Interim consolidated financial statements as at **30 June 2019**

Contents

Financial Statements of the Rai Group

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/million)	Note	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Property, plant and equipment	8.1	1,057.2	1,073.1
Real estate investments	8.2	3.0	4.4
Lease rights of use	8.3	79.7	-
Intangible assets	8.4	930.1	919.5
Equity investments	8.5	6.8	6.7
Non-current financial assets	8.6	3.6	3.1
Deferred tax assets	8.7	-	-
Other non-current assets	8.8	27.1	50.2
Total non-current assets		**2,107.5**	**2,057.0**
Inventory	9.1	2.3	2.3
Trade receivables	9.2	442.6	373.3
Current financial assets	9.3	8.9	6.5
Current income tax receivables	9.4	19.5	19.0
Other current receivables and assets	9.5	180.5	121.9
Cash and cash equivalents	9.6	226.8	92.2
Total current assets		**880.6**	**615.2**
Non-current assets held for sale	10.0	1.3	-
Total assets		**2,989.4**	**2,672.2**
Share capital		242.5	242.5
Reserves		164.1	197.2
Retained earnings (losses)		(54.3)	(50.3)
Total Group shareholders' equity		**352.3**	**389.4**
Third party capital and reserves		42.6	42.5
Retained earnings (losses) attributable to minority interests carried forward		11.2	21.1
Total shareholders' equity attributable to minority interests		**53.8**	**63.6**
Total shareholders' equity	**11**	**406.1**	**453.0**
Non-current financial liabilities	12.1	27.4	369.2
Non-current lease liabilities	12.2	56.3	-
Employee benefits	12.3	445.6	434.9
Provisions for non-current risks and charges	12.4	173.7	181.5
Deferred tax liabilities	12.5	41.4	23.5
Other non-current payables and liabilities	12.6	0.9	1.6
Total non-current liabilities		**745.3**	**1,010.7**
Trade payables	13.1	696.9	706.0
Provisions for current risks and charges		0.2	0.3
Current financial liabilities	13.2	360.6	16.0
Current lease liabilities	12.2	30.5	-
Current income tax payables	13.3	17.2	31.0
Other current payables and liabilities	13.1	732.6	455.2
Total current liabilities		**1,838.0**	**1,208.5**
Total liabilities		**2,583.3**	**2,219.2**
Total shareholders' equity and liabilities		**2,989.4**	**2,672.2**

CONSOLIDATED INCOME STATEMENT

(€/million)	Note	Half year ended	
		30 June 2019	30 June 2018
Revenue from sales and services	14.1	1,360.8	1,303.6
Other revenue and income	14.2	5.1	6.3
Total revenue		**1,365.9**	**1,309.9**
Costs for the purchase of consumables	14.3	(6.6)	(6.8)
Costs for services	14.3	(527.9)	(492.6)
Other costs	14.3	(25.5)	(26.4)
HR expenses	14.4	(521.1)	(519.4)
Impairment of financial assets	14.5	(1.1)	0.3
Depreciation, amortisation and write-downs	14.6	(270.3)	(266.1)
Provisions	14.7	0.8	(1.9)
Total costs		**(1,351.7)**	**(1,312.9)**
EBIT		**14.2**	**(3.0)**
Financial income	14.8	0.8	0.8
Financial expenses	14.8	(7.9)	(8.4)
Earnings from equity investments recognised under equity method	14.9	0.4	0.2
Pre-tax profit/(loss)		**7.5**	**(10.4)**
Income tax	14.10	(4.2)	5.5
Profit/(loss) for the period		**3.3**	**(4.9)**

of which attributable:		
- to the Group	(8.1)	(15.7)
- to minority interests	11.4	10.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€/million)	Half year ended	
	30 June 2019	30 June 2018
Profit/(loss) for the period	**3.3**	**(4.9)**
Items that can be reclassified to the income statement:		
Profit/(loss) on cash flow hedge	(12.1)	(1.8)
Conversion of balances with currency that is not the Euro	-	-
Tax effect	-	0.2
Total	**(12.1)**	**(1.6)**
Items that cannot be reclassified to the income statement:		
Recalculation of defined-benefit plans	(17.3)	1.3
Tax effect	0.1	-
Total	**(17.2)**	**1.3**
Total profit (loss) for the year	**(26.0)**	**(5.2)**

of which attributable:		
- to the Group	(37.1)	(16.1)
- to minority interests	11.1	10.9

CONSOLIDATED CASH FLOW STATEMENT

(€/million)	Note	Half year ended	
		30 June 2019	30 June 2018
Profit (loss) before tax		**7.5**	**(10.4)**
Adjustments for:			
Depreciation, amortisation and write-downs	14.5 - 14.6	271.4	265.8
Provisions and (issues) to personnel provisions and other provisions	14.7	27.2	35.8
Net financial charges (income)	14.8	7.1	7.6
Earnings from equity investments recognised under equity method	14.9	(0.4)	(0.2)
Other non-monetary items		-	0.1
Cash flow generated by operating activities before changes in net working capital		**312.8**	**298.7**
Change in inventory	9.1	-	0.1
Change in trade receivables	9.2	(70.4)	28.5
Change in trade payables	13.1	(9.1)	22.2
Change in other assets/liabilities		242.1	278.3
Use of provision for risks	12.4	(13.2)	(24.0)
Payment of employee benefits	12.3	(31.1)	(34.8)
Taxes paid		-	(0.3)
Net cash flow generated by operating activities		**431.1**	**568.7**
Investments in property, plant and equipment and real estate investments	8.1 - 8.2	(33.0)	(33.3)
Disposal of property, plant and equipment and real estate investments	8.1 - 8.2	-	-
Investments in intangible assets	8.4	(222.0)	(211.6)
Disposal of intangible assets	8.4	1.3	-
Equity investments	8.5	-	-
Dividends collected		0.1	0.1
Interest collected		0.1	0.1
Change in financial assets	8.6 - 9.3	(2.1)	(1.4)
Net cash flow generated by investment activity		**(255.6)**	**(246.1)**
Long-term loans taken out	12.1	-	-
Long-term loan redemptions	12.1	(5.1)	(20.1)
Repayment of lease liabilities	12.2	(10.2)	-
(Decrease)/Increase in short-term borrowings and other loans	13.2	1.2	0.1
Interest paid [1]		(5.9)	(6.1)
Dividends distributed		(20.9)	(19.3)
Net cash flow generated by financial activities		**(40.9)**	**(45.4)**
Change in cash and cash equivalents		**134.6**	**277.2**
Cash and cash equivalents at the beginning of the year	9.6	92.2	228.0
Cash and cash equivalents at the end of the period	**9.6**	**226.8**	**505.2**

[1] referring to financial assets/liabilities

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(€/million)	Share capital	Legal reserve	Other reserves	Retained earnings (losses)	Group shareholders' equity	Non-controlling interests	Total shareholders' equity (Note 11)
Balances as at 1 January 2018	**242.5**	**11.8**	**197.0**	**(34.8)**	**416.5**	**61.7**	**478.2**
Allocation of profit	**-**	**0.2**	**(5.6)**	**5.4**	**-**	**-**	**-**
Distribution of dividends	-	-	-	-	-	(19.3)	(19.3)
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**(19.3)**	**(19.3)**
Profit/(loss) for the period	-	-	-	(15.7)	(15.7)	10.8	(4.9)
Statement of comprehensive income components	-	-	(1.7)	1.3	(0.4)	0.1	(0.3)
Total profit/(loss) for the period	**-**	**-**	**(1.7)**	**(14.4)**	**(16.1)**	**10.9**	**(5.2)**
Balances as at 30 June 2018	**242.5**	**12.0**	**189.7**	**(43.8)**	**400.4**	**53.3**	**453.7**
Balances as at 1 January 2019	**242.5**	**12.0**	**185.2**	**(50.3)**	**389.4**	**63.6**	**453.0**
Allocation of profit	**-**	**-**	**(21.0)**	**21.0**	**-**	**-**	**-**
Distribution of dividends	-	-	-	-	-	(20.9)	(20.9)
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**(20.9)**	**(20.9)**
Profit/(loss) for the period	-	-	-	(8.1)	(8.1)	11.4	3.3
Statement of comprehensive income components	-	-	(12.1)	(16.9)	(29.0)	(0.3)	(29.3)
Total profit/(loss) for the period	**-**	**-**	**(12.1)**	**(25.0)**	**(37.1)**	**11.1**	**(26.0)**
Balances as at 30 June 2019	**242.5**	**12.0**	**152.1**	**(54.3)**	**352.3**	**53.8**	**406.1**

Notes to the Interim Consolidated Financial Statements as at 30 June 2019

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, organised according to Italian law.

The Company and its subsidiaries (jointly the "Group") operate in Italy in the role of general radio and television public service. 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 established as the concessionaire of the radio, television and multimedia Public Service on an exclusive basis for a decade, starting from 30 April 2017.

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 Agreement (hereinafter the "Agreement") drawn up with the Ministry of Economic Development for the period 2018-2022, published in the Official Gazette on 7 March 2018.

The Agreement 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 held by:
- the Ministry of Economy and Finance (99.5583%)
- SIAE Società Italiana Autori Editori (0.4417%)

The review of the interim Consolidated Financial Statements (hereinafter the "Consolidated Financial Statements") as at 30 June 2019 is conducted by 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 as a Public Interest Entity.

2 Criteria for the preparation, measurement and use of estimates

The Consolidated Financial Statements have been prepared in accordance with the provisions of IAS 34 - Interim Financial Reporting, which is part of the *International Financial Reporting Standards* ("IFRS").
Regarding the criteria for the preparation, measurement and use of estimates adopted for the preparation of the Consolidated Financial Statements, kindly refer to the specific paragraphs in the explanatory notes to the Consolidated Financial Statements in the Reports and Financial Statements at 31 December 2018, which are unchanged, except those related to the entry into force of IFRS 16 "Leases" on 1 January 2019, (hereinafter, "IFRS 16"), the effects of which are set out in Note 3 "Effects of the first-time adoption of IFRS 16" below.
With regard to the IFRSs that are endorsed but not yet applicable or which have been not yet approved by the European Union, reference should be made to the specific paragraph in the explanatory notes to the Consolidated Financial Statements of the Report and Financial Statements at 31 December 2018. In addition, the following standards were approved in the first half of 2019:
- "*Long-term interests in associates and joint ventures (Amendments to IAS 28)*" was endorsed with regulation no. 2019/237, issued by the European Commission on 8 February 2019. The amendments are intended to clarify that the impairment requirements of IFRS 9 "*Financial Instruments*" apply to long-term interests in associates and joint ventures.
  These amendments are effective starting from the years beginning on or after 1 January 2019.
- Regulation no. 2019/402, issued by the European Commission on 13 March 2019, approved the document "*Plan amendment, curtailment or settlement (Amendments to IAS 19)*". The amendments specify that when an entity recalculates its net liabilities (assets) for defined benefit plans after a plan amendment, curtailment or settlement, it must use the updated actuarial assumption to calculate the cost of the current service and the net interest for the remaining part of the annual reference period.
  These amendments are effective starting from the years beginning on or after 1 January 2019.
- Regulation no. 2019/412, issued by the European Commission on 14 March 2019, approved the document "*Annual Improvement to IFRS standards 2015-2017*". The amendments it contains are:
  - IFRS 3 "*Business combinations*": when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

- IFRS 11 "*Joint Arrangements*": when an entity obtains joint control of a business that is a joint operation, it must not remeasure the interests previously held in that joint operation.
- IAS 12 "*Income Tax*": an entity must recognise all income tax consequences of dividends in profit or loss when the entity recognises the liability relative to the dividend to be paid. An entity must recognise all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.
- IAS 23 "*Borrowing Costs*": when an entity borrows generally and uses these funds to obtain an asset eligible for capitalisation, the entity must determine the amount of the financial expenses eligible for capitalisation by applying a capitalisation rate to the costs incurred for that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period.
  These amendments are effective starting from the years beginning on or after 1 January 2019.

The above changes had no impact on the Consolidated Financial Statements.

3 Effects arising from the first-time adoption of accounting standard IFRS 16

IFRS 16 establishes that all leases, established as contracts attributing a right to use an identified or identifiable asset, for a certain period of time in exchange for a fee, be recognised in the financial statements of the lessee by recognising a liability in the statement of financial position, represented by the current value of future instalments, calculated using the implicit lease interest rate or the incremental borrowing rate of the lessee if the lease's implicit interest rate is not readily available, with contextual recognition in assets of the corresponding "right-of-use", amortised on a straight line basis throughout the duration of the lease.
Therefore, the lessee will recognise amortisation for the right of use and interest accrued on the liability in the income statement, in place of the operating lease instalments recognised in costs for services based on IAS 17 which was in force until 2018.
In the cash flow statement, the payment of instalments repaying the aforementioned liability will be presented in cash flows from financing therefore, referring to leases classified as operating leases in compliance with IAS 17; application of IFRS 16 will imply a change to the net operating cash flow and the net cash flow from financing. IFRS 16 therefore exceeds, in the lessee's statement, the previous distinction between operating and financial leases. However, in the lessor's statement, both the distinction between operating and financial lease is maintained as is the accounting established in IAS 17.

The analysis carried out by the Group highlighted inclusion, applying the standard, of the following contract types:
- property leases;
- car rentals;
- office equipment rental.

Upon first-time adoption of accounting standard IFRS 16, the Group opted:
- to adopt the "simplified retrospective approach" allowed by the standard for leases previously classified as operating leases, recognising the lease payable and the corresponding right of use value measured on the remaining contractual instalments at the switch-over date and discounted based on the incremental borrowing rate applicable to the Group as at 1 January 2019, i.e. the interest rate the Group would have paid to implement a loan transaction with a similar cash profile and the same collateral guarantees as the lease being measured (the Incremental Borrowing Rate);
- to continue to recognise as an expense the payments due for short-term leases (of less than 12 months' duration) and for leases where *the underlying asset* is of modest value;
- not to re-examine each lease in force as at 1 January 2019, applying IFRS 16 solely to contracts previously identified as leases (pursuant to IAS 17 and IFRIC 4);
- to check recoverability of right of use assets as at 1 January 2019 based on the measurement made for the Consolidated Financial Statements as at 31 December 2018, based on the cost of the leases in compliance with provisions in IAS 37;
- not to group leases with a residual duration as at 1 January 2019 of less than 12 months with short term leases in the transitional stage.

To highlight the effects deriving from the application of the new standard, the statement of financial position has been modified with the introduction of the following items:

- "lease rights of use", among non-current assets;
- "lease liabilities" allocated to current and non-current liabilities in relation to the timing of the maturity of the liabilities (within and beyond 12 months, respectively).

The main impacts on the Consolidated Financial Statements can be summed up as follows:
- consolidated statement of financial position: greater non-current assets for recognition of "lease rights of use" of €85.8 million as at 1 January 2019 and "lease liabilities" of €85.4 million as at 1 January 2019. The difference between the two values is caused by advances paid in 2018 for contractual instalments straddling the two years;
- consolidated income statement: different type, quantification, qualification and classification of costs (amortisation of the "lease rights of use" under "amortisation and other write-downs" and "interest expense for leases" under "financial expenses" compared to the previous classification of costs for leases and rentals under "costs for services") with a positive impact on gross operating profitability. Furthermore, the combination between straight line amortisation of lease rights of use and the effective interest rate method applied to lease payables imply higher expenses in the income statement in the initial years of a lease and decreasing expenses in the last years of the lease, compared to IAS 17.

The effects on the consolidated statement of financial position as at 1 January 2019 of applying the accounting standard can be found in the following table:

(€/milion)	31 December 2018	IFRS 16	**1 January 2019**
Property, plant and equipment	1,073.1		1,073.1
Real estate investments	4.4		4.4
Lease rights of use	-	85.8	85.8
Intangible assets	919.5		919.5
Equity investments	6.7		6.7
Non-current financial assets	3.1		3.1
Deferred tax assets	-	-	-
Other non-current assets	50.2		50.2
Total non-current assets	**2,057.0**	**85.8**	**2,142.8**
Inventory	2.3		2.3
Trade receivables	373.3		373.3
Current financial assets	6.5		6.5
Current income tax receivables	19.0		19.0
Other current receivables and assets	121.9	(0.4)	121.5
Cash and cash equivalents	92.2		92.2
Total current assets	**615.2**	**(0.4)**	**614.8**
Total assets	**2,672.2**	**85.4**	**2,757.6**
Share capital	242.5		242.5
Reserves	197.2		197.2
Retained earnings (losses)	(50.3)	-	(50.3)
Total Group shareholders' equity	**389.4**	**-**	**389.4**
Third party capital and reserves	42.5		42.5
Retained earnings (losses)	21.1	-	21.1
Total shareholders' equity attributable to minority interests	**63.6**	**-**	**63.6**
Total shareholders' equity	**453.0**	**-**	**453.0**
Non-current financial liabilities	369.2		369.2
Non-current financial liabilities for leases	-	62.6	62.6
Employee benefits	434.9		434.9
Provisions for non-current risks and charges	181.5		181.5
Deferred tax liabilities	23.5		23.5
Other non-current payables and liabilities	1.6		1.6
Total non-current liabilities	**1,010.7**	**62.6**	**1,073.3**
Trade payables	706.0		706.0
Current provisions for risks and charges	0.3		0.3
Current financial liabilities	16.0		16.0
Liabilities for current leases	-	22.8	22.8
Current income tax payables	31.0		31.0
Other current payables and liabilities	455.2		455.2
Total current liabilities	**1,208.5**	**22.8**	**1,231.3**
Total liabilities	**2,219.2**	**85.4**	**2,304.6**
Total shareholders' equity and liabilities	**2,672.2**	**85.4**	**2,757.6**

4 Principles of consolidation

The Consolidated Financial Statements were prepared using the interim financial statements as at 30 June 2019 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.

Regarding the consolidation principles used for the preparation of the Consolidated Financial Statements, please refer to the specific paragraphs in the Notes to the Consolidated Financial Statements of the Reports and Financial Statements as at 31 December 2018.

The companies included in the consolidation as at 30 June 2019 are unchanged from 31 December 2018. They are listed in Note 18 “Appendix”.

5 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 SpA (hereinafter “Rai Way”) which, following listing, adopted its own policy which is however similar to Rai’s. 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.

5.1 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.

When managing market risk, the Group uses the following derivative instruments:
- Interest rate swap to hedge exposure to interest rate risk;
- Forward currency purchase options to hedge exposure to the exchange risk.

Details of derivatives outstanding as at 30 June 2019 are provided in the table below:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Current assets		
Options on currencies	0.2	0.3
Forward purchases of currency	0.5	0.3
	0.7	**0.6**
Non-current liabilities		
Interest rate swaps	17.1	5.1
	17.1	**5.1**

Based on the policies adopted, derivatives may be used solely to hedge financial flows; use for speculative purposes is not permitted.

Further information on the fair value measurement of derivative instruments is provided in Note 7 “Fair value measurement”.

The change in the spot forward purchase component (that is the change in spot exchange rates) and to exchange rate options are suspended, at the financial statement date, in the cash flow hedge reserve until recognition of the right or asset being hedged. The component linked to the time of forward purchase is registered in the income statement during the hedging duration.

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 policies require 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 and options on rates.

As at 30 June 2019, the medium/long-term borrowings of the Parent Company are all at fixed rates; therefore, the effects of the change in rates affect only the short-term positions of a varying duration and sign during the year.

The Parent Company has four Interest Rate Swap Forward Start contracts for a total nominal amount of €350 million with start date May 2020 and validity for the following 5 years, to hedge the risk of an increase in interest rates when the debenture bond issued expires and the resulting need to refinance.

The effectiveness of the hedge has been verified with reference to a hypothetical derivative with the same characteristics in terms of notional amount, maturity and reference rate, in consideration of the presumed characteristics of the bond that will be issued within the maturity period of the current one. The fair value of these transactions at 30 June 2019 was suspended in a specific cash flow hedge reserve, with an effect on the overall result for the period.

Hereunder is a table summing up the financial effects of hedging instruments in place as at 30 June 2019:

(€/million)	**Half-year ended 30 June 2019 Interest rate swap**	Year ended 31 December 2018 Interest rate swap
Book value	(17.1)	(5.1)
Notional amount	350.0	350.0
Starting date IRS forward	May-20	May-20
Change in fair value of the hedging instruments	(12.0)	(6.3)
Change in value of the hedged item	12.0	6.3
Fixed average rate at maturity	0.8855%	0.8855%

Sensitivity analysis

The sensitivity analysis was conducted on unhedged financial positions, consisting solely of short-term items and on Rai's Interest Rate Swap Forward Start contracts, considering a shift in the curve of +/- 50 bps. In the event of an increase, as at 30 June 2019 and 31 December 2018, there would be higher net gains on short-term positions (of approximately €1.0 million and €0.5 million respectively) and a positive change in the cash flow hedge reserve (of approximately €9.0 million and €8.0 million respectively) originating from hedging derivatives. Similar, albeit opposing, effects would occur if the rates were reduced.

Exchange rate risk

The Group's exchange risk mainly consists of exposure in USD originating from the purchase of film and TV rights by Rai Cinema SpA (hereinafter "Rai Cinema"). In the first half of 2019, these commitments generated payments of about USD 81 million (USD 92 million in 2018). Further exposure currencies, with split disbursements and of a modest amount all in all, are to the Swiss Franc and British Sterling totalling about €3 million.

As at 30 June 2019 hedging transactions referred only to Rai Cinema.

Exchange rate risk is managed starting from the date the trade commitment is signed, which may also be 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 in force governs exchange risk management in keeping with international best practices, for minimisation of risk. This is pursued through the active monitoring of exposure and 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.

Here below is a table summing up the financial effects of hedging instruments in place as at 30 June 2019, for invoices, assessments or binding commitments of Rai Cinema:

(€/million)	**Half-year ended 30 June 2019**		Year ended 31 December 2018	
	Options on currencies	Forward purchases of currency	Options on currencies	Forward purchases of currency
Book value	0.2	0.5	0.3	0.3
Notional amount in USD	12.3	14.7	8.5	12.7
Maturity of transactions	Sep 19-Dec 20	Aug 19-Dec 20	Mar 19-Dec 19	Apr 19-Dec 19
Change in fair value of the hedging instruments (*)	0.2	0.2	0.2	0.2
Change in value of the hedged item	(0.2)	(0.2)	(0.2)	(0.2)
Average weighted exchange rate for the year	1.16	1.19	1.19	1.21

(*) Intrinsic value for options on currencies and the spot component for forward purchases.

Sensitivity analysis

As explained above, exposure to the exchange rate risk is significant only for the EUR/USD exchange rate. Therefore, sensitivity was analysed on 30 June 2019 and 31 December 2018 on credit and debt positions in currency, non-hedged credit and debt positions, derivatives hedging commitments for contracts already signed and 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 are determined by the net positions which are hedged for exchange risk; whereas the cash flow hedge reserve includes the effective portion of hedging on commitments already undertaken but with no impact on equity in the Consolidated Financial Statements, and refers solely to the subsidiary Rai Cinema.

In particular, as at 30 June 2019, a 10% depreciation of the Euro had a negative economic effect on the net unhedged debt position of approximately €1.0 million (€0.2 million as at 31 December 2018), while an appreciation of the Euro of the same amount resulted in lower charges of approximately €0.8 million (€-0.2 million as at 31 December 2018).

As at 31 December 2018, the cash flow hedge reserve at 30 June 2019 increased by €1.9 million due to a 10% change in the exchange rate, as a result of the higher value of the hedges; in the event of an appreciation of the Euro of the same size, it instead decreased by about €1.4 million.

5.2 Credit risk

The theoretical exposure to the 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 functions of the single companies in charge of debt collection start with polite reminders 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 functions start in agreement with the respective legal functions (warning letter, injunction, etc.) actions to collect the credit after sending formal dunning letters to debtors. The allocations to the provision for write-downs are made specifically on the credit positions having peculiar risk elements.

Moreover, the Group measures the expected losses on trade receivables considering their entire duration based on a weighted estimate of the probabilities that those losses could occur. To this end, the Group uses historical experience, suitably integrated with forecasts on the expected evolution of circumstances. If the conditions exist, losses are measured as the current value of all differences between the cash flows due contractually and cash flows the Group expects to receive discounted at the effective interest rate of the financial asset.

Credit risk on uses of funds is limited since the corporate policy requires the use of low risk financial instruments and with counterparties having high ratings for the periods of cash surplus. In the first half of 2019 and throughout 2018, only time or demand deposits with bank counterparties having investment grade rating were used.

5.3 Liquidity risk

Rai manages the Group's financial resources (with the sole exception of the subsidiary Rai Way which has its own resources) on the basis of a centralised treasury agreement 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.

As regards the medium/long-term, the financial structure of the Group consists of a bond issue with maturity date in May 2020 of €350 million (please refer to Note 13.2 "Current financial liabilities") and an amortising loan from the European Investment Bank (hereinafter "EIB") for the project to implement terrestrial digital technology worth €20 million, falling due in 2021, both in favour of Rai.

In view of the significant fluctuation in interim debt, related to the periodic payment of fees by the Ministry of the Economy and Finance, the Parent Company has uncommitted lines of credit of approximately €420 million and a revolving line with a pool of banks renegotiated during the half year to increase the amount from €270 million to €320 million and extend its maturity to December 2023.

The new revolving line, unused as at 30 June 2019, requires that the following Consolidated Financial Statements parametric/equity ratio (to be calculated upon closing of the annual financial statements) be met:

- net financial debt (adjusted for receivables from the State for subscription fees, financial items relating to Rai Way and liabilities resulting from application of IFRS 16 for operating leases) / net equity ≤2.00.

Rai Way has its own revolving line of €50 million not used as at 30 June 2019, maturing in September 2019.

The cash situation is constantly monitored with a financial forecasting process that highlights any financial critical issues considerably in advance so that expedient measures can be taken.

6 Management of capital risk

The Group capital management objectives are inspired by preservation of the ability to continue guaranteeing optimum capital strength, including 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 a profit 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 including the Shareholders' Equity is indicated in the following table:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Shareholders' equity	406.1	453.0
Total shareholders' equity and liabilities	2,989.4	2,672.2
Ratio	13.6%	17.0%

The net financial position of the Group for the periods under review is shown in Note 18.2 "Consolidated net financial position".

7 Fair value measurement

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 Government. The fair value of the derivative instruments represents the net position between assets and liabilities. For more information on the derivative instruments (assets and liabilities), please refer to Notes no. 9.3 "Current financial assets" and 13.2 "Current financial liabilities".
All the instruments present at 30 June 2019 and 31 December 2018 have been valued according to the Level 2 methodology: 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.) other than the Level 1 prices listed.

8 Non-current assets

8.1 Property, plant and equipment

Property, plant and equipment, which amounted to €1,057.2 million (€1,073.1 million as at 31 December 2018), 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
Cost	383.4	602.1	2,168.1	100.4	125.3	70.9	3,450.2
Accumulated depreciation	-	(276.0)	(1,908.9)	(90.8)	(101.4)	-	(2,377.1)
Balance as at 31 December 2018	**383.4**	**326.1**	**259.2**	**9.6**	**23.9**	**70.9**	**1,073.1**
Increases and capitalisation	-	1.7	5.7	0.3	0.9	24.4	33.0
Disposals [1]	-	-	-	-	-	-	-
Reclassifications [2]	-	3.5	15.6	0.6	1.9	(21.6)	-
Depreciation	-	(8.5)	(35.9)	(1.5)	(3.0)	-	(48.9)
Balance at 30 June 2019	**383.4**	**322.8**	**244.6**	**9.0**	**23.7**	**73.7**	**1,057.2**
broken down as follows:							
Cost	383.4	607.3	2,183.7	99.9	127.6	73.7	3,475.6
Accumulated depreciation	-	(284.5)	(1,939.1)	(90.9)	(103.9)	-	(2,418.4)
[1] of which:							
Cost	-	-	(5.5)	(1.4)	(0.7)	-	(7.6)
Accumulated depreciation	-	-	5.5	1.4	0.7	-	7.6
	-	**-**	**-**	**-**	**-**	**-**	**-**
[2] of which:							
Cost	-	-	(0.2)	-	0.2	-	-
Accumulated depreciation	-	-	0.2	-	(0.2)	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**

Investments in the period, which amounted to €33.0 million (€103.8 million in 2018), fall within the scope of the modernisation and technological development initiatives that the Group initiated.

The amount of the existing contractual commitments for the purchase of property, plant and equipment is specified in Note 15.2 “Commitments”.

8.2 Real estate investments

Real estate investments amount to €3.0 million (€4.4 million as at 31 December 2018) and concern some property, owned by Rai Pubblicità SpA (hereinafter "Rai Pubblicità"), leased to third parties, for which rent totalling €0.9 million was received in the first half of 2019, unchanged compared to the first half of 2018.

Following the Board of Directors' resolution of 20 June 2019, on 11 July 2019 Rai Pubblicità stipulated the pre-sale contract for the property located in Naples and collected the agreed amount as a deposit and down payment. The residual book value of the property has therefore been reclassified to non-current assets held for sale.

The final deed of sale is expected to be signed by mid-October.

Real estate investments break down as follows:

(€/million)	Buildings
Cost	13.6
Accumulated depreciation	(9.2)
Balance as at 31 December 2018	**4.4**
Reclassifications [1]	(1.3)
Depreciation	(0.1)
Balance at 30 June 2019	**3.0**
broken down as follows:	
Cost	7.1
Accumulated depreciation	(4.1)
[1] Reclassification to non-current assets held for sale, of which:	
Cost	(6.5)
Accumulated depreciation	5.2
	(1.3)

8.3 Lease rights of use

In accordance with IFRS 16, the newly introduced lease rights of use totalled €79.7 million, as follows:

(€/million)	Buildings	Other assets	Total
Balance as at 31 December 2018	**-**	**-**	**-**
First-time adoption of IFRS 16	79.1	6.7	85.8
Increases	4.6	1.4	6.0
Amortisation	(10.3)	(1.8)	(12.1)
Balance at 30 June 2019	**73.4**	**6.3**	**79.7**
broken down as follows:			
Cost	83.7	8.1	91.8
Accumulated amortisation	(10.3)	(1.8)	(12.1)

Investments during the period, amounting to €6.0 million, refer to property rental contracts or contracts for the rental of vehicles that entered into effect during the period.

No income was recorded from the subleasing of assets that led to the recognition of a right of use in the first half of 2019.

8.4 Intangible assets

Intangible assets, which amounted to €930.1 million (€919.5 million as at 31 December 2018), are broken down as follows:

(€/million)	Programmes	Software	Trademarks	Goodwill	Other intangible assets	Assets under development and payments on account	Total
Cost	1,415.2	29.0	0.1	5.0	3.5	297.3	1,750.1
Provision for write-downs	(68.7)	-	-	-	-	(30.7)	(99.4)
Accumulated amortisation	(717.0)	(13.6)	(0.1)	-	(0.5)	-	(731.2)
Balance at 31 December 2018 [1]	**629.5**	**15.4**	**-**	**5.0**	**3.0**	**266.6**	**919.5**
Increases and capitalisation	172.3	0.3	-	-	-	49.4	222.0
Disposals [2]	-	-	-	-	-	(1.3)	(1.3)
Reclassifications [3]	82.2	3.4	-	-	-	(85.6)	-
Write-downs and eliminations [4]	(9.0)	-	-	-	-	(1.2)	(10.2)
Amortisation [5]	(195.3)	(4.4)	-	-	(0.2)	-	(199.9)
Balance at 30 June 2019	**679.7**	**14.7**	**-**	**5.0**	**2.8**	**227.9**	**930.1**
broken down as follows:							
Cost	1,669.9	32.7	0.1	5.0	3.5	258.4	1,969.6
Provision for write-downs	(53.9)	-	-	-	-	(30.5)	(84.4)
Accumulated amortisation	(936.3)	(18.0)	(0.1)	-	(0.7)	-	(955.1)
[1] amounts net of assets amortised in the previous year and, for assets under development, net of assets eliminated, amounting to:							
Cost	(453.4)	(6.2)	-	-	(0.4)	(2.8)	(462.8)
Provision for write-downs	-	-	-	-	-	2.8	2.8
Accumulated amortisation	453.4	6.2	-	-	0.4	-	460.0
	-	**-**	**-**	**-**	**-**	**-**	**-**
[2] of which:							
Cost	-	-	-	-	-	(1.3)	(1.3)
	-	**-**	**-**	**-**	**-**	**(1.3)**	**(1.3)**
[3] of which:							
Cost	82.4	3.4	-	-	-	(85.8)	-
Provision for write-downs	(0.2)	-	-	-	-	0.2	-
	82.2	**3.4**	**-**	**-**	**-**	**(85.6)**	**-**
[4] of which:							
Cost	-	-	-	-	-	(1.2)	(1.2)
Provision for write-downs	(9.0)	-	-	-	-	-	(9.0)
	(9.0)	**-**	**-**	**-**	**-**	**(1.2)**	**(10.2)**
[5] net of use of the provision for write-downs for:							
Provision for write-downs	24.0	-	-	-	-	-	24.0
Accumulated amortisation	(24.0)	-	-	-	-	-	(24.0)
	-	**-**	**-**	**-**	**-**	**-**	**-**

Investments in the period, which amounted to €222.0 million (€447.4 million as at 31 December 2018) mainly refer to TV series in the amount of €177.9 million and films in the amount of €36.6 million.

The amount of assets under development and payments on account refers to programmes totalling €215.8 million, software totalling €10.9 million and other rights totalling €1.2 million.

The write-downs recognised during the period amounted to €10.2 million and were performed 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 15.2 “Commitments”.

8.5 Equity investments

Equity investments measured using the equity method and investments in other companies, of €5.9 million (€5.8 million as at 31 December 2018) and €0.9 million (€0.9 million as at 31 December 2018), break down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Joint ventures	4.6	4.5
Associates	1.3	1.3
Total equity investments measured using the equity method	**5.9**	**5.8**
Equity investments in other companies	0.9	0.9
Total equity investments	**6.8**	**6.7**

Here below are the movements of investments measured using the equity method:

(€/million)	Year ended 31 December 2018			Movements in the period			**Half-year ended 30 June 2019**		
	Cost	Adjustment to Shareholders' Equity	Financial statement value	Acquisitions	Profit/(loss)	Dividends	**Cost**	**Adjustment to Shareholders' Equity**	**Financial statement value**
Joint ventures:									
San Marino RTV SpA	0.3	1.8	2.1	-	(0.1)	-	0.3	1.7	2.0
Tivù Srl	0.5	1.9	2.4	-	0.5	(0.3)	0.5	2.1	2.6
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	(0.3)	0.6	-	-	-	0.9	(0.3)	0.6 (a)
Tavolo Editori Radio Srl	-	-	-	-	-	-	-	-	- (a)
Total equity investments in joint ventures and associated companies	**3.1**	**2.7**	**5.8**	**-**	**0.4**	**(0.3)**	**3.1**	**2.8**	**5.9**

(a) figure from the Financial Statements as at 31.12.2018, the latest available.

The breakdown of the equity investments in other companies follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Almaviva SpA	0.3	0.3
Istituto dell'Enciclopedia Italiana Treccani SpA	0.7	0.7
Others [1]	0.1	0.1
Gross value	**1.1**	**1.1**
Provision for the write-down of equity investments in other companies	(0.2)	(0.2)
Total equity investments in other companies	**0.9**	**0.9**

[1] Banca di Credito Cooperativo di Roma Scpa, International Multimedia University Umbria Srl in fallimento and Immobiliare Editori Giornali Srl.

8.6 Non-current financial assets

Non-current financial assets, which amounted to €3.6 million (€3.1 million as at 31 December 2018), break down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Financial receivables from personnel	0.1	0.1
Securities	2.4	2.4
Other non-current financial assets	1.1	0.6
Total non-current financial assets	**3.6**	**3.1**

Non-current financial assets are shown net of the provision for write-downs of €0.2 million (unchanged compared to 31 December 2018) entirely referring to the financial receivables from employees.

The item securities equal to €2.4 million (unchanged from 31 December 2018) is entirely made up of government bonds falling due in May 2021, securing the Service Agreement and the special services agreement with the Government.

Other non-current financial assets of €1.1 million (€0.6 million at 31 December 2018) refer to the deferral of the non-current portion of commissions relating to the five-year revolving loan agreement for a total of €320 million.

Expiration of the current and non-current financial assets is broken down as shown below:

(€/million)	**Half-year ended 30 June 2019**			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial receivables from personnel	0.1	0.1	-	0.2
Securities	-	2.4	-	2.4
Receivables from joint ventures and associated companies	1.6	-	-	1.6
Derivative instruments	0.7	-	-	0.7
Blocked bank deposits	6.0	-	-	6.0
Other financial assets	0.5	1.1	-	1.6
Total current and non-current financial assets	**8.9**	**3.6**	**-**	**12.5**

(€/million)	Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Financial receivables from personnel	0.1	0.1	-	0.2
Securities	-	2.4	-	2.4
Derivative instruments	0.6	-	-	0.6
Blocked bank deposits	5.5	-	-	5.5
Other financial assets	0.3	0.6	-	0.9
Total current and non-current financial assets	**6.5**	**3.1**	**-**	**9.6**

The short-term portion of the financial assets, which amounted to €8.9 million, is included in the current components of the consolidated balance sheet described in Note 9.3 “Current financial assets”.

Information on risks hedged and on hedging policies is disclosed in Note 5.1 “Market risk”.

8.7 Deferred tax assets

(€/million)	Half-year ended 30 June 2019	Year ended 31 December 2018
Deferred tax assets eligible for offset	115.3	134.2
Deferred tax liabilities eligible for offset	(156.7)	(157.7)
Net deferred tax liabilities	**(41.4)**	**(23.5)**

As at 30 June 2019, at 31 December 2018 the net balance of deferred tax assets and deferred tax liabilities shows a negative amount, and is therefore recognised under liabilities in the consolidated statement of financial position. Please refer to Note 12.5 “Deferred tax liabilities” for the relevant analyses.

Income taxes are reported in Note 14.10 “Income tax”.

8.8 Other non-current assets

Other non-current assets totalled €27.1 million (€50.2 million as at 31 December 2018) and break down as follows:

(€/million)	Half-year ended 30 June 2019	Year ended 31 December 2018
Advances for sports events	12.5	41.5
Advances for trade initiatives	17.4	20.8
Non-current portion of trade receivables	9.8	4.1
Receivables from personnel	1.0	0.5
Amounts committed to cautionary deposit with third parties	2.2	2.2
Other non-current receivables	1.6	1.7
- Provision for write-down of other non-current assets	(17.4)	(20.6)
Total other non-current assets	**27.1**	**50.2**

The items above basically regard non-current portions of assets described in Note 9.5 “Other current receivables and assets”, to which the reader is referred.

Other non-current receivables refer to €0.9 million for the recognition of the non-current portion of the substitute tax arising from tax relief for the merger deficit generated by the merger through incorporation of the company Sud Engineering into Rai Way in 2017. The current portion equal to €0.1 million was recognised under the item current income tax receivables as explained in Note 9.4.

The provision for write-down of other non-current assets, which amounted to €17.4 million (€20.6 million as at 31 December 2018), is broken down below:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Reversals	Half-year ended 30 June 2019
Provision for write-down of advances for trade initiatives	(14.5)	-	2.5	0.7	(11.3)
Provision for write-down of advances for sports events	(6.1)	-	-	-	(6.1)
Total provision for write-down of other non-current assets	**(20.6)**	**-**	**2.5**	**0.7**	**(17.4)**

9 Current assets

9.1 Inventory

Inventory, net of its provision for write-downs, amounted to €2.3 million (unchanged from 31 December 2018), and is broken down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Technical materials	12.9	12.9
- Provision for write-down of technical materials	(12.1)	(12.1)
Contract work in progress	0.2	0.2
Finished products and goods	1.3	1.3
Total inventory	**2.3**	**2.3**

The final inventory of technical materials, €0.8 million net of the provisions for write-down (unchanged from 31 December 2018), 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.

Contract work in progress, €0.2 million (unchanged compared to 31 December 2018), 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, equal to €1.3 million (unchanged compared to 31 December 2018), mainly concerns inventories related to magazines and books and home video distribution.

9.2 Trade receivables

Trade receivables amount to €442.6 million (€373.3 million as at 31 December 2018) and break down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Trade:		
- Government and other public bodies for services under agreement	83.4	59.4
- Government for performance of service contract obligations - L.145/2018	19.2	-
- Other receivables	387.1	360.2
- Provision for write-downs of trade receivables	(47.5)	(46.5)
Joint ventures and associates	0.4	0.2
Total trade receivables	**442.6**	**373.3**

Receivables from joint ventures and associated companies refer to:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
San Marino RTV SpA	0.1	0.1
Tivù Srl	0.3	0.1
Total receivables from joint ventures and associated companies	**0.4**	**0.2**

The breakdown of trade receivables by geographical area shows the predominance of the domestic market.

The nominal value of receivables from the Government and other public bodies for services under agreement, €83.4 million (€59.4 million as at 31 December 2018), refers to:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Prime Minister's Office:		
Contribution to the year to be paid to San Marino RTV	4.5	3.1
Radio, television and multimedia offer for abroad	10.1	6.7
Broadcasts from Trieste in Slovenian	17.0	11.4
Radio and TV broadcasts in French for the Valle d'Aosta Autonomous Region	3.2	2.1
Revenue Office:		
Management of ordinary TV licence fees	11.0	8.0
Regions and Provinces:		
Autonomous Province of Bolzano: broadcast of radio and TV programs in German and Ladin in the autonomous province of Bolzano	28.9	19.2
Autonomous Region of Valle d'Aosta: management of equipment for the TV reception of programs from the French cultural area	8.7	8.9
Total receivables from the Government and other public bodies for services under agreement	**83.4**	**59.4**

Receivables from related parties are specified in Note 15.4 "Transactions with Related Parties".

Trade receivables are shown net of the provision for write-downs of €47.5 million (€46.5 million as at 31 December 2018), with movements itemised below:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Reversals	**Half-year ended 30 June 2019**
Provision for write-downs of trade receivables	**(46.5)**	**(1.6)**	**0.1**	**0.5**	**(47.5)**

9.3 Current financial assets

Current financial assets, which amounted to €8.9 million (€6.5 million as at 31 December 2018), increased by €2.4 million. The breakdown of the item and the comparison with the previous year are shown below:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Joint ventures and associates	1.6	-
From employees	0.1	0.1
Derivative financial instruments	0.7	0.6
Blocked bank deposits	6.0	5.5
Other current financial assets	0.5	0.3
Total current financial assets	**8.9**	**6.5**

Receivables from joint ventures and associated companies as at 30 June 2019 refer to:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Joint ventures and associated companies:		
San Marino RTV SpA	1.3	-
Tivù Srl	0.3	-
Total current financial assets from joint ventures and associated companies	**1.6**	**-**

Blocked bank deposits, which came to €6.0 million (€5.5 million as at 31 December 2018) refer to amounts seized on current accounts due to litigation in progress.

Derivative instruments recognised at fair value, are broken down below as regards their assets component, including the current and non-current portions:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Currency hedging derivatives	0.7	0.6
Total derivative financial instruments – current portion	**0.7**	**0.6**
Total derivative financial instruments – non-current portion	**-**	**-**
Total derivative financial instruments	**0.7**	**0.6**

The fair value of derivative instruments was calculated considering valuation models largely used in the financial sector and the market parameters as at the reporting date, as better specified in Note 7 “Fair value measurement”. Cash flow hedging on exchange rates refer to the hedging of contracts for the acquisition of TV and film rights of Rai Cinema in USD, an are adopted by the Parent Company under a specific mandate of the subsidiary.

No transactions qualifying on a preliminary basis as hedging changed status in the first half of 2019.

The fair value of derivative instruments at 30 June 2019 amounted to €0.7 million (€0.6 million at 31 December 2018) and mainly refers to the current share of the fair value of foreign exchange transactions carried out for Rai Cinema. Of this amount, €0.3 million is suspended in shareholders’ equity in the cash flow hedge reserve, €0.1 million is an adjustment to the right acquired and for the remainder is charged to financial income and expenses. There are no significant non-current portions in millions of Euro.

The recognition of effects on the income statement and realisation of cash flows from hedged contracts take place over a time interval which ends in the third quarter of 2020.

Information on risks hedged and on hedging policies is disclosed in Note 5.1 “Market risk”.

9.4 Current income tax receivables

Current income tax receivables, which totalled €19.5 million (€19.0 million as at 31 December 2018), are specified as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
IRES refund requested	16.9	16.9
Withheld taxes	1.5	0.7
Total IRES	**18.4**	**17.6**
IRAP	**1.7**	**2.0**
Advance for substitute tax on goodwill	**0.1**	**0.1**
Provision for write-downs for current income taxes	**(0.7)**	**(0.7)**
Total current income tax receivables	**19.5**	**19.0**

Current income tax receivables are shown net of the provision for write-downs of €0.7 million (unchanged from 31 December 2018) related to withheld taxes on income risking recoverability.

The IRAP receivable, €1.7 million (€2.0 million as at 31 December 2018) refers to the IRAP advances paid to tax authorities.

The advance on the substitute tax for goodwill refers to the recognition of the current portion of the substitute tax arising from tax relief for the merger deficit generated by the merger through incorporation of the company Sud Engineering into Rai Way in 2017. The non-current portion equal to €0.9 million was recognised under the item other non-current assets as explained in Note 8.8.

Taxes are commented on in Note 14.10 “Income taxes”.

9.5 Other current receivables and assets

Other current receivables and assets, which totalled €180.5 million (€121.9 million as at 31 December 2018) break down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Advances for sports events	79.5	27.3
Advances to suppliers, collaborators and agents	48.2	25.3
Receivables from social security and welfare institutions	2.8	2.8
Other tax receivables	2.7	3.6
Receivables from personnel	9.8	9.7
Receivables from entities, companies, bodies and others	17.4	16.3
Receivables for subsidies and grants from the Government, EU and other public entities	0.3	0.5
Other receivables (current deferrals)	23.5	40.5
- Provision for write-downs of other current receivables and assets	(3.7)	(4.1)
Total other current receivables and assets	**180.5**	**121.9**

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 break down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
VAT refund requested	2.3	2.2
Other tax refunds requested	0.1	0.2
Other	0.3	1.2
Total other tax receivables	**2.7**	**3.6**

The provision for write-downs of other current receivables and assets, which totalled €3.7 million (€4.1 million as at 31 December 2018) is broken down below:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Reversals	**Half-year ended 30 June 2019**
Provision for write-downs of other current receivables and assets	(4.1)	-	0.2	0.2	**(3.7)**
Total provision for write-downs of other current receivables and assets	**(4.1)**	**-**	**0.2**	**0.2**	**(3.7)**

Considering the short period of time elapsing between when the receivable arises and its due date, it is estimated that there are no significant differences between the book value of the trade receivables, other receivables and current financial assets and their respective fair values.

9.6 Cash and cash equivalents

Cash and cash equivalents, which amounted to €226.8 million (€92.2 million as at 31 December 2018), are broken down into the following items:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Bank and postal deposits	226.5	91.9
Cash and securities in hand	0.3	0.3
Total cash and cash equivalents	**226.8**	**92.2**

Bank and postal deposits amounted to €226.5 million (€91.9 million as at 31 December 2018) 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 (unchanged from 31 December 2018) and include liquid funds in the form of cash and similar values (cashier's cheques or in any case secured by banks, etc.) in the company's coffers as at 30 June 2019.

10 Non-current assets held for sale

Non-current assets held for sale, equal to €1.3 million (zero value as at 31 December 2018) represent the residual book value of the property located in Naples reclassified from the item investment property as illustrated in Note 8.2:

(€/million)	Buildings
Cost	-
Accumulated depreciation	-
Balance as at 31 December 2018	**-**
Reclassifications [1]	1.3
Balance as at 30 June 2019	**1.3**
broken down as follows:	
Cost	6.5
Accumulated depreciation	(5.2)
[1] Reclassification from the item real estate investments, of which:	
Cost	6.5
Accumulated depreciation	(5.2)
	1.3

11 Shareholders' equity

Reported below is the breakdown of shareholders' equity, attributable to the Group and minority interests:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Share capital	**242.5**	**242.5**
Legal reserve	**12.0**	**12.0**
IFRS first-time adoption reserve	(83.3)	(58.7)
Translation difference reserve	0.6	0.6
Cash flow hedge reserve	(16.9)	(4.8)
Other reserves	251.7	248.1
Total other reserves	**152.1**	**185.2**
Actuarial reserves for employee benefits	(43.0)	(26.0)
Retained earnings (losses)	(3.2)	(3.3)
Profit (loss) for the year	(8.1)	(21.0)
Total retained earnings (losses carried forward)	**(54.3)**	**(50.3)**
Total Group shareholders' equity	**352.3**	**389.4**
Third party capital and reserves	42.6	42.5
Retained earnings (losses) attributable to minority interests carried forward	11.2	21.1
Total shareholders' equity attributable to minority interests	**53.8**	**63.6**
Total shareholders' equity	**406.1**	**453.0**

Third party equity interest

The profit/(loss) for the period 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 30 June 2019, 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) which holds 241,447,000 shares, equal to 99.5583% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) which holds 1,071,100 shares, equal to 0.4417% of the share capital.

Legal reserve

The legal reserve amounts to €12.0 million.

Other reserves and retained earnings (losses carried forward)

The other reserves, of €152.1 million (€185.2 million as at 31 December 2018) and losses carried forward of €54.3 million (€50.3 million as at 31 December 2018), including the profit/(loss) for the period, are broken down as shown below.

12 Non-current liabilities

12.1 Non-current financial liabilities and current portions of non-current financial liabilities

Non-current financial liabilities, including current portions, totalled €386.7 million (€379.4 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**			Year ended 31 December 2018		
	Non-current portion	**Current portion**	**Total**	Non-current portion	Current portion	Total
Bonds	-	349.2	349.2	348.7	-	348.7
M/L-term loans due to banks	10.2	10.1	20.3	15.2	10.1	25.3
Derivative instruments	17.1	-	17.1	5.1	-	5.1
M/L-term loans due to other lenders	0.1	-	0.1	0.2	0.1	0.3
Total non-current financial liabilities and current portions of non-current financial liabilities	**27.4**	**359.3**	**386.7**	**369.2**	**10.2**	**379.4**

Non-current financial liabilities, including current portions, increased by €7.3 million compared to 31 December 2018 mainly due to the €12.0 million increase in the negative fair value of interest rate risk hedging derivatives that could occur at the time of renewal of the current bond issue, the effect of which is partially offset by the repayment of the €5.0 million instalment of the EIB loan.

The main medium/long-term bank loans due as at 30 June 2019 included:
- amortising loan, maturing in 2021, from the EIB for a residual €20 million, granted to Rai for development of the digital terrestrial infrastructure;
- medium/long-term credit lines granted to Rai Way by Mediocredito Centrale and Cassa Depositi e Prestiti totalling €0.5 million.

The EIB loan carries covenants requiring the following balance sheet parameters/ratios to be met in the consolidated annual and half-year financial statements:
- (Adjusted) Net Financial Debt, net of receivables from the Government for television licence fees/Shareholders' Equity <= 1.3;
- (Adjusted) Net Financial Debt, net of receivables from the Government for television licence fees/EBITDA <= 1.0.

As at the reporting date, the ratio requirements were fully met at 0.59 and 0.40 respectively.

The Parent Company also has a revolving credit line of €320 million maturing in December 2023, described in Note 5.3 “Liquidity risk”, unused as at the balance sheet date.

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.

The entire amount of the bond issue with a nominal amount of €350 million, maturing in May 2020, has been reclassified under current financial liabilities.

As at 30 June 2019, the negative fair value of €17.1 million (€5.1 million as at 31 December 2018) refers to the Interest Rate Swap Forward Start hedging transactions carried out by the Parent Company. The negative value of these transactions was affected by the further decline in the interest rate curve in the first half of 2019. The amount is totally suspended in shareholders’ equity in the cash flow hedge reserve. Current portions were not recognised.

The final due date of financial liabilities held (current and non-current) is shown in the table below:

(€/million)	**Half-year ended 30 June 2019**			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	349.2	-	-	349.2
M/L-term loans due to banks	10.1	10.2	-	20.3
M/L-term loans due to other lenders	-	0.1	-	0.1
Derivative instruments	-	17.1	-	17.1
Other financial liabilities	1.3	-	-	1.3
Total current and non-current financial liabilities	**360.6**	**27.4**	**-**	**388.0**

(€/million)	Year ended 31 December 2018			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Bonds	-	348.7	-	348.7
M/L-term loans due to banks	10.1	15.2	-	25.3
M/L-term loans due to other lenders	0.1	0.2	-	0.3
Paybles to joint ventures and associates	0.1	-	-	0.1
Derivative instruments	-	5.1	-	5.1
Paybles for finanacial leases	5.7	-	-	5.7
Total current and non-current financial liabilities	**16.0**	**369.2**	**-**	**385.2**

12.2 Total liabilities for leases

Total liabilities for leases, including current portions, total €86.8 million. The figure breaks down as follows:

(€/million)	Half-year ended 30 June 2019		
	Non-current portion	Current portion	Total
Liabilities for operating leases	56.3	25.0	81.3
Liabilities for financial leases	-	5.5	5.5
Total liabilities for leases	**56.3**	**30.5**	**86.8**

The value of current lease liabilities is represented solely by the current portion of non-current lease liabilities, as short-term asset leases are recognised in the income statement under the item costs for the purchase of consumables, costs for services and other costs.

The total value of cash outflows from leases at 30 June 2019 was €10.2 million, plus interest of €0.4 million.

Interest expense accrued on lease liabilities is detailed in Note 14.8 “Financial income and expenses”, to which reference should be made.

Liabilities for financial leases, amounting to €5.5 million, relate to the exercise of option rights by Rai in 2018 for the purchase of the building used as the regional headquarters of Basilicata.

The expiration dates of financial liabilities for leases (current and non-current) are shown below:

(€/million)	Half-year ended 30 June 2019			
	Within 12 months	Between 1 and 5 years	Beyond 5 years	Total
Liabilities for operating leases	25.0	44.7	11.6	81.3
Liabilities for financial leases	5.5	-	-	5.5
Total liabilities for leases	**30.5**	**44.7**	**11.6**	**86.8**

12.3 Employee benefits

Employee benefits totalled €445.6 million (€434.9 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Provision for employee severance pay	232.3	225.0
Provision for supplementary pension benefits	127.5	125.4
Provision in lieu of formerly fixed indemnity - journalists	70.1	68.7
Health insurance fund for senior managers (FASDIR)	14.7	14.7
Seniority bonuses	0.6	0.5
Other	0.4	0.6
Total employee benefits	**445.6**	**434.9**

Provisions for employee benefits measured using actuarial techniques break down as follows:

(€/million)	Half-year ended 30 June 2019				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of formerly fixed indemnity for journalists	Other benefits
Present value of the liability at the start of the year	**225.0**	**125.4**	**14.7**	**68.7**	**1.1**
Current cost of defined benefit plans	-	-	-	-	0.1
Current cost of defined contribution plans	21.8	-	0.5	-	-
Interest expense	1.4	0.8	0.1	0.3	-
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	(2.5)	-	-	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	13.6	7.6	-	2.5	-
- Effect of past experience	(1.9)	(1.3)	-	(0.7)	-
Cost of past benefits and gains/losses on settlement	-	-	-	(0.4)	-
Benefits paid	(3.3)	(5.0)	(0.6)	(0.3)	(0.2)
Transfers to external funds for defined contribution plans	(21.7)	-	-	-	-
Other movements	(0.1)	-	-	-	-
Present value of the liability at the end of the period	**232.3**	**127.5**	**14.7**	**70.1**	**1.0**

Costs for employee benefits, as measured using actuarial assumptions and recognised in the consolidated income statement, break down as follows:

(€/million)	Half-year ended 30 June 2019				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of formerly fixed indemnity for journalists	Other benefits
Current cost of defined benefit plans	-	-	-	-	(0.1)
Current cost of defined contribution plans	(21.8)	-	(0.5)	-	-
Cost of past benefits and gains/losses on settlement	-	-	-	0.4	-
Interest expense	(1.4)	(0.8)	(0.1)	(0.3)	-
Total	**(23.2)**	**(0.8)**	**(0.6)**	**0.1**	**(0.1)**

Costs for defined benefit plans recognised in other comprehensive income break down as follows:

(€/million)	Half-year ended 30 June 2019				
	Employee severance pay	Supplementary pension	FASDIR	Provision in lieu of formerly fixed indemnity for journalists	Other benefits
Revaluations:					
- Actuarial gains/losses resulting from changes in demographic assumptions	2.5	-	-	-	-
- Actuarial gains/losses resulting from changes in financial assumptions	(13.6)	(7.6)	-	(2.5)	-
- Effect of past experience	1.9	1.3	-	0.7	-
Total	**(9.2)**	**(6.3)**	**-**	**(1.8)**	**-**

The main actuarial assumptions adopted are reported below:

	Half-year ended 30 June 2019
Financial assumptions	
Average discount rates [1]	from 0.44% to 0.81%
Inflation rate	1.50%
Expected rate of growth in remuneration/benefits [2]	from 1.21% to 3%
Demographic assumptions	
Maximum retirement age	As per law
Mortality tables:	
. Provision for employee severance pay	SI 2016 revised
. Provision for supplementary pension benefits	AS62
. Provision in lieu of the former fixed indemnity for journalists	SI 2016 revised
Disability tables:	
. Provision for employee severance pay	INPS tables by age and gender
. Provision for supplementary pension benefits	-
. Provision in lieu of the former fixed indemnity for journalists	-
Average annual employee leaving rate	from 3.80% to 8.10%
Annual probability of advance requests	1.50%

[1] Measured as the weighted average of Eurocomposite AA 2019 interest rate curve June 2019 for 30.06.2019.
[2] Including inflation.

12.4 Provisions for non-current risks and charges

Provisions for risks and non-current risks and charges totalled €173.7 million (€181.5 as at 31 December 2018). The figure breaks down as follows:

(€/million)	Year ended 31 December 2018	Provisions	Drawdowns	Reversals	Other movements	Half-year ended 30 June 2019
Provisions for legal disputes	69.6	1.9	(5.0)	(1.5)	-	65.0
Provisions for building renovation and refurbishment	28.0	-	(0.2)	-	-	27.8
Provisions for dismantling and restoration costs	14.5	0.1	-	-	-	14.6
Provisions for accrued remuneration costs	16.1	4.7	(2.9)	-	-	17.9
Provisions for disputes with social security institutions	3.0	-	-	-	-	3.0
Provisions for tax disputes	4.5	-	(4.5)	-	-	-
ISC and ICM provisions Agents	2.3	0.2	(0.1)	-	-	2.4
Provisions for licence fee refunds	0.3	-	(0.1)	-	-	0.2
Provisions for disputes over leases	1.0	0.1	-	-	-	1.1
Provisions for default interest payment risks	0.6	-	-	-	-	0.6
Other provisions	41.6	0.8	(0.4)	(1.0)	0.1	41.1
Total provisions for non-current risks and charges	**181.5**	**7.8**	**(13.2)**	**(2.5)**	**0.1**	**173.7**

Provisions for legal disputes, totalling €65.0 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 of €35.1 million, and €29.9 million in provisions for labour law disputes.

Provisions for building renovation and refurbishment, totalling €27.8 million, include 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 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, include 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 remuneration costs, totalling €17.9 million, include the overall costs estimated in relation to employment contracts in place.

Provisions for disputes with social security institutions, totalling €3.0 million, show the estimated costs connected with pending legal disputes with social security institutions.

The provision for tax litigation was fully utilised during the first half of 2019 following the submission by Rai Pubblicità of requests for the facilitated settlement of pending tax disputes concerning VAT and direct taxes for the years 2002 to 2009.

ISC (supplementary customer indemnities) and ICM (meritocratic customer indemnities) provisions for agents, of €2.4 million, include amounts payable to agents when 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 and growth in the customer portfolio or in business volumes with customers already in the portfolio.

12.5 Deferred tax liabilities

Deferred tax liabilities totalled €41.4 million and are stated net of €115.3 million of deferred tax assets eligible for offsetting. The net balance as at 31 December 2018 showed a deferred tax liability of €23.5 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 2018	Changes			**Half-year ended 30 June 2019**
		Income statement	Other comprehensive income	Balance sheet	
Statutory/tax differences on property, plant and equipment	(155.7)	1.1	-	-	(154.6)
Currency and rate derivatives	(0.1)	-	-	-	(0.1)
Other equity investments	(1.7)	-	-	-	(1.7)
Deferred tax liabilities on consolidation adjustments	-	(0.1)	-	-	(0.1)
Other	(0.2)	-	-	-	(0.2)
Deferred tax liabilities	**(157.7)**	**1.0**	**-**	**-**	**(156.7)**
Negative taxable income	128.3	13.1	-	(31.7)	109.7
Write-downs of programs	0.1	(0.1)	-	-	-
Statutory/tax difference on programs	0.3	(0.2)	-	-	0.1
Employee benefits	0.6	(0.1)	0.1	-	0.6
Estimate of provisions recovered	3.1	0.1	-	-	3.2
Deferred tax assets on consolidation adjustments	1.4	-	-	-	1.4
Other	0.4	(0.1)	-	-	0.3
Deferred tax assets eligible for offset	**134.2**	**12.7**	**0.1**	**(31.7)**	**115.3**
Net deferred tax liabilities	**(23.5)**	**13.7**	**0.1**	**(31.7)**	**(41.4)**

Deferred tax assets were recognised when their future recoverability was considered reasonably certain.

Changes in other comprehensive income essentially consisted of deferred tax assets recognised under shareholders' equity and refer to the tax effect on redetermining defined benefit plans.

Deferred tax assets on tax losses carried forward amounted to €109.7 million, and are likely to be used with reference to the possibility of them being offset with the taxable earnings of the Group companies participating in the tax consolidation arrangement and with the reversal of deferred tax liabilities to consolidated profit or loss.

12.6 Other non-current payables and liabilities

Other non-current payables and liabilities are all stated in Euros. Totalling €0.9 million (€1.6 million as at 31 December 2018), 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 13.1 "Trade payables and other current payables and liabilities" for further information on those grants.
Payables to related parties are reported in Note 15.4 "Transactions with related parties".

13 Current liabilities

13.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities totalled €1,429.5 million (€1,161.2 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Trade payables to suppliers	691.1	700.4
Trade payables to joint ventures and associates	5.8	5.6
Total trade payables	**696.9**	**706.0**
Payables to personnel	190.4	241.4
Payables to social security institutions	64.6	79.3
Other tax payables	38.8	38.4
Payables for frequency rights	5.1	-
Other payables for assessments	3.1	4.5
Advances:		
- Ordinary licence fees	26.3	73.7
- Other advances	6.4	3.8
Deferrals:		
- Advertising	3.1	2.6
- Licence fees	382.7	0.9
- Grants for the switch-over to digital terrestrial	0.7	0.8
- Other deferrals	2.6	1.0
Accruals	0.6	3.1
Other payables	8.2	5.7
Total other current payables and liabilities	**732.6**	**455.2**
Total trade payables and other current payables and liabilities	**1,429.5**	**1,161.2**

Trade payables, totalling €696.9 million, fell by €9.1 million compared to 31 December 2018.

Trade payables to joint ventures and associates refer to:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Auditel Srl	0.6	2.0
San Marino RTV SpA	4.6	3.2
Tavolo Editori Radio Srl	0.2	-
Tivù Srl	0.4	0.4
Total trade payables to joint ventures and associates	**5.8**	**5.6**

Other current payables and liabilities increased by €277.4 million compared to 31 December 2018, mainly due to deferrals on subscription fees originating from the difference between the amounts paid in the first half of the year by the Ministry of the Economy and Finance compared to the relevant economic value, the repayment of which is mainly expected in the second half of the year.

Payables to personnel totalled €190.4 million (€241.4 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Untaken paid annual leave	89.1	69.8
Untaken time in lieu	52.4	52.1
Wage and salary assessment	45.7	72.5
Redundancy incentives	2.0	45.4
Other	1.2	1.6
Total payables to personnel	**190.4**	**241.4**

Payables to social security institutions totalled €64.6 million (€79.3 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Payables to supplementary pension funds for personnel	12.0	24.6
Payables to INPGI	11.4	14.0
Payables to INPS	27.7	27.8
Payables to CASAGIT	1.1	1.4
Contributions on assessed wages and salaries	11.3	10.4
Other payables	1.1	1.0
Total payables to social security institutions	**64.6**	**79.2**

Other tax payables show taxes payable to the Inland Revenue other than current income tax. The item breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Group VAT	11.0	2.1
Suspended VAT	1.0	1.0
Withheld tax on wages and salaries for employees and contractors, substitution tax and other withholdings	26.8	35.3
Total other tax payables	**38.8**	**38.4**

Deferrals for grants for the switch-over to digital terrestrial included €0.7 million 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.

Payables to related parties are reported in Note 15.4 “Transactions with related parties”.

13.2 Current financial liabilities

Current financial liabilities totalled €360.6 million (€16.0 million as at 31 December 2018). The breakdown is shown in the table below:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Bonds	349.2	-
M/L-term loans due to banks (current portion)	10.1	10.1
M/L-term loans due to other lenders (current portion)	-	0.1
Payables for financial leases	-	5.7
Payables to joint ventures and associates	-	0.1
Other current financial payables and liabilities	1.3	-
Total current financial liabilities	**360.6**	**16.0**

The current portion of non-current financial liabilities is reported in the table above and explained in Note 12.1 “Non-current financial liabilities and current portions of non-current financial liabilities”.

Rai’s May 2015 bond issue with a nominal amount of €350 million, maturing in May 2020, has been reclassified under current financial liabilities. No non-current portions are recognised.

The bond, listed on Euronext Dublin (the Irish Stock Exchange) is fully subscribed by international institutional investors and has a nominal interest rate of 1.5% and is wholly unsecured. The bond carries 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 bondholders;
- 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.

At 30 June 2019, the fair value of the bond was €354.2 million, calculated taking into account the listing value at Euronext Dublin, equal to €101.21 million, including accrued interest.

Payables for financial leases, relating to the exercise of option rights during 2018 for the purchase of the building used as the regional headquarters of Basilicata, have been reclassified under the item liabilities for leases.

The fair value of current and non-current derivative financial liabilities is given below:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Total derivative financial instruments – current portion	**-**	**-**
Total derivative financial instruments – non-current portion	**17.1**	**5.1**
Total derivative financial instruments	**17.1**	**5.1**

Derivative transactions concern the cash flow hedge of the exchange risk on contracts for the acquisition of TV and film rights in USD and Interest Rate Swap Forward Start transactions.

At 30 June there were no current or non-current portions of exchange rate risk hedging transactions of a significant amount in millions of Euro.

The liabilities for rate hedging derivatives are explained in Note 12.1 “Non-current financial liabilities and current portions of non-current financial liabilities”. Current portions were not recognised.

Information on risks hedged and on hedging policies is disclosed in Note 5.1 “Market risk”.

13.3 Current income tax payables

Current income taxes payable totalled €17.2 million (€31.0 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
IRES	13.2	30.2
IRAP	3.3	0.4
Tax and other assessments	0.7	0.4
Total current income taxes payable	**17.2**	**31.0**

As concerns amounts payable to the Inland Revenue for IRES, totalling €13.2 million (€30.2 million as at 31 December 2018), Group companies opted for Group taxation, thus transferring to the Parent Company, as the consolidating party, obligations related to settlement and payment of 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 15.4 “Transactions with related parties”.

Income taxes are reported in Note 14.10 “Income tax”.

14

Consolidated Income Statement

14.1 Revenue from sales and services

The main items are analysed below:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Licence fees	922.2	886.7
Advertising	327.1	329.2
Other revenue	111.5	87.7
Total revenue from sales and services	**1,360.8**	**1,303.6**

The breakdown of revenue by geographical area shows that most revenue is from the domestic market.

TV licence fees

TV licence fees in the first half of 2019 amounted to €922.2 million (€886.7 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Licence fees for the period - household licences	817.4	817.2
Licence fees for the period - special licences	43.3	40.1
Licence fees collected by enforcement order	50.1	15.5
Licence fees for prior years – household licences	11.4	13.9
Total TV licence fees	**922.2**	**886.7**

When calculating the amount from the TV licences of household licences, the information and figures made available with reference to the new collection method were used, considering Law 190 of 23 December 2014 (art. 1, paragraph 293). This established a reduction of 5 per cent, from 2015, of sums to be paid to Rai to cover the cost of the Public Service being supplied.

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.

That law 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. That presumption of the possession of a television set may only be overturned by a statutory declaration made in accordance with the Consolidated Law as per Presidential Decree 445 of 28 December 2000. False statements are punishable by law and may entail criminal liability.

The aforementioned 2016 Stability Law also established that any higher revenues collected from 2016 to 2018 with respect to 2016 government budget forecasts (the extra revenue) are to be transferred to Rai as follows: 67% for the year 2016, and 50% for the years 2017 and 2018.

Law 145 of 30 December 2018 confirmed €90 as the final amount due as Rai TV licence fee for private use and allocated 50% of the extra revenue to Rai.

In relation to the amounts reported above:
- TV licence fees collected by enforcement order refer to licence fees due in 2015 and previously, levied under an enforcement order addressed to households with overdue payments; these include the adjustment for higher amounts collected by the Government through roles in the years between 2004 and 2015 of €41.3 million;
- previous year licences - households are related to 2018 licence fees that became known in financial year 2019 as they were paid to the Government during the year.

The mechanism for determining the annual per-unit television licence fee as provided for by the Consolidated Broadcasting Law ("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, highlighted a shortfall in such revenue for the period 2005-2017 of €2.6 billion. The separate annual accounts for 2018 are being prepared.

Advertising

Revenue from advertising amounted to €327.1 million (€329.2 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Television advertising on general-interest channels:		
- commercial	179.5	195.6
- promotions, sponsorships and special initiatives	86.8	72.9
- product placements	4.0	3.8
Television advertising on specialist channels	32.1	35.3
Radio advertising	15.2	15.3
Cinema advertising	2.4	1.7
Web advertising	7.0	5.9
Other advertising	1.1	0.4
Third-party quotas	(1.0)	(1.1)
Contingencies	-	(0.6)
Total advertising	**327.1**	**329.2**

Other revenue

Other revenue from sales and services amounted to €111.5 million (€87.7 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Special services under agreement	23.0	22.0
Fulfilment of service contract obligations and digital programming development	19.2	-
Sale of rights, music publishing and patents	38.2	31.1
Film and home video distribution	13.5	19.8
Distribution and sale of channels	6.5	10.2
Fees for hosting plants and equipment	15.2	15.4
Sundry services, mainly for institutional purposes	3.8	3.8
Signal diffusion services, rental of circuits, radio links and connections	1.4	1.1
Interactive telephone	0.2	0.3
Production services	0.3	0.2
Revenue from sales	1.3	0.5
Other	1.2	0.8
Third-party quotas	(13.9)	(17.8)
Contingencies	1.6	0.3
Total other revenue	**111.5**	**87.7**

This item includes €19.2 million, which is the portion pertaining to the annual contribution of €40 million recognized by the Government as consideration for the performance of obligations under

the service contract, including those for the development of digital programming, determined by Law 145/2018 art. 1 paragraph 101 for the years 2019 and 2020.
The increase in revenues from the sale of rights, music editions and patents relates to the proceeds from an agreement for the licensing of patents that are essential to the DVB-T2 standard owned by Rai.

14.2 Other revenue and income

Other revenue and income from sales and services totalled €5.1 million (€6.3 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Operating grants	1.6	2.8
Income from real estate investments and rentals	0.9	0.9
Compensation for damages	0.3	0.3
Contingencies	0.4	0.3
Other	1.9	2.0
Total other revenues and income	**5.1**	**6.3**

14.3 Costs for the purchase of consumables, costs for services and other costs

Costs for the purchase of consumables, costs for services and other costs totalled €560.0 million (€525.8 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Costs for the purchase of consumables	6.6	6.8
Costs for services	527.9	492.6
Other costs	25.5	26.4
Total costs for the purchase of consumables, costs for services and other costs	**560.0**	**525.8**

Costs for the purchase of consumables, totalled €6.6 million (€6.8 million in the first half of 2018), mainly refer to the purchase of various production materials, technical materials for inventories and other materials.

The breakdown of costs for services is shown in the table below. The item totalled €527.9 million (€492.6 million in the first half of 2018), net of discounts and rebates obtained. They include, inter alia, emoluments, remuneration for the performance of duties and expense refunds paid by the Parent Company to Directors, totalling €0.5 million, and to Statutory Auditors, totalling €0.1 million. It should also be noted that some members of the Board of Directors of the Parent Company have concurrently undertaken similar duties in other subsidiaries.

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Freelance services	70.1	69.2
Services for programme acquisition and production	112.6	114.1
Daily allowances, travel expenses and accessory costs for personnel	23.0	21.2
Maintenance, repairs, transport and similar	23.0	22.1
IT system documentation and assistance services	27.6	27.4
Other outsourced services (telephony, supply services, cleaning, postal, insurance, etc.)	74.5	73.1
Leases and rentals	31.4	43.8
Recording rights	116.3	75.1
Copyright	55.0	53.4
Contingencies	1.9	1.0
Cost recoveries and expense refunds	(7.5)	(7.8)
Total costs for services	**527.9**	**492.6**

Pursuant to Article 2427, no. 16 *bis*, of the Italian Civil Code, it should be noted that the fees for the first half of 2019 for the services provided by the Independent Auditors for the annual statutory audit of the accounts and for other audit services, including the review of the half-yearly financial statements of the Parent Company, totalled €0.2 million. Fees for services other than auditing are not significant in millions of Euro.

Other costs, totalling €25.5 million (€26.4 million in the first half of 2018), mainly refer to the contribution toward usage rights for digital TV frequencies and other contributions to the supervisory authorities, indirect taxes and other taxes and to prizes and winnings on radio and television competitions.

14.4 HR expenses

Personnel costs totalled €521.1 million (€519.4 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Wages and salaries, and social security costs	495.3	497.9
Employee severance pay	21.8	21.6
Pensions and similar obligations	7.3	7.4
Other	3.6	3.4
HR expenses	**528.0**	**530.3**
Costs for redundancy incentives	1.6	1.1
Recovery of expenses	(0.2)	(1.1)
HR expenses capitalised	(8.5)	(8.4)
Other HR expenses	**(7.1)**	**(8.4)**
Contingencies and releases of provisions	0.2	(2.5)
Total HR expenses	**521.1**	**519.4**

The item includes charges for defined contribution plans and for defined benefit plans for €22.4 million and income from past services for €0.4 million, as reported in Note 12.3 "Employee benefits".

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 "Agreement 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 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 was renewed, by agreement on 28 June 2018, for the three-year period 2014-2016 and, on an exceptional basis, for 2017 and 2018;
- for journalist staff, on 13 March 2018 Rai and Unindustria Roma signed an Agreement 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 1/1/2015 – 31/12/2018 is still in force, while the Rai–ADRai Addendum Agreement for the period 2017-2019 was renewed on 6 July 2018;
- the collective bargaining agreement for middle managers and office staff of Rai Pubblicità was renewed, by agreement on 7 July 2018, for the period 2014-2016 and, on an exceptional basis, for 2017 and 2018.

The average number of employees included in the area of consolidation is shown below by employment category:

	Half-year ended 30 June 2019			Half-year ended 30 June 2018		
	Average number of staff on a temporary contract	Average number of staff on a permanent contract (1)	Total	Average number of staff on a temporary contract	Average number of staff on a permanent contract (1)	Total
Managers	0	336	336	0	336	336
Officers/middle managers	0	1,443	1,443	1	1,385	1,386
Journalists	111	1,755	1,866	210	1,634	1,844
Office staff	242	7,750	7,992	502	7,642	8,144
Workers	14	893	907	57	912	969
Orchestra musicians and choristers	5	105	110	4	119	123
General Practitioners	0	7	7	0	7	7
	372	**12,289**	**12,661**	**774**	**12,035**	**12,809**
(1) of which trainees/apprentices		333			41	

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.

14.5 Impairment of financial assets

The item, equal to €1.1 million (positive by €0.3 million in the first half of 2018) refers to the effect net of uses and provisions to the provision for write-down of trade receivables, as explained in Note 9.2 "Trade receivables", to which reference is made.

14.6 Depreciation, amortisation and other write-downs

Amortisation, depreciation and other write-downs, including any reversal of impairment, amounted to €270.3 million (€266.1 million in the first half of 2018) and are broken down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Amortisation/depreciation		
Property, plant and equipment:		
Buildings	8.5	8.6
Plant and machinery	35.9	35.4
Industrial and commercial equipment	1.5	1.4
Other assets	3.0	3.0
Total depreciation of property, plant and equipment	**48.9**	**48.4**
Lease rights:		
Real Estate	10.3	-
Transport vehicles	1.8	-
Total amortisation of lease rights	**12.1**	**-**
Intangible assets:		
Programmes	195.3	194.6
Software	4.4	4.1
Other intangible assets	0.2	0.2
Total amortisation of intangible assets	**199.9**	**198.9**
Amortisation of real estate investments	**0.1**	**0.2**
Total amortisation and depreciation	**261.0**	**247.5**
Other write-downs		
Programmes under amortisation	9.0	16.0
Programmes in progress	1.2	1.5
Other non-current receivables and assets	(0.7)	0.7
Other current receivables and assets	(0.2)	0.4
Total other write-downs	**9.3**	**18.6**
Total depreciation, amortisation and other write-downs	**270.3**	**266.1**

With regard to lease rights of use, recognised as from 1 January 2019, reference should be made to Note 3 “Effects of the first-time adoption of IFRS 16”.

14.7 Provisions

Net provisions of €0.8 million (negative by €1.9 million in the first half of 2018), are determined by provisions of €1.7 million (€3.4 million in the first half of 2018), offset by absorptions of €2.5 million (€1.5 million in the first half of 2018) mainly consisting of provisions for risks and charges for disputes of various kinds.

14.8 Financial income and expenses

Net financial expenses totalled €7.1 million (€7.6 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Financial income		
Dividends	-	0.1
Interest income from banks	0.1	0.1
Foreign exchange gains	-	0.3
Income from currency derivatives	0.5	0.2
Other	0.2	0.1
Total financial income	**0.8**	**0.8**
Financial expense		
Interest expense due to banks	(0.4)	(0.7)
Interest expense on bonds	(3.1)	(3.0)
Expenses on exchange hedging derivatives	-	(0.1)
Foreign exchange losses	-	(0.7)
Interest on employee benefit liabilities	(2.6)	(2.6)
Interest on leases	(0.5)	-
Other	(1.3)	(1.3)
Total financial expense	**(7.9)**	**(8.4)**
Total net financial income (expense)	**(7.1)**	**(7.6)**

With regard to interest expenses on leases, recognised as from 1 January 2019, reference should be made to Note 3 “Effects of the first-time adoption of IFRS 16”.

14.9 Earnings from equity investments recognised under the equity method

Earnings from equity investments recognised under equity method were positive by €0.4 million (negative by €0.2 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
Income (expense) from equity investments:		
San Marino RTV SpA	(0.1)	-
Tivù Srl	0.5	0.2
Total earnings from equity investments recognised under equity method	**0.4**	**0.2**

The breakdown of the change in equity investments recognised under the equity method is reported in Note 8.5 “Equity investments”.

14.10 Income tax

Income taxes were negative by €4.2 million (€5.5 million in the first half of 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**	Half-year ended 30 June 2018
IRES	(15.1)	(13.6)
IRAP	(3.1)	(2.9)
Total current taxes	**(18.2)**	**(16.5)**
Deferred tax liabilities	1.0	1.9
Deferred tax assets	12.7	19.8
Total deferred taxes	**13.7**	**21.7**
Direct taxes of previous years	**0.3**	**0.3**
Total income taxes	**(4.2)**	**5.5**

In the first half of 2019, the economic trends that occurred led to taxable income for the period for Group companies consisting of IRES (corporate income tax) of €15.1 million and IRAP (regional tax on productive activities) of €3.1 million were allocated.

Deferred tax liabilities pointed to a positive economic effect of €1.0 million due to return of the temporary differences recognised in the previous years.

For IRES purposes, in the first half of 2019, as well as in the first half of 2018, the Parent Company has determined tax losses for which deferred tax assets of €12.7 million have been allocated which has had a positive effect on the income statement.

15 Other information

15.1 Guarantees

Guarantees provided totalled €44.8 million (€58.3 million as at 31 December 2018). The figure breaks down as follows:

(€/million)	**Half-year ended 30 June 2019**		
	Sureties	Collateral	Total
Joint ventures and associates	2.6	-	2.6
Other	40.0	2.2	42.2
Total	**42.6**	**2.2**	**44.8**

(€/million)	Year ended 31 December 2018		
	Sureties	Collateral	Total
Joint ventures and associates	2.6	-	2.6
Other	53.5	2.2	55.7
Total	**56.1**	**2.2**	**58.3**

Guarantees given included the assumption of payment obligations in favour of the Tax Authorities, as security for the early repayment of VAT surplus of €38.6 million as at 30 June 2019 (€52.0 million as at 31 December 2018) in favour of subsidiaries.

The Group has also recognised €446.6 million of guarantees provided by third parties (€485.7 million as at 31 December 2018) on commercial and financial obligations. 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 Group:
- for payables – mainly surety guarantees for the Parent Company on the medium/long-term EIB loan;
- for other obligations – mainly surety guarantees issued to the Inland Revenue in favour of the Parent Company to guarantee prize competitions and the VAT receivable being repaid, for surety issued to UEFA for qualifications at the European football Championships of 2020 and World football championships of 2022.

15.2 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)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
Sports broadcasting rights	306.6	313.6
Investments in audiovisual works	203.1	246.4
Rights and services for the production of programmes	16.4	45.1
Technical investments	39.4	35.9
Total commitments	**565.5**	**641.0**

15.3 Contingent liabilities

Group companies, mainly Rai, are parties in civil, administrative, labour law and social security lawsuits connected with their ordinary business activities.

Civil and administrative litigation involving the Group companies 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 documentation 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 Group companies are parties in several 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.

Note 12.4 “Provisions for non-current risks and charges” details provisions made for that occurrence.

On the basis of information currently available, the Group believes that provisions for risks are adequate.

15.4 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*”.

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 8.5 “Equity investments” companies under the control or joint control of Senior Management and bodies that manage benefit plans after the work relationship ends and solely for 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 of the Parent Company, see Note 14.3 “Costs for the purchase of consumables, costs for services and other costs”.

The follow table details the balance sheet totals as at 30 June 2019 and as at 31 December 2018 and the income effects of transactions between the Group and related parties conducted in the half years ended 30 June 2019 and 30 June 2018, except transactions between Group companies, consolidated on a line-by-line basis:

(€/million)	Senior Management	Other related parties	Total
Trade receivables			
At 30 June 2019	-	0.4	**0.4**
As at 31 December 2018	-	0.2	**0.2**
Current financial assets			
At 30 June 2019	-	1.6	**1.6**
As at 31 December 2018	-	-	**-**
Other current receivables and assets			
At 30 June 2019	0.1	0.3	**0.4**
As at 31 December 2018	0.1	-	**0.1**
Employee benefits			
At 30 June 2019	(4.7)	(14.7)	**(19.4)**
As at 31 December 2018	(4.8)	(14.7)	**(19.5)**
Trade payables			
At 30 June 2019	-	(5.8)	**(5.8)**
As at 31 December 2018	-	(5.6)	**(5.6)**
Current financial liabilities			
At 30 June 2019	-	-	**-**
As at 31 December 2018	-	(0.1)	**(0.1)**
Other current payables and liabilities			
At 30 June 2019	(7.8)	(7.8)	**(15.6)**
As at 31 December 2018	(7.5)	(15.8)	**(23.3)**

(€/'000)	Senior Management	Other related parties	Total
Revenue from sales and services			
At 30 June 2019	-	0.4	**0.4**
At 30 June 2018	-	0.3	**0.3**
Costs for services			
At 30 June 2019	(0.6)	(6.0)	**(6.6)**
At 30 June 2018	(0.4)	(5.3)	**(5.7)**
HR expenses			
At 30 June 2019	(11.2)	(6.5)	**(17.7)**
At 30 June 2018	(11.3)	(5.8)	**(17.1)**

With regard to the description of the main agreements in place between the Parent Company and the subsidiaries, associated companies and joint ventures identified above, reference should be made to the specific paragraph in the explanatory notes to the Consolidated Financial Statements of the Rai Group Report and Financial Statements at 31 December 2018, with the exception of the following paragraph.

Group VAT offsetting

The Group has adopted the group VAT offsetting procedure as per 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.
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 2019. Statutory and financial relationships are governed by a specific agreement between the parties.

16 Subsequent events

Incorporation of Player Editori Radio Srl

On 23 July 2019, Player Editori Radio Srl was incorporated, with a quota capital of €10,000, divided between national and local radio producers (70% and 30% respectively). Rai's shareholding is 13.9% of the quota capital. The other quotaholders are: Elemedia, RMC Italia, Monradio, Radio Studio 105, Virgin Radio Italy, Il Sole 24 Ore, CN Media, RTL 102,500 Hit Radio, Radio Italia, Radio Dimensione Suono and the associations ACRC, Aeranti-Corallo and Radio FRT.
The company's main objective is the creation and technological development of a unified IT platform for the aggregation of radio content using an IP Protocol for subsequent provision to quotaholders and third parties.

17 Reconciliation between the Separate and Consolidated Financial Statements

The analysis of items reconciling the result of the income statement and shareholders' equity of the Separate Financial Statements and respective figures of the Consolidated Financial Statements is presented below:

(€/million)	Profit/(loss)		Shareholders' equity	
	Half-year ended 30 June 2019	Half-year ended 30 June 2018	Half-year ended 30 June 2019	Year ended 31 December 2018
Separate Financial Statements	**14.0**	**14.1**	**753.2**	**767.6**
Elimination of the value of equity investments against respective shareholders' equity and of dividends distributed against profits for the period	**(10.6)**	**(19.1)**	**(346.4)**	**(314.0)**
Adjustment of deferred taxes on the Rai Way equity investment revaluation	**-**	**-**	**5.0**	**5.0**
Other consolidation adjustments	**(0.1)**	**0.1**	**(5.7)**	**(5.6)**
Consolidated Financial Statements	**3.3**	**(4.9)**	**406.1**	**453.0**
of which non-controlling interest	11.4	10.8	53.8	63.6

18 Appendix

18.1 Rai equity investments in subsidiaries

The following table reports the equity investments held by Rai in domestic and foreign subsidiaries. As at 30 June 2019, the above investments are unchanged from 31 December 2018.

	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 $/'000;
(3) Ordinary shares with no stated par value.

The market value of Rai Way shares as at 28 June 2019 was €5.26.

18.2 Net consolidated financial position

Net consolidated 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)	**Half-year ended 30 June 2019**	Year ended 31 December 2018
A. Cash	0.3	0.3
B. Other cash equivalents	226.5	91.9
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	**226.8**	**92.2**
E. Current financial receivables	**8.9**	**6.5**
F. Current bank debt	-	-
G. Current portion of non-current debt [1]	(359.3)	(10.2)
H. Other current financial debt	(31.8)	(5.8)
I. Current financial debt (F+G+H)	**(391.1)**	**(16.0)**
J. Net current financial position (D+E+I)	**(155.4)**	**82.7**
K. Non-current bank loans	(10.2)	(15.2)
L. Bonds issued	-	(348.7)
M. Other non-current financial debts	(73.5)	(5.3)
N. Non-current financial debt (K+L+M)	**(83.7)**	**(369.2)**
O. Net consolidated financial position (J+N)	**(239.1)**	**(286.5)**
Of which liabilities for operating leases	(81.3)	-
Net financial position excluding operating lease liabilities	**(157.8)**	**(286.5)**

[1] of which €349.2 million relating to the bond issued by the Parent Company in May 2015 with a nominal amount of €350.0 million, maturing in May 2020.

Certification pursuant to article 154-*bis* of Italian Legislative Decree 58/98

The undersigned Fabrizio Salini, in the capacity as Chief Executive Officer, 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 administrative and accounting procedures in preparing the Consolidated Interim Financial Statements as at 30 June 2019 during the first half of 2019.

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 Interim Financial Statements as at 30 June 2019 of the RAI Group:
  a) have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
  b) correspond to the entries in the books and accounting records;
  c) are suitable to provide a true and fair representation 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, 3 October 2019

Fabrizio Salini
Chief Executive Officer

Massimo Cappelli
Manager in charge of drawing up the
corporate accounting documents

Independent Auditor's Report

REVIEW REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of
RAI – Radiotelevisione italiana SpA

Foreword

We have reviewed the accompanying interim consolidated financial statements of RAI – Radiotelevisione italiana SpA and its subsidiaries (the "RAI Group"), which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated cash flow statement and related explanatory notes as of 30 June 2019. The directors of RAI – Radiotelevisione italiana SpA are responsible for the preparation of the interim consolidated financial statements that give a true and fair view in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our work in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements of the RAI Group as of 30 June 2019 do not give a true and fair view of the financial position, the result of operations and cash flows of the RAI Group, in accordance with International Accounting Standard 34 applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, 7 October 2019

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.

Rai - Radiotelevisione Italiana SpA

Parent Company

Company Name:	Rai - Radiotelevisione italiana SpA
Share Capital:	Euro 242,518,100.00 fully paid in
Registered office in Rome:	Viale Giuseppe Mazzini, 14 00195 - Rome
Project by:	Direzione Finanza e Pianificazione
Advisory services:	Ergon Com