# *EI TOWERS GROUP*

# *QUARTERLY REPORT AS AT SEPTEMBER 30, 2015*

**EI TOWERS S.p.A.**
Via Zanella, 21 - 20851 Lissone (MB)
Tax Code and Inscription Number
Monza and Brianza Companies Register: 12916980159
VAT Number: 01055010969
www.eitowers.it
Company subject to management and coordination activities of Mediaset S.p.A.

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This document is an English translation of an original Italian text. In the event of discrepancies between the original Italian text and this English translation, the original Italian text shall prevail

# *CORPORATE BOARDS*

**Board of Directors**

| | |
|---|---|
| Chairman | Alberto Giussani |
| Chief Executive Officers | Guido Barbieri<br>Valter Gottardi |
| Directors | Paola Casali<br>Manlio Cruciatti<br>Piercarlo Invernizzi<br>Rosa Maria Lo Verso<br>Michele Pirotta<br>Francesco Sironi |

**Board of Statutory Auditors**

| | |
|---|---|
| Chairman | Antonio Aristide Mastrangelo |
| Active Auditors | Anna Girello<br>Francesco Vittadini |

**External Auditing Company** Deloitte & Touche S.p.A.

## Main Income Statement Data

| *Euro in millions* | 9 months 2015 | 9 months 2014 |
|---|---|---|
| Revenues | 179.8 | 174.8 |
| EBITDA (*) before non-recurring items | 84.9 | 83.3 |
| EBITDA (*) | 81.8 | 83.0 |
| Operating profit (EBIT) | 54.0 | 51.4 |
| Profit before tax | 47.7 | 45.6 |
| Net profit | 31.7 | 29.3 |

## Main Balance Sheet and Financial Data

| *Euro in millions* | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Net invested capital | 698.6 | 691.6 |
| Shareholders' equity | 594.2 | 593.0 |
| Net financial position | (104.4) | (98.6) |

## Personnel

| | September 30, 2015 | September 30, 2014 |
|---|---|---|
| No. of employees | 570 | 588 |

## Main Indicators

| | 9 months 2015 | 9 months 2014 |
|---|---|---|
| EBITDA (*) before non-recurring items/Revenues | 47.2% | 47.7% |
| EBITDA (*)/Revenues | 45.5% | 47.5% |
| EBIT/Revenues | 30.0% | 29.4% |
| Profit before tax/Revenues | 26.5% | 26.1% |
| Net profit/Revenues | 17.6% | 16.8% |
| Earning per share (Euro per share) | 1.13 | 1.04 |
| Diluted earning per share (Euro per share) | 1.13 | 1.04 |

(*) Corresponding to the difference between revenues and operating costs gross of non-monetary expenses related to amortisation, depreciation and write-downs (net of possible value reinstatement) of current and non-current assets. EBITDA is a measure utilised by the Management of the Group to control and evaluate the company operating trend and it is not applied as accounting measure in the IFRS (“Non GAAP Measure”).

## *INTRODUCTION*

This Interim Financial Report at September 30, 2015 (hereinafter also "Quarterly Report"), has been prepared according to art. 154, part three, of the Legislative Decree 58/1998 and subsequent amendments and to Consob Communication No. DEM/8041082 of April 30, 2008 and in conformity with the International Accounting Standards (IAS/IFRS) applicable according to EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 and, in particular, to IAS 34 – Interim Financial Reporting.

The structure and content of the reclassified consolidated accounting tables contained in the Interim Report on Operations and the mandatory layouts included in this Quarterly Report are consistent with those used for the preparation of the Annual Report.

The explanatory notes have been prepared in conformity with the minimum contents established by IAS 34 – Interim Financial Reporting. Therefore, the information contained in this Quarterly Report is not the same as that contained in a complete set of Financial Statements prepared according to IAS 1.

This Quarterly Report has not been subject to an external audit.

## *INTERIM REPORT ON OPERATIONS AT SEPTEMBER 30, 2015*

### Summary of Group Results and Operations

The main consolidated figures of the first nine months of the year are the following:

- Revenues amounted to € 179.8m, with an increase of 2.9% compared to the same period of 2014;
- Gross operating margin (EBITDA), excluding non-recurring items for € 3.1m (€ 0.3m in the first nine months of 2014), equal to € 84.9m compared to € 83.3m in the same period of the previous year, with a growth of 2% and a ratio on revenues slightly decreasing at 47.2% (47.7% in the first nine months of 2014);
- EBITDA net of non-recurring items was equal to € 81.8m, equal to 45.5% of revenues (€ 83m in the first nine months of 2014, equal to 47.5% of revenues);
- Operating profit (EBIT) amounted to € 54m, with an increase of 5% compared to the data as of September 30, last year (€ 51.4m); Operating profitability improved from 29.4% to 30%;

- Group's net profit amounted to € 31.7m, with an increase of 8.1% compared to the data of the first nine months of 2014 (€ 29.3m);
- Earnings per share (EPS) amounted to € 1.13 compared to € 1.04 (data as of September 30, 2014);
- Net Financial Position of € 104.4m (€ 98.6m at December 31, 2014);
- Net invested capital was equal to € 698.6m (€ 691.6m at end 2014).

## Significant Events and Operations in the Third Quarter

On July 10, Towertel S.p.A. finalized the acquisition of 100% of the share capital of Tecnorad Italia S.p.A., a company managing 134 towers hosting mainly mobile telecommunications operators. On July 24, the shareholders' meetings of Towertel S.p.A. and Tecnorad Italia S.p.A. passed resolutions to merge the latter into its immediate parent company.

On July 24, Towertel S.p.A. acquired 100% of the share capital of DAS Immobiliare S.r.l., a company managing 11 towers hosting mainly mobile telecommunications operators. On September 8, the administrative bodies of Towertel S.p.A. and DAS Immobiliare S.r.l. passed resolutions to merge the latter into its immediate parent company.

On August 6, the parent company EI Towers S.p.A. established, together with a minority shareholder, the company Nettrotter S.r.l., which will develop a Sigfox network on the Italian territory to offer – in subscription mode - connectivity services for the Internet of Things ("IOT") market.

Sigfox is a leading world-wide operator of cellular networks entirely dedicated to the Internet of Things and the machine-to-machine communication.

This company will develop the new IOT network starting from Rome, Milan and other major cities where the connectivity will be available to provide services already from the first quarter of next year.

## Analysis of the Results

Below there are presented the analyses of the Consolidated Income Statement, Balance Sheet and Financial Situation.

The form and contents of the tables of the Income Statement, Balance Sheet and Financial Situation below are shown in a restated format compared to those contained in the subsequent Financial Statement Tables, for the purpose of highlighting some interim levels of the results and the Balance Sheet and Financial Situation groupings that are believed to be the most significant ones, in order to be able to truly understand the operating performances of the Group. For these balances, even if they are not required by accounting standards, there are also supplied, in conformity with the indications contained in the Consob Communication No. 6064293 of July 28, 2006 and in the Recommendation of the CESR (Committee of European Securities Regulators) of November 3, 2005 (CESR/05-178b) regarding alternative performance indicators, i.e. “Non GAAP Measures”, the descriptions of the criteria used in preparing them and the appropriate notes regarding the references for the items contained in the mandatory tables.

### Economic Results

In the following Consolidated Income Statement table the interim results related to the gross operating margin (EBITDA), gross and net of non-recurring items, and to the operating result (EBIT) are shown.

The gross operating margin (EBITDA) is the difference between the consolidated revenues and the operating costs, gross of the non-monetary costs related to depreciation, amortisation and write-downs (net of any reinstatement of the values) of both current and non-current assets.

The operating result (EBIT) is obtained by deducting from the EBITDA the non-monetary costs related to depreciation, amortisation and write-downs (net of any reinstatement of the values) of both current and non-current assets.

| **CONSOLIDATED INCOME STATEMENT** | Progressive as at September 30th | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| *Euro in thousands* | | | | |
| **Revenues from sales of goods and services** | **179,841** | **100.0%** | **174,766** | **100.0%** |
| Other income and revenues | 295 | | 103 | |
| **Total revenues** | **180,136** | | **174,869** | |
| Operating costs | 95,212 | | 91,588 | |
| **EBITDA, excluding non-recurring items** | **84,924** | **47.2%** | **83,281** | **47.7%** |
| Non-recurring items | (3,143) | | (274) | |
| **Gross operating margin (EBITDA)** | **81,781** | **45.5%** | **83,007** | **47.5%** |
| Amortisation, depreciation and write-downs | 27,831 | | 31,651 | |
| **Operating result (EBIT)** | **53,950** | **30.0%** | **51,356** | **29.4%** |
| Financial charges, net | (6,259) | | (5,760) | |
| **Pre-tax result (EBT)** | **47,691** | **26.5%** | **45,596** | **26.1%** |
| Income taxes | (15,968) | | (16,247) | |
| **Net income** | **31,723** | **17.6%** | **29,349** | **16.8%** |
| Profit/(loss) pertaining to minority interests | 2 | | - | |
| **Net Group Income** | **31,725** | **17.6%** | **29,349** | **16.8%** |

| **CONSOLIDATED INCOME STATEMENT** | Q3 | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| *Euro in thousands* | | | | |
| **Revenues from sales of goods and services** | **60,473** | **100.0%** | **58,209** | **100.0%** |
| Other income and revenues | 168 | | - | |
| **Total revenues** | **60,641** | | **58,209** | |
| Operating costs | 31,394 | | 29,412 | |
| **EBITDA, excluding non-recurring items** | **29,247** | **48.4%** | **28,797** | **49.5%** |
| Non-recurring items | (438) | | - | |
| **Gross operating margin (EBITDA)** | **28,809** | **47.6%** | **28,797** | **49.5%** |
| Amortisation, depreciation and write-downs | 9,610 | | 10,523 | |
| **Operating result (EBIT)** | **19,199** | **31.7%** | **18,274** | **31.4%** |
| Financial charges, net | (2,242) | | (2,035) | |
| **Pre-tax result (EBT)** | **16,957** | **28.0%** | **16,239** | **27.9%** |
| Income taxes | (5,494) | | (6,080) | |
| **Net income** | **11,463** | **19.0%** | **10,159** | **17.5%** |
| Profit/(loss) pertaining to minority interests | 2 | | - | |
| **Net Group Income** | **11,465** | **19.0%** | **10,159** | **17.5%** |

Revenues from sales of goods and services in the first nine months of the year amounted to € 179,841k and refer in the amount of € 134,586k to the use of transmission infrastructure and assistance and maintenance services, logistics, head end, design and ancillary services towards the parent company Elettronica Industriale S.p.A. and for the remaining to contracts of use of the infrastructure and supply of services towards other broadcast and wireless telecommunication operators.

Core revenues increased by € 5,075k (+2.9%) compared to the same period of 2014 mainly by effect of the acquisitions made in the period of the companies Hightel S.p.A. (now NewTelTowers S.p.A.), Torre di Nora S.r.l. (later merged into NewTelTowers S.p.A.), Tecnorad Italia S.p.A. and DAS Immobiliare S.r.l. and the start of design and construction phases of the national multiplex for the Cairo Communication Group.

Charges amounting to € 3,143k have been recorded during the period concerning in the amount of € 2,750k extraordinary acquisition transactions (including about € 1,700k related to the OPAS on Ray Way S.p.A.), and as regards the remaining amount of € 393k lay-off incentives for employees and reclassified as non-recurring items have been recorded (€ 274k in the first nine months of 2014 which refers only to lay-off incentives for employees).

Excluding these charges, total operating costs amounted to € 95,212k, with an increase of 4% compared to € 91,588k in the same period of the previous year mainly as a result of the incidence of costs related to the companies acquired and the costs associated with the increase in activities relating to infrastructures, also in relation to the start of the development project for the Cairo Communication Group.

Gross operating margin (EBITDA), excluding non-recurring charges described above, amounted to € 84,924k, with an increase of 2% compared to the first nine months of 2014, with an incidence on revenues equal to 47.2% compared to the previous 47.7%.

EBITDA including non-recurring items amounted to € 81,781k (45.5% of revenues) compared to € 83,007k in the first nine months of 2014 (47.5% of revenues), decreasing due to the higher incidence of non-recurring charges.

After charging amortization, depreciation and write-downs in the amount of € 27,831k, with a decrease of € 3,820k compared to the data at September 30, 2014, the operating result (EBIT) amounted to €53,950k, increasing by 5% compared to the data of the first nine months of 2014 (€ 51,356k); operating profitability grew up to 30% compared to the previous 29.4%.

Net financial charges of the period amounted to € 6,259k, with an increase of € 499k compared to the same period of 2014 due to the lower incidence of financial income relating to the remuneration of liquidity as a consequence of the reduction in money market interest rates and higher financial charges related to the financial debt of acquired companies; the item includes € 7,347k related to the share for the period of the existing bond loan measured at amortised cost.

Pre-tax result increased to € 47,691k compared to the data of € 45,596k of the first nine months of 2014, equal to 26.5% of revenues (26.1% in the previous period).

Total estimated income taxes for the period amounted to € 15.968k (€ 16,247k in the first nine months of 2014), with a tax rate of 33.5%.

The first nine months of the year ended with a Group's net profit of € 31,723k, with a growth of 8% compared to the data of the same period of 2014 (€ 29,349k); the incidence on revenues grew from 17.6% to the previous 16.8%.

## Balance Sheet and Financial Situation

Below are given the tables of the Condensed Consolidated Balance Sheet shown in a reclassified format for the purpose of highlighting the two macro groupings of Net Invested Capital and the Net Financial Position, where this latter figure consists of the Gross Financial Debt reduced by Cash and Cash Equivalents and by Other Financial Assets.

The details relative to the items in the Financial Statements that form part of the calculation of the Net Financial Position are shown in the following explanatory note no. 4.3.

Therefore, these tables differ from the Balance Sheet layout that is contained in the mandatory tables of the Financial Statements, which have been drafted according to the split between current and non-current assets and liabilities.

The item Net Working Capital includes the current assets (with the exclusion of the cash and cash equivalents and the Current financial assets that are included in the Net Financial Position) and current liabilities (with the exclusion of current financial liabilities that are included in the Net Financial Position).

The item Non-recurring liabilities includes the severance fund, deferred tax liabilities and the provisions for risks and charges.

| RECLASSIFIED CONSOLIDATED BALANCE SHEET | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| *Euro in thousands* | | | | |
| Net working capital | (33,158) | -4.7% | (26,149) | -3.8% |
| Goodwill | 493,305 | | 476,221 | |
| Other non-current assets | 295,731 | | 300,499 | |
| Non-current liabilities | (57,254) | | (58,997) | |
| Non-current capital | 731,782 | 104.7% | 717,723 | 103.8% |
| **Net invested capital** | **698,624** | **100.0%** | **691,574** | **100.0%** |
| **Net financial position** | **104,398** | **14.9%** | **98,579** | **14.3%** |
| **Shareholders' equity** | **594,226** | **85.1%** | **592,995** | **85.7%** |
| Financial position and shareholders' equity of the Group | 698,624 | 100.0% | 691,574 | 100.0% |

The decrease in net working capital compared to December 31, 2014 is mainly due to the increase in trade payables of € 10,305k, the increase in current tax payables (€ 6,022k), resulting from the net balance between taxes paid for the period and provisions for current taxes, and the increase in other current liabilities in the amount of € 7,424k including € 4,957k related to deferred income and accrued liabilities, partly offset by an increase in trade receivables amounting to € 14,280k.

The increase in goodwill is basically a consequence of the provisional allocation of a part of the consideration for the acquisition of the companies Tecnorad Italia S.p.A. and DAS Immobiliare S.r.l.. According to IFRS 3, a specific analysis of the consideration paid will be carried out within twelve months from the acquisition date in order to determine the fair value of net assets acquired and liabilities assumed.

If at the end of the evaluation period tangible and intangible assets with finite useful lives are identified, an adjustment of provisional amounts recorded at the acquisition will be carried out with retroactive effect from the acquisition date.

The decrease in other non-current assets is a consequence of the depreciation of tangible and intangible assets accounted for the period, which were higher than the investments made. The net financial position increased in the period by € 5,819k after having paid dividends in the amount of € 31,020k.

The following table shows the Condensed Cash Flow Statement with the indication of cash flows generated or absorbed from operating, investing and financing activities in the first nine months of the year and of the previous year.

| CASH FLOW STATEMENT<br>*Euro in thousands* | 9 months 2015 | 9 months 2014 |
|---|---|---|
| Cash flow generated (absorbed) by operating activities | 60,735 | 49,220 |
| Cash flow generated (absorbed) by investing activities | (28,752) | (17,130) |
| Cash flow generated (absorbed) by financing activities | (38,974) | (10,353) |
| **Net cash flow for the period** | (6,991) | 21,737 |

Cash flow generated by operating activities, equal to € 60,735k, includes an absorption of working capital amounting to € 10,106k, in line with the corresponding period of 2014, and the payment of income taxes of € 10,940k. The increase in flows compared to the first nine months of the previous year is basically due to lower taxes paid amounting to €12,991k, since in 2014, following the exit from the group taxation regime of Mediaset S.p.A., also IRES advance payments unpaid in 2013 were made.

The net flow absorbed by investing activities, equal to € 28,752k, mainly consists of disbursements made for investments in tangible and intangible assets in the amount of € 11,750k and disbursements made for business combinations in the amount of € 16,993k related to the acquisitions described above. The increase compared to 2014 is basically due to the acquisitions of companies, which recorded a net increase of € 8,568k, and higher disbursements made for technical investments amounting to € 3,186k.

Cash flow related to financing activities is due to the payment of the coupon of the existing bond loan made during the period and the payment of dividends; it should be reminded that in 2014 no dividend was distributed.

## Group Employees

The employee ending headcount of the Group at September 30, 2015 amounted to 570 people (588 people at September 30, 2014).

## Related Party transactions

The transactions carried out with related parties cannot be classed as either atypical or unusual because they fall within the categories of the normal business activities of the Group companies. All these transactions are regulated at arm’s length market conditions, taking into account the characteristics of the goods and services supplied.

The detailed information regarding the Income Statement, Balance Sheet and financial impacts of the transactions with related parties, pursuant to IAS 24, are shown in the following explanatory note no. 5.

With reference to the periodic disclosure that has to be made by the Issuers, according to the Consob Resolution no. 17221 of March 12, 2010 (article 5, paragraph 8, of the Regulations containing measures regarding transactions with related parties), please refer to the Half-Year Report as at June 30, 2015.

## Amendment of Art. 37 of Consob Regulation 16191/2007 Regarding Markets.

Effective from January 2, 2012 EI Towers S.p.A. is subject to the management and co-ordination activity of Mediaset S.p.A.

Also according to Art. 2.6.2, paragraph 13, of the Regulation of the Markets Organized and Managed by Borsa Italiana S.p.A., we acknowledge the full conformance of EI Towers S.p.A. to the expectations of Art. 37 of Consob Regulation 16191/2007 since it:

- fulfilled and is regularly fulfilling advertising obligations provided for by Art. 2497-bis of the civil code,
- has an autonomous negotiating capacity in relationships with clients and suppliers,
- has no centralized treasury pooling relationship with Mediaset S.p.A.,
- has a Control and Risk Committee which carries out also the functions of the Related Party Committee, and a Remuneration Committee composed exclusively of independent directors according to the criteria of art 148, para. 3, of the Legislative Decree 58/1998, of the Corporate Governance Code of Borsa Italiana S.p.A. and of art. 37 of Consob Regulation 16191/2007. EI Towers S.p.A. has also a Board of Directors composed of a majority of independent directors.

## Faculty to Waive the Obligation to Issue an Information Memorandum in the Occasion of Significant Transactions (Opt-Out)

According to Art. 3 of Consob Resolution no. 18079 of January 20, 2012, the Board of Directors of EI Towers S.p.A. on December 14, 2012 resolved to adhere to the opt-out regime envisaged by Articles 70, para. 8 and 71 para. 1/bis of the Regulations for Issuers Consob no. 11971/99 (and subsequent amendments), using the faculty to waive the obligation to issue an information memorandum in the occasion of significant transactions such as merger, corporate capital splitting, capital increase through non-monetary contribution of assets, acquisitions and disposals.

## Subsequent Events at September 30, 2015

Between the 27th and the 29th October Towertel S.p.A. has acquired 100% of the share capital of 13 companies, which manage a total of 171 towers hosting mainly mobile telecommunications operators, and some lots of land located in Liguria region, for a total price provisionally calculated in € 37.5m, including the estimated net financial position positive for approximately € 0.6m, on the basis of recurring net operating profitability estimated to be around € 3.8m.

## Business Outlook

Financial results for the first nine months of the year are in line with the forecasts of the management; therefore, on the basis of the current management outlook, excluding the effect of non-recurring charges, EBITDA target set at € 114m, as already communicated, is confirmed.

On the date of the release of the current nine months financial report, EI Towers Group (throughout its subsidiary Towertel S.p.A.) completed 15 acquisitions in the tower sector for a total consideration in term of capex amounting at € 58m. Compared to the previous press release (total capex for the FY2015 at € 70m) EIT has to complete transactions for a total consideration of additional € 15m, only subject to the completion of the due diligence phase. Therefore, on the basis of the execution agenda of the above mentioned transactions that would be finalised between the end of the FY 2015 and the beginning of the FY 2016, the net financial position of the Group is expected to be below € 140m compared to € 150m previously communicated.

In absence of transformational deals, the management's priority continues to be the scouting and the potential investment in transactions of small-medium size tower companies that may guarantee an interesting return for our shareholders.

For the Board of Directors

Guido Barbieri, CEO

# EI TOWERS GROUP

Consolidated Accounting Tables

and Explanatory Notes

***EI TOWERS GROUP***

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Euro in thousands)*

| | Notes | Sept. 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 4.1 | 194,872 | 196,885 |
| Goodwill | 4.1 | 493,305 | 476,221 |
| Other intangible assets | 4.1 | 93,473 | 96,648 |
| Investments in associates/joint control companies | | 28 | 28 |
| Other financial assets | | 1,223 | 604 |
| Deferred tax assets | | 6,135 | 6,334 |
| **TOTAL NON CURRENT ASSETS** | | **789,036** | **776,720** |
| **Current assets** | | | |
| Inventories | | 2,696 | 2,553 |
| Trade receivables | | 35,235 | 20,955 |
| Tax receivables | | 0 | 119 |
| Other receivables and current assets | | 10,010 | 7,572 |
| Current financial assets | | 0 | 280 |
| Cash and cash equivalents | 4.3 | 126,926 | 133,917 |
| **TOTAL CURRENT ASSETS** | | **174,867** | **165,396** |
| **TOTAL ASSETS** | | **963,903** | **942,116** |

***EI TOWERS GROUP***

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(Euro in thousands)*

| | Notes | Sept. 30, 2015 | Dec. 31, 2014 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Share capital | | 2,826 | 2,826 |
| Share premium reserve | | 194,220 | 194,220 |
| Treasury shares | | (1,845) | (1,845) |
| Other reserves | | 360,551 | 352,448 |
| Valuation reserve | | (2,127) | (2,518) |
| Retained earnings | | 8,875 | 10,004 |
| Net profit for the period | | 31,725 | 37,820 |
| **Total shareholders' equity** | 4.3 | **594,225** | **592,995** |
| Profit/(loss) pertaining to minority interests | | (2) | 0 |
| Share capital and reserves pertaining to minority interests | | 3 | 0 |
| **Shareholders' equity pertaining to minority interests** | | **1** | **0** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **594,226** | **592,995** |
| **Non current liabilities** | | | |
| Post-employment benefit plans | | 11,535 | 12,745 |
| Deferred tax liabilities | | 41,836 | 42,910 |
| Financial liabilities and payables | 4.3 | 227,090 | 226,193 |
| Provisions for non current risks and charges | | 3,883 | 3,342 |
| **TOTAL NON CURRENT LIABILITIES** | | **284,344** | **285,190** |
| **Current liabilities** | | | |
| Trade payables | | 42,865 | 32,560 |
| Current tax liabilities | | 8,542 | 2,520 |
| Other financial liabilities | 4.3 | 4,234 | 6,583 |
| Other current liabilities | 4.2 | 29,692 | 22,268 |
| **TOTAL CURRENT LIABILITIES** | | **85,333** | **63,931** |
| **TOTAL LIABILITIES** | | **369,677** | **349,121** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **963,903** | **942,116** |

## *EI TOWERS GROUP*
## INTERIM CONSOLIDATED STATEMENT OF INCOME
*(Euro in thousands)*

| | Notes | 9 months 2015 | 9 months 2014 |
|---|---|---|---|
| Sales of goods and services | | 179,841 | 174,766 |
| Other revenues and income | | 295 | 103 |
| **TOTAL REVENUES** | | **180,136** | **174,869** |
| Personnel expenses | | 32,417 | 32,434 |
| Purchases, services, other costs | | 65,938 | 59,428 |
| Amortisation, depreciation and write-downs | | 27,831 | 31,651 |
| **TOTAL COSTS** | | **126,186** | **123,513** |
| **EBIT** | | **53,950** | **51,356** |
| Financial expenses | | (7,388) | (7,510) |
| Financial income | | 1,129 | 1,750 |
| **EBT** | | **47,691** | **45,596** |
| Income taxes | | 15,968 | 16,247 |
| **NET PROFIT FOR THE PERIOD** | | **31,723** | **29,349** |
| Attributable to: | | | |
| - Parent company | | 31,725 | |
| - Minority interests | | (2) | |
| **Earnings per share (Euro):** | 4.4 | | |
| - Basic | | 1.13 | 1.04 |
| - Diluted | | 1,13 | 1.04 |

## EI TOWERS GROUP
## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## (Euro in thousands)

| | 9 months 2015 | 9 months 2014 |
|---|---|---|
| **CONSOLIDATED NET PROFIT(A):** | **31,723** | **29,349** |
| **Total comprehensive gains/(losses) recognized in the Income Statement** | | |
| Effective portion of gains/(losses) on hedging instruments (cash flow hedge) | - | - |
| **Total comprehensive gains/(losses) not recognized in the Income Statement** | | |
| Actuarial gains/(losses) on defined benefit plans | 725 | (1,111) |
| Tax effetcs | (199) | 305 |
| **TOTAL OTHER COMPREHENSIVE INCOME /(LOSS) NET OF TAX EFFECTS (B)** | **526** | **(806)** |
| **TOTAL COMPREHENSIVE INCOME (A+B)** | **32,249** | **28,543** |
| attributable to: | | |
| - owners of the parent company | 32,251 | - |
| - minority interests | (2) | - |

## *EI TOWERS GROUP*
## *INTERIM CONSOLIDATED CASH FLOW STATEMENT*
*(Euro in thousands)*

| | 9 months 2015 | 9 months 2014 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES:** | | |
| Operating profit | **53,950** | 51,356 |
| + Depreciation, amortisation and write-downs | 27,831 | 31,651 |
| + Change in trade receivables | (12,582) | (10,345) |
| + Change in trade payables | 9,715 | (4,955) |
| + Change in other assets and liabilities | (7,239) | 5,444 |
| - income tax paid | (10,940) | (23,931) |
| **Net cash flow from operating activities [A]** | **60,735** | **49,220** |
| **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Investments in tangible assets | (16,223) | (4,947) |
| Investments in intangible assets | (1,496) | (294) |
| Goodwill | - | (40) |
| Changes in payables for investing activities | 5,969 | (3,283) |
| (Increases)/decreases in other financing activities | (9) | (141) |
| Business combinations net of cash acquired | (16,993) | (8,425) |
| **Net cash flow from investing activities [B]** | **(28,752)** | **(17,130)** |
| **CASH FLOW FROM FINANCING ACTIVITIES:** | | |
| Changes in financial liabilities | - | (2,584) |
| Payment of dividends | (31,020) | - |
| Net change in other financial assets/liabilities | - | (53) |
| Interests (paid)/received | (7,954) | (7,716) |
| **Net cash from financing activities [C]** | **(38,974)** | **(10,353)** |
| **CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]** | **(6,991)** | **21,737** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]** | **133,917** | **101,073** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]** | **126,926** | **122,810** |

***EI TOWERS GROUP***
***INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY***
*(Euro in thousands)*

| | Share capital | Share premium reserve | Legal reserve and other reserves | Treasury shares | Actuarial reserve | Valuation reserve | Retained earnings (accumulated losses) | Profit/ (loss) for the period | **TOTAL EQUITY OF THE GROUP** | **TOTAL EQUITY OF MINORITY INTERESTS** | **TOTAL SHAREHOLDERS' EQUITY** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2014** | **2,826** | **194,220** | **320,723** | **(1,845)** | **(1,436)** | **218** | **8,814** | **32,938** | **556,458** | **-** | **556,458** |
| Allocation of 2013 net profit | - | - | 31,750 | - | - | - | 1,188 | (32,938) | - | - | - |
| Stock option | - | - | 15 | - | - | (15) | - | - | - | - | - |
| Comprehensive income/(loss) | - | - | - | - | (806) | - | - | 29,349 | 28,543 | - | 28,543 |
| **Balance at September 30, 2014** | **2,826** | **194,220** | **352,488** | **(1,845)** | **(2,242)** | **203** | **10,003** | **29,349** | **585,002** | **-** | **585,002** |
| **Balance at January 1, 2015** | **2,826** | **194,220** | **352,488** | **(1,845)** | **(2,721)** | **203** | **10,004** | **37,820** | **592,995** | **-** | **592,995** |
| Allocation of 2014 net profit | - | - | 7,928 | - | - | - | 29,892 | (37,820) | (0) | - | (0) |
| Changes in the consolidation area | - | - | - | - | - | - | - | - | - | 3 | 3 |
| Dividend distribution | - | - | - | - | - | - | (31,020) | - | (31,020) | - | (31,020) |
| Stock option | - | - | 135 | - | - | (135) | - | - | - | - | - |
| Comprehensive income/(loss) | - | - | - | - | 526 | - | - | 31,725 | 32,251 | (2) | 32,249 |
| **Balance at September 30, 2015** | **2,826** | **194,220** | **360,551** | **(1,845)** | **(2,195)** | **68** | **8,875** | **31,725** | **594,225** | **1** | **594,225** |

# EXPLANATORY NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AT SEPTEMBER 30, 2015

## 1. Drafting criteria

In these Interim Condensed Consolidated Financial Statements, drawn up according to what is established by IAS 34 – Interim Financial Statements –, there have been applied the same accounting standards and valuation criteria that were used to draw up the Consolidated Financial Statements at December 31, 2014, to which reference should be made, with the exception of the impairment tests that are aimed at ascertaining any losses in value of capitalised assets that, in the absence of indicators, events and phenomena that would be such as to change the valuations that had been done in the past, are usually carried out at the time of the drafting of the Annual Report, a time when there is available all the necessary information in order to be able to carry out this process completely. Starting from the 2014, actuarial valuations to determine Employee benefit funds are calculated on a six-monthly basis.

This Interim Condensed Consolidated Report does not contain all the information and explanatory notes required for the Annual Report and must therefore be read together with the Consolidated Financial Statements as at December 31, 2014.

This Interim Condensed Consolidated Report has been prepared on the going concern basis. Directors have assessed that there are no significant uncertainties (as described in the paragraph 25 of IAS 1) on the going concern.

The preparation of the Interim Condensed Consolidated Report requires the implementation of estimates and assumptions which have effect on the value of revenues, costs, assets and liabilities in the balance sheet and on the information related to possible assets and liabilities at the date of the Interim Report. In case these estimates and assumptions, which are based on the better valuation issued by the management at the date of this Quarterly report, should in the future differ from the real situation, they are properly reviewed in the period in which the situation has changed. For a more detailed description of the Group's most significant evaluation processes, reference should be made to the chapter - Uses of estimates of the Consolidated Financial Statements at December 31, 2014.

Income taxes for the accounting period were calculated based on the best estimate of the weighted average tax rate expected for the whole financial year.

The values of the items in the Consolidated Financial Statements are shown in thousands of Euro, except where otherwise indicated.

## 2. New accounting standards, interpretations and amendments applicable from January 1, 2015

The Group applied the following accounting standards, interpretations and amendments starting from January 1, 2015.

On May 20, 2013 IFRIC interpretation 21 – Levies has been published. The interpretation clarifies when an entity should recognize a liability to pay a levy imposed by governments, other than income taxes, in its financial statements. The standard addresses both the accounting for liabilities to pay levies that are within the scope of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, as well as for liabilities whose timing and amount is certain. This interpretation is effective retrospectively for annual periods beginning on or after June 17, 2014. The adoption of this new interpretation did not impact the Group's consolidated financial statements.

On December 12, 2013 the IASB published the document "Annual Improvements to IFRSs: 2011-2013 Cycle" incorporating the amendments to some standards, within the scope of the improvement process. The changes are effective at the latest for annual periods beginning on or after February 1, 2015. The adoption of the new interpretation did not impact the Group's consolidated financial statements.

Standards already issued but not yet having come into force at the date of drafting of the Group's quarterly report are outlined below. The list applies to standards and interpretations that the Group expects to be reasonably applicable at a future date. The Group intends to adopt these standards when they come into force.

In particular, on December 12, 2013 the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle" incorporating the amendments to some standards, within the scope of the annual improvement process. The changes are effective at the latest for annual periods beginning on or after February 1, 2015. The Directors do not expect that the adoption of the aforesaid changes will impact the Group's consolidated financial statements.

It should be also noted that up to the time of the present quarterly report, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendments and standards described below.

- On May 28, 2014 the IASB published the standard IFRS 15 – Revenue from Contracts with Customers which is intended to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, and the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard sets out a new framework for revenue recognition, that will apply to all contracts with customers except for those that fall within the scope of other IAS/IFRS standards as leases, insurance contracts and financial instruments. The key steps in accounting revenues according to the new framework are:
    - Identify the contract(s) with a customer;
    - Identify the performance obligations in the contract;

  - Determine the transaction price;
  - Allocate the transaction price to the performance obligations in the contract;
  - Recognize revenue when (or as) the entity satisfies a performance obligation.

  The standard is effective for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

  The application of IFRS 15 is expected to impact the amounts entered by way of revenues and the disclosure provided in the consolidated financial statements of the Group, at the moment subject to examination.

- On July 24, 2014 the IASB published the final version of IFRS 9 – Financial Instruments. This document brings together the Classification and Measurement, Impairment and Hedge Accounting phases of the IASB's project to replace IAS 39. The new standard, which replaces the previous versions of IFRS 9, is effective for annual reporting periods beginning on or after January 1, 2018.
  Possible effects of the introduction of these changes on the Group's consolidated financial statements are being evaluated.
- On September 25, 2014 the IASB published the document "Annual Improvements to IFRSs: 2012-2014 Cycle", which partly integrates existing standards. The changes introduced by the document are effective for annual reporting periods beginning on or after January 1, 2016. These changes and integrations will not significantly impact the Group's consolidated financial statements.

The Group has not early adopted any other standards, interpretation or improvements issued or essentially issued but not yet effective.

## 3. Main corporate operations and changes in the consolidation area

On July 10, Towertel S.p.A. finalized the acquisition of 100% of the share capital of Tecnorad Italia S.p.A., a company managing 134 towers hosting mainly mobile telecommunications operators. On July 24, the shareholders' meetings of Towertel S.p.A. and Tecnorad Italia S.p.A. passed resolutions to merge the latter into its immediate parent company.

On July 24, Towertel S.p.A. acquired 100% of the share capital of DAS Immobiliare S.r.l., a company managing 11 towers hosting mainly mobile telecommunications operators. On September 8, the administrative bodies Towertel S.p.A. and DAS Immobiliare S.r.l. passed resolutions to merge the latter into its immediate parent company.

On August 6, the parent company EI Towers S.p.A. established, together with a minority shareholder, the company Nettrotter S.r.l., which will develop on the Italian territory a network intended to offer connectivity services for the Internet of Things market

All aforesaid companies have joined the Group's tax consolidation.

## 4. *Comments on the main changes in the assets and liabilities*

### *4.1 Other intangible and tangible assets*

| Euro in thousands | December 31, 2014 | Changes in the consolidation area | Increases | Decreases | Amortisation | September 30, 2015 |
|---|---|---|---|---|---|---|
| Goodwill | 476,221 | 17,084 | - | - | - | 493,305 |
| Other intangible assets | 96,648 | 74 | 1,496 | - | (4,745) | 93,473 |
| Tangible assets | 196,885 | 3,245 | 17,855 | (28) | (23,086) | 194,872 |

The changes in the consolidation area refer to the acquisitions carried out in the period of the companies Tecnorad Italia S.p.A. and DAS Immobiliare S.r.l.. In particular, the increase in goodwill is a consequence of the provisional allocation of a part of the consideration for the acquisition. According to IFRS 3, a specific analysis of the consideration paid will be carried out within twelve months from the acquisition date in order to determine the fair value of net assets acquired and liabilities assumed.

If at the end of the evaluation period tangible and intangible assets with finite useful lives are identified, an adjustment of provisional amounts recorded at the acquisition will be carried out with retroactive effect from the acquisition date.

The increase in tangible assets includes in the amount of € 8,321k the investments relating to the implementation of a new national multiplex for the Cairo Communication Group, in the amount of € 1,054k ongoing investments for the implementation of the network of the company Nettrotter S.r.l., the remaining part mainly refers to the purchases of land, towers, apparatus and equipment aiming at the extension of networks.

The other intangible assets increased by € 1,000k in relation to the concession to the aforesaid Nettrotter S.r.l. of the license to use the cellular network Sigfox for a period of ten years exclusively for the Italian territory and for the remaining amount in relation to the purchase of softwares in support of the business.

### *4.2 Other current liabilities*

The item, equal to € 29,692k, includes accrued charges and deferred income of € 9,132k, payables to employees of € 3,721k and other payables of € 16,839k, including the amount payable amounting to € 12,794k and related deferred payment of part of the acquisition price of companies mentioned above.

### *4.3 Net Financial Position*

The breakdown of the Consolidated Net Financial Position is given below as required by the Consob communication no. 6064293 of July 28, 2006 showing the current and non-current net financial debt of the Group.

| | **Sept. 30, 2015** | **Dec. 31, 2014** |
|---|---|---|
| Cash in hand and cash equivalents | 37 | 10 |
| Bank and postal deposits | 126,889 | 133,907 |
| Securities and other current financial assets | - | 280 |
| **Total Liquidity** | **126,926** | **134,197** |
| **Current Financial Assets** | - | - |
| | **-** | |
| Due to banks | - | - |
| Current portion of non-current financial debt | (4,234) | (6,583) |
| Payables and other current financial liabilities | - | - |
| **Current Financial Debt** | **(4,234)** | **(6,583)** |
| **Current Net Financial Position** | **122,692** | **127,614** |
| | - | |
| Due to banks | (113) | - |
| Corporate bond | (226,977) | (226,193) |
| Payables and other non-current financial liabilities | - | - |
| Non-current Financial Debt | **(227,090)** | **(226,193)** |
| **Net Financial Position** | **(104,398)** | **(98,579)** |

The item Bank and postal deposits refers to liquidity held in banks, partly invested in short time deposits in order to obtain larger remuneration compared to current accounts, the lending rates of which are currently close to zero.

The Current portion of non-current financial debt includes the share for the period of the interests on the bond loan measured at amortized cost.

Due to banks refer to a medium-term loan to the company Tecnorad Italia S.p.A., acquired in the third quarter of the year.

The item Corporate bond includes the measurement at amortised cost of the existing bond loan.

### *4.4 Earnings per share*

The calculation of earnings per share (EPS) is based on the following data:

| | 9 months 2015 | 9 months 2014 |
|---|---|---|
| Net profit for the period (Euro in thousands) | 31,725 | 29,349 |
| Weighted average number of ordinary shares (without own shares) | 28,199,851 | 28,199,851 |
| Basic EPS (Euro) | 1.13 | 1.04 |
| Weighted average number of ordinary shares for the diluted EPS computation | 28,199,851 | 28,199,851 |
| Diluted EPS (Euro) | 1.13 | 1.04 |

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares in circulation during the period, net of treasury shares.

Diluted earnings per share are calculated by taking into account in the calculation the number of shares in circulation and the potential diluting impact of the assignment of treasury shares to the beneficiaries of stock option plans already due.

### 5. Related-party transactions

In the following summary table the details at September 30, 2015,related to each company that is the counterpart of these transactions are given for the main Income Statement/Balance Sheet groupings, which are identified pursuant to IAS 24 and grouped by the main transaction types.

| | Revenues | Costs | Financial income / (charges) | Trade receivables | Trade payables | Other receivables/ (payables) |
|---|---|---|---|---|---|---|
| CONTROLLING ENTITIES | | | | | | |
| Mediaset S.p.A. | - | (53) | - | - | (22) | - |
| R.T.I. S.p.A. | 225 | (1,739) | - | 61 | (633) | - |
| Elettronica Industriale S.p.A. | 134,586 | (226) | - | 192 | (201) | 3 |
| **Total controlling entities** | **134,811** | **(2,018)** | **-** | **253** | **(856)** | **3** |
| AFFILIATED ENTITIES | | | | | | |
| Publitalia '80 S.p.A. | 37 | - | - | - | - | - |
| Videotime S.p.A. | 96 | (363) | - | 331 | (54) | - |
| MedioBanca S.p.a. | - | (34) | - | - | - | 11 |
| Milan Entertainment S.r.l. | - | (5) | - | - | 9 | - |
| Monradio S.r.l. | 349 | - | - | 135 | (1) | - |
| **Total affiliated entities** | **482** | **(402)** | **-** | **466** | **(46)** | **11** |
| **EXECUTIVES WITH STRATEGIC RESPONSIBILITIES** | **-** | **(796)** | **-** | **-** | **-** | **(165)** |
| **COMPLEMENTARY SOCIAL SECURITY FUND** | **-** | **-** | **-** | **-** | **-** | **(125)** |
| **OTHER RELATED PARTIES** | **191** | **(27)** | **-** | **191** | **(2)** | **33** |
| **TOTAL RELATED PARTIES** | **135,484** | **(3,243)** | **-** | **910** | **(904)** | **(243)** |

Revenues and trade receivables from controlling companies are mainly referable to hosting, assistance and maintenance services, logistics, use of transmission infrastructure, head end and engineering design, and revenues concerning broadcast equipment installation services.

Costs and trade payables to parent companies are mainly imputable to EDP services and personnel administrative services, other services and leases invoiced from RTI S.p.A., a company controlling Elettronica Industriale S.p.A.

Revenues and trade receivables from associates relate to hosting and maintenance services to Monradio S.r.l.; costs and trade payables due to associates are mainly attributable to leases (Videotime S.p.A.) and to specialist services on the Italian market (MTA – Mercato Telematico Azionario) provided by Mediobanca S.p.A..

Data related to other related parties include relationships with some companies and joint ventures mainly carrying out activities connected to the operating management of TV signal transmission.

## 6. Personal guarantees given and commitments

With reference to personal guarantees given and existing commitments at September 30, 2015, there was the cessation of the two bank guarantees secured by EI Towers S.p.A., for the total amount of € 4.2m issued in favour of the Revenue Agency in the interests of DMT System S.p.A. in liquidation and DMT Service S.r.l. in liquidation, two companies transferred on October 13, 2011, for VAT receivables used by EI Towers S.p.A. when the two aforesaid companies were included in the tax consolidation.

## 7. Transactions arising from atypical and/or unusual operations

Pursuant to Consob Communication of July 28, 2006 No. DEM 6064296, it is underlined that during the third quarter of 2015 the Group has not put in place any atypical and/or unusual operations, as these are defined by the aforesaid Communication.

*The Company Executive responsible for the preparation of the company accounting documents of EI Towers S.p.A., Fabio Caccia, herewith declares, pursuant to paragraph 2, article 154, second part, of the Consolidated Finance Act that the accounting information contained in this document corresponds to the contents of accounting documents, books and postings of the company.*

For the Board of Directors

Guido Barbieri, CEO