2018 Annual Financial Report

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LETTER TO SHAREHOLDERS

Dear Shareholders,

In the year just ended, INWIT reached several significant objectives, improving, for the third year in a row, the main financial and economic indicators and highlighting INWIT's strategic role in Italy's telecommunication infrastructure development.
Inwit continues to stand out for its ability to provide quality services to customers while creating value for shareholders, employees and all stakeholders.
These results make us proud and reassure us of our ability to face the changes and challenges of a constantly evolving market, at an even faster pace than in the past: we will continue to extract value from the profound technological transformation, new demographic phenomena and new lifestyles, transforming them into new business opportunities.

Beginning in 2018, we will also publish the Non-Financial Statement, in which we indicate and highlight issues that are becoming more and more crucial for a company, such as our environmental, social and personnel policies, as required by Italian Legislative Decree 254/2016, for sustainability reporting.

We now proceed to the results, which confirm your Company's solidity: revenues have gone up (+6% FY18 YoY), driven by revenues from new tenants (+12% FY18 YoY) and new business (+78% FY18 YoY). These revenues have contributed to increasing the EBITDA which surpassed 200 million euros by a wide margin, posting a 12% increase year on year. The cost containment policy enabled the company's EBITDA Margin to reach 57%. There has consequently been a steep increase in the net profits compared to last year, of +11%.

Over the year ended, we invested 61.80 million euros for development of the business, an expression of the faith we place in the sector and the leadership that we wish to consolidate.
Finally, the year ended with net debt essentially unchanged, despite the increased investments and generous dividend policy, which proves the company's ability to self-finance.

The ambitious targets set forth in the 2015-2018 business plan have been successfully reached: We achieved the "mid single digit" objective on revenues, with average growth of +5.9% in the three year period. The "low teens" objective for EBITDA and Recurring FCF was exceeded by far, with increases of +14.3% and +28.7% respectively.
All the above represent a further step towards our growth and profitability that is based on the solid, sustainable growth of a core business.

These results were achieved in a generally difficult economic environment, in proof of Inwit's low risk profile and that of the infrastructures sector in general. Double digit growth was achieved despite the negative economic situation in Italy, with a weakened Italian spread (the BTP/BUND 10Y spread increased by 58% during the year) and the GDP which actually shrunk in the last two quarters of 2018.

In business terms, over these last three years we focused and consistently worked on all our growth drivers, achieving significant results: We constructed 500 new sites, over two thousand small cells & DAS and 600 fiber connections. We were also able to pursue a significant number of renegotiations, which resulted in a major decrease to our unit costs (-13% of the carve out).
There has also been a marked increase in the number of tenants, thanks to the expansion of the customer base to include not just mobile operators, but also new rapidly growing entities with an increasing need for connectivity (FWA, IoT, etc): this increased the co-tenancy ratio by 1.9 times.

Finally, the lean management of the business with extensive outsourcing, has allowed us to opt for more effective, convenient solutions and share our unique experience and know how. As a matter of fact, we are constantly committed to the development and enhancement of our human resources. The reorganization that involved the management and the growth of the workforce has allowed us to strengthen the effectiveness of our governance and strategic direction, align professional profiles to the skills required by the market more optimally and implement an approach that is focused on the end customer.

With our focus constantly centered on the world at large, particularly our European and global peers, we have been able to predict future developments and seize all the best opportunities that arise from time to time.
For the first time in 2018, INWIT also looked into the international tower market. In fact, because of our success domestically, we were chosen to lead a consortium to build and develop a fleet of towers, which were recently separated from the perimeter of a Portuguese mobile operator.

With the approval of the new Plan, the business model will be confirmed and strengthened across all business carriers, allowing the company to evolve so it is able to address new market needs, resulting from the exponential growth in data traffic consumption of mobile end customers. To support this, we have launched a Euro 200 million + investment program, to be rolled out over the course of the Plan, focused on the development of new business segments, automation and reorganization of operating sectors, and on the growth of professional and talented figures.

In the next few years, we expect to see a radical change in the sector with the advent of 5G. New technologies require an increasing number of installed equipment, including towers. Moreover, each tower will require updating with new generation antennas and new equipment such as data centers or sensor networks and fiber connections. This can and should be transformed into a great opportunity for your Company to grow, including by leveraging the domestic market's highly inefficient structure.

In a changing macroeconomic environment, INWIT aims to shape the future of the telecommunications infrastructure sector to offer the end customer increasingly innovative and high-quality services. Your Company is poised to use all the levers and flexibility it has gained in the past three years to seize the opportunities for growth and create new value offered by the ongoing changes in the sector.

The Chairman Engineer Stefano Siragusa	The Chief Executive Officer Engineer Giovanni Ferigo

Management Report

This document has been translated into English for the convenience of the readers.
In the event of discrepancy, the Italian language version prevails

NAME, SHARE CAPITAL AND REGISTERED OFFICE OF THE COMPANY

Name	Infrastrutture Wireless Italiane S.p.A.
Share capital	600,000,000 euros
Registered office	Via G. Vasari 19, Milan
Tax code, VAT no. and registration no. in the Register of Companies of Milan	08936640963
Website	www.inwit.it

A company subject to the management and coordination of TIM S.p.A. pursuant to articles 2497 and subsequent of the Italian Civil Code.

BOARD OF DIRECTORS

Chairman	Stefano Siragusa
Chief Executive Officer	Giovanni Ferigo
Directors	Francesca Balzani (Independent) Enrico Maria Bignami (Independent) Gigliola Bonino Laura Cavatorta (Independent) Mario Di Mauro Luca Aurelio Guarna (Independent) Agostino Nuzzolo Filomena Passeggio (Independent) Secondina Giulia Ravera (independent)
Secretary to the Board	Salvatore Lo Giudice (*)

(*): Rocco Ramondino was the secretary up to January 28, 2019.

BOARD OF STATUTORY AUDITORS

Chairman	Stefano Sarubbi
Acting Auditors	Umberto La Commara
	Michela Zeme
Alternate Auditors	Roberto Cassader
	Elisa Menicucci

INWIT ACTIVITIES

Infrastrutture Wireless Italiane S.p.A. (hereinafter “**INWIT**” for short, or the “**Company**”) operates in Italy in the field of electronic communications infrastructure, and specifically infrastructure devoted to hosting equipment for radio broadcasting, telecommunications, and television and radio signals broadcasting.

INWIT operates in the sector as a result of the transfer from TIM in March 2015 (effective April 1, 2015) of a business unit focused mainly on activities related to the construction and management of the sites' passive infrastructures, generally consisting of civil structures (such as towers, pylons, and poles) and technological systems, necessary to host the transceiver equipment owned by mobile operators and other radio service operators.

The infrastructural operators working in this industry are also called *Tower Companies* or *Tower Operators*. In this context, INWIT stands out for being the largest Italian Tower Operator both in terms of number of sites managed and total sales.

INWIT manages approximately 11,000 sites, with widespread distribution throughout Italy, as a result of over 40 years of work developing the radio-mobile networks by TIM, when it still acted as a monopoly. The technical and operational know-how of the Company is therefore assured by the use of staff with strong specific experience, gained over many years working within TIM.

Key factors of *INWIT competitive* positioning

As well as the widespread distribution and quality of the infrastructure, the key factors of INWIT's competitive positioning mainly concern:

- established relationships with the main radio-mobile operators that recognize the importance of the services offered by INWIT within their own value chain;
- visibility of revenues and significant generation of cash flow, guaranteed by long-term contracts that are renewable upon expiration, historically characterized by a high renewal rate, also considering the high quality of the sites made available;
- contracts safeguarded against inflation;
- technical and managerial know-how, ensured by the use of personnel with consolidated experience gained over years within TIM.

Integrated hosting services

At December 31, 2018, the Company's total revenue derived from its integrated hosting services, consisting in providing (*Tower Rental*) customers with:

- physical spaces on its vertical structures, which can host the radiating systems receiving and transmitting radio signals;
- indoor physical spaces suitable for the installation of customer equipment and the connection of their radiating systems;
- access to the electricity networks and technological systems consisting of power supply systems (including energy backup systems) and air conditioning and/or ventilation systems that ensure the correct operation of customer equipment.
- DAS &Small Cells connectivity services to improve the value proposition of Mobile Operators by optimizing radio coverage and increasing network capacity in high-traffic areas.
- access to the core network with full-fiber backhauling to ensure high throughput for MNOs

Integrated hosting services also include the provision of maintenance, monitoring and security management services of the premises and the technological systems.

With regard to infrastructure sites, [1] which account for approximately 20% of the all sites, INWIT owns the civil structures only, not the technological systems[2]. The latter, as a matter of fact, were not contributed and are still owned by TIM, as they are shared across fixed and mobile networks. Accordingly, the hosting services offered by INWIT at these sites consist only in providing physical space on the vertical support structures.

INWIT's customers are the leading national mobile network operators (MNOs) - Tim, Vodafone and Wind Tre - with which it has entered into long-term contracts to provide hosting services and other radio service operators.

The customers' high profile, their concentration, the multi-year medium-long term duration of the commercial agreements signed with them, and the large volume of the services offered by the Company within the MNO's value chain, are the key aspects of the Company's business.

Sustainability

Starting from the current year and in compliance with the recent regulatory requests for reporting of non-financial information introduced under Legislative Decree 254 of December 30, 2016, INWIT drafted its first Non-Financial Statement. The document aims to monitor performance related to Sustainability, so as to deliver ethical business strategies that are respectful of people and the environment.
The declaration is the first step towards a path in which sustainability can support the company's strategy and create value in the medium to long term for all stakeholders. It highlights the policies implemented and the results achieved with regard to specific aspects: the social dimension, respect for human rights, personnel policy, the environment and the fight against corruption.
INWIT bases its management strategies on the eco-compatible development of its activities, with a special focus on environmental protection issues related to the divestitures, as well as to the improvement of site safety and the protection of its employees.
INWIT recognizes that professional motivation and development are key in maintaining competitiveness and closely linked to the ability to create shareholder value. As such we are committed to ensuring the equitable management and growth of the intellectual potential of our human resources, with equal treatment and the absence of any form of discrimination in compliance with the principles of human rights.

For further details on the INWIT S.p.A.'s sustainability indices, please refer to the "Consolidated non-financial statement/ 2018 Sustainability Report," which is fully compliant with Legislative Decree 254/2016 and was approved by the Company's BoD on February 18, 2019. The report is available at www.inwit.it.

[1] The infrastructural sites are positioned in properties owned or leased by TIM, in/on which TIM's fixed telephone devices are located.

[2] That is, all equipment owned by the Company consisting of: (i) power system including panels and integrated power substation, complete with backup batteries; (ii) earthing system; (iii) lightning protection system; (iv) air conditioning and/or ventilation system; (v) flight obstacle signaling system, built and/or installed at the sites.

HIGHLIGHTS AT DECEMBER 31, 2018

The gradual increase in sales to the main mobile radio operators and the profitability of its infrastructures continued in 2018, with a further increase in the co-tenancy ratio and the continuation of the effort to contain leasing costs.

Capital expenditures for the financial year 2018 are inclusive of the purchase of land lease rights and the construction of new infrastructure.

More specifically, for the year 2018:

- Turnover totaled 378,472 thousand euros, up 6.1% on 2017 (356,596 thousand euros);
- EBITDA for the fourth quarter 2018 totaled 94,595 thousand euros, an increase of 0.2% over 2017.
- EBITDA amounted to 215,440 thousand euros, an increase of 12.2% compared to 2017. 2018 EBITDA was influenced by the negative impact of non-recurring charges of 165 thousand euros;
- EBITDA for the fourth quarter 2018 was 53,117 thousand euros, an increase of 0.1% compared to 2017.
- EBIT amounted to 200,250 thousand euros, an increase of 11.7% compared to 2017;
- EBIT for QIV 2018 was 49,122 thousand euros, an increase of 1.1% compared to the same period of 2017;
- Profit for the period amounted to 140,761 thousand euros, up 11.1% on 2017 (126,740 thousand euros);
- Industrial investments for the period amounted to 61,812 thousand euros (6,437 thousand euros compared to 2017);
- INWIT's Net Financial Debt was 48,088 thousand euros, up by 2,657 thousand euros compared to December 31, 2017.

In 2018, INWIT recognized non-recurring net operating costs related to events and transactions not connected with normal operations, of a significant amount. These consist of charges for voluntary redundancies of 165 thousand euros

Financial Highlights

(thousands of euro)	2018	2017	Change in absolute values	%
Revenues	378,472	356,596	21,876	6.1
EBITDA [1]	215,440	191,978	23,462	12.2
EBITDA Margin	*56.9%*	*53.8%*	*3.1pp*	*3.1pp*
EBIT[1]	200,250	179,215	21,035	11.7
EBIT Margin	*52.9%*	*50.3%*	*2.6pp*	*2.6pp*
Profit for the period	140,761	126,740	14,021	11.1
Operating Free Cash Flow	170,228	145,832	24,396.0	16.7
Capital expenditures (CAPEX) [2]	61,812	55,375	6,437.0	11.6

(thousands of euro)	4th Quarter 2018	4th Quarter 2017	Change in absolute values	%
Revenues	94,595	94,783	(188)	(0.2)
EBITDA [1]	53,117	53,156	(39)	(0.1)
EBITDA Margin	*56.2%*	*56.1%*	*0.1pp*	*0.1pp*
EBIT[1]	49,122	49,674	(552)	(1.1)
EBIT Margin	*51.9%*	*52.4%*	*(0.5)pp*	*(0.5)pp*
Profit for the period	35,013	34,909	104.0	0.3
Operating Free Cash Flow	47,936	44,934	3,002.0	6.7
Capital expenditures (CAPEX) [2]	25,595	25,744	(149.0)	(0.6)

	12.31.2018	12.31.2017	Absolute change
ESMA net financial debt	48,306	45,632	(2,674)
INWIT net financial debt	48,088	45,431	(2,657)

(1) Details are provided under “Alternative Performance Measures”.

(2) (*) Net of consideration received for transfer of fixed assets.

BUSINESS ENVIRONMENT

The infrastructure market for radio networks and those for mobile radio networks in particular, is affected by a deep transformation, characterized by:

- growth in mobile broadband connections and volumes of data traffic, due to the increasingly widespread use of images and video in communications and in personal and professional applications;
- expansion of 4G coverage which represents a fundamental technological discontinuity. Indeed, 4G is the first mobile radio network architecture specifically conceived and designed for data traffic; Following closely behind, the rollout of the 5G, will involve the request for new hosting and the complete migration of the full IP Backhaul;
- evolution of mobile radio network architectures which, in order to deliver high speeds and low latencies require a high number of micro-cells that interoperate with macro-cell coverages;
- strategies to reallocate invested capital by operators who tend to outsource and share infrastructure assets and activities when they need to invest to acquire frequencies and develop the networks to cope with competitive changes.

In this scenario, and in order to seize the business opportunities arising from the market environment, INWIT:

- has increased the value of its infrastructural assets, gradually raising the co-tenancy to 1.9x, up by 1x compared to December 2017[(3)];
- has become more efficient by pursuing its plan to renegotiate leases and the land acquisition plan;
- has met the demand for new sites by launching the construction of about 500 new sites at the date of transfer of the business unit;
- has launched a multi-operator microcell cover plan in areas with the highest user and traffic concentration, implementing over two thousand remote units;
- has modernized its sites, connecting as many as 600 through fiber backhauling.

The impact of these strategies in the period ended December 31, 2018 is detailed below.

Increased co-tenancy

As mentioned above, the Company continued to pursue the process aiming at leveraging its assets by increasing the number of customers on existing Sites.

The table below shows the effects of new hosting agreements at December 31, 2018 as compared to the same data at December 31, 2017:

[(3)] "Organic" Co-Tenancy ratio calculated as the ratio between the number of tenants as at 12.31.2018 and the number of sites not subject to decommissioning on the same date.

(amounts stated in thousands)		*December 31, 2018*	*December 31,2017*
Number of sites (*)	(a)	11.0	11.1
Number of hostings in place with Tenants(**)	(b)	20.9	20.1
Number of hostings in place with *Tenants*, excluding TIM (***)	(c)	10.15	9.4
Average number of *Tenants* per Site (Tenancy ratio)	(b)/(a)	1.90	1.82

(*) Net of sites being decommissioned and under construction.
(*) Excluding Sites in which the hosting service ceased during the period.
(**)* Number of hostings on the same Site. Please note that each Tenant refers to one hosting per Site only.

As shown in the above table, on December 31, 2018, the average number of operators per site was 1.90X.

Renegotiation of leases with lessors

In the context of containing rental costs and in consideration of the trend in the reference market, a program to renegotiate lease contracts, started in 2015, continued in 2018; this brought the monthly rental costs to an average of approx. 11.7 thousand euros, compared to approx. 14.5 thousand euros at the date of transfer (April 1, 2015).

In 2018, the saving achieved is attributable to targeted actions to contain rental costs, such as the renegotiation of rental contracts and the purchase of land.

INCOME, BALANCE SHEET AND FINANCIAL PERFORMANCE AT DECEMBER 31, 2018

INWIT was incorporated on January 14, 2015, as recipient of the business unit transferred by TIM S.p.A. on March 26, 2015, with effect on April 1, 2015.

INWIT draws up and publishes the Interim Management Reports of the first and third quarters of each year on a voluntary basis.

The annual financial statements include the Management Report and the Separate financial statements as at December 31, 2018 prepared in compliance with IFRSs issued by the IASB and implemented by the EU and, in particular, with IAS 34 Interim financial statements. The Separate Financial Statements for the year ended December 31, 2018 have been audited.

The accounting criteria adopted are the same as those used in the Financial Statements as at 31 December 2017, except for the adoption of the new accounting standards adopted starting from 1 January 2018, in particular IFRS 9 (*Financial Instruments*) and IFRS15 *(Revenues from contracts with customers*).

The adoption of these standards had no impact on the interim Financial Statements as at December 31, 2018; further details are explained in Note 2 of the Separate Financial Statements as at December 31, 2018 - "Accounting standards - paragraph New standards and interpretations implemented by the EU and in effect starting from January 1, 2018," to which reference is made.

In addition to the conventional financial performance measures established by IFRS, INWIT uses certain alternative performance measures are presented for the purpose of a better understanding of the trend of operations and of the Company's financial situation. In particular, the alternative performance indicators refer to: EBITDA; EBIT; EBITDA margin and EBIT margin; net financial debt and Operating Free Cash Flow.

The chapter “Business outlook for the year 2019” contains forward-looking statements related to the Company's intentions, beliefs, or current expectations regarding the financial performance and other aspects of the Company’s operations and strategies. Readers of this Management Report are reminded not to place undue reliance on such forward-looking statements, in that actual results may differ significantly from forecasts owing to numerous factors, the majority of which are beyond the Company’s control.

OPERATING PERFORMANCE IN THE PERIOD

(thousands of euro)	*2018*	2017	Change	
			in absolute values	%
Revenues	378,472	356,596	21,876	6.1
Costs for lease of premises	(130,715)	(134,672)	3,957	2.9
Employee benefits expenses - Ordinary expenses	(9,235)	(7,732)	(1,503)	(19.4)
Employee benefits expenses - Restructuring and rationalization expenses	(165)	(1,186)	1,201	86.1
Maintenance and other operating and service expenses	(22,917)	(21,028)	(1,889)	(8.9)
EBITDA	***215,440***	***191,978***	***23,462***	***12.2***
Depreciation and amortization, losses on disposals and impairment losses on non-current assets	(15,190)	(12,763)	(2,427)	(19.0)
Operating profit (loss) (EBIT)	***200,250***	***179,215***	***21,035***	***11.7***
Finance income and expenses	(3,965)	(3,709)	(254)	(6.9)
Profit (loss) before tax	***196,285***	***175,506***	***20,779***	***11.8***
Income taxes	(55,524)	(48,766)	(6,758)	(13.9)
Profit for the period	***140,761***	***126,740***	***14,021***	***11.1***

The structure of revenues and costs of the Company is largely determined by medium-term and long-term contracts, entered into as client or provider, under established financial terms and conditions. The main income statement items in 2018 are analyzed below:

Revenues

For 2018 as a whole, these totaled 378,472 thousand euros (356,596 thousand euros in the corresponding period of 2017, +6.1%) and include revenues deriving from the service contract with Tim S.p.A. (Master Service Agreement), from third party customers on the transferred towers and the revenues from hosting on new sites and of new services.

As already indicated in the half-year report and the QII report, always for comparison purposes only and to provide a better understanding of the performance of the business in the current period, the growth in Revenues, EBITDA and EBIT is shown, calculated excluding those items which by their nature are non-linear or non-recurring in the current period or in the one used for comparison ("one-off").

These items must not be considered as substitutes for the economic and financial information for which they represent a reclassification, are not subject to audit and are provided for illustrative purposes only.

It follows that, excluding the "one off" amounts from revenues, the increase amounts to +5.0% compared to the same period last year.

In detail:

(thousands of euro)	1.1 – 12.31 2018	1.1 – 12.31 2017	Change	
			in absolute values	%
Revenues from the TIM Group relating to the Master Service Agreement on the transferred sites	261,000	258,060	2,940	1.1
Revenues from third-party customers on the transferred towers	98,852	88,131	10,721	12.2
Revenues from hosting on new sites and of new services	18,620	10,405	8,215	79.0
Total	***378,472***	***356,596***	***21,876***	***6.1 (*)***

(*): Net of one-off revenues, the percentage is 5.0%.

EBITDA

EBITDA amounted to 215,440 thousand euros, with an EBITDA margin of 56.9% on revenues for the period (53.8% in 2017). EBITDA was particularly impacted by the change in the line items analyzed below:

- ***Costs for lease of premises***

  These amounted to 130,715 thousand euros, down by 3,957 thousand euros compared to 2017 (134,672 thousand euros) and represent 80.2% of the cost items with an impact on EBITDA (down compared to 81.8% of the previous year). These consist of areas owned by third parties on which the Sites are situated.

  During the period, INWIT continued implementing the renegotiation of Site leases and the land acquisition plan aimed at seizing opportunities arising from the slowdown in the real estate sector of recent years.

  The average monthly rents amounted to 11.7 thousand euros compared to approx. 14.5 thousand euros at the date of the transfer.

- ***Employee benefits expenses - Ordinary expenses***

  The item amounted to 9,235 thousand euros and reflects the organizational structure, which includes 117 employees at December 31, 2018 (compared to 97 employees at December 31, 2017.

- ***Employee benefits expenses - Restructuring and rationalization expenses***

  These amounted to 165 thousand euros. These are charges for voluntary redundancies and non-recurring personnel provisions. The latter item relates to the application of article 4, paragraphs 1-7ter of Law no. 92 of June 28, 2012, the so-called Fornero Law, which provides for a rationalization plan for personnel through voluntary early retirement.

- ***Maintenance and other operating and service expenses***

  These amounted to 22,917 thousand euros (21,028 thousand euros in the previous year).
  Maintenance costs are regulated mostly by the Maintenance Agreement entered into with TIM which came into effect starting on the effective date of the transfer.

Depreciation and amortization, losses on disposals and impairment losses on non-current assets

Details are as follows:

(thousands of euro)	2018	2017	Change	
			in absolute	%
Amortization of intangible assets with a finite useful life	2,296	1,810	486	26.9
Depreciation of tangible assets	11,955	10,691	1,264	11.8
Depreciation of property, plant and equipment held under finance leases	77	0	77	n.r.
Losses on disposals and impairment losses on non-current assets	862	262	600	229.0
Total	***15,190***	***12,763***	***2,427***	***19.0***

The change in Depreciation of property, plant and equipment held under finance leases refers to finance leases for automobiles. The change in the period is mainly related to the valuation of existing contracts as financial leases in accordance with IAS 17, with an impact on the balance sheet at December 31, 2018 of 325 thousand euros in terms of higher tangible assets and related financial payables for finance leases, as well as depreciation and amortization of 77 thousand euros.
The item capital losses on disposals and impairment losses on non-current assets included only capital losses from disposal of non-current assets resulting from the decommissioning of sites amounting to 862 thousand euros.

EBIT

EBIT amounted to 200,250 thousand euros (179,215 thousand euros in 2017), with an EBIT margin of 52.9% on revenues (50.3% in 2017).

Net financial income/(expense)

The balance was (3,965) thousand euros, of which 1,488 thousand euros relating to interest expenses and bank fees (net of financial revenues) and 2,209 thousand euros relating to non-monetary changes for the adjustment of the provision for restoration costs and for the financial component of employee severance indemnities.

Income tax

Income tax expense totaled 55,524 thousand euros and reflect the estimated tax charge on the basis of theoretical rates of 24.0% for IRES and 4.45% for IRAP.

Profit for the period

This amounted to 140,761 thousand euros (126,740 thousand euros in 2017), with a profit margin of 37.2% on revenues (35.5% in 2017).

FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON–CURRENT ASSETS

Goodwill: the item equaled 1,411,770 thousand euros (same amount on December 31, 2017).

Other intangible assets: these amounted to 40,569 thousand euros (26,548 thousand euros at the end of 2017). The increase reported is the balance of the following items:

- Industrial investments (16,161 thousand euros)
- amortization for the year (2,296 thousand euros)
- other changes (156 thousand euros)

Tangible assets: the item amounted to 254,892 thousand euros (compared to 222,337 thousand euros at December 31, 2017). The following variations arose during the course of 2018:

- investments in tangible assets (45,651 thousand euros)
- impairment losses and disposals (862 euro)
- amortization in the period (11,955 thousand euros)
- other variations (279 euro)

For a more detailed analysis, please refer to Note 6 "Tangible assets" of the separate Financial Statements as at December 31, 2018.

CAPITAL EXPENDITURES

Investments made in during 2018, totaling 61,812 thousand euros, refer to the purchase of land, land use rights, extraordinary maintenance, development of small cells, implementation of backhauling and construction of new infrastructures, the remainder referring to intellectual works, equipment and other assets.

EQUITY

This totaled 1,548,305 thousand euros.

On April 13, 2018, the Shareholders' Meeting of INWIT S.p.A. approved the Long Term Incentive Plan 2018 - 2020 (the "Plan") and authorized the Board of Directors to proceed with the purchase and disposal of Company shares, once or several times over a period of eighteen months from the date of the shareholders' meeting resolution, to service the implementation of the aforesaid stock incentive plan. The purchases will involve a maximum of 400,000 ordinary shares of the Company, representing approximately 0.07% of the share capital of INWIT.
The Plan is intended to encourage the Beneficiaries to achieve the strategic objectives set by the Company, pursuant to the business plan disclosed to the market, by aligning the interests of key management with the interests of INWIT shareholders, in terms of medium-long term growth in the value of the share.
The Plan provides for a three-year vesting period (2018-2020) and the free of charge allocation of shares based on fulfillment of performance conditions, as ascertained by the Board of Directors at the time of approval of the Company's financial statements as at December 31, 2020.
On November 15, 2018 222,118 treasury shares were purchased through Mediobanca - Banca di Credito Finanziario S.p.A. These shares represent 0.037% of the share capital used by INWIT to service

the Long Term Incentive Plan 2018-2020. The cash outlay was 1,437 thousand euros and the shares were purchased at an average market value of Euro 6.46 per share. This nominal portion of this amount was recognized in the balance sheet against the issued share capital while the remainder reduced the reserves.
The shares are deposited in a securities account held by Inwit S.p.A. with Intesa Sanpaolo S.p.A.
Equity in 2018 was composed as follows (compared with the previous year):

(thousands of euro)	*12.31.2018*	*12.31.2017*
Share capital issued	600,000	600,000
Treasury shares - nominal value	(222)	-
Share capital	599,778	
Share premium reserve	660,000	660,000
Legal reserve	120,000	120,000
Treasury shares - surplus over nominal value	(1,215)	-
Provision for instruments representing net equity	266	34
Other reserves	17	(72)
Retained earnings (losses) including earnings (losses) for the period	169,459	142,698
Total	***1,548,305***	***1,522,660***

FINANCIAL RESOURCES AND CASH FLOWS

Net financial debt

The table below shows a summary of the net financial debt at December 31, 2018, calculated in accordance with paragraph 127 of the recommendations contained in ESMA document No. 319 of 2013, implementing Regulation (EC) 809/2004. The table also includes the reconciliation of net financial debt calculated according to the criteria established by ESMA and those used by INWIT to monitor its own financial position.

(thousands of euro)	*12.31.2018*	*12.31.2017*
A Cash		
B Other cash equivalents	104,125	54,360
C Securities held for trading	10,036	
D Liquidity (A + B + C)	***114,161***	***54,360***
E Current financial receivables	8,101	70
F Current financial payables		
G Current portion of financial payables (medium/long-term)	(40,359)	(40,178)
H Other current financial payables		
I Current financial available funds (debt) (F+G+H)	***(40,359)***	***(40,178)***
Net current financial available funds/(debt) (I+E+D)	***81,903***	***14,252***
K Medium/long term financial payables	(130,209)	(59,884)
L Bonds issued		
M Other non-current financial payables		
N Non-Current financial available funds/(debt) (K+L+M)	***(130,209)***	***(59,884)***
O Net financial available funds/(debt) as recommended by ESMA (J+N)	***(48,306)***	***(45,632)***
Other financial receivables and non-current financial assets (*)	218	201
INWIT Net financial Resources/(Debt)	***(48,088)***	***(45,431)***

(*) This item refers to loans granted to certain employees of the company at December 31, 2018.

The main items of ESMA net financial debt are described below:

Other cash and cash equivalents

At December 31, 2018, this item amounted to 104,125 thousand euros.

Cash is held in bank and postal current accounts and bank deposit accounts with the following characteristics:

- maturities: investments can be converted into cash within three months in the case of bank deposit accounts and five months for intercompany accounts, while cash held in current accounts is immediately available at all times;
- counterparty risk: investments have been made with investment-grade leading banking institutions (91,157 thousand euros) and with the Group (12,965 thousand euros). There are also 3 thousand euros in checks and cash in hand.
- Country risk: investments were made in Italy, in Luxembourg and in the UK.

Securities held for trading

There are also 10,036 thousand euros (nominal value) in government securities issued by the Italian Republic, available for sale (BTPs).

Financial debt (current and non-current)

Non-current and current financial liabilities (gross financial debt) were broken down as follows:

(thousands of euro)		*12.31.2018*	*12.31.2017*
Financial payables (medium/long-term):			
Amounts due to banks		59,972	59,884
Payables to group companies		*70,000*	
Leasing liabilities		*237*	
Total non-current financial liabilities	*(a)*	*130,209*	*59,884*
Financial payables (short-term):			
Amounts due to banks		40,141	40,178
Payables to group companies		134	-
Leasing liabilities		*84*	
Total current financial liabilities	*(b)*	*40,359*	*40,178*
Total Financial liabilities (Gross financial debt)	*(a+b)*	*170,568*	*100,062*

The item Financial payables (medium/long-term) consists of

- the syndicated loan signed by the Company in May 2015 with Mediobanca - Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A., which has been partially repaid and expires in May 2020. The residual medium/long term value as at 12.31.2018 is 20,040 thousand euros;
- The 40,000 thousand euros Term Loan concluded on 11.26.2018 with Banca Popolare di Sondrio with a 5-year maturity and bullet redemption.

The repayment schedule for this syndicated loan is: therefore, evidence is given of the debt maturing in the next 12 months in the short-term financial payables item.

In addition, the item payables to group companies refers to the 70,000 thousand euros loan to repay the bullet granted by TI Finance SA, the TIM Group finance company, which expires in December 2022.

Leasing liabilities refer entirely to leases on industrial vehicles accounted for using the financial method envisaged by IAS 17.

CASH FLOWS

The table below summarizes the main transactions that had an impact on the change in net financial debt during the period:

(thousands of euro)	*2018*	*2017*	***Change***
EBITDA	*215,440*	*191,978*	23,462
Capital expenditures on an accrual basis (*)	*(62,214)*	*(55,375)*	(6,839)
EBITDA - Capex	*153,226*	*136,603*	16,623
Change in net operating working capital:	*17,997*	*7,567*	10,430
Change in trade receivables	*(8,223)*	*(15,276)*	*7,053*
Change in trade payables (**)(**)	*20,361*	*33,307*	*(12,946)*
Other changes in operating receivables/payables	*5,859*	*(10,464)*	*16,323*
Change in provisions for employee benefits	*19*	*1,072*	(1,053)
Change in operating provisions and Other changes	*(1,014)*	*590*	(1,604)
Operating free cash flow	*170,228*	*145,832*	***24,396***
% of EBITDA	*79.0%*	*76.0%*	***(+3)pp***
Flow from acquisition of investments	*(180)*	*(1,763)*	1,583
Flow from financial income and charges	*(1,755)*	*(1,536)*	219
Change in financial assets	*-*	*34*	(34)
income taxes paid	*(55,898)*	*(65,518)*	9,620
Purchase of treasury shares	*(1,437)*	*-*	(1,437)
dividend payments	*(114,000)*	*(88,200)*	(25,800)
Change in other non-current assets	*123*	*-*	123
Other non-monetary changes	*262*	*(173)*	435
Increase in ESMA net financial debt	*(2,657)*	*(11,324)*	10,104

(*) Net of considerations received for transfer of assets.
(**) Includes the change in trade payables for amounts due to fixed asset suppliers.

In addition to what has already been detailed with reference to EBITDA, financial debt for the financial year 2018 was affected by the following items:

Acquisition of investments

The flow of 180 thousand euros refers to payment of the withholding by way of guarantee made last year on the final instalment of the balance for the purchase of the entire equity of the three companies Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l. The merger of the three companies with Inwit took place on September 26, 2016 with effect for accounting and tax purposes from January 1, 2016.

Capital expenditure

Investments made in the reporting period amounted to 62,214 thousand euros, and related to the purchase of software, land and surface usage rights, the development of new Sites, and the extraordinary maintenance and development of smart cells and backhauling.

In the amount above, the increase in the 402 thousand euros increase in the financial leases, valuated according to the financial method indicated in IAS 17, was considered to be a cash flow.

For further details, please refer to the Note: “Tangible assets (owned and held under finance leases)” of the Separate Financial Statements as at 12.31.2018.

Change in net operating working capital

The change in working capital was positive at 17,997 thousand euros.

Finance income and expenses

The net flow of financial income and expenses recognized during the year is (1,755) thousand euros, which reflects the balance of the income (181 thousand euros) and expenses (4,145 thousand euros), from which the non-monetary change of (2,209) thousand euros was deducted, due to the recalculation of the restoration costs and the financial component of employee severance indemnities.

Purchase of treasury shares

As indicated in the “Shareholders’ Equity” section, page 18, on April 13, 2018, the Shareholders' Meeting of INWIT S.p.A. approved the Long Term Incentive Plan 2018 - 2020 (the "Plan") and authorized the Board of Directors to proceed with the purchase and disposal of Company, once or several times over a period of eighteen months from the date of the shareholders’ meeting resolution, to service the implementation of the aforesaid stock incentive plan.

On November 15, 2018 222,118 treasury shares were purchased through Mediobanca - Banca di Credito Finanziario S.p.A. These shares represent 0.037% of the share capital used by INWIT to service the Long Term Incentive Plan 2018-2020.

The cash outlay was 1,437 thousand euros and the shares were purchased at an average market value of Euro 6.46 per share.

The shares are deposited in a securities account held by Inwit S.p.A. with Intesa Sanpaolo S.p.A.

Recurring Free Cash Flow

The recurring free cash flow - calculated as detailed below - amounted to 158,251 thousand euros, up by 24.0% compared to the same period of 2017. Net of the aforementioned "one off" proceeds, this increase is 20.93%.

The following table shows the details of the items concerned:

(thousands of euro)	**1.1 - 31.12 2018**	**1.1 - 31.12 2017**	**Absolute change**	**%**
EBITDA	**215.440**	**191.978**	23.462	12,2%
Recurring investments	(3.690)	(4.664)	974	-20,9%
income tax payment	(55.898)	(65.518)	9.620	-14,7%
settlement of financial expenses	(1.934)	(1.837)	(97)	5,3%
Change in Commercial Working Capital:	(1.437)	(1.618)	181	-11,2%
Change in trade receivables	(8.223)	(15.276)	7.053	-46,2%
Change in trade payable (*)	6.786	13.658	(6.872)	-50,3%
Change in operating receivables/payables	5.859	(10.464)	16.323	-156,0%
Change in personnel provisions	19	1.072	(1.053)	-98,2%
Lease Payment	(108)	0	(108)	-
Recurring free cash flow	**158.251**	**108.949**	49.302	45,3%

(*): excluding changes in payables for assets

The lease payment takes into account the lease payments made in 2018 all of which refer to rental contracts for industrial vehicles valuated according to the financial method indicated in IAS 17.

DETAILED TABLES

INWIT's Financial Report at December 31, 2018 was drafted in accordance with Section 154–ter (Financial Reports) of Italian Legislative Decree no. 58/1998 (Consolidated Finance Act) and subsequent amendments and additions, and prepared in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (defined as the "IFRS") and with the measures adopted in implementation of Section 9 of Italian Legislative Decree no. 38/2005.

The Financial Report at December 31, 2018, comprises:

- the Management Report;
- the separate Financial Statements of Infrastrutture Wireless Italiane S.p.A. at December 31, 2018
- certification of INWIT's Financial Statements at December 31, 2018 pursuant to art. 81-ter of Consob Regulation 11971 dated May 14, 1999, and subsequent amendments and additions

In addition to the conventional financial performance measures established by IFRS, INWIT uses certain alternative performance measures are presented for the purpose of a better understanding of the trend of operations and of the Company's financial situation. In particular, the alternative performance indicators refer to: EBITDA, EBIT, net financial debt, INWIT's net financial debt, and Operating Free Cash Flow.

The chapter "Business outlook for the year 2019" contains forward-looking statements related to the management's intentions, beliefs, or current expectations regarding the financial performance and other aspects of the Company's operations and strategies.

Readers of this Report are reminded not to place undue reliance on forward-looking statements, in that actual results may differ significantly from forecasts owing to numerous factors, the majority of which are beyond the Company's control.

Separate Income Statement

(euro)	2018 (a)	2017 (b)	Changes in absolute values	(a-b) %
Revenues	***378,472,164***	***356,595,997***	*21,876,167*	*6.1*
Acquisition of goods and services	(151,063,464)	(152,199,821)	1,136,357	0.7
Employee benefits expenses - Ordinary expenses	(9,235,395)	(7,732,055)	(1,503,340)	(19.4)
Employee benefits expenses - Restructuring and rationalization expenses	(165,288)	(1,186,130)	1,020,842	86.1
Other operating expenses	(2,568,022)	(3,499,530)	931,508	26.6
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***215,439,995***	***191,978,461***	*23,461,534*	*12.2*
Amortization, gains/losses on disposals and impairment losses on non-current assets	(15,189,939)	(12,763,399)	(2,426,540)	19.0
Operating profit (loss) (EBIT)	***200,250,056***	***179,215,062***	*21,034,994*	*11.7*
Financial income	180,709	301,216	(120,507)	(40.0)
Financial expenses	(4,145,484)	(4,009,849)	(135,635)	(3.4)
Profit (loss) before tax	***196,285,281***	***175,506,429***	*20,778,852*	*11.8*
Income taxes	(55,524,386)	(48,765,655)	(6,758,731)	(13.9)
Profit for the period	***140,760,895***	***126,740,774***	*14,020,121*	*11.1*
Basic and Diluted Earnings Per Share	0.235	0.211	0.024	11.4

Statement of Comprehensive Income

Pursuant to IAS 1 (*Presentation of Financial Statements*), the Statement of Comprehensive Income, which includes the Profit (Loss) for the period, as per the Separate Income Statement, also includes the other changes in Net Equity other than those connected to transactions with Shareholders.

(euro)		Financial Year 2018	Financial Year 2017
Profit for the period	*(a)*	***140,760,895***	***126,740,774***
Other items of the Statement of Comprehensive Income			
Other items that will not subsequently be reclassified in the Separate Income Statement		-	-
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		57,872	70,209
Net fiscal impact		(13,889)	(16,850)
Total other items that will not subsequently be reclassified in the Separate Income Statement	*(b)*	***43,983***	***53,359***
Other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items that will subsequently be reclassified in the separate income statement		-	-
Total other items of the Statement of Comprehensive Income	*(d=b+c)*	***43,983***	***53,359***
Total Comprehensive income for the period	*(e=a+d)*	***140,804,878***	***126,794,133***

Items of the consolidated statement of financial position

(euro)	*12.31.2018* (a)	*12.31.2017* (b)	*Change* (a-b)
Assets			
Non-current assets			
Intangible assets			
Goodwill	1,411,770,320	1,411,770,320	-
Intangible assets with a finite useful life	40,568,644	26,548,916	14,019,417
Tangible assets			
Property, plant and equipment	254,891,760	222,336,325	32,555,435
Leased assets	325,198	-	325,198
Other non-current assets			
Non-current financial assets	218,020	200,878	17,142
Miscellaneous receivables and other non-current assets	21,672,284	19,493,560	2,178,124
Deferred tax assets	2,681,673	2,798,307	(116,634)
Total Non-current assets	***1,732,127,899***	***1,683,148,306***	***48,979,593***
Current assets			
Trade and miscellaneous receivables and other current assets	78,176,586	73,280,611	4,895,975
Financial receivables and other current financial assets	8,101,063	69,688	8,031,375
Current securities and equity investments	10,035,723	-	10,035,723
Income tax receivables	1,186	-	1,186
Cash and cash equivalents	104,124,959	54,360,006	49,764,953
Total Current assets	***200,439,517***	***127,710,305***	***72,729,212***
Total assets	***1,932,567,417***	***1,810,858,611***	***121,708,806***

Equity and Liabilities

(euro)	12.31.2018 (a)	12.31.2017 (b)	Change (a-b)
Equity			
Share capital issued	600,000,000	600,000,000	-
Minus: treasury shares	(222,118)	-	(222,818)
Share capital	599,777,882	600,000,000	(222,818)
Share premium reserve	660,000,000	660,000,000	-
Legal reserve	120,000,000	120,000,000	-
Other reserves	(931,704)	(37,603)	(894,101)
Retained earnings (losses) including earnings (losses) for the period	169,459,128	142,698,232	26,760,896
Total Equity	***1,548,305,306***	***1,522,660,629***	***25,644,677***
Liabilities			
Non-current liabilities			
Employee benefits	2,222,994	2,387,811	(164,817)
Deferred tax liabilities	-	-	-
Provisions for Risks and Charges	99,111,084	97,268,838	1,842,246
Non-current financial liabilities	130,208,617	59,884,084	70,324,533
Miscellaneous payables and other non-current liabilities	7,003,942	2,426,158	4,577,784
Total Non-current liabilities	***238,546,637***	***161,966,891***	***76,579,746***
Current liabilities			
Current financial liabilities	40,359,035	40,178,370	180,665
Trade and miscellaneous payables and other current liabilities	104,561,706	84,420,058	20,141,648
Income tax payables	794,733	1,632,663	(837,930)
Total current Liabilities	***145,715,474***	***126,231,091***	***19,484,383***
Total liabilities	***384,262,111***	***288,197,981***	***96,064,130***
Total Equity and Liabilities	***1,932,567,417***	***1,810,858,611***	***121,708,806***

Cash flow statement

(euro)		Financial Year 2018	Financial Year 2017
Cash flows from operating activities:			
Profit for the period		140,760,896	126,740,774
Adjustments for:			
Depreciation and amortization, losses on disposals and impairment losses on non-current assets		15,189,939	12,763,399
Net change in deferred tax assets and liabilities		102,634	(1,584,473)
Change in provisions for employee benefits		18,805	1,071,714
Change in trade receivables		(8,223,155)	(15,275,961)
Change in trade payables		6,787,421	13,656,313
Net change in miscellaneous receivables/payables and other assets/liabilities		4,195,000	(25,043,000)
Other non-monetary changes		3,154,783	2,020,554
Cash flows from operating activities	***(a)***	***161,986,323***	***114,349,320***
Cash flows from investing activities:			
Total purchase of intangible and tangible assets on an accrual basis		(62,214,000)	(55,375,000)
Change in amounts due to fixed asset suppliers		13,575,000	19,649,000
Total purchase of intangible and tangible assets on a cash basis		(48,639,000)	(35,726,000)
Change in financial receivables and other financial assets		(18,068,240)	34,000
Deferred payment for acquisition of control in companies		(180,000)	(1,763,000)
Cash flows used in investing activities	***(b)***	***(66,887,240)***	***(37,455,000)***
Cash flows from financing activities:			
Change in current and non-current financial liabilities		70,103,197	(19,933,292)
Purchase of treasury shares		(1,437,328)	-
Dividends paid		(114,000,000)	(88,200,000)
Cash flows used in financing activities	***(c)***	***(45,334,131)***	***(108,133,292)***
Aggregate cash flows	***(d=a+b+c)***	***49,764,953***	***(31,238,972)***
Net cash and cash equivalents at beginning of the period	***(e)***	***54,360,006***	***85,598,979***
Net cash and cash equivalents at end of the period	***(f=d+e)***	***104,124,959***	***54,360,006***

On November 6, 2017, Regulation EU no. 2017/1990 was issued which implemented at the EU level certain amendments to IAS 7 (Cash Flow Statement). For this purpose, please note that the liabilities arising from financing activities solely concern monetary movements. No change of this type was recorded in 2018.

EVENTS SUBSEQUENT TO DECEMBER 31, 2018

See the specific Note "Events subsequent to December 31, 2018" to the separate Financial Statements at 12.31.2018.

POSITIONS OR TRANSACTIONS DERIVING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS, NON RECURRENT SIGNIFICANT EVENTS AND OPERATIONS

Pursuant to the Consob communication No. DEM/6064293 of July 28, 2006, it is specified that during the financial year 2018 no atypical and/or unusual operations were carried out, and that no significant non-recurring events or operations (as defined by said Communication) occurred.

BUSINESS OUTLOOK FOR THE YEAR 2019[4]

The wireless infrastructure market continues to undergo a profound transformation process and there is a growing demand for services from mobile operators and other radio network players.

Mobile Operators need to increase their Service Access Points to expand their 4G coverage and prepare for the transition from 4G to 5G.

Wireless Fixed Access providers are also expanding their networks to extend coverage and improve the quality of service offered to customers.

Other radio players like IoT or Public Safety providers are already in the market and the entrance of new entities specialized in specific product/market segments is expected thanks to the new use cases enabled by 5G. These market dynamics, combined with the growing willingness of operators to share infrastructure, have driven INWIT to forecast additional growth in its traditional business and a sharp acceleration in new business.

(4) The chapter "Business outlook for the year 2019" contains forward-looking statements related to the Company's intentions, beliefs, or current expectations regarding the financial performance and other aspects of the Company's operations and strategies. Readers of this Report are reminded not to place undue reliance on such forward-looking statements, in that actual results may differ significantly from forecasts owing to numerous factors, the majority of which are beyond the Company's control.

MAIN RISKS AND UNCERTAINTIES

The business outlook for 2019 could be affected by risks and uncertainties caused by a multitude of factors, the majority of which are beyond INWIT's control.
The main risks concerning the business activities of the Company, which may impact, even significantly, on the ability to achieve the objectives set by the management, are presented below.

The risk factors concerning the Company

Risks associated with the concentration of the Company’s revenues on a limited number of customers

Due to the concentration of the Company's customers, any issues in commercial relations with key customers could result in significant adverse effects on its earnings, balance sheet, and financial position.
The main customers are TIM S.p.A., with which the Company entered into an MSA, and the two main MNOs in Italy other than TIM (Vodafone Omnitel B.V. and Wind Tre S.p.A.), with which the Company has signed hosting services agreements. With respect to these agreements it should be noted that there is no certainty that they will continue or that they will be renewed upon expiration. Furthermore, even in case of renewal there is no certainty that the Company may be able to obtain contractual conditions that are at least comparable to those of the agreements in effect.
At any rate, the relationships with the Company's Customers are governed by multi-year commercial agreements, which are renewed automatically. Specifically, pursuant to the MSA, TIM may not terminate the Agreement before the end of an initial 8-year term. Part of the increase in Tenants has been guaranteed by TIM pursuant to the aforementioned MSA (2,381 Tenants in the 2015-2018 period).
As part of its organizational processes, the Company has implemented a monitoring process for expiring agreements and is also focused on Complementary Businesses (Small Cell).
In addition to the above, as a result of the concentration of revenues, the Company is also potentially exposed to credit risk arising from the possibility that its trading partners are not capable or able to meet their obligations.
Any interruption of the relationships with key customers, inability to renew existing contracts upon expiration, or possible default by one of its commercial counterparts could have negative effects on the activities and on the income, balance sheet, and financial position of the Company.

Risks associated with the MSA

Given the importance of the agreement stipulated with TIM (MSA) in terms of the Company’s revenues, the latter’s balance sheet, income, and financial position could be adversely affected should TIM exercise the right to withdraw from the agreement or the option not to renew it, or should increases in the costs borne by the Company not be offset by the consideration due from TIM.
At any rate, pursuant to the MSA, TIM may not terminate the Agreement before the end of an initial 8-year term.

Risks associated with the outsourcing of some services

With respect to the *outsourcing* to TIM of maintenance services which the Company is required to provide under the MSA, it should be pointed out that any interruption in the relationships with the contractual parties, the inability to renew existing contracts upon expiration, or any default by one of the counterparties, could have negative effects on the activities and on the income, balance sheet, and financial position of the Company.

Risks related to management and coordination by TIM

The Company is part of the TIM Group and is subject to management and coordination by the latter in accordance with Articles 2497 and following of the Italian Civil Code. Without prejudice to the above, it should be noted that the Company can operate (i) in a condition of operational independence, to the extent appropriate to its status as a listed company and in compliance with the best practices followed by listed companies, and in any case with the rules of proper market functioning, through the revenues it generates from its customers and use of its own expertise, technology, and human and financial resources, and (ii) in a condition of broad managerial autonomy with respect to all operations (strategic planning, general management guidelines, extraordinary corporate transactions, communication of information, personnel and compensation policies, treasury transactions).

With specific reference to strategic planning, it is pointed out that the Company prepares its industrial plan in full autonomy and notifies it to TIM for the purpose of preparing the plan of the Group, to which INWIT belongs. TIM formulates guidelines, comments and observations that are not binding on the Company. Without prejudice to the above, it should be noted that in view of the commitments undertaken under the MSA, the Company is subject to certain operational constraints.

Risks associated with the Company's ability to block a takeover

In view of the interest held by its controlling shareholder TIM and the regulatory framework in which the Company operates, a takeover can be blocked.

Risks related to potential conflicts of interest by some of the Directors

This risk is related to potential conflicts of interest arising from the fact that some members of the Board of Directors hold positions in companies that are part of the chain of control of the Company.

Risks related to key personnel

Any interruption in the employment relationship between the Company and its key personnel could have an adverse effect on the Company's income, balance sheet, and financial situation.

The results achieved by the Company also depend on the contribution of certain individuals who hold significant positions within the Company and have significant experience in the industry in which the Company is engaged (including, specifically, the CEO, the Head of "Administration, Finance and Control and Business Support", the Head of "Marketing & Sales" and the Head of "Technology & Operations").

Risks associated with Related Party Transactions

The Company has engaged and is engaged in significant relations with TIM and with the senior management. These transactions have provided and provide, as appropriate, benefits arising from the use of shared services and skills, Group synergies and common financial policies which, in the opinion of the Company, are regulated by terms in line with market conditions. Nevertheless, there is no certainty that, if these transactions had been carried out with third parties, such parties would have negotiated and entered into the respective contracts, or performed the same transactions, at the same terms and conditions and in the same manner.

Risks related to the Company losing the authorization to conduct its activity

The activity carried out by the Company is subject to the issuance of special authorizations pursuant to the applicable regulations in effect.

In the event the general authorization is not renewed upon expiration or is revoked by the Ministry or the Authority should the Company fail to comply with the conditions and specific obligations provided for in the Electronic Communications Code, the Company would no longer be able to continue operating as a network operator for the installation and provision of Passive Infrastructure, which would result in significant adverse effects on its income, balance sheet, and financial situation.

Risks related to ownership of the rights to use the frequencies assigned to mobile network operators

The Company's activity is not linked to authorizations concerning the rights to use frequencies, which are held by mobile telephone operators on the basis of tender, awarding, and renewal procedures independently of the Company.

The Company's business depends on the ability of its mobile telephone operator customers to preserve their rights to use the frequencies and to renew the related authorizations. There is no certainty that in the long term, telephone operator customers will be able to retain ownership of the frequencies in relation to which the Company provides its services or that the frequencies currently held by such customers will be again allocated to them in the future.

Risks related to the contractual and administrative structure of the Sites

Given the importance of the Company's network infrastructure in the conduct of its business, any adverse events for such infrastructure could have negative effects on the income, balance sheet, and financial situation of the Company.

With regard to the Sites there is a risk that the lease, sublease and/or concession for use agreements are not renewed, the Company being thus obliged to restore the land to its original condition, or the risk that any renewals are not obtained on terms at least comparable to those in place, with negative impact on the profitability of Site operations and consequently on the financial position, earnings and cash flows of the Company.

Risks related to the Company's inability to implement its development strategy

In the event the Company is unable to successfully implement one or more of its development strategies, there may be negative effects on its activities and on its income, balance sheet, and financial situation. The Company's ability to increase its revenues and improve profitability also depends on the successful implementation of its strategy. The Company's strategy is based, among other things, on the following elements:

- leveraging the assets of existing Sites by maximizing the co-tenancy ratio;
- rationalization of operating costs;
- development of new services consistent with its core business;
- expansion of the number of Sites in line with developments in demand.

In addition, any future amendments to the legislation applicable to the industry in which the Company and/or the Company's customers operate, including specifically any imposition of stricter limits to EMC emissions, could have adverse effects on the activities and on the income, balance sheet, and financial situation of the Company.

Risks related to the Loan Agreement

The Loan Agreement signed on May 8, 2015 between the Company and UniCredit S.p.A., Mediobanca - Banca di Credito Finanziario - S.p.A. and Intesa Sanpaolo S.p.A. provides for a series of general commitments and positive and negative covenants undertaken by the Company, which, although in line with market practice for loans of similar amounts and nature, may restrict its operations. For additional information see Note 14 “Financial liabilities (current and non-current)” to the separate Financial Statements for the year ended December 31, 2018.

Risks related to costs for restoring the Sites and potentially inadequate provision for restoration costs

As part of its activity following decommissioning of the site, the Company must dismantle the infrastructure and restore the site to its original condition if this is envisaged by any legal or constructive obligation in the lease relating to the areas/buildings where the infrastructure is located. In this regard it should be noted that, as a rule, the leases provide for the Company’s obligation to dismantle and restore the site to its original condition. The valuation of the provision for restoration costs is affected both by the expected unit restoration costs and by the inflation/discount rates, which are beyond the Company's control and whose changes may adversely affect the income and balance sheet situation of the Company.

Without prejudice to the above, the provisions recognized in the Financial Statements at Monday, December 31, 2018 were considered adequate by the Company at the date of completion of this document.

Risks related to court and administrative proceedings and to potentially inadequate provisions.
Any adverse outcome in the principal legal proceedings in which the Company is involved, for amounts significantly higher than those for which provision has been made, could have negative effects on the Company's activities and on its income, balance sheet, and financial situation.
Without prejudice to the above, the provisions recognized in the Financial Statements at Monday, December 31, 2018 were considered adequate by the Company at the date of completion of this document.

Risk factors related to the industry in which the Company operates

Risks associated with the operation of existing sites, the identification of new sites suitable for the development of the Company's projects, and the issuance and/or revocation of administrative authorizations.
Any failure or delay in obtaining authorizations and permits for the Company, as well as their subsequent withdrawal, could lead to negative effects on the Company's operations and, consequently, on its income, balance sheet, and financial situation.

Risks related to the effects on infrastructure of natural disasters or other force majeure events
The proper operation of the infrastructure is essential for the Company's activity and to provide services to its customers. Although the Company believes that it has adequate insurance coverage in place to compensate any damage caused by natural disasters or other force majeure events, and has developed operating procedures to be followed should such events occur, any damage to part or all of the towers of the Company or, more generally, to its Sites, resulting from natural disasters or other force majeure events, could hamper or, in some cases, prevent the Company's normal operations and its ability to continue to provide services to its customers.

Risks related to the discontinuation of Site activities
The Company relies on infrastructure to provide its services and, more generally, to conduct its business; by its very nature, this infrastructure is subject to interruptions or other malfunctions caused, among other things, by prolonged power outages, security issues, or suppliers' defaults. Any network outage, access by unauthorized persons, and security breach or other failures of the Company's technical infrastructure or any actions taken in order to deal with or prevent them, could lead to significant additional costs for the Company, or prevent its operation, with possible negative effects on the Company's activities and on its income, balance sheet, and financial situation.

Risks related to technical and technological developments
The Company's inability to identify technical solutions capable of addressing market changes and future needs could have a negative impact on the income, balance sheet, and financial situation of the Company.

Risks related to increased competition
The Italian market is characterized by a limited number of national and international competitors in the business sectors in which the Company operates. It is possible that, considering the growth prospects of the industry, certain international or national operators that own towers and are already present in adjacent sectors, start activities in competition with the Company, by expanding their business, thereby increasing the level of competition in the industry; this would engender pressure on prices and declining margins. Such circumstances may affect the development plans of the Company, its pricing policy and its revenues, with negative effects on the activities and the income, balance sheet, and financial situation of the Company.

Risks related to environmental and health protection

The Company is subject to comprehensive regulation on the protection of the environment and human health at the national and EU level. Although the Company is committed to be constantly in compliance with the applicable legislation, any violations of applicable environmental laws may result in adverse effects on the income, balance sheet, and financial situation of the Company.

Risks associated with the reference regulatory framework in relation to the activities carried out by the Company's customers

The activities of Company's customers are subject to complex regulations at national and EU level, especially with regard to environmental and administrative matters; in this context, the numerous regulatory requirements imposed by the relevant authorities are very important due to the indirect impact that customers' non-compliances could have on the Company's activities. Specifically, mobile phone operators hosted at the Company's sites are subject to regulations aimed at protecting people and the environment from exposure to electromagnetic fields.

Any infringement of the legal and regulatory framework applicable to the Company's customers could have a negative impact on the income, balance sheet, and financial situation of the customers and, indirectly, of the Company.

Risks associated with the possible contraction of customer demand for the Company's services

The Company offers integrated hosting services to its customers, with the aim of covering the entire value chain of the hosting business, in accordance with the business model adopted: from pure leasing of the equipment all the way to the services supporting the operation and maintenance of such equipment. Any contraction of customer demand for the services provided by the Company, even when due to contingent reasons, could have a negative impact on the Company's income, balance sheet, and financial situation.

Risks related to global economic conditions

Any contraction of customer demand for the services provided by the Company, linked to the persistent global economic and financial crisis, could have a negative impact on the Company's income, balance sheet, and financial situation.

Risks related to the costs for the construction of the Passive Infrastructure

The development and implementation of the passive infrastructure requires the Company to incur capital expenditures. Any significant increase in the costs for the development and construction of the Company's Passive Infrastructure could have a negative impact on its income, balance sheet, and financial situation.

CORPORATE BODIES AT DECEMBER 31, 2018

BOARD OF DIRECTORS

On April 13, 2018, based on the Shareholders' Meeting resolutions, a new Board of Directors was appointed, consisting of 11 directors, and will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2020.

Also on April 13th the new Board of Directors appointed Stefano Siragusa Chairman of the Board of Directors and Giovanni Ferigo CEO and General Manager.

The Company's Board of Directors is now composed as follows:

Chairman	Stefano Siragusa
Chief Executive Officer and General Manager	Giovanni Ferigo
Directors	Francesca Balzani (Independent) Enrico Maria Bignami (Independent) Gigliola Bonino Laura Cavatorta (Independent) Mario Di Mauro Luca Aurelio Guarna (Independent) Agostino Nuzzolo Filomena Passeggio (Independent) Secondina Giulia Ravera (independent)
Secretary to the Board	Salvatore Lo Giudice (*)

(*): Rocco Ramondino was the secretary up to January 28, 2019.

All board members are domiciled for the positions they hold in INWIT at the registered office of the Company in Via G. Vasari 19.

The Board of Directors, which comprises a majority of independent directors, complies with the provisions contained in art. 16 of Consob Market Regulation and with the recommendations of the Corporate Governance Code issued by Borsa Italiana.

Also on April 13, 2018 the new Board of Directors renewed the Internal Committees.

Their composition is therefore the following:

- ***Control and Risk Committee:*** composed of the Directors: Luca Aurelio Guarna (Chairman), Francesca Balzani and Secondina Giulia Ravera
- ***Nomination and Remuneration Committee***: composed of the Directors: Filomena Passeggio (Chairman), Enrico Maria Bignami and Laura Cavatorta.

On May 10, 2018 the Board of Directors appointed the Director Enrico Maria Bignami Lead Independent Director.

On July 23, 2018 the Board of Directors resolved to set up a Strategic Committee, calling on the Chairman of the Board of Directors Stefano Siragusa, the Chief Executive Officer Giovanni Ferigo and the Directors Enrico Maria Bignami, Mario Di Mauro and Secondina Giulia Ravera to be its members

BOARD OF STATUTORY AUDITORS

The April 13, 2018 Shareholders' Meeting appointed the new Board of Statutory Auditors, which will remain in office until the Shareholders' Meeting called to approve the financial statements at December 31, 2020.

The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Stefano Sarubbi
Acting Auditors	Umberto La Commara
	Michela Zeme
Alternate Auditors	Roberto Cassader
	Elisa Menicucci

INDEPENDENT AUDITORS

The Shareholders' Meeting held on February 27, 2015 appointed the audit firm PricewaterhouseCoopers S.p.A. to audit the Company's financial statements for the nine-year period 2015-2023.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

The Board of Directors confirmed Rafael Giorgio Perrino (Administration, Control & Risk Management Manager of the Company) manager responsible for preparing the financial reports of INWIT during its meeting held on April 13, 2018.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

INWIT's internal control and risk management system is organized, and operates, in accordance with the principles and criteria set out in Borsa Italiana's Code of Corporate Governance. It is an integral part of the Company's general organizational framework and involves a number of actors who operate in a coordinated manner according to their respective responsibilities as follows: the Board of Directors is responsible for strategic guidance and supervision; the CEO and management are responsible for monitoring and managing the Company's operations; the Control and Risks Committee, and the Head of the Audit Function, have a monitoring role and lend support to the Board of Directors; and the Board of Statutory Auditors has a supervisory role.

In particular, the Internal Control and Risk Management system is composed of a series of rules, procedures and organizational structures designed to permit - through a process of identification, measurement, management and monitoring of the main risks - the sound, correct management of the Company in keeping with the provisions of the Company's **Code of Ethics** and **Code of Corporate Governance** (both of which may be consulted on the website www.inwit.it, Governance section) approved by the Board of Directors on February 27 , 2015, which allow exceptions to and/or supplement the framework of rules governing the duties and working of the Company's governing bodies, and on other matters refers to the Code of Corporate Governance drawn up by the Corporate Governance Committee of Borsa Italiana

The internal control system is completed by the “231 Organizational Model”, that is, an organizational and management model adopted pursuant to Italian Legislative Decree no. 231/2001, designed to prevent criminal offenses that may entail the Company's liability.

The Organizational Model of TIM, adopted by INWIT, is organized into:

- the **Code of Ethics** which ideally heads the entire corporate *governance* system and represents INWIT's charter of values for the ethical (that is, the transparent, correct and true) management of its business affairs. The Code of Ethics sets out, in particular, the nature of disclosure of business practices and affairs to the intended recipients of such information, namely: the members of the governing bodies, the management, those working for the Company. External contractors, consultants and third parties that conduct business relations with INWIT to the extent that the Company's procedural system provides for them, must comply with the Code of Ethics. As is the case with all of the Company's instruments of governance, the Code of Ethics is constantly monitored and checked in view of developments in the law, and in business and market practices, bearing in mind the results of monitoring by the Control and Governance functions of TIM.

- the “**rules of conduct**” consisting in specific rules governing relations with third parties, formalities and corporate activities;

- the “**internal control process charts**” describing the corporate processes at risk of commission of criminal offences, the corresponding criminal offences, the aspects of control, and guidelines aimed at preventing illegal conduct.

The Organizational Model takes into consideration those criminal offenses covered by Italian Legislative Decree 231/2001, except those considered not to be directly relevant to TIM.

The functions of Supervisory Body are assigned to the Board of Statutory Auditors, which as such monitors the operation and compliance with the Organizational Model, and reports to the Board of Directors in regard to monitoring and audit operations carried out, and the corresponding results of such.

INWIT's website features a specific section concerning the adopted 231 Organizational Model. (www.inwit.it, Governance Systems section).

The following company policies and procedures have been established and adopted:

- the **Anticorruption Policy** that constitutes the benchmark for the prevention of corrupt practices.

- the **Whistleblowing Procedure** which introduces a process designed to guarantee the receipt, analysis and management of reports of conduct suspected of infringing the Code of Ethics and Conduct and the 231 Organizational Model adopted by INWIT, the internal procedures, and any external regulations applicable to INWIT, together with reports from the Board of Statutory Auditors insofar as it is concerned.

- The **Procedure for transactions with related parties**, transactions with related parties are managed as part of the TRP procedures approved by the BoD on July 25, 2017 and the new procedure entered into effect on January 1, 2019, pursuant to the Regulation adopted by Consob with its resolution no. 17221/2010 as it was subsequently amended.

- the **Procedure for the internal management and public disclosure of insider information**, approved by the Board of Directors on February 27, 2015, in regard to the means of public disclosure of documents and information regarding the Company, with specific regard to insider information.

In accordance with the Company's Code of Corporate Governance, in exercising the Board of Directors' responsibility for the internal control and risk management system, the Board also avails itself of the services not only of the Internal Control and Risk Management Committee, but also of the head of the Audit Function, which enjoys its own organizational independence and has sufficient adequate resources to carry out its own activities. The Head of the Audit Function, Laura Trucco, is responsible for supporting the administrative and control bodies in verifying the adequacy, full operation and effective functioning of the risk management and control system, and consequently for proposing corrective measures in the event of anomalies or shortcomings.

The Head of the Audit Function also acts as guarantor in regard to compliance with the principles and values expressed in the Code of Ethics, by handling the reports received from employees, contractors, consultants, service providers and business partners of the Company, in regard to any violation of the law or regulations, of the Code itself, or of company procedures, and by promoting the most suitable actions as a consequence of such reports.

As permitted by the Company's Code of Corporate Governance, and as decided by the Board of Directors, subject to the opinion of the Control and Risks Committee, the Audit Function avails itself, through a specific Framework Agreement, of the services of a major audit firm, selected following a specific call for tenders, in order to carry out its own activities.

Furthermore, during the course of the financial year 2016 the Compliance and Regulations Function was established with the aim of strengthening the safeguards provided by the internal control system.

The **principal persons and bodies involved in the operation of the internal control system are:**

1. the **Board of Directors**, whose role it is to guide and periodically (annually) assess the system;

2. the **Executive Directors** (at present: the Chairman of the Board of Directors and the Chief Executive Officer), in their capacity as directors appointed to establish and maintain the system, in keeping with the guidelines established by the plenum of the Board of Directors;

3. the **Control and Risks Committee**, whose role it is to provide preliminary support to the Board of Directors in regard to the latter's duties concerning internal control and risk management;

4. the **Head of the Audit Function** who is accountable to the Board of Directors, and whose task it essentially is to monitor the operation and adequacy of the internal control and risk management system;

5. the **manager appointed** to draw up the Company's accounting documents, by the Board of Directors, who is responsible for establishing adequate administrative and accounting procedures for the formation of the interim and final financial statements, together with any other financial disclosures or reports.

6. the **Board of Statutory Auditors** which, borrowing an expression from the Stock Exchange Code, represents the head of the supervisory system. Together with the legal functions assigned to the Board of Statutory Auditors, the same Board also has the functions of supervisory body, pursuant to Italian Legislative Decree no. 231/2001, for the purposes of corporate self-governance.

INWIT'S PEOPLE

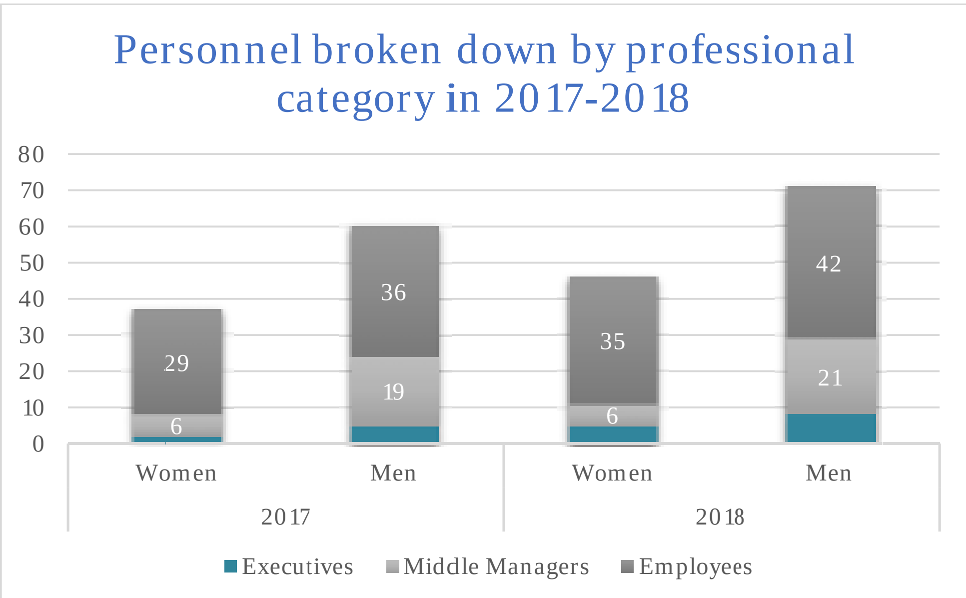
In a competitive scenario, where business, technology and consumption models are constantly undergoing radical change, the change required to meet the market challenge must include the valorization of employees and the development of their professionalism.
INWIT recognizes the centrality of human resources, respects workers' rights and safeguards their safety and health in the workplace, consistently with the Code of Ethics, adopted by all of the Companies in the Group and based on the UN's Global Compact, which health and safety, respect for rights, promotion of equal opportunities and professional development.
Management of labor relations in INWIT aims to favor equal opportunities and the professional development of each employee.

WORKFORCE

There were 117 employees at December 31, 2018. They can be subdivided into their respective categories, as follows:

(units)	*12.31.2018*	*12.31.2017*
Executives	13	7
Middle Managers	27	25
Employees	77	65
Total	***117***	***97***

The distribution of the workforce in gender terms is as follows:



The average entity of the workforce in the period in question was 103.25 employees (units), and can be sub-divided as follows:

average workforce	*2018*	*2017*
Executives	9.1	7.0
Middle Managers	26.5	22.3
Employees	67.7	62.8
Total	***103.3***	***92.1***

In 2018, INWIT continued the process of consolidation of activities, processes and organizational structure. In parallel, the workforce increased by 20 resources (balance between 22 entries and 2 exits). From the beginning of the activity (April 1, 2015), the workforce has grown by just over 67% (47 people)

The increase in the workforce was consistent with the evolution of the qualitative and quantitative requirements of the Company; the persons that were hired were all rigorously selected on the basis of the necessary skills; they come both from the TIM Group (15 hires) and from the external market (7 hires). 59% of the newly-hired employees are employed in the Marketing & Sales Function, while the remaining 41% have been assigned to Staff functions.

The growth in the workforce has been accompanied by a program of continuous training and skill development.

ORGANIZATION

In order to guarantee operations and the achievement of company targets, the Company adopted an organizational model that provides for the monitoring of the principal activities required for the management and development of the Company's business.

The organizational structure was reviewed in the second half of 2018 in order to set up a function dedicated entirely to marketing and sales. Further measures related to the staff departments, in particular the business support, legal and external communications areas. The following departments report to the CEO:

- Administration, Finance, Control and Business Support which is responsible for planning and control processes, administration, accounting and finance, preparing the financial statements, fiscal obligations, relations with investors and the financial community, and risk management. This department is also responsible for procurement, and manages business development initiatives;

- Legal, Corporate Affairs and Compliance, which protects the Company legally, by providing legal advice, assistance with preparing, negotiating and executing contracts, management of disputes and litigation. The Department also handles corporate affairs, provides support to the corporate bodies, manages the meetings of shareholders, fulfills the legal requirements with the financial markets regulators, and compliance activities;

- Human Resources, which assists business departments in reaching their objectives, through its people management and development, education, rewards and “people caring” policies, and implementing the organizational setups. The HR Department also supervises health, safety and accident prevention issues, industrial relations and organizational processes;

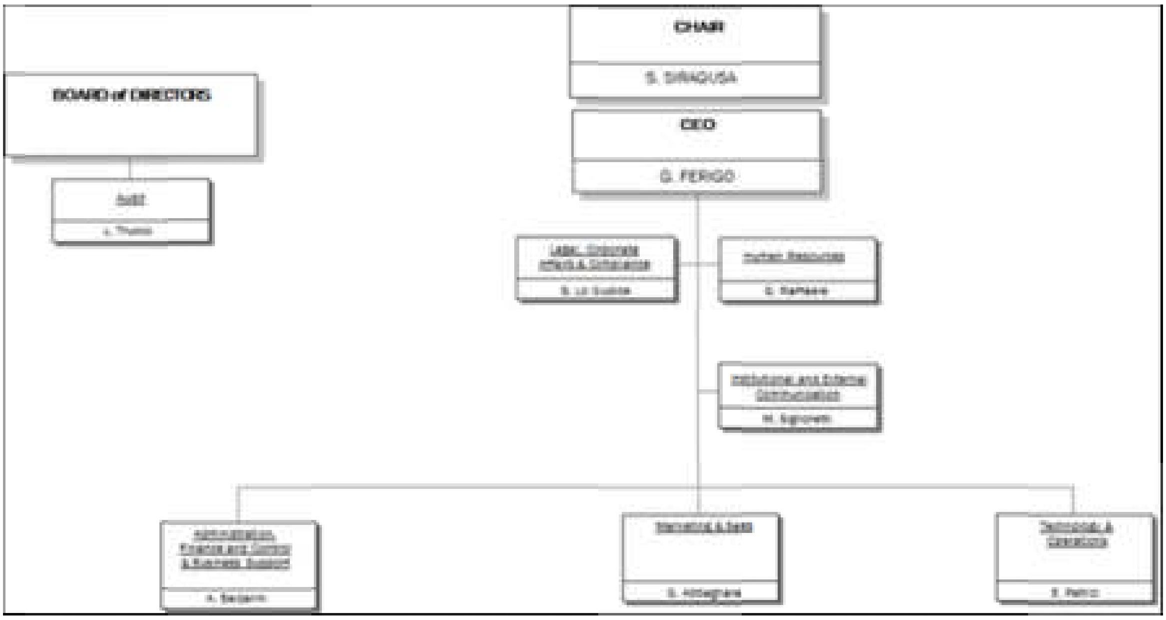
- Institutional and External Communication which is responsible for external relations and communications with the media, central and local institutional bodies;

- Marketing & Sales, which in collaboration with Technology & Operations, is responsible for setting the offers and pricing for traditional tower hosting services, and innovative services such as cellular micro coverage, backhauling and the Internet of Things. This department is also responsible for managing pre- and post-customer sales, also relying on business partners for the acquisition of locations and checking of coverage.

- Technology & Operations, which in collaboration with Marketing & Sales is responsible for technology scouting, enabling the development of new marketable services, the planning and realization of macro sites, the realization of cellular micro coverage and the maintenance and asset management of the company's sites and production assets. This department also optimizes leasing costs and carries out information technology activities.

The Audit function, which reports to the Board of Directors, defines the audit plans, carries out the planned and requested audits, prepares the audit reports and monitors the implementation of plans to improve the internal control system.

The organizational structure of INWIT is shown below (available at www.inwit.it).



Note: *On January 28, 2019, the CEO appointed Gabriele Abbagnara as the head of the Head of the Marketing & Sales Function and Salvatore Lo Giudice as Head of the Legal, Corporate Affairs & Compliance Function.*

ISO 9001:2015 CERTIFICATION

In support of the consolidation of business following the initial start-up period, in 2016 INWIT launched a project for the certification, in accordance with UNI EN ISO 9001:2015 standards, of the following process monitored by the Marketing & Sales and Technology Operations Functions "Supply of integrated services for hosting equipment for radio broadcasting, telecommunications, and television and radio signals broadcasting, and the associated activities of marketing, implementation and management of contracts entered into with customers and owners, routine and extraordinary maintenance, the construction of new sites and the disposal of existing sites".
The first Certification was granted in the first few months of 2017; in 2018, the scheduled annual audits by the Certifying Body were started and successfully completed. The activities supporting improvement continued throughout the year.

TRAINING

In 2018, a total of 3,014 hours of training were provided, online and in class, equivalent to an average of just over 25 hours per capita. Nearly all of INWIT's employees were involved in training courses. Newly hired colleagues attended a Company "induction" day during the year, totaling 98 hours.

MANAGEMENT TRAINING

During the year, approximately 1,280 hours of managerial training were provided. All employees were involved in an engagement process.

SPECIALIZED TRAINING

During the year, approximately 989 hours of specialized training were provided to employees, both in the classroom and digital mode. The topics addressed - related to the relevant working areas - concerned, for example: focus on mobile technologies; Specific training on products used, provided by suppliers; project management for function heads.

LANGUAGE TRAINING

During the year, 175 hours of linguistic training were provided on a "one-to-one" and "blended" basis, through the online platform. All employees are entitled to independently use the on line platform for studying the English language, which is available on the TIM Group intranet.

INSTITUTIONAL TRAINING

During 2018, approximately 472 hours of institutional training were provided, mainly covering occupational health and safety, Compliance and GDPR issues.

COMPENSATION

Remuneration policy is designed to help achieve business targets, promote the creation of value for shareholders, and constantly improve company performance. INWIT intends to establish a remuneration system in keeping with the Parent Company's guidelines, and with the market's best practices, by

strengthening the engagement of employees, and by acknowledging their vital role and professional contribution.
At the managerial level, action has been taken in regard to the short-term variable remuneration system reserved for all heads of recognized organizational units, on the basis of the economic/financial targets and quantitative targets set out in the Business Plan. Moreover, the LTI Plan was launched. It is restricted to the CEO, Key Managers and other managers who hold critical positions in the Company.
In support of the achievement of the key business targets - represented by a growth in revenue and the optimization of leasing costs - those resources operating throughout the country in regard to such processes have been the subject of canvassing operations.

HEALTH AND SAFETY PROTECTION

The Company considers the continuous improvement in its health and safety performance to be a key priority, and a factor of vital importance for the safeguarding of the health and safety of its own employees and of other workers.
In 2018, training continued on specific issues related to health and safety in the workplace. Formalization of the updating of the Risk Assessment Document, evaluation of work-related stress and formalization of a complex system of delegation for those with responsibility at the different levels of the organization continued.

WELFARE

INWIT has participated in the Welfare initiatives promoted by TIM for the benefit of all of the Group's companies, in the belief that economic and social sustainability depends first and foremost on the respect and care shown for those who work in the business.

The principal initiatives offered by INWIT during the course of 2018 were:

- crèches subject to special agreement;
- company loans;
- holidays for the children of employees;
- projects in the fields of sport, art, culture, entertainment and events.
- Check-ups for employees over the age of 45
- Transformation, in its entirety or partially, of the Performance Bonus into welfare services
- Adoption of “agile work”

OTHER MEASURES FOR THE BENEFIT OF EMPLOYEES

The ASSILT (Association for supplementary healthcare for TIM Group employees). financed by the Group's companies, by worker members and by pensioner members, continued to provide no-profit supplementary services to members and beneficiaries, in addition to those provided by the National Health Service. Such supplementary services include joint (with public healthcare facilities) healthcare studies, surveys and actions, both group and individual, together with the promotion of health education projects, aimed at safeguarding the physical well-being and health of members.

The ASSIDA reimburses executive managers for supplementary healthcare services (i.e. in addition to those provided by the National Health Service).

TELEMACO is the National Supplementary Pension Fund for employees of companies in the telecommunications industry. It was established in 1998 in the form of a no-profit association and has

been operative since 2000; the aim is to guarantee member employees the same standard of living at the moment they retire, thanks to the creation of a supplementary pension scheme in addition to the State one.
It is designed for the white-collar and blue-collar workers, and the management, of those companies that apply the national collective employment contract for the telecommunications industry, for full-time workers, apprentices and workers entering the labor market, as well as those persons dependent on employees who pay in to the Fund.

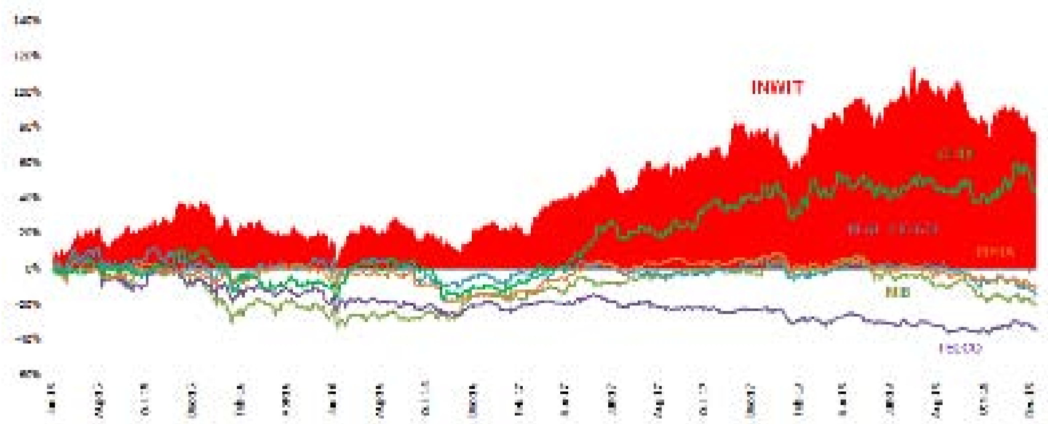
The CRALT (The TIM Group Employees' Social Club) organizes trips and holidays, together with sporting, cultural and recreational events, for the employees of Companies in the TIM Group. The CRALT also enables members and their families to purchase goods and services at discounted prices/tariffs, with the benefit of paying for such in installments, through the stipulation of special agreements with the suppliers of such goods and services. In this regard, of particular note is the convention regarding, and the corresponding contribution towards the cost of, the school and university text books of members' children, which constitutes a valuable aid to families' spending capacity.

SOLIDARITY

At Christmas time, INWIT made a donation to the Save the Children Fund.

INFORMATION FOR INVESTORS

Following completion of the Global Offering, on June 22, 2015, INWIT shares were listed on the MTA of Borsa Italiana at a price of 3.65 euro per share.
The following chart shows the performance of the stock in the period comprised between the start of trading and December 31, 2018.

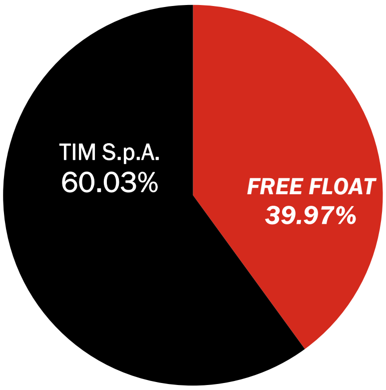


INWIT SHARE CAPITAL AT DECEMBER 31, 2018

Share capital	600,000,000 euros
Number of ordinary shares (without nominal value)	600,000,000
Market capitalization (based on average prices between 1/1/2018 and 31/12/2018)	3,792.4 million euros

SHAREHOLDERS

Shareholders' structure at December 31, 2018:



TREASURY SHARES

As indicated in the “Shareholders' Equity” section, page 18, on April 13, 2018, the Shareholders' Meeting of INWIT S.p.A. approved the Long Term Incentive Plan 2018 - 2020 (the "Plan") and authorized the Board of Directors to proceed with the purchase and disposal of Company, once or several times over a period of eighteen months from the date of the shareholders' meeting resolution, to service the implementation of the aforesaid stock incentive plan.

On November 15, 2018 222,118 treasury shares were purchased through Mediobanca - Banca di Credito Finanziario S.p.A. These shares represent 0.037% of the share capital used by INWIT to service the Long Term Incentive Plan 2018-2020.

The cash outlay was 1,437 thousand euros and the shares were purchased at an average market value of Euro 6.46 per share.

The shares are deposited in a securities account held by Inwit S.p.A. with Intesa Sanpaolo S.p.A.

The company does not hold shares of the Parent, not did it purchase or sell them, either directly or through trust companies or third parties.

WAIVER OF THE OBLIGATION TO PUBLISH DISCLOSURE DOCUMENTS FOR EXTRAORDINARY OPERATIONS

On February 27, 2015 the Board of Directors of INWIT resolved to adopt the opt-out regime provided by article 70 paragraph 8 and article 71, paragraph 1-bis of Issuers' Regulation and exercised the option to waive the obligations to publish disclosure documents required under Annex 3B of the aforementioned Regulation in the event of significant transactions.

RELATED PARTY TRANSACTIONS

Pursuant to Article 5, paragraph 8, of Consob Regulation no. 17221/2010 concerning “transactions with related parties” and to the subsequent Consob Resolution no. 17389/2010, in 2018 there were no transactions of major significance, as defined by Article 4, paragraph 1(a) of the aforementioned regulation, or any other transactions with related parties, that had any significant impact on the Company's financial position or results for the financial year 2018.

Related party transactions, when not dictated by specific laws, were usually conducted at arm's length; the transactions were subject to an internal procedure (available for consultation on the Company’s website at the following address: www.inwit.it, Governance section) which establishes procedures and time scales for verification and monitoring.

The information on related parties required by Consob Communication DEM/6064293 of July 28, 2006 is presented in the financial statements and in the Note “Related Parties” to the separate Financial Statements at December 31, 2018.

ALTERNATIVE PERFORMANCE MEASURES

In this Management Report at December 31, 2018 of the INWIT Company, in addition to the conventional financial performance measures established by IFRS, certain alternative performance measures are presented for purposes of a better understanding of the Company's trend of operations and financial condition. Such measures, which are also presented in other periodical financial reports (annual and interim) should, however, not be construed as a substitute for those required by IFRS.

The alternative performance measures used are described below:

- EBITDA: this financial indicator is used by the Company as a financial target in internal presentations (business plans) and in external presentations (to analysts and investors). It represents a useful unit of measurement to assess the Company's operating performance in addition to **EBIT**. These measures are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Financial expenses
-	Financial income
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Amortization and depreciation
EBITDA - Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets	

- ***Net Financial Debt ESMAand Net Financial Debt INWIT***: the Net Financial Debt ESMA of the Company is calculated in accordance with the provisions of paragraph 127 of the recommendations contained in ESMA document No. 319 of 2013, implementing Regulation (EC) 809/2004, as shown below:

A Cash
B Other cash equivalents
C Securities held for trading
D Liquidity (A + B + C)
E Current financial receivables
F Current financial payables
G Current portion of financial payables (medium/long-term)
H Other current financial payables
I Current financial debt (F+G+H)
J Net current financial debt (I+D+E)
K Medium/long term financial payables
L Bonds issued
M Other non-current financial payables
N Non-Current financial debt (K+L+M)
O Net financial debt (J+N)

To monitor the performance of its financial position, INWIT also uses "INWIT net financial debt" as a financial indicator; it is defined as the ESMA net financial debt less receivables and non-current financial assets, where applicable.

ESMA net financial debt
Other financial receivables and non-current financial assets (*)
INWIT Net financial debt

(*) This accounting item refers to loans granted to certain employees of the company.

- Operating Free Cash Flow: calculated as follows:

EBITDA
Capital expenditure
EBITDA - Capex
Change in trade receivables
Change in trade payables (*)
Other changes in operating receivables/payables
Change in provisions for employee benefits
Change in operating provisions and Other changes
Change in net operating working capital:
Operating free cash flow

(*) Except trade payables for investment activities

Separate financial Statements of Infrastrutture Wireless Italiane S.p.A. at December 31, 2018

This document has been translated into English for the convenience of the readers.
In the event of discrepancy, the Italian language version prevails

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STATEMENT OF FINANCIAL POSITION

Assets

(euro)	notes	12.31.2018	of which related parties	12.31.2017	of which related parties
Assets					
Non-current assets					
Intangible assets					
Goodwill	4)	1,411,770,320		1,411,770,320	
Intangible assets with a finite useful life	5)	40,568,644		26,548,916	
Tangible assets					
Property, plant and equipment	6)	254,891,760		222,336,325	
Leased assets	6)	325,198		-	
Other non-current assets					
Non-current financial assets	8)	218,020		200,878	
Miscellaneous receivables and other non-current assets	9)	21,672,284		19,493,560	
Deferred tax assets	23)	2,681,673		2,798,307	
Total Non-current assets		***1,732,127,899***		***1,683,148,306***	
Current assets					
Trade and miscellaneous receivables and other current assets	9)	78,176,586	*24,916,000*	73,280,611	*20,912,000*
Financial receivables and other current financial assets	8)	8,101,063	*8,001,000*	69,688	
Current securities and equity investments	7)	10,035,723		-	
Income tax receivables		1,186		-	
Cash and cash equivalents	10)	104,124,959	*12,965,000*	54,360,006	*10,065,000*
Total Current assets		***200,439,517***		***127,710,305***	
Total assets		***1,932,567,417***		***1,810,858,611***	

Equity and Liabilities

(euro)	notes	12.31.2018	of which related parties	12.31.2017	of which related parties
Equity	11)				
Share capital issued		*600,000,000*		*600,000,000*	
Minus: treasury shares		*(222,118)*		*-*	
Share capital		599,777,882		600,000,000	
Share premium reserve		660,000,000		660,000,000	
Legal reserve		120,000,000		120,000,000	
Other reserves		(931,704)		(37,603)	
Retained earnings (losses) including earnings (losses) for the period		169,459,128		142,698,232	
Total Equity		***1,548,305,306***		***1,522,660,629***	
Liabilities					
Non-current liabilities					
Employee benefits	12)	2,222,994		2,387,811	
Deferred tax liabilities		-		-	
Provisions for Risks and Charges	13)	99,111,084		97,268,838	
Non-current financial liabilities	14)	130,208,617	*70,000,000*	59,884,084	
Miscellaneous payables and other non-current liabilities	16)	7,003,942	*5,742,000*	2,426,158	*1,537,000*
Total Non-current liabilities		***238,546,637***		***161,966,891***	
Current liabilities					
Current financial liabilities	13)	40,359,035	*134,000*	40,178,370	
Trade and miscellaneous payables and other current liabilities	15)	104,561,706	*65,350,000*	84,420,058	*56,937,000*
Income tax payables		794,733		1,632,663	
Total current Liabilities		***145,715,474***		***126,231,091***	
Total liabilities		***384,262,111***		***288,197,981***	
Total Equity and Liabilities		***1,932,567,417***		***1,810,858,611***	

SEPARATE INCOME STATEMENT

(euro)	notes	***Financial Year 2018***	*of which related parties*	***Financial Year 2017***	*of which related parties*
Revenues	17)	378,472,164	*289,747,000*	356,595,997	*269,451,000*
Acquisition of goods and services	18)	(151,063,464)	*(29,340,000)*	(152,199,821)	*(30,384,000)*
Employee benefits expenses - Ordinary expenses	19)	(9,235,395)	*(1,408,000)*	(7,732,055)	*(1,222,000)*
Employee benefits expenses - Restructuring and rationalization expenses		(165,288)		(1,186,130)	
Other operating expenses	20)	(2,568,022)		(3,499,530)	*(114,000)*
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		***215,439,995***		***191,978,461***	
Amortization, gains/losses on disposals and impairment losses on non-current assets	21)	(15,189,939)		(12,763,399)	
Operating profit (loss) (EBIT)		***200,250,056***		***179,215,062***	
Financial income	22)	180,709	*2,000*	301,216	*145,000*
Financial expenses	22)	(4,145,484)	*358,000*	(4,009,849)	
Profit (loss) before tax		***196,285,281***		***175,506,429***	
Income taxes	23)	(55,524,386)		(48,765,655)	
Profit for the period		***140,760,895***		***126,740,774***	
Basic and Diluted Earnings Per Share	24)	0.235		0.211	

STATEMENT OF COMPREHENSIVE INCOME

(euros)		Financial Year 2018	Financial Year 2017
Profit for the period	*(a)*	***140,760,895***	***126,740,774***
Other items of the Statement of Comprehensive Income			
Other items that will not subsequently be reclassified in the Separate Income Statement		-	-
Remeasurements of employee defined benefit plans (IAS 19):			
Actuarial gains (losses)		57,872	70,209
Net fiscal impact		(13,889)	(16,850)
Total other items that will not subsequently be reclassified in the Separate Income Statement	*(b)*	***43,983***	***53,359***
Other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items of the Statement of Comprehensive Income	*(d=b+c)*	***43,983***	***53,359***
Total Comprehensive income for the period	*(e=a+d)*	***140,804,878***	***126,794,133***

CHANGES IN NET EQUITY

Changes in net equity from January 1, 2017 to December 31, 2017

(euro)	*Notes*	Share capital	Share premium reserve	Other reserves and earnings (losses) carried forward, including the result for the period	***Total Equity***
Amounts at January 1, 2017	***11)***	***600,000,000***	***660,000,000***	***224,066,497***	***1,484,066,497***
Total Comprehensive income for the period		-	-	126,794,133	126,794,133
Dividends approved		-	-	(88,200,000)	(88,200,000)
Other changes		-	-	-	-
Values at December 31, 2017	***11)***	***600,000,000***	***660,000,000***	***262,660,630***	***1,522,660,630***

Changes in net equity from January 1, 2018 to December 31, 2018

(euro)	*Notes*	Share capital	Reserve Treasury shares in excess of nominal value	Share premium reserve	Other reserves and earnings (losses) carried forward, including the result for the period	***Total Equity***
Amounts at January 1, 2018	***11)***	***600,000,000***	***-***	***660,000,000***	***262,660,630***	***1,522,660,630***
Total Comprehensive income for the period		-		-	140,804,878	140,804,878
Purchase of treasury shares		(222,118)	(1,215,210)	-	-	(1,437,328)
Dividends approved		-	-	-	(114,000,000)	(114,000,000)
Other changes		-	-	-	277,126	277,126
Values at December 31, 2018	***11)***	***599,777,882***	***(1,215,210)***	***660,000,000***	***289,742,634***	***1,548,305,306***

CASH FLOW STATEMENT

(euro)		Financial Year 2018	Financial Year 2017
Cash flows from operating activities:			
Profit for the period		140,760,896	126,740,774
Adjustments for:			
Depreciation and amortization, losses on disposals and impairment losses on non-current assets		15,189,939	12,763,399
Net change in deferred tax assets and liabilities		102,634	(1,584,473)
Change in provisions for employee benefits		18,805	1,071,714
Change in trade receivables		(8,223,155)	(15,275,961)
Change in trade payables		6,787,421	13,656,313
Net change in miscellaneous receivables/payables and other assets/liabilities		4,195,000	(25,043,000)
Other non-monetary changes		3,154,783	2,020,554
Cash flows from operating activities	***(a)***	***161,986,323***	***114,349,320***
Cash flows from investing activities:			
Total purchase of intangible and tangible assets on an accrual basis (*)		(62,214,000)	(55,375,000)
Change in amounts due to fixed asset suppliers		13,575,000	19,649,000
Total purchase of intangible and tangible assets on a cash basis		(48,639,000)	(35,726,000)
Change in financial receivables and other financial assets		(18,068,240)	34,000
Deferred payment for acquisition of control in companies		(180,000)	(1,763,000)
Cash flows used in investing activities	***(b)***	***(66,887,240)***	***(37,455,000)***
Cash flows from financing activities:			
Change in current and non-current financial liabilities		70,103,197	(19,933,292)
Purchase of treasury shares		(1,437,328)	-
Dividends paid (*)		(114,000,000)	(88,200,000)
Cash flows used in financing activities	***(c)***	***(45,334,131)***	***(108,133,292)***
Aggregate cash flows	***(d=a+b+c)***	***49,764,953***	***(31,238,972)***
Net cash and cash equivalents at beginning of the period	***(e)***	***54,360,006***	***85,598,979***
Net cash and cash equivalents at end of the period	***(f=d+e)***	***104,124,959***	***54,360,006***

(*) of which related parties:

(euro)	Financial Year 2018	Financial Year 2017
Total purchase of intangible and tangible assets on an accrual basis	14,674,000	18,874,000
Dividends paid	68,438,000	52,949,400

On November 6, 2017, Regulation EU no. 2017/1990 was issued which implemented at the EU level certain amendments to IAS 7 (Cash Flow Statement). For this purpose please note that the liabilities arising from financing activities solely concern monetary movements. No change of this type was recorded in 2018.

NOTE 1 - FORM, CONTENT, AND OTHER GENERAL INFORMATION

FORM AND CONTENT

These separate financial statements of Infrastrutture Wireless Italiane S.p.A. (hereinafter “INWIT”, or the “Company”) for the period from January 1, 2018 to December 31, 2018 (hereinafter the "Financial Statements at December 31, 2018”) were drawn up on the assumption of corporate continuity (for further details, see Note 2 “Accounting Standards”), in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (defined as the “IFRS”) and with the legal and regulatory provisions in force in Italy (in particular, the measures adopted in implementation of Section 9 of Italian Legislative Decree no. 38 of 28 February 2005).

INWIT was incorporated on January 14, 2015, is controlled by TIM S.p.A. (hereinafter also “**TIM**” or the “**Parent Company**”), is domiciled in Italy, with registered office at via Giorgio Vasari 19, Milan, and is organized in accordance with the laws of the Italian Republic.

The figures at December 31, 2018 are compared with the figures from the statement of financial position at December 31, 2017; The figures from the separate income statement and from the statement of comprehensive income are compared with the figures for the corresponding periods of the previous financial year. The financial reports and the reports on changes in net equity are compared with those for the corresponding periods of the previous financial year.

The Company's financial year-end is December 31.

The Financial Statements at December 31, 2018 were prepared in accordance with the general cost principle, except for the initial entering of financial assets and liabilities for which the application of the fair value principle is compulsory; also, they were prepared in units of Euro. The values expressed in the notes to these financial statements are expressed in thousands of Euro, unless otherwise indicated.

Publication of the Financial Statements at December 31, 2018 was approved by the Board of Directors' meeting on February 18, 2019.
The final approval of the separate financial statements of Infrastrutture Wireless Italiane S.p.A. rests with the Shareholders’ Meeting

FINANCIAL STATEMENT STRUCTURE

The structure of the Financial Statements is in keeping with that provided for by IAS 1; Specifically:

- the statement of financial position has been prepared by classifying assets and liabilities according to the "current and non-current" principle;
- the separate Income Statement has been prepared by classifying operating costs according to their nature, in that this method of reporting is deemed better capable of representing the Company's specific business, complies with internal reporting methods, and is in line with practices in the industrial sector in question.
  The Income Statement includes, in addition to EBIT (Operating Earnings), the alternative performance indicator called EBITDA (operating earnings before amortization, depreciation, gains/(losses), and Impairment reversals (losses) on non-current assets).
  Specifically, the Company utilizes EBITDA, in addition to EBIT, as a financial target in internal presentations (business plans) and external presentations (to analysts and investors); the indicator represents a useful unit of measurement for the evaluation of INWIT's operating performance.
  EBIT and EBITDA are calculated as follows:

Profit (loss) before tax from continuing operations	
+	Finance expenses
-	Finance income
+/-	Expenses (income) from investments
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Amortization and depreciation
EBITDA - Operating profit (loss) before depreciation and amortization, Capital gains (losses) and Impairment reversals (losses) on non-current assets	

- the Statement of Comprehensive Income includes, besides the earnings (losses) for the period, as per the separate income statement, the other changes in Net Equity other than those connected to transactions with Shareholders;
- the statement of Cash Flows was prepared by showing the cash flows deriving from operating activities in accordance with the "indirect method", as allowed by the IAS 7 (Statement of financial position).

Furthermore, as required by CONSOB resolution no. 15519 of 27 July 2006, in the case of the separate income statement, income and expenses deriving from transactions which by their very nature do not regularly occur during normal business transactions (non-recurring transactions), are specifically identified and the corresponding effects on the main results are reported separately when of a significant entity. Specifically, non-recurrent expenses/income include, for example: income/expenses deriving from the sale of properties, plants and machinery, business units and shareholdings; expenses deriving from corporate reorganization and rationalization processes/projects, including those connected to corporate transactions (mergers, demergers, etc.); expenses resulting from litigation and regulatory penalties, and to related liabilities; other provisions for risks and charges, and the corresponding write-offs; expenses for the settlement of disputes; impairment losses on goodwill and/or other intangible and tangible assets.

In regard, once again, to the aforementioned CONSOB resolution, the amounts of positions or transactions with related parties have been reported separately.

SEGMENT REPORTING

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed periodically by the top operating level of the entity (the Board of Directors for INWIT) in order to adopt decisions concerning the resources to be allocated and to assess the results; and
- for which discrete financial information is available.

The Company has identified only one operating segment (which also represents the level at which the goodwill is monitored by management and will be tested for impairment). Specifically, the management information note prepared and made available to the Board of Directors for the aforementioned purposes considers the business activity carried out by INWIT as a distinct entity; therefore, no information by segment is presented in the financial statements. The geographical area coincides almost entirely with the territory of Italy.

NOTE 2 - ACCOUNTING POLICES

The main accounting policies and the most significant valuation criteria utilized to write these financial statements are described briefly hereafter.

GOING CONCERN

The separate Financial Statements at December 31, 2018 have been prepared on a going concern basis as there is the reasonable expectation that the Company will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

INTANGIBLE ASSETS

Intangible assets are constituted by identifiable non-monetary items devoid of physical being, that are controllable and are designed to produce future economic benefits. Such items are initially reported at purchase and/or production cost, inclusive of those directly attributable costs incurred in preparing the asset for use. Any financial costs directly imputable to the acquisition, construction or production of an intangible asset requiring a prolonged period of time before it is ready for its intended use, or for sale, must be capitalized. Specifically, within the Company the following intangible assets may be identified:

Goodwill

Pursuant to IFRS 3 (Business Combinations), goodwill is recognized in the separate financial statements at the acquisition date (also through merger or contribution) of companies or business units and is determined as the difference between the consideration paid (measured according to IFRS 3 which is generally determined on the basis of fair value at the acquisition date) and the fair value at the acquisition date of identifiable assets acquired net of identifiable liabilities assumed.
Goodwill is classified in the statement of financial position as an intangible asset with an indefinite useful life, while any "gain deriving from a purchase at favorable prices (or negative goodwill)" is recorded in the separate income statement.

Intangible assets with a finite useful life

Intangible assets with a limited life, acquired or produced internally, are recorded as assets, in accordance with the provisions of IAS 38 (*Intangible Assets*), when it is likely that the use of the asset in question will generate future economic benefits, and when the cost of the asset may be calculated in a reliable way.
These assets are recorded at purchase or production cost and amortized on a straight-line basis over their estimated useful lives; the amortization rates are reviewed annually and are modified if the currently estimated useful life differs from that estimated beforehand. The effects of these modifications are accounted for in the separate income statement on the basis of future use.

TANGIBLE ASSETS

Owned property, plant and equipment are recorded at the cost of purchase or production. Those costs borne subsequent to purchase, are only capitalized if they result in an increase in the future economic benefits inherent in the good to which they refer. All other costs are posted in the separate income statement as they arise.
The cost of assets also includes the costs of disposal of the asset and of the restoration of the site when there is a legal or implied obligation to do so. The corresponding liability is recognized in a provision recognized under liabilities for risks and charges at current value; the imputation to the separate income statement of the capitalized charge, takes place during the course of the useful life of the corresponding tangible assets, by means of the amortization of such assets.
The redetermination of the estimates of demolition costs, of time-discounting rates, and of the dates on which these costs are expected to be borne, is carried out annually at each balance sheet date. The variations in the aforementioned liabilities must be recognized as an increase or a reduction in the cost of the corresponding asset; the amount deducted from the value of an asset must not exceed the book value of that asset. Any excess is immediately recorded in the separate income statement, by agreement, under Depreciation and Amortization.
Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. the amortization rates are reviewed annually and are modified if the currently estimated useful life differs from that estimated beforehand. The effects of these modifications are accounted for in the separate income statement on the basis of future use.
Land, including that related to buildings, is not depreciated.

REDUCTION IN THE VALUE OF INTANGIBLE AND TANGIBLE ASSETS

Goodwill

As previously indicated, goodwill is subject to an *Impairment Test* yearly, or more frequently if there are signs that the value of said goodwill may have fallen. The *Impairment Test* is conducted in regard to each unit generating cash flows ("*Cash Generating Units*", "CGU") to which goodwill has been assigned. Any reduction in the value of goodwill is recorded if the recoverable value of such is lower than its book value. Recoverable value means the greater of the following two amounts: the *fair value* of the CGU, net of disposal costs, and the corresponding use value, meaning the current value of the estimated cash flows for said asset. In calculating the use value, future cash flows are time discounted using a pre-tax discount rate that reflects current market values of the cost of money in relation to the investment period and the specific risks of the assets. In the event that the reduction in value resulting from the *impairment test* is greater than the goodwill value allocated to the CGU, the remaining excess shall be allocated to the assets comprising the CGU in proportion to their book value. The minimum amount of said allocation shall be the highest of the following:

- the fair value of the asset net of selling costs;
- the use value as defined above;
- zero.

the original value of goodwill cannot be restored if the grounds for its reduction no longer exist.

Tangible and intangible assets with a finite useful life

At each reporting date, a test is carried out to ascertain whether there are any signs that the value of the tangible and intangible assets with a finite useful life has declined. To this end, both internal and external sources of information are taken into consideration. As regards the former (internal sources), the following factors are considered: the obsolescence or wear and tear of the asset, any significant changes in the use of the asset, and the economic performance of the asset compared to expectations. As regards external sources, the following factors are considered: the market price trend of the assets, any technological, market or regulatory changes, market interest rate trends or trends in the cost of capital used to appraise investments.

Should the presence of such indicators be identified, the recoverable value of the aforesaid assets shall be estimated, and any depreciation compared to their book value shall be entered in the income statement. The recoverable value of an asset is represented by the greater of the following two amounts: its fair value, net of ancillary costs of sale, and the corresponding use value, meaning the current value of the estimated future cash flows for said asset. In calculating the use value, future cash flows are time discounted using a pre-tax discount rate that reflects current market values of the cost of money in relation to the investment period and the specific risks of the assets. In the case of an asset that does not generate separate cash flows, the recoverable value is calculated in relation to the *Cash Generating Unit* to which said asset belongs.

A loss in value is recorded in the income statement if the book value of the asset, or of the corresponding CGU to which the asset is allocated, is greater than its recoverable value. Reductions in the value of a CGU are imputed, firstly, to a reduction in the book value of any goodwill assigned to said CGU, and thus to the reduction in the value of the other assets, in proportion to their book value and within the limits of the corresponding recoverable value. If the grounds for a previous write-down no longer exist, then the book value of the asset is restored, and this is recorded in the income statement, within the limits of the net book value that the asset in question would have had if the write-down had not been performed, and the corresponding amortization had been carried out.

FINANCIAL INSTRUMENTS

Receivables and loans

The receivables and loans included among both the current assets and the non-current assets are initially recorded at *fair value* and subsequently valued at amortized cost.

Cash and cash equivalents

Cash and cash equivalents are recorded at either book value or at amortized cost, depending on their nature. Cash and cash equivalents represent short-term, highly liquid financial assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, the original maturity of which, at the time they were acquired, is no more than 3 months.

Change in the value of financial assets

At each reporting date, tests are carried out to ascertain whether there is any objective evidence that the value of a financial asset or group of assets has declined. If objective evidence of such exists, the reduction in value is recorded in the separate income statement for financial assets valued at cost or amortized cost.

Financial liabilities

Financial liabilities include financial debts and other financial liabilities. Pursuant to IAS 9, they also include trade debts and other debts of various kinds. Financial liabilities are initially recorded at *fair value* and are subsequently recorded at amortized cost.

EMPLOYEE BENEFITS

Provision for employee severance indemnities (TFR - *Fondo per il Trattamento di Fine Rapporto*)

the provision for severance indemnities due to employees under Article 2120 of the Italian Civil Code ("TFR"), falls within the so-called employee fixed benefit plans. In such plans, the amount of the benefit to be paid to the employee can only be quantified after termination of that employee's employment, and is linked to one or more factors, such as age, years of service and salary; thus, the corresponding charge is determined by means of an actuarial calculation. The liability recorded in the financial statements for fixed benefit plans corresponds to the current value of the liability at the date of the financial statements. Liabilities for fixed benefit plans are calculated annually by an independent actuary, using the *projected unit credit method*. Actuarial gains and losses deriving from changes in the actuarial assumptions, are imputed to the statement of comprehensive income.
As of January 1, 2007, the 2007 Finance Act and the corresponding implementing decrees, have introduced important changes to the way TFR is regulated, including the employee's choice of use of his/her own TFR as it falls due. Specifically, the new flows of TFR may be directed by the employee toward selected forms of pension plan or may be kept in the company. In the event that the employee decides to assign TFR to independent pension schemes, the company is only bound to make a contribution to the chosen pension fund, and starting from that date, the newly matured quotas shall take the form of fixed contribution plans not subject to actuarial assessment.

BENEFIT PLANS IN THE FORM OF EMPLOYEE STOCK OPTIONS

Employee stock option plans are recorded in accordance with IFRS 2 (Share-based payments). The value of the bonus shares that are to be assigned to those employees participating in the stock option plan is recorded in the separate income statement, with a net equity provision as an offsetting entry.

PROVISIONS FOR RISKS AND CHARGES

The Company records provisions for risks and charges when, in the presence of a current liability, either legal or implied, to third parties as the result of a past event, it is probable that funds will have to be used to meet the liability, and a reliable estimate of the entity of the liability itself will be called for when possible.
When the financial effect of the passing of time is significant, the payment dates of the liabilities are reliably estimable, the allocation is determined by time-discounting the expected cash flows calculated bearing in mind the risks associated with the liability; the increase in the provision related to the passage of time is reported in the separate income statement under "Financial charges".

REVENUES

Revenues represent the gross flows of economic benefits for the financial period, deriving from ordinary operations. Amounts collected on behalf of third parties such as sales taxes, goods and services taxes and value added taxes, are not economic benefits enjoyed by the Company, and do not result in an increase in net equity. For this reason, they are not included in Revenues. Revenues are only recorded when it is likely that the Company will receive economic benefits, and the entity of such benefits can be reliably calculated; they are represented net of discounts, allowances and returns.
In those cases when the Company acts as agent, or when the risks and benefits of a transaction are essentially borne by a third party, the revenues are recorded net of the corresponding share collected on behalf of the third party.

RECOGNITION OF COSTS

Costs are recorded in the income statement on an accrual basis.

The rental installments relating to operating leasing agreements, or those leases where the lessor essentially bears all the risks and receives all the benefits associated with ownership of the property, are recorded in the separate income statement on a straight-line basis during the years of the leasing agreement's duration.

FINANCE INCOME AND EXPENSES

Financial income and expenses are recognized on an accrual basis and include interest accrued on the related financial assets and liabilities using the effective interest rate method.

TAXES

Income taxes include the taxes calculated on the Company's taxable income. Deferred taxes are recorded according to the (*balance sheet liability method*). They are calculated on all temporary differences that emerge between the tax base of assets and liabilities, and the corresponding book values recorded in the Separate financial statements. Deferred tax assets resulting from unused tax losses that may be carried over, are recorded insofar as future taxable income is foreseeable against which such losses may be recovered. Tax assets and liabilities are offset separately for current taxes and deferred taxes, when incomes taxes are levied by the same tax authority, and there is legal entitlement to offsetting. Deferred tax assets and liabilities are calculated by adopting the tax rates that are foreseen to be applicable in the financial years in which the temporary differences cancel each other out.
The other taxes unrelated to income are included under "Other operating costs".

USE OF ACCOUNTING ESTIMATES

The preparation of the separate financial statements and related notes, in accordance with the IFRS, requires company management to make estimates and assumptions based also on subjective judgments, past experience and hypotheses considered reasonable and realistic in relation to the information known at the time of the estimate. Such estimates have an effect on the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the amount of revenues and costs during the period. Actual results could thus differ, even significantly, from such estimates owing to possible changes in the factors considered in the determination of such estimates. Estimates are reviewed periodically.

The most important accounting estimates, entailing a considerable use of subjective views and assumptions, are set out below.

Financial statement area	***Accounting estimates***
Reduction in value of goodwill	Verification of the reduction in value of goodwill is performed by comparing the book value of the cash generating units and their recoverable value; the later value is represented by the greater of fair value less sale costs, and the use value of the same unit. This complex evaluation process implies, among other things, the use of methods such as discounted cash flow with the related assumptions on the estimate of cash flows. The recoverable value depends significantly on the discount rate used in the time-discounted cash flows model, on the expected future cash flows, and on the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable value for the various cash-generating units, including a sensitivity analysis, are detailed in the Note "Goodwill".
Reduction in the value of intangible and tangible assets with finite useful life	At each balance sheet date, the company checks whether there are indications that both tangible and intangible assets with a finite useful life may have suffered impairment. To this end, both internal and external sources of information are taken into consideration. The identification of impairment indicators, the estimate of future cash flows and the determination of the fair value of each asset requires the Company's Management to make significant estimates and assumptions concerning the determination of the discount rate to be applied, the useful life and the residual value of the assets. These estimates can have a significant impact on the fair value of the assets and on the amount of any write-downs.
Capitalization / deferral of costs	The process of capitalization / deferral of internal and external costs is characterized by certain estimation / evaluation elements; in particular, the evaluation of: i) probability that the amount of capitalized costs will be recovered through the related future revenues; and ii) effective increase in future economic benefits inherent in the asset to which they refer.
Bad debt provision	The recoverability of receivables is assessed taking into account the risk of their non-collection, their age and losses on receivables recorded in the past for similar types of receivables.
Depreciation and Amortization	Changes in the economic conditions of the markets, technology and the competitive scenario could significantly affect the useful life of non-current tangible and intangible assets and may result in a difference in the timing of the amortization process and therefore in the amount of depreciation costs.
Appropriations, potential liabilities and employee provisions	As far as regards provisions related to the fund for recovery costs, the estimate of the future cost of dismantling the asset and restoring the Site, is a complex process requiring the evaluation of the liabilities deriving from dismantling and restoration obligations that are often not fully specified by law, administrative regulations or contractual clauses, and that in general are to be met over the course of several years. Provisions for judicial, arbitration and tax litigation are the result of a complex estimation process based on the probabilities of losing the cases in question. Allocations related to employee provisions, and in particular the provision for employee severance indemnities, are determined on the basis of actuarial assumptions changes in the aforesaid actuarial assumptions could have significant effects on these provisions.
Revenues	The recognition of revenues is influenced by specific contractual provisions with customers for the correct measurement of the items.
Income taxes (current and deferred)	Income taxes (current and deferred) are determined according to a prudent interpretation of the tax regulations in force. This process sometimes involves complex estimates in determining taxable income and temporary deductible and taxable differences between accounting and tax values. In particular, deferred tax assets are recognized insofar as future taxable income is foreseeable against which such losses may be recovered. The assessment of the recoverability of deferred tax assets, recognized in relation both to tax losses that may be used in subsequent years and to temporary deductible differences, takes into account the estimate of future taxable income and is based on prudent tax planning.

NEW STANDARDS AND INTERPRETATIONS INCORPORATED BY THE EU AND IN EFFECT SINCE JANUARY 1, 2018

Pursuant to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in effect since January 1, 2018 are indicated and briefly described hereafter.

IFRS 15 (Revenue from contracts with customers)

On September 22, 2016, Regulation EU no. 2016/1905 was issued which implemented IFRS 15 at the EU level (Revenues from contracts with customers) and related amendments. Furthermore, on October 31, 2017, Regulation EU no. 2017/1987 was issued which implemented the *Clarifications to IFRS 15*.
IFRS 15 replaces the standards that regulate the recognition of revenues, i.e. IAS 18 (*Revenues*), IAS 11 (*Contract work in progress*) and the related interpretations on the recognition of revenues (IFRIC 13 *Customer loyalty programs*, IFRIC 15 *Agreements for the construction of buildings*, IFRIC 18 *Sales of assets by customers* and SIC 31 *Revenues - Barter transactions including advertising activities*).

The total net impact (including tax effects) deriving from the adoption of IFRS 15 on the Company's shareholders' equity at January 1, 2018 (transition date) did not have any effect.

The adoption of this standard had no impact on the Financial Statements at December 31, 2018.

IFRS 9 (Financial Instruments)

The adoption of this standard had no significant effects on the Financial Statements at December 31, 2018.

The total net impact (including tax effects) deriving from the adoption of IFRS 9 on the Company's shareholders' equity at January 1, 2018 (transition date) did not have any effect.

With reference to IFRS 9, INWIT Management defines the business models for the financial assets (other than the trade receivables) based on the logics of utilization of the liquidity and on the financial instrument management techniques.

More specifically, the Business Models adopted are:

- Hold to collect: concerning financial instruments: i) used to absorb the temporary cash surpluses and to guarantee adequate market yield; ii) distinguished by their low risk level; iii) mainly held to maturity;
- Hold to collect and sell: concerning financial instruments: i) used to absorb the short/medium-term cash surpluses; ii) belonging to the category of monetary instruments (government securities) distinguished by a low risk level; iii) usually held to maturity or sold when certain events occur, such as the occurrence of a specific liquidity need.

Moreover, as part of its management of trade credit, Management pursues optimization of working capital management by continuously monitoring the collection from customers performance. In particular, INWIT adopts the "Hold to collect" model in managing trade receivables since they are generally receivables for supplied services, distinguished by a low risk level (about 53% from the Parent Company TIM) and held to maturity. For these receivables, INWIT adopts the simplified model that calls for measuring the *Expected Credit Loss* on the entire useful life of the credit.

Amendments to IFRS 2 (Share-based payments)

On February 26, 2018 Regulation EU no. 2018/289 was issued which implemented several amendments to IFRS 2 - Share-based payments. These amendments concern:

- the methods for calculating the fair value of cash-settled share-based payment transactions at the valuation date (i.e. on the date of assignment, at the closing date of each accounting period and at the settlement date) which must be carried out taking into account the market conditions (e.g. a share price target) and conditions other than maturity;
- the accounting treatment of equity-settled share-based payment transactions in which the entity acts as a withholding agent for employee tax liabilities (withholding tax);
- the accounting of changes to the terms and conditions that determine the change in classification from "cash-settled" share-based payments to "equity-settled" share-based payments”.

The adoption of these amendments had no impact on the Financial Statements at December 31, 2018.

Improvements to the IFRS (2014–2016 cycle)

On February 7, 2018 Regulation EU no. 2018/182 was issued which implemented several amendments to IAS 28 - Investments in associates and joint ventures.

Changes in allocation of real estate investments - Amendments to IAS 40

On March 14, 2018 Regulation EU no. 2018/400 was issued which implemented several amendments to IFRS 40 - Real estate investments.

IFRIC 22 - Transactions in foreign currency with advance payment / deposit received

On March 28, 2018 Regulation EU no. 2018/519 was issued which implemented Interpretation IFRIC 22 "Transactions in foreign currency with advance payment/deposit received".

The adoption of these amendments/interpretations had no impact on the financial statements at December 31, 2018.

NEW STANDARDS AND INTERPRETATIONS ISSUED BY THE IASB BUT NOT YET APPLICABLE

At the date of these financial statements, the following Standards/Interpretations have been issued by the IASB but are still not applicable.

	Mandatory application starting from
New Standards/Interpretations incorporated by the EU	
IFRS 16 (Leasing)	1/1/2019
Amendments to IFRS 9: Prepayment features with negative compensation	1/1/2019
New Standards/Interpretations not yet incorporated by the EU	
IFRIC 23 – Uncertainty on the treatment of income taxes	1/1/2019
Amendments to IAS 28: Long-term interests in investments in associates and joint ventures	1/1/2019
Improvements to the IFRS (2015–2017 cycle)	1/1/2019
Amendments to IAS 19: Plan amendment, curtailment or settlement	1/1/2019
Amendments to the references to the "Conceptual Framework" in the IFRS	1/1/2020
IFRS 17: Insurance contracts	1/1/2021

IFRS 16 (Leases)

On October 31, 2017, Regulation EU no. 2017/1986 was issued which implemented IFRS 16 (Leases) at the EU level. IFRS 16 replaces IAS 17 (Leases) and the corresponding interpretations (IFRIC 4 Determine whether an arrangement contains a lease; SIC 15 Operating Leases—Incentives; SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease). IFRS 16 is effective from January 1, 2019.

For leases, the new standard provides, save for limited exceptions, that the right of use be recognized under intangible assets, against the financial liability which consists of the current value of future lease payments.

Upon first adoption, for leases previously classified pursuant to IAS 17 as operating leases, the company intends to apply the simplified retrospective approach, recognizing the financial liability for leases and the corresponding value of the right of use measured on the basis of the remaining lease instalments on the transition date.

Contracts that fall under the scope of application of IFRS 16 mainly involve leases of the sites housing the company's infrastructures.

The Company will adopt the following options insofar as the options and exemptions afforded by IFRS 16:

– IFRS 16 is not generally applicable to intangible assets, short term contracts (i.e. those with a duration of less than 12 months) or if the unit value is low;
– the right of use and the financial liabilities that are relative to the leases are classified under specific items of the statement of financial position;
– contracts with similar features are measured using a single discount rate;
– Leases that had previously been measured as financial leases pursuant to IAS 17 will retain the previously recognized values.

The main impacts on the Company's financial statements, still undergoing quantification, can be summarized as follows:

– Statements of Financial Position: greater non-current assets, as a result of the recording of the "right of use of the leased asset" offsetting greater financial abilities of approximately 688 million euros.
– Separate income statement: different nature, qualification and classification of expenses (amortization of the "right of use of the asset" and "financial charges for interest" compared to "Costs for use of third-

party assets - operating lease payments", as per IAS 17). On a like-for-like basis for the contract portfolio (and related installments) in place at January 1, 2019, the estimated increase in EBITDA in 2019 would be approximately 127 million euros.
Furthermore, the combination of the straight-line amortization of "right of use of asset" and the effective interest rate method applied to lease-related debts, entails, compared to IAS 17, results in a different time distribution of the lease, with higher costs in the income statement during the early years of the lease contract, and falling costs during the later years thereof.

– Cash flow statement: the lease instalments, insofar as the principal portion of debt repayment, will be reclassified from "cash flow from operating assets to “cash flow from financing activities “.

The process of implementing the new accounting standard involves significant updates and changes to IT systems, the modification and updating of control and compliance models and the related processes. The impacts are based on the results of the analyses at the date of preparation of these financial statements and may change as the implementation process is still ongoing.

NOTE 3 - FINANCIAL RISK MANAGEMENT

During its everyday operations, the Company may be exposed to the following financial risks:

- market risk: deriving from exposure to the fluctuation of rates, linked to the financial assets generated and to the financial liabilities assumed;
- credit risk: representing the risk of non-fulfillment of obligations undertaken by the counterparty with regard to the Company's liquidity investments;
- liquidity risk: connected with the need to meet short-term financial commitments.

MARKET RISK

The market risk consists in the possibility that changes of the interest and exchange rates or of the rating of the counterparts with which liquidity is utilized, could impact negatively on the value of the assets, liabilities, or expected cash flows.

Interest rate risk

At December 31, 2018 the Company's financial debts were:

- 60 million euros for the financial debt deriving from the loan agreement stipulated with Mediobanca – Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A.;
- the financial debt from the TI Finance loan agreement of 70 million euros;
- the 40 million euros bank debt from the loan agreement with Banca Popolare di Sondrio

which bear interest at a fixed rate.

The Company therefore does not need derivative contracts to mitigate the risk arising from interest rate fluctuations.

Exchange rate risk

The Company operates exclusively in Euros; therefore, it is not exposed to exchange rate risk.

CREDIT RISK

The Company's exposure to credit risk consists of the potential losses that could derive from the failure of the counterparts, both commercial and financial, to fulfill the obligations undertaken. Such exposure mainly stems from general economic and financial factors, the potential occurrence of specific insolvency situations of some borrowers and other more strictly technical-commercial or administrative factors. The maximum theoretical exposure of the Company to credit risk is the book value of the financial assets and trade receivables recorded in the financial statements.

The Company's main customer is TIM, which, during the reference period of these financial statements, generated revenues of 288,853 thousand euro (equal to 76.30% of total revenues at December 31, 2018.) The other customers of the Company are the leading national mobile operators with which the Company has entered into multi-year contracts to provide hosting services.

Therefore, the Company is exposed to the risk of concentration of revenues and to credit risk arising from the possibility that its commercial counterparts are not capable or able to meet their obligations. The possible default by one of its commercial counterparts could involve negative effects on the income, balance sheet, and financial situation of the Company. With regard to counterparty risk, formalized procedures to valuate and assess the reliability of commercial partners are adopted to manage the credit.

LIQUIDITY RISK

To meet its liquidity needs the company has available a revolving credit line of 40 million euros granted in May 2015 by Mediobanca – Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A.. It is available until May 8, 2020 and can be used for working capital and to cover general cash requirements. At December 31, 2018, this credit line was completely unused and is therefore fully available to the company.

ASSETS AND LIABILITIES BY CATEGORY

For the purpose of providing information to allow a comparison between the book value and fair value of the financial instruments (required by IFRS 7), it is pointed out that the following assumptions were made to determine the fair value:

- for variable-rate loans: the nominal repayment amount has been assumed;
- for trade payables and receivables and for current financial assets and liabilities, it is believed that their book value is a reasonable approximation of their fair value.

The table below shows the assets and liabilities at December 31, 2018 on the basis of the categories provided for by IAS 9.

Carrying amount for each IFRS 9 class of financial asset/liability at December 31, 2018

(thousands of euro)	notes	12.31.2018	Amounts recognized in the financial statements pursuant to IFRS 9			
			Amortized cost	Cost	Fair value recognized in equity	Fair value recognized in the income statement
ASSETS						
Non-current assets						
Non-current financial assets						
of which loans and receivables		218	*218*			
	(a)	***218***	***218***			
Current assets						
Trade and miscellaneous receivables and other current assets						
of which loans and receivables		49,484	*49,484*			
Financial receivables and other current financial assets						
of which loans and receivables		8,101	*8,101*			
Securities other than equity investments		10,036			*10,036*	
Cash and cash equivalents		104,125	*104,125*			
	(b)	***171,746***	***161,710***		***10,036***	
Total	*(a+b)*	***171,964***	***161,928***		***10,036***	
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities						
of which liabilities at amortized cost		130,209	*130,209*			
	(c)	***130,209***	***130,209***			
Current liabilities						
Current financial liabilities						
of which liabilities at amortized cost		40,359	*40,359*			
Trade and miscellaneous payables and other current liabilities						
of which liabilities at amortized cost		87,381	*87,381*			
	(d)	***127,740***	***127,740***			
Total	*(c+d)*	***257,949***	***257,949***			

NOTE 4 – GOODWILL

At December 31, 2018, goodwill totaled 1,411,770 thousand euros, unchanged compared to December 31, 2017.

(thousands of euro)	12.31.2016	Other changes	12.31.2017
Goodwill	1,411,770	-	1,411,770
Total	***1,411,770***	-	***1,411,770***

(thousands of euro)	12.31.2017	Other changes	12.31.2018
Goodwill	1,411,770	-	1,411,770
Total	***1,411,770***	-	***1,411,770***

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment at least annually or more frequently if specific events or circumstances arise leading to the presumption of such impairment.

For impairment testing purposes, goodwill is allocated to CGUs, or groups of CGUs, in accordance with the maximum aggregation threshold, which may not exceed the business sector identified for the purposes of IFRS 8. Goodwill is allocated to the Integrated Management of the Sites, which is the main sector of activity in which the Company operates and is considered the minimum level at which goodwill is monitored for internal control purposes.
The impairment test consists of comparing the recoverable value of the Cash Generating Units - CGU to which the goodwill has been allocated, with the carrying amount of their operating assets including goodwill. The recoverable value is the greater of the following: the use value (current value of expected earnings) and the fair value less costs of disposal.

The configuration of the value used to determine the recoverable value is the fair value less costs of disposal and is based on the stock market capitalization of the Company, appropriately adjusted to determine the fair value of the CGU to which the goodwill is allocated. The impairment test conducted on December 31, 2018, failed to reveal any impairment loss, since the recoverable value of the CGU was much greater than its book value.

The difference between the fair value and the corresponding net book value at December 31, 2018, is as follows:

(millions of euro)	
Difference between use values and book values	+2.031

With regard to the results of the sensitivity analyses, the variation required in order to render the recoverable value equal to the book value, is -56.70% of the share's value, that is, € 2.54 per ordinary share.

NOTE 5 – INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Compared to December 31, 2017, these have increased in value by 14,021 thousand euro, and are characterized by the following composition and variation:

(thousands of euro)	12.31.2016	Additions	Disposals	Amortization and depreciation	Other changes	12.31.2017
Patent rights and utilization of intellectual property	1,793	284	-	(1,227)	408	1,258
Other intangible assets	8,806	7,981	-	(577)	1,400	17,610
Irrevocable rights of use	-	572	-	(6)		566
Intangible assets under development and advances	2,864	6,034	-	-	(1,784)	7,114
Total	***13,463***	***14,871***	***-***	***(1,810)***	***24***	***26,548***

(thousands of euro)	12.31.2017	Additions	Disposals	Amortization and depreciation	Other changes	12.31.2018
Patent rights and utilization of intellectual property	1,258	502	-	(1,017)	913	1,656
Other intangible assets	17,610	8,720	-	(1,216)	4,207	29,321
Irrevocable rights of use	566	1,489	-	(63)		1,992
Intangible assets under development and advances	7,114	5,450	-	-	(4,964)	7,600
Total	***26,548***	***16,161***	***-***	***(2,296)***	***156***	***40,569***

Investments for the period of 16,161 thousand euros mainly refer to the purchase of land usage rights (11,807 thousand euros) and IRU to TIM for Backhauling (1,489 thousand euros).

NOTE 6 – TANGIBLE ASSETS (OWNED OR LEASED)

PROPERTY, PLANT AND EQUIPMENT, OWNED

Compared to December 31, 2017, these have increased in value by 32,555 thousand euros, and are characterized by the following composition and variation:

(thousands of euro)	*31.12.2016*	Additions	Disposals	Amortization and depreciation	Other changes	*12.31.2017*
Land	10,935	5,041	-	-	2,904	18,880
Plant and equipment	168,741	15,049	(350)	(10,567)	(843)	172,030
Manufacturing and distribution equipment	17	8	-	(4)	-	21
Other goods	598	9	-	(120)	-	487
Construction in progress and advance payments	12,737	20,397	-	-	(2,215)	30,919
Total	***193,028***	***40,504***	***(350)***	***(10,691)***	***(154)***	***222,337***

(thousands of euro)	*12.31.2017*	Additions	Disposals	Amortization and depreciation	Other changes	*12.31.2018*
Land	18,880	5,948	-	-	1,431	26,259
Plant and equipment	172,030	13,551	(781)	(11,807)	14,270	187,263
Manufacturing and distribution equipment	21	-	-	(5)	-	16
Other goods	487	16	-	(143)	89	449
Construction in progress and advance payments	30,919	26,136	(81)	-	(16,069)	40,905
Total	***222,337***	***45,651***	***(862)***	***(11,955)***	***(279)***	***254,892***

Investments made in the reporting period, amounting to 45,651 thousand euros, mainly refer to the purchase of land for 5,948 thousand euros, to the development of new sites for 13,028 thousand euros, to extraordinary maintenance of sites for 3,690 thousand euros, and to the development of Small Cells for 15,597 thousand euros.

During the period disposals of Sites amounted to 781 thousand euro.

The other changes include mainly the reclassification to the item "Land" of the advances paid in the previous periods, once the property transfer was completed.

The gross value and the accumulated depreciation at December 31, 2017 and at December 31, 2018, are detailed as follows:

(thousands of euro)	*Gross Value at 12.31.2017*	Accumulated impairment losses	Depreciation Provision	*Net Value at 12.31.2017*
Land	18,880	-	-	18,880
Plant and equipment	1,007,845	(601)	(835,214)	172,030
Manufacturing and distribution equipment	25	-	(4)	21
Other goods	656	-	(169)	487
Construction in progress and advance payments	30,919	-	-	30,919
Total	*1,058,325*	*(601)*	*(835,387)*	*222,337*

(thousands of euro)	*Gross Value at 12.31. 2018*	Accumulated impairment losses	Depreciation Provision	*Net Value at 12.31.2018*
Land	26,258	-	-	26,258
Plant and equipment	1,028,830	(562)	(841,004)	187,263
Manufacturing and distribution equipment	25	-	(9)	16
Other goods	761	-	(312)	449
Construction in progress and advance payments	40,905	-	-	40,905
Total	*1,096,779*	*(562)*	*(841,325)*	*254,892*

The property, plant, and equipment are not subject to liens, mortgages, or other charges.

LEASED ASSETS

The item is detailed in the following table:

(thousands of euro)	*12.31.2017*	Changes to financial leases	Additions	Amortization and depreciation	Other changes	*12.31.2018*
Other leased assets	-	402	-	(77)	-	325
Total	*-*	*402*	*-*	*(77)*	*-*	*325*

The item **other leased assets** reflects the effects of the change in the leases for 36 automobiles, which are recognized as financial leases.

The gross carrying amounts and accumulated depreciation at December 31, 2018 are detailed as follows:

(thousands of euro)	Gross Value at 12.31.2018	Accumulated impairment losses	Depreciation Provision	Net Value at 12.31.2018
Other leased assets	402	-	(77)	325
Total	***402***	***-***	***(77)***	***325***

NOTE 7 - CURRENT SECURITIES AND EQUITY INVESTMENTS

Current securities and equity investments amounted total 10,036 thousand euros and mainly comprise Italian government securities which are traded on an active reference market and are therefore easily liquidated. These investment forms represent an alternative to liquidity and the objective is to improve the return.

NOTE 8 – FINANCIAL LIABILITIES (NON-CURRENT AND CURRENT)

The item is detailed in the following table:

(thousands of euro)		12.31.2018	12.31.2017
Financial receivables (medium/long-term):			
Multi-year loans to employees		218	201
Total non-current financial assets	*(a)*	***218***	***201***
Financial receivables (short-term):			
Multi-year loans to employees		83	70
Financial receivables from companies that belong to the TIM Group		8,001	-
Prepaid expenses		17	-
Total current financial assets	*(b)*	***8,101***	***70***
Total financial assets	*(a+b)*	***8,319***	***271***

Medium/long-term and short-term financial assets refer to the residual amount due on loans granted to employees.

The financial assets from Group companies refer to a term deposit with TI Finance (8,001 thousand euros) which, due to its duration, cannot be included under Cash and cash equivalents described under Note 10.

NOTE 9 – TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER ASSETS (NON CURRENT AND CURRENT)

The item "Trade and miscellaneous receivables and other current and non-current assets" is detailed in the following table:

(thousands of euro)		12.31.2017	*of which IFRS 9 Financial Instruments*	Other changes during the period	12.31.2018	*of which financial instruments IFRS 9*
Miscellaneous receivables and other non-current assets						
Prepaid expenses		19,494	-	2,178	21,672	-
	(a)	***19,494***	-	***2,178***	***21,672***	-
Trade receivables						
Receivables from customers		26,311	*26,311*	1,908	28,219	*28,219*
Receivables from the Parent Company		14,950	*14,950*	6,315	21,265	*21,265*
	(b)	***41,261***	***41,261***	***8,223***	***49,484***	***49,484***
Miscellaneous receivables and other current assets						
Other receivables		2,618	-	(1,554)	1,064	-
Receivables and Prepaid Expenses from the Parent Company		5,821	-	(2,281)	3,540	-
Prepaid expenses		23,580	-	508	24,088	-
	(c)	***32,019***	-	***(3,327)***	***28,692***	-
Total	*(a+b+c)*	***92,774***	***41,261***	***7,074***	***99,848***	***49,484***

Receivables from customers relate to hosting services.

Receivables from Parent Company mainly refer to the recovery of costs for services provided.

Non-current and current prepaid expenses refer to rents paid in advance for the lease of land and buildings on /in which the Passive Infrastructures are located. The long-term portion of these prepaid expenses is recorded as "Miscellaneous receivables and other non-current assets".

The **Receivables and Prepaid Expenses from the Parent Company** mainly refer to Group VAT receivables.

The book value of trade and miscellaneous receivables and other current and non-current assets is considered a reasonable approximation of their respective fair value.

NOTE 10 – CASH AND CASH EQUIVALENTS

At December 31, 2018, this item amounted to 104,125 thousand euros, and was composed as follows:

(thousands of euro)	*12.31.2018*	*12.31.2017*
Cash equivalents held at banks, post offices and TIM Group financial companies	101,158	44,457
Receivables from the Parent Company	2,964	8,565
Checks and cash on hand	3	1,338
Total	***104,125***	***54,360***

At December 31, 2018, cash is held in bank and postal current accounts and in bank deposit accounts, with the following characteristics:

- maturities: investments can be converted into cash within three months in the case of bank deposit accounts, and at any time in the case of cash held in current accounts;
- counterparty risk: Investments are through major banking institutions and are of *investment grade* pursuant to the Company's rules of operation that limit the credit exposure toward financial counterparties and the parent company to at most 20% of total liquidity;
- Country risk: investments were made in Italy, Luxembourg and the UK.

NOTE 11 - EQUITY

At December 31, 2018, net equity amounted to 1,548,305 thousand euros, the breakdown of which is as follows:

(thousands of euro)	*12.31.2018*	*12.31.2017*
Share capital issued	600,000	600,000
Minus treasury shares	(222)	-
Share capital	**599,778**	**600,000**
Share premium reserve	**660,000**	**660,000**
Other reserves and earnings (losses) carried forward, including the result for the period	**119,068**	**262,660**
Legal reserve	*120,000*	*120,000*
Provision for instruments representing net equity	*266*	*34*
Treasury share reserve in excess of nominal value	*(1,215)*	*-*
Other reserves	*17*	*(72)*
Retained earnings (losses) including earnings (losses) for the period	**169,459**	**142,698**
Total	***1,548,305***	***1,522,660***

Movements of share capital during the period from January 1 to December 31, 2018, are shown in the following table:

Reconciliation between the number of shares in circulation at December 31, 2017, and the number of shares in circulation at December 31, 2018.

(number of shares)	*At 12.31.2017*	Issue of shares	*At 12.31.2018*	% of Capital
Ordinary shares issued	600,000,000	-	600,000,000	-
Minus: Treasury shares	-	-	(222,118)	-
Total ordinary shares issued	*600,000,000*	-	*600,000,000*	100.0
Total shares in circulation	*600,000,000*	-	*599,777,882*	-

Reconciliation between the value of shares in circulation at December 31, 2017, and the value of shares in circulation at December 31, 2018.

(thousands of euro)	*Capital at 12.31.2017*	Change in capital	*Capital at 12.31.2018*
Ordinary shares issued	600,000	-	600,000
Minus: Treasury shares	-	-	(222)
Ordinary shares outstanding	600,000	-	599,778
Total Capital issued	*600,000*	-	*600,000*
Total Capital in circulation	*600,000*	-	*599,778*

BENEFIT PLANS IN THE FORM OF EMPLOYEE STOCK OPTIONS

The Provision for instruments representing net equity of 266 thousand euro refers to:

- the general stock option plan (19 thousand euros) in existence within the TIM Group and subscribed to by a number of employees who transferred to Inwit;
- the 2014-2016 stock option plan (15 thousand euros) launched by the TIM Group and subscribed to by a number of employees who transferred to Inwit;
- The LTI plan (232 thousand euros) at 31 December 2018 is used for long-term retention and incentive purposes, as these apply to the managers and the personnel of the Group.

LONG TERM INCENTIVE

On April 13, 2018, the Shareholders' Meeting of INWIT S.p.A. approved the Long Term Incentive Plan 2018 - 2020 (the "Plan") and authorized the Board of Directors to proceed with the purchase and disposal of Company, once or several times over a period of eighteen months from the date of the shareholders' meeting resolution, to service the implementation of the aforesaid stock incentive plan. The purchases will involve a maximum of 400,000 ordinary shares of the Company, representing approximately 0.07% of the share capital of INWIT.

The Plan is intended to encourage the Beneficiaries to achieve the strategic objectives set by the Company, pursuant to the business plan disclosed to the market, by aligning the interests of key management holding positions considered to be of relevance insofar as the interests of INWIT shareholders, in terms of medium-long term growth in the value of the share.

The Plan provides for a three-year vesting period (2018-2020) and the free of charge allocation of shares based on fulfillment of performance conditions, as ascertained by the Board of Directors at the time of approval of the Company's financial statements as at 31 December 2020.

- Total Shareholder Return relative to INWIT (weight 60%). The parameter measures the positioning of INWIT's TSR in the TSR classification of Italian and foreign TowerCos ("peer groups"). The probability of fulfilling the plan is defined on the basis of a calculation model that is based on the Monte Carlo method;
- Recurring Free Cash Flow accumulated in 2018-2020. Represents the cash flow generated by operational management net of investments in the maintenance of infrastructure and net of financial charges. Development investments are not included (weight 40%).

The Plan operation terms and conditions are set forth in the Regulation which was approved by the Board of Directors at its meeting in its meeting of July 23, 2018.

On November 6, 2018, the INWIT Board of Directors approved the launch of the Plan.

Remuneration plans that provide for remuneration with equity instruments are recognized at fair value, this is representative of the cost of these instruments at the grant date and is recognized in the separate income statement under "personnel costs" over the period between the grant date and the vesting period, with a balancing entry in an equity reserve ("Other equity instruments").

The cost of the instrument is determined by the product of the probability that the above objectives will be reached and the fair value of the shares on the assignment date. This latter parameter is calculated as a European call option on 12-31-2020 with strike 0.

Fair value measurement procedures

Parameters used for determining fair value – INWIT S.p.A.

Plans/Parameters	Exercise price (euro)	Volatility	Duration	Expected dividends (euro)	Risk free interest rate
LTI INWIT	0	n.a.	3 years	0.19	-0.1 annual

On November 15, 2018 222,118 treasury shares were purchased through Mediobanca - Banca di Credito Finanziario S.p.A. These shares represent 0.037% of the share capital used by INWIT to service the Long Term Incentive Plan 2018-2020.

The shares are deposited in a securities account held by Inwit S.p.A. with Intesa Sanpaolo S.p.A.

NOTE 12 – EMPLOYEE BENEFITS

Compared to December 31, 2017, the item increased in value by 13 thousand euros, and is characterized by the following composition and changes:

(thousands of euro)	*12.31.2016*	Increase/ Present value	Decrease	*12.31.2017*
Provision for employee severance indemnities	1,835	150	(64)	1,921
Provision for incentivated redundancies	-	943	(304)	639
Total	***1,835***	***1,093***	***(368)***	***2,560***
Of which :				
Non-current amount	*1,835*			*2,388*
*Current amount **	-			*172*

** The current amount refers only to provisions for incentivated redundancies*

(thousands of euro)	*12.31.2017*	Increase/ Present value	Decrease	*12.31.2018*
Provision for employee severance indemnities	1,921	150	(297)	1,774
Provision for incentivated redundancies	639	135	(1)	773
Total	***2,560***	***285***	***(298)***	***2,547***
Of which :				
Non-current amount	*2,388*			*2,223*
*Current amount **	*172*			*324*

** The current amount refers only to provisions for incentivated redundancies*

Compared to December 31, 2017, the Provision for Employee Severance Indemnities decreased by 147 thousand euros.

The decrease of 32 thousand euro in "Increases/Present value" is broken down as follows:

(thousands of euro)	*12.31.2018*	*12.31.2017*
Financial expenses	26	27
Net actuarial (gains) losses for the period	(58)	(70)
Transfers	182	193
Total	***150***	***150***

In accordance with IAS 19 (2011), the provision for employee severance indemnity has been calculated using the same actuarial method adopted prior to the introduction of the principle reviewed by means of the Projected Unit Credit Method, as follows:

- projections have been formulated, on the basis of a series of financial assumptions (increased cost of living, interest rates, pay increases, etc.) regarding possible future services that could be provided to each employee registered with the program, in the event of retirement, death, invalidity, resignation, etc.);
- the current average value of future services at the date of evaluation has been calculated, on the basis of the annual interest rate adopted and of the probability that each service be provided;
- the liability has been determined as equal to the current average value of future services, as generated by the existing provision at the date of evaluation, without taking account of any future allocation.

The assumptions made may be detailed as follows:

ECONOMIC ASSUMPTIONS

Inflation rate	1.50% per year
Time-discount rate	1.57% per year
Annual rate of increase in the Provision for employee severance indemnities	2.625% per year

DEMOGRAPHIC ASSUMPTIONS

Probability of death	RG 48 Mortality Tables published by the State Accounting Office
Probability of invalidity	INPS Tables subdivided by age and gender
Probability of resignation:	
up to the age of 40 – Executives	6.50%
up to the age of 40 – Non-Executives	1.00%
from the age of 41 to 59 - Executives	2.00%
from the age of 41 to 59 - Non-Executives	0.50%
from the age of 60 to 64 - Executives	20.00%
from the age of 60 to 64 - Non-Executives	6.50%
Subsequently	Nothing
Probability of retirement	AGO requisites
Probability of receiving, at the start of the year, a 70% advance on the Provision for Employee Severance Indemnities.	1.50% in each year

Application of the aforementioned assumptions resulted in a Provision for Employee Severance Indemnities liability of 1,774 thousand euros at December 31, 2018.

The sensitivity analysis for each actuarial assumption that is relevant for the determination of the end-of-period liability, is reported below; said analysis shows the effects, expressed in absolute terms, of the changes in the relevant actuarial assumptions, possible at that date.

The average financial duration of the liability is 10.1 years.

CHANGE IN THE ASSUMPTIONS	***Amounts*** (thousands of euro)
Turnover rate:	
+ 0.25 p.p.	(3)
- 0.25 p.p.	3
Annual inflation rate:	
+ 0.25 p.p.	32
- 0.25 p.p.	(30)
Annual time-discounting rate:	
+ 0.25 p.p.	(41)
- 0.25 p.p.	43

NOTE 13 – PROVISIONS FOR RISKS AND CHARGES

Compared to December 31, 2017, these have increased in value by 1,842 thousand euros, and are characterized by the following composition and variation:

(thousands of euro)	12.31.2016	Increase	Decrease	Other changes	12.31.2017
Provision for restoration costs	94,790	3,707	(1,142)	(245)	97,110
Provision for legal disputes and other risks	399	500	(290)	-	609
Total	***95,189***	***4,207***	***(1,432)***	***(245)***	***97,719***
Of which :					
Non-current amount	95,189				*97,269*
Current amount	-				*450*

(thousands of euro)	12.31.2017	Increase	Decrease	Other changes	12.31.2018
Provision for restoration costs	97,110	2,565	(1,076)	253	98,852
Provision for legal disputes and other risks	609	150	(50)	-	709
Total	***97,719***	***2,715***	***(1,026)***	***253***	***99,561***
Of which:					
Non-current amount	*97,269*				*99,111*
Current amount	*450*				*450*

The **Provision for restoration costs** increased due to both the allocation of costs for the dismantling of sites connected with the passage of time 2,178 thousand euros) and the allocation for 50 new sites 387 thousand euros).
The decrease in provision for restoration costs relates to the coverage of costs incurred in the period (1,076 thousand euros).
The other movements during the period refer to the adjustment of the provision on the basis of the forecast inflation and time-discounting rates (253 thousand euros).

The **Provision for legal disputes and other risks** increased by a total of 100 thousand euros, as the balance between the new allocations and uses.

NOTE 14 – FINANCIAL LIABILITIES (NON-CURRENT AND CURRENT)

Non-current and current financial liabilities (gross financial debt) were broken down as follows:

(thousands of euro)		12.31.2018	12.31.2017
Financial payables (medium/long-term):			
Amounts due to banks		59,972	59,884
Leasing liabilities		237	-
Other financial payables		70,000	-
Total non-current financial liabilities	*(a)*	***130,209***	***59,884***
Financial payables (short-term):			
Amounts due to banks		40,141	40,178
Leasing liabilities		84	-
Other financial payables		134	-
Total current financial liabilities	*(b)*	***40,359***	***40,178***
Total Financial liabilities (Gross financial debt)	*(a+b)*	***170,568***	***100,062***

Theamounts due to banks refer to:

- the long-term portion of the syndicated loan agreement signed by the Company in May 2015 for 120 million euros with Mediobanca - Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A., with repayment starting from November 2017 and ending in May 2020. The total amount is 60,024 thousand euros.
- the loan agreement signed in November 2018 with Banca Popolare di Sondrio for 40 million euros, bullet repayment on maturity on December 1, 2023.

Leasing liabilities refer entirely to leases on industrial vehicles accounted for using the financial method envisaged by IAS 17.

Other financial payables refer to the "Term Loan" loan granted by TI Finance SA, the TIM group financial company, totaling 70 million euros with bullet repayment in December 2022.

"COVENANTS", "NEGATIVE PLEDGES" AND OTHER CONTRACT CLAUSES IN EFFECT ON DECEMBER 31, 2018

The banking loan agreements include some general pledges and covenants, both positive and negative, in line with market practice for loans of similar amounts and nature.
The banking loan agreement and the intercompany loan both contain a cross-default clause on the Company's debt, but not a cross-default clause linked to TIM Group companies and an exchange control clause.
Furthermore, in the banking loan agreement, there is clause relating to the termination of the main MSA agreement; these events entitle the lenders to ask INWIT for compulsory early repayment.
Lastly, at December 31, 2018, no covenant, negative pledge clause or other clause relating to the above-described debt position, had in any way been breached or violated.

NOTE 15 – NET FINANCIAL DEBT

The table below shows the Company's net financial debt at December 31, 2018, calculated in accordance with paragraph 127 of the recommendations contained in ESMA document No. 319 of 2013, implementing Regulation (EC) 809/2004.
The table also includes the reconciliation of net financial debt calculated according to the criteria established by ESMA and those used by INWIT to monitor its own financial position.

(thousands of euro)	***12.31.2018 (*)***	***12.31.2017***
A Cash		
B Cash and cash equivalents	104,125	54,360
C Securities held for trading	10,036	-
D Liquidity (A + B + C)	***114,161***	***54,360***
E Current financial receivables	8,101	70
F Current financial payables	-	-
G Current portion of financial payables (medium/long-term)	(40,359)	(40,178)
H Other current financial payables		
I Current financial debt (F+G+H)	***(40,359)***	***(40,178)***
J Net current financial debt (I+D+E)	***81,903***	***14,252***
K Medium/long term financial payables	(130,209)	(59,884)
L Bonds issued	-	-
M Other non-current financial payables	-	-
N Non-Current financial debt (K+L+M)	***(130,209)***	***(59,884)***
O Net financial debt as recommended by ESMA (J+N)	***(48,306)***	***(45,632)***
Other financial receivables and other non-current financial assets (**)	218	201
INWIT net financial debt	***(48,088)***	***(45,431)***

(*) As regards the effects of related party transactions on Net Financial Debt, reference should be made to the specific table included in the Note "Related Parties".

(*) This item refers to loans granted to certain employees of the company at December 31, 2018.

NOTE 16 - TRADE AND MISCELLANEOUS PAYABLES AND OTHER (NON-CURRENT AND CURRENT) LIABILITIES

The item was composed as follows at December 31, 2018:

(thousands of euro)		12.31.2017	*of which IFRS 9 Financial Instruments*	Other changes during the period	12.31.2018	*of which IFRS 9 Financial Instruments*
Miscellaneous payables and other non-current liabilities						
Payables and Deferred Income to the Parent Company		1,537	-	4,205	5,742	-
Payables to social security agencies		223	-	1	224	-
Deferred income		666	-	372	1,038	-
	(a)	***2,426***	***-***	***4,578***	***7,004***	***-***
Trade payables						
Payables to suppliers		32,780	*32,780*	11,251	44,031	*44,031*
Payables to the Parent Company		34,642	*34,642*	8,708	43,350	*43,350*
	(b)	***67,422***	***67,422***	***19,959***	***87,381***	***87,381***
Miscellaneous payables and other current liabilities						
Payables and Deferred Income to the Parent Company		7,281	-	(1,109)	6,172	-
Deferred income		6,405	-	832	7,237	-
Payables to social security agencies		361	-	291	652	-
Tax payables		484	-	101	585	-
Other current liabilities		1,846	-	(85)	1,761	-
	(c)	***16,377***	-	***30***	***16,407***	-
Income tax payables		1,632	-	(837)	795	-
	(d)	***1,632***	***-***	***(837)***	***795***	***-***
Total	***(a+b+c+d)***	***87,857***	***67,422***	***23,730***	***111,587***	***87,381***

Payables to suppliers refer mainly to the supply of electrical power and rents due.

Payables to the Parent Company amounted to 55,264 thousand euros and mainly refer to commercial transactions for ordinary and extraordinary maintenance (43,350 thousand euros), service contracts and the construction of new sites, as well as sundry transactions (11,914 thousand euros) concerning current (6,172 thousand euros) and non-current (5,742 thousand euros) items, which mainly refer to the tax consolidation.

Tax payables mainly refer to regional and municipal surtaxes and to registration fees.

Other current liabilities mainly refer to payables to personnel 1,193 thousand euros).

The book value of trade and miscellaneous payables and other current liabilities is considered a reasonable approximation of their respective fair value.

NOTE 17 - REVENUES

Revenues amounted to 378,472 thousand euros, broken down as follows:

(thousands of euro)	Financial Year 2018	Financial Year 2017
Revenues		
Revenues from TIM	288,853	268,362
Revenues from third parties	89,619	88,234
Total	***378,472***	***356,596***

The item includes the revenues attributable to the period and relate to services provided in the course of ordinary business.

Revenues from TIM amounted to 288,853 thousand euros, or 76.3% of total revenues for the period and refer mainly to the so-called "Integrated service" regulated by the Master Service Agreement, which includes making available on the Sites: (i) physical spaces where TIM equipment can be installed; (ii) power supply systems that can ensure the correct power supply of the TIM equipment; air conditioning systems must also be able to guarantee comfortable working conditions to the personnel engaged in the Site; (iii) monitoring and security services of the areas and of power and air conditioning systems and (iv) management and maintenance services.

The item **Revenues from third parties**, amounting to 89,619 thousand euros, refers essentially to hosting services offered by the Company to Italian mobile operators. Relationships with these operators are regulated by long-term trade agreements (typically for a three or six year term and option for renewal).

NOTE 18 – ACQUISITION OF GOODS AND SERVICES

The item amounted to 151,064 thousand euros and breaks down as follows:

(thousands of euro)		Financial Year 2018	Financial Year 2017
Purchases of materials and goods for resale	*(a)*	***211***	***127***
Costs for services			
Maintenance		5,615	6,108
Professional services		3,034	3,072
Other service expenses		10,697	6,782
	(b)	***19,346***	***15,962***
Lease and rental costs	*(c)*	***131,507***	***136,112***
Total	*(a+b+c)*	***151,064***	***152,201***

The costs incurred for the acquisition of materials and services during the period refer mainly to costs for leases with TIM and third parties (131,507 thousand euros).

NOTE 19 – EMPLOYEE COSTS

Revenues amounted to 9,400 thousand euros, broken down as follows:

(thousands of euro)		Financial Year 2018	Financial Year 2017
Ordinary personnel expenses			
Salaries		6,215	5,083
Social security charges		2,225	1,820
Other employee costs		347	222
	(a)	***8,787***	***7,125***
Miscellaneous employee costs and sundry labor services			
Fees paid to external personnel		307	607
Costs for stock option assignments		141	
	(b)	***448***	***607***
Total ordinary expenses	*(a+b)*	***9,235***	***7,732***
Restructuring and rationalization expenses			
Expenses for incentivated redundancies		165	1,186
	(c)	***165***	***1,186***
Total	*(a+b+c)*	***9,400***	***8,918***

The average number of employees during the period was 103.3. They can be subdivided into their respective categories, as follows:

(numbers)	2018	2017
Executives	9.1	7
Middle Managers	26.5	22.3
Employees	67.7	62.8
Total	***103.3***	***92.1***

There were 117 employees at December 31, 2018. They can be subdivided into their respective categories, as follows:

(numbers)	2018	2017
Executives	13	7
Middle Managers	27	25
Employees	77	65
Total	***117***	***97***

NOTE 20 – OTHER OPERATING EXPENSES

Revenues amounted to 2,568 thousand euros, broken down as follows:

(thousands of euro)	*Financial Year 2018*	*Financial Year 2017*
Other operating expenses		
Expenses related to credit management	495	1,348
Provisions for risks and charges	150	50
Costs and provisions for indirect duties and taxes	1,515	1,776
Membership fees, donations, study grants and work experience contributions	80	39
Other Expenses	328	286
Total	***2,568***	***3,499***

NOTE 21 - AMORTIZATION, GAINS/LOSSES ON DISPOSALS AND IMPAIRMENT LOSSES ON NON-CURRENT ASSETS

Amortization, gains/losses on disposals and impairment losses on non-current assets amounted to 15,190 thousand euros, and are composed as follows:

(thousands of euro)		*Financial Year 2018*	*Financial Year 2017*
Amortization of intangible assets with a finite useful life			
Patent rights and utilization of intellectual property rights		1,017	1,227
Irrevocable rights of use		63	6
Other intangible assets		1,216	577
	(a)	***2,296***	***1,810***
Depreciation of owned tangible assets			
Plant and equipment		11,807	10,567
Manufacturing and distribution equipment		5	4
Other tangible assets		143	120
	(b)	***11,955***	***10,691***
Depreciation of property, plant and equipment held under finance leases			
Other goods		77	-
	(c)	***77***	***-***
(Gains)/losses on disposals and impairment losses on non-current assets	***(d)***	***862***	***262***
Total	***(a+b+c+d)***	***15,190***	***12,763***

The item capital /gains)/losses from disposal and write-down of non-current assets included capital losses from disposal of non-current assets resulting from decommissioning of sites amounting to 862 thousand euros.

NOTE 22 – FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

Financial income amounted to 181 thousand euros and mainly refers to interest income accrued on financial receivables amounting to 21 thousand euros and capital gain on the sale of securities equal to 160 thousand euros.

FINANCIAL EXPENSES

Financial expenses amounted to 4,146 thousand euros and break down as follows:

(thousands of euro)	*Financial Year 2018*	*Financial Year 2017*
Interest expenses and other financial expenses		
Interest to banks	1,097	1,475
Bank fees	226	216
Other financial expenses	2,823	2,319
Total	*4,146*	*4,010*

The other financial expenses chiefly refer to the adjustment of the provision for restoration charges (2,178 thousand euros).

NOTE 23 – INCOME TAXES

DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION

Deferred tax assets recorded in the financial statements amounted to 2,682 thousand euros and refer to allocations related to items whose deductibility will occur in future periods.

The expiry date of the deferred tax assets at December 31, 2018, is more than 12 months later.

At December 31, 2018, the Company has no equity reserves the taxation of which has been suspended, subject to taxation in the event of distribution.

INCOME TAX

Income taxes amount to 55,524 thousand euros and are composed as follows.

(thousands of euro)	*Financial Year 2018*	*Financial Year 2017*
Regional Business Tax (IRAP) for the period	9,022	8,093
Corporate Income Tax (IRES) for the period	43,341	41,201
Tax consolidation expenses	3,002	1,050
Total current taxes	***55,365***	***50,344***
Deferred taxes for the period	102	(1,584)
Adjustment of taxation for previous financial years	57	6
Total income taxes	***55,524***	***48,766***

The fiscal burden for the period has been estimated on the basis of a Corporate Income Tax rate of 24% and a Regional Business Tax rate of 4.48%.

The reconciliation of the theoretical tax charge, calculated using a Corporate Income Tax rate of 24%, with the actual tax charge resulting from the financial statements, is as follows:

(thousands of euro)	*Financial Year 2018*	*Financial Year 2017*
Profit (loss) before tax	***196,285***	***175,506***
Theoretical income taxes	***47,108***	***42,121***
Tax effect of increases (reductions):	(881)	61
Non-deductible costs	116	69
Actual taxes recorded in the income statement, excluding Regional Business Tax	***46,343***	***42,251***
Current and deferred Regional Business Tax	9,022	8,093
Total actual taxes recorded in the income statement	***55,365***	***50,344***

In order to better understand the reconciliation in question, the impact of Regional Business Tax has been kept separate, in order to avoid any distortion, given that this tax is calculated on a different tax base from the pre-tax result.

NOTE 24 – EARNINGS PER SHARE

The following table shows the calculation of earnings per share:

		Financial Year 2018	Financial Year 2017
Basic and diluted earnings per share			
Profit for the period	(euro)	140,760,895	126,740,774
Average number of ordinary shares		599,966,889	600,000,000
Basic and diluted earnings per share	(euro)	0.235	0.211

NOTE 25 – CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

MAIN DISPUTES AND PENDING LEGAL ACTIONS

The two main civil disputes in which the Company is involved as at December 31, 2018 concern the request for liquidation of compensation for occupation of buildings on which base transceiver stations are located, restoration of the original condition of places and compensation for damages.
In relation to the progress of the aforementioned legal cases and based on the information available at the time of closing these Financial Statements, a total amount of 259 thousand euros has been allocated to the risk provision.

COMMITMENTS AND GUARANTEES

With regard to guarantees issued by banks or insurance companies to owners of the land where the infrastructure is located, INWIT has undertaken to reimburse all sums that for any reason whatsoever the bank or the insurance company were to bear due to failure to comply with contractual obligations, the Company waiving any objection or opposition, including any legal action.

NOTE 26 - RELATED PARTIES

The Group identified the following related parties, in accordance with the criteria defined by IAS 24 – (*Financial statements disclosures concerning related party transactions*).

- TIM;
- INWIT and TIM'S executive managers with strategic responsibilities; and
- other companies controlled by TIM and/or in which TIM has an interest, including through members of its senior management.

The tables summarizing the balances of related party transactions in absolute amounts and as a percentage of the corresponding values of the separate income statement, statement of financial position and cash flow statement are shown below. Related party transactions, when not dictated by specific laws, were conducted at arm's length. The transactions were subject to an internal procedure (available for consultation on the website www.inwit.it), which establishes procedures and time scales for verification and monitoring.

Although said agreements were settled at normal market conditions, there is no guarantee that, if they had been entered into by or with third parties, the latter would have negotiated and concluded them at the same conditions and by the same methods.

Items of the consolidated statement of financial position

The effects of the transactions with related parties on the items of the statement of financial position at December 31, 2018 and December 31, 2017 are shown below:

STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 12.31.2018

(thousands of euro)	*Total* (a)	Related Parties Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statements item (b)/(a)*
NET FINANCIAL DEBT						
Cash and cash equivalents	***104,125***	2,964	-	10,001	12,965	*12.5%*
Financial receivables (short-term)	***8,101***	-	-	8,001	8,001	*98.7%*
Financial payables (medium/long-term)	***(130,209)***	-	-	(70,000)	(70,000)	*53.7%*
Short-term financial payables	***(40,359)***	-	-	(134)	(134)	*0.3%*
Total net financial debt	***(48,088)***	2,964	-	(52,132)	(49,168)	*102,2%*
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS						
Miscellaneous trade receivables and other current assets	***78,176***	24,805	-	111	24,916	*31.9%*
Miscellaneous payables and other non-current liabilities	***(7,004)***	(5,742)	-	-	(5,742)	*82.0%*
Miscellaneous trade payables and other current liabilities	***(103,788)***	(49,522)	(638)	(15,190)	(65,350)	*63.0%*

STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 12.31.2017

(thousands of euro)	*Total* (a)	Related Parties Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statements item (b)/(a)*
NET FINANCIAL DEBT						
Cash and cash equivalents	***54,360***	8,565	-	1,500	10,065	*18.5%*
Total net financial debt	***(45,431)***	8,565	-	1,500	10,065	*-22.2%*
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS						
Miscellaneous trade receivables and other current assets	***73,280***	20,771	-	141	20,912	*28.5%*
Miscellaneous payables and other non-current liabilities	***(2,426)***	(1,537)	-	-	(1,537)	*63.4%*
Miscellaneous trade payables and other current liabilities	***(84,421)***	(41,923)	(355)	(14,659)	(56,937)	*67.4%*

In net financial debt, cash and cash equivalents consist mainly of the intragroup current account (2,964 thousand euros) held with the Parent Company, while the remainder consists of a deposit that can be liquidated in 3 months from TI Finance SA (10,001 thousand euros), while the financial payables, medium and long terms, refer to the loan granted by TI Finance SA (70,134 thousand euros). The financial receivables refer to a deposit with TI Finance SA (euro 8,001 thousand) with a maturity of more than three months.

Receivables from the Parent Company (24,805 thousand euros) mainly include the assessments relating to the recouping of electrical energy costs. Trade receivables from related parties (111 thousand euros) are mainly made up of receivables from Persidera S.p.A. relating to leases for hosting services.
Payables to the Parent Company (55,264 thousand euros) consist of trade payables (43,350 thousand euros), non-current miscellaneous payables and other liabilities (5,742 thousand euros) and current miscellaneous payables and other liabilities (6,172 thousand euros). Trade payables mainly refer to service contracts, site restoration and routine and extraordinary maintenance carried out on sites and other services.
Payables to Senior Management (amounting to 638 thousand euros) refer to amounts payable to key management personnel of the Company.
Payables to other related parties (14,659 thousand euros) mainly consist of trade payables to Telenergia S.r.l. for electricity.

Items of the income statement

The effects of the transactions with related parties on the items of the income statement at December 31, 2018, and for the corresponding period of the previous financial year, are the following:

ITEMS OF THE INCOME STATEMENT AT 12.31.2018

(thousands of euro)	*Total* (a)	Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Revenues	*378,472*	288,853	-	894	289,747	*76.6%*
Acquisition of goods and services	*(151,064)*	(29,204)	-	(136)	(29,340)	*19.4%*
Employee benefits expenses - Ordinary expenses	*(9,235)*	(47)	(1,361)	-	(1,408)	*15.2%*
Financial income	*181*	-	-	2	2	*1.1%*
Financial expenses	*(4,146)*	-	-	(358)	(358)	*8.6%*

ITEMS OF THE INCOME STATEMENT AT 12.31.2017

(thousands of euro)	*Total* (a)	Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Revenues	*356,596*	268,362	-	1,089	269,451	*75.6%*
Acquisition of goods and services	*(152,200)*	(30,335)	-	(49)	(30,384)	*20.0%*
Employee benefits expenses - Ordinary expenses	*(7,732)*	(22)	(1,200)	-	(1,222)	*15.8%*
Other operating expenses	*(3,499)*	(114)	-	-	(114)	*3.3%*
Financial income	*301*	142	-	3	145	*48.2%*

Revenues from the Parent Company (288,853 thousand euros) refer mainly to rental revenues ensuing from the Master Service Agreement. Revenues from Other related parties (894 thousand euros) refer to rental revenues from Persidera S.p.A.

Purchases of materials and services from the Parent Company (29,204 thousand euros) refer to the lease of infrastructural sites (21,735 thousand euros), maintenance services (5,135 thousand euros), outsourced services (489 thousand euros), telephone costs (263 thousand euros) and other service costs (2,560 thousand euros). Purchases of materials and services from other related parties (136 thousand euros) mainly refer to outsourced services from H.R. Services and to maintenance services from Olivetti.

Employee benefits expense for senior management (1,361 thousand euros) mainly refer to compensation due to Company key managers.

Financial expenses related to other related parties (358 thousand euros) refers to interest expense on financial payables to TI Finance SA.

Items of the Statement of financial position

The effects of the transactions with related parties on the items of the statement of financial position at December 31, 2018, and for the corresponding period of the previous financial year, are the following:

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AT 12.31.2018

(thousands of euro)	*Total* (a)	Related Parties Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Operating activities:						
Change in trade receivables	(8,223)	(6,315)	-	30	(6,285)	*76.4%*
Change in trade payables	6,786	1,521	-	638	2,159	*31.8%*
Net change in miscellaneous receivables/payables and other assets/liabilities	4,195	1,172	283	(4)	1,451	*34.6%*

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AT 12.31.2017

(thousands of euro)	*Total* (a)	Related Parties Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Operating activities:						
Change in trade receivables	*(15,276)*	(11,597)	-	227	(11,370)	*74.4%*
Change in trade payables	*13,658*	1,816	-	3,108	4,924	*36.1%*
Net change in miscellaneous receivables/payables and other assets/liabilities	*(25,043)*	(20,206)	(37)	(137)	(20,380)	*81.4%*

The table shows a significant change in 2018 in relation to the increase in trade receivables from the Parent Company.

REMUNERATION OF KEY MANAGERS

The remuneration recorded on an accrual basis in respect of key managers amounted to 1,361 thousand euro.
The short-term compensation is paid during the financial year to which it refers and, in any case, within the six months following the end of the financial year (the entitlements related to the 2018 MBO will be paid during the second quarter of 2019).

The contributions paid in to defined contribution plans (Assida, Fontedir) on behalf of key managers, amounted to 32 thousand euro.

The Company's "key managers", that is, those who have the power and responsibility to plan, manage, and control, directly or indirectly, the Company's activities, including the directors, are identified as follows:

INWIT SPA	
Directors:	
Oscar Cicchetti	Chief Executive Officer from 01/01/2018 to 13/04/2018
Giovanni Ferigo	Chief Executive Officer from 13/04/2018
Managers:	
Andrea Balzarini	Head of *Administration, Finance and Control & Business Support*
Emilio Maratea	Head of *Marketing & Sales*
Elisa Patrizi	Head of Technology & Operations dal 06/11/2018
Rafael Giorgio Perrino	Head of Administration, Control & Risk Management until 11/06/2018

NOTE 27 – SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, below is the information on the impact on INWIT's economic, financial and equity results of non-recurring events and operations at December 31, 2018. The non-recurring effects on Equity and Profit (Loss) for the period are expressed net of tax impacts:

(thousands of euro)		Equity	Profit (loss) for the year	Net financial debt	Cash flows (*)
Carrying value	***(a)***	***1,548,305***	***140,761***	***(48,088)***	***49,765***
Charges related to restructuring and rationalization processes		(118)	(118)	-	(86)
Total effects	***(b)***	***(118)***	***(118)***	***-***	***(86)***
Figurative value	***(a-b)***	***1,548,423***	***140,879***	***(48,088)***	***49,851***

(*) The cash flows relate to the increase (decrease) in the period of cash and cash equivalents.

The impact on the individual item of the separate income statement of non-recurring items is as follows:

(thousands of euro)	***Financial Year 2018***	***Financial Year 2017***
Charges related to restructuring and rationalization processes	(165)	(1,186)
Impact on Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***(165)***	***(1,186)***
Impact on Operating profit (loss) (EBIT)	***(165)***	***(1,186)***
Impact on Profit (loss) before tax	***(165)***	***(1,186)***
Income taxes on non-recurring items	47	337
Impact on the Profit (Loss) of the Period	***(118)***	***(849)***

NOTE 28 – POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

In accordance with Consob Communication DEM/6064293 of July 28, 2006, during the course of the financial year 2018, no atypical and/or unusual transactions occurred as defined by the Communication.

NOTE 29 – EVENTS SUBSEQUENT TO DECEMBER 31, 2018

On February 21, 2019, the Board of Directors took note of the information provided by TIM concerning the *Memorandum of Understanding* concluded with Vodafone Italia regarding collaboration on the sharing of mobile infrastructures. More details are provided in Inwit's Press Release of February 21, 2019.

NOTE 30 – INFORMATION ON DIRECTION AND COORDINATION ACTIVITY

In accordance with Article 2497 et seq. of the Italian Civil Code regarding transparency in the direction and coordination of the Company, it is noted that such activities are carried out by TIM S.p.A. In exercising such activity:

- TIM S.p.A. did not in any way adversely affect the interests of the Company.
- Complete transparency was assured with respect to inter-company transactions, such as to enable all those who have an interest to verify the observance of the above principle.
- Transactions with TIM S.p.A., and with its related parties, were carried out with a view to improving efficiency and in line with market practices.

Also in accordance with Article 2497 bis of the Italian Civil Code, a summary is provided of the key items contained in the financial statements at December 31, 2017 of TIM S.p.A., the company that exercises direction and coordination activities.

TIM S.p.A. prepares the consolidated financial statements.

Statement of Financial Position

(millions of euro)	***12.31.2017***
Intangible assets	31,276
Tangible assets	12,943
Other non-current assets	12,012
Total Non-current assets	***56,231***
Current assets	***5,956***
Discontinued operations/Non-current assets held for sale	***-***
Total assets	***62,187***
Equity	***20,069***
Share capital	*11,656*
Reserves	*2,094*
Retained earnings (accumulated losses), including profit (loss) for the year	*6,319*
Non-current financial liabilities	28,467
Employee benefits	1,661
Deferred tax liabilities	2
Provisions	595
Miscellaneous payables and other non-current liabilities	1,291
Total Non-current liabilities	***32,016***
Current liabilities	***10,102***
Total liabilities	***42,118***
Total Equity and Liabilities	***62,187***

Income statement

(millions of euro)	*Financial Year 2017*
Revenues	14,099
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***5,801***
Operating profit (loss) (EBIT)	***2,567***
Income (expenses) from investments	225
Financial income	1,571
Financial expenses	(2,965)
Profit (loss) before tax from continuing operations	***1,398***
Income taxes	(311)
Profit (loss) before tax from continuing operations	***1,087***
Profit (loss) from discontinued operations/Non-current assets held for sale	0
Profit (loss) for the year	***1,087***

The highlights of the Parent Company, reported in the summary statement pursuant to Article 2497-bis of the Civil Code, have been taken from the Separate Financial Statements for the year ended December 31, 2017. For an adequate, full understanding of the trend of operations and financial situation of TIM S.p.A. at December 31, 2017, and of the Company's net result in the financial year to that date, see the financial statements which, together with the report by the independent auditors, is available as provided for by law.

The information shown is available in full and original form by logging on to the TIM Group website: www.telecomitalia.com.

NOTE 31 – FURTHER INFORMATION

Operating leases

In accordance with accounting standards, and in particular on the basis of IAS 17, the Company considers as non-voidable those operating lease agreements that may only be voided upon occurrence of certain remote contingencies, with the lessor's agreement, or following the lessor's payment of a further sum (penalty) such that the continuation of the agreement is reasonably certain from the very beginning.
The non-voidable lease installments relating to lease agreements, entered into as client or provider, and to hosting services, are as follows:

Lease installments payable

The Company is party to non-voidable lease agreements for Sites; at December 31, 2018, the lease installments still due totaled:

(millions of euro)	*At 12.31. 2018*
Within 1 year	22
From 2 to 5 years	71
Beyond	-
Total*	***93***

(*) The impact of contracts or contract periods considered to be cancellable are excluded from the scope of the evaluation indicated in the table. With reference to the contractual periods considered as cancellable, the Company has lease contracts in place which can be unilaterally terminated by the lessor with less than 12 months' notice. The amount of installments still due as at December 31, 2018 based on the number of months' notice envisaged by the respective contracts is equal to approximately 53 million euros.

It should also be noted that the instalments relating to operating leases in place at December 31, 2018, which fall within the scope of application of IFRS 16 - Leases, also include instalments for contractual periods of operating leases classified as cancellable (for example, the period of renewal of the leases for the company's sites).

For further details on the application of the new accounting standard IFRS 16, see Note 2 Accounting Standards.

Lease installments receivable

The Company is party to non-voidable hosting agreements; at December 31, 2018, the lease installments still to be collected totaled:

(millions of euro)	*At 12.31. 2018*
Within 1 year	347
From 2 to 5 years	1,102
Beyond	101
Total	***1,550***

Public grants

Law n.124/2017 requires information on grants, contributions, paid assignments and economic advantages of any kind received by Italian public administrations. To this end, in 2018 INWIT did not receive any form of subsidy, contribution, paid assignment or other economic advantage from Italian public administrations. Moreover, revenues generated by services provided to parties belonging to public administrations in the context of the company's core business and regulated by contracts for the provision of services are not considered relevant for the purposes of the disclosure obligations of Law no. 124/2017.

Directors and statutory auditors' fees

The fees payable to the Company's Statutory Auditors and Directors at December 31, 2018, for the performance of their corresponding duties, amount to 152 thousand euros and 1,242 thousand euros, respectively.

Summary of fees due to the Independent Auditors and to other entities belonging to the Independent Auditors' network

The schedule below contains the comprehensive consideration payable to PricewaterhouseCoopers S.p.A.("PwC") and to the other entities of the PwC network for the audit of the 2018 financial statements, as well as the fees for 2018 for other audit/verification services and for services other than the audit of INWIT by PwC and the other entities belonging to the PwC network. Out-of-pocket expenses incurred in 2018 for these services are also included here.

(thousands of euro)	INWIT S.p.A.		
	PwC S.p.A.	Other entities of the PwC network	Total PwC network
Auditing services:			
statutory audit of the separate financial statements	261	-	261
limited review of the interim half-yearly financial statements	42	-	42
miscellaneous(*)	59	-	59
Out-of-pocket expenses	44	-	44
Total	***406***	***-***	***406***

(*) This amount includes fees for the revision of the Non- Financial Statement.

CERTIFICATION OF THE FINANCIAL STATEMENTS AT DECEMBER 31,2018 PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

1. We, the undersigned, Giovanni Ferigo, as Chief Executive Officer, and Rafael Giorgio Perrino, as Manager responsible for preparing Infrastrutture Wireless Italiane S.p.A. financial reports, certify, having also considered the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application

   of the administrative and accounting procedures used in the preparation of the financial statements for the period January 1 – December 31, 2018.

2. Infrastrutture Wireless Italiane S.p.A. has adopted the Internal Control – Integrated Framework Model (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission, as its framework for the establishment and assessment of its internal control system, with particular reference to the internal controls for the preparation of the financial statements.

3. The undersigned also certify that:

   3.1 the financial statements at December 31, 2018

   a) are prepared in conformity with international accounting principles adopted by the European Union pursuant to EC regulation 1606/2002 of the European Parliament and Council of July 19, 2002 (International Financial Reporting Standards – IFRS) as well as the legislative and prescribed provisions in force in Italy also with reference to the measures enacted for the implementation of art. 9 of Legislative Decree 38 of February 28, 2005;

   b) correspond to the results of the accounting records and entries;

   c) provide a true and fair view of the financial condition, the results of operations and the cash flows of the Company and its consolidated subsidiaries;

   3.2 the report includes a reliable analysis of the operating performance and income and financial situation of the issuer, along with the description of the main risks and uncertainties to which it is exposed.

February 18, 2019

The Chief Executive Officer	The Manager responsible for preparing the Company's Financial Reports
________/signed/__________	_______/signed/___________
(Giovanni Ferigo)	(Rafael Giorgio Perrino)

Infrastrutture Wireless italiane S.p.A.

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Capitale Sociale € 600.000.000,00

INFRASTRUTTURE WIRELESS ITALIANE SPA

INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010 AND ARTICLE 10 OF REGULATION (EU) 537/2014

FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018

Independent auditor's report
in accordance with article 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014

Infrastrutture Wireless Italiane SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Infrastrutture Wireless Italiane SpA (the Company), which comprise the statement of financial position as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2018, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section Auditor's Responsibilities for the Audit of the Financial Statements of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of goodwill	
Note 4 "Goodwill".	
As of 31 December 2018 goodwill amounts to € 1,412 million, representing 73% of total assets and 91% of the net equity. The recoverability of the carrying amount of goodwill was tested for impairment at year end, in accordance with IAS36 – Impairment of Assets. The recoverable amount of goodwill is based on the fair value less cost of disposal of the group of cash generating units (CGU) to which goodwill is allocated. The fair value less cost of disposal is based on the quoted market price of Company's shares, adjusted by the estimated fair value of the assets and liabilities not directly attributable to the group of CGU. The recoverable amount of the group of CGU is compared with its carrying amount, composed of assets and liabilities attributable to the CGU, including goodwill. The recoverability of goodwill represented a key audit matter considering the magnitude of its carrying amount, the contribution to total assets and net equity and the professional judgement required for the assessment of the allocation of goodwill to the group of CGU and of the assumptions used by management.	We have performed an understanding and evaluation of the internal controls over the impairment test of goodwill. Recognise We have performed the following audit procedures: • assessment of the adequacy of the impairment testing process in accordance with the requirements of the accounting standard; • assessment of the allocation of goodwill to the cash generating units – CGU; • assessment of the key assumptions used when determining the fair value, based on quoted market price; • assessment of the accuracy of the carrying amount of assets and liabilities attributable to the group of CGU to which the goodwill is allocated; • testing the mathematical accuracy of the calculation model used. We have assessed the accuracy and completeness of the disclosure presented in the notes to the financial statements.

Key Audit Matter	*How our audit addressed the key audit matter*
Disclosure on the adoption of IFRS16 - Leases *Paragraph of financial statements "New standards and interpretations issued by the IASB but not yet applicable"* The new international accounting standard IFRS16 – Leases – is effective from 1 January 2019. IFRS16 requires the lessee to recognise, with limited exceptions, a right-of-use asset within non-current assets against the recognition of a financial liability measured at the present value of future lease payments. In accordance with the applicable regulation, the Company disclosed in the notes to the financial statements the estimated effect arising from the adoption of IFRS16 as of 31 December 2018, which will represent the opening balances as of 1 January 2019, determining an estimated increase of assets and liabilities for € 688 million. The adoption of IFRS16 represented a key audit matter considering the magnitude of expected effect, the incidence on the future statement of financial position and income statement and the professional judgement required for the assessment of the accounting policies and assumptions used by management in the adoption of the new accounting standard.	We have performed an understanding and evaluation of: • the accounting policies and assumptions used by management in the adoption of the new accounting standard; • the calculation process of the effect arising from the adoption of the new accounting standard. We have verified: • the completeness of the lease agreements under the scope of IFRS16; • the consistency – on a sample basis - of the information used by management with the relevant supporting documentation; • the mathematical accuracy of the calculations performed by management. We have assessed the accuracy and completeness of the disclosure presented in the notes to the financial statements.

Key Audit Matter	*How our audit addressed the key audit matter*
Revenues from Master Service Agreement with Telecom Italia SpA *Note 16 "Revenues"* Annual revenues for 2018 amount to € 378 million, of which 76% or € 289 million generated from the parent company Telecom Italia SpA. Revenues from Telecom Italia SpA relate to different types of service rendered by the Company and are regulated by the Master Service Agreement signed on 13 March 2015, and subsequent amendements. The Master Service Agreement is a complex agreement, containing several performance obligations, such as lease of spaces on towers, supply of power, air conditioning, backup systems, monitoring, security, asset management and maintenance services, guarantees and other minor services. The recognition of revenues derived from the Master Service Agreement represented a key audit matter considering the magnitude and the complexity of the agreement, the different type of services rendered to Telecom Italia SpA and the degree of judgement to be used in revenue recognition.	We have performed an understanding and evaluation of internal controls over the identification of performance obligations associated with the Master Service Agreement. We have verified the revenue recognition for the different performance obligations, also based on their stage of completion. We obtained written confirmation of amounts due from Telecom Italia SpA. We have assessed the accuracy and completeness of the disclosure presented in the notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of Infrastrutture Wireless Italiane SpA at the general meeting held on 23 February 2015 to perform the audit of the Company's financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010 and Article 123-bis, paragraph 4, of Legislative Decree 58/1998

Management of Infrastrutture Wireless Italiane SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Infrastrutture Wireless Italiane SpA as of 31 December 2018, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, with the financial statements of Infrastrutture Wireless Italiane SpA as of 31 December 2018 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Infrastrutture Wireless Italiane SpA as of 31 December 2018 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree 254/2016

Management is responsible for the preparation, on a voluntary basis, of the non-financial disclosure pursuant to article 7 of Legislative Decree 254/2016. We have verified that management approved the non-financial disclosure.

Pursuant to article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm.

Milan, 4 March 2019

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING OF INFRASTRUTTURE WIRELESS ITALIANE S.P.A. PURSUANT TO ART. 153 OF ITALIAN LEGISLATIVE DECREE 58/1998

Dear Shareholders,

Infrastrutture Wireless Italiane S.p.A (“INWIT” or the "Company") operates in Italy in the field of electronic communications infrastructure, and specifically infrastructure devoted to hosting equipment for radio broadcasting, telecommunications, and television and radio signals broadcasting.

INWIT commenced operations on April 1, 2015, the effective date of the transfer of the "Tower" business unit of Telecom Italia SpA ("Telecom Italia" or also "TIM") mainly concerning the activities relating to the implementation and operation of the passive infrastructure of the sites, generally consisting of civil structures (such as towers, pylons and poles) and technological systems, necessary to host the transponder equipment owned by Telecom Italia and other customers. In this context, INWIT stands out as the largest Italian Tower Operator in terms of number of sites managed, with a special focus on mobile services.

During the course of the financial year ending December 31, 2018, INWIT's Board of Statutory Auditors performed its auditing duties as required by law, also taking account of the Principles of the Rules of Conduct recommended by the National Board of Accountants and Bookkeepers, and of the CONSOB communications regarding corporate controls and the activities of the Board of Statutory Auditors.

It is recalled that, on April 13, 2018, the Shareholders' Meeting resolved to appoint the new Board of Directors and of the new Board of Statutory Auditors, both of which are about to expire due the end of their term of office.

The Board therefore reports that, from the date of its taking office (April 13, 2018) up to the closing date of the financial year, it continued to acquire information for the performance of its functions, both through participation in the meetings of the Board of Directors, the Control and Risk Committee, the Appointments and Remuneration Committee and the Strategic Committee (the latter was established by the Board of Directors in 2018) and through interviews with the corporate structures, documentation analysis and inspection activities.

Furthermore, the Board of Directors reported at least once a quarter on business conducted, on those transactions of the greatest importance from the financial, economic and equity points of view, on transactions entailing possible conflicts of interest (mainly intra-group transactions, on any atypical or unusual transactions, and on any other business or transaction that it deemed ought to be disclosed to the recipients of the information.

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1. On the basis of the information received and the specific analyzes conducted by the Board of Statutory Auditors, it emerged that during 2018 the Company did not carry out transactions of major economic, financial and equity importance.

2. During the course of 2018 and subsequent to the closure of that financial year, the Board of Statutory Auditors discovered no atypical and/or unusual transactions carried out with third parties or related parties (including the Parent Company and other Group companies).

With regard to transactions that could potentially constitute a conflict of interests, the Directors, when commenting on the individual items set out in the financial statements, indicate and illustrate the principal intra-group transactions and transactions with related parties. Thus, reference should be made to these sections also for a description of the characteristics of the transactions and of their economic effects.

As regards transactions with related parties, the Board of Statutory Auditors reports that, in accordance with CONSOB's regulatory provisions contained in resolution no. 17221 of March 12, 2010 (and subsequent amendments and additions), the Company resolved on May 18, 2015 to adopt a specific procedure which shall become effective from the date of commencement of trading in INWIT's shares listed on the electronic stock exchange organized and managed by Borsa Italiana S.p.A. (i.e. June 22, 2015). Subsequently, after limited changes were made to the Procedure on 25 July 2017 and significant amendments were then made to it pursuant to a Board resolution issued on December 11, 2018, following an extensive investigation carried out by the risk and control committee, with the latest changes made to be applied beginning form January 1, 2019.

The procedure is briefly illustrated in the "Report on Corporate Governance and Ownership Structure of Infrastrutture Wireless Italiane S.p.A in the financial year 2018", to which reference should thus be made.

The Board of Statutory Auditors monitored the compliance of the procedures adopted with the principles indicated by Consob and that they, in turn, were complied with and the Board of Statutory Auditors has no observations to make regarding the fairness and correspondence with the interests of the Company of inter-group transactions and ordinary transactions with related parties,

3. The Board of Statutory Auditors deems that the information provided by the directors in the Notes to the Financial statements of Infrastrutture Wireless Italiane S.p.A., regarding intra-group transactions and transactions with other related parties, is adequate.

4. On March 4, 2019, the independent auditors PricewaterhouseCoopers S.p.A. issued the report required pursuant to Article 14 of Legislative Decree No. 39 of January 27, 2010, in accordance with the provisions of Article 10 of EU Regulation 537/2014 of December 31, 2010. which certifies that the financial statements as at 31 December 2018 provide a true and fair view of the Company's financial position, results of operations and cash flows, in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued to implement art. 9 of Legislative Decree 38/2005. As required by the regulation, the report indicates the key aspects of the audit, including, this year, the addition of "information on the expected impacts of the application of IFRS 16 - Leasing." This report does not contain any requests for specific information. The independent auditors also believe that the Management report and some specific information in the Report on Corporate Governance and Ownership Structures indicated in art. 123-bis, paragraph 4, of the TUF (Consolidated Finance Act) are consistent with the financial statements of the Company as at December 31, 2018 and have been drawn up in compliance with the law.

5. During the course of 2018, and up to the date of drafting of this Report, the Board of Statutory Auditors has not received any reports under Article 2408 of the Italian Civil Code.

6. During the course of 2018, and up to the date of drafting of this Report, the Board of Statutory Auditors, has not received any complaints.

7. In 2018, in addition to the statutory audit assignment, the Company appointed PricewaterhouseCoopers S.p.A. to carry out a limited examination of the first Non-Financial Statement drawn up by the Company, on a voluntary basis, pursuant to Legislative Decree no. 254 of 30 December 2016, against consideration of Euro 59,036 (plus VAT and out-of-pocket expenses incurred in carrying out the assignment).

8. During 2018, Infrastrutture Wireless Italiane S.p.A. did not assign any tasks to entities or persons having continuous business relationships with PricewaterhouseCoopers S.p.A. and/or with companies in the PwC network.

The Board of Statutory Auditors has monitored the independence of the Independent Auditors, and on March 4, 2019, the Independent Auditors issued their annual statement of independence pursuant to Section 6, paragraph 2(a), of Regulation EU no. 537/2014 and paragraph 17 of ISA Italia 260.

9. On February 28, 2018, the Board of Statutory Auditors, in its previous composition, issued an opinion to the Board of Directors, pursuant to Article 2389, paragraph 3, of the Italian Civil Code, on the variable remuneration of the previous Chief Executive Officer for the year 2018, as well as on the inclusion of the latter among the beneficiaries of the long-term stock incentive plan 2018 - 2020, which was approved by the Shareholders' Meeting on April 13, 2018 . Subsequently, on May 9, 2018, the Board of Statutory Auditors, in its current composition, issued a similar opinion on the remuneration of the Chairman Stefano Siragusa (which does not include a variable component) and the Chief Executive Officer Giovanni Ferigo for the year 2018.

On April 13, 2018, pursuant to Art. 18 of the by-laws, the Board of Statutory Auditors expressed a favorable opinion on the appointment of the Manager responsible for preparing the Company's financial reports. this opinion was subsequently confirmed by the Board of Statutory Auditors on November 6, 2018.

Pursuant to the Corporate Governance Code of Borsa Italiana, the Board of Statutory Auditors was consulted within the scope of the definition of the functional objectives for the short-term incentive scheme (2018 MBO and 2019) of the Head of the Audit Function.

10. During 2018, the Company's Board of Directors met 7 times; the Control and Risks Committee held 10 meetings, the Appointments and Remuneration Committee 9 and the Strategic Committee 2. Moreover, in 2018, the Board Committee consisting of all the independent directors met four times, in relation to a significant related party transaction that was not subsequently realized.

The Board of Statutory Auditors met 18 times during the course of 2018 (7 times jointly with the Control and Risks Committee); moreover, in 2018 it attended: (i) one shareholders' meeting; (ii) all Board of Directors' meetings; (iii) all meetings of the Control and Risks Committee, and (through its Chairman or his proxy) all meetings of the Appointments and Remuneration Committee and the Strategic Committee.

It should be noted that INWIT's Board of Directors at its meeting of January 27, 2015, had appointed the Board of Statutory Auditors, up to the end of its term of office, as supervisory body under Section 6, paragraph 1(b), of Italian Legislative Decree no. 231 of June 8, 2001. The Board of Statutory Auditors was again given the functions of Supervisory Body by the Board of Directors in its meeting of April 13, 2018, in accordance with Italian Legislative Decree 231/2001 until expiry of the term of office of the Board of Directors (i.e. until the Shareholders' Meeting called to approve the financial statements to 31 December 2020).

In its current form, the Board of Statutory Auditors in office since 13 April 2018 held four meetings specifically in its capacity as the Supervisory Body.

11. The Board of Statutory Auditors has taken note of, and monitored - insofar as it is concerned - due compliance with the principles of good administration: through attendance of the meetings of the Board of Directors and of the various Committees; by gathering information from the CEO, the Company's management, the head of the Audit Department, and the Financial Reporting Officer and also through meetings with the aforesaid persons and with the representatives of the independent auditors PricewaterhouseCoopers S.p.A., for the purpose of the reciprocal exchange of relevant information and data and, upon conclusion of these activities, has no observations to make in their regard.
The Board of Statutory Auditors supervised compliance with the law and the articles of association. Specifically, regarding the Board of Directors' decision-making processes, the Board of Statutory Auditors has ascertained, including through its own attendance of the Board of Directors' meetings, that the Directors' decisions comply with law and with the Company's by-laws, and has verified that the corresponding resolutions were corroborated with information, analyses, checks and discussions, and also, when necessary, consultation with the committees and with external advisors. The Board of Statutory Auditors has also verified, insofar as such is known, that the Directors have submitted the declarations required by Article 2391 of the Italian Civil Code.
12. In accordance with INWIT's Code of Corporate Governance, the Board of Directors provides strategic guidance and supervision, with the principal aim of creating value for shareholders in the medium/long term, with a view to ensuring the sustainability of the Company's business, and also bearing in mind the legitimate interests of the remaining stakeholders.
In order to implement its decisions and to govern the Company's business, the Board of Directors, in compliance with the limits established by law, may delegate the appropriate powers to one or more directors, who report to the Board of Directors and to the Board of Statutory Auditors on the activities they perform, on the general performance of management, on its foreseeable evolution, and on the Company's most important transactions from the financial, economic and equity points of view.
During 2018, Francesco Profumo held the position of Chairman and Oscar Cicchetti of Chief Executive Officer of the Company until the date of the Shareholders' Meeting held on April 13, 2018, which appointed the new Board of Directors for the three-year period 2018 - 2020; on the same date, the Board of Directors, which met immediately after the Shareholders' Meeting, appointed Stefano Siragusa as Chairman and Giovanni Ferigo as Chief Executive Officer (and General Manager).
The Chairman of the Board of Directors was given not only the power of legal representation and the powers to which that role is legally entitled, but also the power to represent the company in external dealings with authorities, Italian and international institutions, investors, and the media.
The CEO was assigned legal representation of the Company together with responsibility regarding market disclosure, as well as the strategic management and overall governance of the Company, and also the management of any extraordinary transactions. The CEO was also assigned responsibility for establishing - through implementation of the Board of Directors' guidelines - the internal control system, and for ensuring that it met the requirements of changing operating conditions and of the evolving legislative/regulatory situation. The Company adopted an organizational model that provides for the monitoring of the principal activities required for the management and development of the Company's business. On the basis of this model, the following report to the CEO:

- *Marketing & Sales*, headed by Emilio Maratea and by Gabriele Abbagnara starting from January 28, 2019;
- *Technology & Operations*, headed by Elisa Patrizi as from July 31, 2018;
- *Administration Finance and Control* & *Business Support*, headed by Andrea Balzarini, with the

responsibility to ensure coordination of the administration, finance and control, purchasing and business development activities; administration, control and risk management activities are headed by Rafael Perrino, who is also Financial Reporting Officer;

- The Legal, Corporate Affairs & Compliance function, headed by Rocco Ramondino and starting from January 28, 2019 by Salvatore Lo Giudice which, through the Compliance and Regulation function, also ensures management of compliance and regulatory obligations;
- *Human Resources*, headed by Gabriella Raffaele;
- *Institutional and External Communication*, headed from July 31, 2018 by Marco Signoretti.

The Board of Statutory Auditors, insofar as it is concerned, acquired information regarding the Company's chosen organizational structure, and the implementation and development of such ; it also monitored the dynamic adequacy of the organizational structure and its operation, bearing in mind the Company's objectives and upon conclusion of these activities, has no observations to make in their regard.

The Company belongs the TIM Group and is subject to the management and coordination of TIM S.p.A. pursuant to articles 2497 et seq of the Italian Civil Code.

In this latter regard, we hereby reiterate that in 2017, after a lengthy preliminary process, the Company's Board of Directors approved the adoption of Group Regulations aimed at defining the framework for the exercise of direction and coordination by TIM of all the Group subsidiaries, defining the principles, limits, scope and procedural methods.

13. The Board of Statutory Auditors monitored the implementation and due operation of the Company's internal control and risk management system (hereinafter, for the sake of brevity: the internal control system), ensuring its adequacy, both now and in the future, by means of: (i) meetings with the Control and Risks Committee ; (ii) regular meetings with the Heads of the Audit Function, the Legal Function - who, as mentioned, also oversees questions of *compliance* - and with the Executive Manager responsible for drafting the Company's accounting documents, and (iii) the acquisition of documents.

The internal control system is organized, and operates, in accordance with the principles and criteria set out in Borsa Italiana's Code of Corporate Governance. This is an integral part of the organizational structure of the Company and of the TIM Group, and involves a number of actors who operate in a coordinated manner according to their respective responsibilities, as follows: (i) the Board of Directors is responsible for strategic guidance and supervision; (ii) the CEO and management are responsible for monitoring and managing the Company's operations; (iii) the Control and Risks Committee, and the Head of the Audit Function, have a monitoring role and lend support to the Board of Directors; and (iv) the Board of Statutory Auditors has a supervisory role.

The establishment and maintenance of the internal control system is entrusted to the CEO and to the Financial Reporting Officer, insofar as each is concerned, so as to ensure the overall adequacy of the system and its actual operation, from a risk-based perspective, which is also taken into consideration when the Board of Directors' agendas are drawn up.

In accordance with the Company's Code of Corporate Governance, in exercising the Board's responsibility for the internal control and risk management system, the Board also avails itself of the services of the *Audit* Function, which enjoys its own organizational independence and has sufficient adequate resources to carry out its own activities. In particular, during 2018 as well, the Audit Function used the services of a leading consulting firm, selected following a special call for tenders, to support it in its activities. On December 19, 2017, at the proposal of the Director in charge of the internal control and risk management system - subject to the favorable opinion of the Control and Risk Committee and after consulting the Board of Statutory Auditors - the Board of Directors resolved to appoint Laura Trucco as Head of the Audit Function, with effect from January 1, 2018.

For further details of the internal control system, see the "Report on Corporate Governance and Ownership Structure of Infrastrutture Wireless Italiane S.p.A in the financial year 2018".

The Board of Statutory Auditors has acknowledged the overall evaluation of the internal control and risk management system submitted by the Head of the *Audit* Function and of the Control and Risk Committee.

With a view to the future, the Board of Statutory Auditors deems the internal control and risk management system to be generally adequate. To this end, though considering the identification of certain weaknesses as normal for INWIT, which was founded just under three years ago and has a lean structure, in addition to monitoring the actions to overcome the weaknesses identified, the Board of Statutory Auditors recommended that the management continue strengthening the internal control system which, however, currently has no particular critical issues.

The Company has adopted, and seen to the deployment of, the Organizational Model of the Telecom Italia Group pursuant to Italian Legislative Decree no. 231 of June 8, 2001, for the prevention of crimes, together with the corresponding staff training. It is pointed out that, at the request of the Supervisory Body, during 2018 the group's 231 Organizational Model was "customized" specifically for INWIT, with the support of the Telecom Italia Compliance Department. For that purpose, a process analysis is currently being concluded by all INWIT departments. Based on the previous self-risk assessment carried out in 2016, this analysis considered the current organizational structure and will either confirm or if necessary modify or exclude, within INWIT, the processes and internal control models included in the last version of the Group 231 organizational model.

14. In its role as the Internal Control and Audit Committee, the Board of Statutory Auditors has evaluated and monitored the adequacy of the administrative-accounting system and its capacity to reliably and correctly represent company transactions, by obtaining information from the heads of the company functions concerned, by examining company documents and monitoring activities and by analyzing the results of the work carried out by the independent auditors PricewaterhouseCoopers S.p.A. And, upon conclusion of these activities, has no observations to make in their regard.

In particular, in the Notes to the 2018 Financial Statements, in the section "Events subsequent to 31 December 2018", the following are noted (Note 29), it is indicated that "on February 21, 2019, the Board of Directors took note of the information provided by TIM regarding the Memorandum of Understanding signed with Vodafone Italia regarding collaboration on the sharing of mobile infrastructures. More details are provided in Inwit's Press Release of February 21, 2019.

The Board of Statutory Auditors has acknowledged the statements issued by the CEO and by the Executive Manager responsible for drafting the Company's accounting documents, in regard to the adequacy - in relation to the Company's nature - and the actual application in 2018, of the administrative and accounting procedures required for the drafting of the financial statements.

With regard to the question of the impairment testing of goodwill and of assets with an undefined useful life, in accordance with international accounting standards, the Board of Statutory Auditors has monitored (i) the Board of Directors' adoption of a specific procedure, and subsequently (ii) the results of the tests conducted in this regard by the management, which confirmed the recoverable nature of said goodwill and assets.

On March 4, 2019, the Independent Auditors also issued the Report pursuant to art. 11 of Regulation EU no. 537/2014, which does not indicate the existence of any "significant inadequacies in the internal control system in regard to the process of financial disclosure."

The Board of Statutory Auditors also supervised the Company's preparation of the Non-Financial Statement, prepared for the first time on a voluntary basis by the Company. To this end, the company PricewaterhouseCoopers was appointed to carry out a limited assurance engagement on this statement, and upon concluding this, on March 4, 2019, it issued its report pursuant to Article 3, paragraph 10, of Legislative Decree no. 254/2016 and Article 5 of Consob Regulation no. 20267/2018. In that report, based on their work, the independent auditors concluded that no information had been received to suggest that the non-financial statement had not been drawn up, in all significant aspects, in accordance with the requirements of Article 3 of the decree cited and the GRI Standards, with reference to the selection of GRI Standards, as described in the paragraph "Methodological note" of the Non-Financial Statement itself.

The Board of Statutory Auditors examined PricewaterhouseCoopers' report on the subject and monitored compliance with the provisions of Legislative Decree no. 254/2016.

The Board of Statutory Auditors (in office until April 13, 2018) with the counterpart body of TIM and the audit committees of the other Group companies listed on the NYSE or having the status of entities of public interest pursuant to the relevant legislation, followed the Selection Process of the new Single Group Auditor for the nine-year period 2019 - 2027, originally initiated in 2017 in view of the expiry of the mandate conferred by TIM SpA on PricewaterhouseCoopers SpA for the nine-year period 2010-2018, in order to comply with the prohibition of receiving from the new Single Group Auditor (network included), in the 12 months preceding the start of the period subject to auditing (cooling-in period), the services of "Design and implementation of internal control and risk management procedures related to the preparation and/or control of financial information, or the design and implementation of technological systems for financial reporting".

As the Board of Statutory Auditors of Inwit positively assessed the undoubted advantages of having a single Group auditor (mainly consisting of better coordination of the auditing activity and improved operativity, as well as reduced costs), and having mutually agreed a termination of the mandate with the current legal auditor, a meeting of INWIT shareholders was called on May 23, 2018, to approve the awarding of the auditing mandate for the nine-year period 2019-2027, following the TIM Meeting of Shareholders called to decide on the same matter.

The Shareholders' Meeting of the parent company TIM S.p.A. On April 24, 2018 did not reach a decision about the granting of the Group's legal auditing contract for the period 2019-2027, and therefore the Company's Shareholders' Meeting was canceled, and a public announcement was made.

The legal auditing contract awarded by TIM S.p.A., will expire, having reached its legal term, with the approval of the financial statements to December 31, 2018. As this contract cannot be legally renewed any further, TIM has called a Shareholders' Meeting for March 29 ,2019 to authorize, among other things, the award of the auditing contract. In July 2018 it started the online procedure, in which auditing firms who had participated in the previous tender were invited to participate.

The Board of Statutory Auditors of Inwit, in its current composition, took part in the process and restarted in 2018 the process of selecting the new auditor, carrying out independent investigations, in-depth analyses and assessments in the specific interest of the Company and making a specific recommendation as a result. In its current composition, the Board of Statutory Auditors also expressed its opinion that there are undeniable advantages that can derive from the presence of a single Group auditor (mainly the better coordination of the activities and operations of the structures and improved effectiveness and efficiency of the audit process, also with benefits in terms of rationalization of activities and cost-effectiveness of the services rendered, with lower costs) as opposed to each company selecting a different auditor, although this will still be possible.

The Board of Statutory Auditors also approved the proposal for consensual termination of the existing legal auditing contract with PricewaterhouseCoopers S.p.A.

The company's Shareholders' Meeting called to resolve on the consensual termination of the existing auditing contract and the appointment of the new auditing firm has been convened for April 12, 2019.

For more details, see the documents available at www.inwit.it, Governance/ 2019 Shareholders' Meeting section.

15. The Board of Statutory Auditors found that the obligation under Section 114, par. 2 of Italian Legislative Decree no. 58/1998 does not apply in that the Company held no interests in other companies at December 31, 2018.

16. The Board of Statutory Auditors has ascertained, by means of direct audits and information received from the independent auditors PricewaterhouseCoopers S.p.A., that the regulations and laws governing the formation and arrangement of the financial statements and the Management Report have been duly observed.

17. The Company complies with the Code of Corporate Governance drawn up by the Corporate Governance Committee of Borsa Italiana.

The Board of Statutory Auditors supervised the checking of the requirements, and of due application of the principles, of independence of the Company's Directors. The Board of Statutory Auditors also verified that its own members meet the independence criteria referred to in Section 148, paragraph 3, of Italian Legislative Decree no.58/1998 and conducted a self-evaluation process of its own operation, which concluded on 2.16.2019. It has also been established that the members of the Board of Statutory Auditors together possess expertise in the sector in which the Company operates, in accordance with art. 19 of Italian Legislative Decree no. 39/2010.

For further information regarding the Company's Corporate Governance, see the "Report on Corporate Governance and Ownership Structure of Infrastrutture Wireless Italiane S.p.A in the financial year 2018".

The Board of Statutory Auditors has monitored the fact that the aforesaid Report offers full information regarding the manner in which the Company has adopted and implemented the recommendations of the Code of Corporate Governance.

Furthermore, the Board of Statutory Auditors has verified that the Report on Remuneration, issued pursuant to Section 123-*ter* of Italian Legislative Decree no. 58/1998 and approved by the Board of Directors on 2.18.2019, has been drawn up in accordance with the provisions of law, and provides adequate information regarding the Company's remuneration policy and on the fees and salaries paid during the course of the year.

18. The Board of Statutory Auditors' supervisory and auditing activities have failed to reveal any significant facts that need to be reported or mentioned in this Report.

19. The Board of Statutory Auditors, having acknowledged the results of the financial statements to December 31, 2018, and bearing in mind that the Statutory Reserve has reached one-fifth of Equity pursuant to Article 2430 of the Italian Civil Code, has no objection to make in regard to the Board of Directors' proposal to the Shareholders' Meeting, to allocate net profit for the financial year 2018, amounting to 140,760,895 euros:

- in part for distribution to Shareholders, in the form of a dividend, of 0.211 euros for each of the 600,000,000 ordinary shares in circulation as at April 15, 2019 (except the treasury shares in the Company's portfolio), the envisaged dividend payment date, amounting to a total of 126,600,000 euros;
- the remaining part to retained earnings.

In view of the above, the Board of Statutory Auditors invites the shareholders to approve the financial statements as at December 31, 2018 presented by the Board of Directors, together with the Management Report.

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Milan, March 4, 2019

THE BOARD OF STATUTORY AUDITORS

Stefano Sarubbi

Umberto La Commara

Michela Zeme