

1Q2015 Results Presentation

Rome, 5th May 2015



FORWARD LOOKING STATEMENTS

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Rai Way Participants

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

2015 moving in the right direction

- Revenues growth, driven by step-up in RAI contract
- Operating leverage, supported by ongoing focus on cost control
- Sound cash flow generation
- 2015 outlook confirmed

1Q2015 Financial Highlights

Financial Highlights

<i>Eur Mln. %</i>	1Q 2014 PF	1Q 2015	% YoY
Core Revenues	51,8	52,4	1,2%
EBITDA	25,1	26,1	4,0%
<i>% margin</i>	48,4%	49,7%	
Net Income	7,6	9,3	22,9%
Capex⁽¹⁾	1,8	3,0	
<i>% on core revenues</i>	3,5%	5,7%	
<i>Cash conversion⁽²⁾</i>	92,7%	88,6%	
	2014FY PF	1Q 2015	
Net Debt⁽³⁾	65,5	57,4	
<i>Net Debt/1Y rolling Adj. EBITDA</i>	0,62x	0,54x	

In 1Q2014, Pro Forma figures assume the impact of the new service contracts with RAI as effective from 1st January 2014

- 1Q15 Core revenues at € 52,4m, up 1,2% vs. 1Q14
- 1Q15 EBITDA at € 26,1m, with EBITDA margin at 49,7%
- 1Q15 Net Income at € 9,3m, up 22,9% vs. 1Q14
- Capex at € 3,0m (cash conversion at 88,6%), reflecting typical distribution throughout the year
- Net Debt reduced to € 57,4m, with Net Debt/1Y rolling Adj. EBITDA at 0,54x

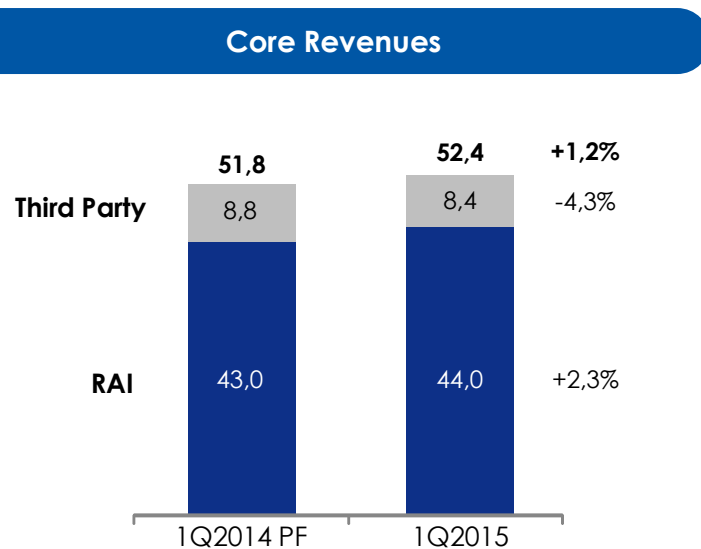
(1) 1Q2014 Capex include investments in tangible and intangible assets and financial lease cash-out, representing network capex according to the old service agreement with RAI (being treated as a financial lease)

(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

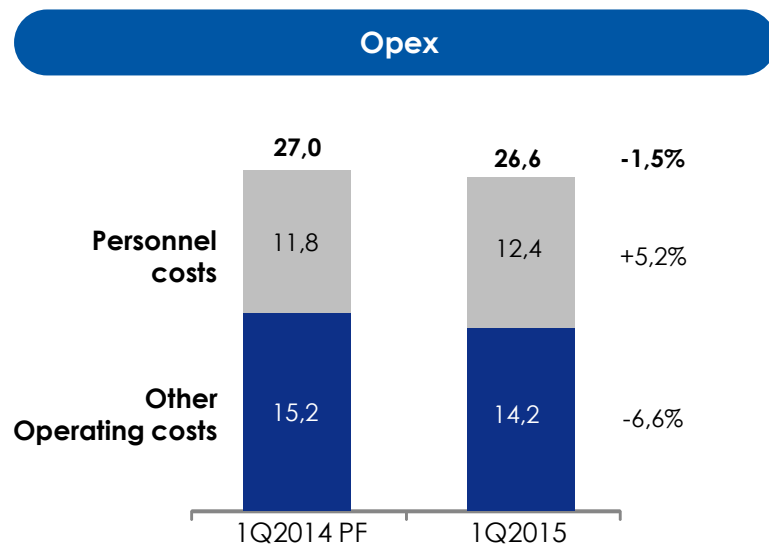
Eur Mln; %



- 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)
- 1Q Third Party performance mainly impacted by lower Tower Rental revenues from non-MNO customers and lower Network Services revenues

Opex

Eur Mln; %



- Personnel costs rose 5,2% vs. 1Q14 mainly driven by completion of organizational structure during 2H14 and 1Q15
- Other Operating costs declined by 6,6% vs. 1Q14, mainly driven by maintenance and rents

From EBITDA to Net Income

P&L

<i>Eur Mln, %</i>	1Q 2014 PF	1Q 2015	% YoY
EBITDA	25,1	26,1	4,0%
% margin	48,4%	49,7%	
D&A ⁽¹⁾	-12,7	-11,7	-7,6%
EBIT	12,4	14,4	16,0%
Financial expenses	-0,4	-0,5	10,1%
Pre Tax Profit	11,9	13,9	16,2%
Taxes	-4,4	-4,6	4,6%
% tax rate	36,7%	33,0%	
Net Income	7,6	9,3	22,9%
EPS ⁽²⁾	0,0278	0,0342	

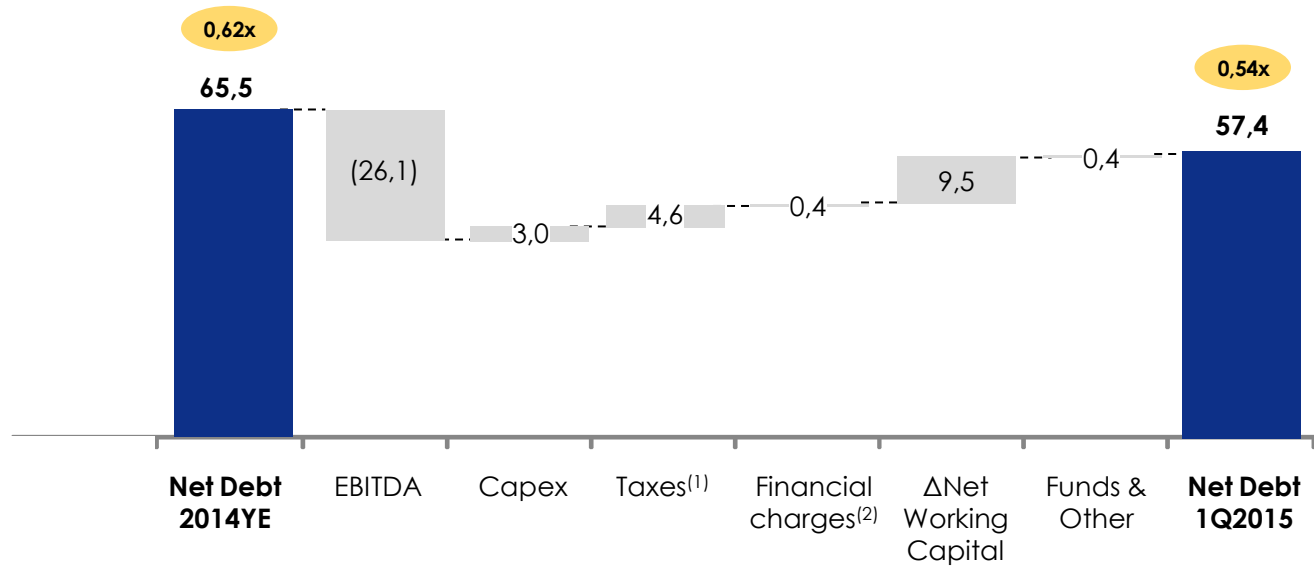
- EBITDA at € 26,1m, up 4,0% vs. 1Q14, with a margin of 49,7%
- Margin expansion driven by mix of revenues growth, operating leverage and costs optimization
- Declining D&A (€ -1,0m vs. 1Q14) mainly resulting from reduction of Capex vs. "switch-off period"
- 1Q15 Tax rate at 33,0%, benefiting from:
 - higher deductibility of personnel costs from IRAP-taxable income
 - lower deferred taxes vs. 1Q14
- Net Income at € 9,3m, up 22,9% vs. 1Q14

(1) Including provisions

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

Cash Flow generation

Eur Mln; %



- Capex level reflects typical distribution throughout the year
- Temporary build up of trade receivables

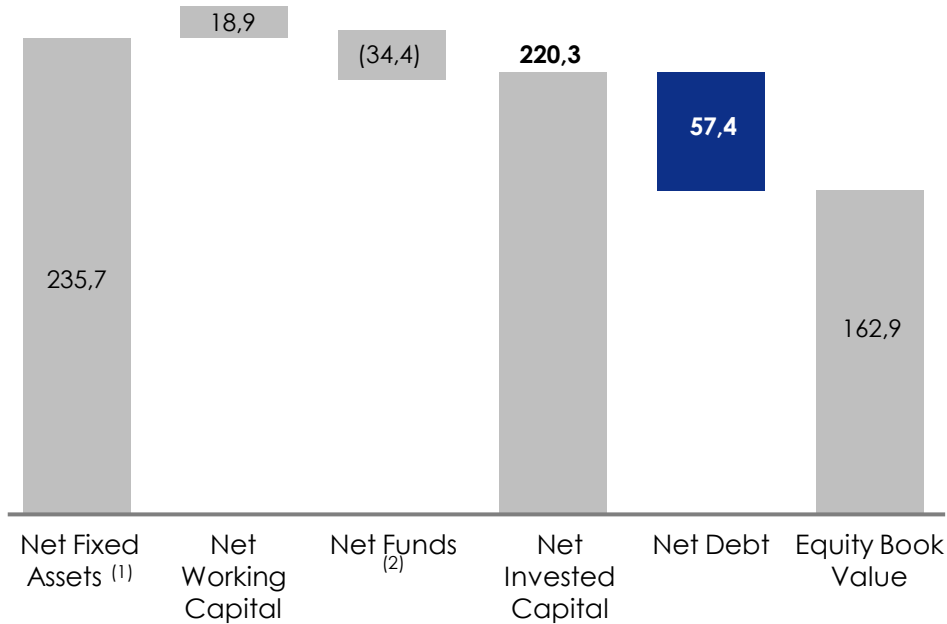
(1) P&L taxes

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

Balance Sheet

Eur Mln

1Q2015 Balance Sheet



- Conservative capital structure with € 57,4m Net Debt as of March 2015:
 - 0.54x Net Debt/1y-rolling Adj. EBITDA
 - 0.35x Net Debt/Equity book value
- € 120m Term Loan (rate: EURIBOR + 100bps) fully drawn as of March 15

(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

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

Q & A session



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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