PRESS RELEASE
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THE LOGIC UNDERPINNING THE EI TOWERS – RAI WAY DEVELOPMENT PROJECT

EI Towers intends to build a national television broadcasting infrastructure group with the aim, on one hand, of creating potential value for the shareholders of the two companies involved and, on the other, of strengthening Italy's industrial fabric in real terms and in a clearly defined strategic framework, while retaining control inside Italy's national borders.

1. The reason for the public tender and exchange offer. In order to implement the industrial project intended to increase both its own value and that of Rai Way, EI Towers has promoted a tender and exchange offer to guarantee clarity and transparency as regards:
   - its own shareholders other than Mediaset, which with 60% represent the majority of the share capital and will be called on to vote on the matter at a specially convened extraordinary shareholders' meeting;
   - the Italian State, the owner of Rai S.p.A., which in the event the offer were successful would become an important shareholder of EI Towers and could, at the same time, collect the consideration offered (which, if all the shares were tendered, would amount to over EUR 550 million);
   - the minority shareholders of Rai Way who could benefit, amongst other things, from a significant premium on stock market prices.

   The free float of EI Towers and Rai Way is held in part by the same institutional investors. For some time now the financial market has been looking favourably on a consolidation of Italy's broadcasting towers, considering it to be a solution that delivers benefits in terms of efficiency, profitability and the simplification of operations. A single operator can present itself to the market in a direct, transparent and non-discriminatory manner, creating value for all shareholders.

2. Alignment with international standards. The "single operator" approach has been adopted by most European countries: one solid, reliable operator serving all businesses in the sector. Italy is an exception. Integration would align Italy with the most industrialised countries.

   Retevision in Spain (controlled by Abertis Telecom), TDF in France and Arqiva in the UK are examples of single operators, privately owned, which offer integrated services to all public and private national network operators. For some time now these subjects have represented the result of market consolidation, a role for which EI Towers, together with Rai Way, has announced that it is a candidate through the offer.

In Italy too, by leveraging and consolidating the points of strength of EI Towers and Rai Way, a single operator could:

- manage much more efficiently than two separate companies the technological challenges and evolutionary process of the digital terrestrial platform (migration to DVB-T2 and new signal encoding and compression standards), so improving service quality (HD and potentially also Ultra HD) without burdening the user with distribution costs;
- enable local television broadcasters to reduce the inefficient wastage of technological and infrastructural resources, so helping them focus on their core publishing business;
- be more active in stimulating the transition of the radio sector to digital and the adoption of so-called Digital Audio Broadcast (DAB) technology, with clear benefits for the public and publishers which, as in the cases mentioned above, can concentrate resources and investments on their core publishing activities;
- offer an active contribution to improving the impact on the environment and the landscape, eliminating redundant infrastructures in peripheral areas of the country without affecting service level in any way (decommissioning);
- be more ambitious in its assessment of any developments in the telecommunications infrastructure sector. It is no coincidence that just a few days ago the first mobile telecom infrastructure spin-off in Italy by Wind[1] strengthened the role as buyer in Italy of Abertis Group, the manager of the sole television infrastructure operator in Spain.

3. **Enhancing the value of Italian industrial expertise**. It is appropriate to retain the technological and management expertise and the value produced in Italy, as well as the possibility of having the critical mass to export such expertise, rather than risking its transfer abroad. It is therefore to be hoped that a crucial sector like television broadcasting infrastructure will remain under Italian control. To ensure this, we need a "national champion" to exploit the strengths of both organisations, with proud roots in every corner of the country and a solid presence in the marketplace. If Italian operators continue to remain fragmented, it cannot be excluded that influential international players will enter the market in the future too, as we have already seen them do. In the past the lack of sufficient scale has already weakened important industrial segments in Italy.

4. **Industrial synergies**. The main synergies resulting from the operation would be in the real estate and technology sector, with particular reference to broadcasting sites (towers). The assets held by Rai Way subject to possible consolidation do not include the core business of TV activities, such as rights to use transmission frequencies or multiplexes, which have been assigned to Rai S.p.A. The integration should not therefore have any effect on the strategic resources of Rai or on public service activities, nor

[1] Sale of 7,377 transmission sites or over 50% of the infrastructure managed by the operator

would it lead to individual operators exceeding the legal limits imposed on the number of multiplexes and channels.
In addition, no inflexible efficiency measures will be introduced in terms of employment.

5. Independence of EI Towers. EI Towers, the result of the merger in January 2012 of the company which inherited the infrastructure owned by Elettronica Industriale (Mediaset Group) with the only operator already listed on the stock market (DMT S.p.A.), is independent by inclination and as a result of precise antitrust conditions.
In the first sense, EI Towers is an independent operator working in the infrastructure sector: its core activity does not involve direct commercial relationships with broadcasters. EI Towers' main customers are not publishers (producers and suppliers of content), but network operators: these entities are clearly distinct from publishers, making use of the frequencies assigned by the State and drawing on the services rendered by the tower companies to sell broadcasting capacity on a retail basis to content publishers. The national network operators can be integrated with broadcasters or completely independent. The latter include: Persidera (70% Telecom Italia and 30% L'Espresso Group), H3G (also active in the mobile telecom sector), Premiata Ditta Borghini & Stocchetti di Torino S.r.l. (Telecapri), Prima TV S.p.A. (Dfree), Europa Way S.r.l. (Europa 7). Then there are numerous local network operators, which are integrated to varying degrees with local broadcasters, but a process of gradual separation of roles is underway.
In the second sense, the Italian Competition Authority (Autorità Garante della Concorrenza e del Mercato) approved the aforementioned merger in 2012 on the condition of compliance with precise conditions at commercial (fairness, transparency and non-discrimination) and governance levels. According to these conditions:
- the company must continue to be listed;
- the Board of Directors of the company must be made up of members who are completely independent of the main shareholder Mediaset which, at the time of the merger, held a stake of 65%, while today it holds 40% of the share capital;
- the company must provide access to its broadcast infrastructure, where possible, to all the operators who request it, at transparent and non-discriminatory conditions;
- the company must publish a list of sites and the price of services;
- the company must provide third party operators with services and information at the same conditions as those it supplies or which are supplied by its associated or subsidiary companies.

The structural independence of the Company is clearly expressed in the business plans presented to the market in July 2011 and in September 2014. The goals of EI Towers are:
- revenue development from clients other than Mediaset Group in the broadcasting sector, despite this being a mature market;
- business development, also through acquisitions, in the telecommunications infrastructure market;
- the introduction of cost structure efficiencies.

As regards the first goal, the following should be noted:
  - the renewal in 2012 of an important long term contract with TIMB, a subsidiary of Telecom Italia (today in Persidera);

- the renewal in 2013 of an equally important long term contract with Rete A, a subsidiary of L'Espresso Group (today in Persidera);
- the agreement with Cairo Network (the network operator of Cairo Group) regarding the implementation and future full service management of a new Multiplex.

As regards the second goal, the consolidation of relationships with leading mobile telecom operators and several external growth (M&A) deals deserve mention.

The drive to achieve operating cost and investment efficiencies has resulted in EI Towers systematically exceeding the targets set each year in the business plan.

The market has shown that it appreciates the transformation of a previously captive operator into a commercially active business: EI Towers shares have increased in value from about EUR 19 (on the first trading day after the merger came into effect in 2012) to EUR 45.83 on the day prior to the announcement of the tender offer.

Important feedback was also received from the market in April 2014, with the placement of a stake of 25% in the share capital of EI Towers by Elettronica Industriale (Mediaset Group). The market demonstrated its appreciation by the fact that the placement was closed at a distinctly lower discount than the average for this type of transactions (less than 6% against the price of the previous trading day) and since then the shares have risen 14%.

As a result of the aforementioned market placement, the free float of EI Towers stands at 60% of the share capital. The company is, to all intents and purposes, not only independent, but also technically a takeover target.

For all these reasons, EI Towers believes that the project represents a great opportunity in the interests of all stakeholders, in line with the new climate of optimism and dynamism intended to drive Italy's economic recovery.

INFORMATION REQUESTED BY THE ITALIAN COMPETITION AUTHORITY

We confirm that the Italian Competition Authority has asked EI Towers to produce additional information.
Analysing the offer with regard to antitrust issues is a complex, technical and specialised process; it is therefore understandable that the Authority has asked for clarifications so that its assessment of the transaction is as comprehensive as possible.
It should be remembered that at the time of the merger of DMT and EI Towers (which was approved conditionally on compliance with the aforementioned conditions), the Authority likewise asked for further information to be produced at the start of the procedure.

REPLIES TO THE QUESTIONS RAISED BY THE SENATE INDUSTRIAL COMMISSION

a. Does EI Towers also reserve the right to accept fewer than 51% of Rai Way shares?

The industrial project presented to the market by EI Towers has the aim of creating a "single operator" in the television infrastructure sector: the offer therefore assumes that the threshold of a qualified majority will be achieved.

This need underpins the condition precedent that shareholders tender shares will represent at least 66.7% of the share capital of Rai Way.

The other conditions precedent are:

- the unconditional approval of the transaction by the Italian Competition Authority;
- the approval of the proposed capital increase by the extraordinary general meeting of EI Towers, in consideration of the share component of the consideration to pay;
- the Italian Ministry of Economic Development's approval of Rai availing itself of Rai Way, even with the new controlling structure, in the performance of its public service activities;
- the non occurrence of material adverse changes which have a prejudicial effect on the offer or the financial, equity or income position of Rai Way.

The conditions precedent are set out in full in the press release pursuant to Article 102, Consolidated Financial Act, which we invite you to read.

This press release also makes provision for "*the possibility of waiving one or more of the above conditions precedent in the offer, as well as amend them, in whole or in part, where possible pursuant to the law and within the limits and in the manner provided by Article 43, Issuer's Regulation*". Any amendments to the conditions precedent set out in the offer should in any case have no effect on the project's industrial value and financial return.

At the present time therefore any judgement is premature on any amendments regarding individual conditions, outside the context of the overall framework, and absent assessments of the industrial worth of the project and the economic conditions of the offer by Rai Way and its owner.

b. How does the company intend to finance the cash component of the tender and exchange offer which, at 70%, could amount to a total of EUR 850 million?

EI Towers will fund the maximum potential cash-out envisaged by the offer through financing obtained from a leading international bank; the possibility of syndicating such financing with other financial institutions will also be taken into consideration.

c. What is the value of the management savings expected from the integration of the two companies and how much will it cost to service the debt of the new EI Towers - Rai Way group in comparison with the simple sum of the debt held by the two separate companies?

It is not possible at the present time to estimate the management savings expected from the integration of EI Towers and Rai Way. EI Towers only has access to the public information contained in the financial statements published by Rai Way and in the listing prospectus.

It is reasonable to assume that there are potential efficiency margins deriving from:

- rationalisation of the peripheral component of the infrastructure;
- integrated service management;
- pooling of higher purchasing volumes.

In the merger between EI Towers, originally a subsidiary of Mediaset Group, and DMT, in a different organisational, operative and temporal context (which cannot therefore be used as a benchmark), an efficiency improvement of about 10% of the cost structure was achieved, without any loss of jobs.

As far as concerns the cost of the debt of the two separate companies:

- EI Towers' debt is represented by a bond issue for a capital amount of EUR 230 million, expiring in April 2018. The coupon stands at 3.875% and the total cost, including accessory charges and the effect of the issue price being slightly below the par value, amounts to slightly more than 4%;
- Rai Way has access to two credit lines amounting to EUR 120 million (term) and EUR 50 million (revolving), both expiring on September 30, 2019, according to the information in the listing prospectus. The interest rate will be equal to the sum of the relative margin (100 bps annually for the term loan and 120 bps annually for the revolving facility) and the Euribor rate for the reference period.

If the offer is completed, it will cause a temporary increase in net debt for an amount substantially in line with the maximum total disbursement, the marginal cost conditions of which would be better than those offered by the EI Towers bond issue. In any case, the EBITDA level and cash generation of the new aggregation would be more than sufficient to service the cost and repayment of the debt and would certainly improve the capital structure, in line with the international best practices of listed companies in this sector.

d. In the event of a higher margin net of financial charges, how would this increased margin be split between shareholders and broadcaster customers?

As stated, the customers of EI Towers and of tower companies in general are not broadcasters but network operators which own the rights to use frequencies.

No “distribution” or sharing of the margin with network operator customers is envisaged. The transaction assumes that existing contract relationships with customers will continue in full, independently of whether they are potential future shareholders (Rai and Mediaset), or third party subjects with respect to the group resulting from the transaction.

e. How were negotiations conducted between Mediaset and EI Towers, which were related party companies before they were listed on the stock exchange, regarding the service contract for the towers and when does the current contract expire?

The contract between EI Towers and its main customer and shareholder Elettronica Industriale (100% indirectly controlled by Mediaset S.p.A.) was signed in July 2011, in the framework of the process leading to the integration of EI Towers S.p.A. and DMT S.p.A. by means of the merger by incorporation of the former into the latter.

The agreement makes provision for the supply by EI Towers of an articulated set of services:

- Hosting;
- Assistance and maintenance;
- Use of the transmission infrastructure;
- *Head-End;*
- Planning.

The overall consideration set out in the contract - absent similar types of contract in the reference market because of the breadth and number of services provided - has been determined based on the sum of the considerations for the individual services provided. Where present, in determining the price of individual services, market parameters were used or, absent such parameters, the consideration was calculated based on costs sustained and an expected medium term margin aligned with the average in the sector.
The consideration stipulated in the contract between EI Towers and Elettronica Industriale represented a key value in the income statement of EI Towers, which would be merged into DMT. This contract value therefore had a direct influence on the valuations of the two companies and on the level at which the exchange ratios were fixed.
So far as concerns the Contract and the related party procedure in force at the time, information was provided in paragraph 19.4 of the Information Document on the merger of EI Towers and DMT, dated December 30, 2011, which is available on the Company's website.
The contract currently in force will expire in July 2018 and commits the parties to renegotiating the consideration in good faith in the 12 months prior to its expiry.

f. Did the AgCom play any role, and if so how, in these negotiations?

The AgCom did not play any role in the negotiations because the contract involved was between companies belonging to the same group and, in any case, the prior notification of agreements between parties which do not both form part of the Integrated Communications System does not fall within its sphere of competence.

g. How much revenue is generated by third parties (La7, TLCs and any others)?

As clarified above, EI Towers' services are delivered almost exclusively to network operators which, in turn, sell transmission capacity (bandwidth) to television companies so that they can broadcast their content.
EI Towers does not therefore receive income directly from La7 or other national TV broadcasters. It does however have contracts in place with the operators which provide bandwidth to the latter.
Revenues in fiscal year 2013 from the main customers are set out in the table below:

	EUR (million)
Elettronica Industriale	178.5

Persidera[2]	8.3
Other national television network operators	0.5
Local television operators	7.4
Radio operators	7.7
TLC operators	22.5
Other Revenues	8.4
Total revenues	**233.2**

h. Did the AgCom play any role, and if so how, in these contracts?

The AgCom did not play any role in drawing up these contracts because, as clarified in point f) above, the prior notification of agreements between parties which do not both form part of the Integrated Communications System does not fall within its sphere of competence.

i. If the tender and exchange offer is successful, and therefore in the event of the creation of a single tower company, controlled by one of the two main television operators, what guarantee would the other operators have of not being squeezed to the limit of their survival?

Already today, before and independently of the conclusion of the offer, precise commercial and governance commitments exist and compliance with them is monitored by the Italian Competition Authority.
Specifically, as indicated above, the commercial commitments which entered into force a few months after the merger of EI Towers and DMT in 2012, make provision for compliance with the principles of the obligation to provide access to national operators, of transparency and of non-discrimination.
With regard to the principle of transparency, EI Towers publishes on its website and updates a list of the main services it offers:

- Equipment hosting;
- Equipment maintenance;
- Hosting with maintenance;
- Full service (integrated transmission network management);
- Ancillary services (installation and repair).

The prices indicated in these lists have been calculated based on the principle of not applying worse conditions than those previously applied to the customers of the independent operator already active in the marketplace (DMT).
Based on negotiations conducted freely by all the subjects involved and in compliance with the principles described above, from 2012 to the present day important agreements have been renewed or stipulated *ex novo* with TIMB, Rete A (both now merged into Persidera) and Cairo Network.

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[2] Pro forma figure which represents the sum of revenues from TIMB and ReteA (L'Espresso Group), which at the time were separate legal entities.

EI Towers has reported to the Italian Competition Authority on such negotiations in the framework of the periodic reports it is required to produce pursuant to the Order that authorised the merger with DMT.

For more information please contact:

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