

Agreement with RAI on refarming

11th December 2019

FORWARD LOOKING STATEMENTS

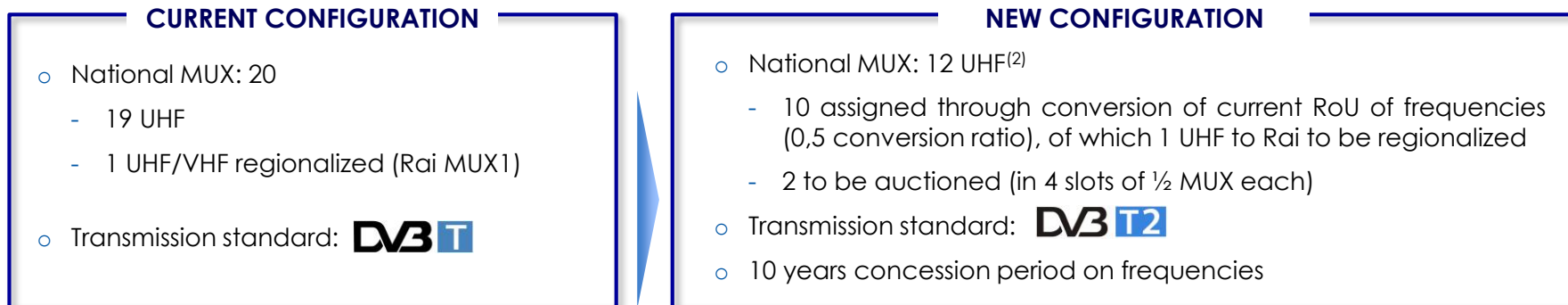
This presentation contains forward-looking statements regarding future events and the future results of Rai Way that are based on current expectations, estimates, forecasts, and projections about the industries in which Rai Way operates, as well as the beliefs and assumptions of Rai Way's management. In particular, certain statements with regard to management objectives, trends in results, margins, costs, rate of return and competition tend to be forward-looking in nature. Words such as "expects", "anticipates", "targets", "goals", "projects", "intends", "plans", "believes", "seeks" and "estimates", variations of such words and similar expressions, are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, Rai Way's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. They are neither statements of historical fact nor guarantees of future performance. Rai Way therefore cautions against relying on any of these forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, the impact of competition, political, economic and regulatory developments in Italy. Any forward-looking statements made by or on behalf of Rai Way speak only as of the date they are made. Rai Way undertakes no obligation to update any forward-looking statements to reflect any changes in Rai Way's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Key agreement highlights

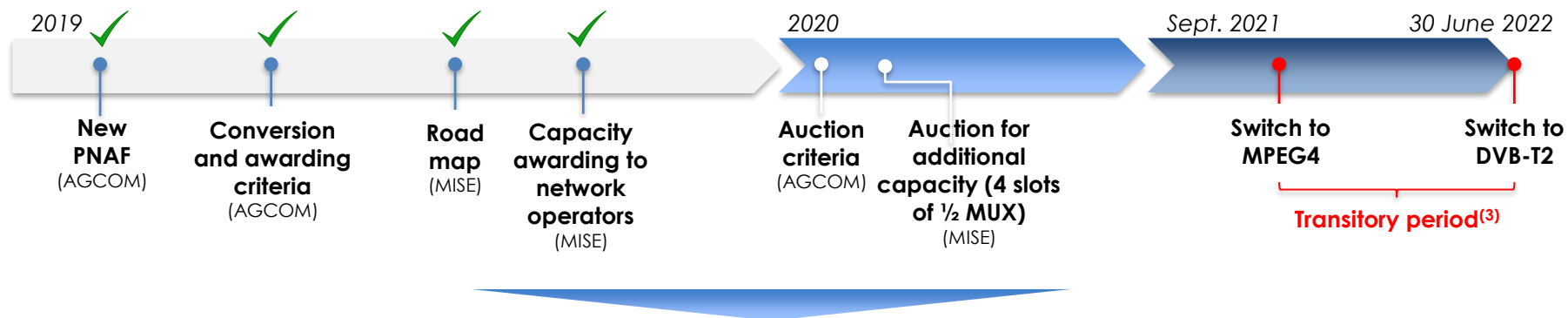
- The agreement defines the technical configuration of the DTT network post-*refarming* and updates the terms and conditions of the Service Contract with RAI
- Contract renewed at the new terms and conditions for the second seven-year period until 30 June 2028 (keeping the provision of tacit renewal until 2035), with no changes in the range of services provided
- In a base case scenario (3 MUX managed by Rai Way for RAI), planned upgrade investments of ca. € 150m and incremental recurring revenues for ca. € 16m (including the contribution of the project for the extension of coverage of the national MUX)
- Impact in case of 2 MUX reflects limited correlation between number of MUX and operating activities

Recap on the *refarming* process

- 2019 Budget Law and the subsequent evolution of the regulatory framework by the competent authorities⁽¹⁾ reshaped the *refarming* process and the DTT network configuration:



- Most of the process milestones set by the 2019 Budget Law have been completed:



- So far, RAI awarded through “conversion” 2 MUX and additional capacity equivalent to ½ MUX
- Final MUX allocation depending on outcome of the auction and possible agreements between operators

⁽¹⁾ Ministry of Economic Development (MISE), Authority for Communications (AGCOM); ⁽²⁾ One of them partially using also VHF frequencies
⁽³⁾ Transitory period anticipated to Jan 2020 – Dec 2021 for network operators using channels 50, 51, 52 and 53

Post-refarming network configuration: base case scenario

- Obligations for RAI arising from RAI-State Service Contract and 2019 Budget Law include:

RAI – State Service Contract

- MUX1 with at least 99% population coverage
- Other MUX with at least 95% population coverage

Refarming

- Macro-regionalized MUX in UHF band with at least 99% pop. Coverage
- Switch to DVB-T2 technology
- Use of most advanced compression standard (MPEG4 / HEVC)

- Network configuration evolution expected in the base case scenario:

CURRENT CONFIGURATION		NEW CONFIGURATION	
MUX 1		MUX Macro-regionalized	
MUX 2		MUX A	
MUX 3		MUX B	
MUX 4			
MUX 5			
Total equipment	~ 3.250	Total equipment	~ 4.050
Total sites	~ 2.050	Total sites	~ 2.050

- **Base scenario: Rai Way to manage 3 MUX with around 4k main equipment on the current ca. 2k sites**
 - **Macro-regionalized MUX to be moved from a mix of UHF/VHF band to UHF band only**

The investment activity set forth by the agreement

Activities

A
National MUX coverage extension

Extension from ca. 400 to ca. 1.000 sites, DVB-T2 ready

- Project already agreed in 2018
- Active equipment to be partially reallocated to the new macro-regionalized UHF MUX

B
New macro-regionalized UHF "DVB-T2" MUX

Implementation of a macro-regionalized MUX in UHF and 'DVB-T2' technology

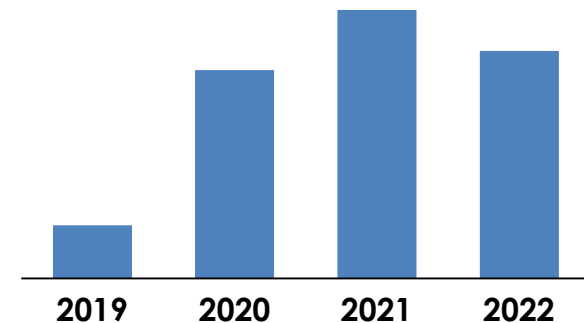
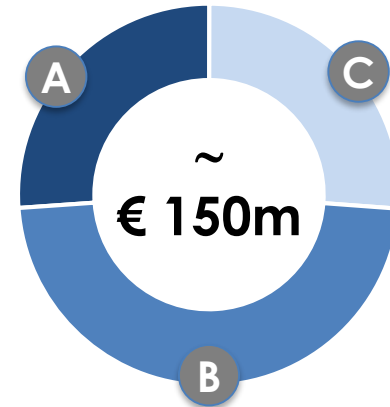
- Equipment upgrade to T2
- Distribution network and head-end upgrade

C
National MUX upgrade to DVB-T2

National MUX upgrade to DVB-T2

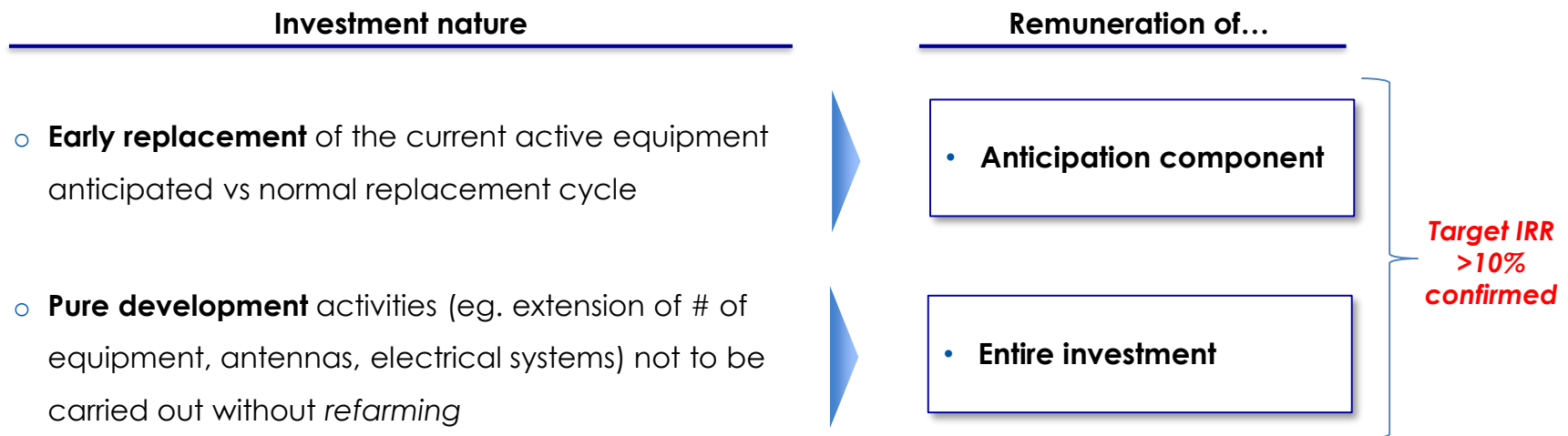
Equipment upgrade to T2 on the first 400 sites of the national MUX (extension from 400 to 1.000 sites already in T2)

Upgrade capex



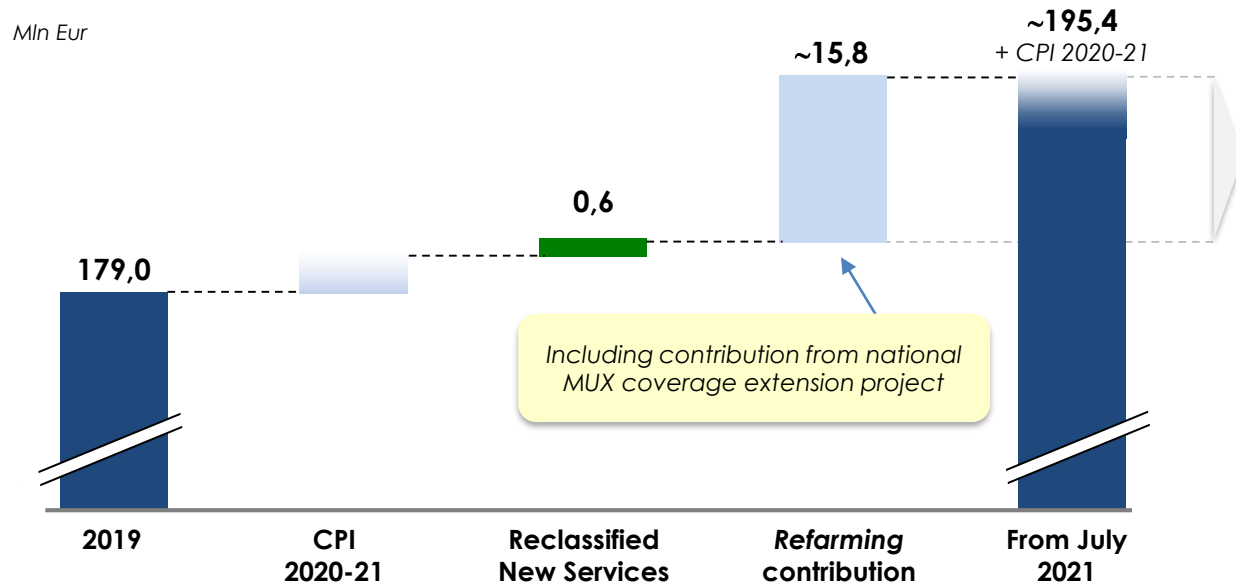
The approach on remuneration for activities

- Effort for network operation and management mainly related to coverage (sites and installed active equipment) and service levels
- Consistently, tariff for DTT broadcasting services to remain broadly unchanged in case of a similar number of sites, active equipment and service levels, independently from number of MUX
- On top, investments for the transition to the new network configuration to be remunerated depending on their nature:



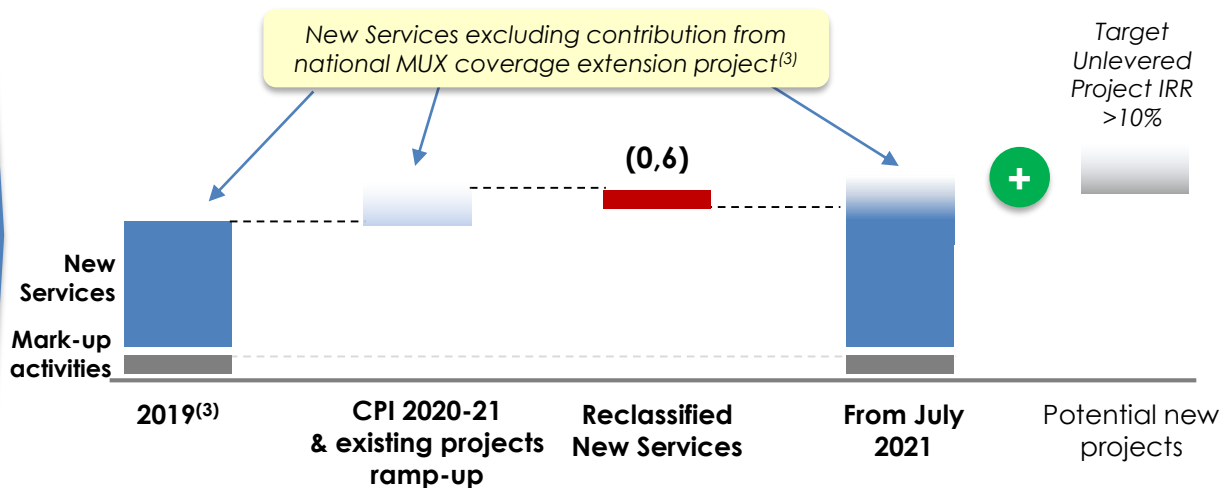
Impacts on revenues (as of 1st July 2021)

Fixed Consideration⁽¹⁾
as of 1st July 2021



Profitability of refarming contribution close to 100% thanks to higher efficiencies of new technologies

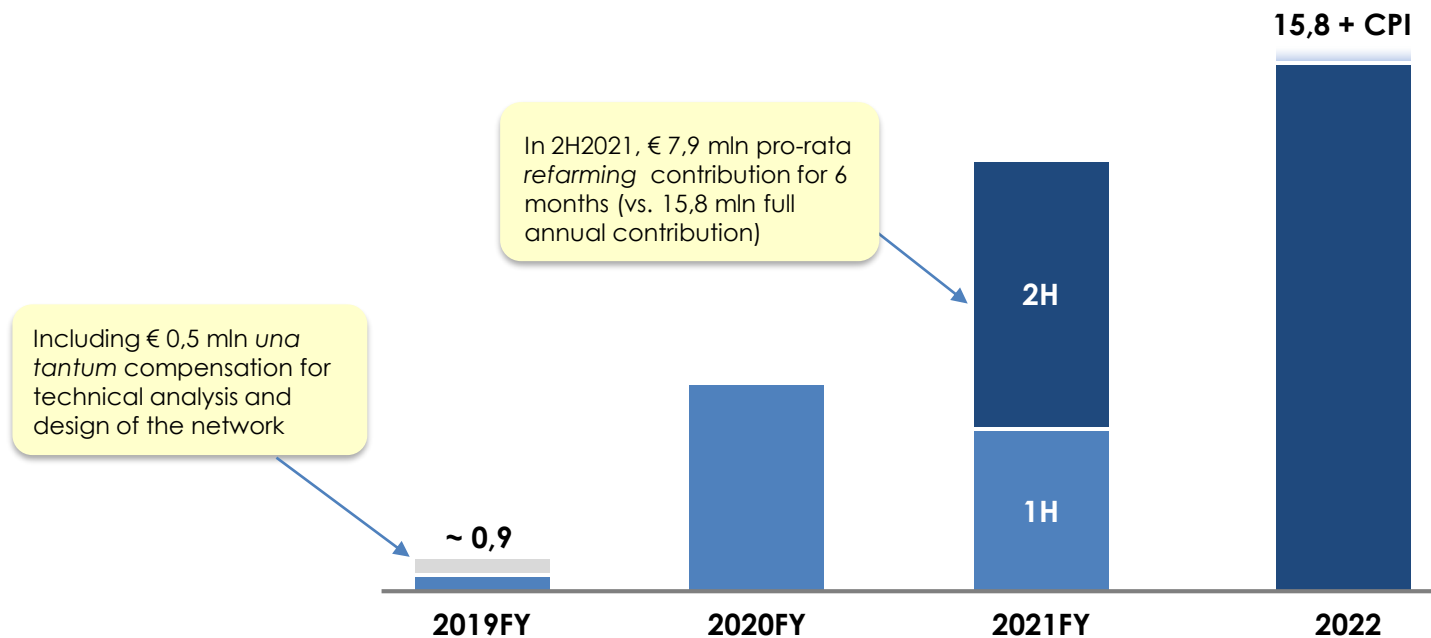
New Services and mark-up activities
as of 1st July 2021



(1) Excluding one-off technical support services (2) Mark-up activities are Network Services provided through the resources of third-party operators

(3) Reported New Services in 2019 estimated to include ca. € 0,9 m contribution from national MUX coverage extension project

Refarming contribution ramp-up

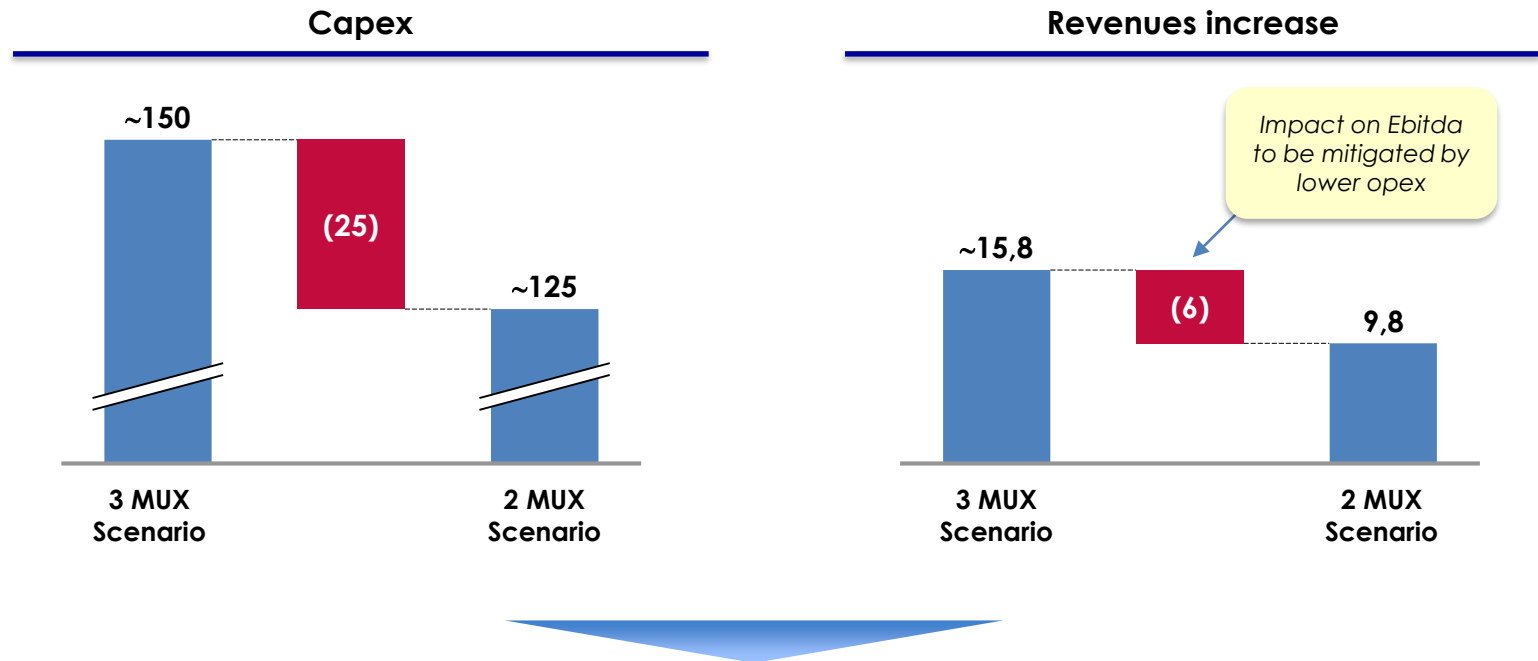


- In 2019, 2020 and 1H2021 incremental revenues ramp-up driven by MUX coverage extension contribution⁽¹⁾
- Full impact of *refarming* contribution starting from 1st July 2021

(1) MUX coverage extension project to be reported as New Services till 1H2021 and as part of Fixed Consideration starting from 1 July 2021

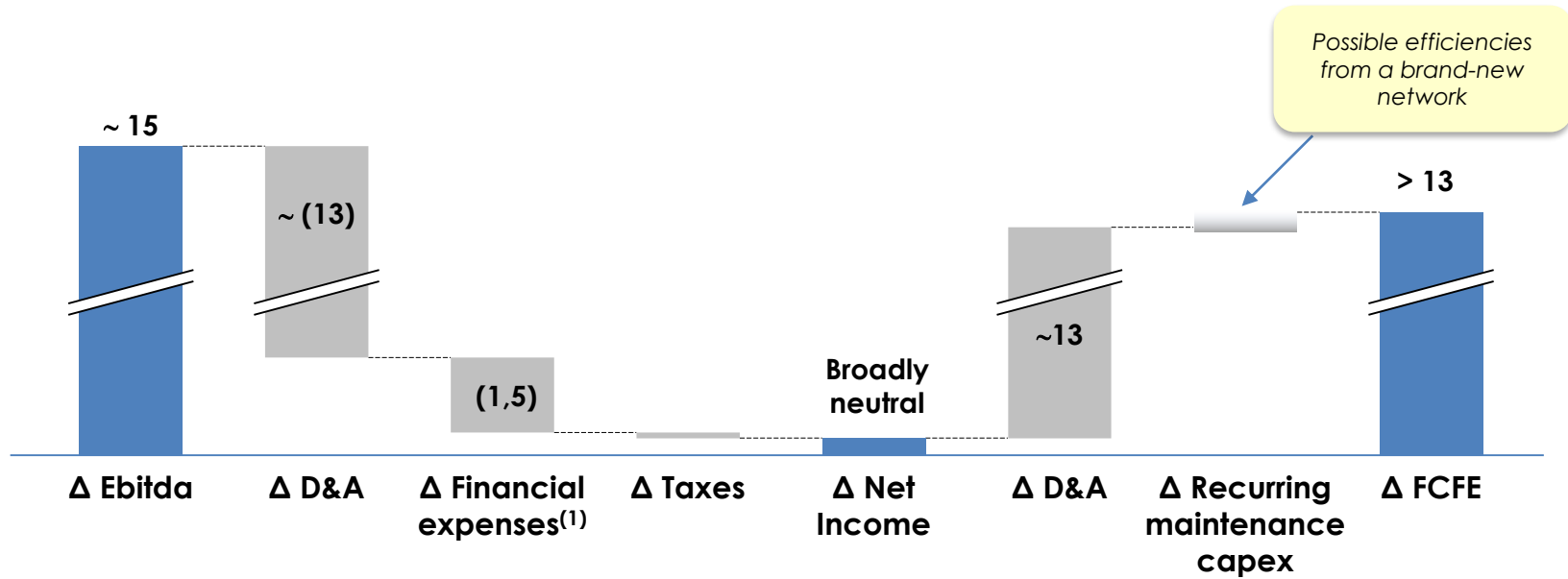
Protection in case of further MUX reduction

- In a scenario with Rai Way managing 2 MUX for RAI, reduction in capex and revenues increase vs. base case already defined:



- Limited correlation between number of MUX and operating activities/costs
- Rules to regulate potential changes to network technical configuration and related economic impacts already defined

Impact on Equity FCF (from 1st July 2021)



(1) Assuming 1% cost of debt on ca. € 150 m capex

Closing remarks

- Full de-risking of the *refarming* process: agreement provides high visibility on core revenues and cash flow, paving the way to proceed with the operational activities
- Strategic role of Rai Way as network provider and relevance of digital terrestrial television platform confirmed
- New industrial plan to be released in the first quarter 2020

Rai Way - Investor Relations



+39 06 331 73973

+39 06 331 74815



investor.relations@raiway.it