



**Inter Media and Communication S.p.A**

**H1 2017/2018 Results Presentation**

**1<sup>st</sup> March 2018**

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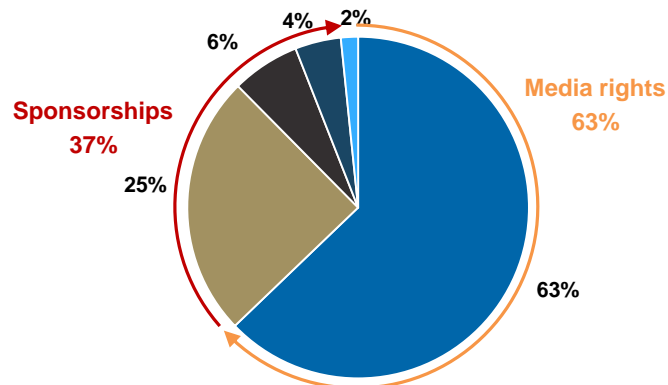


# Overview of Inter MediaCo

## Inter MediaCo at a Glance

- **Sole manager and operator** of the **media, broadcast and sponsorship** businesses of **Inter**
- Formed in 2014 in connection with the contribution by Inter of its media, broadcast and sponsorship rights business, its historical media archives and the material IP rights relating to the Inter brand
- MediaCo main revenues lines are divided into **Media rights** and **Sponsorships**
  - Media rights for Serie A (centrally managed by Lega Serie A on three-year cycle contracts) and for European competitions (centrally managed by UEFA on three-year cycle contracts)
  - Long term sponsors include Pirelli (jersey sponsor since 1995/96 season) and Nike (technical sponsor since 1998/99 season)
  - Naming Rights

## H1 2017/2018 Adjusted Revenues<sup>1</sup> Breakdown



H1 2017/2018 Adj. Revenues: €115.7m

- Serie A & UEFA
- Regional and Naming Sponsor
- Other Sponsors
- Shirt
- Technical

<sup>1</sup> Adjusted revenue is the aggregate revenue that MediaCo reports on its income statement (the "Revenue"<sup>2</sup>) and the receivables associated with Inter's broadcasting rights the "Indirect Media Revenue" MediaCo reports on its balance sheet. <sup>2</sup> Revenue includes the revenue that MediaCo receives from Inter TV and from licensing Inter's archive content rights (the "Direct Media Revenue"), the revenue MediaCo receives from sponsorship agreements and other income

## Inter TeamCo – An Iconic Franchise

- One of the **leading European football clubs**, with a history dating back to 1908
- Only club to have **played every season in Serie A** since the league's inception in 1929 and the only **never been relegated**
  - **Won 30 domestic trophies** (including 18 Serie A championships, 7 TIM Cup titles and 5 Supercoppa TIM titles), 3 UEFA Champions League titles, 3 UEFA Cup titles, 2 Intercontinental Cups and 1 FIFA Club World Cup
  - First Italian team to complete the **"Continental Treble"** by winning the titles in Serie A, TIM Cup and UCL all in the same season in 2010
- During the first part of the sporting season 2017/2018, Inter was the **1<sup>st</sup> club in Italy and 10<sup>th</sup> placed club in Europe** in terms of average attendance

## Honours



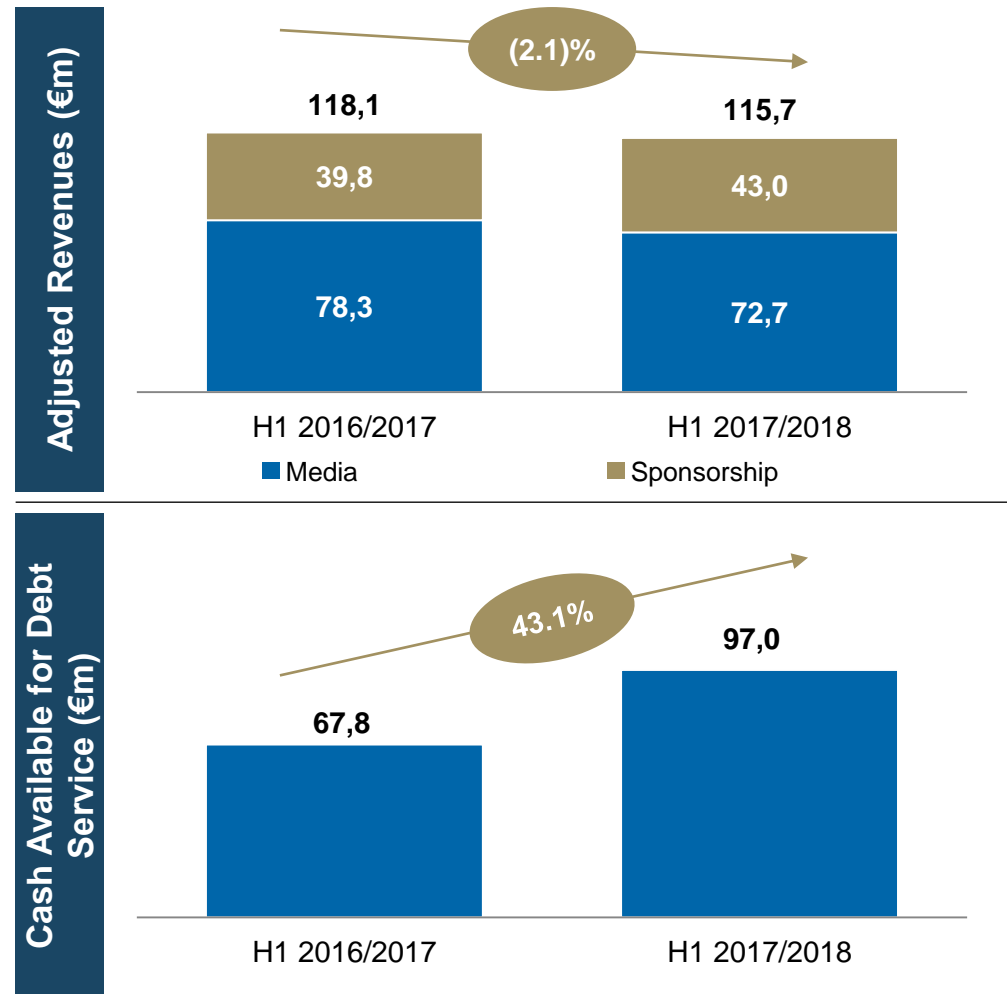


# Key Financial Highlights

## Key Highlights

- Adjusted Revenue decreased by €2.4 million or 2.1% to €115.7 million for the six months ended December 31, 2017 from €118.1 million for the six months ended December 31, 2016
  - Adjusted media revenue shows a €5.6m decrease which is due to the non-participation in the UEFA Europa League (“UEL”) in the current season
  - Sponsorship revenue increased 7.9%, driven by an increase in shirt revenue and regional and naming rights
- Cash Available for Debt Service increased by €29.2 million or 43.1% to €97.0 million for the six months ended December 31, 2017
  - Primarily due to €33.9 million collections relating to the contracts with Chinese counterparties (vs. no collection in same period last year)

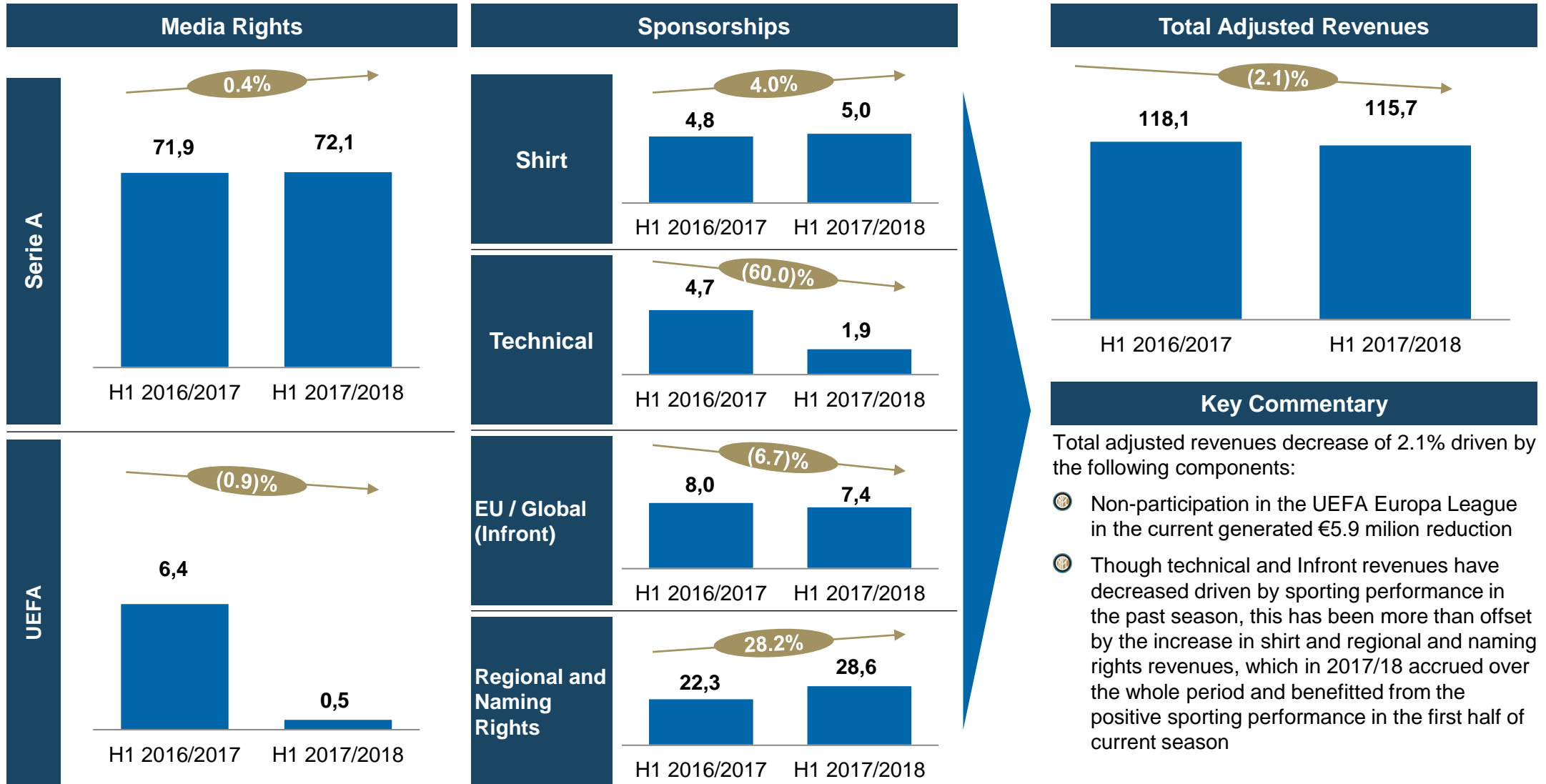
## Key Financials





# Revenue Breakdown Evolution

(€m)





# Key Operating Performance Highlights

## Already Impacting H1 2017/2018 Results

## Potential Impact on Future Performance

### Media Revenues

- Launch in the first months of the year of the **Media House** strategic project to improve media revenues and increase fans engagement through compelling content creation
  - **Rebranding of Inter TV** is part of the Media House project

- **Domestic Serie A broadcasting rights** for 2018-21 seasons **sold to Mediapro for €1.05bn** per year, subject to final confirmation from Italian Anti-Trust authority
- **International Serie A broadcasting rights** for 2018-21 seasons **sold to IMG for €371m** per year
- UEFA granting four slots in UCL for Serie A from the current season

### Sponsorship Revenues

- **Growth of the sponsorship portfolio**, with new sponsorship agreement signed with primary partners such as Bwin, Volvo and Konami
- **Higher contractual bonuses** accrued based on 1<sup>st</sup> team performance (3<sup>rd</sup> position in the Serie A ranking achieved at the end of first half of the season)

- **Dedicated in-house team** for marketing and negotiations of **sponsorship** replacing Infront from next season
- UEFA granting four slots in UCL for Serie A from the current season

### TeamCo Update

- At the release date of this presentation, after 26 games, the Team sits in **4<sup>th</sup> place in Serie A**, which would result in the Team qualifying for the UEFA Champions League
- During the first part of the 2017/2018 season, the Team was **1<sup>st</sup> Club in Italy by average match attendance**
  - After 14 matches played, the average attendance was 56,432



# Appendix





# Current Trading vs. Contracted Revenues

(€m)

|                                 | H1 2017/2018                     | Contracted FY2017/2018 | Highlights                                                                                                                                                                          | Contract Expiration                                                                               |             |
|---------------------------------|----------------------------------|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------|
| TV / Media Rights               | 72.1                             | 83.0 <sup>2</sup>      | ● Serie A audiovisual rights managed centrally by Lega Nazionale Professionisti Serie A                                                                                             | June 2018                                                                                         |             |
|                                 |                                  | 10.6 <sup>3</sup>      | ● Exclusive commercialization of Inter Milan archive rights in Italy managed by Infront                                                                                             | 2021                                                                                              |             |
|                                 |                                  | 2.8 <sup>4</sup>       | ● Inter TV: distribution of the Club Channel on Sky platform in Italy, PPTV (China), Infront (other foreign countries) and a number of technical services and sales to broadcasters |                                                                                                   |             |
| UEFA Competitions (UCL and UEL) | 0.5 <sup>5</sup>                 | 0.5 <sup>5</sup>       | ● Rights managed centrally by UEFA                                                                                                                                                  |                                                                                                   |             |
| Sponsorships                    | Pirelli                          | 5.0                    | 10.1                                                                                                                                                                                | ● Shirt sponsor for last 22 years (renewed) through 2021                                          | June 2021   |
|                                 | Nike                             | 1.9                    | 3.8                                                                                                                                                                                 | ● Technical sponsor partner for last 19 years                                                     | June 2024   |
|                                 | Training Kit and Training Center | 12.6 <sup>1</sup>      | 17.0 <sup>6</sup>                                                                                                                                                                   | ● Signed a multiyear contract with Suning with an annual €16.5m base fee                          | June 2020   |
|                                 | Other Sponsors                   | 23.5                   | 43.0 <sup>7</sup>                                                                                                                                                                   | ● Other sponsors of MediaCo (e.g. global and regional sponsorship agreements with Asian partners) | 2018 – 2020 |
| <b>Total Revenues</b>           | <b>115.7</b>                     | <b>170.8</b>           |                                                                                                                                                                                     |                                                                                                   |             |

<sup>1</sup> Pro-rata value at 31 December 2017 of the €16.5 million annual contract excluding 47% attributed to TeamCo starting from the Issue Date (21 December 2017) + €4.6m contractual bonuses accrued in H1 based on 1st team performance. <sup>2</sup> Even if Inter had finished near the bottom of the Serie A league table in any of the past three seasons, its revenue received from Serie A broadcasting rights would still have been over €70m in that season, grossed up to €83m adjusted revenue in line with the effective average VAT rate of the past two seasons. <sup>3</sup> €10m in accordance with Infront Archive minimum guarantee and €0.6m for RAI Archive Rights to be recognized in FY2018. <sup>4</sup> Only reflects contracted revenue from PPTV China + Infront for distribution in other foreign countries and from LNP for a number of technical services and sales to broadcasters. <sup>5</sup> €0.5m from FY2016/2017 recognised in FY2017/2018. <sup>6</sup> As of the Issue Date and going forward, we will receive approximately 53% of the €16.5 million sponsorship base fee, which represents the portion of the Naming Rights and Sponsorship Agreement relating to the naming rights of the training kit, as well as any performance bonus and Inter will receive the remaining 47%, which represents the naming rights of the training center, which will then be assigned to New Youth Training Center ("NewCo") upon its incorporation. Therefore, in FY2017/2018 we will receive a guaranteed amount €7.8 million until the Issue Date + €4.6 million from Issue Date to 30 June 2018 + €4.6 million performance bonus already achieved in H1. <sup>7</sup> This includes €13.0m contracted with various sponsors and €30.0m under the Beijing Yixinshijie marketing and negotiating sponsorship agreements in Asia.





# Summary Cash Flow

## For the Six Months Ended December, 31

|                                             | 2016          | 2017         |
|---------------------------------------------|---------------|--------------|
| (In Millions of €)                          |               |              |
| Adjusted Revenue <i>(Unaudited)</i>         |               |              |
| <b>Sponsorship Revenue</b>                  |               |              |
| Shirt                                       | 4.8           | 5.0          |
| Technical                                   | 4.7           | 1.9          |
| Infront                                     | 8.0           | 7.4          |
| Regional and Naming Rights                  | 22.3          | 28.6         |
| <b>Direct Media Revenue</b>                 | <b>7.1</b>    | <b>7.3</b>   |
| <b>Other Income</b>                         | <b>0.0</b>    | <b>0.0</b>   |
| <b>Revenue</b>                              | <b>46.9</b>   | <b>50.3</b>  |
| <b>Indirect Media Revenue</b>               |               |              |
| Serie A Indirect Media Revenue              | 64.8          | 64.9         |
| UEFA Indirect Media Revenue                 | 6.4           | 0.5          |
| <b>Adjusted Revenue</b>                     | <b>118.1</b>  | <b>115.7</b> |
| <b>Cash Inflow</b>                          |               |              |
| Change in Current operating assets          | (41.4)        | (18.5)       |
| Change in Non current operating assets      | 1.1           | 0.2          |
| <b>Cash Inflow</b>                          | <b>77.8</b>   | <b>97.4</b>  |
| <b>Cash Outflow</b>                         |               |              |
| Personnel Costs                             | (1.3)         | (1.4)        |
| Cost of Services                            | (3.3)         | (3.3)        |
| Other Costs                                 | (0.9)         | (0.6)        |
| Income Taxes                                | (8.8)         | (7.4)        |
| Change in Current operating liabilities     | 5.4           | 12.9         |
| Change in Non current operating liabilities | (1.1)         | (0.6)        |
| <b>Cash Outflow</b>                         | <b>(10.0)</b> | <b>(0.5)</b> |
| <b>Cash Avail. for Debt Service</b>         | <b>67.8</b>   | <b>97.0</b>  |

|                                            | €m           | Cash available for Debt Service |
|--------------------------------------------|--------------|---------------------------------|
| <b>Net Total MediaCo Debt</b>              | <b>246.7</b> | <b>1.3x</b>                     |
| LTM Dec-17 Cash Available for Debt Service |              | 191.6                           |

## Key Comments

- Adjusted Revenue here refers to both revenue that Inter MediaCo reports on its income statement (includes Direct Media Revenue and Sponsorship Revenue) as well Indirect Media Revenue that the Issuer reports on its balance sheet (Serie A Indirect Media Revenue and UEFA Indirect Media Revenue). The €2.4 million decrease was due to the non-participation in the UEFA Europa League in the current season and has been partially (and primarily) offset by a €6.3 million increase in regional and naming rights sponsorships.
  
- Cash Available for Debt Service increased by 43.1% primarily due to €33.9 million collections relating to the contracts with Chinese counterparties (vs no collection in same period last year. This is reflected in:
  - Lower change in current operating assets (outflow of €18.5m for the period ended December 31 2017 compared to an outflow of €41.4m in the previous year)
  - Higher change in current operating liabilities generating an inflow of €12.9m for the period ended December 31 2017 compared to €5.4m in the previous year (this relates to deferred revenues generated by the portion of contracts with Chinese counterparties which will be recognized in H2)



# Income Statement

For the Six Months Ended December, 31

|                               | 2016               | 2017          |
|-------------------------------|--------------------|---------------|
| (In Millions of €)            |                    |               |
| Adjusted Revenue              | <i>(Unaudited)</i> |               |
| <b>Revenue</b>                |                    |               |
| Revenue                       | 46.9               | 50.2          |
| Other Income                  | 0.0                | 0.0           |
| <b>Total Revenue</b>          | <b>46.9</b>        | <b>50.3</b>   |
| <b>Operating Costs</b>        |                    |               |
| Personnel Costs               | 1.3                | 1.4           |
| Cost of Services              | 3.3                | 3.3           |
| Other operating costs         | 0.9                | 0.6           |
| Accruals for Risks            | -                  | 0.2           |
| Depreciation and Amortization | 9.1                | 9.2           |
| <b>Total Operating Costs</b>  | <b>14.7</b>        | <b>14.6</b>   |
| <b>Operating Profit</b>       | <b>32.2</b>        | <b>35.6</b>   |
| <b>Net Financial Expenses</b> | <b>(8.3)</b>       | <b>(11.4)</b> |
| <b>Profit Before Tax</b>      | <b>23.9</b>        | <b>24.2</b>   |
| <b>Income Taxes</b>           | <b>(8.8)</b>       | <b>(7.4)</b>  |
| <b>Profit for the Period</b>  | <b>15.1</b>        | <b>16.8</b>   |



# Cash Flow Statement

For the Six Months Ended December, 31

|                                                                                 | 2016               | 2017          |
|---------------------------------------------------------------------------------|--------------------|---------------|
| (In Millions of €)                                                              |                    |               |
| <b>Adjusted Revenue</b>                                                         | <i>(Unaudited)</i> |               |
| Profit for the period                                                           | 15.1               | 16.8          |
| Current taxes                                                                   | 8.9                | 8.5           |
| Net financial expenses                                                          | 8.4                | 11.4          |
| <b>Profit for the period before taxes and interest</b>                          | <b>32.4</b>        | <b>36.6</b>   |
| Depreciation and Amortization                                                   | 9.1                | 9.2           |
| Employee severance indemnities                                                  | 0.0                | 0.0           |
| Accrual for risks                                                               | -                  | 0.2           |
| Deferred tax assets and liabilities                                             | (0.1)              | (1.0)         |
| <b>Cash flow from operating activities before changes in working capital</b>    | <b>41.4</b>        | <b>45.0</b>   |
| Increase in trade and other receivables                                         | (41.6)             | (15.6)        |
| Increase / (Decrease) in trade and other payables                               | 42.9               | 43.7          |
| Other variations in net working capital                                         | 0.3                | (3.4)         |
| <b>Cash flow from operating activities after changes in Net Working Capital</b> | <b>43.1</b>        | <b>69.6</b>   |
| Taxes paid                                                                      | (1.8)              | -             |
| Interest and other financial expenses paid                                      | (6.8)              | (8.8)         |
| <b>A. Cash flow from operating activities</b>                                   | <b>34.5</b>        | <b>60.8</b>   |
| Investments in Intangible Assets                                                | -                  | (0.0)         |
| Investments in Property, Plant and Equipment                                    | (0.0)              | (0.1)         |
| <b>B. Cash flow from investing activities</b>                                   | <b>(0.0)</b>       | <b>(0.1)</b>  |
| New Finance (Senior Secured Notes 2022)                                         | -                  | 300.0         |
| Transaction fees paid for new finance                                           | -                  | (8.7)         |
| Repayment of bank loans                                                         | (6.0)              | (208.0)       |
| Intercompany loans                                                              | -                  | (125.9)       |
| Debt service account                                                            | (13.0)             | 3.7           |
| <b>C. Cash flow from financing activities</b>                                   | <b>(18.7)</b>      | <b>(38.8)</b> |
| <b>Increase / (Decrease) cash and cash equivalents (A+B+C)</b>                  | <b>15.7</b>        | <b>21.9</b>   |
| <b>Cash at bank and on hand at the beginning of the period</b>                  | <b>0.6</b>         | <b>9.0</b>    |
| <b>Cash at bank and on hand at the end of the period</b>                        | <b>16.4</b>        | <b>30.9</b>   |



# Update on Inflows from Asia

## Update On Inflows From Asia

| (In Millions of €)<br>Adjusted<br>Revenue                       | Fiscal Year ended<br>30 June 2017 |                      | Fiscal Year ended<br>30 June 2018 |                      |
|-----------------------------------------------------------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
|                                                                 | Annual<br>Value                   | Collected<br>to date | Annual<br>Value                   | Collected<br>to date |
| Naming rights and<br>sponsorship<br>agreement <sup>1</sup>      | 19.1                              | 19.1                 | 21.1                              | 16.5                 |
| Naming rights and<br>sponsorship<br>agreement – co-<br>branding | 25.0                              | 2.5                  | -                                 | -                    |
| Other sponsorship<br>agreements                                 | 30.0                              | 30.0                 | 30.0                              | -                    |
| <b>Total</b>                                                    | <b>74.1</b>                       | <b>51.6</b>          | <b>51.1</b>                       | <b>16.5</b>          |

## Key Commentary

- Total collections amount to € 68.1 million out of a total value of € 125.2 million
- With regard to the fiscal year ended 30 June 2017 the only outstanding amount (€22.5 million) relate to the € 25 million co-branding addendum. We expect to clear this amount in the near future
- With regard to the current fiscal year ending 30 June 2018 we have already collected all the €16.5 million fee relating to the Naming Rights contract

<sup>1</sup> Annual value for the fiscal year ending 30 June 2018 will depend on final performance targets achieved by the team. In the six months period ended 31 December 2017 bonuses achieved amount to €4.6m