

1H2015 Results Presentation

Rome, 30th July 2015

The Rai Way logo consists of the word "Rai" in white text inside a dark blue square, followed by the word "Way" in dark blue text.

Rai Way

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements regarding future events and the future results of Rai Way that are based on current expectations, estimates, forecasts, and projections about the industries in which Rai Way operates, as well as the beliefs and assumptions of Rai Way's management. In particular, certain statements with regard to management objectives, trends in results, margins, costs, rate of return and competition tend to be forward-looking in nature. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," and "estimates," variations of such words, and similar expressions, are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, Rai Way's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. They are neither statements of historical fact nor guarantees of future performance. Rai Way therefore cautions against relying on any of these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, the impact of competition, political, economic and regulatory developments in Italy. Any forward-looking statements made by or on behalf of Rai Way speak only as of the date they are made. Rai Way undertakes no obligation to update any forward-looking statements to reflect any changes in Rai Way's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Rai Way Participants

- Camillo Rossotto, Chairman
- Stefano Ciccotti, Chief Executive Officer
- Adalberto Pellegrino, Chief Financial Officer
- Giancarlo Benucci, Head of Investor Relations

1H2015 Financial Highlights

Financial Highlights

<i>Eur Mln, %</i>	2Q 2014 PF	2Q 2015	% YoY	1H 2014 PF	1H 2015	% YoY
Core Revenues	51,7	52,6	1,7%	103,5	105,0	1,4%
Other Revenues	1,3	0,3	-78,2%	1,5	0,5	-67,1%
Adjusted EBITDA	28,1	27,9	-0,8%	53,1	53,9	1,5%
% margin	54,3%	53,0%		51,3%	51,4%	
Net Income	10,4	10,5	0,7%	18,0	19,8	10,0%
Capex⁽¹⁾	4,6	4,1		6,5	7,1	
% on core revenues	9,0%	7,8%		6,2%	6,7%	
Cash conversion ⁽²⁾	83,5%	85,3%		87,9%	86,9%	
Net Debt⁽³⁾				65,5	72,5	
Net Debt/1Y rolling Adj. EBITDA				0,62x	0,69x	

In 1H2014, Pro Forma figures assume the impact of the new service contracts with RAI as effective from 1st January 2014

- 1H15 Core revenues at € 105,0m, up 1,4% vs. 1H14
- 1H15 Adjusted EBITDA at € 53,9m, with EBITDA margin of 51,4%
- 2Q15 Adjusted EBITDA margin impacted by lower level of Other Revenues
- 1H15 Net Income at € 19,8m, up 10,0% vs. 1H14
- Capex at € 7,1m (cash conversion at 86,9%), reflecting typical distribution throughout the year
- Net Debt at € 72,5m (after dividend payment in May 2015), with Net Debt/1Y rolling Adj. EBITDA at 0,69x

(1) 2Q14 and 1H14 Capex include investments in tangible and intangible assets and financial lease cash-out, representing network capex according to the old service agreement with RAI (being treated as a financial lease)

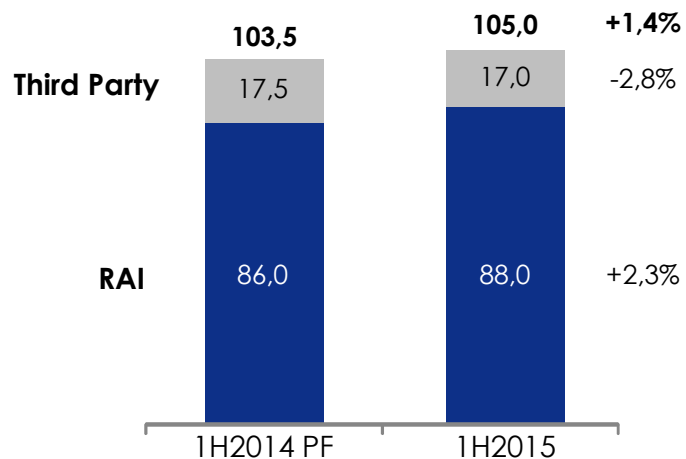
(2) Cash conversion= (Adj. EBITDA - Capex) / Adj. EBITDA

(3) 2014FY PF Net debt consists of the Net Financial Position (determined in compliance with paragraph 127 of the recommendations contained in the document prepared by ESMA, no. 319 of 2013, implementing Regulation 2004/809/EC) excluding the current financial receivables relating to the financial leasing with RAI

Core Revenues

Eur. Mln; %

1H Core Revenues

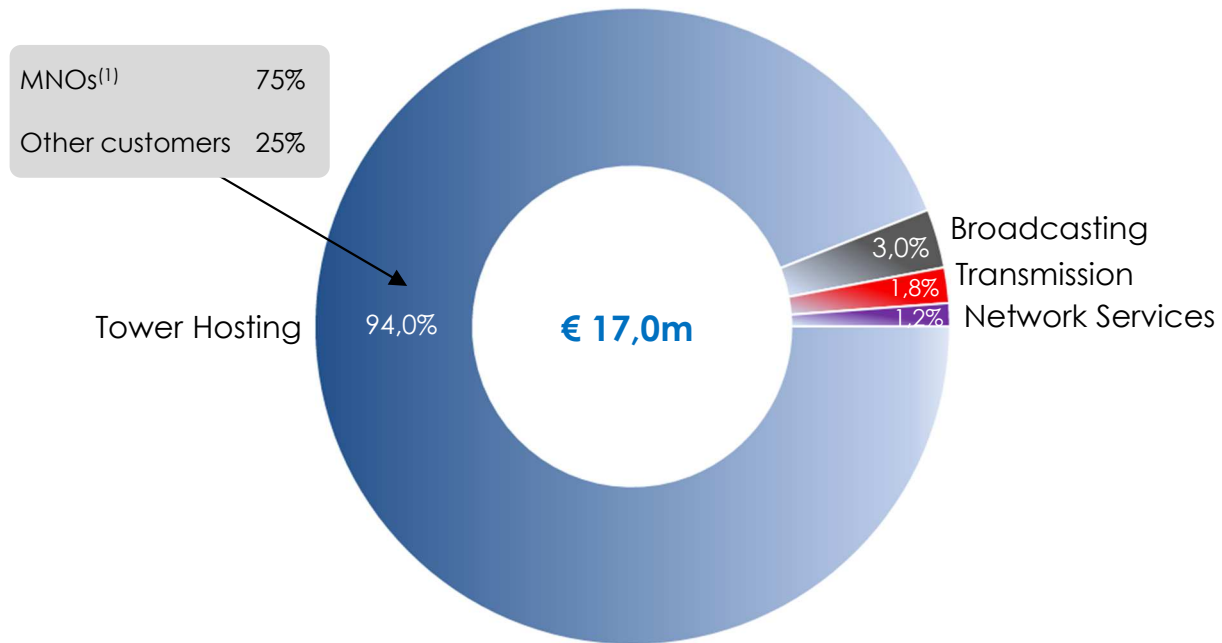


- Revenues from RAI driven by the step-up in the fixed consideration included in the service contract (from € 171m in 2014 to € 175m in 2015, on a yearly basis)
- 1H15 Third Party performance impacted by lower Tower Rental revenues, mainly from non-MNO customers, and lower Network Services revenues

Third Party Revenues breakdown

Eur Mln; %

1H15 Third Party Revenues breakdown by service



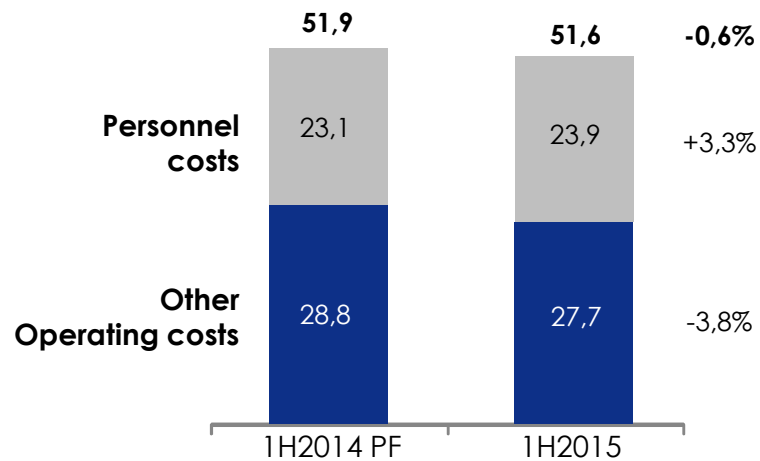
- Tower Hosting stable at 94,0% of Third Party revenues

(1) MNOs: Telecom Italia, Vodafone, Wind and H3G

Opex

Eur Mln; %

1H Opex (excluding non-recurring)



- Personnel costs up 3,3% vs. 1H14 mainly driven by completion of organizational structure after IPO
- Other Operating costs declined by 3,8% vs. 1H14, mainly driven by maintenance, utilities and ICT intercompany services

From Adjusted EBITDA to Net Income

P&L						
<i>Eur Mln, %</i>	2Q 2014 PF	2Q 2015	% YoY	1H 2014 PF	1H 2015	% YoY
Adj. EBITDA	28,1	27,9	-0,8%	53,1	53,9	1,5%
% margin	54,3%	53,0%		51,3%	51,4%	
One-off	0,0	-0,1		0,0	-0,1	
EBITDA	28,1	27,7	-1,2%	53,1	53,8	1,2%
% margin	54,3%	52,7%		51,3%	51,2%	
D&A ⁽¹⁾	-12,1	-11,6	-4,1%	-24,8	-23,3	-5,9%
EBIT	15,9	16,1	0,9%	28,3	30,5	7,5%
Financial expenses	-0,4	-0,6	29,5%	-0,9	-1,0	19,7%
Pre Tax Profit	15,5	15,5	0,2%	27,5	29,4	7,1%
Taxes	-5,1	-5,1	-0,9%	-9,5	-9,6	1,7%
% tax rate	32,9%	32,6%		34,5%	32,8%	
Net Income	10,4	10,5	0,7%	18,0	19,8	10,0%
EPS ⁽²⁾	0,0383	0,0386		0,0661	0,0727	

- 1H15 EBITDA at € 53,8m, up 1,2% vs. 1H14, with a margin of 51,2%
- 1H15 EBITDA including non recurring expenses of € 0,1m
- Declining D&A (€ -1,5m vs. 1H14) mainly resulting from reduction of Capex vs. "switch-off period"
- 1H15 Tax rate at 32,8%, with improvement mainly driven by higher deductibility of personnel costs from IRAP-taxable income
- 1H15 Net Income at € 19,8m, up 10,0% vs. 1H14

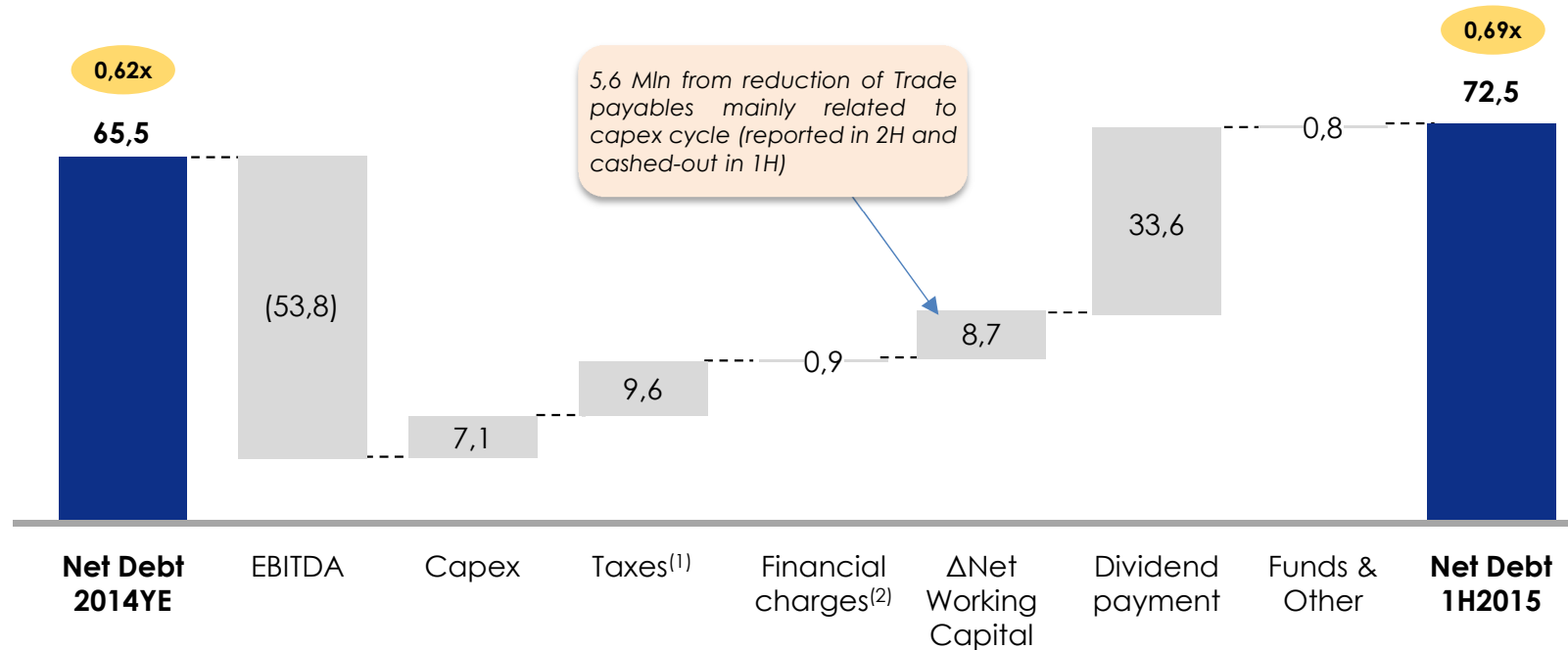
(1) Including provisions

(2) 2Q214 and 1H14 PF EPS calculated on 2014YE number of shares

Cash Flow generation

Net Debt/1y rolling Adj. EBITDA

Eur Mln; %



- Cash generation pre-dividend payment of ca. € 26,7m
- Capex level reflects typical distribution throughout the year
- Trade receivables back to normal level after build up in 1Q15

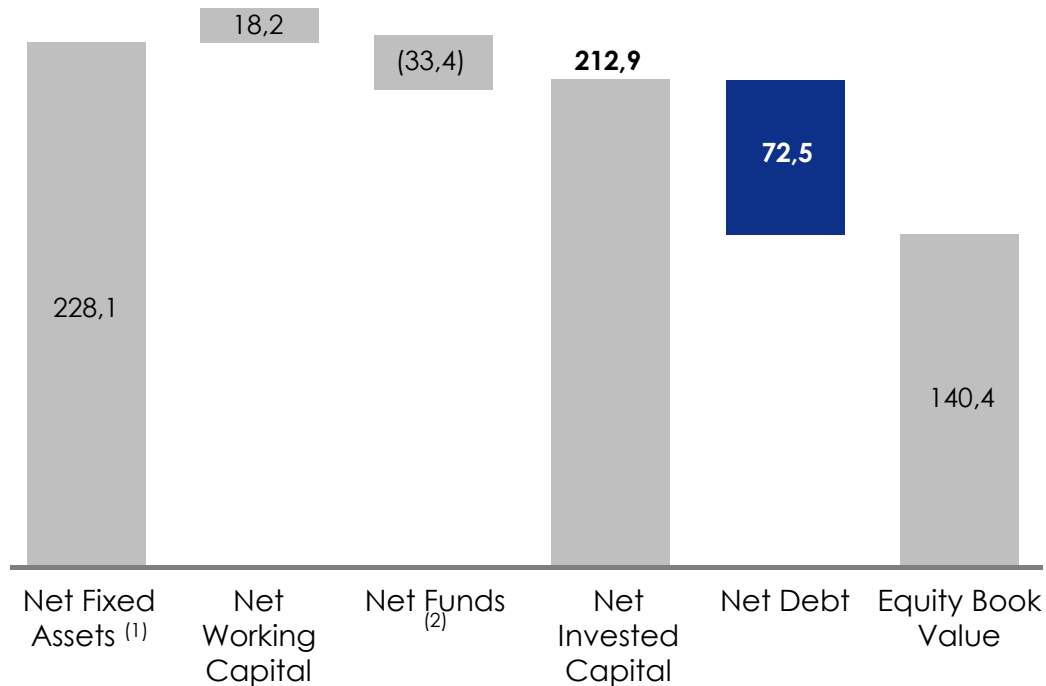
(1) P&L taxes

(2) P&L financial charges excluding interests on the employee benefit liability

Balance Sheet

Eur Mln

1H2015 Balance Sheet



- Conservative capital structure with € 72,5m Net Debt as of June 2015:

- 0.69x Net Debt/1y-rolling Adj. EBITDA
- 0.52x Net Debt/Equity book value

(1) Including long-term financial items

(2) Net funds include employee termination indemnities , provision for risks and deferred taxes

2015 Outlook confirmed

- **EBITDA**

- 2015 EBITDA expected to increase by ~ € 2m compared to 2014 level

- **Capex**

- 2015 Capex expected at ~ € 40m, including maintenance and first tranche of development capex for new services to RAI

- **Net Debt**

- 2015YE Net Debt targeted at ~ € 50m

2015-2019 Industrial Plan to be presented in September

Q & A session



Contacts

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Upcoming events

<u>Date</u>	<u>Event</u>
September 2015	2015-19 Industrial Plan
03/11/2015	3Q15 results

Appendix



Detailed summary of Income Statement

(€m; %)	2Q14	2Q14 PF	2Q15	1H14	1H14 PF	1H15
Core revenues	28.1	51.7	52.6	63.4	103.5	105.0
Other revenues	1.3	1.3	0.3	1.5	1.5	0.5
Purchase of consumables	(0.3)	(0.3)	(0.3)	(0.8)	(0.8)	(0.6)
Service costs	(13.1)	(12.3)	(12.4)	(28.0)	(26.4)	(25.4)
Personnel costs	(11.4)	(11.4)	(11.5)	(23.1)	(23.1)	(23.9)
Other costs	(0.9)	(0.9)	(0.9)	(1.6)	(1.6)	(1.8)
Opex	(25.8)	(24.9)	(25.2)	(53.5)	(51.9)	(51.7)
D&A	(0.1)	(12.1)	(11.6)	(0.3)	(24.8)	(23.3)
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Net Operating profit	3.6	15.9	16.1	11.2	28.3	30.5
Net Finance income	1.6	(0.4)	(0.6)	3.2	(0.9)	(1.0)
Profit before income taxes	5.2	15.5	15.5	14.4	27.5	29.4
Income taxes	(1.9)	(5.1)	(5.1)	(5.4)	(9.5)	(9.6)
Profit for the year	3.3	10.4	10.5	9.0	18.0	19.8
EBITDA	3.6	28.1	27.7	11.4	53.1	53.8
<i>EBITDA margin</i>	12.9%	54.3%	52.7%	18.0%	51.3%	51.2%
Non recurring expenses	0.0	0.0	(0.1)	0.0	0.0	-0.1
Adjusted EBITDA	3.6	28.1	27.9	11.4	53.1	53.9
<i>Adjusted EBITDA margin</i>	12.9%	54.3%	53.0%	18.0%	51.3%	51.4%

Summary of Balance Sheet

(€m)	2014FY	1H2015
Non current assets		
Tangible assets	243.1	227.0
Intangible assets	0.6	0.6
Non-current financial assets	0.6	0.5
Non-current tax assets	5.4	5.3
Total non current assets	249.8	233.5
Current assets		
Inventories	0.9	1.0
Trade receivables	64.4	65.5
Other receivables and current assets	4.4	5.1
Current financial assets	0.7	0.5
Cash	14.7	47.8
Tax assets	0.3	0.3
Total current assets	85.3	120.2
TOTAL ASSETS	335.1	353.7

(€m)	2014FY	1H2015
Equity		
Share capital	70.2	70.2
Legal reserves	6.9	8.1
Other reserves	37.1	37.1
Retained earnings	39.6	25.0
Total equity	153.8	140.4
Non-current liabilities		
Non-current financial liabilities	80.6	105.6
Employee benefits	21.3	20.6
Provisions for risks and charges / Allowances	18.6	18.1
Other non-current liabilities	0.0	0.0
Non-current tax liabilities	0.0	0.0
Total non-current liabilities	120.5	144.3
Current liabilities		
Commercial debt	36.0	30.4
Other debt and current liabilities	21.7	20.9
Current financial liabilities	0.3	15.3
Tax liabilities	2.9	2.4
Total current liabilities	60.8	69.0
TOTAL NET EQUITY AND LIABILITIES	335.1	353.7

Summary of Cash Flow Statement

(€m)	2Q2014	2Q2015	1H2014	1H2015
Earnings before taxes	5.2	15.5	14.4	29.4
D&A	0.1	11.6	0.3	23.3
Provisions and others	(0.7)	(1.3)	(0.1)	(1.3)
Net financial Income	(1.6)	0.6	(3.2)	1.0
Other non-monetary items	(0.6)	0.0	(0.6)	0.0
Net operating CF before change WC	2.4	26.4	10.7	52.5
Change in inventories	(0.0)	(0.1)	0.0	(0.1)
Change in account receivables	2.3	19.9	(8.9)	(1.2)
Change in account payables	(43.5)	(4.8)	(46.1)	(5.6)
Change in other assets	(4.7)	0.3	(8.7)	(0.7)
Change in other liabilities	(11.8)	(7.5)	1.8	2.0
Use of funds	(0.0)	(0.1)	(0.1)	(0.1)
Payment of employee benefits	(0.6)	0.8	(1.4)	0.5
Change in tax credit/liabilities	0.0	0.4	(0.9)	(0.5)
Taxes paid	(5.2)	(12.4)	(5.2)	(12.4)
Net operating cash flow	(61.1)	22.8	(58.7)	34.3
Investment in tangible assets	(0.0)	(4.0)	(0.0)	(6.9)
Sale of tangible assets	0.0	0.1	0.0	0.1
Investment in intangible assets	(0.0)	(0.1)	(0.0)	(0.1)
Sale of intangible assets	0.0	0.0	0.0	0.0
Financial lease cash-out	(4.6)	0.0	(6.4)	0.0
Financial lease cash-in	19.1	0.0	31.1	0.0
Change in non-current financial assets	(0.0)	0.0	0.0	0.0
Interest received	2.0	0.0	3.9	0.1
Investing cash flow	16.4	(4.0)	28.6	(6.9)
(Decrease)/increase in long-term debt	(0.1)	(0.0)	(0.1)	25.0
(Decrease)/increase in current liabilities	56.1	0.3	41.8	15.0
Change in current financial assets	0.0	(0.3)	0.0	0.2
Interest paid	(0.2)	(0.5)	(0.5)	(0.9)
Dividends paid	(11.2)	(33.6)	(11.2)	(33.6)
Financing cash flow	44.6	(34.0)	30.1	5.8
Change in cash and cash equivalent	0.0	(15.1)	0.0	33.2
Cash and cash eq (Beg. of Period) ⁽¹⁾	0.0	63.0	0.0	14.7
Cash and cash eq (End of Period) ⁽¹⁾	0.0	47.8	0.0	47.8

(1) In 1H2014, financial lease cash-out represents network capex, due to the old service agreement with RAI being treated as a financial lease
(2) In 1H2014, cash-pooling agreement with RAI