

Rai Way: company presentation

London, May 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.

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

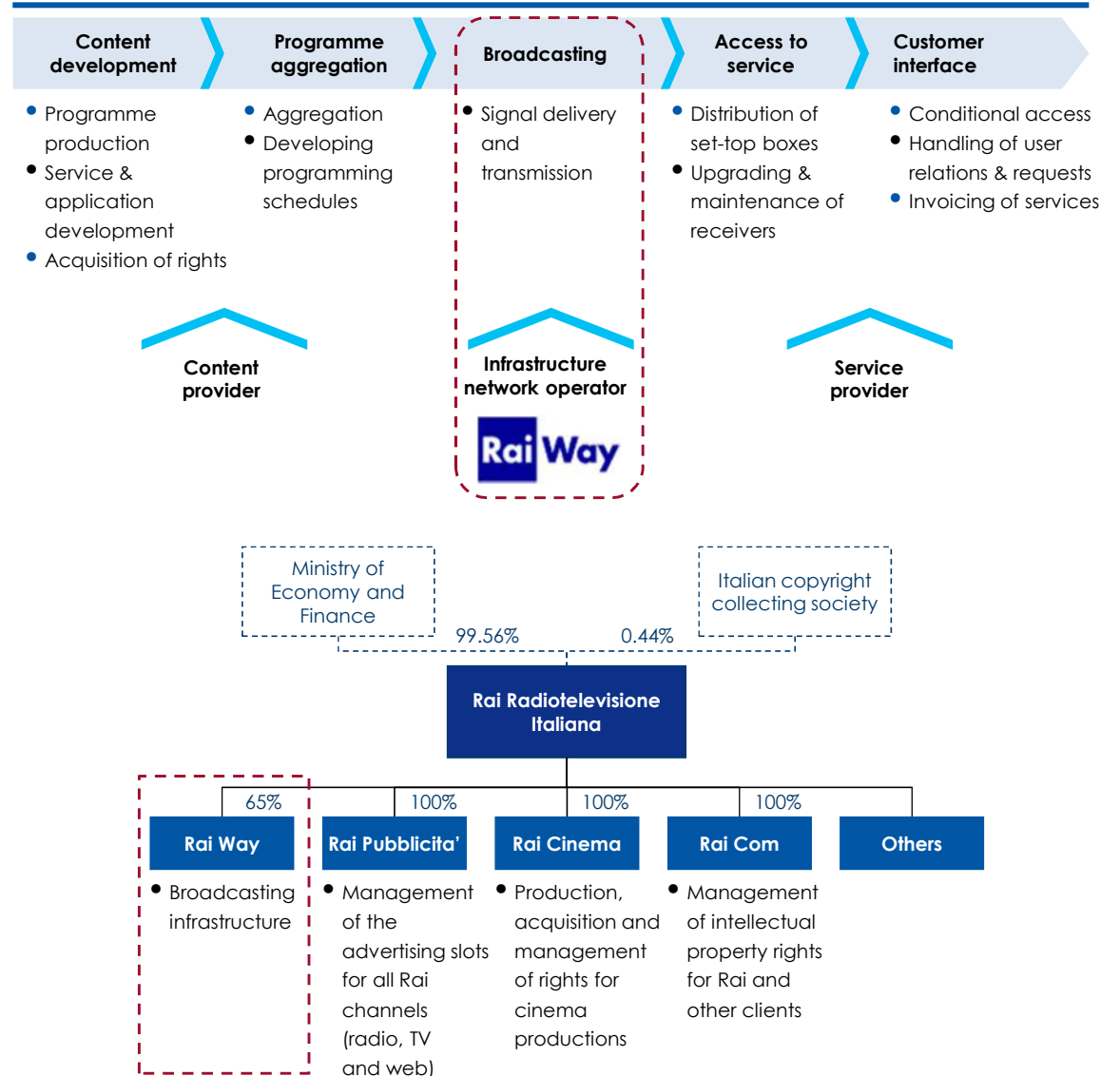
€105,1m 2014 PF Adj. EBITDA

€33,6m 2014 PF net income

c.80% 2014 PF cash conversion⁽¹⁾

638 employees⁽²⁾

Broadcasting value chain



(1) Cash conversion calculated as (PF Adj. EBITDA - Capex) / PF Adj. EBITDA

(2) As of December 2014

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
- €208m⁽¹⁾ cumulative investments since 2011

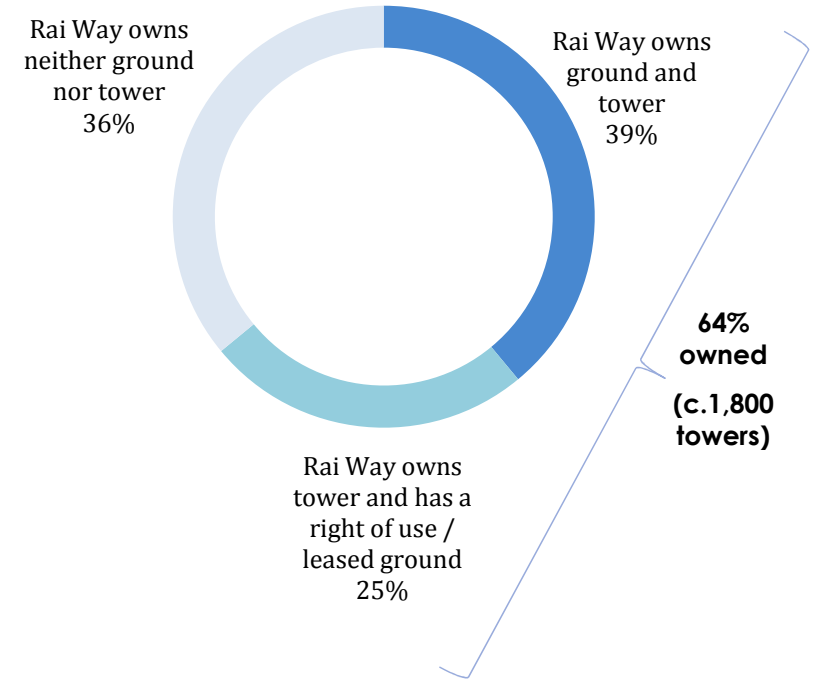
(1) Including investments made in Q4 2014. Capex includes IFRS capex and network investments



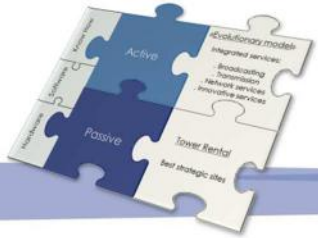
Strategically positioned with significant spare capacity

Non-replicable large sites, coupled with extensive rural coverage	Sites break-down	Population coverage by site type	Real estate footprint
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 <p>Large sites</p> <ul style="list-style-type: none"> • Large locations • One or more vertical infrastructures • Wide coverage 	6%	>	80%
 <p>Intermediate sites</p> <ul style="list-style-type: none"> • Medium size locations • Smaller than large transmitter centres • Intermediate coverage 	11%	>	10%
 <p>Regular sites</p> <ul style="list-style-type: none"> • Limited size locations • Small buildings / shelters • Regular coverage 	83%	>	9%



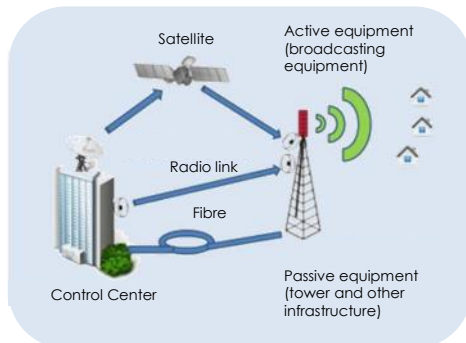
- Rai Way owns 64% of the overall sites
 - On which it has 1,800 towers
- For non-owned ones, lease is indexed to inflation
- The majority of towers are lattice structures = **significant spare capacity for hosting**



Rai Way full service offering

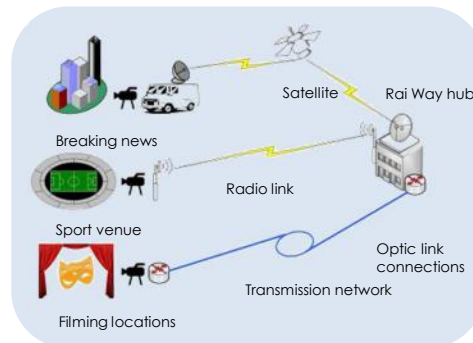
TV and Radio broadcasting

- 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



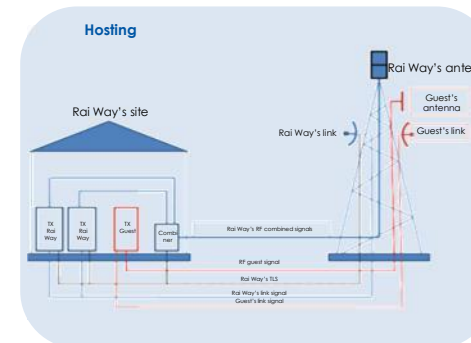
Transmission

- 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



One-stop shop leveraging on active and passive infrastructure ownership

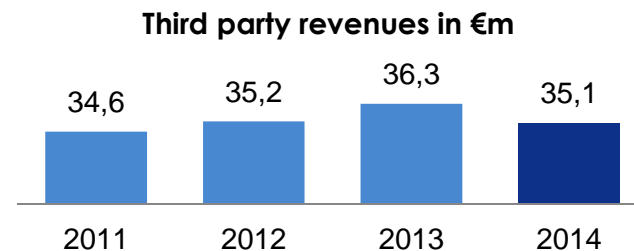
- Significant third party revenues⁽¹⁾
 - Based on c. 1,900 equipments located on c. 850 Rai Way sites⁽²⁾



- High switching costs for customers
- Mainly 6 year contracts
 - Majority of revenues are indexed to CPI

Third-party

- **High profitability and strong cash flow generation**



- **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



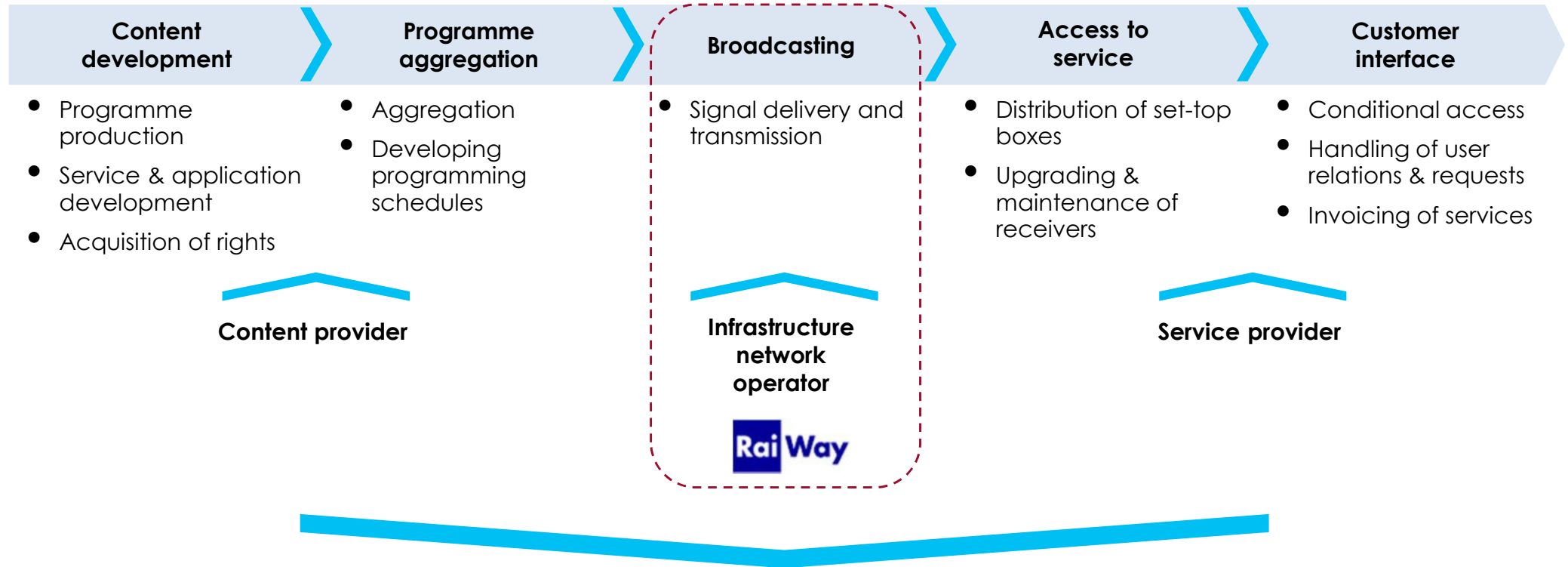
Long-term contractual relationships with prime customers

	Client	Scope	Tenor	Revenues	2014PF % core revenues
Contract with Rai		<ul style="list-style-type: none"> Network services <ul style="list-style-type: none"> Broadcasting and transmission of TV / Radio signals using MUXes assigned to Rai Full exclusivity for Rai Way New Services <ul style="list-style-type: none"> Revenues from new and additional services 	<ul style="list-style-type: none"> 7 years; automatically renewed for another 7 years (up to max. 21 years) 12 months termination notice, from the end of year 7 onwards 	<ul style="list-style-type: none"> €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	<p>TV and radio broadcasters</p>	<ul style="list-style-type: none"> Tower hosting services <ul style="list-style-type: none"> Provides availability of tower infrastructures for radio transmitters Network installation and support Other client customized ancillary services 	<ul style="list-style-type: none"> Typical 6-year contracts with mobile operators <ul style="list-style-type: none"> Three of the four main contracts recently renegotiated Ad-hoc contracts with the single broadcasters 	<ul style="list-style-type: none"> Pricing depends on type of client and service <ul style="list-style-type: none"> Revenues generally grow in line with inflation
Public administration & other corporate customers		<ul style="list-style-type: none"> 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

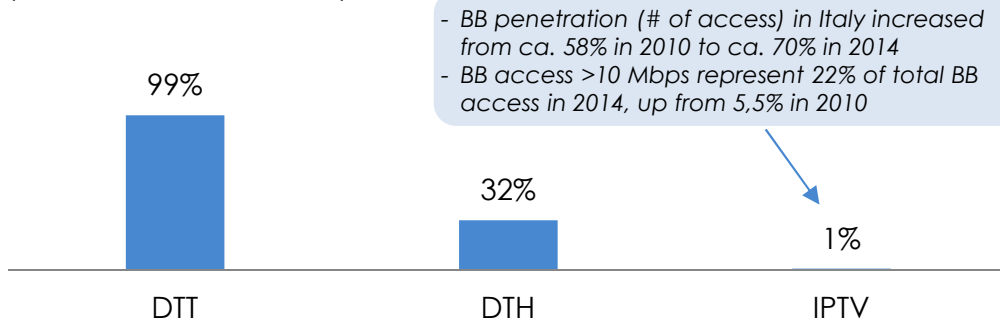


- Critical position of Rai Way within value chain
- Provides mission critical services to Rai

Attractive Italian broadcasting and telecom markets

DTT is by far the key TV broadcasting technology⁽¹⁾

(Penetration of households %)

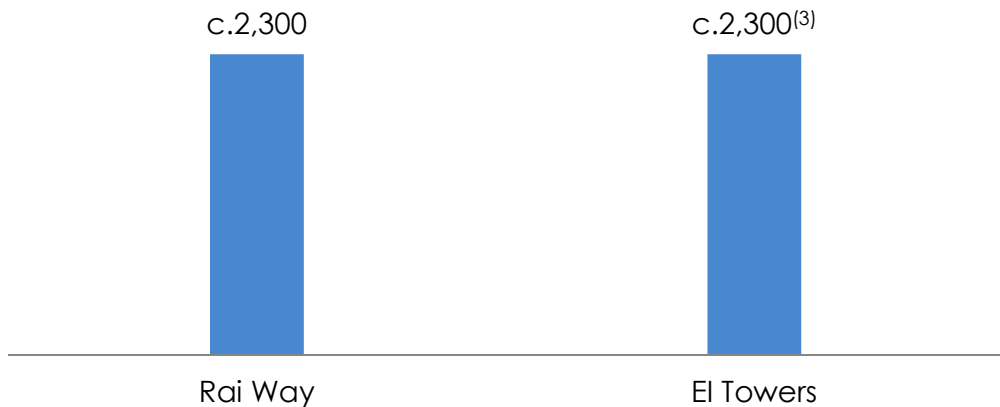


- ... with limited competition due to lack of cable and low broadband penetration / FTTx coverage...

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

Leading broadcasting infrastructure owners

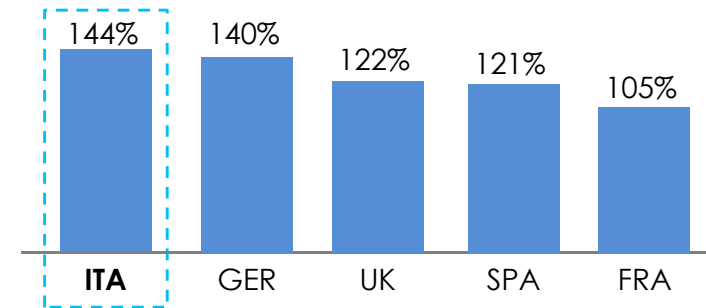
(# of sites)



- ... 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⁾



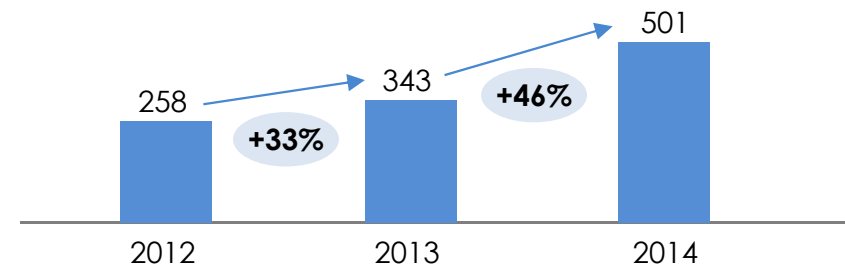
- >95% coverage by 2017



- >90% coverage by 2016



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 than one platform, the total number of platforms is higher than the total number of households.
 (2) Source: AGCOM, "Osservatorio sulle Comunicazioni" - December 2014
 (3) Source: El 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**
 - Upside in revenues from Rai, from expanded service offering
- 2 Consolidate revenue streams in tower hosting for both MNOs and broadcasting companies**
 - MNO revenues currently growing broadly in line with inflation
- 3 Expand portfolio of services**
 - Environmental and spectrum regulations to foster revenues from local and other broadcasters
- 4 Focus on efficiency, profitability and cash flows**

Summary

- Company profile & business model

- **Financials & 2015 Outlook**

IPO as a starting point

2014 Main achievements

- IPO successfully completed
- New exclusive service contract with RAI signed in July 2014
- Two Telco contracts renewed
- New financing in place

2015 moving in the right direction

- Management team completed
- Negotiations for new services to RAI under way
- Last Telco contract renewal under way
- 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

<i>Eur Mln, %</i>	Full Year			First Quarter		
	2013FY PF	2014FY PF	% YoY	1Q 2014 PF	1Q 2015	% YoY
Core Revenues	208,4	207,4	-0,5%	51,8	52,4	1,2%
EBITDA	108,0	105,1	-2,7%	25,1	26,1	4,0%
% margin	51,8%	50,7%		48,4%	49,7%	
Net Income	30,8	33,6	8,9%	7,6	9,3	22,9%
Capex⁽¹⁾	23,0	21,0	-8,7%	1,8	3,0	
% on core revenues	11,0%	10,1%		3,5%	5,7%	
Cash conversion ⁽²⁾	78,7%	80,0%		92,7%	88,6%	
Net Debt⁽³⁾	58,6	65,5	11,9%		57,4	
Net Debt/1Y rolling Adj. EBITDA	0,54x	0,62x			0,54x	

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

(1) 1Q2014 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)

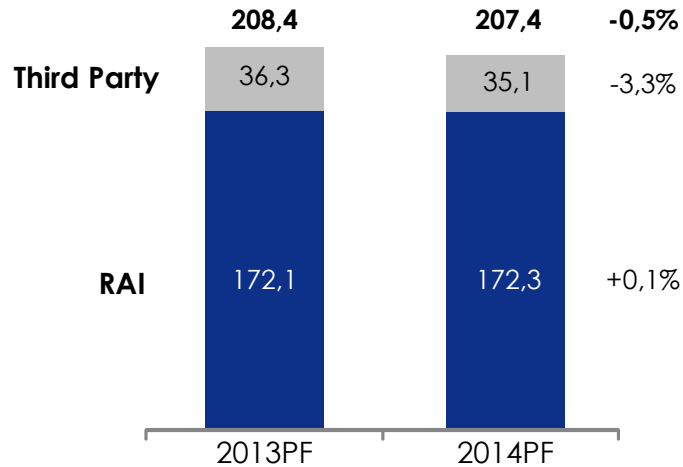
(2) Cash conversion= (Adj. EBITDA – Capex) / Adj. EBITDA

(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

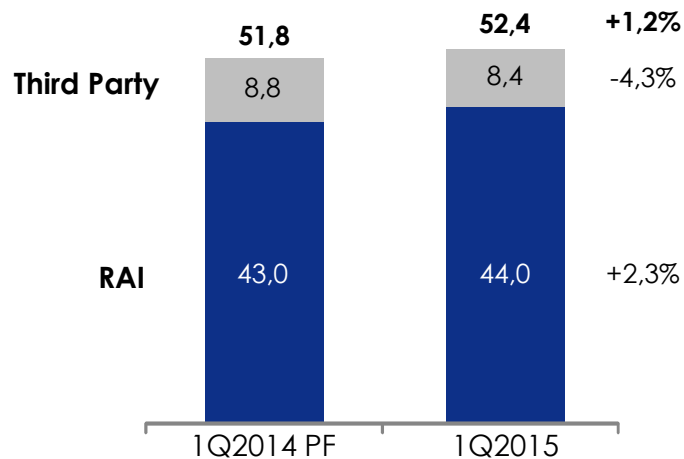


- Revenues from RAI reflect the terms of the new service contract (step-up in the fixed consideration from € 171m in 2014 to € 175m in 2015)

- Third Party performance mainly impacted by:

- sites optimization operated by mobile operators in 2014
- lower Tower Rental revenues from non-MNO customers and lower Network Services revenues in 1Q2015
- negligible benefit from inflation in 2014 and 2015

First Quarter



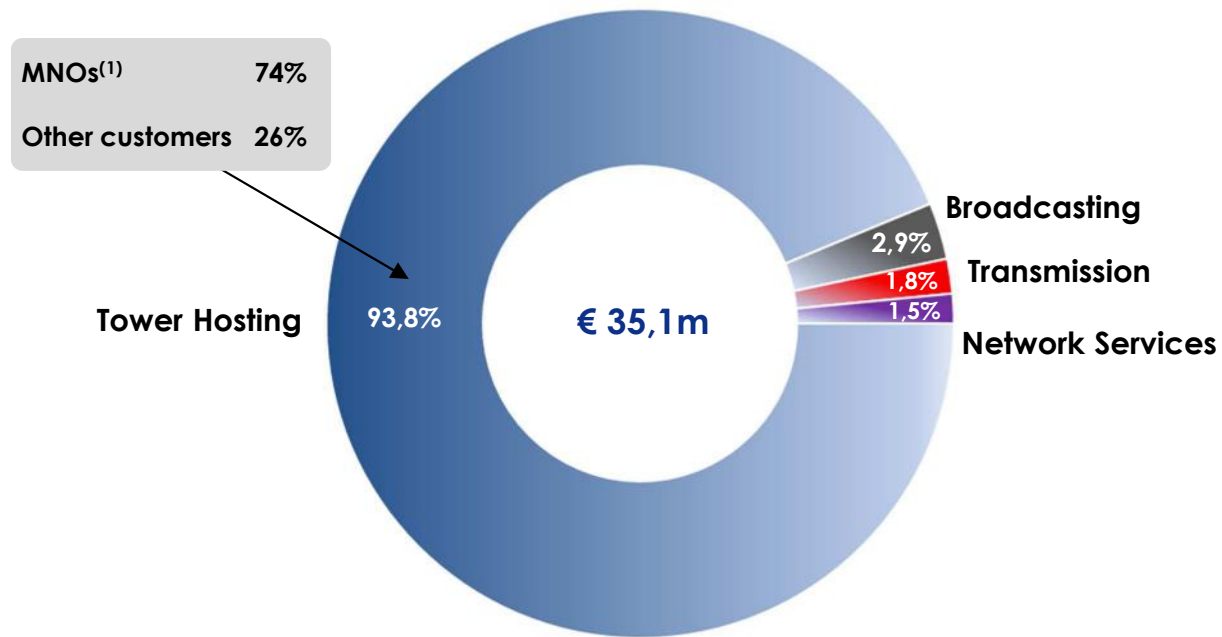
- Contracts with MNOs provide good visibility:

- 3 out of 4 long term contracts already renewed, last renewal under way
- link to inflation

Third Party Revenues breakdown

Eur Mln; %

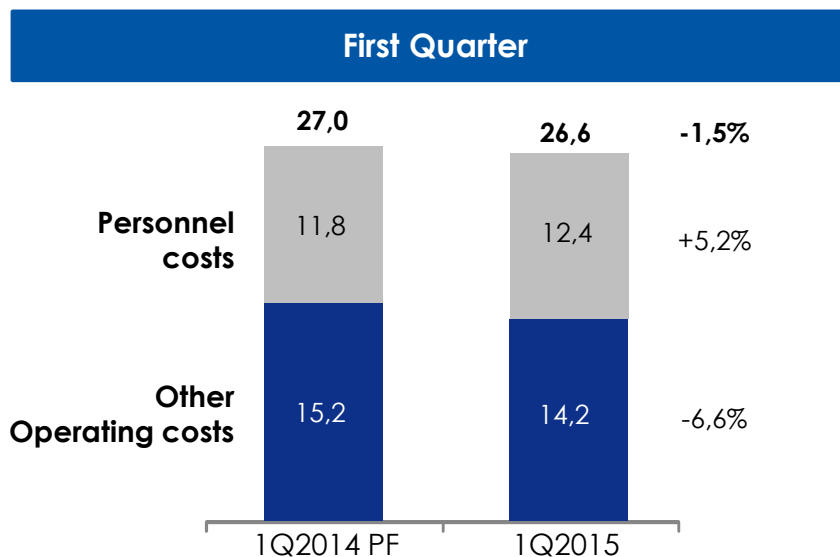
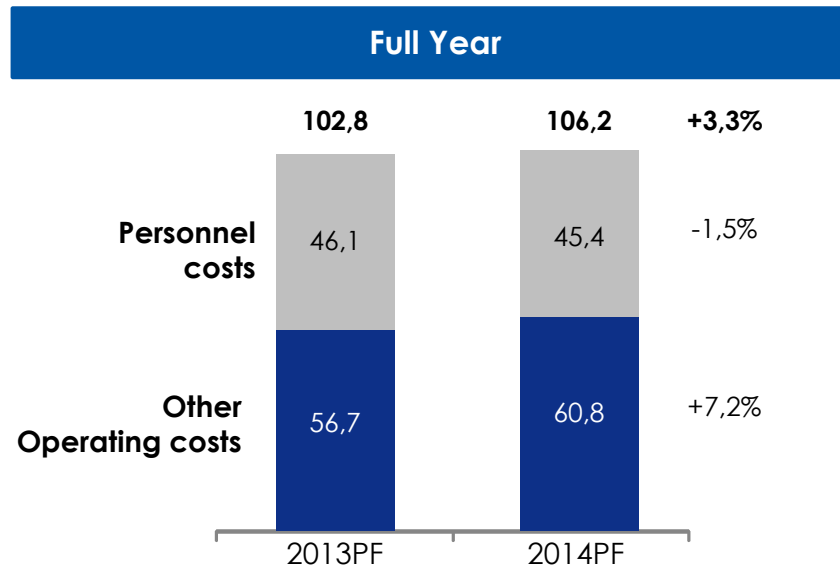
2014FY Third Party Revenues breakdown by service



- Tower Hosting represents 93,8% of Third Party revenues

Opex

Eur Mln; %



- Personnel costs rose 5,2% in 1Q15 vs. 1Q14 mainly driven by completion of organizational structure during 2H14 / beginning of 2015
- 2014 increase in Other Operating costs fully driven by lower level of prior year adjustments compared to 2013
- In 1Q15 Other Operating costs declined by 6,6% vs. 1Q14 mainly driven by maintenance and rents

Profit and Loss

<u>Eur Mln, %</u>	Full Year			First Quarter		
	2013FY PF	2014FY PF	% YoY	1Q 2014 PF	1Q 2015	% YoY
Core Revenues	208,4	207,4	-0,5%	51,8	52,4	1,2%
Other revenues	2,5	3,9	57,0%	0,2	0,2	0,6%
Opex	-102,8	-106,2	3,3%	-27,0	-26,6	-1,5%
Adj. EBITDA	108,0	105,1	-2,7%	25,1	26,1	4,0%
% margin	51,8%	50,7%		48,4%	49,7%	
One-off	-3,6	-0,5		0,0	0,0	
EBITDA	104,5	104,6	0,2%	25,1	26,1	4,0%
% margin	50,1%	50,4%		48,4%	49,7%	
D&A ⁽¹⁾	-53,3	-50,5	-5,4%	-12,7	-11,7	-7,6%
EBIT	51,1	54,2	6,0%	12,4	14,4	16,0%
Financial expenses	-3,1	-2,0	-35,1%	-0,4	-0,5	10,1%
Pre Tax Profit	48,0	52,1	8,6%	11,9	13,9	16,2%
Taxes	-17,2	-18,6	8,2%	-4,4	-4,6	4,6%
% tax rate	35,8%	35,6%		36,7%	33,0%	
Net Income	30,8	33,6	8,9%	7,6	9,3	22,9%
EPS ⁽²⁾	0,1133	0,1234		0,0278	0,0342	

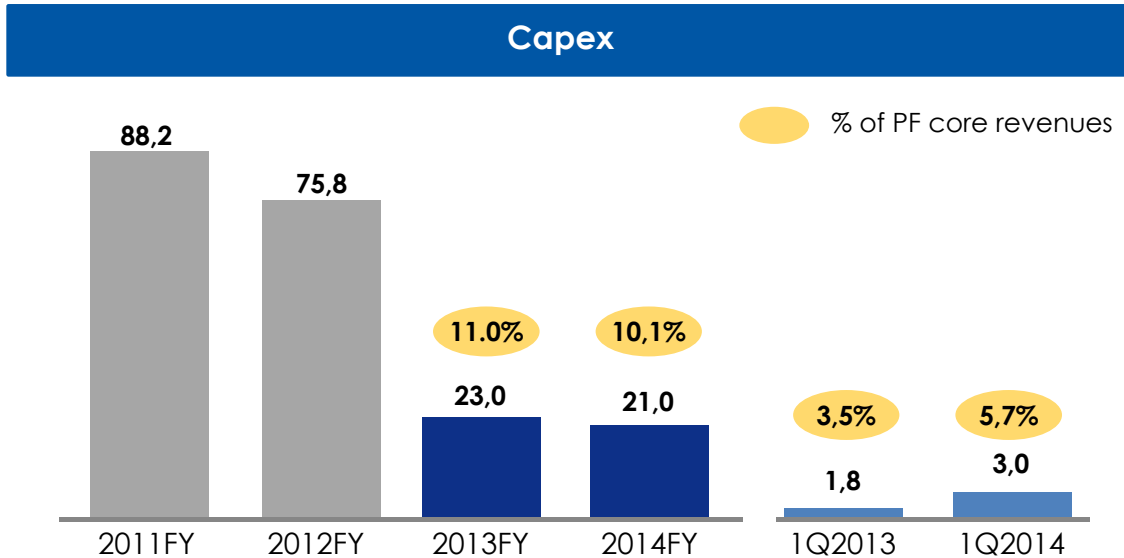
- Focusing on core items only (excluding change in Other revenues and prior period adjustments), 2014 PF Adjusted EBITDA broadly flat vs. 2013 with costs optimization almost fully offsetting reduction of Core revenues
- 1Q margin expansion driven by a mix of revenues growth, operating leverage and costs optimization
- Declining D&A mainly resulting from reduction of Capex vs. "switch-off period"

(1) Including provisions

(2) 2013FY and 1Q14 PF EPS calculated on 2014YE number of shares

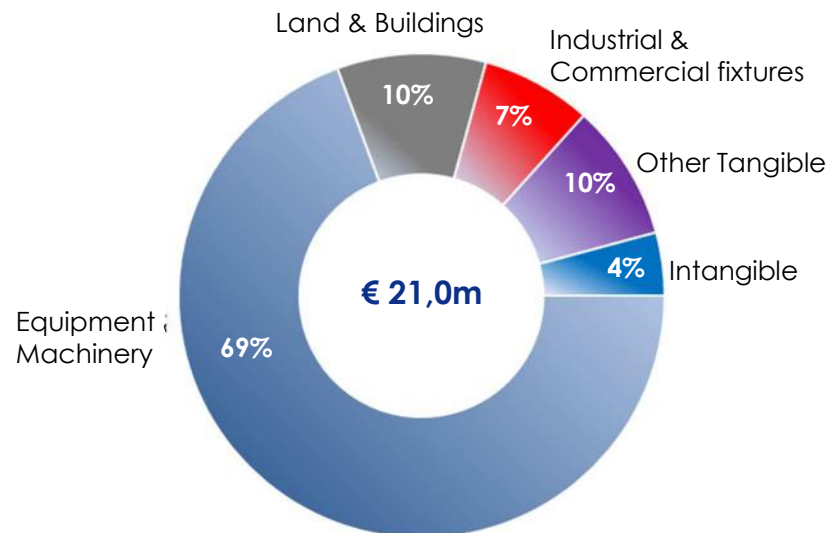
Capex

Eur Mln; %



- 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 quarter reflects typical distribution throughout the year

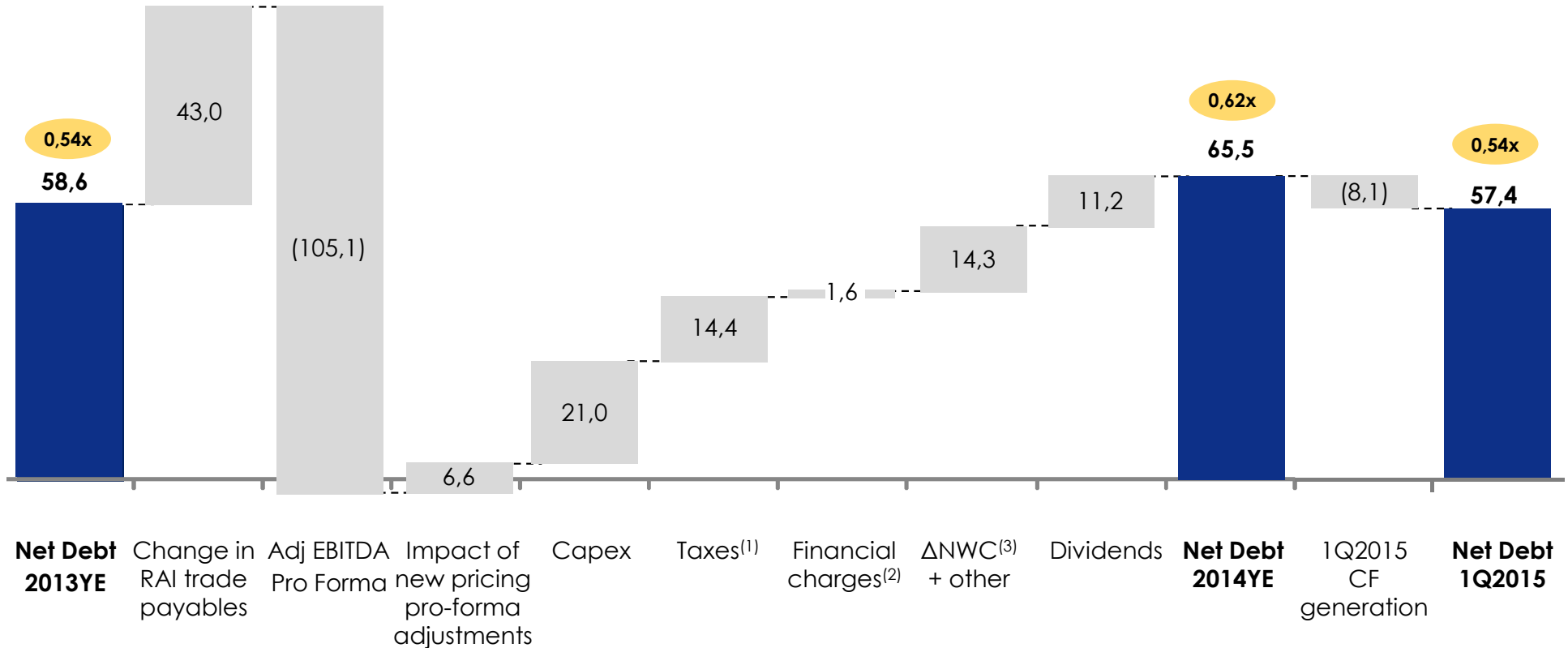
2014 Capex breakdown by asset category



Cash Flow generation

Net Debt/1y rolling Adj. EBITDA

Eur Mln; %



- Positive cash flow generation in 2014 (excluding change in RAI trade payables) and 1Q2015
- 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

2015-2018 Industrial Plan shall be presented by end of July

Contacts

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Upcoming events

<u>Date</u>	<u>Event</u>
July 2015	2015-18 Industrial Plan
30/07/2015	1H15 results
03/11/2015	3Q15 results

Appendix



Detailed summary of Income Statement

(€m)	1Q2014	1Q2014PF	1Q2015	Δ 1Q15 vs. 1Q14PF
Core revenues	35,3	51,8	52,4	1,2%
Other revenues	0,2	0,2	0,2	0,6%
Purchase of consumables	(0,4)	(0,4)	(0,3)	-34,6%
Service costs	(14,8)	(14,1)	(13,0)	-7,8%
Personnel costs	(11,8)	(11,8)	(12,4)	5,2%
Other costs	(0,7)	(0,7)	(0,9)	34,4%
Opex	(27,7)	(27,0)	(26,6)	-1,5%
D&A	(0,2)	(12,7)	(11,7)	-7,6%
Provisions	0,0	0,0	0,0	0,0%
Net Operating profit	7,6	12,4	14,4	16,0%
Net Finance income	1,5	(0,4)	(0,5)	10,1%
Profit before income taxes	9,2	11,9	13,9	16,2%
Income taxes	(3,5)	(4,4)	(4,6)	4,6%
Profit for the year	5,7	7,6	9,3	22,9%
EBITDA	7,8	25,1	26,1	4,0%
<i>EBITDA margin</i>	<i>22,1%</i>	<i>48,4%</i>	<i>49,7%</i>	

Summary of Balance Sheet

(€m)	2014FY	1Q2015
Non current assets		
Tangible assets	243,1	234,6
Intangible assets	0,6	0,6
Non-current financial assets	0,6	0,6
Non-current tax assets	5,4	5,6
Total non current assets	249,8	241,3
Current assets		
Inventories	0,9	0,9
Trade receivables	64,4	85,4
Other receivables and current assets	4,4	5,4
Current financial assets	0,7	0,2
Cash	14,7	63,0
Tax assets	0,3	0,3
Total current assets	85,3	155,3
Total assets	335,1	396,6
Equity		
Share capital	70,2	70,2
Legal reserves	6,9	6,9
Other reserves	37,1	37,1
Retained earnings	39,6	48,8
Total equity	153,8	162,9
Non-current liabilities		
Non-current financial liabilities	80,6	105,6
Employee benefits	21,3	21,5
Provisions for risks and charges / Allowances	18,6	18,5
Other non-current liabilities	0,0	0,0
Total non-current liabilities	120,5	145,6
Current liabilities		
Commercial debt	36,0	35,2
Other debt and current liabilities	21,7	35,2
Current financial liabilities	0,3	14,9
Tax liabilities	2,9	2,7
Total current liabilities	60,8	88,1
Total net equity and liabilities	335,1	396,6

Summary of Cash Flow Statement

(€m)	1Q2014	1Q2015
Earnings before taxes	9,2	13,9
D&A	0,2	11,7
Provisions and others	0,5	0,0
Net financial income	(1,5)	0,5
Other non-monetary items	0,0	0,0
Net operating CF before change WC	8,3	26,1
Change in inventories	0,0	0,0
Change in account receivables	(11,2)	(21,2)
Change in account payables	(2,6)	(0,8)
Change in other assets	(4,0)	(1,1)
Change in other liabilities	13,7	9,6
Use of funds	(0,1)	(0,1)
Payment of employee benefits	(0,8)	(0,3)
Change in tax credit/liabilities	(0,9)	(0,9)
Taxes paid	0,0	0,0
Net operating cash flow	2,4	11,5
Investment in tangible assets	(0,0)	(2,9)
Sale of tangible assets	0,0	0,0
Investment in intangible assets	0,0	(0,0)
Sale of intangible assets	0,0	0,0
Financial lease cash-out ⁽¹⁾	(1,8)	0,0
Financial lease cash-in	12,0	0,0
Change in non-current financial assets	0,0	0,0
Interest received	1,9	0,0
Investing cash flow	12,1	(2,9)
Repayment of long-term debt	0,0	(14,7)
Change in current financial assets	0,0	0,5
Cash-in from financing	0,0	39,8
(Decrease)/increase in liabilities	(14,3)	14,7
Interest paid	(0,3)	(0,4)
Dividends paid	0,0	0,0
Financing cash flow	(14,5)	39,8
Change in cash and cash equivalent	0,0	48,3
Cash and cash eq (Beg. of Period) ⁽²⁾	0,0	14,7
Cash and cash eq (End of Period) ⁽²⁾	0,0	63,0

(1) In 1Q2014, financial lease cash-out represents network capex, due to the old service agreement with RAI being treated as a financial lease

(2) In 1Q2014, cash-pooling agreement with RAI