Rai Way: company presentation

Italian Infrastructure Day 2015

08 September, 2015 – Milan

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.

Summary

- **Company profile & business model**

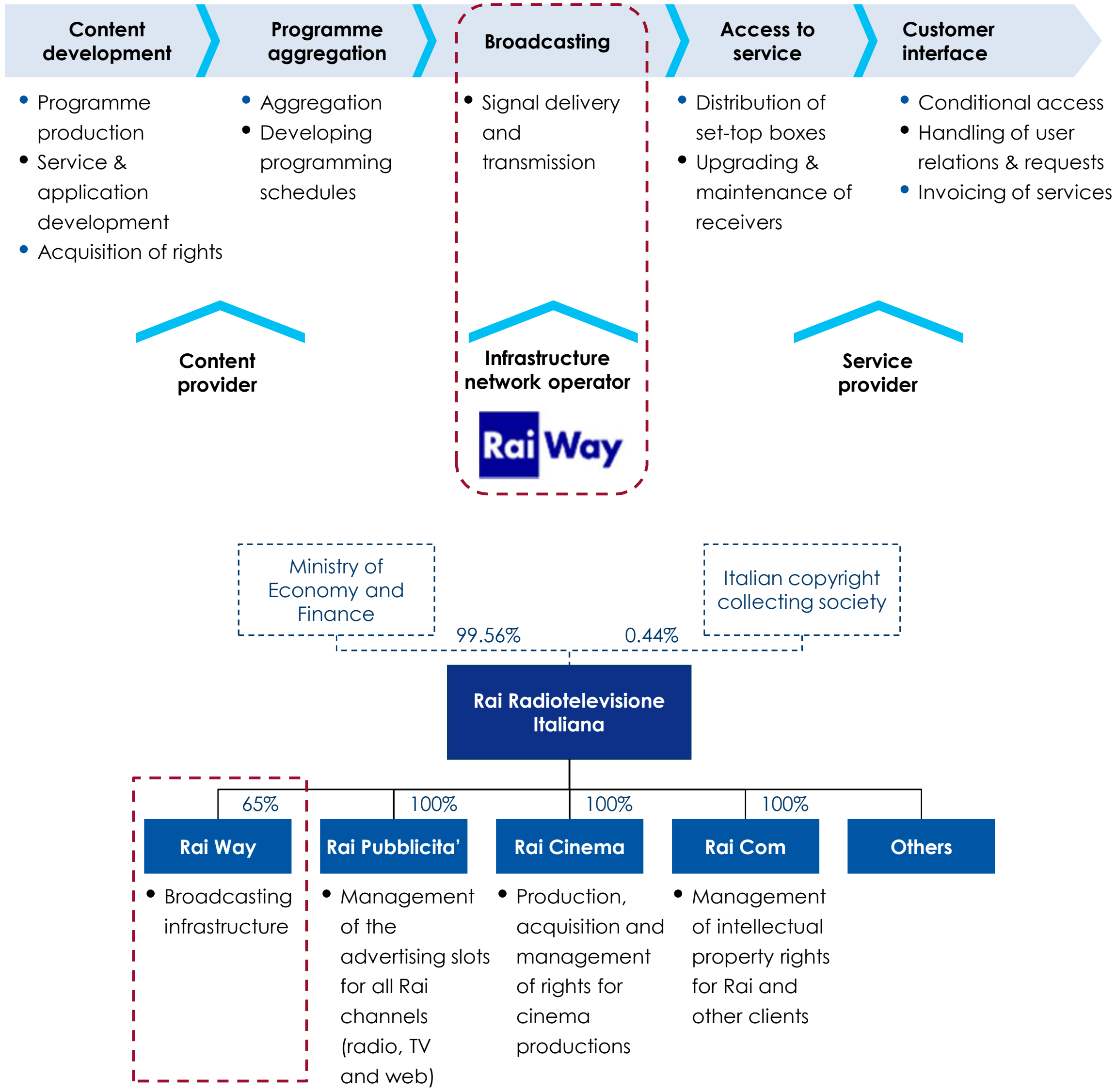
- **Financials & 2015 Outlook**

Rai Way at a glance

Leading broadcasting tower operator

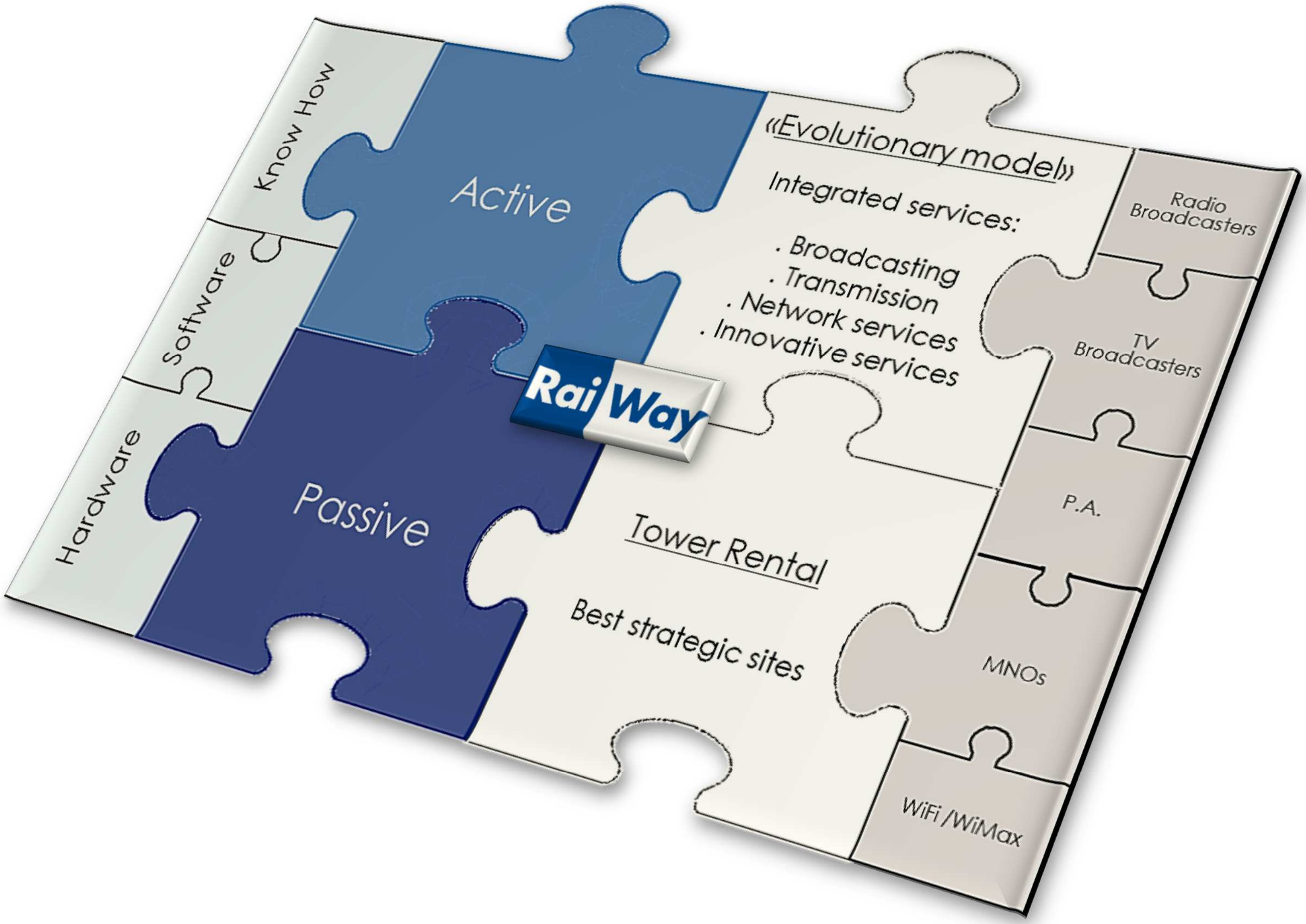
- **Active in key strategic locations and c. 2,300 sites overall**
- **Ownership of passive and active infrastructure**
- **New exclusive contract with Rai signed in July 2014**
- **€207,4m 2014 PF core revenues – c.83% from Rai**
- **€105,1m 2014 PF Adj. EBITDA**
- **€33,6m 2014 PF net income**
- **c.80% 2014 PF cash conversion[(1)]**
- **637 employees[(2)]**

Broadcasting value chain



(1) Cash conversion calculated as (PF Adj. EBITDA - Capex) / PF Adj. EBITDA
(2) As of June 2015

A Smarter Tower Company…



Leading broadcasting tower network with strong capillarity and population coverage

Unique network capillarity

Legend: ● Rai Way's sites.

- **The only terrestrial network capable of covering over 99% of the population**
- c.2,300 sites across the country
- Unique capillarity in rural areas

Key and non-replicable large sites

- Rai Way owns some **major sites**, which are **not easily replicable** by competitors

Roma M. Mario

- Only large site within the city
- Covers metropolitan area and most of Rome province

Monte Venda

- Located in Veneto region
- Covers most of Veneto and surrounding regions with a single site

Monte Penice

- Key site covering Lombardia and eastern Piemonte

State-of-the-art broadcasting equipment

Satellite reception

Microwave

FM radio transmitter

DAB transmitter

DVB-T transmitter

Combiner

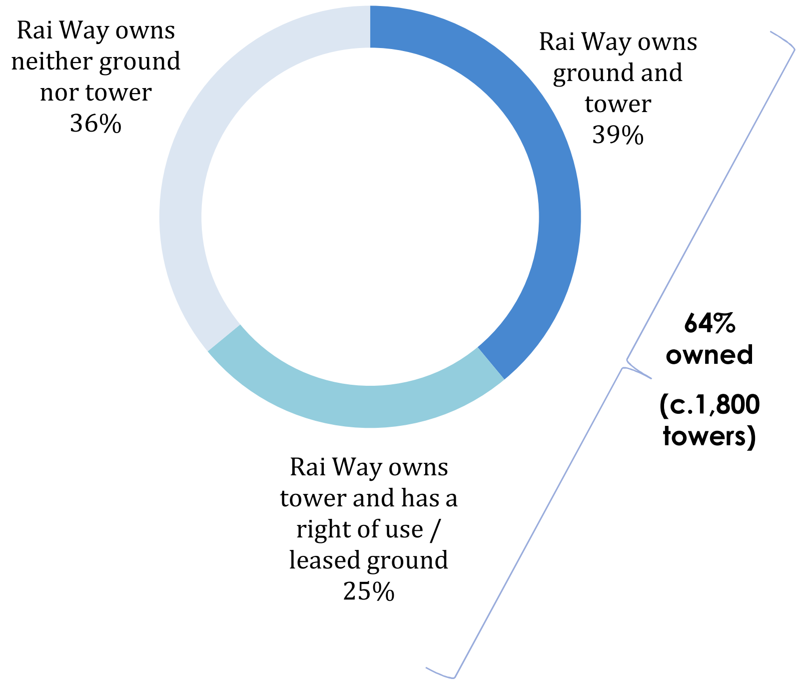
- Rai Way owns **state-of-the art TV and radio broadcasting equipment**
- Investment in digital TV broadcasting switch-over completed in 2012
- €215m(1) cumulative investments since 2011

(1) Including investments made in 1H 2015. Capex includes IFRS capex and network investments

Strategically positioned with significant spare capacity

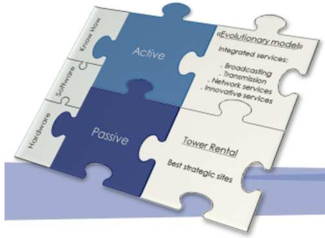
Non-replicable large sites, coupled with extensive rural coverage		Sites break-down	Population coverage by site type
Large sites	• Large locations • One or more vertical infrastructures • Wide coverage	**6%**	**80%**
Intermediate sites	• Medium size locations • Smaller than large transmitter centres • Intermediate coverage	**11%**	**10%**
Regular sites	• Limited size locations • Small buildings / shelters • Regular coverage	**83%**	**9%**

Real estate footprint



- Rai Way owns 64% of the overall sites
  - On which it has 1,800 towers
- For non-owned ones, lease is indexed to inflation
- The majority of towers are lattice structures = **significant spare capacity for hosting**

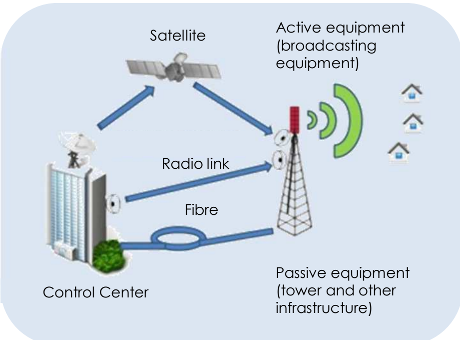
Source: Company information



Rai Way full service offering

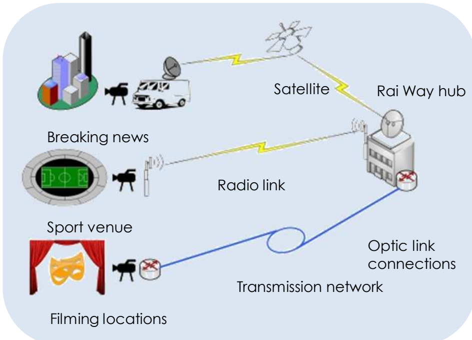
TV and Radio broadcasting

- Delivers client's television and radio signals to end users using frequencies assigned to the broadcasters
- Digital terrestrial and satellite broadcasting
- Services at local, national and international level
- Turnkey solutions for transmission and broadcasting networks



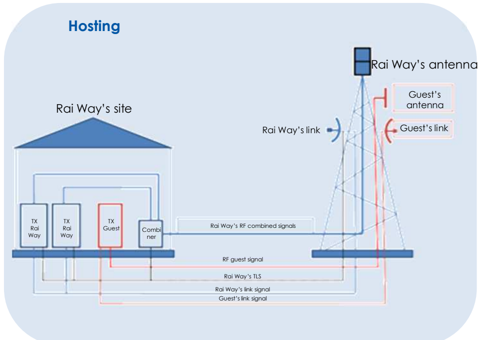
Transmission

- Interconnects major event venues with Clients' newsrooms and offices
  - Examples:
    - The Venice Film Festival
    - Italian National Football League
    - FIFA world cup



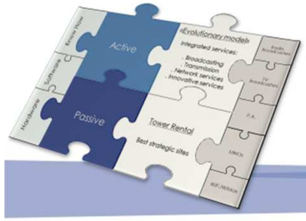
Tower hosting

- Provides availability of tower infrastructures for radio transmitters
- Customers include telco operators, public administrations and broadcasters and other various corporations



Network services

- Consulting and technical support services



Resilient business model, based on highly visible long-term revenues and strong cash flow generation

Long service agreements with high profile customers

Rai

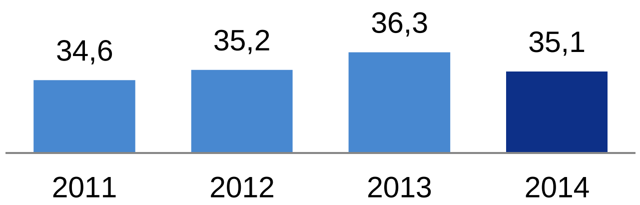
- Long-term service agreement with Rai just renewed

7 + 7 + 7 year agreement | Inflation linked | Extension of services | Incremental services upside

Third-party

- Significant third party revenues(1)
  - Based on c. 1,900 equipments located on c. 850 Rai Way sites(2)
- High switching costs for customers
- Mainly 6 year contracts
  - Majority of revenues are indexed to CPI
- **High profitability and strong cash flow generation**

Third party revenues in €m



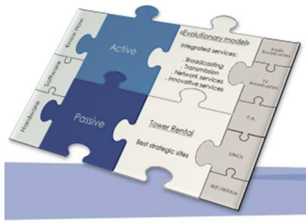
One-stop shop leveraging on active and passive infrastructure ownership

- **Local broadcasters**
  - Capillarity
  - Local offices
- **National broadcasters**
  - One stop shop for broadcasting network needs
- **MNO and wireless**
  - Strategic sites for coverage deployment and backbone creation

(1) Based on IFRS reported figures. Third party IFRS revenues are not affected by pro forma adjustments.
(2) As of 31 Dec 2014

Long-term contractual relationships with prime customers

	Client	Scope	Tenor	Revenues	2014PF % core revenues
Contract with Rai	Rai	• **Network services** – Broadcasting and transmission of TV / Radio signals using MUXes assigned to Rai – Full exclusivity for Rai Way • **New Services** – Revenues from new and additional services	• **7 years; automatically renewed for another 7 years** (up to max. 21 years) • 12 months termination notice, from the end of year 7 onwards	• €85.5m for H2 2014 • **€175m for FY 2015** • **From 2016, increase in line with Italian CPI** • Consideration does not include revenues from new and additional services	c.83%
Third-party services	TELECOM ITALIA, vodafone, WIND, 3	• **Tower hosting services** – Provides availability of tower infrastructures for radio transmitters – Network installation and support	• **Typical 6-year contracts** with mobile operators – Three of the four main contracts recently renegotiated	• **Pricing depends on type of client and service** – Revenues generally grow in line with inflation	c.17%
	TV and radio broadcasters	• **Other client customized ancillary services**	• **Ad-hoc contracts** with the single broadcasters		
	Public administration & other corporate customers	• Contracts are similar to mobile operators' agreements • Pricing based on fixed plus variable components			



Provider of mission critical broad range of services to Rai

Broadcasting value chain

Content development	Programme aggregation	Broadcasting	Access to service	Customer interface
• Programme production • Service & application development • Acquisition of rights	• Aggregation • Developing programming schedules	• Signal delivery and transmission	• Distribution of set-top boxes • Upgrading & maintenance of receivers	• Conditional access • Handling of user relations & requests • Invoicing of services

Content provider

Infrastructure network operator

Rai Way

Service provider

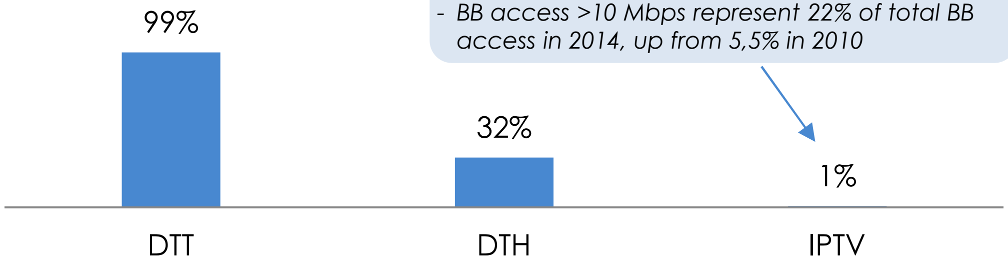
- Critical position of Rai Way within value chain
- Provides mission critical services to Rai

Attractive Italian broadcasting and telecom markets

DTT is by far the key TV broadcasting technology[1]

(Penetration of households %)

- BB penetration (# of access) in Italy increased from ca. 58% in 2010 to ca. 70% in 2014
- BB access >10 Mbps represent 22% of total BB access in 2014, up from 5,5% in 2010

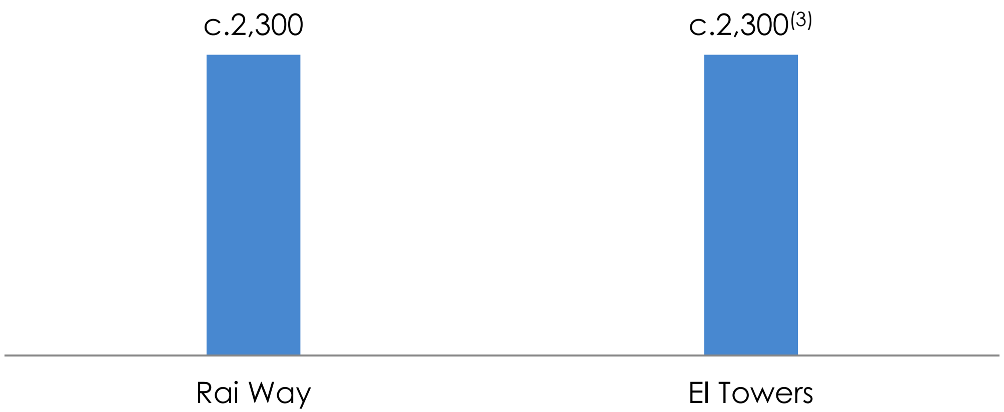


- … with limited competition due to lack of cable and low broadband penetration / FTTx coverage…

Rai Way is a leading player in a concentrated broadcasting infrastructure market

Leading broadcasting infrastructure owners

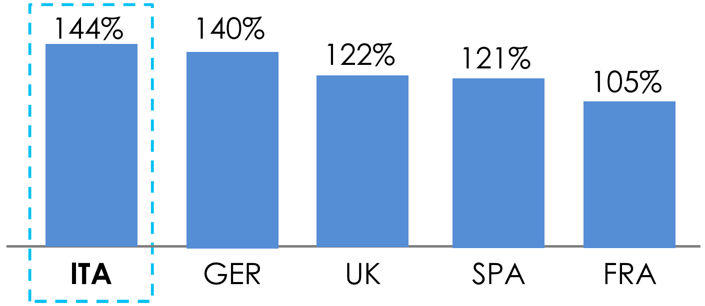
(# of sites)



- … with potential growth from new MUX allocations and frequency readjustments

Well-developed mobile telco market

- One of the highest mobile penetrations in Europe[4]



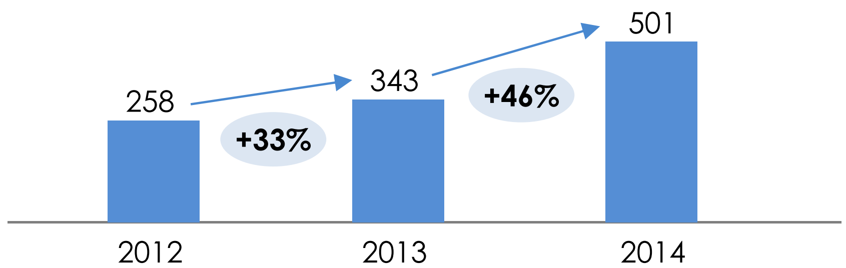
Growth in data and on-going 4G rollout[5]

TELECOM ITALIA
- >95% coverage by 2017

vodafone
- >90% coverage by 2016

WIND

Mobile networks data traffic volume (in Petabytes)[6]



(1) Source: Auditel; calculations based on the total number of households. Because certain households have access to more then one platform, the total number of platforms is higher then the total number of households.
(2) Source: AGCOM , "Osservatorio sulle Comunicazioni" – December 2014
(3) Source: EI Towers Roadshow Presentation March 2014.
(4) Source: GSMA European mobile economy 2013, Mediobanca.
(5) Sources: VOD presentation May 2014, TIM 2014-2016 LTE plan.
(6) Source: AGCOM Annual report 2014 "il settore delle comunicazioni in italia".

Rai Way's key strategic pillars

1. Expand leading position in broadcasting services with new offers to RAI
2. Consolidate revenue streams in tower hosting for both MNOs and broadcasting companies
3. Expand portfolio of services
4. Focus on efficiency, profitability and cash flows

- Upside in revenues from Rai, from expanded service offering
- MNO revenues currently growing broadly in line with inflation
- Environmental and spectrum regulations to foster revenues from local and other broadcasters

Summary

- Company profile & business model

- **Financials & 2015 Outlook**

IPO as a starting point

2014 Main achievements	2015 on track
➢ IPO successfully completed	➢ Management team completed
➢ New exclusive service contract with RAI signed in July 2014	➢ Negotiations for new services to RAI under way
➢ Two Telco contracts renewed	➢ Last Telco contract renewal under way
➢ New financing in place	➢ Positive 2015 outlook

Financial Highlights

2013 and 2014 pro-forma figures assume the impact of the new service contracts with RAI as effective from 1st January 2013 and 2014 respectively

Eur Mln, %	Full Year			First Half		
	2013FY PF	2014FY PF	% YoY	1H 2014 PF	1H 2015	% YoY
Core Revenues	**208,4**	**207,4**	**-0,5%**	**103,5**	**105,0**	**1,4%**
Adjusted EBITDA	**108,0**	**105,1**	**-2,7%**	**53,1**	**53,9**	**1,5%**
% margin	*51,8%*	*50,7%*		*51,3%*	*51,4%*	
Net Income	**30,8**	**33,6**	**8,9%**	**18,0**	**19,8**	**10,0%**
Capex(1)	**23,0**	**21,0**	**-8,7%**	**6,5**	**7,1**	
% on core revenues	*11,0%*	*10,1%*		*6,2%*	*6,7%*	
Cash conversion (2)	*78,7%*	*80,0%*		*87,9%*	*86,9%*	
Net Debt(3)	**58,6**	**65,5**	**11,9%**		**72,5**	
Net Debt/1Y rolling Adj. EBITDA	*0,54x*	*0,62x*			*0,69x*	

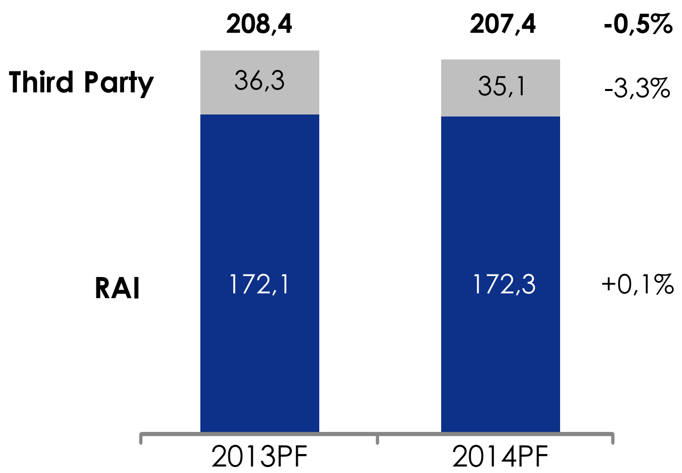
Dividend distribution of 12,34 €cent/share (paid in May 2015), with a pay-out ratio of 100% of 2014 Net Income on a pro-forma basis

(1) In 2013 and 2014, 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

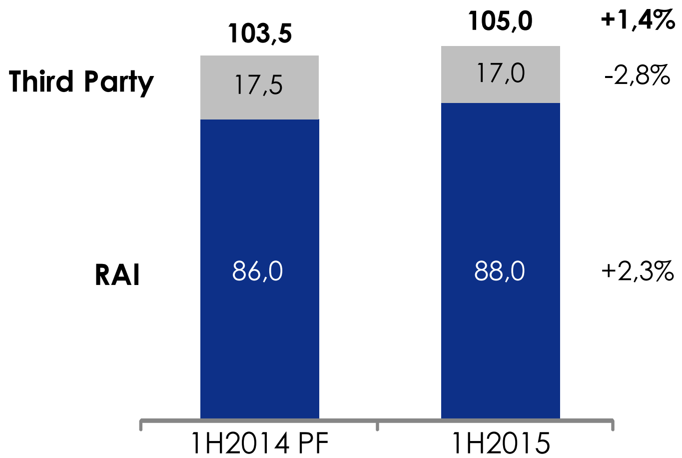
Core Revenues

Eur Mln; %

Full Year



First Half



- Revenues from RAI reflect the terms of the new service contract (step-up in the fixed consideration from € 171m in 2014 to € 175m in 2015)

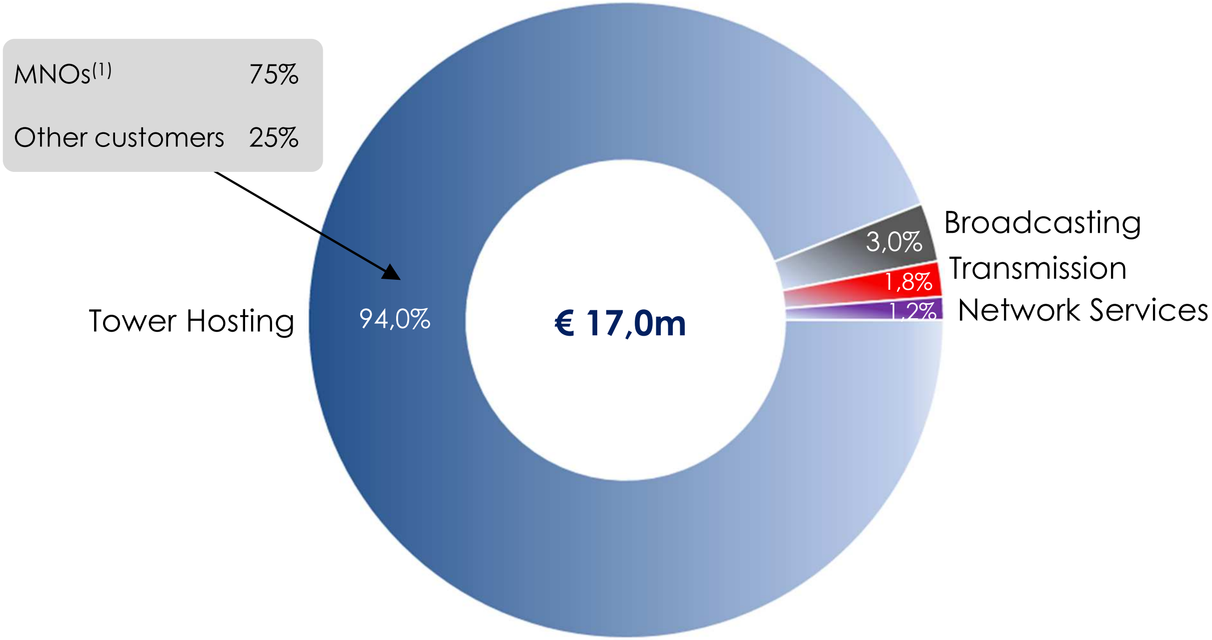
- Third Party performance mainly impacted by:
  - sites optimization operated by mobile operators in 2014
  - lower Tower Rental revenues, mainly from non-MNO customers, and lower Network Services revenues in 1H2015
  - negligible benefit from inflation in 2014 and 2015

- Contracts with MNOs provide good visibility:
  - 3 out of 4 long term contracts already renewed, last renewal under way
  - link to inflation

Third Party Revenues breakdown

Eur Mln; %

1H15 Third Party Revenues breakdown by service



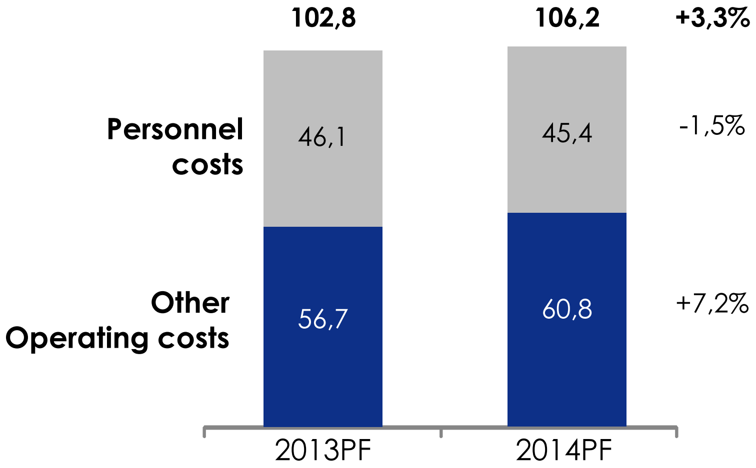
- Tower Hosting stable at 94,0% of Third Party revenues

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

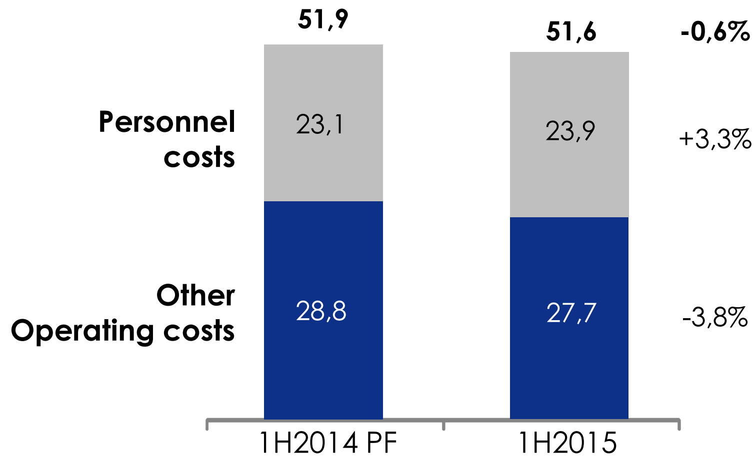
Opex

Eur Mln; %

Full Year



First Half



- Personnel costs rose 3,3% in 1H15 vs. 1H14 mainly driven by completion of organizational structure after IPO
- 2014 increase in Other Operating costs fully driven by lower level of prior year adjustments compared to 2013
- In 1H15 Other Operating costs declined by 3,8% vs. 1H14 mainly driven by maintenance, utilities and ICT intercompany services

Profit and Loss

Eur Mln, %	Full Year			First Half		
	2013FY PF	**2014FY PF**	**% YoY**	**1H 2014 PF**	**1H 2015**	**% YoY**
Core Revenues	**208,4**	**207,4**	**-0,5%**	**103,5**	**105,0**	**1,4%**
Other revenues	2,5	3,9	57,0%	1,5	0,5	-67,1%
Opex	-102,8	-106,2	3,3%	-51,9	-51,6	-0,6%
Adj. EBITDA	**108,0**	**105,1**	**-2,7%**	**53,1**	**53,9**	**1,5%**
% margin	*51,8%*	*50,7%*		*51,3%*	*51,4%*	
One-off	-3,6	-0,5		0,0	-0,1	
EBITDA	**104,5**	**104,6**	**0,2%**	**53,1**	**53,8**	**1,2%**
% margin	*50,1%*	*50,4%*		*51,3%*	*51,2%*	
D&A [1]	-53,3	-50,5	-5,4%	-24,8	-23,3	-5,9%
EBIT	**51,1**	**54,2**	**6,0%**	**28,3**	**30,5**	**7,5%**
Financial expenses	-3,1	-2,0	-35,1%	-0,9	-1,0	19,7%
Pre Tax Profit	**48,0**	**52,1**	**8,6%**	**27,5**	**29,4**	**7,1%**
Taxes	-17,2	-18,6	8,2%	-9,5	-9,6	1,7%
% tax rate	*35,8%*	*35,6%*		*34,5%*	*32,8%*	
Net Income	**30,8**	**33,6**	**8,9%**	**18,0**	**19,8**	**10,0%**
EPS [2]	*0,1133*	*0,1234*		*0,0661*	*0,0727*	

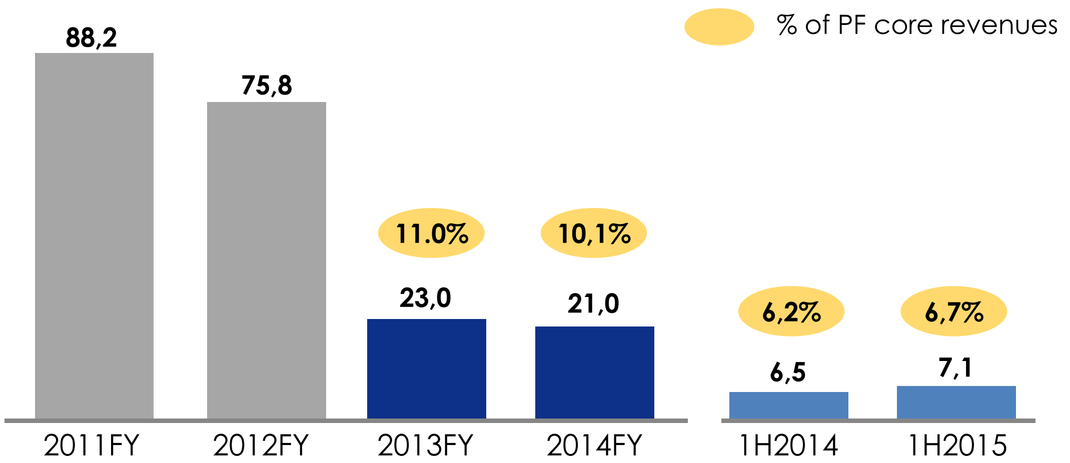
- Focusing on core items only (excluding change in Other revenues and prior period adjustments), 2014 PF Adjusted EBITDA broadly flat vs. 2013 with costs optimization almost fully offsetting reduction of Core revenues
- 1H15 Adjusted EBITDA margin impacted by lower level of Other Revenues
- Declining D&A 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

(1) Including provisions
(2) 2013FY and 1H14 PF EPS calculated on 2014YE number of shares

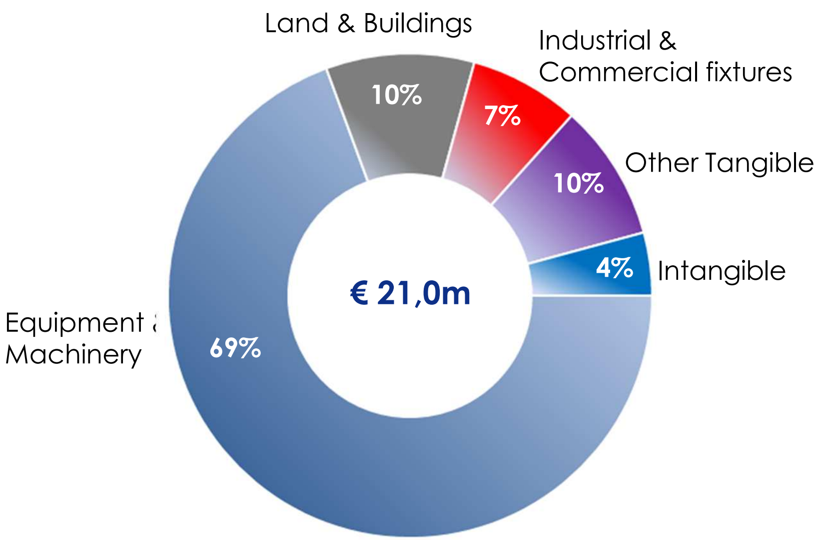
Capex

Eur Mln; %

Capex

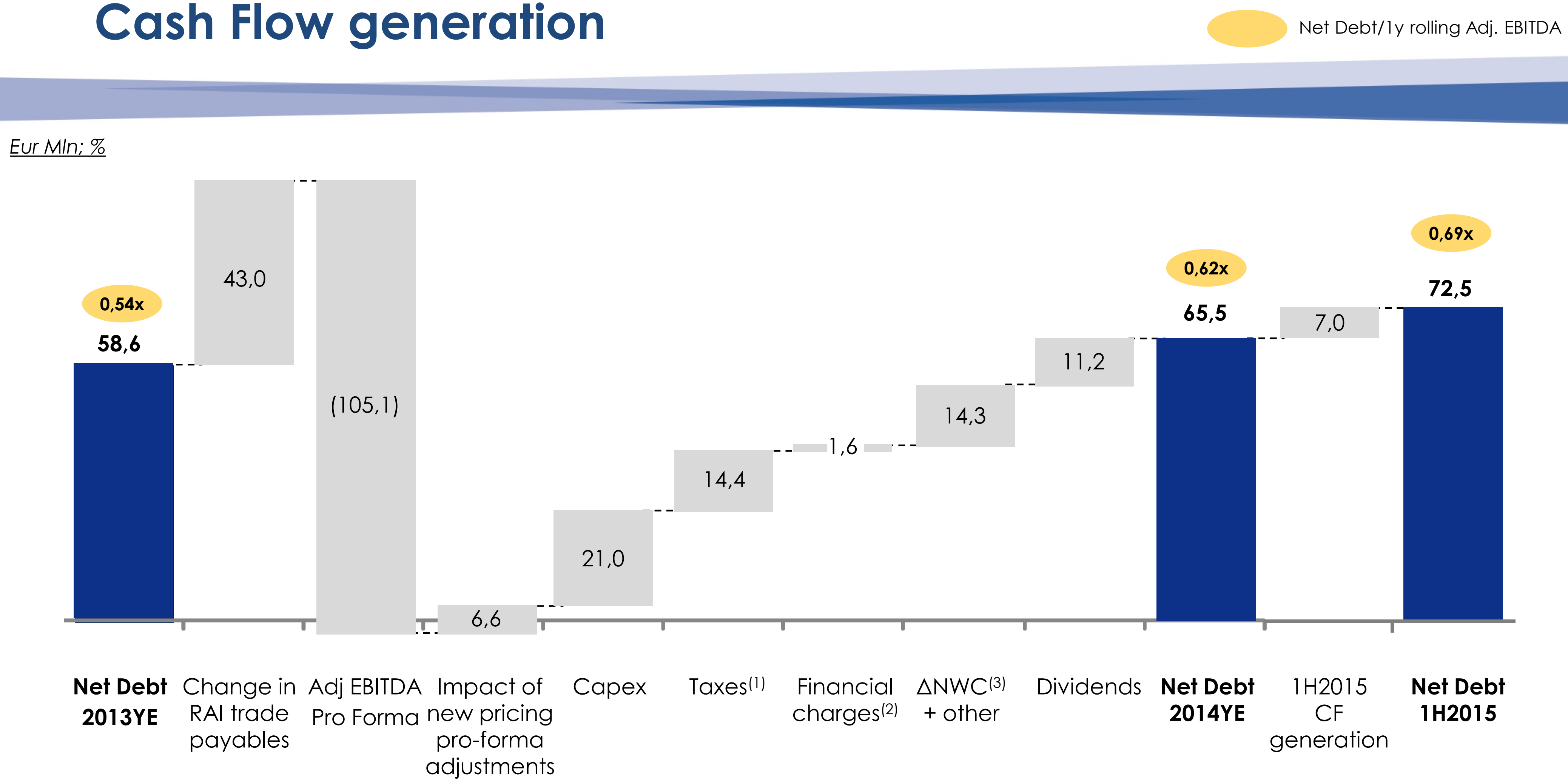


2014 Capex breakdown by asset category



- 2014 Capex at € 21,0m, 10,1% of PF Core revenues
- After few years of heavy investments for DTT roll-out, capex back at maintenance level in 2013-14
- Capex level in the first half reflects typical distribution throughout the year

Cash Flow generation



- Positive cash flow generation in 2014 (excluding change in RAI trade payables)
- 1H2015 Cash generation pre-dividend payment of ca. € 26,7m
- Strong cash conversion[4] at 80% in 2014

(1) P&L taxes
(2) P&L financial charges excluding interests on the employee benefit liability
(3) Excluding change in RAI trade payables
(4) Cash conversion= (Adj. EBITDA – Capex) / Adj. EBITDA

2015 Outlook

Main market trend

- Continuing low-inflation environment
- DTT confirmed as leading platform in Italy:
  - Sky Italia entered DTT with its All-news channel
  - Agon Channel on air since November 2014
  - Discovery Italia securing one additional channel
  - Cairo confirming launch of new channels on the recently awarded MUX
- Stabilization of TV and radio advertising market
- Possible redefinition of local TV frequencies to solve interferences issue
- Growing customers/end-users' demand for new technologies (HD, DAB+)
- 4G network roll-out outside main cities
- Entry of a new player in the italian TLC tower market (Abertis following Wind deal)

Rai Way

- **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*

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Upcoming events

Date	Event
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**
EBITDA margin	*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**
Adjusted EBITDA margin	*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)(*)	0.0	63.0	0.0	14.7
Cash and cash eq (End of Period)(*)	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*