

2017FY Results Presentation

Rome, 21 March 2018

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 fully in line with expectations
 - Further improvement in profitability supported by continuous focus on efficiencies
 - Materially higher Net Result (+35% vs. 2016)
 - 20,26 €/cent proposed dividend, resulting in a remarkable 4,4%¹⁾ dividend yield
- Activity with RAI mainly focused on projects execution and monetization pending the renewal of the Service Contract with the Government
 - New services already started to be unlocked by the recently signed Service Contract
- Revised commercial proposition raising interest from TV and Radio broadcasters
- Monitoring of 700 MHz band refarming process
- Confirmed commitment to sector consolidation
- 2018 expected to continue on the path to growth

1) Dividend yield based on market closing price of 20/03/2018 (4,60 €/share)

Main new initiatives for RAI in 2017

2017 finalized contracts

- Renewal and upgrade of radio link equipment for reallocation of 3.6-3.8 GHz frequencies
- Tidying up of frequencies for MUX1 in selected areas
- Upgrade of DTH and DTT platforms to transport new radio channels
- Transmission services for G7 Summit in Taormina
- DAB+ roll-out to cover Northern Italy Highways
- DTT extension of coverage in selected municipalities
- Signal transport services for Rai Sport



As anticipated, inflow of small size new projects with RAI pending the renewal of the Service Contract with the Government, published in March 2018

New Rai-Government Service Contract to unlock further activity

RAI-GOVERNMENT SERVICE CONTRACT

NETWORK QUALITY

PREPARATORY FOR SPECTRUM REFORMING



**FIRST TRANCHE
ALREADY SIGNED**

DAB roll-out

3.7 – 3.8 Ghz Radio
links reforming



**UNDER
NEGOTIATION**

MUX
coverage extension
Further DAB roll-out

3.6 – 3.7 Ghz Radio
links reforming

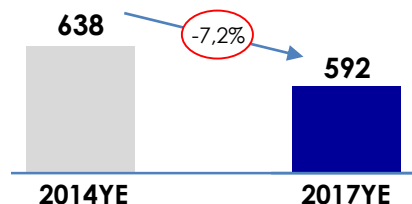


**TO BE ASSESSED
AND NEGOTIATED**

MUX 1
Rearrangement
Codec-related Head-End
upgrade

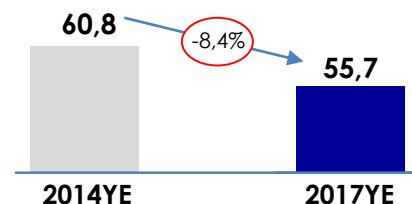
Results of efficiency plan above expectations

Headcount
(organic)



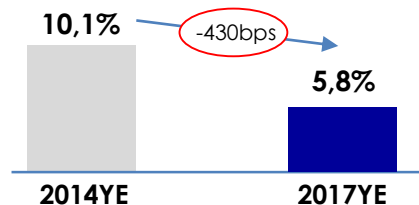
- Early retirement plan
- Redesign of organizational model
- Reduction of variable components of payroll

Opex
(excl. personnel)



- Reduction spread over all the major cost items:
 - Intercompany services
 - Utilities
 - Maintenance
 - Other costs

Maintenance
capex on
revenues



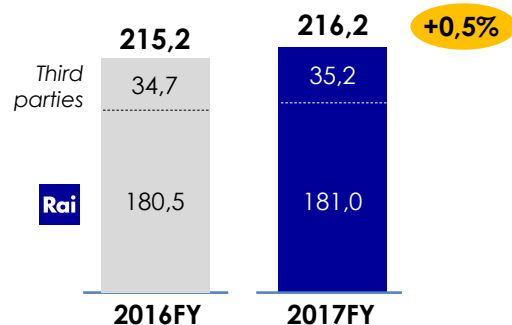
- Even excluding postponements impacting 2017 level, rationalization of capex spending on both active and passive components

FY2017 Financial Highlights

% YoY growth

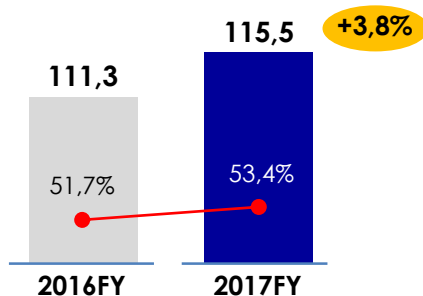
Mln Eur; %

Core Revenues

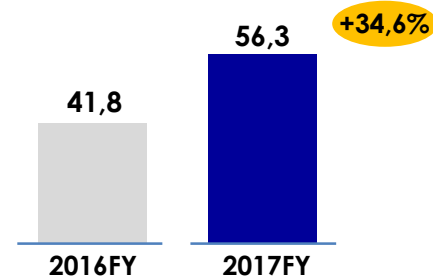


Adjusted EBITDA

• Adjusted EBITDA margin

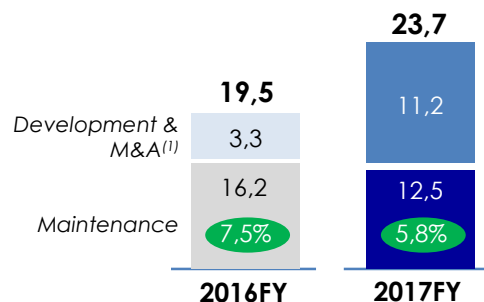


Net Income



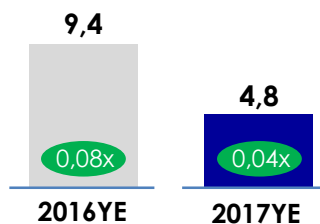
Capex

● Maintenance capex / Revenues

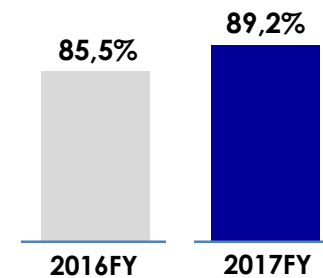


Net debt

● Net Debt / Adjusted EBITDA




Cash conversion⁽²⁾



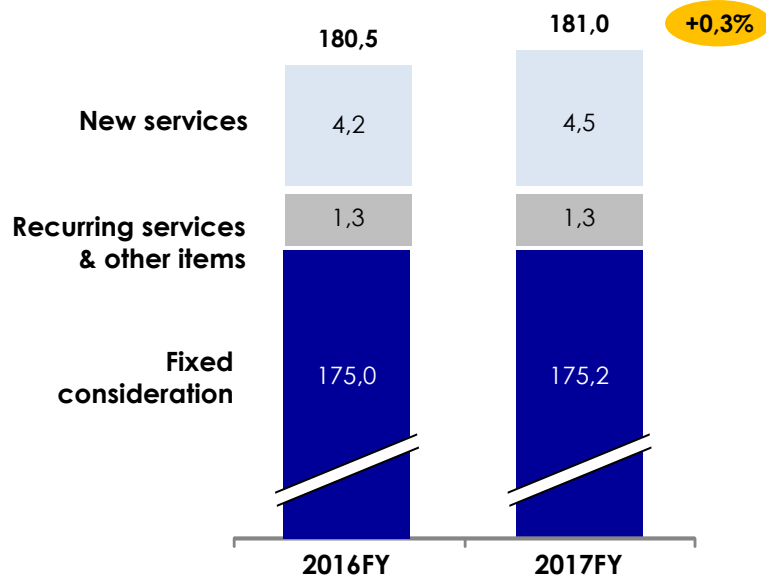
Dividend proposal of 20,26 €cent/share (pay-out ratio of 98% of Net Income), with a dividend yield³ of 4,4%

- 1) M&A capex = equity acquired
- 2) Cash conversion = (Adj. EBITDA - Maintenance Capex) / Adj. EBITDA
- 3) Dividend yield based on market closing price of 20/03/2018 (4,60 €/share)

Revenues from RAI

 % YoY growth

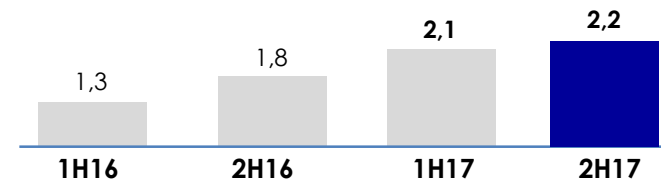
Mln Eur; %



- Revenues from RAI broadly flat YoY due to
 - ✓ Negligible impact from CPI
 - ✓ Ca. € 1m one-off in 2016 mainly related to cyclical events (European Football Cup and Rio Olympic Games)
- Excluding cyclical events and non-recurring projects, progressive ramp-up of Revenues from New Services with contribution up 1,1 Mln vs. 2016

Contribution from new services to RAI (excl. one-off projects)

Eur.Mln

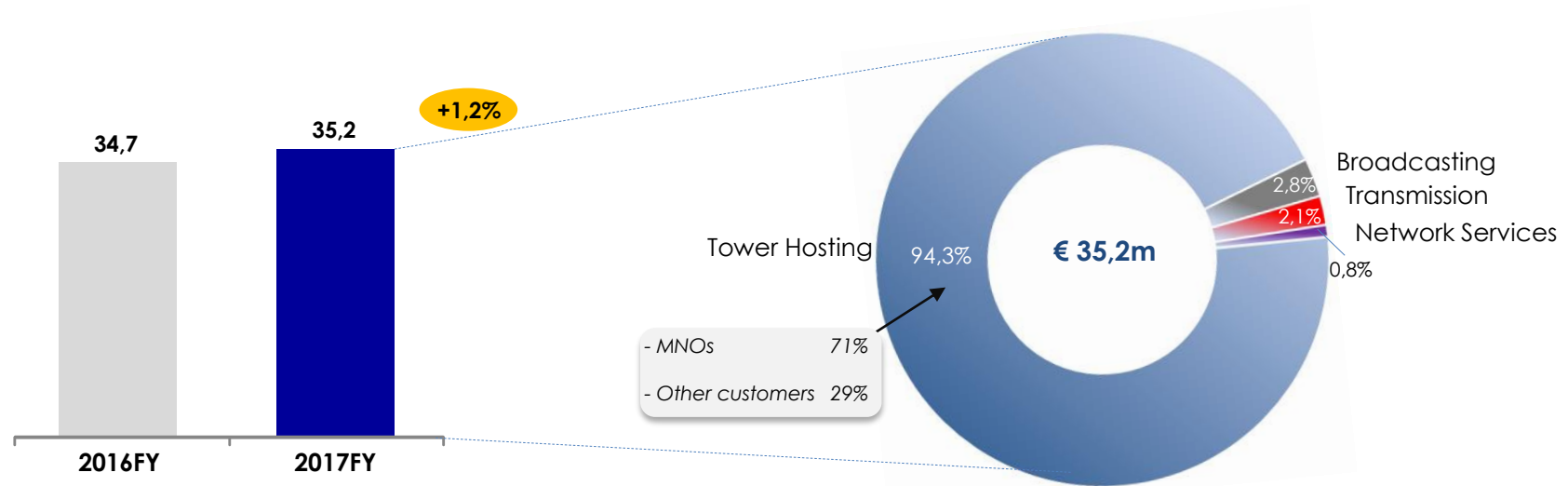


- Main contributors to New services to RAI in 2017 include "Upgrade of contribution network" and "HD channels broadcasting on satellite platforms"

Revenues from Third Parties

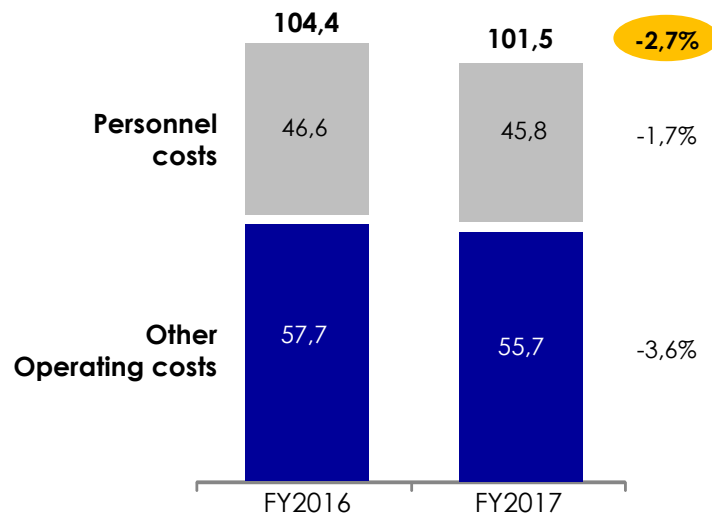
● % YoY growth

Mln Eur; %

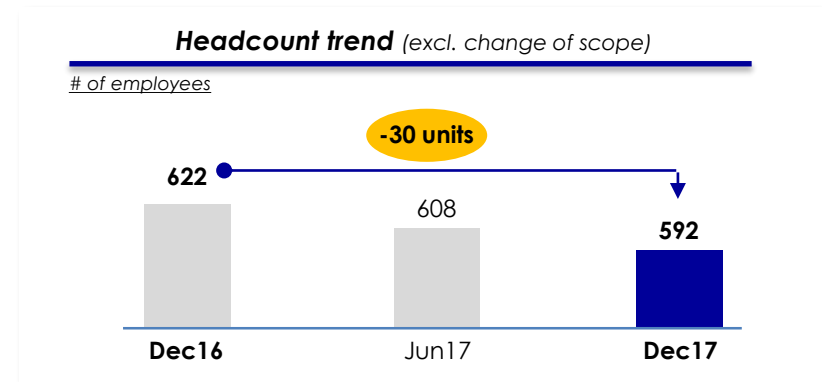


- Contribution from Norba deal and increasing volumes with FWAPs offsetting lower activity with mobile operators
- MNOs' weight reducing due to continuous pressure on price/volumes, pending tariffs stabilization and extension of presence on Rai Way sites currently under discussion

Mln Eur; %



- Excluding capitalization and extraordinary items, personnel costs declined by approx. 4% vs. FY2016 thanks to early retirement plan and optimization of variable components of salary

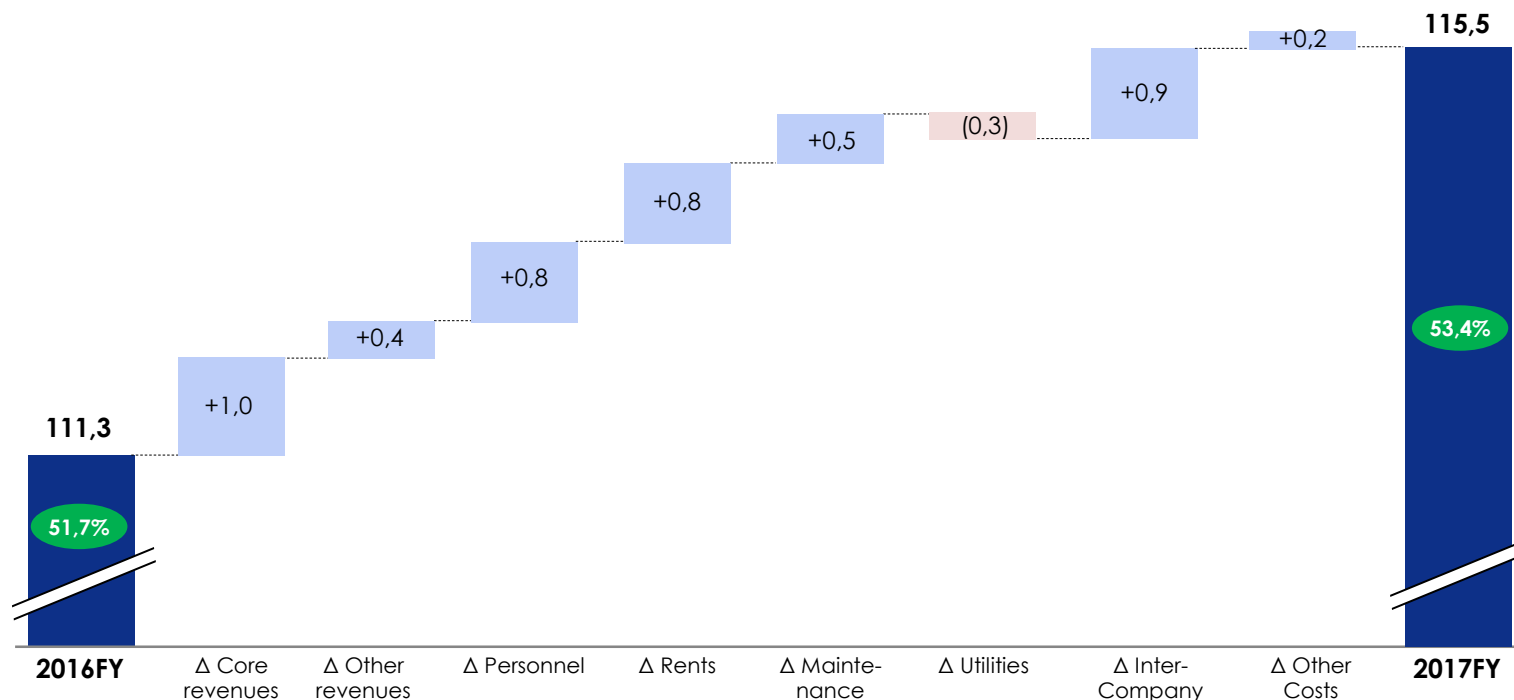


- 2017 Other Operating costs benefited from favorable comparison (expenses related to cyclical events in FY2016) and prior year adjustments
 - ✓ On a recurring basis, other operating costs declined by around 2% with efficiencies on the entire cost base more than offsetting higher energy price

Adjusted EBITDA evolution

Mln Eur; %

● Adj. EBITDA Margin



<u>Eur Mln. %</u>	4Q 2016	4Q 2017	% YoY	FY 2016	FY 2017	% YoY
Core Revenues	53,9	54,1	0,4%	215,2	216,2	0,5%
Other Revenues	0,3	0,0		0,4	0,8	
Adj. EBITDA	24,8	26,5	6,8%	111,3	115,5	3,8%
% margin	46,1%	49,0%		51,7%	53,4%	
One-offs	-3,3	-1,3		-6,8	-1,7	
EBITDA	21,5	25,3	17,3%	104,5	113,8	8,9%
% margin	40,0%	46,7%		48,6%	52,6%	
D&A ⁽¹⁾	-6,7	-7,5	11,8%	-38,9	-32,4	-16,8%
EBIT	14,8	17,8	19,8%	65,6	81,4	24,1%
Net financial expenses	-0,5	-0,3	-29,4%	-2,1	-1,6	-24,0%
Pre Tax Profit	14,3	17,4	21,5%	63,5	79,7	25,7%
Taxes	-5,1	-5,2	2,5%	-21,6	-23,5	8,5%
% tax rate	35,5%	29,9%		34,1%	29,5%	
Net Income	9,3	12,2	32,0%	41,8	56,3	34,6%
EPS				0,1537	0,2069	

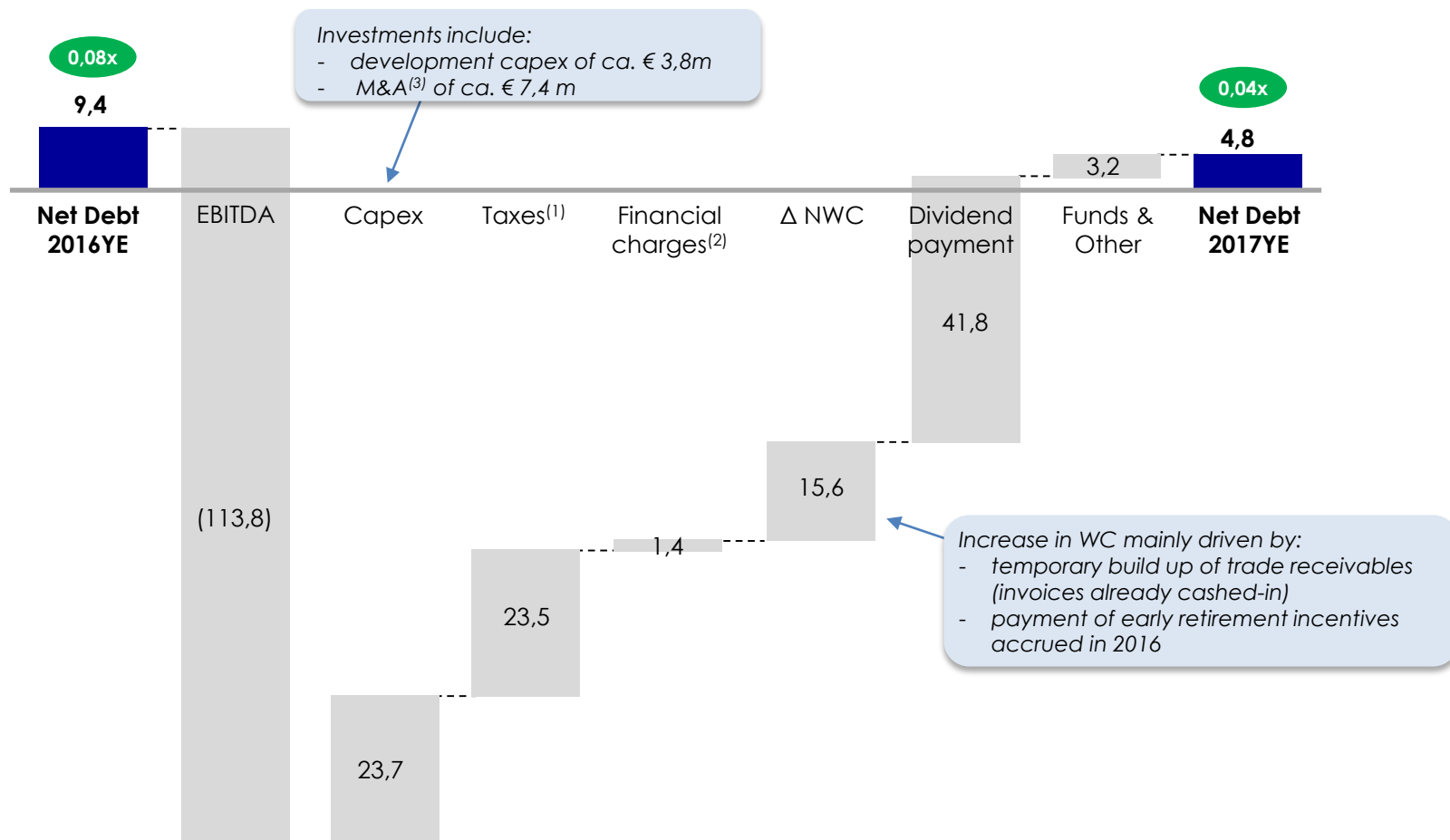
• **FY17 Net Income up 34,6% at € 56,3m driven by:**

- Higher Revenues
- Further improvement in profitability, with margin reaching 53,4% vs. 51,7% in FY16
- Lower one-off expenses (€ 1,7m in FY17 vs. € 6,8m in FY16)
- Reduction of D&A (€ -6,5m vs. FY16) due to:
 - . Lower Capex (approx. - € 5m)
 - . Release of provision for risk and charges accrued in the previous years
- Lower tax rate (29,5% vs. 34,1%), benefiting from reduction of IRES

Cash flow generation

Net Debt/Adj. EBITDA

Mln Eur



- Cash generation before development capex, M&A investments and dividends stood at 57,6Mln

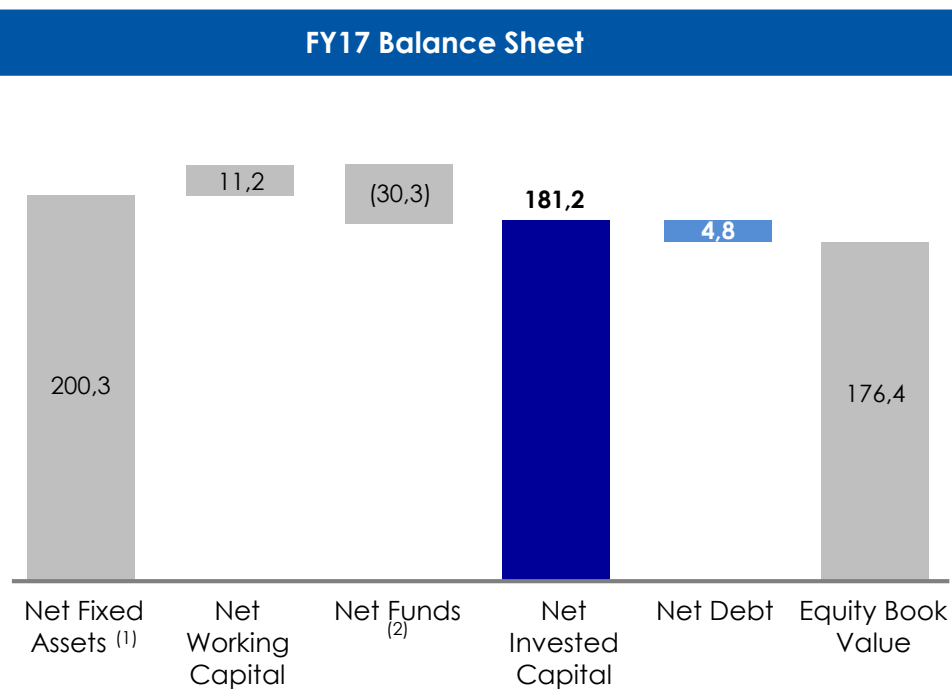
(1) P&L taxes

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

(3) M&A capex = equity acquired

Balance sheet

Mln Eur



(1) Including long-term financial items

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

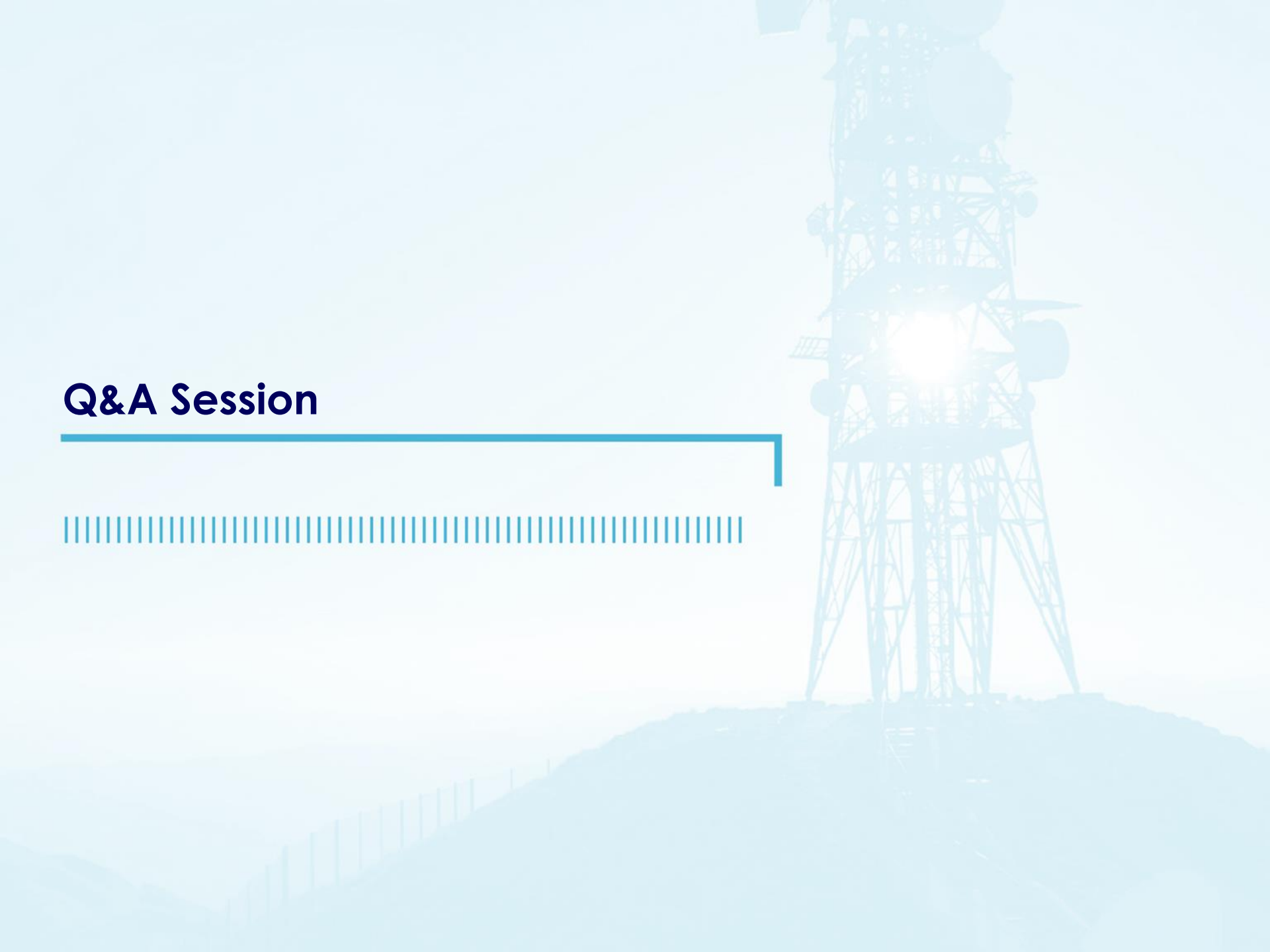
- **ADJUSTED EBITDA**

- 2018 Adjusted EBITDA to keep growing organically

- **CAPEX**

- 2018 maintenance capex expected in the range of 9% of core revenues; going forward, the average level of 8,5% of core revenues is confirmed

Q&A Session



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Upcoming events

<u>Date</u>	<u>Event</u>
23/04/2018	Shareholders' Meeting
09/05/2018	1Q18 results
26/07/2018	1H18 results
14/11/2018	3Q18 results

Appendix



Detailed summary of Income Statement

(€m; %)	4Q16	4Q17	FY16	FY17
Core revenues	53,9	54,1	215,2	216,2
Other revenues	0,3	0,0	0,4	0,8
Purchase of consumables	(0,5)	(0,5)	(1,3)	(1,3)
Service costs	(15,2)	(13,9)	(52,9)	(50,9)
Personnel costs	(16,0)	(13,3)	(53,2)	(47,1)
Other costs	(1,0)	(1,1)	(3,6)	(3,8)
Opex	(32,7)	(28,9)	(111,1)	(103,2)
Depreciation and amortization	(6,2)	(9,6)	(38,3)	(34,5)
Provisions	(0,5)	2,1	(0,6)	2,1
Net Operating profit	14,8	17,8	65,6	81,4
Net Finance income (expenses)	(0,5)	(0,3)	(2,1)	(1,6)
Profit before income taxes	14,3	17,4	63,5	79,7
Income taxes	(5,1)	(5,2)	(21,6)	(23,5)
Profit for the year	9,3	12,2	41,8	56,3
EBITDA	21,5	25,3	104,5	113,8
EBITDA margin	40,0%	46,7%	48,6%	52,6%
Non recurring expenses	(3,3)	(1,3)	(6,8)	(1,7)
Adjusted EBITDA	24,8	26,5	111,3	115,5
Adjusted EBITDA margin	46,1%	49,0%	51,7%	53,4%

Summary of Balance Sheet

(€m)	2016FY	2017FY
Non current assets		
Tangible assets	205,2	188,7
Intangible assets	2,2	11,2
Financial assets, holdings and other non-current assets	0,5	0,4
Non-current tax assets	5,0	2,2
Total non-current assets	212,8	202,4
Current assets		
Inventories	0,9	0,9
Trade receivables	67,0	72,0
Other receivables and current assets ⁽²⁾	4,7	5,4
Current financial assets	0,2	0,1
Cash	81,3	55,9
Current tax assets ⁽¹⁾⁽²⁾	0,0	0,0
Total current assets	154,1	134,3
TOTAL ASSETS	366,9	336,7

(€m)	2016FY	2017FY
Equity		
Share capital	70,2	70,2
Legal reserves	10,1	12,2
Other reserves	37,0	37,0
Retained earnings	44,3	57,0
Total equity	161,5	176,4
Non-current liabilities		
Non-current financial liabilities	60,7	30,6
Employee benefits	18,7	16,4
Provisions for risks and charges / Allowances	18,8	16,0
Other non-current liabilities	0,0	0,0
Non-current tax liabilities	0,0	0,0
Total non-current liabilities	98,2	63,0
Current liabilities		
Commercial debt	41,2	37,7
Other debt and current liabilities ⁽⁴⁾	35,2	28,9
Current financial liabilities	30,3	30,3
Current tax liabilities ⁽³⁾⁽⁴⁾	0,6	0,4
Total current liabilities	107,2	97,3
TOTAL NET EQUITY AND LIABILITIES	366,9	336,7

(1) Previously "Tax assets"

(2) Tax assets other than current tax assets have been reallocated into "Other receivables and current assets". 2016FY figures have been adjusted to reflect this reallocation for an amount of € 318k.

(3) Previously "Tax liabilities"

(4) Tax liabilities other than current tax liabilities have been reallocated into "Other debt and current liabilities". 2016FY figures have been adjusted to reflect this reallocation for an amount of € 1,6m

Summary of Cash Flow Statement

(€m)	4Q2016	4Q2017	FY2016	FY2017
Earnings before taxes	14,3	17,4	63,5	79,7
Depreciation and amortization	6,2	9,6	38,3	34,5
Provisions and others	1,5	(0,7)	3,4	0,3
Net financial Income	0,4	0,3	1,9	1,4
Other non-monetary items	0,0	0,0	0,0	0,0
Net operating CF before change in WC	22,5	26,6	107,1	116,0
Change in inventories	0,0	0,0	0,1	0,0
Change in accounts receivable	12,7	6,6	3,4	(5,7)
Change in accounts payable	3,0	(2,2)	4,0	(5,0)
Change in other assets	0,9	1,3	0,1	(0,7)
Change in other liabilities	5,7	(8,9)	2,3	(5,4)
Use of funds	(0,3)	(0,6)	(0,9)	(1,3)
Payment of employee benefits	(1,6)	(1,2)	(4,7)	(4,0)
Change in tax credit/liabilities	(14,7)	0,9	0,0	(0,1)
Taxes paid	(1,7)	(2,0)	(19,1)	(23,1)
Net operating cash flow	26,5	20,4	92,2	70,6
Investment in tangible assets	(10,7)	(8,0)	(18,7)	(14,9)
Sale of tangible assets	0,0	0,1	0,1	0,1
Investment in intangible assets	(0,5)	(1,1)	(0,8)	(1,4)
Sale of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	(0,1)	(0,0)	(0,0)	0,0
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,1	0,0	0,1	0,1
Interest received	0,0	0,0	0,0	0,1
Companies consolidation	0,0	0,0	0,0	(7,4)
Investing cash flow	(11,1)	(9,0)	(19,3)	(23,4)
(Decrease)/increase in medium/long-term debt	(0,1)	(0,1)	(30,2)	(30,2)
(Decrease)/increase in current financial liabilities	0,2	0,3	0,1	0,1
Change in current financial assets	0,0	(0,3)	(0,3)	(0,3)
Interest paid	(0,1)	(0,0)	(1,2)	(0,9)
Dividends paid	0,0	0,0	(39,0)	(41,8)
Financing cash flow	(0,0)	(0,1)	(70,5)	(73,1)
Change in cash and cash equivalent	15,4	11,3	2,4	(25,8)
Cash and cash equivalent (beginning of period)	65,9	44,6	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)	81,3	55,9	81,3	55,9