



AGREEMENT WITH RAI ON REFARMING

- **Initiatives defined to upgrade the digital terrestrial broadcasting network to the new configuration post-refarming**
- **Terms and conditions of the Service Contract revised, with incremental annual revenues for Rai Way from 1 July 2021 of approx. € 16 million (including the contribution of the project for the extension of coverage of the national MUXes)**
- **Investments in network upgrade estimated at approx. € 150 million**
- **Service Contract renewed at the new terms and conditions for the second seven-year contractual period until 30 June 2028**

Rome, 10 December 2019 – Rai Way S.p.A. (hereinafter "Rai Way") announces that it has signed today an agreement with RAI Radiotelevisione Italiana S.p.A. (hereinafter "RAI" and, jointly, the "Parties") for the implementation of gradual interventions on the DTT network required by the *refarming* process, with the subsequent amendment of some terms and conditions of the Service Contract (hereinafter the "Contract").

For the CEO of Rai Way, Aldo Mancino, *"the agreement with Rai is a source of great satisfaction: it is an important result, which confirms Rai Way's strategic role and lays the foundations for continuing the operating activities connected with a project - the refarming - which is crucial not only for RAI, but for the entire country. This agreement also allows us to confirm the high level of visibility on revenues which has characterised our company since its listing; we can now focus on the finalization of the new industrial plan"*.



The 2019 Budget Law and the recent development of the sector's regulatory framework defined the criteria regarding the methods and timing for the release of 700 MHz band and for the transition to the DVB-T2 standard (*refarming* process) according to a specific schedule which envisages its completion by June 2022, as well as the main obligations that, together with the provisions of the RAI-State Service Agreement, RAI will have to meet in relation to the new configuration of the DTT networks.

In order to adapt to the new configuration, Rai Way will carry out a progressive upgrade of its network, in particular relating to the deployment of the new multiplex for the broadcasting of RAI regional programmes, the extension of coverage of national multiplexes and the transition to the new broadcasting standard DVB-T2.

In a scenario that assumes the upgrade and management by Rai Way of three MUXes for RAI¹ (compared to the five currently managed), it is estimated that these activities involve investments by Rai Way of approx. € 150 million (inclusive of the investments already set out in the existing agreement for the extension of coverage of the current national MUXes) to be carried out by 2022.

In return for the provision of new DTT broadcasting services, the consideration in favour of Rai Way set out in the Service Contract, starting from 1 July 2021, will be as follows:

- the annual consideration relating to Network Services², starting from 1 July 2021 (the "New Fixed Consideration"), equal to € 195.4 million net of the revaluation for the years 2020 and 2021 based on the CPI³ to be applied to the consideration for the Network Services² for 2019, equal to € 179.0 million. The New Fixed Consideration includes:
 - an increase of € 15.8 million compared to the current consideration due to the upgrade of the DTT broadcasting service following the *refarming* (amount that includes the contribution of the project for the extension of coverage of the current national MUXes);

1 Following the awarding of the new rights of use of the frequencies, RAI was assigned two MUXes as well transmission capacity corresponding to 0.5 MUX with no specification of frequency. The 2019 Budget Law also made provision for the possibility of awarding via non-competitive auction of four additional blocks of transmission capacity corresponding to 0.5 MUX each which, should RAI participate and be the assignee, would lead to the assignment to RAI of three MUXes.

2 Excluding one-off technical support services and Network Services provided through the resources of third-party operators

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- € 600,000 following the reclassification as part of the Network Services, from 1 July 2021, of some of the New Services currently provided by Rai Way to RAI ("Reclassified New Services").

From 1 July 2021 to 31 December 2021, the New Fixed Consideration will be applied pro rata on a half-yearly basis. From 1 January 2022 onwards, the New Fixed Consideration will be revalued based on the CPI³;

- the consideration for the current New Services - other than (i) the agreement for the extension of coverage of the current national MUXes⁴ and (ii) the Reclassified New Services - which will continue to be regulated in compliance with the agreements in force.

The additional consideration deriving from any other New Services to be agreed in the future will continue to be determined according to the criteria established in the Contract;

- the consideration for Network Services provided through the resources of third-party operators, which will continue to be determined according to the criteria established in the Contract.

The increase in the consideration reflects a more extensive network configuration in terms of equipment and always based on over 2,000 sites - albeit with a lower number of MUXes - as well as the remuneration of the upgrading investments, which partly represent development activities and partly maintenance activities anticipated compared to the normal replacement cycle.

Taking into consideration the net effect of the higher costs connected to the operation of the new networks and the greater efficiency deriving from the use of more advanced technologies, it is estimated that the impact at EBITDA level is substantially in line with the increase in revenues.

In the event RAI does not obtain the availability of the third MUX¹ and Rai Way consequently manages two *post-refarming*, the increase in the consideration will be reduced by € 6.0 million from € 15.8 million to € 9.8 million, against lower estimated investments of

⁴ By 2019 it is estimated that the New Services include approx. € 0,9 million from the coverage extension project of the current national MUXes



approximately € 25 million. This reduction will also be partially offset at EBITDA level by lower operating costs.

The Parties have also agreed on the criteria to settle any potential change in the technical elements of the planned network configuration and the related impacts on the consideration.

The agreement also provides for the payment to Rai Way by 31 December 2019 of a one-off amount of € 500,000 as compensation for the technical analysis and design of the network in relation to *refarming*.

In this context, the Parties waived the right to exercise the termination permitted by the Contract on expiry of the first seven-year period, with the Contract therefore intended to be renewed at the new terms and conditions for further seven years until 30 June 2028, without prejudice to the provision of tacit renewal until 2035.

Lastly, in the context of the amendment of the Service Contract - in relation to the provisions regulating the right of withdrawal contained therein - the faculty of withdrawal at the initiative of one of the two parties in the event of invalidity, ineffectiveness, termination or non-renewal of the RAI-State Convention was specifically regulated.

Rai Way and RAI are related parties given that Rai Way is controlled by RAI. The transaction in question was submitted, pursuant to the procedure for related party transactions adopted by Rai Way, to approval by the Company's Board of Directors, based on the prior justified favourable opinion of the Committee for Related-party Transactions, with the assistance of EY Advisory S.p.A. as independent expert. As a major related party transaction, Rai Way will make available an information document according to the terms and conditions provided by the applicable legal and regulatory provisions.



UPDATE OF THE INDUSTRIAL PLAN

The company announces that the new Industrial Plan is expected to be approved by the Board of Directors in the first quarter of 2020. Further relevant information will be provided to the financial community in due course.

The company announces that the agreement on *refarming* will be presented to the financial community via conference call tomorrow, Wednesday 11 December 2019, at 12:00 CET.

The presentation supporting the conference call will be made available in advance on the Company's website www.raiway.it in the Investor Relations section.

To take part in the conference call:

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Rai Way S.p.A.

Rai Way manages and develops the terrestrial broadcast infrastructure which carries the television and radio signals of RAI, Italy's national public broadcasting company, and provides services to its business customers. Rai Way has an extensive experience and technological, engineering and organizational know-how in the Italian media and broadcast infrastructure market. Such a unique expertise, together with the skills and ongoing training of its more than 600 employees, makes Rai Way an ideal partner for any companies and entities seeking for integrated solutions to develop their network and transmit their signals.

Rai Way operates throughout the national territory and can rely on its headquarters in Rome, 21 local network centers and more than 2,300 sites across Italy.

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