

2015FY Results Presentation

Rome, 21st March 2016



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

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

2015: delivering on IPO promises

➤ Commercial activity

- Finalization of first contracts for new services to RAI
- Recovery of one lost broadcasting customer
- Last Telco contract renewed
- Test of first B2B broadband LTE services

➤ Long term commitment

- 2019 targets disclosed

➤ Efficiency

- Reduced cost base
 - Energy contract renewal
 - Rationalization of maintenance and travel expenses
- Redesign of organizational model
 - Voluntary layoff program launched
- Maintenance capex optimization on track

➤ Financials

- Core Revenues at € 212,3m; adjusted EBITDA margin at 51,5%; Cash conversion up at 83,5%
- Dividend proposal of 14,32 €cent/share (pay-out ratio of 100% of Net Income), with a dividend yield¹ of 3,0%

(1) Dividend yield based on market closing price of 18/03/2016 (4,75 €/share)

2015FY Financial Highlights

Financial Highlights

<i>Eur Mln, %</i>	4Q 2014	4Q 2015	% YoY	FY 2014 PF	FY 2015	% YoY
Core Revenues	52,2	54,1	3,6%	207,4	212,3	2,4%
Other Revenues	0,9	(0,0)		3,9	0,5	
Adjusted EBITDA	24,7	26,9	9,1%	105,1	109,4	4,1%
% margin	47,3%	49,8%		50,7%	51,5%	
Net Income	6,7	8,8	31,4%	33,6	38,9	16,0%
Capex⁽¹⁾	9,6	16,1		21,0	30,1	
Maintenance	9,6	9,0		21,0	18,1	
% on core revenues	18,4%	16,6%		10,1%	8,5%	
Development	0,0	7,1		0,0	12,1	
Cash conversion ⁽²⁾	61,1%	66,6%		80,0%	83,5%	
Net Debt⁽³⁾				65,5	41,6	
Net Debt / Adj. EBITDA				0,62x	0,38x	

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

- 2015 Core revenues at € 212,3m, up 2,4% vs. 2014
- 2015 Adjusted EBITDA at € 109,4m, with EBITDA margin of 51,5% (vs. 50,7% in 2014)
- 2015 Net Income at € 38,9m, up 16,0% vs. 2014
- Investments at € 30,1m, including € 12,1m of development capex
- 2015 Cash conversion at 83,5%
- Net Debt at € 41,6m, with Net Debt / Adj. EBITDA at 0,38x

(1) 2014FY Capex includes 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)

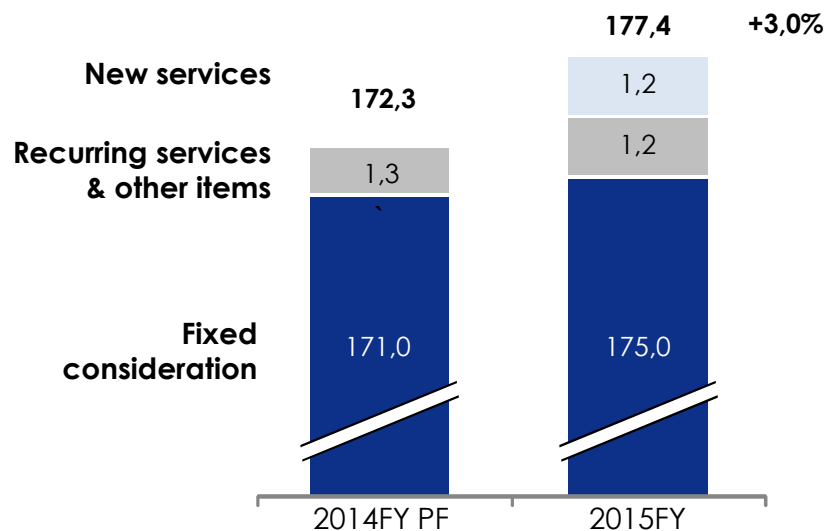
(2) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA

(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

Revenues from RAI

Eur Mln; %

FY Revenues from RAI



- Revenues from RAI driven by the step-up in the fixed consideration included in the service contract and first contribution from new initiatives
- Main contributors to revenues from New services include Upgrade of contribution network and Transmission services for Expo

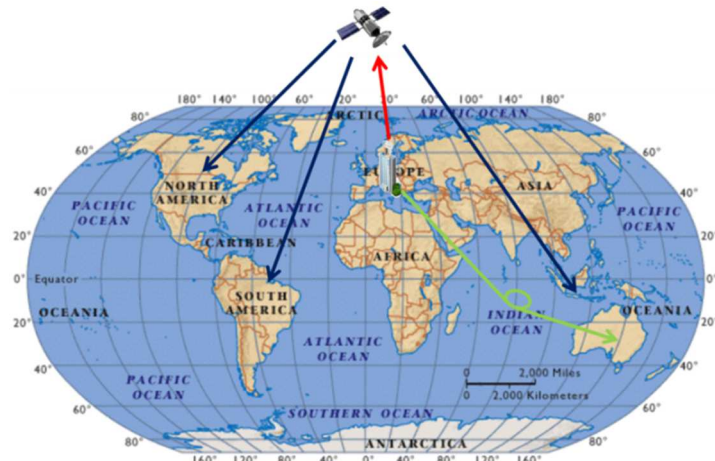
New services to RAI: main finalized contracts

Upgrade of contribution network

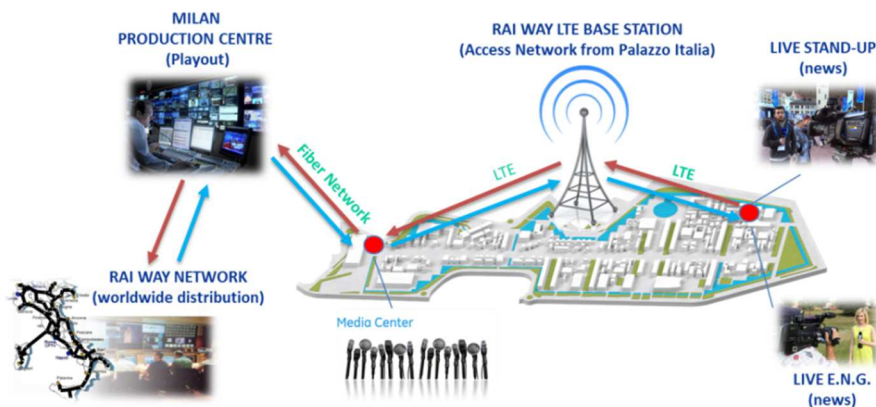


- The project includes the development of the contribution network of Rai Way through the implementation of a fiber-optic network, in order to meet:
 - ✓ the needs of RAI's Production TV Department resulting from the digitization process of production studios
 - ✓ the need to transport contents in high-definition (news, sports, drama, etc.)
- The project started in 2013, with operational plan synchronizing the upgrade of RAI's production facilities with the implementation of the Rai Way's network infrastructure
- Upgraded contribution network representing the high-capacity platform to develop broadband services offering

International distribution for RAI Com



Transmission services for Expo



HD channels

Rai Sport 1 HD

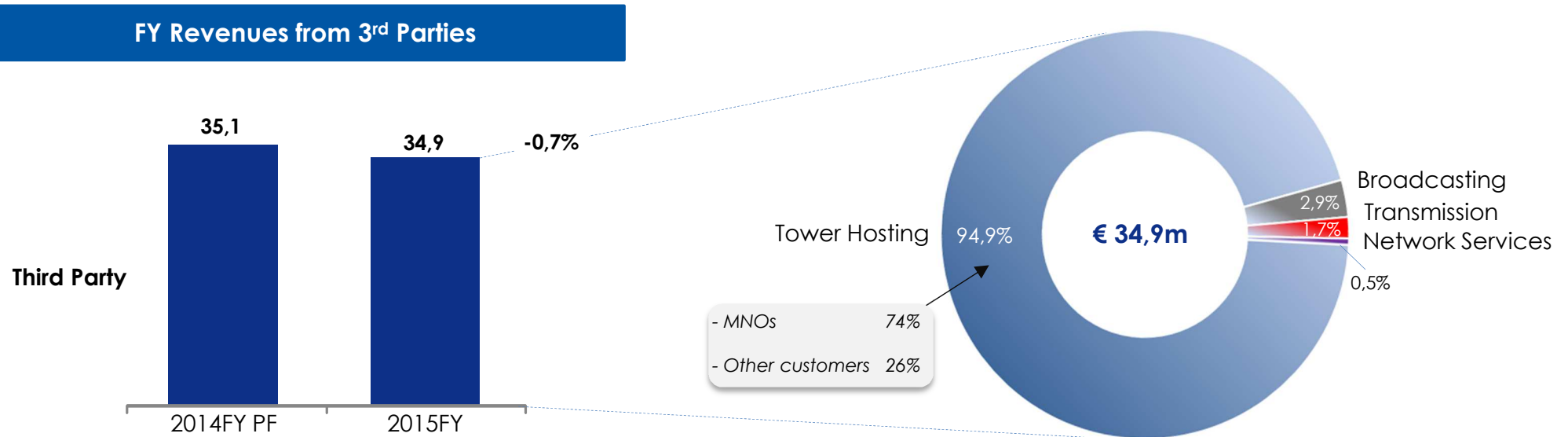
Rai 4 HD

Update on potential initiatives for RAI

Finalized contracts	As of 29 Sept 2015	<ul style="list-style-type: none"> • Contribution network upgrade • RAI Sport HD • Transmission services for Expo • International distribution for RAI Com
	4Q15	<ul style="list-style-type: none"> • Acquisition of 4th transponder • Simulcrypt on satellite broadcasting platform • RAI4 HD (on satellite platforms) • International TV contribution for RIO 2016
Advanced negotiations	As of 29 Sept 2015	<ul style="list-style-type: none"> • MUX "Francofono" for Valle d'Aosta region • Tidying up of frequencies for MUX1 (channel 25 only)
	4Q15	<ul style="list-style-type: none"> • HD channels broadcasting on satellite platforms • RAI Sport 2 HD for RIO 2016
To be negotiated	As of 29 Sept 2015	<ul style="list-style-type: none"> • MUX 2/3/4 extension of coverage • DAB+ roll-out to cover Milan-Trieste and Milan-Naples highways • Satellite contribution network • SDH radio link spectrum redefinition

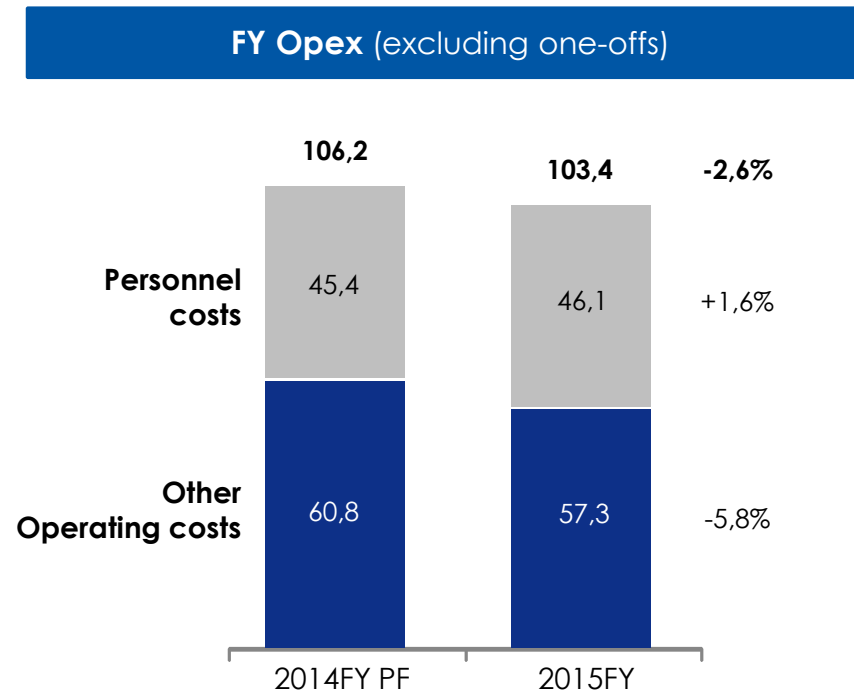
Revenues from Third parties

Eur Mln; %



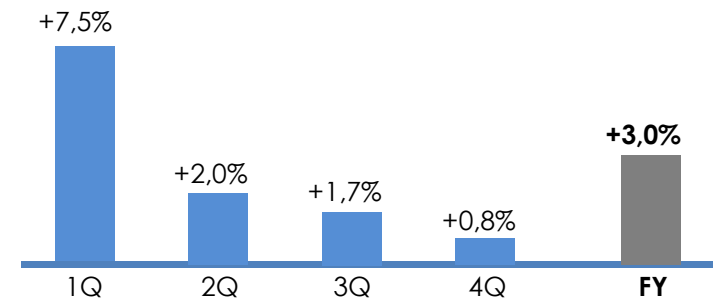
- 2015FY Third Party revenues declined by 0,7%, mainly impacted by lower Network Services revenues
- Improvement in 2H (+1,4% vs. 2H14) vs. 1H (-2,8% vs. 1H14) mainly driven by recovery of one lost broadcasting customer and non recurring impacts

Eur Mln; %



- **Personnel costs** increased by 1,6% vs. 2014FY (or +3,0% excluding the impact of higher capitalization in 2015) driven by completion of organizational structure after IPO but with a progressive improvement throughout the quarters thanks to optimization of travel expenses and other non-core items

Personnel costs pre-capitalization: Δ YoY 2015 vs. 2014

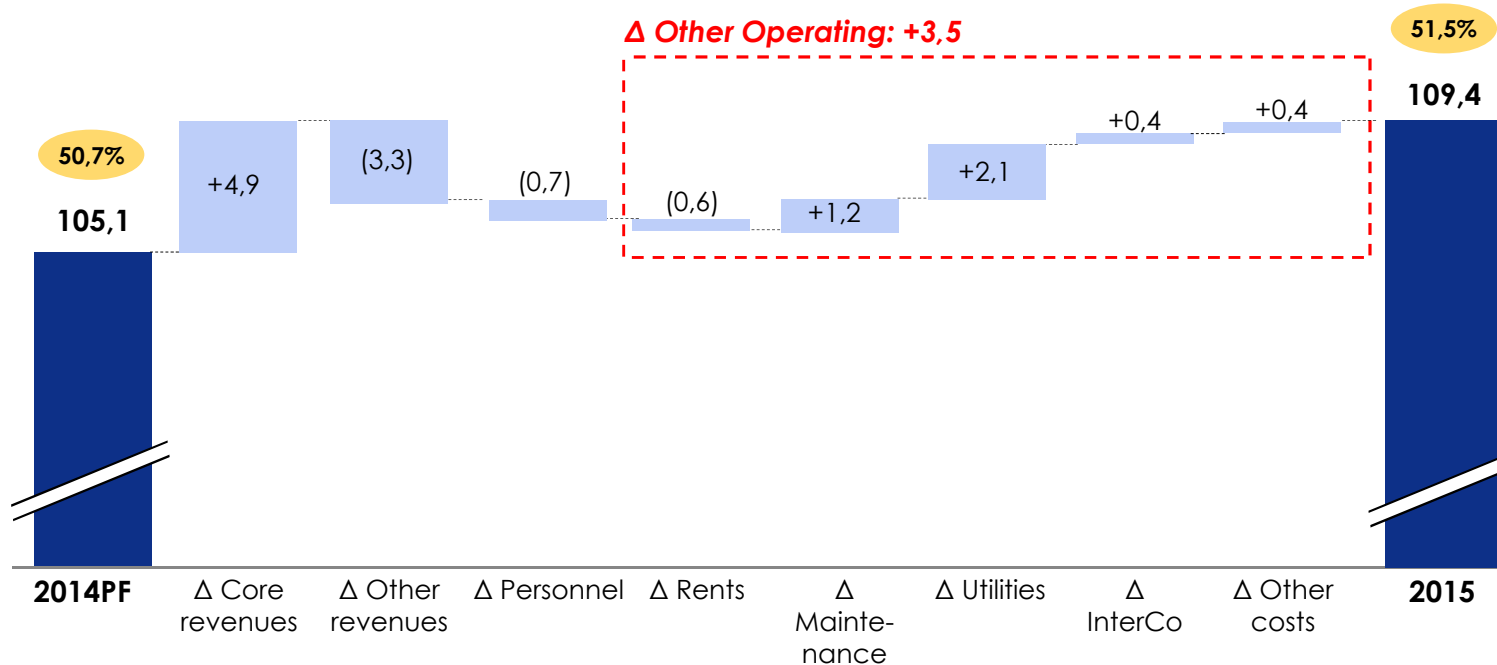


- **Other Operating costs** declined by 5,8% vs. 2014FY, mainly driven by:
 - utilities, benefiting from better pricing of new energy supply contract and oil price reduction
 - maintenance, thanks to efficiencies and slippage of certain activities

Adjusted EBITDA evolution

Adjusted EBITDA margin

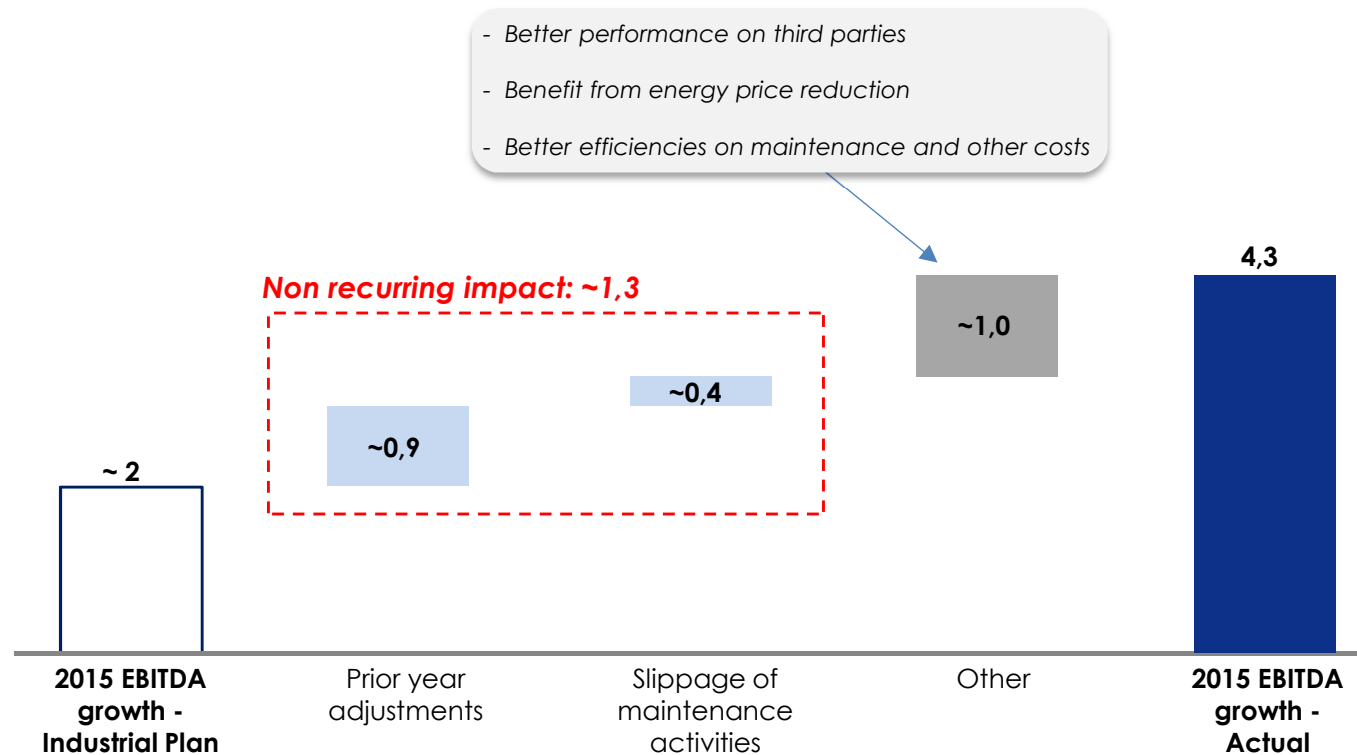
Eur Mln; %



- 2015 Adjusted EBITDA at € 109,4 m vs. € 105,1m in 2014, with a margin of 51,5% on core revenues
- Margin expansion despite lower level of Other Revenues

Adjusted EBITDA growth: guidance vs. actual

Eur Mln



- Out of the total overperformance, ca. € 1,3m related to non recurring effects

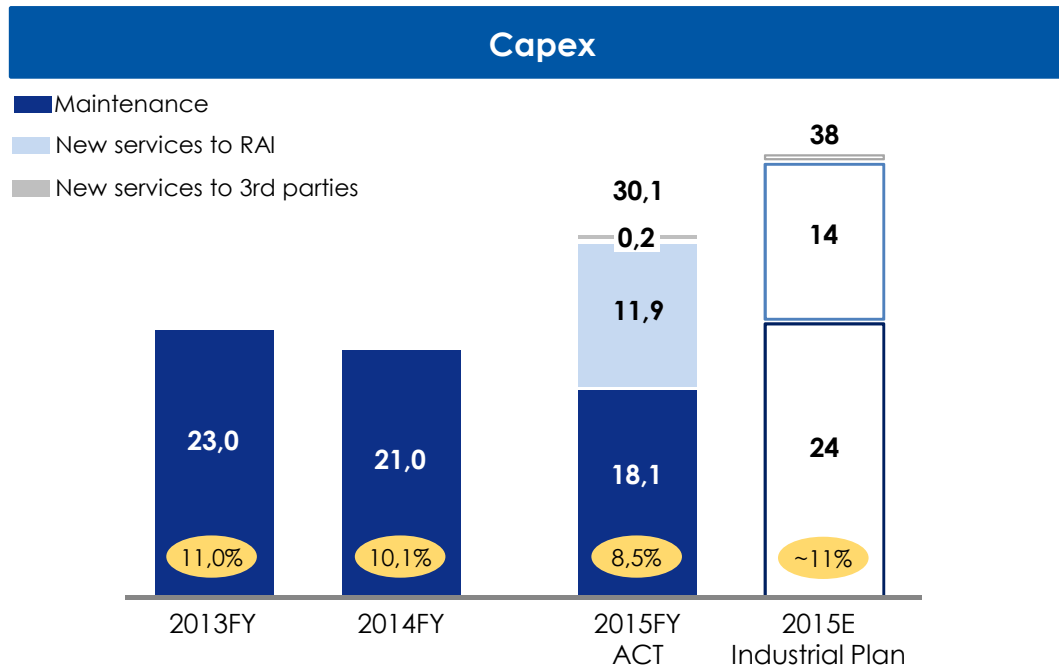
From Adjusted EBITDA to Net Income

P&L						
<i>Eur Mln, %</i>	4Q 2014	4Q 2015	% YoY	FY 2014 PF	FY 2015	% YoY
Adj. EBITDA	24,7	26,9	9,1%	105,1	109,4	4,1%
% margin	47,3%	49,8%		50,7%	51,5%	
One-off	-0,5	-1,5		-0,5	-1,6	
EBITDA	24,2	25,5	5,1%	104,6	107,8	3,1%
% margin	46,4%	47,1%		50,4%	50,8%	
D&A ⁽¹⁾	-12,9	-10,9		-50,5	-46,0	
EBIT	11,3	14,6	28,5%	54,2	61,9	14,2%
Financial expenses	-0,6	-1,3		-2,0	-2,9	
Pre Tax Profit	10,7	13,2	23,2%	52,1	58,9	13,1%
Taxes	-4,0	-4,5		-18,6	-20,0	
% tax rate	37,4%	33,8%		35,6%	33,9%	
Net Income	6,7	8,8	30,3%	33,6	38,9	16,0%
EPS	0,0247	0,0322		0,1234	0,1432	

- 2015 EBITDA at € 107,8m, up 3,1% vs. 2014, with a margin of 50,8%
- 2015 EBITDA including one-off expenses of € 1,6m, mainly due to voluntary layoff incentive and OPAS-related costs
- Declining D&A mainly resulting from:
 - reduction of Capex vs. "switch-off period"
 - release of bad debt fund related to trade receivables previously written-off (ca. € 1,8m)
- Financial charges impacted by ca. € 1m non-cash item related to interests on dismantling fund
- 2015 Net Income at € 38,9m, up 16,0% vs. 2014

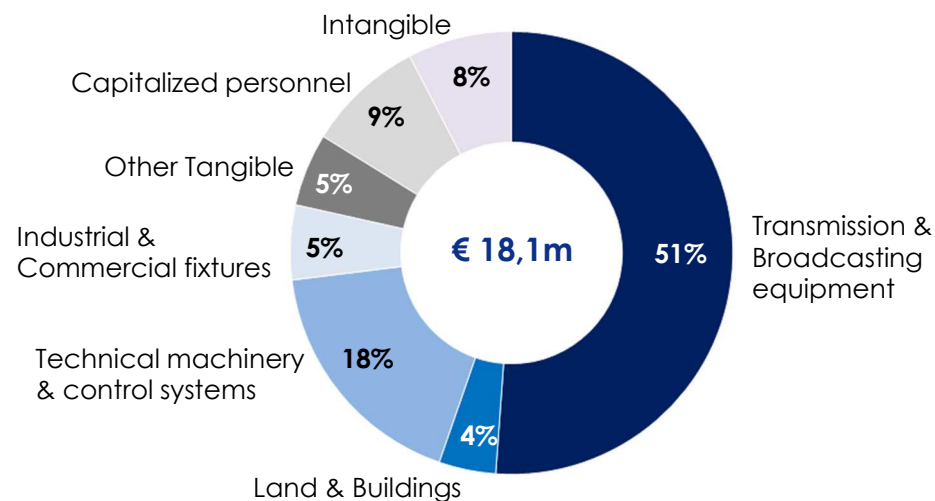
(1) Including provisions

Eur Mln; %



- 2015 Capex at € 30,1m, out of which:
 - Maintenance of € 18,1m
 - Development of € 12,1m
- Reduction of maintenance capex vs. Industrial Plan target driven by:
 - Slippage of some activities to 2016
 - Accelerated delivery of efficiency plan
- Broadcasting & transmission equipment (TV and radio) represents around 50% of maintenance capex

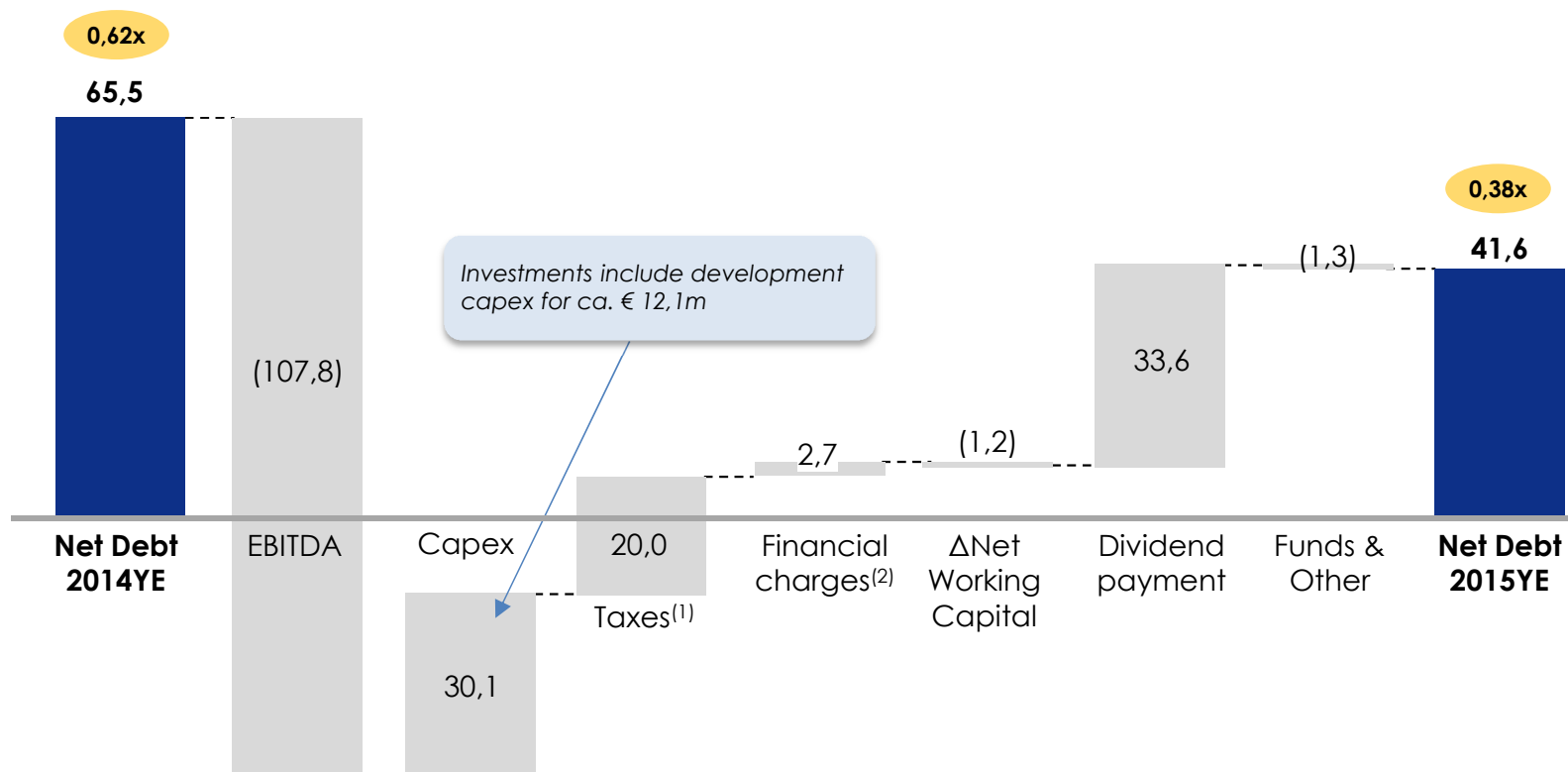
2015 maintenance capex breakdown by asset category



Cash Flow generation

Net Debt / Adjusted EBITDA

Eur Mln; %



- 2015 cash generation pre-dividend payment of ca. € 57,5m

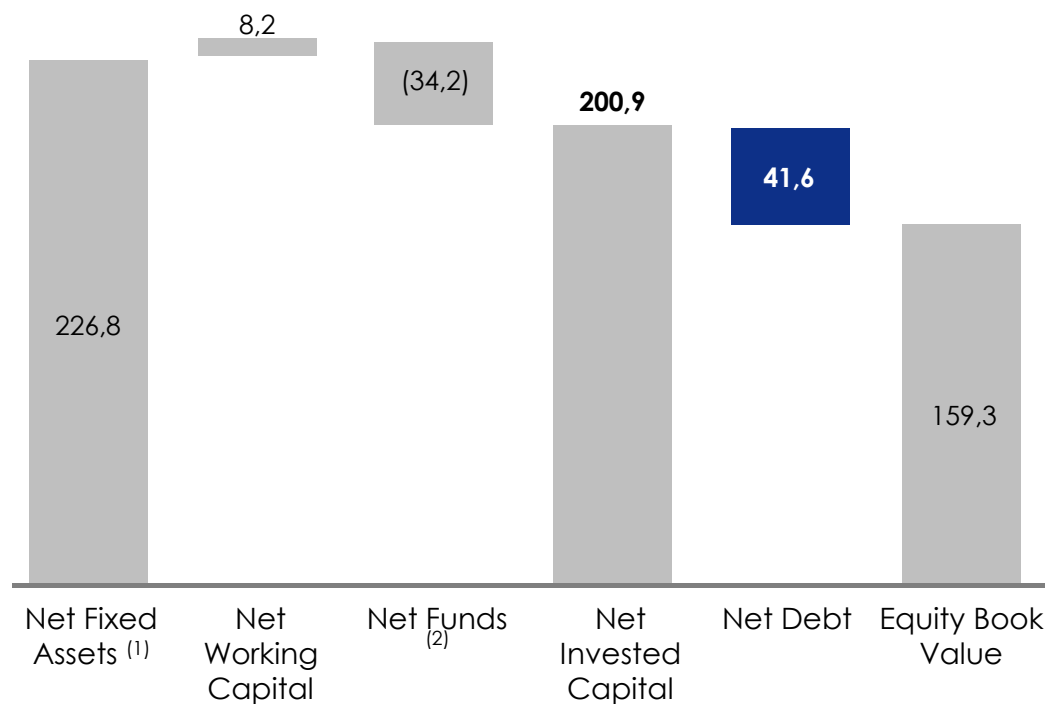
(1) P&L taxes

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

Balance Sheet

Eur Mln

2015YE Balance Sheet



- Conservative capital structure with € 41,6m Net Debt as of December 2015:

- 0,38x Net Debt / Adj. EBITDA
- 0,26x Net Debt / Equity book value

(1) Including long-term financial items

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

2016 Outlook

- **EBITDA**

- 2016 Adjusted EBITDA expected at ~ € 110m

- **Capex**

- 2016 Maintenance capex on revenues below 10%

Q & A session



Contacts

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Upcoming events

<u>Date</u>	<u>Event</u>
28/04/2016	Shareholders' Meeting
11/05/2016	1Q16 results
28/07/2016	1H16 results
09/11/2016	3Q16 results

Appendix

The background of the slide features a faded, light blue image of a tall communication tower situated on a hill. The sun is shining from behind the tower, creating a bright, circular flare that illuminates the scene. The overall aesthetic is clean and modern, with a focus on technology and infrastructure.

Detailed summary of Income Statement

(€m; %)	4Q14	4Q15	FY14	FY14 PF	FY15
Core revenues	52.2	54.1	167.3	207.4	212.3
Other revenues	0.9	(0.0)	3.9	3.9	0.5
Purchase of consumables	(0.5)	(0.6)	(1.7)	(1.7)	(1.5)
Service costs	(14.9)	(13.2)	(57.8)	(56.2)	(52.2)
Personnel costs	(12.3)	(13.8)	(45.4)	(45.4)	(47.6)
Other costs	(1.2)	(1.0)	(3.3)	(3.3)	(3.7)
Opex	(28.9)	(28.6)	(108.2)	(106.6)	(105.0)
Depreciation and amortization	(12.5)	(10.3)	(25.5)	(50.1)	(45.4)
Provisions	(0.4)	(0.6)	(0.4)	(0.4)	(0.6)
Net Operating profit	11.3	14.6	37.0	54.2	61.9
Net Finance income	(0.6)	(1.3)	2.0	(2.0)	(2.9)
Profit before income taxes	10.7	13.2	39.0	52.1	58.9
Income taxes	(4.0)	(4.5)	(14.4)	(18.6)	(20.0)
Profit for the year	6.7	8.8	24.6	33.6	38.9
EBITDA	24.2	25.5	62.9	104.6	107.8
EBITDA margin	46.4%	47.1%	37.6%	50.4%	50.8%
Non recurring expenses	-0.5	-1.5	-0.5	-0.5	-1.6
Adjusted EBITDA	24.7	26.9	63.4	105.1	109.4
Adjusted EBITDA margin	47.3%	49.8%	37.9%	50.7%	51.5%

Summary of Balance Sheet

(€m)	2014FY	2015FY	(€m)	2014FY	2015FY
Non current assets			Equity		
Tangible assets	243.1	224.5	Share capital	70.2	70.2
Intangible assets	0.6	1.8	Legal reserves	6.9	8.1
Non-current financial assets	0.6	0.5	Other reserves	37.1	37.1
Non-current tax assets	5.4	4.5	Retained earnings	39.6	43.9
Total non-current assets	249.8	231.3	Total equity	153.8	159.3
Current assets			Non-current liabilities		
Inventories	0.9	1.0	Non-current financial liabilities	80.6	90.6
Trade receivables	64.4	70.3	Employee benefits	21.3	20.3
Other receivables and current assets	4.4	4.5	Provisions for risks and charges / Allowances	18.6	18.4
Current financial assets	0.7	0.3	Other non-current liabilities	0.0	0.0
Cash	14.7	78.9	Non-current tax liabilities	0.0	0.0
Tax assets	0.3	0.5	Total non-current liabilities	120.5	129.3
Total current assets	85.3	155.5	Current liabilities		
TOTAL ASSETS	335.1	386.8	Commercial debt	36.0	37.2
			Other debt and current liabilities	21.7	28.3
			Current financial liabilities	0.3	30.2
			Tax liabilities	2.9	2.5
			Total current liabilities	60.8	98.3
			TOTAL NET EQUITY AND LIABILITIES	335.1	386.8

Summary of Cash Flow Statement

(€m)	4Q2014	4Q2015	FY2014	FY2015
Earnings before taxes	10.7	13.2	39.0	58.9
Depreciation and amortization	12.5	10.3	25.5	45.4
Provisions and others	0.4	1.9	(0.0)	0.7
Net financial Income	0.5	0.3	(2.0)	1.9
Other non-monetary items	0.3	0.0	0.1	0.0
Net operating CF before change in WC	24.4	25.8	62.6	106.9
Change in inventories	(0.0)	(0.0)	(0.0)	(0.1)
Change in accounts receivable	6.2	7.5	(14.3)	(4.1)
Change in accounts payable	(3.8)	1.3	(47.0)	1.2
Change in other assets	0.6	0.9	(0.2)	(0.1)
Change in other liabilities	(8.0)	(8.3)	0.9	1.2
Use of funds	(0.3)	(1.7)	(0.6)	(1.9)
Payment of employee benefits	(1.0)	(0.3)	(2.8)	0.1
Change in tax credit/liabilities	1.0	0.9	0.2	(0.2)
Taxes paid	(1.6)	(1.7)	(7.0)	(14.2)
Net operating cash flow	17.5	24.3	(8.3)	88.9
Investment in tangible assets	(9.4)	(14.9)	(14.1)	(28.6)
Sale of tangible assets	0.2	0.2	0.2	0.3
Investment in intangible assets	(0.2)	(1.3)	(0.5)	(1.6)
Sale of intangible assets	0.0	0.1	0.0	0.1
Financial lease cash-out ⁽¹⁾	0.0	0.0	(6.4)	0.0
Financial lease cash-in	0.0	0.0	31.1	0.0
Change in other non-current assets	0.0	0.0	0.0	0.0
Change in non-current financial assets	(0.2)	0.0	(0.4)	0.1
Interest received	0.0	0.0	4.1	0.1
Investing cash flow	(9.6)	(15.8)	14.1	(29.6)
(Decrease)/increase in long-term debt	79.4	(0.0)	79.4	10.0
(Decrease)/increase in current liabilities	(71.6)	(0.4)	(57.2)	29.9
Change in current financial assets	(0.7)	0.1	(0.7)	0.4
Interest paid	(0.3)	(0.5)	(1.4)	(1.8)
Dividends paid	0.0	0.0	(11.2)	(33.6)
Financing cash flow	6.8	(0.8)	8.9	5.0
Change in cash and cash equivalent	14.7	7.7	14.7	64.3
Cash and cash eq (Beg. of Period) ⁽²⁾	0.0	71.2	0.0	14.7
Cash and cash eq (End of Period)	14.7	78.9	14.7	78.9

(1) In 2014FY, financial lease cash-out represents network capex, due to the old service agreement with RAI being treated as a financial lease
(2) Up until 9M2014, cash-pooling agreement with RAI