

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

Rai

Reports and Consolidated
Financial Statements as at
31 December 2016

Rai Group

**Reports and
Consolidated
Financial Statements
as at 31 December 2016**

Rai Group



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Corporate Bodies of the Parent Company

Board of Directors

Chairman Monica Maggioni

Directors Rita Borioni
 Arturo Diaconale
 Marco Fortis
 Carlo Freccero
 Guelfo Guelfi
 Giancarlo Mazzuca
 Paolo Messa
 Franco Siddi

Secretary Nicola Claudio

Board of Statutory Auditors

Chairman Biagio Mazzotta

Statutory Auditors Anna Maria Magro
 Roberto de Martino

Alternate Statutory
Auditors Pietro Floriddia
 M.M. Assunta Protopapa

General Manager

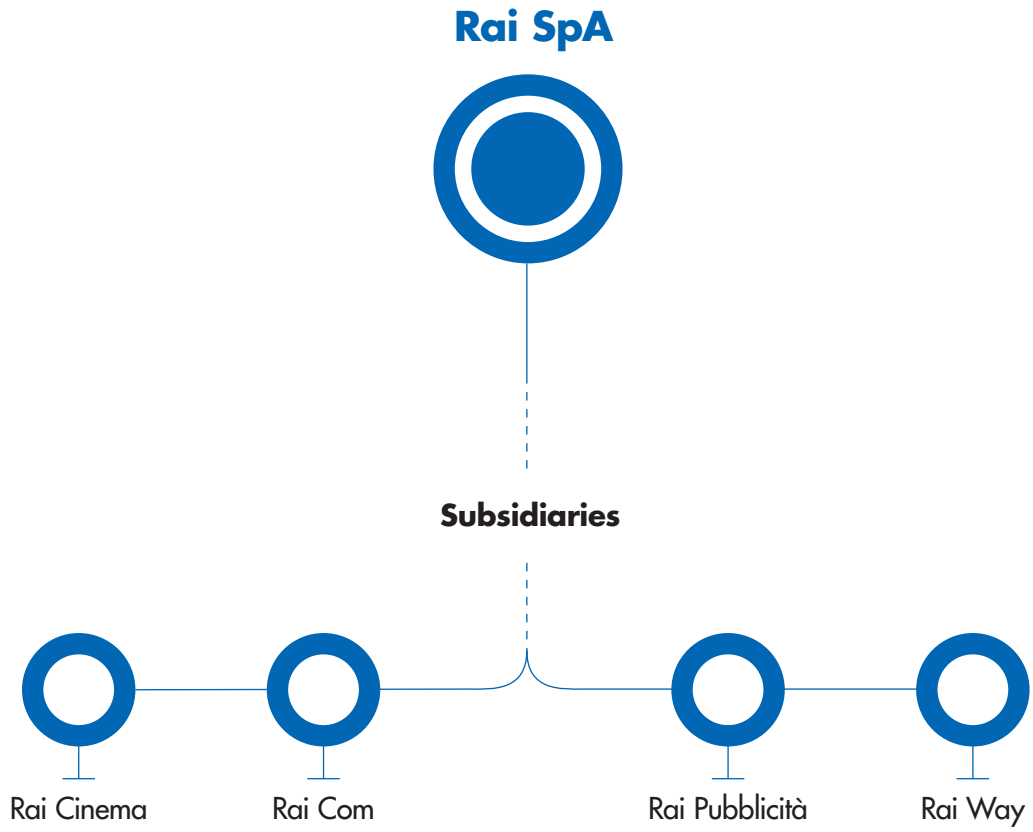
Antonio Campo Dall'Orto

Independent Auditors

PricewaterhouseCoopers

Group's Structure

(chart)



Letter to Shareholders from the Chairman of the Board of Directors

Dear Shareholders,

Rai's financial year 2016 ends with notable financial and broadcasting results thanks to the many measures that the Company has taken and the large-scale structural change to the system for collecting the licence fee, which is now paid on consumers' electricity bills.

With the "fee on the electricity bill" system, the subscriber base has expanded considerably (from about 16.5 million to about 22 million households), resulting in the reduction of the unit fee to Euro 100 and fairer treatment of the public. This innovation, the most important structural change in the composition of Rai's resources in the last decades, was particularly complex at technical and administrative level but came about fully successfully and was widely welcomed by public opinion, proving that the relationship of trust between citizens and the Public Service broadcaster, even from the point of view of financial needs, is stronger than it is often, and sometimes speciously, claimed to be.

Great steps forward in the process of innovation were made at broadcasting and technological level, with the offer of many new programmes and the launch of Rai Play.

This development in particular is a successful response to the new methods of consumption of the media, in which the use of content and videos from smartphones and tablets is growing fast: it is for this reason that Rai Play is an irreplaceable tool for attracting post-adolescents, a segment of the population that is fundamentally important for our future.

TV drama and comedy works continued to be successful: Rai's investment in this genre accounts for more than 70% of Italian production and makes a decisive contribution to strengthening and innovating the Italian audiovisual industry.

The 20 most popular TV drama and comedy works were produced by Rai and a part of the design behind them was to develop new forms of language and new stories in order to become stronger competitors on the international markets, as was the case for *I Medici*, which has already been sold in various countries.

There were also many novelties in the field of entertainment: new artists and personalities were sought out, some courageous proposals were put forward, such as the first night of the La Scala season on 7 December 2016, and experiments were made with original but successful programmes such as those with ballet star Roberto Bolle and rock star Mika.

The public continued to consider our news programmes a decisive sector for all Public Services, as being thoroughly reliable, with the audiences for the Rai Tg news programmes being markedly greater than any Italian competitor.

At a time of lightning-speed technological change, the proliferation of platforms and offers and transformations in public consumption methods, information is nevertheless

faced with daunting challenges and new risks: the manipulation of sources, fake news, the risk of professional journalism losing its role as an intermediary owing to the rise of the social networks and do-it-yourself consumption by users.

In this scenario, the same all over the world, the Public Service, which does not need to engage in the frenzied search of clicks and likes for money-making purposes has an even more important role than in the past in ensuring accuracy, impartiality, independence and helping people to form a well-informed opinion.

Nevertheless, the change in conditions in this scenario require Rai, in order to continue to meet these objectives, profoundly to rethink the structure of its news offer, which has remained substantially unaltered during the last 50 years.

Thought therefore has started to be given to a new way of organising news and to a project for the change, which requires, however, careful analysis, complex decisions and delicate organisational and production adjustments. The objective, which can but be a long-term one, is to give Rai a more modern system for its production and to update its offer, one that is more efficient and more in tune with changes in the public and in society, but at the same time one that is still loyal to the principles of completeness and plurality which are at the very basis of our public mission.

These are processes which demand commitment and must face the possibility of inevitable difficulties and mistakes and also an institutional and regulatory framework and a state of public opinion which are continually and frequently changing.

During the year, in addition to the "fee on the electricity bill", an ever increasing number of measures were taken to regulate procedures for the procurement of goods and services and to impose limits on salaries and fees to freelance professionals in compliance with new anti-corruption rules.

Rai is naturally committed to complying faithfully with all regulations, but we cannot refrain from observing that the increasing attraction of the Company towards the role of broadcaster detracts from its image as a business, with consequences on its efficiency, the independence of its editorial decisions and the speed of its processes at a time in which, on the other hand, it is vital for the Company to provide a swift response to the challenge of innovation.

Finally, 2016 was an important year from the point of view of establishing its mission: the procedure was commenced for the renewal of the Public radio, television and multimedia Service concession contract.

A decree of the Council of Ministers of 28 April 2017, at present in the course of publication, appoints Rai as the exclusive concession holder for the delivery of the public radio, TV and multimedia service over the entire country for a period of 10 years from 30 April 2017 and approves the draft agreement attached to the decree at the same time.

In a scenario, including a technological scenario, which is continually and rapidly evolving/transforming and the growing presence of big foreign media companies, the Government's decision to confirm the exclusive award of these activities, essential for our Country, to Rai, and for a period of time which enables long-term plans to be made, is a momentous decision, one that is certainly well-deserved in view of the Company's long history, but one which must also be deserved in the future by making ever greater efforts.

Once the procedure has been completed, the five-year Service Contract will be discussed and signed with the Ministry of Economic Development; this agreement will prescribe our Company's rights and obligations.

The certainty and stability of the legal framework and of governance regulations, together with, we hope, a decision to set a unit fee which will remain stable for a certain period of time and give us the certainty of having adequate resources from public funds, will enable Rai to encounter the forthcoming challenges exclusively concentrating on the best and most effective ways of fulfilling the mandate it has been given in the interests of the entire Country.

Indeed, at a moment in history which is especially complex and difficult for the entire world of the media, a solid and independent Public radio and television Service, the first real form of mass media in history, would seem to be, even more than in the past, a vital and necessary instrument for providing citizens with a rich, modern and responsible offer.

Fully conscious of this task, we rely on the creative and enthusiastic contributions of our employees and collaborators and on the many different talented and outstanding persons who work with our Company in order to build a strong Rai and one that is held in high esteem. We owe this to ourselves and to all the Italians with whom we come into contact every day.

Review of consolidated results and statement of financial position

Rai Group

Consolidated Income Statement

(in millions of Euros)	2016	2015	Change
External revenues	2,809.5	2,493.1	316.4
Total external costs	(1,151.3)	(988.6)	(162.7)
Personnel costs	(1,031.7)	(977.0)	(54.7)
EBITDA	626.5	527.5	99.0
Result before tax	45.4	(29.7)	75.1
Result for the year	18.1	(25.6)	43.7

Consolidated Balance Sheet

(in millions of Euros)	31.12.2016	31.12.2015	Change
Equity	476.6	492.8	(16.2)
Net financial (debt) liquidity	549.6	362.4	187.2
Total Balance Sheet	1,026.2	855.2	171.0

Consolidated investments

(in millions of Euros)	2016	2015	Change
Investments in programmes	472.6	474.7	(2.1)
Technical investments	85.9	101.3	(15.4)
Total investments	558.5	576.0	(17.5)

Group personnel

(in units)	31.12.2016	31.12.2015	Change
Personnel on permanent and fixed contracts	13,230	13,078	152
of which under fixed contracts	741	810	(69)

Report on Operations of the Board of Directors

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The Rai Group's mission

Rai's mission is to perform its **role as a general Public radio and television Service**.

The Concession holder is required by special national and Community regulations to fulfil specific obligations regarding the quality and quantity of its broadcasting schedule, which are further detailed in the Service Contract entered into with the Ministry of Economic Development.

The current **Service Contract** is that referred to the three-year period from 2010 to 2012, which is still in force by virtue of Section 36 thereof.

The Contract provides for certain service levels and restrictions that Rai is required to meet in the performance of its publishing activities.

The Service Contract also establishes a clear connection between Rai, individuals and the community, meeting needs that are relevant to the growth of the individual and the creation of public awareness.

Editorial issues that are worthy of mention are the focus on training and employment, information and insights, social and cultural issues, children and teenagers, the role of women, sports and entertainment, minority languages and the promotion of the image of Italy abroad, to the benefit of both foreigners and the many communities of Italians living there.

The market scenario

The process of multimedia convergence which has been taking place for many years surged in 2016, showing that it had reached an accomplished level of industrial maturity by making robust changes in the scope of business activities and refocusing on new core business, leading to lasting changes in the relevant competitive scenario.

As is happening in the European and world markets, the media sector in Italy is also facing increasingly strong multi-device and multi-platform competition which requires all the operators in the sector to innovate constantly and to work out new approaches to the market in order to compete not only against their traditional competitors but also against fresh domestic and international players.

During the past year the process of convergence has reached such a high level of maturity that it has further pushed up the already high degree of competition as a result of consumption models enhanced by the quality of their content, the technology of their distribution platforms and the availability of broad consumer bases.

The traditional publishers' specialisation in the quality of their content is no longer enough in this market, since the media time budget and the consequent available resources are shared among a host of methods of distribution in which the technology at hand, the devices at users' disposal and the capacity to satisfy the audience's media requirements, taken as a whole, turn companies which have come from previously separate worlds and business sectors into competitors.

Traditional publishers, therefore, have been conducting an ongoing review of the scope of their business activities and their offer to the public, trying, in their production and distribution processes, to strengthen the weakest elements in the factors which are considered the winners in the new scenario: content, technology, audience, data.

Owing to the importance of these new models, all the operators in the sector have reorganised and carried out an organic reinforcement of their activities with the above aims in view. Some Groups have also adopted a more aggressive approach in carrying out major corporate transactions which cross established geographic areas, introduce new technology and editorial content and change the face of markets and segments which previously seemed to be cast in stone.

Starting from what has happened in the former paper publishing industry, we see that the big Groups in the sector are looking in the direction

of an increasingly cross-media strategy for the rationalisation and integration of their offer in order to attract a demanding public with fluid consumer patterns. Within this context we must mention the transaction whereby Mondadori acquired the online media division of the biggest Italian e-commerce company. In acquiring the vertical contents of Banzai, Mondadori not only incorporates some of the most popular websites in Italy (*GialloZafferano*, *Cookaround*, *Pianetadonna*, *Studenti.it*, *Soldionline*, *FilmTv*, *Liquida*), but integrates know-how into new media, competence into digital platforms and the ability to achieve valuable targets.

The scope of this framework of new alliances, business combinations and streamlining also includes the agreement for the merger between the L'Espresso group (the publisher of *La Repubblica*) and Itedi (editing *La Stampa* and *Il Secolo XIX* and holding 100% of the advertising concession holder *Publikompass*). The combination will lead to the creation of the Italian leading group in the sector of daily multimedia information and news, both at a national and local level; given the L'Espresso Group's strong cross-media presence, this combination will allow substantial synergies to develop.

No less important is the transaction between the publisher of *Corriere della Sera* and *Gazzetta dello Sport*, among other products: Cairo Communication, at the end of the take-over bid and share-per-share offer (OPAS), acquired control over the RCS group. This transaction has given rise to a big multi-media publishing group with the capability of creating high communication value as a result of the development of substantial synergies among daily newspapers, periodicals, books and TV on a multi-platform basis.

The Mediaset group strengthened its position in the radio market. After acquiring 19% of RB1 SpA – holding a 92.8% stake in Finelco with the founding partners – in 2015, it rose to 72.12% of the share capital in July 2016, bringing the *RadioMediaset* pole into being.

At international level, Liberty Global an Anglo-American company which controls channels of the calibre of Amc and ITV, the leading company in cable technology in various European countries, and Netflix signed an agreement for the distribution of the latter's content to the subscribers of the former.

Moving to the American over-the-top market, Microsoft concluded a deal whereby it took over LinkedIn for Dollar 26.2 billion, a valuation which attributes this company with a very bright future. With this transaction, Microsoft, relying on more than 1.2 billion users and a liquidity of more than

Dollar 90 billion, is trying to get out of the "offline" corner to which it has been relegated, while also trying to combine professional clouds and networks. LinkedIn, with its 430 million profiled users, which can be identified and updated, will allow Microsoft to create a highly competitive integrated network, with a large potential of developing in the online market, as well as in the profiling of targets and cross-selling with the Windows environment.

The strategic priority Microsoft has identified for social media is based on growth similar to that of Facebook, preserving its specific function for businesses, managers and professionals. The changes announced between the end of 2016 and the beginning of 2017 go in this direction: the inclusion of *News Feed* in the home page, with flows of news posted by the user's contacts, the development of a messenger to talk to colleagues and/or recruiters in real time and the inclusion of a chat box to share videos.

The integration of content, audiences and know-how from different geographic and cultural origins in a synergic whole, from the technological point of view as well, was certainly the objective of the strategic and business partnership regulated by a contract signed in April 2016 by the Mediaset group and Vivendi, a French company that is active in the sectors of cinema (*Groupe Canal Plus*), music (*Universal Music Groupe*) and videogames (*Ubisoft* and *Gameloft*), as well as the majority shareholder of Telecom Italia. In this transaction, the company from over the Alps acquired 89% of Mediaset Premium and agreed a balanced and equal equity swap: 3.5% of Vivendi shares in exchange for 3.5% of Mediaset. There were at least three spin-offs for the parties: the revival of both companies' Pay-TV offer (*Mediaset Premium* and *Canal Plus*), effective competition with global operator Sky in Europe and also resistance to the inexorable advance of the American OTTs, which specialise in unifying content, technology, data and variegated audiences, Netflix above all, through the joint production and distribution of audiovisual contents and the establishment of a global Over-the-Top (OTT) TV platform.

The project conceived by Vivendi, relying on the interest held in Telecom Italia, also provided for the launch of a joint offer together with Telco and other companies in the two groups, involving a single subscription for broadband services delivered by Telecom Italia, the contents of *Mediaset Premium*, the music of *Universal Music Group*, the movies of Warner Bros and Universal and the games of *Gameloft*.

Despite the innovative scope of this cross-media services agreement, a significant legal dispute arose between the Parties after the execution, which endangered the performance of the contract.

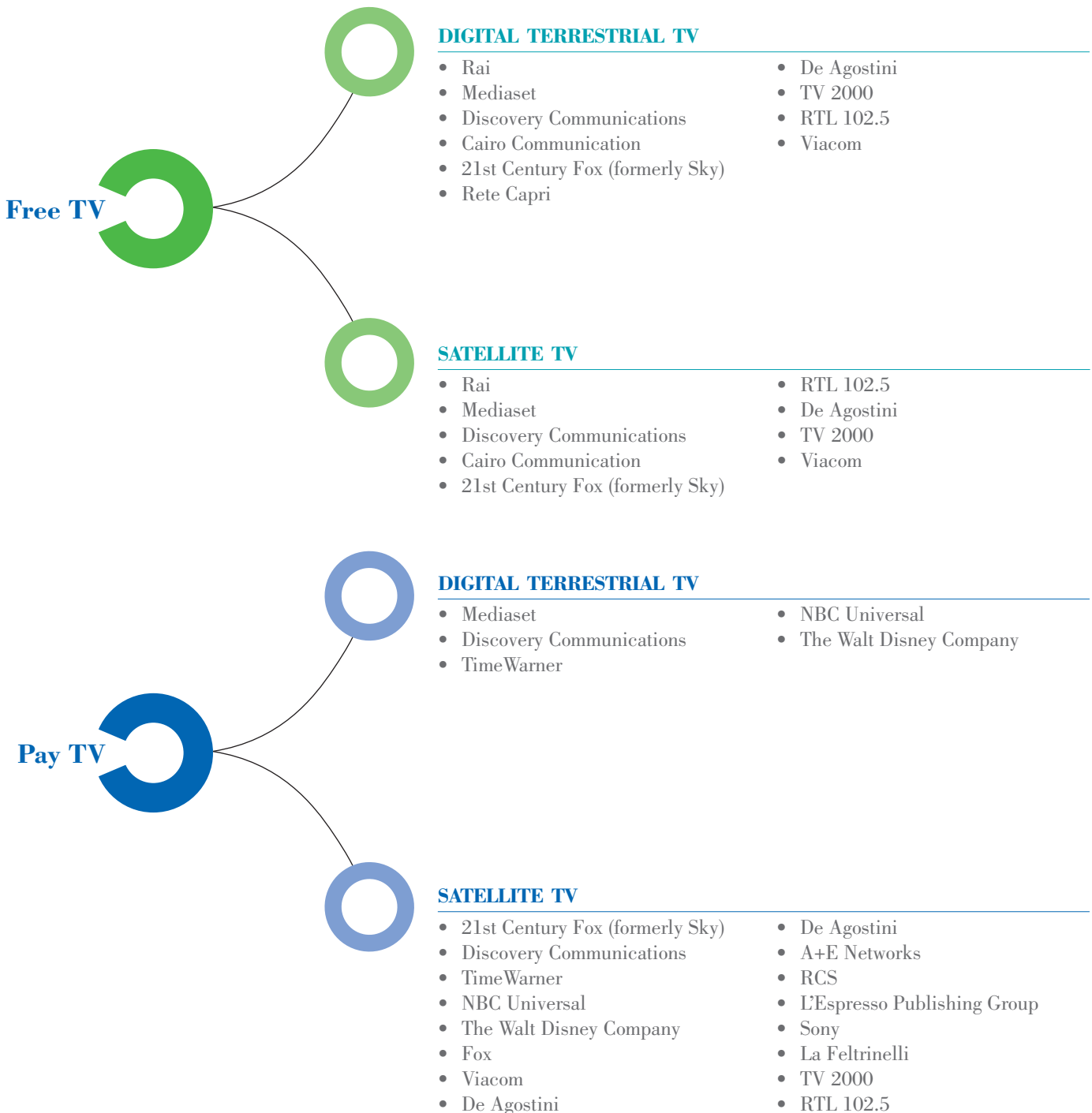
Meanwhile, at the end of December, Telecom, decided to hasten its quadruple play strategy, starting to produce premium content for the ultra-broadband and commencing the procedure for turning TIMvision into a company, whose mission will be to present the market with a video range enriched with new premium content produced and co-produced at Italian and international level. TIMvision, therefore, will be the instrument which provides the group with exclusive content for the

ultra-broadband, speeding up the use of fibre and expanding the offer of IPTV products and services.

A similar international level development on a much bigger scale is the attempt at a merger, at present being considered by the competent authorities, between AT&T, a historic American telephone company whose telecommunications network covers 127 countries in the world and which provides vocal, video and data transfer

Major TV broadcasters in Italy

(Source: Rai)



services by Internet to individuals, businesses and government agencies, as well as TV services of various kinds, and the publisher Time Warner, whose business range takes in cinema (Warner Bros.), television (Hbo, Cinemax, Tnt, Cnn, Cartoon Network, Cw) and web (Machinima, Dramafever).

In a scenario in which the digital world is becoming increasingly important and playing an ever more predominant role in the global market, especially in the media segment, businesses, institutions and organisations in general can no longer afford to disregard the enormous mass of data produced by the many forms of digital interaction that all organised activities now entail. These new concepts are even more significant for Media Companies, both owing to the opportunities arising from the personalisation of content and user experience and the threats posed by the giant global communications companies, which are so strong that they can knock down all national barriers and give the public a sophisticated communication capacity that even renders them indispensable in addition to providing them not only with enormous financial benefits but also with an unprecedented possibility of influencing public opinion.

The most advanced operators are developing technological platforms, thoroughgoing goldmines of big data with which they can collect, process and organise enormous quantities of data coming from different sources in order to build

detailed profiles of the public and consequently convey user experiences that could hardly be more gratifying and personalised (customer engagement). The two systems for better planning and efficacy of advertising campaigns, AdSmart and AdVance, launched by Sky go in this direction. This transformation process, which is a great opportunity and at the same time a great business challenge, requires companies to take up a strategic approach (business intelligence) to the production and management of profiling data by bringing new strategies and business models into play.

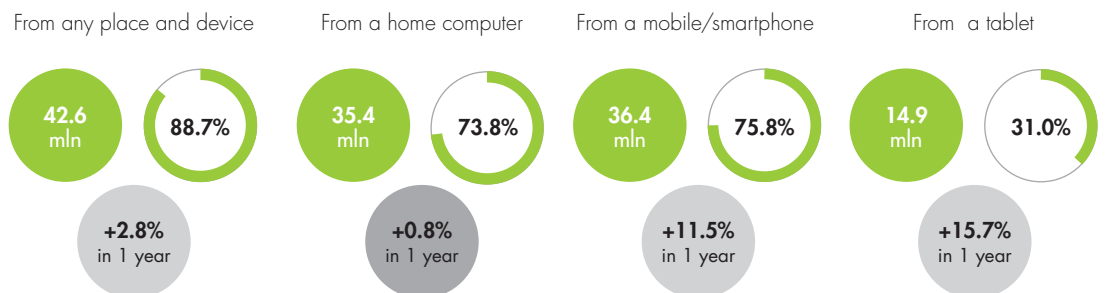
This is also the background against which, in 2016 with the launch of the RaiPlay app and portal, Rai embarked on both an enlargement of the range of platforms available for its offer and a number of measures which seek to introduce a system for the targeted utilisation of the related big data. This is for publishing and service reasons, the objective being to maximise the value of customer experience through guided processes and personalised suggestions regarding individual user preferences.

In 2016 we became more and more clearly aware that mobile devices, mainly smartphones, have changed media consumption habits radically. It is undeniable that in the last few years these appliances have taken on an increasingly crucial role in people's lives, making the spaces of time between one activity and another a time of media consumption and social connection.

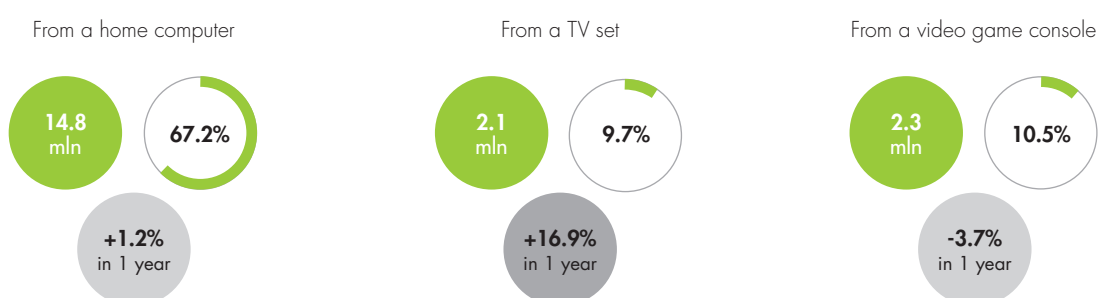
Availability of access to internet from different devices

[Source: Audiweb, December 2016]

Italians from 11 to 74 years old



Families with a member aged up to 74 years old



In practice, as the public perceive it, the mobile phone screen has become the *Screen* for everything and at all times.

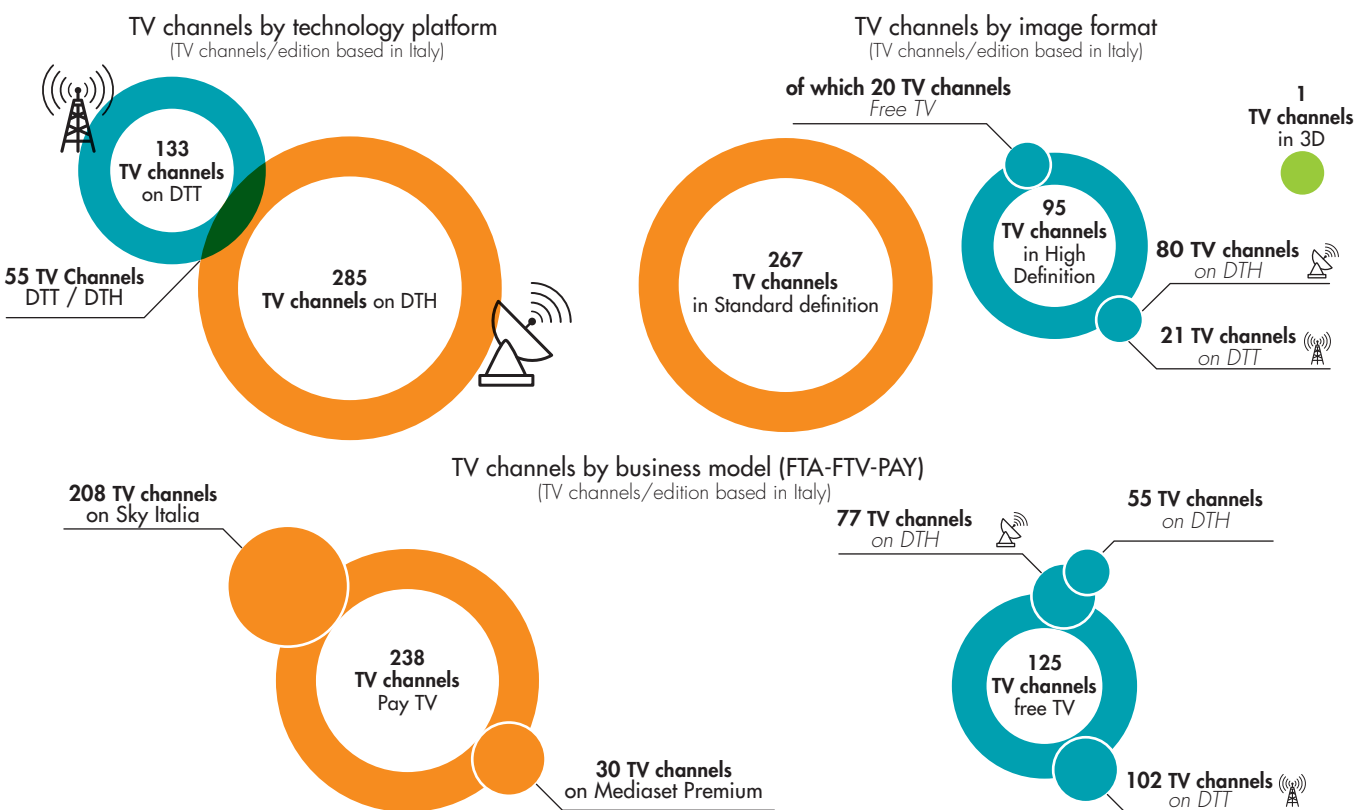
Tablets are seen as mainly domestic mini-TV sets to see videos, films, TV series and much YouTube, all possibly on demand. Personal computers, whether laptops or desktops, are devoted to another type of consumption: either work or as alternatives to other devices. Web-connected smart TV is still an instrument which is relatively little resorted to pending the killer application which will compel people to make effective use of it. Traditional TV remains the media *agora* necessary to stock up with social currency: consumers perceive its use as being of fundamental importance, especially during prime viewing times, to see the news, TV series and talent, reality and talk shows, its cross-consumption being enhanced by digital programmes.

Smartphones are seen as “democratic”, horizontal devices, something which is the same for everyone and which all use in the same way. The Apps people install are more or less the same and, being easy to use, enable everybody to enter the online world and avail themselves of the various services which, until a very short time ago, were inaccessible to many owing to the technological barriers. People make use of smartphones and, above all, of Apps, in their everyday lives for three main purposes: practical, social and as media, and these purposes often tend to overlap. Video content is intensely emotional for its very nature, has a strong impact

and tends to become the public’s favourite method of consumption for social purposes, to see the news, for its “snack content” and as entertainment, but also for selfies or live Facebook programmes. The TV becomes an App on the smartphone, especially among young people: it is a very different method of consumption from the traditional way, mainly takes place outdoors but tends to re-establish a link with the networks; nevertheless, consumers find that in the absence of signals to guide them there is still some confusion in how to find the on demand title they are looking for.

2016 was also the year of the reversal of the negative trend triggered by the 2008 crisis. The advertising market started growing again and, during the period from January to December (Nielsen data), recorded a percentage change of 2.3 points, passing from just under Euro 5.8 billion collected in 2015 to more than Euro 5.9 billion in 2016.

Investment in advertising in daily newspapers went on falling, the drop in this sector being the highest proportionally (-7.8%). Advertising on internet in the area which was observed fell by 2.4%; however, including some key components (such as *Search* and *Social*), the segment would close with +14.3%, according to the IHS, PWC and Polimi data. The TV market grew by 5.4%; all the publishers, both free and Pay TV, reported a positive trend: Rai improved by more than the market average (+6.3%) also thanks to revenues from commercials during sports events (*UEFA Euro 2016* and *Rio 2016 Olympics*).



Note: national broadcasting TV channels relating to the national TV sector under consideration. It does not include international channels broadcast in Italy.
Source: data processed by Confindustria Radio Televisioni -CRTV

The chart below shows the trend of revenues from advertising broken down by media (2007-2016), showing the substantial decrease in the TV market's commercial investments.

Rai, as the exclusive Public Service concession holder, continues to keep its lines of strategy and its methods of operation up to date so that it can go on fulfilling its mission with the necessary effectiveness and efficiency even in the new scenario, building on the process of transforming itself into a Digital Media Company.

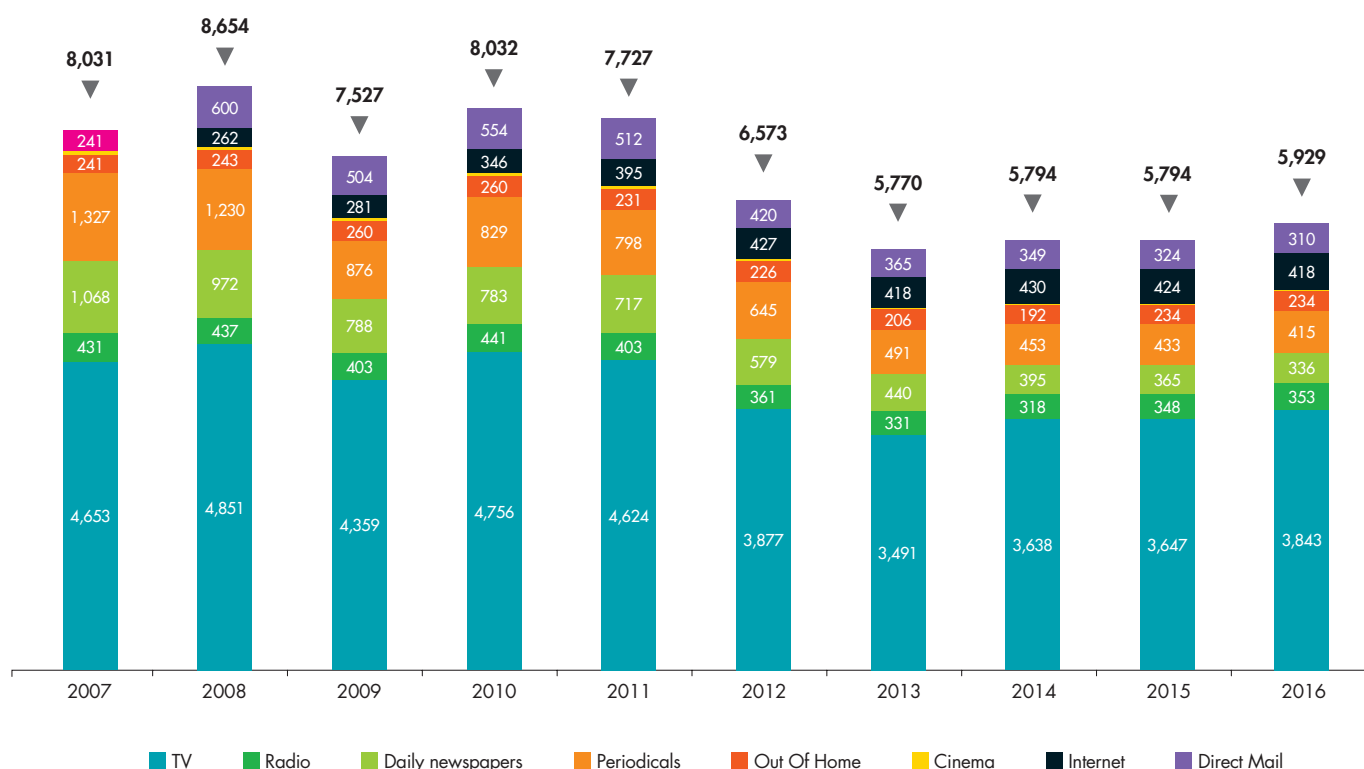
This is a complex and ongoing process which requires the conceptual model and the production and distribution system to be reviewed constantly, with cross-media contents that are increasingly personalised and personalisable, to be produced both through substantial technology investments and through a growing dissemination of digital culture across the Company. With this in mind, as we have already mentioned, audience profiling becomes increasingly important because this work enables Rai to customise and develop user experience all the time and manage adequate up-selling and cross-selling processes applied to the world of the TV, the radio, the web and the social media so that the audiences of individual events and individual means become generalised Group audiences.

With its specific role, Rai therefore sets itself the priority strategic goal of encouraging the consumption of digital content of all existing types in order to make a constructive contribution to overcoming the digital divide and to foster both primary and secondary digital literacy, increasing and extending digital consumption by the already digitalised target groups and enhancing awareness and basic consumption among the bands of the population which, more or less consciously, have remained outside or on the margins of the digital world.

In the Italian media scenario, TV is still the media used by most Italian citizens (about 45 million a day), while radio keeps up with the pace superbly with over 35 million listeners a day, this remaining a means which has the capacity to renew itself and grow stronger with technology innovation and social developments. The radio still attracts and retains the loyalty of a wide public. The digital services market is expanding incessantly (used by about 22 million Italian citizens a day), users are increasingly inclined to use the web as a working tool and a source of information and not only as an instrument for social relations, leisure and entertainment; this process is decisively contributed to by the now widespread use of mobile devices, and in particular of smartphones, and the increasing popularity of social media.

Trend in advertising revenues by medium (January/December 2007-2016)

[Source: Nielsen, data in millions of Euros]



There were 418 nationwide TV channels in November 2016 (363 belonging to publishers based in Italy), consisting of 285 satellite broadcasted channels and services (Sky Italia and Tivùsat) and 133 nationwide channels on the DTT platform (including free and Mediaset Premium channels); those that can be viewed on both DTT and DTH platforms were 55. There was a slight increase in the total offer with an increasingly greater number of HD versions of already existing channels: 95 channels (equal to 26%), in addition to a channel that broadcasts 3D content (DTH platform, Pay); to these must be added a high number of TV channels (linear and non-linear) on the web.

As regards business models (Free to air, Free to view and Pay), of the 363 channels belonging to Italian-based publishers, 238 were pay to view (of which 208 viewable on the Sky Italia platform and 30 on the Mediaset Premium platform) and 125 free.

In 2016 the longer established publishers continued with a portfolio diversification policy, implementing highly specialist channels, while new players from other publishing sectors, platforms or different markets (telco, internet giants) are continually entering the market and overlapping with the offer from traditional TV broadcasters, mainly on platforms alternative to the classic TV platform, exploiting the proliferation of web connections from mobile devices. As regards satellite platforms, in 2016 just under 4.4 million households subscribed to Sky. The number of MySky decoders remained almost unchanged, being available to 76% of the households that subscribe to Sky. On the other hand the Sky Calcio sports programme offer expanded (+2%), reaching 51% of households

that subscribe to Sky, equal to about 6.2 million individuals.

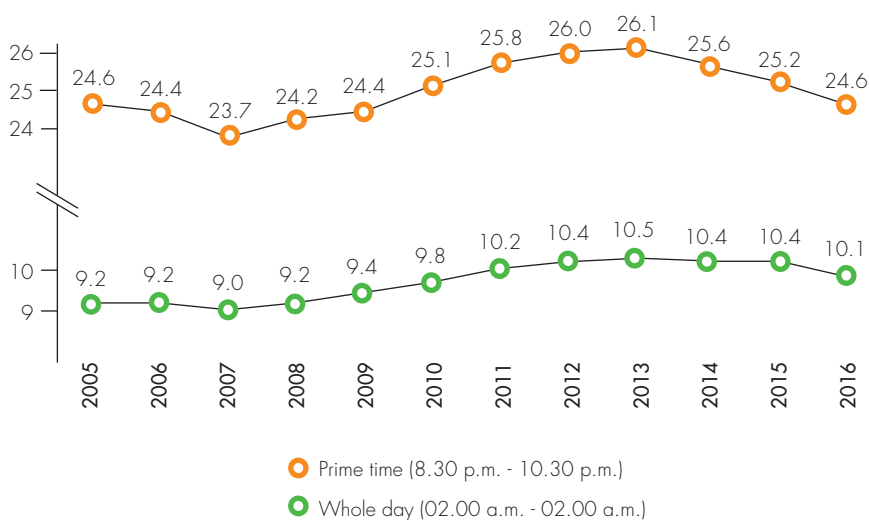
Again as regards Pay TV services, Mediaset Premium, broadcast on DT, had just over 2 million subscribers according to data announced by the Group.

On the other hand there was a slight increase in the use of the free TivùSat satellite platform: during the period observed, 2.9 million cards had been activated and there were more than 2 million user households.






There were the following transactions in the competitive scenario during 2016:

- the MTV channel, which is broadcast on LCN 8, carried out a rebranding transaction, changing its name to TV8;
- the position LCN 50 was assigned to SKY Tg24 DFCTD (*dentro i fatti con le tue domande*), a number previously held by the Laeffe channel, which in turn moved to the Sky pay platform;
- the Rcs Media Group closed down the unencrypted channel *La gazzetta dello sport* (LCN59), which had been launched in 2015;
- the Viacom group launched the *Paramount Channel*, on LCN 27, a position that was previously held by *Sky Tg24*;
- DeeJay tv, which is broadcast on LCN 9, changed its name to *Nove*;
- Rai launched two new HD channels on the Tivù Sat platform: *Rai Movie HD* and *Rai Premium HD* (channels 114 and 115);
- Sky online changed its name to *Now tv*;
- Viacom Media Network Italia launched the music channel *VH1* viewable on the LCN 67 position of DTT;
- Rai closed down the *Rai HD* channel and launched the *Rai 1 HD* channel on the LCN 501 position of DTT;
- Closing down broadcasting on the digital terrestrial channel of Radio Capital tv and M2o Tv, which remained viewable on the Sky pay platform only and in streaming on their respective sites, and launch of *Radiofreccia Tv* and *RTL 102.5 Tv HD* channels;
- Launch of the *I.D. Investigation Discovery* channel on the Mediaset Premium pay platform;
- Vodafone started the *Vodafone Tv* service, which offers, through a single integrated platform, the content of traditional, on demand and Internet TV;
- Finally, Amazon, also made available the *Amazon Prime Video* service in Italy, which allows movies and TV series to be viewed in streaming, including in the subscription of Amazon's customers.






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



Penetration relating to the period from 1 January to 31 December 2016 Total individuals (years 4+)

	Day time (02:00 a.m. – 02:00 a.m.) 			Share 			Net contacts/ population 			Minutes viewed 		Net contacts 		
	2016	2015	Change	2016	2015	Change	2016	2015	2016	2015	Change			
Rai 1	16.63%	16.96%	- 0.33%	41.50%	42.35%	- 0.85%	98	101	24,344,345	24,824,717	- 480,372			
Rai 2	6.72%	6.80%	- 0.08%	30.65%	31.94%	- 1.29%	54	54	17,977,540	18,723,770	- 746,230			
Rai 3	6.47%	6.63%	- 0.16%	30.27%	31.26%	- 0.99%	52	53	17,754,644	18,321,115	- 566,471			
Rai General interest channels	29.82%	30.38%	- 0.56%	53.91%	54.89%	- 0.98%	136	140	31,621,181	32,174,096	- 552,915			
Rai 4	1.00%	0.89%	0.11%	8.42%	8.36%	0.06%	29	27	4,936,915	4,900,174	36,741			
Rai Premium	0.95%	1.00%	- 0.05%	7.14%	7.53%	- 0.39%	33	34	4,189,063	4,411,654	- 222,591			
Rai Movie	1.08%	1.09%	- 0.01%	10.14%	10.22%	- 0.08%	26	27	5,947,421	5,990,499	- 43,078			
Rai 5	0.34%	0.28%	0.06%	5.06%	4.73%	0.33%	17	15	2,966,048	2,772,890	193,158			
Rai Storia	0.25%	0.21%	0.04%	2.62%	2.49%	0.13%	23	22	1,536,047	1,460,637	75,410			
Rai Scuola	0.02%	0.01%	0.01%	0.28%	0.26%	0.02%	14	9	166,550	151,269	15,281			
Rai YoYo	1.33%	1.43%	- 0.10%	5.64%	5.87%	- 0.23%	58	62	3,309,103	3,443,141	- 134,038			
Rai Gulp	0.55%	0.63%	- 0.08%	3.56%	3.87%	- 0.31%	38	41	2,086,767	2,268,092	- 181,325			
Rai Sport 1 Rai Sport 2	0.84%	0.79%	0.05%	5.42%	5.89%	- 0.47%	31	32	3,180,559	3,453,623	- 273,064			
Rai News	0.51%	0.52%	- 0.01%	5.25%	5.42%	- 0.17%	23	24	3,079,576	3,174,728	- 95,152			
Rai Specialist channels	6.87%	6.85%	0.02%	30.80%	31.13%	- 0.33%	55	56	18,064,719	18,250,275	- 185,556			
Total Rai	36.69%	37.23%	- 0.54%	60.65%	61.63%	- 0.98%	149	153	35,574,977	36,127,110	- 552,133			
Canale 5	15.50%	15.35%	0.15%	38.00%	40.09%	- 2.09%	100	96	22,293,898	23,496,917	- 1,203,019			
Italia 1	5.23%	5.67%	- 0.44%	25.33%	28.53%	- 3.20%	51	50	14,858,616	16,724,198	- 1,865,582			
Rete 4	4.12%	4.59%	- 0.47%	21.14%	23.30%	- 2.16%	48	50	12,403,780	13,657,871	- 1,254,091			
Mediaset General interest channels	24.85%	25.61%	- 0.76%	49.59%	53.16%	- 3.57%	123	122	29,087,308	31,163,359	- 2,076,051			
Mediaset Specialist channels	6.66%	6.51%	0.15%	29.23%	28.47%	0.76%	56	58	17,148,028	16,690,301	457,727			
Total Mediaset	31.51%	32.12%	- 0.61%	56.23%	59.17%	- 2.94%	138	137	32,982,371	34,686,179	- 1,703,808			
Total La7	3.67%	3.55%	0.12%	20.61%	20.72%	- 0.11%	44	43	12,092,845	12,144,665	- 51,820			
Total Sky	6.73%	5.40%	1.33%	27.71%	21.54%	6.17%	59	63	16,257,466	12,626,859	3,630,607			
Total Fox	1.17%	1.28%	- 0.11%	5.03%	5.41%	- 0.38%	58	60	2,948,576	3,168,776	- 220,200			
Total Discovery	6.67%	6.24%	0.43%	29.33%	28.02%	1.31%	56	57	17,206,431	16,422,571	783,860			
Total MTV- Viacom	0.90%	1.11%	- 0.21%	6.22%	10.06%	- 3.84%	36	30	3,647,150	5,898,072	- 2,250,922			
Other broadcasters	12.66%	13.07%												
Total TV	100.00%	100.00%	0.00%	77.69%	78.45%	- 0.76%	318	323	45,571,978	45,983,369	- 411,391			

Penetration relating to the period from 1 January to 31 December 2016 Total individuals (years 4+)

	Prime time (08:30 p.m. -10:30 p.m.) 			Share 			Net contacts/ population 			Minutes viewed 			Net contacts 		
	2016	2015	Change	2016	2015	Change	2016	2015	2016	2015	Change				
Rai 1	18.49%	18.21%	0.28%	23.30%	23.56%	-0.26%	39	39	13,668,561	13,811,044	-142,483				
Rai 2	7.21%	7.08%	0.13%	14.02%	14.60%	-0.58%	26	25	8,226,339	8,560,070	-333,731				
Rai 3	6.72%	6.68%	0.04%	12.50%	12.85%	-0.35%	26	26	7,333,105	7,534,835	-201,730				
Rai General interest channels	32.43%	31.96%	0.47%	34.18%	34.68%	-0.50%	47	47	20,051,752	20,325,866	-274,114				
Rai 4	1.15%	1.05%	0.10%	3.35%	3.18%	0.17%	17	17	1,965,423	1,862,741	102,682				
Rai Premium	0.96%	1.18%	-0.22%	2.69%	3.02%	-0.33%	18	20	1,576,086	1,769,581	-193,495				
Rai Movie	1.28%	1.20%	0.08%	4.14%	4.11%	0.03%	16	15	2,430,898	2,406,714	24,184				
Rai 5	0.35%	0.33%	0.02%	1.68%	1.57%	0.11%	10	10	986,648	921,265	65,383				
Rai Storia	0.28%	0.28%	0.00%	0.92%	0.87%	0.05%	15	16	540,774	507,604	33,170				
Rai Scuola	0.02%	0.01%	0.01%	0.09%	0.08%	0.01%	12	9	54,019	44,623	9,396				
Rai YoYo	0.83%	0.91%	-0.08%	1.54%	1.70%	-0.16%	27	28	904,421	994,458	-90,037				
Rai Gulp	0.44%	0.56%	-0.12%	0.92%	1.04%	-0.12%	24	27	538,230	611,739	-73,509				
Rai Sport 1 Rai Sport 2	0.63%	0.59%	0.04%	1.66%	1.74%	-0.08%	15	16	972,713	1,022,197	-49,484				
Rai News	0.20%	0.20%	0.00%	1.06%	1.13%	-0.07%	9	9	624,165	663,667	-39,502				
Rai Specialist channels	6.16%	6.31%	-0.15%	13.05%	13.25%	-0.20%	24	25	7,652,889	7,765,638	-112,749				
Total Rai	38.58%	38.27%	0.31%	38.82%	39.44%	-0.62%	50	50	22,774,676	23,116,595	-341,919				
Canale 5	14.91%	15.95%	-1.04%	20.47%	21.89%	-1.42%	36	37	12,008,126	12,828,960	-820,834				
Italia 1	5.50%	6.12%	-0.62%	9.92%	11.27%	-1.35%	28	28	5,819,722	6,608,817	-789,095				
Rete 4	4.32%	4.85%	-0.53%	9.15%	10.26%	-1.11%	24	24	5,366,650	6,014,805	-648,155				
Mediaset General interest channels	24.72%	26.92%	-2.20%	28.75%	31.29%	-2.54%	43	44	16,863,344	18,339,862	-1,476,518				
Mediaset Specialist channels	6.82%	6.87%	-0.05%	12.53%	12.44%	0.09%	27	28	7,352,316	7,294,274	58,042				
Total Mediaset	31.55%	33.79%	-2.24%	33.86%	36.25%	-2.39%	46	48	19,864,811	21,248,581	-1,383,770				
Total La7	4.46%	4.33%	0.13%	9.65%	9.70%	-0.05%	23	22	5,662,424	5,684,084	-21,660				
Total Sky	7.50%	6.05%	1.45%	12.58%	9.61%	2.97%	30	32	7,378,543	5,633,264	1,745,279				
Total Fox	1.29%	1.32%	-0.03%	2.11%	2.25%	-0.14%	30	30	1,239,356	1,316,046	-76,690				
Total Discovery	5.22%	4.66%	0.56%	11.06%	10.10%	0.96%	24	24	6,489,749	5,920,355	569,394				
Total MTV- Viacom	0.74%	0.93%	-0.19%	2.02%	3.25%	-1.23%	18	15	1,184,581	1,904,391	-719,810				
Other broadcasters	10.66%	10.65%	0.01%	1.74%	1.74%	0.00%	11	11	1,184,581	1,184,581	0				
Total TV	100.00%	100.00%	0.00%	57.60%	58.33%	-0.73%	87	88	33,790,966	34,192,350	-401,384				

The objectives achieved

The market in which Rai operates is highly competitive and constantly evolving. The entry of new operators, although not traditionally engaged in the publishing business, has led to an even more intense competition due to their substantial financial resources.

The main trends are summarised below: a constant advance in linear themed TV programmes and shrinking audiences for general interest networks; a rapid growth in non-linear OTT products, in which consumption is mostly driven by the use of mobile devices, particularly suitable for watching videos online and which is therefore mainly focused on younger age groups; the radio is still a medium which is in tune with technological evolution and thus also with the youngest target listeners: therefore, it is capable of generating important synergies with TV and digital media.

Against this background, in order to meet the challenges laid down by the competitive scenario and by the current positioning of the Group, in April 2016 Rai approved the 2016-2018 Business Plan, the main objective of which is the full development of Rai's role as a universal Public Service network.

In fact, Rai informs completely and pluralistically talks about the country and contemporary reality, entertains all Italians; provides access to knowledge; disseminates digital culture and inclusion throughout the nation and promotes Italy abroad.

The Plan, which will be reviewed to meet the requirements laid down in the new Concession agreement, names three strategic objectives: a universal and unique Public Service offer; leadership in cross-platform audiences and economic and financial sustainability.

Rai is pursuing these objectives along the following growth paths: enhancing the central role of contents; rethinking the TV, Radio and Digital offer; transforming Rai into a Digital Media Company to connect Rai with all Italians; exploiting its industrial structure, which enables it to express its local roots.

In order to pursue these strategic objectives, Rai has started an in-depth renewal of its broadcasting policy, which will allow it to reach out universally, while retaining its audience leadership in the new digital and multi-platform scenario.

More specifically, Rai is gradually proceeding to strengthen the central role played by the generation of content, providing high quality

programmes and making this Public Service more robust also by reviewing the mix of genres and their language. Furthermore, Rai will complete its transformation from a traditional broadcaster into a Digital Media Company reviewing the channels' concept and distribution models and working out a distinctive, personalisable digital range to bring a wide audience and allow efficient and universal access for anyone, anywhere and at any time, both with the support of technology investments and through the introduction of production models and professional development suitable to the digital age.

Rai is taking effective measures on two fundamental enabling factors in order to make it possible for this change of gear in generating and distributing content:

- the rationalisation of the Company's industrial structure to make better use of in-house expertise, also through greater specialisation and increased efficiency and flexibility;
- an in-depth organisational renewal boosting the push to change, simplifying the management of operations and enabling Rai to act according to a "One Company" approach.

While the legislative and regulatory frameworks remain unchanged, the strategy guidelines laid down in the Business Plan are the pillars on which to build the Rai of the future with a production vision and approach which meets the new requirements of all public services in the present multi-platform scenario, with a technological infrastructure that is capable of supporting the new ways we use the media.

The accurate and structured definition of key objectives and the consequent focus on the priorities of the Public Service entrusted to Rai have led to significant initiatives and results, which are fully consistent with the abovementioned objectives.

The following initiatives are those that are more worthy of mention:

- the launch of the **new multimedia platform Rai Play**, which has been fully developed in-house by the Company and which allows all the contents of Rai to be viewed through all devices connected to the Internet, in both streaming (simulcast of TV channels) and on-demand modes, also making extensive use of the historical content of the Teche Rai archives. The platform's key element compared to past experience is the fully central role attributed to users, which may also benefit from additional services – subject to registration – for the personalisation of offers and contents based on their specific interests, preferences and taste, as well as from more flexible methods of using media in a multi-device environment. Based

on this approach, the user interface has been conceived to meet more innovative usability requirements, which in any case allow the growing potential of Rai's offer to be expressed and organised according to genre catalogue criteria;

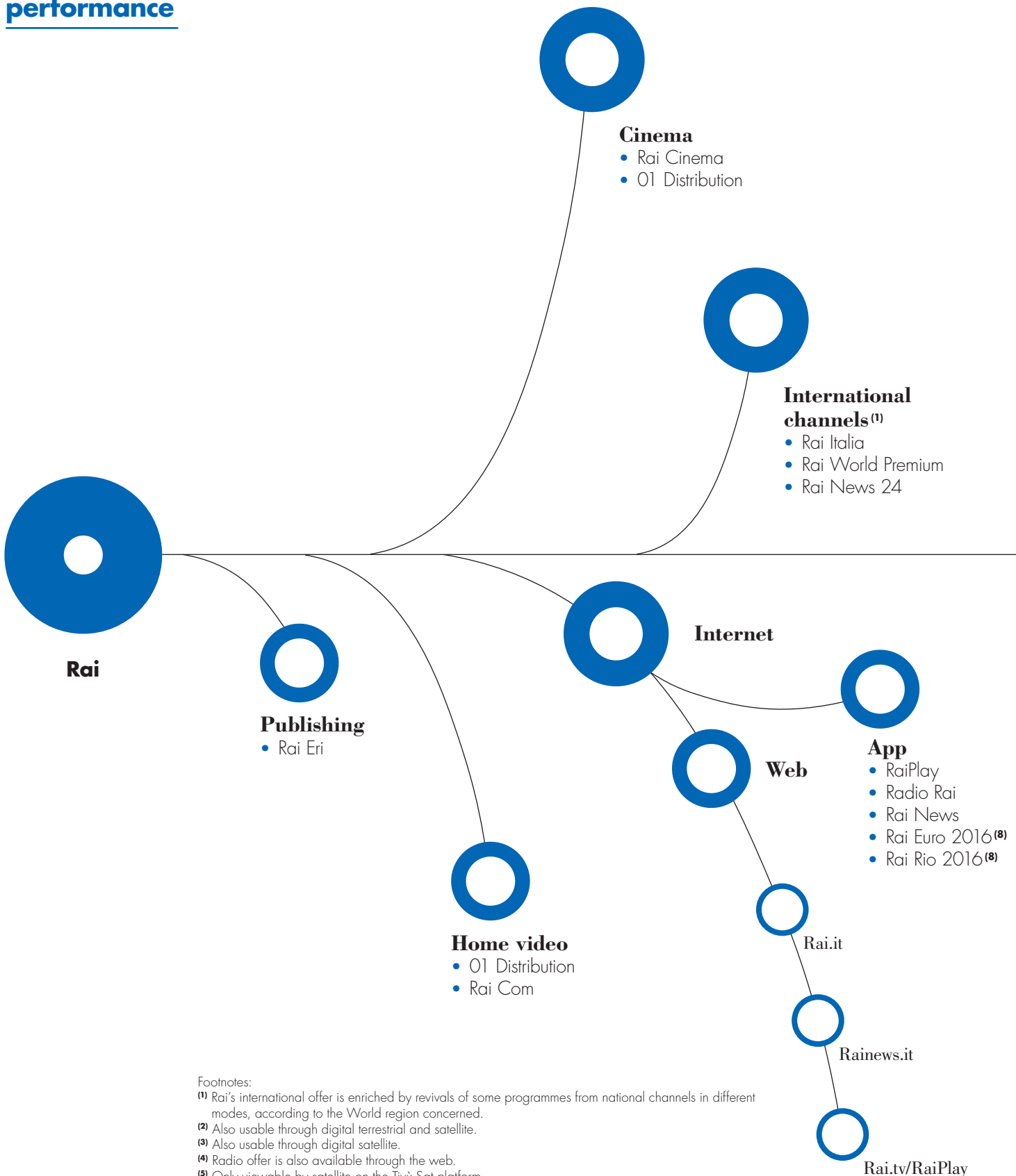
- without losing sight of the many successes which have made the recent history of Rai's schedules, the reliability of its programmes, a vital element in the necessary relationship with its audience and one which therefore justifies its role as a Public Service, was consolidated in 2016 by introducing innovations at an unprecedented rate, innovations which took in all the elements in its range: the structure of the schedule and the programmes themselves from content to presenters, in other words all the factors which are fundamental for the construction of a successful combination of publishing products. Well over 30% of the general interest schedule, taken in a broad sense, was renewed, a total of over 25 hours a day, only considering Rai 1, Rai 2, Rai 3 and Rai 4. Purely in the autumn, about 1,600 hours of programmes were involved on the three main channels, 840 hours during this season for Rai 4 alone, whose appearance underwent a major transformation. This process of renewal was appreciated by the public overall, including the younger generations, who have a difficult and intermittent relationship with the TV medium. Supported by these results, in 2017 the great changes which were introduced are continuing to keep up with the times intelligently, abiding by the values and themes associated with a Public Service;
- the unprecedented decision to showcase the art of dance on prime-time Rai 1 channel, with the programme named "*Roberto Bolle – La mia danza libera*" dedicated to the world famous Italian ballet dancer *étoile*. It was a fine and exciting night of cultural entertainment, and a perfect combination of quality and audience in view of the objective of a new, more sophisticated editorial content that Rai is pursuing;
- *I Medici*, a project of great importance since Rai is aware that the international TV Drama and Comedy genre has become a key place for storytelling in digital society and so it intends to gradually embark on a path to Italian productions, to be also distributed abroad. In doing so, the *Masters of Florence* is a highly symbolic choice for the Public Service broadcaster since the grandeur and beauty of the Italian past history become even more meaningful when they enter into a dialogue with the present times; the combination of these elements also allows the collective identity to be strengthened through this work. In order to fully meet the most advanced international video standards, the work was broadcast from satellites, including in Ultra HD, and was viewable on Rai4K channel, pressing button 210 of the remote control of Tivù Sat. The recent framework agreement signed with the French-German broadcaster Arte and other agreements for specific co-production projects just fall within the scope of the strategy to approach the most successful forms of new TV serials;
- the coveted **Golden Bear** award as best picture to Gianfranco Rosi's work named *Fuocoammare*, co-produced by Rai Cinema, on the theme of migrants and on the situation that the island of Lampedusa and Italy have been facing for years to rescue hundreds of thousands of people who land on its shores in search of a future. This work confirms that the Italian cinema industry is still able to continue, in the best tradition, to show its ability to grasp the momentous changes in our societies, even the more complex ones, at an international level and to succeed in telling a story that depicts them with a universal outlook. This is further evidence that Rai always supports the most lucid productions from among those closest to contemporary culture, with an original and powerful story that perfectly reflects the Public Service Company's vocation in the cinema industry;
- the confirmation that Rai is the national TV broadcaster that devotes **greater editorial and production efforts** than others to reach people with news and information and, therefore, the most popular source of information among the Italians. During the terrible days after **the tragic earthquake that hit Central Italy**, almost 25 million Italians tuned into one of Rai channels to gain information about the event on the first day alone, i.e. 24 August, a number that exceeded 31 million after the third day;
- after the Rio Olympics, the programming for the **Paralympic Games**, combining excellent quality and greatest production efforts, with a multimedia storytelling product through which the Public Service broadcaster has brought to the fore the stories behind the results and the persons behind the challenges, thus paying special attention to those who convey values that are so important to sports and life. This is a deeply felt commitment of Rai, which has fulfilled it with pride, being aware that the Paralympic Games are a key moment to reiterate the inclusive nature of the universal Public Service;
- a show with *Mika*, a great music star and not only that, on Rai 2, the preferred channel for contents with a contemporary and international vocation. The long list of his worldwide hits and his being a showman of enormous charisma turn him into a hotly-contested protagonist of a programme of music and entertainment, with great national and international artists, which offers very special stories of persons who are not famous and which intends to be amusing

and stylish. This is one of the first signs of new languages and new worlds that Rai is about to explore, combining entertainment and great music with a reflection on the themes of the contemporary society and in particular of young people;

- a process, within the development of themes concerning the use of frequency spectrum and with the objective of rationalising investments and stabilising the service, aimed at **extending and improving coverage**, in particular in those territories that experience difficulties in receiving all or part of the Rai channels due to their geographical locations or to interferences.

The Rai product: offer and performance

Map of Rai's offer



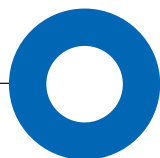
Footnotes:
⁽¹⁾ Rai's international offer is enriched by revivals of some programmes from national channels in different modes, according to the World region concerned.
⁽²⁾ Also usable through digital terrestrial and satellite.
⁽³⁾ Also usable through digital satellite.
⁽⁴⁾ Radio offer is also available through the web.
⁽⁵⁾ Only viewable by satellite on the Tivù Sat platform.
⁽⁶⁾ Only viewable by satellite on the Tivù Sat platform.
⁽⁷⁾ TV offer is also available on Rai.tv/RaiPlay, except for HD channels.
⁽⁸⁾ Apps launched on the occasion of related sports events.
⁽⁹⁾ Only viewable by satellite on the Tivù Sat platform and in the areas reached by Multiplex 5.



Radio ⁽⁴⁾

- Rai Radio 1 ⁽²⁾
- Rai Radio 2 ⁽²⁾
- Rai Radio 3 ⁽²⁾
- Rai Isoradio ⁽²⁾
- Rai Gr Parlamento ⁽²⁾
- Rai Radio 4 Light ⁽³⁾
- Rai Radio 5 Classica ⁽²⁾
- Rai Radio 6 Teca
- Rai Radio 7 Live
- Rai Radio 8 Opera

Television ⁽⁷⁾ (Digital terrestrial and satellite)



General interest channels

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



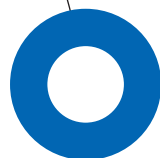
Semi-general interest channels

- Rai 4
- Rai 5 ⁽⁵⁾
- Rai Movie ⁽⁵⁾
- Rai Premium ⁽⁵⁾
- Rai 4 HD ⁽⁹⁾
- Rai 5 HD ⁽⁶⁾
- Rai Movie HD ⁽⁶⁾
- Rai Premium HD ⁽⁹⁾



Themed channels

- Rai News 24
- Rai Storia
- Rai Scuola
- Rai Sport 1
- Rai Sport 1 HD
- Rai YoYo ⁽⁵⁾
- Rai Gulp



News and Information

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

The Rai product

The publishing offer

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

Every day in Italy about 41.7 million persons of at least 4 years of age, equal to 71% of the population of reference, watch, read or listen to what Rai has to offer, looking at one of its TV channels, listening to one of its radio stations or visiting one of its internet portals. They spend an average of 108 minutes a day with our media.

This is the Group's strategy:

- to base its approach on a family of channels, to each of which a specific mission is assigned in order to diversify the range, enrich the culture of the population and pursue the objectives which it must attain as a Public Service;
- to look to the utmost efficiency of its production models in terms of format, themes, narration, language, aesthetics and personalities;
- to provide a range whose aim is to seize every opportunity of interacting with its audiences – with particular attention to young people – and which responds to the new methods of making use of content on different devices, including mobile devices;
- to make continual experiments with new technologies relating to networks, infrastructure and means, in order constantly to modernise the systems of production, dissemination and distribution of content; quality HD offer consistent with the positioning of Rai and of its publishing activities;
- to strengthen international partnerships in order to promote the renewal of contents at a national level and the enhancement of the Rai product all over the world. This strategy is based on both an increased distribution of Rai contents, such as programs and channels based on flow programming, and the execution of important co-production agreements with large international players. This scope includes – among others – the most recent framework agreement with the French-German broadcaster Arté or other agreements for single co-production projects such as those with NHK (Japanese public service broadcaster), Tohokushinsha (Japan), RSI (Swiss public service broadcaster) and ZDF (German public TV broadcaster) and finally with Netflix;
- the enhancement of the System Italy (*Sistema Italia*) abroad through the implementation of contents not only in Italian, as well as in the languages of the countries where the product is distributed, aimed at attracting new target audiences and promoting the excellence of the made-in-Italy brand all over the world.

The comparison with other broadcasters shows the following results.

Compared with the other main European public service broadcasters, Italy shows the lowest unit licence fee (Euro 100.00, which was reduced down to Euro 90.00 in 2017) versus France, Euro 136.0; the United Kingdom, Euro 200.5; Germany, Euro 215.8 while having the highest audience figures (36.7% versus France Télévisions, 29.2%; BBC, 32.8%; ARD 27.3%; ZDF 17.7%; RTVE 16.7%)¹.

In Italy, compared with commercial broadcasters whose purpose is to create value, even short-term value, for their shareholders and stakeholders, Rai's priority and binding purpose is the generation of "public value" for the entire Italian community and its different components, again within a long-term economic and financial sustainability, in response to the values of the community that inspire its mission as concession holder of the Public Service.

The fundamental principles at the basis of the Concession Holder's activity are:

- **universality**, i.e. the aptitude for reaching all the different segments of society with its programmes, without overlooking any, and the capacity to do so, in line with the Italian (AgCom) Competition Authority's recent call to interpret the concept of universality in an "active" sense, meaning presenting content which represents the different interests and points of view of the Italian people and Italy's image abroad and services which allow user participation and dialogue;
- **independence**, i.e. the aptitude for taking its decisions exclusively on the basis of the interests of the population and the capacity to do so;
- **pluralism**, i.e. the aptitude for being mindful of all diversities of gender, culture, religion, etc., in order to make a vital contribution to the development of a more inclusive society by representing different points of view and the capacity to do so;
- **responsibility**, i.e. the aptitude for working transparently, committing itself to the correction of any mistakes it makes through constant dialogue with the different sectors of the public and the capacity to do so;
- **innovation**, i.e. the aptitude for enriching the media scene taking a leading role in experimenting with new formats, new technologies and new ways of connecting with the citizens, and the capacity to do so;
- **excellence**, i.e. the aptitude for acting with high standards of integrity, professional skill and quality and the capacity to do so.

¹ Audience data of European public service broadcasters relate to 2015 (source EBU), except for that relating to the Rai Group, updated at 31 December 2016.

The main actions taken by Rai during 2016 are reported below.

Scheduling and brand refresh: Rai started a twofold process to refresh its offering on the one hand, and, on the other, the methods to communicate and convey the Rai brand(s) message. In terms of offering, the positioning of general interest channels was reviewed in order to clearly define their identity, thus avoiding overlapping. In terms of communication, the process provides for a brand refresh that is aimed at defining a single and distinctive corporate identity and making the design of the Rai portfolio consistent and clearly recognisable. The new claim 'Per te. Per tutti.' (For you, for anyone) captures the essence of the multimedia Rai Media Company, which puts the individual at the centre of its brand and that is able, at the same time, to speak to all the Italian citizens, thus generating "collective connections". These measures have been translated as follows in terms of publishing activities.

Rai has innovated its language and put on some broadcasts and special event programmes which have been highly successful from the points of view of both image and audience figures. The new style has even been used for difficult and niche themes such as the visual arts and serious music, generally restricted to the offer from the specialist channels but which Rai 1 also found a way to make attractive for the general public. Particularly worthy of mention are Roberto Bolle's *La mia danza libera* and the broadcasting of the *La Scala première*. The extraordinary success of Alberto Angela's *Stanotte a San Pietro* (about 6 million viewers on average and a share of more than 25%) also succeeded in capitalising on the beauty of Italy in style, using modern, international imagery and language.

Among the other outstanding programmes were the TV series *La mafia uccide solo d'estate* and, even more successful, *I Medici*, which extended the audience for Italian TV drama and comedy series to an international level owing to a language, cast and style choices of the same calibre as the big supranational series.

Rai 2 also gave striking signs of innovation and renewal, for example with the inclusion of the *Rocco Schiavone* series in prime time, successful with critics and audiences.

There was a change in Rai 2's musical entertainment with Mika's show, which succeeded in meeting the expectations of an active, non-traditional audience. The programme recorded more than 3 million listeners on average, with a share of more than 14%.

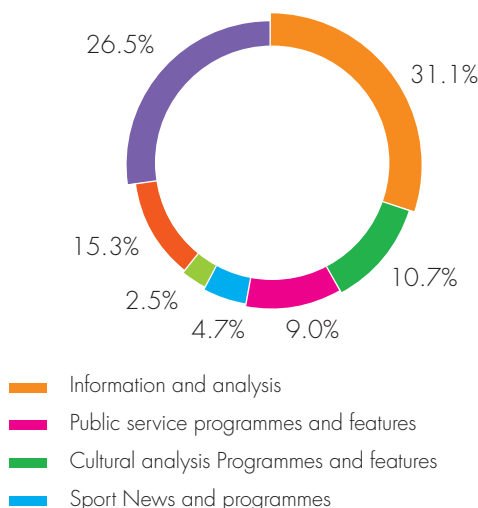
Rai 2 also showed that it is capable of using a new language of information, bringing in *Nemo*, a programme with a fresh style, new to the network.

In showing *Fuocoammare* (the winner of the European Film Awards and a candidate for Oscars in the section for documentaries), Rai 3 once again drew attention to the extent of its commitment to social issues which is one of the features of the channel. As regards entertainment too, Rai 3 has managed to revive a cult quiz, *Rischiatutto*, transforming it into a network and genre landmark.

Rai, and Rai News in particular, proved that it is able to give the news with the latest developments promptly and full, providing in-depth coverage 24 hours out of 24. It fully showed all its capacity during the innumerable events, some of them tragic, which took place on the world and Italian scene during 2016, including the ISIS attacks in Dhaka and Nice and the earthquake in Amatrice and in central Italy. It also showed this capacity

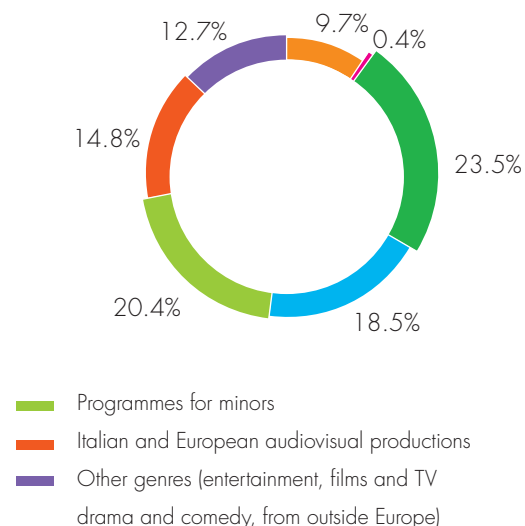
Programmes on general interest channels by genre

(Source: Rai)



Programmes on specialist channels by genre

(Source: Rai)



during the American Presidential election and the constitutional referendum in Italy.

From 10 June to 10 July Rai covered the **2016 European Football Cup** on all platforms and with all the production and distribution methods which it uses: live broadcasts of the main matches available on TV, on the radio and on internet, special features and commentary and insight programmes, including with innovative storytelling and language methods. The classic running commentaries on the matches on Rai 1 were accompanied by the ironic accounts of Gialappa's Band (very much appreciated by young people), *Grande Match*, an entertaining side dish for family viewing and the daily features with the latest news such as *Il Caffè degli Europei* on Rai 2 and *I giorni di Parigi* on Rai 3. For the main operating systems Rai also created a free dedicated app, *Rai Euro 2016*, which provided information, highlights, live videos, curiosities and the possibility of replaying content. The same kind of project was also set in motion for the 2016 Rio Olympics in August. Furthermore, during the entire period of time in which the sports event took place, it was possible to access, by pressing the **blue button of the remote control of connected TV sets**, the new MHP Rai Euro 2016 service. While viewing the matches broadcast by Rai 1, this app allowed the user to see again the main actions of the match (goals, goal opportunities, expulsions, goals cancelled out) and to come back immediately to live viewing; the app also provided statistical data relating to the match being played (shots on goal, possession of the ball, fouls), which could be searched easily; during the rest of the day a selection of video contributions (reports and interviews) was available, which kept always alive the story of the sports event.

Olympics: more than 42.3 million Italians followed the "multimedia romance" of Rio 2016 Olympics. On the television, there were nearly 1,200 hours of broadcasts in HD on Rai 2 and on the Rai Sport channels to tell viewers about the stories, the medals, the personages, the triumphs and the defeats. Audience figures rewarded this enormous effort on Rai's part. Rai 2, the Olympic channel, was the one most followed during Rio 2016, both over the whole day and at prime time, with an average of 1.2 million listeners, and a daily share of 15.6% and more than 2.8 million, equal to a share of 16.5% at prime time. Rai Sport 1 and Rai Sport 2 also achieved excellent results, with an average of 590 thousand listeners, for a share of 7.5% over the whole day and more than 1.3 million viewers at prime time, equal to a share of 7.6%. Rai also structured a full digital offer devoted to the Olympics, which is detailed in the dedicated section.

Paralympics: Rai, fulfilling its inclusive mission, continued to chronicle sport in its dimension of diversity with its programmes on the 15th edition of the Paralympics. Two channels were devoted to the event for the first time: Rai Sport 1, completely dedicated, also viewable in HD, and Rai 2 with live broadcasts from 1:30 to 4:00 a.m. and a morning summary of the most important events, making a total of over 400 hours of broadcasting, 280 of them live.

According to the 2016-2018 **Business Plan**, which was approved in April, a process is being carried out to renew its range of editorial contents – also through a review of the mix of genres and their language –, which will allow Rai to develop an increasingly universal vocation, as well as to maintain its leadership in audience within the new multi-platform digital environment.

This transformation substantiates in the delivery of services ensuring a full pluralism of information, the attention to the needs of local areas and contemporary times, an engaging, inclusive and value-driven activity of entertainment, the support to digital education and literacy all over the country, the promotion and enhancement of the made-in-Italy brand abroad. In order to complete the transformation into a Digital Media Company, Rai is reviewing its distribution model and is developing a distinctive range of digital products that may be customised and accessed by anyone, anywhere and at any time. Within this context the Group is making considerable technology investments to increasingly meet the expectations and needs of its audience. At the same time, the Company has embarked on a path to streamline its industrial and organisational structure, which will allow it to better enhance its internal competence and to operate according to a One-Company approach.

New Qualitel quality control system and popularity rating: from mid-2017, at the end of a European public tender, Rai will have an updated, ample and all-inclusive version available in relation to the observation of perception of the quality of Rai's offer. The innovative inquiry consists of a stable high-sized panel (about 20,000 individuals), representing resident individuals who may be interviewed remotely. The rate of administration of questionnaires and rapidity of response permitted by the new IT technology will allow popularity ratings to be made available in relation to the Digital Media Company Rai, on a daily, weekly and monthly basis, which are required to support Rai, as best as possible, in fulfilling its Public Service mission, and which may also be associated, in some cases, with the traditional audience indicators, such as the Auditel audience data. The tool will measure the quality perceived by the public in relation to the products offered on any and all platforms: Television, Radio, Digital Media and,

for the first time, the production of Rai Cinema, including directly on the Theatrical channel.

Digital divide: with a view to filling the digital divide, which is one of the pillars of the new identity of Rai as a Digital Media Company, a working team has been set up which will be specifically dedicated to *digital inclusion*, which has also led to the implementation of the project named *Complimenti per la connessione*: a spin-off from the TV serial *Don Matteo*, consisting of 20 episodes of 6 minutes each, which will be broadcast on Rai 1 channel immediately after the evening edition of the tg news programme, during the summer. The main purpose of this project is to stimulate those group of population that are still far from using the new digital technology to make use of the numerous digital services of public interest, thus creating digital literacy; among the themes dealt with are: the use of search engines, e-Books and browsing.

According to a cross-media approach, the first episode was broadcast together with a series of other projects:

- Episodes were re-run during the summer on Rai 1, Rai 3, Rai 5, Rai Storia, Rai Scuola and Rai Premium channels;
- The contents were also published in the new portal of Rai Play;
- The promotion, based on a substantial scheduling of commercials, which were emphasised in Rai's digital offer, had an inclusive value in itself;
- Commercials were broadcast in the cinema halls to which the Group delivers advertising services;
- the same arguments of the drama and comedy work were echoed by most TV and radio programmes during the summer, having the same target.

Tavolo Editori Radio: the company Tavolo Editori Radio (TER) was established in April 2016, its object being to *"create an objective and impartial system of proprietary research having the purpose of measuring Radio audiences and radio broadcasters in all their technological and geographic characteristics on all transmission platforms"*. This company represents the entire radio market: the Public Service, seven national groups and two local broadcasting Associations. The new proprietary survey will be conducted on the basis of the following guidelines:

- Main survey: 120,000 interviews (CATI technique) with a questionnaire similar to that of 2016;
- Additional measures and Experimentation: audience figures over 7, 15 and 30 days, reduction of the self-selection of sample phenomenon, listening to digital devices, valuation of audience target and extension of survey to the summer period.

The first set of data resulting from the additions and changes to the survey described above was already examined at the end of 2016.

AUDI: now the various players in the media market are aware of the growing problems of measuring audience figures in a scenario in which it is different content and not the medium itself that is now the focus of attention, also used in multi-device and not linear mode, and they therefore concentrate on researching and developing the most suitable combinations of statistical methods and technological solutions, also looking at current experiences in other countries. Many projects have been put in hand in this field in the last few years.

A process of rethinking TV and internet use measurement is also taking place in addition to the developments that have been mentioned with regard to the radio.

Auditel in particular has made plans for a number of projects based on the evolution of TV audience research in order to provide the best possible picture of present and future consumption. Among the main projects being developed are:

- expanding the sample and estimating audiences on the basis of methods other than those used at present in order to reduce the statistical variability of audiences for channels with low numbers of viewers (Superpanel project, which should become operational during 2017);
- adding the audiences of TV content transmitted on the web (on PCs, Tablets, Smartphones and SmartTV sets) to the standard Auditel surveys (Total Audience project). The aim here is to arrive at a measurement of TV broadcasters' video content property which is consistent with and aligned to that of TV programmes in order to produce a single set of measurement indicators taking in all the methods for seeing video content: live streaming, deferred and on demand;
- expanding the perimeter for measuring videos on demand (VOD) on TV screens; this however, requires sound matching problems to be overcome.

Confronted with a process in which content is at the centre of measurement independently of the distribution platform, Audiweb and Auditel are applying themselves to working out a system of research on a unified basis in order to exploit the strong points of both their experiences. It is very important here to adopt common measurement criteria in order to obtain reliable total audience figures and find the right value of quality content, whose consumption is of permanent worth and which is a precious form of communication.

The main Italian operators are pressing to change the Audiweb system in view of the present

limitations of research (e.g. lack of immediacy, small overall sample base, no measurement of content from in-app browsing, difficulty of measuring viewability) and are promoting a new survey (Audiweb 2.0). After a preliminary examination of the other offers from the main institutes working at international level, the requirements of the new system are being outlined and it is expected to become fully operational in 2018.

CambieRai: in view of the renewal of the public service concession to Rai, the Ministry of Economic Development (MiSE), as preannounced, has published the first public consultation paper on the “*public radio, television and multimedia service*”, naming the document *CambieRai*. The process was started by the Ministry on 12 April 2016, setting up sixteen technical working teams dealing with four macro-areas (System Italy [*Sistema Italia*], Creative Industry, Digital Media and Italian Society). The teams were made up of representatives of associations of authors and producers from the world of TV, cinema, radio, information and animation, made-in-Italy organisations, tourism, digital media, cultural heritage, services sector, schools and universities and consumers, as well as of 16 Rai representatives, one for each team. The meeting was aimed at preparing a questionnaire that can be accessed by all citizens from the MiSE’s website, to be used to express “your idea of Public Service”. The questionnaire, edited by ISTAT (National Statistics Institute), consisted of 36 questions to answer on a voluntary basis available online for 45 days, from 17 May to 30 June 2016. 11,188 people took part in the consultation, 9,156 completed it and sent it in; the results were made known at the end of July 2016. *To educate, to inform and to entertain* are still the founding principles of this Public Service, to which the task of *fostering innovation* should be added. It also emerged that Rai observes the principle of *universality*, but that it should pay greater heed to the principles of *independence* and *transparency*. Finally, most of the participants agreed that the public service should have a more *international* purview.

Generation What?: within the scope of the projects aimed at encouraging the growth of digital culture, together with the need to establishing a direct communication channel with the key universe of millennials, Rai, together with the networks from other European countries (Germany, Austria, Belgium, Spain, Ireland, Luxembourg, the Netherlands, Wales, the Czech Republic and Greece) – has joined the international cross-media project named *Generation What?* proposed by the EBU (European Broadcasting Union), with the aim of drawing a portrait of young people aged between 16 and 34 through their replies to an online, interactive and anonymous questionnaire

including 149 questions. The analysis of this target has a central role in the description of the specific features of young people born in the digital age, so as to drive the Group’s strategies for the purposes of filling the digital divide and overcoming the lack of contact with the new generations. This project was born from an idea of France Télévisions, which had already experienced the initiative with great and unexpected success in Autumn 2013. On 11 April 2016 the website of *Generation What?* was simultaneously launched in all the Countries that have joined the project, which was completed on 11 October 2016. At a European level, just under one million interviews were collected from 35 different countries; the participants were more than 110,000.

Digital terrestrial and satellite television

Digital terrestrial is Rai’s primary television platform, on which it has developed a strategy for multi-channel and broadcasting infrastructure growth. Satellite TV, which is complementary to digital terrestrial, reaches the inhabitants not served by this broadcasting technology, even only partially. To this end, profiting from the experience of other countries, Rai, Mediaset, Telecom Italia Media, Confindustria Radio TV and Aeranti-Corallo set up Tivù Sat, the free satellite platform, in 2009.

Rai’s TV offer includes 14 **digital terrestrial** Channels, 6 of which are also available in high definition. Specifically:

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

6 of these channels are available in HD: Rai 1, Rai 2, Rai 3, Rai 4, Rai Premium, Rai Sport 1 and, in August only, Rai Sport 2, on the occasion of the Rio 2016 Olympic Games.

As regards Rai 4 a transaction is being carried out for a repositioning aimed at configuring it as a general interest channel targeted at millennials. Furthermore, as regards sports channels, Rai Sport 2 HD was closed down on 19 September 2016 and Rai Sport 2 on 5 February 2017.

14 channels are available on the **Tivù Sat platform**, 8 of which are also available in high definition: Rai 1, Rai 2, Rai 3, Rai 4, Rai Sport 1, Rai 5, Rai Movie and Rai Premium.

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

Radio

Radio is the second means of reference of mass communication in Italy. During 2016 radio listeners were about 35.5 million², i.e. 67% of Italians on an average day and showed, compared to 2015, an increase of 1.4%, equal to 486 thousand people.

The time spent listening to the radio was 3 hours and 22 minutes a day, slightly higher than the value recorded during 2015, 3 hours and 19 minutes.

A characteristic of radio is that it is mainly used outdoors (77% of listeners). 74.3% of persons from 14 to 64 years of age use their car radio to listen to it. Traditional appliances are used by 29.9% of this population segment. Traditional reception appliances are more used by more adult/elderly people (57.8% of listeners over 65).

The new technologies are significant, above all for younger people. An average of little more than 5.4% of total listeners use the mobile phone or smartphone to get through. However, this is the way 17.4% of very young people (from 14 to 17) and 9.6% of young adults (from 18 to 24) listen to radio, thus Recourse to the web (from a PC or a tablet) is less frequent: 2.6% of radio listeners, which increases up to 4% for the young people from 14 to 34. 6.8% of listeners use the radio from their TV set by simulcast on digital terrestrial or satellite television (offered by all the national networks and a number of local channels). The phenomenon is particularly common, in this case too, among young people from 18 to 34, 9.8%.

The offer is concentrated among Rai, Mediaset (1 July 2016 saw the birth of *RadioMediaset*) and the L'Espresso Group, in addition to a large number of operators broadcast at national and/or local level.

At national level there are both pure radio broadcasters (including RTL 102.5, Radio Dimensione Suono and Radio Italia) and Multimedia Groups mainly active in the sector of traditional and online-publishing, such as L'Espresso and Il Sole 24 Ore.

There are about 1,000 local radio stations³ whose signal coverage (from municipal only to more than one region) and audience shares are extremely variable. Overall, local radio stations have the capacity to attract a substantial portion of the radio audience, since they have strong local roots and since the level of the programmes of many of these broadcasters competes with the nationwide networks. During

the first half of 2016, local radio stations recorded an AQH (Average Quarter Hour) share of 33% at national level, in the slot from 06:00 a.m. to midnight.⁴

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

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

- 3 stations with strong individual characteristics: Radio 1, Radio 2 and Radio 3;
- Isoradio, the infomobility station;
- Gr Parlamento, dedicated to the Institutions;
- 3 stations specially conceived for internet, Radio 6 Teca, Radio 7 Live and Radio 8 Opera, which can also be heard on DAB+;
- 2 themed music stations, Radio 4 Light (pop and jazz music) and Radio 5 Classica. Both channels, which in addition to being broadcast analogically, can be heard on internet, DTT and satellite TV and on Digital Radio (DAB+); Radio 5, also on FM in 5 provincial capitals (Ancona, Milan, Naples, Rome and Turin).

The main lines of action implemented in 2016 were:

- the enrichment of the editorial offer (both linear and non-linear), also through the production of original and distinctive contents for the web and social media;
- the coordination of schedules in order to make the offer increasingly consistent with the editorial mission of each channel;
- the increase in the already tested editorial synergies with TV programming;
- refining and strengthening the range of web and digital channels launched in summer 2015: Radio4 Light, Radio5 Classica, Radio6 Teca, Radio7 Live, Radio8 Opera;
- the implementation of digital communication which involved all the channels, including themed contents in audio/video streaming, podcasting, examples of hybrid radio-TV-web-social media;
- the quality monitoring of programming, which is currently extended to the web and social media, with the aim of improving the perception, popularity, loyalty and profitability of the Rai radio offer;

² Source GfK Eurisko – RadioMonitor.

³ Confindustria Estimate on Radio stations and Television networks, July 2016.

⁴ It is calculated as additional to the total share held by national radio stations recorded by the survey of GfK Eurisko – RadioMonitor.

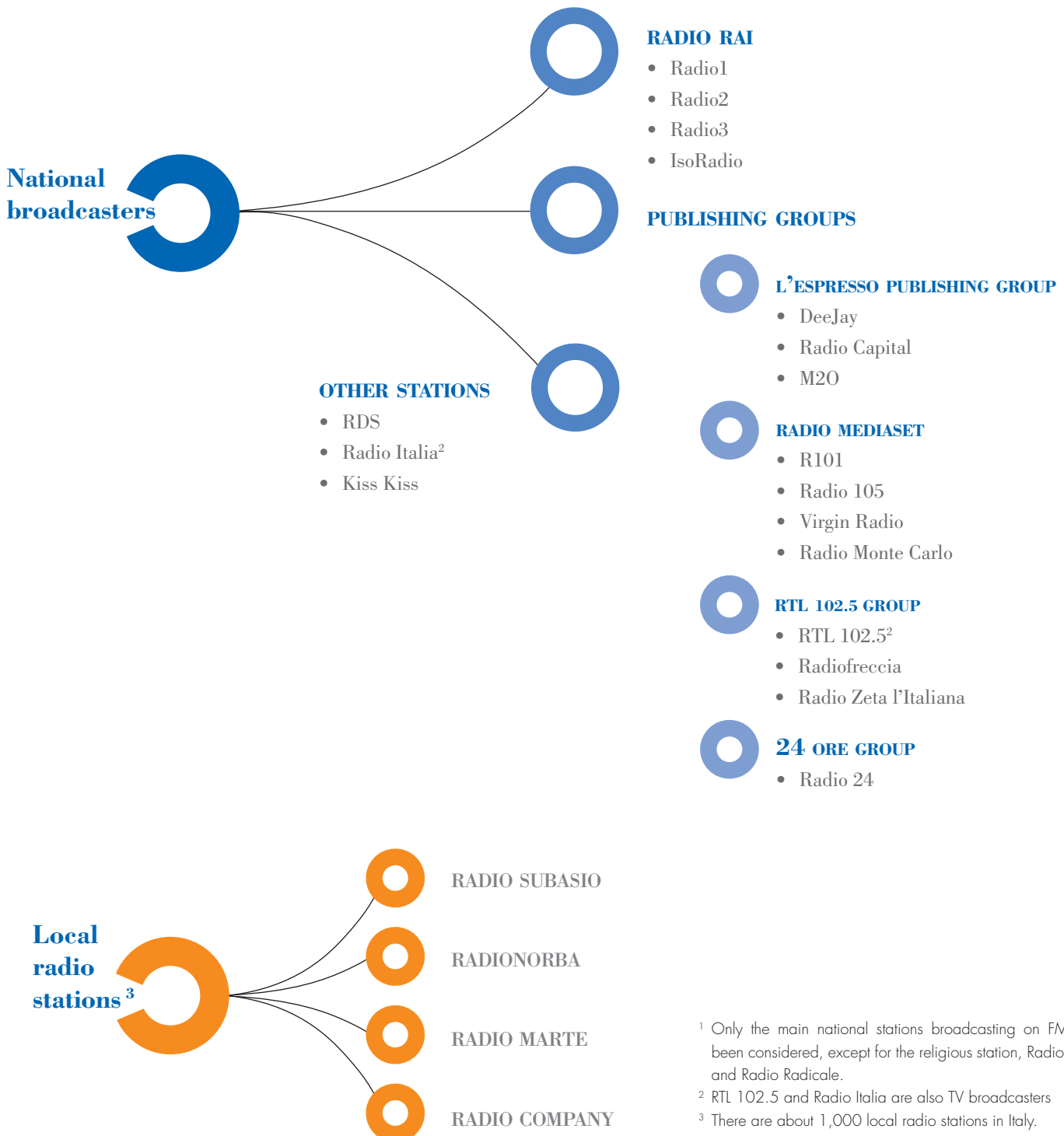
- the plan for the development of digital broadcasting (Dab+);
- the pursuit of investment policies for the implementation of innovative technology projects; in fact, major projects were in fact started: Rai Radio Play, extension of the platform to audio products; upgrading of App

RadioRai for listening from mobile devices; final migration to IP technology and the resumption of the digitisation of historical radio archives, which is expected to be completed in four years;

- local partnerships, special projects and cross-promotion Radio-TV actions;

Major radio broadcasters ¹

(Source: Rai)



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

² RTL 102.5 and Radio Italia are also TV broadcasters

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

- new advertising formats (product placement, sponsored station breaks, radio content, infactory) and closer relations with the investor market.

Digital Media

The average monthly total digital audience climbed to 29 million users in 2016, corresponding to 52.5% of Italians over the age of 2.

In view of specific digital sector trends, during 2016 Rai's digital offer was thoroughly reviewed and modernised. This work began to yield its first fruits in the second half of the year for the 2016 European Football Cup and the 2016 Rio Olympic Games and reached a peak in September with the launching of the Rai Play portal and related App, which took the place of the previous Rai.TV offer.

This activity extended to all the sectors of the offer and succeeded in rocketing up Rai's non-linear consumption in the second part of the year, above all thanks to the entry of RaiPlay, which is the real driver behind Rai's transformation into a Media Company.

Indeed RaiPlay took the place of Rai.Tv in September 2016 and expanded its functions; on 14 December 2016 Rai brought RaiPlay into the world of web-connected television. RaiPlay's technology is accessible and does not need a decoder or a special remote control and this enables the Public Service to talk to everyone on an increasing scale, paying attention to each individual user and showing the public the way to many different types of content which satisfy the most diverse requirements.

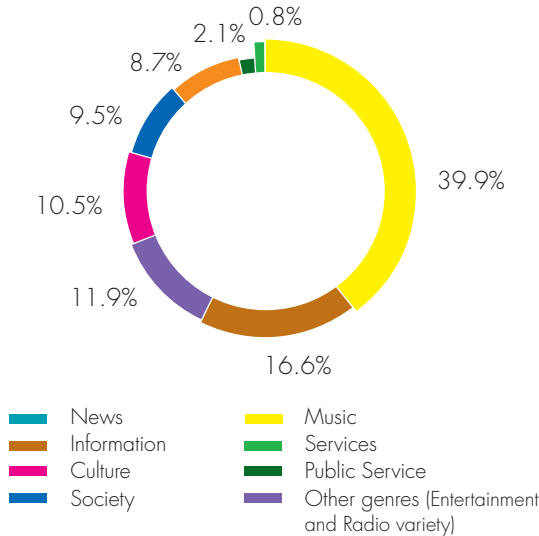
To confirm the salient importance of this work for the Public Service, the total number of human resources engaged in it rose by about 17% compared to 2015, coming to about Euro 28 million, including personnel costs.

Counting the RaiPlay innovation, since the end of 2016 Rai's offer, which is also accessible as an app from Smartphones and Tablets, is composed of:

- **RaiPlay:** the new inclusive, personalised multimedia service available for Apps, Browsers and web-connected TV sets which gives access, through a sophisticated and flexible interface, to a video offer consisting of:
 - Streaming live of 14 TV channels
 - Replay TV service which gives access under copyright in on demand mode to the programmes broadcast by 8 Rai channels during the previous 7 days;
 - *On demand*, a plentiful video on demand offer with items selected from the TV channels in addition to content exclusive to the web from the Teche archives and Rai productions arranged by genre;
- **Rai.it** the portal which aggregates the Group's vast web offer and makes it easily accessible.

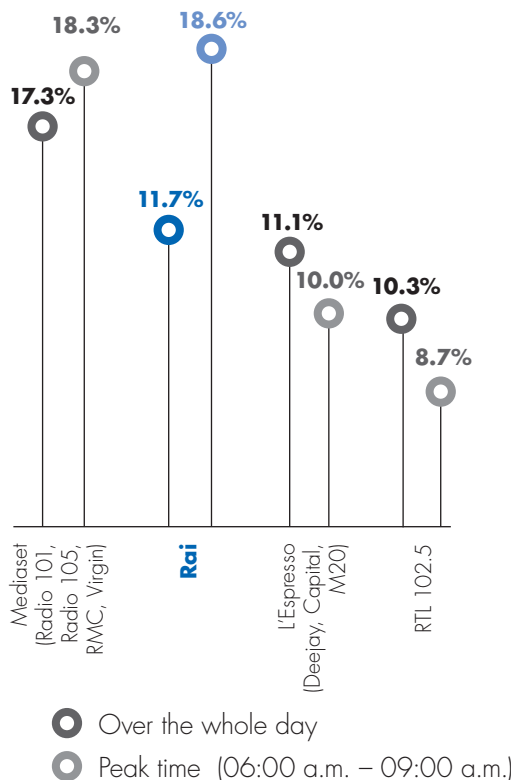
Radio programmes by genre

(Source: Rai)



Radio audience

(Average Quarter Hour, source: Eurisko Radiomonitor)



Browsing the portal is divided for News, Sport, TV, Radio and Corporate.

Rai.it promotes all the programmes on air and gives access to them, with their web-available content, from all TV networks, radio stations, as well as to information and multimedia content from all the newsrooms;

- **Rainews.it:** the environment for access to Rai's entire information offer. News updated in real time, enriched with videos and photo galleries, the last editions of the TV and radio news, live broadcasts of the Rai News 24 channel and the most important events of the day. The Rai News project was enhanced with the regional TGR News web, carrying out a technical integration both of the content management system and the user interface; during 2016 this allowed a gradual enhancement of the offer through the regional Home Pages produced by the journalists of the various offices. Rainews is also available for Apps;
- **RadioRai.it:** it is the portal to access the rich radio offer of Rai: live broadcasts of 10 radio channels; the sites of all the networks and of their programmes; audio on demand content and podcast with lots of extras.

The video on demand offer of Rai is also present on the Samsung, Apple TV and Android TV smart TV sets, as well as on interactive digital terrestrial TV sets and decoders (Gold stamp certified) with RaiPlay.it, TGR and Telecomando services.

In particular Rai made an unprecedented effort for Rio 2016. The site and app devoted to the event developed by Rai enabled users to see all the competitions and disciplines in their entirety on all the venues. In this way TV commentaries fitted in perfectly with the other media with excellent results: 4 million unique browsers (Webtrekk source, sum of daily unique browsers of the event) and over 65 million visits in streaming on Rai sites and Apps. The RaiRio2016 App recorded more than 800 thousand downloads in the two weeks of the event. Rai's narration of the Olympics opened a constant dialogue with users on the social networks.

In fact Rai is continuing to boost its official presence on the main social networks (Facebook and Twitter), opening profiles and accounts for TV and radio channels and programmes, increasingly integrating interaction with the public in its editorial planning.

International offer

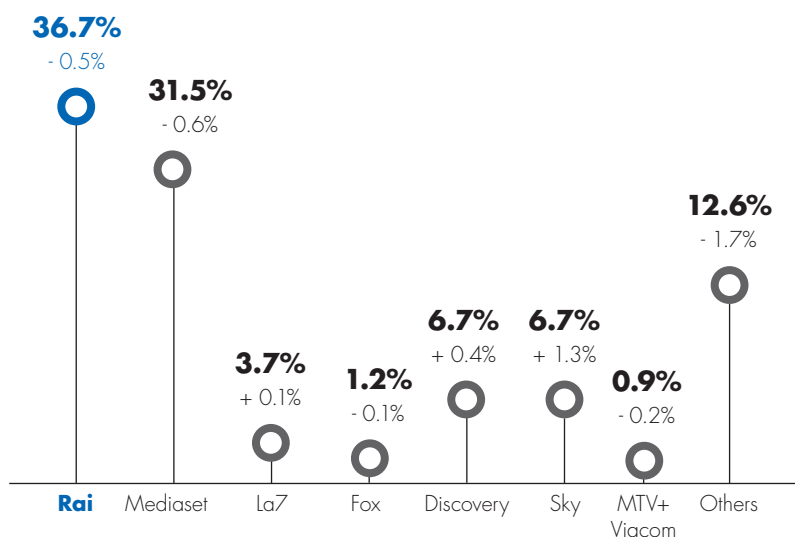
The subsidiary Rai Com is responsible for the distribution of rights to rebroadcast TV and radio channels in Europe (Rai 1, Rai 2, Rai 3, Rai Storia, Rai Scuola, Rai News 24 and Rai Radio 1, Rai Radio 2, Rai Radio 3) and the distribution of Rai Italia (based on part of the scheduling of Rai networks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

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

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

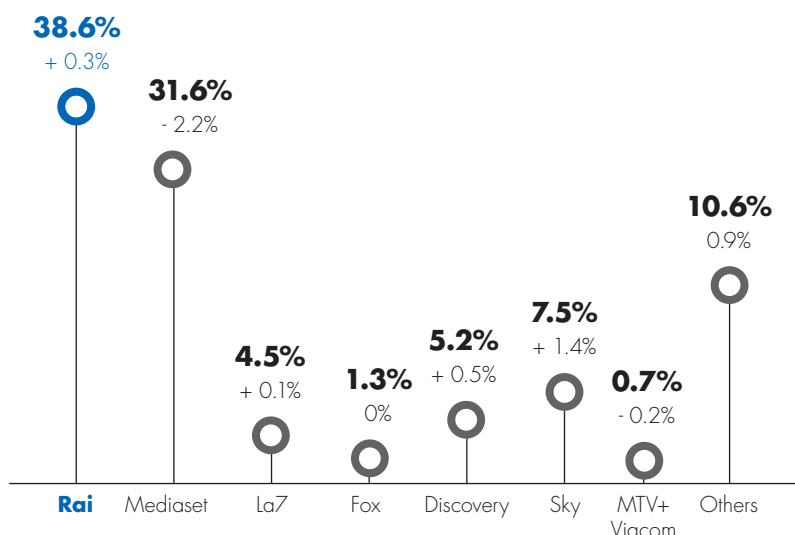
Audience on an average day

(02.00 a.m. - 02.00 a.m., source: Auditel)



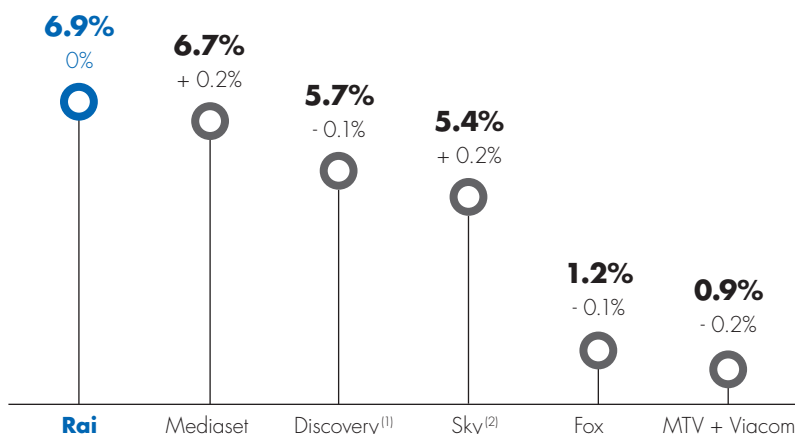
Prime time audience

(08.30 p.m. - 10.30 p.m., source: Auditel)



Comparison between specialist publishers

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



(1) Discovery values do not include Nove channel
 (2) Sky values do not include TV8 channel

Performance of Rai offer

Performance of the TV offer

During 2016, the average number of viewers remained substantially stable, i.e. 10.1 million over the whole day (-261 thousand viewers only compared to 2015) and about 25 million at prime time (-652 thousand viewers), also showing a slight decrease in per capita consumption, equal to 5 hours and 17 minutes (-1.6% compared to 2015).

The traditional general interest channels (Rai 1, Rai 2, Rai 3, Canale 5, Italia 1, Rete 4 and La7) as a whole continued their negative trend, falling to a 57.8% share on a daily basis (-1.2% compared to 2015) and 61.1% at prime time (-1.6% compared to 2015) above all to the benefit of free semi-general interest and themed channels, which, compared to the previous year, passed from 31.5% to an average share of 32.7% over the whole day and, at prime time, from 27.4% to 28.7%.

Rai was again the market leader by a long way with a 36.7% share (with a slight decrease by -0.5% compared to 2015) on the whole day and 38.6% at prime time (still with a positive sign with +0.3%). Mediaset remained at 31.5% (-0.6% compared to 2015) on the whole day and 31.6% at prime time (with a decline of -2.2%).

The general interest Rai channels retained their market share substantially unchanged in 24 hours. Specifically:

- Rai 1 with a 16.6% share (+0.4% of share compared to 2015) was again the most viewed channel in absolute terms holding on to a fair margin over the Mediaset flagship channel (Canale 5 achieved a 15.5% share, +0.1);
- Rai 2 remained stable at 6.7% (-0.1%), confirming its third place after the two Rai and Mediaset flagship channels;
- Rai 3 went down to 6.5% (-0.1% share compared to 2015).

As regards the performance achieved by the main competitor channels during the period under consideration, the following results were recorded: in addition to the already mentioned Canale 5, both Italia 1 and Rete 4 showed a decline of 0.5%, the first one at a share of 5.2% and the second one at a share of 4.1%; La7, 3.1% (+0.1%); Tv8, 1.4% (+0.5%); Nove, 1.0% (+0.1%).

A contribution to the Rai Group's performance was still made by the specialist networks, which together obtained a 6.9% share over the whole day (stable compared to 2015), thanks to the performance of the preschool children's Rai YoYo channel, as well as of Rai Movie and Rai 4, all in the Discovery values do not include Nove channel Sky values do not include TV8 channel ranking of the ten most viewed specialist channels during the year.

Therefore, with its completely free range of services, Rai is again the leading broadcaster of specialist channels (6.9%), ahead of Mediaset (6.7%), Discovery without Nove channel (5.7%), Sky without TV8 channel (5.4%), Fox (1.2%), and all its other Italian and international competitors of the calibre of MTV-Viacom, Disney, DeAgostini and Turner.

In **prime time** the Rai Group remained leader with a 38.6% share (+0.3% compared to 2015) against a 31.6% share recorded by Mediaset (-2.2%), showing a positive sign on all the networks.

In detail:

- Rai 1 is the most popular channel with a 18.5% share (+0.3% compared to 2015), ahead of Canale 5 by 3.6% (14.9%, -1.0%);
- Rai 2 and Rai 3 keep their places as the most viewed networks after the flagship channels, achieving a share of 7.2% (+0.1%) and 6.7%, respectively.

To complete the competition scenario, the major competitor stations, at prime time, recorded the following performance: in addition to the already cited Canale 5, the other two Mediaset networks, Italia 1 and Rete 4, stood at 5.5% (-0.6%) and 4.3% (-0.5%); La7, 3.9% (+0.1%), respectively; Tv8, 1.5% (+0.4%); Nove, 1.0% (+0.2%).

The share of the Rai offer from semi-general interest and themed channels recorded 6.2% (-0.2% compared to 2015) during 2016, coming after Mediaset's specialist range at 6.8% (-0.1%), a result which it achieved also owing to its scheduling of premium football matches.

As regards the perception of the quality of Rai's TV channel offer, the rating expressed by users regarding general interest offer is 7.8 (on a scale from 1 to 10), remaining stable compared to the previous observation. The genres delivered by the general interest TV channel offer recorded a popularity rating of more than 7.0. Also the overall rating concerning the specialist channel offer remained stable with a value of 7.5 and ratings higher than 7.0 on each single channel.¹

Performance of the Radio offer

As regards the shares of audience of the major publishing Groups, RadioRai, with its four major channels, Radio 1, Radio 2, Radio 3 and Isoradio, still ranked second, in 2016, with a share of 11.8% (-0.3% compared to 2015), after Radio Mediaset, 15.8% (+0.7% compared to the same period of the previous year) with the three stations Radio 105, R101 and Virgin. The L'Espresso group ranked third with 11.0% (-0.3%) with the three channels DeeJay, Capital and M2O. The first place of the ranking was held by Radio 105 (a share of 10.6%, +0.7%), ahead of RTL 102.5 in the slot from 6:00 a.m. to 12:00 p.m., showing an increase of 10.3% (+0.2%).

As regards the single stations, the findings of the Gfk Eurisko – RadioMonitor survey showed:

- Radio 1 with 4.1 million listeners (-76 thousand, -1.8% compared to 2015) remained in 6th place in the national radio ranking;
- Radio 2 recorded just under 3 million listeners (-54 thousand, -1.8%), still ranking seventh;
- Radio 3 exceeded 1.4 million listeners (+25 thousand, +1.8%), remained in 14th place;
- Isoradio achieved 685 thousand listeners (-44 thousand, -6%).

Among RadioRai's competitors (total share, on average day, in the slot from 06:00 a.m. to 06:00 a.m.) are:

- RTL 102.5 with the biggest audience with almost 7 million listeners (+2.1% compared to 2015);
- Radio DeeJay in 2nd place with about 4.8 million (+2.9%);
- Radio105 went up to 3rd place with little more than 4.7 million (+4.4%);
- RDS went down to 4th place, with 4.7 million (-0.2%);
- Radio Italia ranked fifth with just under 4.4 million listeners (-3.2%).

Regarding the listeners of an average quarter hour *vis-à-vis* total audience, the performance of RadioRai channels was as follows:

- Radio 1 showed a decrease, with 321 thousand listeners on average (-5 thousand, -1.5% compared to 2015) with a 5% share (-0.2%);
- Radio 2 showed an increase with 264 thousand listeners (+11 thousand, +4.2%) with a share of 4.1% (+0.1%);
- Radio 3 remained stable, with 139 thousand listeners and a share of 2.2%;
- Isoradio showed a decline, with 38 thousand listeners (-2 thousand, -5.3%), equal to a share of 0.6% (-0.1%).

¹ Data relating to October 2016

According to the *ad hoc* surveys conducted by Rai, reliability and trustworthiness are the variables in which RadioRai excels, but compared with 2015 the public's quality perception is that the trustworthiness of some big private national networks has also grown. RadioRai is acknowledged to have a high profile in terms of quality and to play an important part in terms of *service*; it gives a large amount of space to information and insights, presents different opinions which are, in their turn, expressions of the variegated composition of Italian society, takes care that news is reliable, is of a high professional standard and indubitably also aims at making the public culturally mature.

Performance of digital offer

In 2016, 15.2 million Italian households stated that they could access internet from any device. They accounted for 68.7% of Italian households, a percentage showing an increase compared to the previous year (+0.9%). 42.6 million were persons between 11 and 74 years of age, 88.7% of Italians, this figure also being higher than in the previous year (+2.8%). The percentage of those stating that they can access internet from any device aged between 11 and 34 years of age, on the other hand, rose to 98.5%.

This is the general scenario in which 29 million Italians connected to internet at least once a month in 2016, with an increase of +0.5% compared to the previous year (all device traffic), a result that conveys the strong rise in traffic from mobile devices (+15.3%) and the reduction in traffic generated from PCs (-5%).

In 2016 Rai's figures were higher than the market average: the rate of growth of all device traffic was higher (+3.2% compared to 2015); the rise in traffic from mobile devices was more marked (+17.7%), and the decline in traffic from PCs was lower (-1%).

The abovementioned launch of RaiPlay, added to the broadcasting of the Euro 2016 sporting events (also available for Apps) in June and July and, on an exclusive basis, of Rio 2016, in August, enabled the Rai Group to improve its web performance sharply from June onwards: the average number of pages visited during the period from June to December 2016 was 31.5% higher compared to the monthly average of the period from January to May 2016. Specifically, from October to December 2016, RaiPlay received almost twice as many visits as Rai.tv in the same period of 2015 (+98%) with a constant rise month by month: in November, without there being any events with special drawing power, it surpassed the best

performance of Rai.tv in June and August when there were big sporting events.

Another important detail to consider in order to grasp the success of RaiPlay during the months immediately after its launching, in the absence of special events, was the number of app downloads. Opened on 2 September 2016 and thus only available on app stores during the last 4 months of 2016, this App accounted for over 50% of total downloads of 2016 relating to Rai Tv/RaiPlay and 25% of total Rai app downloads in 2016. If we consider the launch period only (from September to December), downloads relating to the RaiPlay app totalled more than 80% of total Rai App downloads.

In 2016 the Rai Group's total offer generated an overall traffic of 3 billion pages visited, with a monthly average of 246 million (+38% compared to 2015). Total unique browsers were 308 million (+69% compared to 2015).

The main digital media offer of Rai recorded increasing performance compared to 2015. Specifically:

- Rai.it generated an overall total of 519.5 million pages visited, with a monthly traffic of 43.3 million (+3% compared to 2015) and 67.7 million total single users (+3.6% compared to 2015);
- The multi-media Rai Tv/RaiPlay portal recorded an overall total of about 1.4 billion pages visited, with a monthly average of 121 million (+29% compared to 2015) and 117.3 million total single users (+33.7% compared to 2015);
- RaiNews.it recorded a total of 613 million pages visited, with a monthly average of 51 million (+11% compared to 2015) and 66.6 million total single users (+19.1% compared to 2015).

Rai has official accounts on the main social media. In December 2016 there were more than 11 million fans on Facebook and 4.3 million on Twitter (data from the platforms). During 2016 Rai also reinforced its presence on Instagram, where it now has over 500,000 followers, and has gone onto the new Snapchat platform.

During autumn 2016 Rai's proportion of interactions generated by national TV programmes on Facebook and Twitter was one-third of the total (source: Nielsen SCR).

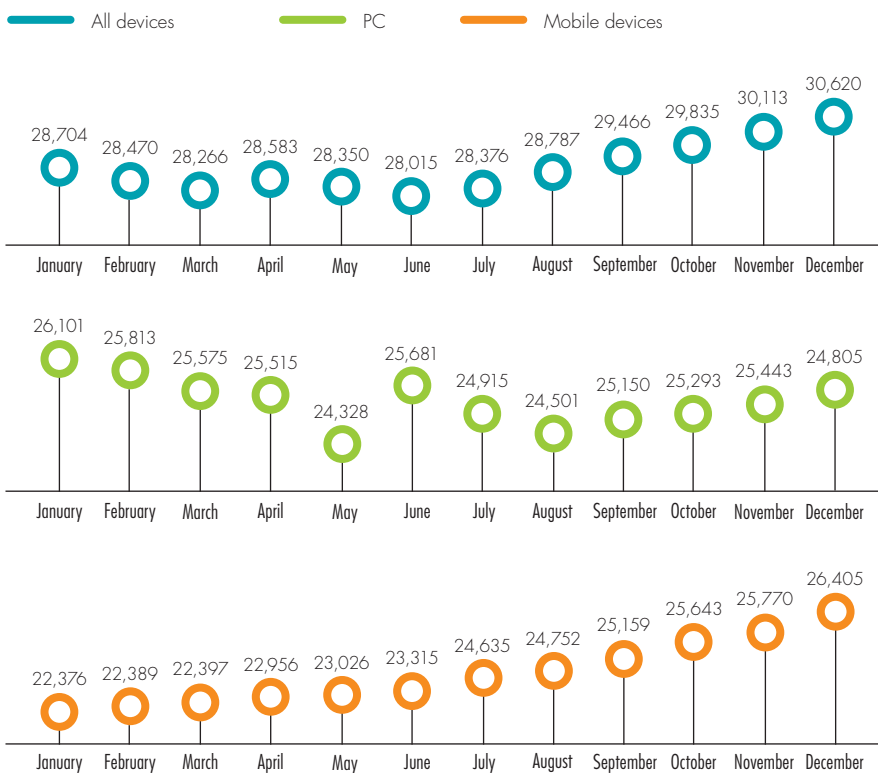
The public's perception of the quality of Rai's online offer is that it is known to about half of the sample and is very much appreciated (ratings of over 7 on a scale of 1 to 10). The public sees it as reliable and recommendable, easily accessible and a good performer on social networks.

Access to Rai domains and services is still mainly obtained from PCs, a method chosen by more than 60% of the sample and mostly to see medium- to long-length video content.

RaiPlay is the most appreciated App/portal (over 60% of the sample); RaiPlay and RadioRai are the Apps the interviewees stated that they used most often, respectively 25% and 23% of the sample.

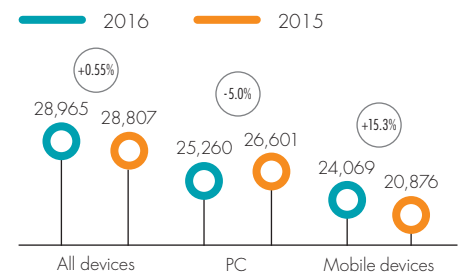
Digital Audience per month (single users)/000

(source: Audiweb)



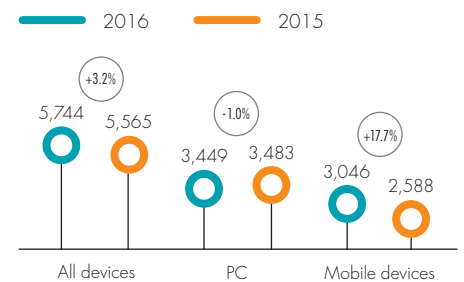
Digital Audience annual average (single users)/000

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



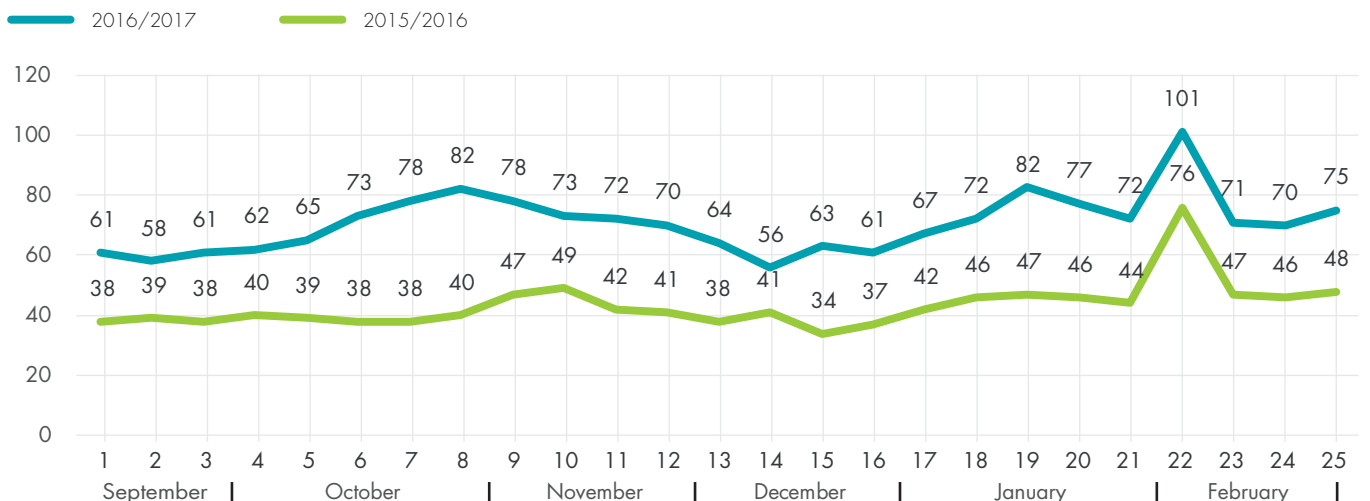
Digital Audience - annual average Rai (single users)/000

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



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

(source: Webtrekk)



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The activities **Television**

General interest channels

Rai 1

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

Apart from the values traditionally attributed to it (serious, authoritative, urbane, balanced, a service, a point of reference, educational, instructive, reassuring, familiar, for everyone, quality, interesting, stimulating, varied), Rai 1 heightens its quality of being unique, inimitable and different.

Rai 1 is the public's point of reference for the quality of its offer on all levels of content and platforms and presents its content in a transversal and inclusive narrative form. The public considers this channel reliable and institutional and approves its efforts in the fields of social affairs and civic engagement.

But Rai 1 can also thrill with its exclusive events, entertain with absorbing formats for the whole family and provide information which concentrates on the most important domestic and

international issues; it is the channel of TV drama and comedy and the dissemination of culture, presented elegantly and authoritatively. Rai 1 has the capacity to create a strong impact on society and on the country with its big audiences.

It is owing to this capacity to involve such a large audience that Rai 1's contribution to a culture of Italian civil responsibility is decisive.

Rai 1 strengthened its **leading position** in 2016 as well, both in terms of audience, and in terms of a wide range of products based on pluralism, and was still the channel that was mostly followed by Italians: 39 million weekly contacts, 24.3 million viewers a day, 98 minutes viewed a day on average, which generated 1.7 million listeners on average, with a share of 16.6% over 24 hours and 4.5 million listeners, with a share of 18.5% at prime time.

These data witness the power of aggregation that the Rai flagship network has still continued to show in an increasingly competitive and fragmented scenario.

Rai 1's figures on the **web and social networks** are climbing fast: during 2016 Rai 1 generated a total of 420 million page visited, up by 10% compared to 2015. The most popular event was the *Sanremo Song Festival*, which alone was visited 23.6 million times on internet; adding the various Rai 1 official accounts there are now 840,000 followers on Twitter and 4.7 million fans on Facebook. Once again the song festival

Rai 1



AVERAGE CONTACTS
A DAY

24.344



MINUTES
VIEWED A DAY

98



SHARE OVER 24 HOURS

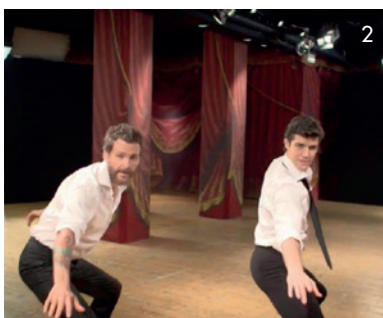
16.6%

SHARE AT PRIME TIME

18.5%



1. Daily lives of *Uno mattina*
2. *La mia danza libera*, an event evening with Roberto Bolle
3. *I Medici*, the successful TV series in 2016



proved to be the most “social” event, with a total of 3.8 interactions on the two platforms.

As regards **multi-platform** development, in 2016 work intensified on the selective evolution of some publishing projects which seek to bring out the potential of some products so that they cross the boundaries of linear TV scheduling. The success of *Reazione a catena* and *L'Eredità* stands out among magazines/newspaper stand publications, and a monthly, *La vita in diretta*, first came out in 2017.

The **drama and comedy** season recorded an average of 20.4%, up by +0.6% compared to 2015. *Don Matteo 10* and the new episodes of *Il commissario Montalbano* reached the all-time record with more than 10 million viewers. The new series, *Tutto può succedere* and *Non dirlo al mio capo*, recounted stories of families of today in an innovative language, thus succeeding in achieving 30% share peaks among younger people.

Also completely novel was the TV series taken from the film *La mafia uccide solo d'estate*. This was a new form of narrative, remote from the rhetoric of many tales about anti-mafia heroes. The tone and tempo of the storyline, the choice of characters, the meeting of minor and major events and an irreverent and poetic approach made this series both innovative and stirring.

Another item in this genre was a co-produced masterpiece filmed in English which brought an exceptional cast into the list of Rai's TV drama and comedy series, headed by Richard Madden, Dustin Hoffman and Stuart Martin. *I Medici* was the most watched series in the autumn with a 27% share, an average audience of 6.7 million and 24 million total contacts.

The reception the public gave to *L'allieva*, an unusual and amusing series, was decidedly favourable too. This was a blend in contemporary style of crime and sentimental comedy taken from the novels of Alessia Gazzola, who has become one of the most interesting phenomena among young writers of literature.

Finally, the audience gave an extraordinary response to the fourteen prime times of drama and comedy works dedicated to the history and heroes of our country: about 6 million viewers on average, a share of 22% with peaks exceeding 27% during the viewing of *Felicia Impastato*, *Io non mi arrendo*, *Il sindaco pescatore*.

As regards **entertainment TV series at prime time**, Rai 1's season was marked by experiments aimed at testing the potential of completely new products (*Dieci Cose*, *Music Quiz*), as well as by the confirmation of formats already belonging to the library of Rai 1, such as *Ballando con le stelle*, *I migliori anni* and *Tale e quale show*, which were able to innovate their format and compete for Friday and Saturday nights audience.

But the real break occurred with the show nights dedicated to the *Sanremo Festival* (five), *Laura & Paola* (three), *Rischiatutto* (two), *Wind music awards 2016* (two), the finals of the *Eurovision Song Contest*, the two evenings dedicated to Mogol and the event built around the class of Roberto Bolle. They were sixteen contemporary event nights of quality shows, capable of reaching different and record audiences, while generating an impact that also goes beyond a merely successful broadcast of TV programmes. The entertainment genre achieved an overall share of 21.1% on average during the entire 2016, showing an increase of 1.3% compared to 2015.

In the **late evening** Rai 1 tried to respond to the need to abandon a single-genre system, that of information, in order to increase the variety of its schedule and make room for new opportunities to experiment. Therefore entertainment returned to Rai 1's late evening range after an interval of 20 years with two original programmes, both unusual for this channel: *Fan Car-Aoke*, from James Corden's Carpool Karaoke, an entirely outdoor format in which musical stars enjoyed an informal car journey in which they interacted with their fans and a completely novel presenter for Rai 1, Giampaolo Morelli.

L'importante è avere un piano, with Stefano Bollani, was an exclusive theatre box which invited different artists from the Italian and international scene who gave unique and original performances with the presenter-musician and a resident band.

Cultural education remains one of the strengths of the Network's scheduling with the usual incursions of Piero Angela at prime time, with the traditional features of *Superquark* during the summer and the documentaries of *Passaggio a nord-ovest* as the key programmes of the day time schedule. The education offer was then enriched by an extraordinary night visit of Alberto Angela to the Vatican City, which was scheduled for prime time on 27 December and which became the most watched cultural programme during the last 13 years (6.1 million viewers, equal to a share of 25.6%).

Furthermore, travels successfully continued in and outside Italy, searching for amazing destinations due to the variety of landscapes, cultures and trends, with the friends of *Easy Driver*, *Linea Blu*, *Linea Bianca*, *Linea Verde*, *Overland*, *Dreams Road*, *Paesi che vai*. Finally, the second season of *Fuori Luogo* was broadcast during the summer, to explain how the changes of the planet have also entailed and are also entailing changes in our way of life.

Then in 2016 the La Scala première returned to Rai 1. Nineteen years after *Macbeth* in far-away 1997, *Madame Butterfly* was an all-round media success which obtained 12.5 million TV

contacts who saw the event for an average of 39 minutes, thus reaching 2.6 million viewers on average, equal to a share of 13.5%.

In 2016 **cinema** also took up a leading role in Rai 1's schedule and was often well received by the public. In addition to major international films such as *Saving Mr Banks* and *Grace of Monaco*, the channel mainly chose Italian films showing at cinemas for the first time.

Among **acquisitions**, the third season of *Velvet* was shown in the spring. This series attracted a faithful Rai 1 audience in the difficult Wednesday evening slots with an average of more than 3 million viewers. Finally, the offer of classic Disney's continued at Christmas with the extraordinary success of *Frozen*, which topped a 50% share among little girls of from 4 to 7 years and reached 22.7% out of total individuals.

Rai 1 has also always stood for **information**. In addition to the continuation of journalistic analysis of news, politics and manners in the late evening *Porta a Porta* programme, the reinforcement of *Petrolio*, the inquiries of *L'arena* and the daily live broadcasts of *Uno Mattina* and *La vita in diretta* features, Rai 1 again devoted very special attention to the main happenings in Italy and in the world, from terrorist attacks to earthquakes, promptly adapting its prime time schedule to make room for live analysis and for breaking news. On these occasions its impeccable coverage made it the point of reference, as far as news was concerned, for the entire TV offer.

For **sports** fans, in addition to the Formula 1 races and the Tim Cup matches broadcast on an exclusive basis, Rai continued to excite emotions during the summer with major football events thanks to the 15th edition of the *2016 UEFA European Championship*, capable of achieving peaks of more than 17 million viewers with the matches played by the Italian National team.

Rai 1's strong sense of mission as a Public Service broadcaster also manifests itself every day in the daytime: at 6.40 in the morning *Uno mattina* comments on themes of general interest ranging from politics to economics and medicine; at 10.00 *Storie vere* with its stories and personages from our day-to-day life continues to represent the reality around us; a new programme, *Tempo e denaro*, devoted to all spheres of consumption from clothing to food, from health to recreation, provides helpful knowledge and instruments for our everyday lives; at noon *La prova del cuoco* entertains with recipes, competitions and fun. The success of *Uno mattina in famiglia* and *Buongiorno benessere* continues on Saturday and Sunday. The afternoon follows, alternating between *La vita in diretta* and *Torto o ragione* and the successful

quizzes, *L'Eredità* and *Reazione a catena*. On Sunday afternoon there is *L'arena* and *Domenica in* its new formula since the autumn, entirely devoted to music, cinema and theatre.

In access time, every day *Affari tuoi* accompanies the public of Rai 1 to the important prime time programmes, taking advantage of a game to tell all our stories and the features of the wonderful mosaic that make up the Italian regions.

In 2016 as well Rai 1 confirmed its role as a prestigious and authoritative network, representing the national identity and supporting the daily life of citizens.

“The network is capable of exciting emotions with its exclusive events, entertaining with engaging and well-known formats, delivering news and information focused on all the most important themes, both at a national and international level, telling the story of the world we live in through its major drama and comedy works and cultural education, and generating a strong impact on the Country thanks to its record audience.”

Rai 2



AVERAGE CONTACTS A DAY

17.978



MINUTES VIEWED A DAY

54



SHARE OVER 24 HOURS

6.7%

SHARE AT PRIME TIME

7.2%

Rai 2

A popular, eclectic general interest channel in which new formats and languages blend with more traditional content. Rai 2 narrates the contemporary world in all its facets in a simple, direct and present-day style, thus interpreting a fundamental aspect of the Public Service.

Recent audience trends show that the competitive scenario is crowded, fragmented and challenging, which requires Rai 2 especially to take a great leap in terms of innovation and recognisability. More than the other Rai networks, this channel is in a position on the border between general interest TV programmes and the specialised, semi-general interest competition, increasingly combative and abounding in premium content.

Therefore, in order to try to be more appealing to dynamic, curious types of audience, addressing itself to the portion of young and young-to-adult audiences that general interest TV finds it difficult to capture, and taking advantage of the propensity to experimentation which is a part of its DNA, Rai 2 briskly advanced the process of programme renewal, especially in the autumn schedules.

During the **first half-year** a number of well-known and successful titles were proposed at **prime time**: from *Boss in incognito*, with new stories of

managers who, in getting involved, reveal the human and professional sides of their employees, which are often surprising and unsettling. The programme recorded further increase compared to the previous edition, coming to a share of more than 8.5%; *Made in Sud* and *The Voice of Italy*, which, with a share of 10.9% and 12.2%, respectively, an average age of 45 and 46 years, recorded very satisfactory performances.

As regards music, we must mention the special event night of 18 March, *Tim music on Stage Award*, the first experimental broadcast of a prime time fully financed with the branded content formula, which attracted the interest of teenagers (15-19) with a share of 8.4% of the target.

TV drama and comedy works are another language genre which is fundamental to the image of Rai 2, which saw the great success of *L'ispettore Coliandro* (an average share of 11.4%) that met the expectations of its audience and attracted new fans.

Virus, il contagio delle idee, an evening programme of news analysis, continued to be broadcast.

The range of acquired serials presented the usual popular mix of established titles such as *NCIS*, *CSI Cyber*, *Hawaii Five-0*, *The Good Wife*, *Cobra 11*, *Castle* and *Elementary*;

1. The #Mai più Bullismo project
2. The afternoon entertainment of *Detto/Fatto*
3. Amadeus presents STEP – *Stasera Tutto è Possibile*
4. The One Man Show *Stasera casa Mika*



there were some new items, among which the American *Limitless* stood out owing to the modernity of its language.

Sport also played an important part in prime time, with the qualifying rounds and the recorded highlights of Formula 1 races and the Tim Cup matches.

The **late evening** schedules confirmed *2 Next* and the nature documentaries of *Obiettivo Pianeta*, and saw the experimental broadcast of new titles and new offer formulas such as *Fatti Unici*, a live broadcast by the working team of *Made in Sud* and *Start! – La vita a portata di app*, an inquiry into the best digital services developed by Italian start-ups.

Finally, *Emozioni playlist* must be mentioned, an evolution of Rai 2's musical programme. This season's programme, based on the concept of theme-based playlists, was of even greater interest for the public, who were very active on all the social media.

As regards the **day time**, we must mention two of the major titles broadcast by the network, i.e. *Quelli che... il calcio* and *Detto/Fatto*, the latter being confirmed as the landmark programme for the young adult female audience in the afternoon slot.

Quelli che... il calcio experienced a season of great restyling thanks to the contribution from Gialappa's Band and Massimo Venier, thus reaffirming its future with a winning formula, while also paying greater attention to football, with live commentaries from the stadiums. This entailed a significant revival of the brand and led to a sharp increase in audience: the 2015/2016 edition of the programme has been the best one since 2012 in terms of both absolute values, with a share of 7.8%, and target audience: a share of 9.3% of the target audience aged between 25 and 34.

The range of programmes offered in June, dominated by the *European Football Cup*, discouraged any experimental broadcast of new productions. Nevertheless, there was also a series shown for the first time, closely targeted at female audiences: *Jane the Virgin*, an interesting experiment in the hybridisation of soap opera and comedy, and with the second season of the docu-reality *Coppie in attesa*.

The most interesting production in the second part of the summer, whose main feature were TV films, with novelties and new releases *Le regole del delitto perfetto* and *Criminal Minds Beyond Borders* standing out, was *Voyager – Ai confini della conoscenza*. The five instalments of the 2016 summer cycle attracted the interest of over 1.8 million viewers, with a share of 9.1%. An interesting detail is the number of people with

a higher secondary school (a share of nearly 11%) and university education (a share of nearly 10.4%).

On the social media *Voyager* showed it was one of the leading educational programmes with a constantly growing trend. It obtained a fan base of 293,000 users on Facebook and all the instalments of this last summer cycle were among the trend topics of Twitter.

Consumption on the social media is a real second screen with a community of enthusiasts who are very active and eager to comment on instalments in real time.

The modernity and success of *Voyager's* educational formula are the results of the care taken with the search for original ideas, points of view and narrative methods.

In August Rai 2's schedules were joyfully invaded by the Rio de Janeiro Olympic Games: the Olympic channel was the centre of Italian media attention with 1,200 hours of broadcasting, an average 23% share and an average of 1.8 million fans.

The great success of the Olympics period gave Rai 2 the chance to inaugurate its autumn season seizing the attention of a vast, attentive and up-to-date public (over 42 million contacts during the event).

The autumn offer, the first entirely a reflection of the channel's new production policy, relied on successful established programmes like *Pechino Express*, *Stasera tutto è possibile in prime time* and *Detto/Fatto* and *Quelli che... il calcio* during the day, with new innovative proposals added to them drawing new socio-demographic audience categories. The principle followed was to lure the young adult public, which increasingly tends to marginalise general interest TV from their media diet.

This objective was attained by renewing language and narrative style. The product of the genre most typical of this channel, **docu-reality**, was strengthened first of all. The best example of this type has always been *Pechino Express*.

Docu-entertainment reality made its contribution to Rai 2's identity in terms of image and performance both on air (a share of 9.2%, equal to an average audience of 2.2 million viewers, an average age of about 45 years, three and half years less than the previous season, performance of over 11% among the classes with the highest levels of education) and online (#pechinoexpress is one of the most constant trending topics of TV brands), appreciation by the public and TV reviews.

The reasons that *Pechino Express* has become one of the most loved TV brands, which crosses the border of the television screen to become a phenomenon on the social media, are its

hyperpop content, conceived and put together deliberately to be used in the framework of a wider media system, the contemporary and ironic tone of voice, the attention and care paid to relations with its online community and the presenter's social aptitude.

In the more traditional sense, docu-reality is an extremely versatile tool for recounting present-day life, and it is through this language that Rai 2 investigated and narrated two widely diverse aspects of the worlds of the young and the very young: bullying and the relationship with wealth.

#Mai più Bullismo is the first social coaching TV programme which focuses on bullying, unfortunately a very contemporary issue, transversal and directly involving young people and, with them, families, schools and institutions. This was a project developed in collaboration with the Italian Ministry of Education, University and Research which became the central plank in an awareness campaign on the theme promoted by the Ministry and Rai.

The characteristic of this programme, which was shown in four instalments in the late evening, was its immersion technique, presenting the victim's point of view without filters in a diary in the form of images: stories, persons, contexts, families and problems, were told from the inside as they had never been told before. The presenter himself has a fundamentally important role in the programme: he is not a mere narrator but a point of reference for the sufferer, his aim being to put himself in the position of an instrument serving to reflect on the problem from inside, acting on both target and bully.

Fulfilling its educational role and its mission as a Public Service, the programme did not stop at merely describing and denouncing a serious, widespread phenomenon but sought possible ways to resolve individual cases.

The other generational fresco was *Giovani e ricchi*, a docu-reality on Italian rich kids. A very particular point of view, that of four young people privileged by birth, whom the programme follows during the normal moments of their "extraordinary" lives. The tale of a gilded, over-the-top world, always connected, but also a way of telling uncommon stories and talking about uncommon people. The experiment aroused great interest and sparked off heated discussions, which confirms the narrative power and the capacity to stimulate thought which is proper to this form of docu-reality. It is a formula from the English-speaking world, almost observational, an narrative method which is new to the Italian scene.

As regards **information**, particularly from the autumn onwards, room was given to news analysis, an asset which an important general interest channel cannot do without, but with the aim of improving on the classic talk show formula, which has become worn-out and over-used. Therefore experiments were made with new ways of interpreting reality which aroused keen interest and great attention and were more than favourably judged by the viewers but need time to become established in terms of big audiences. There were two such programmes in particular: *Nemo – Nessuno Escluso*, a programme which recounts reality through the stories of real persons. Which it does in two different ways: by

1. The bronze medal of Tania Cagnotto in diving at the Rio 2016 Olympics
2. Marco Giallini in *Rocco Schiavone*
3. The volleyball final Italy-Brazil at the Rio 2016 Olympics
4. The docu-reality *Pechino Express*



putting the protagonists at the centre of the story without any mediation or using the reporters' live experiences of reality. The aim of each programme is to narrate a journey, to chronicle an immersion which the two presenters bring into the studio without concealing their own opinions. *Italia* is an inquiry in the truest sense of the term which starts from an investigative docu-film and tackles present-day themes deploying the capacity for reflection, analysis and intelligent discussion which have now been pushed into the background by classic talk shows. It is this necessity to go into matters in depth and the care that has to be taken in producing each instalment that means *Italia* is not merely a weekly appointment but a series of special evening events spread over the year's schedule.

Rai 2 also explored contemporary life using the language of the TV **drama and comedy** with products that had an impact and were not traditional but of great quality, comparable with important international-level products. Among these was the *Rocco Schiavone* serial, which became an outright phenomenon on the television after being a literary success and a commentary on manners. About 3.5 million viewers saw the six investigations of the most unprofessional assistant commissioner on Italian TV, with a 13.6% share and an audience with an extremely high educational background (nearly a 22% share of graduates).

Studio-based entertainment was able to count on the acclaimed successes of *Stasera tutto è possibile*, in its second season and again loved by its viewers (an average of 2.1 million viewers, with an average share of 9.1%).

Finally, the show event of autumn 2016 in four instalments, *Stasera Casa Mika*, a reworking of quality classical variety in a contemporary key. A wonderful star from the international pop scene, a series of world-standard guests, a modern format combining classic and contemporary, music, comedy, irony and also impelling themes for the necessary narration of what is happening in Italy. All this using a hybrid TV language: moments of docu-reality and mini-films alternating with songs and comic monologues. To sum up, this was the way Rai 2 interpreted its role as a Public Service broadcaster, entertaining intelligently. It all added up to an absolute communication phenomenon with excellent audience figures, 2.8 million viewers with an average share of 11.8% share, particularly appreciated by teenagers, women and those with higher educational qualifications. A phenomenon which left the confines of the small screen to become, as was expected, a social media experience also owing to the creation of exclusive content (the launching of *Mika* for the first evening of the series was seen 1.1 million times on Facebook).

As regards **cross-media activity**, in 2016 Rai 2 completely revolutionised its methods for the use of social media and internet, adopting new strategies and products which increased the numbers of users of the new web and social media platforms and at the same time provided its TV programmes with stronger support.

It developed both the web component with products included in the Rai Play platform and the social media component, made full use of the channel's official account and optimised the individual programmes' accounts.

There was a considerable increase in the number of posts, this rise being combined with target differentiation of the product content both on the channel's official social media accounts and the specific programme accounts. In particular, in the second half of 2016, Rai 2's official Facebook account passed from 150,000 to 270,000 fans, recording an increase of 80%, while Twitter accounts passed from 130,000 to 180,000 followers (+39%); Instagram profile which opened in August 2016 reached the number of 25,000 members, placing Rai 2 as the second largest Instagram channel in Rai as a whole.

Considering the users registered on the official page and on the programme pages, Rai 2 has the biggest Facebook network of all the Rai channels.

Work on the development of **new products** was also intensive.

Promotional products which are based on careful diversification and are no longer restricted to classical TV promotions also transmitted on the internet and social media, but consist of commercials customised for the web and the social media and especially backstage material film, with clips, gifs and cards.

Material can be cut from live TV videos to make clips which can be published immediately on the social media and on internet while the original video is being shown so that users are given a fast real time service and a literal second screen experience.

At the same time the introduction of meta-products like gifs, memes and cards has triggered further viralisation on Twitter and Instagram, providing diversified content tailored to the social media on which they are transmitted.

Autonomous production for the web and the social media has been intensified with the introduction of specific formats designed internally and transmitted on internet independently. These are products targeted at a web and social media public, unconnected with TV programmes but aimed at attracting users inside the network:

a shift from a parasitic approach to the television to a proactive stance, necessary for multi-platform development.

Below are some examples:

- *Buongiorno Rai 2*: comic sketches shown on the social media every morning which expanded the Rai Play web archive at the same time;
- *Non accadde oggi*: daily ironic meme cards which are riding the wave of the hoaxes on internet, turning them into literal gags;
- *Twitter moment*: collections on Twitter conceived and produced from Rai 2 products specially for the web and with users' best tweets on specific subjects;
- *Instagram stories*; specially filmed video clips with sequences of images and graphics, mainly produced during the press conferences held for the presentation of the individual programmes;
- *2Torial*: afternoon video tutorials inserted in Rai 2's social media channels to give ironic explanations of subjects like the world of make-up, do-it-yourself, gardening and the use of the new technologies.

During the last six months of 2016 results never obtained before on Rai 2's Facebook page were achieved with the growth of these activities, which included some peerless products, especially videos, which have become examples of viral Rai products in the true sense of the term.

To these should be added Ubaldo Pantani's imitation of Gianluca Vacchi, with 500,000 hits on Instagram and the clip of Mika's concert in Padua, with more than 3,000 re-tweets on Twitter.

The publication of live Facebook programmes on Rai 2's official page deserves a word on its own, being a highly successful, unique and innovative experiment. In the second half of 2016 Rai 2, with its talent, put a weekly live schedule on Facebook which presented a daily live Facebook programme, from Monday to Sunday, on various themes with formats constructed and written specially for the social media.

Additionally, there were live Facebook spaces once a week with appearances of stars, most of whom from the fashion blogger and influencer world.

Above all, particularly interesting during the last three months of 2016 were experiments in mingling TV and live Facebook programmes: in fact, above all from live programmes diretta (*Quelli che... il calcio* and *Sbandati*), there are ongoing references from authors between TV and live Facebook programmes, where the talents appear during the live Facebook programme after the TV programme finishes or when a guest leaves the studio physically and enters the social medium at the same time.

This experiment resulted in an average of about 160,000 users for each live Facebook programme and over 700 comments, putting these products in first place among Rai's live Facebook productions.

Some top quality productions should be mentioned which were seen by more than 400,000 users, like the live Facebook versions of *Pechino Express*.

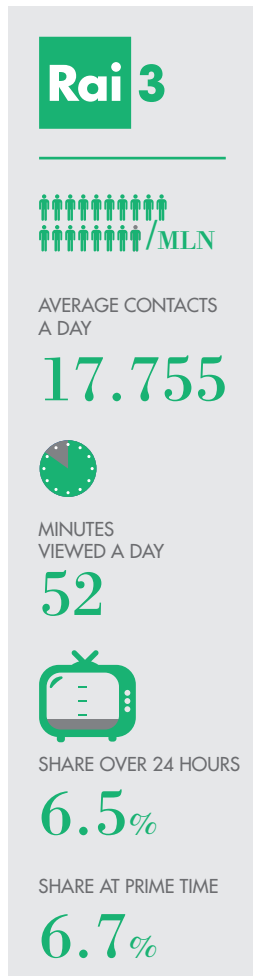
From June 2016 onwards Rai 2 was always on Twitter throughout prime time and the late evening, excluding TV series, with constant live tweets of four main types of product:

- video clips shown at the same time as live TV broadcasts;
- meme GIFs;
- extra video clips prepared previously;
- graphic cards.

This enabled Rai 2 always to be in one of the first five positions in the ranking of Italian trend topics during prime time and in the late evening; nevertheless the prime time results should be mentioned apart from this: during these times Rai 2 was always either first or second, no fewer than four times passing the world record for the subjects most discussed on the Internet.

The development of all the activities listed above was made possible by a new organisational model, which has not yet been completed. This was a model which introduced professionals specially equipped for the social media, products of a hybrid form of training which combines expertise in writing and humanism with purely technological skills, forming a group of journalists closely linked to TV editorial staffs with the ability to match writing with production objectives.

“On the Italian TV scene, Rai 2 continues to lead in innovation, experimentation and cross-media, offering new formats and languages blended with more traditional content which attracts dynamic, curious audience categories.”



Rai 3

Rai 3 is the network of commitment, a unique and irreplaceable channel on the TV scene, which investigates the problems, tendencies and prospects of Italian civil society from day to day.

In 2016 Rai 3 achieved, at prime time, a share of 6.7%, equal to 1,643,000 viewers on average, and a share of 6.5%, equal to 809,000 viewers on average, over the whole day.

During the year this network, in the framework of a complex project, set its hand to a major task of renewing its schedules. More than 40% of them were designed and produced from scratch or regenerated, adding innovative elements to traditional aspects and names and working on identifying values (service, credibility, information, knowledge), revising them in a contemporary key and considering the new forms of using the television.

Rai 3's **morning** programmes have tended to be related to its function as a Public Service: news, consumer protection, health desk, culture through books and history: the attempt was made to preserve these elements in the context of the cross-media in which we are immersed; to let the people who cannot watch the television at that time to see it all the same thanks to WhatsApp, Twitter, Facebook, Internet.

It was for this reason that this channel invested in restyling the appearance of all the morning programmes: graphics and rebranding, scene design, lights, direction, in fact the entire visual dimension to make it easier to distribute the content both on air and digitally.

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

In addition to its new scene design, *Mi manda Rai 3* enhanced the performance of its mission as the historical, and only, defender of citizen's rights to return to the streets and open up to reality. More outdoor filming, more stories, more link-ups to bring more real life into the homes of those who follow this programme. Moving the programme to prime time and late evening works well both for audience figures and brand awareness; in fact it is a perfect blend of Public Service values with appealing narration which is at the same time eventful and of general interest. The channel decided to replace *Elisir* with *Tuttasalute* after its last season: this was not a mere rebranding, but a new approach to health and medicine without losing sight of older viewers and information on pathologies, treatments, remedies

1. #Cartabianca, the political insights of Bianca Berlinguer
2. Federica Sciarelli at the helm of *Chi l'ha visto?*
3. The satirical strip of *Gazebo social news*
4. Charlize Theron was a guest at *Che tempo che fa* di Fabio Fazio



and diagnosis. *Tuttasalute* has widened the field of interest in themes associated with well-being.

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

Quante Storie is the new programme of Corrado Augias with meetings and narratives: not only books but all the arts – music, cinema and theatre too, a way of talking about present-day themes from a different angle from that of the news programmes, to blend the fast pace of topical affairs with the more reflective speed of literature and criticism.

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

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

Three hours of live broadcasting every day, with Nature as the indisputable leading character: this is *Geo*, another historical Rai 3 brand which continues to accompany the audience on a voyage through the protection of the environment, local cultures and chronicles and the world of the associations. *Geo* is a world and a way of life, not just a programme. The audience figures prove this and for the public it is a unique point of reference which has never been excelled by its competitors.

#Cartabianca was a risky but successful experiment. Bianca Berlinguer took up the challenge of a difficult time band for political analysis and current affairs but managed to involve the public of Rai 3, also acting as a perfect locomotive for the 7.00 p.m. news. In 2017 *#Cartabianca* will face the open seas of prime time on Tuesday evening.

The **early hours of the morning on weekends** are planned to exploit and make the most effective use of network productions with two slots for rerunning the mainstays of the week's programmes: *Tuttasalute* (Saturday, 8:00 - 10:00 a.m.), *Quante Storie* (Saturday, 10:00 - 11:00 a.m.) and *Geo* (Sunday, 8:00 - 10:00 a.m.).

Saturday has also become the day on which the public sees the more important role assumed by

TvTalk, now produced by Rai 3 instead of Rai Cultura. A new scene design, new graphics, a wider scope, a programme which has become even more central to the debate on the TV and the new media, a function in which it is supported by some outstanding media opinion makers.

On Sunday the channel continued to work with Ministries on key themes for society: work in *Il Posto Giusto* and integration with *Radici*, a thrilling journey in search of their roots made by foreigners living in Italy. Always in the front line is Lucia Annunziata in *In mezz'ora*, perhaps the most important face-to-face interview broadcast by Rai in terms of authoritativeness and credibility.

The voyage around the world in *Kilimanjaro* continued, its objectives being to make the language of educational programmes easier to understand and always to focus on current events.

In **access time**, after the anonymous stories of ordinary people presented in *Sconosciuti*, Rai 3 decided to recount present-day life and reality in the slot after the news in order to capitalise on and make the most of the work the channel has done for the 7.00 p.m. appointment and exploit the audience generated as much as possible; in *Sconosciuti* Rai 3 chose to blend languages and genres. This is a time for an unconventional interpretation of reality: *Blob* (which has always presented affairs from an original and ingenious point of view), *Fuoriroma* with Concita De Gregorio and her on-the-road stories of local politics and a new satirical strip, *Gazebo* social news, which makes caustic, amusing comments on politics and current affairs.

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

On Saturday, the traditional season of Fabio Fazio's *Che fuori che tempo che fa*, which has been moved to Sunday, left the field for *Le parole della settimana*, by Massimo Gramellini, which combines current affairs with the pleasure of narration.

The sweeping revolution in the channel's Sunday **prime time** schedule stands out: the new scheme of *Che tempo che fa* (from 8.00 p.m. to 10.45 p.m.), a creative show lasting almost three hours abounding in guests and content, one of the most attractive choral tales of Italian TV, which makes use of guest stars like Luciana Littizzetto and Nino Frassica and brings some of the most prominent celebrities, both national and international, on the present-day scene into the studio.

On Monday Rai 3 deployed its traditional information products: the reports by *Presa Diretta* and the investigations of *Report*. Delivering a Public Service also means coming halfway to meet the public, as Iacona and Gabanelli do, with content and format which are not simple but convey important values and points of view. Being a Public Service broadcaster also means breaking with and subverting long-established canons.

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

On Thursday, after cycles of Italian and foreign films, the channel brought one of the most complicated programmes in its schedule into being, *Rischiatutto* presented by Fabio Fazio. A reflection on the past which becomes a cult, the history of a genre, the memory of a great presenter and writer, Mike Bongiorno, the elaboration of a memory and the revival of a well-tried and reliable format are all ingredients of the success of this programme.

Ulisse was chosen as the best Public Service programme in the last editions of the Qualitel report. It is the archetype of science education programmes, a mix of high profile acquired and self-produced elements, all controlled and enhanced by Alberto Angela's straightforward, engrossing presentation.

Grande Storia, a programme that will be 20 years old in 2017, is still with us. Rai 3 was the first to tell us about our past in prime time, refining its narrative techniques during these two decades. History on TV is not presented like a summary of previous instalments, but a media report on the past, a work of research and verification of sources.

The **late evening** schedules are packed with experiments and enjoyment. Beside long-established but constantly evolving narrative such as *I dieci comandamenti* and *Un giorno in pretura*, Rai 3 endeavoured to present the important international political events and the strident contradictions of our society, creating new programmes that are unique in their kind.

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

Then Rai 3 went on to speak of differences with *Islam, Italia*, a new series of on-the-road tales, a voyage in Italy and in Europe telling a multitude of stories in the complexity of a great religion and its extremist deviations, a voyage surpassing commonplaces and prejudices. Islam as nobody has ever told it before.

But not only Islam: in *La Casa Bianca*, the White House, we were taken to the United States in the search for stories to enlighten us regarding the important themes of the electoral campaign – immigration, the economy, taxes, arms, health, equality between man and woman, education, minority rights – a voyage led by Iman Sabbah which transcended the stereotypes of the American dream.

The success of the *Cinema Italiano* cycle deserves a mention apart. This was a logical and organic succession of films which made its contribution to putting the finishing touch to the channel's narrative programmes. Scheduling these films was neither easy nor banal and the public appreciated it.

One example above all others was the spectacular result of the day devoted to the third anniversary of the mass deaths of migrants on 3 October 2013 off the Isola dei Conigli near the coast of Lampedusa, culminating with the world première of Francesco Rosi's *Fuocoammare*, which Rai 3 is proud to have shown in prime time, obtaining a share of nearly 9%, a result which had absolutely not been expected until a few months before.

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

Semi-general interest and themed channels

Rai Gold

In a year in which new belligerent competitors have appeared and grown more dangerous, the three Rai Gold bouquet channels, joined by those of Rai Italia in the second half of the year, started a major repositioning process by conducting a review of their respective publishing offers.

As a whole, the three Rai Gold channels recorded substantial audience performance: more than sixty titles at prime time for Rai 4 and more than fifty for Rai Movie recorded, in fact, final audience of more than 500,000 viewers.

Rai 4

Rai 4 is a channel in which new original formats are tried out for young audiences, again accompanied by its traditional bought-in films and serials, from action to fantasy and crime/thriller movies.

2016 for Rai 4 was the year of a fundamental transition from being a specialist channel for certain types of product to becoming the fourth general interest Rai network, mainly targeted at a young audience. It was a year of growth marked

by both innovation in production and continuity in acquired programmes.

As regards fantasy, epics, action and crime films and thrillers remained the landmark genre, while opening up to American comedies targeted at younger audiences.

The programming of big live events, which was inaugurated with the *Eurovision Song Contest* and the *Emmy Awards in 2014*, was subsequently expanded to include the twenty-seven European Football Cup matches, which were commented on by Gialappa's Band with its unmistakable style.

The new original productions, in prime time and daytime, debuted with the launch of schedules in Autumn, at the same time as the rebranding of the entire Rai offer.

There were two main groups of genres in the new products: reality based on themes of interest to young people in both documentary and dating game form and comedy.

As regards **reality** there was *Un weekend con il nonno*, a docu-reality and social experiment which brought the grandparent and grandchild generations together; in *Monument Crew* a group of twenty-year olds with a passion for parkour

Rai 4

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AVERAGE CONTACTS
A DAY

4.937

●

MINUTES
VIEWED A DAY

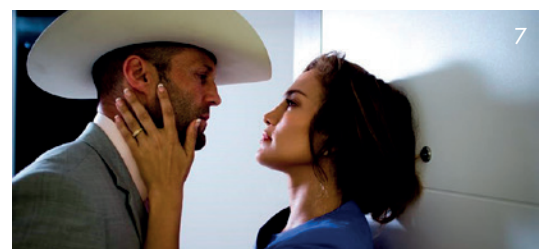
29

📺

SHARE OVER 24 HOURS

1.0%

1. Young people and parkour of *Monument Crew*
2. *Pechino Addicted*, a spin-off of *Pechino Express*
3. The big live event *Eurovision Song Contest*
4. *Challenge4* and comic sketches at prime time
5. The blockbuster Marvel *The Avengers*
6. *Gomorra* and successful TV series
7. *Parker*



tried their hands at doing acrobatics on famous Italian monuments; and in *Smartlove*, dating show 3.0, two singles in search of love met exchanging their smartphones.

As regards **comic** programmes, in the daily strip *Ah Ah Car* competitors have to try to make the driver and his co-driver smile for as many metres as possible in order to reach their destination.

Prime time show *Challenge4* set traditional live cabaret comedy against that of the most popular YouTubers. Another programme to mention is *Generation Gap*, a social experiment based on the cult objects of different generations, *Italian Detective*, a docu-reality showing a private investigation bureau in Rome seen from the inside and, to accompany *Pechino Express*, *Pechino Addicted*, a successful daily glimpse of the journey to the other side of the world discovering all the places visited by the competitors on the various stages of their route.

The most watched programme during the year was, almost inevitably, the lucky fourth round with the Italy-Spain match inside *Rai dire Europei*, with 950,561 viewers and a share of 4.25%, the highest record during the eight years of the programming of the channel. While other fifteen football matches entered the ranking of record audience in 2016, the second semi-final of the *Eurovision Song Contest* substantially reached the same audience as the previous year, with 619,741 viewers and a share of 2.44%.

Prime time **films** continue to be the backbone of the channel's audience with all-round performances both from top attractions from the Rai Cinema Catalogue, such as the two Marvel blockbusters, *The Avengers* (a share of 3.07%) and *Iron Man 3* (a share of 2.39%), and films shown on TV for the first time, specially selected by Rai 4.

One of these is the 2016 audience champion, *Parker*, a crime drama with action star Jason Statham, which was viewed in November by 865,306 viewers, with a share of 3.33%; this figure is above the already respectable 2.61% share obtained in May.

Another film was one with the other star in this genre, Jean-Claude Van Damme, the classic *Kickboxer* (a share of 3.29%) and other products on the cross-road among science fiction, fantasy and adventure, such as *Outlander: l'ultimo vichingo* (a share of 2.38%), *Il giro del mondo in 80 giorni* (a share of 2.28% at prime time and of 2.63% for the re-run in daytime), *Lara Croft - Tomb Raider* (a share of 2.19%) and *Hansel e Gretel cacciatori di streghe* (a share of 2.07%), thus confirming a strong connection between the network's brand and a certain modern imagination.

Prominent among **serials** were the *Gomorra* phenomenon (a peak 3.22% share), *Scorpion*, shown for the first time (a peak 1.83% share) and two other serials which had already been broadcast on the general interest channels, such as *Criminal Minds* (a peak 2.56% share) and *Ghost Whisperer* (a share of 2.14%). While mainstream serials such as the latter three titles have been ensuring the required results for prime-time and access prime time programming on an ongoing basis, late evening schedules have been designed to include such experimental broadcasts as are necessary for the identity of a channel devoted to innovation: among these, to be mentioned are the *Midnight Factory* set of horror films and various specially bought TV series, which have a more distinctly authorial or genre-based approach.

This channel has taken a leading place not only in daytime and prime time schedules but also as a social media companion for the viewing of serial and film cult products and for taking users on avant-garde digital journeys.

The web offer has provided extra *ad hoc* content for all productions: a travel diary for *Pechino Addicted*, with the most fascinating places explored by the Antipodi, the heroes of this series, and videos on social platforms and the special stickers for the TV and internet versions of *Generation Gap*.

“Rai 4 is the TV of the post-modernity imagination, the general interest channel for a new type of young audience, driven by the boom of science fiction, fantasy and adventure literature, film sagas and its super heroes, docu-realities and TV epic serials.”

Rai Movie

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

In spite of the availability of more TV programmes and the presence of new channels specialising in showing cinema films, in 2016 Rai Movie obtained satisfactory results in line with those of 2015, continuing to keep a balance between reliable schedules and obtaining good audiences.

The channel found a way to combine the search for a mainstream public using Rai's catalogue effectively to provide material specifically for cinema devotees with a very successful cycle of westerns and reruns of tributes to masters and stars, mostly Italian, with contemporary cinema in a schedule planned around events or anniversaries of significant social import.

As an indispensable addition to Rai Movie's offer of about fourteen films a day, there continued to be many intervals for analysis of current affairs and of the seventh art.

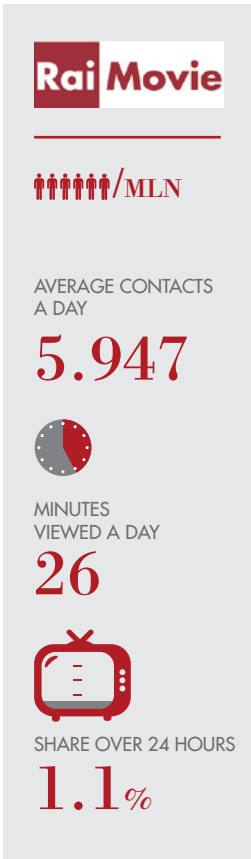
The channel obtained more than 700,000 viewers, and a share of 3%, on several occasions with films such as *L'immortale* (a share of 3.88%), *Le paludi della morte* (a share of 3.10%) and *La regola del silenzio* (a share of 3.05%).

As in the previous year, Rai Movie found room in its schedule for cycles devoted to commitment to social and civil rights (*Articolo 3*), Holocaust Remembrance Day (with movies such as *Monsieur Batignole*, *Arrivederci Ragazzi*, *Vento di primavera*) and legality (*Il giudice ragazzino*).

In addition to showing films in two language audio versions (Italian and the original), among the innovations in 2016 were some days devoted to specific subjects such as International Women's Day, on which a whole day of films for women were shown. Films that commemorate the various anniversaries were also chosen for the International Day for the Elimination of Violence Against Women, for the day dedicated to Mafia victims, Children's Day and the anniversary of the foundation of the Italian Republic on 2 June.

Not to be overlooked was the due tribute to Ennio Morricone for the Career Oscar, the late evening cycle (*Ultimo tango a Parigi* and *Novecento*) to celebrate Bernardo Bertolucci's 75th birthday and the broadcasting of three Ettore Scola masterpieces (*C'eravamo tanto amati*, *La famiglia* and *Una giornata particolare*) to commemorate his death.

A morning cycle was scheduled in August including films going back over the film-making career of Giuseppe De Santis (7 movies), Pietro Germi (12 movies), Raffaello Matarazzo (15 movies) to remember forgotten classics of the Italian cinema.



1. Marcello
2. Le paludi della notte
3. L'immortale
4. La regola del silenzio
5. Sedotta e abbandonata
6. Shall we dance?
7. I magnifici sette
8. Riso amaro



Rai Movies' own production is also devoted to the cinema. Present-day developments are described in *Movie Mag* every week, there are special monographic features, reports are broadcast on the important Italian and international festivals and special daily features are produced during these events, including interviews, press conferences, live broadcasts and red carpets. Last year this offer was further enhanced by the production of novel and more abundant content exclusively for the web.

This channel showed live broadcasts of three important cinema events this year too: the inauguration and award ceremony of the 73rd edition of the Venice International Film Festival, of which Rai Movie is the media partner, and the award ceremony of the European Film Awards in live streaming.

Rai Movie is also the media partner of the Rome Cinema Festival and of the Turin Film Festival.

Rai Movie produced special features and showed themed films based on widespread programming to accompany the most important Italian events and festivals.

Marcello, a Rai Movie produced documentary, was broadcast when the Bari International Film Festival honoured Marcello Mastroianni twenty years after his death: it was shown (at the same time as the presentation of the same at the Festival) with twenty Mastroianni films.

Così mangiavano, a documentary regarding the relationship between the cinema and gastronomy, was shown at the Turin Slow Food fair and broadcast by Rai Movie with a selection of films on the same theme during the same week.

The channel also covered the Milan Fashion Week with a number of films devoted to fashion and a documentary, *Nei panni di lei*.

The real feather in the schedule's cap, however, was the special day dedicated to Ermanno Olmi. A Rai Movie production was entered for the first time for the Venice International Film Festival, in the section of *Venezia Classici*. This documentary produced by Rai Movie regarding the director, *E venne l'uomo – Un dialogo con Ermanno Olmi*, accompanied the TV première of his latest film, *Torneranno i prati*.

Offstage is a new production of this channel. Paola Jacobbi talked to some of the best Italian actors of the latest generation at the Experimental Cinematography Centre: Luca Marinelli, Claudio Santamaria, Micaela Ramazzotti, Isabella Ragonese and Valentina Lodovini. During these meetings, the students at the acting course spoke to the interviewees direct, giving rise to a

dialogue between those who "had made it" and those still learning a trade.

In addition to TV schedules and broadcasting production, Rai Movie has been working, for time, on **web** programmes, aiming at integrating traditional TV programmes into the portal and with the two main social networks, Facebook and Twitter, supporting the official page of the channel.

SnapMovie is an interesting social media novelty which opened towards the end of the year. Short videos are published every day on Facebook and Twitter, informally but efficiently providing a sample from one of the films on the day's schedule.

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

Rai Premium

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

This channel, aimed at the most traditional audiences, still achieves its best performances in the product it grew from: Italian TV drama and comedy works. The strategy of rerunning products shown new on the general interest channels after a short interval of time has paid off, performing the indispensable function of replaying products for viewers who are less inclined, also owing to their age, to use digital devices.

2016 closed for Rai Premium on a substantially even keel, owing to an average share of 1.0% over the whole day.

During the year Rai Premium made entertainment programmes such as *Mr Premium*, a weekly feature of information about the show business world in late evening programmes which met with a favourable response.

Rai Premium's offer for the first half of 2016 included *Parliamone*, the programme devoted to the analysis of the most intriguing current issues, the most unusual and interesting news, the most unexpected occurrences.

The second edition of the *Swing – Racconti sincopati di ieri ed oggi* programme brought

Rai Premium

MLN

AVERAGE CONTACTS
A DAY

4.189



MINUTES VIEWED
A DAY

33



SHARE OVER 24 HOURS

1.0%

occurrences and events from the past to viewers' minds, sometimes with the help of films from the Rai Teche archives. This is a look at the past which does not overlook the present, with news, events and personalities from the present day. Narrative presented by Maurizio Costanzo with Dario Salvatori ranging from gossip to manners, from show business to music, with the presence in the studio of faces dear to the public with whom they have shared memories and plans for the future.

Still a winning formula are reruns of general-interest TV drama and comedy works such as *Il commissario Manara* (with 516,000 viewers and a share of 2.10%), *Il Maresciallo Rocca* (a share of 2.31%), *Volare, la grande storia di Domenico Modugno* (a share of 2.21%), *Una sera d'ottobre* (a share of 2.49%) and products repeated after a brief interval such as *L'allieva* (a share of 2.64%), which commenced in September and will also continue into 2017.

The channel's policy is to schedule reruns of films already familiar to the public for different categories of audience during the day, given the difficulty of renewing the range by providing acquisitions.

Rai Premium has also been used to carry out stimulating projects for making the adult public more familiar with digital technology, above all through a mainstream social medium, Facebook, which has been a unique opportunity for many

senior citizens to come into contact with the world of internet owing to its very low access barrier and the ease of its use.

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

Rai Italia

Rai Italia is the “best of Rai” which is also provided for Italians abroad.

Rai World operates on the international TV market through the Rai Italia channel, offering a range that complies with the arrangements made in the Agreement between the Italian Prime Minister's office and the Company regarding Rai programmes for Italians abroad (especially in continents outside Europe).

Rai Italia is then a general interest channel, based on flow programming and containing all TV genres (news, analysis, cultural and religious features, entertainment, drama and comedy, movies, children's programmes, sport, etc.), taken from the Rai channels (specifically Rai 1, Rai 2, Rai 3, Rai Storia and Rai 5).

1. *Parliamone*, the programme of Maurizio Costanzo devoted to analysis
2. Late-evening entertainment with *Mr. Premium*
3. *L'allieva* and the re-runs of successful drama and comedy works
4. Gigi Proietti and *Maresciallo Rocca*
5. TV mini-series *Una sera d'ottobre* broadcast by Rai 1



The channel is broadcast in three editions (one for the American continent, one for sub-Saharan Africa and one for Asia and Oceania) which, take the various time zones into account in the programming schedule. Fulfilling its mission as laid down in the abovementioned Agreement, there were some distinct novelties in the Rai Italia channels' schedules at the beginning of the autumn season.

The most striking of these was a prime time cycle, *That's My Country*, in which Italians who have lived abroad for some time returned, accompanied by a person who had never been in Italy in an adventure game with a marked overtone of immersion.

Rai Italia also further developed its presentation of the land and excellences of Italy, also thanks to the new programme, *Italian Beauty*, and late evening investigations and retained constant products like *Community – L'altra Italia*, about Italians living in different parts of the world, *Cristianità*, *La giostra dei goal* and *Campus Italia*, publicising the high quality educational opportunities Italy can offer.

In 2016 Rai Italia also continued to work with Rai 3, which proposed a magazine version of *Community*, thus again providing feedback, and series like *Fuori binario*, devoted to the promotion of the Italian regions and cultural tourism and the series produced with the Dante Alighieri Society intended to spread accurate, effective information

about the Italian language and culture all over the world.

Finally, it should be mentioned that distinctly appreciative comments on the growing appeal of these channels arrived both as a result of monitoring by embassies and consulates throughout the world on behalf of the Ministry of Foreign Affairs and in institutional meetings, above all the meeting with Sergio Mattarella, the President of the Republic. During the Joint Action for the Italian Language meeting, President Mattarella made a public mention of the importance of Rai's programmes for Italians living far away from home.

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

1. The Italian excellences in *Italian Beauty*
2. The series *Fuori Binario* for the promotion of the Italian regions and cultural tourism
3. The prime-time cycle *That's my Country*



Rai Cultura

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

In addition to delivering the multi-platform offer of the three TV channels Rai Storia, Rai 5 and Rai Scuola, the vertical themed portals (culture, art, literature, economics, sciences, Italian language, philosophy and media) and of the National Symphony Orchestra of Rai, Rai Cultura occupies daily or weekly programming slots in the schedules of general interest channels through its productions such as: *L'Italia della Repubblica*, *Gli occhi cambiano*, *Italiani*, *I Luoghi del Giubileo* and *I grandi della Letteratura italiana* on Rai 1, *Memex* on Rai 2, *Il Tempo e la Storia* (a daily programme that is re-run on Rai Storia), *Diario Civile*, *Potere e Bellezza*, *Italia Viaggio nella Bellezza*, *Viaggio nell'Italia del Giro*, *Albertazzi vita morte e miracoli* and *Provincia Capitale* on Rai 3.

Rai Cultura is the centre of expertise for the production of serious music: in fact, exclusive events and prestigious concerts are produced by Rai Cultura and on air on general interest channels. Among the events on air on general interest channels in 2016 we must mention the New Year's Concert from Wien and the concert from La Fenice Theatre in Venice, *Concerto di Pasqua*


from the Orvieto Cathedral and *Concerto per le celebrazioni del 70° Anniversario della Festa della Repubblica* from the Corazzieri Hall at the Quirinale Palace; to be mentioned above all is the live showing of the gala première of the new Teatro alla Scala season on 7 December 2016 with Puccini's *Madame Butterfly* in the original 1904 version, conducted by Chailly. There were more than 13 minutes of applause in the theatre, with an average of more than 2,600,000 viewers and a share of 13.46%. It was shown live on Rai 1 from 5.45 p.m. to 9.00 p.m. on 7 December and fully repeated live on Rai 5 in prime time on 10 December.

Some Christmas concerts were also produced for broadcasting on Rai 1 during the Christmas and New Year holidays, including the Assisi, Senate and La Scala performances.

Rai 5

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

Among the items in the schedule were presentations on art, painting and sculpture in programmes like *Simon Shama*, *Il potere dell'arte* or *I luoghi del Giubileo* with professor Antonio Paolucci; as regards books and literature, *Amabili testi* with Edoardo Albinati and insights with the great biographies of *I grandi della Letteratura italiana* presented by Edoardo Camurri; as far



👤/MLN

AVERAGE CONTACTS A DAY

2.966

🕒

MINUTES VIEWED A DAY

17

📺

SHARE OVER 24 HOURS

0.3%

1. James Conlon, Main Conductor
2. Maestro Riccardo Muti is the protagonist of *Prove d'Orchestra* on Rai 5
3. *Italia. Viaggio nella bellezza* on Rai Storia
4. *La donna serpente* of Alfredo Casella on Rai 5



as theatre was concerned, in addition to the great classics, there were present-day works with the Marco Paolini cycle (including titles such as *Vajont* and *I-Tigi a Gibellin*) and the exclusive four-episode portrait in the series of documentaries entitled *Albertazzi, vita, morte e miracoli* in honour of the eminent recently deceased actor, but also programmes on nature, the environment, travel and explorations of considerable anthropological interest both at day time (international documentaries such as *Wild Africa*, *Frozen Planet*, *L'insospettabile talento delle piante*, *Human Planet*) and at prime time (*Under Italy* and *I segreti del sottosuolo*).

Finally, pop, rock, jazz and world music were among the main genres in the documentaries and concerts offered during the night and, from the middle of June 2016 also in prime time.

Prime time programmes on Thursday were entirely devoted to the world of serious music and its protagonists: among the most noteworthy items were the two series of documentaries about conductor Riccardo Muti and the personalisation of live events presented by Massimo Bernardini in his *Nessun Dorma*.

There were also many impressive live broadcasts of operas, concerts and ballets from the main Italian theatres and opera houses.

Among them, to mention only a few, Giuseppe Verdi's *Attila* at the Bologna Teatro Comunale, *Il Barbiere di Siviglia* by Gioacchino Rossini at the Rome Teatro dell'Opera, the ballet *Il giardino degli amanti* to music by W. A. Mozart at the Teatro alla Scala with the étoile Roberto Bolle, *La donna serpente* by Alfredo Casella from the Teatro Regio of Turin, the *Concerto per Milano* from Piazza Duomo in Milan with the La Scala Philharmonic Orchestra conducted by Maestro Chailly with world famous player Martha Argerich at the piano, W. A. Mozart's *Le nozze di Figaro* from the Festival of Two Worlds at Spoleto, the final phase of the Campiello Award from the Teatro la Fenice in Venice, and, finally, Richard Wagner's *Tristano e Isotta* from the Rome Teatro dell'Opera.

A prominent place during the year was given to the works of Rai's National Symphonic Orchestra, which played for audiences on many occasions, very often live. Among these were a concert from Rai's Arturo Toscanini Auditorium for the inauguration of the Turin Book Fair, conducted by James Conlon, during which the actor Massimo Popolizio performed some passages from Shakespeare as a tribute to the four hundredth anniversary of the playwright's death. Then there was a live concert from the Teatro Cilea in Reggio Calabria during a tour of Southern Italy, conducted by the American orchestra conductor, Ryan McAdams and featuring world

famous violoncellist Mario Brunello, who won the Tchaikovsky Competition in Moscow in 1986, the only Italian musician to have gained this award, Finally but not less of note was the concert conducted by Maestro Piovani with the execution of some of his best known film sound tracks.

In practice, in 2016 Rai 5 proposed about 1,130 hours of serious music shows, devoting ample space (about 260 hours) to the broadcast of operas, many of which were unpublished and 550 hours of theatre performances.

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

Rai Storia

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

Rai Storia performs duties of multi-channel and multi-platform production, selection, management and distribution of historical analysis content: a service that involves the entire spectrum of media, from TV to Internet and social networks, with the aim of bringing its audience to all over the world and to any time, talking about facts, places, personalities, civilisation, lifestyles, cultural trends, political processes and social achievements.

In addition to regular daily programmes – *Il giorno e la storia*, *Mille papaveri rossi* and *Il tempo e la storia* (broadcast on Rai Storia on access prime time after the first issue at 1:15 p.m. on Rai 3), during 2016 Rai Storia gradually outlined an editorial offer that, through a more precise definition of the themes handled in the evening, has given greater continuity and identity to the programming slots.

The enhancement of the Italian cultural heritage was one of the main leitmotifs that characterised many programmes, including *Italia Viaggio nella Bellezza*, broadcast in collaboration with the MiBACT with the aim of enhancing the heritage of our country at best; *Potere e Bellezza* the series that has narrated the dynasties that have shaped the history – and the beauty - of our country (from Swabians to Savoy, from Aragonese to Habsburg-Lorraine); *La croce e la spada* discussed devotion to patron saints, which started to define the architectural and design of many Italian localities in the Middle Ages and often gave rise to a

Rai Storia

ii /MLN

AVERAGE CONTACTS
A DAY

1.536



MINUTES VIEWED
A DAY

23



SHARE OVER 24 HOURS

0.2%

two-way process between the saint's role and characteristics and the evolution of local history and economy.

Tales from the history of the places concerned and their description were the subjects of programmes such as *Cronache dall'Antichità* and *Cronache del Medioevo*, the successful series in which Cristoforo Giorno led audiences through places and events in the ancient world and the Middle Ages, and *a.C.d.C.*, a programme with Alessandro Barbero which recounted human history from *homo sapiens* to Napoleon.

The places of our country were also the protagonists of *Viaggio nell'Italia del Giro*, the programme on the road through the places reached by the pink jersey (*maglia rosa*) race that is hosted by da Edoardo Camurri and the re-run of which was also aired on Rai 3, Rai Scuola and Rai Sport.

Ample room was given to inquiring into important issues such as legality, justice, the fight against organised crime and terrorism (*Diario Civile*) and to the life stories of great people in the past (*Italiani, I grandi discorsi della storia*).

Close attention was given to celebrating the principal anniversaries of 2016; among others, special programmes were dedicated to the *Holocaust Remembrance Day* (27 January), *Giorno del ricordo in memoria delle vittime delle foibe* (10 February), the International Women's Day (8 March) and then *Giornata della Memoria e dell'Impegno in ricordo delle vittime innocenti delle mafie* (21 March), *Anniversario della Liberazione* (25 April) and *Anniversario della strage di Capaci* (23 May).

On the occasion of the 70th Anniversary of the Italian Republic, Rai Storia also devoted all the programmes aired on 2 June to the history of our Republic and broadcast new Rai-produced documentaries devoted to the anniversary. Furthermore, programmes were shown for the centenary of the birth of Aldo Moro, the tenth anniversary of the death of Oriana Fallaci, the 50th anniversary of the Venice flood, International Migrants' Day and the 400th anniversary of the death of William Shakespeare.

Rai Storia offered a whole series of programmes for the Rio de Janeiro Olympics, covering the progress of the Games from their commencement in Ancient Greece until our own days, presenting the main events in their history.

In the autumn Rai Storia showed a special programme on the history of the Medici family as an accompaniment to the drama and comedy series being shown on Rai 1 at the same time.

Among the main productions were *L'Italia della Repubblica*, a series which presented the salient

events in the life of the Italian Republic from its birth 70 years before; *Argo* with Valerio Massimo Manfredi, the new TV magazine devoted to history and its narration; and *Gli occhi cambiano*, a series written and directed by Walter Veltroni which comments on Italian themes, absorbing events and personalities through documents from the precious Rai archives.

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

Rai Scuola

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

As well as the by now established programmes devoted to the teaching of English and to information, the channel continued to pay strong attention to scientific issues with the programme *Memex – La Scienza raccontata dai protagonisti*, also devoting ample space to science documentaries.

The channel also paid strong attention to philosophy with *Zettel – il Caffè filosofico* on the history of philosophy with the leading Italian philosophers talking about the development of Western thought on great themes and the great thinkers who played their parts in this process.

Among the 2016 developments were the 12 special features of Rai Scuola, including documentaries that were also broadcast on Rai 3 and that were devoted to major issues and events for schools and our country (including, among others, *Alternanza scuola lavoro: Le storie di Rebecca e Walid* and *Generazione Erasmus*).

Finally, note the two programmes devoted to innovation and digital media, *Digital World* and *Eureka!*, which were re-run on Rai 5 and on general interest channels.

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

Rai Ragazzi

Rai YoYo

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

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

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

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

The schedule was completed by a selection of the best international productions (*Masha e Orso*, *Peppa Pig*, *Shaun vita da pecora*, *Bob Aggiustatutto*, *il Postino Pat*, *Barbapapà*, *Il piccolo regno di Ben e Holly*, *La casa delle api*, *Vita da giungla alla riscossa*, *Teletubbies*, *Let's go Pocoyo*, *La Casa di Topolino*, *Dottoressa Pelouche*, *Sofia la principessa*, *Disney English*), and Rai Fiction co-productions and Rai children's

cartoons (*Mini Cuccioli*, *Topo Tip*, *Calimero*, *Pimpa*, *Winx*, *Regal Academy*).

Finally, the Rai YoYo portal was enriched with a number of new contents. Specifically, the channel focused its attention on the following projects:

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

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

Rai YoYo

MLN

AVERAGE CONTACTS
A DAY

3.309



MINUTES VIEWED
A DAY

58



SHARE OVER 24 HOURS

1.3%



SHARE 4-14 YEARS

5.1%

1. The daily programme with Gipo, Laura and in *L'Albero Azzurro*
2. The Russian animated series that is very loved by children, *Masha e Orso*
3. The Disney cartoon *La casa di Topolino*
4. *Shaun vita da pecora* and stop-motion adventures



Rai Gulp

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

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

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

The schedule abounds in cartoons, TV films for young people and studio productions selected to be appreciated by different age bracket targets. The schedule includes series bought from among the best productions (including, among others, *Jungle Book*, *Inazuma Eleven*, *Sailor Moon Crystal*, *Robin Hood*, *Le nuove avventure di Peter Pan*), selected in order to meet with the tastes of wide categories of audience.

There are also live action series, including some striking novelties in these genres and types: *telenovelas* for young people, sitcoms and more adventurous films, some in the form of long-running series.


There were also famous successful films, both for the cinema and TV, and Rai Fiction co-productions (*L’isola del tesoro*, *Mia and Me*, *Maggie & Bianca*, *Sette Nani ed io*, *Heidi*, *Geronimo Stilton*, *Bat Pat*, *Pumpkin Reports*, *Winx VWow*).


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

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

The Channel paid particular attention to the Rai Gulp portal upgrade, conceived to improve young people’s browsing experience and starting its Replay tv service. Sites were also set up which were dedicated to some leading products that have most contributed to enriching the web offer in terms of both pages visited and single users.


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






AVERAGE CONTACTS A DAY

2.087




MINUTES VIEWED A DAY

38



SHARE OVER 24 HOURS

0.6%

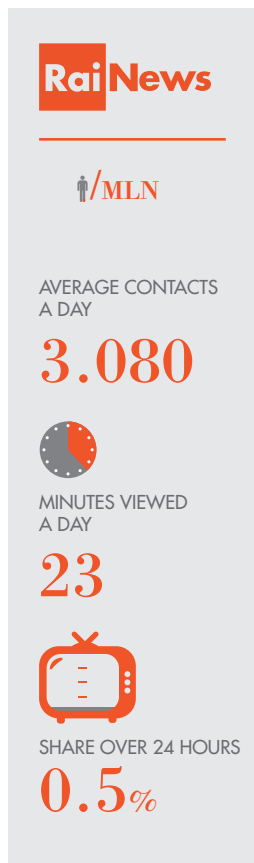


SHARE 4-14 YEARS

4.1%

1. TV series for kids *A tutto ritmo*
2. *Alex & Co.* and the Italian sitcom for the channel’s fans
3. *Sirena*, *Nixie* and *Lyla*, the three mermaids of the TV series *Mako Mermaids*
4. The Rai Fiction co-production *Mia and Me*





Rai News 24

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

2016 was the year in which Rai News 24 came to maturity: it is now a modern all-news channel on every platform, looking out for news which it verifies promptly and then puts on air and presenting carefully thought-out comment and opinions. It has an eye to internet, to the rise of the social media and the new languages and it is widely broadcast over the country, also thanks to its collaboration with the regional TGR news programmes and correspondents all over the world so that it can cover all the most important events live.

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

The efficiently organised newsroom has also benefited from a job rotation policy as a result of which the journalists are gaining experience in different environments. The increased production of original content, which was also supplemented by brief, flexible and accurate analyses, and the work carried out extremely closely with other Rai news offices helped to carry out its function as a service even more intensively: its reporters were often on air for other newsrooms and for the other leading Rai news and entertainment programmes. Rai and its resources in different parts of the country are common ground for all those working

in the Company. Rai News 24 is the heart of this synergy, which delivers substantial savings in costs and human resources.

The **Rainews.it** portal, created fully integrated into and coordinated with the TV channel, went on with its growth, also thanks to an increasingly consistent and effective presence on social network platforms.

In particular, on the occasion of big events, the public is turning to the pages of Rai's news site with ever-increasing conviction.

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

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

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

1. The Nice terrorist attack of 14 July 2016
2. The truck crashed into crowd at Christmas market in Berlin on 19 December 2016
- 3 and 4. The earthquake that hit the Umbria, Marche and Lazio regions on 24 August 2016
5. The live broadcasts of Rai News from the places of Central Italy hit by the earthquake



Rai Sport

Rai's 2016 claim, *"For you, for everyone"* also holds good in a sector, sport, which is a symbol of the Public Service owing to the thrills and fascination it gives millions of people, in fact the whole population.

The two pivotal times in the activities of this channel were the Olympic Games in Rio de Janeiro with the Paralympics following them and the European Football Cup in France. The results achieved show that Rai Sport succeeded in facing and winning the exacting challenge of gathering the entire country around these extraordinary events: more than 40 million viewers, calculating single contacts, followed each event.

This was done maintaining its respect for its history, but increasingly looking towards the future, which it did through immersion in multi-mediality and the constant search for innovative production techniques, aided by helpful technological upgrades.

Rai Sport broadcast 1,200 hours to give the maximum coverage to the 2016 Rio Games. TV time was distributed over three special channels, all in HD round the clock: Rai 2, Rai Sport 1 and Rai Sport 2: a comprehensive offer for 42.3 million Italians in spite of the unfavourable time difference.

One detail stands out among all others and marks an opposite trend to that of broadcasters in other countries: the constant presence of millennials in front of the TV screen. In fact the programmes were seen by over 21% of young people in the age band from 15 to 24 in prime time.

Rai 2, which is increasingly seen as the Olympics channel, was viewed by a daily average of 1.2 million people, with a 15.6% share. To the live

running commentaries – there was a unit dedicated to Italian athletes' performances – were added discussion features, exclusive interviews and reruns of commentaries in the morning in Italy to keep those who could not see the broadcasts from Brazil live during the night up to date with developments.

At prime time on Rai 2, viewers achieved an average of 1.8 million, with a share of 16.5%. The peak average audience was reached when Italy lost the basketball tournament final against Brazil: more than 6.9 million viewers, equal to a share of 42.4%.

Rai Sport 1 and Rai Sport 2 reached an average of 600 thousand viewers with a share of 7.5% over the whole day and more than 1.3 million viewers at prime time with a share of 7.6%.

If the television changes fast, its users travel even faster. Always connected, they ask to be informed in real time wherever they are. They are the smartphone generation. With the 2016 Games, Rai made an enormous step forward in synergy between TV and digital offers. A team of 15 in-house professionals – graphics, video and social media experts – worked all round the clock in Rome and Rio de Janeiro handling live broadcasts, distributing special videos, developing special content and communicating with users on Facebook, Twitter, Snapchat and Instagram. The result of these efforts were over 5 million single Italian users and about 16 million interactions on Twitter and Facebook.

This feat continued with the Brazil Paralympics from 7 to 18 September 2016. Rai Sport 1 became the Paralympic channel while Rai 2 broadcast all the most important events from 1.30 a.m. until the morning, obtaining excellent audience figures. Triathlon events recorded the highest average: 280,289 viewers with a share of 4.45%.

1. Our excellent swimmer Federica Pellegrini
2. Live broadcasts of *Il Giro d'Italia* on Rai Sport
3. Bebe Vio's joy for the gold medal in foil at the Rio 2016 Paralympics
4. The Italian national Volleyball team won a silver medal at the Rio 2016 Olympics
5. The Italy-Spain match and the qualifications for the Russia 2018 World Football Cup



The work of Rai teams delivered, from Rio de Janeiro, as well as from the French cities involved in the European Football Cup matches, cool and selected images for the audience of Rai channels.

As regards the European Football Cup, 200 hours of programming including running commentaries, sports news programmes, general interest news programmes and dedicated programmes, reaffirmed the central role of Rai in competitions that involve the National Football Team, with a record audience. The peak audience was reached with the match against Germany in quarter-finals, which was followed by an average of 16,562,000 viewers, with a share of 66.4%.

In general, live match broadcasts recorded an overall average share of 37.6%, with about 8,500,000 viewers. Rai Sport accompanied the tournament with technical analysis features on themed and channels and insights programmes on general interest channels. Viewers were able to roam from *Dribbling* on Rai 2 for the analysis of the matches played the day before, *I giorni di Parigi* on Rai 3 for social aspects and morals, to *Il grande match*, on air on Rai 1 every evening, for a family programme in which personalities known to the general public were combined with high-level sports reporters and opinion leaders.

As regards the European Football Cup, we must also mention the multimedia challenge. About 700 thousand apps dedicated to Euro 2016 were downloaded while, as regards live streaming services, the Italy-Sweden match was the most watched programme on line in the history of the web in Italy (about 1 million and 400 thousand unique browsers connected on Rai platforms).

The Italian Football Cup was a Rai exclusive in 2016 too. This is a competition which was marginal and often disregarded by the best teams until a short time ago but which has been increasing in importance in the last editions, also thanks to the work of Rai Sport and the live broadcasts of the matches on Rai 1. The final between Milan and Juventus at the Rome Olympic Stadium on 21 May drew an average audience of 8,432,000 viewers, with a share of 38.1%.

Milan and Juventus met again for the award of the Italian Super Cup and Rai Sport set up its own studio and a coordination unit for reporters to support correspondents and operators, offering a maximum quality product. This effort was rewarded by even higher audiences up to an average peak of 9,398,00 viewers and a share of 40.68% on Rai 1 for the penalty deciders.

In 2016 Rai Sport also followed the Formula 1 World Championship, ensuring live and deferred coverage of running commentaries. This was one of the typical events of Rai's sports offer. Exclusive

interviews with the drivers, with background news and curiosities, were the prologue to the expert commentary whose strong point is Ivan Capelli, a former Ferrari driver.

The running commentaries' audience also confirmed the leading role of Rai with respect to its competitors, with a peak for the Monaco Grand Prix (an average of 6,225,714 viewers and a share of 33.87%, as well as 12,593,582 single viewers).

In 2016 the bond between Rai Sport and the Tour of Italy was made even tighter, if that was possible, pending the Centenary edition of the most loved cycle race of all in 2017. As always helicopters and motorcycles followed the cyclists as they performed their exploits; for the first time in a big race in stages, a video camera was placed in the middle of the group and transmitted live images, an absolutely novel technical advance.

The most followed stage was that of 28 May, the penultimate one, when Vincenzo Nibali took pink jersey (*maglia rosa*) (2,259,492 viewers, with a share of 18.32% on Rai 3; 1,396,325 viewers, with a share of 11.31% for the simultaneous live broadcast on Rai Sport1).

In addition to the events usually followed by Rai Sport, other major sports events during 2016 included: traditional cycling races; the Ski World Cup; basketball and volleyball championships; the Athletics Golden Gala; the European Swimming Championships; the main international events of gymnastics, fencing, rowing and horse riding.

Finally, the Rai schedules, then, include sports broadcasts. The objective was to remodel the style and identity of programmes which are belong to the history of Italian television, from *Dribbling* to *Novantesimo Minuto* and *La Domenica Sportiva*. A completely transformed studio, a new pair of presenters and an expert commentator whose expertise and authoritativeness is widely recognised: *La Domenica Sportiva*, the most long-lived programme on Italian television, which has been on air since the first day of Rai TV broadcasts on 3 January 1954, having now exceeded 3,000 instalments, changed and kept up with the times trying to keep ahead of sporting models and trends, to remain ever young.

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

Information

Tg1

MIDDAY EDITION AUDIENCE

Tg1
22.3%
SHARE

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

Tg2
16.1%
SHARE

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

Tg3
10.1%
SHARE

2016 will be remembered as the year of the extraordinary telephone call from Pope Francis – the only one he has made to any television company in the world – in the space devoted to the TV news in *Uno Mattina*. But also the exclusive interview of Sergio Mattarella, the President of the Republic, the 13 extraordinary editions, totalling eight and half hours of broadcasting time, the 48 instalments of *Speciale Tg1* coming to 60 hours of broadcasting and the special *Porta a Porta – Tg1* programmes, which went first from 8 hours to 18 hours and then from 18 hours to 36.

TGR
14.8%
SHARE

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

EVENING EDITION AUDIENCE

Tg1
24.2%
SHARE

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

Tg2
8.1%
SHARE

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

Tg3
10.2%
SHARE

TGR
11.5%
SHARE

current language and presenting contemporary issues.

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

Tg2

Tg2 has always been the news programme of discussion, innovation and experimentation, essential elements for a Public Service channel.

In 2016 Tg2 produced more than 1,000 hours of broadcasts, counting the news, features, running commentaries and 17 special and 10 extraordinary editions.

A large number of events of domestic and international importance were handled and analysed in detail with the help of correspondents: news items, the economy, Italian and international politics, cultural and sporting events and the deaths of great artists such as David Bowie, Prince and George Michael. In the second half of the year particularly there were more special editions and discussion programmes both within the news itself and during prime time and late evening.

Tg2 followed a new production policy based on immediacy and live commentary with a wide network of correspondents on the spot. These were completely new products with many original stories and guests in the studio, especially during the 8.30 p.m. edition, which aroused viewers’ curiosity and drew them to the channel. This is confirmed by the audience figures, which reached an average of 2,100,000 viewers and a share of 8.1% for the 8.30 p.m. news.

The earthquake emergency engaged the staff of the news programme to the full with immediate reports and the widespread presence of a large number of correspondents using ENG (Electronic News Gathering) crews and backpacks for live connections both during the news and in the extraordinary and special editions and features. Efforts which not only related and reported what was happening all the time, but which always gave a voice to the stories of the victims and their impelling needs. There is still a state of emergency

in many parts of Italy and Tg2 covers the matter every day.

Another event which called for the widespread presence of Tg2's correspondents in the affected spots were the terrorist attacks and other international events such as the attempted *coup d'état* in Turkey, Brexit and the death of Fidel Castro.

A particularly important international event which Tg2 covered were the American Presidential elections. A prime time special edition, *Hello America*, was one of the productions broadcast among the wide coverage which all the television programmes and radio stations and Rai's specialised networks and channels devoted to this event with news, contributions, features, special editions, exit polls, forecasts and discussions. *Hello America* was made working with the correspondents in the Usa during the election campaign using a new scene designed especially for the occasion.

In order to conduct a debate on the constitutional referendum, Tg2 made *Il Confronto*, a new feature with an innovative format in terms of timing, methods and the quantity and the variety of the questions the participants had to answer. This programme gave equal space to the different points of view and provided viewers with a ground-breaking picture of what was taking place in politics every day for five minutes from Monday to Friday. *Il Confronto* interviewed two politicians in a new form of presentation – two windows with the interviewees in the foreground – and four questions, which the supporters of Yes and No had 40 seconds to answer. This programme was the first of the special productions devoted to the referendum and the way it was presented gave the Italian population full and fair information on the 4 December consultation.

Another unique ingredient in Tg2 are its 13 features, the leading one being *Tg2 Dossier*, which has always been in this programme with a weekly focus on the most important events. Other successful features are *Dossier Storie*, stories of everyday life (the lives of personalities and unusual narratives); *Mizar* (events and personalities from the worlds of art and culture); *Tg2 Punto di Vista* (the events of the week); *Costume e Società* (an Italian and international view of tendencies and manners); *Medicina 33* (a long-established feature with medical information); *Tg2 Motori* (news concerning the automotive sector with special attention to green power products); *Si Viaggiare* (a journey among beauties of art and landscape, mainly Italian); *Eat Parade* (Italian food and wine excellences); *Cinemattinee* (about films with interviews of directors and actors); *Achab libri* (books with interviews of writers); *Tg2 Lavori in corso* (a

daily strip with spaces for social media, local news, art, domestic economy and voluntary associations); *Tutto il bello che c'è* (a feature which tells positive stories of voluntary work and solidarity for which there is seldom space in TV news programmes).

In 2016 Tg2 considerably enlarged its web-based offer, renewing the site and gaining viewer loyalty by giving them the possibility of opening their own accounts. It launched solidarity campaigns when important events occurred, during which it set up a social media unit linked directly to the main studio in order to give digital users a voice through images and messages. Also through the website, viewers played roles in campaigns afterwards transferred to the news programmes themselves (*#l'alberopiubello* during the Christmas holidays); these were projects which raised the number of web users significantly.

“The distinctive feature of Tg2 is experimentation: making an information product which is completely different from other television news programmes, with unusual narratives which arouse viewers’ curiosity and attract them to the channel, while fully complying with Public Service principles.”

Tg3

Tg3 is the news programme for live reports and insights, which hurls the viewer into the heart of events and occurrences and penetrates beyond appearances. There are few stories about the institutions and much real life with the problems ordinary people live from day to day related by the persons themselves, often as guests in the studio.

This is the news programme which goes on air live immediately with special editions about emergencies, both in Italy and abroad. With about 900 hours of broadcasting counting news and features, Tg3 continues to build on its relationship of trust with its audience, which is a very well-informed sector of the public who are demanding, ready to use the digital media and seek insights on one hand and clarity and synthesis on the other.

In 2016 the average share for the edition of 7:00 p.m. was 10.2%, with more than 1,600,000 viewers and an increasing audience. More use was made of live connections to the network of Rai correspondents in other countries and throughout Italy in the 12 noon edition, the only Rai news programme produced in Milan.

All events are covered, with greater attention to matters which are to develop further in the course of the day.

The Tg3 Giorno edition at 2.20 p.m., with a share of higher than 10.1%, pays particular heed to the problems facing consumers and households, with guests in the studio every day. The night news programme, *Linea Notte*, was recovering steadily to above a 5% share and was again a favourite venue for comment and analysis.

The offer was further diversified during the latter months of the year, also thanks to restyling the graphics of the various editions.

Tg3, however, is not only a news outlet: it has many special features too. *Tg3 nel Mondo*, a new foreign policy programme, performed very well in its first year. This feature, broadcast on Saturday evening, provides a view of the international situation in which with guests from all over the world take part live.

Public service information is completed with *L.I.S.*, the news in sign language, and *Fuori Tg*, which strengthened the bond with the viewers, who take part in each instalment live using Twitter. And then there are the other historical Tg3 features like *Fuori Linea* produced by the cultural desk, providing reports from an artistic venue, a museum, historical place, exhibition or theatre; *Agenda del Mondo*, a foreign policy reportage related through the stories and everyday life of the protagonists, who are personalities that are not always well known, but represent their realities; *Chièdiscena*, dedicated to live shows, dance and theatre; *Pixel*, a feature on technology and innovation concerning developments from web and technologies linked to new sources of energy and environment; *Persone*, which proposes personal life stories, which are interesting due to their originality and curiosity.

Tg3 put considerable effort into using the social media and internet: all the news editions and special features can be seen again online. There is also a satirical cartoon on its web page, in addition to features dedicated to technology, invitation to read and comics. The first new programme to use social networks, Tg3 has more than 152,000 Facebook users and has over 173,000 Twitter followers, with these numbers rising all the time.

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

TGR

TGR regional news programme broadcasts local news from regional offices and plays a key role in the Public Service news ecosystem.

Efficient news coverage during the many emergencies which, regrettably, occurred in 2016 confirmed, if this was necessary, the added value of having correspondents throughout Italy: indeed this is one of Rai's fundamentally important strong points compared with other operators.

The regional offices' main mission is to provide information about their areas in all their aspects, constructing a solid relationship of trust with the citizens, who can rely not only on regional news on television and radio but also on more detailed programmes such as *Buongiorno Regione* for reports, suggestions and complaints from civil society. The associations, various movements and cultural and social aspirations which are often little known all have a voice in this programme. The many social campaigns launched by newsrooms brought TGR even nearer to the community, i.e. brought Rai closer to all the population wherever they are.

The campaigns dealt with a number of different issues: safety at work, schools and the elderly and the public responded to them readily.

Viewers continued to appreciate the two main news programmes highly, one at 2.00 p.m. and the other at 7.30 p.m.. In fact the regional news obtained Rai 3's peak audience figures, with shares of 14.8% and 11.5%, respectively. At the end of the year and at the beginning of the new year a record audience of 17.9% was recorded for the news programme of 2:00 p.m., with 3,131,000 viewers and for the news programme of 7:30 p.m., which achieved a share of 13.5% and 3,129,000 viewers.

TGR constantly reports the emergencies which afflict the country: for example TGR's cameras, which came into action on 24 August, never switched off, continuing to relate the terrible tragedy of the earthquake in Central Italy day by day and hour by hour.

TGR also has outstanding nationwide features, in the forefront of which is the science and environment news programme, *Leonardo*, a landmark for Rai 3 audiences for twenty years whose format has been updated this year and which lasts longer. This feature obtained a top share of 10.1% and 1,582,000 viewers, a performance which is all the more important considering the prestigious programmes on the flagship networks. Many different themes were handled rigorously and simply in order to attract even those without a solid scientific background who, nevertheless, are drawn to scientific matters.

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

In any case all European public news services have regional offices, even if they use different models and have different criteria for dividing the country into local areas.

TGR plays an important role in placing news on the new digital market by expanding its web offer.

Through its newsrooms all over the country and about 700 reporters, TGR ensures an ongoing presence at a local level, thus allowing Rai to be present promptly in the places where the most important events occurred for the Country.

“In 2016 TGR started to try out a new web-based offer and to enter the social media on a massive scale, becoming one of the most popular programmes.”

Rai Parlamento

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

Rai Parlamento, whose method of production changed in late 2016 to include images, became more modern, also as a result of its use of big video walls and LEDs which improve the video contributions and the graphics. This programme provides direct contact with the Italian Parliament.

As always, in 2016, this media outlet produced news programmes, insights, instalments of *Programmi dell'accesso* and directed the live broadcasts of the proceedings in the Chamber of Deputies and the Senate (*Question time* and institutional and political events). Particularly strong efforts were made to organise and edit the *Tribune* cycle and self-managed messages for the constitutional referendum.

The style of the programme tended to use language that was less specialised and nearer the public in the scripts, in interviews, in analysis and in experts' opinions, making wide use of infographics, which are particularly useful to provide clear and simple explanations of institutional changes and fundamental issues when commenting on the Country's politics and lawmaking activities. The same change in language applied to discussions with the politicians at the centre of political affairs during the week and to presentations of the background for legislative measures and of the areas that they affect.

At the time of the constitutional referendum the historic Rai Parlamento features, *Tribune elettorali* and *Programmi per l'accesso*, were also renewed with a new scene design and graphics and a faster format. Face to face interviews of prominent guests were introduced in the late evening. Feedback in terms of audience figures, the public's appreciation of the guests and the programme's impartiality, equilibrium and presentation of all kinds of different themes was very favourable, as customary for this Public Service.

Rai Parlamento is not only Italy: it pays particular attention to European institutions and issues. The weekly *Punto Europa* gives an account of proceedings in the centres of power in the European institutions and the stories of the Europe of opportunity, of the young and of the ideals which unite us after 60 years.

TV drama and comedy

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

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

The first figure that emerges from an analysis of Rai TV drama and comedy production in 2016 is that the offer differed for the first time among the three general interest channels, Rai 1, Rai 2 and Rai 3, with distinct editorial policies and more clearly identified offers on the different evenings of Rai 1's week.

In 2016 new TV drama and comedy works were shown on Rai 1 on 119 evenings, recording an average audience of 5.2 million and a share of 20.6%. Reruns were broadcast on 38 evenings in addition to the evenings on which new works were shown, and these obtained a very respectable average share of 16.9%. Therefore in all TV drama and comedy works were shown on Rai 1 in prime time on 157 evenings, corresponding to 43% of total offer, with a share of 19.8% (including reruns).

Rai 1's result makes this channel not only the leading TV drama and comedy broadcaster in Italy in terms of offer and audience, but one in the very front rank at European level. To this must be added a particularly impressive performance by TV drama and comedy works made for Rai 2, which broadcast 12 original TV series in the evenings, with an average audience of 3,250,00 viewers and an average share of 12.5%.

Rai 3 put 6 new TV series on air with a 4.8% share and 251 instalments of *Un Posto al Sole*, which had an average daily share of 8% and made a valuable contribution to this channel's advance in prime time.

Altogether, Rai 1, Rai 2 and Rai 3 broadcast new TV drama and comedy works 137 times in the evening during 2016 and 50 reruns (36% of the new works): reruns make a substantial contribution to reducing the costs of the programmes.

The analysis of the audience figures show that in spite of the proliferation of platforms and the rise in the number of users who search for their own products, Rai TV drama and comedy works still gather very large audiences, especially Rai 1,

which was again the leading network for these productions in 2016 with its wide range of genres and skilful blend of new works and sequels of classics.

Among the feathers in Rai 1's cap are the TV movies of the *Il commissario Montalbano* collection, which were watched by more viewers than ever before 17 years after the first came out, with about 11 million viewers and a share of more than 40%. Not only is such a performance very rare indeed in absolute terms in Europe, but it is even notable if compared with the much larger American market, in which few series obtain audiences of over 10 million people when they first come out.

A similar comment may be made for *Don Matteo*, which is exceptional in that even in its 10th edition it combines a long serial content with an average share of nearly 30%.

The main reason that TV drama and comedy works manage to reach such vast audiences in general interest channels is that they have the capacity to become an event: an rendezvous not be missed which is to be seen live because it becomes the subject to talk about in the family and with friends and to comment on live on the social media (where Rai TV drama and comedy works are very often trend topics).

This is what happened, for example, with the great international co-production, *Medici – Masters of Florence*, a spectacular about the Italian Renaissance seen through the changing fortunes of the famous family of Florentine bankers and patrons of the arts, which has been already sold in Europe, New Zealand, Israel, Japan, India and Australia.

This was a title deliberately devised for the new world market, shot entirely in English, which is evidence of Rai's commitment to taking Italy's image beyond the frontiers to come into contact with other countries and enter the circuit of world producers of TV series.

A similar case was *La mafia uccide solo d'estate*, a serial adaptation of the acclaimed film directed by Pif, a work which stands out in its originality and in the different way it describes a society through the life of a family in the Palermo of 1979.

When the genres are examined more closely, it is seen that series about aspects of civil society were mostly true stories which involved and mobilised mass audiences: from Felicia Impastato (*Felicia Impastato*) to Lucia Annibali (*Io ci sono*), from the policeman Roberto Mancini (*Io non mi arrendo*) to the fisherman mayor Angelo Vassallo (*Il sindaco pescatore*), from Boris Giuliano (*Boris Giuliano - Un poliziotto a Palermo*) to professor Mirella Casale (*La classe degli asini*).

Report on Operations of the Board of Directors

1. Io non mi arrendo
2. I Medici
3. Il commissario Montalbano
4. Il sindaco pescatore
5. L'allieva
6. Rocco Schiavone
7. Io ci sono



This is an editorial approach which should also be borne in mind in working on future TV drama and comedy projects, while being aware of the delicate and difficult task of talking about persons who have really existed or are even still in existence, while also bearing in mind the extraordinary force a true story may have for the public.

Another source of inspiration for Rai drama and comedy works has been contemporary Italian literature, especially crime stories: from Camilleri (*Il commissario Montalbano*) to Manzini (*Rocco Schiavone*), but also lighter comedy thrillers as in the successful transposition of Alessia Gazzola's novels in *L'allieva*.

In 2016 the long serials *Tutto può succedere* and *È arrivata la felicità* brought the traditional family together again from the point of view of content, bringing it up to date with the issues and social conflicts of our times, but also renewed language and directing style while keeping the profundity of its themes and the emotional warmth that are typical of the genre unchanged.

Innovation is more obvious, not only in content but because the approach to the programmes

is original, in the drama and comedy works produced for Rai 2 and Rai 3.

The excellent results achieved by the return of *L'ispettore Coliandro* and the even more extraordinary success, both in audience and in image, of the *Rocco Schiavone* series, produced in collaboration with Beta Film, brought products into the limelight that were different from works made for the flagship channel. They are serials of a more modern type, with a content that is irreverent and offensive but with an original language which attracts a new, more worldly-wise audience.

The broadcasting of the new episodes of *Non uccidere* on Rai 3 showed the soundness of the innovative production methods adopted by Rai Fiction, which worked with the Rai Turin TV production centre. This series is one of the finest examples of works produced at low cost but of a very high standard of quality.

The first series of episodes, very much appreciated by critics at international level, was sold in many other countries also thanks to Rai Com's efforts with distribution, and will be shown on the French-German Arte channel almost at the same time as the second series starts on Rai 3.

This is a success which, like that of *Medici – Masters of Florence* and *Rocco Schiavone*, confirms that Italian TV drama and comedy works, and Rai's especially, are becoming a phenomenon to watch on the international audiovisual scene.

1. La mafia uccide solo d'estate
2. Don Matteo 10



Cinema

During 2016 Rai Cinema continued with its activity of acquiring films and TV dramas and comedies in order to enrich the Rai's programmes. The Company also retains its role at the forefront of Italian and European movie production and in the products' commercial exploitation through OI Distribution.

TV product acquisition

The procurement activity for the networks included the renewal of the framework Agreement between CBS and Rai for the two-year period of US production from 2017 to 2018.

The continuation of this strategic partnership provides favoured access to premium products from both editorial and commercial points of view, which serves to put together a competitive offer. With the agreement, the exclusive Free TV contract is renewed, with holdback vs Pay, for original television productions from the major US companies, which have been the cornerstone of Rai 2 and Rai 4's very distinctive offer for years.

Another strategic move, in line with the networks' editorial approach, is the agreement with 20th Century Fox International Television for the years 2016 to 2018, which will provide material for the schedules of all Rai channels. High quality cinema and TV films, both current and library, were acquired, differing in genre, characteristics and target audience, which will renew the cinema programmes of Rai channels and make them more competitive. Among the principal films bought were: *Il ponte delle spie* by Steven Spielberg, with Tom Hanks, *Il cigno nero* by Darren Aronofsky with the Oscar-winning actress Natalie Portman, *La vita di Pi* by the Oscar-winning director Ang Lee, *Una notte al museo*, a comedy directed by Shawn Levy, and the two related sequels, *La mia vita è uno zoo* by Cameron Crowe with Matt Damon, *La risposta è nelle stelle* directed by George Tillman Jr., the complete saga of *Alien* by Ridley Scott, *Il pianeta delle scimmie*, *Cocoon*, *Wall Street*, in addition to all the seasonal instalments of the 90's cult series *X - Files*, which was acquired for Rai 4.

An agreement was concluded with Walt Disney for the acquisition of kids products, indispensable

1. *In guerra per amore* by Pif
2. *La corrispondenza* by Giuseppe Tornatore
3. *La pazza gioia* by Paolo Virzì
4. *La ragazza del treno* by Tate Taylor
5. *The hateful eight* by Quentin Tarantino
6. *Veloce come il vento* by Matteo Rovere



for the Rai Ragazzi channels, and live action series of strong appeal for all the channels, in addition to sequels to successful products bought under previous arrangements, such as *Criminal Minds*, *Scandal*, *How to get away with murder*.

80 films arrived for the films on offer on all the channels, which were bought from companies such as: Lucky Red, Europictures, Good Films, Bim, Academy Two, Red Film, Koch Media, Movies Inspired and Videa, while some films bought from distributors, including Italian firms, such as Ga&A, Adler, 30 Holding, Blue Swan, DNC, Cult, Wider and PFA, are for the sole use of the specialist channels.

A wide selection of productions more specifically designed for television came from the German ZDF, Beta and Global Screen, which provide a large number of films for programmes for all types of audience in accordance with a long-established partnership.

By constantly monitoring world cinema trends and attending the most important international markets, Rai Cinema added new films to which it has full rights to its list:

- *Dalida* by Liza Azuelos, with Sveva Alviti, Riccardo Scamarcio, Alessandro Borghi and Vincent Perez (co-produced with Pathè), which was shown on Rai 1 in prime time on 15 February 2017 on the 50th anniversary of the death of Luigi Tenco and the 30th anniversary of that of Dalida;
- Works without an Author by Florian Von Donnersmarck (co-produced with Beta), an Oscar-winning author whose first two long films Rai Cinema has already bought and distributed with enormous success, *Le Vite degli Altri* and *The Tourist*;
- *Molly's Game* by Aaron Sorkin, an adaptation of the memoirs of Molly Bloom, played by an extraordinary Jessica Chastain.

There was also a new four-year agreement with the Leone Film Group to supply the O1 Distribution catalogue with high quality international productions. The agreement, which mainly takes the form of a distribution service, will provide productions with a strong appeal for the O1 Distribution drama and home video catalogues in addition to a substantial long-term free tv library which can be drawn on by all channels.

Movie production

During 2016 Rai Cinema helped to make a very large number of movies which make up a widely diversified range of products.

Among the movies completed or in post-production phase were: Massimiliano Bruno's new comedy, *Beata ignoranza*, about the

friendship, now shattered, between two grammar school teachers; *Non è un Paese per giovani* by Giovanni Veronesi, two friends' journey to Cuba in search of fortune; *Brutti e cattivi*, a dark comedy, the debut of Cosimo Gomez; *L'intrusa* by Leonardo Di Costanzo, a story of a person's struggle and social emancipation set in Naples; *Nico, 1988* by Susanna Nicchiarelli, the chronicle of the last year in the life of an international musical icon; the new project by Paolo and Vittorio Taviani, *Una questione privata* from a work by Beppe Fenoglio; *Questione di Karma* by Edoardo Galea about the bizarre relationship between the son of a rich businessman who has committed suicide and a small-scale confidence trickster; *Smetto quando voglio Masterclass* and *Smetto quando voglio Revolution* by Sidney Sibilia, the two sequels of the successful comedy featuring a group of university researchers; Francesca Comencini's *Amori che non sanno stare al mondo*, a romantic comedy about a great, tormented love; Toni D'Angelo's dark detective story, *Falchi*, set in Naples; *MUN-Metti una notte*, Cosimo Messeri in his debut as a director of a surreal comedy in which the characters have all kinds of absurd adventures; *Il ragazzo invisibile 2* by Gabriele Salvatores, the second episode in a story of how a young super-hero tries to find out more about his origins; *Sicilian ghost story*, the second work directed by Antonio Piazza and Fabio Grassadonia which describes a terrible mafia affair in the 1990s; *Cuori Puri*, the first work by Roberto de Paolis, the story of a girl torn between her vow of chastity until marriage and her love for a boy a little older than she is; a comedy by Alessandro Poggi with the provisional title of *Martino dove sei?* about two friends who fake the disappearance of one of them; *A casa*, a comedy by Antonio Albanese in which a true Milanese decides to take two Senegalese back to Africa; *Addio fottuti musi verdi* by Francesco Capalbo, alias Francesco Ebbasta, the first film of *The Jackal*, a disrespectful story of a young unemployed Neapolitan who is recruited by aliens; a new film by the Manetti Bros with the provisional title of *Ammore e malavita*, the tale of a gangster boss who pretends he is dead to enjoy his money abroad with his wife; *La tenerezza* by Gianni Amelio about two families in an unfamiliar Naples far away from the suburban no-go areas; and *Rosso Istanbul* by Ferzan Özpetek, the story of a writer who comes back to Istanbul after having chosen to leave the city as a result of the loss of his companion.

Among the movies being prepared are *Il libro delle visioni* by Carlo Hintermann, an international production about the personal problems and scientific discoveries of a researcher; *Hotel Gagarin*, the first work by Simone Spada, filmed in Italy and Armenia; the first work by Brando De Sica, *Mimi il principe delle tenebre*, an

unconventional and original attempt at a Gothic tale in the alleyways of a novel Naples by night; and *Troppa Grazia* by Gianni Zanasi, a mystic comedy about a young woman who begins to see strange apparitions at a time of personal crisis.

Among movies inspired by other works is *Lazzaro felice* by Alice Rohrwacher, a modern fable suspended between the present and the past, between town and country; *Menocchio* by Alberto Fasulo, which reconstructs the life of Domenico Scandella, known as Menocchio; *Ride*, the first work by Valerio Mastandrea, which describes the way the family of a workman who died in his factory came to terms with their grief; *Essere* by Leonardo Guerra Seràgnoli, which gives a picture of a not too distant future; *Il traditore* by Marco Bellocchio, based on Tommaso Buscetta, the most famous informer on the mafia in Italian history; *Sangue Gruppo Zero*, a dark, bleak metropolitan drama; *Guida Romantica a posti sperduti*, the third work by Giorgia Farina, the strange journey of two strangers; a version of Collodi's *Pinocchio* by Matteo Garrone; and finally *Strangers in Paradise*, which will be the "American" movie of Gabriele Salvatores, taken from *Se ti abbraccio non aver paura*, a book by Fulvio Ervas, a road movie with a father and son as the main characters.

Documentary production

As regards the cinema of reality and documentaries, Rai Cinema started 56 documentaries during 2016, in line with its editorial policy and the mandate to support independent authors and producers. In addition to the new projects of well-known directors (Davide Ferrario, Roberto Minervini, Pippo Delbono, Martina Parenti and Massimo D'Anolfi, Francesco Munzi and others), the company invested in the new works of talented people such as Giovanni Totaro (*Happy Winter*), Federica Di Giacomo (*Liberami*), Silvia Bellotti (*Il martedì e il venerdì*) and Martina Di Tommaso (*La via della felicità*).

Among the other planned productions are *Fuori Fuoco*, made by six convicts in Terni Prison who became directors to talk about their lives behind bars; *Pino Daniele, Il tempo resterà* by Giorgio Verdelli, a splendid tribute to the Neapolitan singer who died two years ago; and *Alla ricerca delle radici del male* by Israel Moscati, the third chapter in the trilogy of the "voyage in the souls of the children of the Shoah" which compares the grief of the children and grandchildren of the Shoah with the sense of guilt of the children and grandchildren of the Nazis.

As regards documentaries in 2016, this was the year of *Fuocoammare*, the winner of the Berlin Golden Bear and of the European Film Awards for the best European documentary, a candidate representing Italy at the Academy Awards and sold in more than 60 countries; in prime time on Rai 3 on 3 October it was seen by an extraordinarily large audience, 2.5 million viewers.

Festivals

The year started with the magnificent victory of Gianfranco Rosi's *Fuocoammare*, Golden Bear at the Berlin Festival, the first of a series of awards which this film gathered all over the world. It was presented at more than 50 international festivals, gaining, among other honours, the European Film Awards (EFA) as best documentary. Lastly it was selected as one of the five documentaries which competed for an Oscar in 2017 and was nominated for a César in the best documentary section.

Six films selected at the Cannes Festival: *Fai bei sogni* by Marco Bellocchio, *La pazza gioia* by Paolo Virzì and *Fiore* by Claudio Giovannesi, which were presented in the *Quinzaine des Réalisateurs* section; *Pericle il nero* by Stefano Mordini, which was selected in the *Un Certain Regard* section; *I tempi felici verranno presto* by Alessandro Comodin in the *Semaine de la Critique* section and *L'ultima spiaggia* by Thanos Anastopoulos and Davide Del Degan in the Official Selection.

Several awards were received after Cannes: 16 David di Donatello awards, of which 14 (7 for each film) were awarded to *Lo chiamavano Jeeg Robot* by Gabriele Mainetti and to *Il racconto dei racconti* by Matteo Garrone. To these must be added 7 Golden Globes, the awards granted by the foreign press in Italy - among which were one for the Best Film to *Lo chiamavano Jeeg Robot*, and one for *Fuocoammare*, which was awarded the coveted Foreign Press Award - and 15 Silver Ribbons awarded by the Italian Cinema Reporters Union at Taormina to many Italian titles, including *Non essere cattivo* by Claudio Caligari, which has won the Ribbon for the Year.

Rai Cinema submitted 17 works at the Venice Film Festival counting movies, documentaries, one restored film and two shorts. Among these were *La La Land* by Damien Chazelle, which enabled Emma Stone to win the Volpi Cup as best leading actress, and *Liberami*, a documentary by Federica Di Giacomo on exorcisms in our age, which won the Orizzonti Prize.

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

Distribution

During 2016 Rai Cinema distributed 33 movies with a total box office take of Euro 52.5 million, about 9 million tickets sold, ranking sixth in the classification of distributors, with a market share of 8.4%.

The titles that recorded the best performance were: *The Hateful Eight* by Quentin Tarantino; *La Pazza Gioia* by Paolo Virzi; *La ragazza del treno* and *In guerra per amore* by PIF; as well as the docu-film *Fuocoammare*.

Finally, in distributing *Veloce come il vento* Rai Cinema again showed its commitment to helping young and debutant directors.

Furthermore, Rai Cinema continued to be the leading Italian company in the Home Video sector and the fourth one on the market, with a share of 6% as regards the new works for 2016 and of 5% as regards the entire library; *The Hateful Eight* by Quentin Tarantino was the 22nd most-sold movie in 2016, with more than 70,000 copies distributed.

Commercial agreements

In general, 2016 confirmed the growing trend in sales activities in the various channels in which distribution is carried out following the exploitation of theatrical and home video rights, also thanks to the development of the new platforms for the exploitation of EST (Electronic Sell-Through), TVOD (Transactional Video On Demand) and SVOD (Subscription Video On Demand) services.

In particular, note the renewal of agreements with the Netflix and Timvision platforms, the transfer to Sky Italia of PPV (Pay Per View)/TVOD rights attached to a package of 12 current titles and the sale of airlines rights to Alitalia with more than 40 (current and library) works, in October 2016.

Finally, as regards the channel of newsstands, the agreements in place with Mondadori and with the L'Espresso Group ensured Rai Cinema's stable footprint of movies.

Rai Cinema continues to increase its commitment in the web sector on an ongoing basis. As usual, in 2016 the Rai Cinema channel gave its support to the promotion of any and all films produced and co-produced by Rai Cinema, both with social media live broadcasts and video reports of event nights and previews (Cannes Festival, Nastri d'Argento, Ciak D'Oro, David di Donatello, Venice Festival, Rome Film Festival, the projection of *Fuocoammare* in Lampedusa).

At the same time as the promotion activity, the Rai Cinema brand strengthened its footprint in the market concerning the acquisition of short films, above all at the most important Italian festivals in the sector: Cortinametraggio, Festival di Lecce, Tulipani di seta nera.

Rai Cinema channel has also been at the forefront of charity projects: *La Partita del Cuore* to support research in favour of the "Fondazione Bambino Gesù Onlus" and "Fondazione Telethon" foundations and the event for the presentation of the book *"Sguardi d'attore"*, as well as *"I volti di Rai Cinema"*, the revenues from which have been donated for the operation of the cinema hall of the Policlinico Gemelli Hospital in Rome.

Radio

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

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

The extension of the DAB(Digital Audio Broadcasting)+ network accompanies a process of technological and production migration which has been in progress for some time and which has already been fully perceived by listeners, especially habitual users of digital devices.

The composite make-up of this medium, deeply rooted in people's habits and ready for advanced uses, makes it suitable for many different tasks and developments, not the least important of which is facing the challenge of a market in which, in 2016, the numbers of operators rose and quality improved, in which there were more offers and in which there was more collaboration between competing groups, while trends in advertising investments reversed the poor performances of recent years.

Hence the efforts RadioRai was the first to make in forming the Tavolo Editori Radio - TER Srl in April

2016, a company made up of national and local radio Broadcasters whose objective is to set up a new audience survey system.

DAB+ is a priority infrastructural investment, together with protecting and building up the FM network. DAB+ is a system process which implements the Italian (AGCOM) Competition Authority's guidelines and in which Rai participates with its technological expertise and, from the point of view of production, with the three-year plan for the repositioning of the specialist stations which rationalises RadioRai's presence on the mobile ground of digital platforms, the next playing field for an advanced form of competition in which the Concession Holder's contribution will have to be decisive.

2017 promises, therefore, to provide a twofold opportunity for RadioRai to see how it is placed with the institutions and the market: the TER 2017 survey and the work in progress on digital radio, occasions which require strategic vision and the ability to detect opportunities for development and sustainable solutions for a Public Service which is not market leader but remains a linchpin of the Italian radio system.

The main lines of action in 2016 were:

- **improvement of the offer:** renewal of editorial formats; improvement of the structure of the schedule; development of commercials also by introducing new formats (product placement, branded content, station break, radio content, infactory);

1. The *CaterRaduno* of Radio1, in Senigallia from 4 to 9 July 2016
2. All the voices of Radio2
3. The football commentary of Riccardo Cucchi and Filippo Corsini on Radio1
4. *Un giorno da pecora* on Radio1 with Giorgio Lauro and Geppi Cucciari
5. The journalist Emanuela Falcetti on Radio1 with *Italia sotto inchiesta*
6. *Radio2 Live* and live performances
7. Ilaria Sotis on Radio1 with *La radio ne parla*
8. *Non sono obiettivo* with Oliviero Toscani on Radio1
9. *Radio anch'io* con Giorgio Zanchini



- **technical and infrastructural innovation:** upgrade of the RadioRai App to listen from mobile devices; migration from the ISDN (Integrated Services Digital Network) network to the IP protocol (RadioPorto project); digitalisation of the archive;
- **knowledge of the market:** qualitative screening of RadioRai programmes (Engagement Track panel, Gfk); analysis of the composition and structure of the schedule (RadioRai and competitors); analysis of audience (Radiomonitor) and contact (WebTrek) data;
- **institutional and social programmes:** management of awareness and fundraising campaigns (social affairs secretariat); editorial coordination, corporate communication Plans monitoring and reporting (e.g. Telethon 2016);
- **international activities:** celebration of World Radio Day (13 February), dedicated multilingual announcements and programmes; Italian-speaking radio and television community seminar (Rome, 1-2 April); presentation of Radio 8 Opera to the Euroradio Plenary Meeting of Music Experts (Geneva); annual meeting of Euroradio Users' Group (Rome, 24 June), participation at the EBU (European Broadcasting Union) New Radio Day (Madrid, 13-14 October);
- **awards and prizes:** Golden Headphones / Radio Awards 2016, Cultural Show section, to Radio3 and Radio2.

Channels

Radio1 – Radio News Programme

Radio1 has developed its offer with debates, inquiries, correspondents' reports, all the important sports news and an original musical selection. It has designed a schedule based on news: 48 editions of the Radio News Programme, three news programmes, inquiries, insights, correspondents' reports. Radio Rai was always on air 24 hours a day with special editions covering topics that ranged from the terrorism emergency in the early part of the year to the European Football Cup.

Radio1 is a network with content pleasing to all, repeated on the web and social networks: Facebook, Twitter, Instagram, the Periscope live-streaming video app of Twitter, the station's flagship programmes also go to the local populations, confirming Radio1's position as a real community with which people identify, a reliable, authoritative channel with less establishment and more news coverage.

Some non-stop live broadcasts characterized the first part of the year, which was marked by the Brussels attacks, special days as the 1st May Day – with the broadcast of the trade union demonstrations and mass concerts in Taranto and

Rome –, the local elections in the Italian big cities, the heated campaign for the presidential election in the Usa.

Radio1 recounted live with hours and hours of programmes with the news at 30-minute intervals.

The *Voci del mattino* international press review is now a firm fixture, which represents the most complete offer among the European Public Services, a selection of highlights from the main world televisions and some broadcasters outside the usual information circuits.

While sports news on TV channels is becoming increasingly fragmented and based on pay services, Radio1 is the Public Service channel that offers all the important events free of charge, football matches, Formula1, volleyball, Grand Prix Motorcycle racings, tennis, cycling, swimming and ski: 40 hours of radio running commentaries and reports every week, 10 sports features a day, about 800 hours of programming in the first half-year alone. The offer included all the running commentaries of football matches – Italian Serie A and B divisions –, including Champions League, Europa League, National and National Under-21 Teams, Tim Cup, and basketball and volleyball games. The station was also ready to relate the great summer of the EURO 2016 – with the live broadcast of all matches from the French stadiums – and the Rio Olympics.

There were more than 30 hours of live broadcasts for the earthquake on 24 August, with a massive production effort which involved 11 correspondents and tens of reporters and engineers. Radio1's coverage of the earthquake was widely acknowledged by public opinion and on the social media, drawing international attention to the voices of the persons mainly concerned, starting from Mayor Pirozzi, whose cry of pain, "*Amatrice non c'è più*" ("Amatrice no longer exists"), uttered a few minutes after the quake on the microphones of Rai1, went all round the world.

Coverage of the earthquake with running commentaries and special radio news editions did not stop at the first shocks but continued when the events at the end of October occurred and went on even after the attention of the media dropped, every day describing the hardships of the evacuees, the coming of the rigours of winter and the special atmosphere of the Christmas holidays spent in towns and villages full of rubble.

Routine radio news programmes also intensified in addition to all this exceptional activity: two new Radio2 news editions (3 minutes) were brought out at 9.30 p.m. and 11.30 p.m. and the coverage of day-to-day affairs was also enhanced in the already existing radio news programmes, with a rise in the number of reports and items of news.

This intensification in Radio 1's day-to-day and exceptional activities heightened the perception of Radio 1 and its news programmes as an advance guard of Rai information and met the objective of gaining more listeners interested in news products. This policy was also assisted by its traditional containers, *Radio Anch'io*, *La radio ne parla*, *Restate scomodi*, *Italia sotto inchiesta*, *Zapping*, *Voci del Mattino* and reviews of the Italian and international press.

Programmes like *Eta Beta*, *Mary pop and Life* continued to deal with special themes such as technological innovation, lifestyle and health.

Radio 1 aroused considerable interest when it started to broadcast *Un giorno da pecora*, which did not suffer from having been moved to a different station but brought fresh vigour and new impulses. Its place in the timetable (1.30 – 3.00 p.m.) was a challenge which was seen to have been won immediately when the listeners showed interest and made contributions, also on the social media.

The work of the sports desk was particularly important. After the exciting events of the summer, it returned with renewed commitment to covering the vast range of sporting fixtures: Serie A and Serie B division football, the Champions Cup and Europa League, basketball, volleyball, rugby, skiing and so much else.

Radio 2

Multi-platform production projects, contemporary language, room for music and live programmes and concerts, local coverage, social campaigns, brand visibility through cross-media: these were the main features of Radio 2's offer in 2016.

Historical and innovative programmes in format and content, an offer strategy based on the live concept both on air and online, storytelling about the lives of the listeners and major cross-promotion projects with the TV make up a synthesis of a schedule composed of 30 programmes from Monday to Sunday, all produced in the Rai studios in Rome and Milan.

While the on air offer was built up during the first part of the year, with excellent audiences, various steps were taken during the second part in order to capture new audience targets:

- during the summer, space was given to contemporary sound, experiments, music and entertainment and there was close integration with the social media;
- in the autumn, various late morning and afternoon programmes were moved.

A new team put considerable effort into the content and language of the station's main

programmes. *Il Ruggito del Coniglio*, which celebrated twenty years of broadcasting in 2016, *Caterpillar AM and PM*, *Decanter* (reinforced by the Friday feature, *Chef ma non troppo*, *Radio2 Social Club*, *I Provinciali*, *Non è un Paese per Giovani*, *I Sociopatici*.

There were many new proposals: *Radio2 Come Voi* in the morning; *Me Anziano You Tuber*, a generational confrontation between a printed paper journalist and a youtuber, and the new night format, *2Night*, with trendy music.

In the weekend, apart from the historic *Black Out*, was *Programmone* with the surreal comicality of Nino Frassica, and *Ettore and Coniglio Relax*, impressive new entries. Then there was *Italia nel Pallone*, the world of sport told ironically and with a light touch; *Hit Story*, a journey through authorial music; *KGG*, which searches out the most curious news items, the funniest stories and the best music in circulation; *Radio 2 Weekend* and its pungent satire and *Back2Back*, the console hit challenge.

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

- **live programmes from the Via Asiago studios:** Verdena, Music Festival with Malika Ayane, Fabi, Thegiornalisti and Clementino, I Cani, Calcutta, LP;
- **live programmes on Fridays and not only then:** Texas, Mark Lanegan, Pet Shop Boys, Public Service Broadcasting, i Tre Allegri Ragazzi Morti, and then, Levante, Travis, Editors, I Cani, Deus, AltJ, Cosmo, Skunk Anansie, Nothing But Thieves, Jack Savoretti, David Guetta for the inaugural ceremony of the 2016 European Football Cup and finally Battiato and Alice live in Rome, the New Year's Concert, Graham Nash;
- **mini-live broadcasts:** with musical and sound exhibitions by young trendies in the *Rock and Roll Circus*, *Babylon* and *2Night* programmes;
- **live Christmas broadcasts:** Jess Glynne, Tiromancino, Coldplay, Max Gazzè, Earth Wind & Fire, Simply Red, The Strumbellas, Radiohead, Elton John, Lionel Richie, Bryan Ferry, Anastacia;
- **local live events:** from the Radio 2 truck in squares and theatres, often in media partnership, for the Barcolana, L'Eroica, the Senigallia CatterRaduno, the Lucca Summer Festival, Lucca Comics and Games, the Turin Film Festival, Maker Faire, the Slow Food Fair, TEDxCRN, the Roma Europa Festival, Artefiera, the Rome Cinema Festival and the Riccione Notte Rosa, Radio2Play Rovereto.

During the first half-year, Radio2 broadcast the second edition of *Radiobattle*, the European Radio tournament, which is a programme fully

broadcast in English language on the European championship of music Radio stations. It was a real tournament in which 16 radio stations of the European Union competed by showcasing exclusive DJ sets.

In December the historic Via Asiago Auditorium A, entirely reconstructed, was inaugurated with live broadcasts from *Radio2 Social Club*, *610* and *Radio2 Natalent*, the Christmas show which gave listeners a gallery of the best of all Rai 2 presenters.

Radio2 boosted synergies in terms of editorial content with TV channels in a significant manner:

- Rai 1: a daily link between *Il Ruggito del Coniglio* and *Uno Mattina* to launch the live broadcast; Fede and Tinto from *Decanter* act as jurors on *La prova del cuoco*; *I Migliori Anni*, *Sanremo Giovani*, concerts of Tiziano Ferro, Zucchero and Mogol at prime time, as well as *Sarà Sanremo* and *Natale e Quale*;
- Rai 2: *The Voice of Italy* and *La Musica di Casa Mika*, launch of 4 evening TV shows; Andrea Delogu, the voice and godmother of the programme *I Sociopatici*, presented *Stracult* on Rai2;
- Rai 3: again Andrea Delogu hosts the programme *Il Processo del Lunedì*, which also relies on Michele Dalai, the presenter of *Ettore* on Radio 2. Rai3 also hosted a special instalment of *Che Tempo che Fa*, with links from Auditorium B hall at Via Asiago, with the *Programmone* of Nino Frassica;
- Rai 4: *Rai Dire Nazionale*, on the occasion of the 2016 European Football Cup and of the 2018 World Football Championship qualifications, related by Gialappa's Band.

With the claim: "See it on TV, listen to it on Radio2", Radio 2 remained the official station of big TV events, such as the *Sanremo Festival*, *OSA TIMmusic On Stage Awards 2016*, *La Partita del cuore*, the Concerts of 1st May in Rome and Taranto, 2016 *Emmy Awards*, *La Notte della Taranta* and the *Castrocaro Festival*.

With the confidence arising from its mission to entertain while being conscious that it is a Public Service station, Radio 2 brings its community into social awareness campaigns regarding the chief topics of the day: the campaign promoted by *Caterpillar*, "Bike The Nobel", with a symbolic candidature of the bicycle for the 2016 Nobel Peace Prize delivered to the Swedish Academy on the part of the extreme cycling athlete Paola Gianotti; the 12th edition of the Energy Saving Day "M'illumino di meno" launched and supported by *Caterpillar*; for the 400th anniversary of the death of William Shakespeare, in collaboration with the British Council, within the *Shakespeare Lives* project, the #PlayYourPart project produced an important involvement of the channel's community.

Radio3

During 2016 Radio3 devoted particular attention to the great debates on cultural and civil themes and enhanced the breadth and quality of its music programmes.

Many programmes and events commemorated some key dates of the history of our Country: among others, on 25 April, every programme proposed a sound show of voices and testimonies on the war, the Resistance and the Liberation from the Nazi-fascist occupation; 6 May, the 40th anniversary of the earthquake that occurred in Friuli in 1976; the 70th birthday of the Italian Republic was commemorated on 2 June with a special event day.

The attention paid by Radio3 to themes and languages was also the leitmotif of the special event Days: among others, the Memorial Day (27 January); the centennial anniversary of the birth of Natalia Ginzburg with the reading of *Lessico Femminile* by Margherita Buy (8 March); the World Poetry Day (21 March) dedicated to the *Spoon River Anthology* of E. L. Masters to commemorate the 100th anniversary of its publication; the World Book Day (23 April) event was designed to commemorate the 400th anniversary of the death of Shakespeare and Cervantes; on 24 May we commemorated the 75th birthday of Bob Dylan; on 21 June the Music Festival designed a varied and unusual show, from Schubert to freestyle, with the contribution of all the programmes.

On 15 March we commemorated the 40th anniversary of *Prima Pagina* which on that occasion was given a major award during the eight International Journalism Award Biagio Agnes edition.

In 2016 Radio 2 was always actively watchful over the foremost themes of contemporary life, particularly intensively during the year in connection with some momentous affairs from the human, geopolitical and social points of view, like the disappearance of Giulio Regeni; all the programmes have joined the campaign "Verità per Giulio" promoted by Amnesty International Italia.

During 2016, the programmes of Radio3 broadcast the live events of the most important Italian cultural events, as well as: the Science Festival in Rome and the Art Fair in Bologna in January; the Film Festival in Berlin in February; *Libri Come*, the book and literature fair in Rome in April; the Book Fair in Turin, the Film Festival in Cannes and the Biennale Art Exhibition in Venice in May, the Economy Festival in Trento in June; the International Film Festival in Venice, the Literature Festival in Mantua and the Philosophy Festival in Modena in September; the International Festival in

Ferrara in October; *Più libri più liberi* book fair in Rome in December.

Radio 3 arranged some particularly noteworthy festivals: the second edition of *Arte Cultura Lavoro* at Forlì, the sixth edition of *Materadio* from the Basilicata town proclaimed European Capital of Culture 2019; the third edition of *Radioeuropa* at Perugia, dedicated to France this year. All these activities fulfilled a recent mission: to speak about culture not only as a universal value but as an experience that comes into being locally. This policy is increasingly being followed in the daily programmes and is put into action even more effectively in these public events, which are based on a criterion of bringing the vital themes handled in the programmes closer to Radio 3's listeners and meeting them in the flesh.

A large part of the work on the web goes in the same direction. Apart from making it easier and easier to obtain access to these programmes and listen to them again in streaming, the web offer is an additional mosaic in Radio 3's identity, also directed at an audience that has not already been reached on air.

From this point of view the rearrangement of some programmes was of particular consequence; one was *Ad alta voce*, in which great novels are read aloud, which is steadily among the 5 most downloaded podcasts in Italy according to the iTunes ranking. Some more general data, even if they may still be insufficient from an absolute point of view, make Radio 3 one of the ten leading Rai sites by number of pages visited.

The number of films, images and content that do not traditionally enter a radio station's programmes also rose, particularly video streaming, above all for special projects. In the *Giornata ProGrammatica*, hashtag *#parolefuorimoda* climbed to the peak of trend topics while tweeting during the live broadcasting of some operas (*Madama Butterfly* and *Turandot*) achieved similar results in the ranking.

Just as emblematic from this point of view was the campaign for the *Museo Nazionale – 150 opere d'arte della storia d'Italia* programme, which suggested that listeners and Instagram users should publish the works of art worthy to enter the Rai 3 museum on Instagram: more than 8,000 images were sent in.

Radio 3 broadcast 930 concerts from the most famous concert halls, opera houses and symphony orchestra auditoriums in the world and also music from important Italian jazz festivals. We must mention at least the live broadcasts from the Teatro alla Scala Opera House, the Turin Royal Palace, the Bologna Comunale, Venice La Fenice, Rome Opera Theatre and Naples San Carlo opera houses. The Rai National Symphony Orchestra was a constant presence both with

Symphony Season concerts and cycles of Rai Nuova Musica, devoted to contemporary music. Radio3's concerts at the Quirinale continued: this is a prestigious series of musical events produced live by Rai 3 every Sunday morning from the Cappella Paolina in the President of the Republic's Quirinale palace, now in its seventeenth year. Euroradio concerts enriched the morning and Sunday afternoon schedules and proposed famous orchestras such as the Wiener Philharmoniker, the Berlin Philharmoniker and the Lucerne Festival Orchestra, etc.; furthermore, there were works from the opera seasons of major world theatres such as the New York Metropolitan, the Wiener Staatsoper and the Royal Opera House in London.

Apart from paying heed to the cultural themes and personalities and the formidable scientific debates of our times, the focus of programmes like *Fahrenheit* and *Radio3Scienza* every day, Radio 3 very often called on the experience of authors from the past with glorious literary, theoretical, philosophical and intellectual works to their name, constantly endeavouring to bring them into the present in order to see them in the context of today's tensions and conflicts. This short circuit has given rise to a new programme, *Pantheon*, which systematically goes back to the classics and gives them a contemporary interpretation. Cycles of broadcasts were dedicated to Einstein in the centenary year of the theory of relativity, to Goethe in the bicentenary of his Voyage to Italy, while the programme *Dove Fioriscono i Limoni – L'Italia di Goethe 200 anni dopo* was an opportunity to see the historic and symbolic places visited by the great German writer, and another cycle was devoted to Thomas More five hundred years after his *Utopia*.

In November the sixth edition of *Tutto Esaurito! Un mese di Teatro* was evidence of the space Radio 3 gives this form of art, with about ten plays live from the studios in Via Asiago; constant information about these performances was provided.

Mention must also be made of collaboration agreements with major institutions such as the programme *La Lingua Batte* with the Education Ministry (MIUR), as well as the renewal of that for the Italian Language Week with the fourth edition of *Giornata ProGrammatica* on 19 October.

Isoradio

During 2016 Isoradio went on with its flow programming, for the entire schedule of 24 hours a day throughout the year: traffic and road news and music.

As usual, daily links continued with the highway police, the Italian Motorways Company (Autostrade per l'Italia), the National Highways Agency (ANAS), Harbourmasters' Offices, the Airports and the State Railways.

Below are some of the major events in 2016:

- *Viaggiare in sicurezza* ("Safe Journey") with *Isoradio* and the Highway Police. Every week live from Isoradio microphones Highway Police officers inform travellers of the provisions of the Highway Code, tell drivers how to behave at the wheel, give information about traffic offence fines and also answer listeners' questions;
- *Anas informa*. This is a weekly Italian Highways Agency programme which gives information about road works in progress: sites, road closures and projects prepared by the Press Office;
- *Notte sicura con Isoradio*. In the night between Saturday and Sunday, a radio happening takes place, which is targeted at young people and their safety on the road: links with the Highway Police patrols from various Italian cities, meeting places, weekend events, live guests and the participation of listeners. To a safe return to home in the night at risk of getting high on drinks and drugs;
- *Studenti a Isoradio*. Students from primary, secondary and higher schools were hosted in our studios every Wednesday, talking about road education and safety in live broadcast;
- *Cultura on the road*. Cultural events, shows, concerts and exhibitions;
- *Sulla strada*. A weekly programme dedicated to road transport;
- *Ti viaggio bene. Storie di Made in Italy in cammino*. The way in which the goods of our entrepreneurs are transported by road.

After the earthquake in Central Italy, Isoradio carried out its mission increasing its connections with the Highway Police, Civil Defence, Fire Brigades and Prefectures, promptly informing listeners about traffic conditions and rescue operations.

Music programmes always play a major role. The musical format was changed in 2016: clocks of 11 or 12 pieces with spoken intervals of fewer than 3 minutes, hits from the sixties to 2016, the lion's share going to Italian songs.

Web/Digital Channels

Radio 4 Light's schedule proposes quality light music with a substantial number of Italian and international hits.

Radio 5 Classica offers music selected from the Rai sound Archives with features and monographic programmes devoted to the year's anniversaries.

Radio 6 Teca lets enthusiasts hear jewels from the immense wealth of the sound Audioteca Archive, which is kept at the Rome, Turin and regional offices and which is being restored and digitised. The best of Italian radio from immediately after the war to now, from the classics *Radio2 3131*, *Tutto il Calcio Minuto per Minuto*, *Inviato Speciale* and special programmes on Radio 6 for events or anniversaries.

All the content is available in streaming, on web, for podcast and on demand.

Radio 7 Live. Radio 7 Live has a music database composed of about 1,200 concerts, 5,400 live music tracks of various types, categories and genres, which is unique on the national radio scene. Live programmes are of various types: *Set list* (a concert or a tour through the memories and direct experience of witnesses); *Era ora* (a music talk devoted to the progress of reproduced music from CDs to live recording); *Sanremo countdown* (the last 10 Festival editions, with commentaries and interviews from backstage); *Sanremo reloaded* (the Festival evenings reloaded to listen to again the day after); *DallaRadio* (concert in honour of Lucio Dalla).

Radio 7 Live appears locally in partnerships with festivals and other events: from Marche (Ferrè Festival dedicated to Leo Ferrè, San Benedetto del Tronto) to Liguria (*Premio Tenco*, Sanremo), from Abruzzo (*Jazz Italiano per Amatrice*, L'Aquila) to Umbria (Umbria Jazz Winter 23# and 24#) to Sicily (Florio Festival, Favignana).

Radio 7 Live has also commenced working with Rai regional offices on a permanent basis to promote other local events: in Sicily *MusicaMed*, Mediterranean music; in Sardinia the Parodi Awards at the International World Music Festival (Cagliari), and in Calabria the Bova Marina Polyphonic Choir concert.

Radio 8 Opera. Radio 8 Opera is dedicated to the promotion of Italian opera, a genre which leaps gracefully over national frontiers and addresses itself to a wide, composite audience. During 2016 a streaming broadcast of 1,263 complete operas, of which 814 from the Archives of Radio Rai and 449 from major Opera Houses: the Turin Royal Palace, Naples San Carlo, the Teatro La Scala and Rossini Opera Festival in Pesaro.

Theme-based programmes were also produced during four weeks devoted to Verdi, Rossini, Pavarotti and Tebaldi, with recordings of famous pieces and insights: sixteen special days celebrating anniversaries and important dates in the past, including, among others, Mozart, Verdi, Renata Scotto, Tito Gobbi, G.B. Pergolesi, Maria Callas.

A week was also dedicated to the historic Martini & Rossi concerts which were broadcasted from 1936 to 1964, reproduced in full digitalised versions: these programmes reminded the public of a renowned brand which helped to spread the fame of acclaimed Italian artists all over the world.

An on-demand catalogue is available on the Radio8opera.it website with information on editions, casts, photo galleries, scripts and documents.

Digital media

During 2016 – in line with the publishing and industrial strategy – web and mobile platforms, as well as any connected TV set and social media were subject to a thorough review, the effects of which began to be felt on the occasion of the European Football Cup and Rio Olympics.

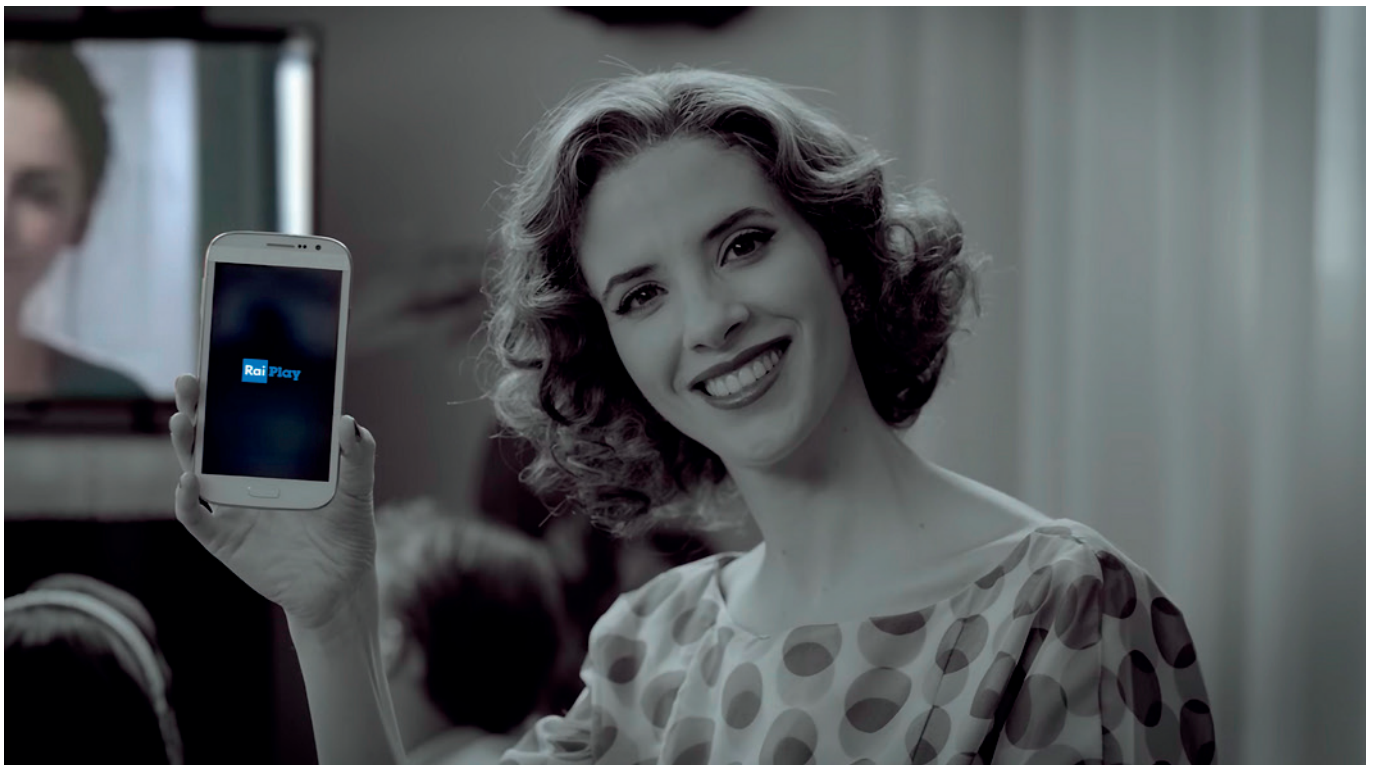
These activities covered the entire offer, resulting in an explosion in the non-linear consumption of Rai productions in the second half of the year. This was mainly due to the launching of RaiPlay, the veritable driver of Rai's transformation into a Media Company. In September 2016, in fact, RaiPlay took over the functions of RaiTv and expanded them and on 14 December 2016 it took RaiPlay into the world of web-connected television sets.

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

In November total digital audience recorded 30.1 million users, 54.7% of Italians from 2 years of age onwards. On the average day 23.1 million Italians were online, while 20.1 million Italians of between 18 and 74 years of age browsed from mobile devices (source: Audiweb).

At the end 2016, the offer essentially consisted of:

- **Rai.it:** the portal that is inclusive and makes the vast Group's web offer easily accessible. Rai.it promotes all the programmes on air and gives access to them, with their web-available content, from all TV networks and radio channels, as well as to information and multimedia content from all the news mastheads, directly reporting any and all breaking news of Rai News and Rai Sport. Rai.it also proposes a series of services that are of great importance and interest to audience, such as the guide to the Rai programmes and the access to the corporate information of Rai. Rai.it includes the offer of the programme, channel and service websites.
- **RaiPlay.it:** the multi-platform environment for access, through an advanced and adaptive graphical interface, to a selected video offer of Rai that is made available on non-linear platforms. The offer consists of:
 - live streaming of 14 TV channels;
 - the Replay tv services, from which access may be obtained on demand and on payment of rights to eight of the Rai channels broadcast during the previous seven days;
 - access on-demand, a rich video on-demand offer selected from TV channels, in addition to content exclusive to the web from the Rai Teche Archives and Rai productions ordered by genres.



- **Radio Rai.it:** it is Rai Radio's portal, with access to the live broadcasts from 10 stations. It also provides access to all the portals of the radio networks and programmes with a wide range of on-demand audios, podcasts, texts, photographs and videos, most of which are exclusive.
- **Rainews.it:** the environment from which access may be obtained to all Rai information. Towards the end of the second half of 2016 concept and planning work began which, in accordance with the objectives that Rai's Information Plan sets for its digital sector, will lead to its first concrete results in early 2017.

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

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

Rai is also present on interactive digital terrestrial televisions and decoders (Gold stamp certified) with the RaiPlay.it, TGR regional news programmes and Telecomando services.

During the second half of 2016, work continued on the implementation of the technology platform in support of the new editorial offer of Rai in the Digital media sector. During the second half-year this new offer replaced the entire Rai.it and Rai.tv offer in a gradual manner, on the web, smartphones, tablets and connected TV sets, thus allowing the users to access new, more organised contents and new services. Furthermore platforms were implemented for Rai's offer for the 2016 Rio Olympics.

Rai continues to boost its official presence on the main social networks (Facebook and Twitter) and open up to new platforms and products (FacebookLive, Instagram Stories and Snapchat Stories) in order to capture a vaster and vaster social media consumer public composed of younger, technologically skilled people.

In 2016, compared with the previous year and excluding sporting events from both years, interactions regarding Rai programmes on Twitter increased by nearly 40%. Rai programmes accounted for about half of the Top 25 most discussed programmes in Italy (source: Nielsen SCR).

When RaiPlay was launched for Apps, Browsers and web-connected TV sets, the social profiles of Rai.tv were rebranded to RaiPlay (Facebook, Twitter, Instagram launch). And it was from these profiles that an organised customer care process kicked off in order to help users round the new Rai multimedia service. Since August 2016 RaiPlay's social media profiles have been responding to an average of about 170 requests for help a day.

Another key development concerns investments and traffic building campaigns, which are currently limited to Twitter and Facebook/Instagram platforms and which were implemented by the social media team of Rai as from November 2016.

The first campaigns to take off were Brand Awareness, Tune in Tv and Catch Up Non-Linear for *Stasera Casa Mika*. After this, during the Christmas shopping period and in conjunction with an exclusive offer devoted to Christmas, *Awareness, Click to Link* and *Download App* campaigns were conducted to promote the RaiPlay multimedia system. The two campaign periods together were seen 50 million times and generated about 200 thousand clicks for the RaiPlay website and about 50 thousand downloads of App on Android and IOS.


Furthermore, for Rio 2016, Rai showcased an unprecedented effort, which, in addition to the TV product, involved all multimedia devices and platforms in an organic manner for the first time in Italy. The site and the App for the event created by Rai enabled users to see all the contests in their entirety from all the sports grounds and for all disciplines so that TV reporting integrated perfectly with the other media.

About 4 million single browsers (Webtrekk source: sum of daily single browsers for the event) connected to Rio 2016 from all platforms (PCs/laptops/mobile devices/tablets/smart TV sets) and there were more than 65 million showings in streaming on websites and Rai Apps (Internal source: Rai).

The RaiRio2016 App achieved more than 800 thousand downloads during the two weeks of the event.

Rai's coverage of the Olympics started a constant dialogue on the social networks. The public looked for and found content and commented on it enthusiastically, so that over 5 million single Italian users and about 16 million interactions on Twitter and Facebook were recorded, counting likes, shares and retweets, while the various Facebook Live and videos on-demand (VODs) totalled 49 million video showings (source: Facebook Analytics).

Rai's social media range attracted Millennials above all: 49% of the users who made comments on the Olympics on Facebook were from 18 to 34 years old, with a slight predominance (54%) of women.



Benvenuto in RaiPlay

Il nuovo sito Rai. Tutti i contenuti Rai a tua disposizione, quando vuoi e dove vuoi.




Crea il tuo profilo

Accedi a RaiPlay anche con un account Facebook e Twitter. È semplice e gratuito e ti permetterà di vedere contenuti scelti solo per te.



La Rai a portata di click

Programmi, Serie e Fiction, Film e Documentari. Con l'intero catalogo RaiPlay a tua disposizione avrai l'imbarazzo delle scelte.



Dirette Tv

Tutte le dirette Rai a tua completa disposizione. 15 canali in chiaro, in qualsiasi posto, in qualsiasi momento.



Tutti i programmi che ti sei perso

Vuoi rivedere i programmi della settimana? Naviga la Guida TV a indietro e ritrova tutti i tuoi programmi preferiti.



Guarda off line

Con le nuove funzioni del player, e grazie alla registrazione, puoi creare la tua lista di programmi preferiti e guardarli off line.



Another novelty in the Social media and Partnership areas was an event called *YouTube Pop-up Space*, which took place at the Parco della Musica Auditorium in Rome from 15 to 17 September. This event, the result of collaboration between YouTube and Rai, was the first of its kind in Italy and the first in the world set up by Google in partnership with a TV broadcasting company. The purpose of the project was to bring Rai talents and brand together with the young Digital Creators of the YouTube platform; it was extremely successful.

During 2016, also thanks to the recent set-up of an appropriate design function, interfaces were designed and implemented for the digital projects of Rai, launched on web browsers and Apps for connected TV sets and mobile Apps for smartphones and tablets.

The main projects implemented were: RaiPlay, RaiTrasparenza, Rai.it and RaiRio2016.

As regards the performance of digital media:

- Rai.it generated an overall traffic of 519.5 million pages visited, with a monthly average of 43.3 million pages (+3% compared to 2015) and 6.8 million single users a month on average (+4% compared to 2015);
- Rai.tv/RaiPlay multimedia portal generated an overall traffic of almost 359.4 million of video showings, with a monthly average of 30 million (+58% compared to 2015) and 12.4 million single users (+38% compared to 2015);
- RaiNews.it recorded a total of 46.6 million video showings, with a monthly average of 3.9 million (+43% compared to 2015) and 6.5 million single users (+21% compared to 2015).

Rai's offer on mobile devices, already rich and varied, further diversified in order to be available on the various operating systems with the offer dedicated to the European Football Cup and to the Olympics.

The most successful applications were:

- Rai.tv – 10,202,153 downloads;
- 2016 European Football Cup – 711,539 downloads;
- 2016 Olympics – 811,755 downloads;
- RadioRai – 1,622,970 downloads;
- RaiNews – 1,035,970 downloads.

Teche archives

In 2016 Rai proceeded with measures taken to strengthen the brand as a Public Service point of reference for Italy's audiovisual history.

The objective was attained also as a result of Rai's participation in a very large number of cultural initiatives in Italy and abroad by providing material from its archive. Among the most important was the exhibition for the 150th anniversary of *La Stampa*, the Rome Film Festival and the festivals at the Trevi Cinema in Rome organised by the Italian National Film Library, by the Bologna Film Library and by the Cinémathèque Française.

In 2016 Rai Teche Archives also commenced a new and valuable process of promoting and exploiting old archive films by selecting and providing programmes for the RaiPlay platform. The *I Favolosi* section was and is one of the most powerful sources of appeal for digital users.

The Rai Teche Archives make a vital contribution to networks and media outlets with its Multimedia Catalogue (MMC), which brought available product hours up to 1.6 million for TV and 1.5 million for radio, with a substantial increase compared to the previous year.

In 2016 the Catalogue was re-designed and reorganised structurally and technologically to make searches easier and more efficient, thus certainly also enabling it to make a better contribution to Rai's performance.

There are 75 million radio and TV documents in the Catalogue in addition to 90,000 books kept in the three Rai libraries in Rome and Turin and 45,000 photographs. The users registered to acquire archive material for reuse in programmes make an average of more than 800,000 searches a month.

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

Finally, in 2016 the Teche Archives also proceeded with the essential cultural activity of assisting in the employment of Rai's records as a historical source and object of study for the whole country, increasing the extent to which they are used by public and private Entities, Museums, Schools, Universities and Foundations, which avail themselves of this Public Service as a depository of first-class historical material for the celebration of all types of anniversaries of events that have occurred in modern times.

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

Public Service Function

According to the Qualitel quality survey in 2016, *Meteo* (Weather forecasts) and *Viabilità* (Road network) are two of the best positioned among Rai genres, both in importance and degree of satisfaction. Teletext (Teletext platform) has the highest satisfaction rating among the distribution channels and *Accessibilità* (Accessibility) has the highest satisfaction rating for Corporate image.

Weather forecast and Traffic

Agreements are being formalised with the Italian Air Force for weather services and with the Ministry of Transport and Civil Protection for traffic news.

The daily traffic news services consist of:

- **radio:** *Onda Verde* during the day 93 times spaced out at regular intervals during the schedules of the three stations from five in the morning until midnight and 10 times spaced out every thirty minutes during the night, included in the Isoradio station music programme;
- **TV:** daily reports from five in the morning until 7.35 in the evening, mainly on Rai News 24, Rai 1, the TGR regional news programmes and on internet in the CCISS (*Centro Coordinamento Informazioni Sicurezza Stradale*, Coordination Road Safety Information Centre) video news, for a total of about 3,700 reports a year.

Daily weather forecasts are broadcast on the general interest TV channels, on Rai News and on the radio.

Teletext

Teletext handles nearly all the approximately 16,000 pages on air seven days a week all round the clock on the national and regional teletext platforms (21 sites on Rai 3 frequencies). This service is available on internet and can be accessed from tablets and other mobile devices. The www.serviziteletexto.it domain (thus excluding reporters' pages) is in fifth place in the ranking of visits to Rai websites with about 1,9 million pages visited a week.

During the second half of 2016, the range was expanded with new Environment and Book features and with features in collaboration with the Coast Guard, the Italian Research Council (CNR), the Italian Environment Fund (FAI) and the National Astrophysics Institute.

Accessibility

A considerable share of the publishing business pays strong attention to social themes and is intended to meet the varied demand for information on the part of persons with special needs, in line with the obligations provided for in the Service Contract.

These are services that are aimed at allowing hearing and severely sight impaired audiences to use Rai's offer; as required by the abovementioned Contract, these services have had a gradual, considerable increase during the last years. Specifically, in 2016:

- **Subtitles for hearing impaired audience:** Rai subtitled about 75% of its own programming on the three general interest channels between 6:00 a.m. and 12:00 a.m. with more 16,000 hours of programmes and news subtitled in Italian and about 530 hours of programmes subtitled in English.

As regards news in particular, Rai wrote subtitles for over 1,200 hours of broadcasts counting the various daily news editions of the main outlets including sports news and various insights features.

During 2016 subtitles were also written for all the Italy matches in the European Cup in France and, for the first time in Rai's history, for the running commentaries on the Rio Olympics and Paralympics;

- **Schedule for severely sight impaired audience:** a very delicate editorial activity is carried out on the *Rai Easy Web* website, which is dedicated to severely sight impaired audiences, not only for informational purposes but also for IT literacy reasons.

The flagship component of the original production is the offer of multimedia works on various topics and, specifically, of tales intended for blind and visually impaired children, including for educational purposes: audio-reading, which has been available since 2012, is played by professional actors from all multimedia works as an alternative to synthetic speech.

Other flagship products of the offer are the Special sections designed to give severely sight impaired users the possibility of consulting the list of the main programmes on general-interest events (from Jubilee to Olympics) on the Rai portals more easily through an accurate selection of links. About 40 special features were produced during 2016.

Commercial activities

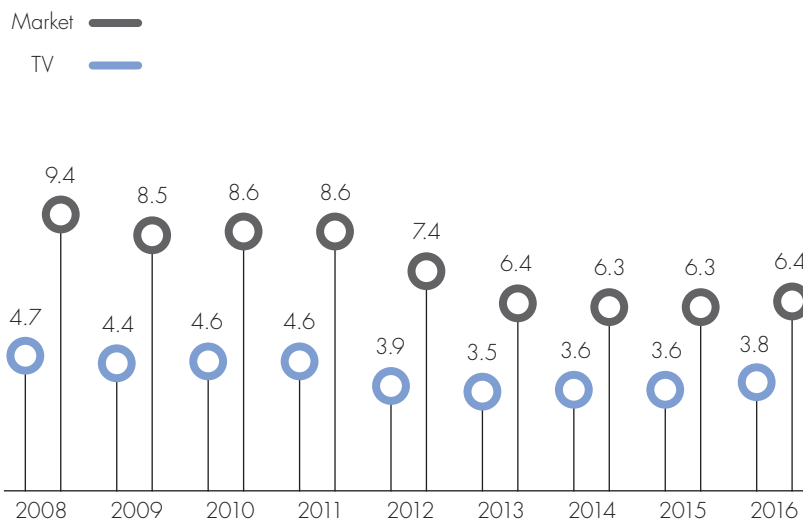
Advertising

Italian GDP went on with the upward trend which began in 2015, while remaining under the Eurozone average; the favourable labour market trend and low inflation sustained disposable household income, encouraging private consumption. In fact household consumption again grew by 1.2%, while investments, after some bad years, increased compared to 2015, recording +2%, although the overall unemployment rate, while constantly falling compared with 2015 (11.9%), is still high (11.7%). The consumer confidence rating, calculated on a base 2010 value, is 111.5, higher than 110.6 recorded in 2015. In this context the advertising market grew by +1.7% compared to 2015.

The table below (data in billions of Euros) reports the total value of advertising market and the total value of TV market from 2008.

The TV market reported a positive change of Euro +0.2 billion (+5.4%) compared to 2015, which was mainly driven by sports events which Rai and Sky benefitted from. Other media that reported positive results were radio (+2.3%), cinema (+6.9%) and out-of-home TV (+3.4%) products.

Trend in advertising investments in billions of Euros (source: Nielsen)



In this scenario, in 2016 Rai Pubblicità achieved, from all the managed media, total revenues of Euro 702.3 million compared to Euro 662.8 million in 2015, with an increase of +6.0%.

These results benefitted from the excellent revenue performance relating to the big sports events that occurred in 2016 (European Football Cup and Olympics), which achieved total revenues of Euro 57 million. Similarly, they were affected by the loss of profits arising from the interruption in income from advertising on three of the specialist TV channels (Rai YoYo, Rai 5, Rai Storia), which had totalled more than Euro 11 million during the period from May to December 2015.

Television as a whole grew by 6.3%, with general interest TV rising by 7.3%. The specialist TV channels fell by -3.2% but, if compared more correctly, based on a homogeneous perimeter of channels, rose by 15.9%. Radio grew by 7.5% and the web by 17.6%.

In a market scenario which is radically evolving, in which there is a tendency to fragmentation and heightened competition among broadcasters and in which the digital and multimedia sectors are expanding, the responses that Rai Pubblicità is working on are:

- **change management:** both by using new, sophisticated instruments (Business Intelligence), created starting from a different basis from that of previous organisational processes, directed at establishing a shared and global vision of the business inside the Company and by putting new working processes and methods in place to complete the Company's skills and facilities with the ultimate aim of constructing a Digital Media Company;
- **verticalisation:** launching a proprietary planning platform, "Open Square". A unique technological and social media offer that is aimed at maximising the value of the customer base according to a revenue management approach, ensuring customer loyalty and sharing market trends and forecasts;
- **innovative sales proposition:** it is based on cross-media strategies that use tools that allow the enhancement of the planning KPIs applicable to various means in the same manner, while emphasising any additional coverage point that the different media contribute to planning.

Sales

Rai Group's sales activities have been carried out since 2014 by the wholly-owned subsidiary Rai Com.

The main activities carried out during 2016 are described below.

Agreements with Public Authorities, Institutional Bodies and Non-profit Organisations

During 2016 agreements continued to be drawn up and managed with Public Authorities and Bodies. From 15 November 2016, the responsibility to enter into framework agreements and contracts with the Ministries was reallocated within Rai.

Among the most significant **Institutional Agreements** entered into during 2016 were the renewal of collaboration agreements with the Ministry of Interior for the implementation of a campaign on immigration and integration through additional editions of the programme *Radici*; the agreement with the Ministry of Education, University and Research to promote musical culture through the dissemination of project *La piazza incantata*; the agreement with the ISFOL (Institute for the Development of Workers' Professional Training, Ministry of Labour) for the release of documentaries devoted to apprenticeship for qualifications as an innovative change in schooling and to the theme relating to the PIAAC (Programme for the International Assessment of Adult Competencies) programme and self-assessment for a young target.

An arrangement was also formalised with ENEA, the Italian National Agency for New Technologies, Energy and Sustainable Economic Development, to broadcast a big communication campaign, promoted by the Ministry of Economic Development, on the Rai general interest channels.

The communication campaigns also continued, which consisted of messages on the themes of agrofood and fishing in collaboration with the Ministry for Agricultural, Food and Forestry Policies, sometimes with the help of special programmes (*Friigo*, Rai 2).

Work continued on the management of Agreements with the Prime Minister's Office regarding broadcasts to safeguard the interests of linguistic minorities and for Italians abroad. First of all, two agreements were formalised, which were effective from 7 May 2016 to 31 October 2016 and were subsequently further renewed from 1 November to 29 January 2017, in relation to the extension of the validity of the general Public Service concession granted to Rai SpA.

Commercial activities connected with the Italian National Symphonic Orchestra continued (e.g. the transfer of the use of the Rai Auditorium in Turin); furthermore, concerts were held in collaboration with local, national and foreign Institutions.

In 2016, despite the lower resources available to local Entities, which inevitably affected the communication budget in an adverse manner, the **Agreements department** achieved a positive result in terms of revenues, entering into new collaboration agreements and selecting new institutional partners.

Specifically, the three-year Agreement with the Autonomous Province of Bolzano was renewed for programmes safeguarding the rights of the German and Ladin-speaking minorities. An ambitious four-year partnership was also arranged with the Basilicata Region in view of Matera 2019 – European Capital of Culture, an occasion which will encompass a range of activities whose purpose will be to promote the local area and this Region's historical, artistic and cultural heritage. The Basilicata Region and Rai will work together in a calendar of events which will include the Rai 1 New Year's Day broadcast in Basilicata.

An important agreement was also entered into with UNICEF for a prime-time programme broadcast on Rai 1 in October 2016. This is one of the increasing number of arrangements Rai Com has been making with non-profit and charitable associations (including Telethon and Action Aid).

Also worthy of mention owing to its intrinsic institutional value is an Agreement entered into with the Sardinia Region for the production of TV programmes in Sardinian.

As regards work on European Tenders, there are technological tenders which Rai is working on with CRIT (*Centro Ricerche e Innovazione Tecnologica*, Research and Technology Innovation Centre) and a European Parliament tender for a loan for the creation and broadcasting of an *ad hoc* feature dealing with themes of European interest.

Music Publications

Rai Com draws up and promotes the Catalogue of music publications for use in the programming of contemporary and non-contemporary classical music, radio and TV programming and in recording. It also buys, produces, markets and distributes contemporary music, sound tracks and original music for radio and television, in Italy and abroad.

As regards editions and productions linked to radio and TV schedules, i.e. the original sound tracks of programmes, 30 new layouts of programmes (of which 22 for general

interest TV channels) were carried out. Among them: *Colors*, *Frontiere*, *I Fatti Vostri*, *Politics*, *Mi Manda Rai 3*, *Geo & Geo*, *Cartabianca*, *Tutta Salute*, *Protestantesimo*, *Agorà*, *Chi l'ha visto?*, *Voyager*, *Presa Diretta*, *Vertigo*, *Stracult*, *Frigo*, *I dieci Comandamenti*, *Natale con YoYo*, *Italian Beauty*, *Community*, *Rai Play* and *Gli imperdibili*, as well as the acquisitions of rights of music of *Made in Sud* and *Gazebo*. 36 documentaries were also produced for Rai Storia, Rai 1 and Rai 3 through the Library music.

The department also completed the rebranding of the general interest channels, including Rai 4, as well as the new jingles and logos (Christmas versions as well).

All the new Radio 2 signature tunes (*GR/Meteo/GR Sport*) were recorded with the help of the Rai National Symphony Orchestra of Turin. Specifically, these are 15 new original layouts of old and new programmes with the aim of creating a more homogeneous editorial identity. The same measures taken with Radio 1, on the other hand, ended in writing the music for eight new programmes.

A considerable number of Rai Com editions and music was used in TV drama and comedy works produced in collaboration with Rai. In 2016, in fact, 23 original sound tracks were written and produced for TV drama and comedy works, docu-fiction, web series and cartoon series, including *7 nani ed io* which, as a result of its co-production by Rai and Method Animation (known for the production of the *Il Piccolo principe* series), gained a return in terms of prestige and international appeal.

There were also lively expectations for the release of new series, *Non Uccidere 2* and *Il Paradiso delle Signore 2*, which were very successful with the media.

As well as sound tracks, there was original music for documentaries and cultural programmes, usually made for scientific and/or educational purposes (*Ulisse*, *Superquark*, *Passaggio a Nord Ovest*, *Radici e Speciali Storia*).

2016 was a year in which relations with the National Symphony Orchestra were strengthened. It was thanks to this relationship that, among other things, the sound tracks of *La Porta Rossa*, the series *Sorelle*, the TV movie *In punta di piedi*, could be recorded.

As a music producer and distributor, Rai Com published an appreciable number of compositions on digital platforms, including Amazon Music, Deezer, Google Play, Spotify, Cubomusic, iTunes, Emusic and Thumbplay.

In doing so, among other advantages, Rai Com expanded its multimedia catalogue, which was at the disposal of TV and radio schedules, and consequently was able to plan additional ways of working with the social networks (and not only of Rai Com) and have its compositions reviewed in the digital magazines for this sector.

In order to improve the quality of reports to copyright fee collecting firms (SIAE, SCF, AFI, etc.) a pilot project was carried out in conjunction with a dedicated unit in order to reveal and resolve the problems arising from missing or incomplete programme content declarations. The project pinpointed some important elements which, at Group level, will constitute the basis for investigating, with the help of big international providers, the possibility of automatic reporting mechanisms, even for entire channel schedules.

The steps taken to improve the control over relations with collecting firms are fundamental, especially as regards SIAE, the Italian Authors and Publishers Society, which is the most important as far as the management of collections is concerned.

There were further additions to the catalogue of Contemporary Music Publications, which were broadcast in Rai programmes (Radio 3 and Filodiffusione), on Radio CEMAT (the most important Italian web radio entirely devoted to contemporary music) and also abroad, on Radio France, Radio Suisse Romande and BBC Radio 3.

In Italy and abroad, musical works were performed at prestigious foreign festivals, like Festival dei Due Mondi (Spoleto), BerlinUltraschall, FFF Fast Forward Festival of the Rome Opera House, Cantiere Internazionale d'Arte in Montepulciano, Biennale in Venice, Bologna Modern, Festival Aperto in Reggio Emilia, Romaeuropa Festival, Nuova Consonanza, Warsaw Autumn, Music Festival in Strasbourg, Klangspuren Schwaz, and were presented at the Konzerthaus and Musikverein in Wien, Theater Freiburg, Nationaltheater Mannheim, Philharmonie and Centre Pompidou in Paris, Muziekgebouw in Amsterdam, London Guildhall School, Moscow Rachmaninov Hall Ozumi Hall in Osaka, Bronfmann Auditorium in Tel Aviv, San Francisco Center for New Music, New York Juilliard School.

Another development in 2016 was a prestigious award to Rai's most important composer, Salvatore Sciarrino, who was given the Career Golden Lion by the Venice Biennale.

During 2016 Rai Com coordinated the acquisition of rights to serious music and drama, both to satisfy the requirements of Rai channel programmes and for the production of publications for sale and promotion both in Italy and abroad.

In the field of the performing arts, in coordination with Rai channels, the rights were bought for broadcasting 40 concerts, 15 operas (including the opening of the new season of the Teatro alla Scala Opera House with *Madama Butterfly*), 7 documentaries, 18 theatrical works and a number of ballets.

As far as music publishing is concerned, 2016 marked the return of *Melò*, the most important meeting regarding serious music themes. The event, a kind of "States General" of classical music in Italy, was held at the Teatro alla Scala in Milan on 13 and 14 June and encouraged discussion among Italian opera houses, Italian and foreign TV broadcasters, the distributors of the products in the various channels, music businesses and critics, authors, artists and publishers. The meeting showed the great value of Rai's attention to the music sector both in Italy and abroad.

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

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

As regards the distribution of TV and cinema content, 2016 achieved good results for both cinema and TV products sales.

Globally, most revenues come from Europe, English-speaking (USA, UK, AUS), EMEA (Europe, Middle East and Africa) and Asia countries. The decline in performances in the Western Europe, which had characterised 2015, was recovered thanks to new major drama and comedy titles such as *Non Uccidere*. At the same time, 2016 saw a reduction, in terms of TV products, in the distribution mandates relating to productions financed by Rai.

The titles that mostly contributed to the composition of total revenues were the TV series *Il Paradiso delle Signore*, the abovementioned *Non Uccidere* and the movies *Lo chiamavano Jeeg Robot* and *Summertime*. Among non-fiction products, note the sale to Abu Dhabi Media of the live rights to the *Palio di Siena* bareback horse race.

As regards marketing Serious Music rights, in 2016 on one hand relations were strengthened with big media partners, both European (such

as WDR, Portugues Radio and Television, ARTE, ZDF) and non-European (including Tohokushunsha and NHK for Japan) and on the other hand new major clients were acquired, both these developments helping to increase live or catalogue product revenues. Among the works in the catalogue are the new opera in 4K by Sofia Coppola from the Rome Opera House. New locations for filmed operas were also included in the already well-known *All'Opera* project, which at last brought the finest Italian operas produced by Rai into the cinemas. For the inauguration of the Teatro alla Scala season in Milan on 7 December (*Madama Butterfly*), Rai Com arranged directly for the opera to be shown in over 40 cinemas in Italy and has already made plans with recording company DECCA for the DVD of the performance to be published in spring 2017.

Finally, two agreements were signed with Intesa Sanpaolo for the distribution of promotional audiovisual products from the Assisi Christmas Concert and the *Barbiere di Siviglia* opera which Rai Com produced in 4K technology at the Teatro Regio in Turin.

Sports rights

The performance of marketing of sports rights was positive during 2016. Specifically, we mention:

- the definition and/or negotiation of new distribution agreements of channels Roma Tv, Lazio Style Tv and Juventus Tv, in addition to those already signed in 23 countries;
- the marketing of rights to archives abroad, for some Serie A and B Division Clubs, including Juventus, Inter, Fiorentina, Sampdoria, Chievo, Atalanta, Bologna, Empoli, Cesena, Carpi and Frosinone;
- the distribution of rights to archives of European Gymnastics Championships;
- the distribution of Rai Com's rights to football Club archives, for assignees of the right to broadcast Serie A and B Championship football matches live;
- the marketing of rights relating to friendly matches of the National Football Team (Italy-France and Italy-Germany) through new distribution agreements;
- the marketing of rights relating to the matches played by the National Under-21 Football Team;
- the definition of proxies to the Football League for the 2016/2017 Sports Season as well, for the TV viewing of the internal matches of seven Serie A Division Football Clubs (Pescara, Atalanta, Bologna, Chievo Verona, Crotone, Sampdoria and Empoli);
- the marketing of the rights to the Bolzano Diving Grand Prix and of the Paralympics all over the world, excluding Italy.

Rai channels Marketing and Distribution abroad

In 2016 there was an increase in rebroadcasts of Rai Italia, Rai World Premium and Rai News 24 programmes in the main non-European countries (USA, Latin America and Australia). Two specialist operators in this market are responsible for their distribution and commercial policy, which is based, among other factors, on the actual number of subscribers.

In Europe Rai 1, Rai 2 and Rai 3, Rai News 24, Rai Storia and Rai Scuola are offered for rebroadcasting; the results here were satisfactory too.

The development strategy, with new partnerships with operators and distributors, generated substantial increases in sales in The Netherlands, Germany and Romania, and strengthened positions in Belgium, France, Scandinavia and Eastern Europe, as well as the start of commercial relations in the United Kingdom, Spain, Russia, Poland, Czech Republic, Greece and Turkey, thus laying foundations for a further increase in sales in next financial years.

Library and consumer product

Work continued on the enhancement of the library and consumer product, also thanks to consolidating revenues generated from OTT operators (Amazon, Netflix, Timvision and others). Below are the main business areas:

- **teche archives:** the main framework agreements were renewed with the Italian broadcasters and with those present on the pay platforms for the exploitation of animation content;
- **home video in Italy:** despite the market of newsstands reported a decline of 20% compared to the previous year, the results were higher than expected thanks to the good performance recorded by the DVD series of the most successful drama and comedy works, such as *Il Commissario Montalbano*, *I Medici* and *Braccialetti Rossi*;
- **normal trade:** although this market also showed a sharp decline, the increase in editions realized allowed satisfactory results to be achieved;
- **licensing:** although the respective markets found themselves in serious difficulties, both the publishing activity and the newsstand segment were supported by the commercial development plan of the property *Vita da Giungla*, which allowed the sector's critical issues to be resolved, and by the good performance of sales of enigmatography play magazines (*L'Eredità* and *Reazione a Catena*), without being able to neutralise the critical issues affecting the sector, respectively;

- **digital media area:** as regards the new media business, a substantial growth rate was recorded in the SVOD and EST/TVOD markets. During 2016, in fact, the management of the Rai Group's digital rights allowed key SVOD agreements to be reached with all the market operators (Netflix, TIMvision, Infinity), as well as the commercial positioning to be strengthened, as regards EST/TVOD rights, on all the platforms operating in Italy. On the contrary, there was a decline in total volumes of telephone interaction activities (televoting and call games).

Rai Eri

In 2016 work continued on the plan to revive the image and publishing business of Rai's library activity with the objective of pursuing efficiency and integration.

In fact, this project aims at building on its success based on a convincing business plan, while reorganising and strengthening its series in order to reinforce the brand identity in a very competitive publishing market, on the one hand, and, on the other, this transaction must be based on the integration with the wealth of artists and talents and the Public Service mission of the Concession Holder.

Some key projects of the publishing plan just fall within this scope, whereby the works of Rai artists, which so far have been traditionally published by third parties, are now published under the Rai Eri brand: for example, the series of *Viaggio nella storia* by Alberto Angela, a far-reaching project consisting of 50 quality volumes sold at newsstands; at bookshops, the colouring book by Caterina Balivo; as well as the book of a programme that represents the link with the local community such as *Sereno Variabile* by Osvaldo Bevilacqua.

These projects show the strong contiguity between the work done by Rai Eri and the programmes in the schedules of Rai.

For the purpose of a wide-ranging programming, the catalogue was also enriched with big talents on the publishing scene, thus creating – also thanks to the collaboration with the *Laboratorio di scrittura* workshop a new series, *Come si racconta*, with best-selling authors of the calibre of Giancarlo De Cataldo and Dacia Maraini. In order to present and sell the series, which includes short essays on the writing craft, a pilot project was started, together with the *Bibliopoint* library points of the Rome Libraries, which will involve meetings at schools and will be implemented in 2017. The project will be also extended to other volumes of Rai Eri production, thus contributing to fulfil, through the promotion of reading among young people, the educational and Public Service

commitment, which forms an integral part of the identity of Rai Eri.

Special attention has been paid to the world of children and young people, a business segment that is substantially stable within the general crisis that is affecting the book market, as well as an important key to the rebranding and revival of our identity.

In this perspective, the series of volumes of the popular cartoon *Vita da Giungla* has been a successful example, together with the first novel by the young rapper Mattia Briga, *Non odiare me*, which has brought the Rai Eri brand back to the top of the Italian Fiction book ranking, thus seeing the bookshops filled with young people during a sold-out tour of presentation.

As regards volumes, the publishing plan shows that at Rai Eri is becoming increasingly independent and sound, despite the difficulties encountered in competing in a market that is characterised by strong brands and growing concentration. Compared to 2015, there was a substantial increase in the volumes of publications printed by Rai Eri itself, while there was a decline in publications co-produced by other publishers.

The plan digitisation of titles relevant to the catalogue, which was started in 2015, has been implemented gradually, including through original digital titles, a pilot project aimed at strengthening the footprint of the Rai Eri brand in the e-book market as well, which is showing a slight but continuing growth. At present all the main new publications of Rai Eri are being issued both in hardcopy and ebooks.

Work continued to increase the visibility of Rai Eri titles and authors on dailies and periodicals and in the main TV programmes, as in the case of *Come si racconta... una storia nera* by Giancarlo De Cataldo, which took out full-page ad in the Culture section of *Repubblica* and *L'Inviato non*

nasce per caso by Giampiero Galeazzi, who was a guest of *Che tempo che fa*.

The Turin Book Fair, with a completely new Rai Eri stand, was a major event aimed at enhancing the programming: every day, there were very crowded presentations, with leading authors, long queues for having the copies signed, an increase of 15% in sales of books compared to 2015 and the presentation of Mattia Briga as a key feature of the report dedicated to TG2 news programme to the Fair. Briga's novel was also one of the protagonists of the pre-Christmas season, accompanying the launch of the musician's new album according to an integrated strategy that allowed the product life to be extended.

In October, Rai Eri marketed the volume *Noi, I Medici*, an ideal companion of the most expected series of the year; this was the first experiment of synergy interaction with the world of Rai-produced drama and comedy works, little valued in the publishing market, which achieved satisfactory results in terms of sales and visibility.

Another project during the pre-Christmas season was *Non avere paura di perdonare*, the autobiography of the Pope's confessor edited by the Vatican expert Andrea Tornielli. It entailed a scouting work involving projects capable of offering the public the testimonies from key characters and the great histories of our times. Furthermore, during the weeks of December, which are traditionally the most important in terms of sales of books in Italy, two reprints were proposed for the book written by Osvaldo Bevilacqua *L'Italia nascosta*.

There also was an intense commitment to the rationalisation of publishing and production procedures, the strengthening of the sales segment and the improvement of promotion and distribution phases, also through in-store promotion, which is currently the key factor of a publisher's successful sales.

Other activities

Technology

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

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

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

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

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

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

TV Production

T-CUBE Project

The system allowed the elimination of material means and the implementation of a fully digital and file-based publishing and production chain. Currently more than 100,000 hours of high-quality audiovisual content are stored into the system.

The production process involved 110 newsrooms, 5 national news channels (Tg1, Tg2, Tg3, Rai News 24, Rai Sport), the archive of subsidiary Rai Com and a part of the new flows of Rai Digital, the project for the digitisation of TecaMaster (Master Archive), the archive of TecaNews, as well as the technical testing and storage of new bought-in products.

The editorial teams of 16 regional offices were also connected, thus allowing a considerable decrease in the radio link contributions to production centres.

Digitisation of national news programmes

2016 saw the completion of the single infrastructure for the production of national news programmes, based on two redundant campus systems inside the Saxa Rubra area in Rome, in relation to which there was the upgrade of the editorial and production platform of Rai News 24 and the digitisation of that of Rai Parlamento. As regards the offer of Rai Sport, various tactical technological actions were taken in relation to the sports production area of Rome and Milan, in order to allow a more effective HD production, in particular for the big events (Olympics and European Football Cup). Furthermore, a new integrated production system of Rai Sport was designed and the related technical specifications were prepared for a European tender that will be launched during the first half of 2017.

Digitisation of regional newsrooms/offices

Work continued on the process of digitisation of the production systems of regional news programmes that had been started in 2014. 2016 saw the activation of the integrated production systems at the offices located in Cagliari, Ancona, Turin and Bologna; at the same time, there was the completion of the HD upgrade of studio and broadcasting systems. The last two installations of Pescara and Napoli, consistently with the conclusion of major construction works, will be completed during the first half of 2017. Activities were also started for the integration of the digital production system of the TGR Regional news programmes into the News Room system and for the improvement of the technical and editorial operation of the sub-offices of Catania, Sassari and Udine.

Central control station and broadcasting systems

The three general interest channels' programmes are broadcast in automated SD (Standard Definition)/HD (High Definition) simulcast from the first half of 2016. The systems of Rai 4's broadcasting room have been upgraded to meet the new production requirements. Furthermore, the new Turin Production Centre HD digital installation was upgraded in order to broadcast the themed channels in order to allow the HD and SD simulcast of channels.

All the Production Centres and regional offices were connected to the new HD contribution network of subsidiary Rai Way.

Finally, the awarding of the service was designed and started for the new Milan Central Control station.

TV studios

In 2016 operations were started for the design of the Nomentano Production Centre, which includes the installation of scene lighting and HD audiovisual systems of 5 studios and related control rooms, as well as of all the post-production rooms for film editing and graphics and of a central apparatus room that allows the service of the entire Centre in a flexible manner.

At the end of 2016 a project was started for the HD connection of TV1 and TV2 studios of the Rome Production Centre and for the HD connection of the Turin Production Centre studios to the new digital central control station, with the consequent final switch-off of analog matrix. In 2016 work continued on the plan for the HD upgrade of all the TV studios and of mobile shooting units, with major acquisitions of HD audio, video and optical systems. There was the replacement of switchboards and cables for the power supply of the set of lamps, stage lights and lighting fixtures, with a large adoption of LED technology, which will allow the upgrade of stage lights at a total percentage of 80%.

Outdoor shooting

The HD upgrade of the fleet of production means for outdoor shooting, which started in 2014, also continued during 2016, including:

- the upgrade of six middle vehicles equipped as control rooms and the HD upgrade of two satellite devices;
- the implementation of two HD control rooms in flight case and in progress, two 650 KVA generating sets for outdoor shooting;
- the start of projects for the construction of eight single-camera lightweight satellite devices (KA-SAT), eight 135 KVA and eight 40 KVA generating sets for outdoor shooting;
- the upgrade and modernisation of mobile shooting systems. Specifically, there was the

HD upgrade of the mobile shooting system mounted on board means of transport, including motorcycles, helicopters and aircraft, and there was the design and acquisition of new radio links based on digital technology for the contribution of HD outdoor shooting.

As regards production at the offices of the Institutions, a major intervention concerned the upgrade of the control room, as well as of the shooting and post-production systems at the Quirinale Palace of the Presidency of the Republic and of Borgo Sant'Angelo (Rai Vaticano), also digitising the connections between institutional buildings and the Rome Production Centre. Finally, there were the interventions for the upgrade of systems from analog to HD at the San Siro (Milan) and Olympic (Rome) stadiums.

Post-production

In 2016, in order to give full support to the new HD formats, there was the upgrade of hardware and software of about 60 film editing rooms and 35 graphics workstations, thus bringing the related percentage to about 70%. Work continued on the acquisition of post-production systems required to produce drama and comedy works at Rai's facilities.

Information and Communication Technology

The roadmap to transition to the Digital Media Company model has entailed a substantial commitment to the innovation of IT platforms; the related plan of action, which is structured in line with the evaluation of strategic opportunities and of the organisational and financial impact, has required a considerable governance system in terms of integration architecture and change management.

The Company's set of projects on the core business provides for large prospects for change over the long-term period and allows the ICT component to be enabling with respect to the strategic guidelines of the Company.

The change provides for:

- **transformation into a Digital Media Company:**
 - the availability of the new Right Management system allows the governance of the Group's Portfolio of Rights; the definition of effective models and tools used to describe the rights in their entirety and manage their complexity meets the growing expectations in terms of exploitation of content on the various platforms;
 - the objective of monitoring information flows in the main social networks, concerning issues that are of interest to the Company, was attained with the start of the first phase of a Social CRM project, based on a social management solution;

- with a view to increasing the information base in support of decisions, substantial investments were made to upgrade the Business Intelligence and Big Data platforms, to make tools available for the understanding of the Company business and target market performances;
- in order to implement a structured process for the management and enhancement of the Company's audio-visual assets, work continued on the integration of multimedia asset management systems;
- the adoption of new business models that require content and metadata to be made available on differentiated platforms of access/distribution involved the upgrade of the virtual network devoted to transmitting digitised files (IP File Based Network); in this context, the most substantial investments were devoted to strengthening the content transmission infrastructure;
- **availability of digital platforms all along the entire chain value:**
 - the Full Digital agenda on management processes has entailed upgrading interventions in the areas of procurement, accounting document management, communication with Public Authorities and inside the Company, the latter through the Digital Workspace RaiPlace 2.0 and the availability of integrated tools for accessing and sharing information;
 - actions were taken on the Schedule system in order to integrate the planning of the broadcasting of the linear Schedule (scheduler module) into the T-Cube System for digital content management; the next steps will include the release of this result and the extension of the model to non-linear programming;
 - design of a new digital platform for news agencies, integrating newsrooms' and content processing tools;
- **changes in organisational and production models:**
 - within the context of financial planning, there was the upgrade of the Integrated Planning System (IPS) targeted at the governance and monitoring of publishing contracts; this tool, which is currently being tested, will allow the improvement of the planning and control of major financial events (programmes), which are the key elements that allow to respond to changes in business and competitive pressures on the external market;
 - in support of the production process, work was completed on the requirements of the new tool *Primsys* for the planning of production resources over periods of time in strategic and operational terms; the latter aspect substantiated through the availability of the module for the scheduling of the resources' commitment;
 - as regards licence fees, the systems were brought into line with the new model for their collection;
- **availability of an "IT Data Centre" layer:**
 - design of the new structure of Rai Data Centers with a view to business continuity and disaster recovery, in accordance with an approach aimed at implementing a layer of technology platforms capable of meeting the Digital Media Company's requirements in terms of strategic management of information and content; the related operations are expected to start in 2018.

Research and Development

The experimentation into and implementation of new technology platforms are at the centre of the R&D strategies of Rai, as an essential prerequisite for product development, in line with the transformation into a Digital Media Company.

The possibility of distributing content on various mediums and devices, the widespread introduction of broadband and the availability of larger TV screens, with a higher definition (HD and Ultra-HD 4K) and a better viewing quality (HDR), are the drivers on which the current technology development of the TV system is based. In this context, greater importance is also increasingly attached to performances focused on product enhancement, combined with a more intense interaction with users.

During 2016 the main R&D issues concerned the upgrade of audio/video production and encoding systems, the investigation into new multi-platform services and the upgrade of distribution networks, both fixed and mobile.

The transition towards the **Full HD** format – with the prospect of moving towards even more advanced formats – within the scope of a reduction in frequency resources and a new planning of digital terrestrial TV by 2020/2022 – entailed the study and evaluation of video quality using any encoding techniques available (Mpeg-2, Mpeg-4, Hvc), in order to contribute to the definition of the Company's strategies for the management of digital Multiplex.

As regards production, there was the study of new technologies and appliances able to handle very high quality television signals all along the production and distribution chain, paying particular attention to standardisation of new formats, also with a view to a transition to the IP technology.

Rai continued its work in the study of and experimentation into **HDR (High Dynamic Range)** technology, which will allow high dynamic range imaging to be generated and

transmitted and which is considered a basic feature of new TV formats, both UHD (Ultra High Definition) and HD (High Definition). Work focused on contributing to the definition of a new specification for UHD broadcasting in DVB environment, conducting subjective tests and carrying out test sequences. A project was also started for the use of HDR technology and of the UHD format. The first tangible signs were the UHD broadcasting of some major Rai productions on the Tivù Sat platform, including the matches of the Euro 2016 finals and the drama and comedy work of *I Medici*. Furthermore, HDR technology shooting was experimented in the production of the documentaries of Alberto Angela *Una notte a Firenze* and *Una notte a San Pietro*.

The objective of the **Teca Master** (Master Archive) **digitisation project**, fully in the implementation phase, is to transform the old analogical archive into a modern digital master file archive, as far as possible automating all the transfer operations from existing mediums. The year saw the entry in operation of the set-up of the lines to transfer Betacam/IMX tapes and at the same time work continued on the implementation of lines for the transfer of films.

As regards the **DAB+ network** project, the new digital radio service which will take its place beside the present FM broadcasting method, technical solutions have been designed and tested on the field in order to also ensure the DAB service coverage and continuity inside highway tunnels. A demonstrator was constructed, which allows the parallel broadcasting of all the regional new programmes with automatic switching of the receiver on the national Radio 1 programme (while maintaining transmission capacity requirements at acceptable levels in SFN (Single Frequency Network) network). Furthermore, in collaboration with other EBU members, new **Hybrid Radio** services are being developed, which will allow the customisation of content and schedule for users provided with connected receivers.

During 2016 work also continued on the development of interactive applications and on-demand services aimed at enriching Rai's offer on **Smart TV** sets. In this context a series of applications were produced, which were linked to the Euro 2016 Football Cup and to the Rio 2016 Olympic and Paralympic Games. These applications enhanced the broadcasting of events with reports that allowed the users to see again the most important frames to be seen again on the TV set, to be provided with statistical data updated in real time, as well as to see again, at any time, the recording (either in a short of full versions) of any match already played or of any

Olympic event already occurred, accompanied by exclusive interviews and videos. Furthermore, at the end of the year, there was the release of the new version of the RaiPlay application for Smart TV sets, which constitutes a bridge between linear TV and on-demand content. At the same time, a direct access was activated, through a modification of the Telecomando application, to the RaiPlay application from all Rai channels, with specific dedicated contents for every channel.

Among other initiatives were the completion of the **SuperEPG tivùon** project, which was officially launched in July 2016, and the definition, within the framework of HD Forum Italia, of the new Italian HD-Book specification for receivers, which represents the transition of interactive platforms from the MHP (Multimedia Home Platform) system to the new European Hbb (Hybrid Broadcast Broadband)TV standard. Furthermore, work continued on the study and development of services in support of the accessibility of Rai products, with a view to an increasing social and work inclusion of disabled people.

In 2016 activities were also started, which were aimed at implementing the Data Journalism production platform, through the integration of automated news analysis components and systems developed by the Research and Technology Innovation Centre of Rai.

Within the framework of the EU plans providing for the 700MHz band frequencies to be released by 2020/2022, which are currently used for TV broadcasting, work continued on the study on the development of **terrestrial distribution networks**, with specific reference to the integration of broadcast modes and next-generation mobile technology, in collaboration with the German Braunschweig University in Lower Saxony. Work also continued on collaboration with the Turin Polytechnic University, for a comparative study of mobile phone networks and broadcasting networks with a view to transmission using 5G-Broadcast technology, the preliminary results of which were presented during the World Mobile Phone Network Conference in Barcelona.

With reference to the **safety** of services that are currently provided by Rai, some issues were dealt with, which related to the broadcasting of DTT signal, such as the correct synchronisation of the transmitters of an isofrequency DTT network, a key aspect on which the continuity and quality of the service provided to users are based. An analysis was conducted on the effective soundness of the GPS (Global Positioning System) system, which is currently used, considering any possible alternative system through experiments in collaboration with the National Metrology Research Institute (INRIM) and the Antares consortium. Furthermore, the Research Centre,

at the invitation of the Ministry of Economic Development, participated in two testing campaigns aimed at assessing the interference protection criteria to be adopted in view of the expected sharing, with LTE (Long Term Evolution) services, of some frequency bands that are traditionally used by radio-cameras and by the radio links of subsidiary Rai Way.

As regards the **participation in financed projects**, a proposal was prepared for the H2020 *MULTIDRONE* project, which was approved and started at the beginning of 2017 and which provides for the study of a coordinated management system of fleets of drones for the TV broadcasting of special events. Work started on the *ESA SCORSESE* project for the study and development of an infrastructure, which allows the exploitation of satellites that are usually used to broadcast "linear" TV signals, including for the power supply of the nodes of broadband networks employed for multi-media services and Video-on-Demand to "connected" devices (PCs, tablets, smartphones). Finally, there was the completion of the *BRIDGET* project of the EU Seventh Framework Programme, within the scope of which a set of technologies was validated, which enable the creation of links between TV programmes and multi-media objects and of the *ESA HEVC project for 4K satellite distribution*, which provides for the satellite distribution of Ultra-HD content.

During 2016 agreements were entered into with Universities, Research Centres, sector Trade Associations, with the specific objective of starting experimental projects aimed at improving the technical quality of the radio and TV programming of Rai towards its users.

Frequency planning and spectrum management

The activity was specifically focused on the following guidelines:

- a. Expansion of the HD range.** Activities were completed, which allowed the reconfiguration of programmes contained in MUX (Multiplexer) DTT Rai in order to increase the HD offer: a channel during the Rio Olympics and two additional channels from September 2016. The current scope of Rai's offer through the DTT platform allows the broadcasting of the following channels :
- 13 SD channels (in addition to 1 channel of a third-party broadcaster);
 - 6 HD channels (2 of which are broadcast in some cities only);
 - 6 radio channels;
 - Televideo service.

b. Strengthening and protection of digital terrestrial TV (DTT) services of Mux 1.

Activities were carried out to minimise the interference impact on Rai networks, in particular on the reception of Mux 1, generated from the application of recent regulatory provisions (with specific reference to the interministerial decree governing "frequency scattering"). These regulations are aimed at releasing any frequencies that are potentially interfering with the networks of foreign countries, but are used by local broadcasters, with the reallocation of alternative resources to the same.

The situations that have entailed interferences have been, in fact, numerous and of a considerable size, to the detriment of end users following the allocation of new frequencies to local operators. Activities were aimed at monitoring the situation on an ongoing basis, also through subsidiary Rai Way, together with an intense dialogue with the Ministry of Economic Development – Communications, including its local offices, in order to solve the network's inefficiencies in the shortest possible time. The interaction with the technical offices of the Ministry – as well as of the Competition Authority in some cases - on an ongoing basis is a key activity for the defence of the technical quality of the Mux 1 DTT service which, due to its peculiar regional configuration, requires specific measures within the changing framework of the use of frequency resources on the part of local broadcasters operating in adjacent areas.

Furthermore, following simulation-based interference analysis, operations were started on a gradual migration of the Mux 1 systems in accordance with the instructions given by the Ministry of Economic Development – Communications (e.g. release of the channel 25 UHF [Ultra-High Frequency]; channel 6 VHF [Very High Frequency] in Campania).

c. Technical meetings between Rai-AGCOM-MiSE for the release of the 700 MHz band and expected entry into service in DVB (Digital Video Broadcasting)-T2 (Second Generation Terrestrial).

At European level, 2022 has been set as the time limit for the release of the 700 MHz band on the part of TV services in favour of mobile services. In order to allow the maintenance of the current number of channels, it will be necessary to migrate to the new DVB-T2 broadcasting standard that is capable of transmitting the same content while using a lower amount of band.

The required upgrade of TV sets on the part of their users has already led to the enactment of a Law in Italy, which requires the sale of TV sets with DVB-T2 receivers with High Efficiency Video Coding (HEVC), starting from 1st January 2017).

In this framework, an analysis work was started with the abovementioned Institutions in order to allow Rai to activate, in the major Italian cities, a DVB-T2 service capable of broadcasting programmes in simulcast (already broadcast in DVB-T1) both in HD and HD-HDR (High Dynamic Range): the latter technique allows a considerable increase in the dynamic range of TV imaging, thus improving maximum brightness (increased intensity from 3 to 10 times), detail in the lowlights, natural reproduction and saturation of colours.

d. Upgrade of the radio network in FM.

The radio Frequency Modulation service continues to be a qualifying industrial target for Rai and this mode will continue to play a major role for many years in the audience of radio programmes.

However, the Rai FM service is still affected by a complex interference situation that is evolving on an ongoing basis. In this context, activities continued for the recovery of services areas affected by interferences, essentially operating on the basis of a compatible use of the "radioelectric spectrum" with private radio stations.

Particular attention was paid to improving the radio service coverage along high-traffic road routes in order to support the reception of programmes on the part of mobile users.

Satellite activities

During 2016, in the implementation of the Company's strategic plans and within the framework of an integrated development of networks and platforms in the transition to the Media Company, Rai gradually implemented the plan for broadcasting programmes by satellite in HD (Full HD Sat Plan). For this purpose, it was necessary to increase the satellite transmission capacity up to four transponders and reorganise them for a more effective exploitation of the resources. The restructuring of the offer (released to users on 5 January 2017) entailed changes in transmission parameters (2 DVB-S transponders for SD channels and 2 DVB-S2 transponders for HD channels) and a new allocation of channels among transponders.

Furthermore, work was started for the broadcasting of the entire Rai offer on the Tivù Sat platform in HD simulcast, while Rai 4 HD channel was also made available to Sky subscribers in January 2016 (LCN 104 on Sky).

Technical quality development

The ongoing improvement in the technical quality of the products and services offered by Rai is a key feature of its role as the Public Service Concession holder. In 2016 too, monitoring activities continued in this area, along the entire production and distribution chain, both from an

objective point of view and from the point of view of the end user's perception.

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

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

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

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

To this end, a project was started for the introduction of statistical analysis tools (supported by a data mining application) to analyse the trends in the values measured and make aggregations on a geographical and time basis. The system will be completed by a series of indicators that will show the anomalies reported on customised "dashboards", based on parameters and on a multidimensional basis. Furthermore, activities will be started for the experimentation of mobile probes, which may be interconnected with a central system through the Internet, using any available wireless technology (WiFi, 3G and 4G networks).

In collaboration with La Sapienza University in Rome – Engineering Faculty, a system was implemented for the 'Full Reference' objective measurement of the quality of a video HD and/or UHD signal, through the definition of a QI (Quality Impairment) index for the determination of

the deterioration of the end-to-end video content (from the transmission point to the user reception point). The QI was defined by using both internationally recognised metrics and metrics specifically produced for the requirements of Rai. The QI indexes were calculated in relation to the first UHD programmes broadcast by Rai.

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

Finally, during 2016 an experimental measurement system was produced, which is able to assess the quality of reception – on the user side – of the radio service that can be received from mobile IP networks (3G/4G). This instrument is able to detect, on a georeferenced basis, the presence and quality of the audio signal decoded by a smartphone (connected to the network and using the RadioRai APP) through metrics that simulate the user's perception.

Broadcasting

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

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

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

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

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

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

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

Italy is characterised by having a far greater diffusion of the DTT platform than the other countries of Western Europe. In other countries, the reduced extent of the use of the DTT platform is due to a broader and more competitive presence of satellite platforms (e.g. the United Kingdom and Germany), cable (e.g. Germany) and IPTV (e.g. France).

The solid positioning of DTT in the Italian TV broadcasting market is further supported by the absence of cable TV (at a European level operators that are capable of delivering TV services via cable usually represent the strongest competitors on the market, as regards both television and broadband) and, in practice, of IPTV as well, the poor diffusion of which is due to, among other things, the limited presence of fast broadband networks capable of supporting the relative services.

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

During 2016 the Company carried out numerous activities both to the benefit of the Rai Group and in the provision of services to third-party operators.

The Service Agreement that was entered into between Rai and Rai Way in 2014 provides for the delivery of basic broadcasting and transmission services, as well as provides for and regulates the possibility for the parties to negotiate the provision of additional services should the customer have any additional requirements, i.e. services designed to develop new electronic communication and telecommunications networks, or new transmission technology and standards. The most important services provided in 2016 were transportation services for the distribution of the signals of the summer Olympic and Paralympic Games in Rio de Janeiro and of the European Football Cup in France, for which Rai Way provided technological solutions using fiber optic networks and specialist technical support on the spot, ensuring a very high level of reliability on an ongoing basis.

In addition, the new fiber optic network was completed, which is based on JPEG2000 coding technology and IP/MPLS (Multiprotocol Label Switching) transport integrated into the terrestrial

television distribution network that is currently in operation; this service falls within the scope of the project to develop the transmission networks, aiming at meeting Rai's new requirements arising from the digitisation of its production systems and from the need to transport HD-produced content (news, sports events, drama and comedy works, etc.).

The launch of the HD channel satellite broadcasting service, with the reconfiguration of the four transponders of the Eutelsat Hot Bird 13° East satellite, should also be noted as part of the process to improve the quality of Rai's offer.

As regards strengthening the services offered by the Rai Group, Rai Way has set up and started a service to distribute television signals in Australia, as well as North and South America, using fiber optic and satellites.

As regards activities carried out to the benefit of third-party customers, in 2016 Rai Way continued to promote a commercial line to mobile radio operators in order to encourage the development of new generation networks and build up the Company's relations with each operator. Specifically, this line provides for incentive tariffs in order to develop telecommunications networks and infrastructures at the sites which are available to Rai Way, including in consideration of the customer's commitment not to dispose of a number of stations specified in the contract for a set period of time.

Furthermore, the agreement with EOLO SpA for the provision of tower rental services was renewed in 2016 and there was a considerable increase in requests by FAWP customers for hosting and activations.

Commercial activities continued as part of the tower rental services provided to broadcasting customers, with the activation of additional stations with the major operators.

As regards radio broadcasting customers, Rai Way started operations to return to the radio market. A framework agreement was entered into with a national radio network and other specific agreements were signed with local stations. Talks were also started with other national radio operators, which were preliminary to the execution of new agreements.

Moreover, following the allocation of frequencies to local operators through the Ministry of Economic Development's Beauty Contest, Rai Way signed agreements with local operators for the delivery of broadcasting services on a regional basis.

With reference to the introduction of innovative services, 2016 marked the start by Rai Way of projects in the IoT (Internet of Things) sector and more specifically in the Smart City business segment.

The excellent results achieved in tests carried out at a number of centres throughout the country, including, for example, the Municipality of Ormea in Piedmont, support the Company's business prospects and intention to make rapid progress towards playing a leading role in the development of networks for IoT by adopting a federated model, i.e. integrating its own network into the networks operated by third parties that are ready to share them. The tests conducted by Rai Way to develop LPWAN (Low Power Wide Area Networks) networks, generally using high-performance LoRa (Long Range) technology, allowed a positive evaluation of the suitability of its infrastructures in developing IoT services at a city or regional level, as well as on a national scale.

Rai Way's steady commitment to Research and Development activities, also in collaboration with the Research and Technology Innovation Centre of Rai, mainly oriented to experimenting with new digital services applied to the transmission and broadcasting of radio and TV programmes.

The main projects concerned:

- **SFN network:** an internship project was started in collaboration with the Polytechnic University of Milan to assess the effects of ISO-channel interference due to sources coming from other directions with respect to the reference source, processing the data collected on an ongoing basis from specifically equipped stations;
- **spectrum recording:** as part of the work to complete the European DEMETRA (DEMonstrator of EGNSS services based on Time Reference Architecture) project, a station was installed at Rai Way for the reception of a time signal transmitted by INRIM through a geostationary satellite and coordinated through stations located in Spain and Germany. The results compared with the GPS system over a relatively short period of time were satisfactory, with the difference being limited to +/- 100 nanoseconds. Assessments are currently being made as whether to continue with the tests under a cooperation agreement with INRIM and other network operators.

Communication and Public, Institutional and International Relations

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

Specifically:

- actions were taken, which were aimed at strengthening Rai's role as European and international player and revive its mission in the new global market. In this scenario there was a strong commitment to the big European and non-EU trade associations (EBU, COPEAM, CIRCOM, CMCA, ABU, ASBU, CRI-Comunità radiotelevisiva italoфона) to revive a multilateral cooperation policy – including by participating in key projects – to improve the international positioning of Rai. For this purpose, activities were organised for training, exchange of news and know-how sharing;
- within the framework of the promotion of Italian language and culture worldwide, collaboration projects were started, which involved the use of Rai's contents as means to support the teaching and learning of Italian language; furthermore, the network of broadcasting stations that transmit in Italian all over the world was implemented through the Italian-speaking TV and Radio Community (CRI);
- as regards international co-production and special projects, note the participation in shows of great impact, such as the Eurovision Song Contest (in both Senior and Junior versions), which has become an event that is awaited and followed in Italy as well, and *Generation What?*, the European project aimed at depicting a portrait of so-called Millennials (young people of between 16-34 years old) and promoted by the leading European Public Service broadcasters, under the coordination of the EBU;
- work continued on the representation towards European institutions and an ongoing monitoring of key political and legislative issues at European level, which are of interest to the Company (AVMS Directive, Frequency spectrum, Telecom package, 5G, Copyright, Net Neutrality, data protection, etc.) within the framework of the "Digital Single Market Strategy" launched by the European Union;
- furthermore, international agreements and memoranda of understanding were defined with foreign partners (e.g. China, Mongolia, which were aimed at outlining cooperation projects in the radio and TV sector, such as collaboration plans in the sectors of radio, cinema, television, publishing, internet, training and programme co-production;
- as regards audio-descriptions, in 2106 960 hours, compared to 660 hours in 2015, were audio-described by the Social Affairs

Secretariat, as a result of an increasingly greater attention to this issue and in line with the development guidelines laid down in the Service Contract in force;

- a documentary of about 30 minutes was internally produced with the title of *Come ti chiami? 7 storie sull'autismo*, in collaboration with the Ministry of Education, University and Research (MIUR), ANGSA (*Associazione Genitori Soggetti Autistici*, Association of Parents of Autistic Persons) and FIA (*Federazione Italiana Autismo*, Italian Autism Association), with the objective of giving voice to the children affected by this disorder and spreading good inclusion practices, which are followed in many public schools throughout our country;
- a communication project named *Non solo Sport* was implemented for the Rio 2016 Paralympics under a Media Partnership agreement signed with the Italian Paralympic Committee. Rai has taken a series of actions to enhance the social activities that said Committee carried out in Rio at the same time as the games. The Committee, in fact, took steps to support, in agreement with the Rio Archdiocese, some projects falling within the scope of a wider social development programme named "*Rio se move*", promoted by Brazilian catholic organisations. On this occasion, Rai supported the Committee in the production of a backstage video of the social and sports activities that were carried out inside and outside the official Olympic House Casa Italia, giving witness to the value of diversity;
- on Friday 2 December 2016 the award ceremony was held for the *Qualit@Digitale* Contest launched by Rai at the Italian Centre for Higher Education Studies on Training and Refresher Courses for Radio and Television Journalists (*Centro Italiano di Studi Superiori per la Formazione e l'Aggiornamento in Giornalismo Radiotelevisivo*) in Perugia. The contest, which was reserved for certified installers that had submitted such reports and suggestions on the technical quality of Rai's services as might be useful to improve it, was aimed at promoting the Quality Culture among professionals involved in the production of systems for the distribution of radio and TV signals. On the occasion of said ceremony, Rai set up a special award, within the context of the dramatic earthquake that shook Central Italy, to give an additional contribution to actually support the operations of the professionals that operate in the areas hit by the earthquake.

In order to make the Company's key information more accessible and to also strengthen, in this way, a new relationship with the community and its stakeholders, a specific area was dedicated to Transparency in compliance with recent regulatory provisions.

The legislative and regulatory framework

2016 was marked by the legislative acts aimed at regulating the radio and TV sector that are described below.

Extension of the term of the Public radio, television and multimedia Service Concession contract

The new Code of public contracts (Legislative Decree 50 of 18 April 2016, see below) is aimed at regulating the award of the Public radio, television and multimedia Service concession contract, providing, under Article 216, paragraph 24, that *"in order to achieve the highest possible participation in the public consultation referred to in Article 5, paragraph 5, of Law 220 of 28 December 2015 (Rai Reform Act), and pending the updating of the regulations governing the award of the Public radio, television and multimedia Service"*, the term of the concession contract set out under Article 49, paragraph 1, of Legislative Decree 177 of 31 July 2005 (*Testo Unico dei servizi di media audiovisivi e radiofonici* – Consolidation Act on audiovisual and radio media services -, hereinafter TUSMAR) must be extended from 6 May 2016 to 31 October 2016.

Law 198 of 26 October 2016, concerning the "Establishment of the Fund for pluralism and innovation of information and powers delegated to the Government for the reform of regulations governing public support to the sector of publishing and local radio and television broadcasters, the regulations governing pension schemes for journalists and the composition and competence of the National Council of the Association of Journalists. Procedure for awarding Public radio, television and multimedia Services".

Article 9 provides for, among other things, an amendment to Article 49 of the TUSMAR, concerning a new procedure for the award of a 10-year concession contract for the Public radio, television and multimedia Service, preceded by a public consultation on the obligations involved in performing the service.

In introducing the new 1-sexies paragraph of Article 49 under the TUSMAR, Article 9 provides that: *"The concession and the related contract that is already in place shall continue to apply for all purposes until the date of entry into force of the decree that provides for the new award of the Public radio, television and multimedia Service, and in any case for a period not exceeding ninety days from the expiry date of the concession contract."*

This article also provides for the remuneration payable to the Directors, subordinate staff, collaborators and consultants working for the entity that has been awarded the Public radio, television and multimedia Service concession contract, whose professional services are not subject to regulated tariffs, to be covered up to a limit equal to Euro 240,000. This limit is set out in Article 13 of Decree Law 66/2014 (as converted by

law 89/2014), specifying that, for the purposes of compliance with this limit, the exceptions laid down in Article 23-bis of Decree Law 201/2011 (Law 214/2011) shall not apply to the companies that issue financial instruments listed on regulated markets and to their subsidiaries.

Rai has taken steps to implement the aforesaid regulations – effective from 15 November 2016 – providing, as regards any relationship in place with reference to subordinate staff, collaborators and consultants employed under non-artistic work contracts, the application of the same as from the salaries and wages payable from December 2016. Following any appropriate evaluation, the Board of Directors' meeting held on 9 November 2016 also resolved to ask the Shareholder represented by the Ministry of Economy and Finance and to the Ministry of Economic Development to prove an exact interpretation of the rule based on the formulation of a specific question.

Decree Law 244 of 30 December 2016, governing the "Extension and definition of time limits" ("*mille-proroghe*", one thousand extensions)

Article 6, paragraph 3, of the Decree, subject to an amendment to the new Article 49, paragraph 1-sexies, of the TUSMAR, provides that, pending the award of the Public radio, television and multimedia Service (according to the new procedures set out in Article 9 of Law 198/2016, within the framework of the actions already laid down in Law 220/2015), and in any case for a period of time not exceeding one hundred and eighty days from 31 October 2016 (i.e. until 29 April 2017), the concession and the contract in place shall continue to apply for all purposes. Accordingly, the current concession term of the Public radio, television and multimedia Service contract awarded to Rai has been extended so as to regulate the case that the new contract is not awarded before that term under a Decree to be issued by the President of the Council of Ministers.

Implementation of Law 220 of 28 December 2015 (Reform of Rai and of the Public radio and television Service)

a) Public consultation CAMBIERA1 and renewal of the Service Contract

Law 220 of 28 December 2015 provides for a public consultation concerning the obligations involved in the Public radio, television and multimedia Service in view of the award of the relevant concession contract. This consultation was concluded on 30 June 2016 and was submitted to the Chamber of Deputies on 27 July 2016. With reference to the renewal of the Service Contract between the Ministry of Economic Development (MISE) and Rai, the same Law has provided that, upon first-time application, the new contract form shall be transmitted by

by the Ministry to the Parliamentary Committee on general affairs and supervision of radio and television services, for the required opinion, within six months from the award of the concession contract, and, in full operation, at least six months before the expiry date of the contract in force. The national Service Contract shall be executed every five and no longer every three years, subject to prior resolution of the Council of Ministers providing guidance on the issue of guidelines (adopted by mutual agreement between the Telecommunications Regulator and the MISE) concerning the additional obligations involved in the general Public radio and television Service.

b) List of guests participating in the programmes

Furthermore, the Company has issued operational guidelines in compliance with the new paragraph 12-ter of Article 49 of the TUSMAR, as introduced by Law 220/2015, which provides for the Board of Directors' obligation to report to the Parliamentary Committee on general affairs and supervision of radio and television services, on a six-monthly basis and before the approval of the financial statements, in relation to the activities carried out by Rai, as well as to deliver the complete list of the names of the guests who will participate in the programmes.

Coverage of costs for the provision of the Public radio, television and multimedia Service and calculation of broadcasting licence fees - Minister of Economic Development's Decree 94 of 13 May 2016, "Regulation implementing Article 1, paragraph 154, of Law 208 of 28 December 2015- (Collection of Rai Licence Fees using electricity bills)" – Revenue Agency's measures – Decree Law 189 of 17 October 2016 (Urgent measures to the benefit of populations affected by the earthquake of 2016) – 2017 Budget Law

As it is known, Law 208 of 28 December 2015 (2016 Stability Law) set the 2016 licence fee for private subscriptions at Euro 100.00 (Article 1, paragraph 152) and brought in a new presumption that persons own an appliance which is able, or can be adapted, to receive Rai programmes if they have a utility for the supply of electricity in their registered place of residence. In order to rebut these presumptions (with the consequence that the licence fees may not be charged), a declaration is only permitted from 2016 pursuant to Article 47 of Presidential Decree 445 of 28 December 2000, which must be submitted to the Revenue Agency in the same manners as those set out in an order issued by its Director (as adopted on 24 March 2016 and governing the "Procedures and terms and conditions for the submission of the self-declaration affidavit relating to licence fees for private subscriptions pursuant to Article 1, paragraph

153, letter a), of Law 208 of 28 December 2015, and approval of the related model", as amended by an order dated 21 April 2016). In the implementation of Article 1, paragraph 154, of the Stability Law – providing for the Minister of Economic Development to issue a Decree that lays down, among others, the terms and conditions and methods for the payment by electricity companies to the Tax Office of the amounts (divided into 10 monthly instalments) collected on account of licence fees and charged to the bills issued by the supplying companies, as well as the implementing technical measures – the Minister of Economic Development's Decree 94 of 13 May 2016, "Regulation implementing Article 1, paragraph 154, of Law 208 of 28 December 2015 – (Collection of Rai Licence Fees using electricity bills)" outlines the key procedural and timing requirements governing the new methods of payment of the tax, dealing with, among others:

- the alignment of databases among "relevant persons" in the collection mechanism (Acquirente Unico SpA, Revenue Agency, electricity companies);
- the charge of licence fees to the bills issued by the electricity company and the subsequent payment to the Tax Office of the licence fees collected by the energy suppliers (by the 20th day of the month after that of collection and, in any case, by 20 December of each year with reference to the entire licence fee collected);
- the methods for the disclosure of data useful for checks on the part of Acquirente Unico SpA and electricity companies to the Revenue Agency;
- the declarations, complaints and reimbursements of any undue amount, to be made in the manners set out in an order issued by the Director of the Revenue Agency (issued on 2 August 2016, concerning "Methods for the submission of an application for refund of licence fees for private subscriptions, paid following the charge of the related amount to the bills issued by electricity companies, but not due, and approval of the related model");
- the confidentiality and compliance obligations placed on electricity companies.

Subsequently, Article 1, paragraph 40, of Law 232 of 11 December 2016 (National budget for the 2017 financial year and multi-year budget for the three-year period from 2017 to 2019) provided for a reduction in the amount of the licence fee for private subscriptions down to Euro 90.00 for 2017.

Article 14 (Extension of time limits relating to emergency measures), paragraph 2, of Decree Law 244 of 30 December 2016 ("mille-proroghe") has provided, with reference to the Municipalities identified pursuant to Decree Law 189 of 17 October 2016 ("Urgent measures to the benefit of populations affected by the earthquake of 2016"), as amended and converted by Law 229 of 15 December 2016, and limited to the damaged persons who declare

that the buildings that host their property, home of residence, professional firm office or enterprise are unfit for use, for an additional 6-month extension of the temporary suspension of the terms of payment of invoices (relating to, among others, to the sectors of electricity and public radio and television), as already set out under Article 48, paragraph 2, of the aforesaid Decree Law 189/2016.

Legislative Decree 50 of 18 April 2016, on the “Implementation of Directives 2014/23/EU, 2014/24/EU and 2014/25/EU governing the award of concession contracts, public contracts and related procurement procedures adopted by entities operating in the sectors of water, energy, transport and postal services sectors, as well as for the reform of the current regulations governing public contracts relating to works, services and supplies”

On 19 April 2016 the new Code of public contracts entered into force, which, in implementing the Enabling Act 11 of 28 January 2016, repealed, among other things, the Code (under Legislative Decree 163 of 12 April 2006) previously in force.

Rai is bringing its internal procedures into line with the relevant regulations governing the award of public contracts, both in the so-called ordinary sector and in such sectors that are excluded – as expressly required by law – from the scope of application of the Code of public contracts; specifically, with reference to the latter, Rai is taking steps to adopt new criteria and procedures for the award of contracts referred to in Article 49-ter of the TUSMAR.

In fact, Article 49-ter, paragraph 1, of the TUSMAR, as introduced by the Reform Act of Rai, states that contracts entered into by Rai and by its wholly-owned subsidiaries, regarding the purchase, development, production or co-production and marketing of radio and TV programmes and audiovisual works and the acquisition of the broadcasting times involved, are exempt, pursuant to Article 19 of Legislative Decree 163 of 12 April 2006 (now Article 17 of the new Code), from the application of the Code regulations governing public contracts and that they are not subject to the procedural obligation of inviting at least five bidders provided for in Article 27, paragraph 1, second section, of the abovementioned Decree 163 (this procedure is no longer provided for in the current Code); however, it remains obligatory to comply with the principles of economic efficiency, effectiveness, non-discrimination, equal treatment, transparency and proportionality (pursuant to the current Article 4).

The following paragraph 2 of Article 49-ter of the TUSMAR then states that contracts entered into by Rai and by its wholly-owned subsidiaries, regarding works, services and supplies related to, connected with or necessary for the contracts

referred to in the previous section, with a value lower than that stated in European Community law, are also exempt from the procedural obligations laid down in the code of public contracts, while it remains obligatory to comply with the abovementioned EU law principles governing their award.

Legislative Decree 50/2016 has harmonised the legislative provisions by means of coordination rules. In fact, Article 216 also expressly states, under paragraph 24, that: “Under Article 49-ter of Legislative Decree 177 of 31 July 2005, as amended, the referral to Articles 19 and 27, paragraph 1, and to the regulations laid down in the Code of public contracts, under Legislative Decree 163 of 12 April 2006, constitutes a reference to Articles 17 (writer’s note: governing contracts and concessions exempt from the application of the Code and largely coinciding with the contracts referred to in Article 19 of Legislative Decree 163/2006 previously in force), 4 (writer’s note: governing compliance with the principles of economic efficiency, effectiveness, non-discrimination, equal treatment, transparency, proportionality, publicity, environmental protection and energy efficiency, in the award of exempt contracts) and to the regulations laid down in this Code, respectively”.

Pending the updating of the corporate procedures, Rai is continuing to apply the current Internal Guidelines for the award of public contracts that were approved by the Board of Directors’ meeting held in November 2014, insofar as they are in any case consistent with the current regulatory framework.

Measures implementing Law 124/2015 “The Government’s delegated powers concerning the reorganisation of public administrations” (Madia Act)

a) Legislative Decree 97 of 25 May 2016 on the “Review and simplification of provisions governing corruption prevention, publicity and transparency, amending Law 190 of 6 November 2012, and Legislative Decree 33 of 14 March 2013, pursuant to Article 7 of Law 124 of 7 August 2015, concerning the reorganisation of public administrations”

The Legislative Decree in question, which was adopted in the implementation of the delegated powers provided for in Article 7 of Law 124/2015, provides for the review and simplification of provisions governing corruption prevention, publicity and transparency. Specifically, Article 3 of the aforesaid Decree has introduced, following Article 2 of Legislative Decree 33 of 2013, the new Article 2-bis (*Subjective scope of application*), which provides, under paragraph 2, for the same regulations laid down for public administrations to be also applied, insofar as they are compatible, to companies subject to public control, as defined by Legislative Decree 175 of 19 August 2016, bearing the “Consolidation Act on

state-owned companies" (as it will be stated below, in force from 23 September 2016; for more details, see the paragraph below), excluding listed companies, as they are also defined in the same Consolidation Act, including, Rai and its subsidiaries, as they are issuers of listed financial instruments.

As regards the Public Service rendered by Rai as it is the Concession holder of the Public radio and television Service, the transparency obligations placed by Legislative Decree 97/2016 on state-owned companies that perform public services are regulated specifically in the Reform Act (220/2015). Furthermore, Article 41 of the Legislative Decree has amended Article 1 of Law 190 of 2012, by introducing paragraph 2-bis, pursuant to which the National Anti-Corruption Plan is the guidance act for Public Authorities (for the purposes of the adoption of their three-year corruption prevention plans), as well as for the other persons referred to in the abovementioned Article 2-bis, paragraph 2, of Legislative Decree 33/2013, for the purposes of the adoption of supplementary corruption prevention measures with respect to those adopted under Legislative Decree 231 of 8 June 2001.

b) Legislative Decree 175 of 19 August 2016, bearing the "Consolidation Act on state-owned companies"

The Legislative Decree in question, which has been in force from 23 September 2016, provides for the reform – in the implementation of the delegated powers set out in Article 18 of Law 124/2015, "*The Government's delegated powers concerning the reorganisation of public administrations*" (Madaia Act) – of the regulations governing interests held by public administrations. The regulatory provisions in question shall not apply to listed companies, including state-owned companies, which had issued, as at 31 December 2015, financial instruments, other than shares, listed on regulated markets (such as Rai) and the companies invested in by the same (such as the Rai Group companies) (Article 1, paragraph 5). Article 1, paragraph 4, of the Decree shall apply without prejudice to specific provisions, laid down in laws or government or ministerial regulations, which regulate state-owned companies incorporated under special laws for the performance of services of general interest or of general economic interest or for the pursuit of a specific mission of public interest. They shall apply, as expressly provided for, to listed companies, without prejudice to the abovementioned Article 1, paragraph 4, the provisions under Articles 8 (governing the acquisition by public authorities of interests in companies already incorporated and listed, only in the cases in which the transaction entails becoming a shareholder) and 9 (governing the operation of state-owned companies, the exercise of public shareholder's rights, shareholders' agreements, effective date of the deeds of appointment and dismissal of corporate bodies on the part of the public shareholder) of the decree.

New regulations on market abuse (Regulation (EU) no. 596/2014 and related implementing Regulations, Directive 57/2014)

Regulation no. 596/2014 on market abuse, which is applicable to the financial instruments admitted to trading on a regulated market of a Member State (and, therefore, to the bond issue launched by Rai as well) and related implementing Regulations, together with Directive 57/2014 on criminal sanctions for market abuse, replaced, during 2016, the provisions laid down in Directive 6/2003 ("Market Abuse Directive") and related implementing directives. In February 2017 the Company's Board of Directors approved the "Regulation for managing inside information and internal dealing transactions, keeping the register of insiders and of the list of persons that perform administration, control or direction duties and of the persons closely related to them", which was adopted in the implementation of the described regulatory framework. Specifically, the Register of persons having access to inside information and the related Regulation are being updated.

Legislative Decree 135 of 17 July 2016, governing the "Implementation of Directive 2014/56/EU, amending Directive 2006/43/EC concerning the statutory audit of annual and consolidated accounts" – Statutory audit of accounts

Legislative Decree 135 of 17 July 2016, governing the "*Implementation of Directive 2014/56/EU, amending Directive 2006/43/EC concerning the statutory audit of annual and consolidated accounts*", amended more than one point of the Consolidation Act on the statutory audit of accounts (Legislative Decree 39 of 27 January 2010) and, specifically, the related Chapter V reporting special provisions governing, among others, Public Interest Entities, which include the Italian companies that are issuers of transferable securities admitted to trading in Italian and EU regulated markets, such as Rai (see the paragraph below concerning the appointment for the statutory audit of accounts).

Decree of the Minister of Economy and Finance, in agreement with the Minister of Economic Development, dated 19 July 2016, on the "Identification of specialist media for the purposes of advertising of cash-prize games"

The Decree is a measure that implements the 2016 Stability Law and, specifically, the related Article 1, paragraph 939. While prohibiting the advertising of cash-prize games during radio and television programmes of general interest from 7:00 a.m. to 10:00 p.m. of every day, this Article also provides, for the exemption from the prohibition for specialist media identified in a Decree issued by the Minister

of Economy and Finance, in agreement with the Minister of Economic Development. Article 2 of the Decree sets out the definition of "specialist media", which may in no case include television or radio channels that are broadcast through any electronic communication network and that are targeted at an audience of minors, exclusively or predominantly. In January 2016 Rai suspended the scheduling of commercials of cash-prize games between 7:00 a.m. and 10:00 p.m..

2016 National Anti-Corruption Plan

By resolution 831 of 3 August 2016 the National Anti-Corruption Authority (ANAC) finally approved the 2016 National Anti-Corruption Plan, which represents the first plan of this type adopted by ANAC following the reform of Decree Law 90/2014.

Law 170 of 12 August 2016, granting delegated powers to the Government to adopt the European Directives and the implementation of other acts issued by the European Union (2015 European Delegation Act)

Article 20 of the Law grants delegated powers to the Government to implement Directive 2014/26/EU on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market, laying down specific requirements and guiding principles, with specific reference to the rules and the functioning of *Società italiana degli autori ed editori* (SIAE, Italian Authors and Publishers Society) and of the other entities for the collective management of rights. These criteria are aimed at improving governance, transparency, efficiency and representativeness standards, through precise regulations on disclosure obligations and control procedures concerning what is administered on behalf of the holders of rights.

As regards the users, the abovementioned principles provide for them to be obliged to submit requests, precise periodic user reports, as prepared on the basis of a standardised model, to SIAE and to the other collective management entities, according to the relevant time limits, as well as any other information required in relation to the uses regulated under the licences or contracts; should this obligation not be fulfilled, administrative sanctions shall be applied, without prejudice to the right to take legal action before civil courts.

Inclusion of Rai in the list kept by ISTAT (National Statistics Institute)

The Official Gazette published on 30 September 2016 includes the list of public authorities reported in the consolidated income statement, as identified pursuant to Article 1, paragraph 3, of Law 196 of 31 December 2009 (*Public accountancy and finance act*), as amended and supplemented,

which contribute to the pursuit of public finance targets and share the responsibilities arising in this regard, as they are subject to the application of provisions governing public finance.

For the first time Rai was included in said List, in the section of "Central Authorities – Entities delivering welfare, recreational and cultural services". By a memo dated 15 December 2016, the Government's General Accountancy Department of the Ministry of Economy and Finance notified Rai that it shared the criterion adopted by the Company's governing body at the meeting held on 19 October 2016, concerning the relevant time limit (from 1 January 2017) to be set out for the application of the set of regulatory provisions provided for in the legislation in force for the persons included in the list prepared by the ISTAT (National Statistics Institute). Subsequently, Article 6, paragraph 4, of Decree Law 244 of 30 December 2016, governing the "Extension and definition of time limits" ("mille-proroghe") postponed, until 1 January 2018, the application of the effects towards Rai arising from the rules aimed at reducing operating, organisation, accounting, finance, investment and disinvestment costs, provided for in the legislation in force against the persons included in the list prepared by the ISTAT, without prejudice to the provisions under Article 49, paragraphs 1-ter and 1-quater of the TUSMAR, governing maximum remuneration limits.

Law 220 of 14 November 2016 - Regulations on cinema and audiovisual activities

The measure – the comparison reference of which is mainly represented by Legislative Decree 28 of 22 January 2004 (*Reform of regulations governing cinema activities, according to Article 10 of Law 137 of 6 July 2002*), which was repealed from 1 January 2017 – lays down the basic principles of the State's intervention in support of cinema and audiovisual activities, which are of considerable public interest, as well as regulates the State's and Regional Governments' duties and is aimed at reforming and streamlining, including by means of delegated powers granted to the Government, the regulations governing various matters, including that concerning the promotion of European works on the part of the providers of audiovisual media services. Article 5 of the Law lays down the requirements for granting Italian nationality to the cinema and audiovisual works, a basic benchmark to comply with in order to obtain the grants set out in particular in Chapter III (Articles 12-27) of the Law, governing the various financing and taxation measures in support of the sector of cinema and audiovisual activities (including tax credits and automatic and selective grants). Article 13 established, from 2017, the Fund for the development of investments in the sector of cinema and audiovisual activities, set aside by using a percentage of revenues arising from the payment of IRES (Corporate Income) Tax and VAT on the part of the persons that operate in the relevant sectors during the previous year.

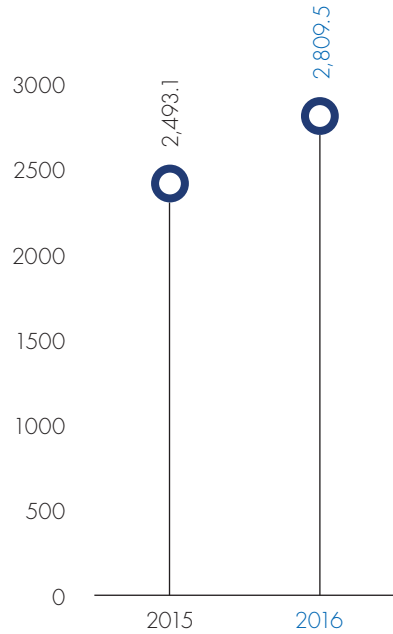
Review of results and financial position of the Rai Group

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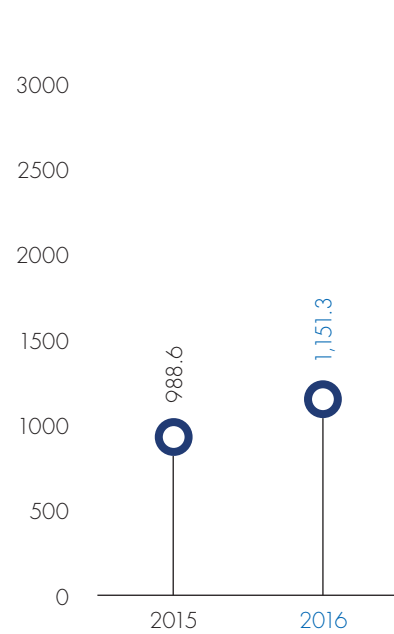
Highlights

(in millions of Euros)

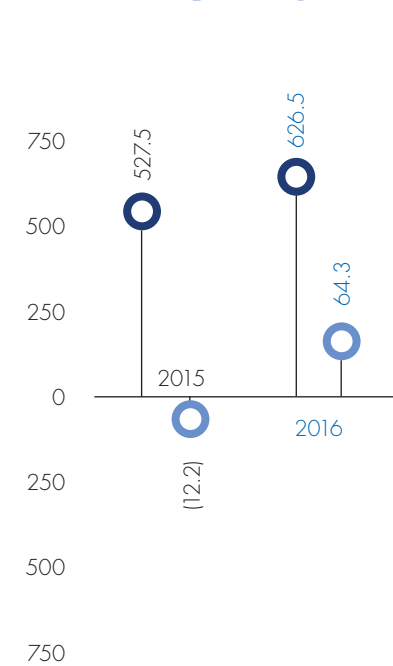
Revenues



Total external costs

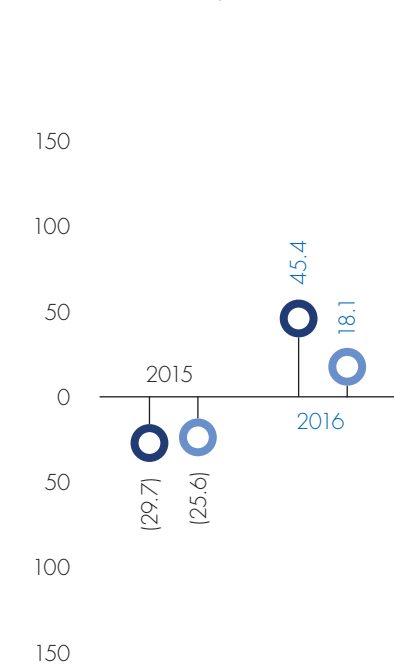


EBITDA - Operating result

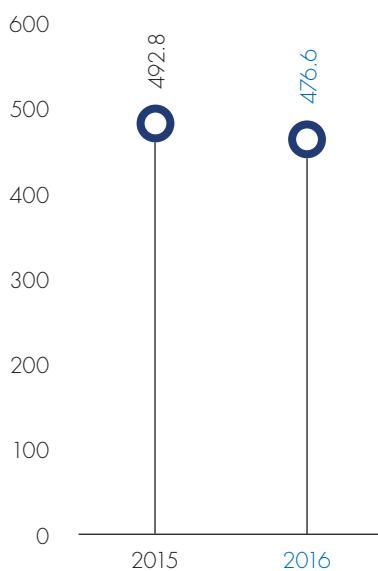


Result before tax

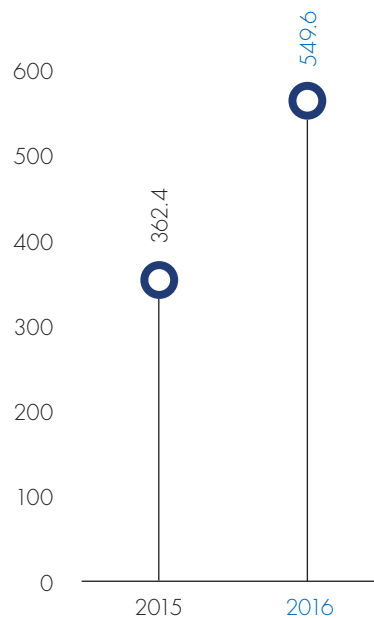
Result for the year



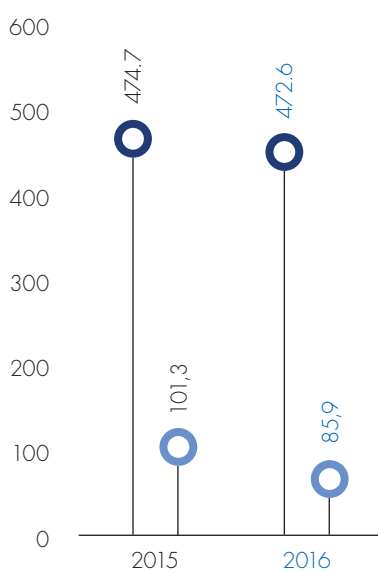
Equity



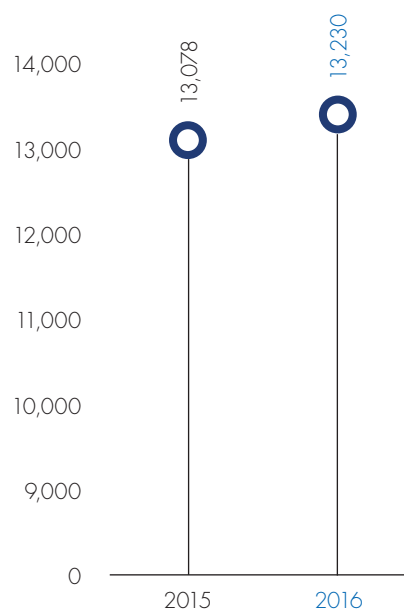
Net financial debt



Investments in programmes and plant and equipment



Employees as at 31 December (units)*



* Includes personnel under fixed-term contracts for 810 units in 2015 and 741 units in 2016

Reclassified financial statements

Consolidated Income Statement

(in millions of Euros)	2016	2015	Change
Revenues	2,809.5	2,493.1	316.4
External costs of goods and services	(1,011.7)	(988.6)	(23.1)
Big sports events	(139.6)	0.0	(139.6)
Total external costs	(1,151.3)	(988.6)	(162.7)
Personnel costs	(1,031.7)	(977.0)	(54.7)
EBITDA	626.5	527.5	99.0
Amortisation, depreciation and write-downs	(543.4)	(537.5)	(5.9)
Provisions	(18.8)	(2.2)	(16.6)
Operating result	64.3	(12.2)	76.5
Net financial income (expenses)	(18.2)	(19.4)	1.2
Share of profits (losses) of equity-accounted investments	(0.7)	1.9	(2.6)
Result before tax	45.4	(29.7)	75.1
Income taxes	(27.3)	4.1	(31.4)
Result for the year	18.1	(25.6)	43.7
of which: attributable to non-controlling interests	14.6	13.7	0.9
Other comprehensive income (expense)	(20.6)	30.3	(50.9)
Total comprehensive income (expense) for the year	(2.5)	4.7	(7.2)
of which: attributable to non-controlling interests	14.4	13.7	0.7

Consolidated Balance Sheet

(in millions of Euros)	31.12 2016	31.12.2015	Change
Non-current assets	2,047.1	2,031.9	15.2
Current assets – net	(237.4)	(412.4)	175.0
Provisions for risks and charges	(228.5)	(195.5)	(33.0)
Employee benefits	(555.0)	(568.8)	13.8
Net invested capital	1,026.2	855.2	171.0
Equity	476.6	492.8	(16.2)
Net financial debt (liquidity)	549.6	362.4	187.2
	1,026.2	855.2	171.0

Review of consolidated results

The consolidated financial statements for the financial year ended 31 December 2016 reported a net profit of Euro 18.1 million, showing a sharp improvement compared to the loss of Euro 25.6 million recorded in 2015 and operations characterised by extremely positive financial and economic results, as was the performance of the key operational performance indicators.

Specifically, the Company was able to benefit from higher resources of Euro 272.2 million during the 2016 financial year, arising from the very successful application of a new system for the collection of ordinary licence fees, which entailed a considerable increase in the number of subscribers.

The results were also excellent for the performance of advertising revenues, which were on the rise for the first time in the last six years, and of other revenues, which contributed Euro 44.2 million to the increase in total revenues.

The higher resources available in 2016 totalled about Euro 342 million, also taking account of savings arising from the optimisation of external costs, for a value of about Euro 26 million.

The higher available resources allowed a full coverage of costs for the Big Sports Events (European Football Cup and summer Olympics, equal to Euro 139.6 million), as well as to pursue two major objectives at the same time:

- the improvement of the offer and investments in digital media (Euro 39 million), consistently with the strategic process to transform Rai into a media company;
- the strengthening of the Group's financial position structure for Euro 163 million.

The following section provides an overview of the main items in the Income Statement and the Balance Sheet, together with the reasons for the

most significant changes compared to the values posted in the previous year.

Income Statement

Revenues

These are made up of licence fees, advertising revenues and other revenues from sales.

They totalled Euro 2,809.5 million, showing an increase of Euro 316.4 million (+12.7%), as detailed below.

Licence fees revenues

Revenues from licence fees for ordinary and special subscriptions accrued in the year, as well as fees accrued in previous years, which had been collected through standard enforcement procedures, amounted to Euro 1,909.7 million, showing an increase of Euro 272.2 million (+16.6%) compared to 2015.

This increase was substantially attributable to licence fees for private subscriptions (ordinary licence fees), showing an increase of Euro 255.3 million compared to 2015 (+16.6%), which benefitted from the new collection method to collect fees by charging them to electricity bills. This method entailed a considerable increase in the number of subscribers and allowed the negative effect arising from the reduction of the unit licence fee to Euro 100.00 (against Euro 113.50 in 2015) to be offset.

It should be noted that, given the provisions laid down in Law 190/2014 concerning a 5% reduction in the amounts to be paid to Rai and in the 2016 Stability Law that provides for Rai to receive 67% of an increase in revenues, as

External revenues

(in millions of Euros)	2016	2015	Change
Licence fees	1,909.7	1,637.5	272.2
Advertising	698.2	658.8	39.4
Other revenues	201.6	196.8	4.8
Total	2,809.5	2,493.1	316.4

% of revenues

(in millions of Euros)	2016	2015
Licence fees	68.0%	65.7%
Advertising	24.8%	26.4%
Other revenues	7.2%	7.9%
Total	100.0%	100%

well as of the government licensing fee and VAT, based on the results for the year, the average unit licence fee that must be actually paid to Rai reduced from Euro 100.00 to Euro 82.77.

Licence fees revenues relating to commercial utilities (licence fees for special subscriptions) remained substantially stable at Euro 77.8 million.

Advertising

In a macro-economic scenario that was marked by a moderate expansion, the **advertising market** reported a positive performance during 2016, showing a 1.7% increase (source: Nielsen). This growth was mainly due to TV advertising (+5.4%), which confirmed its leading position with a market share of 60%. The other media used by Rai showed an increase in radio advertising (+2.3%) and a decline in Internet (-2.3%) advertising.

In these conditions, the Rai Group's advertising revenues, as detailed in the related table, amounted to Euro 698.2 million and showed

a performance higher than the market, with an increase of 39.4 million compared to 2015 (+6.0%). As a result of the abovementioned performance, Rai's TV market share increased by 0.2% compared to 2015, coming to 20.8%. This result was achieved thanks to an increased average price of advertising spaces and despite the collection of revenues from advertising being interrupted as from May for three specialist TV channels (Rai YoYo, Rai 5, Rai Storia), which had collected revenues in the range of Euro 11 million during the period from May to December 2015.

Furthermore, note the positive performance reported by web advertising that recorded a 19.7% increase in a decreasing market, despite showing absolute values that were still low, and benefitted from the launch of "Rai Play" that took place in August.

Other revenues

These amounted to Euro 201.6 million, with an increase of Euro 4.8 million (+2.4%) compared to 2015, as reported in the table below.

Advertising

(in millions of Euros)	2016	2015	Change
TV advertising on general interest channels			
- commercials	458.8	432.1	26.7
- promotions, sponsorships and other events	132.6	117.9	14.7
	591.4	550.0	41.4
TV advertising on specialist channels	65.8	68.2	(2.4)
Radio advertising	29.9	27.8	2.1
Cinema advertising	3.8	5.6	(1.8)
Web advertising	8.5	7.1	1.4
Other advertising	0.7	1.8	(1.1)
Shares attributable to third parties	(1.5)	(1.2)	(0.3)
Contingent assets	(0.4)	(0.5)	0.1
Total	698.2	658.8	39.4

Other revenues

(in millions of Euros)	2016	2015	Change
Special services under agreements and for institutional purposes	53.9	66.4	(12.5)
Sales of rights, channels and musical publications	81.2	72.1	9.1
Film distribution	29.3	37.7	(8.4)
Signal broadcasting	38.2	38.4	(0.2)
Operating grants	9.1	8.0	1.1
Others	19.0	15.8	3.2
Shares attributable to third parties	(29.1)	(41.6)	12.5
Total	201.6	196.8	4.8

The rise reported in the item was mainly due to increased revenues from Sales of rights, channels and musical publications (Euro +9.1 million) for the development of the business relating to the exploitation of Video On-Demand (VOD) and Subscription Video On-Demand (SVOD) rights attached to cinema works and of the filming rights of football team matches.

The rise in revenues was also contributed to by an increase in revenues from the sales of Rai channels' programmes abroad, which was partially offset by higher signal distribution costs, arising from the adoption of a different model for the distribution of Rai Italia channel's programmes in America and Australia.

These decreases compared to 2015 were mainly due to:

- special services under agreements and for institutional purposes (Euro -12.5 million), due

to lower reimbursements under the licence fee management agreement, as a result of a different method used to collect licence fees and the failure to report proceeds connected with the Expo 2015 agreement;

- film and home video distribution (Euro -8.4 million), due to lower proceeds from film distribution, which had been affected by particularly positive box office results during 2015.

Operating costs

These costs are made up of Total external costs and Personnel costs, i.e. both internal and external costs arising from the core business.

They totalled Euro 2,183.0 million, showing an increase of Euro 217.4 million (+11.1%) compared to 2015, including costs of Euro 139.6 million arising from Big Sports Events.

Operating costs

(in millions of Euros)	2016	2015	Change
External costs of goods and services	1,011.7	988.6	23.1
Big sports events	139.6	0.0	139.6
Total external costs	1,151.3	988.6	162.7
Personnel costs	1,031.7	977.0	54.7
Total	2,183.0	1,965.6	217.4

External costs of goods and services

They amounted to Euro 1,011.7 million and include purchases of goods and services required to implement one-time-use programmes (purchase of consumables, external services, artistic collaborations, etc.), filming rights to sports events, copyrights, running costs and other operating costs (indirect taxes and duties, contribution to Supervisory Authorities, environmental reclamation costs concerning company properties, etc.).

This item, which is broken down in the relevant table, showed an increase of Euro 23.1 million (+2.3%).

The main increases compared to the previous year related to:

- an improvement of the offer for a total of Euro 24 million, due in particular to an increase in

Services for acquisition of programmes (Euro +13.6 million);

- the strengthening of the financial structure due to setting aside a provision for environmental reclamation costs concerning Company properties (Euro 14.2 million).

Decreases were instead reported in the following items: Other external services (Euro -12.1 million), due to a considerable reduction in overhead and operating expenses and lower costs for Sports rights (Euro -20.0 million), to be attributed to a different seasonality and distribution of events over time.

The contribution payable to the Government for the rights of use of digital frequencies, which was introduced by Ministerial Decree of 4 August 2016, amounted to Euro 9.8 million during the year. This cost had been allocated, during the previous year, to Provisions, pending the enactment of the rule providing for the related amount.

External costs of goods and services

(in millions of Euros)	2016	2015	Change
Purchases of materials	13.7	16.4	(2.7)
Costs for services			
Freelance services	134.6	132.1	2.5
Services for acquisition and production of programmes	209.2	195.6	13.6
Travel expenses and additional personnel costs	38.2	38.1	0.1
Maintenance, repairs, transport and similar costs	44.6	44.7	(0.1)
Documentation and assistance for IT systems services	50.0	46.5	3.5
Provision for reclamation and renovation of properties	14.2	0.0	14.2
Other external services (telephone systems, supply services, cleaning, post, insurance etc.)	145.6	157.7	(12.1)
Leases and rentals	93.0	88.6	4.4
Sports rights	112.0	132.0	(20.0)
Other filming rights	15.9	14.2	1.7
Rights of use	111.1	106.5	4.6
Recoveries of expenses	(14.5)	(17.8)	3.3
Contingent liabilities	(14.5)	(14.5)	0.0
	939.4	923.7	15.7
Other costs			
Usage of TV digital frequencies(*)	9.8	0.0	9.8
Prizes and winnings	12.4	11.4	1.0
Contribution to Supervisory Authorities	5.5	5.8	(0.3)
TASI (Tax on Indivisible Services)/IMU (Single Municipal Tax)	10.6	10.6	0.0
Other indirect taxes, duties and other levies	11.1	11.0	0.1
Daily newspapers, magazines, books and publications	1.7	1.7	0.0
Membership fees and contributions	3.7	3.7	0.0
Others	4.4	4.0	0.4
Contingent liabilities	(0.6)	0.3	(0.9)
	58.6	48.5	10.1
Total	1,011.7	988.6	23.1

(*) In 2015 it was allocated to Provisions

Personnel costs

Personnel costs amounted to Euro 1,031.7 million, showing an increase of Euro 54.7 million compared to 2015 (+5.6%), as reported in the table below. This increase was mostly attributable to non-recurring items, mainly including early retirement incentives.

The increase in personnel costs, net of non-recurring components, reported a considerable reduction and was mostly attributable to the normal rising trends concerning personnel costs due to automatic pay rises provided for in labour agreements in relation to seniority, the transformation of fixed-term contracts into permanent contracts and management policies.

The **workforce** as at 31 December 2016 was made up of 12,489 staff members in active employment and of 741 staff members employed under fixed-term contracts. The increase of 221 people in the staff members in active employment compared to 2015 was due to the exit of 252 people (of which 67 under early retirement incentive schemes) and 473 new hires (404 of which were due to the transformation of fixed-term contracts into permanent contracts and reinstatement, and 69

for ins aimed at replenishing the labour force due to turnover and to the acquisition of specific skills not present at the Company, consistently with the process for the transformation of Rai into a media company).

Therefore, total staff members, net of transformations of fixed-term contracts into permanent contracts and reinstatements, showed a reduction of 183 people.

The **average number of employees** in service during the period, including those on fixed-term contracts, was 13,010, with an increase of 93 people compared to 2015, as a result of an increase of 275 employees on permanent contracts and a reduction of 182 employees on fixed-term contracts.

EBITDA

As illustrated above, the considerable increase in licence fees revenues contributed to financing the improvement of the offer and the strengthening of the financial structure, as well as a full coverage of costs of Big Sports Events; this entailed an increase of Euro 99.0 million in EBITDA, which showed a positive balance of Euro 626.5 million (Euro 527.5 million in 2015).

Personnel costs

(in millions of Euros)	2016	2015	Change
Ordinary labour costs	998.3	973.0	25.3
Early retirement incentive costs	28.4	8.1	20.3
Capitalisations of personnel costs	(17.1)	(22.0)	4.9
Other costs and provisions connected to employment contracts	22.1	17.9	4.2
Total	1,031.7	977.0	54.7

Amortisation, depreciation and write-downs

This item, which relates to the amortisation of programmes and depreciation of plant and equipment, as well as to the write-downs of

assets, the value of which is shown in the table below, showed a balance of Euro 543.4 million, substantially in line compared to 2015 (Euro 537.5 million, +1.1%).

Amortisation, depreciation and write-downs

(in millions of Euros)	2016	2015	Change
Amortisation and depreciation			
Amortisation of programmes			
TV Drama and Comedy	256.4	238.6	17.8
Films	100.1	105.3	(5.2)
Cartoons	18.4	19.1	(0.7)
Others	6.5	8.5	(2.0)
	381.4	371.5	9.9
Other amortisation and depreciation			
Depreciation of property, plant and equipment			
Buildings	18.0	17.6	0.4
Plant and machinery	80.2	87.6	(7.4)
Industrial and commercial equipment	2.8	2.7	0.1
Other assets	5.6	5.6	0.0
	106.6	113.5	(6.9)
Of investment property	0.3	0.3	0.0
Amortisation of intangible assets			
Software	6.2	5.7	0.5
Digital Terrestrial	1.1	3.4	(2.3)
Other rights	0.3	0.3	0.0
	7.6	9.4	(1.8)
	114.5	123.2	(7.5)
Total amortisation and depreciation	495.9	494.7	2.4
Write-downs (write-backs)			
Of intangible assets			
Programmes subject to amortisation	32.2	25.3	6.9
Programmes under way	11.2	9.6	1.6
Other	0.0	1.4	(1.4)
	43.4	36.3	7.1
Of other non-current assets	1.1	2.4	(1.3)
Of trade receivables and other current assets	3.0	4.1	(1.1)
Total write-downs	47.5	42.8	4.7
Total	543.4	537.5	5.9

The main changes in the item related to:

- an increase in the amortisation of drama and comedy programmes (Euro +17.8 million) as a result of both higher investments for previous years that started to be amortised during the year, and a higher concentration of rights entered in operation during the first half of 2016, compared to the same period of 2015;
- a reduction in depreciation of plant and equipment (Euro -7.4 million), mainly due to the completion of the process of depreciation of assets and to an extension of the useful life, from 7 to 10 years, concerning the equipment in the network of transmission and radio links of the TV service in DVB-T, with an effect equal to Euro 4.8 million;
- an increase in the write-down of investments in activations of Rai-produced drama and comedy works dating back to previous years and in relation to original projects that had not been yet produced (Euro +7.5 million).

Provisions

This item, which includes accruals to provisions for risks and charges and any possible release that cannot be classified under specific Income Statement items, showed a negative balance of Euro 18.8 million (against Euro 2.2 million in 2015), which was due to releases of portions of provisions set aside in previous years in relation

to the failure to report the connected risk for Euro 21.8 million and to provisions of Euro 40.6 million, to be mainly attributed to tax litigation, civil law disputes and related legal fees and other operating risks.

Operating result

The trends already illustrated as to the EBITDA performance, together with the information reported under items Amortisation, depreciation and write-downs and Provisions, determined a positive Operating result of Euro 64.3 million, showing a sharp improvement of Euro 76.5 million compared to 31 December 2015 (Euro -12.2 million).

Net financial income (expenses)

This item includes the economic effects arising from the recognition of actuarial interest in relation to Employee benefits, as well as to those peculiar to financial operations, such as interest income/expense from banks and bondholders, in addition to foreign exchange gains and losses.

This item showed a negative result of Euro 18.2 million (Euro -19.4 million in 2015), the components of which are detailed in the table below.

Financial income (expenses)

(in millions of Euros)	2016	2015	Change
Net interest income (expense) from banks and other lenders	(2.9)	(7.5)	4.6
Interest expense on bond issues	(6.1)	(3.6)	(2.5)
Interest on employee benefit obligations	(7.4)	(5.2)	(2.2)
Net foreign exchange gains (losses)	(1.0)	(0.5)	(0.5)
Income (expenses) on Interest Rate Swap	(0.1)	(1.3)	1.2
Net financial contingent assets (liabilities)	0.5	0.6	(0.1)
Other	(1.2)	(1.9)	0.7
Total	(18.2)	(19.4)	1.2

Specifically, the following changes were recorded compared to previous year:

- a decrease of Euro 2.1 million in net interest expense payable to banks and bondholders as a result of the recognition, for the entire year, of the positive effects arising from the repayment of amortising loans with credit institutions in 2015 and of the simultaneous launch of the bond issue under more favourable terms and conditions;
- an increase of Euro 2.2 million in costs arising from the actuarial valuation of Employee benefit obligations (mainly staff severance pay, supplementary company pension fund in run-off);
- a decrease of Euro 1.2 million in the Interest Rate Swap costs, in relation to the termination of these financial instruments in 2015, as a result of the redemption of the amortising loan which was made possible following the launch of the abovementioned bond issue.

The average cost of borrowing, made up of uncommitted credit lines, stand-by loans, medium/long-term loans and the 2015 - 2020 bond issue decreased to 1.6% compared to 2.1% in the previous year, in relation to the lower interest rate paid to bondholders compared to the pre-existing amortising loan.

Share of profits (losses) of equity-accounted investments

This item showed a negative balance of Euro 0.7 million (against a positive balance of Euro 1.9

million in 2015) arising from the measurement of of associates according to the equity method, as detailed in the statement below.

Income taxes

This item, equal to Euro 27.3 million (a positive value of Euro 4.1 million in 2015), arising from the balance between current and deferred tax, as detailed in the relevant table.

The economic trends reported entailed positive taxable results for the period for all the Group companies, except for the Parent Company. Provisions for IRES (Corporate Income) and IRAP (Local Production Activity) tax were set aside against this income for a total of Euro 47.0 million and Euro 8.9 million, respectively.

Deferred tax liabilities had a positive effect of Euro 2.6 million (Euro 21.9 million in 2015), as a result of the reversal of temporary differences recognised in prior years. The difference recorded compared to the previous year was mainly due to the adjustment, which had been recognised in 2015, to deferred tax liabilities that had been previously stated following a reduction in IRES tax rate from 27.5% to 24%, with effect from the 2017 taxable year.

Deferred tax assets had a positive effect of Euro 26.9 million (Euro 27.5 million in 2015), which was mainly due to the recognition against a tax loss incurred by the Parent Company.

Share of profits (losses) of equity-accounted investments

(in millions of Euros)	2016	2015	Change
Revaluations (Write-downs)			
Euronews	(1.5)	1.0	(2.5)
San Marino	(0.1)	0.0	(0.1)
Tivù	0.9	0.9	0.0
Total	(0.7)	1.9	(2.6)

Income taxes

(in millions of Euros)	2016	2015	Change
IRES tax	(47.0)	(38.3)	(8.7)
IRAP tax	(8.9)	(7.7)	(1.2)
Deferred tax liabilities	2.6	21.9	(19.3)
Deferred tax assets	26.9	27.5	(0.6)
Direct taxes from previous years	(0.9)	0.7	(1.6)
Total	(27.3)	4.1	(31.4)

Balance Sheet

Non-current assets

These were recognised in an amount of Euro 2,047.1 million, up by Euro 15.2 million compared to 31 December 2015, as reported in the relevant statement.

Property, plant and equipment, which are broken down in the relevant table, recorded a decrease of Euro 33.3 million, compared to 31 December

2015, due to depreciation and to a reduction in investments in plant and equipment, as referred to above.

Investments in programmes, which are broken down in the table below, showed, within the abovementioned strengthening of its offer, an increase of Euro 46.2 million compared to 31 December 2015, which was mostly attributable to investments in Drama and Comedy works produced and acquired by Rai.

Non-current assets

(in millions of Euros)	31.12.2016	31.12.2015	Change
Property, plant and equipment	1,087.4	1,120.7	(33.3)
Investments in programmes	927.9	881.7	46.2
Non-current financial assets	9.3	10.7	(1.4)
Other	22.5	18.8	3.7
Total	2,047.1	2,031.9	15.2

Property, plant and equipment

(in millions of Euros)	31.12.2016	31.12.2015	Change
Land	381.8	381.8	0.0
Buildings	343.1	355.6	(12.5)
Plant and machinery	281.4	304.1	(22.7)
Industrial and commercial equipment	8.5	8.4	0.1
Other assets	21.8	22.6	(0.8)
Assets under construction and payments on account	50.8	48.2	2.6
Total	1,087.4	1,120.7	(33.3)

Investments in programmes

(in millions of Euros)	31.12.2016	31.12.2015	Change
Drama and Comedy	530.2	493.2	37.0
Films	282.7	267.2	15.5
Cartoons	36.3	39.1	(2.8)
Rights of use of library	72.5	77.1	(4.6)
Other	6.2	5.1	1.1
Total	927.9	881.7	46.2

Non-current financial assets, which were made up of investments and other financial assets with a maturity beyond twelve months, showed a decrease of Euro 1.4 million compared to 31 December 2015, which was mostly attributable to the write-down of equity investments in associates valued according to the equity method.

The breakdown of the item is reported in the table below.

Other non-current assets, which are detailed in the statement below, showed an increase of Euro

3.7 million, relating to software, compared to 31 December 2015.

The investments made in 2016, which are detailed in the statement below, amounted to Euro 558.5 million, showing a decrease of Euro 17.5 million (-3.0%) compared to 2015, which was mainly due to lower investments in tangible assets in relation to delays in the progress of work.

Non-current financial assets

(in millions of Euros)	31.12.2016	31.12.2015	Change
Equity investments in associates			
Auditel Srl	0.7	0.7	0.0
Euronews	2.3	3.8	(1.5)
Tivù Srl	3.4	3.2	0.2
San Marino RTV SpA	2.0	2.1	(0.1)
	8.4	9.8	(1.4)
Other equity investments	0.7	0.7	0.0
Other	0.2	0.2	0.0
Total	9.3	10.7	(1.4)

Other non-current assets

(in millions of Euros)	31.12.2016	31.12.2015	Change
Software	18.0	12.9	5.1
Commercial rights with football clubs	4.5	4.8	(0.3)
Digital terrestrial frequencies	0.0	1.1	(1.1)
Total	22.5	18.8	3.7

Investments

(in millions of Euros)	2016	2015	Change
Drama and Comedy	331.9	333.8	(1.9)
Films	121.3	118.2	3.1
Other programmes	19.4	22.7	(3.3)
Total investments in programmes	472.6	474.7	(2.1)
Other investments			
Investments in property, plant and equipment	74.5	92.3	(17.8)
Software	11.4	9.0	2.4
Total investments in plant and equipment	85.9	101.3	(15.4)
Total investments	558.5	576.0	(17.5)

Net current assets

The most significant changes compared to 31 December 2015 concerned the following items:

Trade receivables showed an increase of Euro 200.5 million in relation to receivables from Tax Authorities for licence fees to be collected, equal to Euro 228.9 million, the collection of which is expected during the first half of 2017.

Other receivables showed a reduction of Euro 27.4 million, mainly as a result of advances, which had been stated in the previous year, for the acquisition of the rights to Big Sports Events that took place during the year.

Other payables showed a reduction of Euro 33.6 million, mainly due to advances on licence fees of Euro 52.5 million stated in the 2015 financial statements.

Net deferred tax liabilities showed an increase of Euro 12.1 million, which was mainly due to the combined effect of a reduction in receivables for deferred tax assets following the use of previous

tax losses to be offset against income contributed by subsidiaries under the tax consolidation regime and of their increase following the tax loss estimated by the Parent Company.

Provisions for risks and charges

Provisions for risks and charges, equal to 228.5 million, showed an increase of Euro 33.0 million compared to 31 December 2015.

The main changes concerned the Provisions for costs of accrued commissions (Euro +31.6 million), Reclamation and renovation of properties (Euro +12.9 million) and the Provision for tax litigation (Euro 10.6 million), for which reference should be made to the information reported under the correlated Income Statement items.

The item was also affected by the fact that the Provision for licence fees for the 2014/2015 concession – Contribution for the use of digital frequencies (equal to Euro 35.8 million in 2015) was set to zero, which was used for Euro 19.7 million during the year.

Net current assets

(in millions of Euros)	31.12.2016	31.12.2015	Change
Inventories	2.9	2.7	0.2
Trade receivables	639.2	438.7	200.5
Other receivables	229.8	257.2	(27.4)
Trade payables	(686.2)	(666.4)	(19.8)
Other payables	(398.9)	(432.5)	33.6
Deferred tax assets (liabilities)	(24.2)	(12.1)	(12.1)
Total	(237.4)	(412.4)	175.0

Employee benefits

Employee benefits, which mainly include the Staff Severance Pay, the company Pension Fund in run off and the Provision for compensation in lieu of notice for journalists, amounted to Euro 555.0 million and showed a decrease of Euro 13.8 million compared to 31 December 2015.

The change in the item was linked to actuarial valuation elements connected with financial and demographic assumptions as detailed in note 15.2 "Employee benefits" of the Explanatory Notes to the Consolidated Financial Statements.

The table below shows the breakdown of accruals and related changes compared to 31 December 2015.

Net financial position

The net financial position at the end of the year, as determined according to the ESMA schedule, was negative for Euro 549.6 million (showing a deterioration of Euro 187.2 million compared to 2015), as detailed in the statement below.

The cash flow for the year, which was negative for Euro 187.2 million, was determined by as a

Employee benefits

(in millions of Euros)	31.12.2016	31.12.2015	Change
Staff Severance Pay	(283.5)	(289.7)	6.2
Supplementary company pension fund in run off	(144.3)	(147.5)	3.2
Provision for compensation in lieu of notice – journalists	(109.2)	(113.7)	4.5
FASDIR welfare fund for retired executives	(15.0)	(15.0)	0.0
Seniority bonuses	(2.3)	(2.1)	(0.2)
Seniority allowance	(0.6)	(0.7)	0.1
Social security	(0.1)	(0.1)	0.0
Total	(555.0)	(568.8)	13.8

Net financial position

(in millions of Euros)	31.12.2016	31.12.2015	Change
Liquidity	86.2	146.1	(59.9)
Current financial receivables			
- current financial assets on derivatives	1.7	8.4	(6.7)
- non-current securities – current portion	-	2.3	(2.3)
- time deposits	5.5	3.1	2.4
- other	0.2	0.2	0.0
	7.4	14.0	(6.6)
Current financial debt			
- to banks	(200.0)	(35.9)	(164.1)
- to other lenders	(0.1)	(4.5)	4.4
- to associates	(0.1)	(0.1)	0.0
- other	(0.3)	(0.3)	0.0
	(200.5)	(40.8)	(159.7)
Non-current financial debt			
- to banks	(95.3)	(135.2)	39.9
- bond issue	(346.9)	(346.1)	(0.8)
- to other lenders	(0.4)	(0.4)	0.0
- non-current financial derivative liabilities	(0.1)	0.0	(0.1)
	(442.7)	(481.7)	39.0
Net liquidity (financial debt)	(549.6)	(362.4)	(187.2)

self-financing (composed of the comprehensive result for the year, amortisation and depreciation, write-downs in a cumulative amount of Euro 540.9 million) lower than the requirement determined by a net change in working capital, provisions for risks and charges, employee benefits (for a total of Euro 155.9 million), investments (Euro 558.5 million) and remuneration of borrowed capital (Euro 13.7 million).

Working capital requirements were fully attributable to the receivable from Tax Authorities for licence fees equal to Euro 228.9 million, arising from the time required to pay higher revenues to the Company according to the new collection method, which was applied for the first time in 2016 and which did not entail higher reversals during the year.

The cash flow, as adjusted by this component, the payment of which is expected during the first half of 2017, was then positive by Euro 42 million, with a consequent improvement in net financial debt.

The average financial position was negative for about Euro 390 million (Euro -255 million in 2015), showing an increase of about Euro 135 million as a result of what is reported above.

The analysis of financial and debt structure ratios shows:

- a net invested capital coverage ratio, defined as the ratio of net invested capital (net of the receivable for licence fees) to equity equal to 1.67 (1.74 as at 31 December 2015);
- a debt/equity ratio, defined as the ratio of net financial debt (net of the receivable for licence fees) to equity equal to 0.67 (0.74 as at 31 December 2015);
- a current ratio, defined as the ratio of current assets (inventories, current assets, net of the receivable for licence fees, cash and cash equivalents and financial receivables) to current liabilities (current liabilities and financial payables), equal to 0.57 (0.75 as at 31 December 2015).

All the ratios comply with the reference limits.

The Parent Company's loan raised with the European Investment Bank (Euro 45 million) requires compliance with the following benchmarks/financial ratios, which are to be calculated with respect to the consolidated financial statements prepared according to IFRS:

- Net Financial Debt (adjusted, net of receivables from the Government for license fees)/Shareholders' Equity ≤ 1.3 ;
- Net Financial Debt (adjusted, net of receivables from the Government for license fees)/EBITDA ≤ 1.0 .

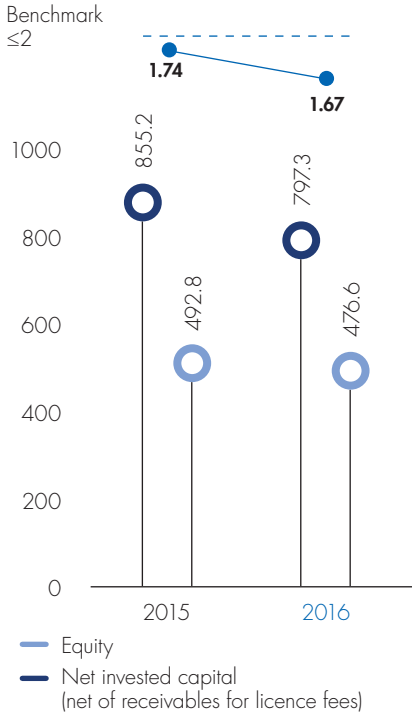
These ratios were largely complied with, coming to 0.67 and 0.51, respectively.

The committed loan facility agreements entered into by Rai Way also require compliance with certain benchmarks/financial ratios to be calculated with respect to the Company's financial statements; these ratios too were complied with in full.

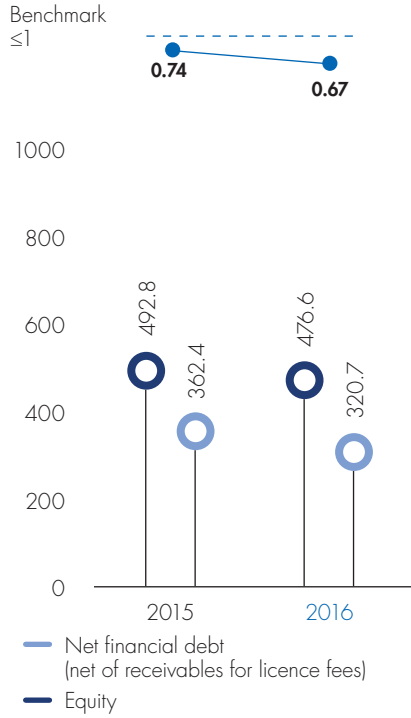
The Group monitors the financial risks to which it is exposed using dedicated IT and statistical tools. The Company's financial management policy is in line with best practices and is aimed at achieving capital preservation through a risk-averse approach, combined with active monitoring of exposure and the implementation of appropriate hedging strategies, implemented by the Parent Company centrally; this policy is also managed on behalf of the subsidiaries. The latter include Rai Way which is provided with its own financial resources, although based on guidelines issued by the Parent Company.

The information on financial risks is reported in the specific section of the notes to the Financial Statements of Rai, to which reference should be made.

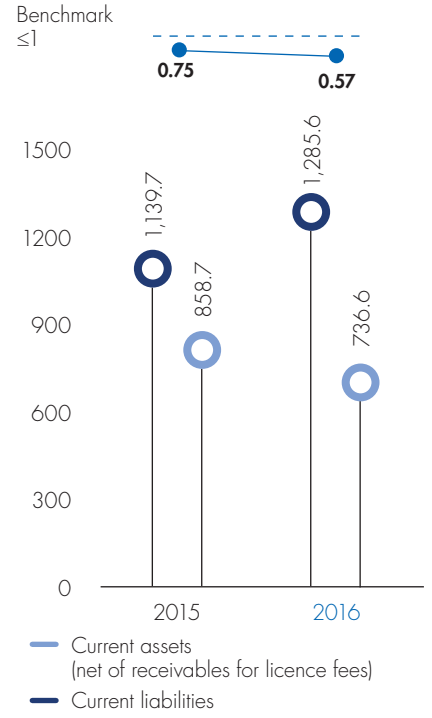
Invested capital coverage ratio



Debt/equity ratio



Current ratio



Other information

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Other information

Post-period events

Renewal of the Concession contract

The Council of Minister's meeting held on 10 March 2017 started the procedure to renew the Public radio, television and multimedia Service concession contract, approving:

- the draft decree of the President of the Council of Ministers concerning the award of the aforesaid Public Service (Article 49, paragraph 1-*quinquies* of the TUSMAR) to Rai for a term of 10 years;
- the attached contract form (Article 49, paragraph 1-*septies*, of the TUSMAR).

These acts, together with the Minister of Economic Development's report on the outcome of the public consultation held as to the Public Service obligations, were sent to the Parliamentary Committee on general affairs and supervision of radio and television services, which shall issue the required opinion within thirty days.

Sud Engineering Srl

On 1 March 2017, Rai Way entered into a long-term agreement for the operation and maintenance of the TV and radio broadcasting network of the Norba Group, which is the first local operator in terms of audience in Italy and which has been active, for 40 years, as the leading operator in the sector of multi-media communication in Southern Italy. At the same time as the execution of the agreement, the company acquired from Telenorba the entire quota capital of Sud Engineering Srl, which operates 30 broadcasting sites that are located in Puglia, Basilicata and Molise and that are instrumental to the planned hosting of stations.

Rai Pubblicità

On 7 February 2017 the Finance Police – Turin Tax Police Unit – served a search and seizure order on Rai Pubblicità SpA, which had been issued by the Turin Public Prosecutor's Office on 30 January 2017. This decree was issued within the criminal proceedings that had already been initiated in September 2016, as a result of the tax assessments issued by the Regional Revenue Agency Head Office of the Piedmont Region, which has already been referred to in these 2016 financial statements. The decree was issued in relation to an alleged offence committed by the Company "in the tax years from 2006 to 2011 through the issue of invoices for transactions that are subjectively non-existing towards a foreign company"; this offence "continued during the subsequent tax periods, from 2012 to 2016, through the use" of other foreign companies.

As to the above information, it should be noted that:

- for the period from 2006 to 2011, the facts are already known to the Milan Public Prosecutor's Office, which has not deemed appropriate to prosecute Rai Pubblicità SpA, but only the persons related to the aforesaid foreign company for VAT tax fraud;
- for the period from 2012 to 2016, the facts concern a single foreign company (media centre), which is still active; the audits carried out, with the support of a major consulting firm, have excluded that there were anomalies in the invoicing process on the part of Rai Pubblicità SpA.

Renewal of credit facilities

January 2017 saw the completion of the procedure for the renewal of the Revolving Credit Facilities, intended for the coverage and back-up of the Group's cash requirements (excluding Rai Way). The loan is used to meet interim cash requirements arising from the payment by the Ministry of Economy and Finance of the fees paid by users in four quarterly instalments.

The facility is granted by a pool of four major banks for a total of Euro 270 million, with a maturity of five years and a spread of 1.17% on Euribor, in line with the rates applied to recent transactions carried out by borrowers with a primary credit standing.

Outlook

The performance of the key macro-economic indicators in Italy shows some signs of recovery, although not yet well-established, which are confirmed by a gradual improvement in GDP growth, albeit lower than in the Eurozone.

Given the structure and composition of revenues, the trend of expansion in economic activities, which is still moderate, only impacts on the component concerning advertising – which will not benefit of the inclusion of Big Sports Events in the schedule – and the commercial exploitation of the Group's offer.

As regards the resources arising from licence fees, which are the main source of financing of Rai, 2017 will record, by virtue of the regulatory framework in force, an amount of funds lower than those recorded during the previous year, in an amount equal to about Euro 150 million; therefore, the amount of revenues from licence fees would go back to the level recorded in 2013.

In this scenario, the economic and financial projections for the current financial year show a substantial breakeven result due to a series of selected measures, while trying to minimise the impact on the quality and competitiveness of the Group's offer and without endangering the process for the transformation of Rai into a Digital Media Company. This forecast does not take account of the significant effects that might arise from the implementation of recently-issued regulations governing the operation of the Public Service, which, at present, cannot be estimated with a sufficient degree of reliability.

Consolidated Financial Statements as at 31 December 2016

Consolidated Financial Statements as at 31 December 2016

Consolidated Statement of financial position

(in millions of Euros)	Note	Year ended	
		31 December 2016	31 December 2015
Property, plant and equipment	12.1	1,082.5	1,115.5
Investment property	12.2	4.9	5.2
Intangible assets	12.3	950.4	900.5
Equity investments	12.4	9.1	10.5
Non-current financial assets	12.5	0.2	0.2
Other non-current assets	12.7	17.7	20.2
Total non-current assets		2,064.8	2,052.1
Inventories	13.1	2.9	2.7
Trade receivables	13.2	637.0	436.7
Current financial assets	13.3	7.4	14.0
Tax receivables	13.4	135.6	108.2
Other current receivables and assets	13.5	78.7	130.8
Cash and cash equivalents	13.6	86.2	146.1
Total current assets		947.8	838.5
Total assets		3,012.6	2,890.6
Share capital		242.5	242.5
Reserves		205.9	500.6
Profits (losses) carried forward		(28.4)	(306.6)
Total Group equity		420.0	436.5
Non-controlling interests' capital and reserves		42.2	42.7
Profits (losses) carried forward attributable to non-controlling interests		14.4	13.6
Total equity attributable to non-controlling interests		56.6	56.3
Total equity	14	476.6	492.8
Non-current financial liabilities	15.1	442.7	481.7
Employee benefits	15.2	555.0	568.8
Non-current provisions for risks and charges	15.3	228.1	194.9
Deferred tax liabilities	15.4	24.2	12.1
Other non-current payables and liabilities	15.5	3.6	6.3
Total non-current liabilities		1,253.6	1,263.8
Trade payables	16.1	686.2	666.4
Current provisions for risks and charges		0.4	0.6
Current financial liabilities	16.2	200.5	40.8
Tax payables	16.3	85.8	78.5
Other current payables and liabilities	16.1	309.5	347.7
Total current liabilities		1,282.4	1,134.0
Total liabilities		2,536.0	2,397.8
Total equity and liabilities		3,012.6	2,890.6

Consolidated Income Statement

(in millions of Euros)	Note	Year ended	
		31 December 2016	31 December 2015
Revenues from sales and services	17.1	2,791.3	2,475.5
Other earnings and proceeds	17.2	18.2	17.6
Total revenues		2,809.5	2,493.1
Costs for purchases of consumables	17.3	(13.9)	(16.4)
Costs for services	17.3	(1,078.8)	(923.7)
Other costs	17.3	(58.6)	(48.5)
Personnel costs	17.4	(1,031.7)	(977.0)
Amortisation, depreciation and write-downs	17.5	(543.4)	(537.5)
Provisions	17.6	(18.8)	(2.2)
Total costs		(2,745.2)	(2,505.3)
Operating result		64.3	(12.2)
Financial income	17.7	2.6	5.0
Financial expenses	17.7	(20.8)	(24.4)
Share of profits (losses) of equity-accounted investments	17.8	(0.7)	1.9
Result before tax		45.4	(29.7)
Income taxes	17.9	(27.3)	4.1
Net result from operating activities		18.1	(25.6)
Result for the year – Profit (loss)		18.1	(25.6)
of which pertaining to:			
- the Group		3.5	(39.3)
- Non-controlling interests		14.6	13.7

Consolidated Financial Statements as at 31 December 2016

Consolidated Statement of Comprehensive Income

(in millions of Euros)	Year ended	
	31 December 2016	31 December 2015
Result for the year	18.1	(25.6)
Items that can be reclassified through profit or loss:		
Profit/(loss) on cash flow hedge instruments	(6.8)	1.2
Translation of financial statements with a functional currency other than the Euro	(0.1)	0.4
Tax effect	2.2	-
Total	(4.7)	1.6
Items that cannot be reclassified through profit or loss:		
Remeasurement of defined-benefit plans	(16.1)	28.9
Tax effect	0.2	(0.2)
Total	(15.9)	28.7
Total comprehensive income (expense) for the year	(2.5)	4.7
of which pertaining to:		
- the Group	(16.9)	(9.0)
- Non-controlling interests	14.4	13.7

Consolidated Cash flow statement

(in millions of Euros)	Note	Year ended	
		31 December 2016	31 December 2015
Profit (loss) before tax		45.4	(29.7)
Adjustments for:			
Amortisation, depreciation and write-downs	17.5	543.4	537.5
Accruals to and (releases of) provisions related to personnel and other provisions	17.6	109.4	71.9
Net financial expenses (income)	17.7	18.2	19.4
Share of profits (losses) of equity-accounted investments	12.4	0.7	(1.9)
Other non-cash items		0.1	0.1
Cash flows from operating activities before changes in net working capital		717.2	597.3
Change in inventories	13.1	(0.2)	(0.1)
Change in trade receivables	13.2	(202.9)	32.2
Change in trade payables	16.1	19.8	11.7
Change in other assets and liabilities		(19.5)	1.9
Use of provisions for risks	15.3	(38.3)	(33.2)
Payment of employee benefits	15.2	(72.1)	(71.6)
Income taxes paid		(6.1)	(6.9)
Net cash flow from operating activities		397.9	531.3
Investments in property, plant and equipment and investment property	12.1 - 12.2	(74.5)	(92.3)
Disposals of property, plant and equipment and investment property	12.1 - 12.2	0.8	0.4
Investments in intangible assets	12.3	(484.0)	(483.7)
Disposals of intangible assets	12.3	1.7	0.4
Dividends collected		0.7	0.5
Interest collected		0.1	-
Change in financial assets	12.5 - 13.3	(0.2)	(2.8)
Net cash flow from investing activities		(555.4)	(577.5)
Long-term loans	15.1	-	389.8
Long-term loan repayments	15.1	(35.2)	(295.1)
(Decrease)/increase in short-term loans and other loans	16.2	154.7	(8.9)
Interest paid		(8.2)	(10.1)
Dividends distributed		(13.7)	(11.7)
Cash flow from financing activities		97.6	64.0
Change in cash and cash equivalents		(59.9)	17.8
Cash and cash equivalents at the beginning of the year	13.6	146.1	128.3
Cash and cash equivalents the end of the year	13.6	86.2	146.1

Consolidated Financial Statements as at 31 December 2016

Consolidated Statement of changes in equity

(in millions of Euros)	Share capital	Legal reserve	Other reserves	Profits (losses) carried forward	Group equity	Equity attributable to non-controlling interests	Total equity
Balances as at 1 January 2015	242.5	9.2	416.6	(222.8)	445.5	54.3	499.8
Allocation of the result	-	2.4	70.8	(73.2)	-	-	-
Dividends distributed	-	-	-	-	-	(11.7)	(11.7)
Transactions with shareholders	-	-	-	-	-	(11.7)	(11.7)
Result for the year	-	-	-	(39.3)	(39.3)	13.7	(25.6)
Other comprehensive income (expense)	-	-	1.6	28.7	30.3	-	30.3
Total comprehensive income (expense) for the year	-	-	1.6	(10.6)	(9.0)	13.7	4.7
Balances as at 31 December 2015	242.5	11.6	489.0	(306.6)	436.5	56.3	492.8
Balances as at 1 January 2016	242.5	11.6	489.0	(306.6)	436.5	56.3	492.8
Allocation of the result	-	-	(290.6)	290.6	-	-	-
Dividends distributed	-	-	-	-	-	(13.7)	(13.7)
Other changes [1]	-	-	0.6	(0.2)	0.4	(0.4)	-
Transactions with shareholders	-	-	0.6	(0.2)	0.4	(14.1)	(13.7)
Result for the year	-	-	-	3.5	3.5	14.6	18.1
Other comprehensive income (expense)	-	-	(4.7)	(15.7)	(20.4)	(0.2)	(20.6)
Total comprehensive income (expense) for the year	-	-	(4.7)	(12.2)	(16.9)	14.4	(2.5)
Balances as at 31 December 2016	242.5	11.6	194.3	(28.4)	420.0	56.6	476.6

[1] Effect determined by the difference between the value of the option included in the IPO of Rai Way (Bonus Share) as estimated when the right arises and the actual value at maturity.

Notes to the Consolidated Financial Statements as at 31 December 2016

1) General information

Rai Radiotelevisione Italiana SpA (hereinafter referred to as "Rai", the "Company" or the "Parent Company") is a joint-stock company incorporated under the laws of, and domiciled in, Italy, with registered office in Rome, at Viale Mazzini no. 14 and organised according to the legal system of the Italian Republic.

The Consolidated Financial Statements as at 31 December 2016 (hereinafter referred to as the "Consolidated Financial Statements"), as described below, are prepared under the International Financial Reporting Standards ("IFRSs").

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are active in Italy in the role as a general Public Radio and Television Service operator. The Parent Company is required by special national and Community regulations to fulfil specific obligations regarding the quality and quantity of its broadcasting schedule, which are further detailed in the Service Contract entered into with the Ministry of Economic Development (hereinafter also referred to as the "Contract").

The current Service Contract is that referred to the three-year period from 2010 to 2012, which is still in force by virtue of the provisions of Section 36 thereof.

The Contract provides for certain service levels and restrictions that Rai is required to meet in the performance of its publishing activities, which are increasing over time. It also establishes a clear connection between Rai, individuals and the community, meeting needs that are relevant to the growth of the individual and the creation of public awareness. Editorial issues that are worthy of mention are the focus on education and employment, information and insights, social and cultural issues, children and teenagers, the role of women, sports and entertainment, minority languages and the promotion of the image of Italy abroad, to the benefit of both foreigners and the many communities of Italians living there.

Under Law 89/2014 Rai must ensure public information at a national and regional level, through the presence of newsrooms and facilities suitable for specific productions in each region and autonomous province. The new paragraph 3-bis of Article 17 of Law 112/2004 also provides for the offices located in Bolzano, Trento, the Aosta Valley and Friuli-Venezia Giulia to retain their autonomy in financial and accounting terms, to serve as decentralised production centres for the promotion of local culture and language, and for any other regional and provincial office to retain such autonomy until the definition of a new local structure on the part of Rai.

In accordance with Law 220 of 28 December 2015 governing the "Reform of Rai and of the Public Radio and Television Service", the National Service Contract between the Ministry of Economic Development and Rai is to be renewed for a term of five years rather than the previous three years, within the scope of the concession that assigns Rai the role of operator of the Public radio, television and multi-media Service.

On 19 April 2016, the new Code of Public Contracts (Legislative Decree 50 of 18 April 2016) entered into force. This Decree, under Article 216, paragraph 24, provides that "in order to achieve the highest possible participation in the public consultation referred to in Article 5, paragraph 5, of Law 220 of 18 December 2015 (Rai Reform Act), and pending the updating of the regulations governing the award of the Public radio, television and multimedia Service", the term of the concession must be extended from 6 May 2016 to 31 October 2016.

Law 198 of 26 October 2016, governing the "Establishment of the Fund for pluralism and innovation of information and powers delegated to the Government for the reform of regulations governing public support to the sector of publishing and local radio and television broadcasters, the regulations governing pension schemes for journalists and the composition and competence of the National Council of the Association of Journalists. Procedure for awarding Public radio, television and multimedia Services", has set out a new procedure for the award of the Public radio, television and multimedia Service. This 10-year concession is preceded by a public consultation on the obligations involved in performing the service, pursuant to the abovementioned Article 5, paragraph 5, of Law 220 of 18 December 2015 (Rai Reform Act).

Article 6, paragraph 3, of Decree Law 244 of 30 December 2016, governing the "Extension and definition of time limits" ("*mille-proroghe*", one thousand extensions), provides that, pending the award of the Public radio, television and multimedia Service (according to the new procedures set out in Article 9 of Law 198/2016, within the framework of the actions already laid down in Law 220/2015), and in any case for a period of time not exceeding one hundred and eighty days from 31 October 2016 (i.e. until 29 April 2017), the concession and the contract in place shall continue to apply for all purposes. Accordingly, the current concession term of the Public radio, television and multimedia Service contract awarded to Rai has been extended so as to regulate the case that the new contract is not awarded before that term under a Decree to be issued by the President of the Council of Ministers.

The Company's share capital is owned respectively by:

- Ministry of Economy and Finance (99.5583%)
- SIAE Società Italiana Autori Editori (0.4417%)

The Consolidated Financial Statements have been audited by PricewaterhouseCoopers SpA (hereinafter the "Independent Auditors"), which was appointed for the financial years until 2023, at the reasoned proposal of the Board of Statutory Auditors, by the General Ordinary Shareholders' Meeting of Rai held on 10 March 2016, in consideration of the acquisition by Rai of the status of Public Interest Entity.

2) Basis of preparation

The Company, in relation to the provisions under Legislative Decree 38 of 28 February 2005 and in the preparation of its Consolidated Financial Statements, the International Financial Reporting Standards (hereinafter referred to as "IFRSs" or "international accounting standards") issued by the International Accounting Standards Board (hereinafter referred to as IASB) and adopted by the European Commission according to the procedure referred to in Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002. The IFRSs also include all international accounting standards ("IAS") and all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as "Standard Interpretations Committee" (SIC). While preparing these Consolidated Financial Statements, the Group provided full information and applied the IFRSs consistently to periods covered by these Consolidated Financial Statements.

The structure of the Consolidated Financial Statements adopted by the Group provides as follows:

- the items of the Consolidated Statement of Financial Position must be segregated into current and non-current;
- the items of the Consolidated Income Statement must be classified by nature;
- the Consolidated Statement of Comprehensive Income must be presented separately from the Income Statement and must state the results of operations, together with income and expenses that are recognised directly in equity, as expressly required by the IFRSs;
- the Consolidated Cash Flow Statement must be prepared according to the "indirect method", by adjusting the result (profit/loss before tax) for the year for any non-cash items; and
- the Consolidated statement of changes in equity must show the aggregate income (expenses) for the year, as well as transactions with shareholders and any other changes in Equity.

This approach best reflects the elements that determined the result of operations of the Group, as well as its financial and capital structure.

The Consolidated Financial Statements were prepared by applying the historical cost method, taking into account value adjustments, where appropriate, except for those items of the financial statements that, under IFRSs, must be recognised at fair value, as stated in the accounting principles and except in the cases in which the IFRSs provide for a different accounting principle.

These Consolidated Financial Statements have been prepared on a going-concern basis, since it is believed that no financial, management or other indicators exist that could raise doubts about the Group's ability to meet its obligations in the foreseeable future and, specifically, in the next twelve months.

The procedures through which the Group manages financial risks are described in note 8 below, "Financial Risk Management".

The values of the items of the financial statements and the related explanatory notes, in consideration of their relevance, are expressed in millions of Euros, except as otherwise stated.

3) Principles of consolidation

The Consolidated Financial Statements were prepared using the separate financial statements of the Company and of its subsidiaries drawn up according to the IFRSs. The Group companies' financial year ends on 31 December.

The details of the companies included in the consolidation area as at 31 December 2016 and 31 December 2015 are set forth in note 21 "Appendix", which forms an integral part of the Consolidated Financial Statements.

Subsidiaries

An investor controls a subsidiary when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its decision-making power over the relevant activities of the subsidiary. The assessment of whether such control exists is reevaluated if facts and circumstances indicate that there are changes to one or more elements that make up the definition of control.

The assets, liabilities, income and expenses of the subsidiaries are consolidated on a line-by-line basis in the consolidated financial statements starting from the date on which the Parent Company takes over direct or indirect (i.e. through one or more of its subsidiaries) control and until the date when such control ceases to exist. The book value of the equity investments is derecognised against the corresponding portion of equity. The shares of equity and of the total comprehensive income (expense) pertaining to non-controlling interests are entered under specific items of equity and of the statement of comprehensive income.

In the event of shares of equity being acquired after control was obtained (acquisition of non-controlling interests), any positive difference between purchase cost and the corresponding portion of equity acquired is recognised under equity pertaining to the Group; likewise, the effects arising from the disposal of non-controlling interests without loss of control are also recognised under equity.

On the contrary, any disposal of investments that would result in a loss of control entails the recognition of the following items in profit or loss:

- any capital gain/losses calculated as the difference between the consideration received and the corresponding portion of consolidated equity being disposed of;
- the effect of the remeasurement of any residual equity investment to fair value;
- any amounts recognised under other comprehensive income (expense) relating to the former subsidiary, which will be reversed to profit or loss, or, should the reversal to profit or loss not be required, to profits (losses) carried forward.

The remeasurement of any residual holding to fair value as at the date of the loss of control represents a new carrying amount of the equity investment, which is also the reference value for the subsequent measurement according to the applicable accounting principles.

The consolidated companies are specified in note 21 "Appendix", which forms an integral part of these explanatory notes. This annex also reports any change in the consolidation area that occurred during the period.

Business Combinations

Business combinations are recognised in accordance with IFRS 3, "Business Combinations", by applying the so-called acquisition method. The consideration for the business combination is determined as at the date when the control is acquired and is equal to the fair value of the assets transferred, the liabilities assumed, as well as of any equity instruments issued by the acquirer. Contingent consideration is recognised at fair value at the acquisition date. Any subsequent changes in the fair value of the contingent consideration, the amount and the payment of which depend on future events, classified as financial instrument under IAS 39 "Financial Instruments: recognition and measurement", are recognised in either profit or loss or equity under other comprehensive income (expense). If the contingent consideration is not within the scope of IAS 39, it is accounted for according to the specific IFRS/IAS of reference. If the contingent consideration is classified as an equity instrument, it is not re-measured, and, when subsequently settled, it is accounted for in equity. Costs directly attributable to the transaction are recognised in consolidated profit or loss, when they are incurred.

At the date on which control is obtained, the investees' equity must be determined by measuring all of the identifiable assets and liabilities (including contingent liabilities) at their acquisition-date fair value, except as otherwise required by IFRS 3.

If positive, any remaining difference from the acquisition cost is recognised under “Intangible Assets” as goodwill; if negative, it is recognised in profit or loss as a gain for the period.

If full control is not acquired, the share of equity attributable to non-controlling interests is determined based on their share of the current values attributed to assets and liabilities at the date of acquisition of control, excluding any goodwill attributable to them (partial goodwill method). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, also taking into account the portion attributable to non-controlling interests (full goodwill method); in this case, non-controlling interests are expressed at fair value. The decision to measure goodwill by using either the partial goodwill or the full goodwill method will be made based on each individual business combination transaction.

When control is achieved in stages, the acquisition cost is determined by adding the fair value of the interest previously held in the acquiree to the amount paid for the additional portion. The difference between the fair value of the previously held interest and the related book value is recognised in profit or loss. When control is acquired, any amount previously recognised in other comprehensive income is recognised in profit or loss or under another item of equity, if no provisions are made for the reclassification to profit or loss.

When the values of the assets and liabilities of the acquiree can be determined only provisionally, such determination must be completed no later than twelve months following the acquisition date, taking into account the information obtained about facts and circumstances that were in existence at the acquisition date. In the reporting period when such determination is completed, provisional amounts are adjusted retroactively.

Interests in joint arrangements

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements can be classified as:

- joint ventures, i.e. joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement; and
- joint operations, i.e. joint arrangements whereby the parties have rights to the assets and obligations for the liabilities relating to the arrangement.

Interests in joint ventures are valued according to the equity method, as described in note 4 “Accounting principles”, whereas joint operations are accounted for by recognising their share of assets, liabilities, revenues and costs on a line by line basis in the consolidated financial statements, based on the rights and obligations of the parties to the agreements.

Investments in associates

An associate is an entity over which the Group exercises significant influence, this being the power to participate in the financial and operating policy decisions of the investee, but not control or joint control. Investments in associates are valued according to the equity method, as stated in note 4 “Accounting principles”.

Intragroup transactions

Profits arising from transactions between consolidated companies are eliminated, in the same way as receivables, payables, income and expenses, guarantees, commitments and risks between consolidated companies. Unrealised gains with companies valued according to the equity method are eliminated for the share pertaining to the Group. In both cases, intragroup losses are not eliminated, since they actually represent a lower value of the transferred asset.

Translation of financial statements expressed in a currency other than the Euro

The financial statements of companies operating in areas other than the Eurozone, which is the reporting currency of the Group, as well as the functional currency of the Parent Company and its subsidiaries, except for Rai Corporation in liquidation (hereinafter “Rai Corporation”) are translated into Euro by applying the exchange rates prevailing at the reporting date to asset and liability items, historical exchange rates to equity items and the average exchange rates for the reporting period to the income statement items.

Exchange differences that arise from the translation of the financial statements of the companies operating in areas other than the Eurozone and that are generated by the application of different exchange rates for assets and liabilities, equity and the income statement, are recognised in equity under "Other reserves", as reserve for exchange differences for the portion pertaining to the Group and, if required, under "Equity attributable to non-controlling interests" for the portion pertaining to non-controlling interests. The reserve for exchange differences is recognised in profit or loss when the investee ceases to qualify as a controlled entity. In this case, the reserve is recognised in profit or loss under "Financial income" or "Financial expenses". In case of partial disposal, without loss of control, the amount of exchange differences relating to the share of the investment disposed of is recognised in equity attributable to non-controlling interests. If the control over the investee ceases to exist and the latter qualifies as a joint venture or an associate, the translation reserve is incorporated in the valuation according to the equity method.

The financial statements used for the translation of the accounts of Rai Corporation are those expressed in the reporting currency that is the US Dollar (USD).

4) Accounting principles

The most significant accounting standards and principles used in the preparation of the Consolidated Financial Statements are summarised below.

Current Assets

Inventories. Inventories of technical materials are valued at purchase cost, which is determined according to the weighted average cost method and depreciated based on market performance and the presumed non-use linked to obsolescence and slow moving. Inventories of goods for resale (periodicals, books and home videos) are valued at purchase cost, which is determined according to the weighted average cost method, or, if lower, at the presumed realisable value that can be inferred from market performance.

Contract work in progress, which typically refers to the upgrading of the transmission and broadcasting network, is valued based on the costs incurred with reference to the progress of the works, determined using the cost to cost method.

Trade Receivables - Other current Receivables and Assets - Current Financial Assets. Trade receivables, other current receivables and assets and current financial assets are initially recognised at fair value adjusted for directly attributable transaction costs; subsequently they should be measured at amortised cost according to the effective interest rate method (i.e. the interest rate that equals, upon initial recognition, the present value of estimated cash flows and the book value), as appropriately adjusted to take account of write-downs, through the recognition of a provision for bad debts. Receivables from customers and other financial assets are entered under current assets, except for those that have a maturity of more than twelve months from the reporting date, which are classified under non-current assets.

Impairment of financial assets. All financial assets, other than those measured at fair value with a corresponding entry in profit or loss, are tested at each reporting date, in order to assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised only if there is evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss events have an impact on the estimated future cash flows of the asset.

Objective evidence of impairment may include observable indicators, such as for example:

- the issuer or the debtor is experiencing significant financial difficulty;
- default or delinquency in interest or principal payments;
- the probability that the debtor will enter bankruptcy or other financial reorganisation;
- a significant decrease in the estimated future cash flows.

Losses that are expected to arise from future events are not recognised.

For financial assets accounted for at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. This value is recognised in consolidated profit or loss.

If the amount of a previously recognised impairment loss decreases and such decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Derecognition of financial assets and liabilities. Financial assets qualify for derecognition when one of the following conditions is fulfilled:

- the contractual right to the cash flows from the financial asset expires;
- the Group has transferred substantially all the risks and rewards of ownership of the asset, transferring its rights to receive the cash flows from that asset or assuming a contractual obligation to pay those cash flows to one or more recipients (if any) under an agreement that meets the requirements provided for in IAS 39 (the so-called "pass through test");
- the Group has neither transferred nor retained substantially all of the risks and rewards of ownership of the financial asset and has not retained control.

In case of factoring transactions that do not substantially provide for the transfer to the factor of the risks and rewards attached to the assigned receivables (therefore, the Group is still exposed to the risk of insolvency and/or delayed payment - the so-called assignments "with recourse"), the transaction is treated as raising a loan backed by the receivable being assigned. In this circumstance, the assigned receivable is still recognised in the Group's consolidated statement of financial position until it is collected by the factor and a financial payable is entered against any possible advance obtained by the factor. The financial cost of factoring transactions is represented by interest on the advance amounts taken to profit or loss on an accruals basis, which are classified as financial expenses. Fees accruing on assignments are entered under financial expenses.

Financial liabilities qualify for derecognition when they are extinguished, that is, when the contractual obligation is either discharged or cancelled or expires.

Offsetting financial assets and liabilities. The Group is entitled to offset financial assets and liabilities when, and only when:

- there is a legally enforceable right of set-off the recognised amounts; and
- there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Cash and cash equivalents. Cash and cash equivalents include cash, demand deposits and financial assets with an original maturity equal to or less than three months, which are readily convertible into cash and are subject to an insignificant risk of changes in value. The components of cash and cash equivalents are measured at fair value.

Collection transactions are recorded according to the date of the banking transaction, while the date of instructions is also taken into account for payment transactions.

Non-current Assets

Property, plant and equipment. Property, plant and equipment are recognised at cost and stated at acquisition or production cost, including additional costs that are directly attributable to making the assets available for use. If there are current obligations to dismantle and remove the assets and to restore the sites, the book value includes estimated (discounted) costs to be incurred to abandon the site, which are recognised with a corresponding entry in a specific provision (the accounting treatment of the estimate adjustments to such costs, of the passing of time and of the discount rate is stated in note 15.3 "Non-current provisions for risks and charges"). No revaluation of property, plant and equipment is allowed, not even in compliance with specific laws.

Costs for improvements, modernisation and transformation, aimed at increasing the value of property, plant and equipment, are recognised under balance sheet assets when it is likely that they would increase the future economic benefits expected from the use or sale of the asset.

Property, plant and equipment are systematically depreciated on a straight-line basis over their economic-technical useful life, which is the estimated period in which the asset will be used by the entity. This period commences in the month in which the asset is, or would have been, used for the first time. When the item of property, plant and equipment is comprised of several significant components with different useful lives, depreciation is carried out for each component. The value to be depreciated is represented by the book value reduced by the presumed net transfer value at the end of its useful life. Land, even if purchased together with a building, works of art and property, plant and equipment held for sale are not subject to depreciation. Any changes in the depreciation charges, arising from a review of the useful life

of the item of property, plant and equipment, concerning the residual value or in the procedures to obtain economic benefits from the asset, are recognised prospectively.

Below is the estimated useful life of the main property, plant and equipment:

	Useful life in years	
	Min	Max
Buildings	10	50
Plant and machinery	2	12
Industrial and commercial equipment	5	7
Other assets	4	9

Routine maintenance and repair costs are recognised in consolidated profit or loss in the period when they are incurred.

Intangible assets. Intangible assets refer to identifiable assets without physical substance, which are controlled by the Group and from which future economic benefits are expected, as well as goodwill when acquired against payment. An intangible asset is identifiable when it can be clearly distinguished from goodwill. This requirement usually is met when:

- the intangible asset arises from a legal or contractual right; or
- the asset is separable, that is, it is capable of being sold, transferred, rented or exchanged, either individually or as an integral part of other assets.

The Group's control consists of the power to obtain future economic benefits from the asset and of the possibility to restrict the access of others to those benefits.

Intangible assets are stated at acquisition or production cost, including additional costs that are directly attributable to making the assets available for use. No revaluation of is allowed, not even in compliance with specific laws.

Intangible assets with a finite useful life are systematically amortised over their useful life, which is the estimated period in which the assets will be used by the Group and are structured as follows:

- a) Programmes – Audiovisual works: Acquisition and production costs for television programmes, audiovisual, cinema and multi-media works, which comprise the external costs that can be allocated directly to each production and the costs of the internal resources used for their creation, are accounted for as follows:
- 1) costs for repeated-use productions and with rights of use for a contract term of more than 12 months are capitalised under intangible assets. If such productions are ready for use, the costs are amortised on a straight-line basis from the month when they are realised or the right is available, over the period of their estimated useful life. If such repeated-use productions are not yet usable at period-end, or the related rights will be available in the future, the costs are reported as intangible assets under development and payments on account.

The table below reports the useful life of repeated-use programmes and audiovisual works, estimated in view of objective difficulties encountered in identifying elements capable of establishing an appropriate correlation between advertising revenues, license fees and the amortisation of rights, to which must be added the impossibility of determining the multiple ways of exploitation:

	Useful Life in years
Rai TV drama and comedy productions and cartoons	3
Rights other than free TV rights relating to films and serials acquired by Rai Cinema	3
Football library exploitation rights	4
Free TV rights relating to films and serials acquired by Rai Cinema	5
"Full rights", i.e. products for which Rai Cinema has acquired the whole range of rights (film, television, home video etc.)	7

Costs for concession rights with a shorter duration are amortised over the period they are available. In the event that the viewing rights available as per contract are exhausted, the residual value is expensed in full.

- 2) Costs for one-time-use television programmes are charged in the income statement in a single year, which is normally that in which they are used or the concession term commences. More specifically:
- *News, light entertainment, documentaries, serious music and plays and all radio programming.* Costs are charged in the year in which they are incurred, which is normally the year in which the programmes are broadcast.
 - *Sports events.* Costs are charged in the year in which the event takes place.
- b) Software licences are amortised over three years from the year they are available for use, which is normally the year in which they enter service.
- c) Costs incurred for the construction of the digital terrestrial network are stated net of amortisation and amortised on a straight-line basis over the estimated period of use from the date the service is activated.
- d) Trademarks are amortised over ten years from the year they are available for use, which is normally the year in which they enter service.

Goodwill and the other intangible assets with an indefinite useful life are not amortised; the possibility of recovering their book value is verified at least once a year and whenever events occur that might be considered evidence of impairment.

Impairment of non-financial assets. Non-financial assets are tested at each reporting date, in order to assess whether there is any evidence that they may be impaired. When events occur that indicate an impairment of non-financial assets, the recoverable value shall be estimated by comparing the book value with the higher of fair value, net of costs of disposal, and the value in use. The value in use is determined based on reasonable and demonstrable assumptions that represent the best estimate of the future economic conditions that will occur during the residual useful life of the asset, attaching importance to external indicators. When the reasons for the write-downs cease to exist, the value of the assets is reinstated and the adjustment is recognised in profit or loss as a revaluation (reinstatement of value). The value is reinstated at the lower of recoverable value and book value, including any write-downs previously carried out and reduced by the amortisation allowances that would have been allocated had no write-down been made.

Investment property. Investment property is comprised of the properties held by the Group to earn rentals and/or for capital appreciation, and is accounted for by applying the same rules as those specified in the paragraph on "Property, plant and equipment".

An investment property is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The profit or loss (if any), determined as the difference between the net disposal proceeds and the carrying amount of the derecognised assets is recognised in the consolidated statement of comprehensive income.

When events occur that indicate an impairment of investment properties, the recoverable value shall be estimated by comparing the book value with the higher of fair value, net of costs of disposal, and the value in use.

The useful life is determined to be equal to 33 years.

Government grants. Government grants, including non-monetary grants measured at fair value, are recognised when there is reasonable assurance that they will be received and that the Group will comply with any conditions attached to the grant.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is initially recognised at fair value and the government grant is measured as the difference between the initial book value and the funding received. The loan is subsequently valued in accordance with the provisions set out for financial liabilities.

Operating grants are recognised as a positive component in consolidated profit or loss, under Other earnings and proceeds.

Government grants received for the purchase, construction or acquisition of fixed assets (property, plant and equipment or intangible assets) are recognised as a direct reduction in the related acquisition or production cost, or stated as an income with reference to the related useful life in relation to the amortisation or depreciation of assets involved in the grant.

Financial assets (current and non-current). Investments in joint ventures and associates are recognised according to the equity method.

Under the equity method, equity investments are initially recognised at acquisition cost, by allocating any possible difference between the cost incurred and the share of investment in the fair value of the identifiable net assets of the investee in the same way as that provided for in IFRS 3 "Business Combinations". Subsequently, the book value is adjusted in order to take account of:

- the investor's share of the profit or loss of the investee after the date of acquisition; and
- the share of other comprehensive income (expense) of the investee.

Any changes in the investee's equity, other than those described above, are recognised in consolidated profit or loss when they substantially represent the effects of a transfer of a share of the investment held in the investee. The dividends distributed by the investee are recognised as a deduction in the book value of the investment. For the purposes of the application of the equity method, account is taken of the adjustments required for the consolidation process (see note 3 "Principles of consolidation").

Should there be any objective evidence of impairment, the recoverability shall be estimated by comparing the book value with the related recoverable value determined by adopting the criteria set out in the section on "Impairment of non-financial assets". When the reasons for the write-downs cease to exist, the value of the investments is reinstated within the limits of the write-downs made, taking the impact to the consolidated income statement.

The transfer of shares of investment that entails the loss of joint control or of the significant influence over the investee determines the recognition of the following items in consolidated profit or loss:

- any capital gain/losses calculated as the difference between the consideration received and the corresponding portion of the carrying amount of the investment being disposed of;
- the effect of the remeasurement of any residual investment to fair value;
- any amounts recognised under other comprehensive income (expense) relating to the investee, which will be reversed to consolidated profit or loss.

The value of any retained investment, adjusted at the related fair value at the date of the loss of the joint control or of the significant influence, represents the new book value and, thus, the reference value for any subsequent measurement according to the applicable accounting principles.

Once an equity-accounted investment, or a share thereof, is classified as held for sale, since it meets the requirements set out for such classification, the investment, or a share thereof, will no longer be measured according to the equity method. Any shares of such investment not classified as held for sale are measured according to the equity method until the completion of the disposal of the share of investment classified as held for sale. After the disposal, any remaining share retained is measured based on the applicable accounting principles.

Other equity investments entered under non-current assets are measured at fair value, recognising the effects in the equity reserve pertaining to the consolidated other comprehensive income (expense); any fair value changes recognised in consolidated equity are taken to the consolidated income statement upon their write-down or realisation. When the investments are not listed in a regulated market and the fair value cannot be determined reliably, they are measured at cost adjusted for impairment losses, which are not subject to reinstatement.

The **investor's share of possible losses of the investee**, in excess of the carrying amount of the investment, is recognised in a specific provision to the extent that the investor is committed to fulfil legal or constructive obligations placed on the investee or, in any case, to cover its losses.

Receivables and financial assets held to maturity are stated at cost, represented by the fair value of the initial consideration, as increased by transaction costs (if any). The initial book value is subsequently adjusted so as to take account of capital repayments, write-downs and the amortisation of the difference between the repayment value and the initial carrying amount; the amortisation is carried out based on the effective interest rate (amortised cost method).

Should there be any objective evidence of impairment losses, the write-down is determined by comparing the related book value with the current value of the estimated cash flows discounted at the effective interest rate that is defined upon initial recognition. Receivables and financial assets to be held to maturity are stated net of any related provision for bad debts.

Current and non-current liabilities

Financial liabilities - Trade payables - Other payables and liabilities. Loans and trade payables are recognised when the Group becomes a party to the relevant contract clauses and are initially measured at fair value adjusted by any directly attributable transaction costs.

Subsequently, they are measured at amortised cost using the effective interest rate method.

Provisions for risks and charges. Provisions for risks and charges refer to costs and charges determinable in nature, the existence of which is certain or likely, whose amount and/or timing could not be determined at the reporting date. Accruals to the provisions are recognised when:

- a present obligation, whether legal or constructive, has arisen as a result of a past event;
- a settlement is expected to result in an outflow of resources;
- the amount of the obligation can be estimated reliably.

Accruals to provisions are stated at the value representing the best estimate of the amount that the company would reasonably pay to settle the obligation or to transfer it to a third party on the reporting date. When the financial effect of the passing of time is significant, and the payment dates of the obligations can be estimated reliably, the accrual is determined by discounting the estimated cash flows that are determined based on the risks associated with the obligation; the increase in the provision arising from the passing of time is recognised in consolidated profit or loss under Financial income or Financial expenses.

The costs that the company expects to incur in the implementation of reorganisation plans are recognised in the year in which the plan is formally defined and the parties involved may expect that the reorganisation will actually take place.

The provisions are periodically remeasured in order to reflect any changes in estimated costs, timing and discount rate; the reviews of the estimates are charged to the same income statement item as that under which the provision was initially set aside. Provisions for risks and charges are discounted if it is possible to reasonably estimate the moment when the monetary payments will actually occur. When the liability is related to property, plant and equipment (e.g. decommissioning and site restoration), any changes in the estimates of the provision are recognised against the asset to which they refer, within the limits of the book values; any excess is recognised in profit or loss.

If some or all of the expenditure required to discharge an obligation is expected to be reimbursed by a third party, the reimbursement, when it is virtually certain that it will be received, is recognised as a separate asset.

As regards contracts, whose non-discretionary costs required to fulfil the obligations assumed, exceed the economic benefits that are expected to be obtained from the contract (contracts for valuable consideration), the Group recognises a provision equal to the lower of the cost required to fulfil the obligation and any compensation or sanction resulting from a breach of the contract.

The existence of **contingent liabilities**, which are represented by possible, but not probable, obligations resulting from past events, depending on whether some uncertain future events occur, which are not fully under the control of the company, or the amount of which cannot be estimated reliably, does not result in the recognition of liabilities in the accounts, but must be described in a specific note in the Consolidated Financial Statements.

Employee benefits. Post-employment benefits, taking into account their features, are classified in “defined contribution” and “defined benefit” plans. Under defined contribution plans, the company’s obligation, limited to the payment of the contributions to the Government or to a fund or a legally separate entity, is determined based on the contributions that are due and payable. The costs related to such plans are recognised in profit or loss based on the contributions paid during the period. Under defined benefit plans, the company’s obligation is determined separately for each scheme, based on actuarial assumptions and by estimating (in accordance with the projected unit credit method) the amount of the future benefits that the employees earned at the reference date. More specifically, the present value of the defined benefit plans is calculated using a rate determined based on market yields, at the reporting date, of high quality corporate bonds or, absent any active market where such bonds are traded, of Government bonds. The liability is recognised on an accruals basis during the vesting period of the right and is measured by independent actuaries. If the plan assets exceed the current value of the relevant liability, any excess is recognised as an asset.

Net interest includes any return on the plan assets and any interest cost to be recognised in profit or loss. Net interest is determined by applying the discount rate defined for liabilities to the liabilities, net of any plan assets; net interest of defined benefit plans is recognised in consolidated profit or loss under Financial income or Financial expenses.

Actuarial gains and losses arising from the actuarial measurement of the defined benefit plans and the return on the plan assets (net of any related interest income) are recognised under other components of the Consolidate statement of comprehensive income. As regards other long-term benefits, actuarial gains and losses are recognised in consolidated profit or loss. Should a defined benefit plan be amended or a new scheme be introduced, any social security cost related to services performed in the past is recognised in consolidated profit or loss.

Derivative financial instruments. A derivative is a financial instrument or another contract:

- the value of which changes depending on the changes in a parameter known as “underlying”, such as an interest rate, a stock price or the price of commodities, a foreign exchange rate, a price or rate index, a credit rating or any other variable;
- that requires an initial net investment equal to zero, or lower than the investment that would be required for contracts with a similar response to the changes in market conditions;
- settled on a future date.

Derivative instruments are classified as financial assets or liabilities depending on whether the fair value is positive or negative, and are classified as “held for trading” and measured at fair value through consolidated profit or loss, except for those designated as effective hedges.

Derivatives are designated as hedging instruments when the relation between the derivative and the hedged item is formally documented and the effectiveness of the hedge, periodically verified, is high. When the derivatives are entered into for cash flow hedge purposes (e.g. as a hedge of the variability in cash flows of assets/liabilities as a result of exchange rate fluctuations), any changes in the fair value of the derivatives regarded as effective are initially recognised in the equity reserve related to the other components of the consolidated statement of comprehensive income and subsequently taken to the consolidated income statement in line with the economic effects produced by the hedged transaction. Any changes in the fair value of the derivatives that do not qualify for hedge accounting are recognised in consolidated profit or loss.

Fair value measurement

Fair value measurements and related disclosures are made or prepared by applying IFRS 13 “Fair Value measurement”. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction entered into between market participants at the measurement date.

Fair value measurement assumes a transaction to sell an asset or transfer a liability taking place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, the transaction is assumed to take place in the most advantageous market that can be accessed by the Group, that is to say the market that would likely maximise the amount that would be received to sell an asset or minimise the amount that would be paid to transfer a liability.

The fair value of an asset or liability is determined by considering the assumptions that will be used by the market participants to define the price of the asset or liability, assuming that they act according to their best economic interest. Market participants are buyers and sellers that are independent of each other, knowledgeable, are able and are willing to enter into a transaction for the asset or liability, but not forced or otherwise compelled to do so.

In fair value measurements the Group takes account of the features of the specific assets or liabilities; specifically, as regards non-financial assets, account is taken of the market participant's ability to generate economic benefits by exploiting the asset to its maximum and best use or selling it to another market participant capable of exploiting it to its maximum and best use. The fair value measurement of assets and liabilities is carried out using techniques adequate to the circumstances and for which sufficient data is available, maximising the use of observable inputs.

Revenues and costs

Revenues are recognised to the extent that it is probable that any economic benefits will flow to the Group and can be determined reliably; revenues from services are recognised once the provision of such services is completed, while revenues from sales are recognised when the risks and rewards of ownership of the sold assets are actually transferred.

As regards the most significant services for the Group, revenues are recognised for:

- license fees, with reference to the payment made to the Government, also by charging them to electricity bills, for ordinary license fees or to Rai for special subscriptions, as regards the share accrued in the period (excluding any amounts paid in advance of the period of accrual); additionally, this item includes the payments made during the period in relation to license fees referred to previous years and the fees relating to exemptions granted to specific categories of subscribers;
- advertising, with the distribution of advertisements.

Revenues allocated for the partial provision of services are recognised on the basis of the consideration accrued, provided that the stage of completion can be measured reliably and that there are no significant uncertainties as regards the amount and existence of the revenue and related costs; otherwise, they are only recognised to the extent that the costs incurred are regarded as recoverable.

Revenues are recognised in an amount equal to the fair value of the consideration received or to be received, net of returns, discounts, allowances and prizes, as well as of any directly related tax.

Costs are entered on an accruals basis when they are related to services and assets purchased or used during the year, or on a systematic allocation basis or when no future use of such assets or services can be identified.

Operating lease rentals are recognised in consolidated profit or loss over the term of the agreement.

Financial income and expenses are recognised in consolidated profit or loss during the year in which they accrued.

Exchange differences

Revenues and costs related to transactions carried out in a currency other than the functional currency are stated at the exchange rate prevailing on the date when the transaction is recognised.

Monetary assets and liabilities expressed in a currency other than the functional currency are converted into the functional currency by applying the exchange rate prevailing at the reporting date of the consolidated financial statements, charging the effect to the consolidated income statement. Non-monetary assets and liabilities carried at cost and expressed in a currency other than the functional currency are entered at the exchange rate applied upon initial recognition; non-monetary items carried at fair value or recoverable or realisable value are converted at the exchange rate prevailing at the date when such value was determined.

Dividends

Dividends are recognised on the date when the resolution that establishes the right to receive the payment is passed by the Shareholders' Meeting, except when it is reasonably certain that the shares will be transferred before the ex-date.

Dividends resolved by the Shareholders' Meeting are reported as a change in consolidated equity during the year when they are approved.

Income taxes

Current income taxes, which are entered under Tax payables, net of advances paid, or under Tax receivables in case of a net credit balance, are determined based on the estimated taxable income and in compliance with the tax regulations. Specifically, these payables and receivables are calculated by applying the tax rates applicable as at the reporting date.

Current taxes are recognised in consolidated profit or loss, except for those related to items directly attributable to consolidated equity.

Deferred tax assets and liabilities are calculated on the temporary differences between the balance sheet values stated in the accounts and the corresponding values recognised for tax purposes, by using the tax rate applicable at the date when the temporary difference is reversed, based on the rates set out in the reporting date. A deferred tax liability is recognised for all taxable temporary differences, except for goodwill. Deferred tax assets on temporary differences, tax losses and tax credits that are not used are recognised if and only when their recovery is probable, in the case that future positive taxable income will flow to Rai spa and to the Group during future tax periods. A new estimate of the recognition of deferred tax assets will be made as at the reporting date of each period.

Deferred tax assets and liabilities are recognised in consolidated profit or loss, except for those related to items directly attributable to consolidated equity.

Deferred tax assets and liabilities arising from the application of laws and regulations issued by the same tax authority, can only be offset when there is a legal right to offset current tax assets against current tax liabilities that will be generated upon their reversal.

Deferred tax assets and liabilities are classified under non-current assets and liabilities and are offset at the level of each tax jurisdiction, if they refer to taxes for which offsetting is permitted. If the amount that results after offsetting is a credit balance, it is recognised under "Deferred tax assets", while, in case of a debt balance, it is recognised under "Deferred tax liabilities".

Related parties

Related parties means the parties that have the same controlling entity as Rai, the companies that, either directly or indirectly, control Rai or are controlled, or jointly controlled, by the Parent Company and those in which the latter holds an equity interest that allows the exercise of significant influence. The definition of related parties also includes the entities that manage post-employment benefit plans, exclusively for the employees of the Company or of the Group (as detailed in note 18.4 "Related Parties"), as well as the key management personnel of Rai and its subsidiaries. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any Directors.

In compliance with IAS 24 "Related Party Disclosures", paragraph 26, Rai is exempted from the disclosure requirements referred to in paragraph 18 (according to which the Company shall disclose the nature of the related party relationship, as well as information about those transactions and outstanding balances, including commitments, necessary for users of the financial statements to understand the potential effect of the relationship on the consolidated financial statements) in case of relationships with another entity that is a related party, since the same governing entity has control over both the reporting entity and the other entity.

5) Use of estimates

The application of the IFRSs to the preparation of the Consolidated Financial Statements requires some accounting estimates, often based on complex and/or subjective evaluations, founded on past experience and assumptions regarded as reasonable and realistic with reference to the information available when they are made. The use of such estimates affects the book value of assets and liabilities and the disclosures relating to contingent assets and liabilities at the reporting date, as well as the amount of revenues and costs during the reporting period. Actual results may differ from those estimated, due to the uncertainty that characterises the assumptions and conditions on which the estimates are based. The estimates and assumptions are reviewed periodically, reporting the effects of any change in the Consolidated Income Statement.

To better understand the Consolidated Financial Statements, the most significant estimates of the process for the preparation of the Consolidated Financial Statements are specified below, since they entail a large use of subjective opinions, assumptions and estimates related to issues that are, by their very nature, uncertain. Any changes in the conditions underlying the judgements and assumptions adopted may have a considerable impact on subsequent results.

Impairment of assets

Assets are impaired when events or circumstances that occurred after their initial recognition indicate that such value may not be recovered. The decision whether to proceed with an impairment and the amount thereof depend on measurements made based on reasonable and demonstrable assumptions that represent the best estimate of the future economic conditions occurring during the residual useful life of the asset, attaching importance to external indicators.

The impairment loss is determined by comparing the carrying amount and the recoverable value, which is represented by the higher of fair value, net of costs of disposal, and value in use. The latter is determined by the use of the asset, net of costs of disposal and quantified in light of the information available when the estimate was made, based on subjective opinions about the trend in future variables (such as, for instance, prices, costs, demand growth rates).

Recovery of deferred tax assets

The Consolidated Financial Statements include deferred tax assets, mainly related to the recognition of tax losses that may be used in subsequent tax periods and to income components subject to deferred tax deductibility, in an amount the recovery of which in future years is regarded as highly probable. The recoverability of the aforementioned deferred tax assets is subject to the generation of sufficient future taxable income or up to the amount of deferred tax liabilities. The calculation of the amount of deferred tax assets that can be recognised in the accounts requires significant judgements by the management, based on the timing and amount of future taxable income. If, in future, the Group is not able to recover all or some of the deferred tax assets recognised in the accounts, the relevant adjustment will be taken to the Consolidated Income Statement.

Employee benefits

Part of the Group employees participates in post-employment benefit plans (such as the Staff Severance Pay (TFR), as well as supplementary pension funds specified in note 15.2 "Employee benefits"). The calculation of costs and liabilities associated with such schemes is based on estimates made by actuaries, which utilise a combination of statistical and actuarial factors, including statistical data related to past years and future cost forecasts. Additionally, mortality and withdrawal rates, assumptions related to the future trend in discount rates, salary increase rates, rates of inflation, as well as the analysis of the trend in healthcare costs, are all regarded as components of the estimate. Usually, at the time of the periodic remeasurement of the balance of the aforementioned liabilities, some differences occur, which also arise from changes in the actuarial assumptions used, from the difference between the actuarial assumptions previously adopted and those actually realised, and from the different return on the plan assets compared to that considered in the calculation of net interest. The impacts of these remeasurements are recognised in the consolidated statement of comprehensive income for defined benefit plans and in the consolidated income statement for defined contribution plans.

Litigation

The Group is involved in several disputes concerning administrative, civil, tax and labour-related issues. The nature of such litigation makes it objectively impossible to predict the final outcome of the disputes. Consequently, provisions have been set aside to cover all significant liabilities that could arise in those

cases where the legal counsels (both those within and outside the Group) believe that there is the possibility of an unfavourable outcome and it is possible to make a reasonable estimate of the costs arising from such possibility.

Decommissioning and site restoration

The Group has recognised some liabilities related to the requirements of decommissioning of property, plant and equipment and of restoration of certain areas under operating leases at the end of the period of their use. The estimate of future decommissioning and restoration costs is a complex process that requires evaluation and judgement in assessing liabilities that will be incurred after many years, often not properly defined by laws, regulations or contract clauses. The criticality of the estimates of decommissioning and restoration costs results from (i) the recognition of such costs the current value of which is initially recognised as an increase in the cost of the asset to which they refer, with a corresponding entry in the provision for risks; and (ii) the complexity and subjectivity of the measurement process to be carried out upon initial recognition and to be updated at least annually in order to determine the discount rate to be used.

Fair value measurement of financial instruments

The fair value of listed financial instruments is determined by observing the prices that can be recorded directly on the market, whereas, for unlisted financial instruments, it is determined by adopting specific valuation techniques that use as many observable inputs as possible. In the event that this proves to be impossible, inputs are estimated by the management taking account of the characteristics of the instruments being measured. Any changes in the assumptions used in estimating input data could affect the fair value recognised in the accounts for such instruments.

6) Newly-issued IFRSs

Accounting standards endorsed by the European Union but not yet applicable

- The European Commission's Regulation no. 2016/1905 of 22 September 2016 endorsed the IASB issued IFRS 15 "Revenue from Contracts with Customers" (hereinafter IFRS 15), which regulates the recognition of revenues from contracts with customers. Specifically, under IFRS 15, an entity will recognise revenues according to a five-step model framework:
 1. identify the contract with a customer;
 2. identify the performance obligations (i.e. the contractual obligations to transfer assets and/or services to customer);
 3. determine the transaction price;
 4. allocate the transaction price to the performance obligations identified based on the stand-alone sale price of each asset or service; and
 5. recognise revenues when the relevant performance obligation is satisfied.

The provisions of IFRS 15 are effective for periods beginning on or after 1 January 2018.

- Regulation no. 2016/2067 issued by the European Union on 22 November 2016 governs the endorsement of IFRS 9 "Financial Instruments" (hereinafter IFRS 9). Specifically, the new standard reduces the number of categories of financial assets set out under IAS 39 and defines: (i) the methods to classify and measure financial assets; (ii) the methods of impairment of financial instruments; (iii) the methods to apply hedge accounting and (iv) the recognition of changes in the credit rating in the measurement of liabilities at fair value.

The provisions of IFRS 9 are effective for periods beginning on or after 1 January 2018.

At present, the Group is analysing the standards specified above and assessing whether their adoption will have a significant impact on its financial statements.

Accounting standards not yet endorsed by the European Union

- On 14 January 2016 the IASB issued IFRS 16 "Leases". The new standard defines the new method to account for leases, eliminating the distinction between operating and finance leases. IFRS 16 is effective for periods beginning on or after 1 January 2019.
- On 19 January 2016 the IASB issued amendments to IAS 12 "Income Taxes". The amendment clarifies how to account for a loss not realised on a debt instrument measured at fair value, which gives rise to a temporary difference deductible when the holder of the instrument expects to maintain it until maturity. These amendments are effective from 1 January 2017.
- On 29 January 2016 the IASB issued amendments to IAS 7 "Statement of Cash Flows": The amendment requires the financial statements to provide disclosures concerning changes in financial liabilities. The purpose is to provide disclosures that allow the users of the financial statements to assess the changes in liabilities arising from financing activities. These amendments are effective from 1 January 2017.
- On 12 April 2016 the IASB issued the clarifications on IFRS 15 "Revenue from Contracts with customers". These clarifications, which will be effective from 1 January 2018, concern:
 - the identification of contract obligations correlated to the achievement of performances;
 - the appointment as principal or agent;
 - the determination of the time of the recognition of proceeds arising from granting a licence.
- On 20 June 2016 the IASB issued amendments to IFRS 2: "Classification and Measurement of Share-based Payment Transactions". The amendments clarify the requirements and the methods to recognise share-based payments. These amendments will be effective from 1 January 2018.
- On 12 September 2016 the IASB issued amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts". The amendments deal with the critical issues arising from the introduction of IFRS 9, pending the issue of the standard that will replace the current IFRS 4. These amendments will be effective from 1 January 2018.
- On 8 December 2016 the IASB issued the "IFRS - Annual Improvements cycle 2014-2016", containing amendments, which are essentially of a technical and editorial nature, to some international accounting standards. The amendments specified in the abovementioned document will be effective for the financial years commencing on or after 1 January 2018. The amendments contained in the improvements cycle 2014-2016 are the following ones:
 - IFRS 1: short-term exemptions have been eliminated, which were provided for in paragraphs E3-E7, because the reasons for their provision no longer apply;
 - IFRS 12: the standard's purpose is clarified, specifying that the disclosure requirements, except for those provided for in paragraphs B10-B16, shall apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, for the distribution or as a discontinued operation pursuant to IFRS5;
 - IAS 28: it is clarified that it is possible to decide to make a FVTPL measurement of an investment in a subsidiary or in a joint venture held by a venture capital company for each investment in subsidiaries or joint ventures as from their initial recognition.
- On 8 December 2016 the IASB issued IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration". The interpretation deals with foreign currency transactions in the case that an entity recognises a non-cash asset or liability arising from the payment or by the collection of an advance before the recognition of any related asset, cost or revenue by the entity. These provisions shall not apply to taxation, insurance or reinsurance contracts. The IFRIC will be effective for financial years commencing on or after 1 January 2018.
- On 8 December 2016 the IASB issued amendments to IAS 40: "Transfers of Investment Property." The amendments clarify the methods to change the classification from or to Investment Property. These amendments will be effective from 1 January 2018.

At present, the Group is analysing the standards specified above and assessing whether their adoption will have a significant impact on its consolidated financial statements.

7) Operating segment reporting

Under IFRS 8 "Operating Segments", the "Operating Segment" is a component of an entity: (i) that engage in business activities from which it may earn revenues and incur expenses; (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker, which for the Group coincides with the Board of Directors of the Parent Company, to make decisions about resources to be allocated and assess its performance; and (iii) for which discrete financial information is available.

The Group has identified only one operating segment and the management reports, which are prepared and made available periodically to the Board of Directors of the Parent Company for the purposes referred to above, consider the business conducted by the Group as a whole; consequently, the Consolidated Financial Statements do not provide any disclosure by operating segment. The information concerning the services performed by the Group, the geographical area, which for the Group corresponds almost entirely to the territory of the Italian Republic and in which it carries out its activities, as well as the main recipients thereof, is provided in the relevant explanatory notes to these Consolidated Financial Statements, to which reference should be made.

8) Financial Risk Management

The financial risks to which the Group is exposed are managed according to the approach and procedures set out in a specific policy that is issued by the Parent Company and that is also applied to its subsidiaries, except for Rai Way SpA (hereinafter "Rai Way"), which, following its listing, adopted a specific policy that is however similar to that of Rai. These documents describe procedures, limits and tools for the monitoring and mitigation of financial risks, with a view to preserving the value of the Group and, thus, of the entities that form part of the same.

The main risks identified by the Company are:

- market risk arising from the exposure to fluctuations in interest and exchange rates associated with the financial assets and liabilities that are held/generated and assumed, respectively;
- credit risk arising from the possibility that one or more counterparties may be insolvent;
- liquidity risk arising from the Company's inability to obtain the financial resources required to meet short-term financial commitments.

8.1 Market risk

The market risk is the possibility that any changes in interest and exchange rates could adversely affect the value of assets, liabilities or of estimated cash flows.

Interest rate risk

The interest rate risk is generated by the possible increase in net financial costs due to unfavourable changes in market rates on the floating rate financial positions. In order to limit this risk, the Company's policy requires that medium/long-term variable rate loans should be converted into fixed rate loans for at least 50% through the use of derivative products, such as Interest Rate Swaps.

As at 31 December 2016 the Parent Company held medium/long-term loans, entirely at fixed rate and therefore, the effects of the changes in interest rates only affect the short-term positions, with variable maturity and sign during the year.

During the year, Rai Way entered into, in compliance with its own financial policy, two Interest Rate Swap (IRS) contracts to cover 50% of the amortising credit facility. As at 31 December 2016 the portion of this loan exposed to interest rate risk is equal to Euro 45 million.

Sensitivity analysis

The table below shows the sensitivity analysis conducted on unhedged financial positions as at 31 December 2016 and 31 December 2015. In consideration of the minimum level already achieved by the rates, only the assumption of a parallel shift by +50 bps in the interest rate curve has been considered for 2016, the effects of which are summarised below. Specifically, it should be pointed out that a rise in interest rates would have determined a modest increase in financial costs on the short-term positions of Rai SpA and on the unhedged medium/long-term portion of Rai Way, which was only partially offset by higher proceeds on cash and cash equivalents.

(in millions of Euros)	Change in interest rates	Change in economic result, before the tax effect
Financial year ended 31 December 2016	+50 Bp.	(0.6)
	-	-
Financial year ended 31 December 2015	+50 Bp.	0.1
	-10 Bp.	0.0

Exchange risk

The exchange risk to which the Company is exposed mainly concerns the exposure to US Dollars resulting from the acquisition of sports rights on the part of Rai and of cinema and TV rights on the part of Rai Cinema SpA (hereinafter "Rai Cinema"). During 2016 such commitments generated payments of approximately Dollar 191 million (Dollar 182 million in 2015). Additional currencies of exposure, with split payments and in a modest aggregate amount, are the Swiss Franc and the British Pound, in an overall amount of Euro 6 million.

Exchange risks are managed as from the date when the Group enters into the commercial transaction, which often has a multi-year term and is aimed at preserving the Euro countervalue of the commitments, as estimated at the time of the orders or of the budget. The policy regulates the risk management according to international best practices, with a view to minimising the risk, through the active monitoring of the exposure and the implementation of hedging strategies on the part of Rai, also on behalf of its subsidiaries (except for Rai Way, provided with independent policy and management). The powers related to the implementation of hedging activities are assigned on a hierarchical and gradual basis, with a minimum percentage of intervention of 50% of the currency contract amount.

The hedging strategies are implemented by means of derivative financial instruments – such as forward purchases and options – and are never intended for financial speculation purposes. For this purpose effectiveness tests are conducted, through specific systems, on an ex-ante and ex-post basis, which allow, as detailed in note 16.2 "Current financial liabilities", the identification of the effective and ineffective portions of the hedge.

The table below reports the breakdown of assets and liabilities expressed in a currency other than the Euro:

(in millions of Euros)	Financial year ended 31 December 2016		Financial year ended 31 December 2015	
	USD	Other foreign currencies	USD	Other foreign currencies
Trade receivables	4.1	1.2	2.3	0.5
Trade payables	(41.4)	(1.5)	(34.1)	(1.3)
Cash and cash equivalents	0.7	0.1	0.7	0.1
Other non-current assets	0.1	0.1	-	0.1
Other current assets and receivables	0.1	-	-	-
Other current payables and liabilities	(0.1)	(0.1)	(0.1)	(0.3)

Sensitivity analysis

In light of the foregoing, the exposure to the exchange risk is significant only for the EUR/USD exchange rate. A sensitivity analysis that was conducted as at 31 December 2016 and 31 December 2015 on unhedged credit and debt positions, on derivatives used to hedge commitments against already executed contracts and on funds available in foreign currencies. A symmetric change of 10% in the exchange rate from the rate prevailing on the reporting date was simulated, all other conditions being equal. This assessment shows the impact on the Income Statement of cash and cash equivalents expressed in a foreign currency and of un-hedged receivables/payables, as well as the effect of the derivative used to hedge the cash flows on future commitments, with confirmation of the prospective effectiveness, which is recognised entirely under the specific Consolidated Equity reserve.

The effects are stated in the table below. Specifically, it shows that a depreciation of the Euro as at 31 December 2016 would determine negative economic effects on the amount of unhedged positions, on one hand, and, on the other, an increase in the Cash Flow Hedge Reserve as a consequence of the higher value of the hedges. On the contrary, an appreciation of the Euro would entail lower economic costs and a decrease in the Cash Flow Hedge Reserve as a result of the lower value of the hedges.

(in millions of Euros)	Euro/USD Exchange rate	Change in exchange rate	Recalculated Euro/USD exchange rate	Change through P&L (before tax)	Change in the Cash Flow Hedge Reserve
Financial year ended 31 December 2016	1.0541	-10%	0.9487	(1.2)	1.2
		+10%	1.1595	1.0	(1.0)
Financial year ended 31 December 2015	1.0887	-10%	0.9798	(0.4)	3.8
		+10%	1.1976	0.4	(3.7)

8.2 Credit risk

The theoretical exposure to the credit risk for the Company mainly refers to the book value of financial assets and trade receivables recognised in the accounts.

As regards the counterparty risk, procedures are adopted for the assessment of business partners, in order to manage trade receivables. This analysis is conducted periodically on the basis of the situation of overdue items and may lead to placing the insolvent parties in default. The lists of the overdue items being analysed are ordered by amount and customer, updated as at the date of the analysis and show the situations that require greater attention.

The individual companies' corporate functions responsible for debt collection take reminder actions, on an amicable basis, against the counterparties that owe amounts related to overdue items. If such activities do not lead to the collection of the amounts due, the functions take, after formally placing the debtors in default and in consultation with the respective legal affairs departments, any appropriate action aimed at collecting debts (notice of demand, injunctive order, etc.). Accruals to the provision for bad debts are made specifically as regards credit positions that present particular elements of risk. As regards credit positions that do not have these characteristics, assessments are carried out, by customer segment, in relation to any possible provision to be set aside based on the average uncollectability.

Below is the breakdown of receivables by maturity (including the provision for bad debts):

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Invoices to be issued	335.5	115.1
Amounts falling due	198.0	213.3
0-90 days overdue	63.4	68.3
91-180 days overdue	8.9	5.8
More than 180 days overdue	78.2	84.0
Invoices issued	348.6	371.3
Total trade receivables	684.1	486.4

The credit risk on uses of liquidity is limited since the corporate policy provides, during periods of cash surpluses, for the use of low risk financial instruments with highly rated counterparties. Only time or demand deposits held with bank counterparties with an Investment Grade rating were used during the 2016 and 2015 financial years.

8.3 Liquidity risk

By virtue of specific contracts with subsidiaries, except for Rai Way only, Rai manages the Group's financial resources through a cash-pooling system that provides for the daily transfer of the affiliates' bank balances to the current accounts of Rai, which grants the intercompany credit facilities required to conduct the business of the companies.

As regards medium/long-term portions, the Group's financial structure is made up of a bond issue due May 2020 and by an amortising loans expiring on 2021, granted by the European Investment Bank out of the project for the implementation of digital terrestrial in a total amount of Euro 395 million, to the benefit of Rai, as well as a syndicated loan of Euro 90 million, in favour of Rai Way, expiring in 2019 (for more details, reference should be made to note 15.1 "Non-current financial liabilities and current portions of non-current financial liabilities").

In consideration of the significant fluctuation in the interim debt, arising from the payment by the Ministry of Economy and Finance of fees in four quarterly instalments, the Parent Company also holds uncommitted credit facilities of about Euro 370 million and, from January 2017, a 5-year revolving facility with a pool of banks, totalling Euro 270 million. Rai Way also holds a revolving facility of Euro 50 million, expiring in 2019, which had not yet been used as at 31 December 2016.

The cash position is monitored on an ongoing basis through a financial forecasting model that makes it possible to identify, well in advance, any possible financial problem so that the appropriate measures can be taken.

The tables below report the breakdown of financial liabilities by maturity as at 31 December 2016 and as at 31 December 2015. The balances shown are the non-discounted contractual balances. As regards Rai Way's IRS contracts outstanding as at 31 December 2016, the flows represent the interest spread during the various periods. Maturity ranges are determined based on the period between the reporting date and the maturity of obligations.

(in millions of Euros)	Financial year ended 31 December 2016				Financial year ended 31 December 2015			
	< 1 year	1-5 years	>5 years	Total	< 1 year	1-5 years	>5 years	Total
Trade payables and other liabilities:								
Trade payables	686.2	-	-	686.2	666.4	-	-	666.4
Other payables and liabilities	309.5	3.3	0.3	313.1	347.7	6.3	-	354.0
Medium/long-term financial liabilities:								
Medium/long term loans	41.9	97.9	0.1	139.9	37.5	134.7	5.3	177.5
Bonds	5.3	365.8	-	371.1	5.3	371.0	-	376.3
Short-term financial liabilities:								
Payables to banks	160.1	-	-	160.1	1.0	-	-	1.0
Factors and other lenders	-	-	-	-	4.4	-	-	4.4
Payables to associated companies	0.1	-	-	0.1	0.1	-	-	0.1
Derivative financial instruments:								
Interest rate derivatives – non-discounted cash flows	0.1	-	-	0.1	-	-	-	-

9) Capital risk management

The Group's capital management objectives are focused on the protection of the ability to continue to ensure an optimal financial soundness, also through the ongoing improvement of operational and financial efficiency. The objective of the Group is to maintain an adequate level of capitalisation that would allow the achievement of an economic return and the access to external funding sources. The Group monitors the changes in the debt/equity ratio on an ongoing basis. Specifically, the ratio of net worth to total liabilities including equity is shown in the table below:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Equity	476.6	492.8
Total liabilities and equity	3,012.6	2,890.6
Ratio	15.8%	17.0%

The Group's net financial position for the periods being analysed is reported in Note 21.2 "Consolidated Net Financial Position".

10) Fair value measurement

The table below reports the amounts at fair value of the financial instruments classified based on a hierarchy of levels that reflects the significance of the inputs used in fair value measurement (IFRS 13 "Fair Value Measurement").

- Level 1: Quoted price (active market): inputs used in the measurement are quoted prices in active markets where assets or liabilities identical to those being measured are traded;
- Level 2: Inputs are inputs observable in the market (such as, for derivatives, the exchange rates quoted by the Bank of Italy, market rate curves, volatility provided by Reuters, credit spreads calculated based on credit default swaps, etc.) other than quoted prices included within level 1;
- Level 3: Inputs are unobservable inputs in the market (internal assumptions, for instance, cash flows, risk adjusted spreads, etc.).

Financial instruments at fair value accounted for in the Financial Statements are comprised of hedging financial derivatives, measured through a financial model that uses the most common and accepted market formulas (net present value for currency forwards and application of the Black&Scholes model for options), in addition to the following inputs provided by Reuters: ECB spot exchange rates, EURIBOR and IRS rate curves, volatility and credit spreads of the various banks and, for Rai, of the bonds issued by the Italian Government. The fair value of derivative instruments represents the net position between asset values and liability values relating to hedges entered into on cash flows denominated in Dollar, which will arise after the reporting date. For more information on derivative assets and liabilities reference should be made to notes 13.3 "Current financial assets" and 16.2 "Current financial liabilities".

(in millions of Euros)	Financial year ended 31 December 2016		
	Level 1	Level 2	Level 3
Exchange rate derivatives	-	1.7	-
Interest rate derivatives	-	(0.1)	-
(in millions of Euros)	Financial year ended 31 December 2015		
	Level 1	Level 2	Level 3
Exchange rate derivatives	-	8.4	-
Interest rate derivatives	-	-	-

11) Reconciliation of classes of financial assets and liabilities and types of financial assets and liabilities

To complete the information on financial risks, the tables below provide a reconciliation of classes of financial assets and liabilities and types of financial assets and liabilities identified based on the requirements set out in IFRS 7:

Financial year ended 31 December 2016 (in millions of Euros)	Loans and receivables	Available for sale Financial assets	Financial assets and Liabilities at FVTPL	Hedging financial instruments	Total financial assets and liabilities	Notes (**)
Assets						
Trade receivables (*)	639.2	-	-	-	639.2	12.7/13.2
Current financial assets	5.7	-	1.0	0.7	7.4	13.3
Cash and cash equivalents	86.2	-	-	-	86.2	13.6
Non-current financial assets	0.2	-	-	-	0.2	12.5
Total financial assets	731.3	-	1.0	0.7	733.0	
Liabilities						
Trade payables	(686.2)	-	-	-	(686.2)	16.1
Current financial liabilities	(160.5)	-	-	-	(160.5)	16.2
Current portion of medium/long-term loans	(40.0)	-	-	-	(40.0)	15.1/16.2
Non-current financial liabilities	(442.6)	-	-	(0.1)	(442.7)	15.1
Total financial liabilities	(1,329.3)	-	-	(0.1)	(1,329.4)	

(*) The item includes the value of trade receivables allocated under Other non-current assets.

(**) The numbers below indicate the paragraphs of the notes in which the above assets and liabilities are detailed.

Financial year ended 31 December 2015 (in millions of Euros)	Loans and receivables	Available for sale Financial assets	Financial assets and Liabilities at FVTPL	Hedging financial instruments	Total financial assets and liabilities	Notes (**)
Assets						
Trade receivables (*)	438.7	-	-	-	438.7	12.7/13.2
Current financial assets	5.5	-	5.8	2.7	14.0	13.3
Cash and cash equivalents	146.1	-	-	-	146.1	13.6
Non-current financial assets	0.2	-	-	-	0.2	12.5
Total financial assets	590.5	-	5.8	2.7	599.0	
Liabilities						
Trade payables	(666.4)	-	-	-	(666.4)	16.1
Current financial liabilities	(5.8)	-	-	-	(5.8)	16.2
Current portion of medium/long-term loans	(35.0)	-	-	-	(35.0)	15.1/16.2
Non-current financial liabilities	(481.7)	-	-	-	(481.7)	15.1
Total financial liabilities	(1,188.9)	-	-	-	(1,188.9)	

(*) The item includes the value of trade receivables allocated under Other non-current assets.

(**) The numbers below indicate the paragraphs of the notes in which the above assets and liabilities are detailed.

Notes to the Consolidated Financial Statements as at 31 December 2016

12) Non-current assets

12.1 Property, plant and equipment

Property, plant and equipment, equal to Euro 1,082.5 million (Euro 1,115.5 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction and payments on account	Total
Historical cost	381.8	575.2	2,056.9	92.2	119.1	48.2	3,273.4
Write-downs	-	-	(1.3)	-	-	-	(1.3)
Accumulated depreciation	-	(224.8)	(1,751.5)	(83.8)	(96.5)	-	(2,156.6)
Balance as at 31 December 2015	381.8	350.4	304.1	8.4	22.6	48.2	1,115.5
Increases and capitalization	-	3.1	31.0	2.5	3.4	34.5	74.5
Disposals [1]	-	-	(0.1)	-	(0.6)	(0.2)	(0.9)
Reclassifications	-	2.7	26.6	0.4	2.0	(31.7)	-
Write-downs	-	-	-	-	-	-	-
Depreciation	-	(18.0)	(80.2)	(2.8)	(5.6)	-	(106.6)
Balance as at 31 December 2016	381.8	338.2	281.4	8.5	21.8	50.8	1,082.5
<i>broken down as follows: [2]</i>							
Historical cost	381.8	580.6	2,101.2	94.4	116.7	50.8	3,325.5
Write-downs	-	-	(0.8)	-	-	-	(0.8)
Accumulated depreciation	-	(242.4)	(1,819.0)	(85.9)	(94.9)	-	(2,242.2)
[1] of which:							
Cost	-	(0.4)	(13.3)	(0.7)	(7.8)	(0.2)	(22.4)
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	-	-
Depreciation	-	0.4	13.2	0.7	7.2	0.0	21.5
	-	-	(0.1)	-	(0.6)	(0.2)	(0.9)
[2] net of the use of the provision for write-down for:	-	-	0.5	-	-	-	0.5

Investments, equal to Euro 74.5 million (Euro 92.3 million in 2015) fell within the scope of the projects for the technological upgrading and development implemented by the Group.

Write-downs related to plant and machinery and were aimed at adjusting the value of the asset in case of technological obsolescence.

The amount of the existing contractual commitments for the acquisition of property, plant and equipment is stated in note 18.2 "Commitments".

12.2 Investment property

Investment property amounted to Euro 4.9 million (Euro 5.2 million as at 31 December 2015) and related to certain properties, owned by Rai Pubblicità SpA (hereinafter "Rai Pubblicità"), and leased to third parties, for which a periodic rental fee was received, totalling Euro 1.9 million in the year ended 31 December 2016, unchanged compared to the year ended 31 December 2015. Investment property are broken down as follows:

(in millions of Euros)	Buildings
Historical cost	12.9
Accumulated depreciation	(7.7)
Balance as at 31 December 2015	5.2
Depreciation	(0.3)
Balance as at 31 December 2016	4.9
<i>broken down as follows:</i>	
Historical cost	12.9
Accumulated depreciation	(8.0)

No investments and disposals were made during 2016; the change for the period only reflects depreciation allowances.

Based on the latest estimate, the market value of Investment Property as at 31 December 2016 amounted to a value in a range of between Euro 41.8 million and Euro 46.1 million.

12.3 Intangible Assets

Intangible assets, equal to Euro 950.4 million (Euro 900.5 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Programmes	Software	Digital terrestrial	Trademarks	Other rights	Assets under development and payments on account	Total
Cost	1,459.0	12.7	40.5	0.1	1.0	298.8	1,812.1
Write-downs	(33.6)	-	-	-	-	(22.9)	(56.5)
Amortisation	(809.0)	(5.7)	(39.4)	(0.1)	(0.9)	-	(855.1)
Balance as at 31 December 2015	616.4	7.0	1.1	-	0.1	275.9	900.5
Increases and capitalization	322.7	3.8	-	-	-	157.5	484.0
Disposals and eliminations [1]	-	-	-	-	-	(1.7)	(1.7)
Reclassifications	143.4	4.5	-	-	0.5	(148.4)	-
Write-downs	(32.2)	-	-	-	-	(11.2)	(43.4)
Amortisation [2]	(381.4)	(6.2)	(1.1)	-	(0.3)	-	(389.0)
Balance as at 31 December 2016	668.9	9.1	-	-	0.3	272.1	950.4
<i>broken down as follows: [3]</i>							
Cost	1,380.2	15.3	-	0.1	1.5	295.3	1,692.4
Revaluations	-	-	-	-	-	-	-
Write-downs	(44.0)	-	-	-	-	(23.2)	(67.2)
Amortisation	(667.3)	(6.2)	-	(0.1)	(1.2)	-	(674.8)
[1] of which:							
Cost	-	-	-	-	-	(12.6)	(12.6)
Revaluations	-	-	-	-	-	-	-
Write-downs	-	-	-	-	-	10.9	10.9
Amortisation	-	-	-	-	-	-	-
Total Disposals	-	-	-	-	-	(1.7)	(1.7)
[2] net of the use of the provision for write-down for:	21.8	-	-	-	-	-	21.8
[3] Values net of assets fully amortised at year-end, equal to:	544.9	5.7	40.5	-	-	-	591.1

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Investments, equal to Euro 484.0 million (Euro 483.7 million as at 31 December 2015) mainly related to television drama and comedy programmes for Euro 331.9 million and films for Euro 121.3 million.

The amount of assets under development and payments on account related to programmes for Euro 259.0 million, software for Euro 8.9 million and other rights for Euro 4.2 million.

Write-downs recognised during the year amounted to Euro 43.4 million and were made in order to adjust the assets at their estimated recoverable value.

The amount of the existing contractual commitments for the acquisition of intangible assets is stated in note 18.2 "Commitments".

12.4 Equity Investments

Investments measured according to the equity method and other interests, equal to Euro 8.4 million (Euro 9.8 million as at 31 December 2015) and Euro 0.7 million (Euro 0.7 million as at 31 December 2015), respectively, are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Joint ventures	5.4	5.3
Associates	3.0	4.5
Total equity-accounted investments	8.4	9.8
Other equity investments	0.7	0.7
Total equity investments	9.1	10.5

Below is the breakdown of changes in equity-accounted investments:

(in millions of Euros)	Financial year ended 31 December 2015	Acquisitions	Adjustment from valuation at equity	Decrease for dividends	Financial year ended 31 December 2016
Joint ventures:					
San Marino RTV SpA	2.1	-	(0.1)	-	2.0
Tivù Srl	3.2	-	0.9	(0.7)	3.4
Associates:					
Audiradio Srl	-	-	-	-	-
Auditel Srl	0.7	-	-	-	0.7
Euronews SA	3.8	-	(1.5)	-	2.3
Tavolo Editori Radio Srl	-	-	-	-	-
Total investments in joint ventures and associates	9.8	-	(0.7)	(0.7)	8.4

Equity investments in joint ventures relate to:

- *San Marino Rtv SpA* (50% Rai): this company, which was incorporated in 1991, is 50-50 owned by Rai and E.R.A.S. ("Ente di Radiodiffusione Sammarinese"), according to Law 99 of 9 April 1990 that ratifies the cooperation treaty between the Italian Republic and the Republic of San Marino as regards radio and television broadcasting issues, and has a share capital of Euro 0.5 million, divided into 1,000 shares with a par value of Euro 516.46 each. In relation to the negative result achieved by the company in 2016, the equity investment was written down in order to adjust it at the value of Euro 2.0 million corresponding to the portion pertaining to Rai on the company's equity.
- *Tivù Srl* (48.16% Rai): the quota capital, equal to Euro 1 million, is subscribed by Rai and by R.T.I. – Reti Televisive Italiane SpA – with equal quotas of 48.16%, by TI Media – Telecom Italia Media SpA – with a quota of 3.5% and by two associations – FRT and Aeranti Corallo – with a quota of 0.09% each. During 2016 a resolution was passed for the distribution of a dividend of Euro 1.5 million out of the 2015 result. The amount pertaining to Rai, equal to Euro 0.7 million, was accounted for as a reduction in the book

value of the equity investment. With reference to the positive result achieved by the company in 2016, equal to Euro 1.9 million, the equity investment was revalued for the share pertaining to Rai, equal to Euro 0.9 million. The equity investment was entered in an amount of Euro 3.4 million, which corresponds to the share of equity attributable to Rai.

Equity investments in associates relate to:

- *Audiradio Srl in liquidation* (27% Rai): the quota capital amounts to Euro 0.3 million, is divided into 258,000 quotas, with a nominal value of Euro 1 each. The gross value of the investment, equal to Euro 1.4 million, was written down in full based on the most recent available financial statements prepared as at 31 December 2015, which showed a negative equity in a non-significant amount in millions of Euros. The portion of the equity deficit was allocated to a specific provision for risks and charges.
- *Auditel Srl* (33% Rai): the quota capital, equal to Euro 0.3 million, is divided into 300,000 quotas, with a nominal value of Euro 1 each. The equity investment was stated for a value of Euro 0.7 million corresponding to the percentage pertaining to Rai on the company's equity resulting from the most recent available financial statements at 31 December 2015.
- *Euronews - Société Anonyme* (9.66% Rai): the share capital, equal to Euro 8.6 million, is divided into 572,034 shares, with a par value of Euro 15 each. As at 31 December 2016, the investment was written-down in an amount equal to Euro 1.5 million in order to align it with the share of equity attributable to Rai on the company's equity.
- *Tavolo Editori Radio Srl* (15.8% Rai): the company was established on 1 April 2016 with a quota capital of Euro 0.1 million distributed among Editori nazionali (70%), of which Rai 15.8% and local broadcasters (30%). The share pertaining to Rai has a non-significant value in millions of Euros. The priority purpose of the company is to design and implement a proprietary research system aimed at measuring the audience of the radio and of the radio broadcasting companies on all transmission platforms, in compliance with the guidelines issued by AgCom, the Italian Communication Regulatory Authority, on this issue and in cooperation with the representatives of the advertising investors, in view of a new Joint Industry Committee of the Italian Radio Broadcasting. During 2016 the company's operations were limited due to the phase of startup of its business.

Below is the breakdown of changes in other equity investments:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Almaviva	0.3	0.3
Istituto Enciclopedia Treccani	0.5	0.5
Others [1]	0.1	0.1
Gross value	0.9	0.9
Impairment provision – other equity investments	(0.2)	(0.2)
Total equity investments	0.7	0.7

[1] Banca di Credito Cooperativo di Roma S.c.p.a and International Multimedia University Umbria Srl.

Equity investments in other companies relate to:

- *Almaviva – The Italian Innovation Company SpA* (0.83% Rai): the amount of the investment, equal to Euro 0.3 million, remained unchanged from the previous financial year. The share capital, equal to Euro 154.9 million, is divided into 107,567,301 ordinary shares and 47,331,761 special stocks, both with a par value of Euro 1 each.
- *Istituto Enciclopedia Treccani SpA* (0.81% Rai): the investment, which was entered at a gross value of Euro 0.5 million, was written down for Euro 0.1 million, as a result of the losses reported by the company. The share capital is divided into 44,491,545 shares, with a par value of Euro 1 each.
- *Banca di Credito Cooperativo di Roma S.c.p.a.* (open-ended company; the share held by Rai is not significant): the investment has been entered for Euro 1 thousand, which corresponds to the amount paid on 16 January 2009 for the acquisition of 100 shares.
- *International Multimedia University Umbria Srl* (1.533% Rai): the value of the investment was written down in full as it is no longer certain that the amounts paid will be recovered.

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12.5 Non-current financial assets

Non-current financial assets, equal to Euro 0.2 million (Euro 0.2 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Receivables from personnel	0.1	-
Other non-current financial assets	0.1	0.2
Total non-current financial assets	0.2	0.2

Non-current financial assets were stated net of a provision for write-down of Euro 0.2 million (Euro 0.4 million as at 31 December 2015).

Below is the breakdown of current and non-current financial assets by maturity:

(in millions of Euros)	Financial year ended 31 December 2016			
	Within 12 months	From 1 to 5 years	After 5 years	Total
Financial receivables from personnel	0.1	0.1	-	0.2
Financial derivative instruments	1.7	-	-	1.7
Time bank deposits	5.5	-	-	5.5
Other financial assets	0.1	0.1	-	0.2
Total	7.4	0.2	-	7.6

(in millions of Euros)	Financial year ended 31 December 2015			
	Within 12 months	From 1 to 5 years	After 5 years	Total
Financial receivables from personnel	0.1	-	-	0.1
Other securities	2.3	-	-	2.3
Financial derivative instruments	8.4	-	-	8.4
Time bank deposits	3.1	-	-	3.1
Other financial assets	0.1	0.2	-	0.3
Total	14.0	0.2	-	14.2

The short-term portion of financial assets, equal to Euro 7.4 million, was entered under the current components of the balance sheet described in note 13.3 "Current financial assets".

The information on hedged risks and hedging policies is reported in note 8.1 "Market risk".

12.6 Deferred tax assets

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Deferred tax assets that can be offset	137.7	154.6
Deferred tax liabilities that can be offset	(161.9)	(166.7)
Deferred tax liabilities	(24.2)	(12.1)

The net balance of deferred tax assets and liabilities showed a negative amount and was then recognised under liabilities in the statement of financial position. Therefore, reference should be made to note 15.4 "Deferred tax liabilities" for the related breakdown.

Income taxes are described in note 17.9 "Income taxes".

12.7 Other non-current assets

Other non-current assets, equal to Euro 17.7 million (Euro 20.2 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Advances on sports events	6.9	7.4
Advances on commercial activities	20.5	21.7
Non-current portion of trade receivables	2.2	2.0
Receivables from personnel	0.3	0.5
Collateral securities	2.6	2.6
Other non-current receivables	3.7	3.5
- Provision for other bad debts and non-current assets	(18.5)	(17.5)
Total other non-current assets	17.7	20.2

The items reported above substantially related to non-current portions of assets referred to in note 13.5 "Other current receivables and assets", to which reference should be made.

The provision for other bad debts and non-current assets, equal to Euro 18.5 million (Euro 17.5 million as at 31 December 2015), is broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2015	Provisions	Uses	Financial year ended 31 December 2016
Provision for write-down of advances on commercial activities	(11.5)	(0.5)	0.1	(11.9)
Provision for write-down of advances on sports events	(6.0)	(0.6)	-	(6.6)
Total provision for other bad debts and non-current assets	(17.5)	(1.1)	0.1	(18.5)

13) Current assets

13.1 Inventories

Inventories, net of the related provision for write-down, equal to Euro 2.9 million (Euro 2.7 million as at 31 December 2015) are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Technical materials	13.1	13.3
Provision for write-down of technical materials	(12.2)	(12.3)
Contract work in progress	0.2	0.2
Finished products and goods for resale	1.8	1.5
Total inventories	2.9	2.7

Inventories of technical materials, equal to Euro 0.9 million, net of related provision for write-down (Euro 1.0 million as at 31 December 2015), related to supplies and spare parts for the maintenance and operation of equipment, considered as consumables since their useful life generally ends over a period of no more than 12 months.

Contract work in progress, equal to Euro 0.2 million (unchanged from 31 December 2015), related to costs incurred for the development of the Isoradio network, recognised in the financial statements of subsidiary Rai Way.

Inventories of goods for resale, equal to Euro 1.8 million (Euro 1.5 million as at 31 December 2015), mainly related to inventories concerning the books and periodicals business and home video distribution.

13.2 Trade receivables

Trade receivables, equal to Euro 637.0 million (Euro 436.7 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
From customers:		
From the Government and other public entities for public broadcasting services	84.3	92.4
Ministry of Economy and Finance for licence fees	228.9	-
Other receivables	370.5	393.7
Provisions for write-down of receivables from customers	(47.1)	(49.6)
From joint ventures and associated companies	0.4	0.2
Total trade receivables	637.0	436.7

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
From joint ventures and associated companies:		
San Marino RTV SpA	0.1	0.1
Tivu Srl	0.3	0.1
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.

Receivables from the Government and other public entities for public broadcasting services, equal to Euro 84.3 million (Euro 92.4 million as at 31 December 2015), related to:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Prime Minister's Office:		
Operating grant to be transferred to San Marino RTV	3.1	3.3
Television, radio and multimedia offering for the foreign market	6.7	6.7
Broadcasting from Trieste in Slovenian	7.4	11.4
Radio and television broadcasts in French for the Autonomous Region of Valle d'Aosta	1.4	2.1
Revenue Agency: management of ordinary TV licence fees	14.8	22.5
Regions and Provinces:		
Autonomous Province of Bolzano: radio and television broadcasts in German and Ladin in the Autonomous Province of Bolzano	42.3	37.8
Autonomous Region of Valle d'Aosta: management of equipment for receiving programmes from the French-speaking area	8.6	8.6
Total	84.3	92.4

The receivable from the Ministry of Economic and Finance for licence fees amounted to Euro 228.9 million and represents the portions still to be reversed to Rai.

Receivables assigned for factoring transactions on a with-recourse basis, equal to Euro 18.2 million (Euro 51.4 million as at 31 December 2015), are entered under "Receivables from customers – Other receivables" and are related to amounts receivable from the customers of Rai Pubblicità for advertising services.

Receivables from related parties are described in note 18.4 "Related Parties".

Trade receivables are stated net of a provision for bad debts of Euro 47.1 million (Euro 49.6 million as at 31 December 2015):

(in millions of Euros)	Financial year ended 31 December 2015	Provisions	Uses	Reversal	Financial year ended 31 December 2016
Provision for write-down of receivables from customers	(49.6)	(3.0)	5.1	0.4	(47.1)
Provision for write-down of trade receivables	(49.6)	(3.0)	5.1	0.4	(47.1)

Receivables expressed in a currency other than Euro amounted to Euro 5.3 million (Euro 2.8 million as at 31 December 2015) as specified in note 8.1 "Market risk".

13.3 Current financial assets

Current financial assets, equal to Euro 7.4 million (Euro 14.0 million as at 31 December 2015), showed a decrease of Euro 6.6 million. The breakdown of this item and the comparison with the previous year are detailed below:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Due from personnel	0.1	0.1
Securities	-	2.3
Hedging derivative instruments	1.7	8.4
Time bank deposits	5.5	3.1
Other current financial assets	0.1	0.1
Total current financial assets	7.4	14.0

Time bank deposits, equal to Euro 5.5 million (Euro 3.1 million as at 31 December 2015), related to amounts confiscated on current accounts due to some pending disputes.

Derivative financial instruments, entered at fair value, are broken down below as regards their asset component, including current and non-current portions:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Exchange rate hedging derivatives	1.7	8.4
Total derivative financial instruments – Current portion	1.7	8.4
Total derivative financial instruments – Non-current portion	-	-
Total derivative financial instruments	1.7	8.4

The fair value of derivative financial instruments was determined on the basis of valuation models used in the financial sector and market benchmarks as at the reporting date of the financial statements, as detailed in note 10 "Fair value measurement". Cash flow hedge transactions related to exchange risk hedging on agreements for the acquisition of rights to the broadcasting of sports events and television programmes denominated in Dollar. The recognition of the effects through profit or loss and the realisation of cash flows from future transactions being hedged, which are considered to be highly probable, are planned over a period ending in the third quarter of 2017.

During 2016 no significant events occurred in which, in consideration of transactions previously qualified as hedging, the realisation of the hedged item was no longer regarded as highly probable.

The fair value on derivative assets as at 31 December 2016 amounted to Euro 1.7 million (Euro 8.4 million as at 31 December 2015). Specifically:

- the current portion is equal to Euro 1.7 million (Euro 8.4 million as at 31 December 2015), of which Euro 0.6 million deferred to equity under the cash-flow hedge reserve, Euro 1.0 attributed to adjustment to the carrying amount of the acquired right, Euro 0.1 million under financial income and costs;
- there are no transactions with a term exceeding 12 months, which have been possibly recognised under Non-current financial assets.

The information on hedged risks and hedging policies is reported in note 8.1 "Market risk".

13.4 Tax receivables

Tax receivables, equal to Euro 135.6 million (Euro 108.2 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Requests for VAT refund	60.1	24.3
Group VAT	54.1	62.2
Requests for IRES tax refund for deductibility of IRAP tax relating to personnel costs and similar costs	16.9	16.9
IRAP tax credit	2.4	3.7
Withholdings on disposals of foreign companies	0.8	-
Requests for other tax refunds	0.5	0.6
Other tax receivables	0.8	0.5
Total tax receivables	135.6	108.2

IRAP (Regional Production Activity) tax credit, equal to Euro 2.4 million (Euro 3.7 million as at 31 December 2015) related to the IRAP tax advances paid to the Tax Office.

Taxes are described in note 17.9 "Income taxes".

13.5 Other current receivables and assets

Other current receivables and assets, equal to Euro 78.7 million (Euro 130.8 million as at 31 December 2015) are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Advance for sports events	11.6	53.6
Advances on commercial activities	0.7	0.1
Payments on account to suppliers, collaborators, agents	14.0	17.1
Receivables from welfare and social security institutions	2.8	9.3
Receivables from personnel	12.3	12.6
Advances on frequency usage fees	-	10.5
Receivables from entities, companies, bodies and others	15.1	10.5
Receivables from subsidies and grants from the Government, the EU and other public entities	0.3	0.8
Other receivables	25.9	20.6
- Provision for other bad debts and current assets	(4.0)	(4.3)
Total other receivables and current assets	78.7	130.8

Moreover:

- Receivables from welfare and social security institutions related to advances paid against contributions due for artistic and other activities;
- Receivables from personnel mostly related to amounts receivable in relation to labour disputes, travel advances and advances for production expenses. This item included receivables resulting from the application of Law 89/2014.

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The provision for other bad debts and current assets, equal to 4.0 million (Euro 4.3 million as at 31 December 2015) is broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2015	Provisions	Uses	Reversal	Financial year ended 31 December 2016
Provision for other bad debts and current assets	(4.3)	(0.4)	0.4	0.3	(4.0)
Total provision for other bad debts and current assets	(4.3)	(0.4)	0.4	0.3	(4.0)

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

13.6 Cash and cash equivalents

Cash and cash equivalents, equal to Euro 86.2 million (Euro 146.1 million as at 31 December 2015), are broken down into the following items:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Bank and postal deposits	85.9	145.8
Cash and cash equivalents on hand	0.3	0.3
Total cash and cash equivalents	86.2	146.1

Bank and postal deposits amounted to Euro 85.9 million (Euro 145.8 million as at 31 December 2015) and included available balances at sight or in the short term, on deposits or current accounts held with banks, financial institutions and the Post Office.

Cash and cash equivalents on hand amounted to Euro 0.3 million (unchanged compared to 31 December 2015) and included liquid funds in the form of cash and equivalent instruments (revenue stamps, cashier's cheques or bank-guaranteed cheques, etc.) held as at 31 December 2016.

The table below reports the breakdown of cash and cash equivalents by currency as at 31 December 2016 and as at 31 December 2015:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Cash and cash equivalents - Euro	85.4	145.3
Cash and cash equivalents - US Dollar	0.7	0.7
Cash and cash equivalents - other currencies	0.1	0.1
Total cash and cash equivalents	86.2	146.1

14) Shareholders' Equity

Below is the breakdown of equity into the share attributable to the Group and non-controlling interests:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Share capital	242.5	242.5
Legal reserve	11.6	11.6
Share premium reserve	-	-
IFRS FTA reserve	(58.7)	146.3
Reserve for translation differences	0.7	0.8
Cash flow hedge reserve	0.3	4.9
Other reserves	252.0	337.0
Total other reserves	194.3	489.0
Actuarial reserves for employee benefits	(31.9)	(16.1)
Share-based payments reserve	-	0.1
Profits (losses) carried forward	-	(251.3)
Profits (losses) for the year	3.5	(39.3)
Total profits (losses) carried forward	(28.4)	(306.6)
Total Group equity	420.0	436.5
Non-controlling interests' capital and reserves	42.2	42.7
Non-controlling interests' profits (losses) carried forward	14.4	13.6
Total equity of non-controlling interests	56.6	56.3
Total shareholders' equity	476.6	492.8

Non-controlling interests

The result for the year and the equity pertaining to non-controlling interests related to subsidiary Rai Way.

The shareholding held by Rai in the company, which was equal to 64.971% as at 31 December 2016, showed a reduction of 0.10253% following the granting, free of charge, of shares to third parties envisaged at the time of the IPO.

Share capital

As at 31 December 2016, the share capital of the Parent Company was divided into 242,518,100 ordinary shares with a par value of Euro 1 each. The fully paid-up and subscribed share capital is held by:

- the Ministry of Economy and Finance (MEF) for 241,447,000 shares, equal to 99.55835% of the share capital; and
- Società Italiana Autori Editori (S.I.A.E.) for 1,071,100 shares, equal to 0.4417% of the share capital.

Legal reserve

The legal reserve amounted to Euro 11.6 million.

Other reserves and profits (losses) carried forward

Other reserves, equal to Euro 194.3 million (Euro 489.0 million as at 31 December 2015) and losses carried forward, equal to Euro 28.4 million (Euro 306.6 million as at 31 December 2015) are broken down as in the table reported above.

15) Non-current liabilities

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

Non-current financial liabilities, including current portions, were equal to Euro 482.7 million (Euro 516.7 million as at 31 December 2015), and are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016			Financial year ended 31 December 2015		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Bonds	346.9	-	346.9	346.1	-	346.1
Medium/long-term payables to banks	95.3	39.9	135.2	135.2	34.9	170.1
Hedging derivative instruments	0.1	-	0.1	-	-	-
Medium/long-term payables to other lenders	0.4	0.1	0.5	0.4	0.1	0.5
Total	442.7	40.0	482.7	481.7	35.0	516.7

Non-current financial liabilities, including current portions, decreased by Euro 34.0 million from 31 December 2015, mainly due to:

- the repayment by Rai of the first instalment of the loan granted by the European Investment Bank ("EIB") for Euro 5.0 million;
- the repayment of two instalments of the amortising Rai Way loan for Euro 30.0 million.

As at 31 December 2016, the main medium/long-term payables to banks were made up of:

- an amortising loan in a residual amount of Euro 45 million, due 2021, granted to Rai by the European Investment Bank for the development of the Digital Terrestrial infrastructure;
- an amortising loan to Rai Way in a residual amount of Euro 90.0 million, finally due 2019;
- medium/long-term credit facilities granted to Rai Way by Mediocredito Centrale and Cassa Depositi e Prestiti in an aggregate amount of Euro 0.9 million.

The EIB loan provides for compliance with the following parameters/financial ratios in relation to the annual and half-year consolidated financial statements prepared according to IFRS:

- Net Financial Debt (adjusted, net of receivables from the Government for license fees)/Equity ≤ 1.3
- Net Financial Debt (adjusted, net of receivables from the Government for license fees)/EBITDA ≤ 1.0

As at the reporting date these ratios had been largely complied with, coming to 0.67 and 0.51, respectively.

The amortising loan held by Rai Way provides for the following parameters/financial ratios to be complied with in the Company's financial statements as at 31 December and as at 30 June of each year:

- Net Financial Debt/Equity ≤ 2.75
- Net Financial Debt/EBITDA ≤ 2.75

These ratios have been complied with in full, coming to 0.06 and 0.09, respectively.

The bond loan issued by Rai in May 2015 is listed on the Irish Stock Exchange. This bond, which was fully subscribed by international institutional investors, pays a nominal interest rate of 1.5%, due May 2020; it is fully unsecured and contains the usual covenants for issues with a similar rating. These covenants include:

- Negative Pledge, i.e. the prohibition on providing guarantees on other bond issues launched by the Issuer or of its "relevant subsidiaries", unless the same guarantee is provided to the existing bondholders;
- Cross-default, i.e. the possibility for the bondholders to ask for the default to be declared on the bond in the case of default on the debt of the Issuer or its "relevant subsidiaries" in an amount exceeding Euro 50 million;
- Change of Control, i.e. the possibility for the bondholders to exercise a "Put" option at par if the Ministry of Economy and Finance ceases to hold the majority of the votes at the Ordinary and Extraordinary Shareholders' meetings of Rai.

In this regard, it should be noted that, during the first half of 2015, Rai obtained, for the purposes of the bond issue, the "Long-Term Issuer" rating of Baa3 (Investment Grade) from Moody's, which considers the solvency of Rai substantially equal to that of the Italian Government.

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In December 2016 a "Credit Opinion" was issued, which confirmed the rating stated, changing the outlook from "stable" to "negative", as a result of the similar change in the rating of the Italian Government.

Below is the breakdown of financial liabilities (current and non-current) by maturity:

(in millions of Euros)	Financial year ended 31 December 2016			
	Within 12 months	From 1 and 5 years	After 5 years	Total
Bonds	-	346.9	-	346.9
Medium/long-term payables to banks	39.9	95.2	0.1	135.2
Short-term payables to banks	160.1	-	-	160.1
Medium/long-term payables to other lenders	0.1	0.4	-	0.5
Payables to associated companies	0.1	-	-	0.1
Hedging derivative instruments	-	0.1	-	0.1
Other financial liabilities	0.3	-	-	0.3
Total	200.5	442.6	0.1	643.2

(in millions of Euros)	Financial year ended 31 December 2015			
	Within 12 months	From 1 and 5 years	After 5 years	Total
Bonds	-	346.1	-	346.1
Medium/long-term payables to banks	34.9	130.1	5.1	170.1
Short-term payables to banks	1.0	-	-	1.0
Medium/long-term payables to other lenders	0.1	0.3	0.1	0.5
Short-term payables to other lenders	4.4	-	-	4.4
Payables to associated companies	0.1	-	-	0.1
Other financial liabilities	0.3	-	-	0.3
Total	40.8	476.5	5.2	522.5

The fair value of non-current financial liabilities (other than derivative financial instruments), is stated below and has been measured according to the following criteria:

- the bond, at the value of listing on the Irish Stock Exchange, equal to 103.06 (including accrued interest);
- the fair value of the EIB loan (including the short-term portion) has been calculated by discounting the capital and interest flows at the implied rates of the Euro curve as at the reporting date, as increased by the credit spread of Rai, estimated on the basis of the bonds issued by the Italian Government and was substantially in line with the book value.

(in millions of Euros)	Financial year ended 31 December 2016		Financial year ended 31 December 2015	
	Book value	Fair value	Book value	Fair value
Rai - Bond issue	346.9	360.7	346.1	350.3
Rai - EIB loan	45.0	46.0	50.0	51.7

As regards the Rai Way facilities, it is estimated that their book value approximates their fair value.

The fair value of non-current derivative liabilities, equal to Euro 0.1 million as at 31 December 2016, related to the Interest Rate Swap transactions entered into by Rai Way to cover 50% of the amortising credit facility. The details of the fair value measurement of the derivative instruments are stated in note 10, "Fair value measurement"; the quantification of the changes in market value recognised in consolidated profit or loss and in the consolidated equity reserve is stated in note 16.2 "Current financial liabilities".

15.2 Employee benefits

Employee benefits, equal to Euro 555.0 million (Euro 568.8 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Provision for staff severance pay	283.5	289.7
Pension funds	144.3	147.5
Provision for indemnity in lieu of notice for journalists	109.2	113.7
Healthcare fund for executives (FASDIR)	15.0	15.0
Seniority bonuses	2.3	2.1
Other employee benefits	0.7	0.8
Total employee benefits	555.0	568.8

The provision for staff severance pay (TFR), which is regulated by Article 2120 of the Italian Civil Code, included the estimate of the obligation, determined based on actuarial techniques, related to the amount to be paid to the employees upon termination of their employment relationship. The retirement allowance is calculated based on the remuneration paid for the services rendered, as revalued until the termination of the relationship. As a result of the legislative amendments introduced as from 1 January 2007, the staff severance pay is now transferred, depending on the choice made by each employee, to pensions funds or to the treasury fund held with INPS (National Social Security Institute). This entails that the staff severance pay liability accrued prior to 1 January 2007 continues to represent a defined benefit plan to be measured according to actuarial techniques, whereas a portion of the accruing staff severance pay is classified as a defined contribution plan since the company's obligation is discharged at the same time as the payment of the contributions to the pension fund or to INPS.

The supplementary pension fund included the estimated costs to be borne by the Group for the delivery of supplementary pension benefits acknowledged for some employees who opted for supplementary pension funds upon termination of their employment relationship, as provided for in the previous trade union agreements. Specifically, former middle managers, office and manual workers, and their relatives, are entitled to supplementary benefits additional to the pensions paid under the Compulsory General Insurance scheme of ENPALS (formerly the National Welfare and Social Security Institution for show business workers), whereas the former executives and their relatives are entitled to supplementary benefits additional to the pensions paid under the Compulsory General Insurance scheme of INPS. These supplementary pension benefits are, in turn, paid directly by closed-end pension funds, which are responsible for the management of supplementary pension schemes of the Rai staff since 1989: C.RAI.P.I (*Cassa di Previdenza Integrativa dei dipendenti Rai*, hereinafter "Craipi") for former middle managers, office and manual workers, and F.I.P.D.RAI (*Fondo Integrativo Previdenza dei Dirigenti Rai*, hereinafter "Fipdrai") for former executives. In short, the main features that characterise these supplementary pension funds are the following: (i) supplementary pension benefits may be paid to the survivors according to the rates set out for the beneficiaries in the provisions of law currently in force as regards compulsory insurance; (ii) supplementary pension benefits will be subject to such variations as may be required, as a result of changes in the family situation of the pensioner, to be made to the amount of pension benefits paid to the same under the Compulsory General Insurance scheme; (iii) the amounts paid for the purposes of supplementary pension funds shall not be subject to curtailments as a result of increases in the amount of pension benefits paid under the Compulsory General Insurance scheme; (iv) the amount payable to the beneficiaries will be subject to annual revaluation based on the coefficients set out by INPS. During the process of quantification of the pension fund, account was also taken of the assets of Fipdrai, arising from the fund's investment in the amounts disbursed to it by the Group companies upon termination of the employment relationship of their employees, amounting to Euro 3.1 million (Euro 4.8 million as at 31 December 2015).

The provision for compensation in lieu of notice for journalists included the estimated amount that shall be paid to the journalists employed by the Group as provided for in the last CNLG agreement (Labour Agreement for Journalists) adopted by Rai. According to said agreement, the journalists are entitled to the allocation in their name of an amount paid on the occasion of: (i) dismissal for justified reasons; (ii) dismissal upon reaching the retirement age; (iii) death of the journalist. On the contrary, no termination benefits are payable in the case of resignation or dismissal for cause. The aforementioned provision, which includes any related social security contributions, is equal to seven monthly salaries based on the salary of the month prior to the termination of employment, also for the journalists resident abroad, increased by one monthly salary for journalists holding the position of head of service or senior editor, by two monthly salaries for those holding the position of deputy editor, by three monthly salaries for those holding the position of editor in chief, correspondent from Rome or head of Rome Correspondence Office, and by six monthly salaries for those who hold the position of director, co-director and deputy director. The compensation payable is increased by one monthly salary for all journalists who, at the moment of the termination of their employment, have a minimum length of service of twenty years.

The Healthcare Fund for Rai executives (hereinafter "FASDIR") was set up in 1980 and ensures supplementary healthcare benefits to the Group Executives in service, retired executives and survivors of executives, beneficiaries and members of the FASDIR (hereinafter the "Members"), as well as to their relatives. The FASDIR is funded through the payment of the annual membership fees of the Members and the payment of the shares of contributions pertaining to the company (annual contribution per capita for each Serving Executive and annual lump-sum supplementary contribution for retired Executives). Historically, through the annual lump-sum supplementary contribution paid by Rai to the FASDIR for retired executives, the fund managed to cover the deficit arising in each year. In a situation where Rai has no legal obligation, but only a constructive obligation to cover any possible future deficit of the funds and the Parent Company has no access to all information, known to the fund, required to assess through actuarial techniques the liability that represents the potential commitment to FASDIR, it was deemed appropriate to make an estimate based on the amount of average annual contributions paid by the Group during the last 5 years, multiplied by the average residual life of the retired executives as at the valuation date, which was equal to 12 years as at 31 December 2016.

Seniority bonuses, provided for at Rai Pubblicità, are benefits paid following a given period of continuous employment in the company and are paid in cash. These bonuses fall within the category of long-term benefit plans.

Notes to the Consolidated Financial Statements as at 31 December 2016

Provisions for employee benefits measured by applying actuarial techniques are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016				
	Provision for staff severance pay	Pension funds (a)	FASDIR	Compensation in Lieu of notice - journalists	Other benefits
Present value of the obligation at the beginning of the year	289.7	147.5	15.0	113.7	2.9
Current cost of defined-benefit plans	-	-	-	7.1	0.2
Current cost of defined-contribution plans	44.5	-	1.0	-	-
Interest expense	3.5	2.1	0.2	1.6	-
Revaluations:					
- Actuarial gains/losses from changes in demographic assumptions	0.4	2.1	-	(0.5)	-
- Actuarial gains/losses from changes in financial assumptions	12.6	7.4	-	3.9	-
- Effect of the past experience	(3.9)	(4.4)	-	(1.5)	-
- Actuarial gains/losses from returns on plan assets	-	-	-	-	-
Past service cost and Gains/losses from settlement	-	-	-	(12.4)	-
Benefits paid	(13.0)	(10.4)	(1.2)	(2.7)	(0.1)
Transfers to external/funds for defined-contribution plans	(44.7)	-	-	-	-
Transfers of personnel from/to Group companies	-	-	-	-	-
Other changes	(5.6)	-	-	-	-
Present value of the obligation at the end of the year	283.5	144.3	15.0	109.2	3.0

(a) net of plan assets

(in millions of Euros)	Financial year ended 31 December 2015				
	Provision for staff severance pay	Pension funds (a)	FASDIR	Compensation in Lieu of notice - journalists	Other benefits
Present value of the obligation at the beginning of the year	310.1	171.4	15.1	117.5	2.9
Current cost of defined-benefit plans	-	-	-	7.2	0.2
Current cost of defined-contribution plans	43.9	-	1.1	-	-
Interest expense	2.4	1.5	0.1	1.2	-
Revaluations:					
- Actuarial gains/losses from changes in demographic assumptions	2.9	0.9	-	(0.4)	-
- Actuarial gains/losses from changes in financial assumptions	(10.5)	(8.8)	-	(6.0)	-
- Effect of the past experience	(0.6)	(6.0)	-	(0.4)	-
- Actuarial gains/losses from returns on plan assets	-	(0.1)	-	-	-
Past service cost and Gains/losses from settlement	-	-	-	(2.1)	-
Benefits paid	(11.5)	(11.4)	(1.3)	(3.3)	(0.2)
Transfers to external/funds for defined-contribution plans	(43.9)	-	-	-	-
Transfers of personnel from/to Group Companies	-	-	-	-	-
Other changes	(3.1)	-	-	-	-
Present value of the obligation at the end of the year	289.7	147.5	15.0	113.7	2.9

(a)) net of plan assets

Notes to the Consolidated Financial Statements as at 31 December 2016

Costs of employee benefits, determined by using actuarial assumptions, recognised in consolidated profit or loss are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016				
	Provision for staff severance pay	Pension funds	FASDIR	Compensation in lieu of notice - journalists	Other benefits
Current cost of defined-benefit plans	-	-	-	(7.1)	(0.2)
Current cost of defined-contribution plans	(44.5)	-	(1.0)	-	-
Past service cost and Gains/losses from settlement	-	-	-	12.4	-
Net interest expense (income):					
- Interest expense	(3.5)	(2.1)	(0.2)	(1.6)	-
Total	(48.0)	(2.1)	(1.2)	3.7	(0.2)

(in millions of Euros)	Financial year ended 31 December 2015				
	Provision for staff severance pay	Pension funds	FASDIR	Compensation in lieu of notice - journalists	Other benefits
Current cost of defined-benefit plans	-	-	-	(7.2)	(0.2)
Current cost of defined-contribution plans	(43.9)	-	(1.1)	-	-
Past service cost and Gains/losses from settlement	-	-	-	2.1	-
Net interest expense (income):					
- Interest expense	(2.4)	(1.5)	(0.1)	(1.2)	-
Total	(46.3)	(1.5)	(1.2)	(6.3)	(0.2)

Costs of defined-benefit plans recognised under other components of the consolidated statement of comprehensive income are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016				
	Provision for staff severance pay	Pension funds	FASDIR	Compensation in lieu of notice - journalists	Other benefits
Revaluations:					
- Actuarial gains/losses from changes in demographic assumptions	(0.4)	(2.1)	-	0.5	-
- Actuarial gains/losses from changes in financial assumptions	(12.6)	(7.4)	-	(3.9)	-
- Effect of the past experience	3.9	4.4	-	1.5	-
- Actuarial gains (losses) from returns on plan assets	-	-	-	-	-
Total	(9.1)	(5.1)	-	(1.9)	-

(in millions of Euros)	Financial year ended 31 December 2015				
	Provision for staff severance pay	Pension funds	FASDIR	Compensation in lieu of notice - journalists	Other benefits
Revaluations:					
- Actuarial gains/losses from changes in demographic assumptions	(2.9)	(0.9)	-	0.4	-
- Actuarial gains/losses from changes in financial assumptions	10.5	8.8	-	6.0	-
- Effect of the past experience	0.6	6.0	-	0.4	-
- Actuarial gains (losses) from returns on plan assets plans	-	-	-	-	-
Total	8.2	13.9	-	6.8	-

Notes to the Consolidated Financial Statements as at 31 December 2016

The assets serving the Fipdrai pension fund are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016		Financial year ended 31 December 2015	
	With prices quoted in active markets	With prices not quoted in active markets	With prices quoted in active markets	With prices not quoted in active markets
Cash and cash equivalents	-	0.9	-	1.3
Debt instruments	-	(0.2)	-	(0.3)
Securities issued by the Government or international organisations	2.4	-	3.7	-
Other listed securities	-	-	0.1	-
Total plan assets	2.4	0.7	3.8	1.0

The main actuarial assumptions adopted are outlined below:

	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Financial assumptions		
Discount rates	from 0.65% to 1.13%	from 1.21% to 1.81%
Rate of inflation	1.50%	1.50%
Expected rate of pay increase (*)	from 1.21% to 3%	from 1.21% to 3%
Demographic assumptions		
Maximum retirement age	According to law	According to law
Life tables	SI 2014 Amended	SI 2013 Amended
Average annual percentage of staff exits	From 3.65% to 7.56%	from 3.31% to 7.16%
Annual probability of requests for early retirement	from 1.00% to 1.50%	from 1.00% to 1.50%

(*) Inflation included

The discount rate adopted was determined taking account of the returns on high quality corporate bonds, specifying the class of rating, or other references (such as government bonds in the absence of high quality corporate bonds). For the purposes of the definition of actuarial assumptions and, specifically, of the discount rate, taking account of the definition of Investment grade securities, only securities of corporate issuers with a rating of "AA" were considered.

The demographic tables adopted are SI 2014, broken down by gender and appropriately amended according to a specific study on the mortality concerning the Group community.

The effects resulting from a reasonably possible change in the discount rate at the end of the financial years ended 31 December 2016 and 31 December 2015 are outlined below:

(in millions of Euros)	Financial year ended 31 December 2016				
	Sensitivity	Provision for staff severance pay	Pension funds	FASDIR	Other benefits
Discount rate	+0.50%	273.4	141.2	-	105.1
	-0.50%	294.3	154.2	-	113.5
(in millions of Euros)	Financial year ended 31 December 2015				
	Sensitivity	Provision for staff severance pay	Pension funds	FASDIR	Other benefits
Discount rate	+0.50%	279.1	119.6	-	109.8
	-0.50%	300.9	130.3	-	117.8

The profile of maturity of the obligations for employee defined benefit plans is outlined below:

(in millions of Euros)	Group			
	Expected payments	Compensation in lieu of notice - journalists	Provision for staff severance pay	Pension funds
Expected payments as at 31.12.2017		8.3	21.5	11.7
Expected payments as at 31.12.2018		8.9	23.5	11.3
Expected payments as at 31.12.2019		9.9	23.5	10.9
Expected payments as at 31.12.2020		9.6	26.9	10.4
Expected payments as at 31.12.2021		10.7	23.9	10.0
Expected payments from 1.01.2022 to 31.12.2026		55.9	91.6	42.6

15.3 Non-current provisions for risks and charges

Non-current provisions for risks and charges, equal to Euro 228.1 million (Euro 194.9 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2015	Provisions	Uses	Reversals	Other movements	Financial year ended 31 December 2016
Provision for legal disputes	77.6	19.7	(13.3)	(3.9)	-	80.1
Provision for 2014 – 2015 concession fee	35.8	-	(19.7)	(16.1)	-	-
Provision for reclamation and renovation of properties	15.1	14.2	(1.3)	-	-	28.0
Provision for decommissioning and restoration	12.1	1.5	-	-	0.5	14.1
Provision for costs of accrued commissions	12.3	31.9	(0.1)	(0.2)	-	43.9
Provision for litigation with a social security institutions	10.0	-	(0.4)	(6.6)	-	3.0
Provision for tax litigation	2.6	10.6	-	-	-	13.2
Provision for ISC ICM Agents	2.5	0.2	(0.8)	-	-	1.9
Provision for return of license fees	1.2	0.4	(0.9)	-	-	0.7
Provision for disputes on leases	1.3	0.1	-	-	-	1.4
Provision for risks from default interest	0.7	-	(0.1)	-	-	0.6
Provision for write-down of equity investments exceeding the book value	0.1	-	-	(0.1)	-	-
Other provisions	23.6	19.5	(1.7)	(2.0)	1.8	41.2
Total provision for risks and chargers	194.9	98.1	(38.3)	(28.9)	2.3	228.1

The provision for legal disputes, equal to Euro 80.1 million, included the prudential and prognostic estimate of the charges arising from pending legal proceedings, in which the Group is involved for various reasons. More specifically, they related (amounts including legal fees) to civil, administrative and criminal proceedings for Euro 48.9 million and to labour-related disputes for Euro 31.2 million.

The provision for reclamation and renovation of properties, equal to Euro 28.0 million, included the estimated costs that the Group expects to incur mainly with reference to the removal of facilities containing asbestos from within of the properties owned. The constructive obligation to carry out the reclamation and subsequent renovation of the aforementioned properties results from the Group's intention expressed on more than one occasion to the Company's bargaining units.

The provision for decommissioning and restoration, equal to Euro 14.1 million, included the estimated costs for the decommissioning of, removal of installations from and changes made to, and the restoration of, the areas and/or premises operated by the Group under operating leases, that place an obligation on the lessee to restore the leased areas and/or premises at the end of the lease term (i.e. when the area and/or premises are handed over absent any renewal of the lease).

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The provision for costs of accrued commissions, equal to Euro 43.9 million, includes the estimated total costs expected in relation to the employment contracts in place.

The provision for litigation with social security institutions, equal to Euro 3.0 million, included the estimated costs resulting from jurisdictional proceedings pending with social security institutions.

The provision for tax disputes, equal to Euro 13.2 million, included the costs estimated for contingent liabilities arising from potential negative outcomes of pending tax disputes. This provision was increased by Euro 10.6 million, considering the sanctions and interest that might arise from the tax assessments served on Rai Pubblicità on 29 December 2016, for the tax periods included between 2007 and 2011, following the tax audit that was completed in July 2016; said notices assumes a VAT avoidance committed by Rai Pubblicità as a result of an involvement in a carousel fraud committed by third parties. In this regard, reference should also be made to the information reported in note 18.3 "Potential liabilities".

The provision for agent's supplementary clientele indemnity (*Indennità suppletiva di clientela* or ISC) and the provision for agent's merit clientele indemnity (*Indennità di clientela meritocratica* or ICM), equal to Euro 1.9 million, included the amounts to be paid to the agents upon termination of their agency contracts due to a cause not ascribable to the agent, determined also based on estimates that take account of historical data, and with reference to the growth of the customer portfolio or the increase in business volumes with the customers already included in such portfolio.

15.4 Deferred tax liabilities

Deferred tax liabilities, equal to Euro 24.2 million, are stated net of deferred tax assets that can be offset, equal to Euro 137.7 million. The net balance as at 31 December 2015 showed deferred tax liabilities of Euro 12.1 million.

The nature of the temporary differences that determined deferred tax liabilities and offset deferred tax assets is as follows:

(in millions of Euros)	Financial year ended 31 December 2015	Changes			Financial year ended 31 December 2016
		Income Statement	Other comprehensive Income (expense)	Balance Sheet	
Statutory-tax differences on property, plant and equipment	(162.2)	2.5	-	-	(159.7)
Exchange and interest rate derivatives	(2.4)	-	2.2	-	(0.2)
Other equity investments	(1.7)	-	-	-	(1.7)
Deferred tax liabilities on consolidation adjustments	(0.1)	(0.1)	-	-	(0.2)
Other	(0.3)	0.2	-	-	(0.1)
Deferred tax liabilities that can be offset	(166.7)	2.6	2.2	-	(161.9)
Negative taxable income	142.2	26.5	-	(39.2)	129.5
Write-down of programmes	3.7	0.1	-	(3.7)	0.1
Statutory-tax difference on programmes	1.1	(0.1)	-	(1.0)	-
Employee benefits	0.6	-	0.2	-	0.8
Estimated new accruals	4.6	0.7	-	(0.1)	5.2
Deferred tax assets from consolidation adjustments	1.8	(0.2)	-	-	1.6
Exchange and interest rate derivatives	-	-	-	-	-
Other	0.6	(0.1)	-	-	0.5
Deferred tax assets that can be offset	154.6	26.9	0.2	(44.0)	137.7
Deferred tax liabilities	(12.1)	29.5	2.4	(44.0)	(24.2)

The calculation of deferred tax assets took account of the reasonable certainty of their future recovery.

The changes related to other comprehensive income (expense) essentially concerned deferred tax assets and liabilities recognised in equity and related to the tax effect on the restatement of defined-benefit plans and of cash flow hedge instruments recognised based on hedge accounting.

Deferred tax assets on tax losses carried forward amounted to Euro 129.5 million, and are likely to be used with reference to the possibility of them being offset, with the reversal of deferred tax liabilities to consolidated profit or loss.

15.5 Other non-current payables and liabilities

Other non-current payables and liabilities, which entirely reflect items expressed in Euros, were equal to Euro 3.6 million (Euro 6.3 million as at 31 December 2015) and related to deferred income for the non-current portion of the grants disbursed by the then Ministry for Communications in support of the initiatives for the switchover to Digital Terrestrial broadcasting (Euro 6.2 million as at 31 December 2015). For additional information on such grants, reference should be made to note 16.1 "Trade payables and other current payables and liabilities".

Payables to related parties are described in note 18.4 "Related Parties".

16) Current liabilities

16.1 Trade payables and other current payables and liabilities

Trade payables and other current payables and liabilities, equal to Euro 995.7 million (Euro 1,014.1 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Trade payables to lenders	679.1	662.4
Trade payables to associated companies	7.1	4.0
Total trade payables	686.2	666.4
Payables to social security institutions	78.3	76.1
Other payables to personnel	203.8	184.6
Payables due to assessment items for the period	7.6	10.9
Advances	6.5	59.6
Deferred income:		
- Grant for switch over to Digital Terrestrial broadcasting	2.6	5.6
- Other deferrals	1.9	1.6
Other payables	8.8	9.3
Total other current payables and liabilities	309.5	347.7
Total trade payables and other current payables and liabilities	995.7	1,014.1

Trade payables, equal to Euro 686,2 million, showed an increase of Euro 19.8 million compared to 31 December 2015.

Other current payables and liabilities decreased by Euro 38.2 million compared to 31 December 2015, mainly as a result of the failure to recognise advances for licence fees that had been stated during the previous year.

Payables to personnel, equal to Euro 203,8 million (Euro 184,6 million as at 31 December 2015) are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Untaken holidays	75.8	82.5
Untaken days off	51.0	52.1
Assessed remuneration	52.0	43.7
Early retirement incentives	22.7	4.1
Others	2.3	2.2
Total payables to personnel	203.8	184.6

The item "Deferred income/Grant for switchover to Digital Terrestrial broadcasting" included, for Euro 2,6 million, the current portion of the grants disbursed to the Parent Company by the former Ministry for Communications from 2007 to 2011 in support of activities performed to accelerate the switchover to digital terrestrial broadcasting. Such activities included operations on plant and systems and adaptation of site infrastructures to extend the areas covered by digital signal and improve reception and the quality of service provided to users. The task of making this type of investments is entrusted to subsidiary Rai Wway, which is also responsible for the design, installation, construction, maintenance, implementation, development and operation of the telecommunications networks. The grant is recognised in consolidated profit or loss in each year in relation to the depreciation allowance that would have been recognised had the investment been made by Rai, taking account of the ratio of the amount of grants received to investments made for the implementation of the related projects.

Payables to social security institutions, equal to Euro 78.3 million (Euro 76.1 million as at 31 December 2015) are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Payables to Supplementary personal pension funds	23.2	22.5
Payables to INPS (formerly ENPALS)	20.2	19.8
Payables to INPGI	14.7	15.2
Payables to INPS	8.3	8.1
Payables to CASAGIT	1.5	1.5
Contribution on assessed remuneration	9.5	8.2
Other payables	0.9	0.8
Payables to social security institutions	78.3	76.1

The amount of receivables expressed in currencies other than the Euro is shown in note 8.1 "Market risk".

Payables to related parties are described in note 18.4 "Related Parties".

16.2 Current financial liabilities

Current financial liabilities, equal to Euro 200.5 million (Euro 40.8 million as at 31 December 2015), are stated in the table below:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Medium/long-term payables to banks (current portion)	39.9	34.9
Medium/long-term payables to other lenders (current portion)	0.1	0.1
Short-term payables to banks	160.1	1.0
Payables to other lenders – under current financial liabilities	-	4.4
Payables to associated companies – under current financial liabilities	0.1	0.1
Other current financial payables and liabilities	0.3	0.3
Total current financial liabilities	200.5	40.8

Current portions of non-current financial liabilities are already reported and commented in note 15.1 "Non-current financial liabilities".

Short-term payables to banks, equal to Euro 160.1 million (Euro 1.0 million as at 31 December 2015) were due to the negative balance of the current account held with lending banks, the increase in which was attributable to the time required to pay higher licence fees due to the Group according to the new collection method, which was applied for the first time during the financial year in question and did not entail higher reversals during the 2016 financial year, which will be instead settled in 2017.

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The fair value of derivative liabilities, both current and non-current, is specified below:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Total derivative financial instrument – Current portion	-	-
Interest rate hedging derivatives	0.1	-
Total derivative financial instrument – Non-current portion	0.1	-
Total derivative financial instruments	0.1	-

Cash flow hedge transactions related to the activities to hedge exchange rate risks on contracts for the acquisition of rights to the broadcasting of sports events and TV rights relating to series and films, denominated in Dollar and the Interest Rate Swap transactions on medium/long-term loans of Rai Way.

As at 31 December 2016 no negative fair values had been estimated in a considerable amount on exchange rate hedging derivatives.

The negative fair value of derivatives hedging interest rates was equal to 0.1 as at 31 December 2016 and was fully deferred under the cash flow hedge reserve.

The information related to hedged risks and hedging policies is reported in note 8.1 "Market risk".

16.3 Tax payables

Tax payables, equal to Euro 85.8 million (Euro 78.5 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
IRES tax payables for national tax consolidation	46.6	38.0
IRAP tax payables	1.2	0.3
Total payables for direct taxes	47.8	38.3
Deferred VAT payables	1.5	2.7
Total payables for indirect taxes	1.5	2.7
Withholding taxes on income from subordinate and self-employment	36.0	36.8
Other withholdings and substitute taxes	0.5	0.7
Total payables for withholdings applied as withholding agent	36.5	37.5
Total tax payables	85.8	78.5

As regards IRES tax payables to the Tax Office, equal to Euro 46.6 million (Euro 38.0 million as at 31 December 2015), the Group companies opted for Group taxation, appointing the Parent Company, as the consolidating entity, to fulfil any formalities related to the settlement and payment of IRES tax for the companies included in the tax consolidation. The procedure for consolidating the Group's taxable income is regulated by a specific agreement between the Parent Company and its subsidiaries, as described in note 18.4 "Related Parties".

Income taxes are analysed in note 17.9, "Income Taxes".

17) Income Statement

17.1 Revenues from sales and services

The main items that make up the "Revenues from sales and services" are broken down as follows.

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
License fees	1,909.7	1,637.5
Advertising	698.2	658.8
Other revenues	183.4	179.2
Total revenues from sales and services	2,791.3	2,475.5

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

License fees revenues

License fees revenues, equal to Euro 1,909.7 million (Euro 1,637.5 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Fees for the period – ordinary subscribers	1,792.7	1,537.4
Fees for the period – special subscribers	77.8	75.6
Fees recovered through enforcement procedures	39.6	25.9
Reimbursement of fees	(0.4)	(1.4)
Total fees	1,909.7	1,637.5

As regards license fees revenues (for the definition of which, reference should be made to note 4 "Accounting principles"), it should be noted that, in calculating the amount of licence fees for private subscriptions, the information and data were used, which had been made available with reference to the new collection methods, taking account of the provisions under Law 190 of 23 December 2014 (Article 1, paragraph 293), providing for a 5% reduction, as from the year 2015, in the amounts to be paid to Rai to cover for the cost of supplying the Public Service.

The new collection methods were introduced by Law 208 of 28 December 2015 (2016 Stability Law), which, under Article 1, paragraphs 152 and ff., provides, as from 1 January 2016, for the collection of TV license fees for private use through a charge – under a separate item – on the electricity bills.

This rule has introduced, in order to combat license fee avoidance, a mechanism according to which the possession of a TV set is assumed whenever a contract exists for the supply of electricity in the place where a person has his/her registered residence. The assumed possession of a TV set may be ignored only with a self-certification issued pursuant to the Consolidated Act referred to in Presidential Decree 445 dated 28 December 2000, which, in case of false declarations, may also entail criminal penalties.

The abovementioned 2016 Stability Law also established that, for the years from 2016 to 2018, any higher receipts compared to the amounts reported in the Government's forecast-type 2016 budget are paid to Rai in a percentage of 67% for 2016 and 50% for each of the years 2017 and 2018.

The "separate accounting" mechanism, which is used, as required by the consolidated broadcasting law, to determine the annual per-unit licence fee and thereby ensure alignment between licence fee revenues and the independently audited costs sustained by Rai in carrying out its Public Service remit, has shown an under provision of licence fee revenues amounting to over Euro 2.6 billion for the period from 2005 to 2015.

Notes to the Consolidated Financial Statements as at 31 December 2016

Advertising revenues

Advertising revenues, equal to Euro 698.2 million in 2016 (Euro 658.8 million in 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
TV advertising on general interest channels:		
- commercials	458.8	432.1
- promotions, sponsorships and special events	127.3	113.4
- product placement	5.3	4.5
TV advertising on specialist channels	65.8	68.2
Radio advertising	29.9	27.8
Cinema advertising	3.8	5.6
Web advertising	8.5	7.1
Other advertising	0.7	1.8
Non-controlling interests	(1.5)	(1.2)
Contingent assets	(0.4)	(0.5)
Total advertising revenues	698.2	658.8

Advertising revenues showed an increase of Euro 39.4 million compared to 2015, benefitting from the excellent results achieved with revenues from Big Sports Events (specifically the European Football Cup).

As from May the Parent Company decided to stop collecting advertising revenues for three specialist TV channels (Rai YoYo, Rai 5, Rai Storia), which had been in the range of about Euro 11 million during the period from May to December 2015.

Other revenues

Other revenues from sales and services, equal to Euro 183.4 million in 2016 (Euro 179.2 million in 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Special services under agreement	44.4	50.3
Sale of rights and musical publications	60.5	54.8
Film and home video distribution	29.3	37.7
Distribution and sale of channels	20.0	16.1
Systems and equipment hosting fees	32.4	32.7
Sundry services, mainly for institutional purposes	9.5	16.1
Signal broadcasting, circuit hire, radio link and connections	5.8	5.7
Telephone interactions	0.7	1.2
Production services	0.7	0.6
Revenues from sales of publications	1.6	0.7
Other	1.5	1.4
Non-controlling interests	(29.1)	(41.6)
Contingent assets	6.1	3.5
Total revenues from sales and services - other revenues	183.4	179.2

17.2 Other earnings and proceeds

Other earnings and proceeds, equal to Euro 18.2 million in 2016 (Euro 17.6 million in 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Operating grants	9.1	8.0
Income from investment property and rentals	2.0	2.1
Income from production of programmes	0.7	0.9
Compensation for damage	0.7	1.2
Capital gains on disposals	-	0.5
Contingent assets	1.9	0.4
Other	3.8	4.5
Total other earnings and proceeds	18.2	17.6

17.3 Costs for purchases of consumables, for services and other costs

Costs for purchases of consumables, for services and other costs, equal to Euro 1,151.3 million in aggregate (Euro 988.6 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Purchases of consumables	13.9	16.4
Self-employment services	134.9	132.1
Services for acquisition and production of programmes	212.6	195.6
Daily allowances, travel expenses and additional personnel costs	41.1	38.1
Maintenance, repairs, transport and similar costs	45.1	44.7
Documentation and information services	50.0	46.5
Other external services (telephone systems, supply services, cleaning, post, insurance, etc.)	160.0	157.7
Leases and rentals	95.1	88.6
Filming rights	257.9	146.2
Rights of use	111.1	106.5
Contingent liabilities	(14.5)	(14.5)
Recoveries and reimbursement of expenses	(14.5)	(17.8)
Costs for services	1,078.8	923.7
Prizes and winnings	12.4	11.4
Contribution for rights of use of TV digital frequencies and other contributions	10.3	0.1
Contribution to the Supervisory Authorities	5.5	5.8
TASI (indivisible services)/ IMU (Single Municipal) tax	10.6	10.6
Other indirect taxes, duties and other levies	11.1	11.0
Daily newspapers, periodicals, books, publications	1.7	1.7
Membership quotas and fees	3.7	3.7
Capital losses on disposals	0.1	0.6
Other	3.8	3.3
Contingent liabilities	(0.6)	0.3
Other costs	58.6	48.5
Total costs for purchases of consumables, for services and other costs	1,151.3	988.6

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Costs for purchases of consumables, equal to Euro 13.9 million (Euro 16.4 million as at 31 December 2015), mainly related to purchases of various production materials for Euro 4.3 million (Euro 4.1 million as at 31 December 2015), technical materials for warehouses for Euro 1.1 million (Euro 1.4 million as at 31 December 2015) and other materials for Euro 8.9 million (Euro 11.0 million as at 31 December 2015).

Costs for services, the breakdown of which is stated in the table above, totalled Euro 1,078.8 million (Euro 923.7 million as at 31 December 2015), net of discounts and allowances obtained. They also included fees, position allowances and reimbursements of expenses paid by the Parent Company to the Directors for Euro 0.5 million and to the Statutory Auditors for Euro 0.2 million. It should also be noted that at the same time two Statutory Auditors of the Parent Company performed similar duties in other subsidiaries against insignificant remuneration.

Pursuant to Article 2427, no. 16-bis, of the Italian Civil Code, the fees accrued in the financial year ended 31 December 2016 paid for auditing services and services other than auditing services rendered by the same Independent Auditors amounted to Euro 0.3 million and Euro 0.1 million, respectively.

Other costs, equal to Euro 58.6 million (Euro 48.5 million as at 31 December 2015), mainly related to prizes and winnings on radio and television contests, indirect taxes and other duties, contributions for rights of use of TV digital frequencies and other contributions.

17.4 Personnel costs

Personnel costs, equal to Euro 1,031.7 million (Euro 977.0 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Wages and salaries	747.1	713.8
Social security contributions	206.1	206.3
Staff Severance Pay	44.5	43.8
Pension and similar costs	14.8	14.0
Other	15.0	19.5
Personnel costs	1,027.5	997.4
Early retirement incentive costs	28.4	8.1
Recovery of expenses	(1.0)	(0.8)
Capitalised personnel costs	(17.1)	(22.0)
Other personnel costs	10.3	(14.7)
Contingent liabilities and releases of provisions	(6.1)	(5.7)
Total personnel costs	1,031.7	977.0

This item includes charges for defined-contribution plans for Euro 45.5 million and income for defined-benefits plans for Euro 5.1 million, net of past service, as analysed in note 15.2 "Employee benefits".

The Group applies five Collective Labour Agreements, i.e. the Collective Labour agreement for middle managers, office and manual workers employed by Rai, Rai Wway, Rai Cinema and Rai Com, the Collective Labour Agreement for Orchestra Members of Rai, the National Labour Agreement for Journalists, as applied by Rai according to the procedures set out in a "Agreement for the extension of CNLG (National Labour Agreement for Journalists) to Rai" and the related Supplementary Agreement between Rai and Usigrai for journalists, the National Collective Labour Agreement for Executives of Companies that produce goods and services and the related Supplementary Agreement between Rai and ADRAI (Association of Rai Executives), and the National Collective Labour Agreement for the employees of Rai Pubblicità.

The Company agreements for middle managers, office and manual workers and Orchestra Members, respectively, expired on 31 December 2013.

At present the National Labour Agreement in force for journalists (1/4/2013 – 31/3/2016, extended for 6 additional months) is not applied by the Company as it has not been possible to reach an un-

derstanding with Usigrai on the extension Agreement; the Supplementary Agreement expired on 31 December 2013.

The National Labour Agreement for executives is in force for the period from 1/1/2015 to 31/12/2018, while the supplementary Rai-ADRAI agreement for the period from 2014 to 2016 was renewed on 23 December 2015.

Below is the breakdown of the average number of the consolidated companies' employees by category:

	31 December 2016			31 December 2015		
	Average number under fixed-term contracts	Average number under permanent contracts (1)	Total	Average number under fixed-term contracts	Average number under permanent contracts (1)	Total
- Executives	0	343	343	0	324	324
- Officers/middle managers	1	1,354	1,355	2	1,324	1,326
- Journalists	117	1,709	1,826	223	1,621	1,844
- Office workers	579	7,757	8,336	635	7,602	8,237
- Manual workers	89	930	1,019	109	945	1,054
- Orchestra members and choristers	4	119	123	3	121	124
- Medical staff	0	8	8	0	8	8
Total	790	12,220	13,010	972	11,945	12,917

(1) of which placement contracts and apprenticeship contracts

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The average number of employees is calculated as the arithmetic mean of the daily number of employees in the period under consideration as weighted in relation to the employment of the employee on a part-time basis. The average number of employees includes employees under permanent and fixed term.

17.5 Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs, equal to Euro 543.4 million (Euro 537.5 million in 2015) are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Property, plant and equipment:		
Buildings	18.0	17.6
Plant and machinery	80.2	87.6
Industrial and commercial equipment	2.8	2.7
Other assets	5.6	5.6
Total depreciation of property, plant and equipment	106.6	113.5
Intangible assets:		
Programmes	381.4	371.5
Software	6.2	5.7
Digital Terrestrial frequencies	1.1	3.4
Other rights	0.3	0.3
Total amortisation of intangible assets	389.0	380.9
Depreciation of investment property	0.3	0.3
Total amortisation and depreciation	495.9	494.7
Programmes under amortisation	32.2	25.3
Other intangible assets	-	1.4
Programmes under development	11.2	9.6
Trade receivables	2.6	3.8
Other current receivables and assets	0.4	0.3
Other non-current receivables and assets	1.1	2.4
Total write-downs	47.5	42.8
Total amortisation, depreciation and write-downs	543.4	537.5

17.6 Provisions

Net provisions, equal to Euro 18.8 million (Euro 2.2 million in 2015), reflected accruals of Euro 40.6 million (Euro 17.7 million in 2015), which were offset by releases of Euro 21.8 million (Euro 15.5 million in 2015), mostly relating to provisions for risks and charges for disputes of different kinds. Accruals included an amount of Euro 10.6 million set aside to take account of the sanctions and interest that might arise from the notices of tax assessment served on Rai Pubblicità for VAT purposes, as already commented on in note 15.3 "Non-current provisions for risks and charges". For more details, reference should be made to the information reported in note 18.3 "Potential liabilities".

17.7 Financial income and expenses

Net financial expenses, equal to Euro 18.2 million (Euro 19.4 million in 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Financial income		
Interest receivable from banks	0.1	0.4
Estimated foreign exchange gains	0.5	1.2
Foreign exchange gains realized	0.1	0.4
Income from interest rate derivatives	-	0.8
Income from exchange rate derivatives	0.4	0.3
Other	1.5	1.9
Total financial income	2.6	5.0
Financial expenses		
Interest payable to banks	(2.4)	(6.9)
Interest payable to other lenders	(0.6)	(1.0)
Interest payable on bond issues	(6.1)	(3.6)
Expenses from interest rate hedging derivatives	(0.1)	(2.1)
Expenses from exchange rate hedging derivatives	(0.2)	(0.7)
Estimated foreign exchange losses	(0.9)	(0.6)
Foreign exchange losses realized	(0.9)	(1.1)
Interest on obligations for employee benefits	(7.4)	(5.2)
Other	(2.2)	(3.2)
Total financial expenses	(20.8)	(24.4)
Net financial expenses	(18.2)	(19.4)

17.8 Share of profits (losses) of equity-accounted investments

Share of profits/losses of equity-accounted investments, which was negative for Euro 0.7 million (positive for Euro 1.9 million in 2015), is broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Euronews SA	(1.5)	1.0
San Marino RTV SpA	(0.1)	-
Tivù Srl	0.9	0.9
Total effect from equity-accounted investments	(0.7)	1.9

The breakdown of changes in equity investments is stated in note 12.4 "Equity investments".

17.9 Income taxes

Income taxes are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
IRES tax	(47.0)	(38.3)
IRAP tax	(8.9)	(7.7)
Total current tax	(55.9)	(46.0)
Deferred tax liabilities	2.6	21.9
Deferred tax assets	26.9	27.5
Total deferred tax	29.5	49.4
Direct taxes – previous years	(0.9)	0.7
Total taxes for the year	(27.3)	4.1

Below is the breakdown of the difference between theoretical and effective taxation:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Profit (Loss) before tax	45.4	(29.7)
IRES tax rate	27.5%	27.5%
Theoretical tax income (Charge)	(12.5)	8.2
Taxes relating to previous years	(0.9)	0.7
Tax difference	(5.0)	2.9
IRAP tax	(8.9)	(7.7)
Total income taxes	(27.3)	4.1

The item "Tax difference" represents the economic effect on theoretical taxes for the year, arising from the application of Italian tax rules that regulate the calculation of the IRES and IRAP taxable base.

In 2016 these differences were mainly attributable to the performance of changes in the IRES/IRAP taxable income and, to a lower extent, to the effects arising from the reduction in the IRES tax rate (from 27.5% to 24%) as from the 2017 tax period.

18) Other Information

18.1 Guarantees

Guarantees given, equal to Euro 38.4 million (Euro 41.8 million as at 31 December 2015), are broken down as follows:

(in millions of Euros)	Financial year ended 31 December 2016			
	Sureties	Other unsecured guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6
Other	35.8	-	-	35.8
Total	38.4	-	-	38.4

(in millions of Euros)	Financial year ended 31 December 2015			
	Sureties	Other unsecured guarantees	Collateral	Total
Joint ventures and associates	2.6	-	-	2.6
Other	36.9	-	2.3	39.2
Total	39.5	-	2.3	41.8

Guarantees given included the assumption of payment obligations in favour of the Tax Authorities, as security for the early repayment of VAT surplus of Euro 34.0 million as at 31 December 2016 (Euro 35.1 million as at 31 December 2015) in favour of subsidiaries.

The Group also reported guarantees provided by third parties against obligations in financial and commercial terms, equal to Euro 400.1 million (Euro 379.2 million as at 31 December 2015), which mainly related to:

- (i) guarantees received from banks and other insurance entities:
 - as security for the acquisition of goods and services;
 - for proper performance of agreements for the realisation of radio and television productions;
- (ii) third-party guarantees provided for the Group's obligations:
 - against payables – mainly for a surety released in favour of the Parent Company as security for the medium/long-term loan granted by the EIB;
 - against other obligations – mainly for sureties released in favour of the Parent Company to the Tax Authorities as security for the prize contests and for the VAT credit being refunded and to UEFA for qualifications for the 2018 World Football Cup.

18.2 Commitments

The main commitments, including multi-year commitments, linked to the product or to initiatives for technological upgrading and development, which had already been subscribed as at the reporting date, are listed below:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Commitments		
Rights to sports events	161.1	265.5
Investments in audiovisual works	178.4	220.8
Rights and services for the realisation of other programs	40.8	38.2
Technical investments	39.8	19.6
Total commitments	420.1	544.1

18.3 Potential liabilities

The Group companies, and mainly Rai, are involved in civil, administrative, labour-related and social security proceedings connected to the ordinary course of their business.

The disputes concerning civil law and administrative issues in which the Group is involved mainly relate to activities for the production and broadcasting of radio and television programmes. Almost all of the civil disputes concern claims for damages, mostly connected to defamation and infringement of personality rights, whereas within the context of the administrative proceedings concerning public contracts, the claim for compensation by way of equivalent measures is considered as an alternative only, given that the main claim regards the cancellation of the tender documents and, in some cases, the taking over of the contract.

Upon occurrence, based on the analyses conducted on these types of disputes, of the following conditions:

- the availability, at the moment of the preparation of the financial statements, of information that would indicate that a liability is likely to be incurred;
- the possibility of reasonably estimating the amount of the charge, taking account of the requests submitted by the plaintiffs, the related charge is allocated through accruals to the Provisions for legal disputes.

In this regard, note the proceedings, for which the risk of losing the case is considered to be possible, which have been brought against Rai as to the broadcasting of Rai contents on DVB-H platforms. The Court of Appeals of Milan has rejected the claims submitted by the opposite party in full, thus confirming the judgment issued by the Tribunal. However, the time limits for submitting objections have not yet expired.

As regards labour-related and social security issues, the Group is involved in a considerable number of disputes mainly concerning requests for reinstatement, demands for establishing a fictitious interposition of third-party labour (*interposizione fittizia di manodopera*), demands for higher positions or levels, claims for damages due to asserted downgrading and the inferred non-compliance with social security requirements laid down in collective contracts or agreements. In order to determine the amount, if any, to be allocated to provisions, considering the number of pending disputes and the subsequent difficulty in carrying out a correct assessment for each one of them, three sub-categories have been identified with reference to the status of the proceedings and the possible interim outcome of the dispute (lawsuits not yet settled in first instance, adverse and positive outcome in the appeal), for each one of which the percentage of risk is estimated by identifying an average value expressed in percentage terms, in order to quantify the accrual to the Provision for legal disputes.

With reference to potential liabilities correlated to the measures taken by the Revenue Agency and served on Rai Pubblicità in December 2016, in relation to which information has been already provided in note 15.3 "Non-current provisions for risks and charges", it should be noted that, in relation to the amounts that are involved in the VAT tax assessment, totalling Euro 42.2 million (Euro 16.8 million on account of tax, Euro 20.9 million on account of sanctions and Euro 4.5 million on account of interest calculated as at 30 December 2016), the probable charge has been estimated at Euro 6.1 million against the risk correlated to sanctions (as determined by applying the principle of continuation of offences as regards tax issues referred to in Article 12, paragraphs 1 and 5, of Legislative Decree 472/97, with reference to the applicable minimum) and at Euro 4.5 million against the risk correlated to interest calculated until 31 December 2016. Therefore, with reference to these specific amounts, an allocation has been made to the Provision for tax litigation, totalling Euro 10.6 million, as reported in note no. 15.3 "Non-current provisions for risks and charges". As regards VAT, the degree of risk associated with the correlated potential liability has been considered to be merely possible and, accordingly, no allocations has been made to the Provision for tax litigation. In order to recover any possible amount paid, Rai Pubblicità believes, in fact, that, at the end of the dispute, it may make use of the right of recourse under Article 60, paragraph 7, of Presidential Decree 633/72, in the event that the tax claim is granted, with the probability of being positively assessed in a jurisdictional venue.

Note 15.3 "Non-current provisions for risks and charges" provides details of the provisions set aside against these cases.

Based on the information currently available, and taking account of the existing provisions for risks, the Group believes that the amounts allocated to the existing provisions for risks are fair.

18.4 Related parties

The details of the relations maintained by the Parent Company with Related Parties, identified based on the criteria set out under IAS 24 "Related Party Disclosures", are provided below for the financial years ended 31 December 2016 and 31 December 2015.

The Parent Company mainly maintains relations of a commercial and financial nature with the following related parties:

- Rai Cinema;
- Rai Com;
- Rai Corporation;
- Rai Pubblicità;
- Rai Way;
- Key management personnel of the Group ("Top Management");
- other associates and joint ventures in which the Group holds an interest as specified in note 12.4 "Equity investments"; companies under the control or joint control of the Top Management and entities that manage post-employment benefit plans, reserved for the employees of the Rai Group ("Other related parties").

Although the transactions with Related Parties are carried out at arm's length, there is no guarantee that, had they been concluded between or with third parties, the latter would have negotiated and entered into the relevant agreements or carried out such transactions, at the same conditions and with the same procedures.

"Top Management" means the key management personnel who have authority and responsibility for planning, directing, and controlling the activities of the Group companies, directly or indirectly, and the term also includes the members of the Board of Directors of the Group companies. As regards the fees due to the Statutory Auditors, reference should be made to the provisions of note 17.3 "Costs for purchases of consumables, for services and other costs".

The table below reports the breakdown of the balance sheet balances as at 31 December 2016 and 31 December 2015 and the economic effects of the transactions concluded between the Group and the related parties during the financial years ended 31 December 2016 and on 31 December 2015, except, of course, for those between the Parent Company and its subsidiaries consolidated on a line-by-line basis:

(in millions of Euros)	Top management	Other related parties	Total
Current trade receivables			
As at 31 December 2016	-	0.4	0.4
As at 31 December 2015	-	0.2	0.2
Other current receivables and assets			
As at 31 December 2016	0.3	-	0.3
As at 31 December 2015	0.5	-	0.5
Employee benefits			
As at 31 December 2016	(6.6)	(15.0)	(21.6)
As at 31 December 2015	(6.9)	(15.0)	(21.9)
Trade payables			
As at 31 December 2016	-	(7.2)	(7.2)
As at 31 December 2015	-	(4.0)	(4.0)
Other current payables and liabilities			
As at 31 December 2016	(7.0)	(14.2)	(20.8)
As at 31 December 2015	(7.2)	(13.6)	(24.6)
Current financial liabilities			
As at 31 December 2016	-	(0.1)	(0.1)
As at 31 December 2015	-	(0.1)	(0.1)

Notes to the Consolidated Financial Statements as at 31 December 2016

(in millions of Euros)	Top management	Other related parties	Total
Revenues from sales and services			
As at 31 December 2016	-	0.7	0.7
As at 31 December 2015	-	0.7	0.7
Other earnings and proceeds			
As at 31 December 2016	-	0.1	0.1
As at 31 December 2015	-	0.1	0.1
Costs for services			
As at 31 December 2016	(0.9)	(9.6)	(10.5)
As at 31 December 2015	(1.2)	(8.5)	(9.7)
Personnel costs			
As at 31 December 2016	(25.8)	(14.0)	(39.8)
As at 31 December 2015	(23.2)	(13.3)	(36.5)

A description of the main agreements existing between the Parent Company and its subsidiaries, associates and joint ventures identified above is provided below.

Agreements for the provision of services to Rai

Rai Pubblicità

Rai has entered into an agreement for advertising services according to which Rai Pubblicità manages, on an exclusive basis, the advertisement on general interest radio and television, on specialist digital and satellite unencrypted channels, on televideo, on Rai domain and on other minor broadcasting means.

Rai Com

Rai has entered into an undisclosed agency agreement (*mandato senza rappresentanza*) with Rai Com, mainly related to:

- the sale of television, radio and/or cinema exploitation rights, exploitation rights to audiovisual works (meaning the rights of exploitation through home and commercial video etc.), multimedia exploitation rights, whether interactive or not, and resulting rights;
- the management of negotiations of framework agreements and/or arrangements with central and local, national and international, public and private entities and institutions;
- the acquisition and/or realisation of musical and/or theatrical performances: serious music and plays, musical editions;
- the management of ticketing services, as well as the realisation and/or management of telephone interaction initiatives and/or interactive activities;
- the design, development, definition, execution and/or management of projects focused on the participation of Rai in Italian and European calls for tenders concerning unsecured or subsidised loans receivable;
- the negotiation, definition, formalisation and/or management of sports library agreements, including the realisation and/or management of any and all commercial initiatives provided for therein;
- the negotiation, definition, formalisation and/or management of other cooperation arrangements with third parties, provided they have commercial nature and purposes; and
- marketing activities for selling abroad channels controlled by Rai.

Rai Cinema

A specific agreement exists with Rai Cinema through which the company undertakes to make available to Rai, on an exclusive basis, a catalogue of free TV viewing related to audiovisual works acquired by Rai Cinema for any reason whatsoever, and Rai undertakes to purchase from Rai Cinema, on an exclusive basis, the exploitation rights for free TV viewing of audiovisual works.

Rai Way

Rai Way and Rai have a Service Contract in place, whereby Rai appointed Rai Way to provide, on an exclusive basis, a set of services that would allow:

- (i) the regular transmission and broadcasting, in Italy and abroad, of the MUXs assigned based on the applicable laws and regulations; and
- (ii) the regular compliance with the Public Service requirements.

The Service Contract provides for, and also regulates, the possibility that, should new needs arise for Rai in the future, the parties may negotiate the provision of additional services or of services aimed at developing new electronic communication and telecommunication networks or, moreover, new technologies and broadcasting standards.

Financial agreements

A centralised treasury management arrangement, though bank cash-pooling, exists between Rai and its subsidiaries - except for Rai Way that, following the listing process, has now full autonomy in financial terms-, which intends to ensure that all financial requirements are met and that cash flows are optimised.

For the purpose of hedging the exchange risk affecting the subsidiary Rai Cinema, the latter has granted a specific mandate to Rai to appoint it to trade currencies and financial instruments on its behalf, acting according to the operational procedures laid down in the Group's policies.

With reference to Rai Way, the following agreements are also in force:

- an intercompany current account agreement, used to provide Rai with the funds necessary to settle the mutual credit and debit positions arising from certain residual payment services provided for in the service contract between Rai and Rai Way;
- an agency agreement in favour of Rai for the performance of payment and collection activities for payables and receivables, respectively, arising from the settlement of certain intergroup items, mainly within the context of offsetting activities, through Rai, concerning credit and debit positions between Group companies (netting activities), it being understood that this activity does not include the payments resulting from the Service Contract and that this mandate will not be used to authorise hedging transactions.

Agreements for the provision of services by Rai

Rai provides a set of services to some of its subsidiaries, regulated by specific service contracts, which concern, in particular, administrative services, real estate services, IT services, testing services and voice-over services.

Tax consolidation

The Rai Group applies the group taxation regime for IRES tax purposes, which is defined as "National tax consolidation", as required by Articles 117 and ff. of the TUIR (Consolidation Act on Income Taxes) and is also regulated by Ministerial Decree of 9 June 2004.

The 3-year option for the National tax consolidation has been renewed by the Parent Company Rai for Rai Way, Rai Cinema and Rai Com until 31 December 2018; as regards Rai Pubblicità, the option will remain effective until the 2016 tax period and will be renewed in the next tax return of Rai.

The statutory and financial relationships between the participating companies are regulated by a specific agreement executed between the parties, updated with reference to the regulatory changes that might occur during the period when such agreement remains in force.

Group VAT Regime

The Group avails itself of the Group VAT netting procedure provided for in Ministerial Decree dated 13 December 1979, which contains the regulations implementing the provisions laid down in Article 73, last paragraph, of Presidential Decree 633 of 26 October 1972.

The option for carrying out the Group VAT procedure on an annual basis was exercised as regards Rai and all other subsidiaries resident in Italy until 31 December 2016. The statutory and financial relationships are regulated by a specific agreement signed between the parties.

Other related parties

The Group maintains, with Other related parties, commercial and financial relations, the most significant of which are described below.

San Marino RTV

An agreement has been entered into with this company, which concerns an intercompany current account to which any payables and receivables arising from economic and financial transactions between the parties are transferred. Additionally, the agreement provides for Rai to grant a credit facility of Euro 1 million, which the company may use against overdraft positions arising from ordinary operations. This facility is endorsed, to the extent of 50%, by ERAS ("Ente per la Radiodiffusione Sammarinese").

Additionally, the cooperation agreement on radio and television issues between the Government of the Republic of San Marino and the Government of the Italian Republic – Prime Minister's Office, provides for the reversal to San Marino RTV of an annual lump-sum contribution through Rai Com.

Tivù

Agreements are in force that provide for the provision:

- by Rai of EPG (Electronic Program Guide) processing and management services, publishing and advisory services, as well as the supply of satellite transmission capacity for the purposes of the delivery of EPG services;
- by Tivù of the EPG service for the Digital Terrestrial and satellite platform and the encryption service.

Auditel

This company provides services for measuring audience data of the television channels.

19) Significant events after the reporting date

Renewal of the Concession contract

By a Decree dated 28 April 2017, which is currently being published, the Council of Ministers resolved to grant, on an exclusive basis, a 10-year concession to Rai, as from 30 April 2017, concerning the operation of the public radio, television and multimedia service, all over the country, while approving the attached agreement form.

Once the procedure is completed, the 5-year Service Contract will be negotiated and signed with the Ministry of Economic Development, which shall regulate the rights and obligations pertaining to the Company.

Sud Engineering Srl

On 1 March 2017, Rai Way entered into a long-term agreement for the operation and maintenance of the TV and radio broadcasting network of the Norba Group, which is the first local operator in terms of audience in Italy and which has been active, for 40 years, as the leading operator in the sector of multi-media communication in Southern Italy. At the same time as the execution of the agreement, the company acquired from Telenorba the entire quota capital of Sud Engineering Srl, which operates 30 broadcasting sites that are located in Puglia, Basilicata and Molise and that are instrumental to the planned hosting of stations.

Rai Pubblicità

On 7 February 2017 the Finance Police – Turin Tax Police Unit – served a search and seizure order on Rai Pubblicità SpA, which had been issued by the Turin Public Prosecutor's Office on 30 January 2017. This decree was issued within the criminal proceedings that had already been initiated in September 2016, as a result of the tax assessments issued by the Regional Revenue Agency Head Office of the Piedmont Region, which has already been referred to in these 2016 financial statements. The decree was issued in relation to an alleged offence committed by the Company "in the tax years from 2006 to 2011 through the issue of invoices for transactions that are subjectively non-existing towards a foreign company"; this offence "continued during the subsequent tax periods, from 2012 to 2016, through the use" of other foreign companies.

As to the above information, it should be noted that:

- for the period from 2006 to 2011, the facts are already known to the Milan Public Prosecutor's Office, which has not deemed appropriate to prosecute Rai Pubblicità SpA, but only the persons related to the aforesaid foreign company for VAT tax fraud;
- for the period from 2012 to 2016, the facts concern a single foreign company (media centre), which is still active; the audits carried out, with the support of a major consulting firm, have excluded that there were anomalies in the invoicing process on the part of Rai Pubblicità SpA.

Renewal of credit facilities

January 2017 saw the completion of the procedure for the renewal of the Revolving Credit Facilities, intended for the coverage and back-up of the Group's cash requirements (excluding Rai Way). The loan is used to meet interim cash requirements arising from the payment by the Ministry of Economy and Finance of the fees paid by users in four quarterly instalments.

The facility is granted by a pool of four major banks for a total of Euro 270 million, with a maturity of five years and a spread of 1.17% on Euribor, in line with the rates applied to recent transactions carried out by borrowers with a primary credit standing.

Notes to the Consolidated Financial Statements as at 31 December 2016

20) Reconciliation of Rai and Consolidated Financial Statements

Below is the breakdown of the items of reconciliation of the Income Statement and Equity results in the Rai Financial Statements and the respective results in the Consolidated Financial Statements:

(in millions of Euros)	Income Statement		Equity	
	2016	2015	2016	2015
Rai Financial Statements	4.2	(46.0)	799.4	811.8
Elimination of the value of equity investments against respective equity and of dividends distributed against profits for the year	13.8	20.3	(321.2)	(318.2)
Adjusted deferred tax liabilities on revaluation of Rai WWay investment	-	(0.7)	5.0	5.0
Other consolidation adjustments	0.1	0.8	(6.6)	(5.8)
Consolidated Financial Statements	18.1	(25.6)	476.6	492.8
of which non-controlling interests	14.6	13.7	56.6	56.3

21) Appendix

21.1 Rai's equity investments in subsidiaries

The table below reports the details of the equity investments held by Rai in joint-stock companies, including foreign companies.

The aforementioned equity investments as at 31 December 2016 had remained unchanged compared to 31 December 2015.

	Registered Office	Number of shares/quotas owned	Par Value (in Euros)	Share Capital (in thousands of Euros)	Ownership %
Subsidiaries:					
Rai Cinema SpA	Rome	38,759,690	5.16	200,000	100.00%
Rai Com SpA	Rome	2,000,000	5.16	10,320	100.00%
Rai Corporation in liquidation	New York (USA)	50,000	10.00 (1)	500 (2)	100.00%
Rai Pubblicità SpA	Turin	100,000	100.00	10,000	100.00%
Rai WWay SpA	Rome	176,721,110	- (3)	70,176	64.971% (4)

(1) value in USD

(2) value in thousands of USD

(3) Ordinary shares with no par value

(4) The shareholding held by Rai decreased from 65.07353% to 64.971% following the granting, free of charge, of shares envisaged at the time of the IPO

The market value of the Rai WWay SpA shares as at 30 December 2016 was equal to Euro 3.58.

21.2 Net consolidated financial position

The net financial position, determined in accordance with paragraph 127 of the recommendations reported in the document no. 319 prepared by ESMA (European Securities and Markets Authority) in 2013, which implement Regulation (EC) no. 809/2004, is as follows:

(in millions of Euros)	Financial year ended 31 December 2016	Financial year ended 31 December 2015
A. Cash	0.3	0.3
B. Other cash and cash equivalents	85.9	145.8
C. Securities held for trading	-	-
D. Liquidity (A+B+C)	86.2	146.1
Securities	-	2.3
Hedging derivatives	1.7	8.4
Time bank deposits	5.5	3.1
Loans to employees	0.1	0.1
Other (accruals, deferrals, issue discounts)	0.1	0.1
E. Current financial receivables	7.4	14.0
F. Current bank debt	(160.1)	(1.0)
G. Current portion of non-current debt	(40.0)	(35.0)
<i>Payables to other lenders</i>	-	(4.4)
<i>Payables to associates</i>	(0.1)	(0.1)
<i>Other (accruals, deferrals, issue discounts)</i>	(0.3)	(0.3)
H. Other current financial debt	(0.4)	(4.8)
I. Current financial debt (F+G+H)	(200.5)	(40.8)
J. Current net financial position (D+E+I)	(106.9)	119.3
K. Non-current bank debt	(95.3)	(135.2)
L. Bonds issued	(346.9)	(346.1)
<i>Non-current payables to other lenders</i>	(0.4)	(0.4)
<i>Non-current hedging derivatives</i>	(0.1)	-
M. Other non-current debt	(0.5)	(0.4)
N. Non-current financial debt (K+L+M)	(442.7)	(481.7)
O. Net financial position (J+N)	(549.6)	(362.4)

Statement pursuant to art. 154-bis of Legislative Decree 58/1998

The undersigned Antonio Campo Dall'Orto as General Manager and Massimo Cappelli as the Financial Reporting Officer for Rai Radiotelevisione Italiana SpA, certify, in accordance with Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

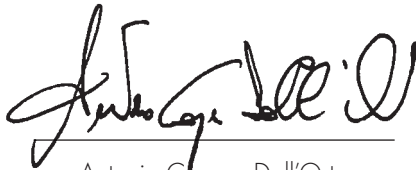
- the appropriateness of the financial statements with regard to the nature of the business and
- the effective application of administrative and accounting procedures in preparing the consolidated financial statements during financial year 2016.

The administrative and accounting procedures and the operating practices in place have been applied consistently with the administrative and accounting system of internal control in an adequate manner so as to ensure the compliance with the objectives required by the applicable regulatory framework.

It is also certified that:

- the consolidated financial statements at 31 December 2016 of Rai Radiotelevisione Italiana SpA:
 - a) were prepared in accordance with International Financial Reporting Standards endorsed by the European Union pursuant to EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the entries in the books and accounting records;
 - c) provide a true and fair view of the financial position and results of operations of the issuer.
- the Report on Operations includes a reliable analysis of the performance and the operating result, as well as the position of the issuer and of the entities included in the scope of consolidation, together with a description of the main risks and uncertainties the group is exposed to.

Rome, 13 April 2017



Antonio Campo Dall'Orto
General Manager



Massimo Cappelli
Financial Reporting Officer

Report of the Board of Statutory Auditors

The 2016 Consolidated Financial Statements of Rai, which were filed within the time limits prescribed by law, together with the Report on Operations, were prepared in accordance with the rules governing the preparation of Group consolidated accounts and comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and adopted by the European Union according to the procedure set out in Article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The Consolidated Financial Statements as at 31 December 2016, which were made available by the Board of Directors at the meeting held on 13 April 2017, are made up of:

- Report on Operations;
- Consolidated Statement of Financial Position;
- Consolidated Income Statement;
- Consolidated Statement of Comprehensive Income;
- Consolidated Cash Flow Statement;
- Consolidated Statement of Changes in Equity;
- Notes to the Consolidated Financial Statements.

The Board of Statutory Auditors supervised compliance with the procedural rules governing the preparation of consolidated accounts in accordance with the provisions of law and the “*Rules of Conduct of the Board of Statutory Auditors – Standards of Conduct of the Boards of Statutory Auditors of unlisted companies*”, which are issued by the CNDCEC (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, Italian Accounting Profession).

The Consolidated Financial Statements are accompanied by accounting notes that analyse and comment on the changes in the individual items in the Consolidated Statement of Financial Position and in the Consolidated Income Statement. A specific statement reports the reconciliation of the Parent Company’s Result and Equity reported in the Separate Financial Statements and the corresponding values in the Consolidated Financial Statements.

Pursuant to Article 154-*bis* of Legislative Decree 58/1998, the General Manager and the Financial Reporting Officer have issued the statutory certifications concerning the 2016 Consolidated Financial Statements, in the same way as for the Separate Financial Statements, while also attesting that the Report on Operations provides a reliable analysis of the performance and results of operations, as well as of the issuer’s position and of the group of consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

PricewaterhouseCoopers, which is the accounting firm responsible for establishing whether the Consolidated Financial Statements comply with the provisions of law and are consistent with the results reported in the accounting records and consolidation entries, has issued its Report in accordance with Articles 14 and 16 of Legislative Decree 39/2010. In the opinion of PwC, the Consolidated Financial Statements as at 31 December 2016 give a true and fair view of the Rai Group's financial position, results of operations and cash flows for the financial year ended on the same date, in accordance with the IFRSs adopted.

Furthermore, in the opinion of PwC, the Report on Operations and the information provided in the report on corporate governance and ownership structure are consistent with the Rai Group's Consolidated Financial Statements as at 31 December 2016.

The Rai Group's Consolidated Financial Statements as at 31 December 2016 showed a profit of Euro 18.1 million (against a loss of Euro 25.6 million in 2015).

Within the sphere of its responsibilities, the Board of Statutory Auditors, following the information reported above, is of the opinion that the Rai Group's Consolidated Financial Statements as at 31 December 2016 and the related Report on Operations were prepared according to the prescribed provisions.

Rome, 9 May 2017

The Board of Statutory Auditors

Biagio Mazzotta

Anna Maria Magro

Roberto De Martino

Independent Auditors' Report



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of
RAI – Radiotelevisione italiana SpA

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of RAI – Radiotelevisione italiana and its subsidiaries (“RAI Group”), which comprise the statement of financial position as of 31 December 2016, the income statement, the statement of comprehensive income, the cash flow statement and the statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of RAI – Radiotelevisione italiana SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

PricewaterhouseCoopers SpA

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the RAI Group as of 31 December 2016, and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, which are the responsibility of the directors of RAI – Radiotelevisione italiana SpA, with the consolidated financial statements of the RAI Group as of 31 December 2016. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the RAI Group as of 31 December 2016.

Rome, 9 May 2017

PricewaterhouseCoopers SpA

Signed by

Pier Luigi Vitelli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

Corporate Directory

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Production
Via Marconi, 9
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Production
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10124 Turin

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Rai - Radiotelevisione Italiana SpA

Parent Company

Company name: Rai - Radiotelevisione italiana SpA
Share Capital: Euro 242,518,100.00 fully paid-up
Registered Office: Viale Giuseppe Mazzini, 14
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