

9M2017 Results Presentation

Rome, 7th November 2017



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

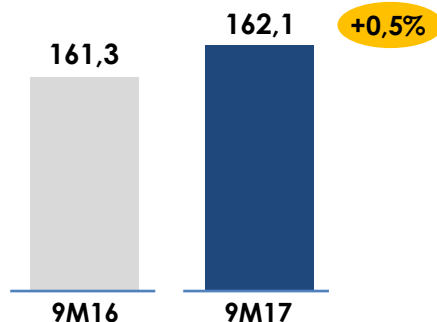
- Solid results confirming quality of execution
- Contribution from new services to RAI in line with expectations; finalization of RAI-Government Service Agreement to drive future activities
- Best-in-class profitability supported by continuous focus on efficiencies
- Adjusted EBITDA guidance confirmed; outlook for 2017 updated to reflect lower maintenance capex expectations
- Monitoring of spectrum reorganization process

9M2017 Financial Highlights

 % YoY growth

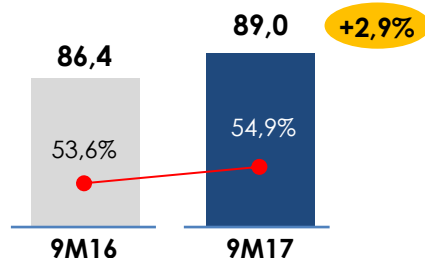
Mln Eur; %

Core Revenues

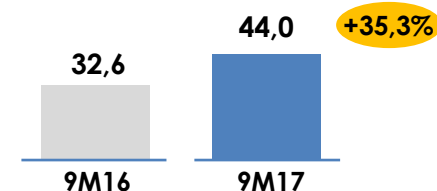


Adjusted EBITDA

• Adjusted EBITDA margin



Net Income

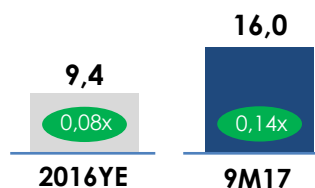


Capex

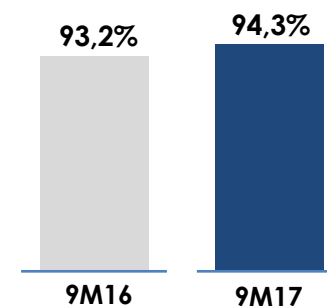


Net debt

• Net Debt / 1-y rolling Adjusted EBITDA



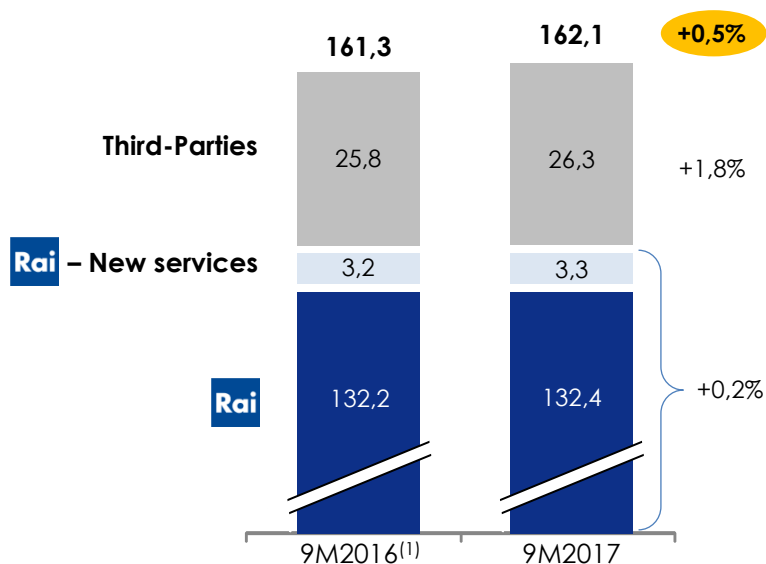
Cash conversion⁽³⁾



- 1) M&A capex = equity acquired
- 2) 9M2016 capex breakdown restated to reflect the reallocation of 119k€ from "Development" to "Maintenance"
- 3) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA

Core Revenues

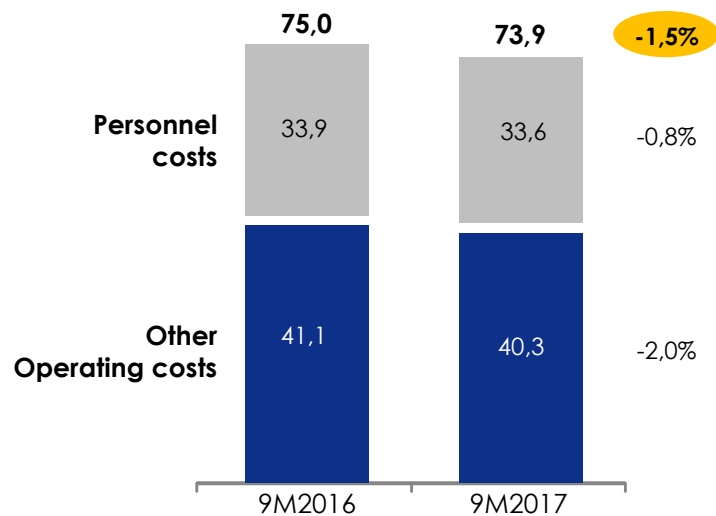
Eur Mln; %



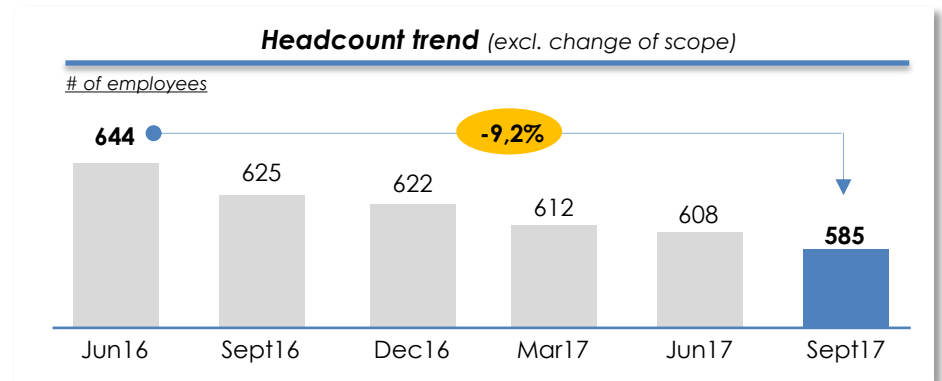
- Revenues from RAI broadly flat YoY due to ca. € 1m one-off in 2016 mainly related to cyclical events (European Football Cup and Rio Olympic Games)
- ✓ Main contributors to New services to RAI include “Upgrade of contribution network” and “HD channels broadcasting on satellite platforms”
- Revenues from Third-Party customers up 1,8% driven by contribution from Norba deal and FWAPs

1) 9M2016 Core revenues breakdown restated to reflect the reallocation of 25k€

Eur Mln; %



- Excluding extraordinary items, personnel costs declined by approx. 3% vs. 9M16 thanks to early retirement plan and optimization of variable components of salary



- Other Operating costs benefited from favorable comparison (expenses related to cyclical events in 9M16) and prior year adjustments
 - ✓ On a recurring basis, efficiencies on intercompany and rents more than offset higher energy price

<i>Eur Mln. %</i>	3Q 2016	3Q 2017	% YoY	9M 2016	9M 2017	% YoY
Core Revenues	54,7	54,1	-1,2%	161,3	162,1	0,5%
Other Revenues	0,0	0,7		0,1	0,8	
Opex (excl. one-offs)	-24,0	-22,6	-5,6%	-75,0	-73,9	-1,5%
Adj. EBITDA	30,8	32,2	4,6%	86,4	89,0	2,9%
% margin	56,3%	59,6%		53,6%	54,9%	
One-offs	0,0	0,2		-3,5	-0,5	
EBITDA	30,7	32,4	5,3%	83,0	88,5	6,7%
% margin	56,2%	59,9%		51,4%	54,6%	
D&A ⁽¹⁾	-10,8	-8,5	-21,2%	-32,2	-24,9	-22,7%
EBIT	20,0	23,9	19,5%	50,7	63,6	25,3%
Net financial expenses	-0,5	-0,4	-24,2%	-1,6	-1,3	-22,3%
Pre Tax Profit	19,4	23,5	20,7%	49,1	62,3	26,9%
Taxes	-6,5	-6,8	4,2%	-16,6	-18,3	10,4%
% tax rate	33,5%	28,9%		33,7%	29,3%	
Net Income	12,9	16,7	29,0%	32,6	44,0	35,3%
EPS	0,0475	0,0613		0,1197	0,1619	

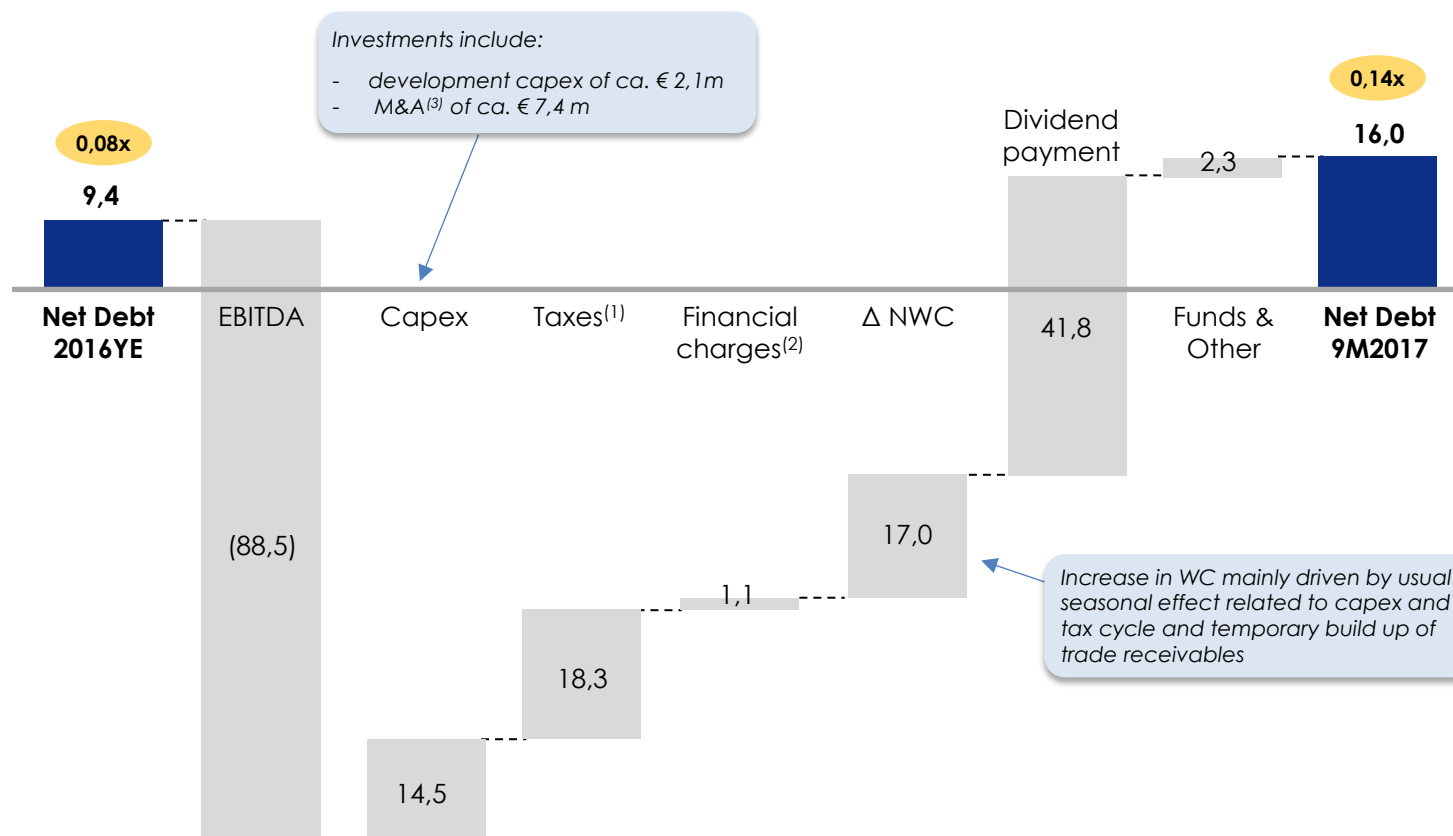
- **9M17 Net Income up 35,3% at € 44,0m driven by:**
 - Higher Other revenues
 - Further improvement in profitability, with margin reaching 54,9% vs. 53,6% in 9M16
 - Lower one-off expenses (€ 0,5m in 9M17 vs. € 3,5m in 9M16)
 - Declining trend of D&A (€ -7,3m vs. 9M17) due to:
 - . reduction of Capex vs. "switch-off period"
 - . extension of useful life of certain assets (favorable comparison as 2016 impact fully reported in 4Q)
 - Lower 9M17 tax rate (29,3% vs. 33,7%), benefiting from reduction of IRES

(1) Including provisions

Cash Flow generation

Net Debt/1y rolling Adj. EBITDA

Eur Mln; %



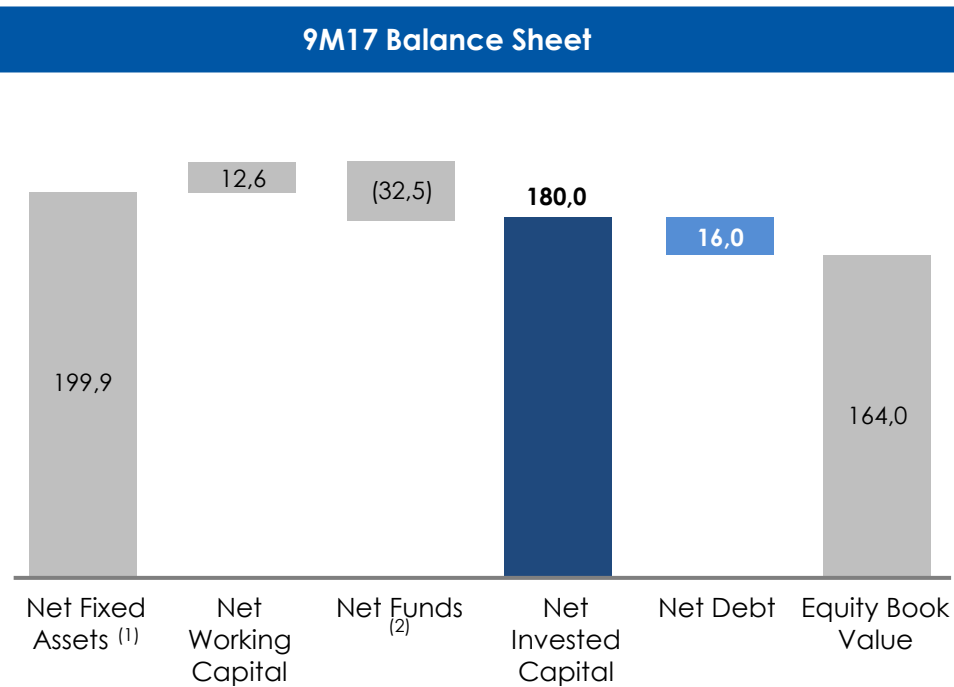
(1) P&L taxes

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

(3) M&A capex = equity acquired

Balance Sheet

Eur Mln



(1) Including long-term financial items

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

- **ADJUSTED EBITDA**

- 2017 Adjusted EBITDA to continue in the growth trajectory of recent years

- **CAPEX**

- 2017 Maintenance capex below long-term target of 8,5% of core revenues
- Going forward, Maintenance capex level expected to remain, on average, around long term target

Q & A session



RaiWay - Investor Relations



+39 06 331 73973



investor.relations@raiway.it

Appendix

The background of the slide features a tall, lattice-structured communication tower situated on a hill. The sun is positioned behind the tower, creating a bright, circular flare that illuminates the scene. The overall color palette is a soft, hazy blue, giving the image a serene and technological feel. The tower's structure is intricate, with various antennas and equipment visible. The hill it sits on is silhouetted against the bright sky, and a fence line is visible in the lower-left foreground.

Detailed summary of Income Statement

(€m; %)	3Q16	3Q17	9M16	9M17
Core revenues	54,7	54,1	161,3	162,1
Other revenues	0,0	0,7	0,1	0,8
Purchase of consumables	(0,2)	(0,2)	(0,9)	(0,8)
Service costs	(13,2)	(12,2)	(37,7)	(37,1)
Personnel costs	(9,7)	(9,3)	(37,2)	(33,8)
Other costs	(0,8)	(0,8)	(2,7)	(2,7)
Opex	(24,0)	(22,5)	(78,5)	(74,4)
Depreciation and amortization	(10,8)	(8,5)	(32,1)	(24,9)
Provisions	(0,0)	0,0	(0,2)	0,0
Net Operating profit	20,0	23,9	50,7	63,6
Net Finance income (expenses)	(0,5)	(0,4)	(1,6)	(1,3)
Profit before income taxes	19,4	23,5	49,1	62,3
Income taxes	(6,5)	(6,8)	(16,6)	(18,3)
Profit for the year	12,9	16,7	32,6	44,0
EBITDA	30,7	32,4	83,0	88,5
EBITDA margin	56,2%	59,9%	51,4%	54,6%
Non recurring expenses	(0,0)	0,2	(3,5)	(0,5)
Adjusted EBITDA	30,8	32,2	86,4	89,0
Adjusted EBITDA margin	56,3%	59,6%	53,6%	54,9%

Summary of Balance Sheet

(€m)	2016FY	9M2017
Non current assets		
Tangible assets	205,2	189,1
Intangible assets	2,2	10,3
Financial assets, holdings and other non-current assets	0,5	0,4
Non-current tax assets	5,0	2,6
Total non-current assets	212,8	202,5
Current assets		
Inventories	0,9	0,9
Trade receivables	67,0	79,5
Other receivables and current assets	4,4	6,4
Current financial assets	0,2	0,1
Cash	81,3	44,6
Tax assets	0,3	0,3
Total current assets	154,1	131,9
TOTAL ASSETS	366,9	334,3

(€m)	2016FY	9M2017
Equity		
Share capital	70,2	70,2
Legal reserves	10,1	12,2
Other reserves	37,0	37,1
Retained earnings	44,3	44,6
Total equity	161,5	164,0
Non-current liabilities		
Non-current financial liabilities	60,7	30,7
Employee benefits	18,7	17,3
Provisions for risks and charges / Allowances	18,8	17,8
Other non-current liabilities	0,0	0,0
Non-current tax liabilities	0,0	0,0
Total non-current liabilities	98,2	65,8
Current liabilities		
Commercial debt	41,2	39,9
Other debt and current liabilities	33,6	32,3
Current financial liabilities	30,3	30,1
Tax liabilities	2,2	2,3
Total current liabilities	107,2	104,5
TOTAL NET EQUITY AND LIABILITIES	366,9	334,3

Summary of Cash Flow Statement

(€m)	3Q2016	3Q2017	9M2016	9M2017
Earnings before taxes	19,4	23,5	49,1	62,3
Depreciation and amortization	10,8	8,5	32,1	24,9
Provisions and others	0,6	0,4	1,9	1,0
Net financial Income	0,5	0,4	1,5	1,1
Other non-monetary items	0,0	0,0	0,0	0,0
Net operating CF before change in WC	31,2	32,8	84,5	89,4
Change in inventories	0,0	0,0	0,1	0,0
Change in accounts receivable	(12,2)	(6,5)	(9,3)	(12,4)
Change in accounts payable	3,1	4,5	1,0	(2,8)
Change in other assets	0,1	(0,4)	(0,8)	(2,0)
Change in other liabilities	(11,5)	1,3	(3,4)	3,5
Use of funds	(0,3)	(0,2)	(0,6)	(0,8)
Payment of employee benefits	(0,5)	(1,1)	(3,1)	(2,8)
Change in tax credit/liabilities	15,9	(0,9)	14,7	(0,9)
Taxes paid	(16,5)	0,0	(17,5)	(21,1)
Net operating cash flow	9,3	29,5	65,7	50,2
Investment in tangible assets	(3,4)	(2,2)	(8,0)	(6,8)
Sale of tangible assets	0,0	0,0	0,1	0,1
Investment in intangible assets	(0,1)	(0,0)	(0,3)	(0,3)
Sale of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	0,0	(0,0)	0,0	0,0
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	(0,0)	0,0	(0,0)	0,0
Interest received	0,0	0,0	0,0	0,1
Companies consolidation	0,0	0,0	0,0	(7,4)
Investing cash flow	(3,5)	(2,1)	(8,2)	(14,3)
(Decrease)/increase in medium/long-term debt	(15,1)	(15,0)	(30,1)	(30,1)
(Decrease)/increase in current financial liabilities	(0,2)	(12,4)	(0,1)	(0,2)
Change in current financial assets	(0,0)	0,2	(0,3)	0,1
Interest paid	(0,6)	(0,5)	(1,1)	(0,9)
Dividends paid	0,0	0,0	(39,0)	(41,8)
Financing cash flow	(15,9)	(27,7)	(70,5)	(73,0)
Change in cash and cash equivalent	(10,1)	(0,3)	(13,0)	(37,1)
Cash and cash equivalent (beginning of period)	76,0	45,0	78,9	81,3
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,0	0,4
Cash and cash equivalent (end of period)	65,9	44,6	65,9	44,6