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.
Executive Summary

• 2015-2019 Industrial Plan

- Rai Way: the Smarter Tower Company

  - Industrial Plan strategic pillars
  - TV and radio broadcasting market
  - TLC market
  - Focus on efficiency
  - Financials
The Smarter Tower Company

Active
Integrated services:
- Broadcasting
- Transmission
- Network services
- Innovative services

Passive
Tower Rental
Best strategic sites

"Evolutionary model"

Radio Broadcasters
TV Broadcasters
P.A.
MNOs
WiFi/WiMax
Asset base and know how...

**Unique network capillarity**

- The only terrestrial network capable of covering over 99% of the population
- Over 2,300 sites dedicated to transmission and broadcasting
- Over 1,800 facilities spread in a capillary way, able to host equipment, as well as more than 150 towers over 50 meters tall
- A national transmission network spread throughout the national territory, integrating different technologies like radio, satellite and fiber optic links
- Unique capillarity in rural areas

**Active equipment**

- Owned state-of-the art TV and radio broadcasting equipment
- 23 operating facilities (including quality control centers)
- Digitalization process completed in 2012

**Know how**

- Qualified people who have accumulated the vastest and most consolidated broadcasting experience in Italy:
  - Over 600 people with different professional backgrounds and skills
  - Over 70% of these people work in the field
...enable a full service offering...

**TV and Radio broadcasting**
- Delivers client’s television and radio signals to end users using frequencies assigned to the broadcasters
- Digital terrestrial and satellite broadcasting
- Services at local, national and international level
- Turnkey solutions for transmission and broadcasting networks

**Transmission**
- Interconnects major event venues with Clients’ newsrooms and offices
- Examples:
  - Expo
  - The Venice Film Festival
  - Italian National Football League

**Tower hosting**
- Provides availability of tower infrastructures for radio transmitters
- Customers include telco operators, public administrations and broadcasters and other various corporations

**Network services**
- Consulting and technical support services
...addressing the demand of different clients

Major Clients in Italy

- Mobile and other TLC network operators
- Television and radio operators
- Government agencies and public utility companies

2014 Pro-forma Revenues – Eur/Mln

- 17% Rai
- 83% Others

Customer/service mix

<table>
<thead>
<tr>
<th>SERVICE</th>
<th>RAI</th>
<th>OTHER BROADCASTERS</th>
<th>TLC OPERATORS</th>
<th>P.A. &amp; CORPORATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>✓</td>
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<td>✓</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

29 September 2015
2015-2019 Industrial Plan
Business model

Integrated Full Services
- Tower Rental
- Transmission
- Broadcasting
- Network services

Asset Base
- Non-replicable infrastructure
- High coverage
- Economies of scale
- Barriers to entry

Customers
- Captive
- Market

Financials
- Long Term Contracts
- Large Account Customers
- Strong recurring cash flow characteristics
## Competitive advantages and opportunities

<table>
<thead>
<tr>
<th>Competitive advantages</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>National coverage</td>
<td>To ensure the maximum coverage in terms of territory and population (more than 99% of population coverage)</td>
</tr>
<tr>
<td>Complete Asset base</td>
<td>Strategic assets to achieve a leading position in the market</td>
</tr>
<tr>
<td>Management team</td>
<td>Proven track record in the broadcasting network field</td>
</tr>
<tr>
<td>Knowledgeable organization</td>
<td>A player into national and international organizations</td>
</tr>
<tr>
<td>Broad full integrated service portfolio</td>
<td>A wide number of services provided to the users</td>
</tr>
<tr>
<td>Full integrated service</td>
<td>A large number of customers from different sectors</td>
</tr>
</tbody>
</table>
Executive Summary

• 2015-2019 Industrial Plan

- Rai Way: the Smarter Tower Company

- Industrial Plan: strategic targets

- TV and radio broadcasting market

- TLC market

- Focus on efficiency

- Financials
Life before the IPO: goals achieved so far

**Main achieved goals**

- High Coverage
- Technical quality of infrastructure
- High service reliability
- Skilled employees with strong competencies
- Operational Efficiency

**Main realised actions**

**Switch-off**
- Termination of switch-off procedure of analogical and digital television signal

**DAB+**
- Implementation of activities connected to the digitalization of some regions in Italy (Trentino Alto Adige)

**Business Customers**
- Development of customer relationship with business clients mainly in TV co-siting sub-industry

**International Agreements**
- International Training agreements signed for internal technical personnel
…from IPO to date…

Main achieved goals

- Management team completed
- Finalization of first contracts for new services to RAI
- Ongoing upgrade of Rai Way contribution network
- Test of first B2B broadband LTE services
- Recovery of one lost broadcasting customer
- Redesign of organizational model
2015-2019 Industrial Plan: new strategic targets

- Consolidating leadership position
- Broadening offer to RAI
- Differentiating product offering
- Increasing operating efficiency

Current company positioning + Market opportunities / challenges
Executive Summary

• 2015-2019 Industrial Plan
- Rai Way: the Smarter Tower Company
- Industrial Plan strategic pillars
- TV and radio broadcasting market
  • Market trend
- TLC market
- Focus on efficiency
- Financials
### TV broadcasting value chain: main players

<table>
<thead>
<tr>
<th>Broadcasters /channels</th>
<th>MUX</th>
<th>Equipment</th>
<th>Network operators</th>
<th>Tower operators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rai</strong></td>
<td>5 MUX -</td>
<td><strong>Rai Way</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TV2000</strong></td>
<td>Rai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Mediaset</strong></td>
<td>5 MUX -</td>
<td><strong>Elttromica</strong></td>
<td></td>
<td><strong>EI Towers</strong></td>
</tr>
<tr>
<td><strong>Mediaset TV</strong></td>
<td>Mediaset</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dttv</strong></td>
<td>1 MUX -</td>
<td><strong>Cairo</strong></td>
<td><strong>EI Towers</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Mediaset HD</strong></td>
<td>La3TV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cairocomunication</strong></td>
<td>1 MUX -</td>
<td><strong>EI Towers</strong></td>
<td></td>
<td><strong>Rai Way</strong></td>
</tr>
<tr>
<td><strong>Discovery</strong></td>
<td>5 MUX -</td>
<td><strong>Persidera</strong></td>
<td></td>
<td><strong>Rai Way</strong></td>
</tr>
<tr>
<td><strong>Viacom</strong></td>
<td>TIM8+ReteA</td>
<td></td>
<td></td>
<td><strong>Rai Way</strong></td>
</tr>
<tr>
<td><strong>Mediaset</strong></td>
<td>1 MUX -</td>
<td><strong>Prima TV</strong></td>
<td></td>
<td><strong>Rai Way</strong></td>
</tr>
<tr>
<td><strong>Premium</strong></td>
<td>DFREE</td>
<td></td>
<td></td>
<td><strong>Rai Way</strong></td>
</tr>
<tr>
<td><strong>Diagostiti</strong></td>
<td>1 MUX -</td>
<td><strong>Premiata</strong></td>
<td><strong>EI Towers</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Sportitalia</strong></td>
<td>Retecapri</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retecapi</strong></td>
<td>1 MUX -</td>
<td><strong>Europa Way</strong></td>
<td></td>
<td><strong>EI Towers</strong></td>
</tr>
<tr>
<td><strong>Europa HD</strong></td>
<td>Europa7</td>
<td></td>
<td></td>
<td><strong>SO</strong></td>
</tr>
<tr>
<td>~500 broadcasters</td>
<td>~400 network operators</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DTT (national TV)**
- 2 MUX still to be awarded

**DTT (regional TV)**

**DTH**

**OTT**

**Equipment**
- **EI Towers**
- **Rai Way**
- **SO**
- **Other**

### Notes
- **2015-2019 Industrial Plan**
- **29 September 2015**
Broadcasters

**Audience share (1H2015)**
TV audience share %, Prime time - source: elaboration on Auditel/Nielsen data

- **Rai**: 38,5%
- **MEDIASET**: 34,8%
- **Radio**: 7,1%
- **Press**: 4,1%
- **Internet**: 4,4%

FTA offer (100% of RAI channels) dominates the TV audience, with a share stable at ca. 91-92%

**Advertising market share (2014FY)**
Min % - source: Agcom annual report, Nielsen data

- **Rai**: 7,402
- **MEDIASET**: 59%
- **21ST CENTURY FOX**: 12%
- **Discovery**: 1%
- **Cuba**: 4%

Stabilization of TV advertising market, up 1.1% in 2014 vs. 2013

**Free-to-air vs. pay-TV: channels**
Number of channels – source: company elaboration

- **DTH Pay**: 145
- **Terrestrial Pay**: 25
- **Terrestrial FTA**: 80
- **June 1993**: 3
- **June 2003**: 2
- **June 2014**: 87
- **June 2015**: 87

**Free-to-air vs. pay-TV: audience**
Avg daily audience share: 02.00-01.59, 4+ - source: elaboration on Auditel data

- **Free to air**: 92,1% 91,6% 91,4% 91,1% 91,9% 91,0%
- **Pay TV**: 7,9% 8,4% 8,6% 8,9% 8,1% 9,0%

Stabilization of TV advertising market, up 1.1% in 2014 vs. 2013
# National Network Operators

<table>
<thead>
<tr>
<th>MUX</th>
<th>Frequencies and TV channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUX Rai 1</td>
<td>various frequencies; 4SD TV channels</td>
</tr>
<tr>
<td>MUX Rai 2</td>
<td>546 MHz; 4SD TV channels</td>
</tr>
<tr>
<td>MUX Rai 3</td>
<td>514 MHz; 5SD TV channels</td>
</tr>
<tr>
<td>MUX Rai 4</td>
<td>626 MHz; 2SD + 1HD TV channels</td>
</tr>
<tr>
<td>MUX Rai 5</td>
<td>219.5 MHz;</td>
</tr>
<tr>
<td></td>
<td>MUX Mediaset 1: 722 MHz; 8 channels</td>
</tr>
<tr>
<td></td>
<td>MUX Mediaset 2: 594 MHz; 7SD + 1HD TV channels</td>
</tr>
<tr>
<td></td>
<td>MUX Mediaset 3: 610 MHz; 4SD + 2HD TV channels</td>
</tr>
<tr>
<td></td>
<td>MUX Mediaset 4: 698 MHz; 6SD TV channels</td>
</tr>
<tr>
<td></td>
<td>MUX Mediaset 5: 754 MHz; 9SD channels</td>
</tr>
<tr>
<td>MUX TIMB 1</td>
<td>682 MHz; 7SD TV channels</td>
</tr>
<tr>
<td>MUX TIMB 2</td>
<td>786 MHz; 11SD TV channels</td>
</tr>
<tr>
<td>MUX TIMB 3</td>
<td>690 MHz; 11SD TV channels</td>
</tr>
<tr>
<td></td>
<td>MUX Rete A1: 658 MHz; 7SD TV channels</td>
</tr>
<tr>
<td></td>
<td>MUX Rete A2: 570 MHz; 16SD TV channels</td>
</tr>
<tr>
<td></td>
<td>MUX D-FREE: 706 MHz; 5SD TV channels</td>
</tr>
<tr>
<td>MUX LA3</td>
<td>602 MHz; 1SD + 4HD TV channels</td>
</tr>
<tr>
<td>MUX Europa 7</td>
<td>198.5 MHz; 5SD TV channels</td>
</tr>
<tr>
<td>MUX Rete Capri</td>
<td>762 MHz; 9SD TV channels</td>
</tr>
<tr>
<td>MUX L3</td>
<td>506 MHz;</td>
</tr>
</tbody>
</table>

**Number of installed equipment on main MUX**

Source: company elaboration on «AGCOM - Catasto pubblico» data
Regional Network Operators

- Ca. 410 regional network operators, managing ca. 470 MUX, hosting ca. 500 broadcasters → high level of vertical integration BC + NO
- Few macro-regional network operators with size comparable to minor national operators

Main Regional Network Operators

<table>
<thead>
<tr>
<th>Network Operator</th>
<th>N of regions</th>
<th>N of MUX</th>
<th>N of installed equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>TELEMONDA</td>
<td>1</td>
<td>4</td>
<td>446</td>
</tr>
<tr>
<td>TIVIUTALIA</td>
<td>5</td>
<td>3</td>
<td>328</td>
</tr>
<tr>
<td>TECOLETICITY</td>
<td>19</td>
<td>1</td>
<td>231</td>
</tr>
<tr>
<td>CANALE ITALICA</td>
<td>4</td>
<td>3</td>
<td>206</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>1</td>
<td>145</td>
</tr>
</tbody>
</table>

Number of installed equipment by region

- National N.O.: ~12,200
- Regional N.O.: ~7,100
- Tot equipment: ~19,300

Source: Elaboration on AGCOM - Catasto pubblico data
(1) 2012 data from “Studio Economico del settore televisivo privato italiano” - Confindustria 2014
Broadcasting Tower Companies

2 major players in the market

Population coverage

- 99%
- ~2,300
- RaiWay

- ~96%
- ~2,300
- EN Towers
DTT is by far the key TV broadcasting platform, with stable audience share at around 84%
Increasing presence on DTT of traditional DTH-players

Launch of channels on DTT platform

- SKY
- cielo
- sky TG24
- MUSIC TELEVISION

- Discovery Communications
- real time
- DMAX
- Focus
- Giallo
- FRISBEE
- DEEJAY TV

- Acquisition

- Audience and advertising share expansion, leveraging on existing structure
- Optimization of use of TV rights
Radio broadcasting market: publishers

- In 1H2015 the Radio market reached a total audience of 34.9m listeners (stable vs. 2013) with a penetration rate of about 67% of the population

### Average number of daily radio listeners during 1H2015 for the main Italian radio channels (‘000)

Source: Radiomonitor

- The key market players are diversified companies such as Rai, RCS and Gruppo Editoriale l’Espresso

- Rai is the second Radio group in Italy with an advertising market share of c.12% in 1H2015

### Market share

Source: Radiomonitor

<table>
<thead>
<tr>
<th>Group</th>
<th>Radio channels owned</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCS</td>
<td>Radio 105, RMC, Virgin</td>
<td>14.5%</td>
</tr>
<tr>
<td>Rai</td>
<td>Radio 1, Radio 2, Radio 3, GR Parlamento, Isoradio, Radio FD4, Radio FD5</td>
<td>11.7%</td>
</tr>
<tr>
<td>Gruppo Editoriale l’Espresso</td>
<td>Radio Deejay, Capital, M20</td>
<td>11.4%</td>
</tr>
<tr>
<td>RTL</td>
<td>RTL 102,5</td>
<td>10.1%</td>
</tr>
</tbody>
</table>

Before Hazan acquisition by Mediaset
TV and radio BC market: opportunities and threats

**Regulation-driven**
- Reorganization of regional TV frequencies

**Technology-driven**
- Increasing customer demand for HD content
  - DAB+ roll-out
  - Transition to DVB-T2
- Increasing Broadband / IPTV penetration

- Reallocation of frequencies to mobile operators:
  - 700 MHz
  - Fixed terrestrial spectrum for radio links

**Capitalize**

**De-risk expanding customer base and service offering**
Reorganization of regional TV frequencies (1/2)

- In 2014 AGCOM started a reorganization of regional TV frequencies (frequencies planning)

- AGCOM selected certain channels\(^{(1)}\) (6, 7, 11 VHF and 57, 58, 59, 60 UHF in 700 MHz) to be allocated, on a regional basis, to consortiums of local network operators through a beauty contest

<table>
<thead>
<tr>
<th>Region</th>
<th>New frequencies to be allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIEMONTE</td>
<td>58</td>
</tr>
<tr>
<td>LOMBARDIA</td>
<td>7, 11</td>
</tr>
<tr>
<td>FRIULI V.G.</td>
<td>60</td>
</tr>
<tr>
<td>VENETO</td>
<td>58</td>
</tr>
<tr>
<td>MARCHE</td>
<td>58, 60</td>
</tr>
<tr>
<td>ABRUZZO</td>
<td>6 (AQ excluded), 58 (AQ only)</td>
</tr>
<tr>
<td>MOLISE</td>
<td>7</td>
</tr>
<tr>
<td>PUGLIA</td>
<td>24, 58, 60</td>
</tr>
<tr>
<td>EMILIA</td>
<td>60 (RN excluded), 6 (RN only)</td>
</tr>
<tr>
<td>CAMPANIA</td>
<td>6</td>
</tr>
<tr>
<td>BASILICATA</td>
<td>6</td>
</tr>
<tr>
<td>CALABRIA</td>
<td>58</td>
</tr>
<tr>
<td>SARDEGNA</td>
<td>60</td>
</tr>
</tbody>
</table>

- Awarded network operators to subsequently allocate capacity to local broadcasters selected through a beauty contest, with pricing set by AGCOM (expected below current range of 0,010-0,016 €/Mbps/inhabitant, public consultation under way)

- Next step: MiSE to publish ranking of network operators and broadcasters admitted to frequencies planning/awarding

\(^{(1)}\) AGCom deliber no. 402/15/CONS
Reorganization of regional TV frequencies (2/2)

- Within the reorganization process, frequencies interfering with neighbouring countries\(^{(1)}\) (76 on a regional basis) excluded from planning and to be compulsorily released by network operators
- Impacted network operators to be compensated through a cash indemnity (€ 50 Mln in total)
- Impacted network operators and broadcasters to be admitted to frequencies planning

### Interfering frequencies \(^{(1,2)}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>Frequencies to be released to solve interference issue</th>
<th>Provinces</th>
<th>N. of Impacted operators</th>
<th>Max n. of equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIGURIA</td>
<td>43, 45</td>
<td>ALL</td>
<td>2</td>
<td>93</td>
</tr>
<tr>
<td>TOSCANA</td>
<td>43, 45</td>
<td>GR, LI, LU, MS, PI</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>PIEMONTE</td>
<td>32</td>
<td>BI, NO, VC, VB</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>LOMBARDIA</td>
<td>32</td>
<td>BG, CO, CR, LC, LO, MI, MB, PV, SO, VA</td>
<td>3</td>
<td>41</td>
</tr>
<tr>
<td>FRIULI V.G.</td>
<td>22, 27, 28, 29, 34, 35, 39, 45, 53</td>
<td>ALL</td>
<td>8</td>
<td>41</td>
</tr>
<tr>
<td>VENETO</td>
<td>22, 27, 28, 29, 35, 39, 45, 53</td>
<td>ALL</td>
<td>14</td>
<td>162</td>
</tr>
<tr>
<td>MARCHE</td>
<td>21, 23, 28, 29, 33, 34, 39, 41, 45, 53, 59</td>
<td>(23, 33, 34, 41) AP, FM, MC (28, 29, 39) AN, PU (33) AP, FM</td>
<td>6</td>
<td>46</td>
</tr>
<tr>
<td>ABRUZZO</td>
<td>21, 23, 31, 33, 34, 41, 45, 51, 53, 59</td>
<td>ALL</td>
<td>11</td>
<td>95</td>
</tr>
<tr>
<td>MOLISE</td>
<td>21, 23, 31, 33, 34, 41, 45, 51, 53, 59</td>
<td>ALL</td>
<td>8</td>
<td>44</td>
</tr>
<tr>
<td>PUGLIA</td>
<td>21, 22, 23, 28, 31, 33, 34, 41, 45, 51, 53, 59</td>
<td>ALL</td>
<td>20</td>
<td>209</td>
</tr>
<tr>
<td>EMILIA</td>
<td>29, 39, 42, 45, 53</td>
<td>(29, 39, 45, 53) BO, FE, FC, MO, RA, RE, RN (42) RN</td>
<td>6</td>
<td>61</td>
</tr>
</tbody>
</table>

### Opportunities for Rai Way

- Team-up with consortiums of regional BCs for network development and management

\(^{(1)}\) AGCom con Delibera 480/14/CONS
\(^{(2)}\) Company elaboration on «AGCOM - Catasto pubblico» data
Demand for HD content

- Switch-off to DTT has already significantly improved broadcasting quality
- Increasing customers’ / end-users’ demand for HD contents
- Italy has the lowest penetration of HD FTA DTT channels compared to other major EU countries
- RAI is implementing:
  - Studios network upgrade to HD
  - Launch of RAI Sport HD channel

**Italian market has the lowest penetration of HD FTA channels on DTT**

<table>
<thead>
<tr>
<th>Country</th>
<th>SD channels</th>
<th>HD channels</th>
<th>&quot;Time shifted&quot; channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>19</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>UK</td>
<td>18</td>
<td>10</td>
<td>28</td>
</tr>
<tr>
<td>Spain</td>
<td>19</td>
<td>6</td>
<td>25</td>
</tr>
</tbody>
</table>

Number of channels – source: RAI elaboration

**Opportunities for Rai Way**

<table>
<thead>
<tr>
<th>Rai</th>
<th>3rd parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Upgrade of transmission network</td>
<td></td>
</tr>
<tr>
<td>- Extension of MUX coverage</td>
<td></td>
</tr>
<tr>
<td>- Demand for new services</td>
<td></td>
</tr>
</tbody>
</table>
In 2009 AGCom approved regulation setting out steps for digital radio roll out across Italy:

- 1 block to be assigned to national public radio RAI, 2 blocks to national commercial consortiums and additional blocks to local radio consortiums (174-230 MHz band)
- National and local multiplexes must carry at least 7 stations each

Digital roll-out started in Trentino in December 2012 through a pilot project, with regular broadcasting licenses assigned in 2013

National players, with dedicated block, already reached a significant level of coverage (ca. 68% of population)

Licenses in new areas/regions to be progressively awarded (plan for 40 regions published in May 2015), allowing local radios consortiums to develop digital network

### National players

| MUX: 1 | Rai is operating in DAB through a dedicated national Multiplex and a non-dedicated regional Multiplex in Trentino Alto Adige |
| MUX: 1 | Consortium (national commercial radio stations) holder of a license for the pilot area Trentino and for a trial license for all the regions in Italy |

### Coverage

- Rai: 43%
- Consortium: >65%
- Ca. 65%

### Transmission sites

- 18
- 27
- 29

### Licenses awarding

<table>
<thead>
<tr>
<th>Date</th>
<th>Area</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec12</td>
<td>Trentino</td>
<td>Pilot project</td>
</tr>
<tr>
<td>2013</td>
<td>Trentino</td>
<td>Licenses awarded (National: RAI, Club DAB, Eurodab - Local: DbTAA, Digiloc, RAS, DABMedia)</td>
</tr>
<tr>
<td>Dec14</td>
<td>Val di Aosta, Torino/Cuneo, Umbria</td>
<td>Rules published, frequencies to be awarded</td>
</tr>
<tr>
<td>May15</td>
<td>40 regions</td>
<td>Plan for frequencies published by AGCom. Consultation started in June</td>
</tr>
</tbody>
</table>

### Opportunities for Rai Way

- Extension of DAB+ coverage
- Team-up with consortiums of local radio broadcasters for network development and management

DAB uses VHF frequencies, which have been already extensively developed and are currently in use by Rai Way, representing a clear competitive advantage compared to peers.
Transition to DVB T2

- The DVB-T2 standard is the evolution of the DVB-T standard currently in use in Italy, aiming at:
  - increasing transmission capacity with the same bandwidth occupancy (up to 50% vs. DVB-T), freeing up frequencies ahead of reallocation to mobile operators
  - improving quality of the video, matching the rising demand for HD contents
  - reducing interference risk

Illustration of Bitrate Trends in Practice

<table>
<thead>
<tr>
<th>Number of channels per multiplex</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DVB T</strong></td>
</tr>
<tr>
<td><strong>DVB T2</strong></td>
</tr>
</tbody>
</table>

Requirements for transition to DVB-T2
- For broadcasters: investment to upgrade the signal diffusion chain
- For end-users: use of a decoder able to receive the new standard

Number of channels per multiplex

- In accordance with the Italian law (March 2015), all TV and set-top box sold in Italy from the 1st of January 2017 must support DVB-T2, limiting the impact on end-users and facilitating long-term adoption of the new standard

Opportunities for Rai Way

<table>
<thead>
<tr>
<th>Rai</th>
<th>3rd parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Network upgrade</td>
<td>- Demand for new services</td>
</tr>
<tr>
<td>- Reduced impact from frequencies reallocation to mobile</td>
<td></td>
</tr>
</tbody>
</table>
In 2011, CSA (Conseil Supérieur de l’Audiovisuel) and French government committed to using DVB-T2 and MPEG-4 standards for DTT channels, favoring the development of HD and a more efficient use of broadcast frequencies.

In October 2011, first DVB-T2 tests by TDF in the city of Rennes.

In 2013, CSA recommended to switch to DVB-T2 by 2020 at the latest; mandatory switch to MPEG4 and HEVC compression also recommended.

In May 2014, first tests for Ultra HD transmission on DTT platform using DVB-T2/HEVC standard (e.g. for Roland Garros, launch of Test UHD 1 and Test UHD 2 channels).

Roadmap to DVB-T2 transition approved by TDF:

### Phase 1: MPEG2 SWITCH-OFF

**TODAY**

- SD channels

**APRIL 2016**

- MPEG2 switch-off

**2020/2022**

- HD/Premium channels
- SD/HD/UHD channels

- SD channels

### Phase 2: DVB-T SWITCH-OFF

- HD/UHD channels
- SD/HD/UHD channels

- No Ultra HD channels

- Reduction of MUX from 8 to 6
- Increase of number of HD channels
- Launch of Ultra HD channels
- 700 Mhz release to mobile
- Transition to MPEG4 requiring new receivers for ca. 4 Mln families

- Transmission capacity per MUX up from 25 to 33 Mbps
- Transition to DVB-T2 requiring new receivers/TV
- Launch of HFR (High Frame Rate)/HDR
### Frequencies reallocation to mobile operators

According to the Lamy report to the EU Commission (Sept 2014):

- Timeframe to be likely confirmed at the ITU Conference in November 2015
- In Italy, AgCom and MiSE pushing to anticipate 700 MHz reallocation, but no deadline set as of today

#### Mitigating factors

**Market**

- Required cross-border coordination, likely to be lengthy
- Potential transition to DVB-T2 to improve efficient use of spectrum, limiting impact of frequencies reallocation
- Italian country-specific issues

**Rai Way**

- Rai not operating on 700 MHz frequencies
- TV broadcaster other than RAI currently representing a limited portion of RAI WAY’s revenues: limited impact on current business
- RAI MUX5 with limited coverage

---

<table>
<thead>
<tr>
<th>700 MHz</th>
<th>Fixed terrestrial frequencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020: 700 MHz band to be reallocated to mobile broadband by 2020, with a 2 years flexibility (no later than 2022)</td>
<td>- AgCom and MiSE planning to reallocate 3.6-3.8 GHz band (currently used for broadcasting radio links) to mobile/TLC operators, limiting the opportunity for broadcasting network operators to expand radio backbone</td>
</tr>
<tr>
<td>2025: By 2025 check of technological progress (WiFi, 5G, etc) and consumer habits</td>
<td></td>
</tr>
<tr>
<td>2030: Band below 700 MHz allocated to DTT at least until 2030</td>
<td></td>
</tr>
</tbody>
</table>

The reallocation of frequencies to mobile operators might lead to a reduction of the number of channels currently used for TV broadcasting (from 40 to 28) and, consequently, to a reduction of the number of MUX.
700 MHz band reallocation: status in Europe

- Germany, with process completed in June 2015, and France, with structure of the auction published in July 2015, speeding up the process
- Italy to face issues due to country-specific peculiarities

<table>
<thead>
<tr>
<th>Status</th>
<th>Completed in June 2015:</th>
<th>On 9 July 2015 ARCEP invited operators to the auction</th>
<th>In November 2014 OFCOM decided, after a public consultation, to allocate 700 MHz band to mobile broadband</th>
<th>700 MHz band currently used by DTT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Telefonica (2 x 10 MHz)</td>
<td></td>
<td>Auction to start 2 years before reallocation</td>
<td>- No cable TV</td>
</tr>
<tr>
<td></td>
<td>• Telekom Deutschland (2 x 10 MHz)</td>
<td></td>
<td></td>
<td>- DTT platform (20 national MUX vs. 6 in UK) heavily reliant on 700 MHz band</td>
</tr>
<tr>
<td></td>
<td>• Vodafone (2x10 MHz)</td>
<td></td>
<td></td>
<td>- Spectrum saturation, no available frequencies for TV</td>
</tr>
<tr>
<td>Awarding mechanism</td>
<td>Multi-round ascending (SMRA)</td>
<td>Multi-round ascending (SMRA)</td>
<td>Auction</td>
<td>- Channels in the 700 MHz band to be allocated to local network operators in the context of regional frequencies planning</td>
</tr>
<tr>
<td>Auction starting price</td>
<td>€75 mln per block</td>
<td>€416 mln per block</td>
<td></td>
<td>- Lengthy introduction of DVB-T2</td>
</tr>
<tr>
<td>Size</td>
<td>6 2x5 MHz blocks</td>
<td>6 2x5 MHz blocks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Awarding period</td>
<td>18 years</td>
<td>20 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total value</td>
<td>€ 1 Bln</td>
<td>≥ €2.5 Bln (expected)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected auction period</td>
<td>-</td>
<td>November 2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

29 September 2015
2015-2019 Industrial Plan
IP-TV driven by increasing broadband penetration

Increasing UBB coverage/penetration, targeted by Italian Government’s plan

<table>
<thead>
<tr>
<th>Objective del piano</th>
<th>Gli obiettivi del nuovo piano nazionale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Il nuovo piano nazionale si propone un mix virtuoso di investimenti pubblici e privati. Qualora i privati investiranno in misura uguale al pubblico l'obiettivo che si può raggiungere è superiore a quello minimo europeo</td>
<td></td>
</tr>
</tbody>
</table>

- Devices (laptop/tablet) mainly used as “second screen”
- So far limited IP-TV share despite UBB take-up and improved offer
- Platform specialization on on-demand contents
- Italian BC market highly concentrated (RAI+MS: ca. 73% prime time audience and ca. 81% TV advertising share)

Availability of premium contents

- 65.5 Mln subscribers worldwide (2Q15)
- Start of operations in Italy expected in autumn 2015, with DigitalTV Research forecasting ca. 150k subscribers by YE
- Mediaset Premium offer (22 live channels + on demand contents) available online from Sept 2015
- Commercial agreement with TI for distribution on TimVision platform
- Sky Italia offer (150 channels) distributed via TI broadband network, duplicating DTH offer
- TI broadband subscription + My Sky set top box

Market

- Main impact on pay-tv / on-demand contents – RAI 100% free-to-air only
- DTT only platform to guarantee at least 99% coverage
- TV broadcaster other than RAI currently representing a limited portion of Rai Way’s revenues

Mitigating factors

- Devices (laptop/tablet) mainly used as “second screen”
- So far limited IP-TV share despite UBB take-up and improved offer
- Platform specialization on on-demand contents
- Italian BC market highly concentrated (RAI+MS: ca. 73% prime time audience and ca. 81% TV advertising share)

The take-up of IP-TV, driven by a combination of increasing UBB penetration and availability of premium contents, will offer an alternative (non linear) distribution platform to content providers, leading to a possible reduction in the long term of channels on DTT and MUX occupancy.

DTT showing resilience to rising broadband penetration

**TV viewers**

<table>
<thead>
<tr>
<th>Year</th>
<th>MN viewers 4+ in avg minute – source: elaboration on Auditel data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9.0</td>
</tr>
<tr>
<td>2008</td>
<td>9.2</td>
</tr>
<tr>
<td>2009</td>
<td>9.4</td>
</tr>
<tr>
<td>2010</td>
<td>10.2</td>
</tr>
<tr>
<td>2011</td>
<td>10.4</td>
</tr>
<tr>
<td>2012</td>
<td>10.4</td>
</tr>
<tr>
<td>2013</td>
<td>10.5</td>
</tr>
<tr>
<td>2014</td>
<td>10.4</td>
</tr>
</tbody>
</table>

**Broadband penetration**

- **% of BB access on total fixed access**
- **NGA penetration**: ca. 3.8% of total access (vs. ca. 20% EU avg) and <1% of population
- **NGA coverage**: ca. 21% population coverage (vs. ca. 62% EU avg)

![Graph showing broadband penetration](image)

(1) Next Generation Access: networks based a fiber-fed (or equivalent technology) backhauling close enough to the customer’s home in order to provide high-speed and highly-reliable IP-based digital services.
The future of DTT: Ofcom view

Our base case remains that DTT will continue to be an important delivery technology for free to view TV over the next decade. We do not currently expect a full switch-off of DTT until post 2030, unless there was significant policy intervention to support a more aggressive timetable for change.

Current free to view television platforms will only remain popular in the long term if they evolve in terms of the range of content and functionality on offer, in line with wider market developments.

We believe that industry needs to give further consideration to how it wants the platform to develop moving forward.
Executive Summary

• 2015-2019 Industrial Plan

- Rai Way: the Smarter Tower Company

- Industrial Plan strategic pillars

  - TV and radio broadcasting market
    • Rai Way strategy

  - TLC market

  - Focus on efficiency

  - Financials
TV & Radio broadcasting market: Rai Way strategy

01 Consolidating Leadership position

- Increase number of managed MUX:
  - Leveraging on unique infrastructure, commercial focus and integrated service offering
  - Playing a pivotal role in the local TV spectrum reorganization and in the potential transition to DVB-T2
  - Mitigating the impact of frequencies reallocation to mobile operators / broadcasters migration to OTT platform
  - Improving positioning also ahead of potential changes in market structure

- DAB+ roll-out (for 3rd parties)

02 Broadening offer to RAI

- Upgrade of contribution network
- Tidying up of frequencies for MUX1 (interferences issue)
- International distribution
- MUX Francofono
- Roll-out DAB+
- MUX 2/3/4 extension of coverage

03 Differentiating product offering

- Expand non-DTT traffic (e.g. long distance carrier services), leveraging on enhanced broadband capacity of Rai Way contribution network
TV & Radio broadcasting market: enabling factors

• Increase sales effort

• Improve service and client management:
  ✓ Improve setting of broadcasting infrastructures in order to reduce the time-to-market of broadcast services
  ✓ Implement measures for pre-visioning improvement
  ✓ Reduce effort for network management through a new model of production based on remote control and maintenance
  ✓ Offer services to monitor end-to-end network quality to increase the experience and the confidence of customers

• Intensify implementation of systems to manage multiplatform systems, in particular DAB services
Increase number of managed MUX

- Extend customer base targeting both:
  - national broadcasters
  - local broadcasters, in the context of reorganization of regional TV frequencies
- ...leveraging on unique infrastructure, commercial focus and integrated service offering

<table>
<thead>
<tr>
<th>Technical levers</th>
<th>Commercial levers</th>
</tr>
</thead>
<tbody>
<tr>
<td>High coverage, technical quality of infrastructure and service reliability</td>
<td>Commercial agreements with broadcasters / network operators</td>
</tr>
<tr>
<td>Full-HD distribution, also via IP</td>
<td>Acquisition of local infrastructure</td>
</tr>
<tr>
<td>DVB-T2 coverage development</td>
<td>Full-integrated-service offering</td>
</tr>
<tr>
<td>Simplified broadcasting networks roll-out</td>
<td></td>
</tr>
</tbody>
</table>
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 (A)**
- MUX “Francofono” for Valle d’Aosta region
- Tidying up of frequencies for MUX1 (channel 25 only)

**To be negotiated (B)**
- 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

**Future initiatives**
- Completion of DAB+ roll-out
- Full tidying up of frequencies for MUX1
- Full HD
- Transition to DVB-T2

Not included in 2015-2019 Industrial Plan
New services to RAI: upgrade of contribution network

- The project includes the development of the contribution network of Rai Way through the implementation of a fiber-optic network, in order to meet:
  ✓ the needs of RAI’s Production TV Department resulting from the digitization process of production studios
  ✓ the need to transport contents in high-definition (news, sports, drama, etc.)

- The project started in 2013, with operational plan synchronizing the upgrade of RAI’s production facilities with the implementation of the Rai Way’s network infrastructure

- Upgraded contribution network representing the high-capacity platform to develop broadband services offering
New services to RAI: extension of DAB+ coverage

- Project targeting the extension of RAI’s DAB+ service coverage throughout the country

- Considering that radio service is mainly enjoyed in car, first step is focused on coverage of the highways and is developed in collaboration with “Autostrade per l’Italia” and Rai Research Centre

- The first goal is to cover the highways Milan-Trieste and Milan-Naples together with the new stretch “Variante di valico”, to be opened by “Autostrade per l’Italia” next year
New services to RAI: MUX “Francofono”

MUX “Francofono”: broadcasting service in Valle D’Aosta region

Coverage and foreign broadcasting networks

Current Rai Way equipment

- AOSTA GERDAZ, channel 41
- BLAVY, channel 41
- COL DE COURTIL, channel 41
- PLATEAU ROSA, channel 41
- PONT SAINT MARTIN, channel 41
- SAINT NICOLAS, channel 41
- SAINT VINCENT, channel 41
- TETE D’ARPY, channel 45

Current coverage: 84.6% of population

Target: extend population coverage to 99% by end of 2015
Differentiating product offering to 3rd Parties

- Customer’s content acquisition from Rai Way’s Hubs distributed on the whole country via High capacity link
- Signal encryption
- Satellite Up-link via Rai Way’s network
- Distribution through global satellite network:
  - network already used by Rai Way for the distribution of RAI channels all over the world (Americas, Australia, Asia and Africa)
- Interest from regional broadcasters for content distribution to expat communities
Differentiating product offering to 3rd Parties

Wireless Broadband Transmission services – News content distribution services for EXPO 2015

- Distribution services for Expo 2015 replicable and scalable:
  - Wireless LTE-based connection from specific venues to Rai Way site (access to Rai Way contribution network)
  - Content transmission to customer’s production center via Rai Way contribution network
Executive Summary

• 2015-2019 Industrial Plan

- Rai Way: the Smarter Tower Company

- Industrial Plan strategic pillars

- TV and radio broadcasting market

- TLC market
  • Market trend

- Focus on efficiency

- Financials
Mobile tower market

Main Customers

Tower Companies in Italy

Mobile towers (rooftop + rural)

Broadcasting towers (mainly rural)

Tenancy ratio

Mobile captive customer

1.55x

11.519

~11.400

7.698

~7.000

~2.600

~650

~2.300

~2.300

~3.000

(1) Including Tecnorad Italia SpA acquisition

(2) Source: Rai Way tower market assessment
Tower in the TLC network infrastructure

Core network (backbone)

Backhaul (from BTS/nodeB to backbone)
- Radio link
- Microwave
- Wired (copper/fiber)

From BTS/nodeB to antenna
- Wired (copper/fiber)

Source: figure from Omnitron Systems Technology website
Drivers affecting the demand for towers

Source: company elaboration

- Mobile data entrants
- 4G and WiMAX/LTE roll-out
- Multi-technology/Band equipment
- Availability of rooftops
- Rural broadband targets
- Fixed wireless entrants
- Capacity for voice traffic and data traffic
- Coverage

**Current driver**
Mobile market trend

Diffusion of bandwidth-intensive services driving the development of networks able to bear increasing traffic...

**Data traffic evolution**

Mobile networks data traffic volume (in Petabytes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Traffic Volume (in Petabytes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>258</td>
</tr>
<tr>
<td>2013</td>
<td>343 (+33%)</td>
</tr>
<tr>
<td>2014</td>
<td>501 (+46%)</td>
</tr>
<tr>
<td>2019E</td>
<td>4,300 (&gt;8x)</td>
</tr>
</tbody>
</table>

**New services**

Source: EU commission

**Future network evolution**

Source: figure from Qualcomm website

**4G network roll-out**

- …and ongoing 4G network rollout\(^ {(1)} \)....

<table>
<thead>
<tr>
<th>2014YE</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIM</td>
<td>77% 95% coverage by 2017</td>
</tr>
<tr>
<td>vodafone</td>
<td>76% &gt;90% coverage by 2016</td>
</tr>
<tr>
<td>WIND</td>
<td>37% Undisclosed</td>
</tr>
<tr>
<td>3</td>
<td>36% Undisclosed</td>
</tr>
</tbody>
</table>

- …likely focused on rural areas

\(^{(1)}\) Source: Inwit IPO prospectus, 2015
4G network roll-out: expected evolution

- Network roll-out starting from densely populated area (urban) in order to maximize coverage
- Further coverage expansion involving rural areas, main location of broadcasting towers
Other TLC market trend: Fixed Wireless Access

- BTC and BTB offer, with main focus on rural areas
- Speed currently up to 30 Mbps, with plan to reach up to 50 Mbps driven by evolution of modulation technology
- Using both licensed (3.4-3.6 GHz) and unlicensed spectrum (5.4 GHz)
- 3.4-3.6 GHz band auction completed in Feb 2008: 35 licenses (14 national + 21 regional) awarded for ca. 136 € Mln, expiring in 2023
- Potential future awarding of additional spectrum (in the 2-6 GHz band, likely 3.6-3.8 GHz)
- FWA technology to contribute to ultra-broadband coverage target set by the Italian Government (in particular in rural areas)

**FWA penetration**

Mn of access – source: AGCom, 2015 report

<table>
<thead>
<tr>
<th>Year</th>
<th>% of FW access (NB+BB) on total fixed access</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>0.04</td>
</tr>
<tr>
<td>2011</td>
<td>0.09</td>
</tr>
<tr>
<td>2012</td>
<td>0.28</td>
</tr>
<tr>
<td>2013</td>
<td>0.41</td>
</tr>
<tr>
<td>2014</td>
<td>0.56</td>
</tr>
</tbody>
</table>

% population

- Linkem 43.2%
- NGI 28.6%
- Aria 23.4%
- Other 4.8%

**FWA operators investing to expand coverage**


- In 2014 FWA operators increased investments in fixed assets by ca. 14%, at around 90 Mln Eur
- Wi-Max coverage
- Coverage distance: up to 50 Km
- Ca. 3k covered cities as of 2014YE

Coverage distance: up to 50 Km
TLC market: opportunities and threats

- MNOs’ network coverage extension (tenancy)
- Development of multi-layer network: small cells, DAS (built-to-suit...but mostly in metro areas)
- FWA providers increasing market share (tenancy)
- Take-up of new broadband services

- Pressure on MNOs’ profitability, with increasing focus on hosting cost reduction
- Customers’ consolidation (although reducing MNO’s price competition and pressure on profitability)
- MNOs’ site-sharing agreements
- Competition from new entrants (Inwit, Cellnex), limiting built-to-suit opportunities
Executive Summary

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- TLC market
  • Rai Way strategy: the Fiber to the Tower option

- Focus on efficiency

- Financials
TLC market: Rai Way strategy

01 Consolidating Leadership position

- Stimulate latent demand in order to support MNO’s and selected FWAP’s network roll-out (mainly in rural areas)

03 Differentiating product offering

- Value Added Services (maintenance, technical consultancy)
- «On site» connectivity for business customers (small cells in collaboration with fiber network providers)
- Expand offering to broadband services
TLC market: enabling factors

- Lead time reduction
- Sales effort and customer relationship management
- Improve hospitality service, by enhancing the role of Rai WAY in simplifying, optimizing and expanding the coverage of networks used by mobile and wireless operators
- Incentivizing pricing policy on new sites for existing customers

- Enhance network wireless capacity in order to improve commercial appeal and intercept the demand for bandwidth-intensive services

Upgraded contribution network + Fiber to the Tower
Fiber to the Tower option

What

• Extend the upgraded contribution network with availability of high capacity at the site/tower
• Tower as wireless interface between users and core network
• Global data transmission/distribution from Rai Way Hub (open network as a differentiating factor)
• New broadband services offering both as wholesale operators (resources for third parties) and direct B2B TLC operator

Where

• Towers covering areas with high demand of network services (both big and small towns) to test commercial appeal
• Demand-driven coverage extension

How

• Between 2015 and 2016 new fiber optic contribution network will increase traffic capacity (vs. radio link and/or satellite-based network), allowing Rai Way to offer to RAI and other customers transport services in Full HD and Ultra HD from each regional office
• The availability of the new contribution network (Rai Way’s high capacity backbone) facilitates the development of the FttT model
Rai Way high capacity network

- Exit point for global content transmission/distribution
- Rai Way fiber optic contribution network
- Capacity rented from fiber network operators
- Rai Way investment in FttT

Wireless interface between users and core network

29 September 2015

2015-2019 Industrial Plan
Fiber to the Tower: why?

**Rai Way strategy in the TLC market**

01 Consolidating Leadership position

- Stimulate latent demand in order to support MNO’s and selected FWAP’s network roll-out (mainly in rural areas)

03 Differentiating product offering

- VAS (maintenance, technical consultancy)
- «On site» connectivity for business customers (small cells in collaboration with fiber network providers)
- Expand offering with broadband services

**Upgraded contribution network + Fiber to the Tower**

- Increase towers’ appeal for TLC customers (increasing available bandwidth)

04 Increasing operating efficiency

- Reduce power consumption
- Reduce cost for satellites

- Enable new broadband services offering
  - Wholesale operator (e.g. backhauling to MNOs and FWAP)
  - Direct B2B TLC operator (e.g. smart metering)
- Support Government in implementing BB plan
Enabled broadband services

- Wholesale bandwidth provider

- Extend high capacity mobile network to areas where fixed telecom services are low-quality or non-existent

- Connect smart meter devices, that record in real time the energy consumption (electric, gas, water, etc etc) of a building, to the data center's network

- Remote control of modules for smart metering thanks to efficient communication protocols

Source: figures from MiWaveS and NetCommWireless websites
Fiber to the Tower: possible support to Government BB plan

Coverage target

<table>
<thead>
<tr>
<th>POPULATION COVERAGE TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITALY</td>
</tr>
<tr>
<td>Population coverage with at least 30 Mbps</td>
</tr>
<tr>
<td>Population coverage with at least 100 Mbps</td>
</tr>
<tr>
<td>EUROPE</td>
</tr>
<tr>
<td>Population coverage with at least 30 Mbps</td>
</tr>
<tr>
<td>Population coverage with at least 100 Mbps</td>
</tr>
</tbody>
</table>

Technological neutrality

- Adopt the most cost-effective technology:
  - Fiber (FttH, FttB, FttC)
  - LTE
  - FWA
  - Satellite

- Fixed primary network (up to the cabinet) optimized for radio stations connection (wireless broadband offering up to 30 Mbps)

Potential role for Rai Way

- In Cluster D – including ca. 4.300 cities, 2.3 Mln buildings and 15% of population, mainly in southern Italy and rural areas – investments not economically viable for private operators

- Direct public investment to upgrade connectivity from 2 to 30 Mbps in Cluster D: ca. 1 Bln Eur (Government’s estimate)

- Consistently with the principle of technological neutrality, target to be possibly achieved through wireless technology (limiting investments vs. FttX)

- Wireless solutions would require infrastructure with high backhauling capacity (Fiber to the Tower)

- Potential benefit from government incentive (e.g. tax-relief on investments, subsidized loans, …)

- Potential model for Rai Way:
  - Hosting
  - Wholesale access

Size and target for each cluster depending on the magnitude of private investments (public investments targeted at 7 Bln €)


29 September 2015
2015-2019 Industrial Plan
Fiber to the Tower: Int’l players expanding capacity (1/2)

- TDF deploying its own ultra high-speed network for TV and radio transmission
- Ca. 5,000 km of fiber optic with the ability to carry large data volumes
- TDF to provide access to the ultra high-speed network for IT and telecoms firms
- In addition to enabling transmission of DTT programs, TDF’s ultra high-speed network will facilitate archiving of sensitive data (e.g., e-health, medical imaging etc.), file-sharing, video conferencing, e-commerce, etc.

"Today, businesses, particularly in sparsely populated regions, must work with digital so as to improve competitiveness. With the deployment of its network, TDF becomes part of the very high-speed broadband technology panel in France thereby fostering the emergence of new services such as e-health, e-education, e-government and e-training etc" (1)

(1) Source: TDF Company website
Fiber to the Tower: Int’l players expanding capacity (2/2)

Crown Castle owns or has rights to ca. 16,000 miles of fiber to strengthen its position in small cell networks deployment and to expand presence in many of the top U.S. metropolitan markets.

HOUSTON, April 30, 2015 -- Crown Castle announced today that it has entered into a definitive agreement to acquire Quanta Fiber Networks, Inc. (“Sunesys”) for approximately $1.0 billion in cash. Sunesys, a wholly owned subsidiary of Quanta Services, is a fiber services provider that owns or has rights to nearly 10,000 miles of fiber in major metropolitan markets across the United States, including Los Angeles, Philadelphia, Chicago, Atlanta, Silicon Valley, and northern New Jersey, with approximately 60% of Sunesys' fiber miles located in the top 10 basic trading areas (“BTAs”).

- Arqiva increased the capacity and speed of its network after ISP Virgin Media Business completed the build of new fiber optic network to link all 40 of its sites across the country.
- The new “data superhighway” (Arqnet2) network provides Arqiva capacity to expand and support TV, with rising demand for HD and 3D content), 4G based mobile broadband networks and new services offering (Small cells, IoT, Smart metering, Smart water, Smart grid)}

Source: companies website
Executive Summary

• 2015-2019 Industrial Plan

  - Rai Way: the Smarter Tower Company
  - Industrial Plan strategic pillars
  - TV and radio broadcasting market
  - TLC market

  - Focus on efficiency

  - Financials
Focus on efficiency: Rai Way strategy

04

Increasing operating efficiency

**OPEX**
- Rents optimization
- Intercompany cost reduction
- Energy management
- Organizational improvement

**CAPEX**
- Reduction of investments on active equipment
Focus on efficiency: enabling factors

- **Procurement process & procedures**
  - Improvement of procurement processes in order to reduce time and resources
  - Evolution of procurement rules

- **Organization**
  - Re-design of organizational model consistently with company growth prospect, human resources valorization and cost structure rationalization
  - Change Management initiatives focused on core competence, leadership, innovation and digital awareness

- **Reporting & Analysis management systems**
  - Integrated evolution of the whole managing support systems
### 2014 Opex: the starting point

#### 2014 Pro-forma Opex excluding non recurring

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>45.4</td>
</tr>
<tr>
<td>Rents</td>
<td>14.6</td>
</tr>
<tr>
<td>Maintenance</td>
<td>6.0</td>
</tr>
<tr>
<td>Utilities</td>
<td>15.7</td>
</tr>
<tr>
<td>Intercompany</td>
<td>12.9</td>
</tr>
<tr>
<td>Other</td>
<td>11.6</td>
</tr>
</tbody>
</table>

#### Breakdown of Personnel Costs

- **Services**: 3.1
- **Taxes**: 2.8
- **Purchase of consumables**: 1.7
- **Travel**: 1.7
- **Consultancy**: 1.0
- **Other**: 1.3

#### Breakdown of Rents Costs

- **Offices & other rents**: 7.0
- **Administrative services**: 5.9

#### Breakdown of Maintenance Costs

- **Energy**: 14.9
- **Other utilities**: 0.8

#### Breakdown of Utilities Costs

- **Lease & passive hosting**: 4.8
- **Satellites**: 6.9
- **Fiber optic**: 1.2
- **Cars**: 1.6

#### Breakdown of Rents Costs

- **Payrolls excl. Travel**: 39.2
- **Travel**: 1.7
- **Overtime**: 2.0
- **Surcharges**: 2.4
- **Other**: 0.2
2014 Maintenance Capex: the starting point

- Maintenance capex currently in a 10-11% range on total revenues
- Broadcasting equipment representing approximately 47% of Net Fixed Assets
**Main areas of efficiencies (1/2)**

<table>
<thead>
<tr>
<th>Cost item</th>
<th>Optimization potential</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercompany</td>
<td></td>
<td>- Optimization of spaces in regional offices through efficient use of Rai Way technical sites and other services currently outsourced to RAI</td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td>- Benefit from energy price reduction in 2015/17 related to new energy contract in place from April 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Stable energy consumption in the Industrial Plan period, with efficiency measures on network offsetting increase related to new initiatives</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
<td>- Maintenance activities already largely internalized</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Maintenance costs related to large contracts with leading suppliers</td>
</tr>
</tbody>
</table>
## Main areas of efficiencies (2/2)

<table>
<thead>
<tr>
<th>Cost item</th>
<th>Optimization potential</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rents</strong></td>
<td></td>
<td>- Technical rents: radio transmission network optimization</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Civil rents: optimization of spaces in local offices leased from third parties favoring use of Rai Way regional offices and technical sites</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td></td>
<td>- Headcount rightsizing consistent with re-design of organizational model and strengthening of core areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Optimization of non core personnel cost components (e.g. travel expenses)</td>
</tr>
<tr>
<td><strong>Maintenance Capex</strong></td>
<td></td>
<td>- Rationalization of investments on active equipment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Prioritization of investments with positive impact in terms of opex reduction</td>
</tr>
</tbody>
</table>
Asset portfolio management

- Rai Way asset portfolio includes 19 fully owned, non-operating sites (ex-MW/SW sites)

- Valorization / disposal options under assessment

- 2 major sites:
  - Roma - Prato Smeraldo, located in Rome, with an extension of 28.8 hectares
  - Roma - Santa Palomba, located in Rome and Pomezia, with an extension of 24.5 hectares

Impact not included in 2015-2019 Industrial Plan
Executive Summary

• 2015-2019 Industrial Plan

- To recap: Rai Way strategy
2015-2019 Industrial Plan: new strategic targets

Current company positioning + Market opportunities / challenges

01 Consolidating leadership position
02 Broadening offer to RAI
03 Differentiating product offering
04 Increasing operating efficiency
Rai Way: current company positioning

• Listed company…

• …managing the most capillary broadcasting tower network in Italy and a national transmission network with upgraded broadband capacity

• …operating the broadcasting network for RAI, integrating passive infrastructure with ownership of active equipment and deep technical know-how

• …offering a full-integrated-service to TV and radio broadcasters, TLC operators and public administration

• …actively pursuing growth opportunities
Market trend: main opportunities and challenges

**TV AND RADIO BROADCASTING**

- Need for network development and management, related to reorganization of TV frequencies
- Technology driven demand/opportunities (HD, DVB-T2, DAB+)
- Reallocation of frequencies to mobile operators
- Increasing appeal of alternative platform

**TLC**

- MNOs and FWAPs coverage extension
- Take-up of new wireless broadband services
- MNOs consolidation and site sharing agreements
- Competition from tower portfolios now open to the market

**TOWER MARKET STRUCTURE**

- Potential for short to medium term market consolidation
2015-2019 Industrial Plan: Rai Way strategy

**TV AND RADIO BROADCASTING**

- Consolidate market leadership, mitigating the potential impact of technological/regulatory development and strengthening positioning in case of changes in market structure
  - Increase the number of managed MUX expanding activities with national and local broadcasters and drive DAB+ roll-out
  - Develop new services for RAI, matching client requirements in terms of product, technology and regulation
  - Enlarge and differentiate product offering, leveraging on enhanced broadband capacity

**ASSETS PORTFOLIO**

- Actively manage assets portfolio
  - Participate market consolidation
  - Valorization/disposal of non-operating sites (19 ex-MW/SW sites)

**OPERATIONS**

- Improve operating efficiency
  - Intercompany: offices and parking space optimization
  - Rents: technical and civil rents optimization
  - Personnel: organization re-design and rightsizing
  - Capex: rationalization of investments on active components

**TLC**

- Enhance wireless capacity of the network in order to improve commercial appeal and intercept demand for broadband services
  - Increase towers’ appeal for TLC customers to consolidate business with MNO’s
  - Support network roll-out of selected FWAPs
  - Expand offering to broadband services
  - Contribute to Government UBB plan
Executive Summary

• 2015-2019 Industrial Plan

- Rai Way: the Smarter Tower Company

- Industrial Plan strategic pillars

- TV and radio broadcasting market

- TLC market

- Focus on efficiency

- Financials
Main assumptions

- CPI

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI</td>
<td>0.20%</td>
<td>1.00%</td>
<td>1.25%</td>
<td>1.25%</td>
<td>1.25%</td>
</tr>
</tbody>
</table>

- **RAI**: new services for ca. €47 Mln cumulated investments with a top-line contribution of ca. €10 Mln in 2019

- **Third Parties**: new services for ca. €5 Mln cumulated investments (including development/management of 1 additional regional MUX)

- **Opportunistic initiatives** (progressive implementation of Fiber to the Tower option + small M&A): ca. €15 Mln cumulated investments with expected EBITDA contribution of ca. €1.5 Mln\(^{(1)}\)

- **Valorization/disposal of non-operating sites**: impact not included

---

\(^{(1)}\) Revenues contribution from opportunistic initiatives assumed equal to EBITDA
## Financial highlights

<table>
<thead>
<tr>
<th></th>
<th>2014A</th>
<th>2015e</th>
<th>2019e</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>207</td>
<td>212</td>
<td>230</td>
</tr>
<tr>
<td>+2.1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>105</td>
<td>107</td>
<td>123</td>
</tr>
<tr>
<td>+3.6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted EBITDA margin</strong></td>
<td>50.7%</td>
<td>50.3%</td>
<td>53.4%</td>
</tr>
<tr>
<td></td>
<td>2014A</td>
<td>2015e</td>
<td>2019e</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>34</td>
<td>37</td>
<td>57</td>
</tr>
<tr>
<td>+10.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Maintenance Capex</strong></td>
<td>23</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>~11%</td>
<td></td>
<td></td>
<td>~8.5%</td>
</tr>
<tr>
<td><strong>Normalized FCFE</strong></td>
<td>61</td>
<td>62</td>
<td>75</td>
</tr>
<tr>
<td>+4.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

1. EBITDA pre-non recurring costs in 2014 and 2015. 2019 not including any non recurring cost.

*29 September 2015*

*2015-2019 Industrial Plan*
Total Revenues from RAI at ca. €193 Mln in 2019, with a 2015-19 CAGR of 2.1%:

- Fixed consideration linked to inflation
- Revenues from 5% mark-up stable at ca. €1 Mln
- Revenues from new services to RAI amounting to ca. €10 Mln in 2019
Revenues from new services to RAI

2019 Revenues from new services to RAI

Min Eur

- Finalized contracts: ~3.0
- Advanced negotiations (A): ~1.5
- To be negotiated (B): ~5.5
- 2019 Revenues from new services to RAI: ~10

Revenues from new services to RAI
• Total Revenues from 3rd Parties at ca. €37 Mln in 2019, with a 2015-19 CAGR of 2.4%

• Commercial focus on broadcasting customers and benefit from inflation almost fully offsetting sites optimization operated by other clients (mainly MNOs)

• Growth driven by positive contribution of:
  - New services for 3rd parties, in both broadcasting (regional MUX, DAB+, int’l distribution, etc) and TLC (broadband services) segment
  - Opportunistic initiatives (Fiber to the Tower and small M&A)
Opex

• Broadly stable operating expenses in 2015-19 period (+0.3% CAGR*):
  - Personnel costs trend driven by headcount rightsizing (even through economic incentives to leaving the Company on a voluntary basis) and strengthening of core areas
  - Efficiency measures on rents and intercompany partially offsetting growth related to new initiatives (mainly maintenance and energy)
• Low single digit restructuring costs related to efficiency plan expected in 2016-2017

* 2015-19 CAGR excluding impact of prior year adjustments recorded in 2015
Adjusted EBITDA evolution

**Adjusted EBITDA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBITDA (Mln Eur)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014A</td>
<td>105</td>
</tr>
<tr>
<td>2015e</td>
<td>107</td>
</tr>
<tr>
<td>2019e</td>
<td>123</td>
</tr>
</tbody>
</table>

**CAGR 2015-19**

Adjusted EBITDA evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation</th>
<th>RAI ex. inflation</th>
<th>3rd parties ex. inflation</th>
<th>∆Other Income</th>
<th>Net efficiencies measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015e</td>
<td>50.3%</td>
<td>+7</td>
<td>+2</td>
<td>-0.3</td>
<td>+0.3</td>
</tr>
<tr>
<td>2019e</td>
<td>53.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Savings from efficiency measures net of increase in maintenance costs and energy price not directly allocated to RAI or 3rd parties.

% margin on revenues
Net Income

- Net Income benefiting from:
  - EBITDA growth
  - Progressive D&A decline, resulting from reduction of Capex vs. “switch-off period”
• 2015-19 Capex plan includes:
  - Maintenance
  - Development, related to:
    - New services to RAI
    - New services to 3rd parties
    - Opportunistic initiatives
Maintenance Capex

- Optimization of maintenance capex / revenues ratio to ca. 8.5% in 2019, mainly driven by rationalization of investments on active equipment.
Development Capex

2015-19 cumulated Development Capex

- New services to RAI: ~12 Mln Eur
- New services to 3rd parties: ~5 Mln Eur
- Opportunistic initiatives: ~15 Mln Eur
- 2015-19 cumulated development capex: ~67 Mln Eur

Details of New services to RAI

- Target unlevered IRR at least 10%

- Finalized contracts: ~12
- Advanced negotiations (A): ~5
- To be negotiated (B): ~26
- Capitalized personnel: ~4
- 2015-19 cumulated capex for new services to RAI: ~47

Including one regional MUX, DAB+ roll-out, int’l distribution services, broadband services, etc

Implementation of Fiber to the Tower and small M&A
Cash generation

Normalized FCFE\(^{(1)}\) and Normalized FCFE yield\(^{(2)}\) evolution

Min Eur; %

Development capex not included

<table>
<thead>
<tr>
<th>Year</th>
<th>Normalized FCFE (Mln Eur)</th>
<th>FCFE Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>62</td>
<td>5.0%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td>6.1%</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Normalized Equity Free Cash Flow (FCFE) defined as Adjusted EBITDA - Net financial charges - P&L Taxes (adjusted by impact of restructuring cost) – Maintenance Capex

\(^{(2)}\) Yield based on closing share price of 24/09/2015 of 4.524 €/share
Dividend policy

• Proposed dividend policy: **pay-out ratio equal to 100% of Net Income**

• Resulting dividend yield$^{(1)}$ in a 3-5% range, broadly in line with infrastructure sector

![Dividend and dividend yield evolution chart](chart.png)

- In the medium-long term, dividend yield asymptotic to normalized FCFE yield (D&A converging to maintenance capex → Net Income converging to normalized FCFE)

---

$^{1}$ Yield based on closing share price of 24/09/2015 of 4,524 €/share
Capital structure

• Also including cash-out for development capex and dividends, leverage is expected to decrease in the period

Net Debt / EBITDA evolution

0,62x


• Strong financial flexibility to catch market opportunities

• Business model (top-line visibility and cash generation) comfortable with higher level of debt

• Potential releverage mainly through M&A

• Should M&A not materialize, technicalities for enhanced distribution to shareholders under assessment
Approach to opportunistic initiatives

• Approach to opportunistic initiatives matching two main criteria:
  - Consistent with company strategic targets
  - Value-accrative

- Strategic targets
  - Extend broadcasting customer base and number of managed MUX
  - Complete industrial footprint in specific areas
  - Strengthen market positioning
  - Differentiate offer enabling broadband services
  - Increase operating efficiency (synergies)
  - Improve capital structure

- Rai Way strategy
  - Single assets (e.g. sites currently with passive hosting agreements)
  - Small to large tower portfolios
  - Assets (towers/equipment) + full service contact
  - Transmission capacity (e.g. investments in fiber)

- Potential non organic targets

Target: Eur 15 Mln included in the Industrial Plan, with full financial flexibility to scale up in case of additional market opportunities
Approach to non organic opportunities: rationale

**TV AND RADIO BROADCASTING**
- Customer base extension
- Infrastructure optimization (synergies)
- Economies of scale
- Value creation for shareholders

**TRANSMISSION CAPACITY**
- Differentiate offer enabling broadband services
- Strengthen market positioning

**TLC**
- Integration with MNOs’ network
- Infrastructure optimization (synergies)
- Offer diversification
- Growth profile enhancement
- Fixed-mobile and TLC-media convergence
Contacts

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