

1H2017 Results Presentation

Rome, 27th July 2017



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

- Aldo Mancino, Chief Executive Officer
- Adalberto Pellegrino, Chief Financial Officer
- Giancarlo Benucci, Head of Corporate Development & IR

1H17 activity

Broadcasters



- New services for RAI:
 - Renewal of DTH satellite platform to enable RAI full HD offering
 - Upgrade of DTH and DTT platforms to transport new radio channels
 - Transmission services for G7 Summit in Taormina
 - Agreement for renewal tidying up of Mux 1 in selected regions and upgrade of part of radio link equipment in the context of the reallocation of 3.6-3.8 GHz frequencies
- Active monitoring of RAI-Government Service Agreement process
- Activity with Norba and integration of Sud Engineering fully on track

TLC customers



- Additional tower hosting for Fixed Wired Access Provider equipment to support network roll-out mainly in rural areas
- Ongoing discussion with MNOs to compensate for sites optimization through incentives to extend presence on Rai Way sites

Efficiency

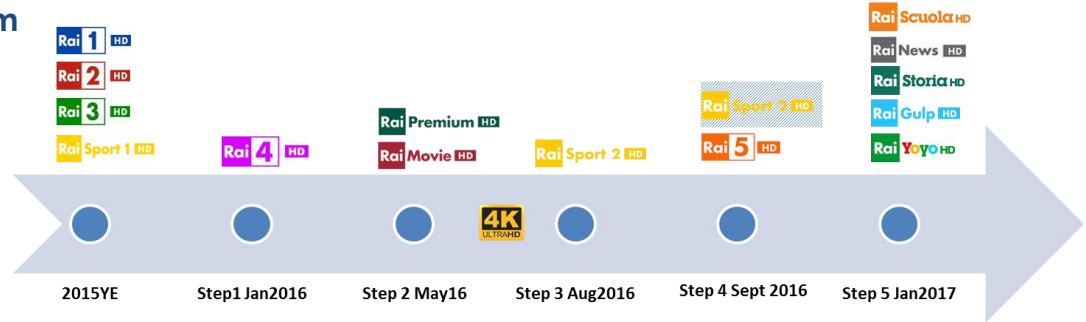


- Business process re-engineering and re-organization:
 - Strengthening of business development activities (with focus on TTM and customer satisfaction)
 - Simplification of organizational structure (CTO and CBDO appointment)

Overview of 1H17 new services to RAI

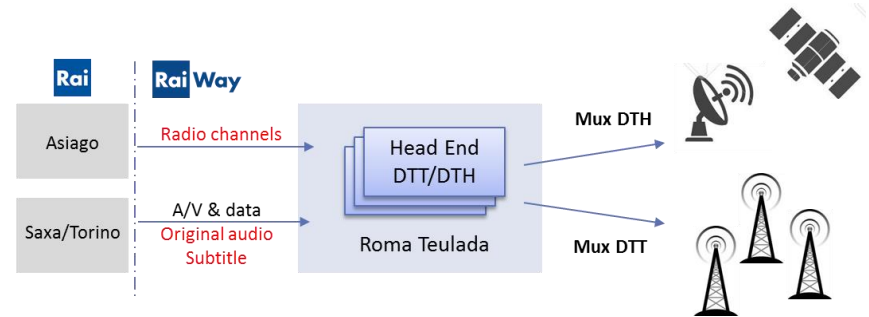
HD channels broadcasting on satellite platform

- ✓ Target: from 4 to 13 HD channels on sat platform
- ✓ Rai Way services:
 - renewal of satellite platform
 - rearrangement/expansion of satellite capacity



New radio channels on DTT and DTH platform

- ✓ Rearrangement of DTT and DTH Head-end platform in order to encode and add new radio channels and audio/data content:
 - 4 radio channels added on MUX2 DTT
 - 3 radio channels added on DTH platform
 - Original language audio and subtitle data flow added on DTT MUXes




Transmission services for G7 Summit in Taormina

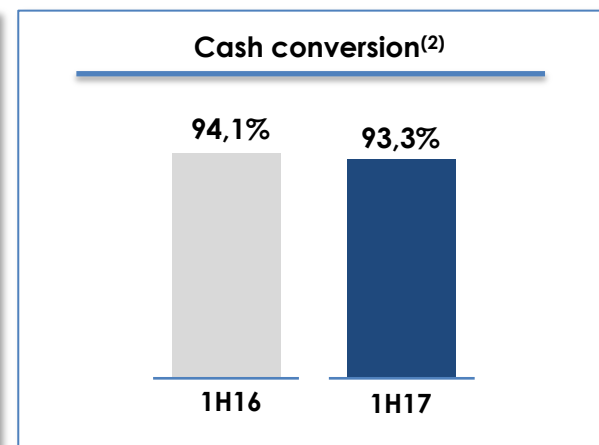
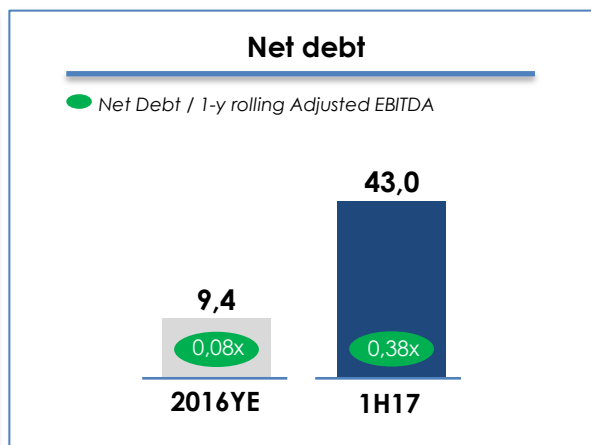
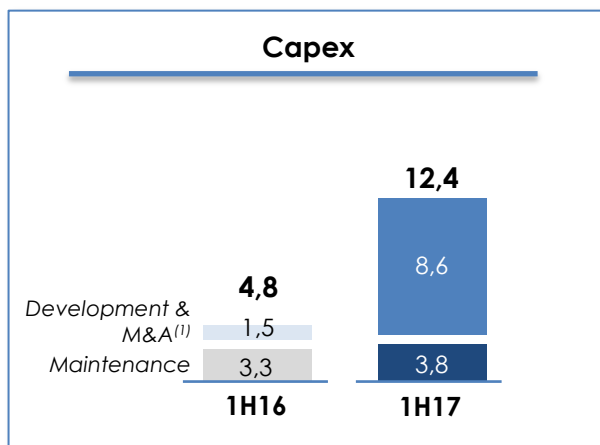
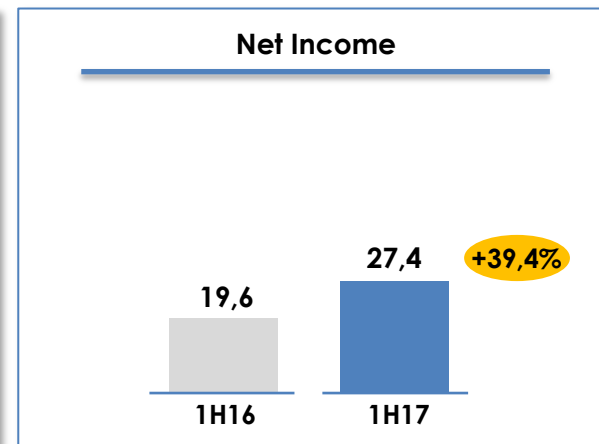
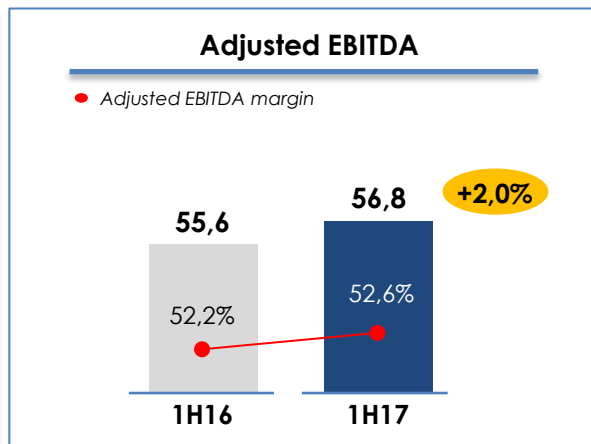
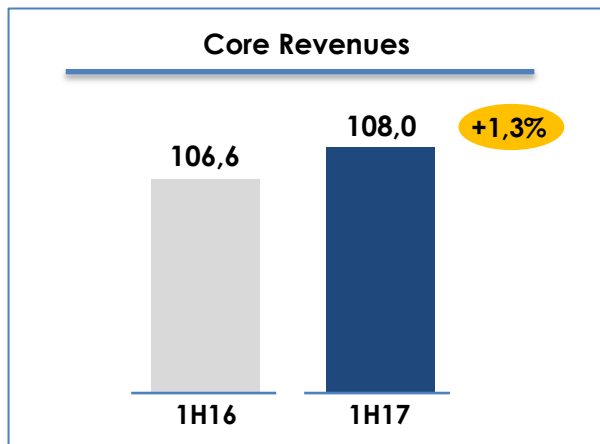
- ✓ RAI to act as Host Broadcaster for the event
- ✓ Rai Way services:
 - IP-based transmission services for HD video signal and data, connecting meeting venues - media centre in Taormina – production centre in Roma Teulada
 - Frequencies coordination and monitoring in G7 area
 - Test of wireless WiFi-based (IP-integrated) live/on-the-move video transmission services



1H2017 Financial Highlights

 % YoY growth

Mln Eur; %

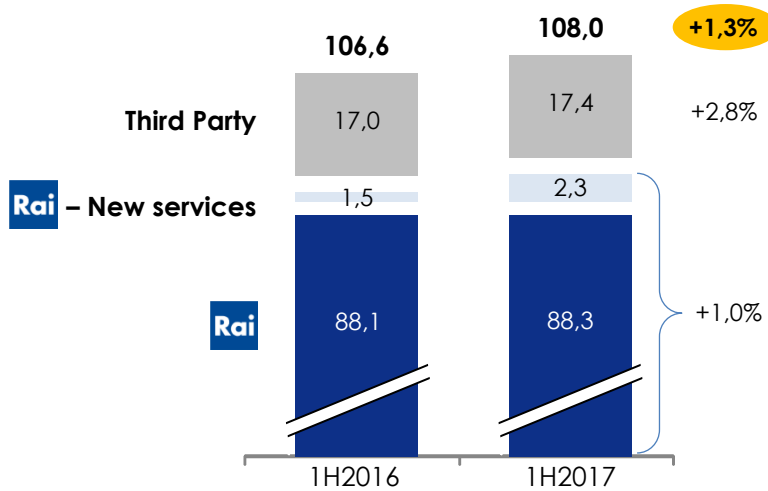


1) M&A capex = equity acquired

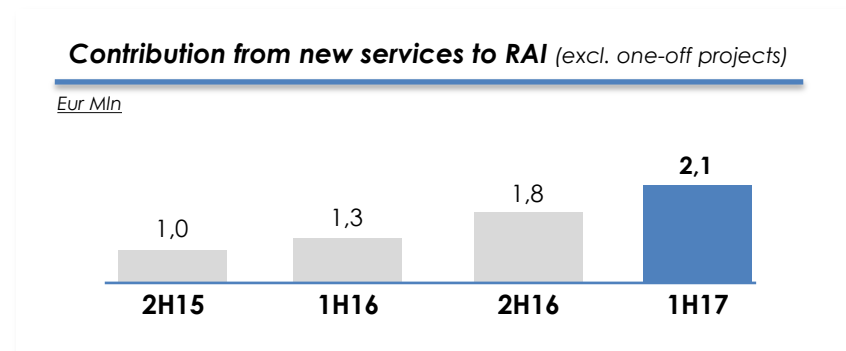
2) Cash conversion = (Adj. EBITDA - Maintenance Capex) / Adj. EBITDA

Core Revenues

Eur Mln; %



- Revenues from RAI up 1,0% driven by new initiatives
- ✓ Ramp up of contribution from HD channels broadcasting on satellite platforms

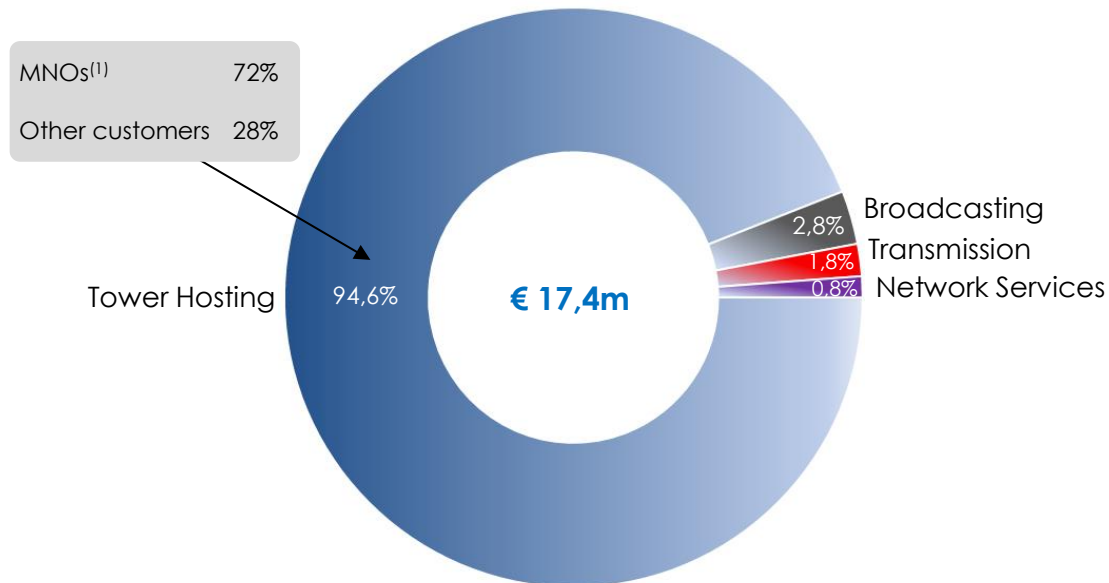


- Excluding non core items, Third-party revenues up 1,6% driven by contribution from Norba deal and FWAPs

Third Party Revenues breakdown

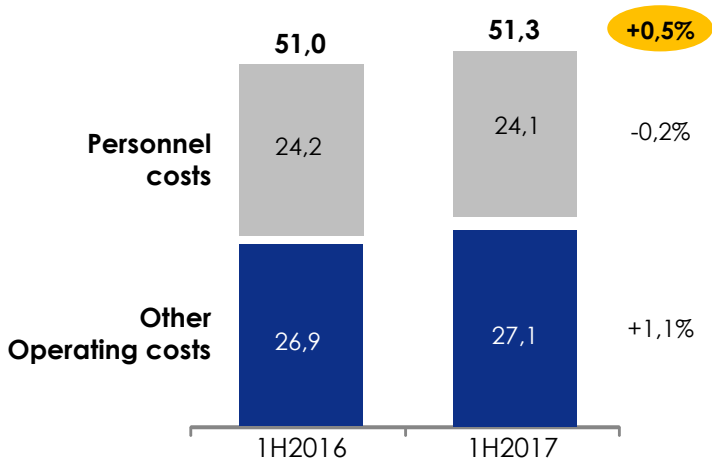
Eur Mln; %

1H17 Third Party Revenues breakdown by service

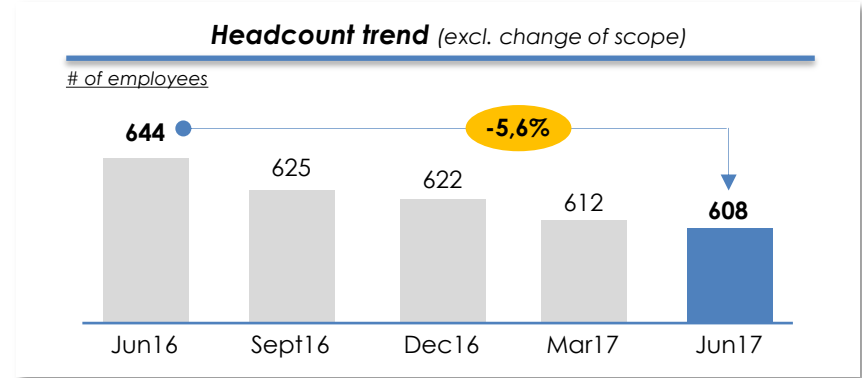


(1) MNOs: TIM, Vodafone and Wind-H3G

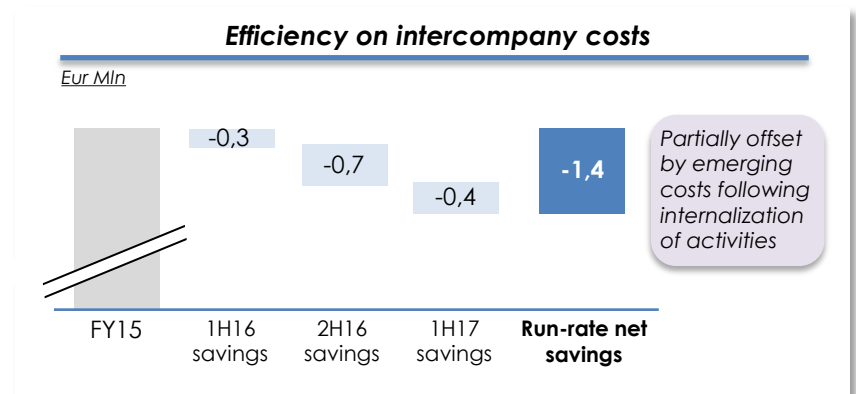
Eur Mln; %



- Excluding extraordinary items, personnel costs declined by ~2% vs. 1H16 thanks to early retirement plan and optimization of variable components of salary



- Other Operating costs broadly stable vs. 1H16 excluding the impact of prior year adjustments, with reduction of intercompany offsetting higher energy price and costs arising from new services



From Adjusted EBITDA to Net Income

P&L

<i>Eur. Mln., %</i>	2Q 2016	2Q 2017	% YoY	1H 2016	1H 2017	% YoY
Adj. EBITDA	28,3	28,5	0,8%	55,6	56,8	2,0%
% margin	52,4%	52,6%		52,2%	52,6%	
One-offs	-3,4	-0,6		-3,4	-0,6	
EBITDA	24,8	27,8	12,2%	52,2	56,1	7,5%
% margin	46,0%	51,4%		49,0%	52,0%	
D&A ⁽¹⁾	-10,8	-8,3	-23,9%	-21,5	-16,4	-23,4%
EBIT	14,0	19,6	40,1%	30,8	39,7	29,1%
Net financial expenses	-0,5	-0,4	-21,6%	-1,1	-0,8	-21,3%
Pre Tax Profit	13,5	19,2	42,4%	29,7	38,9	30,9%
Taxes	-4,5	-5,6	23,6%	-10,0	-11,5	14,4%
% tax rate	33,7%	29,3%		33,9%	29,6%	
Net Income	8,9	13,6	51,9%	19,6	27,4	39,4%
EPS	0,0329	0,0499		0,0722	0,1006	

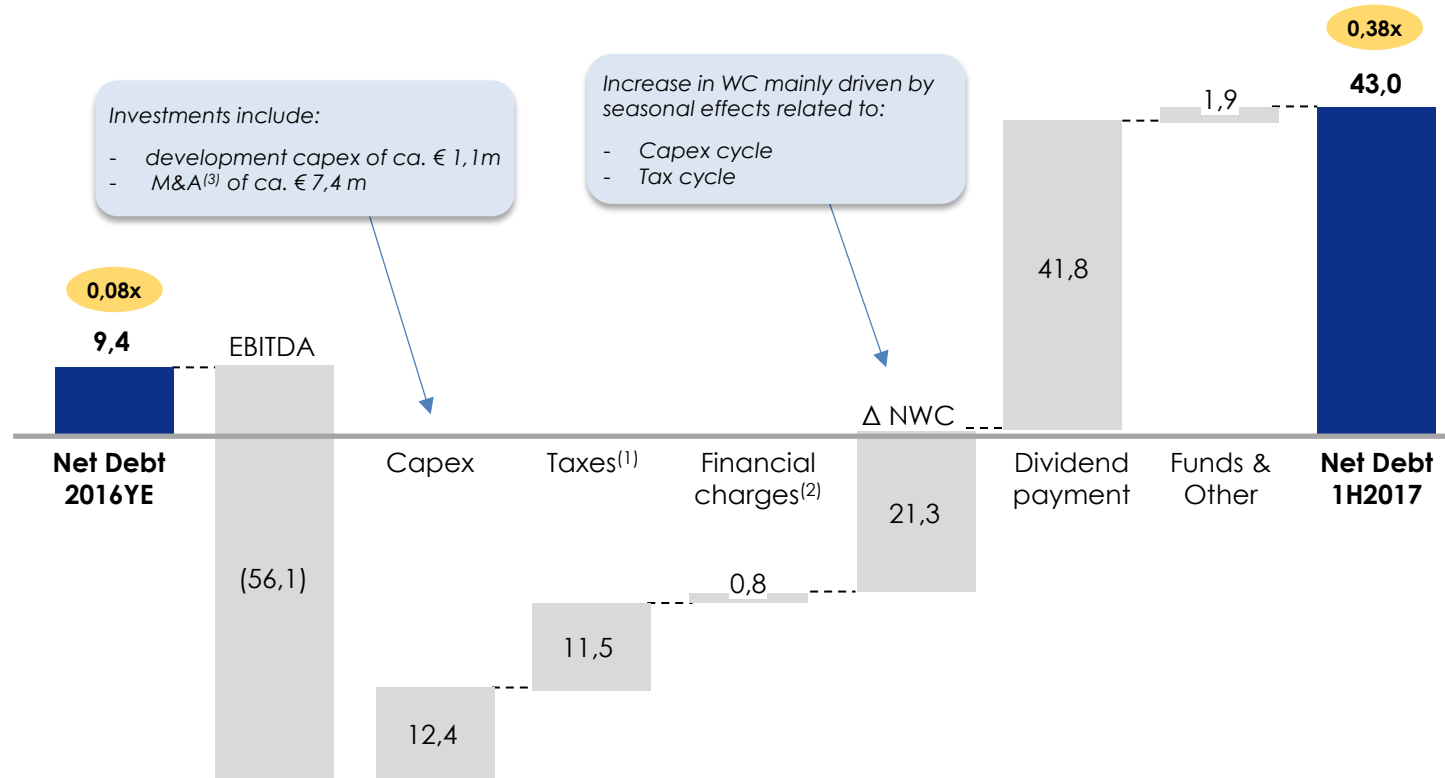
• 1H17 Net Income up 39,4% at € 27,4m driven by:

- Further improvement in profitability, with margin reaching 52,6% vs. 52,2% in 1H16
- Lower one-off expenses (€ 0,6m in 1H17 vs. € 3,4m in 1H16)
- Declining trend of D&A (€ -5,0m vs. 1H17) due to:
 - . reduction of Capex vs. "switch-off period"
 - . extension of useful life of certain assets (favorable comparison as 2016 impact fully reported in 4Q)
- Lower 1H17 tax rate (29,6% vs. 33,9%), benefiting from reduction of IRES

(1) Including provisions

Cash Flow generation

Eur Mln; %



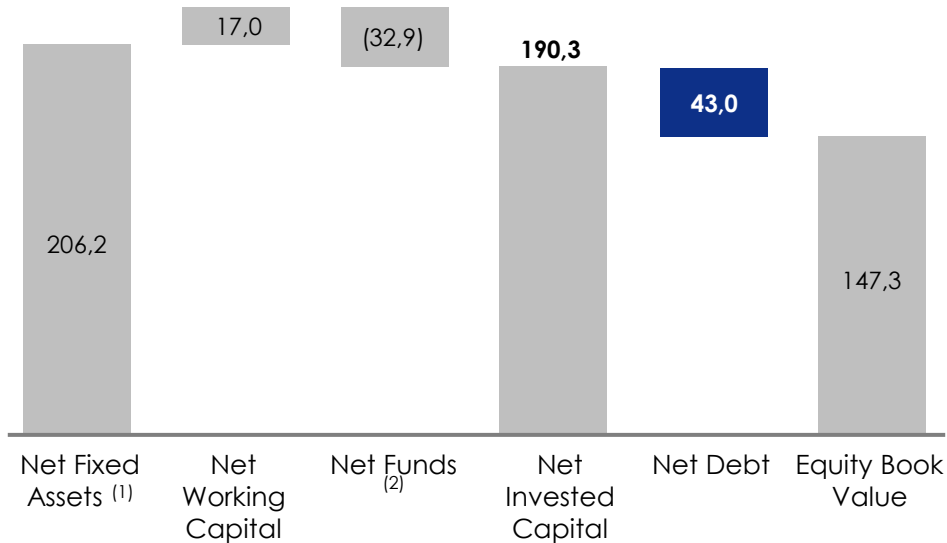
- Increase in net debt mainly driven by dividend payment and tax cash-out in 2Q

(1) P&L taxes
 (2) P&L financial charges excluding interests on the employee benefit liability
 (3) M&A capex = equity acquired

Balance Sheet

Eur Mln

1H17 Balance Sheet



- Capital structure with € 43,0m Net Debt as of June 2017 provides financial flexibility

(1) Including long-term financial items

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

2017 Outlook confirmed

- **ADJUSTED EBITDA**

- 2017 Adjusted EBITDA to continue in the growth trajectory of recent years

- **CAPEX**

- 2017 Maintenance capex to remain in line with long-term target

Renewed interest for DTT platform

Rumors on FOX entering DTT

MS acquires 3 additional LCN

Sony launches 1 new channel

Scripps launches 1 new channel

Sony to launch 2nd new channel

DeA Editore to launch 1 new channel (Alpha)



Dec '16



Mar '17



4 May '17



8 May '17



Sept '17



Autumn '17

- Broadcasters' audience and advertising share expansion, leveraging on existing structure
- Optimization of use of TV rights

Q & A session



Contacts

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Upcoming 2017 events

<u>Date</u>	<u>Event</u>
09/11/2017	3Q17 results

Appendix



Detailed summary of Income Statement

(€m; %)	2Q16	2Q17	1H16	1H17
Core revenues	53,9	54,2	106,6	108,0
Other revenues	0,1	0,0	0,1	0,0
Purchase of consumables	(0,4)	(0,3)	(0,6)	(0,6)
Service costs	(12,5)	(12,7)	(24,5)	(24,9)
Personnel costs	(15,4)	(12,3)	(27,5)	(24,6)
Other costs	(0,9)	(1,1)	(1,8)	(1,9)
Opex	(29,2)	(26,4)	(54,5)	(51,9)
Depreciation and amortization	(10,7)	(8,3)	(21,3)	(16,5)
Provisions	(0,2)	0,0	(0,2)	0,0
Net Operating profit	14,0	19,6	30,8	39,7
Net Finance income (expenses)	(0,5)	(0,4)	(1,1)	(0,8)
Profit before income taxes	13,5	19,2	29,7	38,9
Income taxes	(4,5)	(5,6)	(10,0)	(11,5)
Profit for the year	8,9	13,6	19,6	27,4
EBITDA	24,8	27,8	52,2	56,1
<i>EBITDA margin</i>	46,0%	51,4%	49,0%	52,0%
Non recurring expenses	(3,4)	(0,6)	(3,4)	(0,6)
Adjusted EBITDA	28,3	28,5	55,6	56,8
<i>Adjusted EBITDA margin</i>	52,4%	52,6%	52,2%	52,6%

Summary of Balance Sheet

(€m)	2016FY	1H2017
Non current assets		
Tangible assets	205,2	195,2
Intangible assets	2,2	10,6
Financial assets, holdings and other non-current assets	0,5	0,4
Non-current tax assets	5,0	3,1
Total non-current assets	212,8	209,3
Current assets		
Inventories	0,9	0,9
Trade receivables	67,0	73,0
Other receivables and current assets	4,4	6,0
Current financial assets	0,2	0,3
Cash	81,3	45,0
Tax assets	0,3	0,3
Total current assets	154,1	125,6
TOTAL ASSETS	366,9	334,9

(€m)	2016FY	1H2017
Equity		
Share capital	70,2	70,2
Legal reserves	10,1	12,2
Other reserves	37,0	37,0
Retained earnings	44,3	28,0
Total equity	161,5	147,3
Non-current liabilities		
Non-current financial liabilities	60,7	45,7
Employee benefits	18,7	17,8
Provisions for risks and charges / Allowances	18,8	18,1
Other non-current liabilities	0,0	0,0
Non-current tax liabilities	0,0	0,0
Total non-current liabilities	98,2	81,6
Current liabilities		
Commercial debt	41,2	35,4
Other debt and current liabilities	33,6	25,7
Current financial liabilities	30,3	42,7
Tax liabilities	2,2	2,2
Total current liabilities	107,2	106,0
TOTAL NET EQUITY AND LIABILITIES	366,9	334,9

Summary of Cash Flow Statement

(€m)	2Q2016	2Q2017	1H2016	1H2017
Earnings before taxes	13,5	19,2	29,7	38,9
Depreciation and amortization	10,7	8,3	21,3	16,5
Provisions and others	0,8	(0,3)	1,3	0,6
Net financial Income	0,5	0,3	1,0	0,7
Other non-monetary items	0,0	0,0	0,0	0,0
Net operating CF before change in WC	25,4	27,5	53,3	56,6
Change in inventories	0,1	0,0	0,1	0,0
Change in accounts receivable	14,1	8,5	3,0	(5,9)
Change in accounts payable	0,5	0,3	(2,2)	(7,3)
Change in other assets	0,4	0,1	(0,9)	(1,6)
Change in other liabilities	(2,8)	(6,5)	8,2	2,2
Use of funds	(0,2)	(0,5)	(0,3)	(0,5)
Payment of employee benefits	(2,0)	(1,1)	(2,6)	(1,7)
Change in tax credit/liabilities	0,6	0,9	(1,2)	0,0
Taxes paid	(1,0)	(21,1)	(1,0)	(21,1)
Net operating cash flow	35,0	8,0	56,3	20,7
Investment in tangible assets	(2,5)	(2,9)	(4,5)	(4,7)
Sale of tangible assets	0,1	0,1	0,1	0,1
Investment in intangible assets	(0,2)	(0,3)	(0,2)	(0,3)
Sale of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	0,0	0,0	0,0	0,0
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	(0,0)	0,0	(0,0)	0,0
Interest received	0,0	0,0	0,0	0,0
Companies consolidation	0,0	(0,3)	0,0	(7,4)
Investing cash flow	(2,6)	(3,4)	(4,7)	(12,2)
(Decrease)/increase in medium/long-term debt	(0,0)	(0,1)	(15,0)	(15,1)
(Decrease)/increase in current financial liabilities	0,2	10,3	0,1	12,2
Change in current financial assets	(0,0)	(0,1)	(0,3)	(0,1)
Interest paid	0,0	(0,1)	(0,4)	(0,4)
Dividends paid	(39,0)	(41,8)	(39,0)	(41,8)
Financing cash flow	(38,8)	(31,8)	(54,6)	(45,2)
Change in cash and cash equivalent	(6,3)	(27,1)	(3,0)	(36,7)
Cash and cash equivalent (beginning of period)	82,3	72,1	78,9	81,3
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,0	0,4
Cash and cash equivalent (end of period)	76,0	45,0	76,0	45,0