

1Q2018 Results Presentation

Rome, 9 May 2018

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

Key messages

- Good start of the year
 - Efficiencies led to 4,9% growth in Adjusted EBITDA and a margin close to 55%
 - Further improvement in Net Result




- Commercial activity with RAI proceeding in line with expectations
 - Second tranche of DAB network extension and 3.6-3.7 GHz radio links refarming secured

- Preliminary activities towards the 700 MHz band refarming kicked-off by the Authorities


- 2018 outlook confirmed

Rai-Government Service Contract unlocking activity

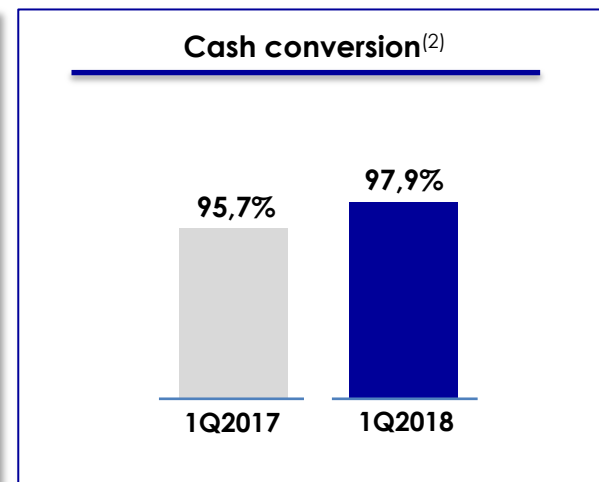
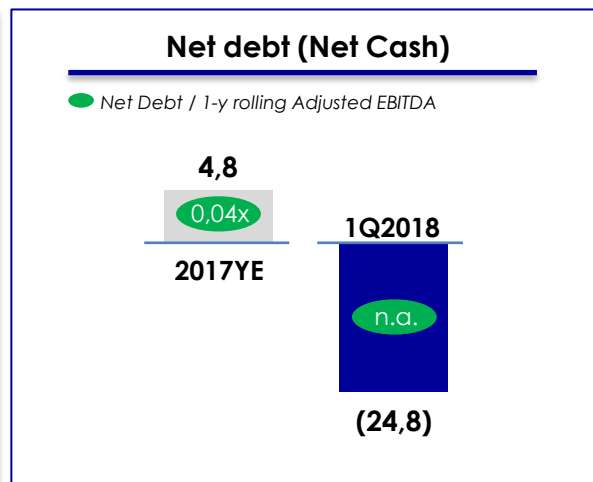
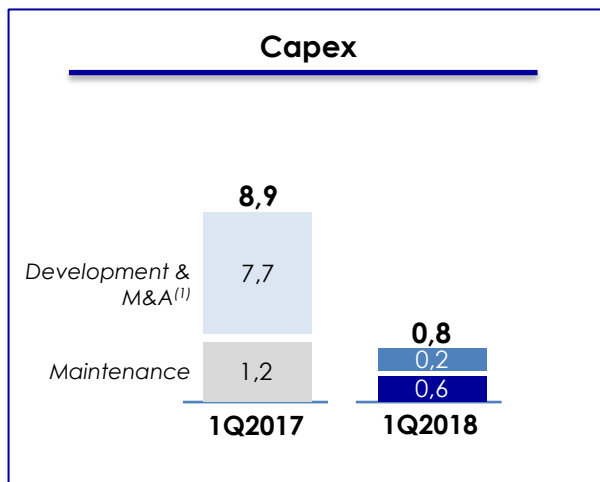
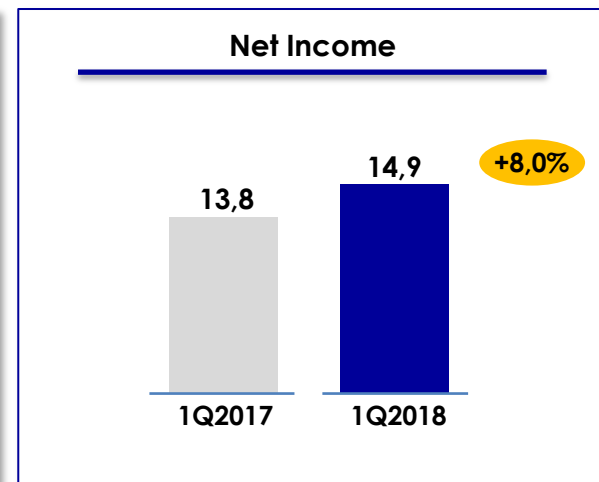
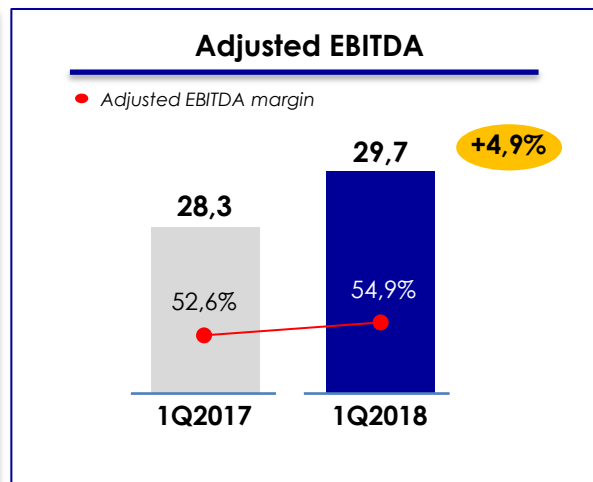
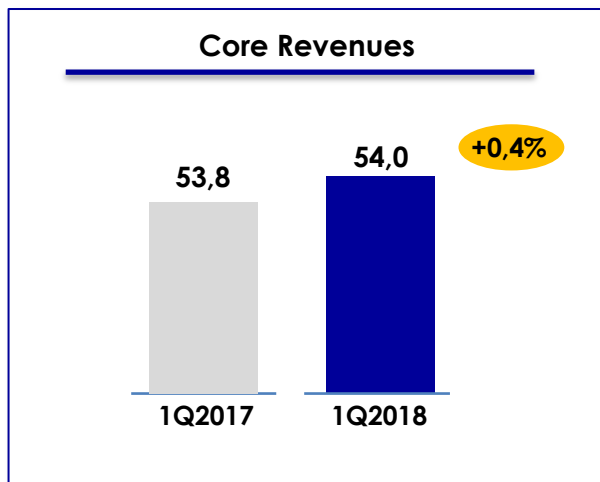
New vs. 2017FY presentation

		RAI-GOVERNMENT SERVICE CONTRACT		
		NETWORK QUALITY	PREPARATORY FOR SPECTRUM REFORMING	
 <p>SIGNED</p>	<p>DAB roll-out (I tranche)</p> <p>DAB roll-out (II tranche)</p>	<p>3.7–3.8 Ghz Radio links reforming</p> <p>3.6–3.7 Ghz Radio links reforming</p>	<p>Capex: ~11 Mln</p> <p>Run-rate EBITDA: ~2 Mln</p>	
 <p>UNDER NEGOTIATION</p>	<p>MUX coverage extension</p>			
 <p>TO BE ASSESSED AND NEGOTIATED</p>		<p>MUX 1 Rearrangement</p> <p>Codec-related Head-End upgrade</p>		

1Q2018 Financial Highlights

 % YoY growth


Mln Eur; %



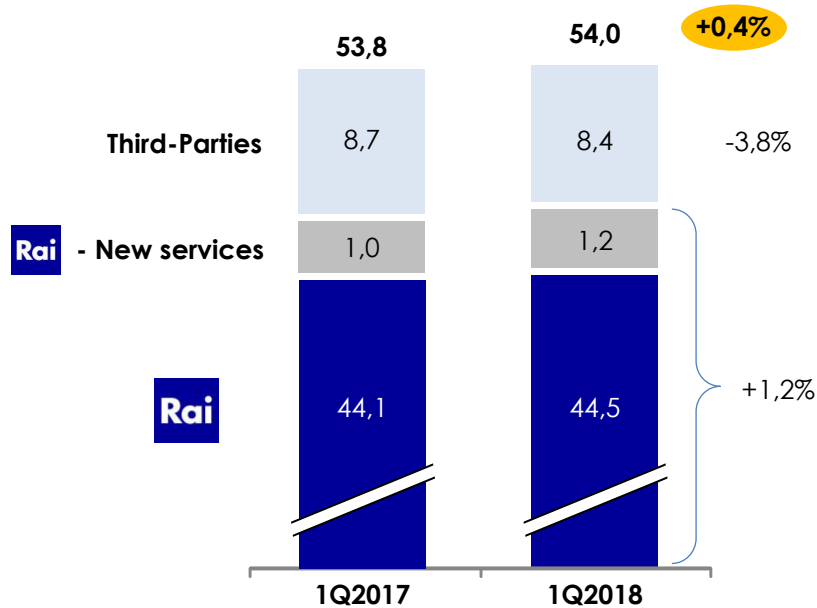
1) M&A capex = equity acquired

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

Core Revenues

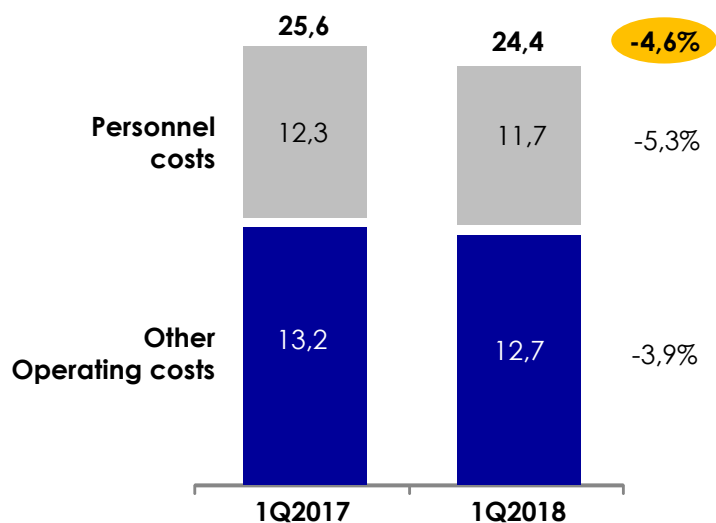
 % YoY growth

Mln Eur; %



- Revenues from RAI up 1,2% driven by:
 - ✓ Indexation to CPI on fixed-consideration
 - ✓ Higher contribution from New Services, also thanks to contracts secured in 2017
- Revenues from Third-Party customers down 3,8% impacted by headwinds limited to the MNOs segment

Mln Eur; %



- Personnel costs declined by approx. 5% vs. 1Q2017 benefiting from reduction of headcount, optimization of variable components of salary and reduction of other non-recurring costs
- Other Operating costs further decreased with efficiencies on all the cost items, mainly Intercompany and rents

<i>Eur Mln. %</i>	1Q 2017	1Q 2018	% YoY
Core Revenues	53,8	54,0	0,4%
Other Revenues	0,0	0,0	
Adj. EBITDA	28,3	29,7	4,9%
% margin	52,6%	54,9%	
One-offs	0,0	-0,3	
EBITDA	28,3	29,4	4,0%
% margin	52,6%	54,4%	
D&A ⁽¹⁾	-8,2	-8,0	-2,2%
EBIT	20,1	21,4	6,5%
Net financial expenses	-0,5	-0,4	-20,8%
Pre Tax Profit	19,7	21,1	7,2%
Taxes	-5,9	-6,2	5,2%
% tax rate	29,9%	29,3%	
Net Income	13,8	14,9	8,0%

• **1Q18 Net Income up 8,0% at € 14,9m driven by:**

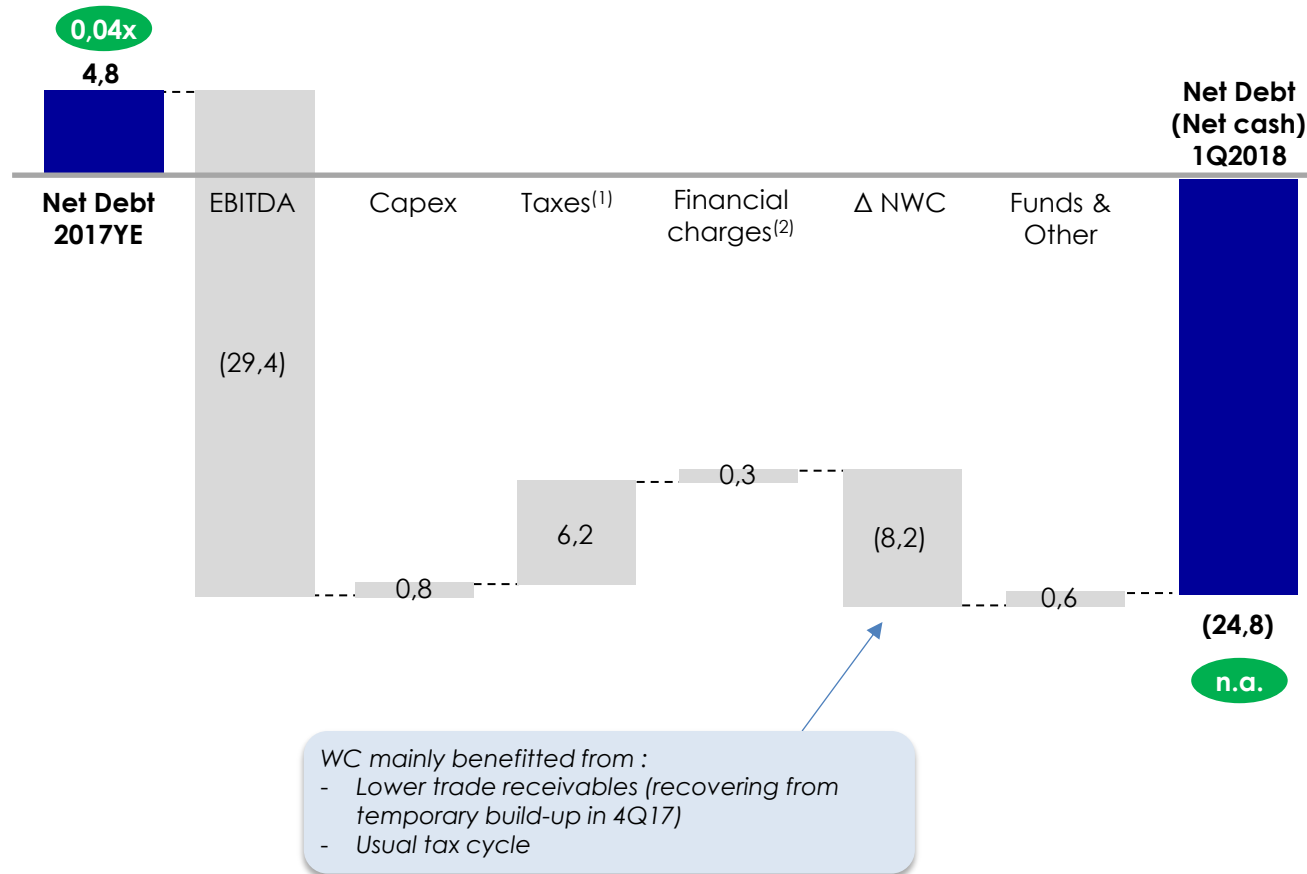
- Adj. EBITDA benefitting from efficiency initiatives, bringing the margin up 230bp at 54,9%
- Broadly stable lines below EBITDA, with tax rate at 29,3%

(1) Including provisions

Cash flow generation

Net Debt/ 1y rolling Adj. EBITDA

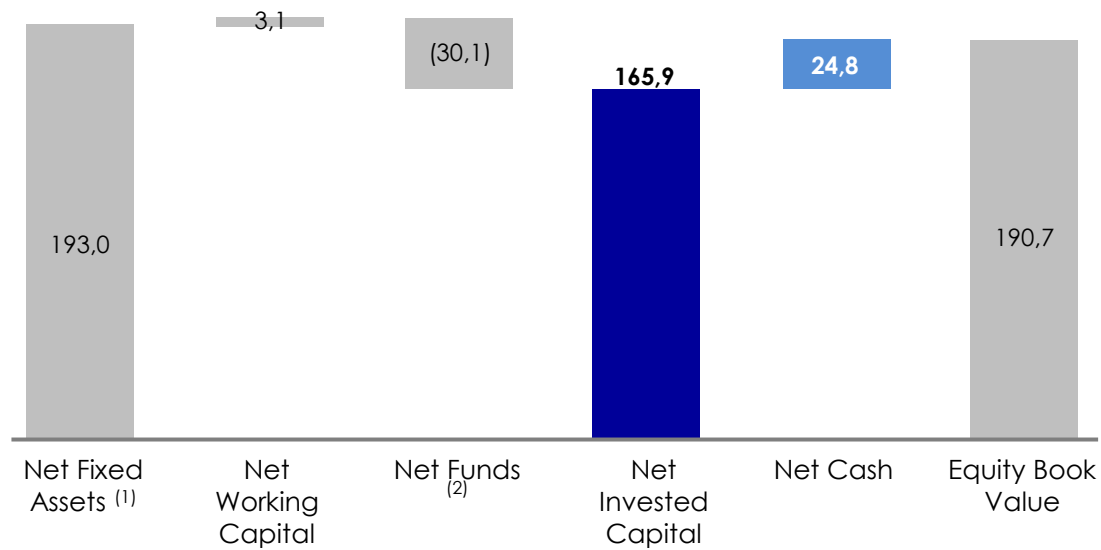
Mln Eur



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

Balance sheet

Mln Eur



(1) Including long-term financial items

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

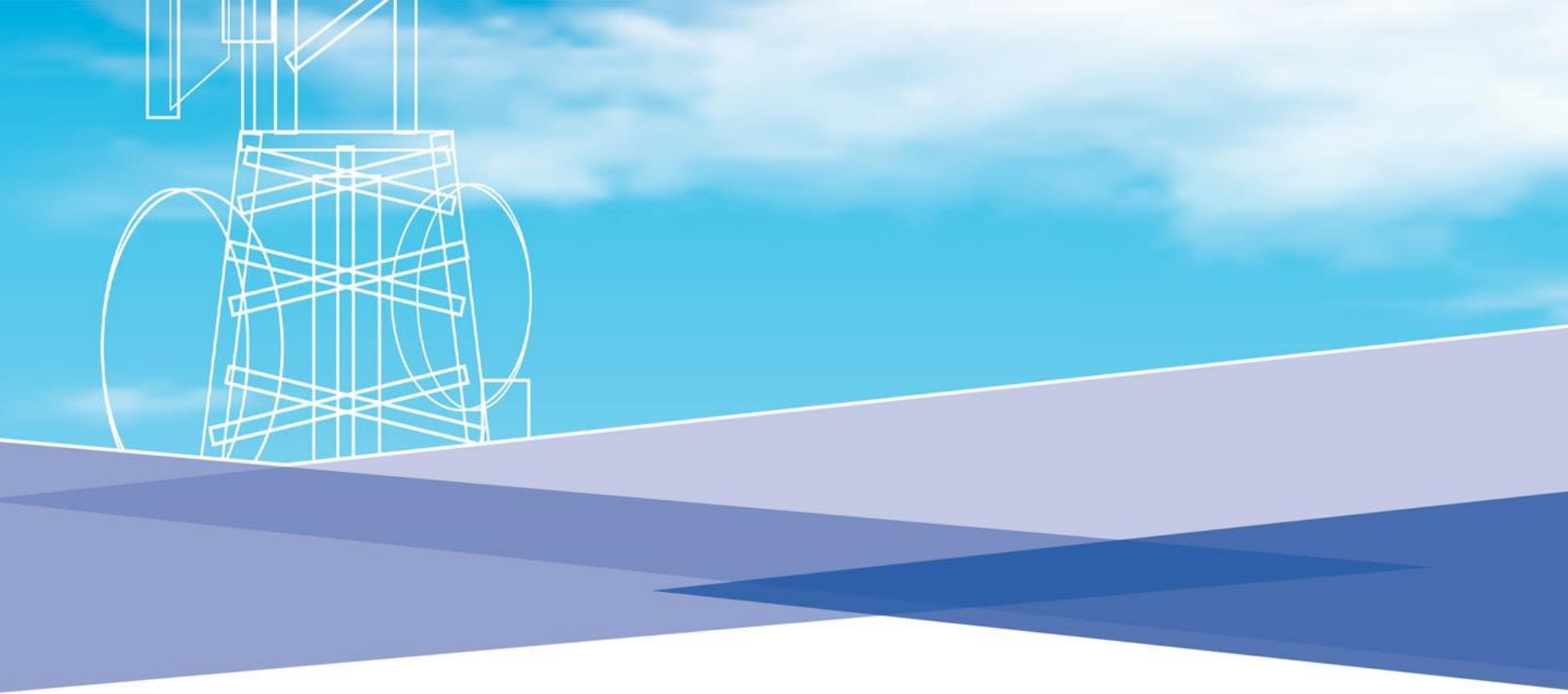
2018FY Outlook confirmed

- **ADJUSTED EBITDA**

- 2018 Adjusted EBITDA to keep growing organically

- **CAPEX**

- 2018 maintenance capex expected in the range of 9% of core revenues; going forward, the average level of 8,5% of core revenues is confirmed



Q&A Session

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Upcoming events

<u>Date</u>	<u>Event</u>
26/07/2018	1H18 results
14/11/2018	3Q18 results

Appendix



Detailed summary of Income Statement

(€m; %)	1Q17	1Q18
Core revenues	53.8	54.0
Other revenues	0.0	0.0
Purchase of consumables	(0.3)	(0.3)
Service costs	(12.1)	(11.9)
Personnel costs	(12.3)	(11.7)
Other costs	(0.8)	(0.8)
Opex	(25.5)	(24.6)
Depreciation and amortization	(8.2)	(8.0)
Provisions	0.0	0.0
Net Operating profit	20.1	21.4
Net Finance income (expenses)	(0.5)	(0.4)
Profit before income taxes	19.7	21.1
Income taxes	(5.9)	(6.2)
Profit for the year	13.8	14.9
EBITDA	28.3	29.4
<i>EBITDA margin</i>	52.6%	54.4%
Non recurring expenses	0.0	(0.3)
Adjusted EBITDA	28.3	29.7
<i>Adjusted EBITDA margin</i>	52.6%	54.9%

Summary of Balance Sheet

(€m)	2017FY	1Q2018
Non current assets		
Tangible assets	188,7	181,6
Intangible assets	11,2	11,0
Financial assets, holdings and other non-current assets	0,4	0,4
Non-current tax assets	2,2	2,4
Total non-current assets	202,4	195,4
Current assets		
Inventories	0,9	0,9
Trade receivables	72,0	72,9
Other receivables and current assets	5,4	6,7
Current financial assets	0,1	0,3
Cash	55,9	70,1
Current tax assets	0,0	0,0
Total current assets	134,3	151,0
TOTAL ASSETS	336,7	346,4

(€m)	2017FY	1Q2018
Equity		
Share capital	70,2	70,2
Legal reserves	12,2	12,2
Other reserves	37,0	37,1
Retained earnings	57,0	71,3
Total equity	176,4	190,7
Non-current liabilities		
Non-current financial liabilities	30,6	15,6
Employee benefits	16,4	16,5
Provisions for risks and charges / Allowances	16,0	16,0
Other non-current liabilities	0,0	0,0
Non-current tax liabilities	0,0	0,0
Total non-current liabilities	63,0	48,1
Current liabilities		
Commercial debt	37,7	34,7
Other debt and current liabilities	28,9	41,4
Current financial liabilities	30,3	30,1
Current tax liabilities	0,4	1,4
Total current liabilities	97,3	107,6
TOTAL NET EQUITY AND LIABILITIES	336,7	346,4

Summary of Cash Flow Statement

(€m)	1Q2017	1Q2018
Earnings before taxes	19,7	21,1
Depreciation and amortization	8,2	8,0
Provisions and others	0,9	0,6
Net financial Income	0,4	0,3
Other non-monetary items	0,0	(0,8)
Net operating CF before change in WC	29,2	29,2
Change in inventories	0,0	0,0
Change in accounts receivable	(14,4)	(0,8)
Change in accounts payable	(7,6)	(3,0)
Change in other assets	(1,7)	(1,4)
Change in other liabilities	8,7	7,2
Use of funds	(0,0)	(0,0)
Payment of employee benefits	(0,5)	(0,5)
Change in tax credit/liabilities	(0,9)	0,0
Taxes paid	0,0	0,0
Net operating cash flow	12,7	30,7
Investment in tangible assets	(1,7)	(0,8)
Sale of tangible assets	0,0	0,0
Investment in intangible assets	(0,0)	(0,0)
Sale of intangible assets	0,0	(0,0)
Change in other non-current assets	(0,0)	0,0
Change in holdings	0,0	0,0
Change in non-current financial assets	0,0	0,0
Interest received	0,0	0,0
Companies consolidation	(7,2)	0,0
Investing cash flow	(8,9)	(0,8)
(Decrease)/increase in medium/long-term debt	(15,0)	(15,0)
(Decrease)/increase in current financial liabilities	1,9	(0,2)
Change in current financial assets	(0,0)	(0,2)
Interest paid	(0,3)	(0,2)
Dividends paid	0,0	0,0
Financing cash flow	(13,4)	(15,7)
Change in cash and cash equivalent	(9,6)	14,2
Cash and cash equivalent (beginning of period)	81,3	55,9
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,4	0,0
Cash and cash equivalent (end of period)	72,1	70,1