2015-2019 Industrial Plan presentation

Investor Day

Milan, 29 September 2015

Rai Way

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

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

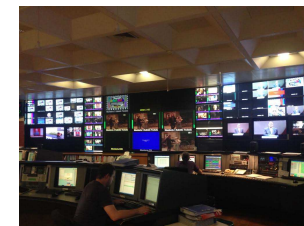| Satellite reception	Microwave	FM radio transmitter	DAB transmitter	DVB-T transmitter	Combiner

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	Transmission	Tower hosting	Network services

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
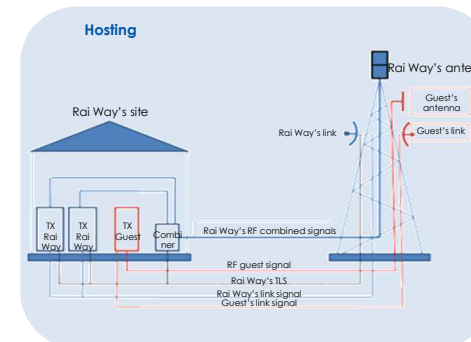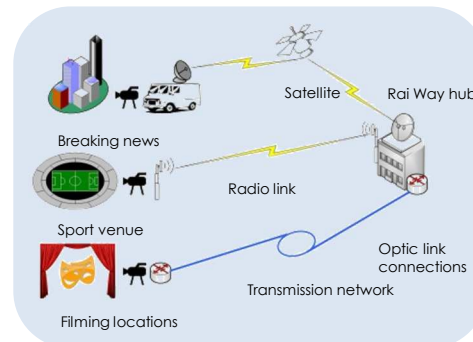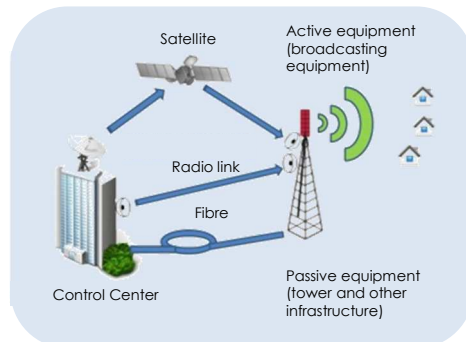 - Italian National Football League

Tower hosting

- Provides availability of tower infrastructures for radio transmitters

- Customers include telco operators, public administrations and broadcasters and other various corporations
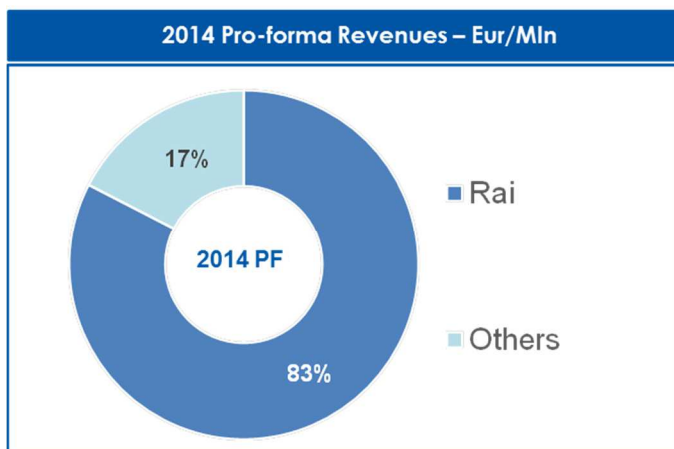
Network services

- Consulting and technical support services

Satellite — Active equipment (broadcasting equipment) — Radio link — Fibre — Control Center — Passive equipment (tower and other infrastructure)

Breaking news — Sport venue — Filming locations — Satellite — Rai Way hub — Radio link — Optic link connections — Transmission network

Hosting — Rai Way's site — Rai Way's link — Rai Way's antenna — Guest's antenna — Guest's link — TX Rai Way — TX Rai Way — TX Guest — Combiner — Rai Way's RF combined signals — RF guest signal — Rai Way's TLS — Rai Way's link signal — Guest's link signal

...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% Others
- 83% Rai
- 2014 PF

Customer/service mix

CUSTOMER TYPOLOGY	SERVICES			
RAI	✓	✓		
OTHER BROADCASTERS	✓	✓	✓	✓
TLC OPERATORS		✓	✓	
P.A.& CORPORATE	✓	✓	✓	✓

Business model

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

Customers
- Captive
- Market

Financials
- Long Term Contracts
- Large Account Customers
- Strong recurring cash flow characteristics

Asset Base
- Non-replicable infrastructure
- High coverage
- Economies of scale
- Barriers to entry
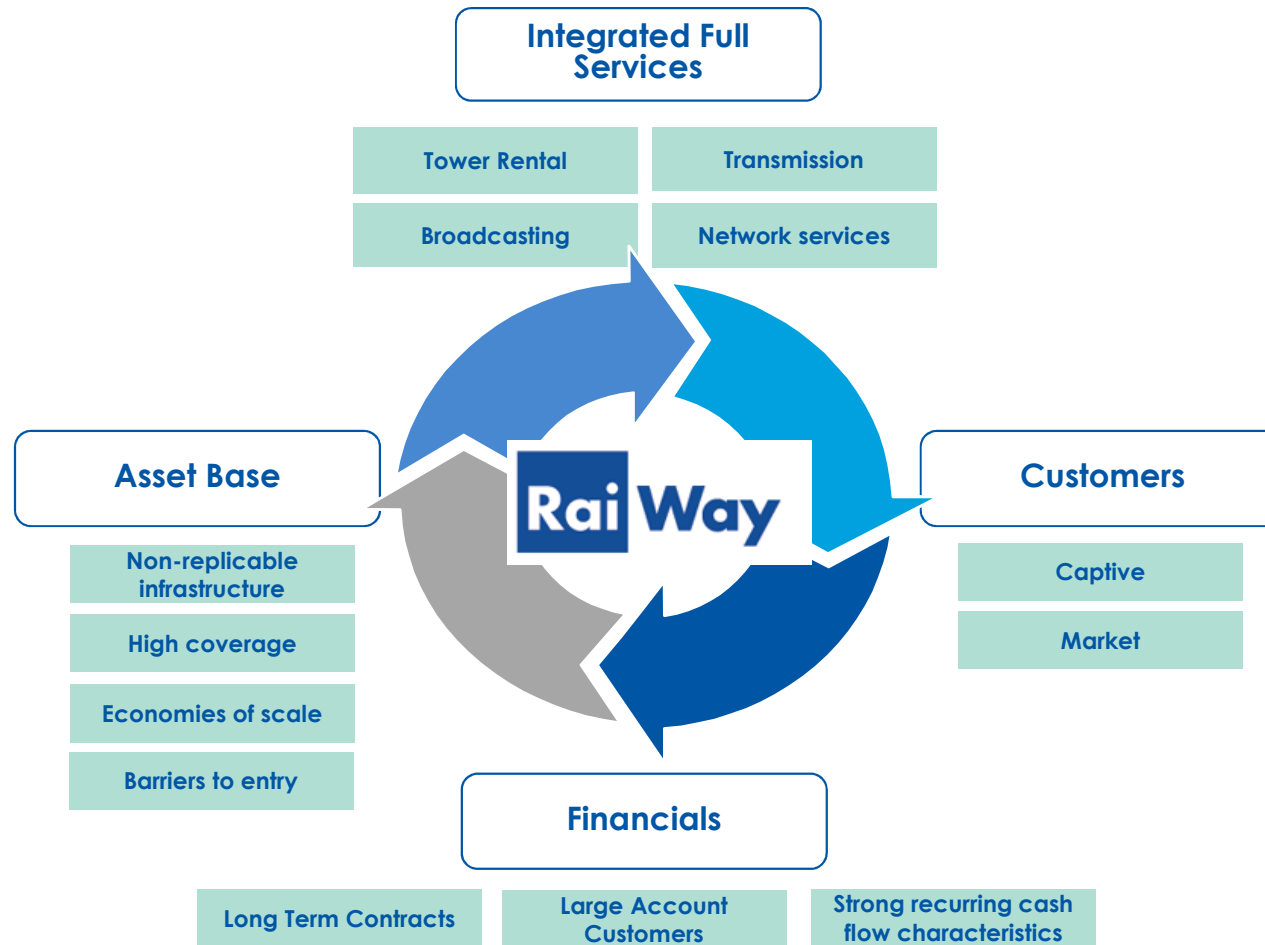
Competitive advantages and opportunities

		Competitive advantages	Opportunities
	National coverage	A large and capillary broadcasting network. The only operator with a regional MUX	To ensure the maximum coverage in terms of territory and population (more than 99% of population coverage)
	Complete Asset base	First operator to install towers. Best sites owned compared with other operators	Strategic assets to achieve a leading position in the market
	Management team	High skilled employees with strong competencies	Proven track record in the broadcasting network field
	Knowledgeable organization	Over 30 years of experience of the management in the sector	A player into national and international organizations
	Broad full integrated service portfolio	A portfolio composed by broadcasting, transmission, tower rental and network services	A wide number of services provided to the users
	Full integrated service	Managing television, radio and mobile sector	A large number of customers from different sectors

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 service reliability

Technical quality of infrastructure

Skilled employees with strong competencies

High Coverage

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
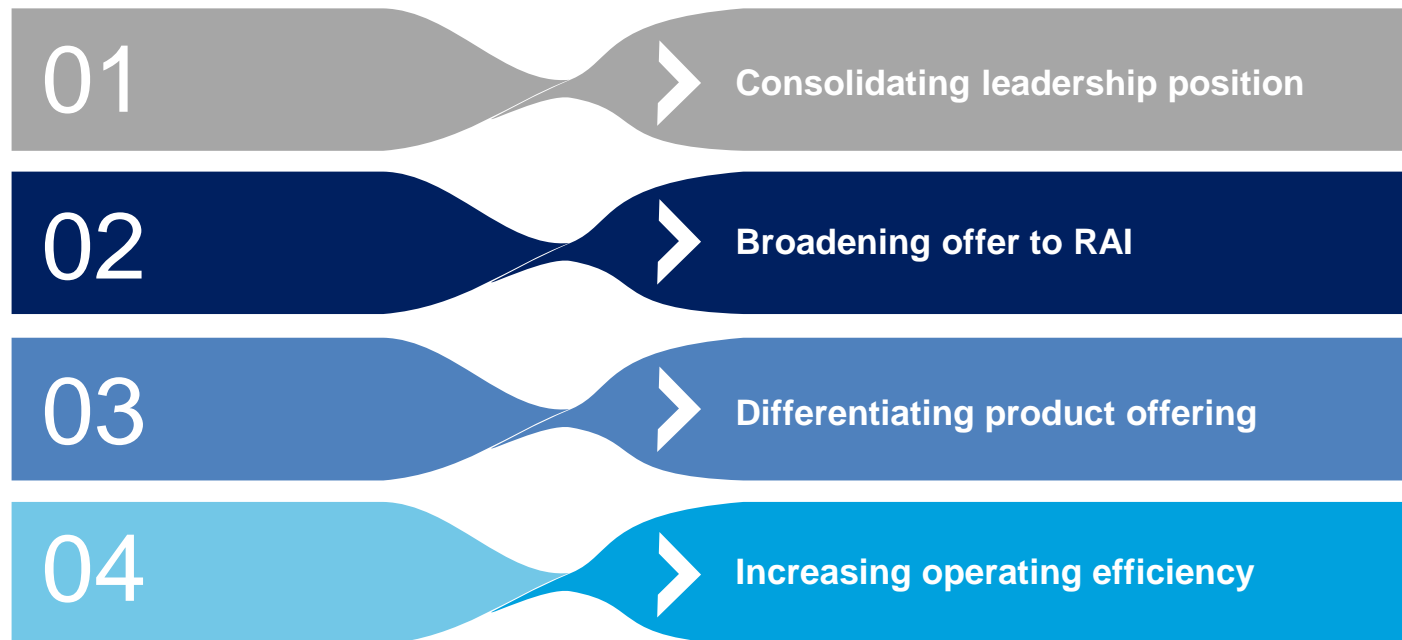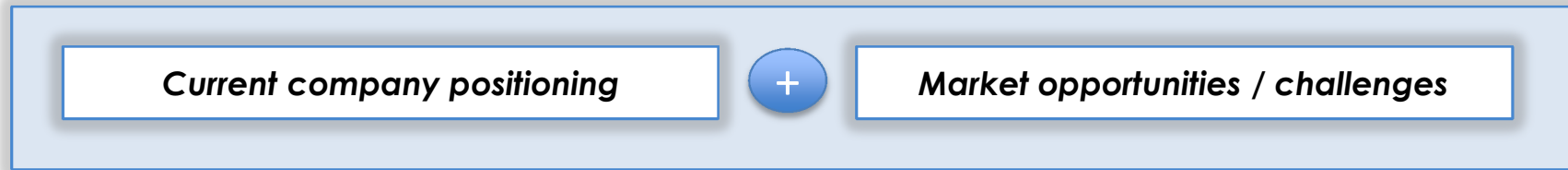
Current company positioning **+** Market opportunities / challenges

01 Consolidating leadership position

02 Broadening offer to RAI

03 Differentiating product offering

04 Increasing operating efficiency

Executive Summary

- **2015-2019 Industrial Plan**

  - Rai Way: the Smarter Tower Company

  - Industrial Plan strategic pillars

  - **TV and radio broadcasting market**
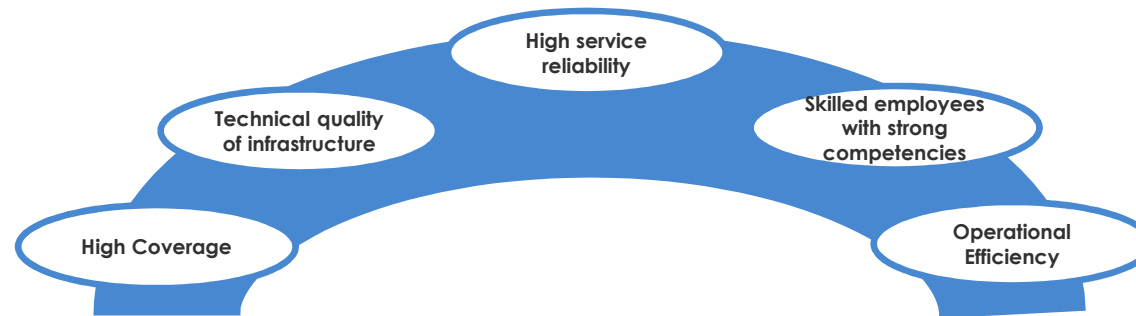
    - **Market trend**

  - TLC market

  - Focus on efficiency

  - Financials

TV broadcasting value chain: main players

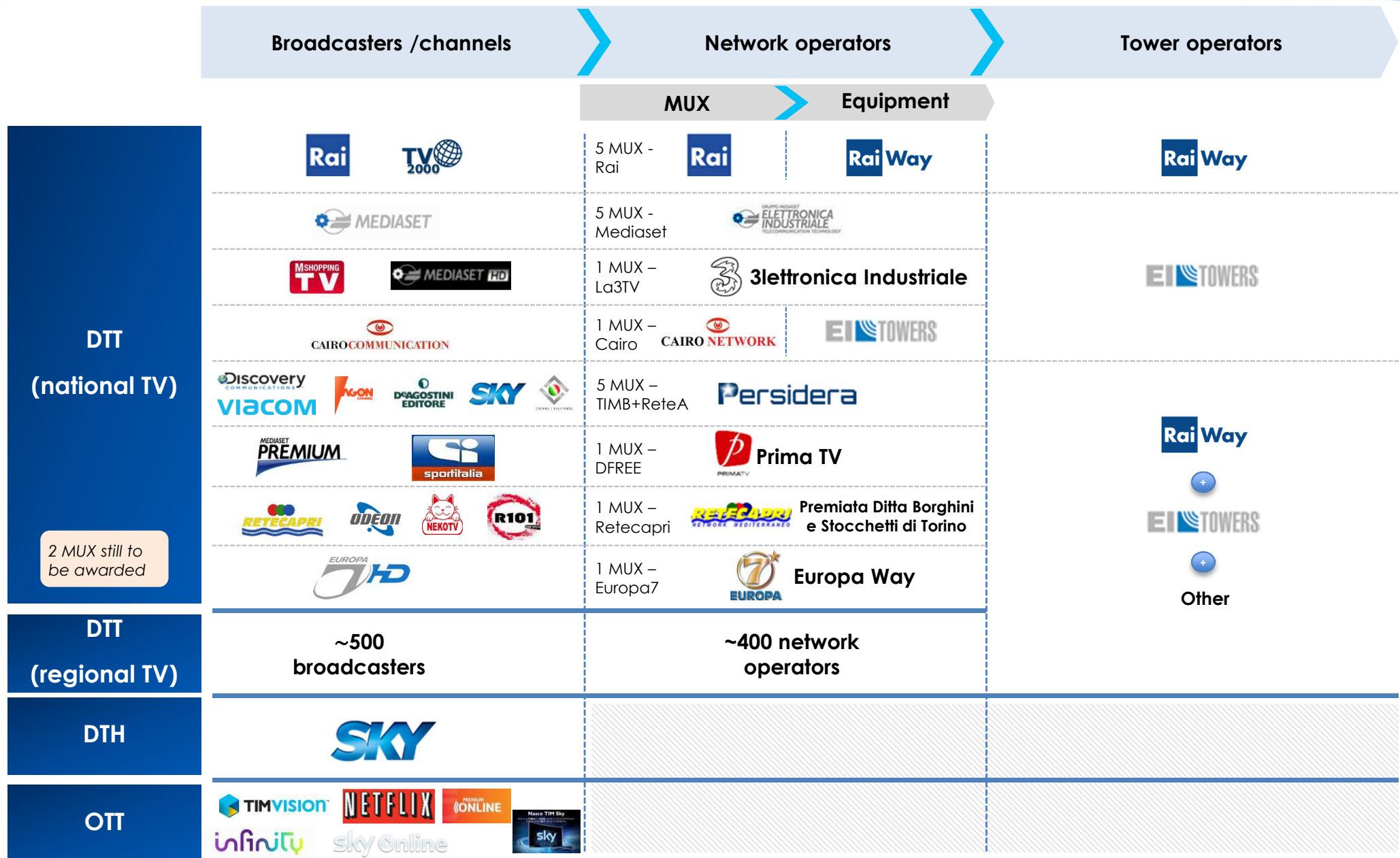|	Broadcasters /channels	Network operators — MUX	Network operators — Equipment	Tower operators
DTT (national TV)	Rai, TV2000	5 MUX - Rai	Rai, RaiWay	RaiWay
	MEDIASET	5 MUX - Mediaset	GRUPPO MEDIASET ELETTRONICA INDUSTRIALE TELECOMMUNICATION TECHNOLOGY	EI TOWERS
	MSHOPPING TV, MEDIASET HD	1 MUX – La3TV	3lettronica Industriale	
	CAIRO COMMUNICATION	1 MUX – Cairo	CAIRO NETWORK, EI TOWERS	
	Discovery Communications, VIACOM, AGON CHANNEL, DeAgostini Editore, SKY	5 MUX – TIMB+ReteA	Persidera	RaiWay +
	MEDIASET PREMIUM, sportitalia	1 MUX – DFREE	Prima TV	EI TOWERS +
	RETECAPRI, ODEON, NEKOTV, R101	1 MUX – Retecapri	RETECAPRI NETWORK MEDITERRANEO, Premiata Ditta Borghini e Stocchetti di Torino	Other
	EUROPA7 HD	1 MUX – Europa7	Europa Way	
DTT (regional TV)	~500 broadcasters	~400 network operators		
DTH	SKY			
OTT	TIMVISION, NETFLIX, PREMIUM ONLINE, Nasce TIM Sky, infinity, SkyOnline			

2 MUX still to be awarded

RaiWay

Broadcasters

Audience share (1H2015)

TV audience share %, Prime time - source: elaboration on Auditel/Nielsen data

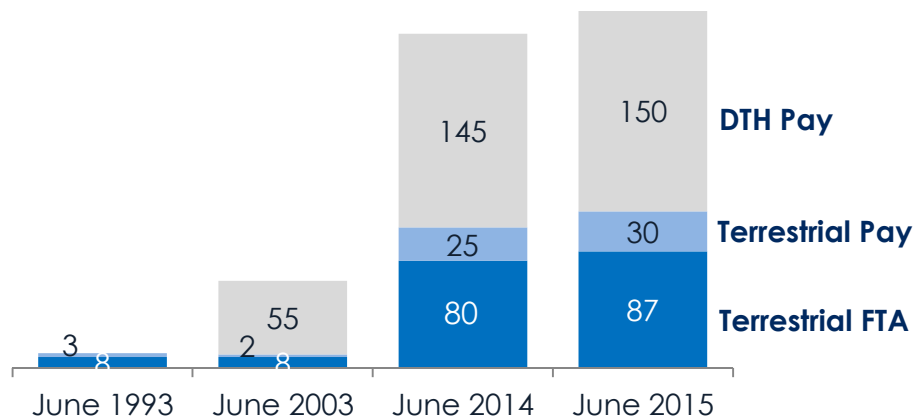|		
38,5%	Rai	
34,8%	MEDIASET	
7,1%	21ST CENTURY FOX	
4,1%	Discovery COMMUNICATIONS	
4,4%	CAIRO COMMUNICATION	
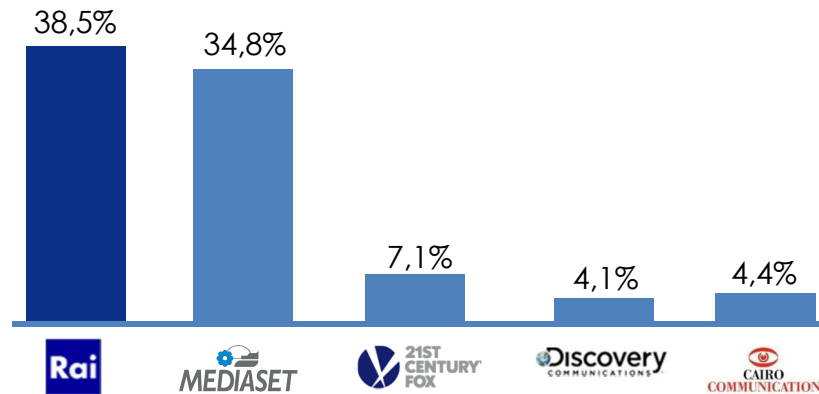
Advertising market share (2014FY)

Mln €; % - source: Agcom annual report, Nielsen data

7,402

Other	5%
Internet	22%
Radio	6%
Press	21%
TV Pay	5%
TV Free	40%

Italian advertising market

Stabilization of TV advertising market, up 1,1% in 2014 vs. 2013

Rai	MEDIASET	21ST CENTURY FOX	Discovery COMMUNICATIONS	CAIRO COMMUNICATION
22%	59%	12%	1%	4%
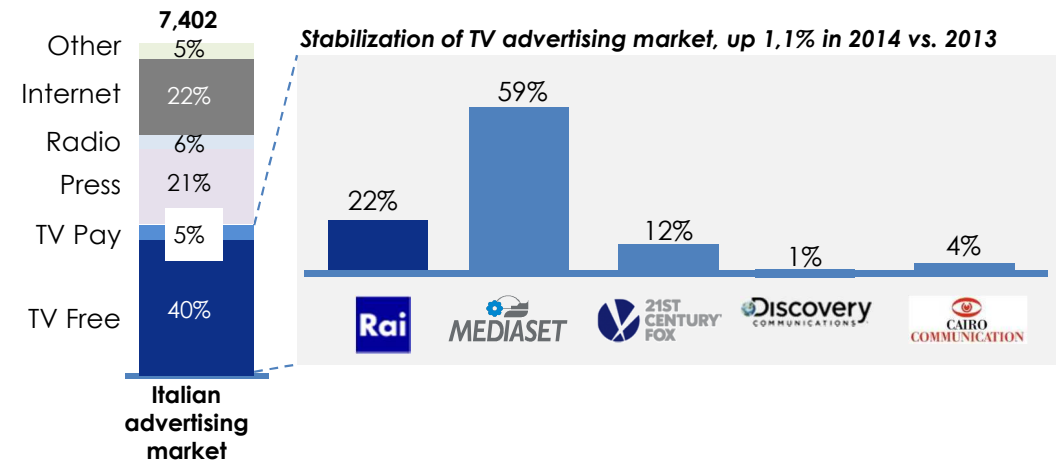
FTA offer (100% of RAI channels) dominates the TV audience, with a share stable at ca. 91-92%
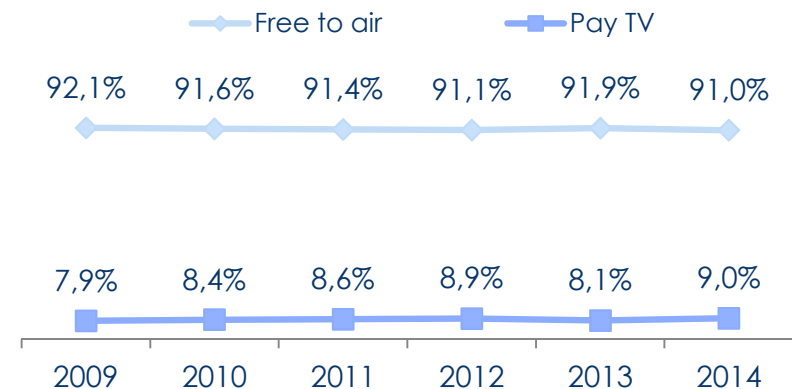
Free-to-air vs. pay-TV: channels

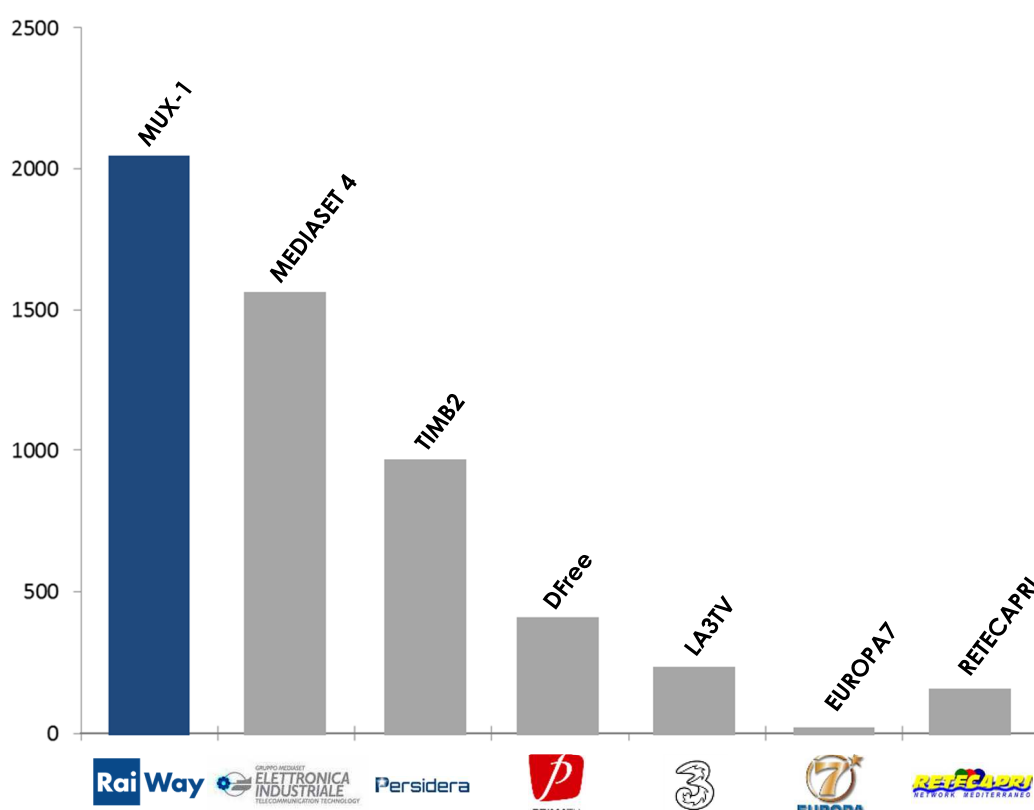*Number of channels – source: company elaboration*

	June 1993	June 2003	June 2014	June 2015	
DTH Pay		55	145	150	
Terrestrial Pay			25	30	
Terrestrial FTA	3 / 8	2 / 8	80	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 — Pay TV

	2009	2010	2011	2012	2013	2014
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%

National Network Operators

MUX	Frequencies and TV channels	Number of installed equipment on main MUX
5 **Rai**	**MUX Rai 1**: various frequencies; 4SD TV channels **MUX Rai 2**: 546 MHz; 4SD TV channels **MUX Rai 3**: 514 MHz; 5SD TV channels **MUX Rai 4**: 626 MHz; 2SD + 1HD TV channels **MUX Rai 5**: 219,5 MHz;	*Source: company elaboration on «AGCOM - Catasto pubblico» data*
5 **ELETTRONICA INDUSTRIALE**	**MUX Mediaset 1**: 722 MHz; 8 channels **MUX Mediaset 2**: 594 MHz; 7SD + 1HD TV channels **MUX Mediaset 3**: 610 MHz; 4SD + 2HD TV channels **MUX Mediaset 4**: 698 MHz; 6SD TV channels **MUX Mediaset 5**: 754 MHz; 9SD channels	
5 **Persidera**	**MUX TIMB 1**: 682 MHz; 7SD TV channels **MUX TIMB 2**: 786 MHz; 11SD TV channels **MUX TIMB 3**: 690 MHz; 11SD TV channels **MUX Rete A1**: 658 MHz; 7SD TV channels **MUX Rete A2**: 570 MHz; 16SD TV channels	
1 **PRIMATV**	**MUX D-FREE**: 706 MHz; 5SD TV channels	
1 **3**	**MUX LA3**: 602 MHz; 1SD + 4HD TV channels	
1 **7 EUROPA**	**MUX Europa 7**: 198.5 MHz; 5SD TV channels	
1 **RETECAPRI**	**MUX Rete Capri**: 762 MHz; 9SD TV channels	
1 **CAIRO NETWORK**	**MUX L3**: 506 Mhz;	

Chart: Number of installed equipment on main MUX (bars for MUX-1 ≈ 2050, MEDIASET 4 ≈ 1560, TIMB2 ≈ 960, DFree ≈ 410, LA3TV ≈ 240, EUROPA7 ≈ 20, RETECAPRI ≈ 150)

Regional Network Operators

Macro-regional (>2 reg.): ~49
Macro-regional (2 reg.): ~75
Regional (1 reg.): ~286

Broadcasters /channels[1]
~500

Network operators
~410

MUX
~470

Equipment
~7.100

Main Regional Network Operators

Network Operator	N of regions	N of MUX	N of installed equipment
AAS	1	4	446
TELENORBA	5	3	328
tivuitalia	19	1	231
telecity	4	3	206
CANALE Italia	15	1	145

- 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

Number of installed equipment by region

National N.O.
Regional N.O.

246
87
728
754
220
86
1264
603
769
344
1052
598
482
506
766
1132
824
543
449
313
254
142
471
153
89
536
195
316
367
349
750
361
439
265
591
193
569
257
863
402

National N.O.: ~12.200

Regional N.O.: ~7.100

Tot equipment: ~19.300
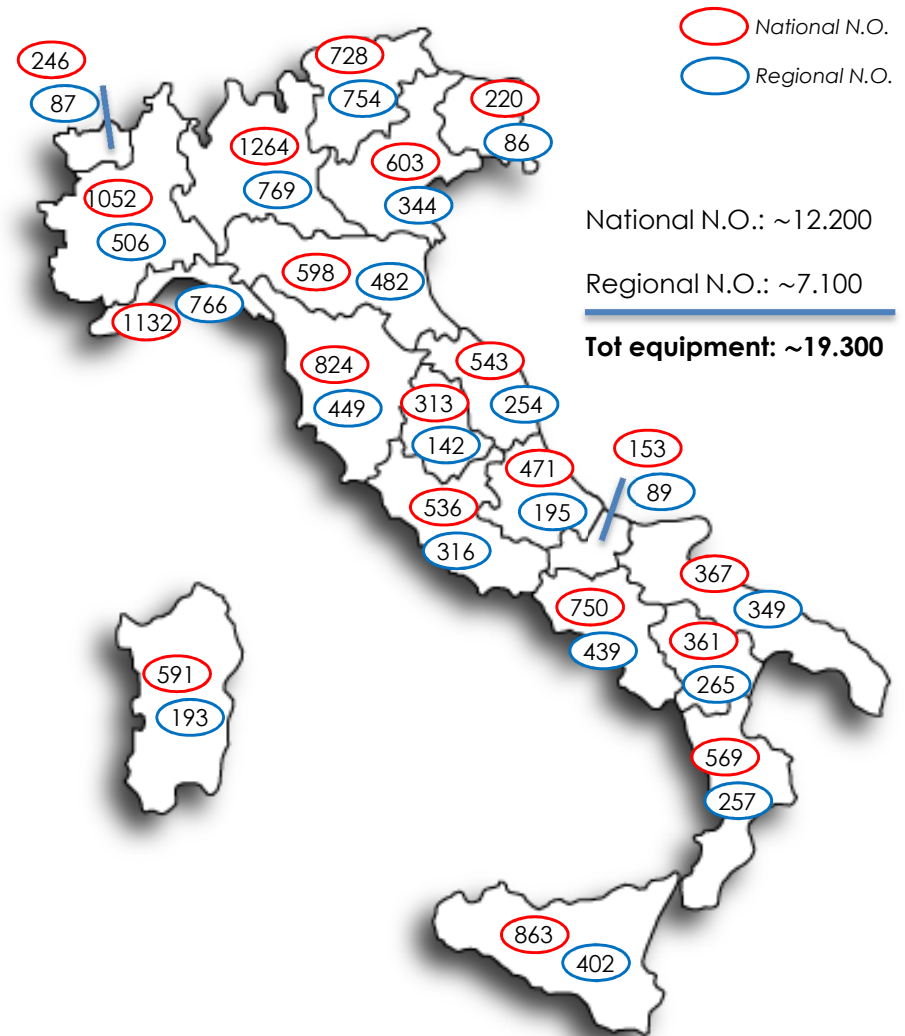
Broadcasting Tower Companies

2 major players in the market

🟡 *Population coverage*

99%	**~96%**
~2.300	~2.300
Rai Way	**EI TOWERS**
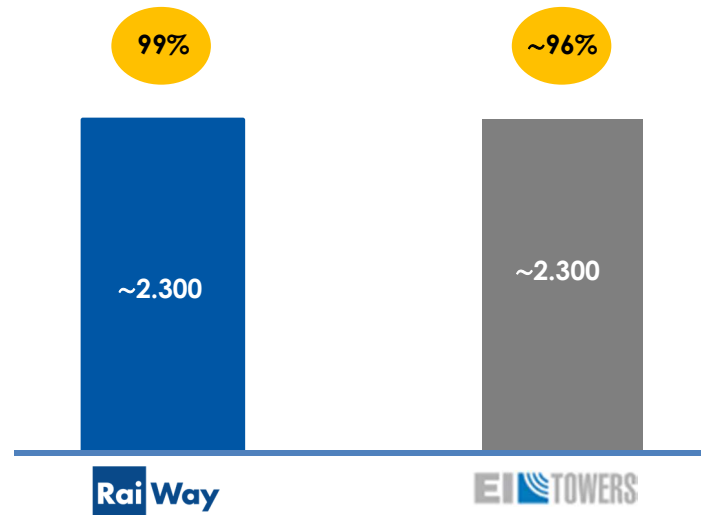
TV Platforms

DTT is by far the key TV broadcasting platform, with stable audience share at around 84%

Platform penetration of households (2014)

% - source: Auditel data
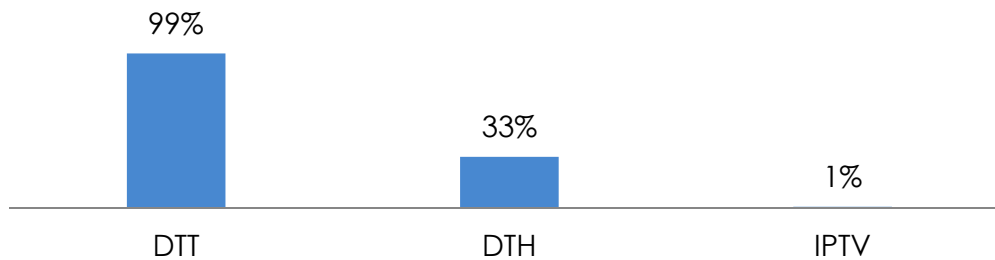
Platform audience share

Average daily audience share; % - source: Auditel data
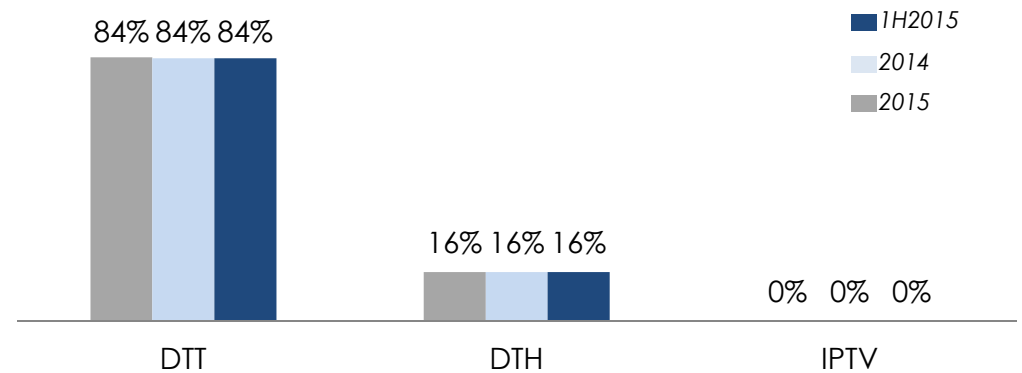
Increasing presence on DTT of traditional DTH-players

Launch of channels on DTT platform		
Dec 2009	**Jan 2015**	**Sept 2015**

SKY

cielo   sky TG24   MTV MUSIC TELEVISION
(acquisition)

Sept 2010	**Nov 2011**	**Jan 2013**	**Jan 2015**

Discovery COMMUNICATIONS

real time   DMAX   Focus Giallo K2 FRISBEE   DEE JAY DEEJAY. TV
(acquisition)   (acquisition)
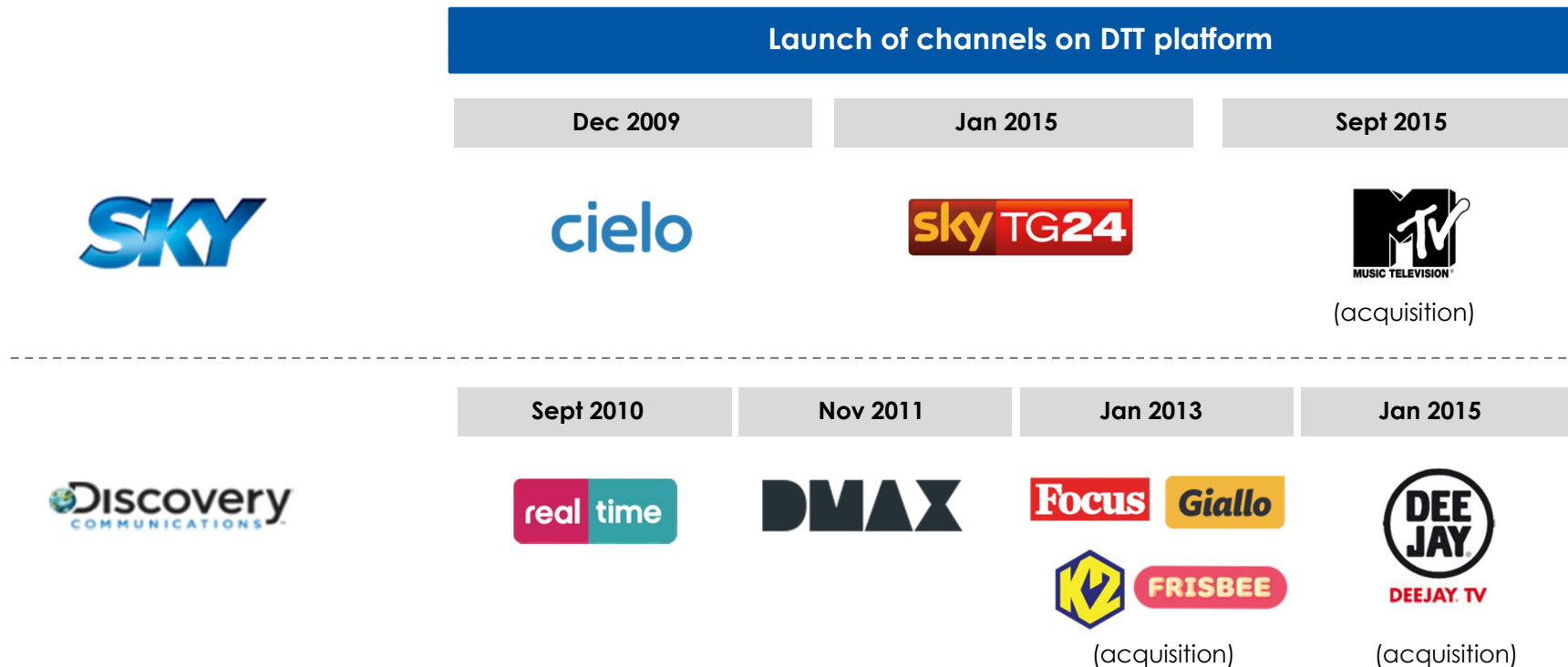
- Audience and advertising share expansion, leveraging on existing structure

- 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

Channel	Listeners
Rtl 102.5	6.737
Rds	4.760
Deejay	4.677
105	4.585
Radio Italia	4.527
Radio 1 Rai	4.203
Radio 2 Rai	3.023
Virgin	2.331
Radio 24	1.962
Kiss Kiss	1.835
M2o	1.709
Capital	1.656
101	1.568
Radio 3 Rai	1.386
Rmc	1.162
Padania Libera	119
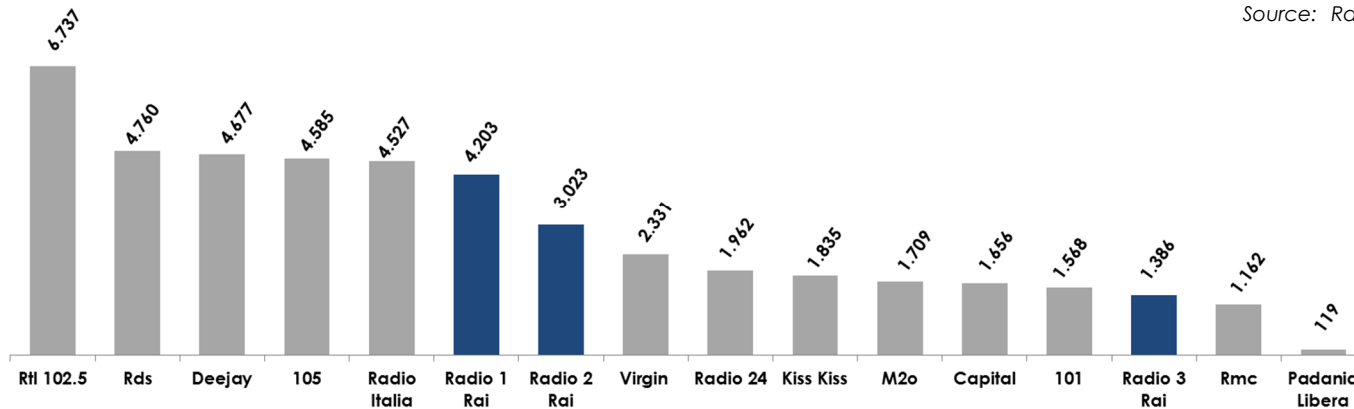
- The key market players are diversified companies such as Rai, RCS and Gruppo Editoriale l'Espresso

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

Market share

Source: Radiomonitor

Group	Radio channels owned	Market Share
RCS MEDIAGROUP	Radio 105, RMC, Virgin	14.5%
Rai	Radio 1, Radio 2, Radio 3, GR Parlamento, Isoradio, Radio FD4, Radio FD5	11.7%
Gruppo Editoriale L'Espresso	Radio Deejay, Capital, M20	11.4%
RTL 102.5	Rtl 102,5	10.1%

Before Hazan acquisition by Mediaset

TV and radio BC market: opportunities and threats

	(opportunities)	(threats)

Regulation-driven	• Reorganization of regional TV frequencies	• Reallocation of frequencies to mobile operators:
		   – 700 MHz
		   – Fixed terrestrial spectrum for radio links

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

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

Regional Frequencies Planning	
Region	**New frequencies to be allocated**
PIEMONTE	58
LOMBARDIA	7,11
FRIULI V.G.	60
VENETO	58
MARCHE	58, 60
ABRUZZO	6 (AQ excluded), 58 (AQ only)
MOLISE	7
PUGLIA	24, 58, 60
EMILIA	60 (RN excluded), 6 (RN only)
CAMPANIA	6
BASILICATA	6
CALABRIA	58
SARDEGNA	60

- 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

- 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]

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

Opportunities for Rai Way

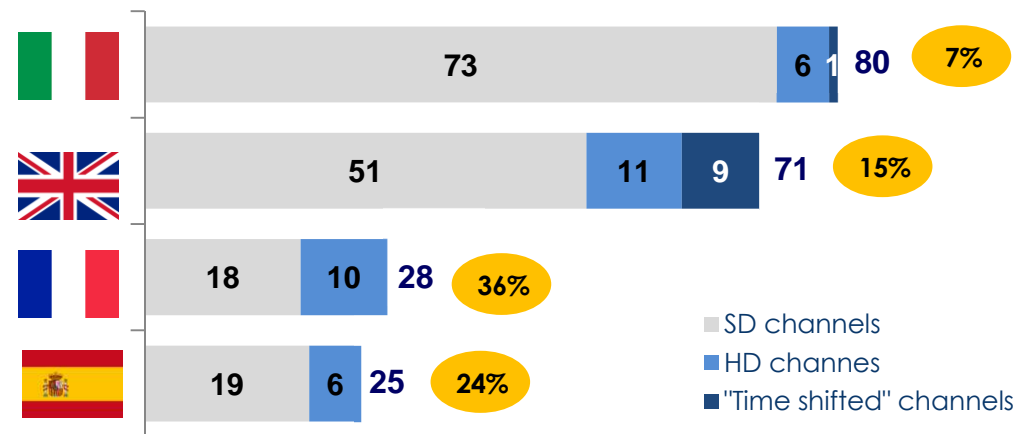| Rai	3rd parties
-	- Team-up with consortiums of regional BCs for network development and management

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

Number of channels – source: RAI elaboration

HD channels in % on total channels

Country	SD channels	HD channels	"Time shifted" channels	Total	%
Italy	73	6	1	80	7%
UK	51	11	9	71	15%
France	18	10		28	36%
Spain	19	6		25	24%

- SD channels
- HD channes
- "Time shifted" channels

Opportunities for Rai Way

Rai	3rd parties
- Upgrade of transmission network - Extension of MUX coverage	- Demand for new services

DAB+ roll-out

- 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	Coverage	Transmission sites
Rai radio — MUX: 1	Rai is operating in DAB through a dedicated national Multiplex and a non-dedicated regional Multiplex in Trentino Alto Adige	43%	18
CLUB DAB ITALIA — 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	>65%	27
eurodab ITALIA — MUX: 1	Consortium of 6 stations (RTL 102.5, Radio Guardia Costiera, ViaRadio Digital, Radio Italia, Radio Padania Libera, Radio Vaticana Italia)	Ca. 65%	29

Lincenses awarding

| Date	Area	Status
Dec12	Trentino	Pilot project
2013	Trentino	Licenses awarded (National: RAI, Club DAB, Eurodab - Local: DBTAA, Digiloc, RAS, DABMedia)
Dec14	Val d'Aosta, Torino/Cuneo, Umbria	Rules published, frequencies to be awarded
May15	40 regions	Plan for frequencies published by AGCom. Consultation started in June

Opportunities for Rai Way

Rai	3rd parties
- 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
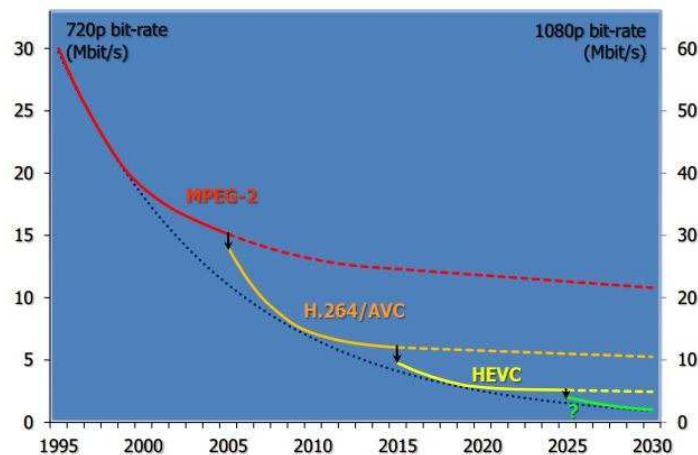
Number of channels per multiplex

DVB T — Approximately 5 SD channels or 2 HD 720p channels

DVB T2 — According to tests carried out for the UK market, 4 HD 720p channels with DVB-T2 H.264 (MPEG4), increasing up to 11 with DVBT-2 H.265 (HEVC)

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

- 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
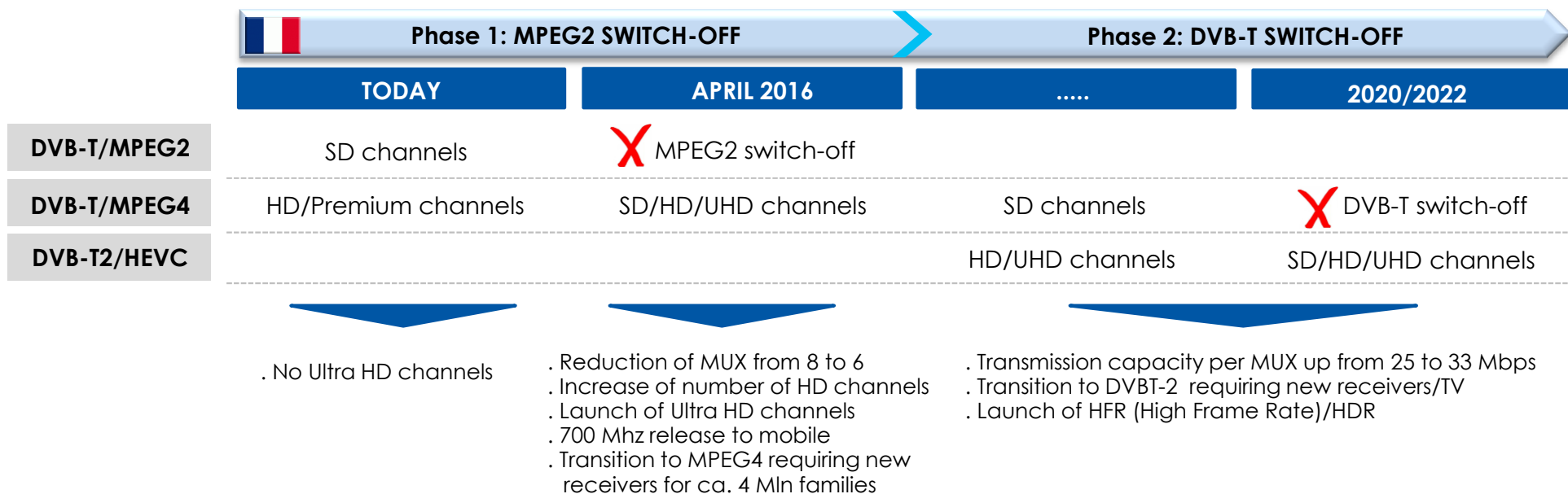
Opportunities for Rai Way

Rai	3rd parties
- Network upgrade	- Demand for new services
- Reduced impact from frequencies reallocation to mobile	

DVB T2 in France

- 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		**Phase 2: DVB-T SWITCH-OFF**	
	TODAY	**APRIL 2016**	**.....**	**2020/2022**
DVB-T/MPEG2	SD channels	✗ MPEG2 switch-off		
DVB-T/MPEG4	HD/Premium channels	SD/HD/UHD channels	SD channels	✗ DVB-T switch-off
DVB-T2/HEVC			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 DVBT-2 requiring new receivers/TV
. Launch of HFR (High Frame Rate)/HDR

Frequencies reallocation to mobile operators

700 MHz	Fixed terrestrial frequencies

700 MHz

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

2020	2025	2030

- 700 MHz band to be reallocated to mobile broadband by 2020, with a 2 years flexibility (no later than 2022)
- By 2025 check of technological progress (WiFi, 5G, etc) and consumer habits
- Band below 700 MHz allocated to DTT at least until 2030
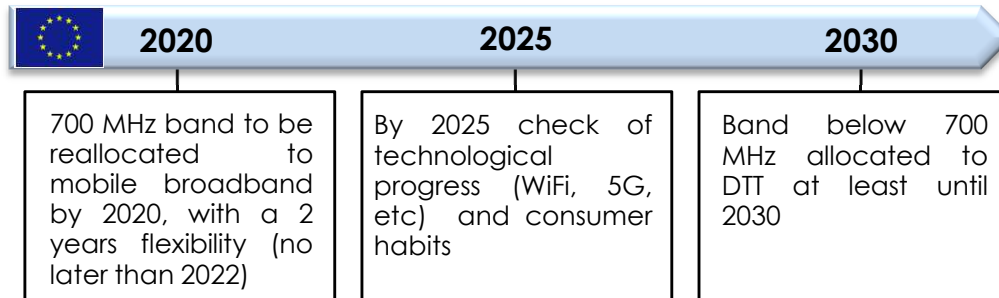
- Timeframe to be likely confirmed at the ITU Conference in November 2015

- In Italy, AgCom and MiSE pushing to anticipate 700 MHz reallocation, but no deadline set as of today

Fixed terrestrial frequencies

- 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

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

Mitigating factors

Market	Rai Way
- Required cross-border coordination, likely to be lengthy	- Rai not operating on 700 MHz frequencies
- Potential transition to DVB-T2 to improve efficient use of spectrum, limiting impact of frequencies reallocation	- TV broadcaster other than RAI currently representing a limited portion of RAI WAY's revenues → limited impact on current business
- Italian country-specific issues	- RAI MUX5 with limited coverage

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

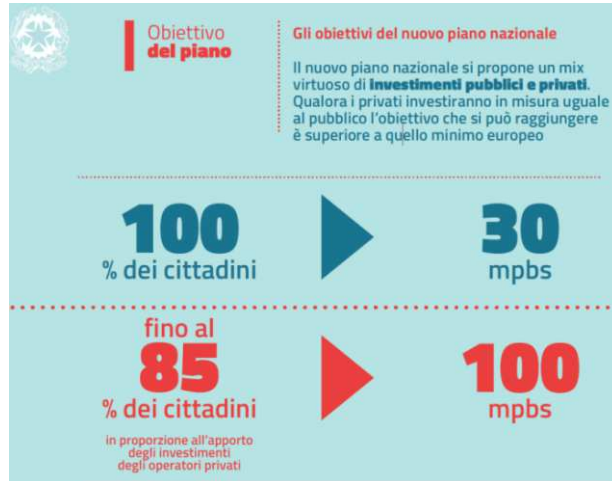- Italy to face issues due to country-specific peculiarities

	🇩🇪	🇫🇷	🇬🇧	🇮🇹
Status	Completed in June 2015: • Telefonica (2 x 10 MHz) • Telekom Deutschland (2 x 10 MH) • Vodafone (2x10 MHz)	On 9 July 2015 ARCEP invited operators to the auction	In November 2014 OFCOM decided, after a public consultation, to allocate 700 MHz band to mobile *broadband* Auction to start 2 years before reallocation	700 MHz band currently used by DTT - No cable TV - DTT platform (20 national MUX vs. 6 in UK) heavily reliant on 700 MHz band - Spectrum saturation, no available frequencies for TV - Channels in the 700 MHz band to be allocated to local network operators in the context of regional frequencies planning - Lengthy introduction of DVB-T2
Awarding mechanism	*Multi-round ascending (SMRA)*	*Multi-round ascending (SMRA)*	Auction	
Auction starting price	€75 mln per block	€416 mln per block	-	
Size	6 2x5 MHz blocks	6 2x5 MHz blocks	-	
Awarding period	18 years	20 years	-	
Total value	€ 1 Bln	≥ €2,5 Bln (expected)	-	
Expected auction period	-	November 2015	2016	

IP-TV driven by increasing broadband penetration

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

Obiettivo del piano

Gli obiettivi del nuovo piano nazionale

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

100 % dei cittadini ▶ **30** mpbs

fino al 85 % dei cittadini ▶ **100** mpbs

in proporzione all'apporto degli investimenti degli operatori privati

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

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

Mitigating factors

Market	Rai Way
- Devices (laptop/tablet) mainly used as "second screen"	- Main impact on pay-tv / on-demand contents – RAI 100% free-to-air only
- So far limited IP-TV share despite UBB take-up and improved offer	- DTT only platform to guarantee at least 99% coverage
- Platform specialization on on-demand contents	- TV broadcaster other than RAI currently representing a limited portion of Rai Way's revenues
- Italian BC market highly concentrated (RAI+MS: ca. 73% prime time audience and ca. 81% TV advertising share)	

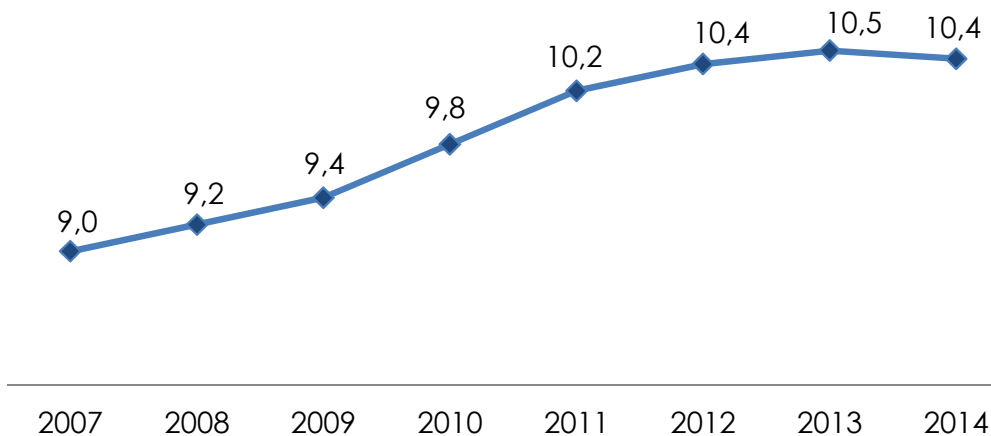# DTT showing resilience to rising broadband penetration

TV viewers

02.00-01.59, Mln viewers 4+ in avg minute – source: elaboration on Auditel data

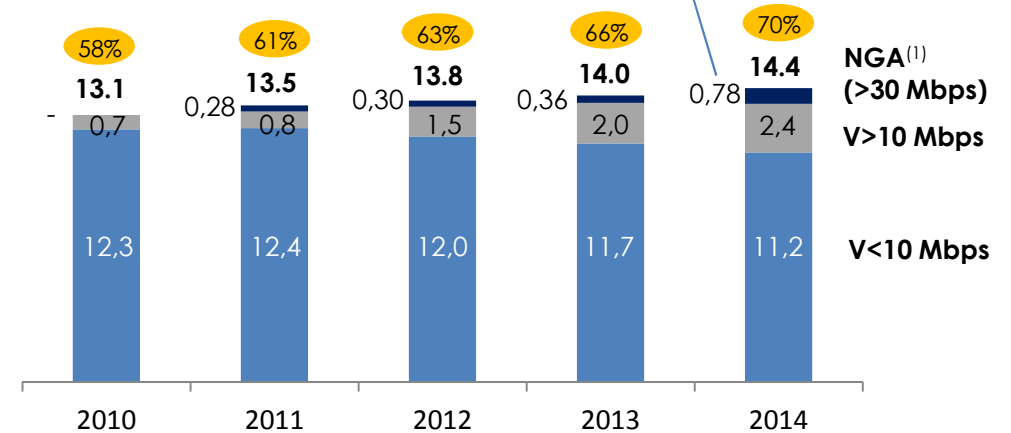| Year	Viewers
2007	9,0
2008	9,2
2009	9,4
2010	9,8
2011	10,2
2012	10,4
2013	10,5
2014	10,4

Broadband penetration

Mln of BB access – source: AGCom, 2015 report; IT Government, "Strategy for UBB and digital growth"

% 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)

	2010	2011	2012	2013	2014
% of BB access	58%	61%	63%	66%	70%
Total	13.1	13.5	13.8	14.0	14.4
NGA[1] (>30 Mbps)	-	0,28	0,30	0,36	0,78
V>10 Mbps	0,7	0,8	1,5	2,0	2,4
V<10 Mbps	12,3	12,4	12,0	11,7	11,2

(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

29 September 2015
2015-2019 Industrial Plan

RaiWay | 33

The future of DTT: Ofcom view

Ofcom **The Future of Free to View TV – A discussion document** (28 May 2014)

«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 previsioning 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

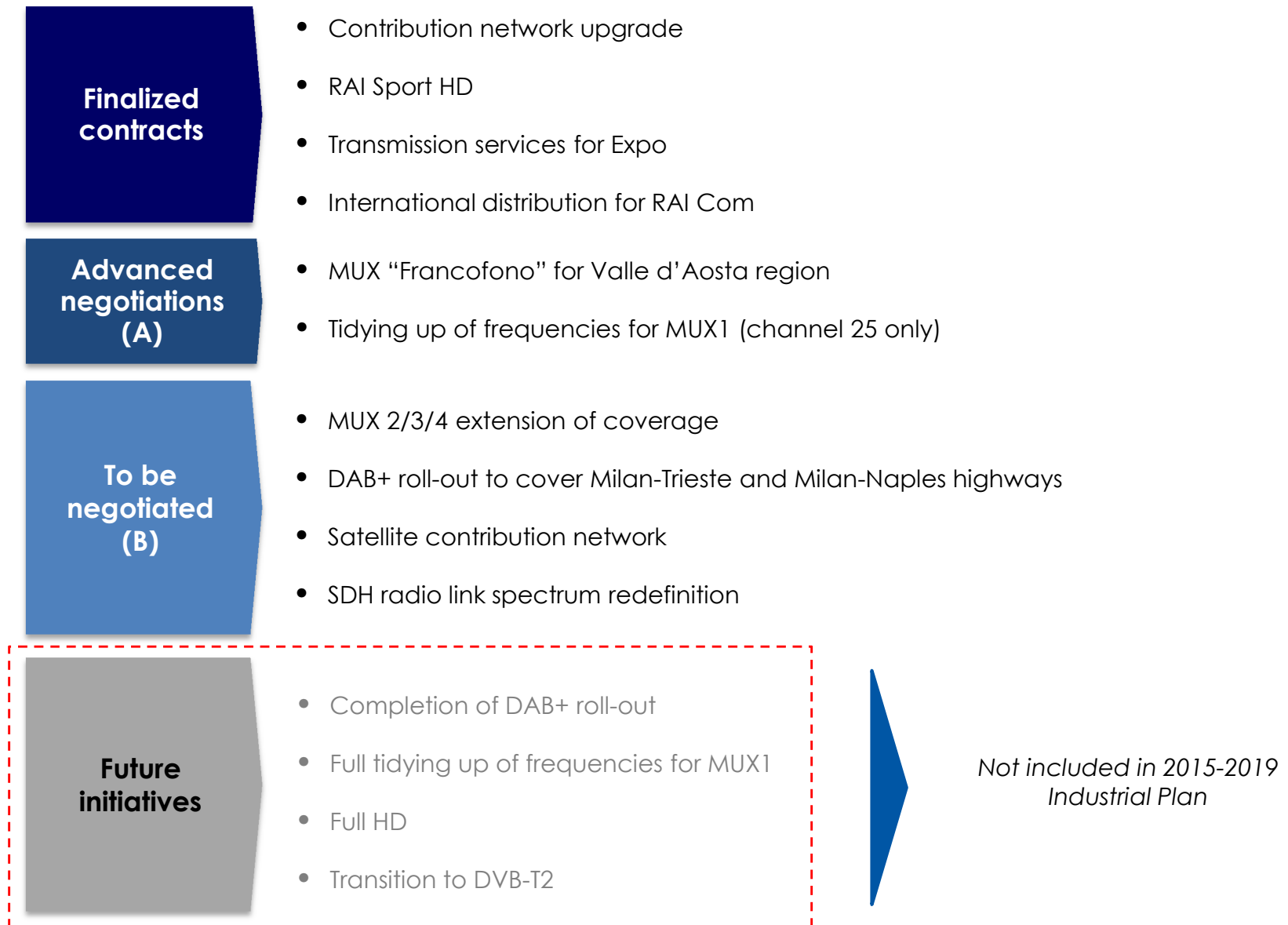- Intensify implementation of systems to manage multiplatform systems, in particular DAB services

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

Technical levers	Commercial levers
• High coverage, technical quality of infrastructure and service reliability	• Commercial agreements with broadcasters / network operators
• Full-HD distribution, also via IP	• Acquisition of local infrastructure
• DVB-T2 coverage development	• Full-integrated-service offering
• Simplified broadcasting networks roll-out	

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

Fiber Ring 1
Fiber Ring 2
Double fiber links

- 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

Target DAB+ coverage

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

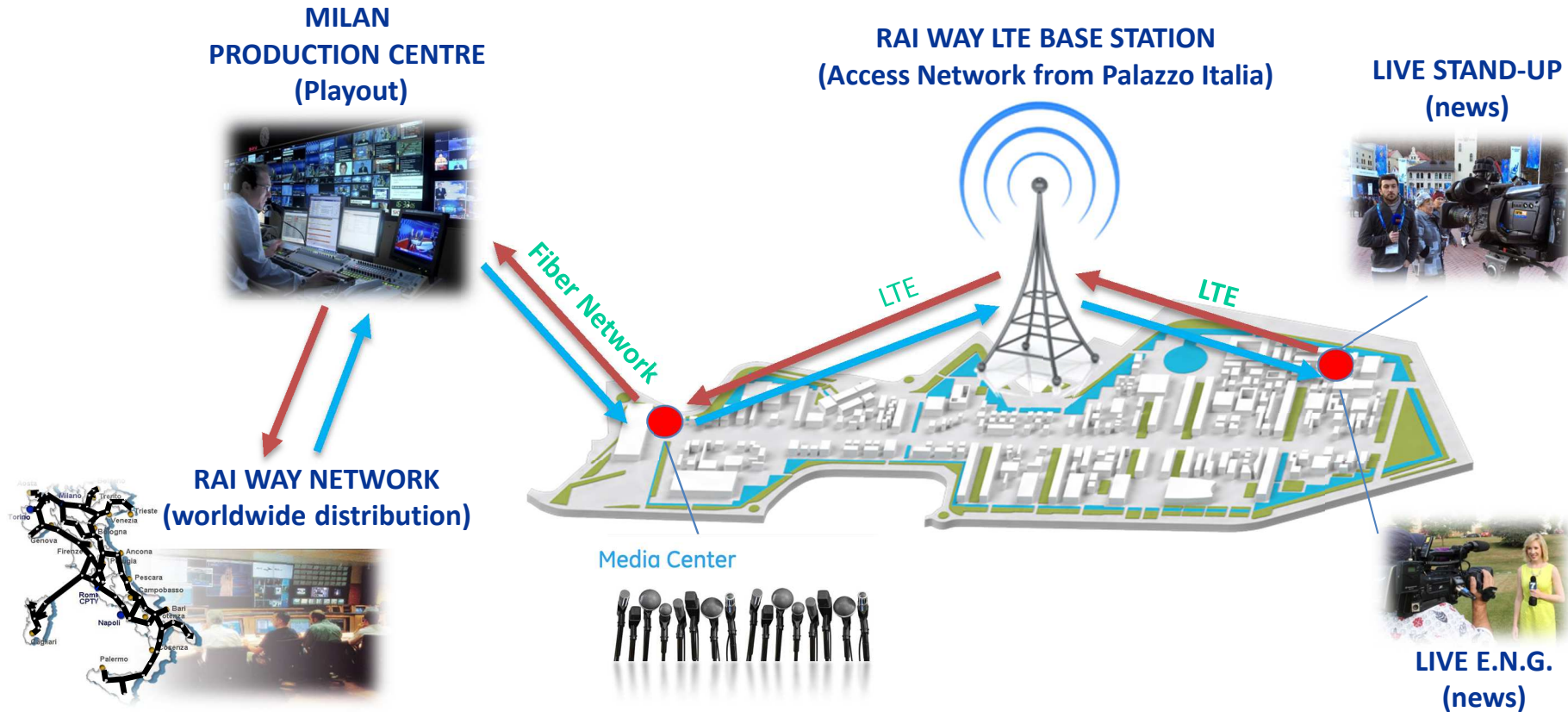**Current coverage: 84,6% of population**
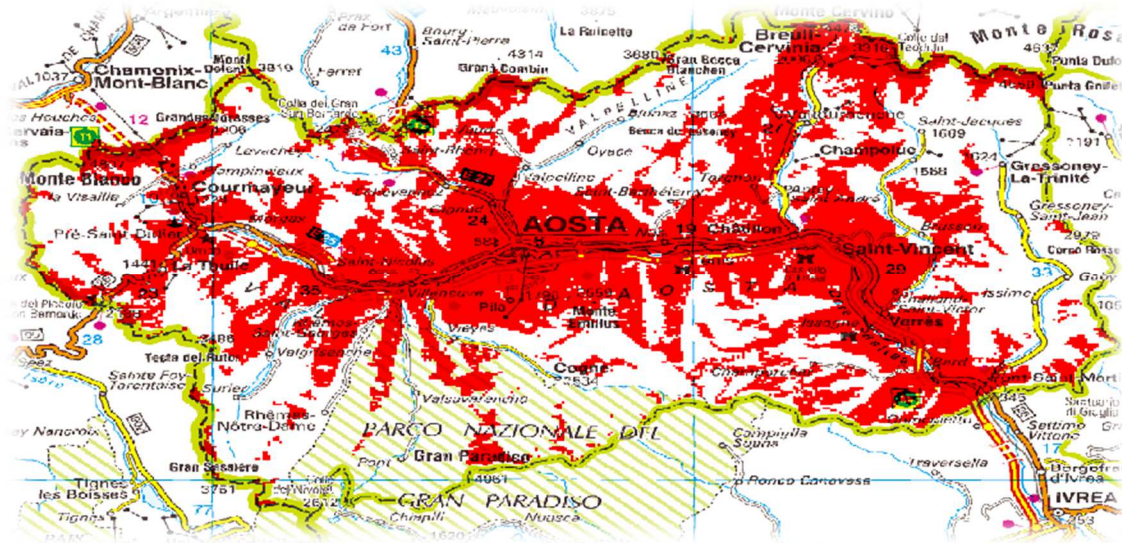
Target: extend population coverage to 99% by end of 2015

International distribution services on satellite platform (long distance carrier)
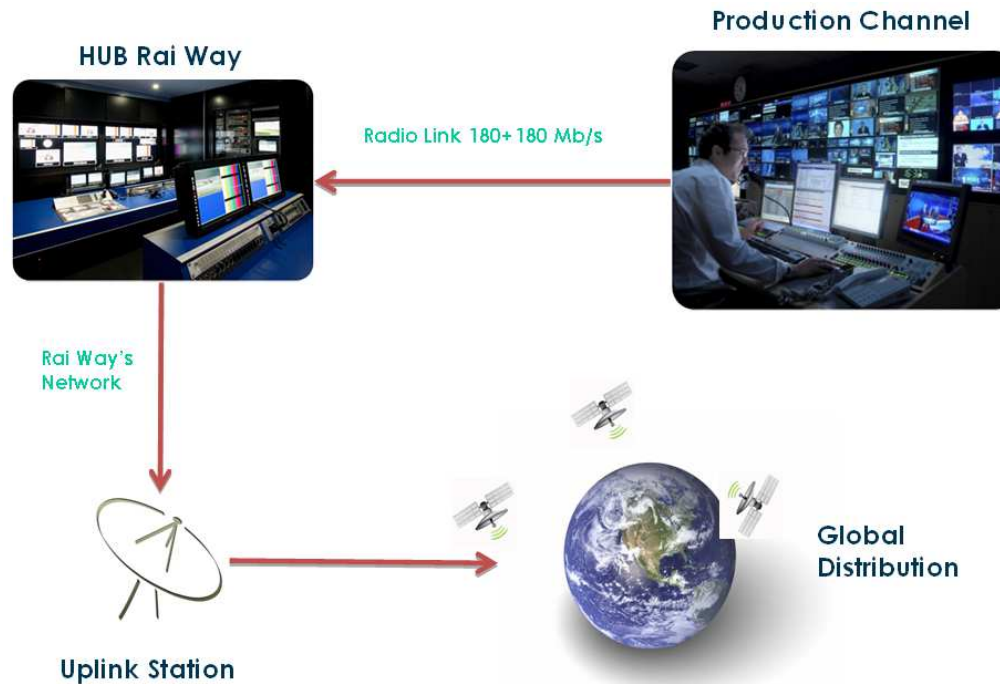
- Customer's content acquisition from Rai Way's Hubs distributed on the whole country via High capacity link

- 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

MILAN PRODUCTION CENTRE (Playout)

RAI WAY LTE BASE STATION (Access Network from Palazzo Italia)

LIVE STAND-UP (news)

Fiber Network

LTE

LTE

RAI WAY NETWORK (worldwide distribution)

Media Center

LIVE E.N.G. (news)

- 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

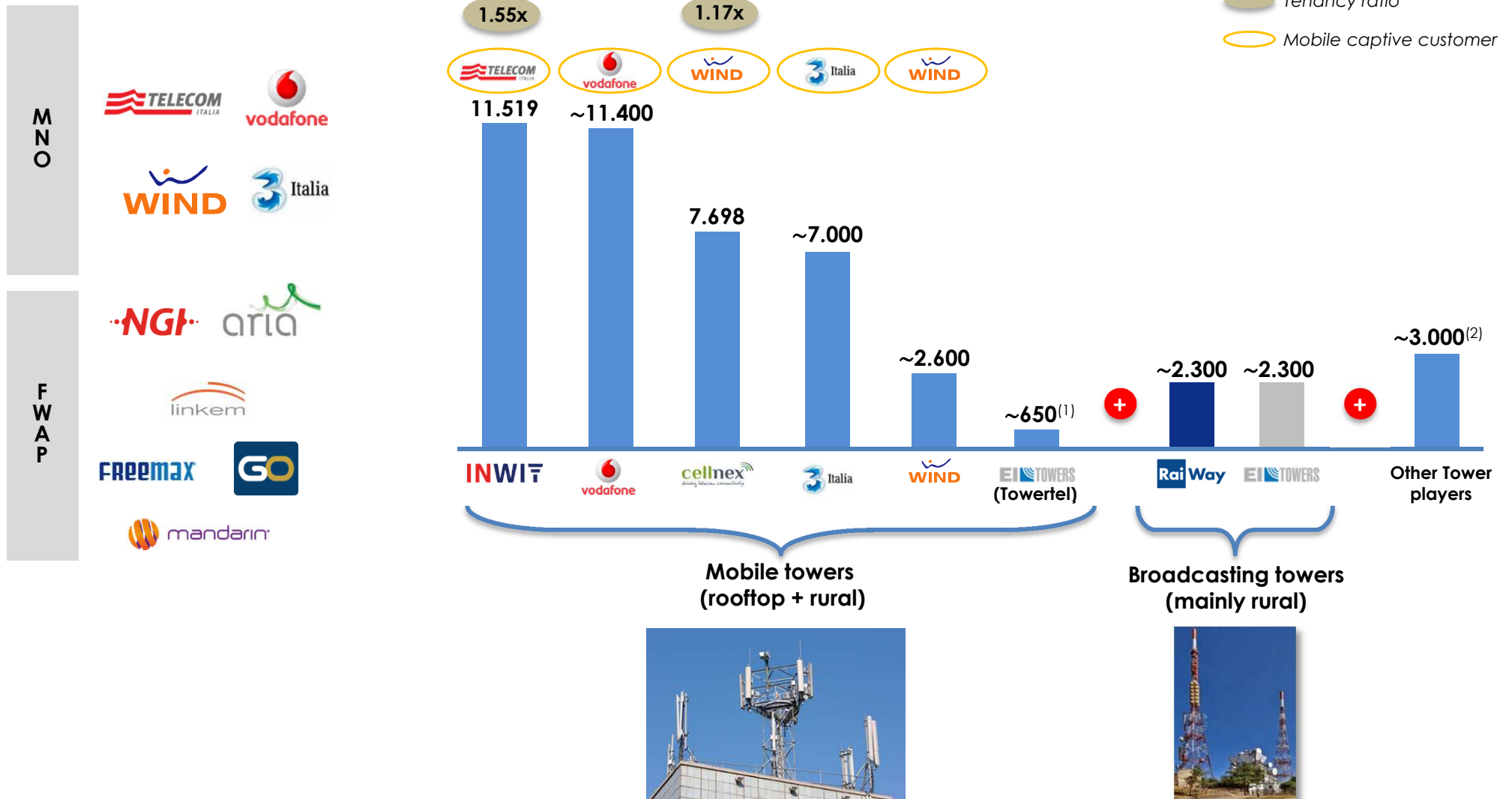 - TV and radio broadcasting market

  - **TLC market**

    - **Market trend**

  - Focus on efficiency

  - Financials

Mobile tower market

Tower Companies in Italy

MNO

TELECOM ITALIA vodafone

WIND 3 Italia

FWAP

NGI aria

linkem

FREEMAX GO

mandarin

Tenancy ratio

Mobile captive customer

1.55x **1.17x**

TELECOM ITALIA vodafone WIND 3 Italia WIND

11.519 **~11.400** **7.698** **~7.000** **~2.600** **~650**[1] **~2.300** **~2.300** **~3.000**[2]

INWIT vodafone cellnex 3 Italia WIND EI TOWERS (Towertel) RaiWay EI TOWERS Other Tower players

Mobile towers (rooftop + rural)

Broadcasting towers (mainly rural)

(1) Including Tecnorad Italia SpA acquisition
(2) Source: Rai Way tower market assessment

Tower in the TLC network infrastructure
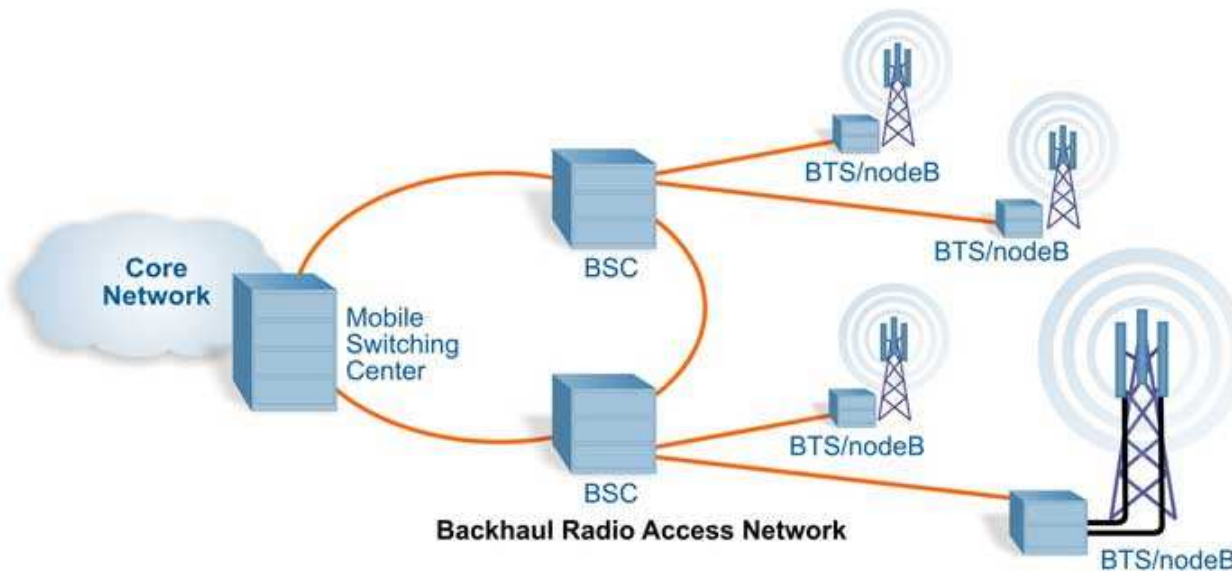
From BTS/nodeB to antenna
- Wired (copper/fiber)

Core network (backbone)

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

Tower demand drivers

Drivers affecting the demand for towers

Source: company elaboration

⬭ Current driver

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

Market Structure

Commercial

Technical

Regulatory
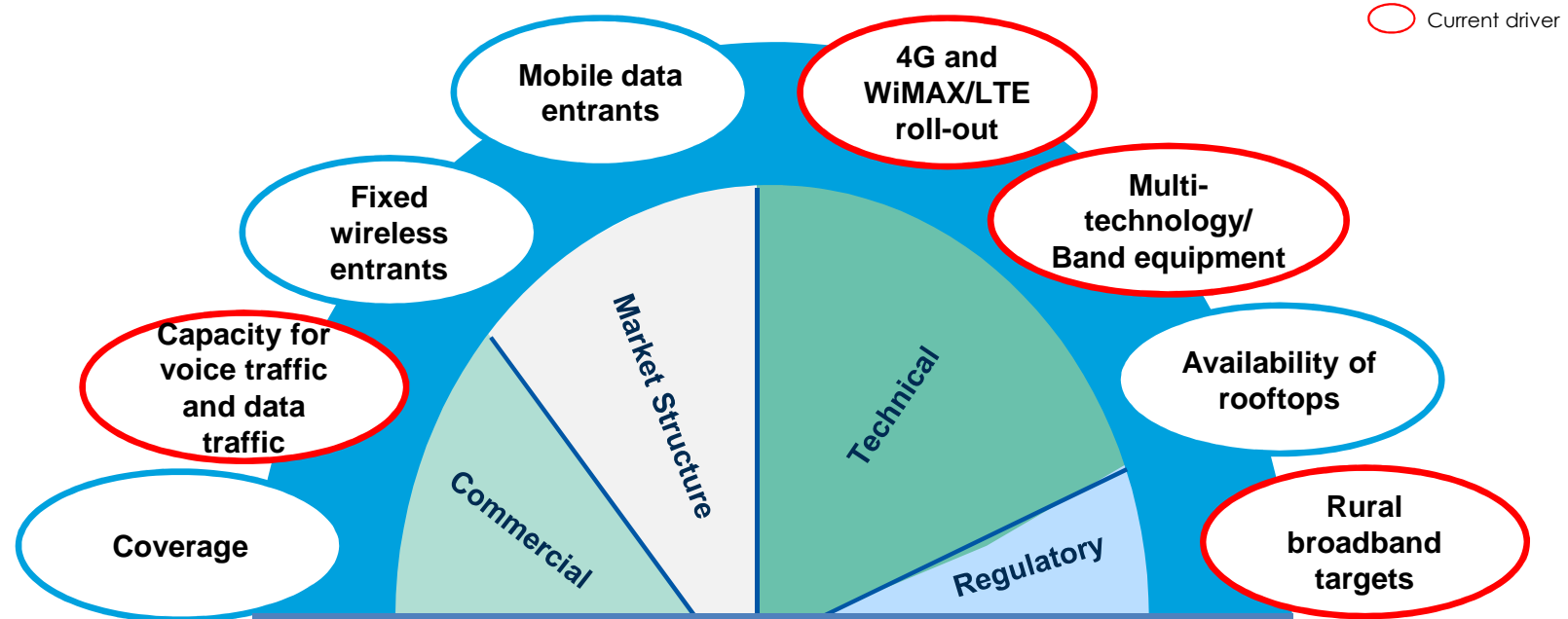
Mobile market trend

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

Data traffic evolution

Source: AGCom – "Osservatorio sulle Comunicazioni" 2015; Cisco - VNI Mobile Forecast

Mobile networks data traffic volume (in Petabytes)

Year	Value
2012	258
2013	343
2014	501
2019E	4.300

+33% (2012→2013)
+46% (2013→2014)
>8x (2014→2019E)
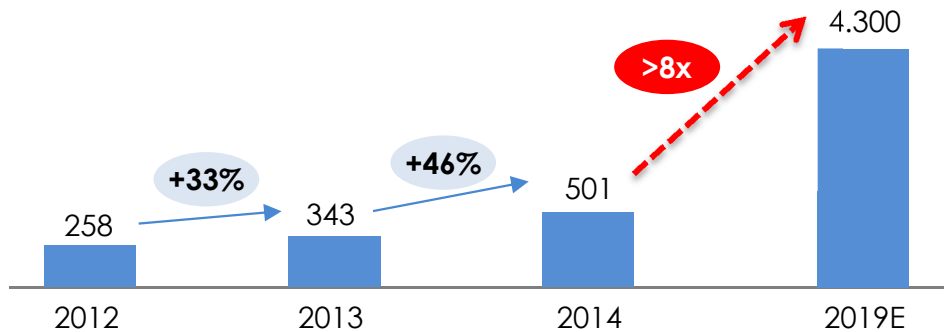
New services

Source: EU commission

People & Things

4G network roll-out

• …. and ongoing 4G network rollout[1]….

	2014YE	Target
TIM	77%	95% coverage by 2017
vodafone	76%	>90% coverage by 2016
WIND	37%	Undisclosed
3	36%	Undisclosed

• …likely focused on rural areas

Future network evolution

Source: figure from Qualcomm website

GSM · 3G · LTE · 5G

Etherogeneous Network
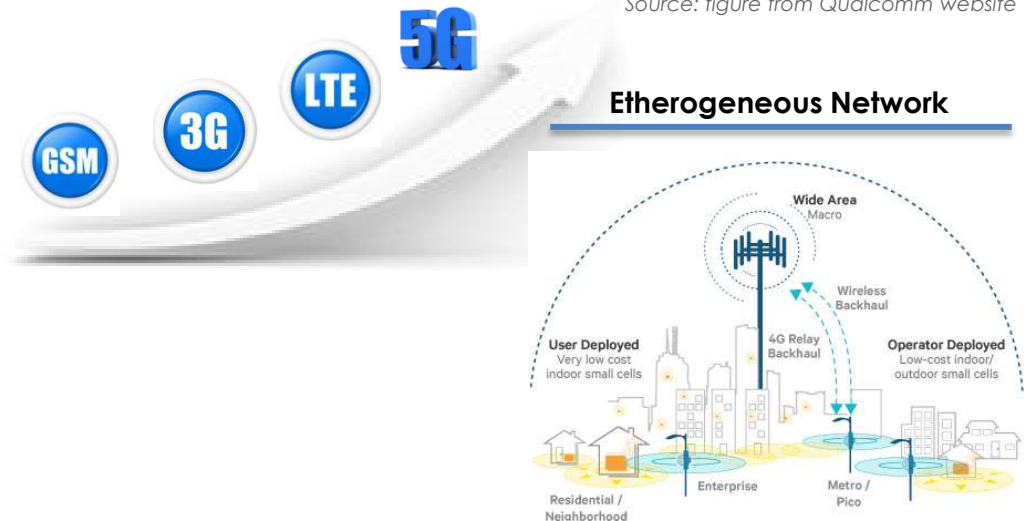
4G network roll-out: expected evolution

LTE coverage as of 1H2014	Population density in Italy

Inferiore a 201,8
201,8 - 999,9
1.000,0 e oltre
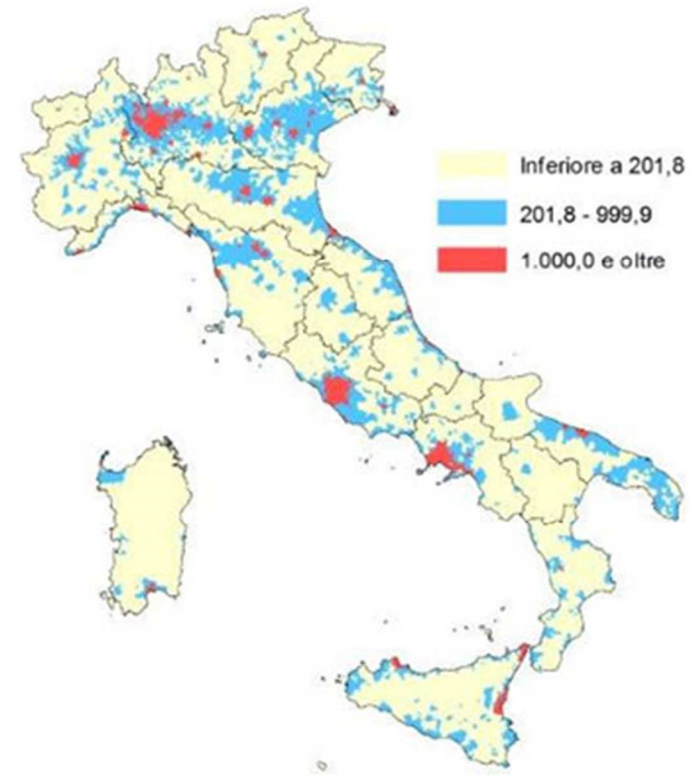
- Network roll-out starting from densely populated area (urban) in order to maximize coverage

- 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)
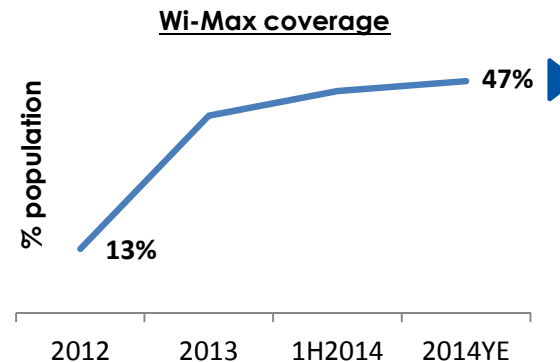
Coverage distance: up to 50 Km
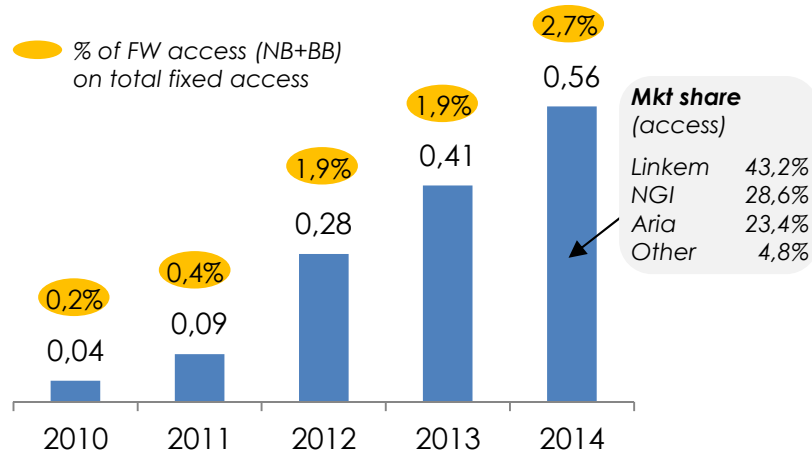
FWA penetration	**FWA operators investing to expand coverage**

Mln of access – source: AGCom, 2015 report
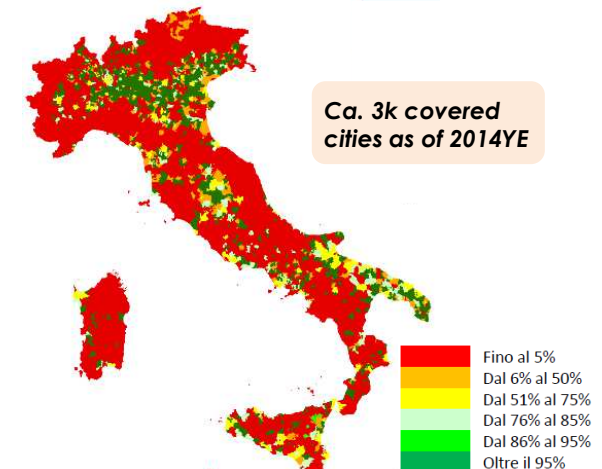
Source: Osservatorio Ultra BB 2014, Between; Digital Agenda for Europe, European Commission, AGCom, 2015 report

% of FW access (NB+BB) on total fixed access

Year	Value	%
2010	0,04	0,2%
2011	0,09	0,4%
2012	0,28	1,9%
2013	0,41	1,9%
2014	0,56	2,7%

Mkt share (access)

Linkem	43,2%
NGI	28,6%
Aria	23,4%
Other	4,8%

Wi-Max coverage

% population — 13% (2012) → 47% (2014YE)

2012 2013 1H2014 2014YE

In 2014 FWA operators increased investments in fixed assets by ca. 14%, at around 90 Mln Eur

Ca. 3k covered cities as of 2014YE

- Fino al 5%
- Dal 6% al 50%
- Dal 51% al 75%
- Dal 76% al 85%
- Dal 86% al 95%
- Oltre il 95%

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

- **2015-2019 Industrial Plan**

  - Rai Way: the Smarter Tower Company

  - Industrial Plan strategic pillars

  - TV and radio broadcasting market

  - **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
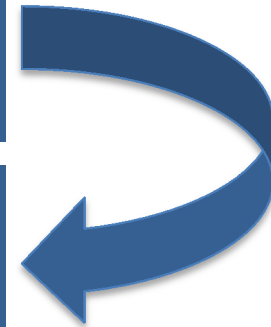
Fiber to the Tower option

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
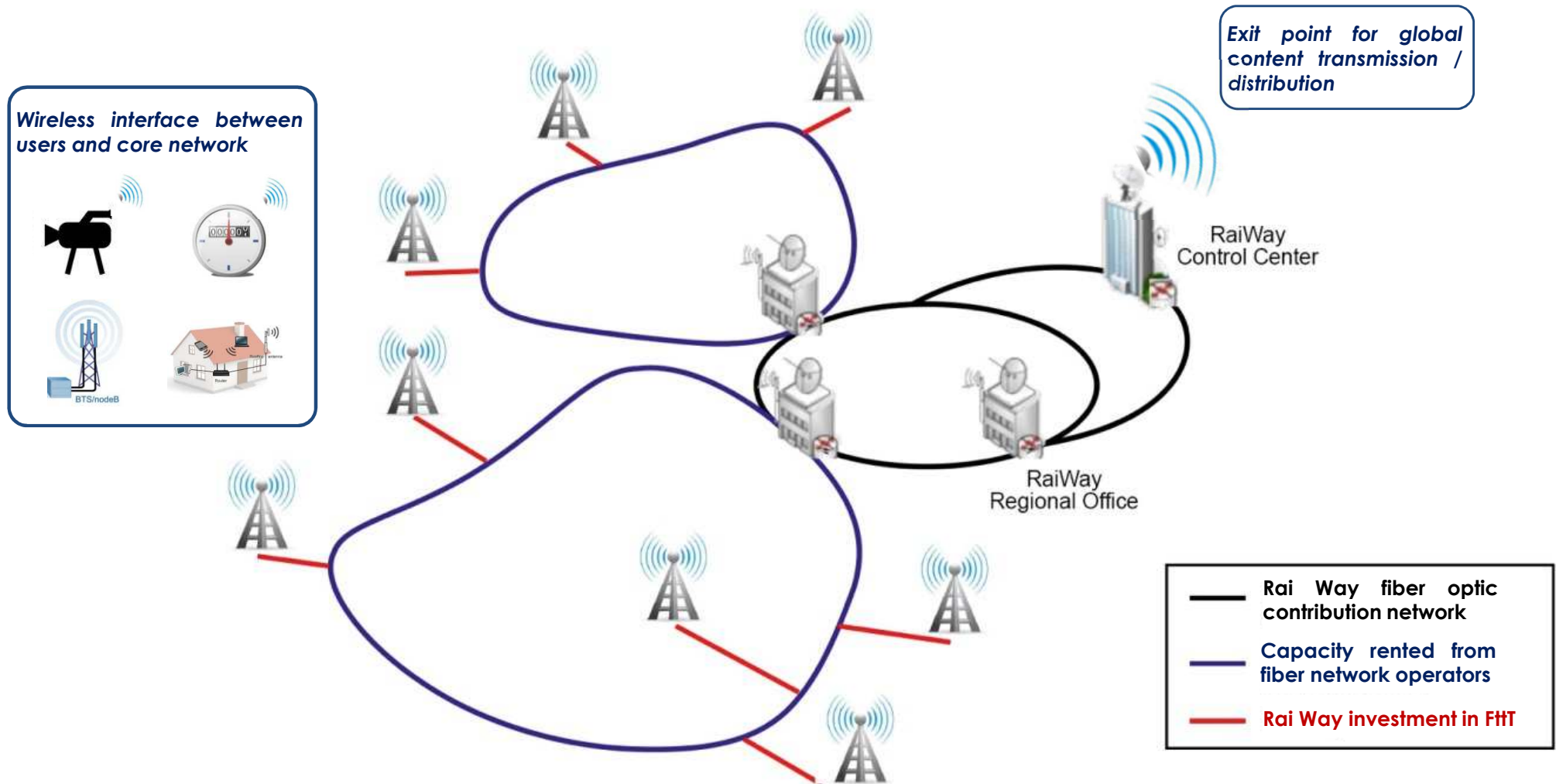
Where

- 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

Wireless interface between users and core network

BTS/nodeB

RaiWay Control Center

RaiWay Regional Office

Rai Way fiber optic contribution network

Capacity rented from fiber network operators

Rai Way investment in FttT

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

04 Increasing operating efficiency

- **Reduce power consumption**
- **Reduce cost for satellites**

Upgraded contribution network + Fiber to the Tower

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

- **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

Backhauling services for TLC customers

- Wholesale bandwidth provider

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

Rai Way fiber-connected tower

RW site coverage | Backhaul | MNO's BTS
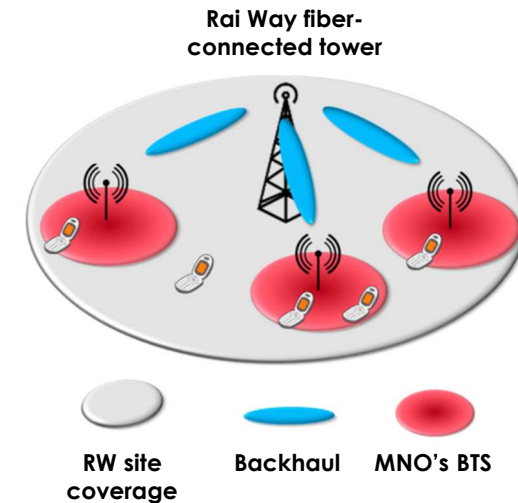
Smart metering

- 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
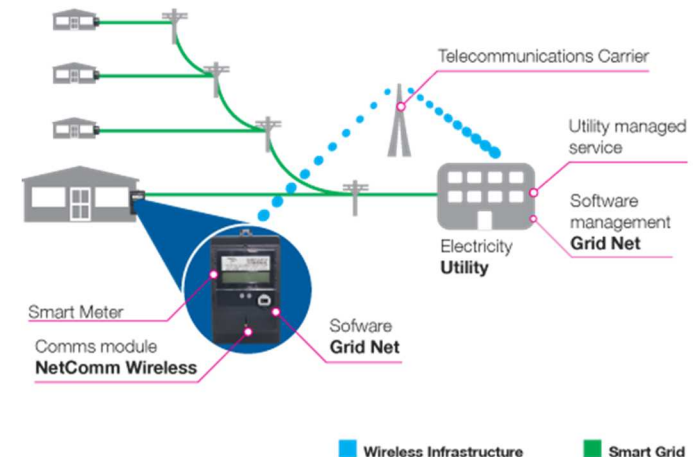
Fiber to the Tower: possible support to Government BB plan

Coverage target

POPULATION COVERAGE TARGET			
	2014	2018	2020
ITALY			
Population coverage with at least 30 Mbps	21%	75%	100%
Population coverage with at least 100 Mbps		40%	up to 85%
EUROPE			
Population coverage with at least 30 Mbps	62%		100%
Population coverage with at least 100 Mbps			50%

Cluster, target and incentives

CLUSTER A	CLUSTER B	CLUSTER C	CLUSTER D
Le 15 città più popolose e le aree industriali	**Ca 1130 comuni**	**Ca 2650 comuni**	**Ca 4300 Comuni** (di cui circa 300 già oggetto dell'intervento pubblico in corso)
15 % della popolazione	**45%** della popolazione	**24%** della popolazione	**13%** della popolazione
Upgrade da 30 a 100 mbps	**Upgrade** da 30 a 100 mbps	**Upgrade** da 2 a 100 mbps	**Upgrade** da 2 a 30 mbps
Defiscalizzazione e accesso al credito agevolato	**Defiscalizzazione** e accesso al credito agevolato	**Defiscalizzazione** e accesso al credito agevolato	**Defiscalizzazione** e accesso al credito agevolato
No fondo perduto. Intervento realizzato esclusivamente dal mercato	Minimo impiego di **risorse pubbliche a fondo perduto**	**Risorse pubbliche a fondo perduto** proporzionalmente maggiore rispetto al cluster B	**Il pubblico interviene realizzando** direttamente l'infrastruttura di sua proprietà

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

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

- 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]
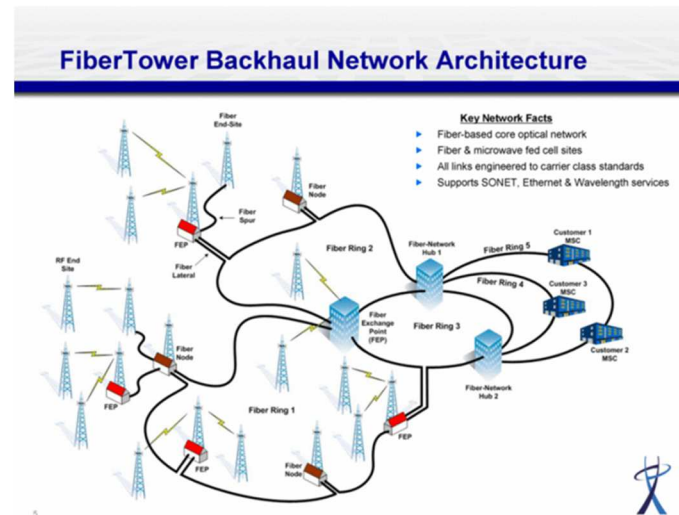
TE Connectivity
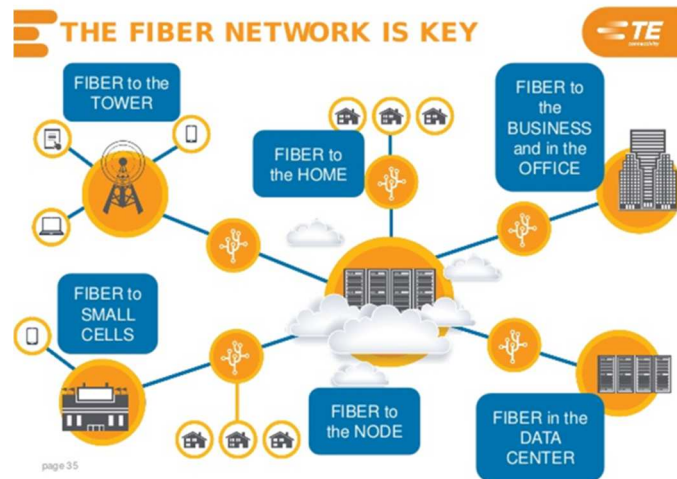
FiberTower Corporation

Crown Castle – Quanta FN

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 - Virgin

- 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)

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
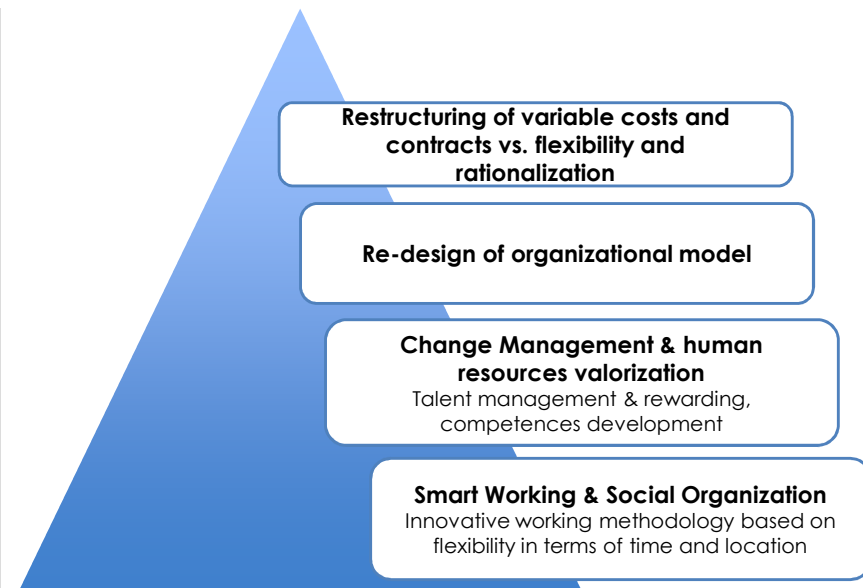
- Energy management

- Organizational improvement

CAPEX

- Reduction of investments on active equipment

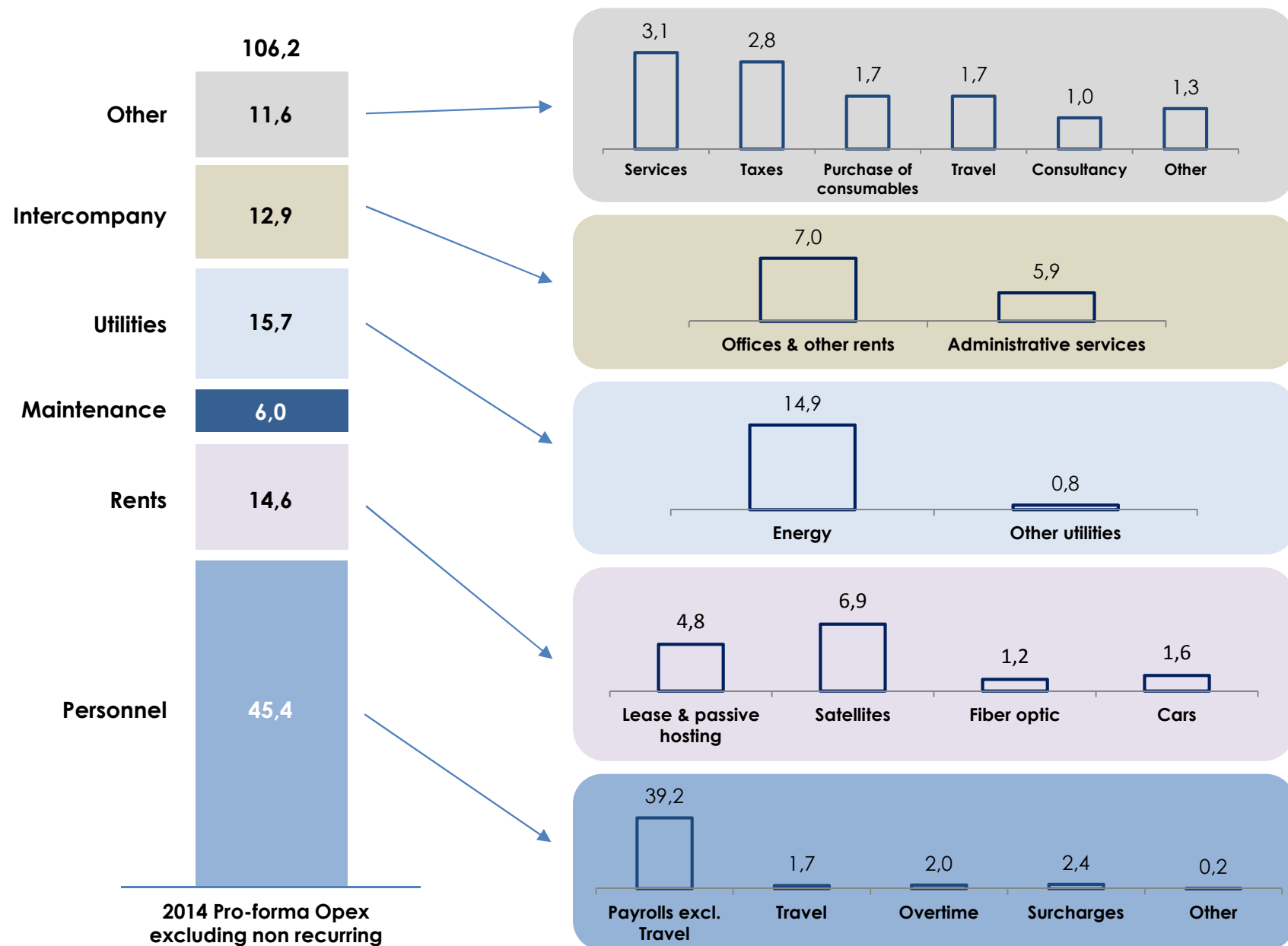# Focus on efficiency : enabling factors

- 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

Restructuring of variable costs and contracts vs. flexibility and rationalization

Re-design of organizational model

Change Management & human resources valorization
Talent management & rewarding, competences development

Smart Working & Social Organization
Innovative working methodology based on flexibility in terms of time and location

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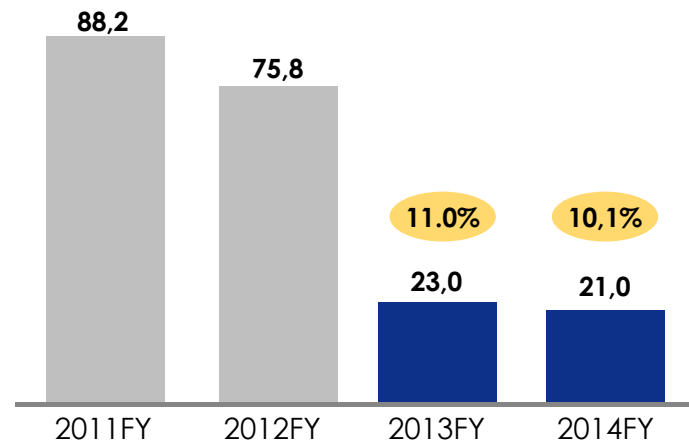
2014 Opex: the starting point

106,2

Other	**11,6**
Intercompany	**12,9**
Utilities	**15,7**
Maintenance	**6,0**
Rents	**14,6**
Personnel	**45,4**

2014 Pro-forma Opex excluding non recurring

Services	Taxes	Purchase of consumables	Travel	Consultancy	Other
3,1	2,8	1,7	1,7	1,0	1,3

Offices & other rents	Administrative services
7,0	5,9

Energy	Other utilities
14,9	0,8

Lease & passive hosting	Satellites	Fiber optic	Cars
4,8	6,9	1,2	1,6

Payrolls excl. Travel	Travel	Overtime	Surcharges	Other
39,2	1,7	2,0	2,4	0,2

2014 Maintenance Capex: the starting point

% of PF core revenues

Capex evolution

Mln Eur; %

- 2011FY: 88,2
- 2012FY: 75,8
- 2013FY: 23,0 (11.0%)
- 2014FY: 21,0 (10,1%)

2014 Net Fixed Assets breakdown by asset category

%

- Other; 9%
- Land & Buildings; 16%
- Radio equipment; 4%
- Other technical equipment; 7%
- Transmission equipment; 13%
- Synchronization and control equipment; 3%
- Broadcasting equipment; 47%
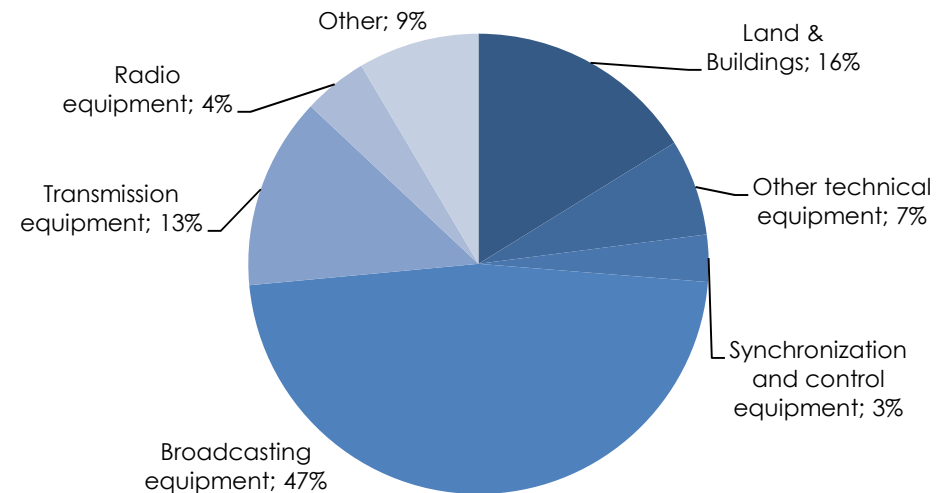
- Maintenance capex currently in a 10-11% range on total revenues

- Broadcasting equipment representing approximately 47% of Net Fixed Assets

Main areas of efficiencies (1/2)

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

Main areas of efficiencies (2/2)

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

Asset portfolio management

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

- Valorization / disposal options under assessment

Impact not included in 2015-2019 Industrial Plan

- 2 major sites:

  - Roma - Prato Smeraldo, located in Rome, with an extension of 28,8 hectares

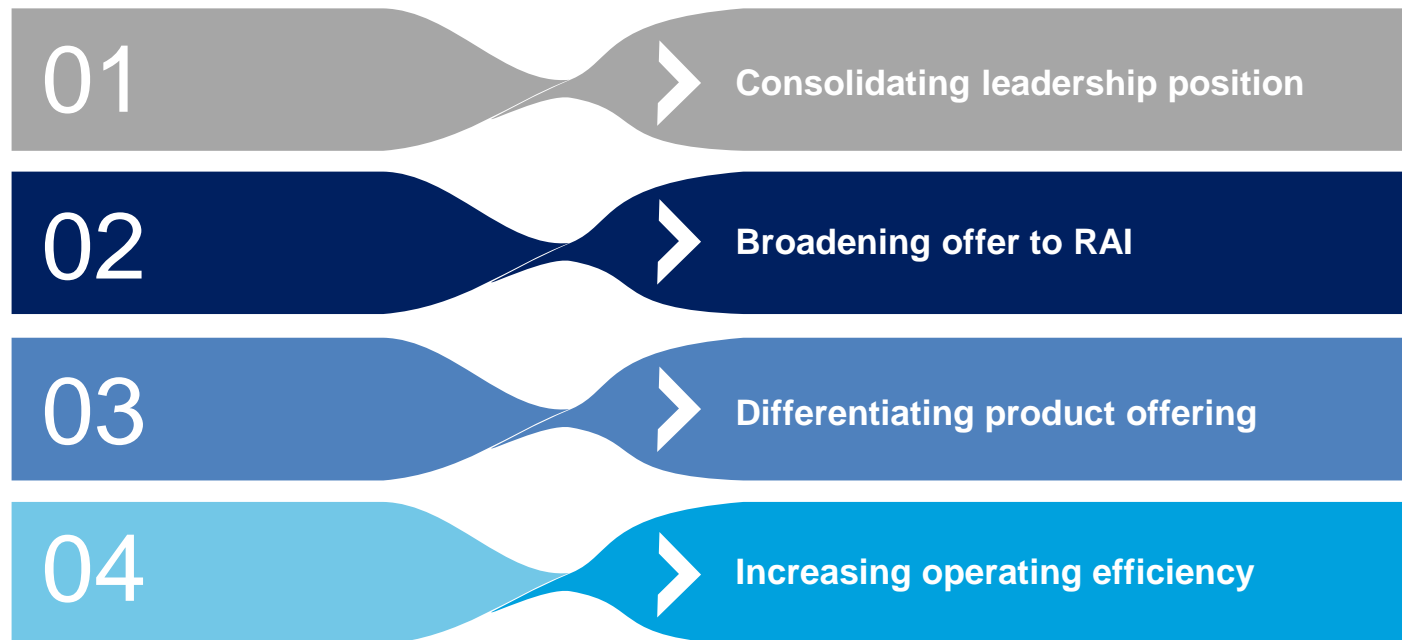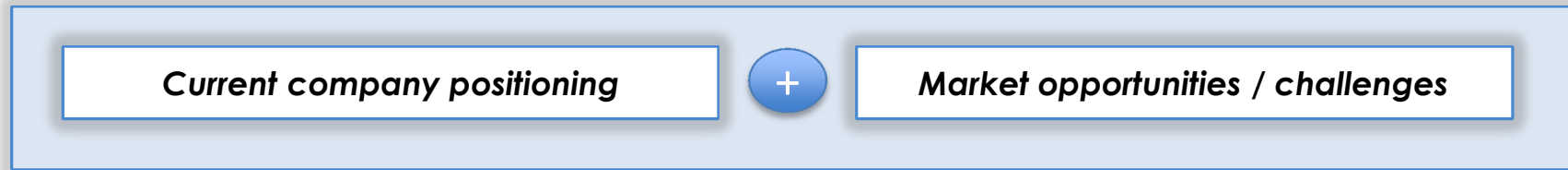 - Roma - Santa Palomba, located in Rome and Pomezia, with an extension of 24,5 hectares
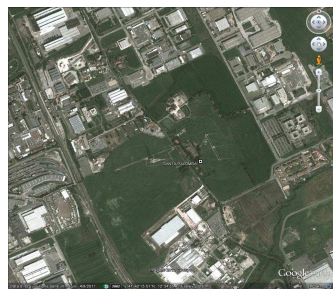
Executive Summary

- **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)

Rai Way

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

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

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

	2015	2016	2017	2018	2019
CPI	0,20%	1,00%	1,25%	1,25%	1,25%

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

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

- <u>Opportunistic initiatives (progressive implementation of Fiber to the Tower option + small M&A)</u>: ca. € 15 Mln cumulated investments with expected EBITDA contribution of ca. € 1,5 Mln[1]

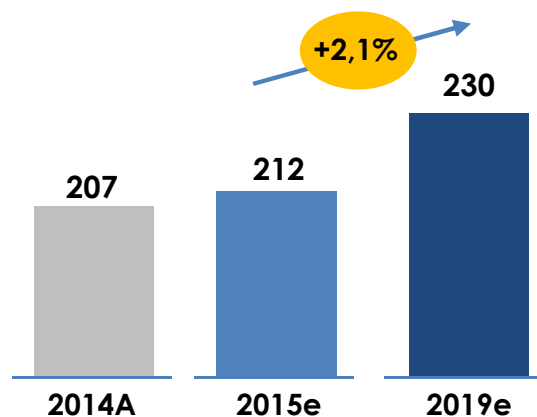- <u>Valorization/disposal of non-operating sites</u>: impact not included

Financial highlights

CAGR 2015-19

Maintenance capex / Revenues

Revenues

+2,1%

2014A	2015e	2019e
207	212	230

Adjusted EBITDA[1]

+3,6%

2014A	2015e	2019e
105	107	123
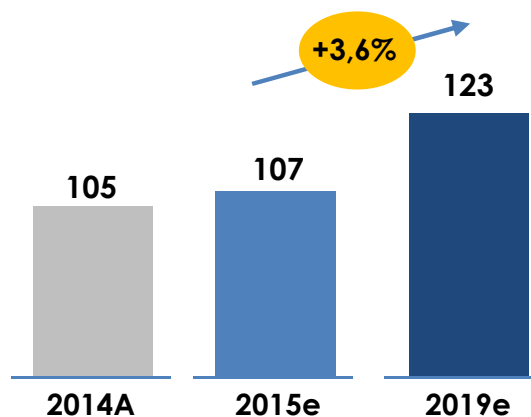
Adjusted EBITDA margin[1]

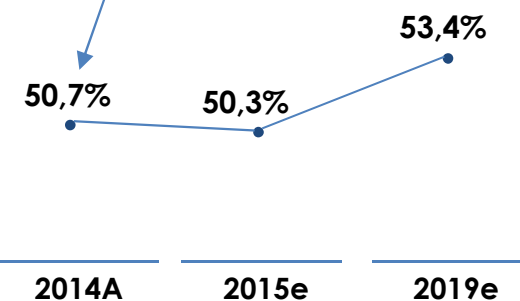*2014 benefiting from higher lever of Other Income vs. 2015-19 assumptions*
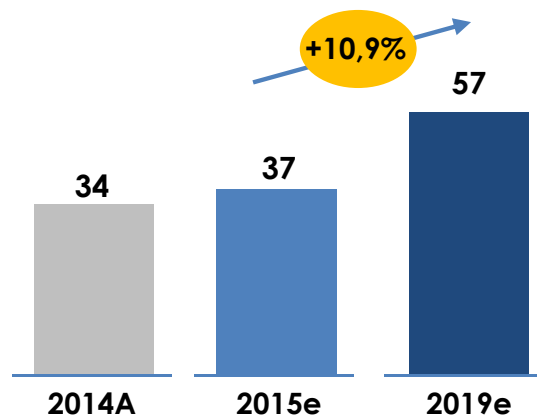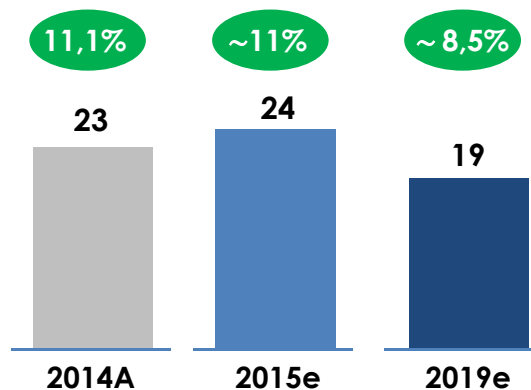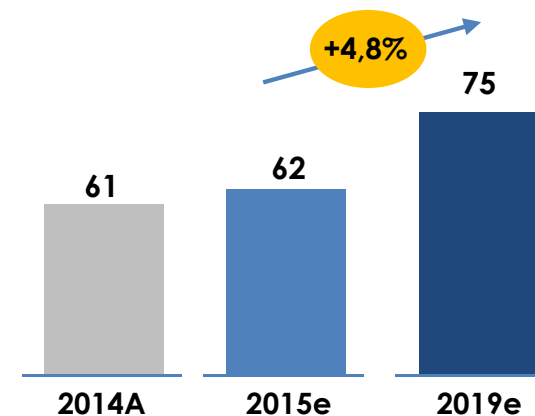
2014A	2015e	2019e
50,7%	50,3%	53,4%

Net Income

+10,9%

2014A	2015e	2019e
34	37	57

Maintenance Capex

2014A	2015e	2019e
11,1%	~11%	~ 8,5%
23	24	19

Normalized FCFE[2]

+4,8%

2014A	2015e	2019e
61	62	75

Revenues from RAI

Revenues from RAI

Mln Eur; %

+2,1%

Year	Rev from new services	Rev from 5% mark-up	Fixed consideration	Total
2014		1	171	**172**
2015	2	1	175	**178**
2019	10	1	182	**193**

■ Rev from new services ■ Rev from 5% mark-up ■ Fixed consideration

- 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

Mln 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 3rd parties

Revenues from 3rd parties

Mln Eur; %

Bar chart values: 2014: 35, 2015: 34, 2016, 2017, 2018, 2019: 37

+2,4%
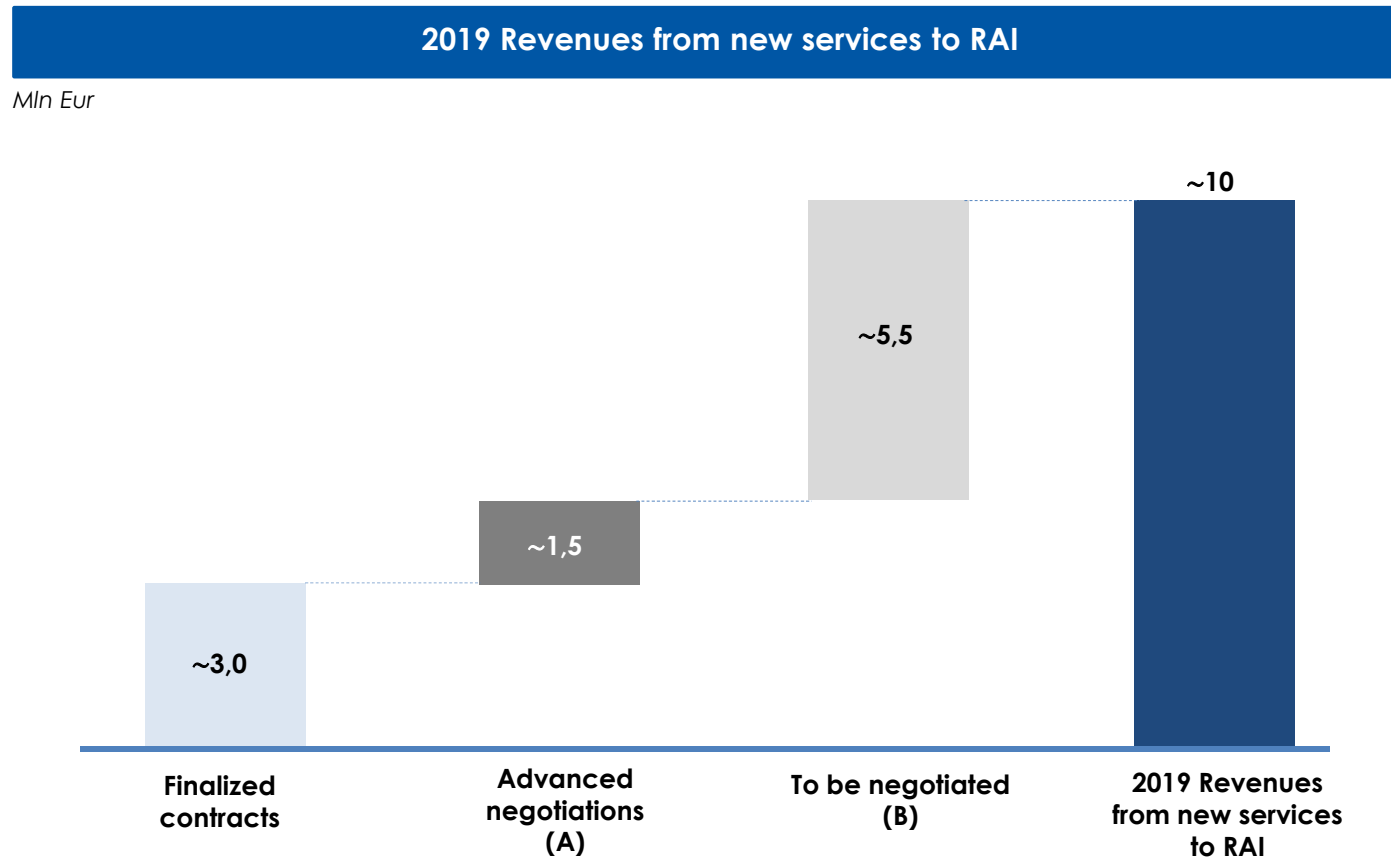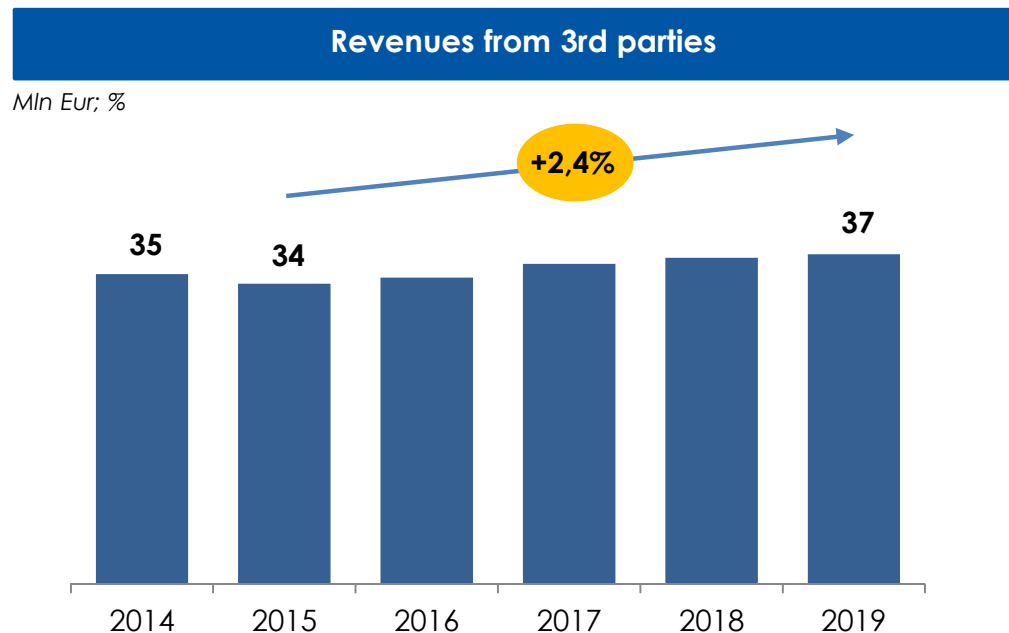
- Total Revenues from 3rd Parties at ca. €37 Mln in 2019, with a 2015-19 CAGR of 2,4%

- 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

Operating expenses (excluding restructuring costs)

Mln Eur; %

Including positive impact of prior year adjustments for € 0,6 Mln in 2015

+0,3%*

Year	2014	2015	2016	2017	2018	2019
Presonnel costs	45	47				46
Other Operating costs	61	59				62
Total	106	106				108

-0,4%

+0,8%*

■ Other Operating costs ■ Presonnel costs
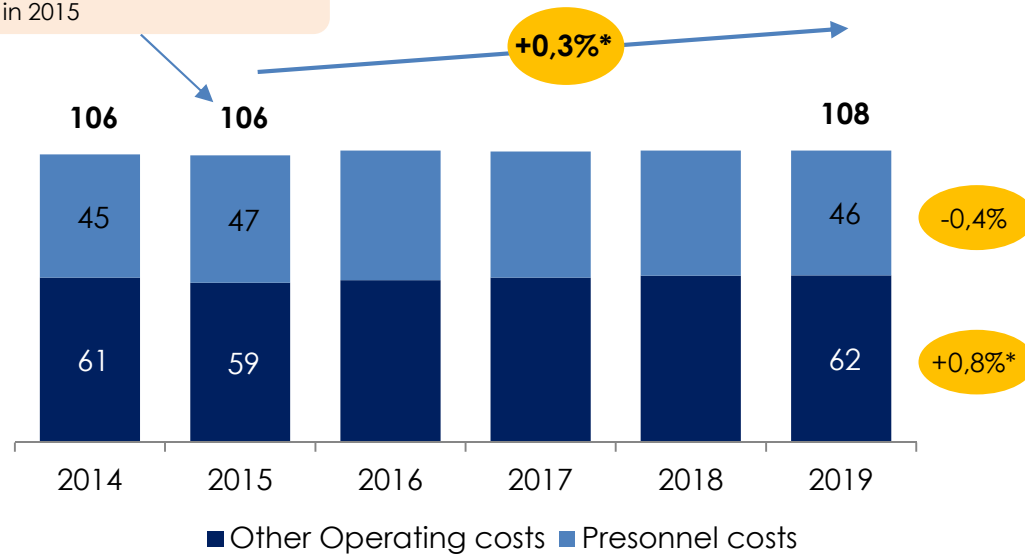
- Broadly stable operating expenses in 2015-19 period (+0,3% CAGR*):

  - 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

Adjusted EBITDA evolution

Mln Eur; %

CAGR 2015-19

% margin on revenues
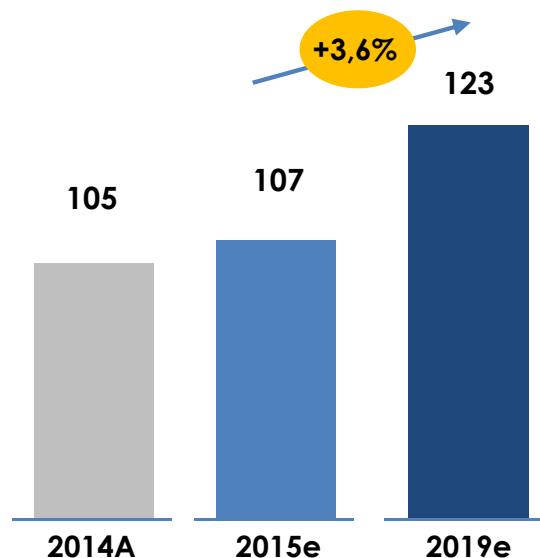
Adjusted EBITDA

2015-19 Adjusted EBITDA evolution

+3,6%

105
107
123

2014A | **2015e** | **2019e**

53,4%

50,3%

107
+7
+7
+2
-0,3
+0,3
123

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

2015e | Inflation | RAI ex. inflation | 3rd parties ex. inflation | ΔOther Income | Net efficiencies measures | **2019e**

Net Income

Net Income

Mln Eur; %

+10,9

2014	2015	2016	2017	2018	2019
34	37				57
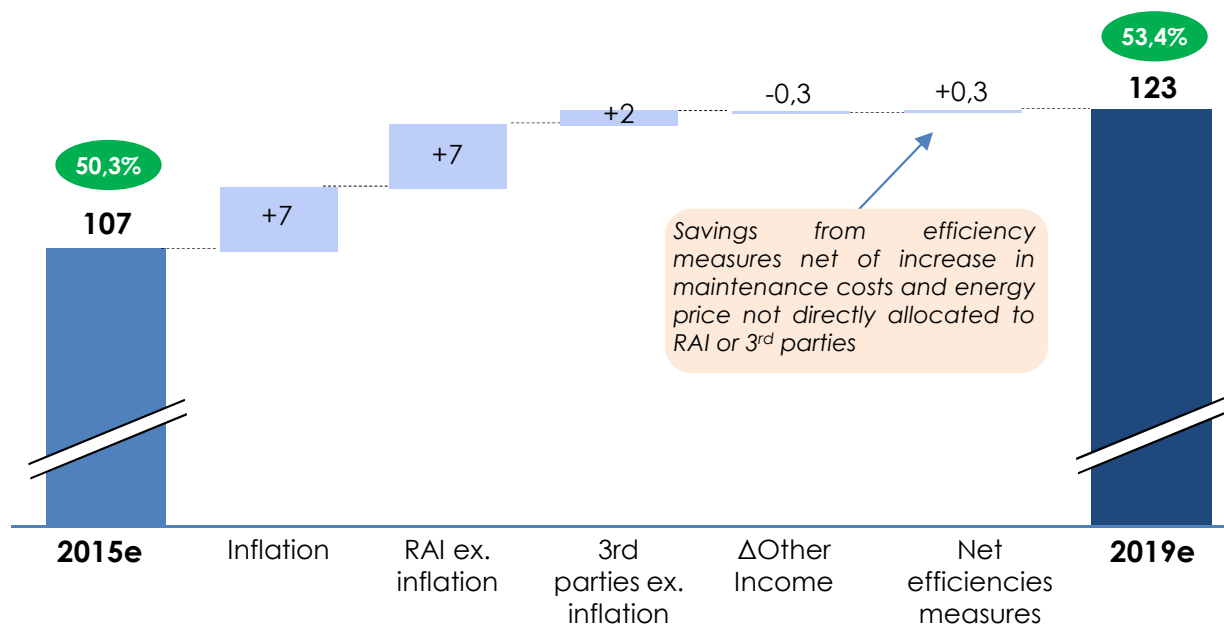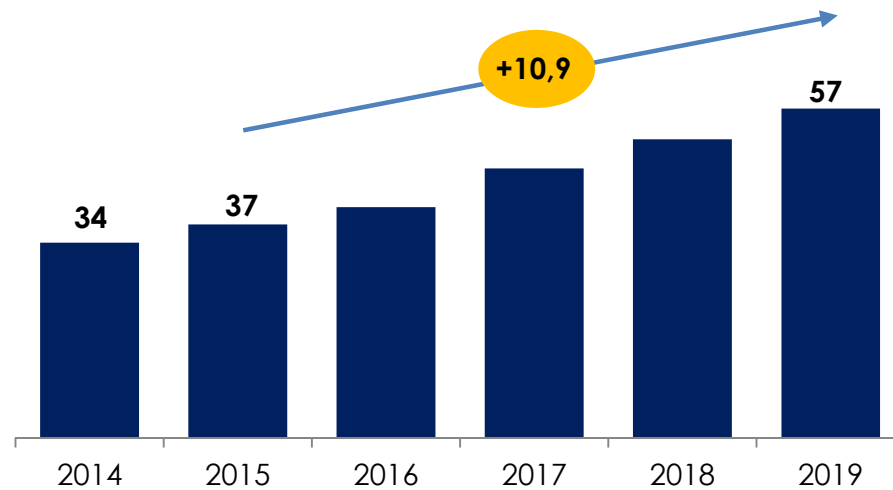
- Net Income benefiting from:

  - EBITDA growth

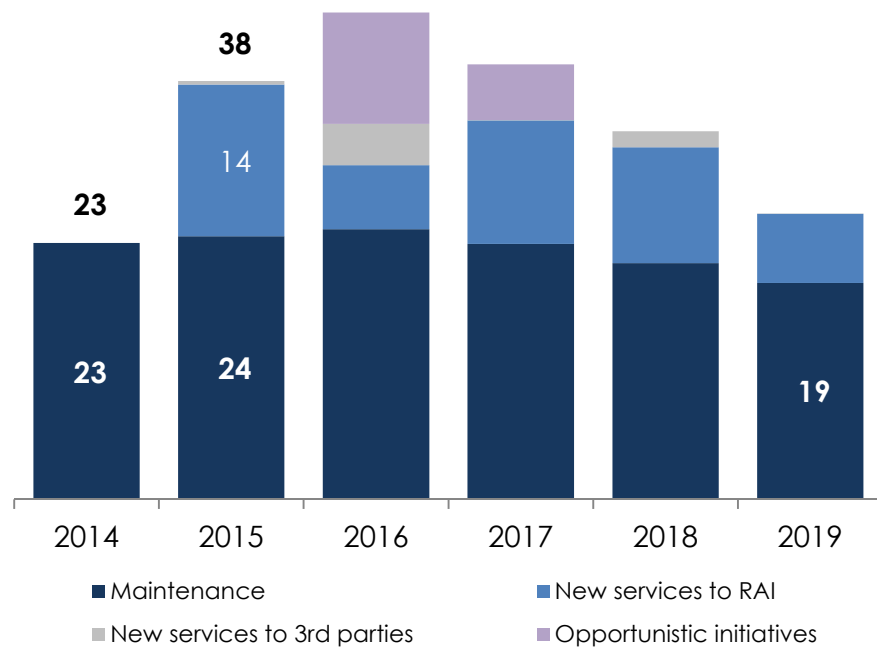 - Progressive D&A decline, resulting from reduction of Capex vs. "switch-off period"

Capex

Capex

Mln Eur

- 2015-19 Capex plan includes:

  - Maintenance

  - Development, related to:
    - New services to RAI
    - New services to 3rd parties
    - Opportunistic initiatives

Maintenance Capex

Maintenance capex evolution

Mln Eur

🟡 *Maintenance Capex / Revenues*

11,1%   **~11%**   **~8,5%**

2014	2015	2016	2017	2018	2019
23	24				19
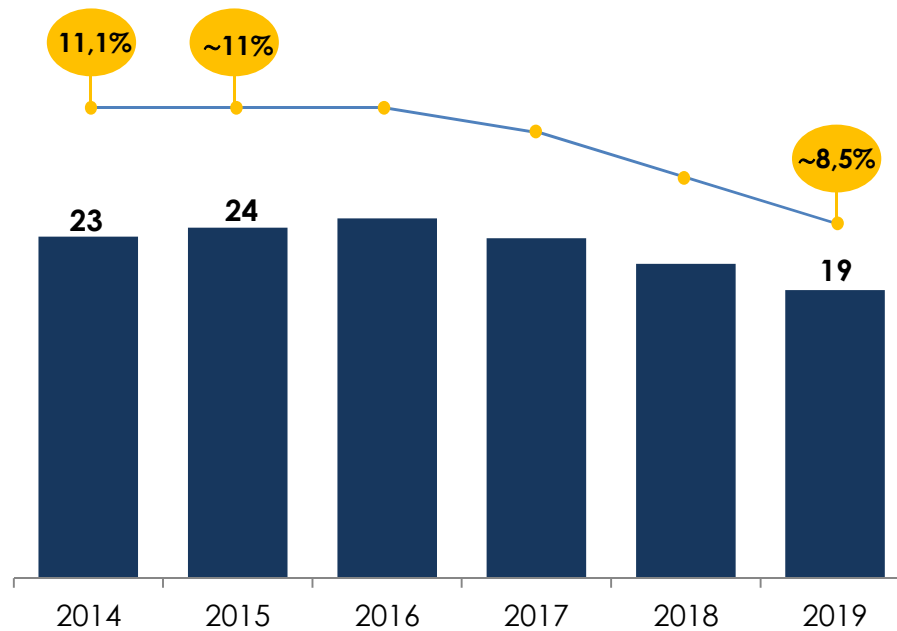
- Optimization of maintenance capex / revenues ratio to ca. 8,5% in 2019, mainly driven by rationalization of investments on active equipment

Development Capex

Mln Eur

Including one regional MUX, DAB+ roll-out, int'l distribution services, broadband services, etc
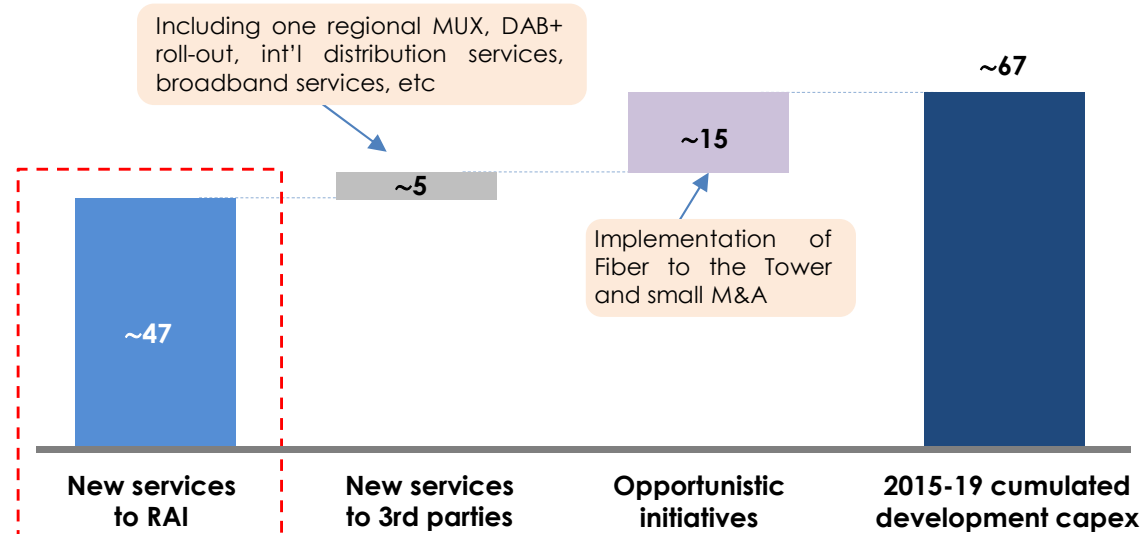
Implementation of Fiber to the Tower and small M&A

~47

~5

~15

~67

New services to RAI

New services to 3rd parties

Opportunistic initiatives

2015-19 cumulated development capex

Details of New services to RAI

Target unlevered IRR at least 10%

~12

~5

~26

~4

~47

Finalized contracts

Advanced negotiations (A)

To be negotiated (B)

Capitalized personnel

2015-19 cumulated capex for new services to RAI
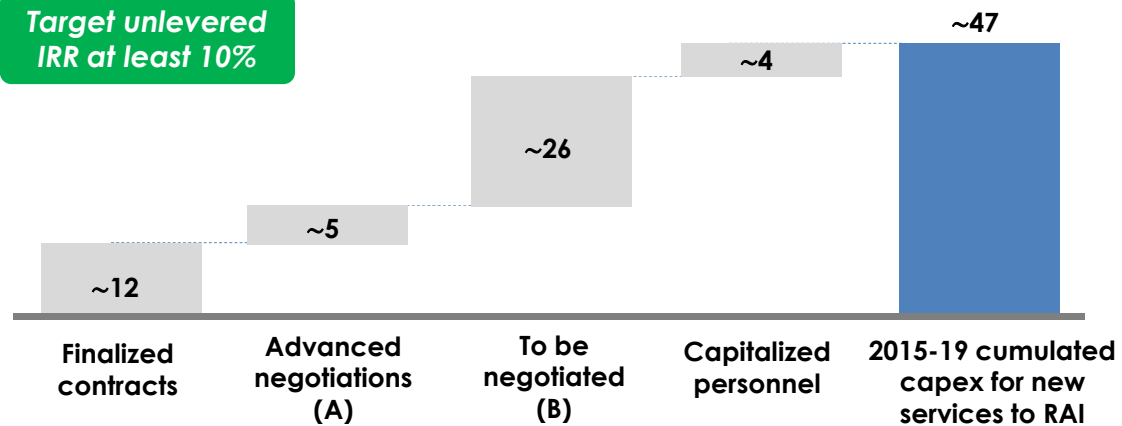
Cash generation

Normalized FCFE[1] and Normalized FCFE yield[2] evolution

Mln Eur; %

Development capex not included

+4,8%

2014	2015	2016	2017	2018	2019
61	62				75

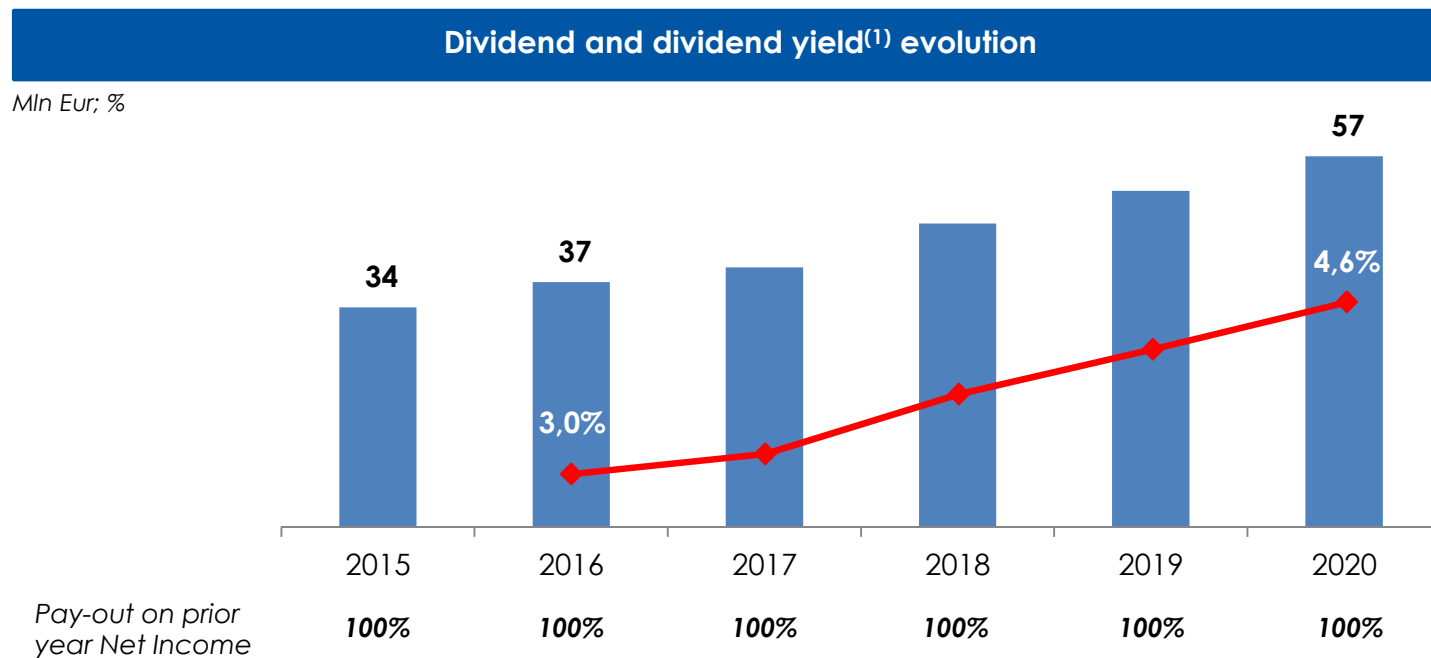5,0%   6,1%
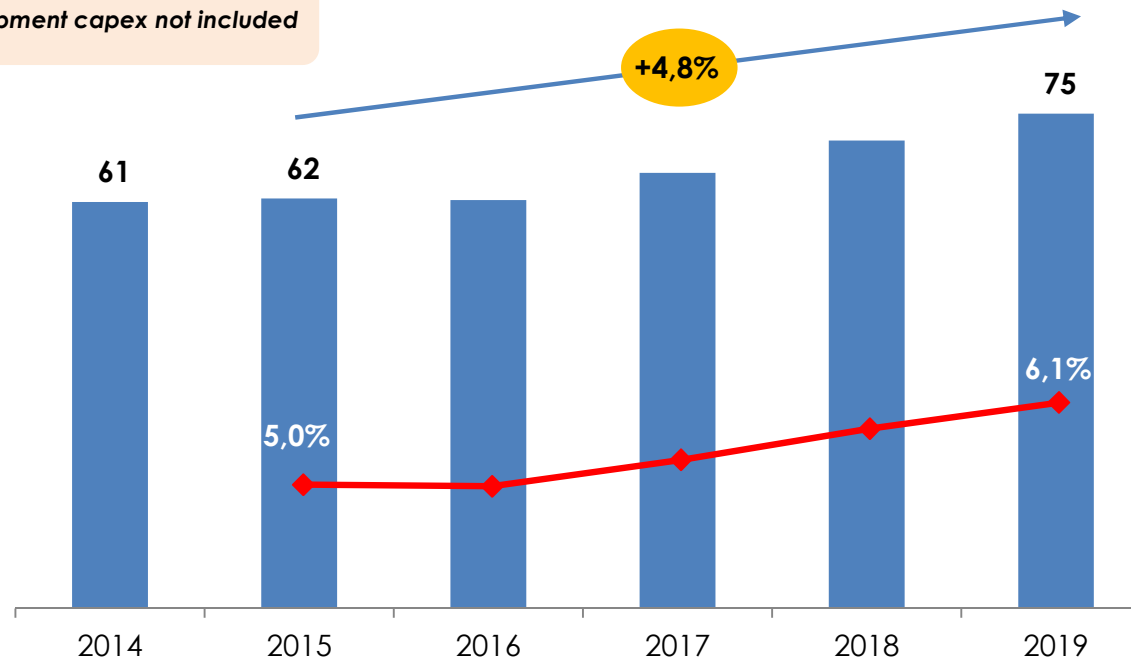
(1) *Normalized Equity Free Cash Flaw (FCFE) defined as Adjusted EBITDA - Net financial charges - P&L Taxes (adjusted by impact of restructuring cost) – Maintenance Capex*
(2) *Yield based on closing share price of 24/09/2015 of 4,524 €/share*

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[1] evolution

Mln Eur; %

| Pay-out on prior year Net Income	100%	100%	100%	100%	100%	100%
	2015	2016	2017	2018	2019	2020

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

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

2014   2015   2016   2017   2018   2019
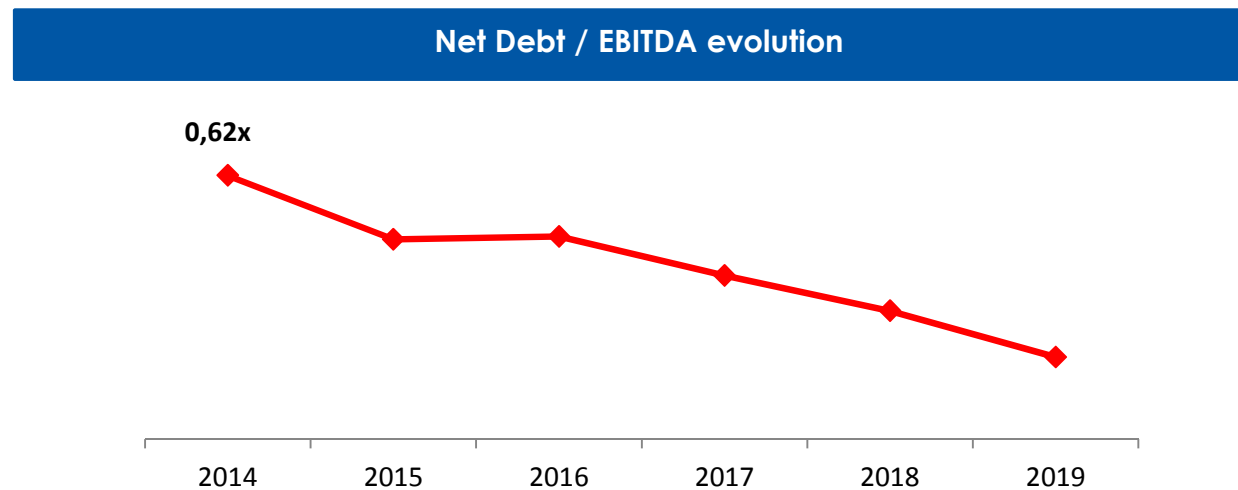
- Strong financial flexibility to catch market opportunities

- 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-accretive

Strategic targets

01 Consolidating leadership position

02 Broadening offer to RAI

03 Differentiating product offering

04 Increasing operating efficiency

Rai Way strategy

- 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

Potential non organic targets

- 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)

- 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
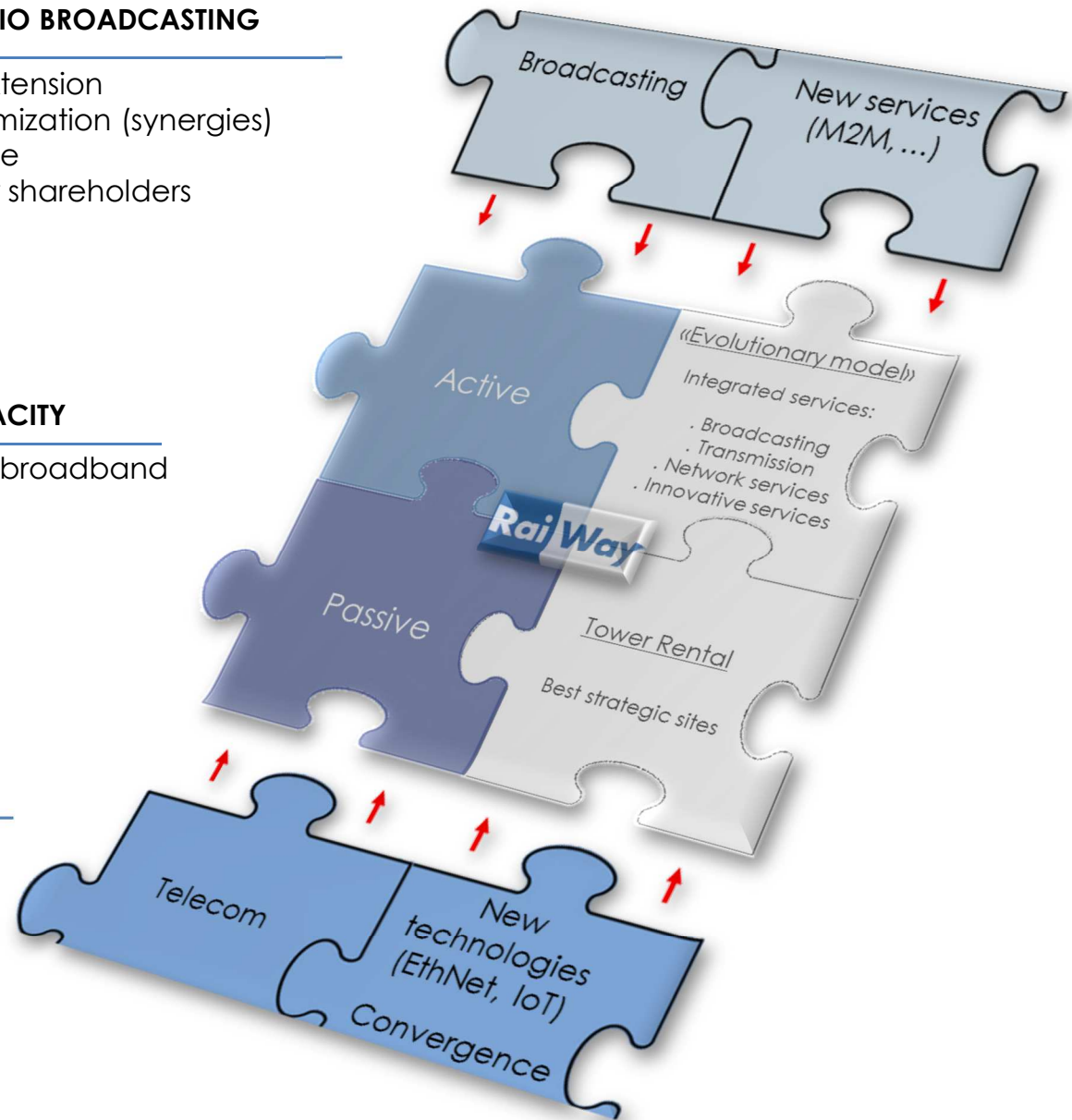- Value creation for shareholders

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

Q&A

Contacts

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