EI TOWERS Group

Directors' Report
and
Consolidated Financial Statements
as at December 31, 2011

EI TOWERS S.p.A. (formerly DIGITAL MULTIMEDIA TECHNOLOGIES S.p.A.)
Via Zanella, 21 - 20851 Lissone (MB)
Fiscal Code and Company's Register Office
at Monza and Brianza: 12916980159
VAT Number: 01055010969
www.dmtonline.com

CONTENTS

This document contains an unofficial English language translation, which is provided for information only and for ease of reference and should not be relied upon. In the event of any ambiguity about the meaning of certain translated terms or of any discrepancy between the Italian document and the Translation, the Italian document shall prevail.

CORPORATE INFORMATION

Company Name	EI Towers Società per Azioni
Share Capital	Euro 2,826,237.70 fully paid-in
Fiscal Code and Company's Register Office at Monza and Brianza	No. 12916980159
VAT number	No. 01055010969
Registered Office	Via Zanella, 21 – Lissone (MB)
Board of Directors:	
Chairman	Alberto Giussani
CEOs	Guido Barbieri Valter Gottardi
Directors	Manlio Cruciatti Richard Adam Hurowitz Piercarlo Invernizzi Michele Pirotta
Board of Statutory Auditors:	
Chairman	Francesco Vittadini
Standing Auditors	Marco Armarolli Anna Girello
External Audit Firm	Reconta Ernst & Young S.p.A.

FINANCIAL HIGHLIGHTS

Key Consolidated Financial Results

Euro in millions	2011	2010
Revenues	58.5	58.8
EBITDA, before non-recurring costs	28.1	28.1
EBITDA[1]	19.2	26.7
EBIT[2]	3.8	13.5
Pre-tax result	(1.8)	7.9
Net profit	(2.9)	4.2

Key Consolidated Statement of Financial Position and Financial Data

Euro in millions	Dec. 31, 2011	Dec. 31, 2010
Net invested capital	183.6	201.4
Shareholders' equity	68.4	78.2
Net financial debt of continuing operations	(115.2)	(111.3)
Of which acquisition debts	-	(1.2)
Net financial debt of discontinued operations	-	(17.2)
Net financial debt of the group	(115.2)	(128.5)

Personnel

	Dec. 31, 2011	Dec. 31, 2010
No. of employees	86	85

Core Ratios [3]

	2011	2010
EBITDA (*)/Revenues	48.0%	47.7%
ROS (EBIT/ Revenues)	6.6%	23.0%
ROCE (EBIT/ Invested capital)	2.1%	6.7%
ROE (Net profit from continuing operations/ Shareholders' equity)	(5.6%)	5.4%

[1] Corresponding to operating result before amortisation and depreciation, provisions and write-downs. 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 standards. It is not to be considered an alternative measure to evaluate the trend of the Group result. However, the Management considers EBITDA an important parameter to measure the result of the Group. In order to have a comprehensive definition of alternative performance indicators which are not directly deducible from the Financial Statements see the definitions contained in the paragraph "Alternative Performance Indicators".

[2] Corresponding to operating result.

(*)excluding non-recurring items

DIRECTORS' REPORT

Dear Shareholders,

Group results and operational performance for the year 2011 are reported below.

INFORMATION ON OPERATIONS AND GROUP RESULTS

The past year has been characterized by the industrial integration of the assets respectively owned by Mediaset Group and by DMT Group in the electronic communications network infrastructure, through a merger by incorporation into DMT S.p.A. of EI Towers S.p.A., a newly established company wholly owned by Elettronica Industriale S.p.A. (which, in turn, is indirectly wholly owned by Mediaset S.p.A.). Effective June 30, 2011, Elettronica Industriale S.p.A. contributed to EI Towers S.p.A. the business unit relating to the planning, creating and managing of electronic communications networks and to the providing of related services.

As a consequence of the merger, effective January 1, 2012, the control of the DMT Group passed to the Mediaset Group, which controls DMT S.p.A. through Elettronica Industriale S.p.A.

Following the merger the company has been renamed from DMT S.p.A. to EI Towers S.p.A. and, consequently, the DMT Group has become EI Towers Group.

The transaction has created a leader in Italy in the business of electronic communications network infrastructure and related services and is designed to create key synergies between the respective businesses, aimed to increase value for all shareholders.

The main steps of the transaction can be summarized as follows:

- On March 30, 2011 DMT S.p.A. and Elettronica Industriale S.p.A. jointly communicated the beginning of an exclusive negotiation for the definition of an integration project of the assets respectively owned in the business of broadcasting and wireless towers.

- On July 28, 2011, at the end of the due diligence and of the negotiation of the merger agreement, the board of directors of DMT S.p.A. approved the merger project with a related report illustrating the merger and determined the exchange ratio, on which, on September 13, 2011 the expert appointed by the Court issued a fairness opinion as provided by current regulations on the matter.

- On September 29, 2011 DMT S.p.A. made available to the public an information document issued according to the current Issuers' Regulations in order to give to the shareholders and to the market a comprehensive and detailed information on the merger.

- On October 6, 2011 the subsidiary Towertel S.p.A. signed with Banca IMI S.p.A., as loan agent, an amendment on syndicated financing agreements, in which financing banks waived the right to declare the aforesaid Towertel S.p.A. breaching the term, to rescind anticipately or to terminate the financing contracts, and any other right or remedy provided as a consequence of the merger and the consequent change of control of DMT S.p.A.

- On October 13, 2011 DMT S.p.A. transferred to a third party, following the agreements reached within the extraordinary transaction with the Mediaset Group, its total interests held, directly or indirectly, in the following companies: Tower Service S.p.A. in liquidation, DMT System S.p.A. in liquidation, Asteroide S.r.l., DMT Service S.r.l. in liquidation, DMT Limited and DMT USA, Inc. These companies were accounted as discontinued operations according to International Accounting Standards (IFRS 5).

- On October 14, 2011 the extraordinary shareholders' meeting of DMT S.p.A. approved the merger and the related capital increase.

- On December 14, 2011, at the end of the procedure started on October 5, 2011, and after consulting the Authority for Communications, the Antitrust Authority decided to authorize the merger prescribing some measures provided for by the same provision.

- On December 30, 2011 an information document has been made available to the public resuming and integrating the one already published; on the same day a merger act has been underwritten with legal effects starting from the latest registration in the Registry of Companies according to current regulations. The transactions of the merged company are recorded on the financial statement of the merging company effective on the first day of the fiscal year in which the merger takes effect; on the same date, the merger shall become effective for tax purposes. As described in the paragraph "Subsequent events at December 31, 2011 and business outlook" the latest registration occurred on January 2, 2012, therefore the merger is effective from January 1, 2012.

Year 2011 has been characterized by a very uncertain market scenario for TV operators, in particular for local players, due to the slowdown in advertising market and the process of transition to digital terrestrial broadcasting with a consequent reallocation of frequencies, also in relation with the rationalization of electromagnetic spectrum with the assignment of frequencies to mobile operators for the development of services in mobile broadband (LTE technology).

In addition, the worsening of the national economic and financial scenario, which characterized the second part of the year, and the consequent difficulty for smaller operators to access bank credit, made it difficult to find financing resources necessary to support investments to switch the network to digital technology.

Therefore, the past year recorded a decrease in revenues connected to services offered within activities related to the process of TV broadcasting digitization compared to 2010, which was characterized by the digital migration of the two regions (Lombardy and Veneto) where the Group holds an important position in terms of sites managed.

With reference to the mobile telecom sector, co-sharing agreements of operators' sites determined a slowdown in the demand for new space on sites managed by the Group compared to what expected, even if the development of new data transmission services should reverse the trend in the current year. Vice versa, in 2011 a significant increase in hosting demand occurred by new operators operating in Wi-Fi and Wi-Max technology sectors, which are implementing the network along the Italian territory.

Consolidated Group's Results in 2011 are summarized below:

- Core revenues were at Euro 58.5 million compared to Euro 58.8 million in 2010; the slight decrease is mainly due to lower revenues connected to services supplied to television operators for activities related to the digitization process in Italy, which characterized the second half of the previous year. The organic growth of core business revenues (hosting and services) calculated on the same number of sites managed at December 31, 2010 was about 1%. Other income and revenues strongly increased compared to the previous year (from Euro 1.1 million to Euro 3.1 million), also thanks to a capital gain of Euro 1.2 million for from the sale of a building.

- EBITDA excluding non-recurring operating costs, which totalled Euro 8.9 million, was equal to Euro 28.1 million, in line compared to the same period of the previous year despite a higher incidence of structure costs of the parent company consequent to the disposal of Technology business unit and the accounting of expenses for the stock grant plan approved in November 2010; operating profitability remains at high levels (about 48% of revenues).

- Non-recurring operating costs for Euro 8.9 million were mostly related to the merger previously described (Euro 7.9 million) and to the acceleration of the stock grant plan as a consequence of the change of control of EI Towers S.p.A.; net of these costs, EBITDA was Euro 19.2 million (Euro 26.7 million in 2010, net of non-recurring costs for Euro 1.4 million related to employees' layoff incentive program). In addition, during this period non-recurring net financial charges were Euro 0.7 million.

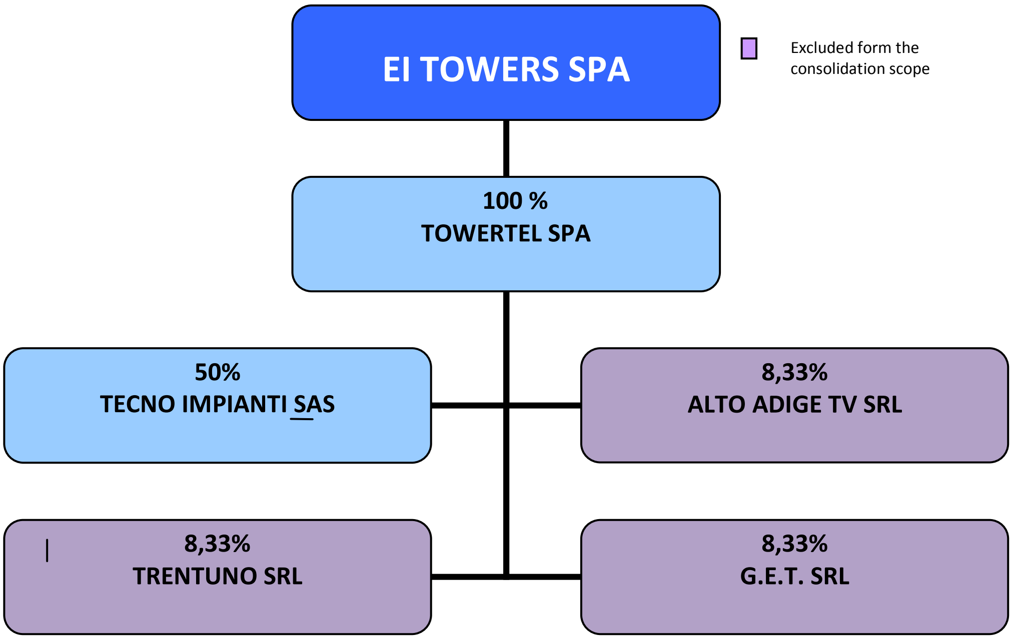
- EBIT was equal to Euro 3.8 million, with a reduction compared to Euro 13.5 million, affected by the already mentioned expenses related to the merger and by higher provisions and write-downs for about Euro 1.6 million compared to 2010.

- Net result for the period (loss of Euro 11.5 million) was affected also by the loss related to discontinued operations (Euro 8.6 million) consequent to their disposal within the merger already described.

- Net financial position is negative by Euro 115.2 million, equal to 63% of the net invested capital, with a reduction of Euro 13.3 million compared to December 31, 2010 (Euro 128.5 million, equal to 62% of the net invested capital) after accounting capital expenditures for about Euro 5.9 million.

GROUP STRUCTURE AT DECEMBER 31, 2011

The structure of the Group and the consolidation scope as at December 31, 2011 are shown in the diagram below:



Compared to December 31, 2010, the structure of the Group changed as follows:

- On May 30, 2011 Dubai Airport Free Zone Authority officially announced the cancellation of the company DMT ASIA FZE, controlled 100% by the parent company. Therefore, from that date, DMT ASIA FZE is no longer a company of the Group.

- On July 21, 2011, the shareholders' meeting of Media Service S.r.l. decided to start the liquidation process of the Company and at the same time appointed a liquidator. Following that decision, recorded on July 27, 2011, the company assumed the name of Media Service S.r.l. in liquidation. On October 4, the cancellation of Media Service S.r.l. in liquidation has been recorded at the Company's Register Office at Trento; therefore, starting from the registration, the company Media Service S.r.l. in liquidation has been cancelled and is no longer part of the Group.

- On October 13, EI Towers S.p.A. sold to a third party 100% of the share capital of the following companies: DMT System S.p.A. in liquidation, including total interests in DMT Service S.r.l. in liquidation and Asteroide S.r.l., Tower Service S.p.A. in liquidation, DMT Limited and DMT USA Inc.; starting from that date these companies, which were classified as discontinued operations according to IFRS 5, are no longer part of the Group.

- On November 29, 2011 the merger acts of Tower Service S.r.l in Towertel S.p.A., of Estense Tower S.r.l. and Stetel Ripetitori S.r.l. in Towertel S.p.A. were underwritten and on December 5, 2011 the merger act of Radioattività S.r.l. in Towertel S.p.A. was underwritten.

CONSOLIDATED RESULTS

Directors assess the performance of the Group on the basis of adjusted EBITDA, in order to exclude in their assessment non-recurring economic items.

Non-recurring costs incurred in the year amounted to Euro 9,614 thousand, of which operating costs per Euro 8,914 thousand and financial charges for Euro 700 thousand, and mostly referred to the extraordinary transaction with the Mediaset Group. With reference to the previous year, non-recurring costs amounted to Euro 1,396 thousand and referred to employees' layoff incentive programs.

The consolidated results relevant to 2011 and 2010 are summarised in the table below.

CONDENSED CONSOLIDATED INCOME STATEMENT [4]

Euro in thousands	2011		2010	
Revenues from sales of goods and services	58,461	100.0%	58,822	100.0%
Other income and revenues	3,150		1,108	
Operating costs	(33,540)		(31,878)	
EBITDA, excluding non-recurring economic items	28,071	48.0%	28,052	47.7%
Non-recurring economic items	(8,914)		(1,396)	
EBITDA	19,157	32.8%	26,656	45.3%
Amortisation, depreciation, write-downs and provisions	(15,320)		(13,126)	
EBIT	3,837	6.6%	13,530	23.0%
Financial charges, net	(4,918)		(5,606)	
Non-recurrimg financial charges, net	(700)		-	
EBT	(1,781)	-2.8%	7,924	13.5%
Income taxes	(1,079)		(3,724)	
Net income of continuing operations	(2,860)	-4.9%	4,200	7.1%
Net income of discontinued operations	(8,646)		(5,902)	
Net income of the Group	(11,506)		(1,702)	

In 2011 operating revenues related to continuing operations amounted to Euro 58,461 thousand, with a decrease of 0.6% (Euro 361 thousand) if compared to 2010 (Euro 58,822 thousand) as a consequence of variance already described.

Other income and revenues were at Euro 3,150 thousand (Euro 1,108 thousand in 2010) related for Euro 1,171 thousand to the capital gain from the sale of a building, where a branch office of Towertel S.p.A. was located and for the remaining part to extraordinary income and service chargeback to third parties.

[4] In order to have a comprehensive definition of alternative performance indicators, see the definitions contained in the paragraph "Alternative Performance Indicators" of this document.

The organic growth of the core revenues on the like-for-like portfolio of towers managed at December 31, 2010 was about 1%.

Consolidated EBITDA for 2011 before non-recurring costs amounted to Euro 28,071 thousand, equal to 48% of revenues, in line with the previous year despite a higher incidence of structure costs of the parent company, which in 2010 were partially recharged (Euro 2,710 thousand) to the Technology Business Unit. In addition, Euro 739 thousand related to the stock-based compensation plan described in the Explanatory Notes (Euro 70 thousand in 2010) have been recorded as operating costs.

Non-recurring economic items, equal to Euro 8,914 thousand, refer to costs connected to the business combination already described (Euro 7,961 thousand), costs related to the acceleration of the stock grant plan as a consequence of the change of control of EI Towers S.p.A. within the same transaction (Euro 868 thousand) and for the remaining part (Euro 85 thousand) to lay-off incentives for employees. In the previous year non-recurring costs (Euro 1,396 thousand) were exclusively related to lay-off incentives for employees.

EBITDA for the year net of non-recurring costs was Euro 19,157 thousand compared to Euro 26,656 thousand in the previous year.

Total depreciation and amortisation charged to income statement in 2011 amounted to Euro 10,303 thousand (Euro 9,667 thousand in 2010), while provisions and write-downs amounted to Euro 5,017 thousand (Euro 3,459 thousand in the previous year) largely related to receivables of uncertain collection.

EBIT net of non-recurring charges was Euro 3,837 thousand (Euro 13,530 thousand in 2010).

Net financial charges totalled Euro 5,618 thousand, in line with the previous year (Euro 5,606 thousand) despite the parent company EI Towers S.p.A. took over in the period the debt previously referring to Technology business unit and accounted in discontinued operation, which caused higher financial charges for Euro 256 thousand; in addition, a it has been accounted a non-recurring financial charge for Euro 700 thousand related to the renegotiation of financing agreements of Towertel S.p.A. within the business combination already described..

Pre-tax result from continuing operations was negative for Euro 1,781 thousand (profit of Euro 7,924 thousand in 2010) while net loss, after recording income taxes for Euro 1,079 thousand (Euro 3,724 thousand in the previous year) amounts to Euro 2,860 thousand, compared to a net profit of Euro 4,200 thousand in 2010.

Net result of discontinued operations was negative for Euro 8,646 thousand, compared to the net loss of Euro 5,902 thousand accounted in 2010; the loss is due to the write-off of deferred tax assets previously recognized in the financial statement (Euro 3.2 million), which would have been recovered only if the companies of the Technology business unit remained within the perimeter of the group and to the write-down of other assets considering the values of the disposal of the companies of the business unit occurred on October 13, 2011, within the extraordinary transaction with the Mediaset Group.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated Statement of Financial Positioncomparison between December 31, 2011 and December 31, 2010 is summarised in the table below:

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro in thousands	Dec. 31, 2011		Dec. 31, 2010	
Net working capital	(3,501)	-2%	10,388	5%
Non-current assets	215,060		219,634	
Employment termination indemnity, provision for risks and charges, non-current liabilities	(27,981)		(28,608)	
Non-current capital	187,079	102%	191,026	95%
Net invested capital from continuing operations	183,578	100%	201,414	100%
Net invested capital from discontinued operations	-		5,218	
Net invested capital of the Group	181,953		206.632	
Net financial debt from continuing operations	115,224	63%	111,280	54%
Net financial debt from discontinued operations	-	0%	17,192	8%
Shareholders' equity	68,354	37%	78,160	38%
Financial position and shareholders' equity of the Group	183,578	100%	206,632	100%

The changes of the main figures of working capital occurred during the year are described below:

Euro in thousands	Dec.31, 2011	Dec.31, 2010
Trade receivables	14,660	17,689
Inventories	247	544
Trade payables	(17,495)	(10,303)
Other receivables and payables	(913)	2,458
Net working capital	(3,501)	10,388

At December 31, 2011 net working capital decreased by Euro 13,889 compared to the end of 2010 due to the joint effect of the decrease in net trade receivables (Euro 3,029 thousand) and inventories (Euro 297 thousand), and of the increase in trade payables for Euro 7,192 thousand, mostly related to the business combination already commented, and of the net decrease in other receivables and payables for Euro 3,371 thousand mainly due to the decrease in tax receivables.

In the same period fixed assets related to continuing operations decreased of Euro 3,947 thousand after accounting depreciation and amortisation for Euro 10,303 thousand, capital expenditures for Euro 5,887 thousand and divestments for Euro 827 thousand. Net invested capital from discontinued operations zeroed due to their disposal.

CONSOLIDATED NET FINANCIAL POSITION AND CASH FLOW FOR THE PERIOD

The consolidated net financial position of the Group as at December 31, 2011 reports a net debt for Euro 115,224 thousand, with a positive change of Euro 13,248 compared to December 31, 2010.

The breakdown of the financial position as at December 31, 2011 and at the end of the previous year is the following:

NET FINANCIAL POSITION

Euro in thousands	Dec. 31, 2011	Dec. 31, 2010
Continuing operations:		
Cash and cash equivalents	2,246	5,099
Current financial liabilities (**)	(33,805)	(16,432)
Current liquid assets (debt)	*(31,559)*	*(11,333)*
Non-current financial liabilities	(83,665)	(99,947)
Non-current financial assets (debt)	*(83,665)*	*(99,947)*
Net financial position of continuing operations	*(115,224)*	*(111,280)*
Discontinued operations:		
Cash and cash equivalents	-	1,646
Current financial liabilities	-	(18,838)
Net financial position of discontinued operations	-	*(17,192)*
Net financial position of the Group	***(115,224)***	***(128,472)***

(*) of which acquisition debt for Euro 39 thousand and for Euro 1,248 thousand at December 31, 2011 and 2010,respectively.

The increase in current financial liabilities of continuing operations is due to the inclusion of liabilities previously referring to discontinued operations (Technology business unit), since before their disposal the parent company EI Towers S.p.A. obtained by the banking system credit lines used for Euro 17,527 thousand to reimburse the debt referring to the companies of the disposed business unit.

The decrease in non-current liabilities is connected to the reimbursement of medium-term financing of Towertel S.p.A. in line with the expected amortization plans.

The net financial position at December 31, 2011 includes Euro 39 thousand (Euro 1,248 thousand at December 31, 2010) of debts to sellers of companies and business units acquired in the previous years, reclassified as current liabilities.

Consolidated cash flow statement presents a cash flow from operating activities equal to Euro 19,914 thousand, an absorption from investing activities for Euro 9,677 thousand, mainly due to net capital expenditures for Euro 5,887 thousand and to an absorption of Euro 4,739 thousand relating to the disposal of discontinued operations, and a net cash absorption of Euro 14,736 thousand for financing activities basically due to the reimbursement of medium-term financing referring to Towertel S.p.A. in line with the expected amortization plans.

The consolidated cash flow statement during 2011 and the previous year is summarized below:

CASH FLOW STATEMENT *Euro in thousands*	2011	2010
Continuing operations:		
Cash flow generated (absorbed) by operating activities	19,914	13,232
Cash flow generated (absorbed) by investing activities	(9,677)	(5,895)
Cash flow generated (absorbed) by financing activities	(14,736)	(16,238)
Net cash flow for the period related to continuing operations	*(4,499)*	*(8,901)*
Discontinued operations:		
Cash flow generated (absorbed) by operating activities	-	3,814
Cash flow generated (absorbed) by investing activities	-	2,310
Cash flow generated (absorbed) by financing activities	-	(13,049)
Net cash flow for the period related to discontinued operations	*-*	*(6,925)*
Net cash flow for the period	**(4,499)**	**(15,826)**

RECONCILIATION PROSPECT OF THE RESULT AND SHAREHOLDERS' EQUITY OF THE PARENT COMPANY AND SIMILAR VALUE ITEMS OF THE GROUP.

Here below the reconciliation prospect of the result of the period and the shareholders' equity of the Group with similar value items of the Parent Company according to Consob report No. 6064293 dated July 28, 2006.

Euro in thousands	Shareholders' equity at Dec. 31, 2011	Net profit 2011
Financial Statements of EI Towers S.p.A.	37,221	(17,292)
Elimination of value adjustments of equity interest	4,625	4,625
Elimination of consolidated equity interest in the Financial Statements of EI Towers S.p.A.	(42,005)	-
Contribution of Subsidiaries to the Group	68,513	1,161
Consolidated Financial Statements of the Group	68,354	(11,506)

CORPORATE GOVERNANCE REPORT AND COMPANY STRUCTURE

According to art. 123-bis of the Law 58/1998 and further amendments and changes, as at December 31, 2011:

- the share capital was Euro 1,130,477.50 and composed of No. 11,304,775 common shares at a face value of Euro 0.10 each; no shares different from common shares have been issued.

- No restrictions for the transfer of stocks exist.

- With reference to the significant equity interests, please refer to the Group Corporate Governance Report.

- The Company did not issue stocks with special control rights.

- An incentive stocks participation program with a mechanism for the exercise of the rights to vote does not exist.

- No restrictions related to the terms imposed for the exercise of the rights to vote or financial rights related to stocks, segregated by the ownership of the stocks themselves, exist.

- The Issuer does not know about the existence of relevant agreements, in compliance with art. 122 of TUF, including shares of the Company.

- Pool financing contracts signed by the subsidiary Towertel S.p.A. provide for the right of banks to declare that the borrower lost the benefit of the term and/or to withdraw from contracts in case of change of control of EI Towers S.p.A.

- Agreements between EI Towers S.p.A. and its directors, including indemnity in case of resignation or wrongful dismissal/appointment or in case of severance as a consequence of a takeover have not been signed.

- With reference to the procedure required to appoint or substitute the directors, nevertheless to change the Articles of Association, please refer to the contents of the Corporate Governance Report of the Group; the same reference for the power given in compliance with art 2443 C.C. to rule capital increases and the authorization to repurchase own shares.

- The Company implemented a code of conduct with reference to the corporate governance sponsored by Borsa Italiana S.p.A. (Code of Conduct 2006) adapting its own corporate governance practices to the content of the Code of Conduct 2006. Yearly the Company issues a specific report, published on the website www.dmtonline.com.

- The main characteristics of the existing risk management and the internal auditing system, the operational mechanism for the General Meeting, its own major powers, the rights of shareholders and the terms for their exercise, nevertheless the composition and operation of the Boards of Directors and Auditors and their committees are mentioned in the Corporate Governance report of the Group.

ALTERNATIVE PERFORMANCE INDICATORS

In the current document, in addition to the conventional schemes and financial indicators as required by IFRS principles, some reclassified schemes and some alternative indicators of performance are presented, with the aim to allow a better valuation of the economic–financial trend of the Group.

These schemes and indicators shall not be considered substitutive of the conventional ones required by IFRS.
In particular, between the alternative indicators used for the profit and loss description, it shall be mentioned:

- EBITDA corresponds to the operating profit before depreciation, amortisation, provisions and write-downs. The function of this indicator is to present the operating result situation of the Group before the main non-operating items.

- EBITDA excluding non-recurring economic items: corresponds to EBITDA as described above excluding costs related to the extraordinary business combination previously described and costs related to lay-off incentives of employees considered non-recurring.

- EBIT corresponds to the operating results.

- Organic growth: the organic growth of the core revenues (hosting and services) is represented by the change in percentage between the revenues of the current year compared to the revenues realised on the same number of sites managed in the previous year. The organic growth represents an indicator of the change in revenues net of the changes in the consolidated perimeter.

Among the alternative performance indicators, used to comment the Statement of Financial Position, it shall be mentioned:

- Net working capital: calculated as sum of the following items included in the consolidated Statement of Financial Position:
  - Inventory
  - Trade receivables and payables
  - Other receivables and payables – current
  - Income tax assets and liabilities

- Non-current assets: calculated as sum of the following items included in the scheme of the consolidated Statement of Financial Position:
  - Goodwill
  - Tangible and intangible fixed assets
  - Property, plant and equipment
  - Other non-current assets
  - Deferred tax assets

- Non-current capital: includes the sum of non-current assets and employment termination indemnity, provision for risks and charges and non-current liabilities.

- Net invested capital: calculated as the sum of the net working capital and non-current assets.

- Net financial position: calculated as the sum of the followings items:
  - -Cash and cash equivalents
  - -Current financial liabilities
  - -Non-current liabilities, including debt for acquisitions of companies and business units

GOING CONCERN

As indicated in the Explanatory Notes, the Directors consider that financial, managerial or any other typology of indicators, that could indicate criticality regarding the ability of the Group to respect its own obligations, do not raise any doubt regarding the going concern, also considering economic and financial prospects of the new situation of EI Towers Group.

In the previous paragraphs of the present Report, the activities of the Group and its economic, patrimonial and financial trend during 2011, have been described.

The risks and uncertainties related to the Group while executing its activity and implementing its strategies to mitigate these risks, are described here below. With regard to financial risks, then, the same are commented and analysed in detail the Explanatory Notes (note 33 "Management of Financial Risk: objectives and criteria" and note 34 " Capital Management").

In order to constantly monitor mentioned risks and uncertainties, the Group adopted an internal Risk Management model to recognize and measure risks.

RISKS AND UNCERTAINTIES

The main risks and uncertainties the Group is exposed to and how to face them are described below.

These risks refer to the only Tower business unit since Technology business unit has been disposed during the year.

- **Market risk**

The customers of the Group are represented by national television and radio networks, the major local television and radio players and mobile telecom operators.

The Italian economic situation in 2011 was very difficult, with a very moderate growth in GDP (+0.5%) and an high unemployment rate. Following the economic and financial crisis which hit the country in the second half of the year, the outlook for 2012 is still very uncertain and the last macroeconomic estimates show a contraction in GDP.

Terrestrial radio and television broadcasting represents the most common national broadcasting method; a possible growth in alternative broadcasting means (such as satellite or cable) could cause a downturn in the growth of reference market and a consequent reduction in demand of services offered by the Group.

Similarly, the development of alternative technologies for mobile communication (i.e. satellite), today not considered by the main national operators, could determine a reduction in demand of services offered by the Group.

National telecom operators have co-sharing agreements of sites, that is co-sharing of transmission site availability. As of today, these agreements haven't considerably affected the results of the Group; however, an increase in co-sharing activities could take to a reduction in hosting demand on sites managed by the Group and a significant pressure on profit margins.

Inflation trend is an important variable for the Group since contracts signed with clients provide for, in almost all cases, a periodic adjustment linked to inflation. An increase in this indicator reflects therefore directly on revenues and on operating profitability since only a part of costs (in particular those related to rent of sites not owned), is index-linked to inflation.

It is reminded that during 2011 inflation in Italy was on the average about 2.8%; the last macroeconomic estimates show for 2012 an inflation higher than 2%.

- **Operating risk**

Revenues related to the first 10 clients are about 60% of total revenues achieved in 2011 by the Group, with a significant concentration in terms of commercial counterparts. This concentration is furtherly destined to grow as a consequence of the business combination, since almost total revenues of the company merged in EI Towers S.p.A. is towards the parent company Elettronica Industriale S.p.A., which also represents the major client of Towertel S.p.A.

This risk is however mitigated by the fact that the Group operates through the signing of lease and long-term service contracts and the main clients are TV and telecom operators with high standing (Mediaset Group, Telecom Italia, Vodafone, Wind, etc…). In addition, Tower business unit historically showed a high ability to renew expiring contracts, increasing the range of services offered to clients and consequently recording a very low churn rate.

With reference to clients with lower credit standing, in particular local television operators and new operators in Wi-Fi and Wi-Max technologies, the reallocation of frequencies for the migration to digital broadcasting for the first and the need to invest for the realization of the network for the latter, in an uncertain market scenario and in the presence of a credit crunch situation, impose to the Group a closer monitoring of clients and a greater focus on working capital management.

- **Legal risk**

The operativeness of the Group does not appear affected by legal or regulation risks.

In particular, the Group is not directly exposed to environmental risks (so called electromagnetic pollution) with reference to television, radio and mobile signal transmission since regulations in force are addressed to operators which broadcast signal from the sites of the Group.

Obviously, in case an operator does not comply with the regulations regarding people and environment electromagnetic exposure, the operator could also be sanctioned with the interruption of broadcasting, with negative consequences on the revenues of the Group.

It should also be noted that, due to the effect of the adjustment to the national plans for the allocation of frequencies and to possible decisions from regions and local authorities on site location, it could be necessary to proceed with a delocalization, that means that some sites of the Group could no longer be usable.

- **Governance risk**

Typical Governance risks are mitigated by the implementation starting from 2006 of a Corporate Governance system periodically updated and based on a Corporate Governance Code for listed companies.

For further details on the organizational structure and the Corporate Governance system implemented by the Group, please refer to Directors' Report.

- **Financial risk**

For a complete analysis of potential financial risks and of the actions carried out by the Group to mitigate these events please refer to note 33 " Management of Financial Risk: objectives and criteria" as presented in the Explanatory Notes.

SUBSEQUENT EVENTS AT DECEMBER 31, 2011 AND BUSINESS OUTLOOK

The business combination between the Tower business previously held by Mediaset Group and by EI Towers Group (formerly DMT Group) was completed on January 2, 2012.

Accounting and fiscal effects of the merger start from January 1, 2012, therefore from that date EI Towers S.p.A. (formerly DMT S.p.A.) is part of the Mediaset Group.

Short-term bank liabilities referring to EI Towers S.p.A. at December 31, 2011, equal to Euro 17.5 million, has been fully repaid in January 2012.

Following the merger, the perimeter of activities of EI Towers Group increased considerably and the main expected economic and financial data of the new Group have been presented to the market and resumed in the information documents published on September 29 and December 30, 2011.

Beauty contest process for the allocation of new national frequencies is now under examination of the Government, in the light of a possible revision. As of today, there are no elements which lead to consider that expected results are basically different from those already communicated to the market.

* * *

On behalf of the Board of Directors
Guido Barbieri, CEO

EI TOWERS GROUP
(formerly DMT Group)

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Euro in thousands)		Notes	2011	2010
Non-current assets:				
Intangible fixed assets				
- goodwill		8	108,466	108,450
- other intangible assets		9	29,811	32,820
Tangible fixed assets				
- property, plant and equipment		10	72,176	74,591
Other non-current assets		11	1,039	1,211
Deferred tax assets		12	3,568	2,562
Total non-current assets	(A)		215,060	219,634
Current assets:				
Inventories		13	247	544
Trade receivables		14	14,660	17,689
Other receivables and current assets		15	3,609	4,837
Tax receivables			4,058	11,424
Cash and cash equivalents		16	2,246	5,099
Total current assets	(B)		24,820	39,593
Discontinued assets	(C)		-	10,369
Total assets	(A+B+C)		239,880	269,596
Shareholders' equity:				
Share capital			1,130	1,130
Reserves			67,224	77,030
Shareholders' equity of the Group			68,354	78,160
Minority interests			-	-
Total shareholders'equity	(A)	17	68,354	78,160
Non-current liabilities:				
Non-current financial liabilities		19	83,665	99,947
Employee indemnity fund		20	953	990
Deferred tax liabilities		12	23,457	24,366
Risks and charges liabilities		21	3,571	3,252
Total non-current liabilities	(B)		111,646	128,555
Current liabilities:				
Current financial liabilities		22	33,766	15,184
Trade payables		23	17,495	10,303
Other payables and current liabilities		24	6,746	7,775
Acquisition debts		7	39	1,248
Tax payables			1,834	6,028
Total current liabilities	(C)		59,880	40,538
Discontinued liabilities	(D)		-	22,343
Total liabilities	(E=B+C+D)		171,526	191,436
Total Shareholders' equity and liabilities	(A+E)		239,880	269,596

CONSOLIDATED STATEMENT OF INCOME

Euro in thousands	Notes	2011	2010
Revenues from sales and sevices	25	58,461	58,822
Other income and revenues	26	3,150	1,108
Operating costs:	27		
Purchases		486	1,326
Services		24,141	14,243
of which non-recurring		*7,961*	-
Rent, lease and similar costs		7,838	8,564
Personnel costs		7,496	7,692
of which non-recurring		*953*	*1,396*
Changes in inventories		34	(111)
Increase of internal work capitalised		-	-
Other charges		2,459	1,560
Amortisation and depreciation		10,303	9,667
Provisions and write-downs		5,017	3,459
Operating income		*3,837*	*13,530*
Financial income	28	137	194
Financial charges	28	(5,755)	(5,800)
of which non-recurring	*28*	*(700)*	-
Operating income before taxes from continuing operations		*(1,781)*	*7,924*
Income taxes	29	(1,079)	(3,724)
Net income (loss) from continuing operations		*(2,860)*	*4,200*
Net income (loss) deriving from discontinued operations	31	(8,646)	(5,902)
Net income (loss) for the period		*(11,506)*	*(1,702)*
Minority interest (income) loss		-	-
Group net income (loss)		*(11,506)*	*(1,702)*
Earnings per share (*Euro per share*):			
- earnings (loss) per share	30	(0.93)	(0.15)
- diluted earnings (loss) per share	30	(0.93)	(0.15)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Euro in thousands	2011	2010
Net profit for the period	(11,506)	(1,702)
Cash flow hedge	235	847
Discounting of provision for employees' leaving indemnity	24	23
Other	(165)	11
Other comprehensive income (loss)	93	881
Comprehensive income for the period	**(11,413)**	**(821)**
Attributable to:		
Equity holders of the Parent Company	(11,413)	(821)
Minority interests	-	-

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Euro in thousands	Share capital	Share prem. reserve	Legal reserve	Extra. reserve	Hedge reserve	Translat. reserve	Capital incr. reserve	Stock option reserve	Own shares reserve	Earnings carried forward	Group consol. net equity	Min. Int. in capital & res.	Total capital and reserves
Balance at January 1, 2010	1,130	96,759	250	20,993	104	110	-	1,370	(5,091)	(36,714)	78,911	(54)	78,857
Allocation of the result 2009	-	(32,776)	-	-	-	-	-	-	-	32,776	-	-	-
Net income for the period from continuing operations	-	-	-	-	-	-	-	-	-	-	4,200		4,200
Net income for the period from discontinued operations	-	-	-	-	-	-	-	-	-	-	(5,902)	-	(5,902)
Other total income (loss)	-	-	-	23	847	11	-	-	-	-	881	-	881
Total net income for the period	-	-	-	23	847	11	-	-	-	-	(821)	-	(821)
Stock options	-	-	-	-	-	-	-	70	-	-	70	-	70
Interest Stake Disposal	-	-	-	-	-	-	-	-	-	-	-	54	54
Balance at December 31, 2010	1,130	63,983	250	21,016	951	121	-	1,440	(5,091)	(3,938)	78,160	-	78,160

Euro in thousands	Share capital	Share prem. reserve	Legal reserve	Extra. reserve	Hedge reserve	Translat. reserve	Capital incr. reserve	Stock option reserve	Own shares reserve	Earnings carried forward	Group consol. net equity	Min. Int. in capital & res.	Total capital and reserves
Balance at January 1, 2011	1,130	63,983	250	21,016	951	121	-	1,440	(5,091)	(5,640)	78,160	-	78,160
Allocation of the result 2010	-	(1,702)	-	-	-	-	-	-	-	1,702	-	-	-
Net income for the period from continuing operations	-	-	-	-	-	-	-	-	-	-	(2,860)	-	(2,860)
Net income for the period from discontinued operations	-	-	-	-	-	-	-	-	-	-	(8,646)	-	(8,646)
Other total income (loss)	-	-	-	(21)	235	(121)	-	-	-	-	93	-	93
Total net income for the period	-	-	-	(21)	235	(121)	-	-	-	-	(11,413)	-	(11,413)
Stock options	-	-	-	-	-	-	-	1,607	-	-	1,607	-	1,607
Balance at December 31, 2011	1,130	62,281	250	20,995	1,186	-	-	3,047	(5,091)	(3,938)	68,354	-	68,354

CONSOLIDATED CASH FLOW STATEMENT

Euro in thousands	December 31, 2011	December 31, 2010
Continuing operations:		
Cash flow from operating activities:		
Net income (loss) for the period	(2,860)	4,200
Adjustments:		
Amortisation and depreciation	10,303	9,667
Provisions and write-downs	5,016	3,459
Net change in deferred tax assets and liabilities	(1,915)	(1,195)
Changes in current assets and liabilities	9,358	(2,753)
Change in employee indemnity fund	(37)	(262)
Change in provision for contingent charges	49	116
Cash flow generated (absorbed) from operating activities	*19,914*	*13,232*
Cash flow from investing activities:		
Investments in tangible fixed assets	(5,235)	(3,322)
Investments in intangible fixed assets	(426)	(1,944)
Acquisitions and business combinations, net of cash acquired	(226)	(698)
Divestments in tangible and intangible assets	827	-
Net flow from discontinued operations	(4,739)	-
Net change in other non current debt and liabilities	122	69
Cash flow generated (absorbed) from investing activities	*(9,677)*	*(5,895)*
Cash flow from financing activities:		
Net change in short-term financial liabilities	1,055	7
Net change in medium/long term financial liabilities	(16,282)	(15,715)
Change in acquisition debt	(1,209)	(1,481)
Share capital increase net of related costs	-	-
Share buy-back	-	-
Other changes	1,700	951
Cash flow generated (absorbed) from financing activities	*14,736*	*(16,238)*
Total cash flow for the period from continuing operations	(4,499)	(8,901)
Cash flow generated (absorbed) from discontinued operations	-	*(6,925)*
Net cash flow for the period	(4,499)	(15,826)
Cash at the beginning of the year	6,745	22,571
Total cash flow for the period	(4,499)	(15,826)
Cash at the end of the period	2,246	6,745
Discontinued operations:		
Cash flow generated (absorbed) from operating activities	-	3,814
Cash flow generated (absorbed) from investing activities	-	2,310
Cash flow generated (absorbed) from financing activities	-	(13,049)
Cash flow generated (absorbed) from discontinued operations	-	(6,925)

NOTES TO THE FINANCIAL STATEMENTS

Note 1. General information

EI Towers S.p.A. (formerly DMT S.p.A.) is the parent company of EI Towers Group.

EI Towers S.p.A., a company registered in Italy as "Società per Azioni", has its legal headquarter based in Lissone (Monza and Brianza), via Zanella 21.

EI Towers Group is the main independent tower operator in Italy and the only listed in Europe.

In particular, the Group operates in telecommunications infrastructure sector providing integrated services for operators transmitting wireless signal, such as television and radio stations and voice and data telecommunications operators.

Services offered consist of hosting on transmission sites (so called towers) and complementary activities such as installation and maintenance, ordinary and extraordinary, of broadcast equipment and logistic services.

With the acquisition made, at December 31, 2011 the Group manages 1,498 transmission sites along the Italian territory.

EI Towers is listed on the Italian Stock Exchange, in the FTSE Italia Star index.

The publication of the present consolidated financial statements was approved by a resolution of the Board of the parent company EI Towers S.p.A. on March 16, 2012.

Note 2. Form, contents and accounting principles

The present consolidated financial statements were prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and approved by the European Union.

IFRS mean all the revised international accounting standards (IAS), the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously known as Standing Interpretations Committee ("SIC") and the regulation issued to put into effect the art.9 of the legislative decree no.38/2005.

The current Financial Statements have been drawn up with a going concern approach, since the Directors believe that ratios, which could point out the criticality of the ability of the Group to meet its obligations in the foreseeable future, don't call into question on going concern.

Risks and uncertainties related to the business are described in relevant sections of Directors' Report. The description of how the Group manages the financial risks, among them liquidity and capital risks, is contained in the paragraphs "Management of Financial risk: objectives and criteria" and "Capital Management" of the Notes to the Financial Statements.

The present consolidated financial statements are prepared in thousands of Euro, except where otherwise indicated.

Accounting principles and valuation criteria

PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements are prepared as follows:

- the statement of financial position reports the current and non-current assets and the current and non-current liabilities separately; an asset (liability) is classified as current when:
    - it is expected it is realized (settled) within the 12 months following the end of the year, or
    - it is held for sale, or
    - it is bound to be realized (settled) in the ordinary course of the business;

- the income statement is presented based on the nature of income and cost items, showing the operating result and pre-tax result; for a better measurement of operational management trend revenues and costs from significant non-recurring transactions, such as lay-off indemnity further to present reorganization plans, have been shown separately, according to Consob Resolution 6064293 dated July 28, 2006, such as costs incurred for the business combination described in Directors' Report;

- the comprehensive income statement includes profit and loss directly charged to the shareholders' equity;

- the cash flow statement is presented according to the indirect method, which shows cash flows from operating activities, investing activities and financial activities, with separate statement of flows related to discontinued operations.

It should be noted that disclosure of information required by IFRS 8 (operating segments) is not presented since after the disposal occurred during the year of the companies operating in Technology sector, the Group operates only in Tower sector.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the financial statements of EI Towers S.p.A. and its subsidiaries, meaning by control the power to determine operating and financial policies in order to obtain related benefits.

The financial statements of the subsidiaries are consolidated from the date of acquisition of control, under the line-by-line method, which provides for the full integration of all accounting items, without reference to the shareholding of the Group and the elimination of the inter-group operations and non-realised gains.

The book value of investments is eliminated against the corresponding portion of the net equity of the subsidiaries, allocating to the individual items of the assets and liabilities their current value at the date of the acquisition of control and recording any potential liabilities. Any residual difference, if positive, is accounted in the non-current asset account defined "Goodwill"; if negative, this is recognised in the income statement.

In case of business combinations under common control, the going concern approach is applied, providing for that in the consolidated financial statements of the purchaser, values are transferred to the values resulting from the consolidated financial statements at the date the common control is transferred, recording the possible difference between the consideration recognized for the equity interest and the net book value of assets accounted in a special reserve of shareholders' equity of the Group.

In case the holdings are less than 100%, the net result and shareholders' equity relating to minority interests is accounted separately.

TRANSLATION OF FOREIGN CURRENCIES

The currency adopted by EI Towers Group is Euro.

At the closing date of the fiscal year, the financial statements of foreign companies with functional currencies other than Euro were translated to the currency as follows:

- the assets and the liabilities were translated using the exchange rate at the closing date of the fiscal year;
- the income statement accounts were translated using the average exchange rate for the year;
- the shareholders' equity accounts were translated at the historical rates, maintaining any difference in the reserves.

The exchange differences emerging from this translation process were directly accounted in shareholders' equity and stated separately in the account "Translation reserve".

BUSINESS COMBINATIONS

The business combinations are recognised in accordance with IFRS 3, that is with the purchase method.

The cost of the acquisition is determined, at the date of the control acquisition, from the fair value of the identifiable assets (including intangible assets previously not recognised) and of the identifiable liabilities, incurred or assumed, including contingent liabilities and any equity instruments issued by the Group to gain the control of the company acquired.

The identifiable assets, liabilities and contingent liabilities of the company acquired which meet the conditions for recording as per IFRS 3 are accounted at their fair value at the acquisition date from the transition date to IFRS (January 1, 2004) availing, for the acquisitions made prior to this date, of the exemption permitted by IFRS 1.

Goodwill acquired in a business combination is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

When the initial recognition of the business combination is determined provisionally with the recording of the provisional fair value of assets, liabilities and contingent liabilities, the recognition of the adjustments of these provisional values is calculated within 12 months from the acquisition date and from that date. Therefore, in this case:

- the book value of an asset, liability or contingent liability identifiable accounted or adjusted following the completion of the initial recognition is calculated as if the relative fair value at the acquisition date was recorded from that date;
- the goodwill is adjusted, from the acquisition date, for an amount equal to the adjustment of the assets, liabilities or contingent liabilities identifiable which is recorded or adjusted;
- the comparative information presented for the years before the completion of the initial recognition of the business aggregation are presented as if the initial recognition was completed at the acquisition date. The effects of depreciation and further write-downs are included, or other economic effects recorded following the completion of the initial recognition.

AFFILIATES, JOINT CONTROL AND JOINT-VENTURE

Affiliates are those companies where EI Towers Group has no control but a significant influence taking part in the decisions on financial policies.

A joint venture is an agreement with other counterparts for an economic activity subject to a joint control. Joint control means to share operating and financial decisions of the company or of the activity.

These companies have been valued in the consolidated financial statements applying the book value method, since the date the parent company exercises a significant influence or the joint control until the moment when it expires.

In case the potential affiliate loss related to the Group exceeds the book value of the affiliated in the financial report, the affiliate value is completely written-down and the further losses share is accounted in a special provision for future risks and charges, except in case Group is legally responsible.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and discontinued operations are classified as held for sale if their carrying amount will be recovered mainly throughout a sale transaction rather than throughout continuing use.

This condition is respected when the sale is highly probable and the asset (or group of assets) is available for immediate sale at their present condition.

To this extent the Top Management shall be committed to a plan to sell the asset and shall identify a plan to locate a buyer and complete the plan initiated.

Assets held for sale and discontinued operations are measured at the lower of its carrying amount and fair value less the costs of sale.

If the aforesaid criteria have been met after the date of the financial statements, in their preparation, non-current assets (or discontinued operations) are not classified as held for sale; however, if these circumstances are fulfilled after the closing date of the financial period, but before the publication of the financial statements is authorized, in the notes to the financial statements some information concerning the nature of non-current assets (or discontinued operations), facts and events related to the sale and probable gains or losses from the transaction are included.

Accounting principles

GOODWILL

The goodwill acquired following a business combination is initially valued at cost, in that this represents the excess of the purchase price compared to the fair value referring to the value of the current and potential identifiable assets and liabilities.

After initial recognition, goodwill is measured at cost decreased by any loss in value.

Goodwill is not amortised, but a test is made yearly for any reduction in value through a procedure called impairment test on Cash Generating Unit where goodwill is allocated; in case there is a loss in value resulting from this test, the difference is recognised in the income statement.

OTHER INTANGIBLE ASSETS

Intangible assets are accounted at purchase cost, increased for any accessory charges and those direct costs necessary for their utilisation.

The assets acquired through business combinations are recognised at their fair value at the purchase date.

The account “contracts and client portfolio” represents the estimated fair value of the cash flows resulting from the companies acquired through business combinations (acquisition of companies and spin-offs).

The estimate of the fair value takes into account the current value of the operating cash flows deriving from the assets acquired; the time period utilised for the estimates is reasonably taken as the useful life of these assets.

Intangible assets are recognised in the financial statements at cost net of amortisation, calculated on a straight line basis over the estimated useful life of the assets, and of the losses for reduction of permanent impairment in value.

The useful life generally attributed to various categories of intangible assets is as follows:

- industrial patents and intellectual property rights	period of legal protection, not above 4 years
- software	duration of the license, not above 3 years
- contracts and client portfolio	16 years, in line with the depreciation of the telecommunication towers

Amortization begins when the asset is available for use or when it is in the position and condition necessary for it to operate in the manner intended by the company's management.

The book value of intangible fixed assets is subject to test of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered.

If there is an indication of this type and in the case where the carrying value exceeds the realisable value, the assets must be written down to their realisable value.

When an intangible asset is characterised by an indefinite useful life, it is not amortised, but periodically subject to an analysis in order to evaluate any impairment loss.

- PROPERTY, PLAN AND EQUIPMENT

Property, plant & equipment are accounted at historical cost, including direct accessory charges, and are recorded net of the relative accumulated depreciation and any impairment loss.

Ordinary maintenance costs are charged to the income statement in full.

The cost of the telecommunication towers includes the estimated costs for the dismantlement of the asset and the restoration of the site, where there are legal or implicit obligations. The corresponding liability is accounted in a provision for future risks and charges under liabilities, at fair value. The capitalised cost is charged to the income statement over the useful life of the relative fixed assets through the amortisation process.

Depreciation, that begins when the asset is available for use, is calculated on a straight line basis over the estimated useful life of the asset and taking into consideration its residual value.

The useful life generally attributed to the various asset categories is as follows:

- broadcasting stations for telecommunications and industrial buildings	16 years
- light constructions	10 years
- sundry equipment, plant and electronic instruments	4 years
- furniture and fittings	8 years
- EDP	5 years
- internal transport vehicles	5 years
- motor vehicles	4 years

Land, normally having an unlimited useful life, is not depreciated.

The residual value of the asset, the useful life and the methods applied are reviewed on an annual basis and adjusted if necessary at the end of each year.

Leasehold improvements are depreciated over the lower of the residual duration of the rental contract, including any renewal period at the discretion of the lessor, and the useful life of the improvements.

The book value of tangible fixed assets is subject to test of any loss in value when events or changes occur indicating that the carrying value can no longer be recovered.

If there is an indication of this type and in the case where the carrying value exceeds the realisable value, the assets or the cash-generating units must be written down to their realisable value.

Profit and loss from disposal or disinvestment of assets, determined as difference between sale revenue and net book value of the fixed asset, are charged to profit and loss account.

NON FINANCIAL ASSET IMPAIRMENT LOSSES ("*IMPAIRMENT TEST*")

At the end of each fiscal year, the Group evaluates the potential impairment loss indicators of the assets.

In this situation, or in some situations where a yearly impairment test is required, the Group estimates the value.

The recoverable value is the higher between the fair value of the assets or of the cash flows generator entity, net of the costs of sales and its value in use. The recoverable value has been defined for each single asset, except for the case where this asset generates cash flows not largely independent from the ones generated by other assets or group of assets.

If the book value of an asset is higher than its recoverable value, this asset generated an impairment loss and it has been depreciated at the recoverable value.

In the calculation of the value in use, the Group uses a model of valuation that discounts the present value of the estimated future cash flows applying as discount rate the weighted average cost of capital - WACC.

Impairment losses for operating activities have been reported in profit and loss under cost categories aligned with the asset destination generating the impairment loss. Except for the previous revaluated assets, when the revaluation has been recognized in the net equity. In these cases, the impairment loss has been reported in the net equity until the value is equal to the previous revaluation.

At the end of each fiscal year, the Group evaluates the potential cancellation (or reduction) indicators of the impairment losses previously calculated and, in case these indicators exist, estimates the recoverable value.

The value of an asset previously depreciated can be restored only if some changes in the estimates at the base of the recoverable value have been materialised subsequently to the last impairment loss.

The revaluation cannot exceed the book value calculated, net of depreciation, as no impairment loss has been recognized in the previous fiscal years. This revaluation has been reported in profit and loss except for the case where the asset has not been accounted at the revaluated value, in this case the revaluation has been treated as a revaluation increase.

FINANCIAL ASSETS

The financial assets are initially recognised at cost – increased for any purchase accessory charges – that represents the fair value of the amount paid.

After initial recognition, the financial assets are measured in relation to their use:

- financial assets held for trading are measured at fair value with recognition to the income statement of the relative gains or losses;
- financial assets held to maturity are measured at amortised cost using the effective interest rate;
- loans provided and receivables are recognised in accordance with the amortised cost criteria using the effective interest rate method. Gains and losses are recognised in the income statement when the loans and receivables are eliminated or if there is a loss in value, in addition to the amortisation process;
- financial assets available-for-sale are measured at fair value, with the recognition of gains and losses in an equity account until they are sold or when they have incurred a loss in value: in this case, the gains or losses accumulated to that moment are recognised in the income statement.

INVENTORIES

Inventories are measured at the lower of cost and realisable value, represented by the normal estimated sale price, less completion costs and costs to sell. The cost of inventories includes all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

The method used for the determination of the cost of inventories is the weighted average cost method.

TRADE AND OTHER RECEIVABLES

Receivables are accounted at nominal value and written down, in case of impairment loss, by means of a doubtful debt provision.

A provision accounted for impairment loss is recognised when an objective opinion, indicating the Group is not able to collect all the amounts due on the basis of the original bill, exists.

Receivables under impairment loss are written down when they cannot be fully collected.

TRADE PAYABLES

They are accounted at face value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are accounted at face value.

LOANS AND NON-CURRENT FINANCIAL LIABILITIES

Loans are recognised at initial cost, corresponding to the fair value of the amount received, less the accessory charges for acquiring the loan.

After initial recognition, loans and other non-current financial liabilities are measured at amortised cost.

TRANSLATION CRITERIA OF FOREIGN CURRENCIES

Foreign currency transactions are recognised, initially, at the exchange rate at the date of the transaction. The differences arising during the year, on receipts and payables in foreign currencies, are recognised in the income statement.

At the closing date of the fiscal year, the assets and liabilities denominated in foreign currencies are translated to the reporting currency at the exchange rate at that date, recognising any exchange differences in the income statement.

The non-monetary accounts expressed in foreign currencies are translated into the functional currency using the exchange rate at the date of the transaction - that is the original historical exchange rate.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges will cover costs and debts of a determined nature or of certain or possible existence which at the end of the year are not determined in the amount and date they occurred.

These provisions are allocated for current obligations (legal or implicit) deriving from a past event, and represent the best estimate of the amount necessary to extinguish the aforesaid obligations.

EMPLOYEE BENEFITS

The employee benefits paid post-employment (post-employment benefits, included in “defined benefit” category) and the other long-term benefits (“other long-term benefits”) are subject to actuarial valuations.

The liability recognised in the financial statements is representative of the current value of the obligations of the group, less any assets serving the plans.

The Group, as permitted by paragraph 93.A of IAS 19, records the actuarial gains and losses in the year in which they occur, directly in the shareholders’ equity and not in the income statement.

SHARE-BASED PAYMENTS (“*STOCK OPTIONS*” AND “*STOCK GRANT*”)

In relation to stock option and stock grant plans on behalf of directors and employees, a fair value valuation of the options assigned has been realised at the grant date which, in accordance with IFRS 2, is considered representative of the fair value of the services received.

This fair value is recognised in the income statement as personnel cost over the period of maturity of the options (vesting period) with a special reserve in shareholders’ equity.

The effect of the dilution of options not yet exercised is reflected in the calculation of the earnings per share dilution.

LEASE

The assets acquired under finance lease contracts, through which the risks and rewards related to the ownership are substantially transferred to the Group, are recognised as tangible fixed assets with the recording of a financial debt, according to IAS 17.

The installment cost is divided between its component parts of financial charges, recognised in the income statement, and capital repayments, accounted as a reduction of the debt.

ELIMINATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets (or, where applicable, part of a financial asset or part of a group of similar financial assets) are eliminated from the financial statements (derecognition) according to IAS 39 when:

- the right to receive the financial flows of the asset terminate;
- the Group retains the right to receive cash flows from the assets, but has a contractual obligation to pay them fully and without delay to a third party;
- the Group has transferred the right to receive the financial flows from the asset and has substantially transferred all the risks and rewards of ownership of the financial asset, or has not substantially transferred all the risks and rewards of the asset, but has transferred the control.

In the case in which the Group has transferred all the rights to receive the financial flows of an asset and has not substantially transferred or withheld all the risks and rewards or has not lost control, the asset is accounted in the financial statements of the Group up to the amount of its residual holding in the asset. Residual involvement that takes the form of a guarantee on the transferred asset is valued at the asset's initial book value or the maximum consideration that the Group could be required to pay, whichever is less.

Financial liabilities

A financial liability is eliminated from the financial statements when the underlying liability is settled or cancelled.

If an existing financial liability is replaced by another by the same lender but under substantially different conditions, or if the conditions of an existing financial liability are substantially changed, such a swap or change is treated as an elimination of the original liability and the opening of a new liability, with any differences in accounting values accounted in the income statement.

REVENUES AND INCOME

Revenues from sales and services are recognised respectively when the real transfer of significant risks and benefits deriving from the disposal of the asset or the execution of the service occurs.

They are recognised at the fair value of the amounts received or due.

Where extended payment terms are granted to clients without interest charge, the amount to be received shall be discounted; the difference between the fair value and the amount received constitutes the financial income recognised on an accruals basis.

Revenues from rental and hosting are recognised on an accruals basis.

Revenues from services are recognised based on an advancement basis.

Financial income is recognised on an accrual basis.

FINANCIAL CHARGES

Financial charges are recognised on an accruals basis using the effective interest method.

PURCHASE COST OF GOODS AND PROVISION OF SERVICES

They are recognised in the income statement in accordance with the accruals principle.

INCOME TAXES (CURRENT AND DEFERRED)

Current income taxes are calculated based on a realistic estimate of the fiscal charge with reference to the legislation currently in force in each country.

Deferred tax assets are determined applying the "liability method" on the temporary differences between the book value of assets and liabilities and their corresponding value for tax purposes.

The deferred tax liabilities are recorded against all temporary taxable differences, with the exception of:

- when deferred taxes derive from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effects on the year's profit calculated for purposes of the financial statements or on profit or loss calculated for tax purposes;
- with reference to temporary taxable differences related to investments in subsidiaries, associated companies and joint ventures, where the temporary differences can be controlled and it is probable that they will not materialize in the foreseeable future.

Deferred tax assets are recorded against all temporary deductible differences and for the fiscal assets and liabilities carried forward, within the limit of the possible existence of adequate future fiscal profits which will result in the utilization of the temporary deductible differences and of the fiscal assets and liabilities carried forward, except:

- when the deferred tax assets relate to the temporary differences deriving from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, has no effects on the year's profit calculated for the purposes of the financial statements or on profit or loss calculated for tax purposes;
- with reference to temporary taxable differences related to investments in subsidiaries, associated companies and joint ventures, the deferred tax assets are recognised only when it is possible that the temporary deductible differences will reverse in the immediate future and that there will be adequate fiscal profits against which the temporary differences can be utilized.

The value of deferred tax assets recorded in the financial statements is reviewed at the close of each year and reduced to the extent it is unlikely that sufficient tax profits will be available in the future, so that part or all of the asset may be used.

Deferred tax assets not recognized are reviewed annually at the financial statement date and are recorded within the limits in which it is probable that the fiscal profits will be sufficient to permit these deferred tax assets to be recovered.

Deferred tax assets and liabilities are calculated on the basis of the tax rates expected to be applied in the year in which the assets are realised or the amounts are paid, considering the rates in effect and those already issued or substantially issued as at the closing date of the financial statements.

Income taxes for items accounted directly in equity are charged directly to net equity and not to the income statement.

Deferred tax assets and liabilities are compensated if there is a legal right to compensate assets for current taxes with liabilities for current taxes and the deferred taxes refer to the same tax entity and the same tax authority.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are measured at fair value.

Accounting methods change depending on whether financial instruments are designated as hedge instruments according to IAS 39 requirements (“*hedge accounting*”).

At the launch of a hedging, the Group defines and records the hedging ratio to apply the hedge accounting, its own targets in the risk management and the implemented strategy.

The Group identifies the ways to evaluate the consistency of the hedging in compensating the exposure to the fair value changes of the hedged entity or the cash flows related to the hedged entity, the valuation of the reliability of these hedging policies has been checked on a continued base during the fiscal years in which they have been allocated.

In order to be in compliance with the “hedge accounting”, the hedging criteria have been classified as follows:

- hedging of the fair value, if created to cope against the change in the fair value of the underlying assets or liabilities, or if created to cope with a firm commitment (except for the currency risk);
- hedging of cash flows, if created to cope with the volatility of the cash flows related to a specific risk associated to a liability or asset recognised or to a planned transaction highly realisable or to a currency risk connected with a firm commitment;
- hedging of a net investment for a foreign company.

In particular, the Group makes use of derivative financial instruments as the interest rate swaps (IRS – interest rate swap) to hedge the risks related with the interest rates fluctuations of existing bank financing facility.

Derivative financial instruments have been recognized initially at the fair value referring to the date of the closing; this fair value has been subsequently recalculated periodically; derivatives have been accounted as assets when the fair value is positive, as liabilities when, on the contrary, the fair value is negative.

Potential gains or losses deriving from the changes in the fair value not in compliance with the "hedge accounting" have been recognized directly in profit and loss account.

EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the result of the Group by the weighted average shares outstanding during the period, excluding any treasury shares.

The diluted earnings per share are calculated assuming the exercise of all of the stock options assigned to the beneficiaries of the plan, including the options still not exercisable, with the application of the treasury stock method, only in case the average market price of shares in the period id higher than the exercise price of options. In this case, the funds received following the exercise of the stock options are considered as used to acquire treasury shares at the average market price recorded in the period.

Significant non-recurring events and operations

In accordance with Consob Communication No. 6064293 dated July 28, 2006, the Company did not undertake any significant non-recurring operation, that is transactions or facts that don't occur frequently in the usual execution of activities, which have had impact on the financial situation, on the economic results and on cash flows of the Company and/or the Group, except for the business combination described in Directors' Report. This transaction determined higher operating costs for Euro 8,914 thousand and higher financial charges for Euro 700 thousand, as indicated in the condensed consolidated income statement.

Atypical or unusual transactions

In accordance with the aforesaid Consob Communication, the Company did not undertake any atypical and/or unusual operations, whereby for atypical and/or unusual it is intended those operations which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the year-end) could have given rise to doubts in relation to the correctness/completeness of the information in the financial statements, the conflict of interest, the safeguard of company assets and the defense of minority interests.

Newly Issued But Not Yet Effective Accounting Standards

Accounting standards already issued at the date of the preparation of the Financial Statements of the Group but not yet effective are described below. The list refers to standards and interpretations that the Group expects to reasonably apply in the future. The Group intends to adopt these standards as soon as they are effective.

IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income
The amendment to IAS 1 changes the grouping of items of other comprehensive income. Items which may be reclassified (or "recycled") in the income statement in future (e.g., at cancellation or liquidation) should be presented separately with respect to items which will not. The change concerns only the way of presentation and has no impact on the financial position of the Group and on its results. The amendment is applicable to annual periods beginning on or after July 1, 2012.

IAS 12 Deferred Tax – Recovery of underlying assets
The amendment clarifies the measurement of deferred tax on investment properties carried at fair value. The amendment introduces a rebuttable presumption that deferred tax related to investment properties measured using the fair value model according to IAS 40 should be measured on the basis of the fact that the carrying amount will be recovered through sale. In addition, it introduces the request that the calculation of deferred tax on non-amortizable assets, which are measured according to the cost model defined in IAS 16, is always measured on the basis of the asset sale. The amendment is applicable to annual periods beginning on or after January 1, 2012.

IAS 19 Employee Benefits (amendment)
IASB issued several amendments to IAS 19, from radical changes such as the elimination of the corridor approach and of the concept of expected return on plan assets, to simple clarification and terminology. The Group is now assessing the impact of other amendments. The amendments are applicable to annual periods beginning on or after January 1, 2013.

IAS 27 Consolidated and Separate Financial Statements (amended in 2011)
Following new IFRS 10 and IFRS 12, accounting in subsidiaries, jointly controlled entities and associates, in separate financial statements is all that remains of IAS 27. The amendments are applicable to annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates (amended in 2011)
Following new IFRS 11 and IFRS 12, IAS 28 has been renamed "Investments in associates and jointly controlled entities", and describes the use of the equity method for investments in jointly controlled entities, in addition to associates. The amendments are applicable to annual periods beginning on or after January 1, 2013.

IFRS 7 Financial Instruments: Disclosures - Transfers of financial assets
Changes require new disclosures about financial instruments, transferred but not derecognised, to enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities. In addition, changes require disclosures about continuing involvement in transferred and derecognised assets to enable users of financial statements to evaluate the nature of, and risks associated with the continuing involvement of the entity in such derecognised assets. The amendments are applicable to annual periods beginning on or after July 1, 2011. Changes relate to disclosures about financial statements and have no impact on the financial position of the Group and on its results.

IFRS 10 – Consolidated Financial Statements
IFRS 10 replaces that part of IAS 27 Consolidated and Separate Financial Statements which regulates accounting of consolidated financial statements. It includes also issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single principle of control applicable to all entities, including special purpose entities. Changes introduced by IFRS 10 require the management, compared to requirements in IAS 27, significant discretionary assessments to determine whether an entity is controlled and, therefore must be consolidated by the parent entity. This standard is applicable to annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Venture and SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures.

IFRS 11 eliminates the option to account jointly controlled entities using the proportionate consolidation method. Jointly controlled entities respecting the definition of a joint venture must be accounted using the equity method.

This standard is applicable to annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in other Entities

IFRS12 includes all requirements about disclosure of information previously included in IAS 27 related to consolidated financial statements, and all requirements about disclosure of information of IAS 31 and IAS 28. This disclosure relates to the interests an entity has in subsidiaries, jointly controlled entities, associates and structured entities. In addition, new disclosure case records are expected. This standard is applicable to annual periods beginning on or after January 1, 2013.

IFRS 13 – Fair Value Measurement

IFRS 13 sets out in a single IFRS a framework for measuring fair value. IFRS 13 does not change the cases in which another IFRS requires fair value measurement, but provides the guidance on the measurement of fair value within IFRS, when the application of fair value is required or permitted. This standard is applicable to annual periods beginning on or after January 1, 2013.

Note 3. Significant accounting estimates

The preparation of the financial statements and the relative notes in application of IFRS requires that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the disclosures relating to the assets and contingent liabilities at the closing date of the fiscal year. Actual results may vary from such estimates.

In the determination of the fair value of the assets and liabilities acquired, the estimate of the future cash flows is utilized.

The estimates are used to value the provisions for risk on receivables, risks related to inventory obsolescence, depreciation and amortisation, write-down of assets, employee benefits, income taxes, other provisions and funds. The estimates and assumptions are reviewed periodically and the effects of all variations are recognised in the income statement.

An impairment test is carried out on goodwill on an annual basis and other fixed assets are subject to the same test if impairment indicators are present.

This test requires an estimate of the value in use of the cash-generating unit of the cash flows to which the goodwill and the other fixed assets are attributed, in turn based on the expected future cash flows of the unit and discounted in accordance with an adequate discount rate.

At December 31, 2011 the carrying value of the goodwill at Tower business unit was Euro 108,466 thousand (December 31, 2010: Euro 108,450 thousand).

In case indications of impairment, also tangible assets are subject to this test at year end.

The valuation of the estimated recoverable amount of trade receivables is based on the estimation of collection perspectives, also considering the recovery actions undertaken. The evaluations carried out represent the best estimate of the collection perspectives of trade receivables presented in the Financial Statements at December 31, 2011.

Note 4. Changes in accounting policies

Amendments and new accounting policies and interpretations

The accounting policies adopted are consistent with those adopted in the previous year, except for the following IFRIC standards and interpretations, new or amended, effective from January 1, 2011:

- IAS 24 – Related Party Disclosures (amended) effective from January 1, 2011;
- IAS 32 – Financial Instruments: Presentation (amended) effective from February 1, 2011;
- IFRIC 14 – Prepayments of a Minimum Funding Requirement (amended) effective from January 1, 2011;
- Improvements IFRS (May 2010)

The adoption of standards and interpretations is described below.

IAS 24 – Related Party Disclosures (amended)
The IASB issued an amendment to IAS 24 which clarifies the definition of a related party. The new definition emphasizes the symmetry in the identification of related parties and defines more clearly in which circumstances an individual or a member with strategic responsibility shall be considered related parties. In the second place, the change introduces an exemption from general disclosure requirements on related parties about transactions with the government and other subsidiaries, under joint control or under significant influence of the government or the entity itself. The adoption of these changes has no impacts on the financial position and the result of the Group.

IAS 32 – Financial Instruments: Presentation (amended)
The amendment includes a change in the definition of financial liability with respect to the classification of rights issues in a foreign currency (and of some options and warrants) as equity instruments provided that they are offered on a pro-rata basis to all existing holders of the same class of equity instruments (other than derivatives) representative of an entity's own equity or to acquire a fixed number of an entity's own equity instruments for a fixed amount of any currency. This change has no impacts on the financial position and the result of the Group, which has not this type of instruments.

IFRIC 14 – Prepayments of a Minimum Funding Requirement (amended)
The change removes an unintended consequence arising when an entity is subject to a minimum funding requirement and makes a prepayment to meet these requirements. The change allows an entity to treat advanced payments related to future minimum contributions as an asset. The Group is not subject to minimum contributions in Europe. This change has no impacts on the financial position and the result of the Group.

Improvements to IFRS
In May 2010 IASB issued a third series of improvements to the standards, to mainly eliminate insubstantialities and clarify terminology. The adoption of the following improvements involved some changes in accounting method, but had no impact on the financial position or performance of the Group.

- IFRS 3 – Business Combinations

Available options for the measurement of non-controlling interests have been changed (NCI). It is possible to measure at fair value or as a proportionate share of the acquiree's net identifiable assets only the components of non-controlling interests representing an effective interest share which guarantees to the

holders a proportionate share of the company's net assets in the event of liquidation. All other components must be measured at fair value at the acquisition date.
Changes in IFRS 3 are applicable to annual periods beginning on or after July 1, 2011. However, the Group adopted them beginning on January 1, 2011 and changed its accounting policies consequently, since such changes have been issued to eliminate the consequences which can rise further to the adoption of IFRS 3.

- IFRS 7 - Financial Instruments: Additional Disclosures

The change aims at simplifying and improving disclosure through, respectively, the reduction in the volume of disclosures related to guarantees held and the requirement of higher qualitative disclosures to better contextualize the quantitative part.

- IAS 1 – Presentation of Financial Statements

The change clarifies that the analysis of each element of other comprehensive income shall be presented either in the statement of changes in equity or in the notes to the financial statements.

Other amendments to the following standards, deriving from IFRS improvements process, had no impact on accounting policies, financial position or results of the Group:

- IFRS 3 – Business combinations: contingent consideration from business combinations that occurred before the effective date of IFRS 3 (amended in 2008);
- IFRS 3 – Business combinations: share-based payments voluntarily replaced or un-replaced
- IAS 27 – Consolidated and separate financial statements
- IAS 34 – Interim financial reporting

The following interpretations and amendments had no impact on accounting policies, financial position or results of the Group:

- IFRIC 13 – Customer loyalty programmes: measuring of the fair value of award credits
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

Note 5. Information related to the impairment test

Impairment tests" on the assets of Tower business units have been carried out. Their perimeter corresponds to the relevant "cash generating unit (CGU)", which confirmed the book values of the assets.

Impairment test of intangible assets (Tower business unit)

The goodwill accounted in the Financial Statements is totally referable to Tower CGU.

While carrying out the impairment test at December 31, 2011, the recoverable value of the assets of Tower business unit has been determined on the basis of their value in use resulting from the projection of cash flow estimates for years 2012-2016.

The business plan used for the impairment test has been approved by the Board of Directors and is limited to the sites managed at the date of the beginning of the plan; it doesn't take into consideration subsequent acquisitions and constructions. Financial projections consider an increase of revenues in line with the organic growth realized in the previous years.

The main hypothesis, on which the valuation of financial cash flows has been carried out for the goodwill impairment test, are the following:

- the period of the plan is 5 years; the terminal value assumes a perpetual 1% growth rate over the period of the plan to determine the terminal value;

- the discount rate applied is the weighted-average cost of invested capital (WACC) of Tower BU, equal to 7.7% in 2011, net of fiscal effect.

The impairment test carried out at December 31, 2011 showed a value in use of the assets subject to the test higher than the correspondent book values related to the goodwill and to tangible and intangible assets.

A sensitivity analysis of the value in use resulting from impairment test has been carried out with respect to the basic assumption described above; in particular, the assumed changes concerned changes in revenue growth rate. Sensitivity analysis confirmed the positive result of the impairment test.

Note 6. Group structure and consolidation area

The Group holding companies and its subsidiaries, their legal headquarters, share capital and direct or indirect equity interests held by the parent company EI Towers S.p.A., at December 31, 2011 are summarised in the table below:

Company	Registered office	Share capital at Dec. 31, 2011	Amount held	Holding company
EI Towers S.p.A.	Lissone (MB)	Euro 1,130,477	Parent Company	-
Towertel S.p.A.	Lissone (MB)	Euro 22,000,000	100%	EI Towers S.p.A.
Tecno Impianti s.a.s.	Trento (TN)	Euro 4,132	50%	Towertel S.p.A.
Alto Adige TV S.r.l.	Trento (TN)	Euro 155,000	8.33%	Towertel S.p.A.
Trentuno S.r.l.	Trento (TN)	Euro 10,000	8.33%	Towertel S.p.A.
GET S.r.l.	Trento (TN)	Euro 155,000	8.33%	Towertel S.p.A.

All the above companies are consolidated with direct methodology, except for Alto Adige TV S.r.l., Trentuno S.r.l. and GET S.r.l.

No other subsidiaries or associated companies have been excluded from the consolidation area.

The Group structure has changed compared to December 31, 2010 as a consequence of the following transactions:

‣ On May 30, 2011 Dubai Airport Free Zone Authority officially announced the cancellation of the company DMT ASIA FZE, controlled 100% by the parent company. Therefore, from that date, DMT ASIA FZE is no longer a company of the Group.

‣ On July 21, 2011, the shareholders' meeting of Media Service S.r.l. decided to start the liquidation process of the Company and at the same time appointed a liquidator. Following that decision, recorded on July 27, 2011, the company assumed the name of Media Service S.r.l. in liquidation. On October 4, the cancellation of Media Service S.r.l. in liquidation has been recorded at the Company's Register Office at Trento; therefore, starting from the registration, the company Media Service S.r.l. in liquidation has been cancelled and is no longer part of the Group.

‣ On October 13, EI Towers S.p.A. sold to a third party 100% of the share capital of the following companies: DMT System S.p.A. in liquidation, including total interests in DMT Service S.r.l. in liquidation and Asteroide S.r.l., Tower Service S.p.A. in liquidation, DMT Limited and DMT USA Inc.; starting from that date these companies, which were classified as discontinued operations according to IFRS 5, are no longer part of the Group.

‣ On November 29, 2011 the merger acts of Tower Service S.r.l in Towertel S.p.A., of Estense Tower S.r.l. and Stetel Ripetitori S.r.l. in Towertel S.p.A. were underwritten and on December 5, 2011 the merger act of Radioattività S.r.l. in Towertel S.p.A. was underwritten.

Note 7. Business combinations

The fair value and the book value of the acquisitions occurred in 2011 are summarised below:

Euro in thousands	Fair value	Book value
Net assets acquired:		
Non-current assets	-	-
Plant, property and equipment	210	210
Contracts and client portfolio	-	-
Goodwill	16	16
Acquisition price and charges (net of the present value of tranches over 12 months)	226	226
Payments made:	226	
Payments to be made (current value):	-	

Debts for acquisitions relate to the portion of the deferred price on the acquisition of companies or business units are as follows.

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Acquisition debts	39	1,248

Note 8. Goodwill

The increase in 2011 balance is mainly related to the business acquisitions completed during the year in Tower business unit.

The details of these operations are described in the previous paragraph “business combinations”.

December 31, 2011

Euro in thousands	Balance at Jan.1, 2011	Business comb.	Reclass.	Decreases	Reval. (write-downs)	Balance at Dec.31,2011
Goodwill	108,450	16	-	-	-	108,466

December 31, 2010

Euro in thousands	Balance at Jan.1, 2010	Business comb.	Reclass.	Decreases	Reval. (write-downs)	Balance at Dec.31, 2010
Goodwill	108,466	348	(364)	-	-	108,450

As above described, the impairment test carried out by the Group to verify a possible goodwill impairment to be presented in the Financial Statements at December 31, 2011 didn't indicate that necessary.

Note 9. Intangible assets

December 31, 2011

Euro in thousands	Net value at Jan.1, 2011	Increas.	Decreas.	Reclass.(*)	Amort.	Net value at Dec.31, 2011
Patents, indust. rights, licenses	50	52	-	-	(44)	58
Contracts and client portfolio	28,985	-	-	-	(2,478)	26,507
Other intangible assets	3,733	341	-	52	(913)	3,213
Assets under const. & on account	52	33	-	(52)	-	33
Intangible assets	32,820	426	-	-	(3,435)	29,811

Euro in thousands	Historical cost	Amort. fund	Net value at Jan.1, 2011	Historical cost	Amort. fund	Net value at Dec.31, 2011
Patents, indust. rights, licenses	1,853	(1,803)	50	1,905	(1,847)	58
Contracts and client portfolio	39,387	(10,402)	28,985	39,387	(12,880)	26,507
Other intangible assets	4,881	(1,148)	3,773	5,274	(2,061)	3,213
Assets under const. & on account	52	-	52	33	-	33
Intangible assets	46,173	(13,353)	32,820	46,465	(16,788)	29,811

December 31, 2010

Euro in thousands	Net value at Jan.1, 2010	Increas.	Decreas.	Reclass. (*)	Amort.	Net value at Dec.31, 2010
Patents, indust. rights, licenses	271	32	-	(142)	(111)	50
Contracts and client portfolio	31,061	401	-	-	(2,477)	28,985
Other intangible assets	3,073	869	-	299	(508)	3,733
Assets under const. & on account	437	52	-	(437)	-	52
Intangible assets	34,842	1,354	-	(280)	(3,096)	32,820

Euro in thousands	Historical cost	Amort. fund	Net value at Jan.1, 2011	Historical cost	Amort. fund	Net value at Dec.31, 2011
Patents, indust. rights, licenses	4,065	(3,794)	271	1,853	(1,803)	50
Contracts and client portfolio	38,986	(7,925)	31,061	39,387	(10,402)	28,985
Other intangible assets	5,030	(1,957)	3,073	4,881	(1,148)	3,773
Assets under const. & on account	437	-	437	52	-	52
Intangible assets	48,518	(13,676)	34,842	46,173	(13,353)	32,820

Note 10. Property, plant and equipment

The largest increases relate to extraordinary work on other transmission sites owned by the company.

December 31, 2011

Euro in thousands	Net value at Jan.1, 2011	Increas. (*)	Decreas.	Reclass.	Deprec.	Net value at Dec.31, 2011
Land and buildings	71,611	3,084	(528)	1,300	(6,412)	69,055
Plant and machinery	140	11	-	-	(60)	91
Ind. & comm. equipment	513	166	-	99	(228)	550
Other assets	763	-	(134)	-	(168)	461
Assets under const. & on account	1,564	2,019	(165)	(1,399)	-	2,019
Tangible assets	74,591	5,280	(827)	-	(6,868)	72,176

(*) Includes the increases from business combinations of Euro 210 thousand.

Decreases mainly refer to the sale of a real estate property where a branch office Towertel S.p.A.was located.

During the year a deposit accounted as assets under construction for Euro 165 thousand has been written-down since no longer collectable.

Euro in thousands	Historical cost	Deprec. fund	Net value at Jan.1, 2011	Historical cost	Deprec. fund	Net value at Dec.31, 2011
Land and buildings	122,981	(51,370)	71,611	125,131	(56,076)	69,055
Plant and machinery	2,436	(2,296)	140	2,447	(2,356)	91
Ind. & comm. equipment	5,156	(4,643)	513	5,421	(4,871)	550
Other assets	3,701	(2,938)	763	3,567	(3,106)	461
Assets under const. & on account	1,564	-	1,564	2,019	-	2,019
Tangible assets	135,838	(61,247)	74,591	138,585	(66,409)	72,176

December 31, 2010

Euro in thousands	Net value at Jan.1, 2010	Increas. (*)	Decreas.	Reclass.	Deprec.	Net value at Dec.31, 2010
Land and buildings	71,611	2,823	(2,856)	1,026	(5,873)	71,611
Plant and machinery	140	4	(35)	(8)	(29)	140
Ind. & comm. equipment	513	549	-	(917)	(281)	513
Other assets	763	27	(107)	(242)	(388)	763
Assets under const. & on account	1,564	1,564	-	(1,154)	-	1,564
Tangible assets	74,591	(4,967)	(2,998)	(1,295)	(6,571)	74,591

(*) Includes the increases from business combinations of Euro 115 thousand.

Euro in thousands	Historical cost	Deprec. fund	Net value at Jan.1, 2010	Historical cost	Deprec. fund	Net value at Dec.31, 2010
Land and buildings	121,988	(45,497)	76,491	122,981	(51,370)	71,611
Plant and machinery	2,475	(2,267)	208	2,436	(2,296)	140
Ind. & comm. equipment	5,524	(4,362)	1,162	5,156	(4,643)	513
Other assets	4,023	(2,550)	1,473	3,701	(2,938)	763
Assets under const. & on account	1,154	-	1,154	1,564	-	1,564
Tangible assets	135,164	(54,676)	80,488	135,838	(61,247)	74,591

Referring to the assets related to Tower business unit (transmission towers, land and buildings) there are special pledges and mortgages. For further details on the pledges on fixed assets, reference should be made to Note 19, “non-current financial liabilities”.

Note 11. Other non-current assets

The balance of the other non-current assets is as follows:

Euro in thousands	Balance at Dec. 31, 2011	Balance at Dec. 31, 2010
Investments in service consortiums	53	27
Other equity investments	566	566
Guarantee deposits	420	423
Other	-	195
Other non-current assets	1,039	1,211

The item " Other equity investments" relates to the following companies:

	% held	Book value
Other equity investments:		
Alto Adige TV	8.33%	7
Gruppo TCA (GET Srl, Trentuno Srl)	8.33%	559
Total		566

The balance related to other non-current assets has been wholly written-down through the recognition of a provision equal to Euro 230 thousand, of which Euro 50 thousand allocated during the year.

Note 12. Deferred tax assets and liabilities

The balance of advance tax assets and provision for deferred taxes is shown in the table below; the descriptions indicate the nature of the temporary differences.

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Deferred tax assets:		
Inventory provision	95	12
Provision for doubtful debts	2,293	1,263
Provisions for risks and charges	1,001	1,021
Other temporary differences	179	266
Advance tax assets	3,568	2,562
Deferred tax liabilities:		
Finance leases	(315)	(402)
Interest rate swaps priced at fair value	(24)	(131)
Acquisition higher value allocated to fixed assets and non-deductible amortisation	(22,670)	(21,962)
Other temporary differences	(448)	(1,871)
Provision for deferred taxes	(23,457)	(24,366)
Net deferred taxes	(19,889)	(21,804)

Fiscal losses generated by the parent company during 2011, equal to Euro 3,863 thousand, have been recognized directly reducing fiscal debts. EI Towers Group agrees to the “national group taxation”; on the basis of an agreement which regulates rights and obligations of the consolidating company and consolidated companies, IRES debts and credits are transferred to the parent company at their face value.

Note 13. Inventories

The details of the account are as follows:

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Raw materials	132	419
Finished products and goods for resale	115	125
Total	247	544

The balance at December 31, 2011 related to inventories was Euro 247 thousand, net of a provision for devalued inventory equal to Euro 303 thousand; inventories are largely spare parts and parts for the installation of equipment on transmission sites.

In the following table the handling of the provision is shown in detail.

Euro in thousands	Total
Balance at Dec.31, 2010	39
Increases	264
Uses	-
Balance at Dec.31, 2011	303

The management carried out an analysis of inventory composition as at December 31, 2011 in order to define the reasonable possibilities to use, confirming the valuation shown in the financial statements.

Note 14. Trade receivables

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Trade receivables	14,660	17,689

Trade receivables amount to Euro 14,660 thousand at December 31, 2011, net of provision for bad debts equal to Euro 6,317 thousand. The increase in the provision compared to the previous year was equal to

Euro 3,672 thousand, of which Euro 3,492 thousand allocated in 2011 and Euro 180 thousand reclassified from provisions allocated in the previous years for possible liabilities which did not occur. The uses of the provision, which occurred during the year, were equal to Euro 533 thousand.

The valuation of the estimated cash-in of credits keeps into consideration possible encashment prospects, even in the light of the recovery actions undertaken.

The valuations carried out represent the best estimate of the probabilities of encashment of credits presented in the Financial Statements at December 31, 2011.

At December 31, 2010 and 2011, the aging analysis of the trade receivables is reported in the following table:

		Expired – not written down				
Euro in thousands	Not expired "in bonis"	0-30 days	30-60 days	60-90 days	Over 90 days	Total
December 31, 2011	8,044	1,647	514	1,082	3,373	14,660
	55%	*11%*	*4%*	*7%*	*23%*	*100%*

		Expired – not written down				
Euro in thousands	Not expired "in bonis"	0-30 days	30-60 days	60-90 days	Over 90 days	Total
December 31, 2010	5,477	5,010	1,511	136	5,555	17,689
	31%	*28%*	*9%*	*1%*	*31%*	*100%*

Note 15. Other receivables and current assets

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Other receivables	1,752	2,691
Prepaid and accrued income	1,857	2,146
Total	3,609	4,837

Other receivables include pension and similar costs allocated to Directors equal to Euro 376 thousand, advance payments to suppliers for Euro 344 thousand and receivables related to previous years subject to uncertain realization for Euro 835 thousand, with a proper provision for risks of the same amount.

The balance at December 31, 2011 is shown net of the provision for bad debts of Euro 2,892 thousand, of which Euro 775 thousand allocated during the year for some items considered of uncertain realization.

The item "prepaid and accrued income" mainly refers to the recording of rental fees and related services on sites.

Note 16. Cash and cash equivalents

The breakdown of the account is as follows:

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Bank deposits	2,238	5,073
Cash	8	26
Total	2,246	5,099

Bank deposits are remunerated at a fixed rate or a floating rate linked to Euribor.

In relation to the financing assumed by Towertel and used for acquisitions, the financing contracts require the receipts to be paid into an escrow account (in addition to normal operation payments) for the repayments of the loans.

The balance of this liquidity granted as pledge amounts to Euro 848 thousand at December 31, 2011 (Euro 150 thousand at December 31, 2010).

The cash in the Tower business is "included" within the above-mentioned loan contracts; the contractual provisions applicable to these assets stipulate that the cash may not be used for intra-group operations and the distribution of dividends from Towertel S.p.A. given the current "debt cover" ratio of the loan contracts. These funds however may be utilised for the operational requirements of Towertel S.p.A.

Note 17. Shareholders' equity

Shareholders' equity in the year and in the comparative period is described in detail in "Statement of changes in Shareholders' equity".

Share capital at December 31, 2011 consists of no.11,304,775 ordinary shares at a face value of Euro 0.1 each.

The shares were fully paid-in.

In 2011 neither new shares were issued, nor own shares were bought or sold.

Own shares are at December 31, 2011 Euro 5,091 thousand.

No dividend has been deliberated or proposed.

purpose of the other reserves

The nature and purpose of the other equity reserves are as follows:

- Extraordinary reserve: includes the results of previous years which have been allocated to this reserve;

- Hedge reserve: this reserve relates to the movements on the fair value of the derivative financial instruments deriving from cash flow hedging for the effective part;

- Translation reserve: this reserve is utilised to record the exchange differences deriving from the translation of the financial statements of foreign subsidiaries into Euro;

- Reserve for future share capital increase: the account relates to the liquidity received against the exercise of stock options up to the moment of recording the share capital increase in the company's register office, in this case the reserve is classified as share capital and share premium reserve;

- Stock option reserve: the account relates to the reserve on the remuneration component of the rights options accounted in accordance with IFRS 2.

Note 18. Share-based payments

On September 28, 2007 the Board of Directors of EI Towers S.p.A. approved the regulations of a stock option plan with the aim of providing incentives to employees, direct consultants and directors of the companies of EI Towers Group.

The plan provides for the assignment of non-transferable options without valuable consideration for the subscription of 100,000 new shares; each option will have the right to subscribe to one new share.

The plan is structured in two allotments of options corresponding to 50,000 shares each, the first allotted during the meeting when the rules have been approved at a price of Euro 52.60; the second allotment took place jointly during the Board of Directors held on March 28, 2008. The strike price of the second allotment has been fixed at Euro 22.06.

On November 14, 2008, the Board of Directors decided that the assignees are no longer required, at an broker chosen by the Company, to be invested in company shares for an amount not inferior to the difference between the value of the shares at the allotment and the amount paid (without selling or giving the shares optioned in excess as collateral) for a period not shorter than five years after the exercise of the options (the “Lock up period”)

During the year all the options assigned have been annulled as a consequence of the abandonment of the beneficiary or non-exercise within expected terms.

As provided by the resolution dated November 30, 2010, on December 20, 2010 the Board of Directors of EI Towers approved the regulations of a stock grant plan covering three years (2011-2012-2013) granting 110,000 own shares (of which 30% after the end of year 2011, 30% after the end of year 2012 and the remaining 40% after the end of year 2013) if the targets of the plan are respected.

The options were measured at fair value on the basis of the Black and Scholes model applying the following criteria:

Criteria of the measurement model for options	First allotment	Second allotment	Third allotment
Stock option plan 2011-2013			
Strike price of the option (in Euro)	0	0	0
Life of the options (years)	1.6	2.6	3.6
Current price of the underlying share at the allotment date (in Euro)	14.3	14.3	14.3
Volatility of the share price	17%	17%	17%
Risk free rate	1.75%	2.00%	2.50%

Following the business combination described in Directors' Report and the consequent change of control of EI Towers S.p.A., according to what provided for by the regulations, beneficiaries have acquired the right to receive granted options. Therefore, in the income statement of the year, in the item "personnel costs", total cost deriving from existing plans equal to Euro 1,607 thousand (Euro 70 thousand in 2010) has been recognized.

Note 19. Non-current financial liabilities

Non-current financial liabilities at December 31, 2011 and 2010 are as follows:

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Bank liabilities	83,589	99,402
IRS - Interest rate swap:		
- effective hedge of the cash flows	76	418
- non effective hedge of the cash flows	-	-
Other lender liabilities	-	127
Other non current liabilities	-	-
Total	83,665	99,947

During 2011 reimbursements of bank liabilities have been carried out for a total amount of Euro 15.6 million, while no new disbursements occurred.

The loans are valued using the amortised cost method.

Existing bank facilities at December 31, 2011 are towards Towertel S.p.A. and are shown in the table below:

	Euro in thousands	within 12 months	between 12 months and 5 years	Bank loans over 5 years	Total over 12 months	Total
a)	Unicredit – Banca IMI	15,958	83,281	-	83,281	99,239
b)	Banca Monte Parma	199	308	-	308	507
	Total	16,157	83,589	-	83,589	99,746

The principal conditions, guarantees and covenants of bank loans are provided below.

Description	Conditions	Guarantees	Financial covenants
a) Pool credit line (Intesa Sanpaolo lead manager, Unicredit, Efibanca, Bpm, Mps) totalling Euro100 million which adds to the credit line of the same amount subscribed in June 2005 with Unicredit and Banca IMI in favour of Towertel (with renegotiation of terms).	Tranches A: repayable in 13 capital instalments twice yearly from Dec. 31, 2005. Tranche B: repayable in 12 capital instalments twice yearly from Dec. 31, 2008. Tranche C: repayable in 12 capital instalments twice yearly from Dec. 31, 2008. Tranche D: repayable in 8 capital instalments twice yearly from Dec. 31, 2011. Rate Euribor 1/3/6/12 months + spread based on PFN/EBITDA	Pledge on 100% of the shares of Towertel and subsidiaries, mortgage and special privileges on the assets of Towertel, pledge on c/c of Towertel, EI Towers guarantee. Transfer of Towertel receipts in the escrow account. Liquidity not available in Towertel for the distribution of dividends and for the granting of intra-company loans.	NFP and consolidated pro-forma EBITDA ratio of Towertel not above 6 times to Dec. 31, 2009; 4.5 times at June 30, 2010 and at Dec. 31, 2010; 3.6 times at June 30, 2011 and at Dec. 31,.2011; 2.6 times at June 30, 2012 and until maturity.
b) Banca Monte Parma	Rate Euribor 3m + 0.70% Maturity July 1, 2014	None	None

As at December 31, 2011, the Group has complied with the covenants contained in the loan contracts.

In relation to the Unicredit – Banca IMI loan, interest rate swaps were made for a remaining notional amount at December 31, 2011 of Euro 5 million, with a fair value at the same date negative for Euro 76 thousand.

Note 20. Employee leaving indemnity fund

The employee leaving indemnity fund represents the liability of the Group at December 31, 2011 to employees at that date, net of the advances paid. The valuations have been realised applying the actuarial method.

The movements in the year are shown in the table below:

Euro in thousands	
Balance at December 31, 2010	990
Provision	302
Uses	(309)
Discount adjustment	(30)
Balance at December 31, 2011	953

The economic-financial assumptions applied in 2011 were as follows:

Annual discount rate	4.75%
Annual inflation rate	2.0%
Annual increase in employee leaving indemnity	3.0 %
Annual frequency of advances	2.0%
Annual frequency of turnover	2% - 6%, depending on company

The amounts accounted were as follows:

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Face value of the provision	1,095	1,128
Discount adjustment	(142)	(138)
Total Employee leaving indemnity	953	990

Note 21. Provisions for risks and charges

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Pensions and similar obligations	382	636
Restoration provision	1,781	1,781
Other	1,408	835
Total	3,571	3,252

The restoration provision represents the current value of the estimated cost for the dismantlement of the asset and the recovery of the site where there are legal or implicit obligations.

Intangible assets have been increased by the same amount.

The item "other provisions" refers to credit rating shown in Note 15 “Other receivables and current assets”.

Note 22. Current financial liabilities

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
- Short-term bank liabilities	17,527	-
- Short-term portion of loans	16,157	15,184
Bank liabilities	33,684	15,184
Other lender liabilities	82	-
Current financial liabilities	33,766	15,184

The bank liabilities balance includes the portion of loans due within 12 months detailed in note 19 "non-current financial liabilities" and of bank liabilities assumed by the parent company EI Towers S.p.A. to reimburse bank liabilities referring to companies of Technology business unit (discontinued operations) before their disposal.

Other liabilities refer to financing lease contracts.

Note 23. Trade payables

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Trade payables	17,495	10,303

The increase compared to the previous year is mainly due to the fact that a significant part of costs incurred for the extraordinary transaction described in the Directors' Report have been invoiced after the finalization of the transaction; related payments will therefore occur during the first half of 2012.

Note 24. Other payables and current liabilities

Euro in thousands	Balance at Dec.31, 2011	Balance at Dec.31, 2010
Advances	183	360
Payable to social security institutions	291	281
Other payables	1,338	2,208
Accrued liabilities and deferred income	4,934	4,926
Total other payables and current liabilities	6,746	7,775

Other payables mainly consist of directors' emoluments for Euro 570 thousand and of liabilities to employees for Euro 278 thousand.

Accrued liabilities and deferred income mainly refer to the recognition within the competence of ground lease costs and of services relevant to sites.

Note 25. Revenues from sales and services

The table below shows the revenues achieved in 2011 and 2010.

Euro in thousands	2011	2010
Revenues from sales and services	58,461	58,822
Total revenues	58,461	58,822

The main revenues are as follows:

Euro in thousands	2011	2010
Rental and maintenance income	54,209	55,475
Sales of products	220	916
Sales of accessories	3	160
Services	4,029	2,271
Total revenues	58,461	58,822

According to IFRS 8.13, it should be noted that 12% of total revenues realized by the Group in the current year relate to activities carried out by the customer Elettronica Industriale S.p.A.

Revenues for year 2011 do not include revenues toward any single customer for an amount equal or higher than 10% of total revenues.

All revenues are originated from operations carried out along the Italian territory.

Note 26. Other income and revenues

Euro in thousands	2011	2010
Damage compensation	21	87
Other income	3,129	1,021
Total other income and revenues	3,150	1,108

Other income include the extraordinary income realized from the sale of a branch office of Towertel S.p.A. (Euro 1.2 million) and the charging of services given in the favor of System Engineering Solutions S.r.l. (Euro 403 thousand), transferee company of the business unit of DMT System S.p.A in liquidation. In addition, the balance consists of other capital gains and extraordinary income.

Note 27. Operating costs

Operating costs are detailed as follows:

Purchases

Euro in thousands	2011	2010
Raw, ancillary and consumable materials and goods for resale	486	1,362

Services

Euro in thousands	2011	2010
Plant installation	1,970	1,072
Maintenance and repairs	1,118	1,150
Plant management and service	3,084	3,913
Fees payable to consultants	10,741	2,116
Power for sites	3,093	3,578
Other staff related expenses and BoD. and Stat. Aud. Emoluments	2,208	2,107
Other	1,927	307
Total	24,141	14,243

The increase in fees payable to consultants compared to the previous year was determined by advice connected to the extraordinary transaction already described.

Rent, lease and similar costs

Euro in thousands	2011	2010
Rental of sites	7,058	7,409
Building rent	448	930
Transport hire charges	259	216
Other	73	9
Total	7,838	8,564

All above costs have been met against transactions carried out in Italy.

Personnel costs

Euro in thousands	2011	2010
Wages	4,199	4,526
Social security contributions	1,289	1,421
Employees' termination indemnity	302	338
Retirement pay	10	11
Other costs	1,696	1,396
Total	7,496	7,692

Personnel costs decreased compared to the previous year for Euro 196 thousand. Item "Other costs" include personnel layoff incentives during 2011 (Euro 85 thousand) and incentive stock plans (Euro 1,607 thousand).

The total number of employees of continuing operations at the end of 2011 decreased compared to the end of the previous year by 1 unit.

The number of employees at December 31, 2011 and 2010 and the average number in 2011 are shown in the table below:

	Dec.31, 2011	Average 2011	Dec.31, 2010
Executives	11	10.9	10
Managers	16	14.0	13
Employees	55	57.6	58
Workers	4	4	4
Total employees	86	85.6	85

Other operating charges

The account includes charges and other taxes in the year, fines, membership fees and accessory charges on supply contracts, in addition to capital losses and extraordinary losses in the year.

Amortisation & Depreciation

Euro in thousands	2011	2010
Amortisation and depreciation of:		
• intangible assets:		
- contracts and client portfolio	2,477	2,477
- other intangible assets	958	619
	3,435	3,096
• tangible fixed assets	6,868	6,571
Amortisation	10,303	9,667

Provisions & write-downs

Euro in thousands	2011	2010
Bad debt provision	4,482	3,236
Other provisions	264	-
Provisions for risks	271	223
Provisions and write-downs	5,017	3,459

With regard bad debt provision, the division between trade receivables and other receivables is as follows.

Euro in thousands	2011
Trade receivables write-off	3,492
Assets under const. write-off	165
Other current asset write-off	775
Other non-current asset write-off	50
Total	4,482

For further details on receivable write-off, refer to Note 10. Property, plant and equipment , Note 14. Trade receivables and 15. Other receivables and current assets.

Note 28. Financial income and charges

Financial income and charges are detailed below:

Euro in thousands	2011	2010
Financial income:		
Bank interest	43	29
Other financial income	92	76
Currency gains	2	89
	137	194
Financial charges:		
Bank interest	(957)	(86)
IRS, priced at fair value	-	(1)
Interest and charges on loans	(4,752)	(5,708)
Currency losses	-	-
Other financial charges	(46)	(5)
	(5,755)	(5,800)
Total financial income (charges)	(5,618)	(5,606)

Financial charges include Euro 700 thousand relating to the renegotiation of financing contracts of Towertel S.p.A. within the extraordinary transaction described in Directors' Report.

Note 29. Income Taxes

	2011			2010		
Euro in thousands	IRES	IRAP	Totale	IRES	IRAP	Total
Current income taxes	(2,220)	(1,261)	(3,481)	(3,529)	(1,058)	(4,587)
Advance taxes (deferred)	1,855	166	2,021	819	132	951
	(365)	*(1,095)*	*(1,460)*	*(2,710)*	*(926)*	*(3,636)*
Interest and taxes, previous year			381			(88)
Total			(1,079)			(3,724)

The reconciliation between the actual fiscal charge and the theoretical fiscal charge is reported for IRES and IRAP.

- IRES

		2011			2010	
Euro in thousands		Rate %	IRES		Rate %	IRES
Profit before taxes	(1,781)			7,924		
Theoretical tax charge		27.5%	490		27.5%	(2,179)
Permanent differences:						
Non-deductible amortisation	8,735	27.5%	(2,402)	8,600	27.5%	(2,365)
Other differences	1,120	27.5%	(308)	3,690	27.5%	1,015
Total			(2,220)			(3,529)

- IRAP

		2011			2010	
		Rate %	IRAP		Rate %	IRAP
Euro in thousands						
Operating result	3,837			13,530		
Personnel costs	7,496			7,692		
Provision for doubtful debts	4,428			3,236		
Theoretical tax charge	15,761	3.9%	(614)	24,458	3.9%	(954)
Permanent differences:						
Non-deductible amortisation	8,735	3.9%	(341)	8,600	3.9%	(335)
Other differences	6,692	3.9%	(261)	5,923	3.9%	231
Total			(1,216)			(1,058)

From the year 2004, EI Towers Group has adhered to the “national tax consolidation”: on the basis of an agreement governing the rights and obligations of the consolidating company and consolidated companies, the receivables and payables for IRES income taxes are transferred to the parent company at face value.

Note 30. Earnings per share

		2011	2010
Group Profit for the year	*(Euro in thousands)*	(10,338)	(1,702)
Weighted average number of shares	*(thousands of shares)*	11,133	11,133
Diluted weighted average number of shares	*(thousands of shares)*	11,133	11,133
Basic earnings per share	*(Euro per share)*	(0.93)	(0.15)
Diluted earnings per share	*(Euro per share)*	(0.93)	(0.15)

The weighted average number of shares consists of the existing shares net of own shares.

Note 31. Discontinued operations

Economic data related to Technology Business Unit for years 2011 and 2010 are reported here below:

Euro in thousands	2011	2010
Revenues from sales and sevices	45	3.049
Other income and revenues	136	1.546
Operating costs	(319)	(8,880)
Operating income before amortization and depreciation, provisions and write-downs	(138)	(4,285)
Amortisation and depreciation, provisions and write-downs	(4,841)	(4,907)
Operating income	(4,979)	(9,192)
Financial income and charges	(446)	(330)
Pre-tax result	(5,425)	(9,522)
Income taxes	(3,221)	3,620
Net income from discontinued operations	(8,646)	(5,902)

Net income from discontinued operations is affected by the write-down of receivable for deferred tax assets previously recognized in the Statement of Financial Position (Euro 3.2 million), being recoverable only if the companies of Technology business unit remain within the national group taxation, and by write-downs of other assets carried out considering the values of the disposal of the companies of said business unit occurred on October 13, 2011, always within the extraordinary transaction with the Mediaset Group.

It should be noted that EI Towers S.p.A. assumed the commitment to compensate the third buyer, up to a maximum of Euro 4 million, for possible extraordinary losses or other liabilities which could come out with reference to the companies DMT System S.p.A. in liquidation, Asteroide S.r.l. and DMT Service S.r.l. in liquidation, and attributable to the period they operated before their disposal. As of today, no elements which could create liabilities referring to EI Towers S.p.A. came out.

Note 32. Transactions with related parties

Intercompany operations eliminated in the consolidation relate to ordinary operations and are regulated at market conditions; there are no operations of an atypical or of an unusual nature within the ordinary operations of the business.

In compliance with the provisions of article 2391 bis of the Civil Code, introduced by Law 310 of December 28. 2004, the Group has implemented rules that ensure transparency and fairness in the procedures in relation to related party transactions.

The following procedures should be mentioned:

- definition of “related parties” in accordance with “International Accounting Standard 24 – Related Party Disclosures”;
- maintaining and updating of the list of related parties, on the basis of the information provided by the parties concerned, by the “Corporate Affairs” office;
- each department director and office manager informs the Chairman with specific regard to atypical and unusual operations in a timely manner on the nature of their correlation and the conditions and valuations of the operation;

- prior approval with related parties of atypical and unusual operations by the Board of Directors.

Information on the remuneration of the Directors and Executives with strategic responsibility and of the Board of Auditors

With reference to fees of directors and executives with strategic responsibilities in 2011, emoluments for offices and board attendance in the parent company and in subsidiaries were accounted for Euro 1,203 thousand, bonus and other incentives for Euro 85 thousand, non-monetary benefits for Euro 108 thousand, termination indemnities for Euro 355 thousand, wages Euro 429 thousand.

With reference to the Board of Statutory Auditors, emoluments as per professional fees were equal to Euro 110 thousand.

No other operations with other related parties took place in the year.

With respect to the business combination described in Directors' Report, EI Towers S.p.A. assumed the commitment to pay the previous President and CEO the amount of Euro 7.5 million as consideration for the obligation not to carry out activities in competition with EI Towers Group. This obligation starts from January 2, 2012, for three years and the payment is expected in three annual instalments of the same amount during years 2012, 2013 and 2014.

Note 33. Management of financial risk: objectives and criteria

The main financial liabilities of the Group, different from derivatives, include loans, short-term debts and finance leases.

Bank financings facilities of continuing operations refer to two acquisition financings signed in 2005 and 2007 to support the acquisition plan of the subsidiary Towertel S.p.A., together with two medium-term financing signed by an acquired company and then merged in Towertel S.p.A.

Short-term financial liabilities refer to lines of credit used by the parent company EI Towers S.p.A. to give the companies of Technology business unit necessary financial means to totally reimburse the bank liabilities they had before the disposal.

The Group carried out transactions in derivatives such as interest rate swap, in order to manage the interest rate risk related to financing sources of continuing operations.

The main risks generated by the financial instruments of the Group are the liquidity risk, the credit risk and the interest rate risk.

Liquidity risk

The management of liquidity risk generated by the regular activity of the Group, that is not to face in an orderly way its present and expected financial commitments, entails the maintenance of a proper level of short-term cash, in addition to an availability of funds which can be obtained through a proper amount of "*committed*" credit lines.

The top management of the Group monitors the estimates on the use of liquidity reserves on the basis of expected cash flows and manages Group finance and treasury.

The Group, considered the typology of the activity, doesn't generally have short-term financial needs linked to the dynamic of working capital; investments for maintenance and extension of transmission sites are generally self-financed.

The Group keeps under control the ratio between the net financial debt and EBITDA of Towertel S.p.A., focusing its activities to optimize such ratio, also considering the fact that it is considered for financial covenants of existing financing contracts, which at December 31, 2011 are respected.

With reference to year 2012, we believe that the cash flow generated from the business unit is sufficient to cover the needs for investments related to maintenance and extension of site portfolio, and the regular reimbursement of installments expected from existing medium-term financing facilities.

The following table summarises the time horizon of the financial liabilities of the Group as at December 31, 2011 based on the contractual payments not discounted.

Euro in thousands	At sight	Less than 3 months	From 3 to 12 months	From 1 to5 years	Over 5 years	Total
Non-current financial liabilities	-	-	-	83,496	-	83,496
Current financial liabilities	17,527	-	16,239	-	-	33,766
Trade payables	14,921	2,312	262	-	-	17,495
Other payables and current liabilities (*)	-	1,812	-	-	-	1,812
Acquisition debt	-	-	39	-	-	39
Income tax liabilities	-	-	1,834	-	-	1,834
Total	32,448	4,124	18,374	83,496	-	138,442

(*): The balance does not include deferred income for Euro 4,934 thousand.

Credit risk

The clients of the Group are national television and radio networks, the largest local television and radio broadcast operators and mobile telecom operators in Italy.

The revenues from the top 10 clients amount to about 60% of the total revenues in 2011; as already underlined, the main counterparts have a high credit standing being represented by national television networks and by mobile phone operators.

Credit risk is moderated by the fact that the sector operates through the underwriting of long-term lease and maintenance contracts.

Historically the Group showed a high ability to renew falling due contracts, increasing the range of services offered.

Credit management and collection is wholly monitored by a special internal office; during the year the disposal of pro-soluto credit for Euro 2.5 million has been carried out.

Interest rate risk

The interest rate risk mainly relates to the medium/long-term loans with floating interest rates obtained to finance the acquisitions of transmission sites.

The aim is to limit a possible increase in financial charges further to the increase in rates on the interbank market. From this point of view no Interest Rate Swap contracts have been signed to limit such risks.

Accounting of hedge operations is carried out according to the accounting standard of "cash flow hedge" provided for by IAS 39.

The book value of the Group's financial instruments exposed to interest rate risk is as follows:

Euro in thousands		2011	2010
Fixed rate:			
Non-current liabilities	Swap	(76)	(418)
Floating rate:			
Current assets	Bank deposits	2,246	5,073
Non-current liabilities	Bank facilities	(83,589)	(99,402)
	Other lender liabilities	-	(127)
Current liabilities	Bank facilities	(33,684)	(15,184)
	Other lender liabilities	(82)	-

The following table shows the sensitivity of the result for the year and of the shareholders' equity of the Group in 2011 as a consequence of reasonably possible changes in interest rates, in the event the other variables remain constant.

	Net income		Shareholders' equity	
Euro in thousands	-0.5%/1%	+0.5%/1%	-0.5%/1%	+0.5%/1%
IRS	-	-	-	-
Non-current liabilities not hedged	570	(570)	570	(570)
Liquidity	(8)	8	(8)	8
Current liabilities not hedged	245	(245)	245	(245)
Total	806	(806)	806	(806)

In particular, changes of +/- 1% of market rates have been considered with respect to financial liabilities non-hedged (index-linked to the Euribor), while with respect to liquidity (repaid at fixed rate or index-linked to the Euribor) changes of +/- 0.5% have been considered.

Exchange rate risk

This risk may be found in the companies operating on the foreign markets as product suppliers or/and as buyers of foreign market products, generating exchange rate flows in currency that cause an exposure to the exchange rate risk.

The rate risk of the Group is basically void after the termination of Technology business unit, since Tower business unit operates today only in Italy.

Note 34. Capital management

The main target of the Group, with respect to capital management, is to guarantee proper credit rating and adequate capital ratios, in order to support the business, maximize the value for shareholders and reduce the cost of capital.

There are no company and contractual obligations with respect to the maintenance of a certain capital structure.

In order to maintain and adjust the capital structure, the Group can buy or sell own shares, while it doesn't provide for repayment of capital, issue of new shares or payment of dividends.

Note 35. Fair value of financial assets and liabilities

There are no differences between the book value and the fair value of the Group financial instruments.

Note 36. Subsequent events

The business combination between Tower business previously held by the Mediaset Group and by EI Towers Group (formerly DMT Group) was carried out recording the merger between the companies taking part in the transaction on January 2, 2012.

Accounting and fiscal effects of the merger start from January 1, 2012, therefore from that date EI Towers S.p.A. (formerly DMT S.p.A.) is part of the Mediaset Group.

Note 37. Commitments and risks

Operating lease commitments – Group as lessee

The Group rents the land on which it has constructed its clients broadcasting towers from which it gains its revenues. These contracts are long-term and generally include clauses of advance withdrawal and of period adjustment of rent as a consequence of inflation.

The building where the headoffice is located is rented; this contract is valid till December 31, 2014 and provides for the faculty of advance withdrawal.

Operating lease commitments – Group as lessor

The Group rents the area on which it has constructed and manages its broadcasting towers, which includes the installation of client transmission equipment related to maintenance services.

These operating leases are long-term. Agreements generally include clause of periodic revaluation of rent as a consequence of inflation and provides for the faculty of advance withdrawal.

Finance Leases

Future lease commitments at December 31, 2011 are not significant.

Investment commitments

The main investments under way of the Group, equal to about Euro 0.7 million, relate to the activity of extraordinary maintenance and expansion of transmission site portfolio. These investments are carried out along the national territory and self-financed.

Commitments related to the extraordinary transaction

With respect to the business combination described in Directors' Report, EI Towers S.p.A. assumed the commitment to pay the previous President and CEO the amount of Euro 7.5 million as consideration for the obligation not to carry out activities in competition with EI Towers Group. This obligation starts from January 2, 2012, for three years and the payment is expected in three annual instalments of the same amount during years 2012, 2013 and 2014.

It should be noted that EI Towers S.p.A. assumed the commitment to compensate the third buyer of the companies of Technology business unit, up to a maximum of Euro 4 million, for possible extraordinary losses or other liabilities which could come out with reference to the companies DMT System S.p.A. in liquidation, Asteroide S.r.l. and DMT Service S.r.l. in liquidation, and attributable to the period they operated before their disposal. As of today, no elements which could create liabilities referring to EI Towers S.p.A. came out.

Legal disputes

The Group, during the regular execution of its activities, is part of some active and passive civil and administrative judicial proceedings. In particular, administrative cases, related to some transmission sites used by the Group, are under way. On the basis of available information, we believe that the risk related to an unfavorable outcome of cases is improbable and, in any case, is not quantifiable; therefore, no provisions have been allocated to cover possible liabilities which could come from proceedings under way, except for a provision of Euro 200 thousand referring to a case with a supplier.

Guarantees given

At December 31, 2011, the Group had pledges, mortgages and special privileges on the activities of Towertel S.p.A. (shares in the companies of this division. fixed assets, liquidity, etc) and commitments and limitations on the use of liquidity and cash flows of Towertel S.p.A., as further described in the notes No. 16 and 19 of this document, to which reference shall be made.

As already mentioned, EI Towers S.p.A. assumed the commitment to compensate the third buyer of the companies of Technology business unit, up to a maximum of Euro 4 million, for possible extraordinary losses or other liabilities which could come out with reference to the companies DMT System S.p.A. in liquidation, Asteroide S.r.l. and DMT Service S.r.l. in liquidation, and attributable to the period they operated before their disposal.

Note 38. Net financial debt

In accordance with CONSOB communication No. 6064293 of July 28, 2006, the following information is provided relating to the Group's net financial debt.

Euro in thousands	December 31, 2011	December 31, 2010 Continuing operations	December 31, 2010 Discontinued operations	December 31, 2010 Total
A. Cash	8	26	2	28
B. Other liquid assets. bank accounts	2,238	5,073	1,644	6,717
C. Securities	-	-	-	-
D. Cash and cash equivalents (A) + (B) + (C	*2,246*	*5,099*	*1,646*	*6,745*
E. Current financial receivables				
F. Bank liabilities – current portion	(17,527)	-	-	-
G. Current portion of non-current debt	(16,157)	(15,184)	(18,838)	(34,022)
H. Other current financial liabilities				
finance lease	(82)	-	-	-
Acquisition debt	(39)	(1,248)	-	(1,248)
Other	-	-	-	-
I. Current financial debt (F)+(G)+(H)	*(33,805)*	*(16,432)*	*(18,838)*	*(35,270)*
J. Net current financial liquidity/(debt) (I) – (E) – (D).	*(31,559)*	*(11,333)*	*(17,192)*	*(28,525)*
K. Bank liabilities – non-current portion	(83,589)	(99,402)	-	(99,402)
L. Bonds issued	-	-	-	-
M. Other non-current financial liabilities				
IRS – Interest rate swap	(76)	(418)	-	(418)
finance lease	-	(127)	-	(127)
N. Non-current financial debt (K) + (L) + (M)	*(83,665)*	*(99,947)*	-	*(99,947)*
O. Net financial debt (J) + (N)	*(115,224)*	*(111,280)*	*(17,192)*	*(128,472)*

Note 39. Other information

Atypical or unusual transactions

In accordance with Consob Communication No. 6064293, during 2011 the Group did not undertake any atypical and/or unusual operations, whereby for atypical and/or unusual it is intended those operations which for size/importance, nature of the counterparties, nature of the transaction, method in determining the transfer price or time period (close to the year-end) could have given rise to doubts in relation to the correctness/completeness of the information in the financial statements.

Note 40. Fees agreed with the Auditing Company

The fees agreed for the year 2011 with Ernst & Young S.p.A., the Auditing Company incharged of auditing consolidated financial statements, are summarised in the table below.

Service	Entity supplying the service	Beneficiary	Fees (Euro/000)
Account auditing	Parent company’s auditor	Parent company	78
Account auditing	Parent company’s auditor	Subsidiaries	62
Declarations	Parent company’s auditor	Parent company	648
Declarations	Parent company’s auditor	Subsidiaries	58
Other services	Parent company’s auditor	Parent company	60
Other services	Parent company’s auditor network	Parent company	200
Total			1,106

CONSOLIDATED FINANCIAL STATEMENT DECLARATION IN COMPLIANCE WITH ART. 154 bis OF THE LEGISLATIVE DECREE 58/98

1. The undersigned Guido Barbieri, CEO, and Fabio Caccia, "Manager in charge of the legal accounting document preparation" of EI Towers S.p.A. declare that the administrative and accounting procedures for the preparation of the financial statements:

   - are consistent with the administrative/accounting system and with the structure of the Group;
   - their fairness has been verified;
   - have been applied in the period these financial statements refer to.

2. In this respect no significant aspects have emerged.

3. In addition the underwriters declare that:

3.1 the consolidated financial statements:

- corresponds to the accounting book evidences and accounting records;
- it has been prepared in compliance with the applicable international accounting standards recognized by the European Community according to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, dated July 19, 2002;
- it is fit to give a true and fair representation of the patrimonial, economic and financial situation of the Company and the complex of companies included in the consolidation process;

3.2 The Directors' Report includes a reliable analysis on operations and group results, on the situation of the issuer and of all consolidated subsidiaries, in addition to the description of all main risks and uncertainties to which they are exposed.

On behalf of the Board of Directors CEO	Manager in charge of legal accounting document preparation
Guido Barbieri	Fabio Caccia