potential sale of Persidera SpA (hereinafter "Persidera") started by the relative shareholders. The offer, which then expired, indicated a transaction structure with acquisition by F2i of ownership of the rights to use the frequencies currently assigned to Persidera for its DTT multiplexes, the acquisition by Rai Way of the network infrastructure and the simultaneous signing of a multi-year agreement for the provision of broadcasting services.

Foreseeable evolution of management

In 2018 global economic growth is solid but risks of commercial restrictions are emerging. Growth continued in the Euro area. However, a stable return of inflation to around 2 percent, hence making it necessary to maintain supportive monetary conditions still has to emerge.

In Italy, economic activities are expanding at a more moderate rate. Short-term surveys show that the confidence of families and business is still at cyclically high levels, compatible with continuing product expansion. Exports, particularly lively at end 2017, became slightly more moderate at the start of this year. Businesses indicate that they still intend to carry on investing.

In this scenario, related to the foreseeable development of Group management for financial year 2018, economic-financial projections highlight a situation protecting the quality and competitiveness of the offer and of the editorial and technological renewal capacities – an essentially balanced result.

In an advertising resources context that cannot benefit from the presence of Great sports events in the summer period and with a drop-in licence revenues mainly due to no longer having the capital gains it benefited from in 2017 because of delays in collection of 2016 licence amounts, the group expects to achieve that essentially balanced result through a number of cost rationalisation actions.

The Group also expects to maintain its indebtedness at sustainable levels.

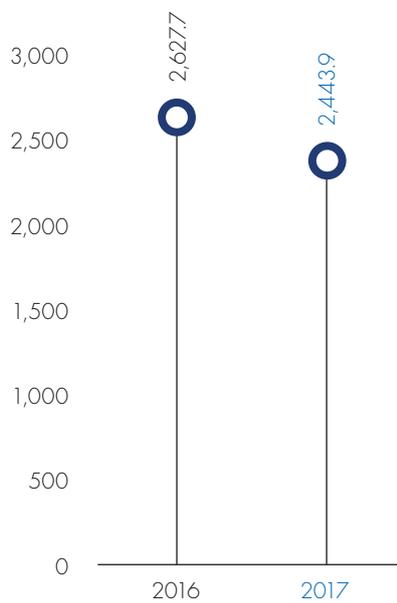
Summary of financial position of Rai SpA

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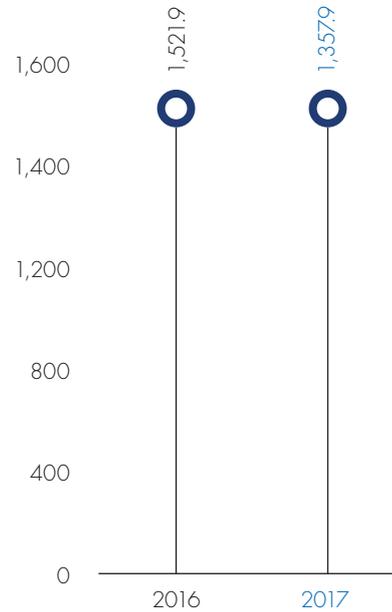
Highlights

(€/million)

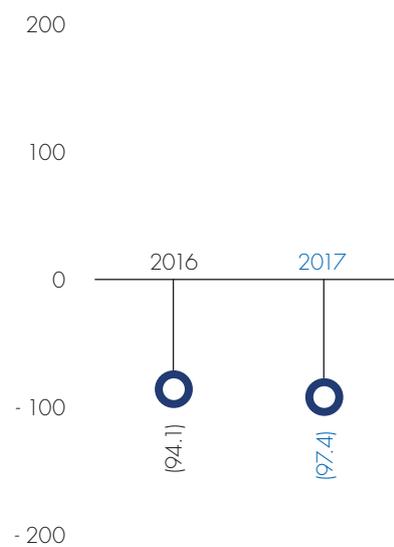
External revenue



External costs

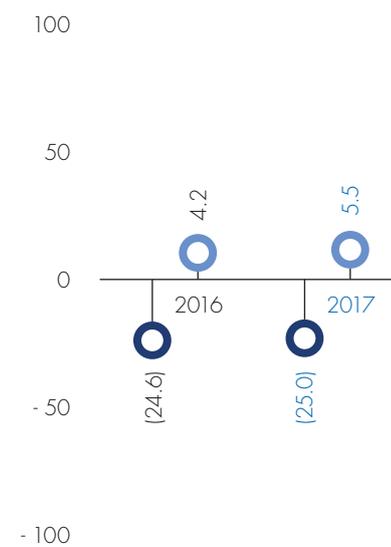


EBIT

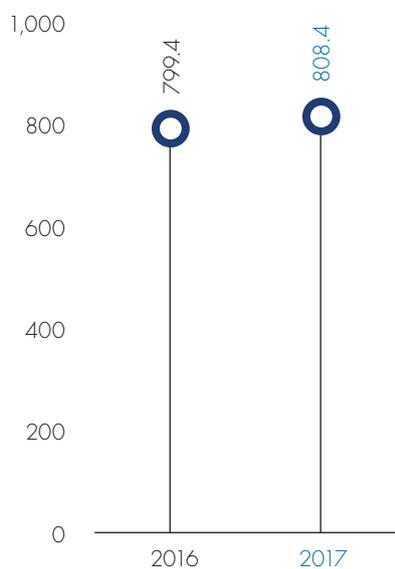


EBT

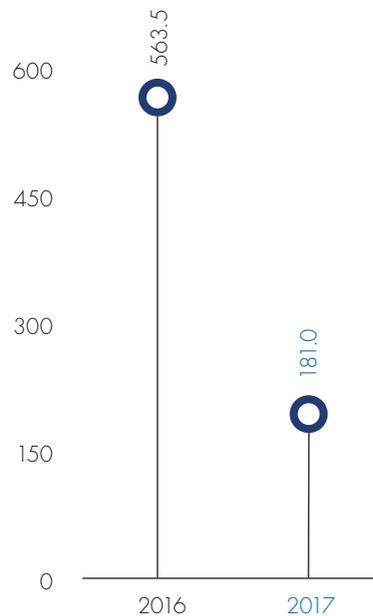
Profit/(Loss) for the year



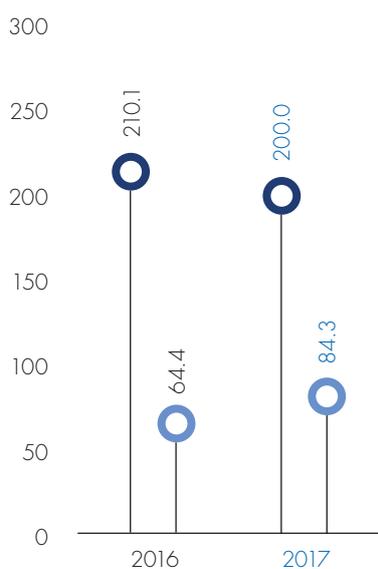
Equity



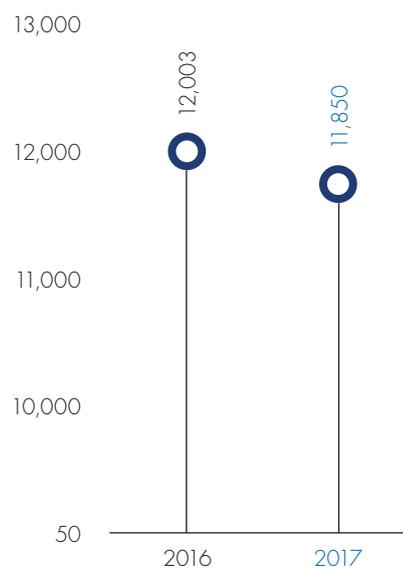
Net financial debt



Investments in programmes and technical investments



Personnel as at 31 December (in units)*



* Includes temporary personnel amounting to 700 units in 2016 and 795 units in 2017

Summary of financial position of Rai SpA

Reclassified statements

Income statement

(€/million)	FY 2017	FY 2016	Change
External revenue	2,443.9	2,627.7	(183.8)
External costs net of Major sports events	(1,357.9)	(1,382.3)	24.4
Major sports events	0.0	(139.6)	139.6
External costs	(1,357.9)	(1,521.9)	164.0
HR expenses	(888.7)	(928.2)	39.5
EBITDA	197.3	177.6	19.7
Depreciation, amortisation and write-downs	(289.8)	(264.3)	(25.5)
Provisions	(4.9)	(7.4)	2.5
EBIT	(97.4)	(94.1)	(3.3)
Net financial income/(charges)	72.9	70.2	2.7
Earnings from equity investments recognised under the equity method	(0.5)	(0.7)	0.2
EBT	(25.0)	(24.6)	(0.4)
Income tax	30.5	28.8	1.7
Profit/(Loss) for the year	5.5	4.2	1.3
Other components of the total profit/(loss)	3.5	(16.6)	20.1
Total profit/(loss) for the year	9.0	(12.4)	21.4

Capital structure

(€/million)	31.12.2017	31.12.2016	Change
Fixed assets	2,236.7	2,237.6	(0.9)
Net working capital	(633.6)	(159.9)	(473.7)
Provisions for risks and charges	(156.2)	(188.1)	31.9
Employee benefits	(457.5)	(526.7)	69.2
Net invested capital	989.4	1,362.9	(373.5)
Equity	808.4	799.4	9.0
Net financial debt	181.0	563.5	(382.5)
	989.4	1,362.9	(373.5)

Analysis of the results of Rai SpA

The year closed as at 31 December 2017 presented a net profit of €5.5 million (up compared to €4.2 million of the previous year). This occurred in a context of significant reduction of income effectively countered by a substantial decrease in operating costs, which is only partly ascribable to the absence of costs deriving from Major sports events, as is true in all odd years.

Some information on the main items of the Income statement and Equity structure is provided below, along with the reasons for the most significant variances compared to the figures of the previous financial year.

Income statement

External revenue

This is made up of licence fees, advertising proceeds and other trade revenue.

It came to a total of €2,443.9 million, down by €183.8 million (-7.0%) and is broken down below.

Revenue from licence fees

Revenue from licence fees amounted to €1,776.6 million, showing a decrease of €133.1 million (-7.0%) compared to 2016.

The reduction was entirely due to the household licence fees (so-called ordinary licence fees),

which decreased by €159.4 million compared to the previous year (-8.9%). This was caused by the joint effect of the reduction in the unit amount of the licence fee to €90 (€100 in 2016) and of the decrease to 50% (67% in 2016) of the portion in favour of Rai of the greater amounts coming from collection of the licence in the utility bill (so-called additional revenue).

Taking into account the provisions of Law 190/2014 regarding the 5% reduction of the sums to be paid again to Rai, the 2016 Stability Law that sets aside 50% of the additional revenue for Rai, and the government licence tax and VAT, please note that based on the profit/(loss) for the year, the average unit licence fee actually attributable to Rai is €74.73 compared to the €90 amount the users paid.

With regard to the other item components, note that:

- *commercial user licence fees* (so-called *special licence fees*) increased by €1.2 million (+1.5%) in connection with the positive performance of the payors;
- *licence fees collected by enforcement order* are licence fees of 2015 and previous years paid in 2017 on the strength of the role played by users not up-to-date with their payments (so-called "in arrears") and presented no significant changes compared to the 2016 figure;
- *contingencies on ordinary licence fees* are mostly 2016 licence fees that became knowledgeable in financial year 2017 in so far as they were paid to the State during the year.

External revenue

(€/million)	FY 2017	2016	Change
TV licence fees	1,776.6	1,909.7	(133.1)
Advertising	567.0	615.7	(48.7)
Other revenue	100.3	102.3	(2.0)
Total	2,443.9	2,627.7	(183.8)

Revenue from licence fees

(€/million)	FY 2017	2016	Change
Licence fees of the year – ordinary	1,633.3	1,792.7	(159.4)
Licence fees of the year – special	79.0	77.8	1.2
Licence fees collected by enforcement order	39.7	39.6	0.1
Contingencies on ordinary licence fees	24.6	0.0	24.6
Licence fee refunds	0.0	(0.4)	0.4
Total	1,776.6	1,909.7	(133.1)

Summary of financial position of Rai SpA

Advertising

In a macroeconomic climate marked by moderate growth in both family consumption and investments, the advertising market in 2017 showed overall negative performance, dropping 2.1% compared to 2016 (Nielsen data). For the media in which Rai is present, a contraction in advertising investments in the TV medium was witnessed (-1.6%), while in 2016 it benefited from the Major sports events (European Football Championships and Summer Olympics) and growth in radio (+5.4%) and the Internet (+1.7%, not including searches and the social media).

In this context, Rai's advertising proceeds, shown in detail in the table below, amounted to €567.0 million, down by €48.7 million compared to 2016 (-7.9%).

As occurs in all odd years, these results were penalised compared to the results of the previous year, which included the inflow related to the Major sports events.

Furthermore, the comparison with 2016 is not on a like-for-like basis since the first four-month period of 2016 included advertising inflow from three specialised TV channels (Rai Yoyo, Rai 5 and Rai Storia).

Other revenue

This item amounted to €100.3 million, down by €2.0 million (-2.0%) compared to 2016, as seen in the table below.

Advertising

(€/million)	FY 2017	FY 2016	Change
Television advertising on general-interest channels:			
- air time	362.1	408.5	(46.4)
- promotions, sponsorships and other initiatives	114.7	117.8	(3.1)
	476.8	526.3	(49.5)
Television advertising on specialist channels	57.6	58.5	(0.9)
Radio advertising	27.9	26.5	1.4
Web advertising	6.0	5.8	0.2
Other advertising	0.3	0.4	(0.1)
Third parties' share	(1.5)	(1.5)	0.0
Contingencies	(0.1)	(0.3)	0.2
Total	567.0	615.7	(48.7)

Other revenue

(€/million)	FY 2017	FY 2016	Change
Special services under convention	37.9	38.3	(0.4)
Service and other provision of services to investees	20.8	22.6	(1.8)
Marketing of Home video rights and distribution	7.2	7.5	(0.3)
Distribution and sale of channels	11.6	11.3	0.3
Sundry services, mainly for institutional purposes	7.4	7.1	0.3
Broadcasting with digital terrestrial technology services	1.9	2.9	(1.0)
Other	10.8	12.5	(1.7)
Third parties' share on sales	(0.5)	(0.6)	0.1
Contingencies	3.2	0.7	2.5
Total	100.3	102.3	(2.0)

The principle reductions compared to 2016 regard:

- *Service and other provision of services to investees* (€-1.8 million) as a result of the lower income from dubbing services for Rai Cinema and from administrative services provided to Rai Way;
- *Other* (€-1.7 million) due to the reduced amount of the contribution to switching over to terrestrial digital recorded in the Income statement.

In connection with the changes in revenue pointed out above, the licence fee represents 72.7% of revenue, the same as the previous year; advertising as a percentage of other revenue slightly decreased, as seen in the table below.

Operating costs

These are made up of external costs and HR expenses, meaning both internal and external costs pertaining to the Company's ordinary business except for those concerning financial management.

The totalled €2,246.6 million, €203.5 million less than 2016 (-8.3%). Of these, €139.6 million were due to the costs associated with the Major sports events of 2016.

% of revenue

	FY 2017	FY 2016
TV licence fees	72.7	72.7
Advertising	23.2	23.4
Other revenue	4.1	3.9
Total	100.0	100.0

Operating costs

(€/million)	FY 2017	FY 2016	Change
External costs net of Major sports events	1,357.9	1,382.3	(24.4)
Major sports events	0.0	139.6	(139.6)
External costs	1,357.9	1,521.9	(164.0)
HR expenses	888.7	928.2	(39.5)
Total	2,246.6	2,450.1	(203.5)

Summary of financial position of Rai SpA

External costs

These amounted to €1,357.9 million and included the purchases of goods and the supply of services necessary to produce programmes of immediate use (purchases of consumables, external services, artistic collaboration agreements, etc.), the sports event recording rights, copyrights, services supplied by subsidiaries, operating costs and other management-related costs (indirect taxes, user rights to digital TV frequencies and contributions payable to the control authorities, charges for environmental reclamation of company real estate, etc.).

The item, itemised in the following table, shows a €164.0 million decrease (-10.8%) which is due to not having the European Football

Championship and Olympics costs incurred in 2016 (€-139.6 million, of which €130.0 million solely for acquisition of recording rights), the reduction in costs for passages acquired by Group companies (€-35.5 million) following the revision of fees paid to Rai Cinema, the lower costs for contractors (€-7.1 million) and for other outsourced services (€-13.0 million), the latter caused by the different percentage of allocation to the real estate reclamation and renovation fund.

It is also to be pointed out that net of the effects of the acquisition of Major sports events rights in 2016, the item Recording rights increased by €30.7 million, mainly due to these sports events: Football-Coppa Italia [Italy Cup] (€+16.7 million due to the different distribution of items in the two years) and Cycling (€+7.0 million due to the greater event acquisition contractual costs).

External costs

(€/million)	FY 2017	FY 2016	Change
Purchases of materials	11.1	12.3	(1.2)
Costs for services:			
Contractors	124.3	131.4	(7.1)
Services for programme acquisition and production	188.3	186.7	1.6
Service travel and accessory personnel costs	34.9	37.3	(2.4)
Signal broadcast and transmission – Rai Way	203.4	202.7	0.7
Maintenance, repairs, transport and similar	33.9	35.5	(1.6)
IT system documentation and assistance services	47.2	46.3	0.9
Other external services (telephony, supply services, cleaning, postal, insurance, etc.)	78.2	91.2	(13.0)
Purchase of passages from subsidiaries	288.7	324.2	(35.5)
Rental expenses and rentals	50.9	53.2	(2.3)
Recording rights (essentially Sports rights and Sanremo Italian Song Festival)	156.3	255.6	(99.3)
Copyright	104.2	110.2	(6.0)
Other	0.0	(0.5)	0.5
Recovery of expenses	(2.7)	(3.0)	0.3
Contingencies	(7.1)	(12.9)	5.8
	1,300.5	1,457.9	(157.4)
Other costs:			
Administrative fees and rights for use of frequencies	10.8	10.3	0.5
Prizes and winnings	6.6	12.3	(5.7)
Fee to Control Authority	4.6	4.8	(0.2)
TASI/ IMU tax	8.7	8.7	0.0
Other indirect taxes and other duties	8.6	9.0	(0.4)
Newspapers, magazines, books and publications	1.7	1.7	0.0
Membership fees and charges	3.4	3.3	0.1
Losses on disposals	0.3	0.1	0.2
Other	2.2	2.3	(0.1)
Contingencies	(0.6)	(0.8)	0.2
	46.3	51.7	(5.4)
Total	1,357.9	1,521.9	(164.0)

HR expenses

This item amounted to €888.7 million, down by €39.5 million (-4.3%) compared to 2016, as seen in the table below.

The decrease in HR expenses is attributed to both structural effects related to the reduction in personnel headcount resulting from the early retirement incentive measures taken in the previous year and non-recurring effects referring to the agreements concluded in March 2018 to renew the labour agreement of middle managers, office staff and workers and implementation of the National Bargaining Agreement of journalists, with the latter having a positive impact on the provisions covering the employment termination indemnity, which more than offset the physiological growth of the cost of labour tied to stabilisation of the temporary personnel, the contractual automatism and the management policies.

Early retirement incentives amounted to €48.0 million, compared to €21.5 million of the previous year. This amount consists of the provision for the extraordinary voluntary early retirement incentive plan for middle managers, office staff and workers, and for orchestra members, resolved by the Board of Directors on

29 December 2017. It totalled €40.0 million, the maximum limit set by the aforementioned resolution.

The early retirement incentive operations carried out, particularly referring to senior managers, also contributed.

Current employees as at 31 December 2017 consist of 11,055 units of personnel headcount and 795 units of temporary personnel. The decrease of 248 units of personnel headcount compared to 31 December 2016 was caused by the exit of 349 units (of which 112 due to incentives) and by the hiring of 101 units (of which 44 to stabilise temporary personnel, 7 under new apprenticeship contracts, 19 due to reinstatement following lawsuits and 25 for entries from Group companies).

The **average number of current employees** during the year, including temporary personnel, was 11,707 units with 63 units less than 2016, caused by the decrease in permanent personnel (18 units) and temporary personnel (45 units).

EBITDA

In connection with the changes stated above, EBITDA was positive and totalled €197.3 million, up €19.7 million compared to 2016.

HR expenses

(€/million)	FY 2017	FY 2016	Change
Wages and salaries, and social security costs	805,2	867,7	(62,5)
Employee severance pay provision	39,8	40,3	(0,5)
Pensions and similar obligations	13,0	13,0	0,0
Other	13,5	10,2	3,3
	871,5	931,2	(59,7)
Early retirement incentives	48,0	21,5	26,5
Recovery of expenses	(4,8)	(5,4)	0,6
Capitalised personnel costs	(16,8)	(13,3)	(3,5)
Contingencies	(9,2)	(5,8)	(3,4)
	17,2	(3,0)	20,2
Total	888,7	928,2	(39,5)

Depreciation, amortisation and write-downs

The balance of the item, which refers to amortisation and depreciation of programmes and technical assets in addition to the write-downs of assets and whose value is provided in the table below, was €289.8 million, up €25.5 million (+9.6%) compared to 2016.

The most significant changes referred to:

- an increase in amortisation of programmes (€+19.1 million), mainly due to the full implementation of the monthly recognition of amortisation started in 2014, which led to recognition of the residual amount of titles whose amortisation began in that financial year;
- an increase in the write-down of programmes at risk of replicability (€+7.5 million).

Depreciation, amortisation and write-downs

(€/million)	FY 2017	FY 2016	Change
Amortisation and depreciation			
Amortisation of programmes			
TV series	149.4	131.1	18.3
Film	0.1	0.1	0.0
Cartoons	12.9	10.6	2.3
Other	3.2	4.7	(1.5)
	165.6	146.5	19.1
Other amortisation and depreciation			
Of property, plant and equipment			
Buildings	11.8	11.9	(0.1)
Plant and machinery	50.2	49.4	0.8
Fixtures and fittings, tools and other equipment	1.4	1.3	0.1
Other assets	5.6	5.5	0.1
	69.0	68.1	0.9
Of intangible assets			
Software	4.3	4.0	0.3
Terrestrial digital technology	0.0	1.1	(1.1)
Other rights	0.2	0.3	(0.1)
	4.5	5.4	(0.9)
	73.5	73.5	0.0
Total amortisation and depreciation	239.1	220.0	19.1
Write-downs (reversing impairment losses)			
Of intangible assets			
Programmes under amortisation	38.5	31.0	7.5
Programmes in progress	5.8	8.6	(2.8)
Other	3.0	0.0	3.0
	47.3	39.6	7.7
Of investments valued at cost	0.1	2.8	(2.7)
Of other non-current assets	1.8	0.7	1.1
Trofeo Rai	0.3	0.6	(0.3)
Minimums guaranteed on commercial activities	1.5	0.1	1.4
Of trade receivables and other current assets	1.5	1.2	0.3
Trade receivables	0.0	0.3	(0.3)
Receivables from subsidiaries	(0.2)	0.5	(0.7)
Other current receivables and assets	1.7	0.4	1.3
Total write-downs	50.7	44.3	6.4
Total	289.8	264.3	25.5

Provisions

The item, which states the provisions for risks and charges and releases, if any, not classifiable in specific Income statement items, showed a loss of €4.9 million (€7.4 million in 2016) caused by releases of amounts of provisions allocated in prior years in connection with the removal of the associated risk for €1.3 million and with provisions totalling €6.2 million mainly due to legal disputes and relevant expenses and other operational risks.

EBIT

The changes already explained regarding performance of the EBITDA, together with what is specified in the items depreciation, amortisation and write-downs and provisions, led to a negative EBIT of €97.4 million, slightly worse than FY 2016 (€-94.1 million).

Net financial income (charges)

The item was positive for €72.9 million (€70.2 million in 2016), up €2.7 million compared to 2016.

The item, itemised in detail in the following table, shows the economic effects arising from

distribution of the dividends by the subsidiaries, from recognition of the actuarial interest for employee benefits, and the effects of financial management, such interest income/expense from banks, Group companies and bondholders, in addition to exchange rate charges/gains.

The most significant variances compared to the previous year concern:

- dividends from subsidiaries, down €2.4 million;
- interest coming from the actuarial valuation of the employee benefit obligations, which dropped €2.7 million.

The average cost of loans, consisting of uncommitted, lines of credit, medium/long-term stand-by lines and the 2015-2020 bond issue was at the same level of the previous year (approximately 1.6%).

Please also note that on 20 April 2017 four Interest Rate Swap Forward Start contracts were signed for a total notional amount of €350 million with commencement date May 2020 and valid for the next 5 years. The fair value of this transaction, which was implemented to cover the risk of interest rates increasing at the due date of the current bond issue and the resulting need to refinance, was positive at €1.2 million before the tax component that reflects on the total net profit of the period.

Net financial income (charges)

(€/million)	FY 2017	FY 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 net financial income/(charges)			
Net bank interest/income (expense)	(1.4)	(1.3)	(0.1)
Net interest/income (expense) from subsidiaries and associated companies	2.5	2.0	0.5
Interest expense on bond issues	(6.1)	(6.1)	0.0
Interest on employee benefit liabilities	(4.3)	(7.0)	2.7
Net exchange rate gains/(charges)	0.4	(0.1)	0.5
Other	0.5	(1.0)	1.5
	(8.4)	(13.5)	5.1
Net financial income/(charges)	72.9	70.2	2.7

Earnings from equity investments recognised under the equity method

The item showed a loss of €0.5 million (€0.7 million in 2016) brought about by valuation of the associated companies at net equity, as seen in detail in the following table.

Income tax

This item showed a positive value of €30.5 million (€28.8 million in 2016) and is due to the balance between current and deferred taxes, as itemised in the following table.

Similar to 2016, no amount for current IRES and IRAP taxes was recognised in so far as the tax result was negative.

Deferred tax liabilities pointed to a positive economic effect of €1.9 million (€2.3 million in 2016) due to recognition of the tax loss of the year, which offsets part of the income brought in by the Group companies during tax consolidation.

Deferred tax assets showed a positive economic effect of €28.6 million (€26.5 million in 2016) owing to recognition of the tax loss of the year, which offsets part of the income brought in by the Group companies during tax consolidation.

Earnings from equity investments recognised under the equity method

(€/million)	FY 2017	FY 2016	Change
Write-ups(Write-downs)			
Euronews SA	(1.1)	(1.5)	0.4
San Marino RTV SpA	0.0	(0.1)	0.1
Tivù Srl	0.6	0.9	(0.3)
Total	(0.5)	(0.7)	0.2

Income tax

(€/million)	FY 2017	FY 2016	Change
IRES	0.0	0.0	0.0
IRAP	0.0	0.0	0.0
Deferred tax liabilities	1.9	2.3	(0.4)
Deferred tax assets	28.6	26.5	2.1
Total	30.5	28.8	1.7

Capital structure

Fixed assets

This item amounted to €2,236.7 million, down €0.9 million compared to 31 December 2016, and are shown in the following table.

Property, plant and equipment, explained in detail in the table below, increased by €5.1 million.

To this regard, please note that the increase in assets under construction and payments on account was due to the initiatives, still in progress and until the end of the year, to renovate the *Dear* production site and to upgrade production systems.

Assets in programmes, down by €9.9 million and explained in detail in the table below, are mostly represented by the TV series, on which most investments were concentrated.

Fixed assets

(€/million)	31.12.2017	31.12.2016	Change
Property, plant and equipment	877.2	872.1	5.1
Assets in programmes	415.4	425.3	(9.9)
Non-current financial assets	923.8	921.6	2.2
Others	20.3	18.6	1.7
Total	2,236.7	2,237.6	(0.9)

Property, plant and equipment

(€/million)	31.12.2017	31.12.2016	Change
Land	370.1	370.1	0.0
Buildings	300.3	306.4	(6.1)
Plant and machinery	125.1	131.9	(6.8)
Fixtures and fittings, tools and other equipment	4.8	3.8	1.0
Other assets	22.0	21.2	0.8
Assets under construction and payments on account	54.9	38.7	16.2
Total	877.2	872.1	5.1

Assets in programmes

(€/million)	31.12.2017	31.12.2016	Change
TV series	323.8	325.1	(1.3)
Cartoons	26.8	27.6	(0.8)
Rights of library use	64.8	72.5	(7.7)
Other	0.0	0.1	(0.1)
Total	415.4	425.3	(9.9)

Summary of financial position of Rai SpA

Non-current financial assets, consisting of company equity investments and other financial assets falling due beyond 12 months, showed an increase of €2.2 million, mainly due to acquisition of fixed-income securities held guaranteeing contractual commitments. The item is broken down in detail in the following table.

Other fixed assets, broken down in the following table, show a €1.7 million increase due to an increase referring to software and a reduction due to the write-down of commercial rights with football clubs.

2017 **Investments**, broken down in the table below, amounted to €284.5 million, up €10.0 million (+3.6%) compared to 2016.

In detail:

- lower investments in programmes for €10.1 million (-4.8%) referring to the TV series genre;
- higher technical investments for €19.9 million (+30.9%), mainly for the interventions pointed out above for the renovation of the *Dear* production site and the upgrade of the production systems.

Non-current financial assets

(€/million)	31.12.2017	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 associated companies:			
Auditel Srl	0.7	0.7	0.0
Euronews SA	1.2	2.3	(1.1)
Tivù Srl	2.0	3.4	(1.4)
San Marino RTV SpA	2.1	2.0	0.1
	6.0	8.4	(2.4)
Other equity investments	0.9	0.7	0.2
Fixed-income securities	2.5	0.0	2.5
Derivative instruments	1.2	0.0	1.2
Other	0.9	0.1	0.8
Total	923.8	921.6	2.2

Other fixed assets

(€/million)	31.12.2017	31.12.2016	Change
Software	18.9	14.1	4.8
Commercial rights with football clubs	1.4	4.5	(3.1)
Total	20.3	18.6	1.7

Investments

(€/million)	31.12.2017	31.12.2016	Change
TV series	187.4	197.5	(10.1)
Cartoons	12.6	12.6	0.0
Investments in programmes	200.0	210.1	(10.1)
Tangible investments	75.2	55.7	19.5
Software	9.1	8.7	0.4
Technical investments	84.3	64.4	19.9
Equity investments	0.2	0.0	0.2
Total investments	284.5	274.5	10.0

Net working capital

The most significant changes compared to 31 December 2016 regard the following items:

Trade receivables down €264.7 million in connection with collection of the receivables due from the Financial Administration for licence fees (€228.9 million as at 31 December 2016).

Other receivables down €133.0 million, mainly due to the non-recourse assignment of the surplus of VAT receivables to factoring and to introduction of the split payment regulations starting from 1 July 2017 that led to full recovery of the residual VAT receivables during 2017.

Other payables up €73.5 million, mainly due to the advances on licence fees recorded for €56.9 million and for VAT payable as a result of introduction of the split payment, in addition to the greater payables to personnel for recognition of the previously mentioned provision for the extraordinary early retirement incentive plan for middle managers, office staff and workers and for orchestra members.

Net deferred tax liabilities increased by €12.0 million mainly due to the combined effect of the reduction in receivables for deferred tax assets following use of prior tax losses in clearing with income contributed by the other Group companies in the tax consolidation and their increase after the tax loss during the year.

Provisions for risks and charges

The item Provisions for risks and charges, which totalled €156.2 million, decreased by €31.9 million compared to 31 December 2016. This was mainly caused by the provision of fee costs accrued for employees that following the previously mentioned agreements with the Trade Union Organisations, dropped by €24.8 million, and by the provisions for legal disputes, down €5.0 million.

Employee benefits

Employee benefits, which totalled €457.5 million, decreased by €69.2 million compared to 31 December 2016.

The change in the item is connected with actuarial valuation elements associated with financial and demographic assumptions, as broken down in Note 14.2 "Employee benefits" of the Notes to the Separate Financial Statements.

The itemisation of the provisions and relevant changes compared to 31 December 2016 is provided in the table below. Specifically, please note that the change in the Provision for pay in lieu of notice to journalists is consequent to application of the Journalists National Labour Agreement, implemented following the previously mentioned agreement signed with the Trade Union Organisations.

Net working capital

(€/million)	31.12.2017	31.12.2016	Change
Inventories	0.2	0.2	0.0
Trade receivables	293.0	557.7	(264.7)
Other receivables	123.6	256.6	(133.0)
Trade payables	(550.9)	(560.4)	9.5
Other payables	(451.7)	(378.2)	(73.5)
Assets/(Liabilities) for deferred taxes	(47.8)	(35.8)	(12.0)
Total	(633.6)	(159.9)	(473.7)

Employee benefits

(€/million)	31.12.2017	31.12.2016	Change
Employee severance pay	(236.3)	(258.4)	22.1
Supplementary company pension provision	(136.5)	(143.6)	7.1
Provision for pay in lieu of notice to journalists	(69.5)	(109.2)	39.7
FASDIR assistance provision for the retired	(14.6)	(14.8)	0.2
Other	(0.6)	(0.7)	0.1
Total	(457.5)	(526.7)	69.2

Net financial position

The net financial position at year-end, calculated following the ESMA scheme, was negative for €181.0 million (showing an improvement over 2016 by €382.5 million), as illustrated in the table below.

Several elements contributed to the above-mentioned reduction of net debt:

- settlement of the receivable from the Italian government for 2016 licence fees (about €229 million), most of which referring to the additional revenue coming from collection of the licence fees in utility bills;
- collection of the 2014-2015 VAT credit due to the non-recourse assignment to factoring and full recovery of the residual VAT credit with introduction of the split payment regulation starting from 1 July 2017, with a total effect of €112 million;
- not having advance payments for Major sports events and the lower infragroup payables for services supplied by Rai Cinema.

The average financial position was negative for about €338 million, showing a slight improvement over 2016 (€-356 million) due

to the positive effects of the higher debt at the beginning of the year and the collection of receivables from licence fees.

Moody's confirmed the Long-Term Issuer Baa3 (investment grade) rating with a "negative" outlook in January 2018, a rating in line with that of the Italian government, the Company's principal shareholder.

The analysis conducted based on equity and financial structure ratios pointed out that:

- the net invested capital coverage ratio, which is the ratio between net invested capital (net of the licence fee receivables) and equity, was 1.22 (1.42 as at 31 December 2016);
- the financial debt coverage ratio, which is the ratio between net financial debt (net of the licence fee receivables) and equity, was 0.22 (0.42 as at 31 December 2016);
- the liquid funds ratio, which is the ratio between current assets (inventories, working capital net of licence fee receivables, cash and cash equivalents and financial receivables) and current liabilities (working capital liabilities and financial payables) was 0.66 (0.57 as at 31 December 2016).

Net financial position

(€/million)	31.12.2017	31.12.2016	Change
Liquidity:			
- cash	0,3	0,3	0,0
- deposits, bank and postal current accounts	170,6	4,2	166,4
	170,9	4,5	166,4
Current financial receivables:			
- due to subsidiaries and associates	165,4	107,0	58,4
- current financial assets on derivatives	0,0	1,7	(1,7)
- tied accounts	6,3	5,5	0,8
- other	0,3	0,1	0,2
	172,0	114,3	57,7
Current financial debt:			
- due to banks	(10,0)	(170,1)	160,1
- current financial liabilities on derivatives	(0,5)	0,0	(0,5)
- due to subsidiaries and associates	(140,6)	(130,2)	(10,4)
- other	0,0	(0,1)	0,1
	(151,1)	(300,4)	149,3
Non-current financial debt:			
- due to banks	(25,0)	(35,0)	10,0
- bond issue	(347,8)	(346,9)	(0,9)
	(372,8)	(381,9)	9,1
Net financial debt	(181,0)	(563,5)	382,5
of which:			
- due to subsidiaries/associates	24,8	(23,2)	48,0
- due to third parties	(205,8)	(540,3)	334,5
Total	(181,0)	(563,5)	382,5

All ratios fall within the limit of reference.

The financial risks to which the Company is exposed are monitored with appropriate IT and statistical tools. A policy regulates financial management according to best practices, with the aim of preserving the Company's value through a stance adverse to risk, pursued with active monitoring of exposure and implementation of expedient hedging strategies, also on behalf of the Group companies (except for Rai Way). Detailed information on the financial risks is provided in the specific section of the Notes to the Financial Statement, to which the reader is referred.

Financial Statements of Rai SpA

Financial Statements of Rai SpA

Statement of financial position

(in Euro)	Note	Year ended	
		31 December 2017	31 December 2016
Property, plant and equipment	11.1	877,146,991	872,115,035
Intangible assets	11.2	435,721,239	443,992,869
Equity investments	11.3	919,241,454	921,501,668
Non-current financial assets	11.4	4,586,270	61,125
Deferred tax assets	11.5	-	-
Other non-current assets	11.6	8,419,801	11,427,603
Total non-current assets		2,245,115,755	2,249,098,300
Inventory	12.1	187,079	211,450
Trade receivables	12.2	293,013,939	556,921,033
Current financial assets	12.3	172,046,067	114,293,756
Current income tax receivables	12.4	19,506,527	20,183,609
Other current receivables and assets	12.5	95,646,718	225,792,446
Cash and cash equivalents	12.6	170,900,452	4,562,378
Total current assets		751,300,782	921,964,672
Total assets		2,996,416,537	3,171,062,972
Share capital		242,518,100	242,518,100
Reserves		587,181,514	582,406,215
Retained earnings/(losses)		(21,304,438)	(25,454,658)
Total shareholders' equity	13	808,395,176	799,469,657
Non-current financial liabilities	14.1	372,825,339	381,946,357
Employee benefits	14.2	457,462,102	526,709,937
Provisions for non-current risks and charges	14.3	156,203,189	188,109,677
Deferred tax liabilities	14.4	47,809,373	35,816,269
Other non-current payables and liabilities	14.5	1,968,570	3,623,884
Total non-current liabilities		1,036,268,573	1,136,206,124
Trade payables	15.1	550,891,320	560,424,279
Current financial liabilities	15.2	151,160,646	300,427,300
Current income tax payables	15.3	29,958,789	46,627,802
Other current payables and liabilities	15.1	419,742,033	327,907,810
Total current liabilities		1,151,752,788	1,235,387,191
Total liabilities		2,188,021,361	2,371,593,315
Total shareholders' equity and liabilities		2,996,416,537	3,171,062,972

Income statement

(in Euro)	Note	Year ended	
		31 December 2017	31 December 2016
Revenue from sales and services	16.1	2,414,640,838	2,594,625,823
Other revenue and income	16.2	29,279,513	33,105,134
Total revenue		2,443,920,351	2,627,730,957
Costs for the purchase of consumables	16.3	(11,105,971)	(12,286,131)
Costs for services	16.3	(1,300,494,346)	(1,457,870,961)
Other costs	16.3	(46,334,755)	(51,767,589)
HR expenses	16.4	(888,665,470)	(928,176,200)
Depreciation, amortisation and write-downs	16.5	(289,801,775)	(264,353,948)
Provisions	16.6	(4,852,062)	(7,391,768)
Total costs		(2,541,254,379)	(2,721,846,597)
EBIT		(97,334,028)	(94,115,640)
Financial income	16.7	87,043,596	87,447,106
Financial expenses	16.7	(14,175,763)	(17,233,153)
Earnings from equity investments recognised under the equity method	16.8	(489,523)	(657,314)
Pre-tax profit/(loss)		(24,955,718)	(24,559,001)
Income tax	16.9	30,483,806	28,825,320
Profit/(Loss) for the year		5,528,088	4,266,319

Financial Statements of Rai SpA

Statement of comprehensive income

(in Euro)

	Year ended	
	31 December 2017	31 December 2016
Profit/(Loss) for the year	5,528,088	4,266,319
Items that can be reclassified to the Income statement:		
Profit/(Loss) on cash flow hedge	632,898	(2,107,747)
Tax effect	(123,919)	703,080
Total	508,979	(1,404,667)
Items that cannot be reclassified to the Income statement:		
Recalculation of defined-benefit plans	2,888,452	(15,177,540)
Total	2,888,452	(15,177,540)
Total profit/(loss) for the year	8,925,519	(12,315,888)

Cash flow statement

(in €/'000))	Note	Year ended	
		31 December 2017	31 December 2016
Pre-tax profit		(24,955)	(24,559)
Adjustments for:			
Depreciation, amortisation and write-downs	16.5	289,802	264,354
Provisions and (issues) of personnel provisions and other provisions		7,320	87,193
Net financial charges/(income)	16.7	(72,868)	(70,214)
Earnings from equity investments recognised under the equity method	16.8	490	657
Other non-monetary items		295	(230)
Cash flow generated by operating activities before changes in net working capital		200,084	257,201
Change in inventory		24	35
Change in trade receivables	12.2	264,131	(216,302)
Change in trade payables	15.1	(9,534)	18,010
Change in other assets and liabilities		251,268	26,852
Use of provision for risks	14.3	(40,194)	(37,727)
Payment of employee benefits and to external provisions	14.2	(70,597)	(65,112)
Taxes paid		(4,206)	-
Net cash flow generated by operating activities		590,976	(17,043)
Investments in property, plant and equipment	11.1	(75,160)	(55,672)
Disposal of property, plant and equipment	11.1	800	550
Investments in intangible assets	11.2	(209,138)	(218,847)
Disposal of intangible assets	11.2	-	89
Equity investments		(200)	(4)
Dividends collected	11.3	83,250	84,410
Interest collected		-	43
Change in financial assets	11.4 12.3	(61,166)	(7,066)
Net cash flow generated by investment activity		(261,614)	(196,497)
Long-term loan redemptions	14.1	(10,000)	(5,000)
Increase/(Decrease in short-term borrowings and other loans)	15.2	(149,049)	160,995
Net interest paid (*)		(3,975)	(5,004)
Net cash flow generated by financial activities		(163,024)	150,991
Change in cash and cash equivalents		166,338	(62,549)
Cash and cash equivalents at the beginning of the year	12.6	4,562	67,111
Cash and cash equivalents at the end of the year	12.6	170,900	4,562

(*) Referring to financial assets/liabilities

Financial Statements of Rai SpA

Statement of changes in equity

(in €/’000)	Share capital	Legal reserve	Other reserves	Retained earnings (Losses)	Total shareholders’ equity
Balances as at 1 January 2016	242,518	11,553	869,559	(311,844)	811,786
Allocation of profit	-	-	(297,301)	297,301	-
Profit/(Loss) for the year	-	-	-	4,266	4,266
Statement of Comprehensive Income components	-	-	(1,405)	(15,178)	(16,583)
Total profit/(loss) for the year	-	-	(1,405)	(10,912)	(12,317)
Balances as at 31 December 2016	242,518	11,553	570,853	(25,455)	799,469
Balances as at 1 January 2017	242,518	11,553	570,853	(25,455)	799,469
Allocation of profit	-	213	4,053	(4,266)	-
Profit/(Loss) for the year	-	-	-	5,528	5,528
Statement of Comprehensive Income components	-	-	509	2,889	3,398
Total profit/(loss) for the year	-	-	509	8,417	8,926
Balances as at 31 December 2017	242,518	11,766	575,415	(21,304)	808,395

Notes to the Separate Financial Statements as at 31 December 2017

1) General information

Rai Radiotelevisione italiana SpA (hereinafter "Rai", the "Company" or the "Parent Company") is a joint-stock company formed and domiciled in Italy, with registered office in Rome at Viale Mazzini 14, and organised according to Italian law.

The Separate Financial Statements as at 31 December 2017 (hereinafter "Separate Financial Statements"), as described hereinafter, was prepared in compliance with the International Financial Reporting Standards ("IFRS").

The Company and its subsidiaries (jointly the "Group") operate in Italy in the role of general radio and television Public Service. On the strength of specific Italian and EU regulatory sources, the Parent Company is required to meet precise programming quality and quantity obligations that are described in detail in the Service Contract drawn up with the Ministry of Economic Development (hereinafter also the "Contract").

With Prime Ministerial Decree of 28 April 2017 containing "Assignment of the radio, televisions and multimedia Public Service concession and approval of the annexed draft agreement", Rai was formed as concessionaire of the radio, television and multimedia Public Service on an exclusive basis for a decade, starting from 30 April 2017.

In its meeting of 22 December 2017, the Council of Ministers definitively resolved the draft national Service Contract between the Ministry of Economic Development (MISE) and Rai for the period 2018-2022 after the Parliamentary General Policy and Supervisory Committee for radio and TV systems voiced its prescribed opinion on 19 December 2017. The Contract was later approved by the Board of Directors of the Company on 11 January 2018 and was signed by the parties. The Contract was published in the Official Journal on 7 March 2018.

The Contract relates to the activity that Rai performs in order to carry out the Public Service and, in particular, the radio, television and multimedia services broadcast through the various platforms in all modes, the use of the necessary transmission capacity, the creation of editorial content, the provision of technological services for the production and transmission of the signal using analogue and digital technology, and the preparation and management of control and monitoring systems.

The capital of the Company is respectively held by:

- Ministry of Economy and Finance (99.5583%);
- SIAE Società Italiana Autori Editori (0.4417%).

The Separate Financial Statements are subject to auditing by the company PricewaterhouseCoopers SpA (hereinafter the "External Auditor") to which the Rai Ordinary General Meeting of Shareholders, upon the proposal put forward by the Board of Statutory Auditors, assigned the appointment for the financial years until 2023 on 10 March 2016, in consideration of Rai's acquisition of status of Public Interest Entity.

2) Accounting policies

In connection with the provisions of Legislative Decree no. 38 of 28 February 2005, the Company applies the International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards") issued by the International Accounting Standards Board (hereinafter "IASB") and adopted by the European Commission according to the procedure pursuant to Art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002. IFRS herein refers to all international accounting standards ("IAS") and all interpretations of the International Financial Reporting Standard Interpretations Committee ("IFRIC"), previously called "Standard Interpretations Committee" ("SIC"). In preparing these Separate Financial Statements, the Company provided complete information, applying the IFRS consistently to the periods stated in these Separate Financial Statements, and also implemented the reclassifications necessary to ensure full comparability with the data of the previous year.

The structure of the Separate Financial Statements that the Company has selected provides for:

- the items of the Financial position being classified as current and non-current;
- the items of the Income statement being classified by type;
- the Statement of comprehensive income being presented separately from the Income statement and must indicate the integrated economic result of the income and charges that are directly recognised in shareholders' equity;

- the Cash flow statement being prepared according to the “indirect method”, adjusting the result (pre-tax profit/loss) of the year of the non-monetary components; and
- the Statement of changes in equity showing the total income (charges) of the year, transactions with Shareholders and the other changes in shareholders’ equity.

This layout best reflects the elements that led to the economic result of the year, in addition to its financial and capital structure.

The Separate Financial Statements were drawn up applying the historical cost method, taking into account the value adjustments, where appropriate, with the exception of the items that according to the IFRS must be measured at fair value, as indicated in the valuation criteria and without prejudice to those cases where the IFRS provisions allow a different valuation criterion.

The Separate Financial Statements were prepared on a going concern basis since it is not believed that there are financial, operation or other type of ratios that might indicate critical issues regarding the Company’s ability to meet its obligations in the foreseeable future, and more specifically in the next 12 months.

The description of the methods through which the Company manages its financial risks is contained in Note 7 below regarding “Management of financial risks”.

The amounts shown in the tables providing the Financial position, the Income statement and the Statement of comprehensive income are in units of Euro, while the Cash flow statement, Statement of changes in shareholders’ equity and the Notes to the Separate Financial Statements, taking their significance into account, are stated in thousands of Euro unless otherwise indicated.

3) Valuation criteria

The most important accounting standards and valuation criteria used for drawing up the Separate Financial Statements are described below.

Current assets

Inventory. The final inventory of technical materials is recognised at purchase cost, calculated using the weighted average cost formula, adjusted in connection with market performance and the estimated non-uses tied to obsolescence and slow turnaround phenomena.

Trade receivables - Other current receivables and assets - Current financial assets. Trade receivables, other current receivables and assets and the current financial assets are initially recognised at fair value, adjusted with directly attributable transaction costs and afterwards measured with amortised cost criteria based on the effective interest rate method (i.e. the rate that makes the current value of the expected cash flows and book value equal at the time of initial recognition), adjusted to take any write-downs into account by recognising a provision for write-downs. Trade receivables and other financial assets are included in current assets, except for those with contractual expiration longer than 12 months from the reporting date, which are classified in the non-current assets.

Impairment of financial assets. All financial assets other than those measured at fair value with balancing entry in the Income statement are at each reporting date analysed in order to verify whether there is objective proof that an asset or group of financial assets has been impaired. An impairment is recognised only if this evidence arises as a consequence of one or more events occurring after its initial recognition, which have an impact on the expected future cash flows of the asset.

Objective evidence of an impairment includes observable indicators such as:

- significant financial difficulty of the issuer or debtor;
- an infringement of the contract, such as a non-fulfilment or non-payment of interest or capital;
- evidence that the debtor might enter into an arrangement with creditors or another form of financial reorganisation;
- a sizeable decrease in estimated future cash flows.

The losses expected to arise from future events are not recognised.

For those financial assets recognised with amortised cost criteria, when an impairment has been identified, the value is measured as the difference between the book value of the asset and the current value of the expected future cash flows, discounted based on the original effective interest rate. This value is recognised to the Income statement.

If the amount of an impairment of an asset recognised in the past decreases, and the decrease can be objectively connected with an event that occurred after recognition of the impairment, it is charged back to the Income statement.

Derecognition of financial assets and liabilities. Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Company has basically assigned all risks and benefits connected with the asset, transferring its rights to receive cash flows from the asset or taking on a contractual obligation to pay the cash flows received to one or more beneficiaries by virtue of a contract that observes the requirements set out in IAS 39 (so-called "pass through test");
- the Company has neither assigned nor basically retained all the risks and benefits connected with the financial asset but has transferred control.

In the case of factoring transactions basically involving transfer of the risks and benefits connected with the receivables assigned to the factor (therefore the Company remains exposed to the risk of insolvency and/or delayed payment – so-called non-recourse factoring), the transaction is assimilated to the opening of a loan secured by the credit being assigned. In this circumstance, the assigned credit is still represented in the Financial Position of the Company until the factor collects it and, as a balancing entry of the advance, if any, obtained by the factor, a financial payable is recognised. The financial cost for the factoring transactions is represented by interest on the pre-paid amounts recognised to the Income statement on an accrual basis, which are classified amongst the financial expenses. Commissions accruing on assignments are included amongst the financial expenses.

The financial liabilities are derecognised when they are extinguished, meaning when the contractual obligation is fulfilled, cancelled or barred.

Offsetting financial assets and liabilities. The Company offsets financial assets and liabilities if and only if:

- there is a legally exercisable right to offset the amounts recognised; and
- there is the intention to either offset on a net basis or to realise the asset and adjust the liability at the same time.

Cash and cash equivalents. Cash and cash equivalents comprise cash, demand deposits and financial assets with maturity originally equal to or less than three months, readily convertible into cash and subject to a negligible risk of change in value. The elements included in cash and cash equivalents are measured at fair value.

Collection operations are recorded by bank transaction date; the order date is also taken into account for payment transactions.

Non-current assets

Property, plant and equipment. Property, plant and equipment are recognised according to the cost criteria and are entered at their purchase price or at cost of production including all directly allocated accessory charges necessary to make the assets ready for use. When there are current obligations for dismantling, removal of the asset and restoration of the sites, the book value includes the estimated (discounted) costs to bear at the time the facilities are abandoned, recognised as balancing entries to a specific provision (the accounting treatment of the estimate adjustments of these costs, of the passing of time and of the discount rate is indicated in Note 14.3 "Provisions for non-current risks and charges"). Property, plant and equipment cannot be revalued, not even when applying specific laws.

Costs for improvements, modernisation and transformation that increase the property, plant and equipment are recognised to assets when it is probable that they increase the future economic benefits expected from the use or sale of the asset.

The property, plant and equipment are systematically depreciated on a straight-line basis along their technical economic useful life, meant as the estimate of the period in which the company will use the asset. This period commences from the month when use of the asset begins or could have begun. When the property, plant and equipment consist of multiple significant components have different useful lives, depreciation is made for each component. The value to depreciate is represented by the book value reduced by the estimated net exit value at the end of its useful life. Land, even if purchased together with a building, works of art and property, plant and equipment held for sale are not subject to depreciation. Any changes to the depreciation plan arising from revision of the useful life of the property, plant and equipment, the residual value or the methods for obtaining economic benefits of the asset are recognised prospectively.

The estimated useful life of the main property, plant and equipment is the following:

	Useful life in years	
	Min	Max
Buildings	10	50
Plant and machinery	4	8
Fixtures and fittings, tools and other equipment	5.3	5.3
Other assets	4	8.3

The routine maintenance and repair costs are recognised to the Income statement in the year in which they are incurred.

Intangible assets. Intangible assets concern the identifiable assets without physical consistency, controlled by the Company and able to generate future economic benefits, as well as the goodwill when acquired against payment. Identifiability is defined with reference to the possibility to distinguish the intangible asset acquired from goodwill. This requirement is normally met when:

- the intangible asset can be traced back to a legal or contractual right; or
- the asset is separable, meaning it can be assigned, transferred, rented or traded autonomously or as an integral part of other assets.

The Company's control consists in the right to enjoy future economic benefits arising from the asset and in the possibility to limit its access to others.

Intangible assets are recognised at purchase or production cost, including directly allocated accessory charges necessary to make the assets ready for use. Revaluations cannot be made, not even when applying specific laws.

The intangible assets having a defined useful life are systematically amortised along their useful life meant as the estimate of the period in which the assets will be used by the Company, and are broken down into:

- Programmes: the costs for acquiring and producing programmes, made up of the external costs directly allocated to each production and the costs of the internal resources used for making single programmes, are represented according to the following criteria:
 - the costs referring to television productions with repeated usefulness are capitalised amongst the intangible assets and, if these productions are ready for use at year-end, they are subject to amortisation on a straight-line basis, starting from the month they are ready, or the right becomes available with regard to the duration of their estimated future usefulness. If, on the other hand, these productions with repeated usefulness are not yet usable at year-end, their costs are deferred as assets under development and payments on account.

Taking into account the objective difficulties in identifying elements able to guarantee a correct correlation between revenue from advertising and licence fees and the amortisation of the rights, to which the indeterminateness of the varied methods of exploitation is added, the useful life of the programmes with repeated usefulness is shown in the following table:

	Useful life in years
TV series and cartoons	3
Exploitation rights of football library	4

The costs referring to rights under concession for shorter durations are amortised on a straight-line basis corresponding to the period of availability. Should the rights have depleted the contractually available passages, the residual value is fully expensed.

- 2) The costs referring to television productions intended for immediate use are posted to the Income statement in a single year, which usually coincides with that of use. More specifically:
- *News reporting, light entertainment, documentaries, classical music, prose works and the entire radio production.* The costs are recognised during the year in which they are incurred, which usually coincides with the one in which they are broadcast.
 - *Sports events.* The costs are recognised in the year in which the event takes place.
- b) Software licences are amortised over three years beginning from the month in which they are available for use, usually coinciding with the month when they become operational.
- c) Trademarks are amortised over ten financial years beginning from when they become available for use, generally corresponding with the year in which use begins.

Goodwill and other intangible assets having an indefinite useful life are not amortised; the recoverability of their book value is checked at least once a year and, in any case, whenever events that lead to an assumption of impairment occur.

Impairment of non-financial assets. The non-financial assets are analysed on every reporting date in order to check whether there are indicators of any impairment. When events that lead to an assumption of impairment of the non-financial asset occur, their recoverability is checked by comparing the book value with the relevant recoverable value represented by the fair value net of disposal charges or the value in use, whichever is greater. The value in use is calculated based on reasonable and demonstrable assumptions representing the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving importance to the information coming from the outside. When reasons for the write-downs made cease to exist, the value of the asset is restored and the adjustment is recognised to the Income statement as a revaluation (reversing an impairment loss). The impairment loss is reversed at the recoverable value or the book value before the impairment previously made and reduced by the amortisation quotas that would have been allocated if the impairment had not been made, whichever is the least.

Public funding. Public funding, including the non-monetary contributions measured at fair value, is recognised when there is reasonable certainty that it will be received and that the Company will satisfy all the conditions established for its disbursement.

The benefit of a public loan at an interest rate lower than the market rate is treated as public funding. The loan is initially recognised at fair value and the public funding is measured as the difference between the initial book value and the funding received. The loan is afterwards measured in compliance with the provisions established for financial liabilities.

Contributions for operating expenses are presented as a positive component in the Income statement, under the item Other revenue and income.

Public funding received for the purchase, construction or acquisition of fixed assets (tangible or intangible) is recognised to directly reduce the relevant purchase or production cost or is recognised as income in connection with the relevant useful life, based on the amortisation process of the assets subsidised.

Financial assets (current and non-current). Equity investments in subsidiaries are recognised at adjusted cost when there are impairments. These impairments are quantified based on the recoverable value determined with reference to the cash flows that the investee company will be able to prospectively be able to generate. The positive difference emerging from the purchase between the purchase cost and the amount of shareholders' equity at current values of the investee pertaining to the Company is therefore included in the book value of the equity investment. Any write-downs of this positive difference are not restored in the subsequent periods, even if the conditions leading to the write-down cease to exist.

Equity investments in joint ventures and in associated companies are carried at equity.

In applying the equity method, the equity investments are initially recognised at purchase cost with any difference between the incurred cost and the interest in the fair value of the identifiable net assets of the

investee attributed in a way similar to what is set out in IFRS 3 "Business combinations". The book value is then adjusted to take into account:

- the shareholder's portion of the economic results of the investee made following the date of acquisition; and
- the shareholder's portion of the other Statement of comprehensive income components of the investee.

The changes in shareholders' equity of an investee other than those specified above are recognised to the Income statement when they represent, in substance, the effects of a transfer of a shareholding in the investee. The dividends that the investee distributes are recognised to reduce the book value of the equity investment.

When there is objective evidence of impairment, the recoverability is checked by comparing the book value with the relevant recoverable value calculated adopting the criteria indicated in the section "Impairment of non-financial assets". When the reasons for the write-downs made cease to exist, the value of the equity investments is restored within the limits of the write-downs made with the effect recognised to the Income statement.

The transfer of shareholdings entailing loss of joint control or significant influence over the investee causes the following to be recognised to the Income statement:

- any capital gain/loss calculated as the difference between the consideration received and the corresponding fraction of the book value of the transferred equity investment;
- the effect of the revaluation of any residual equity investments kept to align it with the relevant fair value;
- any amounts recognised in the other Statement of comprehensive income components relating to the investee for which reclassification to the Income statement is required.

The value of any equity investment retained, aligned with its fair value at the date joint control or significant influence was lost, is the new book value and therefore the value of reference for the subsequent valuation according to the applicable valuation criteria.

After an equity investment measured with the equity method, or a share of that investment, is classified as held for sale in so far as it meets the criteria set for that classification, the investment or share of the investment is no longer measured with the equity method. Any shares of that equity investment not classified as held for sale are measured with the equity method until the sale of the share of investment classified as held for sale is completed. Any residual share kept after the sale is measured based on the applicable valuation criteria.

The other equity investments recognised as non-current assets are measured at fair value with their effect recognised in the shareholders' equity reserve pertaining to the other Statement of comprehensive income components; the changes in fair value recognised in shareholders' equity are posted to the Income statement at the time of the write-down or realisation. When the equity investments are not listed in a regulated market and the fair value cannot be reliably determined, they are recognised at cost adjusted for impairment; the impairments are not subject to reversal.

The shareholder's portion of any losses of the investee exceeding the book value of the equity investment is recognised in a special provision to the extent in which the shareholder is committed to fulfilling legal or implicit obligations of the investee, or in any case to covering its losses.

The receivables and financial assets held to maturity are recognised at cost represented by the fair value of the initial consideration, increased by any transaction costs. The initial book value is afterwards adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment value and the initial book value; amortisation is made based on the effective interest rate (so-called amortised cost criterion).

When there is objective evidence of impairment, the write-down is determined by comparing the relevant book value with the actual value of the expected cash flows discounted at the effective interest rate defined at the time of initial recognition. The receivables and financial assets to hold to maturity are shown net of the relevant provision for write-downs.

Current and non-current liabilities

Financial liabilities - Trade payables - Other payables and liabilities. Loans and trade payables are recognised when the Company becomes part of the relevant contractual clauses and they are initially measured at fair value, adjusted by the directly attributable transaction costs.

They are afterwards measured with the amortised cost criterion, using the effective interest rate method.

Provisions for risks and charges. The provisions for risks and charges concern costs and charges fixed in nature and of certain or likely existence that could not be determined in amount and/or date of occurrence as at the reporting date. The allocations to these provisions are recognised when:

- the existence of a current, legal or implicit obligation arising from a past event is likely;
- fulfilment of the obligation being against payment is likely;
- the amount of the obligation can be reliably estimated.

The provisions are recognised at the representative value of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties as at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligation can be reliably estimated, the provision is calculated by discounting the expected cash flows determined taking into account risks associated with the obligation. The increase in the provision connected with the passing of time is recognised to the Income statement under the items "Financial income" or "Financial expenses".

The costs that the company expects to bear to implement renovation programmes are recognised in the year in which the programme is formally defined and the sound expectation that the renovation will take place is generated in the interested parties.

The provisions are periodically updated to reflect the changes in the estimates of costs, execution time and the discount rate; the estimate revisions are charged to the same Income statement item that previously contained the provision. The provisions for risks and charges are subject to discounting if it is possible to reasonably estimate the time the monetary outflows occurred. When the liability regards property, plant and equipment (e.g. dismantling and restoration of sites), the changes in provision estimate are recognised as a balancing entry for the asset to which they refer within the limits of the book values; any surplus is recognised to the Income statement.

If it is expected that all the expenses (or a part of them) required to settle an obligation are repaid by third parties, the indemnity – when it is virtually certain – is recognised as a separate asset.

For contracts whose non-discretionary costs necessary for fulfilling the obligations undertaken are greater than the economic benefits expected to be obtainable from the contract (onerous contracts), the Company recognises a provision equal to the cost necessary for the fulfilment and any compensation or sanction arising from non-fulfilment of the contract, whichever is the lesser.

The existence of contingent liabilities, represented by possible but not probable obligations arising from past events whose existence will be confirmed only when one or more uncertain future events not totally under the company's control occur, or not occur, will not give rise to the recognition of liabilities recorded in the financial statements, but is explained in a specific note contained in the Separate Financial Statements.

Employee benefits. Taking into account their characteristics, benefits following employment are either "defined-contribution" plans or "defined-benefit" plans. In the defined-contribution plans, the company's obligation – limited to paying contributions to the State, to an estate or to a legally distinct entity – is determined based on the contributions due. The costs relating to these plans are recognised to the Income statement based on the contribution made during the period. In the defined-benefit plans, on the other hand, the company's obligation is determined, separately for each plan, based on actuarial assumptions by estimating (in compliance with the projected unit credit method) the amount of the future benefits that the employees have accrued as at the date of reference. More specifically, the current value of the defined-benefits plans is calculated using a rate determined based on market performance as at the reporting date of the bonds of primary companies or, if there is no active market in which they are traded, government bonds. The liability is recognised on an accrual basis during the period the right accrues. The liability is measured by independent actuaries. If the assets servicing the plan exceed the current value of the relevant liability, the surplus is recognised as assets.

Net interest includes the return on assets servicing the plan and of the interest cost to recognised to the Income statement. Net interest is determined by applying the discount rate defined for the liabilities to the liabilities, net of any assets servicing the plan; Net interest of defined-benefits plans is recognised to the Income statement as "Financial income" or "Financial expenses".

The actuarial gains and losses arising from the actuarial assessment of the defined-benefits plans and the return on assets servicing the plan (net of their interest income) are recognised as other components of the Statement of comprehensive income. The actuarial gains and losses for the other long-term benefits are recognised to the Income statement. If a defined-benefits plan is changed, or if a new plan is introduced, the pension cost, if any, related to past service is recognised to the Income statement.

Derivative instruments. A derivative is a financial instrument or another contract:

- whose value changes depending on the changes in an underlying parameter, such as interest rate, price of a note or goods, exchange rate in foreign currency, index of prices or rates, rating of a receivable or another variable;
- that requires a net initial investment equal to zero or less than what would be required for contracts with a response similar to the changes in market conditions;
- that is settled at a future date.

The derivative instruments are classified as financial assets or liabilities, depending on their positive or negative fair value, and are classified as "held for trading" and measured at the fair value recognised to the Income statement, except for those designated as effective hedging instruments.

Derivatives are designated as hedging instruments when the ratio between the derivative and the hedged item is formally documented and the hedging effectiveness (periodically checked) is high. When the derivatives cover the risk of change in the cash flows of the hedge instruments (cash flow hedge), e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in exchange rates, the changes in fair value of the derivatives considered effective are initially recognised in the shareholders' equity reserve pertaining to the other Statement of comprehensive income components and afterwards charged to the Income statement consistently with the economic effects generated by the hedged transaction. The changes in the fair value of the derivatives that do not meet the conditions for being qualified as hedging are recognised to the Income statement.

Fair value measurement

Measurements at fair value and their disclosure are made or prepared by applying IFRS 13 "Fair value measurement". The fair value is the price that one would receive for the sale of an asset or that one would pay for the transfer of a liability in an ordinary transaction initiated between market operators as at the valuation date.

Fair value measurement is based on the assumption that the transaction to sell the asset or to transfer the liability takes place in the main market, i.e. in the market in which the greater volume and level of transactions for the asset or liability takes place. Without a main market, one assumes that the transaction takes place in the most advantageous market to which the Company has access, that is the market susceptible to maximising the results of the transactions to sell the asset or to minimising the amount to pay to transfer the liability.

The fair value of an asset or a liability is calculated considering the assumptions that the market participants would use to define the price of the asset or liability, on the assumption that they act according to their best economic interest. The market participants are informed independent buyers and sellers able to enter into a transaction for the asset or liability and motivated, but neither obliged nor induced, to make the transaction.

In measuring the fair value, the Company takes into account characteristics of the specific assets or liabilities; in particular for the non-financial assets, the ability of a market operator to generate economic benefits by using the asset in its maximum and best use or selling it to another market operator able to use it in its maximum and best use. The fair value of the assets and liabilities is measured using techniques adequate for the circumstances and for which sufficient data are available, maximising the use of observable input.

Revenues and costs

Revenues are recognised to the extent in which the Company receives the economic benefits and are reliably determined; revenues from the supplies of services are recognised when the supply has been completed, while revenues from sales are recognised when the typical risks and benefits of the ownership of the sold goods have been actually transferred.

As regards the most important services for the Company, revenues are recognised:

- for the licence fee income in connection with the payment made to the State, mainly by debit in the electricity bill for the ordinary fees or to Rai for the special fees, regarding the amount pertaining to the period (the amounts paid in advance, before the accrual period, are not included); also included are payments made in the period for licence fees referring to previous financial years and licence fees relating to exemptions granted to certain user categories;
- for advertising income with the broadcast of the advertisement.

The allocations of revenues relating to partially supplied services are recognised for the amount accrued, provided that it is possible to reliably determine its stage of completion and that there are no significant uncertainties on the amount or on the existence of the revenue and its costs; otherwise they are recognised within the limits of the recoverable sustained costs.

Revenues are recognised for the fair value amount of the consideration received or receivable, net of returns, discounts, allowances and premiums, and of directly associated taxes.

Costs are recognised on an accrual basis when they concern services and goods purchased or consumed during the year or by systematic breakdown, or when their future usefulness cannot be identified.

Operating lease rentals are charged to the Income statement along the duration of the contract. Financial income and expenses are recognised to the Income statement during the year in which they accrued.

Exchange rate differences

Revenues and costs relating to transactions in a currency that is not the functional one are recorded at the current exchange rate of the day on which the transaction is recognised.

Monetary assets and liabilities in a currency other than the functional one are translated into the functional currency applying the current exchange rate as at the reporting date with the effect charged to the Income statement. Monetary assets and liabilities stated in a currency other than the functional one recognised at cost are recorded at the initial recognition exchange rate; when the measurement is made at fair value or at the recoverable or realisable value, the current exchange rate as at the date said value is determined is adopted.

Dividends

Dividends are recognised as at the date the General Meeting that establishes the right to receive payment passes the resolution except for when it is reasonably certain that the shares will be sold before the coupon date.

The dividends resolved by the Annual Shareholders' Meeting are represented as a change in shareholders' equity in the year in which they are approved.

Income tax

Current taxes recorded as Current income tax payables net of paid advances or in the item Current income tax receivables when the net balance is a credit are determined based on the estimated taxable income and in compliance with tax legislation. Specifically, these payables and receivables are calculated apply the tax rates in force as at the reporting date.

Current taxes are recognised in the Income statement, except for those concerning items directly chargeable to shareholders' equity.

Deferred income tax assets and liabilities are calculated on the temporary differences between the asset values recognised and the matching values recognised for tax purposes, apply the rate in force as at the date on which the temporary difference will be paid, based on the rates expected as at the reporting date. A deferred tax liability is recorded for all taxable temporary differences, except for goodwill. Deferred tax assets on the temporary differences, tax losses and tax credits not used are recognised if and when their recovery is likely in expectation that they might realise positive taxable amounts for Rai and the Group in future tax periods. A new assessment on whether or not the deferred taxes can be recognised is conducted on every reporting date.

Deferred income tax assets and liabilities are recognised in the Income statement, except for those concerning items directly chargeable to shareholders' equity.

As a result of applying regulations referring to the same tax authority, the Deferred income tax assets and liabilities are offset if there is a legally exercisable right to offset the current tax assets with the current tax liabilities that will be generated at the time of their payment.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at the single tax jurisdiction level if referring to offsettable taxes. If receivable, the offsetting balance is recognised in the item "Deferred tax assets"; if payable, in the item "Deferred tax liabilities".

Related parties

Related parties are those parties that share the same parent company with Rai, the companies that control it directly or indirectly, are subsidiaries, or are subject to joint control and those in which the Company holds an equity investment such as to be able to exercise considerable influence. Entities that manage benefit plans subsequent to termination of employment only for the Company's employees (specifically indicated in Note 17.4 "Transactions with related parties") and key management personnel, i.e. those who have the direct or indirect power and responsibility for planning, management and control of the Company's activities, including the Directors, fall under the definition of Related Parties.

In compliance with what is regulated by IAS 24 "Related party disclosures", paragraph 26, Rai is exempted from the disclosure requirements under paragraph 18 (according to which the Company must indicate the type of relationship with the related party, in addition to providing information on said transactions and on the existing balances, including the commitments necessary for the users of the financial statements to comprehend the potential effects of this relationship on the Financial Statements) in the case of relations with another entity that is a related party because the same government entity has control over both the entity drawing up the financial statements and another entity.

4) Use of estimates

Application of the IFRS for drawing up the Separate Financial Statements entails making accounting estimates that are often based on complex and/or subjective assessments and on past experience and assumptions considered reasonable and realistic in connection with the information known at the time of the estimate. The use of these estimates reflects on the book value of the assets and liabilities and on the disclosure concerning the contingent assets and liabilities as at the date of the Financial Statements, and on the amount of the revenues and costs in the accounting period represented. The actual results might differ from those estimated because of the uncertainty characterising the assumptions and conditions on which the estimates are based. The estimates and assumptions are periodically reviewed and the effects of every change are reflected in the Income statement.

For a better understanding of the Separate Financial Statements, the most significant estimates of the process of drafting the Separate Financial Statements because they involve making considerable recourse to subjective opinions, assumptions and estimates related to themes uncertain owing to their nature are provided below. The changes in the conditions at the root of adopted opinions and assumptions might have a large impact on the subsequent results.

Write-downs

Assets are written down when events or circumstances arising after their initial recognition lead one to believe that this value is not recoverable. The decision of whether to proceed with its write-down and quantification depends on assessments made on the basis of reasonable and demonstrable assumptions representing the best estimate of the future economic conditions that will take place in the residual useful life of the asset while giving importance to the information coming from the outside.

The write-down is determined by comparing the book value with the relevant recoverable value represented by the fair value net of disposal charges or the value in use, whichever is greater. The latter is determined by the use of the asset net the disposal charges and quantified in light of the information available at the time of the estimate on the basis of subjective opinions on the trend of future variables (such as prices, costs, demand growth rates).

Recovery of deferred taxes

Deferred tax assets associated with the recognition of tax losses that can be used in subsequent tax periods are recorded in the Separate Financial Statements. The amount of the above-mentioned deferred taxes is subordinate to the recoverability determined by attaining future taxable profits large enough to absorb the aforesaid tax losses or up to the total amount of the deferred tax liabilities. Management is required to give important opinions in order to determine the amount of the deferred taxes that can be recognised based on the time frame and the amount of the future taxable income. If in the future the Company would be unable to recover all or part of the deferred taxes recorded in the financial statements, the relevant adjustment will be charged to the Income statement.

Employee benefits

Some of the Company employees are members of plans that disburse benefits after termination of employment (such as the Provision for Employee Severance Pay and the supplementary pension funds specified in Note 14.2 "Employee benefits"). Quantification of the costs and liabilities associated with these plans is based on estimates made by actuaries, who use a combination of statistical-actuarial factors, including statistical data relating to past years and forecasts of future costs. Mortality and withdrawal rates, assumptions on the future evolution of discount rates, remuneration growth rates, inflation rates and the analysis of the trending index of healthcare costs are also considered as estimate components. What normally occurs is that when the balance of these liabilities is periodically measured, there are differences arising from, among other things, changes in the actuarial assumptions use, the difference between actuarial assumptions previously adopted and those that actually took place, and the different return on assets servicing the plan compared to what was considered in the net interest calculation. The impacts of the new measurements are recognised in the Statement of comprehensive income for the defined-benefit plans and in the Income statement for the defined-contribution plans.

Litigation

The Company is respondent in several disputes concerning administrative, civil, tax and labour law matters. The nature of these disputes makes the final outcome of the matters objectively unforeseeable. Provisions were therefore formed to cover all significant liabilities for the cases in which the lawyers (inside the Company and third-party consultants used) deemed that the likelihood of an unfavourable outcome exists and it was possible to draw up a reasonable estimate of the charges arising from losing the cases.

Dismantling and restoration of sites

The Company recognised liabilities regarding the obligations to dismantle property, plant and equipment and to restore several areas under operating lease agreements at the end of the period they are used. Estimating future dismantling and restoration costs is a complex process and requires common sense and judgement in assessing liabilities to sustain many years later, and they are often not fully defined by laws, regulations or contractual clauses. The critical nature of the estimates of dismantling and restoration charges also arises (i) from posting these charges whose current value is initially recorded to increase the cost of the asset to which they refer and as a balancing entry in the provision for risks; and (ii) from the complexity and subjectivity of the valuation process to perform upon initial recognition and to update at least once a year in order to determine the discount rate to use.

Fair value measurement of financial instruments

The fair value of the listed financial instruments is determined by observing the prices that can be taken directly from the market, while specific valuation techniques using the greatest possible number of inputs seen on the market are used for the unlisted financial instruments. In the circumstances in which this is not possible, management estimates the inputs while taking into account characteristics of the instruments being measured. Changes in the assumptions made in the estimate of the input data might have effects on the fair value recognised for these instruments.

5) Recently issued accounting principles

Accounting principles approved by the European Union but still not mandatorily applicable

- Accounting standard IFRS 15 "Revenue from contracts with customers" (hereinafter "IFRS 15") that requires revenue to be recognised based on the following five steps was approved with Regulation no. 2016/1905 issued by the European Commission on 22 September 2016:
 - identification of the contract with the customer;
 - identification of the performance obligations (i.e. the contractual commitments to transfer goods and/or services to the customer);
 - determination of the transaction price;
 - allocation of the transaction price to the performance obligations identified on the basis of the stand alone selling price of each good or service; and
 - recognition of the revenue when the relevant performance obligation is met.
- The amendments to IFRS 15 were also approved with Regulation no. 2017/1987 issued by the European Commission on 31 October 2017. These amendments regard:
 - identification of the contractual obligations;
 - assignment of the role of principal or agent;
 - determination of the moment of recognition of the income arising from the granting of a licence.
- The provisions of IFRS 15 and its amendments are effective starting from the years beginning on or after 1 January 2018. Early application of both is allowed. The Company decided to not avail itself of the right to apply IFRS 15 and its amendments early and estimated that their application will have an insignificant impact on shareholders' equity as at 1 January 2018.
- Accounting standard IFRS 9 "Financial Instruments" (hereinafter "IFRS 9") was approved with Regulation no. 2016/2067 issued by the European Commission on 22 November 2016. Specifically, the new standard reduces the number of categories of financial assets listed in IAS 39 and defines: (i) the methods for classifying and measuring financial assets; (ii) the financial instrument impairment methods; (iii) the methods for applying hedge accounting and (iv) the posting of the changes in credit worthiness in the fair value measurement of the liabilities. The provisions of IFRS 9 are effective starting from the years beginning on or after 1 January 2018. Early adoption is allowed. The Company decided to not avail itself of the right to apply IFRS 9 early and estimated that the principle will have an insignificant impact, net of the relevant tax effect, on shareholders' equity as at 1 January 2018 deriving mainly from measurement of the provision for write-downs.
- With Regulation no. 2017/1988 issued by the European Commission on 3 November 2017, the amendments to IFRS 4 "Joint application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts" (hereinafter "amendments to IFRS 4") were approved. The amendments to IFRS 4 satisfy the critical issues arising from introduction of IFRS 9 while awaiting the principle that will replace the current IFRS 4. These amendments are effective starting from the years beginning on or after 1 January 2018. The Company estimated that the principle will have no impact on its financial statements since the cases it regulates are not applicable to the Company's situation.
- International accounting standard IFRS 16 "Leasing" was approved with Regulation 2017/1986 issued by the European Commission on 31 October 2017. The standard defines the new leasing posting model while eliminating the distinction between operating and financial lease in the lessee's perspective. The provisions of IFRS 16 are effective starting from the years beginning on or after 1 January 2019. Its early adoption together with IFRS 15 is allowed. At present, the Company is analysing the standard and considering whether its adoption will have a significant impact on its financial statements, mainly arising from real estate lease agreements and leases for mobile assets.
- The "Annual Improvements to IFRS Standards 2014-2016 Cycle" containing amendments, basically technical and editorial in nature, of several international accounting standards was approved with

Regulation no. 2018/182 issued by the European Commission on 7 February 2018. The amendments contained in the Annual Improvements to the IFRS Standards 2014-2016 Cycle are:

- IFRS 1: the short-term exemptions provided for in paragraphs E3-E7 are eliminated because the reasons for their inclusion have ceased to exist. The amendment is effective starting from the years beginning on or after 1 January 2018;
- IFRS 12: the purpose of the standard is clarified, specifying that the disclosure requirements, except for those provided for by paragraphs B10-B16, apply to the interests of an entity listed under paragraph 5 that are classified as held for sale, for distribution or as a discontinued operation pursuant to IFRS 5. The amendment is effective starting from the years beginning on or after 1 January 2017;
- IAS 28: it is clarified that the decision to measure an investment in a subsidiary or in a joint venture held by a venture capital company at fair value with balancing entry recorded in the Income statement is possible for every investment in subsidiaries or joint ventures starting from their initial recognition. The amendment is effective starting from the years beginning on or after 1 January 2018.

The Company estimated that the above amendments will have no impact on its financial statements since the cases they regulate are not applicable to the Company's situation.

Accounting principles not yet approved by the European Union

- On 20 June 2016 the IASB issued the amendments to IFRS 2: "*Classification and Measurement of Share-based Payment Transactions*". The amendments clarify the requirements and methods for recognising share-based payments. These amendments are effective starting from the years beginning on or after 1 January 2018.
- On 8 December 2016 the IASB issued IFRIC 22 "*Foreign Currency Transactions and Advance Consideration*". The interpretation deals with transactions in foreign currency in the case in which an entity recognises a non-monetary asset or liability coming from the payment or collection of an advance before the entity recognises the relevant asset, cost or revenue. What has been defined does not have to be applied to taxes or to insurance or reinsurance contracts. The IFRIC principle is effective starting from the years beginning on or after 1 January 2018.
- On 8 December 2016 the IASB issued the amendments to IAS 40: "*Transfers of Investment Property*". The amendments clarify the methods for changing classification from or to Real Estate Investments. These amendments are effective starting from the years beginning on or after 1 January 2018.
- IASB issued IFRS 17 "*Insurance Contracts*" on 18 May 2017. Based on the new standard, the entity must: (i) identify the insurance contracts; (ii) separate the incorporated derivative contracts, the distinct investment components and the distinct performance obligations from the insurance contracts; (iii) divide the contracts into groups so they can be recognised and measured; (iv) recognise the profit coming from a group of insurance contracts along the insurance coverage period and when it is released from the risk. If a group of contracts is or becomes a loss, the entity must immediately recognise the loss; (v) present the insurance revenue, expense for the insurance services and the inflow or expenses of the insurance sector; and (vi) provide information to allow the users of the financial statements to assess the effect that the contracts regulated by IFRS 17 have on the financial position, on financial performance and on the cash flows of an entity.
The provisions of IFRS 17 are effective starting from the years beginning on or after 1 January 2021.
- IASB issued IFRIC 23 "*Uncertainty over Income Tax Treatments*" on 7 June 2017. IFRIC 23 specifies how to reflect the effects of uncertainty in posting income taxes if the tax treatment of a particular transaction or circumstance is unclear. The provisions of IFRIC 23 are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the amendments to IFRS 9 "*Prepayments Features with Negative Compensation*" on 12 October 2017. These amendments allow entities to recognise several deferred financial assets at amortised cost with the so-called negative offset.
These amendments are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the amendments to IAS 28 "*Long-term Interests in Associates and Joint Ventures*" on 12 October 2017. The amendments clarify that a company applies IFRS 9 to the long-term interests in an associate or joint venture that are part of the net investment in the associate or joint venture. These amendments are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the document "*Annual Improvements to IFRS Standards 2015-2017 Cycle*" on 12 December 2017. The amendments it contains are:
 - IFRS 3: the company remeasures the equity investment previously held in a joint operation when it obtains control of the business.
 - IFRS 11: a company does not remeasure the equity investment previously held in a joint operation when it obtains joint control of the business.

- IAS 12: in the same way, a company takes into account all consequences of the income taxes arising from payment of dividends.
 - IAS 23: a company treats any loan previously subscribed to develop an asset when the asset is ready for its expected use or for sale as part of the general loans.
- The amendments indicated in the above-mentioned document are effective starting from the years beginning on or after 1 January 2019.

At present, the Company is analysing the principles specified and is assessing whether their adoption will have a significant impact on its financial statements.

6) Information by operating segment

IFRS 8 "Operating Segments" identifies the "Operating Segment" as a component of an entity: (i) that carries out activities able to generate flows of revenue and autonomous costs; (ii) whose operational results are periodically reviewed at the highest operational decision-making level, which coincides with the Company's Board of Directors, with the purpose of taking decisions on allocation of the resources and assessing their results; and (iii) for which separate economic-financial information is prepared. The Company has identified only one operating segment and the management information, prepared and periodically made available to the Board of Directors for the purposes referred to above, considers the activity carried out as an indistinct set; as a result, no information by operating segment is presented in the Separate Financial Statements. The information on the services carried out by the Company, the geographical area (nearly corresponding entirely to the territory of the Italian State) where it carries out its activity and their major users is provided in the pertinent Notes to these Separate Financial Statements to which the reader is therefore referred.

7) Management of financial risks

The financial risks to which the Company is exposed are managed according to the approach and the procedures defined within a specific policy. These documents establish procedures, limits and tools for monitoring and minimisation of financial risk, with the objective of preserving corporate value.

The main risks identified by the Company are:

- market risk arising from exposure to fluctuations of interest rates and exchange rates connected with the financial assets and liabilities respectively owned/originated and assumed;
- credit risk arising from the possibility that one or more counterparties might be insolvent;
- liquidity risk arising from the Company's inability to obtain the financial resources necessary to meet short-term financial commitments.

7.1 Market risk

Market risk consists of the possibility that changes in the interest and exchange rates might negatively influence the value of the assets, liabilities or expected cash flows.

Interest rate risk

Interest rate risk originates from the possible increase in net financial expenses as a result of unfavourable changes in market rates on the variable rate financial positions. In order to limit this risk, corporate policy requires that the medium/long-term variable rate loans be converted to fixed rate for at least 50% by using derivative products, such as Interest Rate Swaps.

Medium/long-term borrowings as at 31 December 2017 are entirely at fixed rate; therefore, the effects of the change in rates fall only on the short-term positions of a varying duration and sign during the year.

Please also note that on 20 April 2017 four Interest Rate Swap Forward Start contracts were signed for a total notional amount of €350,000 thousand with commencement date May 2020 and valid for the next 5 years. This operation was implemented to cover the risk of increasing interest rates when the current obligation expires with the resulting need to refinance. The fair value of this operation as at 31 December 2017 was positive for €1,205 thousand, suspended in a special Cash Flow Hedge Reserve, with a positive effect on the overall profit for the year of €916 thousand, net the tax component of €289 thousand.

Sensitivity analysis

The sensitivity analysis conducted on the uncovered financial positions, made up of only the short-term financial positions and, as regards 2017, on Interest Rate Swap Forward Start contracts, is provided in the table below. In consideration of the level that the short-term position rates have already reached, a minimum level of applicable rates (zero) was considered, while a two-way shift of the rate curve of 50 b.p. was applied for Interest Rate Swaps, with the following effects:

(in €/’000)	Change in interest rate	Change in economic result before tax effect	Change to Cash Flow Hedge Reserve
Year ended 31 December 2017	+50 bp.	1.007	8,926
	-50 bp.	-	(8,957)
Year ended 31 December 2016	+50 bp.	(863)	-
	-	-	-

Exchange rate risk

The Company’s exchange rate risk mainly relates to the exposure in US dollars originating from purchase of sports broadcasting rights by Rai. During the year, these commitments generated payments for about \$32 million (\$35 million in 2016). Further exposure currencies, with split disbursements and of a modest amount all in all, are the Swiss Franc and the British Sterling for a value of about €5 million. Hedging accounting is not active as at 31 December 2017 considering the limited commitments in foreign currency.

Exchange rate risk is managed starting from the date the trade commitment is signed, is often long-term and has as an objective protecting the value in Euro of the commitments, as estimated at the time of the order (or budget). The policy regulates their management in keeping with the international best practices, with the aim of minimising the risk. This is pursued through the active monitoring of exposure and the implementation of hedging strategies by Rai, also on behalf of the subsidiaries (except for Rai Way, which has an autonomous policy and management). The mandates for carrying out hedging transactions are given hierarchically and progressively, with a minimum intervention percentage of 50% of the contractual amount in foreign currency.

The hedging strategies are carried out through derivative instruments – such as forward purchases and optional structures – without taking on a financial speculation nature. To this end, using appropriate systems, effectiveness tests are conducted before and after, and they make it possible to identify, as better described in detail in Note 15.2 “Current financial liabilities”, the effective and ineffective amount of the hedge.

The breakdown of the assets and liabilities in currency other than the Euro is provided below:

(in €/’000)	Year ended 31 December 2017		Year ended 31 December 2016	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	-	-	3	16
Trade payables (*)	(1,269)	(842)	(7,511)	(720)
Cash on hand	370	109	405	79
Current financial assets (**)	-	2	-	2
Current financial liabilities (**)	(4,102)	-	(4,088)	-
Other non-current assets	7	75	52	78
Other current receivables and assets	-	6	1	24
Other current payables and liabilities	(14)	(150)	(70)	(132)

(*) amount hedged by derivative instruments for a nominal value:

- no value as at 31/12/2017
- equal to \$5,750 thousand as at 31/12/2016

(**) not including derivative instruments.

Sensitivity analysis

As for what is explained above, exposure to the exchange rate risk is significant only for the EUR/USD exchange rate. Therefore, a sensitivity analysis as at 31 December 2017 and as at 31 December 2016 was conducted on the uncovered credit and debt positions, on the derivatives hedging commitments for contracts already signed and on available cash in foreign currency. A symmetrical change of 10% of the exchange rate compared to the value present as at the reporting date, all other conditions being equal, was simulated.

The effects on the economic result, indicated in the following table, were mainly determined by the debt positions not hedged for the exchange rate risk, including the debit balance in USD to Rai Corporation, while the Cash Flow Hedge Reserve contained the effective amount of the hedges existing on commitments already signed but without equity reflections in the pertinent financial statements.

(in €/’000)	EUR/USD exchange rate	Change in EUR/USD exchange rate	Recalculated EUR/USD exchange rate	Change in Income statement (before taxes)	Change in Cash Flow Hedge Reserve
Year ended					
31 December 2017	1.1993	-10%	1.0794	(556)	-
		+10%	1.3192	455	-
31 December 2016	1.0541	-10%	0.9487	(703)	1,462
		+10%	1.1595	330	(616)

7.2 Credit risk

The theoretical exposure to credit risk for the Company mainly refers to the book value of the financial assets and trade receivables recognised.

As for the counterparty risk, trade partner assessment procedures are adopted for managing trade receivables. The analysis is conducted periodically on the situation of the past due items and may lead to the dunning of the parties affected by solvency problems. The lists of the past due items analysed are arranged by amount and customer, updated to the analysis date and show those situations demanding greater attention.

The corporate structure of the Company appointed to collect the credit initiates kindly reminder measures with the counterparties that are debtors of amounts relating to past-due items. If these activities do not result in collection of the sums, the structure starts up the expedient actions (warning letter, injunction, etc.) aimed at collecting the credit in agreement with the legal function after formally dunning the debtor parties. The allocations to the provision for write-downs are made specifically on the credit positions having peculiar risk elements.

The analysis of the receivables by due date (before provision for write-downs) is provided below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Invoices to be issued	146,556	386,429
Falling due	137,632	159,972
Expired from 0 to 90 days	212	1,370
Expired from 91 to 180 days	404	131
Expired over 180 days	17,932	17,675
Invoices issued	156,180	179,148
Total trade receivables	302,736	565,577

Credit risk on uses of funds is limited since corporate policy requires the use of low risk financial instruments and with counterparties having high ratings for the periods of cash surplus. Only time or demand deposits with bank counterparties having investment grade rating were used during 2017 and 2016.

7.3 Liquidity risk

On the strength of specific contracts with the subsidiaries, with the sole exception of the subsidiary Rai Way, Rai manages Group financial resources through a cash-pooling system that involves daily transfer of the bank balances of the associates to the Rai current accounts, which grants the intercompany credit facilities necessary for the operations of these companies. Rai Way has autonomous treasury and financial resources from the listing date.

As regards the medium/long-term, the financial structure of the Company consists of a bond issue with maturity date in May 2020 for €350 million (please refer to Note 14.1 “Non-current financial liabilities and current portions of non-current financial liabilities”) and a loan against the project to implement terrestrial digital technology for €35 million of the European Investment Band (hereinafter “EIB”).

In consideration of the significant fluctuation of the infra-annual indebtedness connected with the periodic settlement of the licence fees by the Ministry of Economy and Finance, the Company has uncommitted bank credit facilities for about €480 million and, since the month of January 2017, a five-year revolving line with a pool of banks totalling €270 million.

The new revolving line requires that the following Consolidated Financial Statements parametric/equity ratio be met:

- Net Financial Debt (adjusted by receivables from the State for licence fees)/shareholders’ equity ≤ 1.7 .

This ratio was fully met as at the reporting date, posted at 0.44. The cash situation is constantly monitored with a financial forecasting process that highlights any financial critical issues considerably in advance so that the expedient measures can be taken.

The following tables include the analysis by due date of the financial liabilities as at 31 December 2017 and 31 December 2016. The balances presented are non-discounted contractual amounts, except for the currency derivatives, for which the amounts shown are at their fair value since this is indicative of the effect on the cash flows during the specific period.

(in €/'000)	Year ended 31 December 2017				Year ended 31 December 2016			
	< 1 year	2-5 years	>5 years	Total	< 1 year	2-5 years	>5 years	Total
Trade payables and other liabilities:								
Trade payables	550,891	-	-	550,891	560,424	-	-	560,424
Other payables and liabilities	419,742	1,712	257	421,711	327,908	3,295	330	331,533
Medium/long-term financial liabilities:								
Medium/long-term loans	10,679	25,783	-	36,462	10,887	36,462	-	47,349
Bonds	5,250	360,500	-	365,750	5,250	365,750	-	371,000
Short-term financial liabilities:								
Due to banks	37	-	-	37	160,143	-	-	160,143
Due to subsidiaries (negative c/a balances)	140,618	-	-	140,618	129,475	-	-	129,475
Due to associates	-	-	-	-	86	-	-	86
Other financial liabilities	-	-	-	-	-	-	-	-
Derivative instruments:								
Derivative instruments on exchange rates to third parties	506	-	-	506	26	-	-	26
Derivative instruments on intercompany exchange rates	-	-	-	-	697	-	-	697

8) Management of capital risk

The Company's objectives in managing capital are inspired by preservation of the ability to continue guaranteeing optimum capital strength also through the ongoing improvement of operational and financial efficiency. The Company pursues the objective of retaining an adequate level of capitalisation that allows it to realise a return and to access outside sources of funding. The Company constantly monitors the evolution of the indebtedness level in proportion to shareholders' equity. Specifically, the ratio between equity and the total of comprehensive liabilities of the shareholders' equity is seen in the following table:

(in €/'000)	Year ended 31 December 2017	Year ended 31 December 2016
Shareholders' equity	808,395	799,469
Total shareholders' equity and liabilities	2,996,416	3,171,063
Ratio	27.0%	25.2%

The Net financial position of the Company for the periods under review is shown in Note 19.2 "Net financial position".

9) Fair value measurement

The fair values of the financial instruments classified based on a hierarchy of levels reflecting the significance of the inputs used in its determination (IFRS 13 "Fair value measurement") are provided below.

- **Level 1:** Listed price (active market): the data used in the measurements are represented by prices listed on markets in which assets and liabilities identical to those being measured are traded;
- **Level 2:** Use of parameters observable on the market (e.g. for the derivatives, the exchange rates recorded by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated on the basis of the credit default swaps, etc.) different from the Level 1 listed prices;
- **Level 3:** Use of parameters not observable on the market (internal assumptions, for example, cash flows, spreads adjusted for risk, etc.).

The financial instruments at fair value recorded in the financial statements are made up of hedging derivatives measured with a financial model that uses the most popular and accepted market formulas (net current value for forward currency purchasing transactions and application of the Black-Scholes formula for the options), in addition to the following input data given by the provider Reuters: ECB spot exchange rates, Euribor and IRS rate curves, volatility and credit spreads of the various bank counterparties and of the securities issued by the Italian State. The fair value of the derivative instruments represents the net position between assets and liabilities. For more information on the derivative instru-

ments (assets and liabilities), please refer to Notes 12.3 "Current financial assets" and 15.2 "Current financial liabilities".

(in €/’000)			
Year ended 31 December 2017			
Description	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	-	-
Derivatives on interest rates	-	1,205	-

(in €/’000)			
Year ended 31 December 2016			
Description	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	967	-
Derivatives on interest rates	-	-	-

10) Reconciliation between classes of financial assets and liabilities and types of financial assets and liabilities

To complete the information on financial risks, the reconciliation between classes of financial Assets and Liabilities and types of financial Assets and Liabilities identified base on IFRS 7 requirements is provided below:

Year ended 31 December 2017 (in €/'000)	Receivables and loans	Financial assets held for sale	Financial assets and liabilities at fair value with balance entry recognised to the Income statement (*)	Hedging activity	Total financial assets and liabilities	Notes (**)
Assets						
Trade receivables	293,014	-	-	-	293,014	12.2
Current financial assets	171,540	-	506	-	172,046	12.3
Cash and cash equivalents	170,900	-	-	-	170,900	12.6
Non-current financial assets	3,381	-	-	1,205	4,586	11.4
Total financial assets	638,835	-	506	1,205	640,546	
Liabilities						
Trade payables	(550,891)	-	-	-	(550,891)	15.1
Current financial liabilities	(140,655)	-	(506)	-	(141,161)	15.2
Current portion of medium/long-term loans	(10,000)	-	-	-	(10,000)	15.2
Non-current financial liabilities	(372,825)	-	-	-	(372,825)	14.1
Total financial liabilities	(1,074,371)	-	(506)	-	(1,074,877)	

(*) Includes the fair value of the derivatives activated by Rai on behalf of Rai Cinema, whose effects are reflected in Rai Cinema without economic effects in Rai.

(**) The figures provided below indicate the paragraphs within the Notes in which the assets and liabilities shown are described in detail.

Year ended 31 December 2016 (in €/'000)	Receivables and loans	Financial assets held for sale	Financial assets and liabilities at fair value with balance entry recognised to the Income statement (*)	Hedging activity	Total financial assets and liabilities	Notes (**)
Assets						
Trade receivables (***)	557,732	-	-	-	557,732	12.2
Current financial assets	112,605	-	1,038	651	114,294	12.3
Cash and cash equivalents	4,562	-	-	-	4,562	12.6
Non-current financial assets	61	-	-	-	61	11.4
Total financial assets	674,960	-	1,038	651	676,649	
Liabilities						
Trade payables	(560,424)	-	-	-	(560,424)	15.1
Current financial liabilities	(289,704)	-	(723)	-	(290,427)	15.2
Current portion of medium/long-term loans	(10,000)	-	-	-	(10,000)	15.2
Non-current financial liabilities	(381,946)	-	-	-	(381,946)	14.1
Total financial liabilities	(1,242,074)	-	(723)	-	(1,242,797)	

(*) Includes the fair value of the derivatives activated by Rai on behalf of Rai Cinema, whose effects are reflected in Rai Cinema without economic effects in Rai.

(**) The figures provided indicate the paragraphs within the Notes in which the assets and liabilities shown are described in detail.

(***) The figure includes the value of the trade receivables allocated to other non-current assets (invoices to be issued).

11) Non-current assets

11.1 Property, plant and equipment

Property, plant and equipment, which amounted to €877,147 thousand (€872,115 thousand as at 31 December 2016), are broken down as follows:

(in €/’000)	Land	Buildings	Plant and machinery	Fixtures and fittings, tools and other equipment	Other assets	Assets under construction and payments on account	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 in the year							
Increases and capitalisation	-	3,769	23,947	1,868	4,226	41,350	75,160
Disposals [1]	(15)	(61)	(736)	(2)	(9)	(263)	(1,086)
Reclassifications	-	1,966	20,240	491	2,132	(24,829)	-
Amortisation	-	(11,778)	(50,255)	(1,419)	(5,590)	-	(69,042)
Balance as at 31 December 2017	370,131	300,327	125,057	4,751	21,954	54,927	877,147
<i>broken down as follows:</i>							
Cost	370,131	459,658	1,405,079	69,438	113,618	54,927	2,472,851
Accumulated depreciation	-	(159,331)	(1,280,022)	(64,687)	(91,664)	-	(1,595,704)
<i>[1] of which:</i>							
Cost	(15)	(252)	(26,847)	(291)	(3,597)	(263)	(31,265)
Accumulated depreciation	-	191	26,111	289	3,588	-	30,179
	(15)	(61)	(736)	(2)	(9)	(263)	(1,086)

Investments of the years, which amounted to €75,160 thousand (€55,672 thousand in 2016), fall within the scope of the modernisation and technological development initiatives that the Company initiated.

The amount of the existing contractual commitments for the purchase of property, plant and machinery is specified in Note 17.2 “Commitments”.

11.2 Intangible assets

Intangible assets, which amounted to €435,721 thousand (€443,993 thousand as at 31 December 2016), are broken down as follows:

(in €/'000)	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 depreciation	(323,669)	(3,797)	(49)	(1,166)	-	(328,681)
Write-downs	(42,809)	-	-	-	(23,175)	(65,984)
Balance as at 31 December 2016	256,171	6,366	21	299	181,136	443,993
Change in the year						
Increases and capitalisation	105,631	3,257	-	-	100,250	209,138
Reclassifications [1]	86,455	6,604	-	-	(93,059)	-
Disposals / value recoveries [2]	-	(10)	-	-	-	(10)
Write-downs	(38,542)	-	-	(5)	(8,779)	(47,326)
Use of provision for write-downs	31,035	-	-	-	-	31,035
Amortisation	(196,620)	(4,316)	(7)	(166)	-	(201,109)
Balance as at 31 December 2017	244,130	11,901	14	128	179,548	435,721
<i>broken down as follows:</i>						
Cost [3]	646,677	20,004	70	500	208,979	876,230
Accumulated depreciation [3]	(352,144)	(8,103)	(56)	(367)	-	(360,670)
Write-downs	(50,403)	-	-	(5)	(29,431)	(79,839)
[1] of which:						
cost	86,542	6,604	-	-	(93,146)	-
provision for write-downs	(87)	-	-	-	87	-
	86,455	6,604	-	-	(93,059)	-
[2] of which:						
cost	-	(20)	-	-	(2,436)	(2,456)
accumulated depreciation	-	10	-	-	-	10
impairment	-	-	-	-	2,436	2,436
	-	(10)	-	-	-	(10)
[3] amounts net of totally amortised assets, amounting to:	168,145	-	-	965	-	169,110

Investments, which amounted to €209,138 thousand (€218,847 thousand as at 31 December 2016) mainly refer to TV series for €187,399 thousand and cartoons for €12,644 thousand.

The amount of assets under development and payments on account refers to programmes for €171,306 thousand, software for €6,991 thousand and other rights for €1,251 thousand.

The write-downs recognised during the year amounted to €47,326 thousand and were effected in order to adjust the assets to their estimated recoverable value.

The amount of the existing contractual commitments for the purchase of intangible assets is specified in Note 17.2 "Commitments".

11.3 Equity investments

Equity investments amounted to €919,241 thousand (€921,501 thousand as at 31 December 2016) and are broken down as follows:

Equity investments in subsidiaries

(in €/’000)	Year ended 31 December 2016			Change in the year Write-downs	Year ended 31 December 2017		
	Cost	Write-downs	Book value		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	(49)	2,891	(2,871)	20
Rai Pubblicità SpA	31,082	-	31,082	-	31,082	-	31,082
Rai Way SpA	506,260	-	506,260	-	506,260	-	506,260
Total equity investments in subsidiaries	915,237	(2,822)	912,415	(49)	915,237	(2,871)	912,366

- *Rai Cinema SpA* (100% Rai): the share capital, which is €200,000 thousand, consists of 38,759,690 shares of the face value of €5.16 each. The investment is recognised for the value of €267,848 thousand. During 2017, a dividend of €47,558 thousand on the 2016 profit was disbursed and recognised in the item Financial income.
- *Rai Com SpA* (100% Rai): the share capital, which is €10,320 thousand, consists of 2,000,000 shares of the face value of €5.16 each. The investment is recognised for the value of €107,156 thousand. During 2017, a dividend of €6,573 thousand on the 2016 profit was disbursed and recognised in the item Financial income.
- *Rai Corporation in liquidation* (100% Rai): the share capital, which is \$500,000, consists of 50,000 shares of the unit face value of \$10 each. A write-down of €49,000 was recorded as at 31 December 2017 in order to adjust the book value of the investment to the recoverable value of €20 thousand, corresponding to the shareholders' equity of the company at the exchange rate in effect as at 31 December 2017.
- *Rai Pubblicità SpA* (100% Rai): the share capital amounts to €10,000 thousand and consists of 100,000 shares of the face value of €100 each. The investment is recognised for the value of €31,082 thousand.
- *Rai Way SpA* (64.971% Rai): the share capital amounts to €70,176 thousand and is divided into 272,000,000 ordinary shares without indication of face value. The investment is recognised for the value of €506,260 thousand. During 2017, a dividend of €41,806 thousand was disbursed. The amount concerning Rai, €27,162 thousand, was recognised in the item Financial income.

Equity investments in joint ventures and associated companies

(in €/’000)	Year ended 31 December 2016			Change in the year			Year ended 31 December 2017		
	Cost	Adjustment to shareholders' equity	Book value	Acquisitions	Profit/(Loss)	Decrease due to dividends	Cost	Adjustment to shareholders' equity	Book value
Joint ventures:									
San Marino RTV SpA	258	1,797	2,055	-	4	-	258	1,801	2,059
Tivù Srl	483	2,882	3,365	-	572	(1,921)	483	1,533	2,016
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	-	(1,090)	-	850	334	1,184
Tavolo Editori Radio Srl	17	-	17	-	(5)	-	17	(5)	12 (b)
Total equity investments in joint ventures and associated companies	3,046	5,334	8,380	-	(490)	(1,921)	3,046	2,923	5,969

(a) the equity deficit concerning Rai based on the results of the Financial Statements as at 31 December 2016 (last approved Financial Statements), which amounted to €9 thousand, was hedged by a provision for charges of the same amount;

(b) valuation relating to the Financial Statements as at 31 December 2016, the latest available.

- *Audiradio Srl in liquidation* (27% Rai): the share capital amounts to €258 thousand and consists of 258,000 shares of the face value of €1 each. the gross value of the equity investment, €1,428 thousand, was totally written down based on the last approved Financial Statements as at the date of 31 December 2016, which showed negative shareholders' equity of €34 thousand. The portion of the equity deficit, €9 thousand, was allocated to a special provision for charges.
- *Auditel Srl* (33% Rai): the share capital, which is €300 thousand, consists of 300,000 shares of the face value of €1 each. The equity investment was recognised for the value of €698 thousand, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the last Financial Statements approved as at the date of 31 December 2016. Following the profit attained by the company in 2016, which amounted to €86 thousand, the equity investment was revalued for the portion concerning Rai, which came to €29 thousand.
- *Euronews - Société Anonyme* (3.08% Rai): the share capital, which is €26,886 thousand, consists of 1,792,373 shares of the face value of €15 each. During 2017, the company carried out two capital increase operations subscribed by Media Globe Networks and Universal Studios Limited, which reduced the percentage of Rai's ownership from 9.66% to 3.08%. The investment was written down as at 31 December 2017 for the amount of €1,090 thousand to adjust it to the percentage concerning Rai on the shareholders' equity value of the company corresponding to €1,184 thousand.
- *San Marino RTV SpA* (50% Rai): the company, formed in 1991 with joint shares of Rai and E.R.A.S. - Ente di Radiodiffusione Sammarinese - pursuant to Law 1991 no. 99 of 9 April 1990 ratifying the radio and television collaboration agreement between the Italian Republic and the Republic of San Marino, has a share capital of €516 thousand, made up of 1,000 shares of the face value of €516.46 each. Following the profit attained by the company in 2017, which amounted to €9 thousand, a revaluation for the portion concerning Rai, €4 thousand, was recognised. The equity investment was recognised for the value of €2,059 thousand, which corresponds to Rai's portion of the company's shareholders' equity.
- *Tavolo Editori Radio Srl* (15.8% Rai): the share capital, €110 thousand, is divided between national publishers (70%), of which Rai 15.8% and local (30%). The equity investment was recognised for the value of €12 thousand, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the last Financial Statements approved as at the date of 31 December 2016. Following the loss sustained by the company in 2016, which amounted to €33 thousand, the equity investment was written down for the portion concerning Rai, which came to €5 thousand.
- *Tivù Srl* (48.16% Rai): the share capital of €1,002 thousand is subscribed by Rai and by R.T.I. - Reti Televisive Italiane SpA - with joint shares of 48.16%, by TI Media - Telecom Italia Media SpA - with a 3.5% share, and by two associations - FRT and Aeranti Corallo - each with a 0.09% share. During 2017, distribution of a dividend of €3,989 thousand was resolved.

The amount concerning Rai, €1,921 thousand, was recorded to reduce the book value of the equity investment. Following the profit attained by the company in 2017, which amounted to €1,188 thousand, the equity investment was revalued for the portion concerning Rai, which came to €572 thousand. The equity investment was therefore recognised for the value of €2,016 thousand, which corresponds to Rai's portion of the company's shareholders' equity.

Equity investments in other companies

(in €/’000)	Year ended 31 December 2016			Change in the year	Year ended 31 December 2017		
	Cost	Write-downs	Book value		Acquisitions	Cost	Write-downs
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 other equity investments	890	(184)	706	200	1,090	(184)	906

- *Almaviva – The Italian Innovation Company SpA* (0.83% Rai): the book value of the equity investment, €324 thousand, remained unchanged compared to the previous year. During 2017, distribution of a dividend for Rai's portion, €36 thousand, was resolved. The share capital, which is €154,899 thousand, is represented by 107,567,301 ordinary shares and by 47,331,761 special shares, both of the face value of €1.00 each.
- *Banca di Credito Cooperativo di Roma Scpa* (company with variable capital, with the percentage held by Rai insignificant): was recognised for the value of €1 thousand, equivalent to what was paid in on 16 January 2009 for the acquisition of 100 shares.
- *International Multimedia University Umbria Srl* (1.533% Rai): the book value of the equity investment was totally written down since there is no longer certainty of recovering the amounts paid in.
- *Istituto Enciclopedia Treccani SpA* (0.89% Rai): the equity investment was recognised for a gross value of €713 thousand, written down for €132 thousand as a result of the losses the company sustained. During 2017, two capital increases against payment were made by issuing a total of 18,232,558 ordinary shares of the face value of €1, of which 8,000,000 offered under option to the old shareholders. Rai subscribed its portion of capital and exercised its pre-emption right on the purchase of the shares not opted by the old shareholders. At the end of the capital increase operation, Rai subscribed a total amount of €200 thousand, taking its percentage of ownership up from 0.81% to 0.89%.

11.4 Non-current financial assets

Non-current financial assets, which amounted to €4,586 thousand (€61 thousand as at 31 December 2016), break down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Securities	2,502	-
Hedging derivative assets – rates	1,205	-
Other financial assets (non-current deferrals)	822	-
Financial receivables from employees	236	240
- Provision for write-down of non-current financial assets	(179)	(179)
Total non-current financial assets	4,586	61

Non-current financial assets are shown net of the Provision for write-downs of €179 thousand (unchanged compared to 31 December 2016), entirely referring to the Financial receivables from employees.

The Securities item, €2,502 thousand (zero in 2016), is entirely made up of government bonds falling due in May 2021, given to secure the Service Contract and the Agreements with the State.

The assets for derivatives hedging the risk of change in interest rate €1,205 thousand (zero at 31 December 2016) refer to the fair value of the Interest Rate Swap Forward Start contracts stipulated in April 2017 and taking effect in May 2020 with validity for the next 5 years to hedge the risk of rising interest rates at the time the bond issue is refinanced. Current portions were not recognised.

Expiration of the current and non-current financial assets is broken down as shown below:

(in €/’000)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Receivables from subsidiaries - c/a transactions	164,387	-	-	164,387
Receivables from joint ventures - c/a San Marino RTV SpA	517	-	-	517
Securities	-	2,502	-	2,502
Tied current accounts	6,304	-	-	6,304
Hedging derivative assets – rates	-	1,205	-	1,205
Receivables from subsidiary Rai Cinema for derivative instruments	506	-	-	506
Financial receivables from employees	46	57	-	103
Other financial assets	286	822	-	1,108
Total financial assets	172,046	4,586	-	176,632

(in €/’000)	Year ended 31 December 2016			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Receivables from subsidiaries - c/a transactions	107,007	-	-	107,007
Tied current accounts	5,536	-	-	5,536
Hedging derivative assets – exchange rates	966	-	-	966
Assets for derivatives activated on behalf of Rai Cinema	697	-	-	697
Receivables from subsidiary Rai Cinema for derivative instruments	26	-	-	26
Financial receivables from employees	55	61	-	116
Other financial assets	7	-	-	7
Total financial assets	114,294	61	-	114,355

The short-term portion of the Financial assets, which amounted to €172,046 thousand, is included in the current components of the Balance Sheet described in Note 12.3 “Current financial assets”.

The information on the risks hedged and on the hedging policies is provided in Note 7.1 “Market risk”.

11.5 Deferred tax assets

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Deferred tax assets eligible for offset	115,750	129,513
Deferred tax liabilities eligible for offset	(163,559)	(165,329)
Deferred tax liabilities	(47,809)	(35,816)

Like as at 31 December 2016, as at 31 December 2017 the net balance of Deferred tax assets and Deferred tax liabilities shows a negative amount, so it is posted in the liabilities of the Financial Position. Please refer to Note 14.4 “Deferred tax liabilities” for the relevant analyses.

The income taxes are commented in Note 16.9 “Income taxes”.

11.6 Other non-current assets

Other non-current assets totalled €8,420 thousand (€11,428 thousand as at 31 December 2016) and break down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Advances for trade initiatives	8,449	8,959
Advances for sports events	6,978	6,902
Amounts committed to cautionary deposit with third parties	1,626	1,737
Non-current portion of trade receivables	-	811
Receivables from personnel	493	341
- Provision for write-down of other non-current assets	(9,126)	(7,322)
Total other non-current assets	8,420	11,428

The items above basically regard non-current portions of assets described in Note 12.5 “Other current receivables and assets”, to which the reader is referred.

The provision for write-down of other non-current assets, which amounted to €9,126 thousand (€7,322 thousand as at 31 December 2016), is broken down below:

(in €/’000)	Balances as at 31 December 2016	Provisions	Absorption in Income statement	Balances as at 31 December 2017
Provision for write-down of advances for sports events	(6,601)	(301)	-	(6,902)
Provision for write-down of advances for trade initiatives	(680)	(1,544)	-	(2,224)
Provision for write-down of other non-current assets	(41)	-	41	-
Total provision for write-down of other non-current assets	(7,322)	(1,845)	41	(9,126)

12) Current assets

12.1 Inventory

Inventory, net of its provision for write-down, amounted to €187 thousand (€211 thousand as at 31 December 2016), and is broken down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Inventory	12,273	12,365
Provision for write-down of inventory	(12,086)	(12,154)
Total inventory	187	211

The final inventory of technical materials refers to stock and spare parts for maintenance and the use of technical capital equipment similar to consumables since their utility is depleted over a period that usually is no longer than 12 months.

12.2 Trade receivables

Trade receivables came to €293,014 thousand (€556,921 thousand as at 31 December 2016) and break down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Trade:		
- Italian Tax Revenue Office for services under agreement	10,517	14,813
- Ministry for the Economy and Finance for Licence Fees	-	228,889
- Other receivables	18,147	12,596
- Provision for write-downs - trade	(9,438)	(8,168)
Subsidiaries:		
- Receivables	273,914	308,936
- Provision for write-downs - parent companies (Rai Com)	(284)	(488)
Joint ventures and associates	158	343
Total trade receivables	293,014	556,921

The €263,907 thousand decrease is mainly due to collection of the receivables from the Ministry of Economy and Finance for Licence Fees.

Receivables from subsidiaries and from joint ventures and associates refer to:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Subsidiaries:		
. Rai Pubblicità SpA	180,812	214,690
. Rai Way SpA	4,262	5,252
. Rai Com SpA	85,422	85,092
. Rai Cinema SpA	3,134	3,414
Receivables from associated companies	273,630	308,448
Joint ventures and associated companies:		
. San Marino RTV SpA	51	83
. Tavolo Editori Radio Srl	1	-
. Tivù Srl	106	260
Receivables from joint ventures and associated companies	158	343

The breakdown of trade receivables by geographical area shows a national predominance.

Receivables from the Italian Tax Revenue Agency amounted to €10,517 thousand, with a €4,296 thousand decrease compared to the figure as at 31 December 2016. Of the item, €6,517 thousand are from receivables for managing ordinary licence fees for financial year 2016 and €4,000 thousand are for managing ordinary licence fees for financial year 2017.

Other receivables were recognised for the nominal amount of €18,147 thousand, with a €5,551 thousand increase compared to what was posted as at 31 December 2016 and represent receivables from assignment of rights and for various kinds of services.

During 2017, trade receivables were acquired from the subsidiary Rai Com as part of the reallocation of the management activities under the Agreements with the central Public Administration Institutions (Ministries) for €3,006 thousand, with relevant bad debt provision totalling €1,345 thousand.

Receivables from Related Parties are specified in Note 17.4 "Transactions with Related Parties".

Trade receivables are shown net of the provision for write-downs of €9,722 thousand (€8,656 thousand as at 31 December 2016), itemising here below:

(in €/’000)	Balances as at 31 December 2016	Uses and other asset transfers	Acquisition from subsidiary Rai Com	Absorption in Income statement	Balances as at 31 December 2017
Provision for write-downs – trade	(8,168)	43	(1,345)	32	(9,438)
Provision for write-downs – subsidiary Rai Com	(488)	12	-	192	(284)
Total bad debt provisions – trade	(8,656)	55	(1,345)	224	(9,722)

There were no receivables in a currency other than the Euro (€19 thousand as at 31 December 2016), as specified in Note 7.1 "Market risk".

12.3 Current financial assets

Current financial assets, which amounted to €172,046 thousand (€114,294 thousand as at 31 December 2016), increased by €57,752 thousand. The breakdown of the item and the comparison with the previous year are shown below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Receivables from subsidiaries - current account positions	164,387	107,007
Tied current accounts	6,304	5,536
Receivables from joint ventures - c/a San Marino RTV SpA	517	-
Hedging derivative assets	-	966
Assets for derivatives activated on behalf of Rai Cinema	-	697
Receivables from subsidiary Rai Cinema for derivative instruments	506	26
Financial receivables from employees	46	55
Other current financial assets	286	7
Total current financial assets	172,046	114,294

The receivables from subsidiaries - c/a transactions break down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Rai Pubblicità SpA	3,694	-
Rai Cinema SpA	160,693	107,007
Receivables from subsidiaries – current account positions	164,387	107,007

Tied current accounts, which came to €6,304 thousand (€5,536 thousand as at 31 December 2016) refer to amounts seized on current accounts due to litigation in progress.

The derivative instruments recognised at fair value are broken down below in the assets component, including the current and non-current portions:

(in €/’000)	Year ended 31 December 2017	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 derivative instruments	506	26
Total derivative financial instruments – current portion	506	1,689
Hedging derivative assets – rates	1,205	-
Total derivative financial instruments – non-current portion	1,205	-
Total derivative financial instruments	1,711	1,689

The fair value of the derivative instruments was calculated considering valuation models largely used in the financial field and the market parameters as at the reporting date, as better specified in Note 9 “Fair value measurement”. The cash flow hedge transactions on exchange rates concern hedging activity on behalf of the subsidiary Rai Cinema in connection with purchase of television rights on serial and cinema products denominated in USD, as described in Note 17.4 “Transactions with Related Parties”. The amount came to €506 thousand (€26 thousand as at 31 December 2016) and relate to the current portion of receivables from the subsidiary Rai Cinema, referring to the exchange rate risk hedging instruments (with negative fair value) activated by Rai on the strength of the mandate received from Rai Cinema, whose effects transit from the intercompany accounts.

The transactions active in 2016 regarded hedging against the risk on contracts to acquire rights to broadcast sports events denominated in USD and exchange rate risk hedging on behalf of the subsidiary Rai Cinema in connection with acquisition of television rights relating to serial and cinema products denominated in USD.

The fair value of the assets for derivatives hedging the risk of change in interest rate falls under non-current assets and amounted to €1,205 thousand (zero at 31 December 2016), refers to the Interest Rate Swap Forward Start contracts stipulated in April and taking effect in May 2020 with validity for the next 5 years to hedge the risk of rising interest rates at the time the bond issue is refinanced. Current portions were not recognised.

The information on the risks hedged and on the hedging policies is provided in Note 7.1 “Market risk”.

12.4 Current income tax receivables

Current income tax receivables, which totalled €19,507 thousand (€20,184 thousand as at 31 December 2016), are specified as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
IRES requested as refund for IRAP deductibility for employee expense and similar	16,905	16,905
Deductions on assignments to foreign companies	1,063	818
- Provision for write-downs for current income taxes	(222)	-
IRES receivable	17,746	17,723
IRAP receivable	1,761	2,461
Total current income tax receivables	19,507	20,184

Current income tax receivables are shown net of the provision for write-downs of €222 thousand relating to deductions on income risking recoverability.

The IRAP receivable, €1,761 thousand (€2,461 thousand as at 31 December 2016) refers to the IRAP advances paid to tax authorities in previous years.

The taxes are commented in Note 16.9 “Income taxes”.

12.5 Other current receivables and assets

Other current receivables and assets, which totalled €95,647 thousand (€225,792 thousand as at 31 December 2016) break down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Receivables from associated companies	43,103	47,021
Advances to suppliers, collaborators and agents	17,534	11,286
Receivables from personnel	9,792	11,896
Receivables from entities, companies, bodies and others	7,544	5,888
Receivables from social security and welfare institutions	3,186	2,723
Other tax receivables	1,857	114,254
Advances for sports events	655	11,636
Receivables for subsidies and grants from the State, EU and other public entities	220	266
Advances for trade initiatives	-	700
Other receivables (current deferrals)	15,621	23,403
- Provision for write-downs for other current receivables and assets	(3,865)	(3,281)
Total other current receivables and assets	95,647	225,792

The breakdown of the receivables from subsidiaries follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
. Rai Pubblicità SpA	15,116	4,196
. Rai Way SpA	17,307	19,375
. Rai Com SpA	3,495	3,837
. Rai Cinema SpA	7,185	19,613
Receivables from associated companies	43,103	47,021

It is also specified that:

- the receivables from social security and welfare institutions refer to advances disbursed against contributions due for artistic collaborations and other reasons;
- the receivables from subsidiaries consist of the contribution of the companies to the tax consolidation and the receivables coming from the Group VAT offsetting (please refer to Note 17.4 "Transactions with Related Parties");
- the receivables from personnel relate to various cases that are explained in the following breakdown and include the receivables arising from application of Law 89/2014 in the item "Other":

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Travel expenses	3,575	3,999
Labour disputes	2,812	3,194
Production expense advances	2,075	2,387
Other	1,330	2,316
Receivables from personnel	9,792	11,896

other tax receivables decreased by €112,397 thousand due to the collection of VAT receivables assigned without recourse to the factor and to the introduction of the split payment regulation starting from 1 July 2017, which led to full use of the residual VAT receivables. The breakdown of this item follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
VAT refund requested	1,667	59,648
Group VAT	-	54,071
Other tax refunds requested	156	155
Other tax receivables	34	380
Total other tax receivables	1,857	114,254

The provision for write-downs for other current receivables and assets, which totalled €3,865 thousand (€3,281 thousand as at 31 December 2016) is broken down below:

(in €/’000)	Balances as at 31 December 2016	Provisions	Uses and other asset transfers	Absorption in Income statement	Balances as at 31 December 2017
Provision for write-downs for other current receivables and assets	(3,133)	(1,533)	1,050	33	(3,583)
Provision for write-downs of guaranteed minimums	(148)	(282)	126	22	(282)
Provision for write-downs for other current receivables and assets	(3,281)	(1,815)	1,176	55	(3,865)

Considering the short period of time elapsing between when the receivable arises and its due date, it is not believed that there are significant differences between the book value of the trade receivables, other receivables and current financial assets and their respective fair values.

12.6 Cash and cash equivalents

Cash and cash equivalents, which amounted to €170,900 thousand (€4,562 thousand as at 31 December 2016), are broken down into the following items:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Bank and postal deposits	170,583	4,217
Cheques	1	16
Cash at bank and in hand	316	329
Total cash and cash equivalents	170,900	4,562

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Bank and postal deposits amounted to €170,583 thousand (€4,217 thousand as at 31 December 2016) and represent the money at-call or short-term liquid assets resulting from deposit or current accounts with banks, financial institutions and with the postal administration.

Cash at bank, cheques and other cash values amounted to €317 thousand (€345 thousand as at 31 December 2016) and include the liquidity represented by cash and similar values (tax stamps, cashier's cheques or in any case secured by banks, etc.) in the company's coffers as at 31 December 2017.

The Company's cash on hand is shown in the following table by currency as at 31 December 2017 and as at 31 December 2016:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Cash on hand in Euro	170,421	4,078
Cash on hand in USD	370	405
Cash on hand in other currencies	109	79
Total cash and cash equivalents	170,900	4,562

13) Shareholders' equity

Reported below is the breakdown of shareholders' equity:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Share capital	242,518	242,518
Legal reserve	11,766	11,553
IFRS first-time adoption reserve – restricted	471,809	536,417
IFRS first-time adoption reserve – free	98,637	34,029
Cash flow hedge reserve	916	407
Valuation reserve for equity investments – free	951	-
Other reserves	3,102	-
Total other reserves	575,415	570,853
Actuarial reserve for employee benefits	(26,832)	(29,721)
Profit/(Loss) for the year	5,528	4,266
Total retained earnings (losses carried forward)	(21,304)	(25,455)
Total shareholders' equity	808,395	799,469

Shareholders' equity – Possibilities for distribution

(in €/’000)	Amount	Possibility for distribution (*)	Free amount	Distributions effected in the last three years	
				for coverage of losses	for other reasons
Share capital	242,518				
Legal reserve	11,766	2	11,766		
IFRS first-time adoption reserve – restricted	471,809	1 - 4	471,809		
IFRS first-time adoption reserve – free	98,637	1 - 2 - 3	98,637	205,043	-
Cash flow hedge reserve	916		-		
Merger surplus	-	1 - 2 - 3	-	5,315	-
Valuation reserve for equity investments – free	951	1 - 2 - 3	951	49,298	-
Others	3,102	1 - 2 - 3	3,102	37,645	-
Total other reserves	575,415				
Actuarial reserve for employee benefits	(26,832)		(26,832)		
Profit for the year	5,528		5,528		
Total shareholders' equity	808,395		564,961	297,301	-
Restricted amount:					
Legal reserve			(11,766)		
IFRS first-time adoption reserve – restricted			(471,809)		
5% profit for the year			(276)		
Revaluations of equity investments recognised under the equity method			(605)		
Gains from currency valuation			(22)		
Total free reserves			80,483		

(*) Legend

1 for capital increases;

2 for coverage of losses;

3 for distribution to Shareholders;

4 for coverage of losses – in which case, profits may not be distributed until losses are fully covered, unless a corresponding capital reduction is approved by resolution adopted by an extraordinary Shareholders' Meeting – Article 7 (c.6) of Legislative Decree 38 of 28/2/2005.

Share capital

As at 31 December 2017, the share capital consisted of 242,518,100 ordinary shares with a unit par value of €1. The share capital, fully subscribed and paid up, is held by:

- the Ministry of the Economy and Finance (MEF) for a total of 241,447,000 shares, equal to 99.5583% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) for a total of 1,071,100 shares, equal to 0.4417% of the share capital.

Legal reserve

The legal reserve amounted to €11,766 thousand.

Other reserves and retained earnings (losses carried forward)

Other reserves, totalling €575,415 thousand (€570,853 thousand at 31 December 2016), and losses carried forward, totalling €21,304 thousand (losses of €25,455 thousand at 31 December 2016), include the profit for the year. The figures break down as follows:

- the IFRS first-time adoption reserve totalled €570,446 thousand (no change versus 31 December 2016) and is carried as an addition to shareholders' equity. The reserve is subdivided to show the amounts that have been freed since the creation of the reserve:
 - IFRS first-time adoption reserve – restricted, totalling €471,809 thousand;
 - IFRS first-time adoption reserve – free, totalling €98,637 thousand;
- the cash flow hedge reserve, totalling €916 thousand, is stated net of tax effects and refers to the fair value measurement of cash flow hedging derivatives (see Note 11.4 "Non-current financial assets"). The change compared to 31 December 2016 (€407 thousand) had a positive effect on the Income statement for a total of €509 thousand.
- the valuation reserve for equity investments – free totalled €951 thousand (nil as at 31 December 2016); other reserves amounted to €3,102 thousand, (nil as at 31 December 2016);
- actuarial reserves for employee benefits totalled €26,832 thousand and are carried as a decrease to shareholders' equity. The change compared to 31 December 2016 (€29,721 thousand) had a positive effect on the Income statement for a total of €2,889 thousand;
- profit for the year totalled €5,528 thousand.

14) Non-current liabilities

14.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, totalled €382,825 thousand (€391,946 thousand as at 31 December 2016). The figure breaks down as follows.

(in €/'000)	Year ended 31 December 2017			Year ended 31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	347,825	-	347,825	346,946	-	346,946
Medium/long-term loans due to banks	25,000	10,000	35,000	35,000	10,000	45,000
Total	372,825	10,000	382,825	381,946	10,000	391,946

Non-current financial liabilities, including current portions, fell by €9,121 thousand compared to 31 December 2016, mainly due to the repayment of two instalments on the EIB loan.

Medium/long-term payables as at 31 December 2017 consisted of bonds issued for a nominal amount of €350,000 thousand and a €35,000 amortising loan maturing in 2021 from the EIB, granted to Rai for the development of digital terrestrial infrastructure. The loan carries covenants requiring the following balance sheet parameters/ratios to be met in the consolidated financial statements:

- (Adjusted) Net Financial Debt, net of receivables from the state for television licence fees/shareholders' equity ≤ 1.3 ;
- (Adjusted) Net Financial Debt, net of receivables from the state for television licence fees/EBITDA ≤ 1.0 .

As at the reporting date, the ratio requirements were fully met at 0.44 and 0.34 respectively.

The bonds issued by Rai at the end of May 2015 are listed on Euronext Dublin and were fully subscribed by international institutional investors. The bonds, maturing in May 2020, yield a nominal interest rate of 1.5% and are completely unsecured. The bonds carry the usual covenants for issues with a comparable rating, including:

- a negative pledge prohibiting the granting of guarantees on other bond issues by the Issuer or its "significant subsidiaries", unless the same guarantees are extended to existing bonds in circulation;
- a cross-default provision, whereby in the event of default on debt totalling more than €50 million by the Issuer or its "significant subsidiaries", bondholders may declare default on the bond;
- a change of control clause permitting bondholders to exercise a put option at par if the Ministry of the Economy and Finance ceases to hold the majority of voting rights exercisable at ordinary and extraordinary Shareholders' Meetings of Rai SpA.

In January 2018, Moody's issued a credit opinion confirming its Long-Term Issuer Baa3 (investment grade) rating.

The timing of financial liabilities held (current and non-current) is shown in the table below.

(in €/’000)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	347,825	-	347,825
Payables to subsidiaries – current account positions	140,618	-	-	140,618
Medium/Long-term loans due to banks	10,000	25,000	-	35,000
Liabilities for derivatives taken out on behalf of Rai Cinema	506	-	-	506
Short-term payables to banks	37	-	-	37
Total	151,161	372,825	-	523,986

(in €/’000)	Year ended 31 December 2016			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	346,946	-	346,946
Short-term payables to banks	160,143	-	-	160,143
Payables to subsidiaries – current account positions	129,475	-	-	129,475
Payables to the subsidiary Rai Cinema for derivative instruments	697	-	-	697
Medium/Long-term loans due to banks	10,000	35,000	-	45,000
Payables to joint ventures and associates – current account positions	73	-	-	73
Payables to joint ventures and associates – capital subscriptions to be paid	13	-	-	13
Liabilities for derivatives taken out on behalf of Rai Cinema	26	-	-	26
Total	300,427	381,946	-	682,373

All medium/long-term debt is held at fixed interest rates.

The fair value of non-current financial liabilities (excluding derivative financial instruments) is reported in the table shown below, as measured under the following criteria:

- for the bonds issued by the Company in May 2015, the fair value corresponds to the market price of the bonds, equal to €104.06, inclusive of interest accruals;
- for the EIB loan (including the short-term portion), fair value was measured by discounting cash flows for principal and interest repayments at the rates implicit in the Euro curve as at the reporting date, plus a credit spread estimated for Rai on the basis of Italian government securities issued. The resulting fair value is in line with the carrying amount of the loan.

(in €/’000)	Year ended 31 December 2017		Year ended 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Rai Bonds	347,825	364,198	346,946	360,702
EIB loan to Rai	35,000	36,043	45,000	46,032

For derivative financial instruments, the breakdown of their fair value is reported in Note 9 “Fair value measurement”.

14.2 Employee benefits

Employee benefits totalled €457,462 thousand (€526,710 thousand as at 31 December 2016). The figure breaks down as follows.

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Provision for employee severance pay	236,297	258,424
Provision for supplementary pension benefits (*)	136,545	143,607
Provision for pay in lieu of notice to journalists	69,446	109,154
Health insurance fund for Rai senior managers (FASDIR)	14,587	14,857
Other	587	668
Total employee benefits	457,462	526,710

(*) Net of Fipdrai assets.

The provision for employee severance pay, governed by Article 2120 of the Civil Code, shows the liability, as estimated using actuarial techniques, for benefits payable to employees upon the termination of their employment. The termination benefit is calculated on the basis of the remuneration paid for service under the employment contract, revalued until the time of termination. As a result of legislative reforms introduced and effective as of 1 January 2007, employee severance pay accruing after that date is paid, at the instruction of each employee, into a pension fund or into the treasury fund held by INPS. Accordingly, the liability for employee severance pay accrued prior to 1 January 2007 continues to qualify as a defined benefit plan to be measured using actuarial techniques, whereas the liability for severance pay accruing after that date is treated as a defined contribution plan, given that the liability is extinguished with the payment of contributions to the chosen pension fund or to INPS.

The supplementary pension fund shows the estimated liability held by the Company for supplementary pension benefits payable to former employees who, upon termination of employment, opted for the supplementary pension scheme envisaged under trade union agreements previously in place. Under those agreements, former middle managers, office staff and workers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme of ENPALS, whereas former senior managers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme of INPS. Supplementary pension benefits are in turn paid directly by contractual pension funds, tasked with the management of the Rai employee supplementary pension scheme since 1989. For former middle managers, office staff and workers, supplementary pension benefits are paid by the C.Rai.P.I. (or “Craipi” – Cassa di Previdenza Integrativa dei dipendenti Rai) fund, while for former senior managers the benefits are paid by the F.I.P.D.Rai (or “Fipdrai” – Fondo Integrativo Previdenza dei Dirigenti Rai) fund. In brief, the main terms and conditions of the supplementary pension benefits are: (i) supplementary pension benefits may be paid as a survivor’s pension, at the applicable rates for claimants provided by laws in force governing mandatory pension schemes; (ii) supplementary pension benefits will be subject to variations on the basis of changes in the beneficiary’s family, applied at the same rates applicable to pension benefits paid under the mandatory general pension scheme; (iii) supplementary pension benefits paid will not be reduced in the event of increases in the pension benefits paid under the mandatory general pension scheme; (iv) the amount of the benefits due to beneficiaries will be revalued annually on the basis of INPS coefficients. Fipdrai assets resulting from investment activities by the fund to manage the contributions paid in by the Company upon the termination of employment of its employees came to nil in 2017. As at 31 December 2016, the assets totalled €3,139 thousand and were included in the measurement of provisions for supplementary pension benefits at that date.

The provision for pay in lieu of notice for journalists shows the estimated liability to be paid to journalists employed by the Company under the provisions of the most recent national collective bargaining agreement (“CNLG”) adopted by Rai. Under that agreement, for journalists who, at 31 December 2018, have at least 15 years of service with the Company for the purposes of employee severance pay, in the event of termination of employment as of 1 January 2019 due to: (a) termination due to eligibility for the old age pension, including under the provisions of Article 33 of the CNLG; (b) resignation after at least 15 years of service with the Company; or (c) termination due to death, where survivors are entitled to a survivor’s pension under INPGI Rules; upon termination of service an indemnity will be paid in lieu of notice, payable as a lump sum, equal to the gross annual remuneration of the employee at the time of his/her termination, up to a maximum amount of €85,000. For journalists employed under the arrangements contemplated by Article 12 of the CNLG at the time of termination, and who meet the length of service requirement to be eligible for the indemnity, an indemnity will be paid, calculated as above, up to a maximum amount of €36,550.

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For journalists who, at 31 December 2018, have less than 15 years of service with the Company but equal to or more than 10 years for the purposes of employee severance pay, in the event of termination of employment as of 1 January 2019 due to resignation, excluding the cases of resignation contemplated by Articles 8, 22, 24 and 32 of the CNLG, upon termination of service an indemnity will be paid in lieu of notice, to be paid in a lump sum, equal to the amount set forth for such cases by the FIEG-FNSI agreement of 24 June 2014, plus 50% for each case. For journalists employed under the arrangements contemplated by Articles 2 and 12 of the CNLG, the amounts set forth in FIEG-FNSI agreement of 24 June 2014 will be reduced by 50% and paid, solely and exclusively, in the same cases of resignation.

In addition to the foregoing, the provision for pay in lieu of notice for journalists includes the estimated indemnity that will be paid to employees who resign in 2018.

The health insurance fund for Rai senior managers ("Fasdir") was established in 1980 to provide supplementary health insurance to all senior managers in service, retired senior managers and the survivors of former senior managers, as entitled and registered with Fasdir as members, as well as their family members. Fasdir is funded by annual membership fees charged to members and by contributions paid by the Company (annual per capita contribution for each senior manager in service and a supplementary annual contribution covering all retired senior managers). Historically, the annual supplementary contribution paid in to Fasdir by Rai for retired senior managers was used by the fund to cover the deficit that formed each year. However, given that there is no legal duty, but only a constructive obligation, for Rai to cover any future deficits in the fund, and that the Company does not have access to all the information, owned by the fund, necessary to measure, using actuarial techniques, the potential liability towards Fasdir, it was decided to estimate the liability considering the average annual contributions paid in to the fund over the last 5 years, multiplied by the average residual life of the retired senior managers at the valuation date, which as at 31 December 2017 was found to be 12 years.

Provisions for employee benefits measured using actuarial techniques break down as follows.

(in €/’000)	Year ended 31 December 2017					Year ended 31 December 2016				
	Employee severance pay	Pension funds	Pay in lieu of notice to journalists	Fasdir	Other benefits	Employee severance pay	Pension funds	Pay in lieu of notice to journalists	Fasdir	Other benefits
Present value of the liability at the start of the year	258,424	146,746	109,154	14,857	668	262,186	151,652	113,666	14,930	720
Current cost of defined benefit plans	-	-	6,500	-	15	-	-	7,110	-	5
Current cost of defined contribution plans	39,785	-	-	741	-	40,270	-	-	922	-
Interest expense	1,634	1,283	1,252	182	-	3,112	2,097	1,624	206	-
+/- Actuarial gains/losses resulting from changes in demographic assumptions	95	5,363	(493)	-	-	380	2,135	(461)	-	-
+/- Actuarial gains/losses resulting from changes in financial assumptions	(1,366)	(1,473)	653	-	-	11,252	7,347	3,908	-	-
+/- Effect of past experience	(3,033)	(3,823)	1,188	-	-	(3,418)	(4,394)	(1,527)	-	-
Cost of past benefits and gains/losses on settlement	-	-	(47,994)	-	-	-	-	(12,407)	-	-
Benefits paid	(20,283)	(11,551)	(814)	(1,193)	(96)	(10,536)	(12,091)	(2,759)	(1,201)	(51)
Transfers to external funds for defined contribution plans	(39,961)	-	-	-	-	(40,480)	-	-	-	-
Other movements	1,002	-	-	-	-	(4,342)	-	-	-	(6)
Present value of the liability at the end of the year (a)	236,297	136,545	69,446	14,587	587	258,424	146,746	109,154	14,857	668
Assets servicing the plan at the start of the year	-	(3,139)	-	-	-	-	(4,798)	-	-	-
Interest income	-	(11)	-	-	-	-	(37)	-	-	-
Return on assets servicing the plan	-	-	-	-	-	-	(43)	-	-	-
Benefits paid	-	3,150	-	-	-	-	1,739	-	-	-
Assets servicing the plan at the end of the year (b)	-	-	-	-	-	-	(3,139)	-	-	-
Total net liability (a+b)	236,297	136,545	69,446	14,587	587	258,424	143,607	109,154	14,857	668

Costs for employee benefits, as measured using actuarial assumptions and recognised in the Income statement, break down as follows:

(in €/’000)	Year ended 31 December 2017					Year ended 31 December 2016				
	Employee severance pay	Pension funds	Pay in lieu of notice to journalists	Fasdir	Other benefits	Employee severance pay	Pension funds	Pay in lieu of notice to journalists	Fasdir	Other benefits
Current cost of defined benefit plans	-	-	(6,500)	-	(15)	-	-	(7,110)	-	(5)
Current cost of defined contribution plans	(39,785)	-	-	(741)	-	(40,270)	-	-	(922)	-
Cost of past benefits and gains/losses on settlement	-	-	47,994	-	-	-	-	12,407	-	-
Net interest expense/(income):										
- interest expense on the liability	(1,634)	(1,283)	(1,252)	(182)	-	(3,112)	(2,097)	(1,624)	(206)	-
- interest income on assets servicing the plan	-	11	-	-	-	-	37	-	-	-
Total net interest expense/(income):	(1,634)	(1,272)	(1,252)	(182)	-	(3,112)	(2,060)	(1,624)	(206)	-
- of which recognised as labour cost	-	-	-	-	-	-	-	-	-	-
- of which recognised as financial income/(expense)	-	-	-	-	-	(3,112)	(2,060)	(1,624)	(206)	-
Total	(41,419)	(1,272)	40,242	(923)	(15)	(43,382)	(2,060)	3,673	(1,128)	(5)
of which recognised as labour cost	(39,785)	-	41,494	(741)	(15)	(40,270)	-	5,297	(922)	(5)
of which recognised as financial income (expense)	(1,634)	(1,272)	(1,252)	(182)	-	(3,112)	(2,060)	(1,624)	(206)	-

Costs for defined benefit plans recognised in other comprehensive income break down as follows:

(in €/’000)	Year ended 31 December 2017					Year ended 31 December 2016				
	Employee severance pay	Pension funds	Pay in lieu of notice to journalists	Fasdir	Other benefits	Employee severance pay	Pension funds	Pay in lieu of notice to journalists	Fasdir	Other benefits
Revaluations:										
- actuarial gains/losses resulting from changes in demographic assumptions	(95)	(5,363)	493	-	-	(380)	(2,135)	461	-	-
- actuarial gains/losses resulting from changes in financial assumptions	1,366	1,473	(653)	-	-	(11,252)	(7,347)	(3,908)	-	-
- effect of past experience	3,033	3,823	(1,188)	-	-	3,418	4,394	1,527	-	-
- return on assets servicing the plan	-	-	-	-	-	-	43	-	-	-
Total	4,304	(67)	(1,348)	-	-	(8,214)	(5,045)	(1,920)	-	-

Assets servicing the Fipdrai pension fund break down as follows:

(in €/’000)	Year ended 31 December 2017		Year ended 31 December 2016	
	With prices quoted on active markets	With prices not quoted on active markets	With prices quoted on active markets	With prices not quoted on active markets
Cash and cash equivalents	-	-	-	946
Debt instruments	-	-	-	(224)
Government securities or securities issued by international bodies	-	-	2,417	-
Total assets servicing the plan	-	-	2,417	722

The main actuarial assumptions adopted are reported below:

	Year ended 31 December 2017	Year ended 31 December 2016
Financial assumptions		
Average discount rate [1]:		
. Employee severance pay	1.14%	0.65%
. Pension funds	1.18%	0.91%
. Provision for pay in lieu of notice to journalists	1.09%	1.15%
Inflation rate:		
. Employee severance pay	1.50%	1.50%
. Pension funds	-	-
. Provision for pay in lieu of notice to journalists	1.50%	1.50%
Expected rate of growth in remuneration/benefits [2]:		
. Employee severance pay	N.A.	N.A.
. Pension funds	1.21%	1.21%
. Provision for pay in lieu of notice to journalists	3.00%	3.00%
Demographic assumptions		
Maximum retirement age:		
. Employee severance pay	As per law	As per law
. Pension funds	-	-
. Provision for pay in lieu of notice to journalists	As per law	65 years
Mortality tables:		
. Employee severance pay	SI 2016 revised	SI 2014 revised
. Pension funds	AS62	SI 2014 revised
. Provision for pay in lieu of notice to journalists	SI 2016 revised	SI 2014 revised
Average annual employee leaving rate:		
. Employee severance pay	7.00%	7.56%
. Pension funds	-	-
. Provision for pay in lieu of notice to journalists	5.40%	6.75%
Annual probability of advance requests:		
. Employee severance pay	1.50%	1.50%
. Pension funds	-	-
. Pay in lieu of notice and other	-	-

[1] Measured as the weighted average of Eurocomposite AA 2017 interest rates for 31 December 2017 and Eurocomposite AA 2016 interest rates for 31 December 2016.

[2] Including inflation.

The effects of a reasonably possible change in the discount rate for the year as at 31 December 2017 and as at 31 December 2016 are shown below:

Provision for employee severance pay – sensitivity analysis

(in €/’000)	Sensitivity	Year ended 31 December 2017	Year ended 31 December 2016
Discount rate	+0.50%	229,321	249,435
	-0.50%	243,802	267,973

Pension funds – sensitivity analysis

(in €/’000)	Sensitivity	Year ended 31 December 2017	Year ended 31 December 2016
Discount rate	+0.50%	130,887	140,500
	-0.50%	142,661	153,488

Provision for pay in lieu of notice to journalists – sensitivity analysis

(in €/’000)	Sensitivity	Year ended 31 December 2017	Year ended 31 December 2016
Discount rate	+0.50%	66,684	105,105
	-0.50%	72,375	113,467

The timing of liabilities for defined benefit plans for employees is shown below:

(in €/’000)	Expected payments	Pay in lieu of notice to journalists	Employee severance pay	Pension funds	
				former employees	former senior managers
	Expected payments as at 31.12.2018	2,376	24,499	6,421	4,482
	Expected payments as at 31.12.2019	3,025	17,854	6,192	4,285
	Expected payments as at 31.12.2020	4,041	20,837	5,951	4,080
	Expected payments as at 31.12.2021	4,060	18,594	5,697	3,875
	Expected payments as at 31.12.2022	5,386	19,701	5,434	3,672
	Expected payments as of 1.01.2023 and beyond	55,756	159,241	55,935	41,250

14.3 Provisions for non-current risks and charges

Provisions for risks and non-current charges totalled €156,203 thousand (€188,110 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Balances as at 31 December 2016	Provisions	Drawdowns	Absorptions	Balances as at 31 December 2017
Provisions for legal disputes	68,000	10,920	(14,825)	(1,095)	63,000
Provisions for building renovation and refurbishment	28,000	963	(963)	-	28,000
Provisions for dismantling and restoration costs	4,327	9	(8)	(77)	4,251
Provisions for accrued compensation costs	41,409	853	(18,238)	(7,420)	16,604
Provisions for social security disputes	3,000	-	-	-	3,000
Provisions for the risk of recourse on bad debts by the concessionaires Rai Pubblicità and Rai Com	9,600	48	(1,834)	(66)	7,748
ISC and ISM provisions Agents	675	63	-	(23)	715
Other provisions	33,099	4,267	(4,326)	(155)	32,885
Total provisions for risks and charges	188,110	17,123	(40,194)	(8,836)	156,203

Provisions for legal disputes, totalling €63,000 thousand, show the prudential and forecast estimate of charges for pending lawsuits in which the Company is involved in various ways. Specifically, the figure includes €38,000 thousand in provisions for civil, administrative and criminal litigation (including legal costs) and €25,000 thousand in provisions for labour law disputes (including legal costs).

Provisions for building renovation and refurbishment, totalling €28,000 thousand, show the estimated costs the Company expects to incur primarily in relation to the removal of asbestos containing materials present in buildings owned. The constructive obligation to proceed with the refurbishment and renovation of the aforementioned buildings is connected with Company’s expression of intent to perform such work, as expressed on several occasions in negotiations with trade unions.

Provisions for dismantling and restoration costs, totalling €4,251 thousand, shows the estimated costs for the dismantling and removal of installations and modifications and the restoration of premises rented by the Company under operating leases which require the lessee to restore the rented premises to their original condition at the end of the lease (where the lease will not be renewed).

Provisions for accrued compensation costs, totalling €16,604 thousand, show the overall costs estimated in relation to employment contracts in place.

Provisions for social security disputes, totalling €3,000 thousand, show the estimated costs connected with pending legal disputes with social security institutions.

Provisions for the risk of recourse on bad debts by the concessionaires Rai Pubblicità and Rai Com, totalling €7,748 thousand, refer to the charges associated with the retrocession of income already recognised by the Company in the event that the concessionaires do not collect on the related receivables.

ISC (supplementary customer indemnities) and ICM (meritocratic customer indemnities) provisions for agents, totalling €715 thousand, refer to amounts payable to agents upon termination of agency agreements for reasons not attributable to the agent. The provisions are based on estimates that take into consideration the historic data series of the Company and growth in the customer portfolio or in business with customers already in portfolio.

14.4 Deferred tax liabilities

Deferred tax liabilities totalled €47,809 thousand and are stated net of €115,750 thousand of deferred tax assets eligible for offsetting. The net balance as at 31 December 2016 showed a deferred tax liability of €35,816 thousand.

The nature of the temporary differences that gave rise to deferred tax liabilities and the deferred tax assets eligible for offset is reported in the table below:

(in €/'000)	Balances as at 31 December 2016	Changes			Balances as at 31 December 2017
		Income statement	Other comprehensive income	Equity	
Taxable differences in property, plant and equipment	(158,437)	1,870	-	-	(156,567)
Neutralisation currency valuations	-	(5)	-	-	(5)
Currency derivatives	(165)	-	165	-	-
Interest rate derivatives	-	-	(289)	-	(289)
Taxable difference and equity investments	(6,727)	29	-	-	(6,698)
Deferred tax liabilities eligible for offset	(165,329)	1,894	(124)	-	(163,559)
Negative IFRS taxable income	129,513	28,590	-	(42,353)	115,750
Deferred tax assets eligible for offset	129,513	28,590	-	(42,353)	115,750
Deferred tax liabilities	(35,816)	30,484	(124)	(42,353)	(47,809)

Deferred tax assets were recognised when their future recoverability was considered reasonably certain.

Changes in other comprehensive income essentially consisted of deferred taxes recognised under shareholders' equity and refer to the tax effect of cash flow hedging instruments recognised under hedge accounting rules.

Deferred tax assets on tax losses carried forward totalled €115,750 thousand. It is probable that they will be used to offset the taxable earnings of Group companies that participate in the tax consolidation arrangement and the deferred tax liability carried through the Income statement.

14.5 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in euros. Totalling €1,969 thousand (€3,624 thousand as at 31 December 2016), they refer entirely (€3,613 thousand as at 31 December 2016) to deferred income for the non-current portion of government grants provided by the former Ministry of Communications to support initiatives for the switch-over to digital terrestrial. See Note 15.1 "Trade payables and other current payables and liabilities" for further information on those grants.

Payables to related parties are reported in Note 17.4 "Transactions with related parties".

15) Current liabilities

15.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities amounted to a total €970,633 thousand (€888,332 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Payables to suppliers	466,447	464,716
Trade payables to subsidiaries	83,551	91,971
Trade payables to joint ventures and associates	893	3,737
Total trade payables	550,891	560,424
Payables to personnel	216,250	189,190
Payables to social security institutions	71,118	73,043
Other tax payables	55,951	34,630
Other payables accruing for assessments	4,241	7,000
Payables to subsidiaries	4,110	11,250
Payables for frequency rights	403	-
Other payables	4,153	4,942
Advances:		
- Ordinary licence fees	56,922	-
- Other advances	1,262	1,391
Accruals for fees and interest	3,144	3,141
Deferrals:		
- Licence fees	523	590
- Grants for the switch-over to digital terrestrial	1,644	2,610
- Other deferrals	21	121
Total other current payables and liabilities	419,742	327,908
Total trade payables and other current payables and liabilities	970,633	888,332

The breakdown of Trade payables and Other payables to subsidiaries and joint ventures and associates is shown in the table below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Subsidiaries		
Rai Cinema SpA	15,907	20,935
Rai Com SpA	9,018	8,855
Rai Pubblicità SpA	68	391
Rai Way SpA	58,558	61,790
Trade payables to subsidiaries	83,551	91,971

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Joint ventures and associates		
Auditel Srl	-	2,711
Tavolo Editori Radio Srl	477	-
Tivù Srl	416	1,026
Trade payables to joint ventures and associates	893	3,737

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Subsidiaries		
Rai Cinema SpA	445	3,056
Rai Com SpA	-	2,970
Rai Pubblicità SpA	1,128	2,768
Rai Way SpA	2,537	2,456
Other payables to subsidiaries	4,110	11,250

Trade payables, totalling €550,891 thousand, fell by €9,533 thousand compared to 31 December 2016.

Other current payables and liabilities rose instead by €91,834 thousand, driven mainly by advances on licence fees, VAT payable due to the introduction of the split payment mechanism, and higher payables to personnel, connected with provisions for the special voluntary redundancy plan targeted at middle managers, office staff and workers and orchestra musicians.

Payables to personnel totalled €216,250 thousand (€189,190 thousand as at 31 December 2016). The figure breaks down as follows.

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Untaken paid annual leave	69,704	72,224
Untaken time in lieu	52,500	50,567
Wage and salary assessment	46,227	46,258
Redundancy incentives	46,019	17,855
Other	1,800	2,286
Payables to personnel	216,250	189,190

Deferrals for grants for the switch-over to digital terrestrial included €1,644 thousand for the current portion of government grants provided by the former Ministry of Communications between 2007 and 2011 to support initiatives to fast-track the switch-over to digital terrestrial. Such initiatives consisted of system upgrades and work on site infrastructure to extend the coverage of the digital network and improve reception levels and the quality of service for users. Those investments were tasked to the subsidiary Rai Way, which is responsible, *inter alia*, for the design, installation, construction, maintenance, implementation, development and management of telecommunications networks. The grant was recognised in the Income statement for each year in which a depreciation charge would have been recognised if the investment had been made by Rai, considering the ratio of the amount of the grant received to the investments made to complete the relative projects.

Payables to social security institutions totalled €71,118 thousand (€73,043 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Payables to supplementary pension funds for personnel	21,177	22,960
Payables to INPGI	13,606	14,672
Payables to INPS	25,436	25,224
Payables to INAIL	73	20
Payables to CASAGIT	1,380	1,454
Contributions on assessed wages and salaries	9,095	8,360
Other payables	351	353
Payables to social security institutions	71,118	73,043

Other tax payables show taxes payable to Inland Revenue other than current income tax. The item breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Group VAT payable	21,330	-
Suspended VAT payable	1,008	1,503
Withholding tax on wages and salaries for employees and contractors, substitution tax and other withholdings	33,613	33,127
Total other tax payables	55,951	34,630

Total payables due in currencies other than the euro are reported in note 7.1 “Market risk”.

Payables to related parties are reported in Note 17.4 “Transactions with related parties”.

15.2 Current financial liabilities

Current financial liabilities totalled €151,161 thousand (€300,427 thousand as at 31 December 2016). The breakdown is shown in the table below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Payables to subsidiaries – current account positions	140,618	129,475
Medium/Long-term loans due to banks (current portion)	10,000	10,000
Liabilities for derivatives taken out on behalf of Rai Cinema	506	26
Short-term payables to banks	37	160,143
Payables to the subsidiary Rai Cinema for derivative instruments	-	697
Payables to joint ventures and associates – San Marino RTV current account	-	73
Payables to joint ventures and associates – capital subscriptions to be paid	-	13
Total current financial liabilities	151,161	300,427

Payables to subsidiaries – current account positions rose by €11,143 thousand. The breakdown by company is shown in the following table:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Subsidiaries:		
Rai Cinema SpA	788	223
Rai Com SpA	136,440	102,623
Rai Corporation (in liquidation)	3,314	3,865
Rai Pubblicità SpA	-	22,647
Rai Way SpA	76	117
Payables to subsidiaries – current account positions	140,618	129,475

The current portion of non-current financial liabilities is reported and explained in Note 14.1 “Non-current financial liabilities”.

Short-term payables to banks totalled €37 thousand (€160,143 thousand as at 31 December 2016) and consisted of the negative balance on current accounts held with banking institutions.

The only hedges in place are currency hedges, taken out on behalf of the subsidiary Rai Cinema in relation to the purchase of broadcasting rights to television series and films denominated in USD, as reported in Note 17.4 "Transactions with related parties".

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Liabilities for derivatives taken out on behalf of Rai Cinema	506	26
Payables to the subsidiary Rai Cinema for derivative instruments	-	697
Total derivative financial instruments – current portion	506	723
Total derivative financial instruments – non-current portion	-	-
Total derivative financial instruments	506	723

Derivative liabilities as at 31 December 2017 were recognised at fair value for a total of €506 thousand (€723 thousand as at 31 December 2016). They refer exclusively to the current portion of derivatives taken out under the mandate granted by Rai Cinema (€26 thousand as at 31 December 2016), which is reflected in intercompany accounts through the financial receivables held with the subsidiary, as reported in Note 12.3 "Current financial assets". No non-current portions are recognised.

Information on risks hedged and on hedging policies is disclosed in note 7.1 "Market risk".

15.3 Current income taxes payable

Current income taxes payable totalled €29,959 thousand (€46,628 thousand as at 31 December 2016). The figure breaks down as follows.

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
IRES payable under the national tax consolidation arrangement	29,959	46,628
Total current income taxes payable	29,959	46,628

The Company has opted for a Group taxation scheme under which the obligations connected with the settlement and payment of IRES tax on companies scoped into the tax consolidation arrangement have been transferred to the Company. Procedures for consolidating Group taxable income are governed by a specific agreement between the Parent Company and its subsidiaries.

Income taxes are reported in Note 16.9 "Income taxes".

16) Income statement

16.1 Revenue from sales and services

The main items making up "Revenue from sales and services" are shown in the table below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
TV licence fees	1,776,591	1,909,658
Advertising	567,034	615,699
Other revenue	71,016	69,269
Total revenue from sales and services	2,414,641	2,594,626

The breakdown of revenue by geographical area shows it is predominantly originated in the domestic market.

TV licence fees

Revenue from TV licence fees in 2017 amounted to €1,776,591 thousand (€1,909,658 thousand in 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
TV licence fees for the year – household licences	1,633,276	1,792,732
Licence fees for the year – special licences	79,003	77,837
TV licence fees collected by enforcement order	39,778	39,539
TV licence fees for prior years – household licences	24,535	-
Licence fee refunds	(1)	(450)
Total TV licence fees	1,776,591	1,909,658

For revenue from TV licence fees (as defined in Note 3 "Measurement criteria"), total licence fees for household accounts were measured on the basis of information and data provided in relation to new collection methods, taking into consideration the provisions of Article 1(293) of Law 190 of 23 December 2014, under which amounts owing to Rai to cover the cost of Public Service operations was reduced by 5 per cent as of 2015.

The new collection methods were introduced by Law 208 of 28 December 2015 (the "2016 Stability Law"), which provided, in Article 1 (152 *et seq.*), for TV licence fees for household licences to be charged, as of 1 January 2016, directly in power bills issued by electricity companies, under a separately detailed item.

The law thus introduced, in an effort to overcome evasion, the mechanism by which if a household has a utility account for power supply to a registered home address, then it can be presumed that the household is in possession of a television set. The presumption of the possession of a television set may only be overturned by a statutory declaration made in accordance with the Consolidation Law as per Presidential Decree 445 of 28 December 2000. False statements are punishable by law and may entail criminal liability.

The 2016 Stability Law also established that any higher revenues collected from 2016 to 2018 with respect to 2016 state budget forecasts are to be transferred to Rai in the set proportion of 67% for the year 2016, and 50% for the years 2017 and 2018.

In relation to the amounts reported above:

- TV licence fees collected by enforcement order refer to licence fees due in 2015 and prior years and paid in 2017 under an enforcement order by households with overdue payments;
- licence fees for prior years – household licences refer to licence fees for 2016 that were paid to the state in 2017 and hence notified only during the course of the year, and to the recalculation of licence fees for prior years.

The mechanism for determining the single television licence fee contemplated by the Consolidation Law for audiovisual and radio media ("separate accounting"), designed to ensure that revenue from licence fees is proportional to the costs incurred by Rai, as certified by an independent auditor, for its Public Service operations, has found a shortfall in such revenue for the period 2005–2016 of €2.6 billion.

Advertising

Revenue from advertising in 2017 amounted to €567,034 thousand (€615,699 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Television advertising on general-interest channels:		
- air time	362,055	408,538
- promotions, sponsorships and special initiatives	110,677	113,652
- product placements	4,052	4,111
Television advertising on specialist channels	57,611	58,483
Radio advertising	27,968	26,524
Web advertising	5,970	5,777
Other advertising	330	395
Third-party quotas	(1,511)	(1,451)
Contingencies	(118)	(330)
Total revenue from advertising	567,034	615,699

Revenue from advertising fell by €48,665 thousand compared to 2016, when the figure was boosted by Major sports events (UEFA European Championship and the Summer Olympics).

Other revenue

Other revenue from sales and services in 2017 amounted to €71,016 thousand (€69,269 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Special services under convention	37,877	38,341
Distribution and sale of channels	11,633	11,342
Sale of music rights and editions	6,984	7,301
Sundry services, mainly for institutional purposes	7,413	7,079
Digital terrestrial broadcasting services	1,861	2,925
Production and facility services	744	770
Agreements with telephone service providers	244	388
Home video distribution	207	201
Other	1,361	1,268
Third-party quotas	(450)	(585)
Contingencies	3,142	239
Total other revenue	71,016	69,269

16.2 Other revenues and income

Other revenues and income in 2017 amounted to €29,279 thousand (€33,105 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Other income from investees	20,762	22,577
Contributions for operating expenses	2,833	5,733
Compensation for damages	2,304	427
Cost recoveries and expense refunds	616	863
Income from real estate investments	236	238
Other	2,633	2,802
Contingencies	(105)	465
Total other revenues and income	29,279	33,105

The breakdown of “Other income from investees” by counterparty is shown in the table below. As reported in Note 17.4 “Transactions with related parties”, such income is connected with agreements for the provision of services by Rai.

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Rai Cinema SpA	3,557	4,571
Rai Com SpA	3,430	3,365
Rai Pubblicità SpA	2,860	2,814
Rai Way SpA	10,908	11,827
Tavolo Editori Radio Srl	7	-
Other income from investees	20,762	22,577

16.3 Costs for the purchase of consumables, costs for services and other costs

Costs for the purchase of consumables, costs for services and other costs amounted to a total of €1,357,935 thousand (€1,521,925 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Purchases of consumables	11,106	12,286
Costs for services	1,300,494	1,457,871
Other costs	46,335	51,768
Total costs for the purchase of consumables, costs for services and other costs	1,357,935	1,521,925

Purchases of consumables totalled €11,106 thousand (€12,286 thousand as at 31 December 2016). The breakdown is shown in the table below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Purchase of fuel and oil	2,379	2,824
Sundry non-production materials	2,034	2,231
Sundry production materials	3,302	3,839
Technical inventories	937	1,083
Changes in inventory	24	35
Other materials	2,551	2,408
Contingencies	(121)	(134)
Purchases of consumables	11,106	12,286

The breakdown of costs for services is shown in the table below. The item totalled €1,300,494 thousand (€1,457,871 thousand as at 31 December 2016), net of discounts and rebates obtained, and includes, *inter alia*, emoluments, indemnities of office and expense refunds paid to directors, for a total of €440 thousand, and to Statutory Auditors, for a total of €167 thousand.

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Contractors	124,307	131,384
Programme production services	188,323	186,727
Travel allowances and expenses and accessory costs for personnel	34,863	37,303
Rai Way signal transmission and broadcasting	203,363	202,704
Maintenance, repairs, transport and similar	33,879	35,485
IT system documentation and assistance services	47,256	46,293
Other outsourced services	78,235	91,193
Purchase of showings	288,675	324,166
Rentals and leases	50,787	53,234
Recording rights	156,340	255,563
Copyright	104,178	110,226
(Income)/Charges from Rai Way IPO	-	(452)
Recovery of expenses	(2,657)	(3,008)
Contingencies	(7,055)	(12,947)
Costs for services	1,300,494	1,457,871

In accordance with Article 2427 (16-bis) of the Civil Code, we report that fees accruing to the year ended 31 December 2017 for services provided by the external auditors amounted to €169 thousand for the annual auditing of accounts, €24 thousand for the auditing of the half-year financial report and €63 thousand for other non-audit services.

Other costs, totalling €46,335 thousand (€51,768 thousand as at 31 December 2016), mainly consisted of prizes and winnings on radio and television competitions, indirect taxes and other duties, fees for user rights to digital television frequencies and other fees and contributions.

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Prizes and winnings	6,588	12,352
User rights to digital television frequencies and other fees and contributions	10,839	10,332
Contributions to control authorities	4,583	4,791
IMU/TASI taxes	8,737	8,704
Other indirect taxes and other duties	8,570	9,008
Newspapers, magazines, books and publications	1,690	1,667
Membership fees	3,408	3,319
Losses on disposals	330	65
Other	2,208	2,290
Contingencies	(618)	(760)
Other costs	46,335	51,768

16.4 HR expenses

HR expenses totalled €888,665 thousand (€928,176 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Wages, salaries and social security costs	805,216	867,714
Employee severance pay	39,785	40,269
Pensions and similar obligations	13,036	13,004
Other	13,444	10,160
HR expenses	871,481	931,147
Costs for redundancy incentives	48,025	21,546
Recovery of expenses	(4,831)	(5,382)
HR expenses capitalised	(16,829)	(13,331)
Other HR expenses	26,365	2,833
Contingencies and releases of provisions	(9,181)	(5,804)
Total HR expenses	888,665	928,176

The items includes €40,526 thousand of charges for defined contribution plans and €41,479 thousand of income from defined benefit plans, net of past benefits, as reported in Note 14.2 “Employee benefits”.

Redundancy incentives amounted to €48,025 thousand (€21,546 thousand as at 31 December 2016). That figure includes provisions allocated by resolution of the Board of Directors on 29 December 2017 for the special voluntary redundancy plan for middle managers, office staff and workers and orchestra musicians totalling €40,000 thousand, the maximum limit approved by the resolution, as well redundancy incentives paid to senior managers.

Five different collective bargaining agreements (CCLs) are applied within the Group: the CCL for middle managers, office staff and workers employed by the companies Rai, Rai Way, Rai Cinema and Rai Com; the CCL for Rai orchestra musicians; the CCL for journalists (CNLG), applied by Rai under the terms and conditions of the “Convention for the Extension of the CNLG to Rai” and the relative Addendum Agreement with Usigrai for journalist staff; the national CCL for senior managers of manufacturing and service

companies and the relative Addendum Agreement between Rai and ADRai; and the CCL for the middle managers and office staff of Rai Pubblicità.

With respect to those agreements, we report that:

- the collective bargaining agreement for middle managers, office staff and workers was renewed, by agreement made on 28 February 2018, for the period 2014–2016 and, on an exceptional basis, for 2017 and 2018;
- the collective bargaining agreement for orchestra musicians expired on 31 December 2013;
- for journalist staff, on 13 March 2018 Rai and Unindustria Roma signed a Convention for the Extension of the National Collective Bargaining Agreement for Journalists to Rai with Usigrai and FNSI; the Rai–Usigrai Addendum Agreement expired on 31 December 2013;
- for personnel employed as senior managers, the collective bargaining agreement for the period 1 January 2015–31 December 2018 is still in force, while the Rai–ADRai Addendum Agreement for the period 2014–2016 expired on 31 December 2016.

The average number of Company employees is shown below by employment category.

	Year ended 31 December 2017			Year ended 31 December 2016		
	Permanent employees (average No.) (1)	Temporary employees (average No.)	Total	Permanent employees (average No.) (1)	Temporary employees (average No.)	Total
- Senior managers (2)	275	-	275	274	-	274
- Officers and middle managers	1,148	-	1,148	1,125	-	1,125
- Journalists	1,627	189	1,816	1,709	117	1,826
- Office staff, production staff, camera crew, director's assistants, technicians	6,939	432	7,371	6,898	530	7,428
- Workers	893	71	964	897	89	986
- Orchestra musicians and other artists	123	3	126	119	4	123
- General practitioners	7	-	7	8	-	8
Total	11,012	695	11,707	11,030	740	11,770

(1) of which apprentices

128

179

(2) the figure includes top managers engaged under temporary employment contracts.

The average number of employees was calculated as the arithmetic mean of the daily number of employees over the reporting period, weighted to account for part-time employees. The average number of employees includes personnel on permanent and temporary employment contracts.

16.5 Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs totalled €289,802 thousand (€264,354 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Property, plant and equipment:		
Buildings	11,778	11,884
Plant and machinery	50,255	49,391
Fixtures and fittings, tools and other equipment	1,419	1,309
Other assets	5,590	5,501
Total depreciation of property, plant and equipment	69,042	68,085
Intangible assets:		
Programmes	165,584	146,424
Software	4,316	4,007
Digital terrestrial frequencies	-	1,121
Trademarks	7	7
Other rights	167	304
Total amortisation of intangible assets	170,074	151,863
Total amortisation and depreciation	239,116	219,948
Programmes under amortisation	38,542	30,982
Programmes in progress	5,829	8,635
Other intangible assets	2,955	-
Equity investments recognised at cost	49	2,822
Other non-current receivables and assets	1,803	746
Trade receivables	(33)	315
Receivables from subsidiaries	(192)	480
Current income tax receivables	222	-
Other current receivables and assets	1,511	426
Total write-downs	50,686	44,406
Total depreciation, amortisation and write-downs	289,802	264,354

16.6 Provisions

Net provisions totalled €4,852 thousand (€7,392 thousand as at 31 December 2016), including €6,184 thousand of provisions, offset by €1,332 thousand of drawdowns. Provisions refer for the most part to provisions for risks and charges connected with legal disputes of various nature and other operational risks.

16.7 Financial income and expense

Net financial income totalled €72,868 thousand (€70,214 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Financial income:		
Dividends	81,329	83,706
Interest income from subsidiaries	2,486	1,960
Interest income from joint ventures – San Marino RTV SpA	6	3
Income from currency derivatives	12	190
Interest income from banks	36	36
Foreign exchange gains realised	529	307
Gains from currency valuation	257	178
Other	2,389	1,067
Total financial income	87,044	87,447
Financial expense:		
Interest on employee benefit liabilities	(4,339)	(7,003)
Interest expense on bonds	(6,129)	(6,130)
Interest expense due to banks	(1,371)	(1,348)
Charges on currency derivatives	(86)	(87)
Foreign exchange losses realised	(60)	(354)
Losses on currency valuation	(235)	(285)
Interest expense due to subsidiaries	(21)	(28)
Other	(1,935)	(1,998)
Total financial expense	(14,176)	(17,233)
Net financial income/(expense)	72,868	70,214

Breakdown of dividends

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Rai Cinema SpA	47,558	43,700
Rai Pubblicità SpA	-	8,000
Rai Way SpA	27,162	25,306
Rai Com SpA	6,573	6,700
Almaviva SpA	36	-
Total dividends	81,329	83,706

16.8 Earnings from equity investments recognised under the equity method

Earnings from equity investments recognised under the equity method amounted to a negative €490 thousand (negative €657 thousand as at 31 December 2016). The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Income/(expense) from equity investments		
Audiradio Srl (in liquidation)	-	44
Auditel Srl	28	-
Euronews SA	(1,090)	(1,563)
San Marino RTV SpA	5	(45)
Tavolo Editori Radio Srl	(5)	-
Tivù Srl	572	907
Total effect of recognition under the equity method	(490)	(657)

The breakdown of the change in equity investments recognised under the equity method is reported in Note 11.3 “Equity investments”.

16.9 Income taxes

Income taxes payable totalled a positive €30,484 thousand (€28,825 thousand as at 31 December 2016) due to the effect of deferred tax assets and liabilities. The figure breaks down as follows:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
IRES	-	-
IRAP	-	-
Total current taxes	-	-
Deferred tax liabilities	1,894	2,287
Deferred tax assets	28,590	26,538
Total deferred taxes	30,484	28,825
Total tax for the year	30,484	28,825

The difference between the theoretical tax rate and the effective tax rate is shown below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
Loss before tax	(24,956)	(24,559)
IRES tax rate	24.00%	27.50%
Theoretical tax gain	5,989	6,754
Tax differences	24,495	22,071
IRAP	-	-
Total income taxes	30,484	28,825

The item "tax differences" shows the difference between the IRES tax expense booked and the theoretical expense resulting from the application of the current IRES tax rate (24%) to earnings before tax.

That difference is the result of the application of the corporate income tax rules contained in the Italian Income Tax Code, which produces differences in declared profits of both a permanent nature (such as IMU property tax, vehicle costs and participation exemptions on dividends carried in the Income statement) and a temporary nature (such as depreciation and amortisation charges, write-downs of intangible assets, employee benefits, allocations and drawdowns/releases of provisions).

17) Other disclosures

17.1 Guarantees

Guarantees provided totalled €70,682 thousand (€38,353 thousand as at 31 December 2016). The figure breaks down as follows.

(in €/’000)			
Year ended 31 December 2017			
	Personal and surety guarantees	Collateral	Total
Subsidiaries	65,866	-	65,866
Joint ventures and associates	2,582	-	2,582
Other	-	2,234	2,234
Total	68,448	2,234	70,682

(in €/’000)			
Year ended 31 December 2016			
	Personal and surety guarantees	Collateral	Total
Subsidiaries	35,771	-	35,771
Joint ventures and associates	2,582	-	2,582
Other	-	-	-
Total	38,353	-	38,353

Guarantees provided included the recognition of an obligation to pay guaranteeing the early repayment of €64,265 thousand of surplus VAT as at 31 December 2017 (€34,015 thousand as at 31 December 2016) by subsidiaries, undertaken with Inland Revenue.

The Company has also recognised €365,323 thousand of guarantees provided by third parties (€319,269 thousand as at 31 December 2016) on commercial and financial obligations held by the Company. Those guarantees mainly consist of:

- i) guarantees received from various banks and insurance institutions for:
 - the purchase of goods and services;
 - full performance of contracts for the production of radio and television productions;
- ii) guarantees provided by third parties on obligations held by the Company:
 - for payables – surety guarantee on the medium/long-term EIB loan;
 - on other obligations – mainly surety guarantees provided to Inland Revenue guaranteeing prize competitions and the refund of VAT credits.

17.2 Commitments

The main commitments, including long-term commitments, connected with products or with technological development and modernisation initiatives and in place at the reporting date are reported in the table below.

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Future commitments on:		
Sports broadcasting rights	92.4	159.8
Investments in TV series and cartoons	123.4	93.0
Rights and services for the production of programmes	56.7	39.8
Technical investments	22.3	23.0
Total commitments	294.8	315.6

17.3 Contingent liabilities

The Company is a party to civil, administrative, labour law and social security lawsuits connected with its ordinary business activities.

Civil and administrative litigation involving the Company is primarily connected with the production and public broadcasting of radio and television programmes. Almost all civil litigation concerns claims for damages, mostly in connection with alleged defamation and infringement of personality rights, while claims for damages under administrative law usually concern disputes over tender awards in which the equivalent compensation claim is usually a subsidiary application to the main application for the annulment of the tender decision and, in some cases, the award of the contract.

If, on the basis of analyses conducted on such kinds of litigation:

- information is available, at the time of preparation of the financial statements, suggesting it is likely that a liability will arise;
- and the amount of the liability can be reasonably estimated, considering the petition made by the applicant;

then a relative liability is recognised through the allocation of provisions for legal disputes.

In relation to labour law and social security matters, the Company is a party to a considerable number of lawsuits, mainly concerning claims for reinstatement, applications for investigations into the alleged use of fictitious intermediaries in the procurement of labour, applications for higher level employment grades and categories, compensation claims for alleged demotion and alleged non-fulfilment of social security obligations under employment contracts or collective bargaining agreements. For the purposes of determining the amount of provisions to be allocated, given the large number of pending lawsuits and the consequent difficulty in assessing the contingent liability for each, the cases are subdivided into three categories in relation to their status and any appeal rulings handed down – lawsuits pending in courts of first instance; lawsuits lost on appeal; lawsuits won on appeal. The risk is then estimated for each category by identifying an average value expressed in percentage terms, in order to quantify the amount of provisions to be allocated for legal disputes.

Provisions allocated for legal disputes are reported in Note 14.3 "Provisions for non-current risks and charges".

On the basis of information currently available, the Company believes that provisions for risks are adequate.

17.4 Transactions with related parties

Transactions between the Company and related parties are reported below, as identified on the basis of the criteria provided by IAS 24 "Related party disclosures" for the years ended 31 December 2017 and 31 December 2016.

Related party dealings are mainly of a commercial and financial nature and involve the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation;
- Rai Pubblicità;
- Rai Way;
- key management personnel ("Senior Management");
- other associates and joint ventures in which the Company holds an equity interest, as reported in Note 11.3 "Equity investments"; companies controlled or under the joint control of Senior Management and entities that manage post-employment benefit plans reserved exclusively to Rai Group employees ("other related parties").

Although related party transactions are conducted at arm's length, there is no guarantee that if those transactions were negotiated and pursued with or between third parties, the relative contracts, and the transactions themselves, would stipulate the same terms and conditions.

"Senior management" means key management personnel with the power and direct or indirect responsibility for the planning, management and control of Company business, including therein the members of the Board of Directors of the Company. For information on emoluments paid to statutory auditors, see Note 16.3 "Costs for the purchase of consumables, costs for services and other costs".

The follow table reports the balance sheet totals as at 31 December 2017 and as at 31 December 2016 and the income effects of transactions between the Company and related parties conducted in the years ended 31 December 2017 and 31 December 2016.

(in €/‘000)	Subsidiaries	Senior Management	Other related parties	Total
Current financial assets				
As at 31 December 2017	164,893	-	517	165,410
As at 31 December 2016	107,033	-	-	107,033
Trade receivables				
As at 31 December 2017	273,630	-	158	273,788
As at 31 December 2016	308,448	-	343	308,791
Other current receivables and assets				
As at 31 December 2017	43,107	10	-	43,117
As at 31 December 2016	47,021	90	-	47,111
Employee benefits				
As at 31 December 2017	-	(4,208)	(14,587)	(18,795)
As at 31 December 2016	-	(5,204)	(14,857)	(20,061)
Current financial liabilities				
As at 31 December 2017	(140,618)	-	-	(140,618)
As at 31 December 2016	(130,172)	-	(86)	(130,258)
Trade payables				
As at 31 December 2017	(83,551)	-	(893)	(84,444)
As at 31 December 2016	(91,971)	-	(3,737)	(95,708)
Other current payables and liabilities				
As at 31 December 2017	(4,140)	(7,297)	(12,738)	(24,175)
As at 31 December 2016	(11,328)	(5,709)	(14,042)	(31,079)

(in €/’000)	Subsidiaries	Senior Management	Other related parties	Total
Revenue from sales and services				
As at 31 December 2017	629,174	-	537	629,711
As at 31 December 2016	680,753	-	512	681,265
Other revenue and income				
As at 31 December 2017	22,352	-	77	22,429
As at 31 December 2016	24,423	-	67	24,490
Costs for the purchase of consumables				
As at 31 December 2017	(2)	-	-	(2)
As at 31 December 2016	(1)	-	-	(1)
Costs for services				
As at 31 December 2017	(499,012)	(669)	(10,074)	(509,755)
As at 31 December 2016	(533,626)	(796)	(9,176)	(543,598)
Other costs				
As at 31 December 2017	(387)	-	-	(387)
As at 31 December 2016	(504)	-	-	(504)
HR expenses				
As at 31 December 2017	3,982	(17,056)	(12,625)	(25,699)
As at 31 December 2016	4,514	(18,908)	(12,807)	(27,201)
Depreciation, amortisation and write-downs				
As at 31 December 2017	192	-	-	192
As at 31 December 2016	(480)	-	-	(480)
Financial income				
As at 31 December 2017	84,986	-	6	84,992
As at 31 December 2016	85,667	-	3	85,670
Financial expense				
As at 31 December 2017	(21)	-	-	(21)
As at 31 December 2016	(112)	-	-	(112)

Reported below is a description of the main agreements in place between Rai and the subsidiaries, associates and joint ventures identified above.

Agreements for the provision of services to Rai

Rai Pubblicità

Rai has an advertising concession agreement in place with Rai Pubblicità, under which the latter has an exclusive concession for the sale of advertising space on radio and general-interest television channels, on free-to-air specialist digital and satellite channels, on the teletext service, on the Rai domain and on other minor media.

Rai Com

Rai has granted a mandate without power of representation to Rai Com for:

- a) the sale of user licenses for television, radio and cinema use, for audiovisual use (meaning licences for use on home video and commercial video, etc.), and for multimedia use, including interactive multimedia, and derivative rights;
- b) the management of negotiations for framework agreements and/or conventions with central and local, national and international, public and private bodies and institutions;
- c) the acquisition and/or production of musical and theatre pieces, including classical music, prose works and music editions;
- d) the management of ticketing services and the implementation and/or management of interactive telephone initiatives and/or other interactive initiatives;
- e) the ideation, development, outlining, stipulation and/or management of projects enabling Rai to participate in Italian and European calls for tenders to receive funding grants or facilitated loans;
- f) the negotiation, outlining, formalisation and/or management of sports library contracts, including therein the implementation and/or management of all commercial initiatives contemplated by such contracts;
- g) the provision of technical facilities and the execution of commercial agreements designed to raise the value of non-production premises available to Rai (Palazzo Labia);
- h) the negotiation, outlining, formalisation and/or management of other partnership agreements with third-party enterprises of a commercial nature and for commercial purposes; and
- i) operations for the international sale of Rai channels.

Rai Cinema

A specific agreement is in place with Rai Cinema under which the latter has committed to providing Rai with exclusive access to a catalogue of free-to-air showings of audiovisual works acquired in any way by Rai Cinema, whereas Rai has the obligation to purchase exclusively from Rai Cinema the broadcasting rights to showings of free-to-air audiovisual works.

Rai Way

A service agreement is in place between Rai Way and Rai, under which Rai has outsourced to Rai Way, on an exclusive basis, a series of services that enable Rai to:

- a) control transmission and broadcasting, in Italy and around the world, over the MUX assigned to it under applicable law; and
- b) control the fulfilment of its Public Service obligations.

The service agreement also envisages, and governs, the possibility for the parties to negotiate in the future, in the event of new needs for Rai, the provision of additional services, including services for the development of new electronic communications and telecommunications networks, as well as new broadcasting standards and technologies.

Agreements of a financial nature

With the exception of Rai Way, which following its public listing became fully independent financially, a centralised treasury management agreement is in place between Rai and its subsidiaries, involving a bank cash-pooling programme aimed at ensuring coverage of cash needs and the optimisation of cash flow.

In order to hedge the currency risk to which the subsidiary Rai Cinema is exposed, the latter has granted a mandate to Rai to trade foreign currency and financial instruments on its account, in accordance with the operational methods set out in Group policies.

With reference to Rai Way, other agreements in place consist of:

- an intercompany current account agreement, the purpose of which is to provide Rai with the funding needed to settle reciprocal credit and debit positions connected with certain residual payment services envisaged under the service agreement through which Rai has outsourced services to Rai Way;
- a mandate agreement authorising Rai to perform payments and collections connected with the settlement of intercompany accounts payable and receivable, primarily in the context of the netting, through Rai, of credit and debit positions between Group companies, excluding therefrom payments for services provided under the service agreement in place and hedging transactions.

Agreements for the provision of services by Rai

Rai provides a series of services to select subsidiaries under specific service agreements concerning, in particular, administrative services, real estate services, IT services, testing services and dubbing services.

Tax consolidation arrangement

The Rai Group has a “national tax consolidation” arrangement in place for IRES tax purposes, as permitted under Articles 117 et seq. of the Italian Income Tax Code and governed by Ministerial Decree of 9 June 2004.

The option to join the three-year national tax consolidation arrangement was renewed by the Parent Company Rai for the subsidiaries Rai Way, Rai Cinema and Rai Com. For Rai Pubblicità, the option was renewed in the Rai tax return statement for the 2016 tax year. As of the 2017 tax year, the option to join the arrangement will be tacitly renewed without the need for notification.

The tax and equity arrangements between the participating companies are governed by a specific agreement made between the parties, which is updated in the light of relative legislative amendments applicable under the agreement.

As a result of the national tax consolidation arrangement, Rai held receivables from the participating companies totalling €28,993 thousand as at 31 December 2017.

Group VAT offsetting

The Company has adopted the procedure contemplated by Ministerial Decree of 13 December 1979, providing implementing rules for the provisions of Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972, for the offsetting of Group VAT.

The option to apply the Group VAT procedure is valid for one year and was exercised by Rai and all its Italian subsidiaries until 31 December 2017. Tax and equity arrangements under the procedure are governed by a specific agreement between the parties.

Other related parties

Dealings with other related parties are mainly of a commercial and financial nature. The most significant include the following agreements:

San Marino RTV

An intercompany current account agreement is in place with the Company, under which debits and credits resulting from economic and financial transactions between the parties are transferred to an intercompany current account. Under the agreement, Rai also provides a credit facility of €1,000 thousand (€1,400 thousand as of 30 January 2018), on which the company can draw to cover overdrafts deriving from ordinary business activities. The credit facility is 50% counter-guaranteed by ERAS (the San Marino radio broadcasting body).

In addition, under a radio and television broadcasting agreement between the government of San Marino and the Italian government/Prime Minister’s Office, a fixed annual contribution is made to San Marino RTV through Rai Com.

Tivù

Service agreements are in place, under which:

- Rai provides electronic programme guide (EPG) processing and management services and editorial and advisory services, as well as satellite transmission capacity to enable the offer of EPG services;
- Tivù provides an EPG service for the digital terrestrial and satellite platforms and an encryption service.

Auditel

Auditel provides television audience share measurement and data publication services.

Tavolo Editori Radio

Tavolo Editori Radio provides radio audience share measurement and data publication services.

18) Subsequent events

Signing of a National Service Contract between the Ministry for Economic Development (MISE) and Rai

On 11 January 2018, the Board of Directors approved the wording of a new national service contract, which was subsequently signed by the Company and the Ministry. The contract came into force on the first day following its publication in the Official Journal on 7 March 2018.

Setting of television licence fees

On 9 February 2018, the decree of the Ministry for Economic Development dated 21 December 2017 was published in the Official Journal, containing provisions for "Special television licence fees for 2018". The decree sets for the current year the amounts of special licence fees for the possession of radio receivers or television sets on non-household premises and of special licence fees for the possession of radio receivers or television sets in cinemas, theatres and comparable premises, in accordance with the amounts set forth in tables 3 and 4 annexed to the ministerial decree of 29 December 2014.

Notes to the Separate Financial Statements

19) Appendix 19.1 Equity investments held by Rai in subsidiaries, joint ventures and associates

The following table reports the equity investments held by Rai in domestic and foreign companies.

Values as at 31 December 2017	Registered office	No. shares/ units held	Nominal value (in euros)	Share capital (in €/’000)	Shareholders’ equity (in €/’000)	Profit/(loss) (in €/’000)	Equity interest held %	Carrying amount (in €/’000)
Subsidiaries								
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	260,994	21,362	100.00%	267,848
Rai Com SpA	Rome	2,000,000	5.16	10,320	118,530	11,982	100.00%	107,156
Rai Corporation (in liquidation)	New York (USA)	50,000	10.00 (1)	500 (2)	20 (3)	(41) (4)	100.00%	20
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	29,796	472	100.00%	31,082
Rai Way SpA	Rome	176,721,110	- (5)	70,176	176,390	56,263	64.971%	506,260
								912,366
Joint ventures and 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	26,886	38,463	(22,773)	3.08%	1,184
San Marino RTV SpA	S. Marino (RSM)	500	516.46	516	4,118	9	50.00%	2,059
Tavolo Editori Radio Srl	Milan	1	17,380.00	110	77 (6)	(33) (6)	15.80%	12
Tivù Srl	Rome	1	482,500.00	1,002	4,186	1,188	48.16%	2,016
								5,969

(1) values in USD

(2) values in \$/’000

(3) \$23,299 at the exchange rate of EUR/USD 1.1993 as at 31.12.2017

(4) \$-49,086 at the exchange rate of EUR/USD 1.1993 as at 31.12.2017

(5) Ordinary shares with no stated par value

(6) As per the financial statements as at 31.12.2016, last available

(7) The balance sheet deficit of €9 thousand is covered by provisions for charges of an equal amount

19.2 Net financial position

Net financial position, as measured in accordance with the recommendations of paragraph 127 of the ESMA document ESMA/2013/319, implementing Regulation (EC) No 809/2004, is reported in the table below:

(in €/’000)	Year ended 31 December 2017	Year ended 31 December 2016
A. Cash	317	329
B. Other cash equivalents	170,584	4,234
C. Trading securities	-	-
D. Liquidity (A+B+C)	170,901	4,563
E. Current financial receivables	172,046	114,294
F. Current bank debt	(37)	(160,143)
G. Current portion of non-current debt	(10,000)	(10,000)
H. Other current financial debt	(141,124)	(130,285)
I. Current financial debt (F+G+H)	(151,161)	(300,428)
J. Net current financial position (I+E+D)	191,786	(181,571)
K. Non-current bank loans	(25,000)	(35,000)
L. Bonds issued	(347,825)	(346,946)
M. Other non-current financial indebtedness	-	-
N. Non-current financial debt (K+L+M)	(372,825)	(381,946)
O. Net financial indebtedness (J+N)	(181,039)	(563,517)

20) Proposed resolution

The Board of Directors proposes:

- to approve the draft annual financial statements of Rai SpA, prepared in accordance with international accounting standards and consisting of the Statement of financial position, the Income statement, the Statement of comprehensive income, the Cash flow statement, the Statement of changes in shareholders' equity and the Notes to the Financial Statements, which show a net profit for the year of €5,528,087.54, together with the Report on Operations;
- to allocate the net profit for the year of €5,528,087.54 as follows:
 - €276,404.38, equal to 5% of net earnings, to the legal reserve;
 - €605,211.73 to the valuation reserve for equity investments – restricted reserve as per Article 2426 (4) of the Civil Code;
 - €21,861.20 to the reserve for gains from currency valuation – restricted reserve as per Article 2426 (8-bis) of the Civil Code;
 - and the remaining €4,624,610.23 to other reserves.

Certification pursuant to article 154-bis of Italian Legislative Decree 58/98

The undersigned Mario Orfeo, in the capacity as General Manager, and Massimo Cappelli, in the capacity as Manager in charge of drawing up the corporate accounting documents of Rai Radiotelevisione italiana SpA, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby attest:

- the adequacy in relation to the characteristics of the Company and
- the actual application

of the administrative and accounting procedures for the preparation of the Separate Financial Statements for financial year 2017.

The administrative and accounting procedures and operating practices in place have been applied in a manner consistent with the internal administrative and accounting control system to ensure the achievement of the objectives required by the applicable regulatory framework.

It is also attested that:

- the Separate Financial Statements at 31 December 2017 of Rai Radiotelevisione Italiana SpA:
 - a) have been prepared in accordance with applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the data in the accounting books and records;
 - c) are suitable to provide a true and fair representation of the equity, economic and financial position of the issuer.
- the Report on Operations includes a reliable analysis of the trends and results of operations, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 7 May 2018

Mario Orfeo
General Manager

Massimo Cappelli
Manager in charge of drawing up
the corporate accounting documents

Board of Statutory Auditors' Report

To the Shareholders of Rai SpA.

Pursuant to Art. 2429, second paragraph of the Civil Code, the Board of Statutory Auditors is called on to report to the Annual Shareholders' Meeting on the results for the financial year and on the activities performed to fulfil its duties, reporting any omissions and lamentable facts possibly detected.

The Board of Statutory Auditors in office, in the persons of Messrs Biagio Mazzotta (Chairman), Anna Maria Magro and Roberto De Martino (Standing Auditors), was appointed by the Shareholders' Meeting of 24 June 2016 for a three-year period and will end its term in office on the date of the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2018.

The appointment was made in compliance with legislative, regulatory and statutory provisions applicable and the Board composition complies with the gender representation rule.

The company PricewaterhouseCoopers SpA (hereinafter also PWC) has been appointed to carry out the independent auditing of the Separate Financial Statements of Rai – Radiotelevisione italiana SpA (hereinafter also Rai), auditing of the Consolidated Financial Statements of the Rai Group, and the limited audit of the six-monthly separate and Consolidated Financial Statements for the financial years from 31 December 2015 to 31 December 2023. A motivated proposal was recently presented to increase the auditing fees because of the increased activities resulting from the independent auditing reform bill.

By means of the Board of Directors' resolution of 23 February 2017 the company adopted its "Regulation for management of privileged information and internal dealing transactions, keeping the insiders register and the list of persons exercising administration, control and management functions and of persons closely linked to them", following a bond issue by Rai on the Main Securities Market of Euronext Dublin.

In its meeting of 7 May 2018, the Board of Directors made accounts available and approved the Financial Statements of Rai for the year ended 31 December 2017, drawn up pursuant to the IFRS (International Financial Reporting Standards) issued by the International Accounting Standard Board, including the Statement of financial position, the Statement of comprehensive Income, Cash flow statement, Statement of changes in equity, Notes to the Financial Statements, and the Directors' Report.

This report was prepared in time to be deposited within the 15 days prior to the date of the first call of the Shareholders' Meeting to approve the financial statements fixed for 26 June 2018.

Supervisory activities

During the financial year closed as at 31 December 2017, the Board of Statutory Auditors performed the supervisory activities established by law, also considering indications provided by the "Rules of conduct for the Board of Statutory Auditors – Principles for the conduct of the Board of Statutory Auditors of non-listed companies", issued by the National Board of Chartered Accountants and Bookkeepers.

Taking part in the meetings of Corporate Entities

During 2017, the Board of Statutory Auditors met, pursuant to Art. 2404 of the Civil Code, and formalised those meetings in specific minutes (24), approved unanimously, signed and transcribed in the "Book of meetings and resolutions of the Board of Statutory Auditors".

The Board also took part in 27 meetings of the Board of Directors and in 2 Shareholders' Meetings.

The Magistrate of the Court of Auditors delegated to control the financial management of the Company took part in both the meetings of the Board of Statutory Auditors and of the Board of Directors, pursuant to Art. 12 of Law 259 of 21 March 1958.

Supervision of compliance with the law, the By-laws and regulations and of compliance with the principles of correct administration

Taking part in Board of Directors' and Shareholders' Meetings enabled the Board to supervise compliance with statutory, legislative and regulatory provisions and with the principles of correct administration. The frequency of Board of Directors' meetings and their duration is consistent with the number and significance of resolutions to be taken. The Board of Statutory Auditors reported that the aforementioned meetings took place in compliance with legal, statutory and regulatory provisions regulating their operations. On this point, the Board collected the notifications of Directors and then made clear that when complex, important decisions for the company have to be made, the relative documents must be made available to Directors and Statutory Auditors within times that are appropriate and suited to the importance of decisions to be made.

Supervision of the Internal Control System, on the adequacy and functioning of the organisation and administrative-accounting structures

Special attention was dedicated to assessing the adequacy and effectiveness of the Internal Control and Risk Management System (SCIGR), mainly through the following activities:

- a) periodic meetings and exchanges of information with the internal audit department. The Board received the audit Reports drafted after auditing and monitoring activities, with the relative findings and corrective actions indicated. On this point the Board of Statutory Auditors points out that the Internal Audit Department effectively continued in its work to sensitise management over the correct, timely resolution of corrective actions emerging from the audit reports. The new head of the Internal Audit Department was appointed on 6 February 2017;
- b) meetings with members from PricewaterhouseCoopers (PWC), appointed to perform the independent audit of the separate financial statements and the audit of the consolidated Financial Statements, to exchange data and information. No facts, circumstances and irregularities emerged from those meetings that need to be notified in this Report, related to both auditing and any shortcomings on the integrity of the internal control system;
- c) meetings with the Manager-in-charge of drawing up corporate accounts, in the person of the Director of Administration and Finance, from whom the Board received adequate information on the administrative-accounting processes. These are adequate for correct presentation of operating events and for the financial disclosures and related processes. The "Regulations of the Manager-in-Charge of Rai Radiotelevisione italiana SpA" were issued on 27 January 2017;
- d) specific interviews with the heads of the main company departments to acquire knowledge and documents useful for assessing the adequacy and functioning of the corporate organisational structure and its suitability to support Company growth;
- e) periodic meetings with the Supervisory body (collective) which prepared the periodic reports on activities carried out and supervised the updating and adjustment to the Organisation Management and Control Model (MOGC) pursuant to Legislative Decree 231/2001. No important facts and/or situations that need to be mentioned in this Report emerged from that exchange of information. At a proposal from the General Manager, on 27 July 2017 the Board of Directors

approved the update to the MOGC to include the regulatory changes that had occurred since the previous update (2015). The process to define a new overall company risk assessment was also started; it also considered the changed organisational structure;

- f) meetings with the Person Responsible for Prevention of Corruption pursuant to Law 190/2012. On 25 January 2017, the Board of Directors approved the 2017-2019 Corruption Prevention Plan, considering the recommendations expressed by the National Anti-corruption Authority;
- g) meetings with the Boards of Statutory Auditors and Supervisory Bodies of subsidiaries;
- h) meetings for follow-ups and exchanges of information with the Chief Financial Officer.

As regards the separate and consolidated Financial Statements as at 31 December 2017, the General Manager and the Manager-in-charge certified: 1) adequacy related to company characteristics; 2) effective application of administrative and accounting procedures for drawing up the Financial Statements during FY 2017; 3) compliance of international accounting standards applicable; 4) correspondence with the results in books and accounts; 5) suitability to provide a true, accurate picture of the capital, economic and financial situation of the issuer. The document also states that the "the Directors' Report includes a reliable analysis of the management trend and result, and of the situation of the issuer; together with the description of the main risks and uncertainties they are exposed to".

The Board of Directors delegated "the Chairman to supervise internal control activities".

The Audit Report, issued today by PWC in the new layout required by the independent auditing reform bill, specifically assessed the key aspects of the audit and of related auditing procedures in response to those key aspects. PWC also identified and assessed the risks of significant errors in the financial statements, assessed the appropriateness of accounting standards used and use by directors of the business continuity assumption. It also assessed the presentation, structure and contents of the separate financial statements as a whole, whilst guaranteeing due communications to the heads of governance functions.

Today, PWC also issued its Report to the internal control Committee containing, amongst other things, a description of activities carried out by the auditor to check financial statement balances and certification that there were no significant shortcomings in the internal control system related to financial disclosures.

Lastly, PWC issued the Report containing a judgement of compliance, for the most significant aspects, of the consolidated Non-Financial Statement. The Report provides a thorough picture of the procedures followed by PWC to express its professional opinion – albeit within the limits of the limited assurance assignment received – on the compliance of the DNF with what is required by Legislative Decree 254 of 30 December 2016, and by reporting standards (GRI – Global Reporting Initiative).

* * *

As regards the supervision carried out during 2017, the Board of Statutory Auditors certifies that: a) no irregularities, omissions or censurable facts emerged that need to be indicated in this Report; b) the Board did not receive any claims pursuant to Art. 2408 of the Civil Code; c) it did not detect any intra-group transactions and/or with related parties that had atypical or unusual profiles in terms of content, nature and timing.

Moreover, the Board highlights that it continued to exert pressure for the company to equip itself with a complete, exhaustive map of internal profiles and professional competences, not only for their progressive training and enhancement (Rai Academy), but also to be able to transparently support personnel selection and mobility choices.

Results for the year

As can be seen in the Separate Financial Statements, the net profit for the year ended 31 December 2017 is €5.5 million (profit of €4.2 million in 2016). Shareholders' equity as at 31 December 2017 is €808.4 million (€799.5 million as at 31 December 2016).

The Board of Directors recommended that the Shareholders' Meeting allocate profit of €5,528,087.54 as follows:

- €276,404.38 to the Legal reserve;
- €605,211.73 to the Valuation reserve for equity investments – restricted, pursuant to Art. 2426, paragraph 4, Civil Code;
- €21,861.20 to the Reserve for gains from currency valuation, pursuant to Art. 2426, paragraph 8-bis, Civil Code;
- €4,624,610.23 to Other reserves.

The Board observes that the result was considerably impacted by the joint effect of the reduction of the total annual licence fee (from €100 to €90) and the drop to 50% (67% in 2016) of the share to be allocated to Rai related to the greater amounts resulting from collection of the licence amount in utility bills (additional revenue). The total drop in licence fee revenue in the financial statements for 2017 amounts to about €133 million.

Observations and proposals related to the Financial Statements

The Board of Statutory Auditors has examined the draft financial statements approved by the Board of Directors on 7 May last and checked compliance with laws in force on which the documents were based, their structuring, the Directors' Report and financial statement layouts adopted. The Directors' Report was also subject – due to amendments to Art. 14, paragraph 2, of Legislative Decree 39/2010 made by Legislative Decree 135/2016 – to a specific opinion on the consistency of the report itself with the separate (and consolidated) financial statements and on compliance with laws in force.

The Notes to the financial statements set out the measurement criteria applied consistent with the international accounting standards (IFRS) for each single item. Notes commenting on the single items of the Statement of Financial Position and Income statement are complete and exhaustive. The Directors' Report, pursuant to Art. 2428 of the Civil Code, provides exhaustive information on Company activities and on important transactions, and on the main risks.

The financial statements adequately present the facts and information the Board gained knowledge of while exercising its supervisory, inspection and control activities.

The Board has acknowledged the declaration made by the General Manager and the Manage-in-charge of preparing the corporate accounts pursuant to Art. 154-bis of Legislative Decree 58/1998, related to both the separate and the consolidated financial statements for the year ended 31 December 2017.

Based on what was reported, the Board feels the organisational structure in force can support company growth; though it needs continual adaptation consistent with the new company goals in order to make the controls System increasingly more efficient.

There are no comments to be made on the adequacy of the administration and accounting system related to its reliability to correctly present management facts.

Therefore, based on what it was able to detect during activities conducted in the year, the Board of Statutory Auditors can state that:

- decisions made by the Board of Directors comply with the law and the By-laws and are not evidently imprudent or compromising to equity;
- it acquired information on the general performance trend and its foreseeable evolution, and on the most important transactions, in size and characteristics, carried out by the Company;
- the transactions carried out complied with laws in force and the By-laws and do not potentially contrast with resolutions made by the Shareholders' Meeting or compromise the integrity of equity;
- as regards transactions with related parties, reported in the Directors' Report and Notes to the Financial Statements, there are no comments to be made;

- during supervisory activities, as described above, no other significant facts emerged that need to be mentioned in this Report;
- there was no need to intervene due to Board of Director omissions pursuant to Art. 2406 of the Civil Code;
- no complaints were received pursuant to Art. 2408 of the Civil Code;
- no complaints were made pursuant to Art. 2409, paragraph 7 of the Civil Code.

Events subsequent to 31 December 2017

The Board of Statutory Auditors points out the following significant events that occurred in the first few months of 2018:

- approval by the Board of Directors meeting of 30 January 2018 of the 2018-2020 Three-year Corruption Prevention Plan;
- publication in Official Gazette 55 of 7 March 2018 of the National Contract of Service between the Ministry for Economic Development and Rai – Radiotelevisione italiana SpA for the years 2018-2022; in execution of what was established by Prime Minister's Decree of 28 April 2017 which assigned the concession of the "Radio, television and multimedia Service" to Rai for ten years;
- reduction of the total annual licence fee to €90, due to Art. 1, paragraph 40, of the Budget Law for 2017, also confirmed for 2018 by paragraph 1147 of Law 2015 of 27 December 2017.

As regards Special licence fees, the Official Gazette of 9 February 2018 published the Ministry for Economic Development decree of 21 December 2017, which calculates the relative amount for 2018.

Conclusions

On 11 June 2018, PricewaterhouseCoopers SpA issued a report on the audit of the Separate Financial Statements, pursuant to Article 14 of Legislative Decree 39/2010 and Article 10 of (EU) Regulation 537/2014, which states that the Separate Financial Statements provide a true, accurate picture of the Financial Position of Rai as at 31.12.2017, of the earnings and cash flows for the year ended at that date; in compliance with the International Financial Reporting Standards adopted by the European Union and measures issued to implement Art. 9 of Legislative Decree 38/2005.

The audit report also contains an opinion on the consistency of the Directors' Report and of some information contained in the Report on Corporate Governance Ownership Structures with the Separate Financial Statements and an opinion on their compliance with laws in force.

Based on the above and in accordance with the Board of Statutory Auditors was made aware of and discovered during its periodic controls, we unanimously feel that there are no reasons for you to object to approval of the draft Separate Financial Statements for the year ended 31 December 2017, as drafted and proposed to you by the Board of Directors.

Roma, 11 June 2018

The Board of Statutory Auditors

Mr Biagio Mazzotta (Chairman)

Ms Anna Maria Magro

Mr Roberto De Martino

External Auditors' Report



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
RAI – Radiotelevisione italiana SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of RAI – Radiotelevisione italiana SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters

Evaluation of the recoverability of investments in programmes

“Valuation criteria” paragraph “Impairment of non-financial assets” and Note 11.2 “Intangible assets” of the separate financial statements as at 31 December 2017

The item “Intangible assets” of the separate financial statements of RAI - Radiotelevisione italiana SpA at 31 December 2017 includes programmes totalling Euro 415.4 million (of which Euro 171.3 million as intangible assets under development), which account for 95 per cent of intangible assets.

Starting from the moment programmes are declared to be ready for use or from the date of efficacy of related rights, if acquired, they are systematically amortised on a straight-line basis over the assets' maximum useful life of 4 years. Such duration represents an estimate of the correlation between revenue from advertising and revenue from TV licence fees.

The identification of impairment indicators, if any, of investments in programmes is considered as a key matter of the audit strategy, given the significance of this item of the separate financial statements at 31 December 2017, its direct correlation with the company business, as well as the degree of complexity characterising the estimates made by the Company's management.

Auditing procedures performed in response to key audit matters

As part of our audit we mainly performed the following procedures aimed at verifying the evaluations made by the Company with reference to investments in programmes:

- i) discussions with the management of RAI - Radiotelevisione italiana SpA regarding the existence of any impairment indicators;
- ii) analysis and understanding of the system of internal control over the programme cycle; identification and validation of the operation and efficacy of relevant controls under this process;
- iii) comparative analysis and examination by discussions with the corporate functions about the most significant differences compared with the previous year values and the review of documents, on a sample basis, regarding the increases and decreases in the item “programmes”;
- iv) review, on a sample basis, of the useful life estimated by the Company based on the previous years' evidence and the actual possibility of use and, in the circumstances, the possibility to re-broadcast programmes in the future, as well as checking, on a sample basis, the accurate and consistent determination of the amortisation quotas charged to the income statement;
- v) analysis of the reasonableness of the provision for programme write-down and analysis of any impairment indicators.

Finally, our checks also included the analysis of the notes to the separate financial statements in order to verify the accuracy and completeness of the disclosures therein.



Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;



- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 10 March 2016, the shareholders of RAI – Radiotelevisione italiana SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.



Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of RAI – Radiotelevisione italiana SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of RAI – Radiotelevisione italiana SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of RAI – Radiotelevisione italiana SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of RAI – Radiotelevisione italiana SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Rome, 11 June 2018

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.

Resolutions of the Annual Shareholders' Meeting

In its meeting of 26 June 2018, the Annual Shareholders' Meeting resolved:

- to approve the Financial Statements for the year as at 31 December 2017 closing with a net profit of €5,528,087.54 (*five million five hundred and twenty eight thousand eighty seven dot fifty four*);
- to allocate net profit for €5,528,087.54 as follows:
 - €276,404.38 (*two hundred and seventy six thousand four hundred and four dot thirty eight*), 5% (five percent) of the net profit, to the Legal reserve;
 - €605,211.73 (*six hundred and five thousand two hundred and eleven dot seventy three*) to the Valuation reserve for equity investments – restricted pursuant to Art. 2426, paragraph 4, Civil Code;
 - €21,861,20 (*twenty one thousand eight hundred and sixty one dot twenty*) to the Reserve for gains from currency valuation – restricted pursuant to Art. 2426, paragraph 8-bis, Civil Code;
 - €4,624,610.23 (*four million six hundred and twenty four thousand six hundred and ten dot twenty three*) to Other Reserves.
- to acknowledge the Consolidated Financial Statements for year 2017, showing a net profit of €14.3 (*fourteen dot three*) million.

Consolidated Financial Statements as at 31 December 2017

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Directors' Report

For what concerns the information on activities performed by the Rai Group, to Human Resources, Research and Development, Facts occurring in the year, important Facts occurring after the year had ended and Business Continuity, please refer to the Directors' Report in the Separate Financial Statements of the Parent Company, with which these Consolidated Financial Statements are being presented as single document.

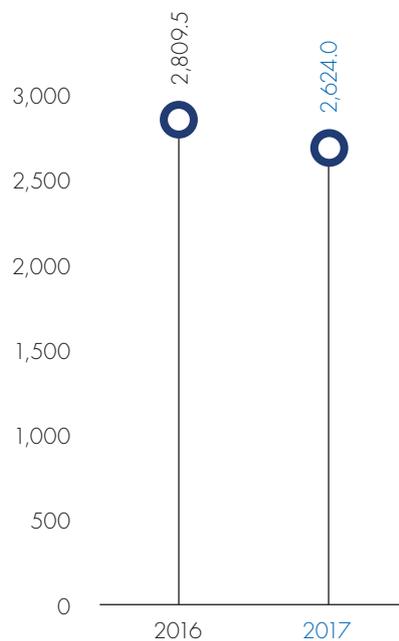
Summary of financial position of the Rai Group

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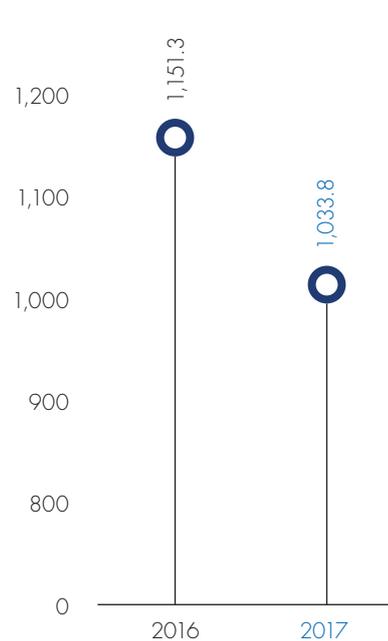
Highlights

(€/million)

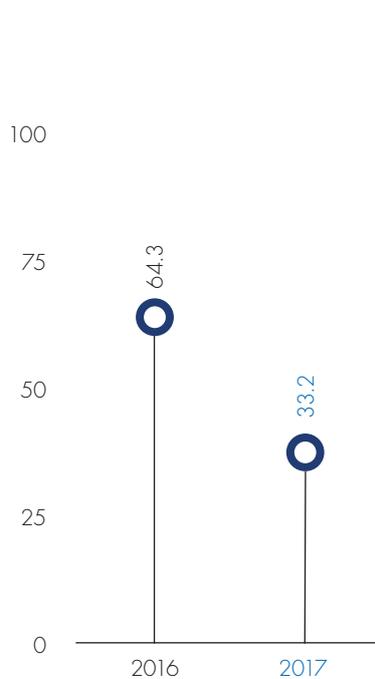
External revenue



External costs

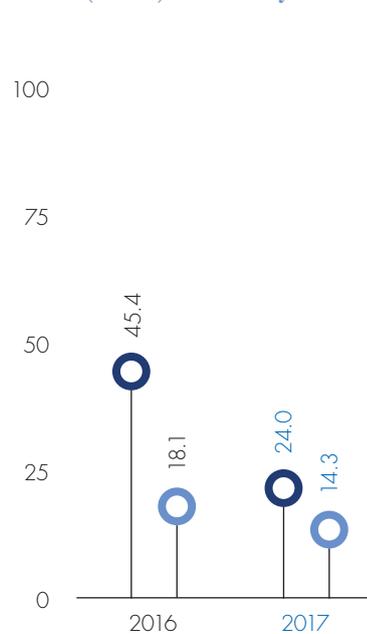


EBIT

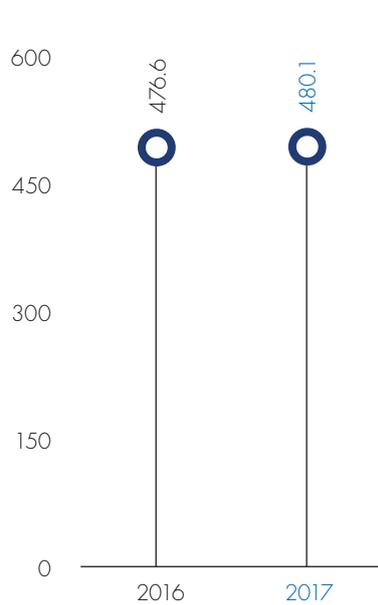


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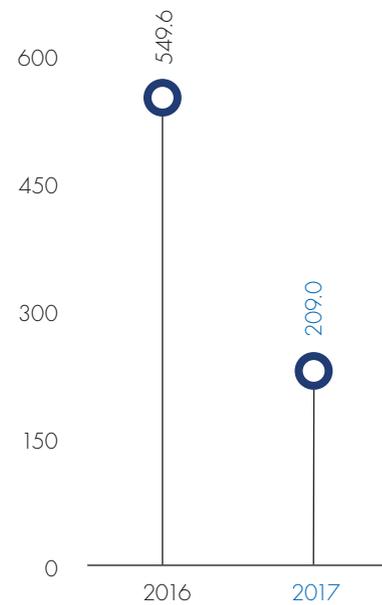
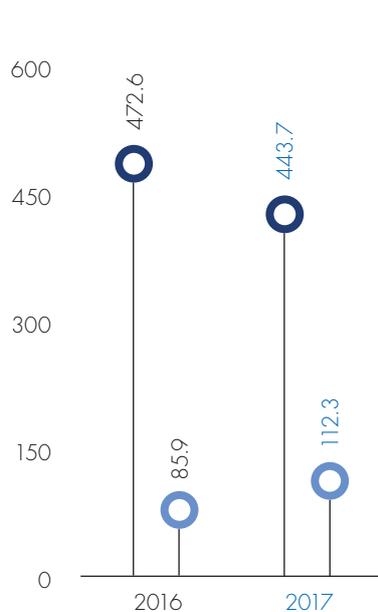
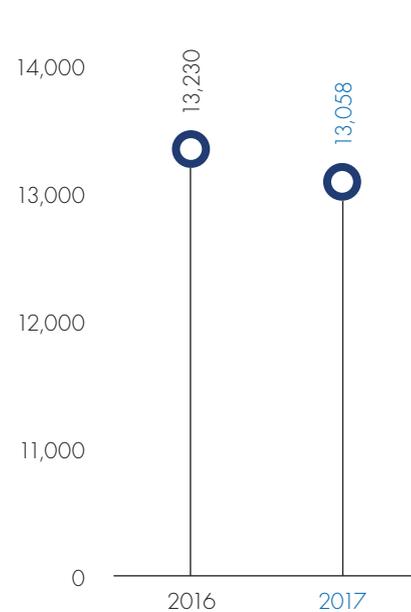
Profit/(Loss) for the year



Equity



Net financial debt

Investments in programmes
and technical investmentsPersonnel as at 31 December
(in units)*

* Includes temporary personnel amounting to 741 units in 2016 and 858 units in 2017

Summary of financial position of the Rai Group

Reclassified statements

Income statement

(€/million)	FY 2017	FY 2016	Change
External revenue	2,624.0	2,809.5	(185.5)
External costs net of Major sports events	(1,033.8)	(1,011.7)	(22.1)
Major sports events	0.0	(139.6)	139.6
External costs	(1,033.8)	(1,151.3)	117.5
HR expenses	(983.3)	(1,031.7)	48.4
EBITDA	606.9	626.5	(19.6)
Depreciation, amortisation and write-downs	(576.9)	(543.4)	(33.5)
Provisions	3.2	(18.8)	22.0
EBIT	33.2	64.3	(31.1)
Financial income/(charges)	(8.7)	(18.2)	9.5
Earnings from equity investments recognised under the equity method	(0.5)	(0.7)	0.2
EBT	24.0	45.4	(21.4)
Income tax	(9.7)	(27.3)	17.6
Profit/(Loss) for the year	14.3	18.1	(3.8)
of which attributable to minority interests	19.7	14.6	5.1
Other components of the total profit/(loss)	3.8	(20.6)	24.4
Total profit/(loss) for the year	18.1	(2.5)	20.6
of which attributable to minority interests	19.8	14.4	5.4

Capital structure

(€/million)	31.12.2017	31.12.2016	Change
Fixed assets	2,031.4	2,047.1	(15.7)
Net working capital	(673.6)	(237.4)	(436.2)
Provisions for risks and charges	(185.6)	(228.5)	42.9
Employee benefits	(483.1)	(555.0)	71.9
Net invested capital	689.1	1,026.2	(337.1)
Equity	480.1	476.6	3.5
Net financial debt	209.0	549.6	(340.6)
	689.1	1,026.2	(337.1)

Analysis of the consolidated results

The year closed as at 31 December 2017 presented a net profit of €14.3 million (up compared to €18.1 million of the previous year). This occurred in a context of significant reduction of income effectively countered by a substantial decrease in operating costs, which is only partly ascribable to the absence of costs deriving from Major sports events, as is true in all odd years.

Some information on the main items of the Income statement and Equity structure is provided below, along with the reasons for the most significant variances compared to the figures of the previous financial year.

Income statement

External revenue

This is made up of licence fees, advertising proceeds and other trade revenue.

They came to a total of €2,624.0 million, down by €185.5 million (-6.6%) and are broken down below.

TV licence fees

Revenue from licence fees amounted to €1,776.6 million, showing a decrease of €133.1 million (-7.0%) compared to 2016.

The reduction was entirely due to the household licence fees (so-called ordinary licence fees),

which decreased by €159.4 million compared to the previous year (-8.9%). This was caused by the joint effect of the reduction in the unit amount of the licence fee to €90 (€100 in 2016) and of the decrease to 50% (67% in 2016) of the portion in favour of Rai of the greater amounts coming from collection of the licence in the utility bill (so-called additional revenue).

Taking into account the provisions of Law 190/2014 regarding the 5% reduction of the sums to be paid again to Rai, the 2016 Stability Law that sets aside 50% of the additional revenue for Rai, and the government licence tax and VAT, please note that based on the profit/(loss) for the year, the average unit licence fee actually attributable to Rai is €74.73 compared to the €90 amount the users paid.

With regard to the other item components, note that:

- *commercial user licence fees* (so-called *special licence fees*) increased by €1.2 million (+1.5%) in connection with the positive performance of the payors;
- *licence fees collected by enforcement order* are licence fees of 2015 and previous years paid in 2017 on the strength of the role played by users not up-to-date with their payments (so-called "in arrears") and presented no significant changes compared to the 2016 figure;
- *contingencies on ordinary licence fees* are mostly 2016 licence fees that became knowledgeable in financial year 2017 in so far as they were paid to the State during the year.

External revenue

(€/million)	FY 2017	FY 2016	Change
TV licence fees	1,776.6	1,909.7	(133.1)
Advertising	647.6	698.2	(50.6)
Other revenue	199.8	201.6	(1.8)
Total	2,624.0	2,809.5	(185.5)

TV licence fees

(€/million)	FY 2017	FY 2016	Change
Licence fees of the year – ordinary	1,633.3	1,792.7	(159.4)
Licence fees of the year – special	79.0	77.8	1.2
Licences fees collected by enforcement order	39.7	39.6	0.1
Contingencies on ordinary licence fees	24.6	0.0	24.6
Licence fee refunds	0.0	(0.4)	0.4
Total	1,776.6	1,909.7	(133.1)

Summary of financial position of the Rai Group

Advertising

In a macroeconomic climate marked by moderate growth in both family consumption and investments, the advertising market in 2017 showed overall negative performance, dropping 2.1% compared to 2016 (Nielsen data). For the media in which Rai Group is present, there was a contraction in advertising investments in the TV medium (-1.6%), while in 2016 it benefited from the Major sports events (European Football Championships and Summer Olympics) and growth in radio (+5.4%) and the Internet (+1.7%, not including searches and the social media) and cinema (+2.4%).

In this context, Rai Group's advertising proceeds, shown in detail in the table below, amounted to €647.6 million, down by €50.6 million compared to 2016 (-7.2%).

As occurs in all odd years, these results were penalised compared to the results of the previous year, which included the inflow related to the Major sports events. More specifically, the Big sports events of 2016 (including the European Football Championships) recorded increasing turnovers, estimated as about €30 million.

Furthermore, the comparison with 2016 is not on a like-for-like basis since the first four-month period of 2016 included advertising inflow from three specialised TV channels (Rai Yoyo, Rai 5 and Rai Storia) for a turnover of about €4.8 million.

Neutralising the incremental revenue from the Major sports events 2016 and inflow from the three specialised channels, the 2017 variance on a "like-for-like" 2016 shows a variation of -2.3%.

Advertising

(€/million)	FY 2017	FY 2016	Change
Television advertising on general-interest channels:			
- air time	408.4	458.8	(50.4)
- promotions, sponsorships and other initiatives	129.9	132.6	(2.7)
	538.3	591.4	(53.1)
Television advertising on specialist channels	65.1	65.8	(0.7)
Radio advertising	31.6	29.9	1.7
Cinema advertising	4.4	3.8	0.6
Web advertising	9.2	8.5	0.7
Other advertising	0.6	0.7	(0.1)
Third parties' share	(1.5)	(1.5)	0.0
Contingencies	(0.1)	(0.4)	0.3
Total	647.6	698.2	(50.6)

Other revenue

This item amounted to €199.8 million, down by €1.8 million (-0.9%) compared to 2016, as seen in the table below.

The principle reductions compared to 2016 regard:

- *Sale of music rights and editions* (€1.7 million) mainly attributable to the commercialisation of Pay Tv and Svod rights;
- *Contributions for operating expenses* (€3.7 million) due to the reduced amount of the contribution to switching over to terrestrial digital recorded in the Income statement.

Related to the above revenue dynamics, the licence fee is 67.7% of revenue, with an

incidence which, like Advertising, is down on the previous year in favour of other revenue, as indicated in the table below.

Operating costs

These are made up of external costs and HR expenses, meaning both internal and external costs pertaining to the Company's ordinary business except for those concerning financial management.

The totalled €2,017.1 million, €165.9 million less than 2016 (-7.6%). Of these, €139.6 million were due to the costs associated with the Major sports events of 2016.

Other revenue

(€/million)	FY 2017	FY 2016	Change
Special services under convention	43.9	44.4	(0.5)
Sale of music rights and editions	58.8	60.5	(1.7)
Film and home video distribution	29.4	29.3	0.1
Distribution and sale of channels	21.1	20.0	1.1
Fees for hosting plants and equipment	32.4	32.4	0.0
Sundry services, mainly for institutional purposes	9.5	9.5	0.0
Signal diffusion services, rental of circuits, radio links and connections	4.9	5.8	(0.9)
Interactive telephone	0.3	0.7	(0.4)
Contributions for operating expenses	5.4	9.1	(3.7)
Other	13.1	11.0	2.1
Third parties share on sales	(26.1)	(29.1)	3.0
Contingencies	7.1	8.0	(0.9)
Total	199.8	201.6	(1.8)

% of revenue

	FY 2017	FY 2016
TV licence fees	67.7	67.9
Advertising	24.7	24.9
Other revenue	7.6	7.2
Total	100.0	100.0

Operating costs

(€/million)	FY 2017	FY 2016	Change
External costs net of Major sports events	1,033.8	1,011.7	22.1
Major sports events	0.0	139.6	(139.6)
External costs	1,033.8	1,151.3	(117.5)
HR expenses	983.3	1,031.7	(48.4)
Total	2,017.1	2,183.0	(165.9)

Summary of financial position of the Rai Group

External costs

These amounted to €1,033.8 million and included the purchases of goods and services needed to produce programmes of immediate use (purchases of consumables, external services, artistic collaboration agreements, etc.), the sports event recording rights, copyrights, operating costs and other management-related costs (indirect taxes, contributions payable to the control authorities, charges for environmental reclamation of company real estate, etc.).

This item, detailed in the following table, shows a €117.5 million decrease (-10.2%) which is due to not having the European Football Championship and the Olympics in 2016 (€139.6 million, of which €130.0 million

solely for recording rights), for lower contractor costs (-€6.9 million) and for other outsourced services (-€16.1 million), the latter caused by the different incidence of provision to the real estate reclamation and renovation fund.

It is also to be pointed out that net of the effects of the acquisition of Major sports events rights in 2016, the item Recording rights increased by €30.7 million, mainly due to these sports events: Football – Coppa Italia [Italy Cup] (+€16.7 million due to the different distribution of items in the two years) and Cycling (+€7.0 million due to the greater event acquisition contractual costs).

Please also note the losses for VAT paid on the settlement concession of the Rai Pubblicità tax dispute for €16.8 million.

External costs

(€/million)	FY 2017	FY 2016	Change
Purchases of materials	13.6	13.9	(0.3)
Costs for services:			
Contractors	128.0	134.9	(6.9)
Services for programme acquisition and production	212.0	212.6	(0.6)
Service travel and accessory personnel costs	38.5	41.1	(2.6)
Maintenance, repairs, transport and similar	43.0	45.1	(2.1)
IT system documentation and assistance services	51.3	50.0	1.3
Other external services (telephony, supply services, cleaning, postal, insurance, etc.)	143.9	160.0	(16.1)
Rental expenses and rentals	91.7	95.1	(3.4)
Recording rights (Sports broadcasting rights, Festival of Sanremo, Classical music and prose)	158.6	257.9	(99.3)
Copyright	104.9	111.1	(6.2)
Recovery of expenses	(13.9)	(14.5)	0.6
Contingencies	(7.4)	(14.5)	7.1
	950.6	1,078.8	(128.2)
Other costs:			
Losses for VAT paid on the tax dispute Settlement Concession of Rai Pubblicità	16.8	0.0	16.8
Administrative fees and rights for use of frequencies	10.8	10.3	0.5
Prizes and winnings	6.6	12.4	(5.8)
Fee to Control Authority	5.2	5.5	(0.3)
TASI/ IMU tax	10.7	10.6	0.1
Other indirect taxes and other duties	10.5	11.1	(0.6)
Newspapers, magazines, books and publications	1.7	1.7	0.0
Membership fees	3.8	3.7	0.1
Losses on disposals	0.5	0.1	0.4
Other	3.5	3.8	(0.3)
Contingencies	(0.5)	(0.6)	0.1
	69.6	58.6	11.0
Total	1,033.8	1,151.3	(117.5)

HR expenses

As the following table shows, the HR expenses amounted to €983.3 million down by €48.4 million compared to 2016 (-4.7%).

The decrease in HR expenses is attributed to both structural effects related to the reduction in personnel headcount resulting from the early retirement incentive measures taken in the previous year and non-recurring effects referring to the agreements concluded in March 2018 to renew the labour agreement of middle managers, office staff and workers and implementation of the National Bargaining Agreement of journalists, with the latter having a positive impact on the provisions covering the employment termination indemnity, which more than offset the physiological growth of the cost of labour tied to stabilisation of the temporary personnel, the contractual automatisms and the management policies.

Early retirement incentives amounted to €49.8 million, compared to €28.4 million of the previous year. This amount consists of the provision for the extraordinary voluntary early retirement incentive plan for middle managers, office staff and workers, and for orchestra members, resolved by the Board of Directors on 29 December 2017. It totalled €40.0 million,

the maximum limit set by the aforementioned resolution. The early retirement incentive operations carried out, particularly referring to senior managers, also contributed.

Current employees as at 31 December 2017 consist of 12,200 units of personnel headcount and 858 units of temporary personnel. The decrease of 289 units of personnel headcount compared to 31 December 2016 was caused by the exit of 412 units (of which 166 due to incentives) and by the hiring of 123 units (of which 63 to stabilise temporary personnel, 7 under new apprenticeship contracts, 19 due to reinstatement following lawsuits and 9 for the acquisition and subsequent merger of the company Sud Engineering into Rai Way.

The **average number of current employees** during the year, including temporary personnel, was 12,917 units with 93 units less than 2016, caused by the decrease in permanent personnel (59 units) and temporary personnel (34 units).

EBITDA

In connection with the changes stated above, EBITDA was positive and totalled €606.9 million, up €19.6 million compared to 2016.

HR expenses

(€/million)	FY 2017	FY 2016	Change
Wages and salaries, and social security costs	888.9	953.2	(64.3)
Employee severance pay provision	43.8	44.5	(0.7)
Pensions and similar obligations	14.7	14.8	(0.1)
Other	14.7	15.0	(0.3)
	962.1	1,027.5	(65.4)
Redundancy incentives	49.8	28.4	21.4
Recovery of expenses	(1.0)	(1.0)	0.0
HR expenses capitalised	(20.0)	(17.1)	(2.9)
Contingencies	(7.6)	(6.1)	(1.5)
	21.2	4.2	17.0
Total	983.3	1,031.7	(48.4)

Summary of financial position of the Rai Group

Depreciation, amortisation and write-downs

The item, which refers to amortisation and depreciation of programmes and technical assets in addition to the write-downs of assets whose value can be found in the table below, was €576.9 million, up €33.5 million (+6.2%).

The most significant changes referred to:

- an increase in amortisation of programmes (+€26.7 million), mainly due to the full implementation of the monthly recognition of amortisation started in 2014, which led to recognition of the residual amount of titles whose amortisation began in that financial year;
- an increase in the write-down of programmes at risk of replicability/exploitation (+€11.6 million).

Depreciation, amortisation and write-downs

(€/million)	FY 2017	FY 2016	Change
Amortisation			
Amortisation of programmes			
TV series	285.6	256.4	29.2
Film	98.3	100.1	(1.8)
Cartoons	18.7	18.4	0.3
Other	5.5	6.5	(1.0)
	408.1	381.4	26.7
Other amortisation and depreciation			
Of property, plant and equipment			
Buildings	17.4	18.0	(0.6)
Plant and machinery	76.5	80.2	(3.7)
Fixtures and fittings, tools and other equipment	2.8	2.8	0.0
Other assets	5.8	5.6	0.2
	102.5	106.6	(4.1)
Of real estate investments	0.3	0.3	0.0
Of intangible assets			
Software	6.2	6.2	0.0
Terrestrial digital technology	0.0	1.1	(1.1)
Other rights	0.4	0.3	0.1
	6.6	7.6	(1.0)
	109.4	114.5	(5.1)
Total amortisation and depreciation	517.5	495.9	21.6
Write-downs (reversing impairment losses)			
Of intangible assets			
Programmes under amortisation	43.8	32.2	11.6
Programmes in progress	7.1	11.2	(4.1)
Other	3.0	0.0	3.0
	53.9	43.4	10.5
Of other non-current assets			
Trofeo Rai	0.3	0.6	(0.3)
Minimums guaranteed on commercial activities	1.7	0.5	1.2
	2.0	1.1	0.9
Of trade receivables and other current assets			
Trade receivables	1.8	2.6	(0.8)
Current income tax receivables	0.2	0.0	0.2
Other receivables	1.5	0.4	1.1
	3.5	3.0	0.5
Total write-downs	59.4	47.5	11.9
Total	576.9	543.4	33.5

Provisions

The item, showing provisions for risks and charges and any others not classifiable in specific Income statement items, shows a positive balance of €3.2 million (negative for €18.8 million in 2016, for €10.5 million connected to the provision for the Rai Pubblicità tax dispute) caused by releases of provisions set aside in previous years related to the connected risk not occurring for €12.3 million (of which €6.1 million for sanctions on the Rai Pubblicità tax dispute not occurring after adherence to the settlement concession) and for provisions for €9.1 million mainly for legal disputes and relative expenses and other management risks.

EBIT

The changes already explained regarding performance of the EBITDA, together with what is specified in the items depreciation, amortisation and write-downs and provisions led to a negative EBIT of €33.2 million, slightly worse than FY 2016 (+€64.3 million).

Net financial income (expense)

The item, itemised in detail in the following table, shows the economic effects arising from recognition of the actuarial interest for employee benefits, and the effects of financial management, such as interest income/expense from banks, bondholders, in addition to exchange rate charges/gains.

The most significant variances compared to the previous year concern:

- interest coming from the actuarial valuation of the employee benefit obligations, which dropped €2.8 million;
- net income on exchange, up by €2.0 million, mainly for exchange differences on debt positions in US dollars of Rai Cinema;
- other net income, up by €5.0 million, for payment following litigation of default interest by customers.

The average cost of loans, consisting of uncommitted lines of credit, medium/long-term stand-by lines and the 2015-2020 bond issue was 1.5% and is aligned with the figure of the previous year.

Net financial income (expense)

(€/million)	FY 2017	FY 2016	Change
Net interest income (expense) net with banks and other lenders	(2.3)	(2.5)	0.2
Interest expense on bonds	(6.1)	(6.1)	0.0
Interest on employee benefit liabilities	(4.6)	(7.4)	2.8
Net exchange rate gains (charges)	1.0	(1.0)	2.0
Income/(charges) on Interest Rate Swap	(0.1)	(0.1)	0.0
Net financial contingent assets (liabilities)	0.0	0.5	(0.5)
Other	3.4	(1.6)	5.0
Net financial income/(expense)	(8.7)	(18.2)	9.5

Summary of financial position of the Rai Group

Please also note that on 20 April 2017 four Interest Rate Swap Forward Start contracts were signed for a total notional amount of €350 million with commencement date May 2020 and valid for the next 5 years. The fair value of this transaction, which was implemented to cover the risk of interest rates increasing at the due date of the current bond issue and the resulting need to refinance, was positive at €1.2 million before the tax component that reflects on the total net profit of the period.

Earnings from equity investments recognised under the equity method

The item showed a loss of €0.5 million (-€0.7 million in 2016) brought about by valuation of the associated companies at net equity, as seen in detail in the following table.

Income tax

This item, €9.7 million (€27.3 million in 2016), is due to the balance between current and deferred taxes, itemised in the following table.

The economic dynamics caused positive taxable results in the year for all Group companies except for the Parent Company. For those revenues, a total of €31.8 million was set aside for IRES and €7.1 million for IRAP.

Deferred tax liabilities pointed to a positive economic effect of €2.1 million (€2.6 million in 2016) due to recognition of the tax loss of the year, which offsets part of the income brought in by the Group companies during tax consolidation.

Deferred tax assets pointed to a positive economic effect of €27.0 million (€26.9 million in 2016) mainly due to being entered in accounts for the tax loss of the Parent Company.

Earnings from equity investments recognised under the equity method

(€/million)	FY 2017	FY 2016	Change
Write-ups/(Write-downs)			
Euronews SA	(1.1)	(1.5)	0.4
San Marino RTV SpA	0.0	(0.1)	0.1
Tivù Srl	0.6	0.9	(0.3)
Total	(0.5)	(0.7)	0.2

Income tax

(€/million)	FY 2017	FY 2016	Change
IRES	(31.8)	(47.0)	15.2
IRAP	(7.1)	(8.9)	1.8
Deferred tax liabilities	2.1	2.6	(0.5)
Deferred tax assets	27.0	26.9	0.1
Direct taxes of previous years	0.1	(0.9)	1.0
Total	(9.7)	(27.3)	17.6

Capital structure

Fixed assets

This item amounting to €2,031.4 million, down €15.7 million compared to 31 December 2016, is shown in the following table.

Property, plant and equipment, explained in detail in the table below, decreased by €12.4 million compared to 31 December 2016.

To this regard, please note that the increase in assets under construction and payments on account was due to the Parent Company initiatives, still in progress at the end of the year, to renovate the Dear production site and to upgrade production systems.

Assets in programmes, detailed in the table below, have dropped by €16.5 million compared to 31 December 2016.

Fixed assets

(€/million)	31.12.2017	31.12.2016	Change
Property, plant and equipment	1,075.0	1,087.4	(12.4)
Assets in programmes	911.4	927.9	(16.5)
Non-current financial assets	11.5	9.3	2.2
Others	33.5	22.5	11.0
Total	2,031.4	2,047.1	(15.7)

Property, plant and equipment

(€/million)	31.12.2017	31.12.2016	Change
Land	382.1	381.8	0.3
Buildings	333.6	343.1	(9.5)
Plant and machinery	262.1	281.4	(19.3)
Fixtures and fittings, tools and other equipment	9.3	8.5	0.8
Other assets	23.5	21.8	1.7
Assets under construction and payments on account	64.4	50.8	13.6
Total	1,075.0	1,087.4	(12.4)

Assets in programmes

(€/million)	31.12.2017	31.12.2016	Change
TV series	523.1	530.2	(7.1)
Film	281.6	282.7	(1.1)
Cartoons	33.8	36.3	(2.5)
Rights of library use	64.8	72.5	(7.7)
Other	8.1	6.2	1.9
Total	911.4	927.9	(16.5)

Summary of financial position of the Rai Group

Non-current financial assets, consisting of Company equity investments and other financial assets falling due beyond 12 months, showed an increase of €2.2 million, mainly due to acquisition of fixed-income securities held guaranteeing contractual commitments. The Rights item is broken down in detail in the following table.

Other assets, detailed in the table below, show an increase of €11.0 million compared to 31 December 2016 referred to Software and the items goodwill and customer portfolio both resulting from the provision of a portion of the sum paid by Rai Way to acquire control of Sud Engineering Srl, merged through incorporation into Rai Way in June 2017. The reduction in commercial rights with football clubs is due to write-downs applied.

2017 **Investments**, broken down in the table below, amounted to €556.2 million, slightly down (-€2.3 million -0.4%) compared to 2016.

In detail:

- lower investments in programmes for €28.9 million (-6.1%) referring to the TV series genre;
- higher investments in property, plant and equipment for €17.2 million (+23.1%), mainly for Parent Company transactions already highlighted in renovation of the Dear production structure and renewal of production plants;
- higher other investments for €8.3 million for intangible assets (goodwill and valorising the customer portfolio) following acquisition of Sud Engineering Srl.

Non-current financial assets

(€/million)	31.12.2017	31.12.2016	Change
Equity investments in associated companies:			
Auditel Srl	0.7	0.7	0.0
Euronews SA	1.2	2.3	(1.1)
Tivù Srl	2.1	3.4	(1.3)
San Marino RTV SpA	2.0	2.0	0.0
	6.0	8.4	(2.4)
Other equity investments	0.9	0.7	0.2
Fixed-income securities	2.5	0.0	2.5
Derivative instruments	1.2	0.0	1.2
Other	0.9	0.2	0.7
Total	11.5	9.3	2.2

Other fixed assets

(€/million)	31.12.2017	31.12.2016	Change
Software	24.0	18.0	6.0
Goodwill	5.0	0.0	5.0
Sud Engineering customer portfolio	3.1	0.0	3.1
Commercial rights with football clubs	1.4	4.5	(3.1)
Total	33.5	22.5	11.0

Investments

(€/million)	FY 2017	FY 2016	Change
TV series	319.9	331.9	(12.0)
Film	102.9	121.3	(18.4)
Other programmes	20.9	19.4	1.5
Investments in programmes	443.7	472.6	(28.9)
Property, plant and equipment	91.7	74.5	17.2
Software	12.3	11.4	0.9
Other	8.3	0.0	8.3
Technical investments	112.3	85.9	26.4
Equity investments	0.2	0.0	0.2
Total investments	556.2	558.5	(2.3)

Net working capital

The most significant changes compared to 31 December 2016 regard the following items:

Trade receivables down €247.6 million in connection with collection of the receivables due from the Financial Administration for licence fees (€228.9 million as at 31 December 2016).

Other receivables down €124.3 million, mainly due to the non-recourse assignment of the surplus of VAT receivables to factoring and to introduction of the split payment regulations starting from 1 July 2017 that led to full recovery of the residual VAT receivables during 2017.

Other payables up €75.5 million, mainly due to the advances on licence fees recorded for €56.9 million and for VAT payable as a result of introduction of the split payment, in addition to the greater payables to personnel for recognition of the previously mentioned provision for the extraordinary early retirement incentive plan for middle managers, office staff and workers and for orchestra members.

Net deferred tax liabilities increased by €14.4 million mainly due to the combined effect of the reduction in receivables for deferred tax assets following use of prior tax losses offset with income contributed by the subsidiaries in the tax consolidation and their increase after the tax loss of the Parent Company during the year.

Provisions for risks and charges

The item Provisions for risks and charges, which totalled €185.6 million, decreased by €42.9 million compared to 31 December 2016. This was mainly caused by the provision of costs accrued for employees that following the previously mentioned agreements with the Trade Union Organisations, dropped by €24.8 million, and by the provisions for the legal disputes of Rai Pubblicità which following adhesion to the VAT 2007-2011 settlement concession dropped by €10.6 million and for legal disputes, down €10.2 million.

Net working capital

(€/million)	31.12.2017	31.12.2016	Change
Inventories	2.4	2.9	(0.5)
Trade receivables	391.6	639.2	(247.6)
Other receivables	105.5	229.8	(124.3)
Trade payables	(660.1)	(686.2)	26.1
Other payables	(474.4)	(398.9)	(75.5)
Assets/(Liabilities) for deferred taxes	(38.6)	(24.2)	(14.4)
Total	(673.6)	(237.4)	(436.2)

Summary of financial position of the Rai Group

Employee benefits

Employee benefits, which totalled €483.1 million, decreased by €71.9 million compared to 31 December 2016.

The change in the item is connected with actuarial valuation elements associated with financial and demographic assumptions, as broken down in Note 15.2 "Employee benefits" of the Notes to the Consolidated Financial Statements.

The itemisation of the provisions and relevant changes compared to 31 December 2016 is provided in the table below. Specifically, please

note that the change in the Provision for pay in lieu of notice to journalists is consequent to application of the Journalists National Labour Agreement, implemented following the previously mentioned agreement signed with the Trade Union Organisations.

Net financial position

The net financial position at year-end, calculated following the ESMA scheme, was negative for €209.0 million (showing an improvement over 2016 of €340.6 million), as illustrated in the table below.

Employee benefits

(€/million)	31.12.2017	31.12.2016	Change
Employee severance pay	(258.8)	(283.5)	24.7
Supplementary Company pension provision	(137.2)	(144.3)	7.1
Provision for pay in lieu of notice to journalists	(69.5)	(109.2)	39.7
FASDIR assistance provision for the retired	(14.7)	(15.0)	0.3
Seniority bonuses	(2.3)	(2.3)	0.0
Seniority indemnity	(0.5)	(0.6)	0.1
Social security	(0.1)	(0.1)	0.0
Total	(483.1)	(555.0)	71.9

Net financial position

(€/million)	31.12.2017	31.12.2016	Change
Liquidity	228.0	86.2	141.8
Current financial receivables:			
- current financial assets on derivatives	-	1.7	(1.7)
- locked securities – current portion	-	-	-
- tied accounts	6.3	5.5	0.8
- Due to associates	0.5	-	0.5
- other	0.4	0.2	0.2
	7.2	7.4	(0.2)
Current financial debt:			
- due to banks	(40.0)	(200.0)	160.0
- due to other lenders	(0.1)	(0.1)	-
- current financial liabilities on derivatives	(0.5)	-	(0.5)
- due to associates	-	(0.1)	0.1
- other	(0.2)	(0.3)	0.1
	(40.8)	(200.5)	159.7
Non-current financial debt:			
- due to banks	(55.3)	(95.3)	40.0
- bond issue	(347.8)	(346.9)	(0.9)
- due to other lenders	(0.3)	(0.4)	0.1
- non-current financial liabilities on derivatives	-	(0.1)	0.1
	(403.4)	(442.7)	39.3
Net financial debt	(209.0)	(549.6)	340.6

Several elements contributed to the above-mentioned reduction of net debt:

- settlement of the receivable from the Italian government for 2016 licence fees (about €229 million), most of which referring to the additional revenue coming from collection of the licence fees in utility bills;
- collection of the 2014-2015 VAT credit due to the non-recourse assignment to factoring and full recovery of the residual VAT credit with introduction of the split payment regulation starting from 1 July 2017, with a total effect of €112 million;
- non advances for Major sports events.

The average financial position was negative for about €380 million, showing a slight improvement over 2016 (-€390 million in 2016) due to the positive effects of the higher debt at the beginning of the year and the collection of receivables from licence fees.

Moody's confirmed the Long-Term Issuer Baa3 (investment grade) rating with a "negative" outlook in January 2018, a rating in line with that of the Italian government, the Company's principal shareholder.

The analysis conducted based on equity and financial structure ratios pointed out that:

- the net invested capital coverage ratio, which is the ratio between net invested capital (net of the licence fee receivables) and equity, was 1.44 (1.67 as at 31 December 2016);
- the financial debt coverage ratio, which is the ratio between net financial debt (net of the licence fee receivables) and equity, was 0.44 (0.67 as at 31 December 2016);
- the liquid funds ratio, which is the ratio between current assets (inventories, working capital net of licence fee receivables, cash and cash equivalents and financial receivables) and current liabilities (working capital liabilities and financial payables) was 0.63 (0.57 as at 31 December 2016).

All ratios fall within the limits of reference.

The loan with the European Investments Bank (€35 million) and the five year revolving line underwritten in January 2017 with a pool of banks for a total of €270 million, both for the Parent Company, foresee compliance with the following balance sheet parameters/ratios to be met in the Consolidated Financial Statements.

EIB loan ratios:

- Net Financial Debt (adjusted net of receivables from the State for television licence fees)/shareholders' equity \leq 1.3
- Net Financial Debt, (adjusted net of receivables from the state for television licence fees)/EBITDA \leq 1.0.

Revolving line ratio:

- Net Financial Debt (adjusted net of receivables from the State for television licence fees)/shareholders' equity \leq 1.7

Those ratio requirements were fully met at 0.44 and 0.34 respectively.

The Rai Way committed lines establish further balance sheet parameters/ratios to be met by the company, complied with in full.

The financial risks to which the Group is exposed are monitored with appropriate IT and statistical tools. A policy regulates financial management according to best practices, to preserve the company's value through a stance adverse to risk, pursued with active monitoring of exposure and implementation of expedient hedging strategies, implemented centrally by the Parent Company, also on behalf of the subsidiaries. This does not include Rai Way which has its own financial autonomy, though with guidelines assigned by the Parent Company.

Detailed information on the financial risks is provided in the specific section of the Notes to the Consolidated Financial Statements, to which the reader is referred.

Financial Statements of the Rai Group

Financial Statements of the Rai Group

Consolidated statement of financial position

(€/million)	Note	Year ended	
		31 December 2017	31 December 2016
Property, plant and equipment.	12.1	1,070.3	1,082.5
Real estate investments	12.2	4.7	4.9
Intangible assets	12.3	944.9	950.4
Equity investments	12.4	6.9	9.1
Non-current financial assets	12.5	4.6	0.2
Deferred tax assets	12.6	-	-
Other non-current assets	12.7	15.2	17.7
Total non-current assets		2,046.6	2,064.8
Inventory	13.1	2.4	2.9
Trade receivables	13.2	390.6	637.0
Current financial assets	13.3	7.2	7.4
Current income tax receivables	13.4	21.7	20.2
Other current receivables and assets	13.5	69.6	194.1
Cash and cash equivalents	13.6	228.0	86.2
Total current assets		719.5	947.8
Total assets		2,766.1	3,012.6
Share capital		242.5	242.5
Reserves		209.9	205.9
Retained earnings (losses)		(34.1)	(28.4)
Total Group shareholders' equity		418.3	420.0
Third party capital and reserves		42.2	42.2
Retained earnings (losses) attributable to minority interests carried forward		19.6	14.4
Total shareholders' equity attributable to minority interests		61.8	56.6
Total shareholders' equity	14	480.1	476.6
Non-current financial liabilities	15.1	403.4	442.7
Employee benefits	15.2	483.1	555.0
Provisions for non-current risks and charges	15.3	185.3	228.1
Deferred tax liabilities	15.4	38.6	24.2
Other non-current payables and liabilities	15.5	2.0	3.6
Total non-current liabilities		1,112.4	1,253.6
Trade payables	16.1	660.1	686.2
Current provisions for risks and charges		0.3	0.4
Current financial liabilities	16.2	40.8	200.5
Current income tax payables	16.3	30.5	47.8
Other current payables and liabilities	16.1	441.9	347.5
Total current liabilities		1,173.6	1,282.4
Total liabilities		2,286.0	2,536.0
Total shareholders' equity and liabilities		2,766.1	3,012.6

Consolidated income statement

(€/million)	Note	Year ended	
		31 December 2017	31 December 2016
Revenue from sales and services	17.1	2,608.4	2,791.3
Other revenue and income	17.2	15.6	18.2
Total revenue		2,624.0	2,809.5
Costs for the purchase of consumables	17.3	(13.6)	(13.9)
Costs for services	17.3	(950.6)	(1,078.8)
Other costs	17.3	(69.6)	(58.6)
HR expenses	17.4	(983.3)	(1,031.7)
Depreciation, amortisation and write-downs	17.5	(576.9)	(543.4)
Provisions	17.6	3.2	(18.8)
Total costs		(2,590.8)	(2,745.2)
EBIT		33.2	64.3
Financial income	17.7	8.1	2.6
Financial expense	17.7	(16.8)	(20.8)
Earnings from equity investments recognised under the equity method	17.8	(0.5)	(0.7)
Pre-tax profit/(loss)		24.0	45.4
Income tax	17.9	(9.7)	(27.3)
Result net of operating activities		14.3	18.1
Profit/(Loss) for the year		14.3	18.1
of which attributable:			
- to the Group		(5.4)	3.5
- to minority interests		19.7	14.6

Financial Statements of the Rai Group

Consolidated statement of comprehensive income

(€/million)	Year ended	
	31 December 2017	31 December 2016
Profit/(Loss) for the year	14.3	18.1
Items that can be reclassified to the Income statement:		
Profit/(Loss) on cash flow hedge	0.6	(6.8)
Conversion of balances with currency that is not the Euro	-	(0.1)
Tax effect	(0.1)	2.2
Total	0.5	(4.7)
Items that cannot be reclassified to the Income statement:		
Recalculation of defined-benefit plans	3.4	(16.1)
Tax effect	(0.1)	0.2
Total	3.3	(15.9)
Total profit/(loss) for the year	18.1	(2.5)
of which attributable:		
- to the Group	(1.7)	(16.9)
- to minority interests	19.8	14.4

Consolidated cash flow statement

(€/million)	Note	Year ended	
		31 December 2017	31 December 2016
Gain (Loss) before tax		24.0	45.4
Adjustments for:			
Depreciation, amortisation and write-downs	17.5	576.9	543.4
Provisions and (issues) of personnel provisions and other provisions	17.6	6.0	109.4
Net financial charges/(income)	17.7	8.7	18.2
Earnings from equity investments recognised under the equity method	12.4	0.5	0.7
Other non-monetary items		0.5	0.1
Cash flow generated by operating activities before changes in net working capital		616.6	717.2
Change in inventory	13.1	0.5	(0.2)
Change in trade receivables	13.2	244.6	(202.9)
Change in trade payables	16.1	(26.1)	19.8
Change in other assets/liabilities		221.0	(19.5)
Use of provision for risks	15.3	(45.9)	(38.3)
Payment of employee benefits and to external provisions	15.2	(78.4)	(72.1)
Taxes paid		(12.1)	(6.1)
Net cash flow generated by operating activities		920.2	397.9
Investments in property, plant and equipment and real estate investments	12.1 - 12.2	(91.7)	(74.5)
Disposal of property, plant and equipment and real estate investments	12.1 - 12.2	0.9	0.8
Investments in intangible assets	12.3	(464.3)	(484.0)
Disposal of intangible assets	12.3	1.1	1.7
Equity investments	12.4	(0.2)	-
Dividends collected	12.4	1.9	0.7
Interest collected		0.1	0.1
Change in financial assets	12.5 - 13.3	(3.8)	(0.2)
Net cash flow generated by investment activity		(556.0)	(555.4)
Long-term loans taken out	15.1	-	-
Long-term loan redemptions	15.1	(40.2)	(35.2)
(Decrease)/Increase in short-term borrowings and other loans	16.2	(160.2)	154.7
Interest paid		(7.4)	(8.2)
Dividends distributed		(14.6)	(13.7)
Net cash flow generated by financial activities		(222.4)	97.6
Change in cash and cash equivalents		141.8	(59.9)
Cash and cash equivalents at the beginning of the year	13.6	86.2	146.1
Cash and cash equivalents at the end of the year	13.6	228.0	86.2

Financial Statements of the Rai Group

Statement of changes in consolidated equity

(€/million)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Group shareholders' equity	Shareholders' equity attributable to minority interests	Total shareholders' equity
Balances as at 1 January 2016	242.5	11.6	489.0	(306.6)	436.5	56.3	492.8
Allocation of profit	-	-	(290.6)	290.6	-	-	-
Distribution of dividends	-	-	-	-	-	(13.7)	(13.7)
Other movements [1]	-	-	0.6	(0.2)	0.4	(0.4)	-
Transactions with Shareholders	-	-	0.6	(0.2)	0.4	(14.1)	(13.7)
Profit/(Loss) for the year	-	-	-	3.5	3.5	14.6	18.1
Statement of Comprehensive Income components	-	-	(4.7)	(15.7)	(20.4)	(0.2)	(20.6)
Total profit/(loss) for the year	-	-	(4.7)	(12.2)	(16.9)	14.4	(2.5)
Balances as at 31 December 2016	242.5	11.6	194.3	(28.4)	420.0	56.6	476.6
Balances as at 1 January 2017	242.5	11.6	194.3	(28.4)	420.0	56.6	476.6
Allocation of profit	-	0.2	3.3	(3.5)	-	-	-
Distribution of dividends	-	-	-	-	-	(14.6)	(14.6)
Other movements	-	-	-	-	-	-	-
Transactions with Shareholders	-	-	-	-	-	(14.6)	(14.6)
Profit/(Loss) for the year	-	-	-	(5.4)	(5.4)	19.7	14.3
Statement of Comprehensive Income components	-	-	0.5	3.2	3.7	0.1	3.8
Total profit/(loss) for the year	-	-	0.5	(2.2)	(1.7)	19.8	18.1
Balances as at 31 December 2017	242.5	11.8	198.1	(34.1)	418.3	61.8	480.1

[1] Effect caused by the difference between the value of the option included in the Rai Way IPO (Bonus share) estimated when the right and effective value at the due date arose.

Notes to the Consolidated Financial Statements as at 31 December 2017

1) General information

Rai Radiotelevisione italiana SpA (hereinafter "Rai", the "Company" or the "Parent Company") is a joint-stock company formed and domiciled in Italy, with registered office in Rome at Viale Mazzini 14, and organised according to Italian law.

The Consolidated Financial Statements as at 31 December 2017 (hereinafter "Consolidated Financial Statements"), as described hereinafter, were prepared in compliance with the International Financial Reporting Standards ("IFRS").

The Company and its subsidiaries (jointly the "Group") operate in Italy in the role of general radio and television Public Service. On the strength of specific Italian and EU regulatory sources, the Parent Company is required to meet precise programming quality and quantity obligations that are described in detail in the Service Contract drawn up with the Ministry of Economic Development (hereinafter also the "Contract").

With Prime Ministerial Decree of 28 April 2017 containing "Assignment of the radio, televisions and multimedia Public Service concession and approval for the annexed draft agreement", Rai was formed as concessionaire of the radio, television and multimedia Public Service on an exclusive basis for a decade, starting from 30 April 2017.

In its meeting of 22 December 2017, the Council of Ministers definitively resolved the draft national Service Contract between the Ministry of Economic Development (MISE) and Rai for the period 2018-2022 after the Parliamentary General Policy and Supervisory Committee for radio and TV systems voiced its prescribed opinion on 19 December 2017. The Contract was later approved by the Board of Directors of the Company on 11 January 2018 and was signed by the parties. The Contract was published in the Official Journal on 7 March 2018.

The Contract relates to the activity that Rai performs in order to carry out the Public Service and, in particular, the radio, television and multimedia services broadcast through the various platforms in all modes, the use of the necessary transmission capacity, the creation of editorial content, the provision of technological services for the production and transmission of the signal using analogue and digital technology, and the preparation and management of control and monitoring systems.

The capital of the Company is respectively held by:

- Ministry of Economy and Finance (99.5583%);
- SIAE Società Italiana Autori Editori (0.4417%).

The Consolidated Financial Statements are audited by the company PricewaterhouseCoopers SpA (hereinafter the "External Auditor") to which the Rai Ordinary General Meeting of Shareholders, upon the proposal put forward by the Board of Statutory Auditors, assigned the appointment for the financial years until 2023 on 10 March 2016, in consideration of Rai's acquisition of status of Public Interest Entity.

2) Drafting policies

In connection with the provisions of Legislative Decree 38 of 28 February 2005, in preparing its Consolidated Financial Statements, the Company applies the International Financial Reporting Standards (hereinafter "IFRS" or "international accounting standards") issued by the International Accounting Standards Board (hereinafter IASB) and adopted by the European Commission according to the procedure pursuant to Art. 6 of (EC) Regulation 1606/2002 of the European Parliament and Council of 19 July 2002. IFRS herein refers to all international accounting standards ("IAS") and all interpretations of the International Financial Reporting Standard Interpretations Committee ("IFRIC"), previously called "Standard Interpretations Committee" ("SIC"). In preparing these Consolidated Financial Statements, the Group provided complete information, applying the IFRS consistently to the periods stated in these Consolidated Financial Statements, and also implemented the reclassifications needed to ensure full comparability with the data of the previous year.

The structure of the Consolidated Financial Statements of the Group provides for:

- the items of the Consolidated financial position being classified as current and non-current;
- the items of the Consolidated income statement being classified by type;
- the consolidated Statement of comprehensive income being presented separately from the Consolidated income statement and indicating the integrated economic result of the income and charges that are directly recognised in shareholders' equity pursuant to the IFRS;
- the Consolidated cash flow statement being prepared according to the "indirect method", adjusting the result (pre-tax profit/loss) of the year of the non-monetary components; and

- the consolidated Statement of changes in equity showing the total income (charges) of the year, transactions with Shareholders and the other changes in shareholders' equity.

This layout best reflects the elements that led to the Group's economic result of the year, in addition to its financial and capital structure.

The Consolidated Financial Statements were drawn up applying the historical cost method, taking into account the value adjustments, where appropriate, with the exception of the items that according to the IFRS must be measured at fair value, as indicated in the valuation criteria and without prejudice to those cases where the IFRS provisions allow a different valuation criterion.

The Consolidated Financial Statements were prepared on a going concern basis since it is not believed that there are financial, operation or other type of ratios that might indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future, and more specifically in the next 12 months.

The description of the methods through which the Group manages its financial risks is contained in Note 8 below regarding "Management of financial risks".

Values of items in the Consolidated Financial Statements and relative Notes, considering their importance, are expressed in millions of Euro, unless indicated otherwise.

3) Consolidation principles

The Consolidated Financial Statements were prepared using financial statements for the year of the Company and its subsidiaries drafted in compliance with the IFRS. Please note that all Group companies close their financial years as at 31 December.

The companies included in consolidation as at 31 December 2017 and 31 December 2016 are detailed in Note 21 "Appendix", an essential part of the Consolidated Financial Statements. The same annex includes any change to the consolidation area that occurred in the year.

Please note that on 1 March 2017 Rai Way SpA (hereinafter "Rai Way") acquired full control of Sud Engineering Srl (hereinafter "Sud Engineering"), which operates in the broadcasting plant maintenance and installation sector. On 20 June 2017, the deed incorporating the company into Rai Way was stipulated. The merger became effective on 22 June 2017, with accounting and fiscal effects backdated to 1 March 2017.

Subsidiaries

An investor controls an investee when it is exposed, or has the right to take part, in the variability of the relative economic returns and can exercise its decision-making power on the subsidiary's relevant activities in order to influence those returns. Presence of control occurs each time facts and circumstances indicate a variation to one or more elements qualifying control.

The assets and liabilities, expenses and income of subsidiaries are fully included in the Consolidated Financial Statements from the date on which the Parent Company takes direct or indirect control (or through one or more subsidiaries) and until the date on which that control terminates. The book value of the investments is eliminated with the corresponding shareholders' equity fraction. The portions of shareholders' equity and total profit attributable to third parties are entered in the specific consolidated shareholders' equity and total Consolidated income statement items.

For shareholdings acquired after control is assumed (purchase of third-party equity interests), any positive difference between purchase cost and the corresponding fraction of shareholders' equity acquired is entered in the Group's shareholders' equity. Similarly, effects resulting from the sale of minority shares without loss of control are entered in shareholders' equity.

Diversely, the sale of shares involving loss of control is entered in the Income statement:

- of any capital gain/loss calculated as the difference between the consideration received and the corresponding fraction of the consolidated shareholders' equity sold;
- of the effect of the revaluation of any residual equity investments kept to align it with the relevant fair value;
- of any values entered in the other components of the total profit/(loss) related to the former subsidiary for which a turnaround to the Income statement is foreseen, or when the turnaround to the Income statement is not foreseen to profits (losses) carried forward.

The value of any equity investment retained, aligned with its fair value at the date control was lost, is the new book value of the equity investment; thus the value of reference for the subsequent valuation of Equity investments according to the applicable valuation criteria.

Business combinations

Business combination transactions are entered in compliance with IFRS 3 "Business combinations", applying the so-called acquisition method. The combination consideration is calculated at the date control is assumed and is the fair value of assets transferred, liabilities sustained, and of any capital instrument issued by the purchaser. The potential consideration is entered at fair value at the acquisition date. The subsequent fair value changes to the potential consideration, or if the amount and allocation depend on future events, classified as a financial instrument in compliance with IAS 39 "Financial instruments: recognition and valuation", are entered in the Income statement or shareholders' equity as part other components of the total profit/(loss). Potential considerations that do not come under application of IAS 39 are valued based on the specific IFRS/IAS of reference. Potential considerations classified as capital instrument are not remeasured; so, consequently, regulation is accounted for under shareholders' equity. Costs attributable directly to the transactions are entered in the Consolidated income statement, when sustained.

On the date control is acquired, the shareholders' equity of the investee company is calculated attributing their fair value at the acquisition data to the single equity asset and liability (including contingent liabilities) elements identifiable, except where IFRS 3 establishes otherwise. Any residual difference compared to purchase cost, if positive, is entered under "Intangible Assets" as goodwill; if negative, it is entered in the Income statement as period income.

If full control is not acquired, the shareholders' equity portion of the third-party equity interest is calculated based on the effective portion of the current values attributed to the assets and liabilities at the control assumption date, excluding any goodwill attributable to them (so-called partial goodwill method); alternatively, the entire amount of goodwill generated by the acquisition is entered thus also considering the portion attributable to third party equity interest (so-called full goodwill method in this latter case, the third party equity interest is expressed at its fair value. The choice of how to calculate the goodwill (partial goodwill method or full goodwill method) is applied selectively for each business combination transaction.

If control is assumed by subsequent steps, the purchase cost is calculated summing the fair value of the equity previously held in the entity acquired and the amount paid for the further share. Any difference between the fair value of the equity previously held and the relative entry value is attributed to the Income statement. When control is assumed, any amounts previously entered in other total profit components are attributed to the Income statement or to another shareholders' equity item, if reclassification to the Income statement is not foreseen.

When calculation of assets and liabilities is performed provisionally, it must be concluded within 12 months of the acquisition date; considering solely information related to facts and circumstances existing at the acquisition date. In the financial year when the above-mentioned calculation is finalised, values entered provisionally are backdated.

Interest in agreements and joint control

Joint control only exists when, on a contractual basis, for decisions related to the agreement's important activities, the unanimous consent of all parties sharing control is required. Joint control agreements can be divided into two categories:

- joint ventures, that is joint control agreements where parties holding joint control claim rights to the agreement's net assets; and
- joint operations, that is joint control agreements where parties have rights to assets and obligations related to agreement liabilities.

Investments in joint ventures are measured applying the Equity method, as described in Note 4 "Measurement criteria"; whereas joint operations are measured recognising, line by line in the Consolidated Financial Statements, the asset/liability and revenue/costs portions based on effective rights and obligations resulting from contractual agreements.

Equity investments in associated companies

An associate company is one in which the Group exercises a considerable influence, intended as the power to take part over deciding financial and management choices without having control or joint control. Equity investments in associated companies are recognised under the equity method as indicated in Note 4 "Measurement criteria".

Infra-group transactions

The profits from transactions between consolidated companies are eliminated as are the receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies. Profits not earned with companies measured applying the Equity method are eliminated for the Group's share. In both cases, infra-group losses are not eliminated when they represent an effective lesser value of the asset transferred.

Conversion of financial statements with currency that is not the Euro

The financial statements of companies operating in non-Euro areas, as the Euro is the Group currency, and the functional currency of the Parent Company and its subsidiaries except for Rai Corporation (in liquidation) (hereinafter "Rai Corporation"), are converted into Euro applying the exchange rates of the date the financial year is closed to equity assets and liabilities, historical exchange rates to Equity items and average exchange rates of the year to Income statement items.

The exchange rate differences from conversion of financial statements of the companies operating in non-Euro areas, resulting from application of the different rates for assets and liabilities, for consolidated shareholders' equity and Consolidated income statement, are entered under the Equity item "Other reserves" as reserve for exchange rate differences from conversion for the Group part and, if needed, under the item "Shareholders' equity attributable to minority interests" for that of third parties. The exchange rate difference reserve is recognised in the Consolidated income statement when the investee is no longer a subsidiary. In those circumstances, the reserve is recognised in the Consolidated income statement under the items "Financial income" or "Financial expenses". With partial disposal, without losing control, the exchange rate difference related to the equity portion disposed of is attributed to equity interests attributable to third parties. If the investee should no longer be controlled and it should be qualified as a joint venture or associate, the conversion reserve is incorporated into the measurement applying the Equity method.

Financial statements used for the conversion of Rai Corporation are those expressed in US Dollars (USD).

4) Valuation criteria

The most important accounting standards and valuation criteria used for drawing up the Consolidated Financial Statements are briefly described below.

Current assets

Inventory. The final inventory of technical materials are recognised at purchase cost, calculated using the weighted average cost formula, adjusted in connection with market performance and the estimated non-uses tied to obsolescence and slow turnaround phenomena. The final inventory of goods (magazines and books and home videos) to be resold is recognised at purchase cost, calculated using the weighted average cost formula, or at presumed collection value resulting from market performance, if lower. Work in progress to order, typically related to adjustment of the transmission and broadcasting network, are measured based on costs sustained related to work progress, calculated applying the cost to cost method.

Trade receivables - Other current receivables and assets - Current financial assets. Trade receivables, other current receivables and assets and the current financial assets are initially recognised at fair value, adjusted with directly attributable transaction costs and afterwards measured with amortised cost criteria based on the effective interest rate method (i.e. the rate that makes the current value of the expected cash flows and book value equal at the time of initial recognition), adjusted to take any write-downs into account by recognising a provision for write-downs. Trade receivables and other financial assets are included in current assets, except for those with contractual expiration longer than 12 months from the reporting date, which are classified in the non-current assets.

Impairment of financial assets. All financial assets other than those measured at fair value with balancing entry in the Income statement are analysed at each reporting date in order to verify whether there is objective proof that an asset or group of financial assets has been impaired. An impairment is recognised only if this evidence arises as a consequence of one or more events occurring after its initial recognition, which have an impact on the expected future cash flows of the asset.

Objective evidence of an impairment includes observable indicators such as:

- significant financial difficulty of the issuer or debtor;
- an infringement of the contract, such as a non-fulfilment or non-payment of interest or capital;
- evidence that the debtor might enter into an arrangement with creditors or another form of financial reorganisation;
- a sizeable decrease in estimated future cash flows.

The losses expected to arise from future events are not recognised.

For those financial assets recognised with depreciated cost criteria, when an impairment has been identified, the value is measured as the difference between the book value of the asset and the current value of the expected future cash flows, discounted based on the original effective interest rate. This value is recognised to the Consolidated income statement.

If the amount of an impairment of an asset recognised in the past decreases, and the decrease can be objectively connected with an event that occurred after recognition of the impairment, it is charged back to the Consolidated income statement.

Derecognition of financial assets and liabilities. Financial assets are derecognised when one of the following conditions is met:

- the contractual right to receive the cash flows from the asset has expired;
- the Group has basically assigned all risks and benefits connected with the asset, transferring its rights to receive cash flows from the asset or taking on a contractual obligation to pay the cash flows received to one or more beneficiaries by virtue of a contract that observes the requirements set out in IAS 39 (so-called "pass through test");
- the Group has neither assigned nor basically retained all the risks and benefits connected with the financial asset, but has transferred control.

In the case of factoring transactions basically involving transfer of the risks and benefits connected with the receivables assigned to the factor (therefore the Group remains exposed to the risk of insolvency and/or delayed payment – so-called non-recourse factoring), the transaction is assimilated to the opening of a loan secured by the credit being assigned. In this circumstance, the assigned credit is still represented in the consolidated Financial Position of the Group until the factor collects it and, as a balancing entry of the advance, if any, obtained by the factor, a financial payable is recognised. The financial cost for the factoring transactions is represented by interest on the pre-paid amounts recognised to the Income statement on an accrual basis, which are classified amongst the financial expenses. Commissions accruing on assignments are included amongst the financial expenses.

The financial liabilities are derecognised when they are extinguished, meaning when the contractual obligation is fulfilled, cancelled or barred.

Offsetting financial assets and liabilities. The Group offsets financial assets and liabilities if and only if:

- there is a legally exercisable right to offset the amounts recognised; and
- there is the intention to either offset on a net basis or to realise the asset and adjust the liability at the same time.

Cash and cash equivalents. Cash and cash equivalents comprise cash, demand deposits and financial assets with maturity originally equal to or less than three months, readily convertible into case and subject to a negligible risk of change in value. The elements included in cash and cash equivalents are measured at fair value.

Collection operations are recorded by bank transaction date; the order date is also taken into account for payment transactions.

Non-current assets

Property, plant and equipment. Property, plant and equipment are recognised according to the cost criteria and are entered at their purchase price or at cost of production including all directly allocated accessory charges necessary to make the assets ready for use. When there are current obligations for dismantling, removal of the asset and restoration of the sites, the book value includes the estimated (discounted) costs to bear at the time the facilities are abandoned, recognised as balancing entries to a specific provision (the accounting treatment of the estimate adjustments of these costs, of the passing of time and of the discount rate is indicated in Note 15.3 "Provisions for non-current risks and charges"). Property, plant and equipment cannot be revalued, not even when applying specific laws.

Costs for improvements, modernisation and transformation that increase the property, plant and equipment are recognised to assets when it is probable that they increase the future economic benefits expected from the use or sale of the asset.

The property, plant and equipment are systematically depreciated on a straight-line basis along their technical economic useful life, meant as the estimate of the period in which the company will use the asset. This period commences from the month when use of the asset begins, or could have begun. When the property, plant and equipment consists of multiple significant components have different useful lives, depreciation is made for each component. The value to depreciate is represented by the book value reduced by the estimated net exit value at the end of its useful life. Land, even if purchased together with a building, works of art and property, plant and equipment held for sale are not subject to depreciation. Any changes to the depreciation plan arising from revision of the useful life of the property, plant and equipment, the residual value or the methods for obtaining economic benefits of the asset are recognised prospectively.

The estimated useful life of the main property, plant and equipment is the following:

	Useful life in years	
	Min	Max
Buildings	10	50
Plant and machinery	2	12
Fixtures and fittings, tools and other equipment	5	7
Other assets	4	9

The routine maintenance and repair costs are recognised to the Consolidated income statement in the year in which they are incurred.

Intangible assets. Intangible assets concern the identifiable assets without physical consistency, controlled by the Group and able to generate future economic benefits, as well as the goodwill when acquired against payment. Identifiability is defined with reference to the possibility to distinguish the intangible asset acquired from goodwill. This requirement is normally met when:

- the intangible asset can be traced back to a legal or contractual right; or
- the asset is separable, meaning it can be assigned, transferred, rented or traded autonomously or as an integral part of other assets.

The Group's control consists in the right to enjoy future economic benefits arising from the asset and in the possibility to limit its access to others.

Intangible assets are recognised at purchase or production cost, including directly allocated accessory charges necessary to make the assets ready for use. Revaluations cannot be made, not even when applying specific laws.

The intangible assets having a defined useful life are systematically amortised during their useful life meant as the estimate of the period in which the assets will be used by the Group, and are broken down into:

- a) Programmes – Audiovisual Works: the costs for acquiring and producing TV programmes, of audiovisual, cinema and multimedia works, made up of the external costs directly allocated to each production and the costs of the internal resources used to make single programmes, are represented according to the following criteria:
- 1) the costs referring to television productions with usefulness exceeding 12 months are capitalised amongst the intangible assets and, if these productions are ready for use at year-end, are amortised on a straight-line basis, starting from the month they are ready or the right becomes available with regard to the duration of their estimated future usefulness. If, on the other hand, these productions with repeated usefulness are not yet usable at year-end or rights become available in the future, their costs are deferred as assets under construction and payments on account.

Taking into account the objective difficulties in identifying elements able to guarantee a correct correlation between revenue from advertising and licence fees and the amortisation of the rights, to which the indeterminableness of the varied methods of exploitation is added, the useful life of the programmes and audiovisual works with repeated usefulness is shown in the following table:

	Useful life in years
TV series and cartoons	3
Rights other than Free Tv related to films and series acquired by Rai Cinema	3
Exploitation of football library rights	4
Free Tv rights related to films and series acquired by Rai Cinema	5
"Full rights", i.e. products for which Rai Cinema has purchased the full chain of rights (film, television, home video, etc.)	7

The costs referring to rights under concession for shorter durations are amortised on a straight-line basis corresponding to the period of availability. Should the rights have depleted the contractually available passages, the residual value is fully expensed.

- 2) The costs referring to television productions intended for immediate use are posted to the Income statement in a single year, which usually coincides with that of use or the start of the concession. More specifically:
- *News reporting, light entertainment, documentaries, classical music, prose and the entire radio production.* The costs are recognised during the year in which they are incurred, which usually coincides with the one in which they are broadcast.
 - *Sports events.* The costs are recognised in the year in which the event takes place.
- b) Software licences are amortised over three years beginning from the month in which they are available for use, usually coinciding with the month when they become operational.
- c) Trademarks are amortised over ten financial years beginning from when they become available for use, generally corresponding with the year in which use begins.

Goodwill and other intangible assets having an indefinite useful life are not amortised; the recoverability of their book value is checked at least once a year and in any case whenever events that lead to an assumption of impairment occur.

Impairment of non-financial assets. The non-financial assets are analysed on every reporting date in order to check whether there are indicators of any impairment. When events that lead to an assumption of impairment of the non-financial asset occur, their recoverability is checked by comparing the book value with the relevant recoverable value represented by the fair value net of disposal charges or the value in use, whichever is greater. The value in use is calculated based on reasonable and demonstrable assumptions representing the best estimate of future economic conditions that will occur in the residual useful life of the asset, giving importance to the information coming from the outside. When reasons for the write-downs made cease to exist, the value of the asset is restored and the adjustment is recognised to the Income statement as a revaluation (reversing an impairment loss). The impairment loss is reversed at the recoverable value or the book value before the impairment previously made and reduced by the amortisation quotas that would have been allocated if the impairment had not been made, whichever is the least.

Real estate investments. Real estate investments include properties owned by the Group through which to earn rents and/or for appreciation of capital invested and are entered in accounts applying the same rules illustrated in the paragraph on "Property, plant and equipment".

Real estate investments are eliminated from accounts when they are sold or are written-down when no future economic benefit is expected through their use or disposal. Any profit or loss, calculated as the difference between net consideration resulting from disposal and the net book value of assets eliminated and entered in the Consolidated income statement.

When events occurring lead to an assumption of impairment of the real estate investments, their recoverability is checked by comparing the book value with the relevant recoverable value, represented by the fair value net of disposal charges or the value in use, whichever is greater.

Useful life is considered as 33 years.

Public funding. Public funding, including the non-monetary contributions measured at fair value, is recognised when there is reasonable certainty that it will be received and that the Group will satisfy all the conditions established for its disbursement.

The benefit of a public loan at an interest rate lower than the market rate is treated as public funding. The loan is initially recognised at fair value and the public funding is measured as the difference between the initial book value and the funding received. The loan is afterwards measured in compliance with the provisions established for financial liabilities.

Public contributions to the year are presented as a positive component in the Consolidated income statement, under the item Other revenue and income.

Public funding received for the purchase, construction or acquisition of fixed assets (tangible or intangible) is recognised to directly reduce the relevant purchase or production cost or is recognised as income in connection with the relevant useful life, based on the amortisation process of the assets subsidised.

Financial assets (current and non-current). Equity investments in joint ventures and in associated companies are carried as Equity.

On applying the equity method, the equity investments are initially recognised at purchase cost with any difference between the incurred cost and the interest in the fair value of the identifiable net assets of the investee attributed in a way similar to what is set out in IFRS 3 "Business combinations". The book value is then adjusted to take into account:

- the Shareholder's portion of the economic results of the investee made following the date of acquisition; and
- the Shareholder's portion of the other Statement of comprehensive income components of the investee.

The changes in shareholders' equity of an investee other than those specified above are recognised to the Consolidated income statement when they represent, in substance, the effects of a transfer of a shareholding in the investee. The dividends that the investee distributes are recognised to reduce the book value of the equity investment. To apply the Equity method, adjustments foreseen for the consolidation process are considered (please see Note 3 "Consolidation principles").

When there is objective evidence of impairment, the recoverability is checked by comparing the book value with the relevant recoverable value calculated adopting the criteria indicated in the section "Impairment of non-financial assets". When the reasons for the write-downs cease to exist, the value of the equity investments is restored within the limits of the write-downs made with the effect recognised to the Consolidated income statement.

The transfer of shareholdings entailing loss of joint control or significant influence over the investee causes the following to be recognised to the consolidated Income Statement:

- any capital gain/loss calculated as the difference between the consideration received and the corresponding fraction of the book value of the transferred equity investment;
- the effect of the revaluation of any residual equity investments kept to align it with the relevant fair value;
- any amounts recognised in the other Statement of comprehensive income components relating to the investee for which reclassification to the Consolidated income statement is required.

The value of any equity investment retained, aligned with its fair value at the date joint control or significant influence was lost, is the new book value and therefore the value of reference for the subsequent valuation according to the applicable valuation criteria.

After an equity investment measured with the equity method, or a share of that investment, is classified as held for sale in so far as it meets the criteria set for that classification, the investment or share of the investment is no longer measured with the equity method. Any shares of that equity investment not classified as held for sale are measured with the equity method until the sale of the share of investment classified as held for sale is completed. Any residual share kept after the sale is measured based on the applicable valuation criteria.

The other equity investments recognised as non-current assets are measured at fair value with their effect recognised in the shareholders' equity reserve pertaining to the other Statement of Comprehensive Income components; the fair value changes recognised in the Consolidated shareholders' equity are attributed to the Consolidated income statement at the time of write-down or realisation. When the equity investments are not listed in a regulated market and the fair value cannot be reliably determined, they are recognised at cost adjusted for impairment; the impairments are not subject to reversal.

The Shareholder's portion of any losses of the investee exceeding the book value of the equity investment is recognised in a special provision to the extent in which the shareholder is committed to fulfilling legal or implicit obligations of the investee, or in any case to covering its losses.

The receivables and financial assets held to maturity are recognised at cost represented by the fair value of the initial consideration, increased by any transaction costs. The initial book value is afterwards

adjusted to take into account capital repayments, any write-downs and the amortisation of the difference between the repayment value and the initial book value; amortisation is made based on the effective interest rate (so-called amortised cost criterion).

When there is objective evidence of impairment, the write-down is determined by comparing the relevant book value with the actual value of the expected cash flows discounted at the effective interest rate defined at the time of initial recognition. The receivables and financial assets to hold to maturity are shown net of the relevant provision for write-downs.

Current and non-current liabilities

Financial liabilities - Trade payables - Other payables and liabilities. Loans and trade payables are recognised when the Group becomes part of the relevant contractual clauses and they are initially measured at fair value, adjusted by the directly attributable transaction costs.

They are afterwards measured with the amortised cost criterion, using the effective interest rate method.

Provisions for risks and charges. The provisions for risks and charges concern costs and charges fixed in nature and of certain or likely existence that could not be determined in amount and/or date of occurrence as at the reporting date. The allocations to these provisions are recognised when:

- the existence of a current, legal or implicit obligation arising from a past event is likely;
- fulfilment of the obligation being against payment is likely;
- the amount of the obligation can be reliably estimated.

The provisions are recognised at the representative value of the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to third parties as at the reporting date. When the financial effect of the passing of time is significant and the payment dates of the obligation can be reliably estimated, the provision is calculated by discounting the expected cash flows determined taking into account risks associated with the obligation. The increase in the provision connected with the passing of time is recognised to the Income statement under the items "Financial income" or "Financial expense".

The costs that the company expects to bear to implement renovation programmes are recognised in the year in which the programme is formally defined and the sound expectation that the renovation will take place is generated in the interested parties.

The provisions are periodically updated to reflect the changes in the estimates of costs, execution time and the discount rate; the estimate revisions are charged to the same Income statement item that previously contained the provision. The provisions for risks and charges are subject to discounting if it is possible to reasonably estimate the time the monetary outflows occurred. When the liability regards property, plant and equipment (e.g. dismantling and restoration of sites), the changes in provision estimate are recognised as a balancing entry for the asset to which they refer within the limits of the book values; any surplus is recognised to the Income statement.

If it is expected that all the expenses (or a part of them) required to settle an obligation are repaid by third parties, the indemnity – when it is virtually certain – is recognised as a separate asset.

For contracts whose non-discretionary costs necessary for fulfilling the obligations undertaken are greater than the economic benefits expected to be obtainable from the contract (onerous contracts), the Group recognises a provision equal to the cost necessary for the fulfilment and any compensation or sanction arising from non-fulfilment of the contract, whichever is the lesser.

The existence of contingent liabilities, represented by possible but not probable obligations arising from past events whose existence will be confirmed only when one or more uncertain future events not totally under the company's control occur, or not occur, will not give rise to the recognition of liabilities recorded in the financial statements, but is explained in a specific note contained in the Consolidated Financial Statements.

Employee benefits. Taking into account their characteristics, benefits following employment are either “defined-contribution” plans or “defined-benefit” plans. In the defined-contribution plans, the company’s obligation – limited to paying contributions to the State, to an estate or to a legally distinct entity – is determined based on the contributions due. The costs relating to these plans are recognised to the Income statement based on the contribution made during the period. In the defined-benefit plans, on the other hand, the company’s obligation is determined, separately for each plan, based on actuarial assumptions by estimating (in compliance with the projected unit credit method) the amount of the future benefits that the employees have accrued as at the date of reference. More specifically, the current value of the defined-benefits plans is calculated using a rate determined based on market performance as at the reporting date of the bonds of primary companies or, if there is no active market in which they are traded, government bonds. The liability is recognised on an accrual basis during the period the right accrues. The liability is measured by independent actuaries. If the assets servicing the plan exceed the current value of the relevant liability, the surplus is recognised as assets.

Net interest includes the return on assets servicing the plan and of the interest cost to recognised to the Income statement. Net interest is determined by applying the discount rate defined for the liabilities to the liabilities, net of any assets servicing the plan; Net interest of defined-benefits plans is recognised to the Income statement as “Financial income” or “Financial expenses”.

The actuarial gains and losses arising from the actuarial assessment of the defined-benefits plans and the return on assets servicing the plan (net of their interest income) are recognised as other components of the consolidated Statement of comprehensive income. The actuarial gains and losses for the other long-term benefits are recognised to the Consolidated income statement. If a defined-benefits plan is changed, or if a new plan is introduced, the pension cost, if any, related to past service is recognised to the Consolidated income statement.

Derivative instruments. A derivative is a financial instrument or another contract:

- whose value changes depending on the changes in an underlying parameter, such as interest rate, price of a note or goods, exchange rate in foreign currency, index of prices or rates, rating of a receivable or another variable;
- that requires a net initial investment equal to zero or less than what would be required for contracts with a response similar to the changes in market conditions;
- that is settled at a future date.

The derivative instruments are classified as financial assets or liabilities, depending on their positive or negative fair value, and are classified as “held for trading” and measured at the fair value recognised to the Consolidated income statement, except for those designated as effective hedging instruments.

Derivatives are designated as hedging instruments when the ratio between the derivative and the hedged item is formally documented and the hedging effectiveness (periodically checked) is high. when the derivatives cover the risk of change in the cash flows of the hedge instruments (cash flow hedge); hedging of the variability of the cash flows of assets/liabilities due to fluctuations in exchange rates, the changes in fair value of the derivatives considered effective are initially recognised in the shareholders’ equity reserve pertaining to the other consolidated Statement of comprehensive income components and afterwards charged to the Consolidated income statement consistently with the economic effects generated by the hedged transaction. The changes in the fair value of the derivatives that do not meet the conditions for being qualified as hedging are recognised to the Consolidated income statement.

Fair value measurement

Measurements at fair value and their disclosure are made or prepared by applying IFRS 13 “Fair value measurement”. The fair value is the price that one would receive for the sale of an asset or that one would pay for the transfer of a liability in an ordinary transaction initiated between market operators as at the valuation date.

Fair value measurement is based on the assumption that the transaction to sell the asset or to transfer the liability takes place in the main market, i.e. in the market in which the greater volume and level of transactions for the asset or liability takes place. Without a main market, one assumes that the transaction takes place in the most advantageous market to which the Group has access, that is the market susceptible to maximising the results of the transactions to sell the asset or to minimising the amount to pay to transfer the liability.

The fair value of an asset or a liability is calculated considering the assumptions that the market participants would use to define the price of the asset or liability, on the assumption that they act according to their best economic interest. The market participants are informed independent buyers and sellers able to enter into a transaction for the asset or liability and motivated, but neither obliged nor induced, to make the transaction.

When measuring fair value, the Group considers the characteristics of specific assets and liabilities; in particular for the non-financial assets, the ability of a market operator to generate economic benefits by using the asset to its maximum and best use or selling it to another market operator able to use it to its maximum and best use. The fair value of the assets and liabilities is measured using techniques adequate for the circumstances and for which sufficient data are available, maximising the use of observable input.

Revenues and costs

Revenues are recognised to the extent by which the Group received economic benefits and are determined reliably; revenues from the supplies of services are recognised when the supply has been completed, while revenues from sales are recognised when the typical risks and benefits of the ownership of the sold goods have been actually transferred.

As regards the most important services for the Group, revenues are recognised:

- for the licence fee income in connection with the payment made to the State, mainly by debit in the electricity bill for the ordinary fees or to Rai for the special fees, regarding the amount pertaining to the period (the amounts paid in advance, before the accrual period, are not included); also included are payments made in the period for licence fees referring to previous financial years and licence fees relating to exemptions granted to certain user categories;
- for advertising income with the broadcast of the advertisement.

The allocations of revenues relating to partially supplied services are recognised for the amount accrued, provided that it is possible to reliably determine its stage of completion and that there are no significant uncertainties on the amount or on the existence of the revenue and its costs; otherwise they are recognised within the limits of the recoverable sustained costs.

Revenues are recognised for the fair value amount of the consideration received or receivable, net of returns, discounts, allowances and premiums, and of directly associated taxes.

Costs are recognised on an accrual basis when they concern services and goods purchased or consumed during the year or by systematic breakdown, or when their future usefulness cannot be identified.

Operating lease rentals are charged to the Consolidated income statement along the duration of the contract.

Financial income and expenses are recognised to the Consolidated income statement during the year in which they accrued.

Exchange rate differences

Revenues and costs relating to transactions in a currency that is not the functional one are recorded at the current exchange rate of the day on which the transaction is recognised.

Monetary assets and liabilities in a currency other than the functional one are converted into the functional currency applying the current exchange rate as at the reporting date of the Consolidated Financial Statements with the effect charged to the Consolidated income statement. Monetary assets and liabilities stated in a currency other than the functional one recognised at cost are recorded at the initial recognition exchange rate; when the measurement is made at fair value or at the recoverable or realisable value, the current exchange rate as at the date said value is determined is adopted.

Dividends

Dividends are recognised as at the date the General Meeting that establishes the right to receive payment passes the resolution except for when it is reasonably certain that the shares will be sold before the coupon date.

The dividends resolved by the Annual Shareholders' Meeting are represented as a change in consolidated shareholders' equity in the year in which they are approved.

Income tax

Current taxes recorded as Current income tax payables net of paid advances or in the item Current income tax receivables when the net balance is a credit are determined based on the estimated taxable income and in compliance with tax legislation. Specifically, these payables and receivables are calculated apply the tax rates in force as at the reporting date.

Current taxes are recognised in the Consolidated income statement, except for those concerning items directly chargeable to the consolidated shareholders' equity.

Deferred income tax assets and liabilities are calculated on the temporary differences between the asset values recognised and the matching values recognised for tax purposes, apply the rate in force as at the date on which the temporary difference will be paid, based on the rates expected as at the reporting date. A deferred tax liability is recorded for all taxable temporary differences, except for goodwill. Deferred tax assets on the temporary differences, tax losses and tax credits not used are recognised if and when their recovery is likely in expectation that they might realise positive taxable amounts for Rai and the Group in future tax periods. A new assessment on whether or not the deferred taxes can be recognised is conducted on every reporting date.

Deferred income tax assets and liabilities are recognised in the Consolidated income statement, except for those concerning items directly chargeable to the consolidated shareholders' equity.

As a result of applying regulations referring to the same tax authority, the deferred income tax assets and liabilities are offset if there is a legally exercisable right to offset the current tax assets with the current tax liabilities that will be generated at the time of their payment.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at the single tax jurisdiction level if referring to offsettable taxes. If receivable, the offsetting balance is recognised in the item "Deferred tax assets"; if payable, in the item "Deferred tax liabilities".

Related parties

Related parties are those that share the same Parent Company with Rai, the companies that control it directly or indirectly, are subsidiaries, or are subject to joint control of the Parent Company and those in which it holds an equity investment such as to be able to exercise considerable influence. The definition related parties also includes bodies managing the benefit plans after the working relationship has ended, solely for Company and Group employees (specifically indicated in Note 18.4 "Transactions with related parties") and key managers. Key managers are those who have the direct or indirect power and responsibility for planning, management and control of Rai activities, and of its subsidiaries, including Directors.

In compliance with what is regulated by IAS 24 "Related party disclosures", paragraph 26, Rai is exempted from the disclosure requirements under paragraph 18 (according to which the Company must indicate the type of relationship with the related party, in addition to providing information on said transactions and on the existing balances, including the commitments necessary for the users of the financial statements to comprehend the potential effects of this relationship on the Consolidated Financial Statements) in the case of relations with another entity that is a related party because the same government entity has control over both the entity drawing up the financial statements and another entity.

5) Use of estimates

Application of the IFRS for drawing up the Consolidated Financial Statements entails making accounting estimates that are often based on complex and/or subjective assessments and on past experience and assumptions considered reasonable and realistic in connection with the information known at the time of the estimate. The use of these estimates reflects on the book value of the assets and liabilities and on the disclosure concerning the contingent assets and liabilities as at the date of the Financial Statements, and on the amount of the revenues and costs in the accounting period represented. The actual results might differ from those estimated because of the uncertainty characterising the assumptions and conditions on which the estimates are based. The estimates and assumptions are periodically reviewed and the effects of every change are reflected in the Consolidated income statement.

For better understanding of the Consolidated Financial Statements, the most significant estimates of the process of drafting the Consolidated Financial Statements because they involve making considerable recourse to subjective opinions, assumptions and estimates related to themes uncertain owing to their nature are provided below. The changes in the conditions at the root of adopted opinions and assumptions might have a large impact on the subsequent results.

Write-downs

Assets are written down when events or circumstances arising after their initial recognition lead one to believe that this value is not recoverable. The decision of whether to proceed with its write-down and quantification depends on assessments made on the basis of reasonable and demonstrable assumptions representing the best estimate of the future economic conditions that will take place in the residual useful life of the asset while giving importance to the information coming from the outside.

The write-down is determined by comparing the book value with the relevant recoverable value represented by the fair value net of disposal charges or the value in use, whichever is greater. The latter is determined by the use of the asset net the disposal charges and quantified in light of the information available at the time of the estimate on the basis of subjective opinions on the trend of future variables (such as prices, costs, demand growth rates).

Recovery of deferred taxes

Deferred tax assets are recognised in the Consolidated Financial Statements, mainly connected with recognition of tax losses that can be used in subsequent tax periods and as deferred tax deductible income components, for an amount that is highly likely to be recovered in future years. Recoverability of the above-mentioned deferred taxes is subordinate to attaining future taxable profits that are large enough or up to the total amount of the deferred tax liabilities. Management is required to give important opinions in order to determine the amount of the deferred taxes that can be recognised based on the time frame and the amount of the future taxable income. If in the future the Group should be unable to recover all or part of the deferred taxes recorded in the consolidated financial statements, the relevant adjustment will be charged to the consolidated Income Statement.

Employee benefits

Some Group employees are registered with plans that disburse benefits after termination of employment (such as the Provision for Employee Severance Pay and the supplementary pension funds specified in Note 15.2 "Employee benefits"). Quantification of the costs and liabilities associated with these plans is based on estimates made by actuaries, who use a combination of statistical-actuarial factors, including statistical data relating to past years and forecasts of future costs. Mortality and withdrawal rates, assumptions on the future evolution of discount rates, remuneration growth rates, inflation rates and the analysis of the trending index of healthcare costs are also considered as estimate components. What normally occurs is that when the balance of these liabilities is periodically measured, there are differences arising from, among other things, changes in the actuarial assumptions use, the difference between actuarial assumptions previously adopted and those that actually took place, and the different return on assets servicing the plan compared to what was considered in the net interest calculation. The impacts of the new measurements are recognised in the consolidated Statement of Comprehensive Income for the defined-benefit plans and in the Consolidated income statement for the defined-contribution plans.

Litigation

The Group is respondent in several disputes concerning administrative, civil, tax and labour law matters. The nature of these disputes makes the final outcome of the matters objectively unforeseeable. Provisions were therefore formed to cover all significant liabilities for the cases in which the lawyers (inside to the Group and third-party consultants used) deemed that the likelihood of an unfavourable outcome exists and it was possible to draw up a reasonable estimate of the charges arising from losing the cases.

Dismantling and restoration of sites

The Group recognised liabilities regarding the obligations to dismantle property, plant and equipment and to restore several areas under operating lease agreements at the end of the period they are used in. Estimating future dismantling and restoration costs is a complex process and requires common sense and judgement in assessing liabilities to sustain many years later, and they are often not fully defined by laws, regulations or contractual clauses. The critical nature of the estimates of dismantling and restoration charges also arises (i) from posting these charges whose current value is initially recorded to increase the cost of the asset to which they refer and as a balancing entry in the provision for risks; and (ii) from the complexity and subjectivity of the valuation process to perform upon initial recognition and to update at least once a year in order to determine the discount rate to use.

Fair value measurement of financial instruments

The fair value of the listed financial instruments is determined by observing the prices that can be taken directly from the market, while specific valuation techniques using the greatest possible number of inputs seen on the market are used for the unlisted financial instruments. In the circumstances in which this is not possible, management estimates the inputs while taking into account characteristics of the instruments being measured. Changes in the assumptions made in the estimate of the input data might have effects on the fair value recognised for these instruments.

6) Recently issued accounting principles

Accounting principles approved by the European Union but still not mandatorily applicable

- Accounting standard IFRS 15 "Revenue from contracts with customers" (hereinafter "IFRS 15") that requires revenue to be recognised based on the following five steps was approved with Regulation no. 2016/1905 issued by the European Commission on 22 September 2016:
 1. identification of the contract with the customer;
 2. identification of the performance obligations (i.e. the contractual commitments to transfer goods and/or services to the customer);
 3. determination of the transaction price;
 4. allocation of the transaction price to the performance obligations identified on the basis of the stand alone selling price of each good or service; and
 5. recognition of the revenue when the relevant performance obligation is met.
- The amendments to IFRS 15 were also approved with Regulation no. 2017/1987 issued by the European Commission on 31 October 2017. These amendments regard:
 - identification of the contractual obligations;
 - assignment of the role of principal or agent;
 - determination of the moment of recognition of the income arising from the granting of a licence.

The provisions of IFRS 15 and its amendments are effective starting from the years beginning on or after 1 January 2018. Early application of both is allowed.

The Group decided not to avail itself of the right to apply IFRS 15 and its amendments early, and estimated that their application will have an insignificant impact on the Consolidated shareholders' equity, net of the relative fiscal effect, as at 1 January 2018.

- Accounting standard IFRS 9 "Financial Instruments" (hereinafter "IFRS 9") was approved with Regulation no. 2016/2067 issued by the European Commission on 22 November 2016. Specifically, the new

standard reduces the number of categories of financial assets listed in IAS 39 and defines: (i) the methods for classifying and measuring financial assets; (ii) the financial instrument impairment methods; (iii) the methods for applying hedge accounting and (iv) the posting of the changes in credit worthiness in the fair value measurement of the liabilities. The provisions of IFRS 9 are effective starting from the years beginning on or after 1 January 2018. Early adoption is allowed.

The Group decided not to avail itself of the right to apply IFRS 9 early, and estimated that the principle will have an insignificant impact, net of the relevant tax effect, on consolidated shareholders' equity as at 1 January 2018 deriving mainly from measurement of the provision for write-downs.

- With Regulation no. 2017/1988 issued by the European Commission on 3 November 2017, the amendments to IFRS 4 "Joint application of IFRS 9 Financial instruments and IFRS 4 Insurance contracts" (hereinafter "amendments to IFRS 4") were approved. The amendments to IFRS 4 satisfy the critical issues arising from introduction of IFRS 9 while awaiting the principle that will replace the current IFRS 4. These amendments are effective starting from the years beginning on or after 1 January 2018. The Group estimated that the principle will have no impact on its Consolidated Financial Statements, since the cases it regulates are not applicable to the Group situation.
- International accounting standard IFRS 16 "Leasing" was approved with Regulation 2017/1986 issued by the European Commission on 31 October 2017. The standard defines the new leasing posting model while eliminating the distinction between operating and financial lease in the lessee's perspective. The provisions of IFRS 16 are effective starting from the years beginning on or after 1 January 2019. Its early adoption together with IFRS 15 is allowed. At present, the Group is analysing the standard and considering whether its adoption will have a significant impact on its consolidated financial statements, mainly arising from real estate lease agreements and leases for mobile assets.
- The "Annual Improvements to IFRS Standards 2014-2016 Cycle" containing amendments, basically technical and editorial in nature, of several international accounting standards was approved with Regulation no. 2018/182 issued by the European Commission on 7 February 2018. The amendments contained in the Annual Improvements to the IFRS Standards 2014-2016 Cycle are:
 - IFRS 1: the short-term exemptions provided for in paragraphs E3-E7 are eliminated because the reasons for their inclusion have ceased to exist. The amendment is effective starting from the years beginning on or after 1 January 2018;
 - IFRS 12: the purpose of the standard is clarified, specifying that the disclosure requirements, except for those provided for by paragraphs B10-B16, apply to the interests of an entity listed under paragraph 5 that are classified as held for sale, for distribution or as a discontinued operation pursuant to IFRS 5. The amendment is effective starting from the years beginning on or after 1 January 2017;
 - IAS 28: it is clarified that the decision to measure an investment in a subsidiary or in a joint venture held by a venture capital company at fair value with balancing entry recorded in the Income statement is possible for every investment in subsidiaries or joint ventures starting from their initial recognition. The amendment is effective starting from the years beginning on or after 1 January 2018.

The Group estimated that the above amendments will have no impact on its consolidated financial statements since the cases they regulate are not applicable to the Group situation.

Accounting principles not yet approved by the European Union

- On 20 June 2016 the IASB issued the amendments to IFRS 2: "Classification and Measurement of Share-based Payment Transactions". The amendments clarify the requirements and methods for recognising share-based payments. These amendments are effective starting from the years beginning on or after 1 January 2018.
- On 8 December 2016 the IASB issued IFRIC 22 "Foreign Currency Transactions and Advance Consideration". The interpretation deals with transactions in foreign currency in the case in which an entity recognises a non-monetary asset or liability coming from the payment or collection of an advance before the entity recognises the relevant asset, cost or revenue. What has been defined does not have to be applied to taxes or to insurance or reinsurance contracts. The IFRIC principle is effective starting from the years beginning on or after 1 January 2018.

- On 8 December 2016 the IASB issued the amendments to IAS 40: "Transfers of Investment Property". The amendments clarify the methods for changing classification from or to Real Estate Investments. These amendments are effective starting from the years beginning on or after 1 January 2018.
- IASB issued IFRS 17 "Insurance Contracts" on 18 May 2017. Based on the new standard, the entity must: (i) identify the insurance contracts; (ii) separate the incorporated derivative contracts, the distinct investment components and the distinct performance obligations from the insurance contracts; (iii) divide the contracts into groups so they can be recognised and measured; (iv) recognise the profit coming from a group of insurance contracts along the insurance coverage period and when it is released from the risk. If a group of contracts is or becomes a loss, the entity must immediately recognise the loss; (v) present the insurance revenue, expense for the insurance services and the inflow or expenses of the insurance sector; and (vi) provide information to allow the users of the financial statements to assess the effect that the contracts regulated by IFRS 17 have on the financial position, on financial performance and on the cash flows of an entity.
The provisions of IFRS 17 are effective starting from the years beginning on or after 1 January 2021.
- IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments" on 7 June 2017. IFRIC 23 specifies how to reflect the effects of uncertainty in posting income taxes if the tax treatment of a particular transaction or circumstance is unclear. The provisions of IFRIC 23 are effective starting from the years beginning on or after 1 January 2019.
- On 12 October 2017 the IASB issued the amendments to IAS 9: "Prepayments Features with Negative Compensation". These amendments allow entities to recognise several deferred financial assets at amortised cost with the so-called negative offset.
These amendments are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" on 12 October 2017. The amendments clarify that a company applies IFRS 9 to the long-term interests in an associate or joint venture that are part of the net investment in the associate or joint venture. These amendments are effective starting from the years beginning on or after 1 January 2019.
- IASB issued the document "Annual Improvements to IFRS Standards 2015-2017 Cycle" on 12 December 2017. The amendments it contains are:
 - IFRS 3: the company remeasures the equity investment previously held in a joint operation when it obtains control of the business.
 - IFRS 11: a company does not remeasure the equity investment previously held in a joint operation when it obtains joint control of the business.
 - IAS 12: in the same way, a company takes into account all consequences of the income taxes arising from payment of dividends.
 - IAS 23: a company treats any loan previously subscribed to develop an asset when the asset is ready for its expected use or for sale as part of the general loans.

The amendments indicated in the above-mentioned document are effective starting from the years beginning on or after 1 January 2019.

At present, the Group is analysing the principles specified and is assessing whether their adoption will have a significant impact on its Consolidated Financial Statements.

7) Information by operating segment

IFRS 8 "Operating Segments" identifies the "Operating Segment" as a component of an entity: (i) that carries out activities able to generate flows of revenue and autonomous costs; (ii) whose operational results are periodically reviewed at the highest operational decision-making level, which coincides with the Company's Board of Directors, with the purpose of taking decisions on allocation of the resources and assessing their results; and (iii) for which separate economic-financial information is prepared.

The Group has identified only one operating segment and the management information, prepared and periodically made available to the Parent Company's Board of Directors for the purposes referred to above, considers the activity carried out by the Group as an indistinct set; as a result, no information by operating segment is presented in the Consolidated Financial Statements. The information on the services carried out by the Group, the geographical area (which for the Group nearly corresponds entirely to the territory of the Italian State) where it carries out its activity and its major users are provided in the pertinent Notes to these Consolidated Financial Statements to which the reader is therefore referred.

8) Management of financial risks

The financial risks to which the Group is exposed are managed according to the approach and the procedures defined within a specific policy issued by the Parent Company and also applied to subsidiaries, except for Rai Way which, following listing, adopted its own policy; moreover the same as the Rai one. Those documents establish procedures, limits and tools for the monitoring and minimisation of financial risk; to preserve the corporate value of the Group and of entities belonging to it.

The main risks identified by the Group are:

- market risk arising from exposure to fluctuations of interest rates and exchange rates connected with the financial assets and liabilities respectively owned/originated and assumed;
- credit risk arising from the possibility that one or more counterparties might be insolvent;
- liquidity risk arising from the Group's inability to obtain the financial resources needed to meet short-term financial commitments.

8.1 Market risk

Market risk consists of the possibility that changes in the interest and exchange rates might negatively influence the value of the assets, liabilities or expected cash flows.

Interest rate risk

Interest rate risk originates from the possible increase in net financial expenses as a result of unfavourable changes in market rates on the variable rate financial positions. In order to limit this risk, corporate policy requires that the medium/long-term variable rate loans be converted to fixed rate for at least 50% by using derivative products, such as Interest Rate Swaps.

As at 31 December 2017, the medium/long term borrowings of the Parent company are all at fixed rates; therefore, the effects of the change in rates fall only on the short-term positions of a varying duration and sign during the year.

Please also note that on 20 April 2017 Rai stipulated four Interest Rate Swap Forward Start contracts for a total notional of €350 million with commencement date May 2020 and valid for the next 5 years. This transaction was implemented to cover the risk of increasing interest rates when the current bond issue expires with the resulting need to refinance.

Rai Way, in compliance with its financial policy, has two Interest Rate Swap contracts (IRS) as 50% hedging of the amortising credit line, for a residual notion amount of €60 million as at 31 December 2017.

The fair value of those transactions as at 31 December 2017 is suspended in a specific cash flow hedge reserve, with effect, net of the tax component, on total profit/(loss) for the year.

Sensitivity analysis

The table below shows a sensitivity analysis conducted on non-hedged financial positions and on the Interest Rate Swap contracts of Rai and Rai WWay. In consideration of the level that the short-term position rates have already reached, a minimum level of applicable rates (zero) was considered, while a two-way shift of the rate curve of 50 b.p. was applied for Interest Rate Swaps, with the following effects:

(€/million)	Change to interest rate	Change in economic result before tax effect	Change to Cash Flow Hedge Reserve
Year ended 31 December 2017	+50 Bp.	1.0	9.0
	-50 Bp.	-	-9.0
Year ended 31 December 2016	+50 Bp.	-0.6	0.1
	-50 Bp.	-	-

Exchange rate risk

The Group exchange rate risk is mainly related to the exposure in USD, from the purchase of sports broadcasting rights by Rai and film and TV rights by Rai Cinema SpA (hereinafter "Rai Cinema"). During 2017, these commitments generated payments for about \$180 million (\$191 million in 2016). Further exposure currencies, with split disbursements and of a modest amount all in all, are the Swiss Franc and the British Sterling for a value of about €7 million.

As at 31 December 2017 hedging transactions were only active for Rai Cinema.

Exchange rate risk is managed starting from the date the trade commitment is signed, is often long-term and has as an objective protecting the value in Euro of the commitments, as estimated at the time of the order (or budget). The policy regulates their management in keeping with the international best practices, with the aim of minimising the risk. This is pursued through the active monitoring of exposure and the implementation of hedging strategies by Rai, also on behalf of the subsidiaries (except for Rai WWay, which has an autonomous policy and management). The mandates for carrying out hedging transactions are given hierarchically and progressively, with a minimum intervention percentage of 50% of the contractual amount in foreign currency.

The hedging strategies are carried out through derivative instruments – such as forward purchases and optional structures – without taking on a financial speculation nature. To this end, using appropriate systems, effectiveness tests are conducted before and after, and they make it possible to identify, as better detailed in Note 16.2 "Current financial liabilities", the effective and ineffective amount of the hedge.

The breakdown of the assets and liabilities in currency other than the Euro is provided below:

(€/million)	Year ended 31 December 2017		Year ended 31 December 2016	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	3.7	0.1	4.1	1.2
Trade payables	(18.5)	(1.9)	(41.4)	(1.5)
Cash on hand	1.6	0.1	0.7	0.1
Other non-current assets	-	0.1	0.1	0.1
Other current receivables and assets	0.1	-	0.1	-
Other current payables and liabilities	-	(0.1)	(0.1)	(0.1)

Sensitivity analysis

As for what is explained above, exposure to the exchange rate risk is significant only for the EUR/USD exchange rate. Therefore, a sensitivity analysis as at 31 December 2017 and as at 31 December 2016 was conducted on the non-hedged credit and debt positions, on the derivatives hedging commitments for contracts already signed and on available cash in foreign currency. A symmetrical change of 10% of the exchange rate compared to the value present as at the reporting date, all other conditions being equal, was simulated. The effects on the economic result, found in the following table, are determined by the debt positions not hedged by the exchange risk; whereas the cash flow hedge reserve includes the effective portion of hedged in force on commitments signed but with no equity reflections in the Consolidated Financial Statements which, limited to 2017 is only referred to Rai Cinema.

(€/million)	EUR/USD exchange rate	Exchange variation	Recalculated EUR/USD exchange rate	Change in Income statement (before taxes)	Change Cash flow hedge reserve
Year ended 31 December 2017	1.1993	-10%	1.0794	-0.1	0.3
		+10%	1.3192	0.2	-0.4
Year ended 31 December 2016	1.0541	-10%	0.9487	-1.3	1.5
		+10%	1.1595	1.3	-0.6

8.2 Credit risk

The theoretical exposure to credit risk for the Group mainly refers to the book value of the financial assets and trade receivables recognised in the Consolidated Financial Statements.

As for the counterparty risk, trade partner assessment procedures are adopted for managing trade receivables. The analysis is conducted periodically on the situation of the past due items and may lead to the dunning of the parties affected by solvency problems. The lists of the past due items analysed are arranged by amount and customer, updated to the analysis date and show those situations demanding greater attention.

The corporate structure of the single companies appointed to collect the credit initiates kindly reminder measures with the counterparts that are debtors of amounts relating to past-due items. If these activities do not result in collection of the sums, the structures start in agreement with the respective legal functions (warning letter, injunction, , etc.) actions to collect the credit after formally dunning the debtor parties. The allocations to the provision for write-downs are made specifically on the credit positions having peculiar risk elements.

The analysis of receivables by due date (before provision for write-downs) is provided below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Invoices to be issued	106.2	335.5
Falling due	199.2	198.0
Expired from 0 to 90 days	64.3	63.4
Expired from 91 to 180 days	21.1	8.9
Expired over 180 days	45.0	78.3
Invoices issued	329.6	348.6
Total trade receivables	435.8	684.1

Credit risk on uses of funds is limited since corporate policy requires the use of low risk financial instruments and with counterparties having high ratings for the periods of cash surplus. Only time or demand deposits with bank counterparties having investment grade rating were used during 2017 and 2016.

8.3 Liquidity risk

On the strength of a centralised treasury agreement, with the sole exception of the subsidiary Rai Way which has its own resources, Rai manages financial resources through a cash-pooling system that involves daily transfer of the bank balances of the associates to the Parent Company current accounts, which grants the intercompany credit facilities necessary for the operations of these companies.

For medium/long term needs, the Group's financial structure is formed by a bond issue expiring in May 2020 for €350 million and by an amortising loan finally expiring in 2021, granted by the European Investments Bank (hereinafter "EIB") allocated to the digital terrestrial implementation project for €35 million, both for the Rai, plus a pool loan of €60 million, for Rai Way, expiring in 2019 (for further details, please refer to Note 15.1 "Non-current financial liabilities and current portions of non-current financial liabilities").

In consideration of the significant fluctuation of the infra-annual indebtedness connected with the periodic settlement of the licence fees by the Ministry of Economy and Finance, the Parent Company has uncommitted bank credit facilities for about €480 million and, since the month of January 2017, a five-year revolving line with a pool of banks totalling €270 million.

The new revolving line requires that the following Consolidated Financial Statements parametric/equity ratio be met and it was met in full (0.44) at the date of the financial statements:

- Net Financial Debt (adjusted by receivables from the State for licence fees)/shareholders' equity ≤ 1.7 .

Rai Way has its own revolving line of €50 million not used as at 31 December 2017, expiring in 2019.

The cash situation is constantly monitored through a financial forecasting process that highlights any financial critical issues considerably in advance.

The following tables include the analysis by due date of the financial liabilities as at 31 December 2017 and 31 December 2016. Balances presented are the non-discounted contractual amounts. For the Rai Way IRS agreements as at 31 December 2017, flows present the interest difference estimated in the different periods. The various expiry periods are determined based on the period between the financial statements reference date and when the bonds expire.

(€/million)	Year ended 31 December 2017				Year ended 31 December 2016			
	< 1 year	1-5 years	>5 years	Total	< 1 year	1-5 years	>5 years	Total
Trade payables and other liabilities:								
Trade payables	660.1	-	-	660.1	686.2	-	-	686.2
Other payables and liabilities	441.9	1.7	0.3	443.9	347.5	3.3	0.3	351.1
Medium/long-term financial liabilities:								
Medium/long-term loans	41.4	56.6	-	98.0	41.9	97.9	0.1	139.9
Bonds	5.3	360.5	-	365.8	5.3	365.7	-	371.0
Short-term financial liabilities:								
Due to banks	-	-	-	-	160.1	-	-	160.1
Due to associates	-	-	-	-	0.1	-	-	0.1
Derivative instruments:								
Currency derivatives	0.5	-	-	0.5	-	-	-	-
Interest rate derivatives - non-discounted cash flows	-	-	-	-	0.1	-	-	0.1

9) Management of capital risk

The Group objectives when managing capital are inspired by preservation of the ability to continue guaranteeing optimum capital strength also through the ongoing improvement of operational and financial efficiency. The Group pursues the objective of retaining an adequate level of capitalisation that allows it to realise an economic return and to access external sources of funding. The Group constantly monitors the evolution of the indebtedness level related to shareholders' equity. Specifically, the ratio between equity and the total of comprehensive liabilities of the shareholders' equity is seen in the following table:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Shareholders' equity	480.1	476.6
Total liabilities shareholders' equity	2,766.1	3,012.6
Contents	17.4%	15.8%

The net financial position of the Group for the periods under review is shown in Note 21.2 "Net financial position".

10) Fair value measurement

The fair values of the financial instruments classified based on a hierarchy of levels reflecting the significance of the inputs used for determination (IFRS 13 "Fair value measurement") are provided below:

- Level 1: listed price (active market): the data used in the measurements are represented by prices listed on markets in which assets and liabilities identical to those being measured are traded;
- Level 2: use of parameters observable on the market (e.g. for the derivatives, the exchange rates recorded by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated on the basis of the credit default swaps, etc.) different from the Level 1 listed prices;
- Level 3: use of parameters not observable on the market (internal assumptions, for example, cash flows, spreads adjusted for risk, etc.).

The financial instruments at fair value recorded in the financial statements are made up of hedging derivatives measured with a financial model that uses the most popular and accepted market formulas (net current value for forward currency purchasing transactions and application of the Black-Scholes formula for the options), in addition to the following input data given by the provider Reuters: ECB spot exchange rates, Euribor and IRS rate curves, volatility and credit spreads of the various bank counterparties and, for Rai, of the securities issued by the Italian State. The fair value of the derivative instruments represents the net position between assets and liabilities related to hedged of monetary flows in USD which will appear after the financial statements' reference date. For more information on the derivative instruments (assets and liabilities), please refer to Notes 13.3 "Current financial assets" and 16.2 "Current financial liabilities".

(€/million)	Year ended 31 December 2017		
	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	(0.5)	-
Derivatives on interest rates	-	1.2	-
(€/million)	Year ended 31 December 2016		
	Level 1	Level 2	Level 3
Derivatives on exchange rates	-	1.7	-
Derivatives on interest rates	-	(0.1)	-

11) Reconciliation between classes of financial assets and liabilities and types of financial assets and liabilities

To complete the information on financial risks, the reconciliation between classes of financial Assets and Liabilities and types of financial Assets and Liabilities identified base on IFRS 7 requirements is provided below:

Year ended 31 December 2017 (€/million)	Receivables and loans	Financial assets held for sale	Financial assets and liabilities at fair value with a balancing entry recognised to the Income statement	Hedging activity	Total financial assets and liabilities	Notes (**)
Assets						
Trade receivables (*)	391.6	-	-	-	391.6	12.7/13.2
Current financial assets	7.2	-	-	-	7.2	13.3
Cash and cash equivalents	228.0	-	-	-	228.0	13.6
Non-current financial assets	3.4	-	-	1.2	4.6	12.5
Total financial assets	630.2	-	-	1.2	631.4	
Liabilities						
Trade payables	(660.1)	-	-	-	(660.1)	16.1
Current financial liabilities	(0.2)	-	(0.5)	-	(0.7)	16.2
Current portion of medium/long-term loans	(40.1)	-	-	-	(40.1)	15.1/16.2
Non-current financial liabilities	(403.4)	-	-	-	(403.4)	15.1
Total financial liabilities	(1,103.8)	-	(0.5)	-	(1,104.3)	

(*) The item includes the value of the trade receivables allocated to Other non-current assets.

(**) The figures provided below indicate the paragraphs in the Notes in which the assets and liabilities shown are described in detail.

Year ended 31 December 2016 (€/million)	Receivables and loans	Financial assets held for sale	Financial assets and liabilities at fair value with a balancing entry recognised to the Income statement	Hedging activity	Total financial assets and liabilities	Notes (**)
Assets						
Trade receivables (*)	639.2	-	-	-	639.2	12.7/13.2
Current financial assets	5.7	-	1.0	0.7	7.4	13.3
Cash and cash equivalents	86.2	-	-	-	86.2	13.6
Non-current financial assets	0.2	-	-	-	0.2	12.5
Total financial assets	731.3	-	1.0	0.7	733.0	
Liabilities						
Trade payables	(686.2)	-	-	-	(686.2)	16.1
Current financial liabilities	(160.5)	-	-	-	(160.5)	16.2
Current portion of medium/long-term loans	(40.0)	-	-	-	(40.0)	15.1/16.2
Non-current financial liabilities	(442.6)	-	-	(0.1)	(442.7)	15.1
Total financial liabilities	(1,329.3)	-	-	(0.1)	(1,329.4)	

(*) The item includes the value of the trade receivables allocated to Other non-current assets

(**) The figures provided below indicate the paragraphs in the Notes in which the assets and liabilities shown are described in detail.

12) Non-current assets

12.1 Property, plant and equipment

Property, plant and equipment, which amounted to €1,070.3 million (€1,082.5 million as at 31 December 2016), are broken down as follows:

(€/million)	Land	Buildings	Plant and machinery	Fixtures and fittings, tools and other 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]	0.3	6.0	30.4	2.1	4.5	48.4	91.7
Disposals [2]	-	(0.2)	(0.8)	-	-	(0.3)	(1.3)
Reclassifications [3]	-	2.3	27.6	1.5	3.0	(34.5)	(0.1)
Write-downs	-	-	-	-	-	-	-
Amortisation	-	(17.4)	(76.5)	(2.8)	(5.8)	-	(102.5)
Balance as at 31 December 2017	382.1	328.9	262.1	9.3	23.5	64.4	1,070.3
<i>broken down as follows: [4]</i>							
Historical cost	382.1	588.0	2,122.5	97.8	120.7	64.4	3,375.5
Write-downs	-	-	(0.3)	-	-	-	(0.3)
Accumulated depreciation	-	(259.1)	(1,860.1)	(88.5)	(97.2)	-	(2,304.9)
[1] of which, following the incorporation of Sud Engineering into Rai Way:							
Cost	0.2	1.0	0.1	0.2	0.1	-	1.6
Amortisation	-	-	-	(0.2)	(0.1)	-	(0.3)
	0.2	1.0	0.1	-	-	-	1.3
[2] of which:							
Cost	-	(0.4)	(36.5)	(0.4)	(3.7)	(0.3)	(41.3)
Write-downs	-	-	-	-	-	-	-
Amortisation	-	0.2	35.7	0.4	3.7	-	40.0
	-	(0.2)	(0.8)	-	-	(0.3)	(1.3)
[3] of which reclassification under the item real estate investments following the change to intended use of a building for 0.1 million and other minor reclassifications broken down as follows:							
Cost	-	(0.6)	(0.2)	-	0.1	-	(0.7)
Amortisation	-	0.5	0.2	-	(0.1)	-	0.6
	-	(0.1)	-	-	-	-	(0.1)
[4] net of use of the provision for write-downs for:							
Write-downs	-	-	0.5	-	-	-	0.5
Amortisation	-	-	(0.5)	-	-	-	(0.5)
	-	-	-	-	-	-	-

Investments, which amounted to €91.7 million (€74.5 million in 2016), fall within the scope of the modernisation and technological development initiatives that the Group initiated.

Write-downs concern plants and machinery and are to adjust the asset value for technological obsolescence.

The amount of the existing contractual commitments for the purchase of property, plant and machinery is specified in Note 18.2 "Commitments".

12.2 Real estate investments

Real estate investments amount to €4.7 million (€4.9 million as at 31 December 2016) and concern some property, owned by Rai Pubblicità SpA (hereinafter "Rai Pubblicità"), leased to third parties, for which rent is received totalling €1.9 million in the year closed as at 31 December 2017, unvaried compared to 31 December 2016. Real estate investments break down as follows:

(€/million)	Buildings
Historical cost	12.9
Accumulated depreciation	(8.0)
Balance as at 31 December 2016	4.9
Reclassifications [1]	0.1
Amortisation	(0.3)
Balance as at 31 December 2017	4.7
<i>broken down as follows:</i>	
Historical cost	13.5
Accumulated depreciation	(8.8)
[1] Reclassification of the item Property, plant and equipment following the change to intended use of a building as follows:	
Historical cost	0.6
Accumulated depreciation	(0.5)
	0.1

No investments or disposals were made during 2017. So the variation in the year refers to the amortisation portion and reclassification from the item Property, plant and equipment following the change to intended use of the building owned by Rai Pubblicità.

Based on the latest estimates, the market value as at 31 December 2017 of the buildings entered under real estate investments ranges between €42.7 million and €46.1 million.

12.3 Intangible assets

Intangible assets, which amounted to €944.9 million (€950.4 million as at 31 December 2016), are broken down as follows:

(€/million)	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	282.7	4.6	-	5.0	3.4	168.6	464.3
Disposals [1]	-	-	-	-	-	(1.2)	(1.2)
Reclassifications	141.8	7.6	-	-	-	(149.4)	-
Write-downs	(43.8)	-	-	-	-	(10.1)	(53.9)
Amortisation [2]	(408.1)	(6.2)	-	-	(0.4)	-	(414.7)
Balance as at 31 December 2017	641.5	15.1	-	5.0	3.3	280.0	944.9
broken down as follows [3]:							
Cost	1,421.2	25.5	0.1	5.0	3.9	310.7	1,766.4
Write-downs	(55.7)	-	-	-	-	(30.7)	(86.4)
Amortisation	(724.0)	(10.4)	(0.1)	-	(0.6)	-	(735.1)
[1] of which:							
Cost	-	-	-	-	-	(2.2)	(2.2)
Write-downs	-	-	-	-	-	1.0	1.0
Amortisation	-	-	-	-	-	-	-
	-	-	-	-	-	(1.2)	(1.2)
[2] net of use of the provision for write-downs for:							
Write-downs	32.1	-	-	-	-	-	32.1
Amortisation	(32.1)	-	-	-	-	-	(32.1)
	-	-	-	-	-	-	-
[3] amounts net of assets amortised in full at year end and, for assets under development, net of assets eliminated, amounting to:							
Cost	(383.5)	(2.0)	-	-	(1.0)	(1.6)	(388.1)
Write-downs	-	-	-	-	-	1.6	1.6
Amortisation	383.5	2.0	-	-	1.0	-	386.5
	-	-	-	-	-	-	-

Investments, which amounted to €464.3 million (€484.0 million as at 31 December 2016) mainly refer to TV series for €319.9 million and cartoons for €102.9 million.

Following the merger through incorporation of Sud Engineering into Rai Way, already mentioned above, the deficit generated was attributed to Goodwill for €5.0 million – with the consent of the Board of Statutory Auditors of Rai Way – and Other intangible assets for €3.4 million corresponding to the value attributed to the “Client portfolio – business combination transactions”.

Please note that, as required by IAS 36 “Reduction of asset value”, related to the Goodwill item a sensitivity analysis was performed which confirmed that the value entered in the Consolidated Financial Statements could be recovered. Please note that analysis was performed using a WACC of 6% applied to future cash flows calculated mainly following rationalisation of costs from the merger through incorporation of Sud Engineering into Rai Way. Further sensitivity analyses were carried out for the assessment, in compliance with the financial parameters also adopted to calculate the value in use, getting the discount rate to fluctuate in a range of between +/- 10% compared to the base figure 110.

The amount of assets under development and payments on account refers to programmes for €269.9 million, software for €8.9 million and other rights for €1.2 million.

The write-downs recognised during the year amounted to €53.9 million, and were performed in order to adjust the assets to their estimated recoverable value.

The amount of the existing contractual commitments for the purchase of intangible assets is specified in Note 18.2 "Commitments".

12.4 Equity investments

Equity investments valued by the Equity method and other investments, respectively for €6.0 million (€8.4 million as at 31 December 2016) and €0.9 million (€0.7 million as at 31 December 2016), break down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Joint ventures	4.1	5.4
Associates	1.9	3.0
Total investments measured by Equity method	6.0	8.4
Equity investments in other companies	0.9	0.7
Total equity investments	6.9	9.1

Here below are the movements of investments measured by the Equity method:

(€/million)	Year ended 31 December 2016			Change in the year			Year ended 31 December 2017		
	Cost	Adjustment to shareholders' equity	Book value	Acquisitions	Profit/(Loss)	Decrease due to dividends	Cost	Adjustment to shareholders' equity	Book value
Joint ventures:									
San Marino RTV SpA	0.2	1.8	2.0	-	-	-	0.2	1.8	2.0
Tivù Srl	0.5	2.9	3.4	-	0.6	(1.9)	0.5	1.6	2.1
Associated companies:									
Audiradio Srl (in liquidation)	1.4	(1.4)	-	-	-	-	1.4	(1.4)	- (a)
Auditel Srl	-	0.7	0.7	-	-	-	-	0.7	0.7 (a)
Euronews SA	0.9	1.4	2.3	-	(1.1)	-	0.9	0.3	1.2
Tavolo Editori Radio Srl	-	-	-	-	-	-	-	-	- (a)
Total equity investments in joint ventures and associated companies	3.0	5.4	8.4	-	(0.5)	(1.9)	3.0	3.0	6.0

(a) valuation relating to the Financial Statements as at 31 December 2016, the latest available.

Investments in joint ventures concern:

- *San Marino RTV SpA* (50% Rai): the company, formed in 1991 with joint shares of Rai and E.R.A.S. ("San Marino Broadcasting Body"), based on Law 99 of 9 April 1990 ratifying the radio and television collaboration agreement between the Italian Republic and the Republic of San Marino, has a share capital of €0.5 million, made up of 1,000 shares of the face value of €516.46 each. Related to the positive result achieved by the company in 2017, the investment was revalued, for an insignificant amount in millions of €, to adjust it to the value of €2.0 million corresponding to the Rai share of the company's shareholders equity.
- *Tivù Srl* (48.16% Rai): the share capital of €1 million is subscribed by Rai and by R.T.I. Reti Televisive Italiane SpA – with joint shares of 48.16%, by TI Media – Telecom Italia Media SpA – with a 3.5% share, and by two associations – FRT and Aeranti Corallo – each with a 0.09% share. During 2017, distribution of a dividend of €4.0 million was resolved for 2016. The amount concerning Rai, €1.9 million, was recorded to reduce the book value of the equity investment. Following the profit attained by the company in 2017 which amounted to €1.2 million, the equity investment was revalued for the portion concerning Rai, which came to €0.6 million. The equity investment was recognised for the value of €2.1 million, which corresponds to Rai's portion of the company's shareholders' equity.

Equity investments in associated companies concern:

- *Audiradio Srl in liquidation* (27% Rai): the share capital amounts to €0.3 million and consists of 258,000 shares of the face value of €1 each. the gross value of the equity investment, €1.4 million, was totally written down based on the last Financial Statements as at the date of 31 December 2016, which showed negative shareholders' equity that was not significant in millions of €. The portion of the equity deficit was allocated to a special provision for charges.
- *Auditel Srl* (33% Rai): the share capital, €0.3 million, consists of 300.000 shares of the face value of €1 each. The equity investment was recognised for the value of €0.7 million, corresponding to the percentage concerning Rai on the shareholders' equity of the company posted in the last Financial Statements as at the date of 31 December 2016.
- *Euronews - Société Anonyme* (3.08% Rai): the share capital, €26.9 million, consists of 1,792,373 shares of the face value of €15 each. During 2017, the company carried out two capital increase operations subscribed by Media Globe Networks and Universal Studios Limited, which reduced the percentage of Rai's ownership from 9.66% to 3.08%. The investment was written down as at 31 December 2017 for the amount of €1.1 million to adjust it to the percentage concerning Rai on the shareholders' equity value of the company corresponding to €1.2 million.
- *Tavolo Editori Radio Srl* (15.8% Rai): the share capital, €0.1 million, is divided between national publishers (70%), – of which Rai 15.8% – and local ones (30%). The Rai share has an insignificant value in millions of €.

Here below are the movements of the other investments:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Almaviva	0.3	0.3
Istituto Enciclopedia Treccani	0.7	0.5
Others [1]	0.1	0.1
Gross value	1.1	0.9
Provision for write-downs of other investments	(0.2)	(0.2)
Total equity investments	0.9	0.7

[1] Banca di Credito Cooperativo di Roma Scpa and International Multimedia University Umbria Srl.

Equity investments in other companies concern:

- *Almaviva – The Italian Innovation Company SpA* (0.83% Rai): the investment value, €0.3 million, has not changed since the previous year. The share capital, which is €154.9 million, is represented by 107,567,301 ordinary shares and by 47,331,761 special shares, both of the face value of €1.00 each.
- *Istituto Enciclopedia Treccani SpA* (0.89% Rai): the equity investment was recognised for a gross value of €0.7 million, written down for €0.1 million as a result of the losses the company sustained. During 2017, two capital increases against payment were made by issuing a total of 18,232,558 ordinary shares of the face value of Euro 1, of which 8,000,000 offered under option to the old shareholders. Rai subscribed its portion of capital and exercised its pre-emption right on the purchase of the shares not opted by the old shareholders. At the end of the capital increase operation, Rai subscribed a total amount of €0.2 million, taking its percentage of ownership up from 0.81% to 0.89%.
- *Banca di Credito Cooperativo di Roma Scpa* (company with variable capital, with the percentage held by Rai insignificant): was recognised for the value of €1 thousand, equivalent to what was paid in on 16 January 2009 for the acquisition of 100 shares.
- *International Multimedia University Umbria Srl* (1.533% Rai): the investment value was written down in full as it is no longer certain that the amounts paid can be recovered.

12.5 Non-current financial assets

Non-current financial assets, which amounted to €4.6 million (€0.2 million as at 31 December 2016), break down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Financial receivables from personnel	-	0.1
Securities	2.5	-
Hedging financial tools	1.2	-
Other non-current financial assets (deferrals)	0.9	0.1
Total non-current financial assets	4.6	0.2

Non-current financial assets are shown net of the provision for write-downs of €0.2 million (unchanged compared to 31 December 2016) entirely referring to the Financial receivables from employees.

The Securities item, €2.5 million (zero as at 31 December 2016), is entirely made up of government bonds falling due in May 2021, given to secure the Service Contract and the Agreements with the State.

The assets for derivatives hedging, for €1.2 million (zero as at 31 December 2016), is referred to the fair value of the Interest Rate Swap Forward Start contracts stipulated by Rai in April 2017 and taking effect in May 2020 with validity for the next 5 years to hedge the risk of rising interest rates at the time the bond issue is refinanced. Current portions were not recognised.

Expiration of the current and non-current financial assets is broken down as shown below:

(€/million)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Securities	-	2.5	-	2.5
Receivables from joint ventures and associated companies	0.5	-	-	0.5
Derivative instruments	-	1.2	-	1.2
Blocked bank deposits	6.3	-	-	6.3
Other financial assets	0.4	0.9	-	1.3
Total	7.2	4.6	-	11.8

(€/million)	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 instruments	1.7	-	-	1.7
Blocked 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 the Financial assets, which amounted to €7.2 million, is included in the current components of the consolidated Balance Sheet described in Note 13.3 "Current financial assets".

Information on risks hedged and on hedging policies is disclosed in Note 8.1 "Market risk".

12.6 Deferred tax assets

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Deferred tax assets eligible for offset	122.3	137.7
Deferred tax liabilities eligible for offset	(160.9)	(161.9)
Deferred tax liabilities	(38.6)	(24.2)

Like as at 31 December 2016, as at 31 December 2017 the net balance of Deferred tax assets and Deferred tax liabilities shows a negative amount, so it is posted in the liabilities of the Financial Position. Please refer to Note 15.4 "Deferred tax liabilities" for the relevant analyses.

Income taxes are reported in Note 17.9 "Income taxes".

12.7 Other non-current assets

Other non-current assets totalled €15.2 million (€17.7 million as at 31 December 2016) and break down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Advances for sports events	7.0	6.9
Advances for trade initiatives	20.6	20.5
Non-current portion of trade receivables	1.0	2.2
Receivables from personnel	0.5	0.3
Amounts committed to cautionary deposit with third parties	2.3	2.6
Other non-current receivables	4.4	3.7
- Provision for write-down of other non-current assets	(20.6)	(18.5)
Total other non-current assets	15.2	17.7

The items above basically regard non-current portions of assets described in Note 13.5 "Other current receivables and assets", to which the reader is referred.

The provision for write-down of other non-current assets, which amounted to €20.6 million (€18.5 million as at 31 December 2016), is broken down below:

(€/million)	Year ended 31 December 2016	Provisions	Drawdowns	Absorptions	Year ended 31 December 2017
Provision for write-down of advances for trade initiatives	(11.9)	(1.8)	-	-	(13.7)
Provision for write-down of advances for sports events	(6.6)	(0.3)	-	-	(6.9)
Total provision for write-down of other non-current assets	(18.5)	(2.1)	-	-	(20.6)

13) Current assets

13.1 Inventory

Inventory, net of its provision for write-downs, amounted to €2.4 million (€2.9 million as at 31 December 2016), and is broken down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Technical materials	13.0	13.1
Technical materials bad debt provisions	(12.1)	(12.2)
Work in progress to order	0.2	0.2
Finished products and goods	1.3	1.8
Total inventory	2.4	2.9

The final inventory of technical materials, €0.9 million net of the bad debt provisions (€0.9 million as at 31 December 2016), refers to stock and spare parts for maintenance and the use of technical capital equipment similar to consumables since their utility is depleted over a period that usually is no longer than 12 months.

Work in progress to order, €0.2 million (unvaried compared to 31 December 2016), refers to costs sustained to develop the Isoradio network, entered in the Financial Statements of the subsidiary Rai Way.

Final inventory of finished products and goods, €1.3 million (€1.8 million as at 31 December 2016), mainly concern inventories related to magazines and books and home video distribution.

13.2 Trade receivables

Trade receivables amount to €390.6 million (€637.0 million as at 31 December 2016) and break down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Trade:		
State and other public bodies for agreement services	61.6	84.3
Ministry for the Economy and Finance for Licence Fees	-	228.9
Other receivables	374.0	370.5
Provision for write-downs - trade	(45.2)	(47.1)
Joint ventures and associates	0.2	0.4
Total trade receivables	390.6	637.0

Receivables from joint ventures and associated companies refer to:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Joint ventures and associated companies:		
San Marino RTV SpA	0.1	0.1
Tivù Srl	0.1	0.3
Receivables from joint ventures and associated companies	0.2	0.4

The €246.4 million decrease is mainly due to collection of the receivables from the Ministry of Economy and Finance for Licence Fees.

The breakdown of trade receivables by geographical area shows a national predominance.

The nominal value of receivables from the State and other public bodies for agreement services, €61.6 million (€84.3 million as at 31 December 2016), refers to:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Prime Minister's Office:		
Contribution to the year to be paid to San Marino RTV	3.1	3.1
Radio, television and multimedia offer for abroad	6.7	6.7
Broadcasts from Trieste in Slovenian	11.4	7.4
Radio and TV broadcasts in French for the Valle d'Aosta Autonomous Region	2.1	1.4
Revenue Office:		
Management of ordinary TV licence fees	10.5	14.8
Regions and Provinces:		
autonomous Province of Bolzano: broadcast of radio and TV programmes in German and Ladin in the autonomous province of Bolzano	19.2	42.3
autonomous Region of Valle d'Aosta: management of plants for the TV reception of programmes from the French cultural area	8.6	8.6
Total	61.6	84.3

The other trade receivables are net of amounts transferred non-recourse for, as at 31 December 2017, €7.2 million (€7.0 million as at 31 December 2016).

Receivables from Related Parties are specified in Note 18.4 "Transactions with Related Parties".

Trade receivables are shown net of the provision for write-downs of €45.2 million (€47.1 million as at 31 December 2016), with movements itemised below:

(€/million)	Year ended 31 December 2016	Provisions	Drawdowns	Absorptions	Year ended 31 December 2017
Provision for write-downs – trade	(47.1)	(2.4)	3.7	0.6	(45.2)
Provision for write-downs – trade	(47.1)	(2.4)	3.7	0.6	(45.2)

13.3 Current financial assets

Current financial assets, which amounted to €7.2 million (€7.4 million as at 31 December 2016), decreased by €0.2 million. The breakdown of the item and the comparison with the previous year are shown below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Joint ventures and associates	0.5	-
From employees	-	0.1
Hedging derivatives	-	1.7
Blocked bank deposits	6.3	5.5
Other current financial assets	0.4	0.1
Total current financial assets	7.2	7.4

Receivables from joint ventures and associated companies refer to:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Joint ventures and associated companies:		
San Marino RTV SpA	0.5	-
Total current financial assets from joint ventures and associated companies	0.5	-

Blocked bank deposits, which came to €6.3 million (€5.5 million as at 31 December 2016) refer to amounts seized on current accounts due to litigation in progress.

The hedging derivatives recognised at fair value are broken down below in the assets component, including the current and non-current portions:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Currency hedging derivatives	-	1.7
Total derivative financial instruments – current portion	-	1.7
Rate hedging derivatives	1.2	-
Total derivative financial instruments – non-current portion	1.2	-
Total derivative financial instruments	1.2	1.7

The fair value of the derivative instruments was calculated considering valuation models largely used in the financial field and the market parameters as at the reporting date, as better specified in Note 10 "Fair value measurement". Cash flow hedging transactions on exchange – in 2016 – concern hedging of contracts for the purchase of rights to broadcast sports events and TV programmes in USD.

During 2017 there were no significant case where, for transactions previously qualified as hedging, implementation of hedging was no longer considered highly probable.

The fair value of the assets for derivatives hedging the risk of change in interest rate falls under non-current financial assets and amounted to €1.2 million (zero at 31 December 2016), refers to the Interest Rate Swap Forward Start contracts stipulated in April and taking effect in May 2020 with validity for the next 5 years to hedge the risk of rising interest rates at the time the bond issue is refinanced. Current portions were not recognised.

Information on risks hedged and on hedging policies is disclosed in Note 8.1 "Market risk".

13.4 Current income tax receivables

Current income tax receivables, which totalled €21.7 million (€20.2 million as at 31 December 2016), are specified as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
IRES refund requested	16.9	16.9
Withheld taxes	1.1	0.8
Total IRES	18.0	17.7
IRAP	3.9	2.5
Provision for write-downs for current income taxes	(0.2)	-
Total current income tax receivables	21.7	20.2

Current income tax receivables are shown net of the provision for write-downs of €0.2 million relating to deductions on income risking recoverability.

The IRAP receivable, €3.9 million (€2.5 million as at 31 December 2016) refers to the IRAP advances paid to tax authorities.

The taxes are commented in Note 17.9 "Income taxes".

13.5 Other current receivables and assets

Other current receivables and assets, which totalled €69.6 million (€194.1 million as at 31 December 2016) break down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Advances for sports events	0.7	11.6
Advances for trade initiatives	-	0.7
Advances to suppliers, collaborators and agents	20.6	14.0
Receivables from social security and welfare institutions	3.7	2.8
Other tax receivables	3.7	115.4
Receivables from personnel	10.1	12.3
Receivables from entities, companies, bodies and others	16.1	15.1
Receivables for subsidies and grants from the State, EU and other public entities	0.2	0.3
Other receivables	19.0	25.9
- Provision for write-downs for other current receivables and assets	(4.5)	(4.0)
Total other current receivables and assets	69.6	194.1

Please note that:

- the receivables from social security and welfare institutions refer to advances disbursed against contributions due for artistic collaborations and other reasons;
- receivables from personnel are mainly referred to receivables from labour disputes, to advances for travel expenses and for production expenses. The item includes receivables from application of Law 89/2014;
- other tax receivables decreased by €111.7 million due to the collection of VAT receivables assigned without recourse to the factor and to the introduction of the split payment regulation

starting from 1 July 2017, which led to full use of the residual VAT receivables. The breakdown of this item follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Group VAT	-	54.1
VAT refund requested	2.1	60.1
Other tax refunds requested	0.2	0.1
Other	1.4	1.1
Total other tax receivables	3.7	115.4

The provision for write-downs for other current receivables and assets, which totalled €4.5 million (€4.0 million as at 31 December 2016) is broken down below:

(€/million)	Year ended 31 December 2016	Provisions	Drawdowns	Absorptions	Year ended 31 December 2017
Provision for write-downs for other current receivables and assets	(4.0)	(1.8)	1.2	0.1	(4.5)
Total provision for write-downs for other current receivables and assets	(4.0)	(1.8)	1.2	0.1	(4.5)

Considering the short period of time elapsing between when the receivable arises and its due date, it is not believed that there are significant differences between the book value of the trade receivables, other current receivables and assets and other current financial receivables and current assets compared to their respective fair values.

13.6 Cash and cash equivalents

Cash and cash equivalents, which amounted to €228.0 million (€86.2 million as at 31 December 2016), are broken down into the following items:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Bank and postal deposits	227.7	85.9
Cash and securities in hand	0.3	0.3
Total cash and cash equivalents	228.0	86.2

Bank and postal deposits amounted to €227.7 million (€85.9 million as at 31 December 2016) and represent the money at-call or short-term liquid assets resulting from deposit or current accounts with banks, financial institutions and with the postal administration.

Cash and securities in hand amounted to €0.3 million (unvaried as at 31 December 2016) and include the liquidity represented by cash and similar values (tax stamps, cashier's cheques or in any case secured by banks, etc.) in the company's coffers as at 31 December 2017.

The Company's liquid assets are shown in the following table by currency as at 31 December 2017 and as at 31 December 2016:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Cash on hand in Euro	226.3	85.4
Cash on hand in USD	1.6	0.7
Cash on hand in other currencies	0.1	0.1
Total cash and cash equivalents	228.0	86.2

14) Shareholders' equity

Reported below is the breakdown of shareholders' equity, divided between the Group and minority shares:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Share capital	242.5	242.5
Legal reserve	11.8	11.6
IFRS first-time adoption reserve	(58.7)	(58.7)
Translation difference reserve	0.7	0.7
Cash flow hedge reserve	0.8	0.3
Other reserves	255.3	252.0
Total other reserves	198.1	194.3
Actuarial reserve for employee benefits	(28.7)	(31.9)
Profit (Loss) for the year	(5.4)	3.5
Total retained earnings (losses carried forward)	(34.1)	(28.4)
Total Group shareholders' equity	418.3	420.0
Third party capital and reserves	42.2	42.2
Retained earnings (losses) attributable to minority interests carried forward	19.6	14.4
Total shareholders' equity attributable to minority interests	61.8	56.6
Total shareholders' equity	480.1	476.6

Third party equity interest

The profit/(loss) for the year and the shareholders' equity of Third party equity interest refer to the subsidiary Rai Way, with Rai holding a 64.971% share.

Share capital

As at 31 December 2017, the share capital of the Parent Company consisted of 242,518,100 ordinary shares with a unit par value of €1. The share capital, fully subscribed and paid up, is held by:

- the Ministry of the Economy and Finance (MEF) for a total of 241,447,000 shares, equal to 99.5583% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) for a total of 1,071,100 shares, equal to 0.4417% of the share capital.

Legal reserve

The legal reserve amounts to €11.8 million.

Other reserves and retained earnings (losses carried forward)

The other reserves, for €198.1 million (€194.3 million as at 31 December 2016) and losses carried forward, for €34.1 million (€28.4 million as at 31 December 2016) are broken down as shown below.

15) Non-current liabilities

15.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, total €443.5 million (€482.7 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017			Year ended 31 December 2016		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	347.8	-	347.8	346.9	-	346.9
Medium/long-term loans due to banks	55.3	40.0	95.3	95.3	39.9	135.2
Hedging derivatives	-	-	-	0.1	-	0.1
Medium/long-term loans due to other lenders	0.3	0.1	0.4	0.4	0.1	0.5
Total	403.4	40.1	443.5	442.7	40.0	482.7

Non-current financial liabilities, including current portions, decrease by €39.2 million compared to 31 December 2016 mainly due to:

- repayment of EIB loan instalments for €10.0 million by Rai;
- repayment of two instalments of the Rai Way amortising loan for €30.0 million.

The main medium/long term bank loans due as at 31 December 2017 included:

- amortising loan, maturing in 2021, from the BEI for a residual €35 million, granted to Rai for development of the digital terrestrial infrastructure;
- Rai Way amortising loan for a residual amount of €60.0 million, with the final due date in 2019;
- medium-long term credit lines granted to Rai Way by Mediocredito Centrale and Cassa Depositi e Prestiti for a total amount of €0.8 million.

The EIB loan foresees compliance with the following balance sheet parameters/ratios to be met in the consolidated annual and six-monthly financial statements drawn up pursuant to international accounting standards:

- Net Financial Indebtedness (adjusted net of receivables from the State for television licence fees)/shareholders' equity \leq 1.3;
- Net Financial Indebtedness, (adjusted net of receivables from the state for television licence fees)/EBITDA \leq 1.0.

As at the reporting date, the ratio requirements were fully met at 0.44 and 0.34 respectively.

The Rai Way amortising loan foresees compliance with the following balance sheet parameters/ratios to be met in the annual and six-monthly financial statements of the company:

- Net Financial Indebtedness/shareholders' equity \leq 2.75;
- Net Financial Indebtedness/EBITDA \leq 2.75.

The ratio requirements were fully met at 0.03 and 0.04 respectively.

The bond issued by Rai in May 2015 is listed on Euronext Dublin And was fully subscribed by international institutional investors. The bond, maturing in May 2020, yields a nominal interest rate of 1.5%, is completely unsecured. The bond carries the usual covenants for issues with a comparable rating, including:

- a Negative Pledge hence prohibiting the granting of guarantees on other bond issues by the Issuer or its "significant subsidiaries", unless the same guarantees are extended to existing bonds in circulation;
- a Cross-Default provision, whereby in the event of default on debt totalling more than €50 million by the Issuer or its "significant subsidiaries", bondholders may declare default on the bond;
- a Change of Control clause permitting bondholders to exercise a put option at par if the Ministry of the Economy and Finance ceases to hold the majority of voting rights exercisable at ordinary and extraordinary Shareholders' Meetings of Rai.

In January 2018, Moody's issued a credit opinion confirming its Long-Term Issuer Baa3 (investment grade) rating.

The final due date of financial liabilities held (current and non-current) is shown in the table below.

(€/million)	Year ended 31 December 2017			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	347.8	-	347.8
Medium/long-term loans due to banks	40.0	55.3	-	95.3
Medium/long-term loans due to other lenders	0.1	0.3	-	0.4
Hedging derivatives	0.5	-	-	0.5
Other financial liabilities	0.2	-	-	0.2
Total	40.8	403.4	-	444.2

(€/million)	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 loans due to banks	39.9	95.2	0.1	135.2
Short-term payables to banks	160.1	-	-	160.1
Medium/long-term loans due to other lenders	0.1	0.4	-	0.5
Payables to joint ventures and 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 (excluding derivative financial instruments) is reported in the table shown below, as measured under the following criteria:

- bond, at the Euronext Dublin listing value, equal to €104.06 (inclusive of interest accruals);
- EIB loan (including the short-term portion), calculated by discounting cash flows for principal and interest repayments at the rates implicit in the Euro curve as at the reporting date, plus a credit spread estimated for Rai on the basis of Italian government securities issued. The resulting value is in line with the carrying amount entered in the Consolidated Financial Statements.

(€/million)	Year ended 31 December 2017		Year ended 31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Rai Bonds	347.8	364.2	346.9	360.7
Rai - Loan BEI	35.0	36.0	45.0	46.0

As concerns Rai Way loans, the carrying amount is estimated to meet their fair value.

The fair value of non-current payable derivatives is not significant as at 31 December 2017 (€0.1 million as at 31 December 2016) and is related to the Interest Rate Swap transactions stipulated by Rai Way to hedge 50% of the amortising credit line. For derivative financial instruments, the breakdown of their fair value is reported in Note 10 "Fair value measurement"; quantification of attribution of market value variations in the Consolidated income statement and the consolidated shareholders' equity reserve can be found in Note 16.2 "Current financial liabilities".

15.2 Employee benefits

Employee benefits totalled €483.1 million (€555.0 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2017
Provision for employee severance pay	258.8	283.5
Provision for supplementary pension benefits (*)	137.2	144.3
Provision for pay in lieu of notice to journalists	69.5	109.2
Health insurance fund for senior managers (FASDIR)	14.7	15.0
Seniority bonuses	2.3	2.3
Other employee benefits	0.6	0.7
Total employee benefits	483.1	555.0

(*) Net of Fipdrai assets.

The provision for employee severance pay, governed by Article 2120 of the Civil Code, shows the liability, as estimated using actuarial techniques, for benefits payable to employees upon the termination of their employment. The termination benefit is calculated on the basis of the remuneration paid for service under the employment contract, revalued until the time of termination. As a result of legislative reforms introduced and effective as of 1 January 2007, employee severance pay accruing after that date is paid, at the instruction of each employee, into a pension fund or into the treasury fund held by INPS. Accordingly, the liability for employee severance pay accrued prior to 1 January 2007 continues to qualify as a defined benefit plan to be measured using actuarial techniques, whereas the liability for severance pay accruing after that date is treated as a defined contribution plan, given that the liability is extinguished with the payment of contributions to the chosen pension fund or to INPS.

The supplementary pension fund shows the estimated liability held by the Group for supplementary pension benefits payable to some former employees who, upon termination of employment, opted for the supplementary pension scheme envisaged under trade union agreements previously in place. Under those agreements, former middle managers, office staff, workers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme of ENPALS, whereas former senior managers and their family members are entitled to supplementary pension benefits with respect to those paid through the mandatory general pension scheme of INPS. Supplementary pension benefits are in turn paid directly by contractual pension funds, tasked with the management of the Rai employee supplementary pension scheme since 1989. For former middle managers, office staff and workers, supplementary pension benefits are paid by the C.Rai.P.I. (or "Craipi" – Cassa di Previdenza Integrativa dei dipendenti Rai) fund, while for former senior managers the benefits are paid by the F.I.P.D.Rai (or "Fipdrai" – Fondo Integrativo Previdenza dei Dirigenti Rai) fund. In brief, the main terms and conditions of the supplementary pension benefits are: (i) supplementary pension benefits may be paid as a survivor's pension, at the applicable rates for claimants provided by laws in force governing mandatory pension schemes; (ii) supplementary pension benefits will be subject to variations on the basis of changes in the beneficiary's family, applied at the same rates applicable to pension benefits paid under the mandatory general pension scheme; (iii) supplementary pension benefits paid will not be reduced in the event of increases in the pension benefits paid under the mandatory general pension scheme; (iv) the amount of the benefits due to beneficiaries will be revalued annually on the basis of INPS coefficients. Fipdrai assets resulting from investment activities by the fund to manage the contributions paid in by the Group companies upon the termination of employment of its employees came to nil in 2017. As at 31 December 2016, the assets totalled €3.1 million and were included in the measurement of provisions for supplementary pension benefits at that date.

The provision for pay in lieu of notice for journalists shows the estimated liability to be paid to journalists employed by the Company under the provisions of the most recent national collective bargaining agreement ("CNIG") adopted by Rai. Under that agreement, for journalists who, at 31 December 2018, have at least 15 years of service with the Company for employee severance pay purposes, in the event of termination of employment as of 1 January 2019 due to a) termination due to eligibility for the old age pension, including under the provisions of Article 33 of the CNIG; b) resignation after at least 15 years of service with the Company; or; c) termination due to death, where survivors are entitled to a

survivor's pension under INPGI Rules; upon termination of service an indemnity will be paid in lieu of notice, payable as a lump sum, equal to the gross annual remuneration of the employee at the time of his/her termination up to a maximum of €85,000. For journalists employed under the arrangements contemplated by Article 12 of the CNLG at the time of termination, and who meet the length of service requirement to be eligible for the indemnity, an indemnity will be paid, calculated as above, up to a maximum amount of €36,550.

For journalists who, at 31 December 2018, have less than 15 years of service with the Company but equal to or more than 10 years for the purposes of employee severance pay, in the event of termination of employment as of 1 January 2019 due to resignation, excluding the cases of resignation contemplated by Articles 8, 22, 24 and 32 of the CNLG, upon termination of service an indemnity will be paid in lieu of notice, to be paid in a lump sum, equal to the amount set forth for such cases by the FIEG-FNSI agreement of 24 June 2014, plus 50% for each case. For journalists employed under the arrangements contemplated by Articles 2 and 12 of the CNLG, the amounts set forth in FIEG-FNSI agreement of 24 June 2014 will be reduced by 50% and paid, solely and exclusively, in the same cases of resignation.

In addition to the foregoing, the provision for pay in lieu of notice for journalists includes the estimated indemnity that will be paid to employees who resign in 2018.

The health insurance fund for Rai senior managers ("FASDIR") was established in 1980 to provide supplementary health insurance to all managers of the Group in service, retired senior managers and the survivors of former senior managers, as entitled and registered with FASDIR (hereinafter "Members"), as well as their family members. FASDIR is funded by annual membership fees charged to members and by contributions paid by the Company (annual per capita contribution for each senior manager in service and a supplementary annual contribution covering all retired senior managers). Historically, the annual supplementary contribution paid in to FASDIR by Rai for retired senior managers was used by the fund to cover the deficit that formed each year. However, given that there is no legal duty, but only a constructive obligation, for Rai to cover any future deficits in the fund, and that the Parent Company does not have access to all the information, owned by the fund, necessary to measure, using actuarial techniques, the potential liability towards FASDIR, it was decided to estimate the liability considering the average annual contributions paid in to the fund over the last 5 years, multiplied by the average residual life of the retired senior managers at the valuation date, which as at 31 December 2016 was found to be 12 years.

Seniority bonuses, established by Rai Pubblicità, are benefits paid in money on reaching a period of service in the Company. Those bonuses are included in the long term benefits plan.

Notes to the Consolidated Financial Statements

Provisions for employee benefits measured using actuarial techniques break down as follows:

(€/million)	Year ended 31 December 2017				
	Employee severance pay	Pension funds	FASDIR	Provision for pay in lieu of notice to journalists	Other benefits
Present value of the liability at the start of the year	283.5	144.3	15.0	109.2	3.0
Current cost of defined benefit plans	-	-	-	6.5	0.1
Current cost of defined contribution plans	43.8	-	0.7	-	-
Interest expense	1.9	1.3	0.2	1.3	-
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	(0.1)	5.4	-	(0.5)	-
- Actuarial gains/losses resulting from changes in financial assumptions	(1.5)	(1.5)	-	0.6	-
- Effect of past experience	(3.2)	(3.8)	-	1.2	-
- Actuarial gains/(losses) from return on assets servicing the plan	-	-	-	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	(48.0)	-
Benefits paid	(23.7)	(8.5)	(1.2)	(0.8)	(0.2)
Transfers to external funds for defined contribution plans	(44.0)	-	-	-	-
Transfers of personnel from/to Group companies	-	-	-	-	-
Other movements	2.1	-	-	-	-
Present value of the liability at the end of the year	258.8	137.2	14.7	69.5	2.9

(€/million)	Year ended 31 December 2016				
	Employee severance pay	Pension funds	FASDIR	Provision for pay in lieu of notice to journalists	Other benefits
Present value of the liability at the start of the year	289.7	147.5	15.0	113.7	2.9
Current cost of defined benefit plans	-	-	-	7.1	0.2
Current cost of defined contribution plans	44.5	-	1.0	-	-
Interest expense	3.5	2.1	0.2	1.6	-
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	0.4	2.1	-	(0.5)	-
- Actuarial gains/losses resulting from changes in financial assumptions	12.6	7.4	-	3.9	-
- Effect of past experience	(3.9)	(4.4)	-	(1.5)	-
- Actuarial gains/(losses) from return on assets servicing the plan	-	-	-	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	(12.4)	-
Benefits paid	(13.0)	(10.4)	(1.2)	(2.7)	(0.1)
Transfers to external funds for defined contribution plans	(44.7)	-	-	-	-
Transfers of personnel from/to Group companies	-	-	-	-	-
Other movements	(5.6)	-	-	-	-
Present value of the liability at the end of the year	283.5	144.3	15.0	109.2	3.0

Costs for employee benefits, as measured using actuarial assumptions and recognised in the Consolidated income statement, break down as follows:

(€/million)	Year ended 31 December 2017				
	Employee severance pay	Pension funds	FASDIR	Provision for pay in lieu of notice to journalists	Other benefits
Current cost of defined benefit plans	-	-	-	(6.5)	(0.1)
Current cost of defined contribution plans	(43.8)	-	(0.7)	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	48.0	-
Net interest expense (income):					
- Interest expense	(1.9)	(1.3)	(0.2)	(1.3)	-
Total	(45.7)	(1.3)	(0.9)	40.2	(0.1)

(€/million)	Year ended 31 December 2016				
	Employee severance pay	Pension funds	FASDIR	Provision for pay in lieu of notice to journalists	Other benefits
Current cost of defined benefit plans	-	-	-	(7.1)	(0.2)
Current cost of defined contribution plans	(44.5)	-	(1.0)	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	12.4	-
Net interest expense (income):					
- Interest expense	(3.5)	(2.1)	(0.2)	(1.6)	-
Total	(48.0)	(2.1)	(1.2)	3.7	(0.2)

Costs for defined benefit plans recognised in other Comprehensive income statement components; break down as follows:

(€/million)	Year ended 31 December 2017				
	Employee severance pay	Pension funds	FASDIR	Provision for pay in lieu of notice to journalists	Other benefits
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	0.1	(5.4)	-	0.5	-
- Actuarial gains/losses resulting from changes in financial assumptions	1.5	1.5	-	(0.6)	-
- Effect of past experience	3.2	3.8	-	(1.2)	-
- Actuarial gains/(Losses) from return on assets servicing the plan	-	-	-	-	-
Total	(4.8)	(0.1)	-	(1.3)	-

(€/million)	Year ended 31 December 2016				
	Employee severance pay	Pension funds	FASDIR	Provision for pay in lieu of notice to journalists	Other benefits
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	(0.4)	(2.1)	-	0.5	-
- Actuarial gains/losses resulting from changes in financial assumptions	(12.6)	(7.4)	-	(3.9)	-
- Effect of past experience	3.9	(4.4)	-	1.5	-
- Actuarial gains/(Losses) from return on assets servicing the plan	-	-	-	-	-
Total	(9.1)	(5.1)	-	(1.9)	-

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Assets servicing the Fipdrai pension fund break down as follows:

(€/million)	Year ended 31 December 2017		Year ended 31 December 2016	
	With prices quoted on active markets	With prices not quoted on active markets	With prices quoted on active markets	With prices not quoted on active markets
Cash and cash equivalents	-	-	-	0.9
Debt instruments	-	-	-	(0.2)
Government securities or securities issued by international bodies	-	-	2.4	-
Total assets servicing the plan	-	-	2.4	0.7

The main actuarial assumptions adopted are reported below:

	Year ended 31 December 2017	Year ended 31 December 2016
Financial assumptions		
Average discount rates [1]	from 0.88% to 1.56%	from 0.65% to 1.13%
Inflation rate	1.50%	1.50%
Expected rates of growth in remuneration/benefits [2]:	from 1.21% to 3%	from 1.21% to 3%
Demographic assumptions		
Maximum retirement age	As per law	As per law
Mortality tables:		
- Employee severance pay	SI 2016 revised	SI 2014 revised
- Pension funds	AS62	SI 2014 revised
- Provision for pay in lieu of notice to journalists	SI 2016 revised	SI 2014 revised
Average annual employee leaving rate	from 3.70% to 7.80%	from 3.65% to 7.56%
Annual probability of advance requests	1.50%	from 1.00% to 1.50%

(1) Measured as the weighted average of Eurocomposite AA 2017 interest rates for 31 December 2017 and Eurocomposite AA 2016 interest rates for 31 December 2016.

(2) Including inflation.

The effects of a reasonably possible change in the discount rate at the end of the year closed as at 31 December 2017 and as at 31 December 2016 are shown below:

(€/million)	Sensitivity	Year ended 31 December 2017				Year ended 31 December 2016			
		Employee severance pay	Pension funds	FASDIR	Other benefits	Employee severance pay	Pension funds	FASDIR	Other benefits
Discount rate	+0.50%	251.1	131.5	-	66.7	273.4	141.2	-	105.1
	-0.50%	267.2	143.4	-	72.4	294.3	154.2	-	113.5

The timing of liabilities for defined benefit plans for employees is shown below.

(€/million)	Group			
	Expected payments	Provision for pay in lieu of notice to journalists	Employee severance pay	Pension funds
Expected payments as at 31.12.2018		2.4	26.2	10.9
Expected payments as at 31.12.2019		3.0	19.0	10.5
Expected payments as at 31.12.2020		4.0	22.4	10.1
Expected payments as at 31.12.2021		4.1	19.9	9.6
Expected payments as at 31.12.2022		5.4	22.2	9.1
Expected payments as of 1.01.2023 and following years		55.8	176.1	97.8

15.3 Provisions for non-current risks and charges

Provisions for risks and non-current charges totalled €185.3 million (€228.1 as at 31 December 2016). The figure breaks down as follows.

(€/million)	Year ended 31 December 2016	Provisions	Drawdowns	Absorptions	Conversion differences	Other movements	Year ended 31 December 2017
Provisions for legal disputes	80.1	11.3	(15.7)	(5.4)	(0.4)	-	69.9
Provisions for building renovation and refurbishment	28.0	1.0	(1.0)	-	-	-	28.0
Provisions for dismantling and restoration costs	14.1	0.2	-	-	-	0.3	14.6
Provisions for accrued compensation costs	43.9	1.7	(18.8)	(7.7)	-	-	19.1
Provisions for social security disputes	3.0	-	-	-	-	-	3.0
Provisions for tax disputes	13.2	-	(4.5)	(6.1)	-	-	2.6
ISC and ISM provisions Agents	1.9	0.3	(0.1)	-	-	-	2.1
Provisions for licence fee refunds	0.7	-	(0.3)	-	-	-	0.4
Provisions for disputes over leases	1.4	-	-	-	-	-	1.4
Provisions for default interest payment risks	0.6	-	-	-	-	-	0.6
Provisions for write-downs of investments exceeding the carrying amount	-	-	-	-	-	-	-
Other provisions	41.2	8.9	(5.4)	(1.1)	-	-	43.6
Total provisions for non-current risks and charges	228.1	23.4	(45.8)	(20.3)	(0.4)	0.3	185.3

Provisions for legal disputes, totalling €69.9 million, show the prudential and forecast estimate of charges for pending lawsuits in which the Group is involved in various ways. Specifically, the figure includes (amounts inclusive of legal costs) provisions for civil, administrative and criminal litigation for €41.4 million, and €28.5 million in provisions for labour law disputes.

Provisions for building renovation and refurbishment, totalling €28.0 million, show the estimated costs expected to be incurred primarily in relation to the removal of structures containing asbestos present in buildings owned. The constructive obligation to proceed with the refurbishment and resulting renovation of the aforementioned buildings is connected with the Parent Company's expression of intent to perform such work, as expressed on several occasions in negotiations with trade unions.

Provisions for dismantling and restoration costs, totalling €14.6 million, show the estimated costs for the dismantling and removal of installations and modifications and the restoration of premises rented by the Group under operating leases which require the lessee to restore the area and/or rented premises to their original condition at the end of the lease (where the area and/or lease will not be renewed).

Provisions for accrued compensation costs, totalling €19.1 million, show the overall costs estimated in relation to employment contracts in place.

Provisions for social security disputes, totalling €3.0 million, show the estimated costs connected with pending legal disputes with social security institutions.

Provisions for tax disputes, totalling €2.6 million (€13.2 million as at 31 December 2016), show the total estimated costs for taxes, sanctions and interest possibly resulting from Rai Pubblicità tax disputes in progress. In compliance with international accounting standards, no provision was made referred to liabilities deemed merely possible or unlikely.

Please note that related to the VAT tax dispute originating from assessments notified to Rai Pubblicità in December 2016, the provisions, following adhesion to tax dispute settlement concessions (pursuant to Article 11 of Decree law 50/2017 converted with amendments by Law 96/2017), were used for €6.1 million due to the write-off of sanctions and for €4.5 million for interest paid at the time of adhesion.

For what concerns the dispute over irregularities formalised to Rai Pubblicità in the Formal Notices of Assessment of 2007 and 2010, concerning income taxes and VAT, there are no final sentences as yet. The contingent liabilities from those disputes were estimated based on the specific opinions of influential external advisers, calculated considering sentences issued to now by Tax Commissions for the facts disputed.

No new elements emerged during the year so the provisions, referred to specific findings for which the tax risk was considered probable, were adjusted for the interest accrued in the year. As at 31 December 2017 provisions totalled €2.6 million and are deemed consistent with the probable risk expressed by the external advisers for irregularities for which Rai Pubblicità has been unsuccessful in legal proceedings held till now.

ISC (supplementary customer indemnities) and ICM (meritocratic customer indemnities) provisions for agents, for €2.1 million, include amounts payable to agents when winding up agency agreements for reasons not attributable to the agent. The provisions are based on estimates that take into consideration the historic data and growth in the customer portfolio or in business with customers already in portfolio.

15.4 Deferred tax liabilities

Deferred tax liabilities totalled €38.6 million and are stated net of €122.3 million of deferred tax assets eligible for offsetting. The net balance as at 31 December 2016 showed a deferred tax liability of €24.2 million.

The nature of the temporary differences that gave rise to deferred tax liabilities and the deferred tax assets eligible for offset is reported in the table below:

(€/million)	Year ended 31 December 2016	Changes			Year ended 31 December 2017
		Income statement	Other comprehensive income	Equity	
Taxable differences in property, plant and equipment	(159.7)	2.0	-	-	(157.7)
Currency and rate derivatives	(0.2)	-	(0.1)	-	(0.3)
Other equity investments	(1.7)	-	-	-	(1.7)
Deferred taxes on consolidation adjustments	(0.2)	0.2	-	-	-
Other	(0.1)	(0.1)	-	(1.0) [1]	(1.2)
Deferred tax liabilities	(161.9)	2.1	(0.1)	(1.0)	(160.9)
Negative taxable income	129.5	28.5	-	(42.3)	115.7
Write-downs of programmes	0.1	0.4	-	-	0.5
Statutory/taxable difference programmes	-	0.1	-	-	0.1
Employee benefits	0.8	0.1	(0.1)	-	0.8
Estimate of provisions recovered	5.2	(2.0)	-	-	3.2
Deferred tax assets on consolidation adjustments	1.6	(0.1)	-	-	1.5
Other	0.5	-	-	-	0.5
Deferred tax assets eligible for offset	137.7	27.0	(0.1)	(42.3)	122.3
Net deferred tax liabilities	(24.2)	29.1	(0.2)	(43.3)	(38.6)

[1] Deferred taxes entered on the value attributed to the customer portfolio acquired from Rai Way following the merger through incorporation of Sud Engineering contra the Goodwill item.

Deferred tax assets were recognised when their future recoverability was considered reasonably certain.

Changes in other comprehensive income essentially consisted of deferred and prepaid taxes recognised under shareholders' equity and refer to the tax effect of benefit plans and cash flow hedging instruments recognised under hedge accounting rules.

Taxes prepaid on losses carried forward totalled €115.7 million, probably to be used related to possible offsetting with deferred tax liabilities being carried through the Consolidated income statement.

15.5 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in euros. Totalling €2.0 million (€3.6 million as at 31 December 2016), they refer entirely to deferred income for the non-current portion of government grants provided by the former Ministry of Communications to support initiatives for the switch-over to digital terrestrial. See Note 16.1 "Trade payables and other current payables and liabilities" for further information on those grants.

Payables to related parties are reported in Note 18.4 "Transactions with related parties".

16) Current liabilities

16.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities amounted to a total €1,102.0 million (€1,033.7 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Trade payables to suppliers	655.8	679.1
Trade payables to joint ventures and associates	4.3	7.1
Total trade payables	660.1	686.2
Payables to personnel	226.0	203.8
Payables to social security institutions	76.2	78.3
Other tax payables	59.4	38.0
Payables for frequency rights	0.4	-
Other payables for assessments	4.8	7.6
Advances:		
- Ordinary licence fees	56.9	-
- Other advances	7.7	6.5
Deferrals:		
- Grants for the switch-over to digital terrestrial	1.6	2.6
- Other deferrals	1.1	1.9
Accruals	3.1	3.1
Other payables	4.7	5.7
Total other current payables and liabilities	441.9	347.5
Total trade payables and other current payables and liabilities	1,102.0	1,033.7

Trade payables to joint ventures and associates refer to:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Auditel Srl	-	2.7
San Marino RTV SpA	3.4	3.4
Tavolo Editori Radio Srl	0.5	-
Tivù Srl	0.4	1.0
Trade payables to joint ventures and associates	4.3	7.1

Trade payables, totalling €660.1 million, fell by €26.1 million compared to 31 December 2016.

Other current payables and liabilities rose instead by €94.4 million, driven mainly by advances on licence fees, VAT payable due to the introduction of the split payment mechanism, and higher payables to personnel, connected with provisions for the special voluntary redundancy plan targeted at middle managers, office staff and workers and orchestra musicians.

Payables to personnel totalled €226.0 million (€203.8 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Untaken paid annual leave	73.2	75.8
Untaken time in lieu	52.9	51.0
Wage and salary assessment	50.5	52.0
Redundancy incentives	47.6	22.7
Other	1.8	2.3
Total payables to personnel	226.0	203.8

Deferrals for grants for the switch-over to digital terrestrial included €1.6 million for the current portion of government grants paid to the Parent Company by the former Ministry of Communications between 2007 and 2011 to support initiatives to fast-track the switch-over to digital terrestrial. Such initiatives consisted in system upgrades and work on site infrastructure to extend the coverage of the digital network and improve reception levels and the quality of service for users. Those investments were tasked to the subsidiary Rai Way, which is responsible, inter alia, for the design, installation, construction, maintenance, implementation, development and management of telecommunications networks. The grant was recognised in the Income statement for each year in which a depreciation charge would have been recognised if the investment had been made by Rai, considering the ratio of the amount of the grant received to the investments made to complete the relative projects.

Payables to social security institutions totalled €76.2 million (€78.3 million as at 31 December 2016). The figure breaks down as follows.

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Payables to supplementary pension funds for personnel	21.1	23.2
Payables to INPGI	13.6	14.7
Payables to INPS	28.7	28.5
Payables to INAIL	0.1	-
Payables to CASAGIT	1.4	1.5
Contributions on assessed wages and salaries	10.3	9.5
Other payables	1.0	0.9
Payables to social security institutions	76.2	78.3

Other tax payables show taxes payable to the Inland Revenue other than current income tax. The item breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Group VAT	21.3	-
Suspended VAT	1.0	1.5
Withheld tax on wages and salaries for employees and contractors, substitution tax and other withholdings	37.1	36.5
Total other tax payables	59.4	38.0

Total payables due in currencies other than the euro are reported in Note 8.1 "Market risk".

Payables to related parties are reported in Note 18.4 "Transactions with related parties".

16.2 Current financial liabilities

Current financial liabilities totalled €40.8 million (€200.5 million as at 31 December 2016). The breakdown is shown in the table below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Medium/long-term loans due to banks (current portion)	40.0	39.9
Medium/long-term loans due to other lenders (current portion)	0.1	0.1
Short-term payables to banks	-	160.1
Hedging derivatives	0.5	-
Payables to joint ventures and associates – San Marino RTV	-	0.1
Other current payables and liabilities	0.2	0.3
Total current financial liabilities	40.8	200.5

The current portion of non-current financial liabilities reported in the table above is explained in Note 15.1 “Non-current financial liabilities”.

The fair value of derivative financial liabilities, current and non-current, is given below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Currency hedging derivatives	0.5	-
Total derivative financial instruments – current portion	0.5	-
Rate hedging derivatives	-	0.1
Total derivative financial instruments – non-current portion	-	0.1
Total derivative financial instruments	0.5	0.1

Transactions concern the cash flow hedge of the exchange risks for contracts to purchase TV rights to series and films quoted in US dollars and the Interest Rate Swap transactions on medium-long term loans.

The fair value payable on derivative financial instruments as at 31 December 2017, for €0.5 million (€0.1 million as at 31 December 2016), refers to exchange risk hedging transactions of the associate Rai Cinema and is entered adjusting the value to the right acquired. No non-current portions are recognised.

A negative fair value of €0.1 million entered in non-current financial liabilities as at 31 December 2016 referred to the rate hedging transactions of Rai Way, fully suspended in shareholders’ equity in the cash flow hedge reserve. That value is not significant in millions of euro as at 31 December 2017.

Information on risks hedged and on hedging policies is disclosed in Note 8.1 “Market risk”.

16.3 Current income tax payables

Current income taxes payable totalled €30.5 million (€47.8 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
IRES	30.0	46.6
IRAP	0.5	1.2
Total current income taxes payable	30.5	47.8

For what concerns amounts payable to the Inland Revenue for IRES, totalling €30.0 million (€46.6 million as at 31 December 2016), please note that Group companies opted for Group taxation; thus transferring to the Parent Company, as the consolidating party, compliance linked to settling and paying IRES for companies included in tax consolidation. Procedures for consolidating Group taxable income are governed by a specific agreement between the Parent Company and its subsidiaries, as described in Note 18.4 "Transactions with related parties". Income taxes are reported in Note 17.9 "Income taxes".

17) Income statement

17.1 Revenue from sales and services

The main items making up "Revenue from sales and services" are shown in the table below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
TV licence fees	1,776.6	1,909.7
Advertising	647.6	698.2
Other revenue	184.2	183.4
Total revenue from sales and services	2,608.4	2,791.3

The breakdown of revenue by geographical area shows it is predominantly originated in the domestic market.

TV licence fees

Revenue from TV licence fees in 2017 amounted to €1,776.6 million (€1,909.7 million in 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Licence fees for the year – household licences	1,633.3	1,792.7
Licence fees for the year – special licences	79.0	77.8
Licences fees collected by enforcement order	39.7	39.6
Licence fees for prior years – household licences	24.6	-
Licence fee refunds	-	(0.4)
Total TV licence fees	1,776.6	1,909.7

For revenue from TV licence fees (as defined in Note 4 "Measurement criteria"), total licence fees for private accounts were measured on the basis of information and data provided in relation to new collection methods, taking into consideration the provisions of Article 1(293) of Law 190 of 23 December 2014, under which amounts owing to Rai to cover the cost of Public Service operations was reduced by 5 per cent as of 2015.

The new collection methods were introduced by Law 208 of 28 December 2015 (the "2016 Stability Law"), which provided, in Article 1 (152 *et seq.*), for TV licence fees for household licences to be charged, as of 1 January 2016, directly in power bills issued by electricity companies, under a separately detailed item.

The law thus introduced, in an effort to overcome evasion, the mechanism by which if a household has a utility account for power supply to a registered home address, then it can be presumed that the household is in possession of a television set. The presumption of the possession of a television set may only be overturned by a statutory declaration made in accordance with the Consolidation Law as per Presidential Decree 445 of 28 December 2000. False statements are punishable by law and may entail criminal liability.

The 2016 Stability Law also established that any higher revenues collected from 2016 to 2018 with respect to 2016 state budget forecasts are to be transferred to Rai in the set proportion of 67% for the year 2016, and 50% for the years 2017 and 2018.

In relation to the amounts reported above:

- licence fees collected by enforcement order refer to licence fees due in 2015 and prior years and paid in 2017 under an enforcement order by households with overdue payments;
- licence fees for prior years – household licences refer to licence fees for 2016 that were paid to the state in 2017 and hence notified only during the course of the year, and to the recalculation of licence fees for prior years.

The mechanism for determining the single television licence fee contemplated by the Consolidation Law for audiovisual and radio media ("separate accounting"), designed to ensure that revenue from licence fees is proportional to the costs incurred by Rai, as certified by an independent auditor, for its Public Service operations, has found a shortfall in such revenue for the period 2005–2016 of €2.6 billion.

Advertising

Revenue from advertising in 2017 amounted to €647.6 million (€698.2 million in 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Television advertising on general-interest channels:		
- air time	408.4	458.8
- promotions, sponsorships and special initiatives	124.6	127.3
- product placements	5.3	5.3
Television advertising on specialist channels	65.1	65.8
Radio advertising	31.6	29.9
Cinema advertising	4.4	3.8
Web advertising	9.2	8.5
Other advertising	0.6	0.7
Third-party quotas	(1.5)	(1.5)
Contingencies	(0.1)	(0.4)
Total revenue from advertising	647.6	698.2

Revenue from advertising fell by €50.6 million compared to 2016, when the figure was boosted by major sports events (UEFA European Championship and the Summer Olympics).

Other revenue

Other revenue from sales and services in 2017 amounted to €184.2 million (€183.4 million as at 31 December 2016). The figure breaks down as follows.

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Special services under convention	43.9	44.4
Sale of music rights and editions	58.8	60.5
Film and home video distribution	29.4	29.3
Distribution and sale of channels	21.1	20.0
Fees for hosting plants and equipment	32.4	32.4
Sundry services, mainly for institutional purposes	9.5	9.5
Signal diffusion services, rental of circuits, radio links and connections	4.9	5.8
Interactive telephone	0.3	0.7
Production services	0.9	0.7
Revenue from sales	1.5	1.6
Other	1.5	1.5
Third-party quotas	(26.1)	(29.1)
Contingencies	6.1	6.1
Total revenue from sales and services – other revenue	184.2	183.4

17.2 Other revenue and income

Other revenues and income in 2017 amounted to €15.6 million (€18.2 million in 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Contributions for operating expenses	5.4	9.1
Income from real estate investments and rentals	2.1	2.0
Compensation for damages	3.0	0.7
Contingencies	1.0	1.9
Other	4.1	4.5
Total other revenues and income	15.6	18.2

17.3 Costs for the purchase of consumables, costs for services and other costs

Costs for the purchase of consumables, costs for services and other costs amounted to a total of €1,033.8 million (€1,151.3 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Costs for the purchase of consumables	13.6	13.9
Contractors	128.0	134.9
Services for programme acquisition and production	212.0	212.6
Travel allowances and expenses and accessory costs for personnel	38.5	41.1
Maintenance, repairs, transport and similar	43.0	45.1
IT system documentation and assistance services	51.3	50.0
Other outsourced services (telephone, supply services, cleaning, postal, insurance etc.)	143.9	160.0
Rental expenses and rentals	91.7	95.1
Recording rights	158.6	257.9
Copyright	104.9	111.1
Contingencies	(7.4)	(14.5)
Cost recoveries and expense refunds	(13.9)	(14.5)
Costs for services	950.6	1,078.8
Losses for VAT paid on the tax dispute Settlement Concessions	16.8	-
Prizes and winnings	6.6	12.4
Fee to Control Authority	5.2	5.5
TASI/ IMU tax	10.7	10.6
Other indirect taxes and other duties	10.5	11.1
Newspapers, magazines, books and publications	1.7	1.7
Membership fees	3.8	3.7
Fees for user rights to frequencies	10.8	10.3
Losses on disposals	0.5	0.1
Other	3.5	3.8
Contingencies	(0.5)	(0.6)
Other costs	69.6	58.6
Total costs for the purchase of consumables, services and other costs	1,033.8	1,151.3

Costs for the purchase of consumables, €13.6 million (€13.9 million as at 31 December 2016), mainly refer to the purchase of sundry production materials for €3.7 million (€4.3 million as at 31 December 2016), technical inventories for €0.9 million (€1.1 million as at 31 December 2016) and other material for €8.5 million (€8.9 million as at 31 December 2016).

The breakdown of costs for services is shown in the table below. The item totalled €950.6 million (€1,078.8 million as at 31 December 2016), net of discounts and rebates obtained. It includes, inter alia, emoluments, indemnities of office and expense refunds paid to directors, for a total of €0.4 million, and to statutory auditors, for a total of €0.2 million. Please note that no member of the Board of Directors and the Board of Statutory Auditors of the Parent Company performed, overlapping, similar jobs in other subsidiaries.

In accordance with Article 2427 (16-bis) of the Civil Code, we report that fees accruing to the year ended 31 December 2017 for services provided by the external auditor amounted to €0.5 million, broken down as follows:

- for annual auditing of accounts: €0.3 million;
- for six-monthly auditing: not significant in millions of Euro;
- for other non-audit services: €0.2 million;

Other costs, totalling €69.6 million (€58.6 million as at 31 December 2016), mainly consisted of prizes and winnings on radio and television competitions, indirect taxes and other duties, fees for user rights to digital television frequencies and other fees and contributions, plus losses for VAT paid on the Settlement Concession entered in the financial statements of Rai Pubblicità.

More specifically, losses for VAT paid on the Settlement Concession, totalling €16.8 million, are fully applicable to the VAT tax dispute resulting from assessment notified to Rai Pubblicità in December 2016. More specifically, due to the applications to settle the tax disputes presented in accordance with Article 11 of Decree Law 50 of 11 April 2017 for mere procedure economy reasons, Rai Pubblicità paid the Inland Revenue the greater VAT amount ascertained plus interest and, solely for the VAT, deemed exercisable pursuant to Article 60, seventh paragraph, of Presidential Decree 633 of 26 October 1972, the right of redress against the "right" negotiation counterparts, identified by the assessment; hence entering trade receivables from customers for the same amount. At the end of the year, Rai Pubblicità, acknowledging the state of objective insolvency of those counterparts, reversed the receivables from the VAT redress by debiting costs for losses on receivables totalling €16.8 million to the Income statement.

Considering the specific situation and resulting interpretation uncertainties over its legal nature, we report that even if the right to redress against the "right" counterparts for the higher VAT paid is not deemed admissible, the item in question would have been a cost for VAT with no recourse. Please note that, in that case, there would have been no change in the cost sustained and its presentation in the financial statements.

In order to specifically establish the legal nature of the tax treatment for the item in question, a formal discussion is in progress with the Inland Revenue.

17.4 HR expenses

Employee costs totalled €983.3 million (€1,031.7 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Wages and salaries, and social security costs	888.9	953.2
Employee severance pay	43.8	44.5
Pensions and similar obligations	14.7	14.8
Other	14.7	15.0
HR expenses	962.1	1,027.5
Costs for redundancy incentives	49.8	28.4
Recovery of expenses	(1.0)	(1.0)
HR expenses capitalised	(20.0)	(17.1)
Other HR expenses	28.8	10.3
Contingencies and releases of provisions	(7.6)	(6.1)
Total HR expenses	983.3	1,031.7

The item includes €44.5 million of charges for defined contribution plans and €41.4 million of income from defined benefit plans, net of past benefits, as reported in Note 15.2 "Employee benefits".

Redundancy incentives amounted to €49.8 million (€28.4 million as at 31 December 2016). That figure includes provisions allocated by resolution of the Board of Directors on 29 December 2017 for the extraordinary voluntary redundancy plan for middle managers, office staff and workers and orchestra musicians totalling €40.0 million, the maximum limit approved by the resolution, as well redundancy incentives paid to senior managers.

Five different collective bargaining agreements (CCLs) are applied within the Group: the CCL for middle managers, office staff and workers employed by the companies Rai, Rai Way, Rai Cinema and Rai Com; the CCL for Rai orchestra musicians; the CCL for journalists (CNIG), applied by Rai under the terms and conditions of the "Convention for the Extension of the CNIG to Rai" and the relative Addendum Agreement with Usigrai for journalists; the national CCL for senior managers of manufacturing and service companies and the relative Addendum Agreement between Rai and ADRai; and the CCL for the middle managers and office staff of Rai Pubblicità.

With respect to those agreements, we report that:

- the collective bargaining agreement for middle managers, office staff and workers was renewed, by agreement made on 28 February 2018, for the period 2014–2016 and, on an exceptional basis, for 2017 and 2018;
- the collective bargaining agreement for orchestra musicians expired on 31 December 2013;
- for journalists, on 13 March 2018 Rai – Unindustria Roma and Usigrai-FNSI signed a Convention for the Extension of the National Collective Bargaining Agreement for Journalists; the Rai Usigrai Addendum Agreement expired on 31 December 2013;
- for personnel employed as senior managers, the collective bargaining agreement for the period 1 January 2015 – 31 December 2018 is still in force, while the Rai–ADRAI Addendum Agreement for the period 2014–2016 expired on 31 December 2016.
- the collective bargaining agreement for middle managers and office staff of Rai Pubblicità expired on 31 December 2013.

The average number of employees included in the area of consolidation is shown below by employment category.

	31 December 2017			31 December 2016		
	average number TD	average number TI ⁽¹⁾	total	average number TD	average number TI ⁽¹⁾	total
Managers	0	341	341	0	343	343
Officers/middle managers	1	1,391	1,392	1	1,354	1,355
Journalists	189	1,627	1,816	117	1,709	1,826
Office staff	492	7,747	8,239	579	7,757	8,336
Workers	71	925	996	89	930	1,019
Orchestra musicians and choristers	3	123	126	4	119	123
General Practitioners	-	7	7	-	8	8
	756	12,161	12,917	790	12,220	13,010
(1) of which integration contracts/apprentices		141			193	

The average number of employees was calculated as the arithmetic mean of the daily number of employees over the reporting period, weighted to account for use of part-time employees. The average number of employees includes personnel on permanent and temporary employment contracts.

17.5 Depreciation, amortisation and write-downs

Depreciation, amortisation and write-downs totalled €576.9 million (€543.4 million in 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Property, plant and equipment:		
Buildings	17.4	18.0
Plant and machinery	76.5	80.2
Fixtures and fittings, tools and other equipment	2.8	2.8
Other assets	5.8	5.6
Total depreciation of property, plant and equipment	102.5	106.6
Intangible assets:		
Programmes	408.1	381.4
Software	6.2	6.2
Digital terrestrial frequencies	-	1.1
Other intangible assets	0.4	0.3
Total amortisation of intangible assets	414.7	389.0
Amortisation of real estate investments	0.3	0.3
Total amortisation and depreciation	517.5	495.9
Programmes under amortisation	43.8	32.2
Programmes in progress	7.1	11.2
Other intangible assets	3.0	-
Other non-current receivables and assets	2.0	1.1
Trade receivables	1.8	2.6
Current income tax receivables	0.2	-
Other current receivables and assets	1.5	0.4
Total write-downs	59.4	47.5
Total depreciation, amortisation and write-downs	576.9	543.4

17.6 Provisions

Net provisions, for €3.2 million (negative for €18.8 million in 2016), are determined by provisions for €9.1 million (€40.6 million in 2016), compensated by absorptions for €12.3 million (€21.8 million in 2016) mainly referred to provisions for risks and charges for disputes of various kinds. Absorptions refer for €6.1 million to adjustment of the provision for fiscal dispute which, because Rai Pubblicità adhered to the aforementioned Settlement Concession (see Note 15.3 "Provisions for risks and charges") had a surplus for the part referred to sanctions.

17.7 Financial income and expenses

Net financial expenses totalled €8.7 million (€18.2 million in 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Financial income		
Interest income from banks	-	0.1
Gains from currency valuation	1.1	0.5
Currency gains realised	0.8	0.1
Income from currency derivatives	0.2	0.4
Default interest on receivables from customers	5.4	-
Other	0.6	1.5
Total financial income	8.1	2.6
Financial expenses		
Interest expenses due to banks	(2.3)	(2.6)
Interest expenses on bonds	(6.1)	(6.1)
Expenses on rate hedging derivatives	(0.1)	(0.1)
Expenses on exchange hedging derivatives	(0.2)	(0.2)
Losses on currency valuation	(0.9)	(0.9)
Foreign exchange losses realised	-	(0.9)
Interest on employee benefit liabilities	(4.6)	(7.4)
Other	(2.6)	(2.6)
Total financial expenses	(16.8)	(20.8)
Net financial expenses	(8.7)	(18.2)

17.8 Earnings from equity investments recognised under the equity method

Earnings from equity investments recognised under the equity method amounted to a negative €0.5 million (negative €0.7 million in 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Euronews SA	(1.1)	(1.5)
San Marino RTV SpA	-	(0.1)
Tivù Srl	0.6	0.9
Total effect of recognition under the equity method	(0.5)	(0.7)

The breakdown of the change in equity investments recognised under the equity method is reported in Note 12.4 "Equity investments".

17.9 Income tax

Income taxes payable totalled €9.7 million (€27.3 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
IRES	(31.8)	(47.0)
IRAP	(7.1)	(8.9)
Total current taxes	(38.9)	(55.9)
Deferred tax liabilities	2.1	2.6
Deferred tax assets	27.0	26.9
Total deferred taxes	29.1	29.5
Direct taxes of previous years	0.1	(0.9)
Total tax for the year	(9.7)	(27.3)

The difference between the theoretical tax rate and the effective tax rate is shown below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Gain/(Loss) before tax	24.0	45.4
IRES tax rate	24.0%	27.5%
Theoretical tax gain (expense)	(5.8)	(12.5)
Taxes related to previous years	0.1	(0.9)
Tax differences	3.1	(5.0)
IRAP	(7.1)	(8.9)
Total income taxes	(9.7)	(27.3)

The item tax differences represents the economic effect, on theoretical taxes for the year, resulting from application of Italian tax rules regulating calculation of the IRES and IRAP taxable base.

18) Other information

18.1 Guarantees

Guarantees provided totalled €70.7 million (€38.4 million as at 31 December 2016). The figure breaks down as follows:

(€/million)	Year ended 31 December 2017			
	Surety guarantees	Other personal guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6
Other	65.9	-	2.2	68.1
Total	68.5	-	2.2	70.7

(€/million)	Year ended 31 December 2016			
	Surety guarantees	Other personal guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6
Other	35.8	-	-	35.8
Total	38.4	-	-	38.4

Guarantees provided included the recognition of an obligation to pay guaranteeing the early repayment of €64.3 million of surplus VAT as at 31 December 2017 (€34.0 million as at 31 December 2016) by subsidiaries, undertaken with Inland Revenue.

The Group has also recognised €447.4 million of guarantees provided by third parties (€400.1 million as at 31 December 2016) on commercial and financial obligations. Those guarantees mainly consist of:

- (i) guarantees received from various banks and insurance institutions:
 - to guarantee the purchase of goods and services;
 - full performance of contracts for the production of radio and television productions;
- (ii) guarantees provided by third parties on obligations held by the Group:
 - for payables – mainly surety guarantees for the Parent Company on the medium/long term EIB loan;
 - on other obligations – mainly surety guarantees provided to Inland Revenue for the Parent Company guaranteeing prize competitions and the refund of VAT credits.

18.2 Commitments

The main commitments, including long-term commitments, connected with products or with technological development and modernisation initiatives and in place at the reporting date are reported in the table below.

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
Future commitments on:		
Sports broadcasting rights	92.6	161.1
Investments in audiovisual works	251.6	178.4
Rights and services for the production of programmes	56.7	40.8
Technical investments	32.6	39.8
Total commitments	433.5	420.1

18.3 Contingent liabilities

Group companies, mainly Rai, are party to civil, administrative, labour law and social security lawsuits connected with its ordinary business activities.

Civil and administrative litigation involving the Group is primarily connected with the production and public broadcasting of radio and television programmes. Almost all civil litigation concerns claims for damages, mostly in connection with defamation and infringement of personality rights, while under administrative law usually concern disputes over tender awards in which the equivalent compensation claim is usually a subsidiary application to the main application for the annulment of the tender decision and, in some cases, the award of the contract.

If, on the basis of analyses conducted on such kinds of litigation:

- information is available, at the time of preparation of the financial statements, suggesting it is likely that a liability will arise;
- the amount of the liability can be reasonably estimated, considering the petition made by the applicant; then a relative liability is recognised through the allocation of provisions for legal disputes.

In relation to labour law and social security matters, the Group is a party to a considerable number of lawsuits, mainly concerning claims for reinstatement, applications for investigations into the alleged use of fictitious intermediaries in the procurement of labour, applications for higher level employment grades and categories, compensation claims for alleged demotion and alleged non-fulfilment of social security obligations under employment contracts or collective bargaining agreements. For the purposes of determining the amount of provisions to be allocated, given the large number of pending lawsuits and the consequent difficulty in assessing the contingent liability for each, the cases are subdivided into three categories in relation to their status and any appeal rulings handed down – lawsuits pending in courts of first instance; lawsuits lost on appeal; lawsuits won on appeal. The risk is then estimated for each category by identifying an average value expressed in percentage terms, in order to quantify the amount of provisions to be allocated for legal disputes.

In November 2017, the Tax Police started a tax assessment for intra-community VAT purposes for transactions carried out by Rai Pubblicità in the years from 2012 to 2016, solely with certain parties; for which the company had already provided ample documentation following a search and seizure measure notified in February 2017. Audits conducted on that occasion by Rai Pubblicità with the Forensic Services department of an influential advisory firm, on the administrative and fiscal correctness of transactions, had excluded any billing process anomalies.

At present, no findings of a tax nature have been notified by the officials conducting controls. Therefore, based on the information currently available to the Company, there are no contingent liabilities to be mentioned.

Provisions allocated for legal disputes are reported in Note 15.3 "Provisions for non-current risks and charges".

Based on the information currently available, and considering the existing provisions for risks, the Group considers amounts allocated to the existing risk provisions as sufficient.

18.4 Transactions with related parties

Transactions between the Parent Company and related parties are reported below, as identified on the basis of the criteria provided by IAS 24 "Related party disclosures" for the years ended 31 December 2017 and 31 December 2016.

Related party dealings are mainly of a commercial and financial nature and involve the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation;
- Rai Pubblicità;
- Rai Way;
- management personnel with strategic Group responsibilities ("Senior Management");

- other associated companies and joint ventures with which the Group has an interest as indicated in Note 12.4 “Shareholdings”; companies controlled or under the joint control of Senior Management and entities that manage post-employment benefit plans reserved exclusively to Rai Group employees (“other related parties”).

Although related party transactions are conducted at arm’s length, there is no guarantee that if those transactions were negotiated and pursued with or between third parties, the relative contracts, and the transactions themselves, would stipulate the same terms and conditions.

“Senior management” means key management personnel with strategic responsibilities with the power and direct or indirect responsibility for the planning, management and control of Group business, including therein the members of the Board of Directors of Group companies. For information on emoluments paid to statutory auditors, see Note 17.3 “Costs for the purchase of consumables, costs for services and other costs”.

The follow table details the balance sheet totals as at 31 December 2017 and as at 31 December 2016 and the income effects of transactions between the Group and related parties conducted in the years ended 31 December 2017 and 31 December 2016 and obviously excluding those between the Parent Company and its subsidiaries, consolidated applying the comprehensive method.

(€/million)	Senior Management	Other related parties	Total
Current financial assets			
As at 31 December 2017	-	0.5	0.5
As at 31 December 2016	-	-	-
Current trade receivables			
As at 31 December 2017	-	0.2	0.2
As at 31 December 2016	-	0.4	0.4
Other current receivables and assets			
As at 31 December 2017	0.2	-	0.2
As at 31 December 2016	0.3	-	0.3
Employee benefits			
As at 31 December 2017	(5.1)	(14.7)	(19.8)
As at 31 December 2016	(6.6)	(15.0)	(21.6)
Trade payables			
As at 31 December 2017	-	(4.3)	(4.3)
As at 31 December 2016	-	(7.2)	(7.2)
Other current payables and liabilities			
As at 31 December 2017	(9.4)	(12.7)	(22.1)
As at 31 December 2016	(7.0)	(14.2)	(21.2)
Current financial liabilities			
As at 31 December 2017	-	-	-
As at 31 December 2016	-	(0.1)	(0.1)

(€/million)	Senior Management	Other related parties	Total
Revenue from sales and services			
As at 31 December 2017	-	0.7	0.7
As at 31 December 2016	-	0.7	0.7
Other revenue and income			
As at 31 December 2017	-	0.1	0.1
As at 31 December 2016	-	0.1	0.1
Costs for services			
As at 31 December 2017	(0.8)	(10.5)	(11.3)
As at 31 December 2016	(0.9)	(9.6)	(10.5)
HR expenses			
As at 31 December 2017	(23.1)	(13.8)	(36.9)
As at 31 December 2016	(25.8)	(14.0)	(39.8)

Reported below is a description of the main agreements in place between the Parent Company and the subsidiaries, associates and joint ventures identified above.

Agreements for the provision of services to Rai

Rai Pubblicità

Rai has an advertising concession agreement in place with Rai Pubblicità, under which the latter has an exclusive concession for the sale of advertising space on radio and general-interest television channels, on free-to-air specialist digital and satellite channels, on the teletext service, on the Rai domain and on other minor media.

Rai Com

Rai has granted a mandate without power of representation to Rai Com for:

- a) the sale of user licenses for television, radio and cinema use, for audiovisual use (meaning licences for use on home video and commercial video, etc.), and for multimedia use, including interactive multimedia, and derivative rights;
- b) the management of negotiations for framework agreements and/or conventions with central and local, national and international, public and private bodies and institutions;
- c) the acquisition and/or production of musical and theatre pieces: serious music, prose and musical editions;
- d) the management of ticketing services and the implementation and/or management of interactive telephone initiatives and/or other interactive initiatives;
- e) the ideation, development, outlining, stipulation and/or management of projects enabling Rai to participate in Italian and European calls for tenders to receive funding grants or facilitated loans;
- f) the negotiation, outlining, formalisation and/or management of sports library contracts, including therein the implementation and/or management of all commercial initiatives contemplated by such contracts;
- g) the provision of technical facilities and the execution of commercial agreements designed to raise the value of non-production premises available to Rai (Palazzo Labia);
- h) the negotiation, outlining, formalisation and/or management of other partnership agreements with third-party enterprises of a commercial nature and for commercial purposes;
- i) operations for the international sale of Rai channels.

Rai Cinema

A specific agreement is in place with Rai Cinema under which the latter has committed to providing Rai with exclusive access to a catalogue of free-to-air showings of audiovisual works acquired in any way by Rai Cinema, whereas Rai has the obligation to purchase exclusively from Rai Cinema the broadcasting rights to showings of free-to-air audiovisual works.

Rai Way

A service agreement is in place between Rai Way and Rai, under which Rai has outsourced to Rai Way, on an exclusive basis, a series of services that enable Rai to:

- (i) control transmission and broadcasting, in Italy and around the world, over the MUX assigned to it under applicable law;
- (ii) control the fulfilment of its Public Service obligations.

The service agreement also envisages, and governs, the possibility for the parties to negotiate in the future, in the event of new needs for Rai, the provision of additional services, including services for the development of new electronic communications and telecommunications networks, as well as new broadcasting standards and technologies.

Agreements of a financial nature

With the exception of Rai Way, which following its public listing became fully independent financially, a centralised treasury management agreement is in place between Rai and its subsidiaries, involving a bank cash-pooling programme aimed at ensuring coverage of cash needs and the optimisation of cash flow.

In order to hedge the currency risk to which the subsidiary Rai Cinema is exposed, the latter has granted a mandate to Rai to trade foreign currency and financial instruments on its account, in accordance with the operational methods set out in Group policies.

With reference to Rai Way, other agreements in place consist of:

- an intercompany current account agreement, the purpose of which is to provide Rai with the funding needed to settle reciprocal credit and debit positions connected with certain residual payment services envisaged under the service agreement through which Rai has outsourced services to Rai Way;
- a mandate agreement authorising Rai to perform payments and collections connected with the settlement of intercompany accounts payable and receivable, primarily in the context of the netting, through Rai, of credit and debit positions between Group companies (so-called netting activities), excluding therefrom payments for services provided under the service agreement in place and hedging transactions.

Agreements for the provision of services by Rai

Rai provides a series of services to select subsidiaries under specific service agreements concerning, in particular, administrative services, real estate services, IT services, testing services and dubbing services.

Tax consolidation arrangement

The Rai Group has a "national tax consolidation" arrangement in place for IRES tax purposes, as permitted under Articles 117 *et seq.* of the Italian Income Tax Code and governed by Ministerial Decree of 9 June 2004.

The national tax consolidation arrangement, lasting three years, was renewed by the Parent Company Rai for Rai Way, Rai Cinema and Rai Com. For Rai Pubblicità, the option was renewed in the Rai tax return statement for the 2016 tax year. As of the 2017 tax year, the option to join the arrangement will be tacitly renewed without the need for notification.

The tax and equity arrangements between the participating companies are governed by a specific agreement made between the parties, which is updated in the light of relative legislative amendments applicable under the agreement.

Group VAT offsetting

The Company has adopted the procedure contemplated by Ministerial Decree of 13 December 1979, providing implementing rules for the provisions of Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972, for the offsetting of Group VAT.

The option to apply the Group VAT procedure is valid for one year and was exercised by Rai and all its Italian subsidiaries until 31 December 2017. Tax and equity arrangements under the procedure are governed by a specific agreement between the parties.

Other related parties

The Group has trading and financial relations with other related parties. The most significant include the following.

San Marino RTV

An intercompany current account agreement is in place with the Company, under which debits and credits resulting from economic and financial transactions between the parties are transferred to an intercompany current account. Under the agreement, Rai also provides a credit facility of €1 million (€1.4 million as of 30 January 2018), on which the company can draw to cover overdrafts deriving from ordinary business activities. The credit facility is 50% counter-guaranteed by ERAS (the San Marino radio broadcasting body).

In addition, under a radio and television broadcasting agreement between the government of San Marino and the Italian government/Prime Minister's Office, a fixed annual lump sum contribution is made to San Marino RTV through Rai Com.

Tivù

Service agreements are in place, under which:

- Rai provides: electronic programme guide (EPG) processing and management services and editorial and advisory services, as well as satellite transmission capacity to enable the offer of EPG services;
- Tivù provides: an EPG service for the digital terrestrial and satellite platforms and an encryption service.

Auditel

Auditel provides television audience share measurement and data publication services.

Tavolo Editori Radio

Tavolo Editori Radio provides radio audience share measurement and data publication services.

19) Subsequent events

Signing of a National Service Contract between the Ministry for Economic Development (MISE) and Rai

On 11 January 2018, the Board of Directors approved the wording of a new national Service Contract, which was subsequently signed by the Company and the Ministry. The contract came into force on the first day following its publication in the Official Journal on 7 March 2018.

Setting of television licence fees

On 9 November 2018, the decree of the Ministry for Economic Development dated 21 December 2017 was published in the Official Journal, containing provisions for "Special television licence fees for 2018". The decree sets for the current year the amounts of special licence fees for the possession of radio receivers or television sets on non-household premises and of special licence fees for the possession of radio receivers or television sets in cinemas, theatres and comparable premises, in accordance with the amounts set forth in tables 3 and 4 annexed to the ministerial decree of 29 December 2014.

Rai Way

On 16 February 2018, Rai Way notified that it had submitted, with F2i Fondi Italiani per le Infrastrutture SGR SpA ("F2i"), a joint binding offer, subject to certain conditions, for the potential sale of Persidera SpA (hereinafter "Persidera") started by the Shareholders. That offer, then expired, indicated a transaction structure with F2i acquiring ownership of use rights to frequencies currently assigned to Persidera for its DTT multiplex; acquisition by Rai Way of the network infrastructure whilst signing of a multi-year agreement for the supply of broadcasting services.

20) Reconciliation between the Separate and Consolidated Financial Statements

Analysis of the items connecting the Income statement result and shareholders' equity on the Separate Financial Statements and respective Consolidated Financial Statements figures breaks down as follows:

(in €/million)	Result		Shareholders' equity	
	2017	2016	2017	2016
Rai Financial Statements	5.5	4.2	808.4	799.4
Elimination of shareholdings' value against respective equities and of dividends distributed against profits for the year	8.8	13.8	(326.6)	(321.2)
Adjustment deferred taxes on shareholding revaluation	-	-	5.0	5.0
Other consolidation adjustments	-	0.1	(6.7)	(6.6)
Consolidated Financial Statements	14.3	18.1	480.1	476.6
of which Third Parties	19.7	14.6	61.8	56.6

21) Appendix

21.1 Rai equity investments in subsidiaries

The following table reports the equity investments held by Rai in domestic and foreign companies.

The above investments had not changed as at 31 December 2017 compared to the situation as at 31 December 2016.

	Registered office	No. shares/units held	Nominal value (in euros)	Share capital (in €/000)	Equity interest held %
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/000;

(3) Ordinary shares with no stated par value.

The market value of Rai Way shares as at 29 December 2017 was €5.08.

21.2 Net financial consolidated indebtedness

Net financial position, as measured in accordance with the recommendations of paragraph 127 of the ESMA document ESMA/2013/319, implementing Regulation (EC) No 809/2004, is reported in the table below:

(€/million)	Year ended 31 December 2017	Year ended 31 December 2016
A. Cash	0.3	0.3
B. Other cash equivalents	227.7	85.9
C. Trading securities	-	-
D. Liquidity (A+B+C)	228.0	86.2
Hedging derivatives	-	1.7
Blocked bank deposits	6.3	5.5
Receivable from associates	0.5	-
Loans to personnel	-	0.1
Other (accruals, deferrals, discounts issue)	0.4	0.1
E. Current financial receivables	7.2	7.4
F. Current bank debt	-	(160.1)
G. Current portion of non-current debt	(40.1)	(40.0)
Hedging derivatives	(0.5)	-
Payable to associates	-	(0.1)
Other (accruals, deferrals, discounts issue)	(0.2)	(0.3)
H. Other current financial debt	(0.7)	(0.4)
I. Current financial debt (F+G+H)	(40.8)	(200.5)
J. Net current financial position (D+E+I)	194.4	(106.9)
K. Non-current bank loans	(55.3)	(95.3)
L. Bonds issued	(347.8)	(346.9)
Payables to other lenders	(0.3)	(0.4)
Non-current hedging instruments	-	(0.1)
M. Other non-current payables	(0.3)	(0.5)
N. Non-current financial debt (K+L+M)	(403.4)	(442.7)
O. Net financial indebtedness (J+N)	(209.0)	(549.6)

Certification pursuant to article 154-bis of Italian Legislative Decree 58/98

The undersigned Mario Orfeo, in the capacity as General Manager, and Massimo Cappelli, in the capacity as Manager in charge of drawing up the corporate accounting documents of Rai Radiotelevisione italiana SpA, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, hereby attest:

- the adequacy in relation to the characteristics of the Company and
- the actual application

of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for financial year 2017.

The administrative and accounting procedures and operating practices in place have been applied in a manner consistent with the internal administrative and accounting control system to ensure the achievement of the objectives required by the applicable regulatory framework.

It is also attested that:

- the Consolidated Financial Statements of the Rai Group at 31 December 2017:
 - a) have been prepared in accordance with applicable international accounting standards recognised by the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the data in the accounting books and records;
 - c) provide a true and fair view of the equity, economic and financial position of the issuer and of all of the companies included in the scope of consolidation.
- the Report on Operations includes a reliable analysis of the trends and results of operations, as well as the situation of the issuer and of all of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 7 May 2018

Mario Orfeo
General Manager

Massimo Cappelli
Manager in charge of drawing up
the corporate accounting documents

Board of Statutory Auditors' Report

The Consolidated Financial Statements of Rai for the year 2017, transmitted within the legal terms together with the Directors' Report, were drafted in compliance with regulations on drafting Group Financial Statements and comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and adopted by the European Commission pursuant to the procedure in Art. 6 of (EC) Regulation 1606/2002 of the European Parliament and Council of 19 July 2002.

The Consolidated Financial Statements as at 31 December 2017, made available to the Board of Directors in the meeting of 7 May last, include:

- Directors' Report;
- Consolidated statement of financial position;
- Consolidated statement of comprehensive income
- Consolidated cash flow statement
- Statement of changes in consolidated equity
- Notes to the consolidated financial statements.

Board supervision that procedural regulations on drafting consolidated Financial Statements were complied with was performed in compliance with laws in force and *"Rules of conduct for the Board of Statutory Auditors — Principles for the conduct of the Board of Statutory Auditors of non-listed companies"*, issued by the National Board of Chartered Accountants and Bookkeepers.

The Financial Statements are accompanied by Notes which analyse and comment on the variations to single items in the Statement of financial position and the Income statement. A specific table contains the reconciliation between the income and shareholders' equity of the Parent Company Financial Statements with the corresponding values of the Consolidated Financial Statements.

The General Manager and the Manager-in-charge of drafting corporate accounts have issued the certification pursuant to Art.154-bis of Legislative Decree 58/98 in relation to the Consolidated Financial Statements 2017, also stating that the Directors' Report includes a reliable analysis of performance and earnings, and of the situation of the issuer and the Group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

PricewaterhouseCoopers S.p.A. (PWC), independent auditor appointed to check the compliance of the Consolidated Financial Statements with laws in force and correspondence with results in the accounts and the consolidation, issued its Report on 11 June 2018 pursuant to Art. 14 of Legislative Decree 39/2010 and Art. 10 of (EU) Regulation 537/2014. In the opinion of PWC, the Consolidated Financial Statements as at 31 December 2017 provide a true, accurate picture of the financial position of the Rai Group, the earnings and cash flows for the financial year closed as at that date in compliance with the IFRS adopted.

Furthermore, still in the opinion of PWC, the Directors' Report and some specific information in the Report on Corporate Governance and Ownership Structures are consistent with the Consolidated Financial Statements of the Rai Group as at 31 December 2017 and are drafted pursuant to laws in force.

The Auditor's Report on the Consolidated Financial Statements also contains a specific assessment of the key aspects of the audit and related auditing procedures in response to those key aspects. Furthermore, PWC identified and assessed the risks of significant errors in the Consolidated Financial

Statements, assessed the appropriateness of accounting standards used and the use by directors of the going-concern assumption. It also assessed the presentation, structure and contents of the Consolidated Financial Statements as a whole, including the disclosures, whilst guaranteeing due communications to the heads of governance functions.

PWC also certified that the opinion on the Consolidated Financial Statements expressed in its Report is consistent with what is indicated in the additional Report for the Board of Statutory Auditors in its function as Committee for internal control and auditing.

The Consolidated Financial Statements of the Rai Group as at 31 December 2017 close with a profit of €14.3 million (against a profit of €18.1 million in 2016).

To the extent of its remit and in light of the above, the Board of Statutory Auditors is of the opinion that the Consolidated Financial Statements of the Rai Group as at 31 December 2017 and the Directors' Report were drawn up pursuant to established requirements.

Rome, 11 June 2018

The Board of Statutory Auditors

Mr Biagio Mazzotta (Chairman)

Ms Anna Maria Magro

Mr Roberto De Martino

Independent Auditors' Report



Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the Shareholders of
RAI – Radiotelevisione italiana SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the RAI Group (the “Group” or “RAI Group”), which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of RAI – Radiotelevisione italiana SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters
Evaluation of the recoverability of investments in programmes

“Valuation criteria” paragraph “Impairment of non-financial assets” and Note 12.3 “Intangible assets” of the consolidated financial statements as at 31 December 2017

The item “Intangible assets” of the consolidated financial statements of the RAI Group at 31 December 2017 includes programmes totalling Euro 911.4 million (of which Euro 269.9 million as intangible assets under development), which account for 96 per cent of the consolidated intangible assets.

Starting from the moment programmes are declared to be ready for use or from the date of efficacy of related rights, if acquired, they are systematically amortised on a straight-line basis over the assets’ maximum useful life of 7 years. Such duration represents an estimate of the correlation between revenue from advertising and revenue from TV licence fees.

The identification of impairment indicators, if any, of investments in programmes is considered as a key matter of the audit strategy, given the significance of this consolidated financial statement item, its direct correlation with the Group business, as well as the degree of complexity characterising the estimates made by management.

Auditing procedures performed in response to key audit matters

As part of our audit we mainly performed the following procedures aimed at verifying the evaluations made by the Group with reference to investments in programmes:

- i) discussions with the contact persons of the RAI Group regarding the existence of any impairment indicators;
- ii) analysis and understanding of the system of internal control over the programme cycle; identification and validation of the operation and efficacy of the relevant controls under this process;
- iii) comparative analysis and examination by discussions with the corporate functions about the most significant differences compared with the previous year values and the review of documents, on a sample basis, regarding the increases and decreases in the item “programmes”;
- iv) review, on a sample basis, of the useful life estimated by the Group companies based on the previous years’ evidence and the actual possibility of use and, in the circumstances, the possibility to re-broadcast programmes in the future, as well as checking, on a sample basis, the accurate and consistent determination of the amortisation quotas charged to the income statement;
- v) analysis of the reasonableness of the provision for programme write-down and analysis of any impairment indicators.

Finally, our checks also included the analysis of the notes to the consolidated financial statements in order to verify the accuracy and completeness of the disclosures therein.



Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate RAI – Radiotelevisione italiana SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;



- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

On 10 March 2016, the shareholders of RAI – Radiotelevisione italiana SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2015 to 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.



We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of RAI – Radiotelevisione italiana SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the RAI Group as of 31 December 2017, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the RAI Group as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the RAI Group as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of RAI – Radiotelevisione italiana SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.



Rome, 11 June 2018

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 - Radiotelevisione Italiana SpA

Parent Company

Company name: Rai - Radiotelevisione italiana SpA
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