

1Q2019 Results Presentation

Rome, 14 May 2019

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

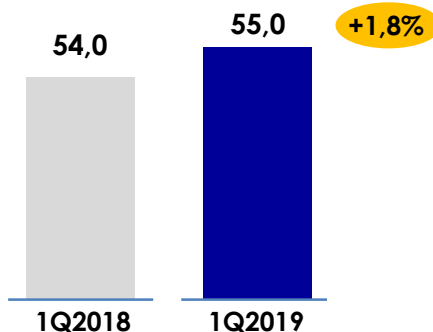
- Good start of the year
 - Adjusted EBITDA further improved mainly thanks to higher revenues and cost control
- Update on refarming process:
 - Conversion and awarding criteria released by AGCOM in line with Budget Law
 - Process to define auction criteria to award additional capacity started by AGCOM
- Business with third parties excluding MNO growing at high-single-digit
- MoU signed with RAI and OpenFiber
- 2019 outlook confirmed

1Q2018 Financial Highlights

% YoY growth

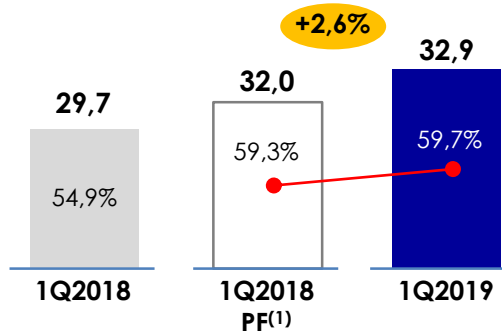
Mln Eur; %

Core Revenues

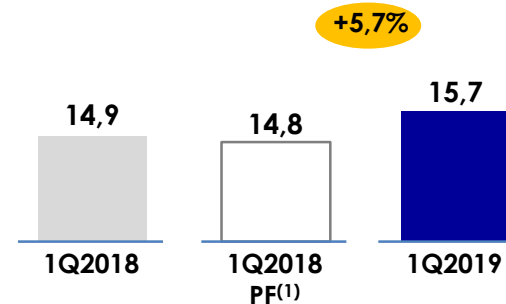


Adjusted EBITDA

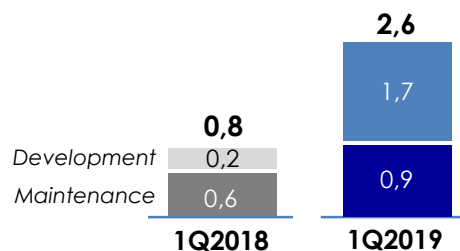
• Adjusted EBITDA margin



Net Income

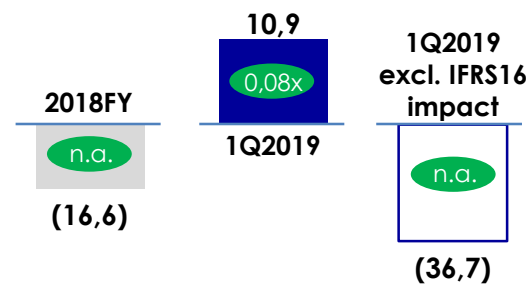


Capex

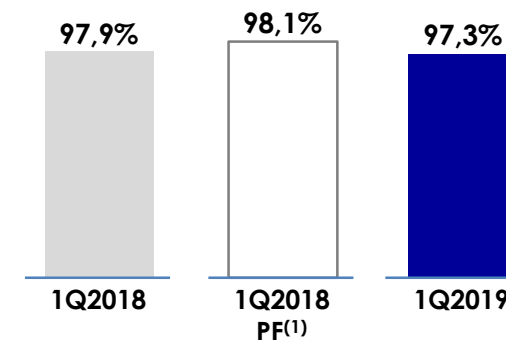


Net debt (Net Cash)

● Net Debt / 1-y rolling Adjusted EBITDA



Cash conversion⁽²⁾

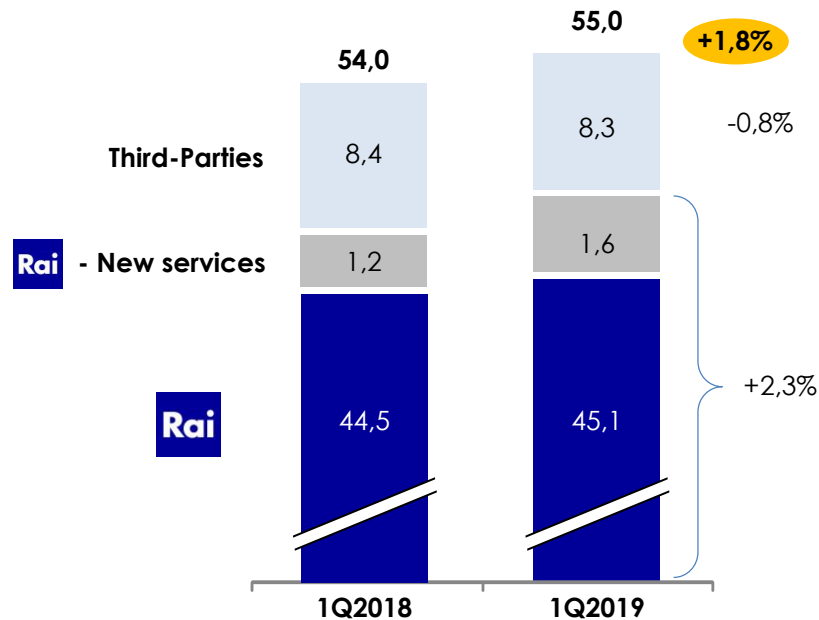


- 1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.
- 2) Cash conversion= (Adj. EBITDA – Maintenance Capex) / Adj. EBITDA

Core Revenues

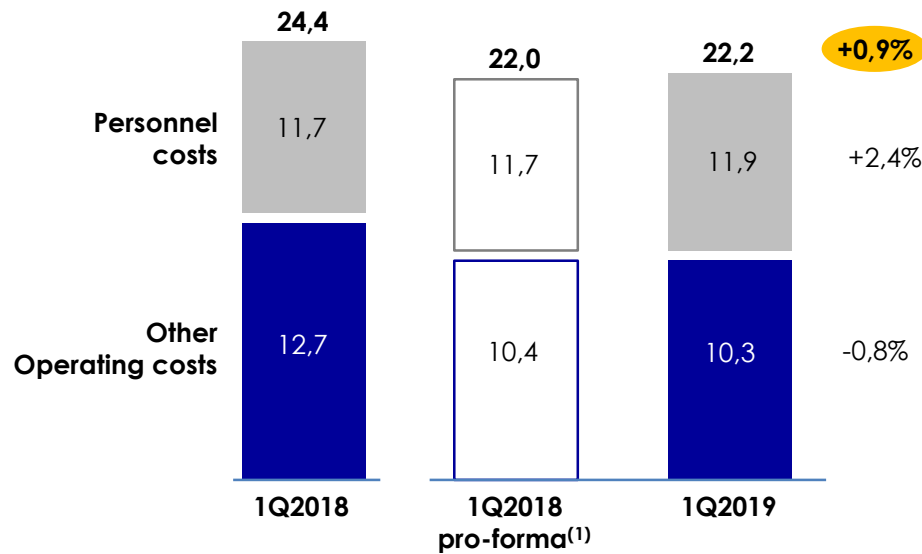
% YoY growth

Mln Eur; %



- Revenues from RAI up 2,3% driven by:
 - ✓ Indexation to CPI on fixed-consideration
 - ✓ Higher contribution from New Services driven by projects signed in 2018 (i.e. DAB+ network extension and radio links refarming)
- Revenues from Third-Party customers down 0,8% with headwinds from MNO and high-single-digit growth in other segments, in particular FWAPs, TV&Radio broadcasters and corporations

Mln Eur; %



- Personnel costs up 2,4% vs. 1Q2018 following hiring process scheduled as part of the early-retirement plan implemented in previous years and renewal of the collective agreement
- Other operating costs broadly stable (on a pro-forma basis) with higher maintenance and utilities offset by optimization of other items (i.e. intercompany rents, local taxes, etc)

1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

<i>Eur Mln, %</i>	1Q 2018	1Q 2018 PF ⁽¹⁾	1Q 2019	% YoY
Core Revenues	54,0	54,0	55,0	1,8%
Other Revenues & income	0,0	0,0	0,1	
Adj. EBITDA	29,7	32,0	32,9	2,6%
% margin	54,9%	59,3%	59,7%	
Non recurring costs	-0,3	-0,3	0,0	
EBITDA	29,4	31,8	32,9	3,4%
% margin	54,4%	58,8%	59,7%	
D&A ⁽²⁾	-8,0	-10,2	-10,4	1,9%
Operating Profit (EBIT)	21,4	21,6	22,5	4,1%
Net financial income (expenses)	-0,4	-0,6	-0,4	-36,1%
Profit before Income taxes	21,1	21,0	22,1	5,2%
Income Taxes	-6,2	-6,2	-6,4	4,0%
% tax rate	29,3%	29,3%	29,0%	
Net Income	14,9	14,8	15,7	5,7%

• 1Q19 Net Income at € 15,7m, up 5,7% vs pro-forma 1Q18 figures, driven by:

- Higher revenues
- Further profitability enhancement
- No one-off costs
- Broadly stable lines below EBITDA, with tax rate at 29%

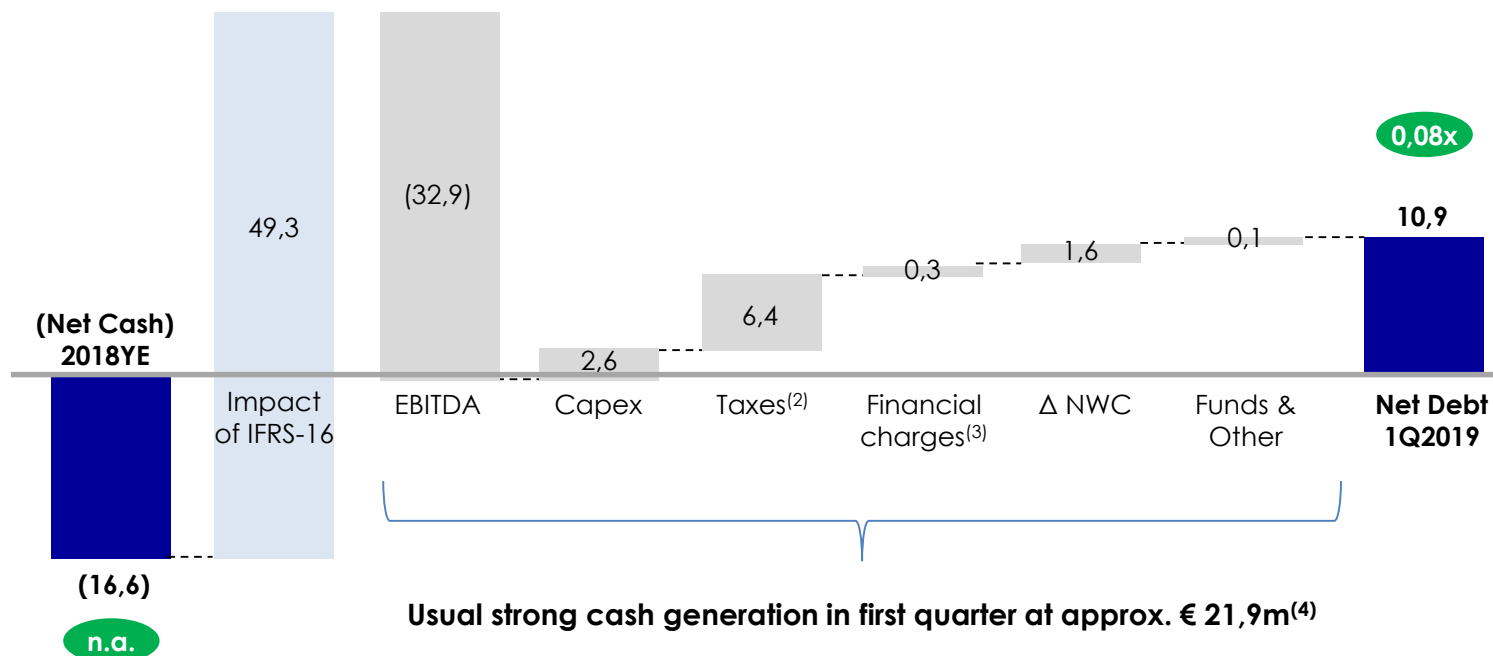
(1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

(2) Including provisions

Cash flow generation

Net Debt/ 1y rolling pro-forma⁽¹⁾ Adj. EBITDA

Mln Eur



(1) Starting from 1 January 2019 the new IFRS-16 accounting standard was applied. Pro-forma economic and financial data for 2018 simulate the application of the aforementioned accounting principle from 1 January 2018.

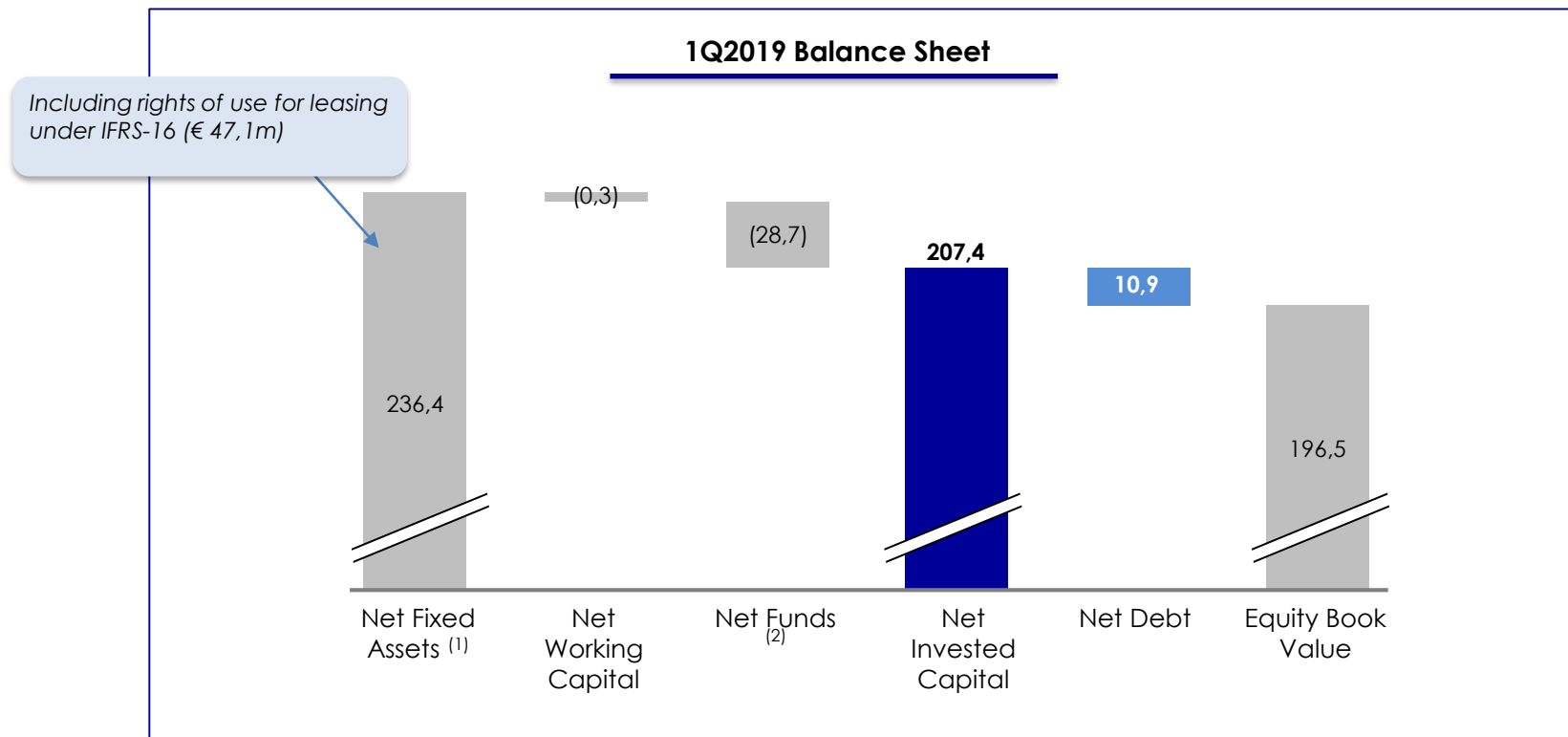
(2) P&L taxes

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

(4) Amount based on IFRS 16 accounting standard, consistently with the reported Net Debt figures

Balance sheet

Mln Eur



(1) Including long-term financial items and the rights of use for leasing introduced from 2019 with the application of IFRS 16

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

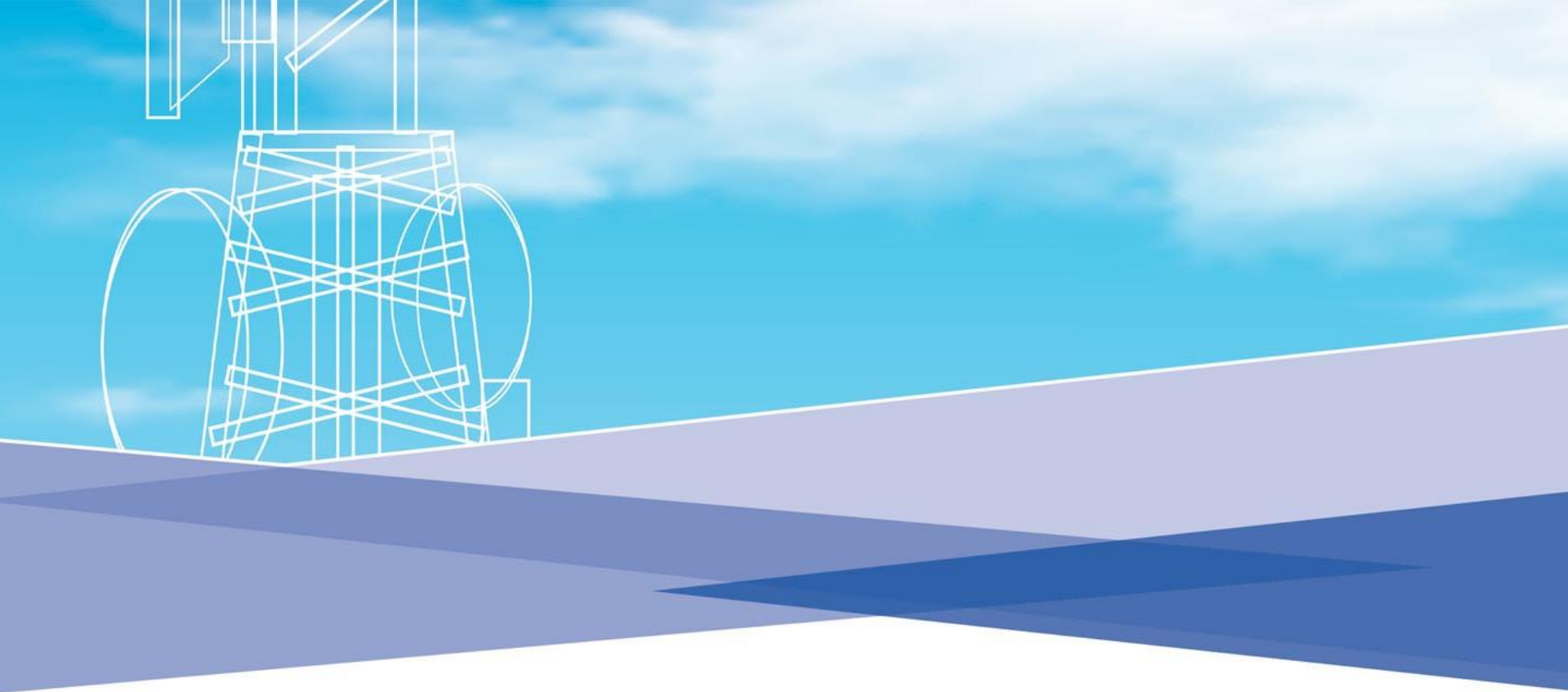
2019FY Outlook (pre-IFRS16) confirmed

- **2019 ADJUSTED EBITDA**

- Further organic growth

- **2019 CAPEX**

- Maintenance capex on core revenues ratio expected substantially in line with the 2018 figure, bringing the last 5-year average level at ca. 8%



Q&A Session

Contacts

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Upcoming events

<u>Date</u>	<u>Event</u>
31/07/2019	1H19 results
14/11/2019	3Q19 results

Appendix

The background of the slide features a faded, light blue image of a tall communication tower situated on a hill. A bright sun flare is visible behind the tower, creating a lens flare effect. The overall aesthetic is clean and professional, with a focus on technology and infrastructure.

Detailed summary of Income Statement

(€m; %)	1Q18	1Q18PF ⁽¹⁾	1Q19
Core revenues	54,0	54,0	55,0
Other revenues and income	0,0	0,0	0,1
Purchase of consumables	(0,3)	(0,3)	(0,3)
Cost of services	(11,9)	(9,5)	(9,5)
Personnel costs	(11,7)	(11,7)	(11,9)
Other costs	(0,8)	(0,8)	(0,5)
Opex	(24,6)	(22,3)	(22,2)
Depreciation, amortization and write-downs	(8,0)	(10,2)	(10,4)
Provisions	0,0	0,0	0,0
Operating profit (EBIT)	21,4	21,6	22,5
Net financial income (expenses)	(0,4)	(0,6)	(0,4)
Profit before income taxes	21,1	21,0	22,1
Income taxes	(6,2)	(6,2)	(6,4)
Net Income	14,9	14,8	15,7
EBITDA	29,4	31,8	32,9
EBITDA margin	54,4%	58,8%	59,7%
Non recurring costs	(0,3)	(0,3)	0,0
Adjusted EBITDA	29,7	32,0	32,9
Adjusted EBITDA margin	54,9%	59,3%	59,7%

Summary of Balance Sheet

(€m)	2018FY	1Q2019
Non current assets		
Tangible assets	180,9	175,7
Rights of use for leasing	0,0	47,1
Intangible assets	12,9	12,6
Financial assets, holdings and other non-current assets	1,3	1,3
Deferred tax assets	3,3	3,4
Total non-current assets	198,5	240,1
Current assets		
Inventories	0,9	0,9
Trade receivables	71,5	86,1
Other current receivables and assets	5,8	5,4
Current financial assets	0,1	0,1
Cash and cash equivalents	17,2	37,2
Current tax receivables	0,1	0,1
Total current assets	95,5	129,7
TOTAL ASSETS	294,0	369,8

(€m)	2018FY	1Q2019
Shareholders' Equity		
Share capital	70,2	70,2
Legal reserves	14,0	14,0
Other reserves	37,1	37,1
Retained earnings	59,5	75,2
Total shareholders' equity	180,8	196,5
Non-current liabilities		
Non-current financial liabilities	0,4	0,4
Non-current leasing liabilities	0,0	38,8
Employee benefits	15,1	15,1
Provisions for risks and charges	17,0	17,0
Other non-current liabilities	0,3	0,3
Deferred tax liabilities	0,0	0,0
Total non-current liabilities	32,8	71,6
Current liabilities		
Trade payables	45,6	45,5
Other debt and current liabilities	33,9	45,6
Current financial liabilities	0,3	0,2
Current leasing liabilities	0,0	8,8
Current tax payables	0,6	1,6
Total current liabilities	80,4	101,7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	294,0	369,8

Summary of Cash Flow Statement

(€m)	1Q2018	1Q2019
Profit before income taxes	21,1	22,1
Depreciation, amortization and write-downs	8,0	10,4
Provisions and (releases of) personnel and other funds	0,6	0,6
Net financial (income)/expenses	0,3	0,3
(Retained earnings)/Losses carried forward and other non-monetary items	(0,8)	0,0
Net operating CF before change in WC	29,2	33,4
Change in inventories	0,0	0,0
Change in trade receivables	(0,8)	(14,7)
Change in trade payables	(3,0)	(0,1)
Change in other assets	(1,4)	0,5
Change in other liabilities	7,2	6,2
Use of funds	(0,0)	(0,0)
Payment of employee benefits	(0,5)	(0,6)
Change in tax receivables and payables	0,0	0,0
Taxes paid	0,0	0,0
Net cash flow generated by operating activities	30,7	24,8
Investment in tangible assets	(0,8)	(2,6)
Disposals of tangible assets	0,0	0,0
Investments rights of use for leasing IFRS 16	0,0	(49,3)
Investment in intangible assets	(0,0)	(0,0)
Disposals of intangible assets	(0,0)	0,0
Change in other non-current assets	0,0	(0,0)
Change in holdings	0,0	0,0
Change in non-current financial assets	0,0	0,0
Business combination	0,0	0,0
Net cash flow generated by investment activities	(0,8)	(51,9)
(Decrease)/increase in medium/long-term loans	(15,0)	0,0
(Decrease)/increase in current financial liabilities	(0,2)	(0,3)
(Decrease)/increase in IFRS 16 financial liabilities	0,0	47,5
Change in current financial assets	(0,2)	(0,1)
Net Interest paid	(0,2)	(0,0)
Dividends paid	0,0	0,0
Net cash flow generated by financing activities	(15,6)	47,2
Change in cash and cash equivalent	14,2	20,0
Cash and cash equivalent (beginning of period)	55,9	17,2
Cash and cash equivalent of newly consolidated companies (beginning of period)	0,0	0,0
Cash and cash equivalent (end of period)	70,1	37,2