2018FY Results Presentation

Rome, 14 March 2019

Disclaimer

FORWARD LOOKING STATEMENTS

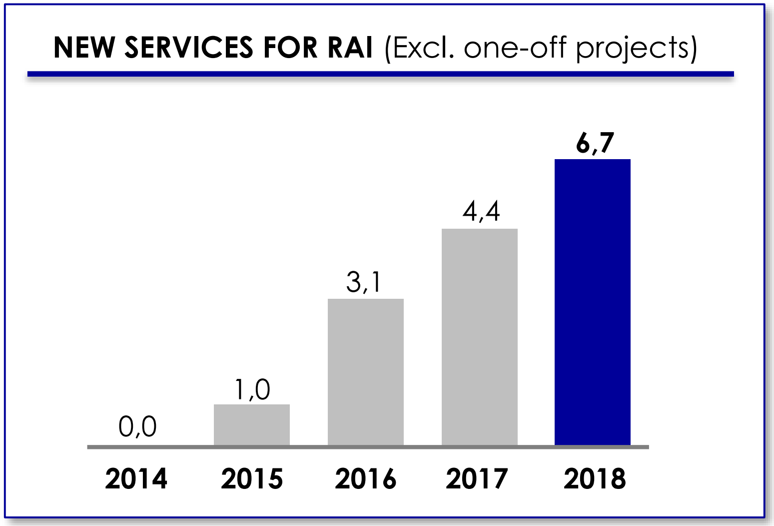
This presentation contains forward-looking statements regarding future events and the future results of Rai Way that are based on current expectations, estimates, forecasts, and projections about the industries in which Rai Way operates, as well as the beliefs and assumptions of Rai Way's management. 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.

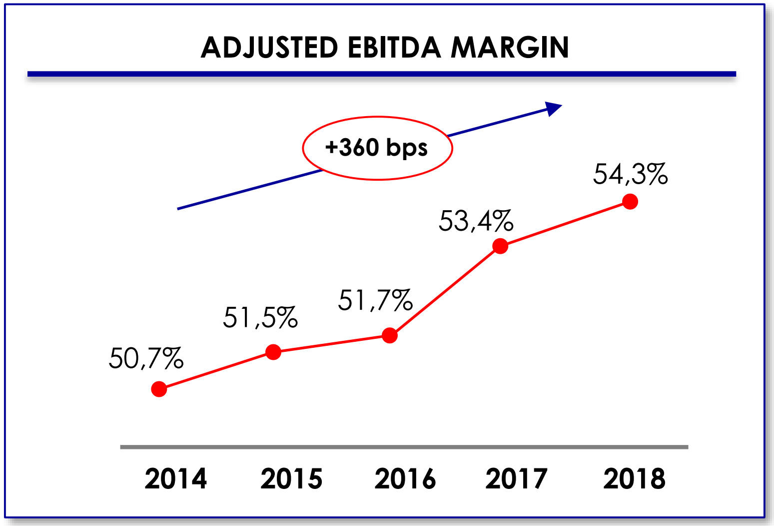
Rai Way participants

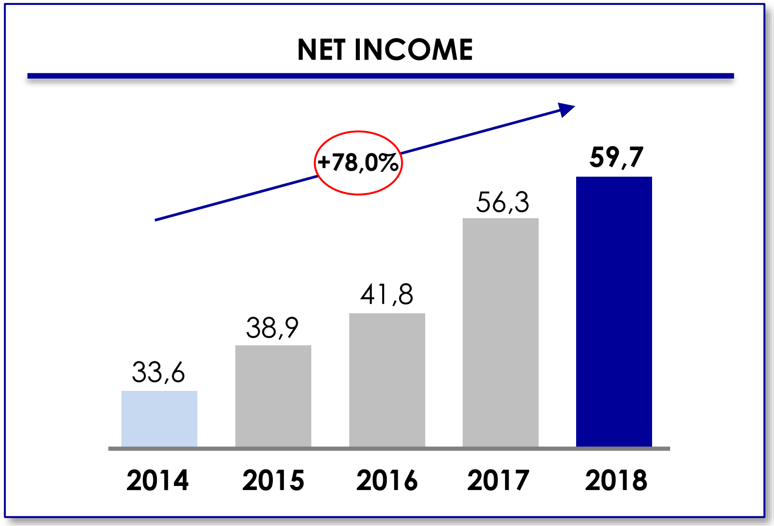
- Aldo Mancino, Chief Executive Officer
- Adalberto Pellegrino, Chief Financial Officer
- Giancarlo Benucci, Head of Corporate Development & IR

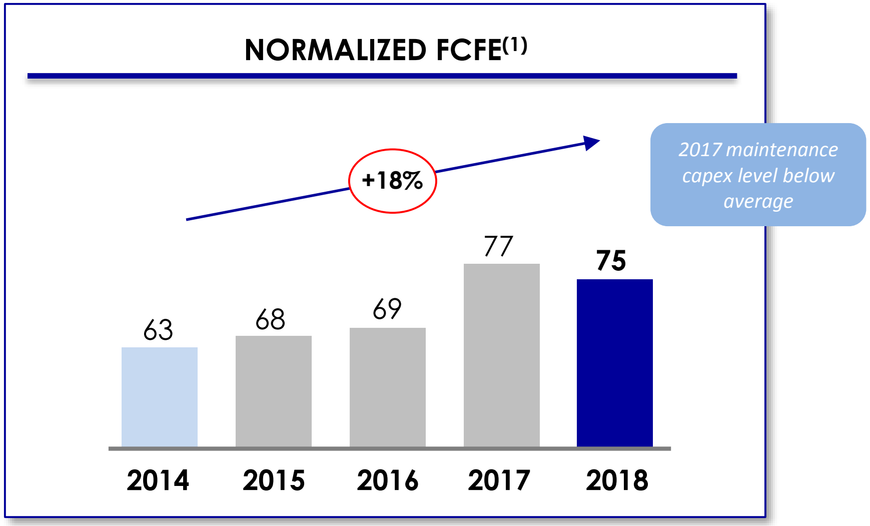
Continuous improvement

Mln Eur; %









1) Norm. FCFE= Adj. EBITDA – Net Financial Charges – P&L Taxes (adj. by impact of restructuring cost) – Maint. Capex

Key messages

- Good set of numbers fully in line with expectations
    - Top-line growth supported by CPI and New Services for Rai
    - Further improvement in profitability also supported by continuous focus on efficiencies
    - Further improvement in Net Income, with Industrial Plan target exceeded 1 year in advance
    - 21,96 €/cent dividend proposed to the AGM

- Refarming process reshaped
    - 2019 Budget Law approved in December 2018 and new PNAF released in February
    - Upcoming decisions of the Authorities and agreement with Rai on technical solutions to define investments for Rai Way

- Commercial activity with Rai unlocked following Concession renewal and ahead of refarming
    - Services already contractualized exceed the Industrial Plan pipeline and will help to mitigate impact from refarming

- Business with third parties still hit by MNOs but with supportive growth in the other segments

- Good momentum expected to continue also in 2019

2019 Budget Law reshaped the Refarming process

- In order to address the criticalities flagged up on the PNAF 2018 (frequency allocation to local operators, conversion criteria, MUX1 entirely in VHF), MiSE established the "TV 4.0" working group, involving broadcasters and trade associations
- Incorporating the feedback coming from the working group, 2019 Budget Law approved in December 2018 reshaped the refarming process
- AGCOM consequently released the updated PNAF in February 2019

CURRENT CONFIGURATION

- National MUXes: 20
  - 19 UHF
  - 1 UHF/VHF regionalized (Rai MUX1)
- Local Muxes: 1/3 of the total (as per law)
- Transmission standard: DVB T

UPDATED PNAF

- National MUXes: 12 UHF[1]
  - 10 assigned with the conversion of the current RoU of frequencies of which 1 UHF awarded to Rai to be regionalized
  - 2 to be auctioned (in 4 slots of ½ MUX each)
- Local Muxes: 2 UHF
- Transmission standard: DVB T2
- VHF band primarily devoted to the DAB+

Under this scenario, Rai Way would likely manage 3 MUXes for Rai

1) *One of them partially using also VHF frequencies*

Next steps of the revised Refarming process

- Still keeping the 30 June 2022 deadline, the 2019 Budget Law rescheduled the main milestones of the process

NEW PROCESS DEADLINES

- 31 Mar: conversion and awarding criteria (AGCOM)
- 15 Apr: updated Roadmap (MiSE)
- 30 June: capacity awarded to national operators (MiSE)
- 30 Sept: auction criteria to award additional capacity (AGCOM)
- 30 Nov: auction for the additional capacity (MiSE)

- Based on the outcomes of the regulatory steps, the definition of the activities for Rai Way will follow agreement with Rai on technical solutions

POTENTIAL AREAS OF INVESTMENT

- Release of radio-links frequencies
- Roll-out of new regionalized UHF MUX with a 99% coverage
- Upgrade to DVB-T2 technology
- Head-end upgrade
- Optional further coverage extension of other national MUXes

Thanks to the ownership of active equipment, impact on Rai Way expected to be mitigated by investments on network

Activity with Rai unlocked following Concession renewal and ahead of refarming

	NETWORK QUALITY	SPECTRUM REFARMING	OTHER	
SIGNED	• MUX coverage extension • DAB roll-out (I tranche) • DAB roll-out (II tranche)	• 3.7–3.8 Ghz Radio links refarming • 3.6–3.7 Ghz Radio links refarming	• New thematic radio channels broadcasting • International distribution in HD • Satellite contribution network	**Capex *(2018-20)*** **50-60 Mln** **Run-rate EBITDA *(from 2021)*** **10-11 Mln**
TO BE ASSESSED/ NEGOTIATED	Further extension of DAB network	Network upgrade to new configuration	Support/enable enhancement of IP distribution	***Consistent with Rai's integrated multiplatform distribution strategy and obligation to fulfill Service Contract/Refarming***

Range of New services to RAI already secured wider than the pipeline included in the 2015-19 Industrial Plan

INDUSTRIAL PLAN PRESENTATION (Sept 2015)	TODAY

Broadening offer to RAI: potential initiatives by status

Finalized contracts
- Contribution network upgrade
- RAI Sport HD
- Transmission services for Expo
- International distribution for RAI Com

Advanced negotiations
- MUX "Francofono" for Valle d' Aosta region
- Tidying up of frequencies for MUX1 (channel 25 only)

To be negotiated
- 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

TODAY

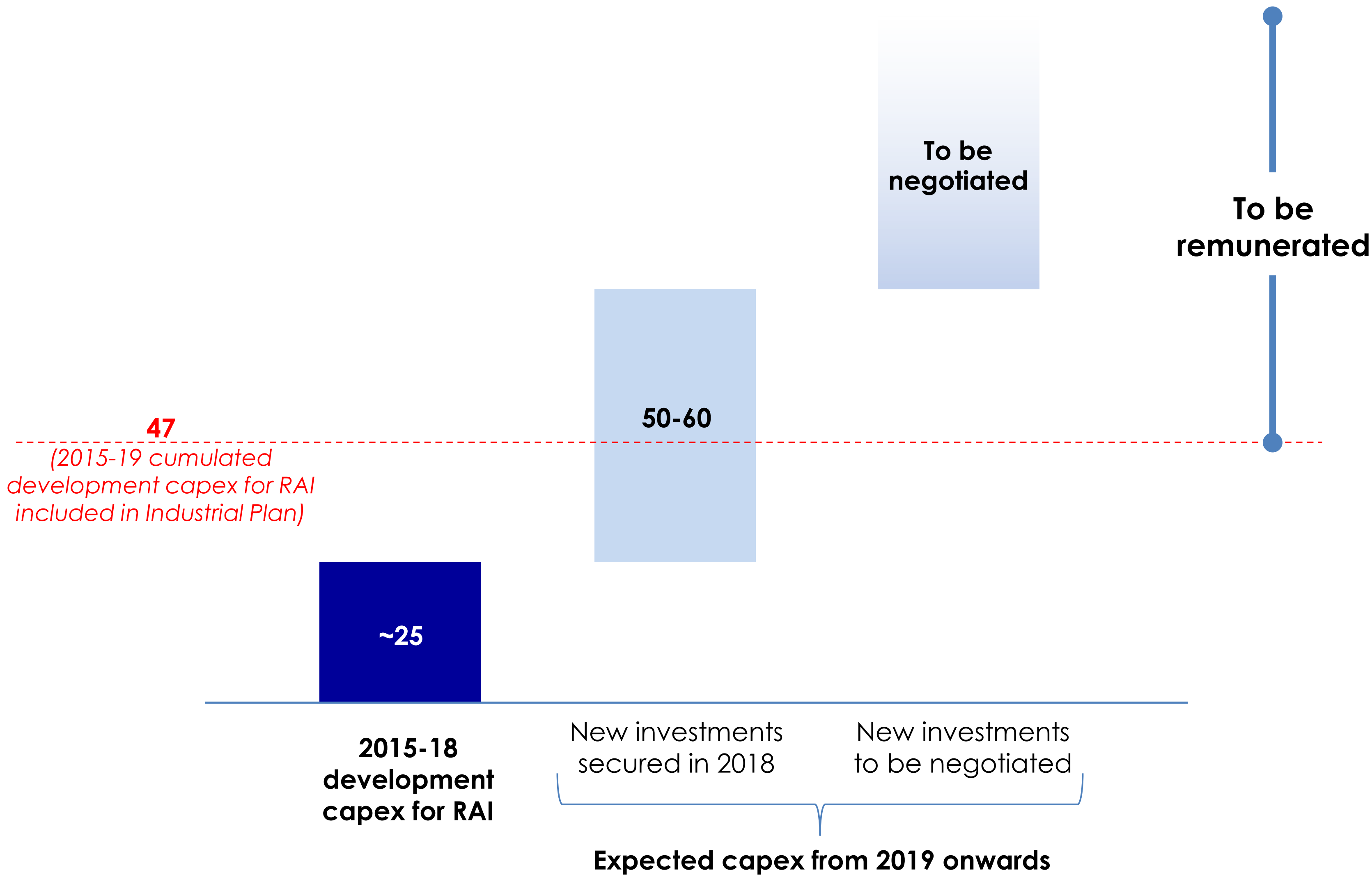
Unlevered IRR of at least 10% confirmed

+
- Broader scope for MUX coverage extension

+
- All-HD channels broadcasting on satellite platforms
- DTH/DTT platforms upgrade to transport new radio channels
- Signal transport services for Rai Sport
- Acquisition of 4^{th} transponder
- Simulcrypt on satellite broadcasting platform
- Transmission/contribution services for special events (RIO2016; Euro Cup 2016; Taormina G7 summit, etc)

Future investments in network upgrade to mitigate impact from refarming

Mln Eur



Further opex efficiencies achieved in 2018

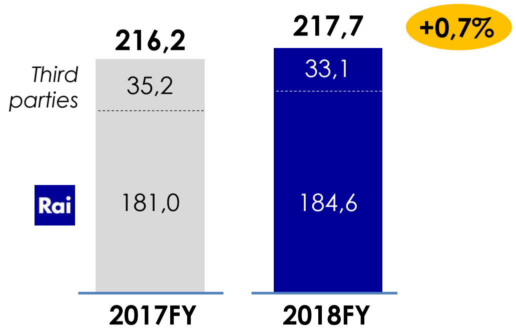
	2018 vs. 2017	MAIN DRIVERS
PERSONNEL	↘	• Full evidence of early retirement plan
RENTS	↘	• Optimization of fiber optics and car fleet
UTILITIES	→	• Higher energy prices
INTERCO	↘	• Real estate rents and ICT services
OTHER	≈	

2018FY Financial Highlights

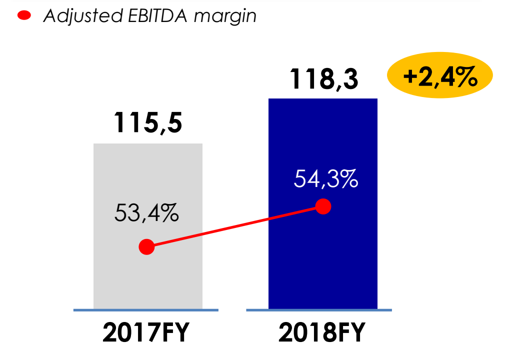
% YoY growth

Mln Eur; %

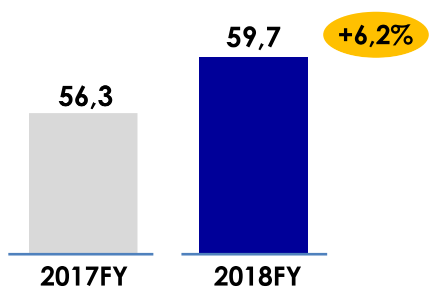
Core Revenues



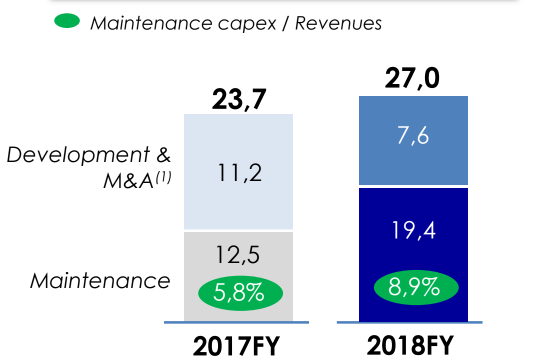
Adjusted EBITDA



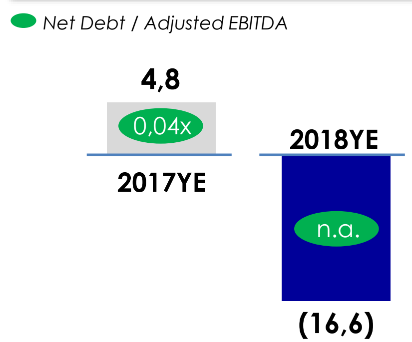
Net Income



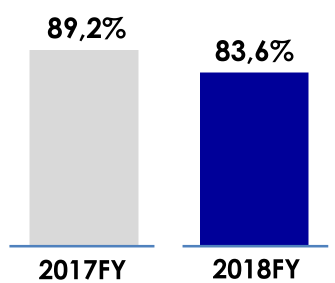
Capex



Net Financial Position (Net cash)



Cash conversion(2)

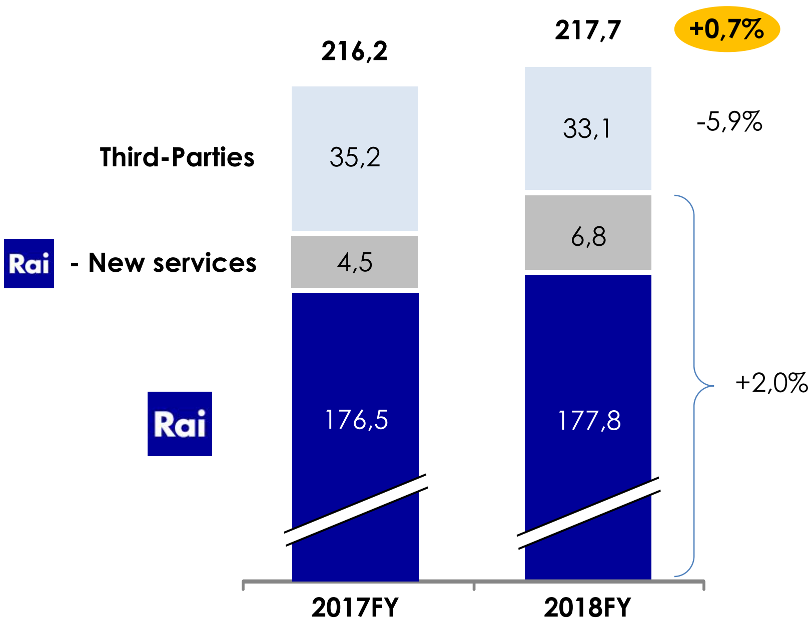


1) M&A capex = equity acquired
2) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA

Core Revenues

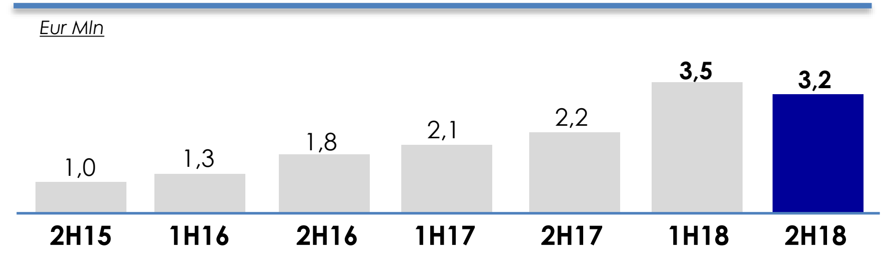
% YoY growth

Mln Eur; %



- Revenues from RAI up 2% supported by
  - ✓ CPI–link (0.8%)
  - ✓ Ramp-up of New Services mainly driven by first contribution from MUX coverage extension and activities related to spectrum refarming

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

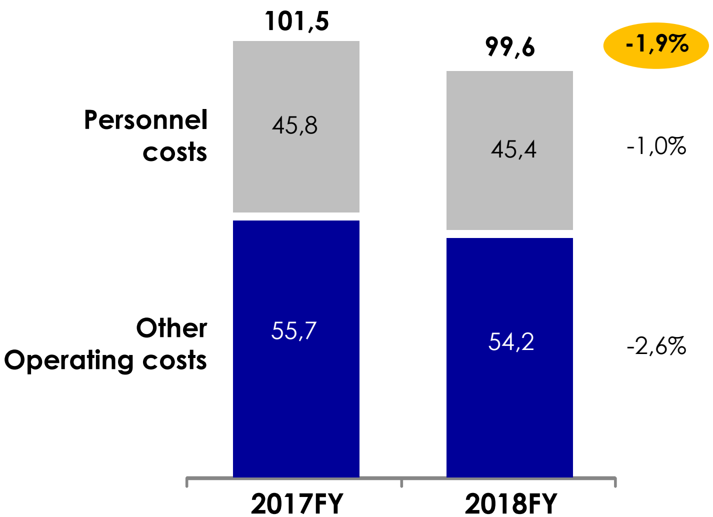


- Excluding non-core items, revenues from Third-Party customers down 4,8%, driven by two opposite trends:
  - ✓ Headwinds from MNO customers
  - ✓ Mid-single digit growth from other customers, supported by FWA providers, radio broadcasters and corporations

Opex (excluding one-offs)

% YoY growth

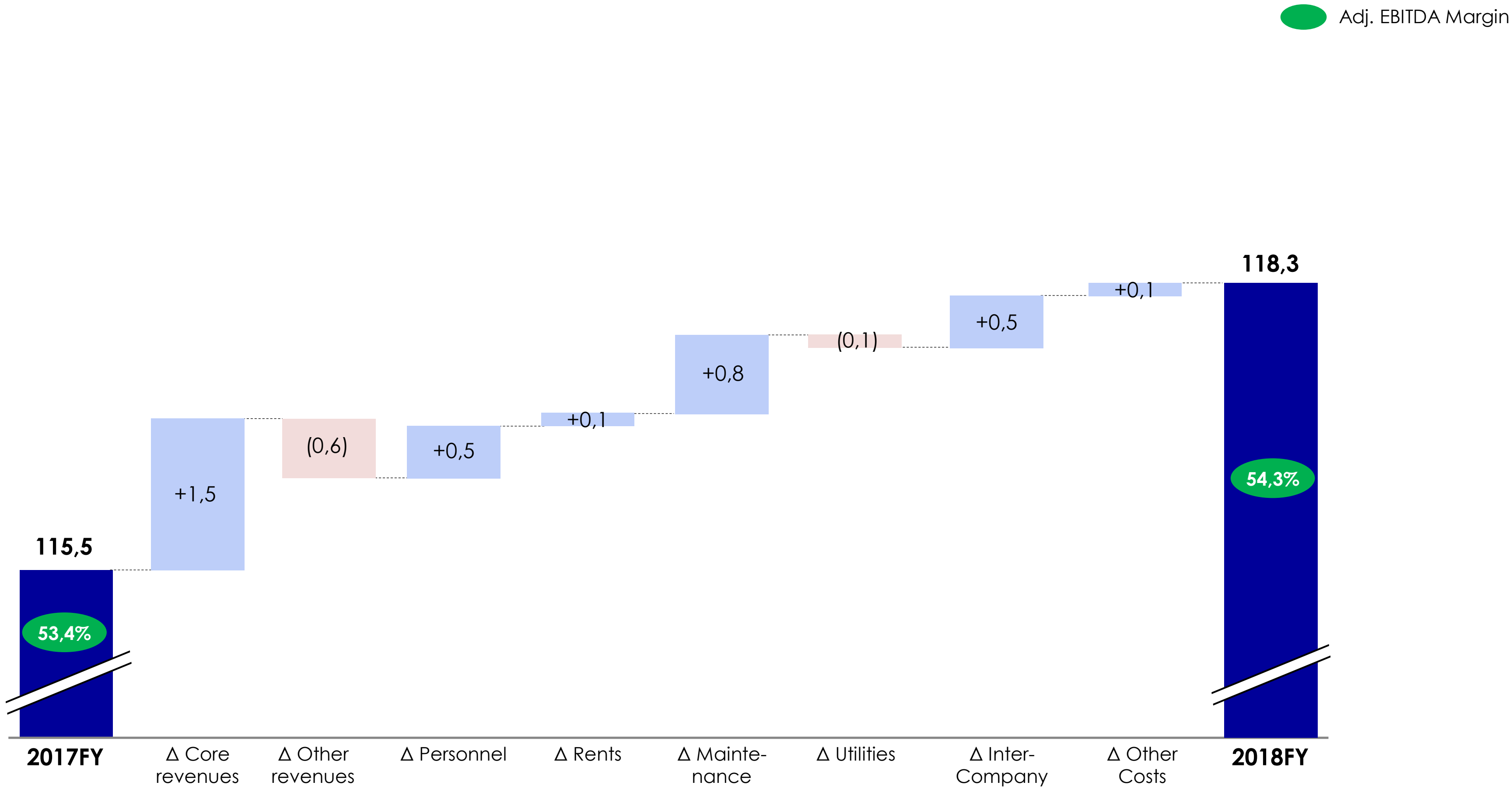
Mln Eur; %



- Further reduction of personnel costs, down 1%, mainly driven by full impact on core salary component of early retirement plan
- Other Operating costs benefitted from efficiencies on all main items, more than offsetting higher energy price

Adjusted EBITDA evolution

Mln Eur; %



P&L

Eur Mln, %	4Q 2017	4Q 2018	% YoY	2017 FY	2018 FY	% YoY
Core Revenues	**54,1**	**54,5**	**0,6%**	**216,2**	**217,7**	**0,7%**
Other Revenues & income	0,0	0,1		0,8	0,1	
Adj. EBITDA	**26,5**	**27,7**	**4,3%**	**115,5**	**118,3**	**2,4%**
% margin	*49,0%*	*50,8%*		*53,4%*	*54,3%*	
Non recurring costs	-1,3	-0,7		-1,7	-1,2	
EBITDA	**25,3**	**26,9**	**6,5%**	**113,8**	**117,1**	**2,9%**
% margin	*46,7%*	*49,4%*		*52,6%*	*53,8%*	
D&A[(1)]	-7,5	-9,0	19,9%	-32,4	-33,3	2,8%
Operating Profit (EBIT)	**17,8**	**18,0**	**0,9%**	**81,4**	**83,8**	**3,0%**
Net financial income (expenses)	-0,3	-0,2	-39,9%	-1,6	-1,2	-23,2%
Profit before Income taxes	**17,4**	**17,7**	**1,8%**	**79,7**	**82,5**	**3,5%**
Income Taxes	-5,2	-5,2	-0,4%	-23,5	-22,8	-2,9%
% tax rate	*29,9%*	*29,3%*		*29,5%*	*27,6%*	
Net Income	**12,2**	**12,6**	**2,7%**	**56,3**	**59,7**	**6,2%**
EPS	*0,0449*	*0,0461*		*0,2069*	*0,2197*	

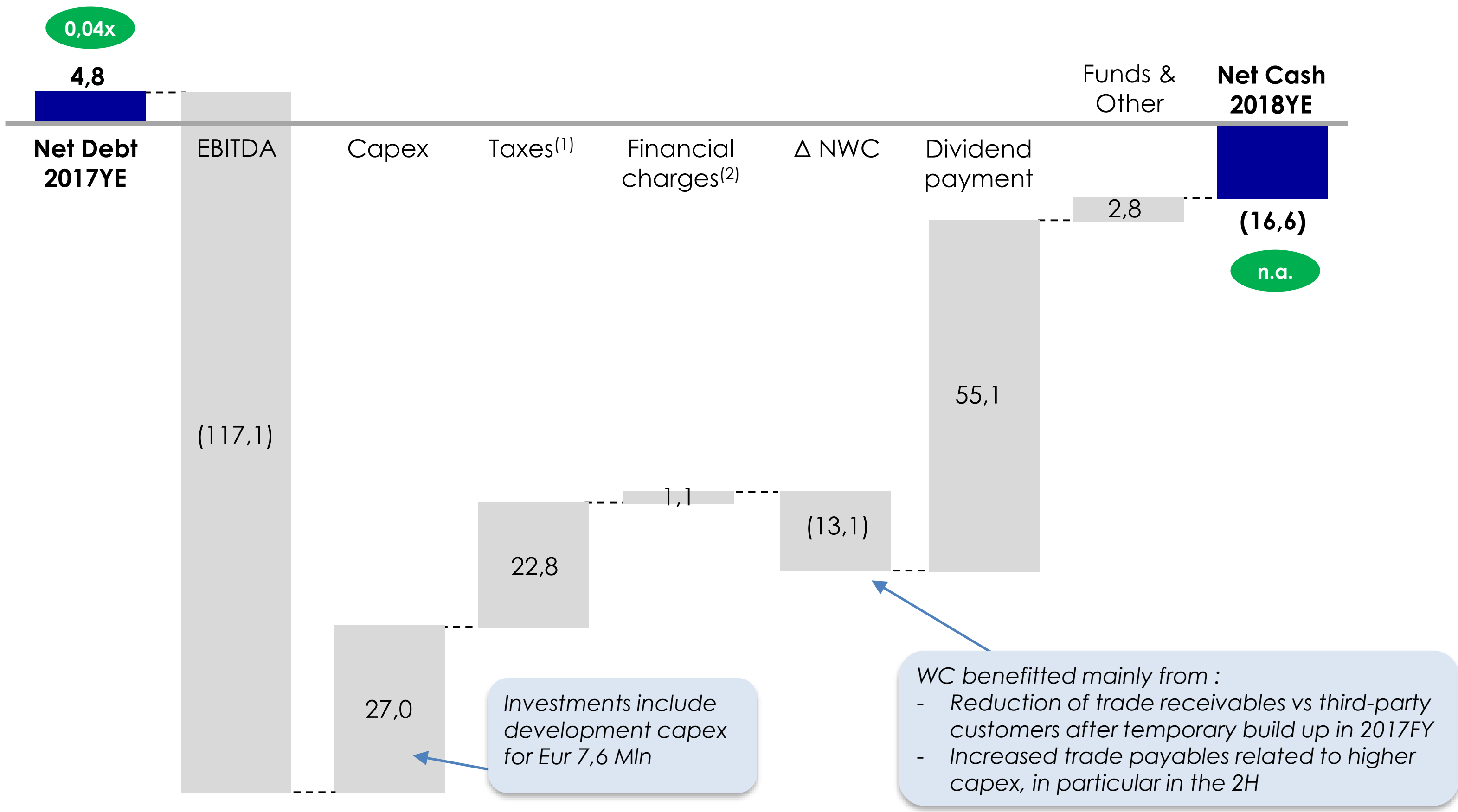
- **FY18 Net Income up 6,2% at € 59,7m driven by:**
  - Further improvement in profitability, with margin reaching 54,3% vs. 53,4% in FY17 despite lower benefit from Other Revenues & income
  - One-off expenses (€ 1,2m in FY18 vs. € 1,7m in FY17) related to early retirement incentive and advisory fee
  - Higher D&A, in particular in 4Q, with comparison impacted by release of provision for risk and charges reported in 2017
  - Lower tax rate, with 2018 favorably affected by deferred taxes

(1) *Including provisions*

Cash flow generation

Net Debt/Adj. EBITDA

Mln Eur

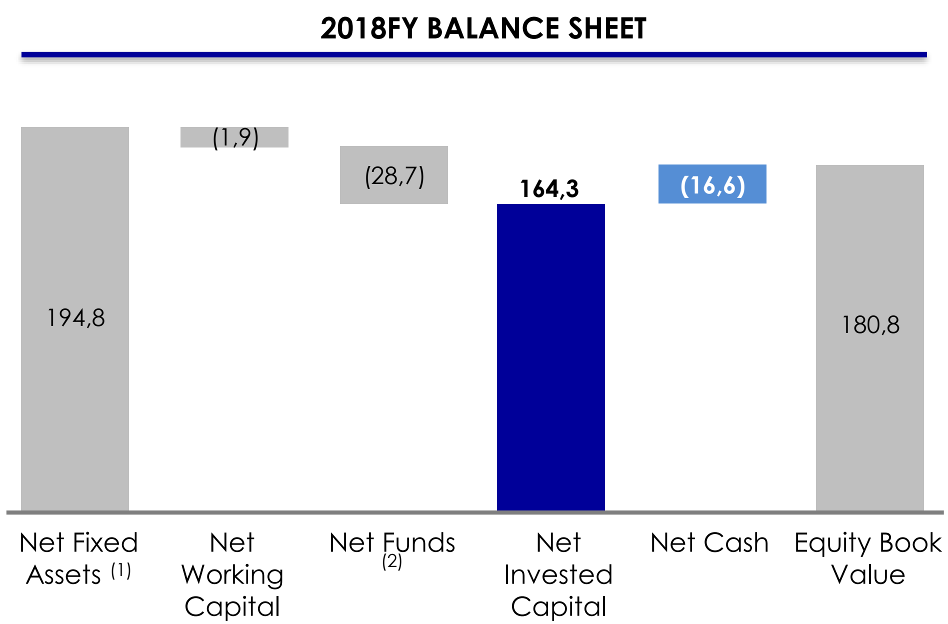


- Cash generation before development capex and dividends stood at 84,1Mln

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

Balance sheet

Mln Eur

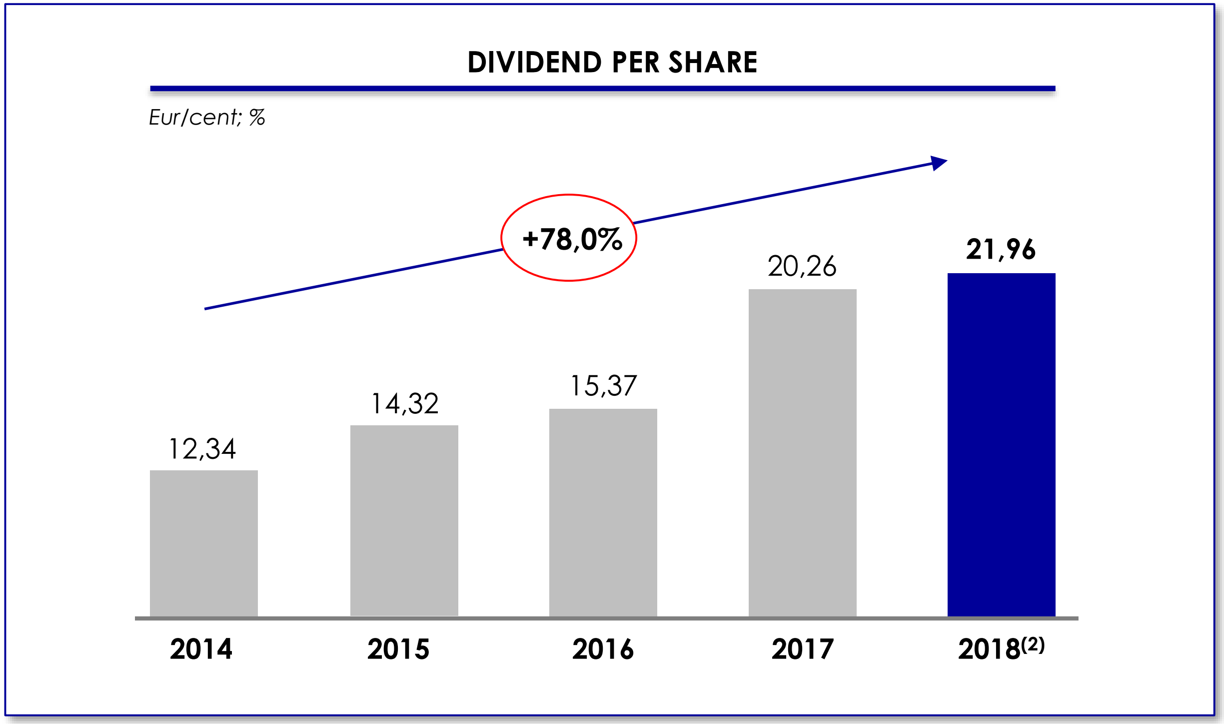


(1) Including long-term financial items
(2) Net funds include employee termination indemnities , provision for risks and deferred taxes

Dividend proposal

- Dividend proposal of 21,96 €cent/share (pay-out ratio of 100% of Net Income), with a dividend yield[1] of 4,6%

- Including the proposed dividend for 2018, approx. € 229 million (29% of the IPO Market Cap.) distributed to the shareholders since listing



(1) Dividend yield based on market closing price on 13/03/2019 (4,75 €/share)
(2) Dividend proposal

2019FY Outlook (pre-IFRS16)

- **2019 ADJUSTED EBITDA**
  - Further organic growth

- **2019 CAPEX**
  - Maintenance capex on core revenues ratio expected substantially in line with the 2018 figure

Comparison with Industrial Plan target for 2019

- Adjusted EBITDA: lower revenues mostly compensated by efficiencies
- Normalized FCFE[1]: in line, with 2015-19 cumulated figure above target mainly driven by faster rationalization of maintenance capex

1) Norm. FCFE= Adj. EBITDA – Net Financial Charges – P&L Taxes (adj. by impact of restructuring cost) – Maint. Capex

Q&A Session

Contacts

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Upcoming events

Date	Event
18/04/2019	Shareholders' Meeting
14/05/2019	1Q19 results
31/07/2019	1H19 results
14/11/2019	3Q19 results

Appendix

Detailed summary of Income Statement

(€m; %)	4Q17	4Q18	FY17	FY18
Core revenues	**54,1**	**54,5**	**216,2**	**217,7**
Other revenues and income	0,0	0,1	0,8	0,1
Purchase of consumables	(0,5)	(0,4)	(1,3)	(1,0)
Cost of services	(13,9)	(13,0)	(50,9)	(50,3)
Personnel costs	(13,3)	(13,2)	(47,1)	(46,1)
Other costs	(1,1)	(1,1)	(3,8)	(3,4)
Opex	**(28,9)**	**(27,6)**	**(103,2)**	**(100,8)**
Depreciation, amortization and write-downs	(9,6)	(8,9)	(34,5)	(33,3)
Provisions	2,1	(0,1)	2,1	(0,1)
Operating profit (EBIT)	**17,8**	**18,0**	**81,4**	**83,8**
Net financial income (expenses)	(0,3)	(0,2)	(1,6)	(1,2)
Profit before income taxes	**17,4**	**17,7**	**79,7**	**82,5**
Income taxes	(5,2)	(5,2)	(23,5)	(22,8)
Net Income	**12,2**	**12,6**	**56,3**	**59,7**

EBITDA	**25,3**	**26,9**	**113,8**	**117,1**
EBITDA margin	*46,7%*	*49,4%*	*52,6%*	*53,8%*
Non recurring costs	(1,3)	(0,7)	(1,7)	(1,2)
Adjusted EBITDA	**26,5**	**27,7**	**115,5**	**118,3**
Adjusted EBITDA margin	*49,0%*	*50,8%*	*53,4%*	*54,3%*

Summary of Balance Sheet

(€m)	2017FY	2018FY
Non current assets		
Tangible assets	188,7	180,9
Intangible assets	11,2	12,9
Financial assets, holdings and other non-current assets	0,4	1,3
Deferred tax assets	2,2	3,3
Total non-current assets	**202,4**	**198,5**
Current assets		
Inventories	0,9	0,9
Trade receivables	72,0	71,5
Other current receivables and assets	5,4	5,8
Current financial assets	0,1	0,1
Cash and cash equivalents	55,9	17,2
Current tax receivables	0,0	0,1
Total current assets	**134,3**	**95,5**
TOTAL ASSETS	**336,7**	**294,0**

(€m)	2017FY	2018FY
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	12,2	14,0
Other reserves	37,0	37,1
Retained earnings	57,0	59,5
Total shareholders' equity	**176,4**	**180,8**
Non-current liabilities		
Non-current financial liabilities	30,6	0,4
Employee benefits	16,4	15,1
Provisions for risks and charges	16,0	17,0
Other non-current liabilities	0,0	0,3
Deferred tax liabilities	0,0	0,0
Total non-current liabilities	**63,0**	**32,8**
Current liabilities		
Trade payables	37,7	45,6
Other debt and current liabilities	28,9	33,9
Current financial liabilities	30,3	0,3
Current tax payables	0,4	0,6
Total current liabilities	**97,3**	**80,4**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**336,7**	**294,0**

Summary of Cash Flow Statement

(€m)	4Q2017	4Q2018	FY2017	FY2018
Profit before income taxes	**17,4**	**17,7**	**79,7**	**82,5**
Depreciation, amortization and write-downs	9,6	8,9	34,5	33,3
Provisions and (releases of) personnel and other funds	(0,7)	1,4	0,3	4,0
Net financial (income)/expenses	0,3	0,2	1,4	1,0
(Retained earnings)/Losses carried forward and other non-monetary items	0,0	0,0	0,0	(0,8)
Net operating CF before change in WC	**26,6**	**28,2**	**116,0**	**120,0**
Change in inventories	0,0	0,0	0,0	0,0
Change in trade receivables	6,6	13,1	(5,7)	0,2
Change in trade payables	(2,2)	7,8	(5,0)	7,9
Change in other assets	1,3	0,5	(0,7)	(0,4)
Change in other liabilities	(8,9)	(3,4)	(5,4)	2,7
Use of funds	(0,6)	(0,1)	(1,3)	(0,9)
Payment of employee benefits	(1,2)	(0,6)	(4,0)	(3,2)
Change in tax receivables and payables	0,9	0,0	(0,1)	0,3
Taxes paid	(2,0)	(2,3)	(23,1)	(21,6)
Net cash flow generated by operating activities	**20,4**	**43,3**	**70,6**	**105,0**
Investment in tangible assets	(8,0)	(12,5)	(14,9)	(24,0)
Disposals of tangible assets	0,1	0,1	0,1	0,1
Investment in intangible assets	(1,1)	(2,2)	(1,4)	(3,0)
Disposals of intangible assets	0,0	0,0	0,0	0,0
Change in other non-current assets	(0,0)	0,0	0,0	(1,0)
Change in holdings	0,0	0,0	0,0	0,0
Change in non-current financial assets	0,0	0,0	0,1	0,1
Interest received	0,0	(0,0)	0,1	0,0
Business combination	0,0	0,0	(7,4)	0,0
Net cash flow generated by investment activities	**(9,0)**	**(14,6)**	**(23,4)**	**(27,8)**
(Decrease)/increase in medium/long-term loans	(0,1)	(0,1)	(30,2)	(60,2)
(Decrease)/increase in current financial liabilities	(0,0)	(17,9)	(0,3)	(0,0)
Change in current financial assets	(0,0)	0,1	0,1	0,1
Interest paid	(0,0)	(0,2)	(0,9)	(0,7)
Dividends paid	0,0	0,0	(41,8)	(55,1)
Net cash flow generated by financing activities	**(0,1)**	**(18,2)**	**(73,1)**	**(115,9)**
Change in cash and cash equivalent	**11,3**	**10,5**	**(25,8)**	**(38,7)**
Cash and cash equivalent (beginning of period)	44,6	6,7	81,3	55,9
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0	0,4	0,0
Cash and cash equivalent (end of period)	55,9	17,2	55,9	17,2

Update on main initiatives for RAI

Main finalized contracts

- Contribution network upgrade
- RAI Sport HD
- Transmission services for Expo
- International distribution for RAI Com
- Acquisition of 4th transponder
- Simulcrypt on satellite broadcasting platform
- RAI4 HD (on satellite platforms)
- International TV contribution for RIO 2016
- RAI Sport 2 HD for RIO 2016
- Additional HD channels broadcasting on satellite platforms (full HD offer)
- MUX "Francofono" for Valle d'Aosta region
- Tidying up of frequencies for MUX1 (channel 25 only)
- Satellite contribution network (bandwidth provisioning)
- Transmission services for Euro Cup 2016
- Further 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
- Renewal and upgrade of radio link equipment for reallocation of 3.6-3.8 GHz frequencies
- Further DAB+ roll-out
- MUX 2/3/4 coverage extension
- New thematic radio channels broadcasting
- International distribution in HD

Contract for MUX Coverage Extension

- The contract follows RAI obligation, as per the Service Contract with the Government, to assure a coverage for the thematic MUXes of at least 95%

SCOPE & TIMING OF THE CONTRACT

- Extension of 2 / 3 MUXes' DTT UHF network from current ca. 400 to ca. 1,000 sites
- Progressive activation between 2019 and 2020

FINANCIALS *(Run-rate from 2021)*

- CAPEX: 40-50 Mln, depending on final project scope
- Run-rate contribution:
  - 9-11 Mln of revenues
  - profitability above Rai Way current level
- Project IRR >10%, in line with target

- Compared to Industrial Plan assumptions:
  - Lower contribution in 2019
  - Higher contribution from 2020 due to overall CAPEX exceeding the targets