Interim Report at September 30, 2019

Contents

Interim 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. Negri 1, 20121 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	Piergiorgio Peluso
CEO	Giovanni Ferigo
Directors	Francesca Balzani (independent) Enrico Maria Bignami (independent) Gigliola Bonino Laura Cavatorta (independent) Luca Aurelio Guarna (independent) Carlo Nardello Agostino Nuzzolo Filomena Passeggio (independent) Secondina Giulia Ravera (independent)
Secretary to the Board	Salvatore Lo Giudice

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 September 30, 2019, 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- 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.

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(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 SEPTEMBER 30, 2019

As already mentioned in the interim report on operations at March 31, 2019, the adoption of IFRS 16, described in greater detail in the relevant paragraph, has changed the composition of the main economic and financial indicators.
The highlights for the first nine months of 2019 are presented below:

- revenues amounted to 292,163 thousand euros, up 2.9% compared to the same period of 2018 (283,877 thousand euros). It should be noted that the periods in question include one-off revenues (indemnification under the MSA for the years 2015/18 for 4,830 thousand euros in the first nine months of 2019 and non-hosting penalties for 3,933 thousand euros in 2018). Net of these items, the comparison with the same period of 2018 shows an increase of 2.6%;

- EBITDA amounted to 255,676 thousand euros, up 57.5% compared to the first nine months of 2018 (up 59.9% excluding both the aforementioned one-off revenues and the one-off costs relating to the Daphne project (integration with Vodafone Towers) for 2,434 thousand euros). This value benefited, in the amount of 87,980 thousand euros, by the adoption of accounting standard IFRS 16 in application of which, with reference to leases reported by the lessee which do not constitute the provision of services, the lease payments are no longer recorded as costs for purchases of goods and services, but must be reported in the statement of financial position as a liability of a financial nature, consisting of the present value of future lease payments, with the right to use the leased asset, amortized over the probable contractual duration, being reflected in the assets. Furthermore, the EBITDA of September 2019 is influenced by the negative impact of non-recurring charges of 574 thousand euros (consisting of charges and provisions for early retirements);

- comparable EBITDA for the first nine months of 2019 - prepared using the previous accounting standards - amounted to 167,696 thousand euros, up 3.3% (4.4% net of the aforementioned one-off revenues) compared to the first nine months of 2018. The ratio to revenues was 57.4% (57.2% in the first nine months of 2018);

- EBIT amounted to 157,930 thousand euros with an increase of 4.5% compared to the same period in 2018 (+5.7% excluding the aforementioned one-off revenues/costs); comparable EBITDA for the first nine months of 2019 amounted to 154,784 thousand euros, up 2.4% (+3.5% net of the aforementioned one-off revenues/costs) compared to the first nine months of 2018;

- the profit for the period amounted to 98,868 thousand euros, down 6.5% compared to the same period in 2018 (-5.2% excluding the aforementioned one-off revenues/costs); the profit for the comparable period of the first nine months of 2019 amounted to 108,436 thousand euros, up 2.5% (+4.1% net of the aforementioned one-off revenues/costs) compared to the same period in 2018;

- the data for the third quarter of 2019 show, at comparable values with respect to the corresponding period of 2018, a substantial stability in all the main indicators: +0.7% EBITDA, -0.1% EBIT, +0.2% profit for the period;

- capital expenditures in the period amounted to 35,079 thousand euros, down by 1,138 thousand euros compared to the same period of 2018 (36,217 thousand euros);

- Net Financial Debt totaled 730,679 thousand euros, including in particular the increase of 657,847 thousand euros deriving from the application of the new accounting standard IFRS 16 (Leasing). Excluding this impact, adjusted Net Financial Debt amounted to 72,832 thousand euros, up compared to December 31, 2018 (48,088 thousand euros).

Financial Highlights

(thousands of euros)	1.1 – 09.30 2019	1.1 – 09.30 2019 comparable (a)	1.1 – 09.30 2018 (b)	Change In absolute values c=(a-b)	% (c/b)
Revenues	292.163	292.163	283.877	8.286	2,9
EBITDA(1)	255.676	167.696	162.323	5.373	3,3
EBITDA Margin	*87,5%*	*57,4%*	*57,2%*	*0.2pp*	*0.2pp*
EBIT(1)	157.930	154.784	151.128	3.656	2,4
EBIT Margin	*54,1%*	*53,0%*	*53,2%*	*(0.2)pp*	*(0.2)pp*
Profit for the period	98.868	108.436	105.748	2.688	2,5
Operating Free Cash Flow	*232.511*	*126.458*	*122.292*	4.166	3,4
Capital expenditures (CAPEX) (2)	*35.079*	*35.079*	*36.217*	(1.138)	(3,1)

	09.30.2019	*09.30.2019 comparable*	*12.31.2018*	*Change in absolute values*
ESMA net financial debt	*730.892*	*73.045*	*48.306*	24.739
INWIT net financial debt	*730.679*	*72.832*	*48.088*	24.744

(thousands of euros)	3rd Quarter 2019	3rd Quarter 2019 comparable (a)	3rd Quarter 2018 (b)	Change In absolute values c=(a-b)	% (c/b)
Revenues	96.286	96.286	94.968	1.318	1,4
EBITDA(1)	83.846	55.162	54.766	396	0,7
EBITDA Margin	*87,1%*	*57,3%*	*57,7%*	*(0.4)pp*	*(0.4)pp*
EBIT(1)	48.404	50.796	50.843	(47)	(0,1)
EBIT Margin	*50,3%*	*52,8%*	*53,5%*	*(0.7)pp*	*(0.7)pp*
Profit for the period	29.631	35.663	35.577	86	0,2
Operating Free Cash Flow	*92.930*	*47.878*	*40.591*	7.287	18,0
Capital expenditures (CAPEX) (2)	*15.430*	*15.430*	*10.110*	5.320	52,6

(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 ratio. [3]At September 30, 2019 the value was 1.92x, up compared to the value at December 2018 [];

- 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 550 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 750 through fiber backhauling.

(3) "Organic" Co-Tenancy ratio calculated as the ratio between the number of tenants as at 30.9.2019 and the number of sites not subject to decommissioning on the same date.

The impact of these strategies in the period ended September 30, 2019 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 September 30, 2019 as compared to the same data at December 31, 2018:

(amounts stated in thousands)		September 30, 2019	December 31, 2018
Number of sites (*)	(a)	11.4	11.0
Number of hostings in place with *Tenants* (**)	(b)	21.9	20.9
Number of hostings in place with *Tenants*, excluding TIM (***)	(c)	10.50	10.15
Average number of *Tenants* per Site (Tenancy ratio)	(b)/(a)	1.92	1.90

(*) 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, at September 30, 2019, the average number of operators per site was 1.92.

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 the first nine months of 2019; this reduced the monthly rental costs to an average of approx. 11.4 thousand euros, compared to approx. 14.5 thousand euros at the date of transfer (April 1, 2015).

In the first nine months of 2019, the saving achieved is due 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 SEPTEMBER 30, 2019

INWIT voluntarily prepares and publishes the Interim Financial Reports for the first and third quarters of each financial year.

The Interim Management Report at September 30, 2019 includes the condensed Financial Statements at September 30, 2019 prepared in compliance with the IFRS accounting standards issued by the IASB and implemented by the EU and, in particular, with IAS 34 Interim Financial Statements. the figures reported are unaudited.

Starting from January 1, 2019 Inwit has applied the IFRS 16 (Leasing) adopting the simplified retrospective method. the income statement and financial position figures for the first nine months of 2019 prepared in "comparable" terms are also shown in this document to enable a comparison of income and financial data for the first nine months of 2019 with the corresponding period of the previous year; said date were prepared using the previous accounting standards, and in particular IAS 17 was applied to account for leases as lessee, along with the distinction between operating and finance leases.

The detailed effects of adopting the new accounting standard on the balances at January 1, 2019 are explained in the "Adoption of the new IFRS 16 standard (Leasing)" chapter.

Note lastly, that the chapter "Business outlook for the year 2019" contains forward-looking statements related to management's intentions, beliefs, or current expectations regarding the financial performance and other aspects of the Company's operations and strategies. Readers of this press release are cautioned not to place undue reliance on these forward-looking statements as the actual results may differ materially from those contained in those forward-looking statements as a result of a number of factors, most of which are not within the Group's control.

ADOPTION OF ACCOUNTING STANDARD IFRS 16

The main information and a summary of the impacts from application, as of January 1, 2019, of IFRS 16 (Leases) are shown below.

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).

Pursuant to IFRS 16, the accounting representation of leases (which do not constitute a provision of services) as lessee requires recognizing a financial liability in the statement of financial position, consisting of the present value of future lease payments, with corresponding recording in assets of the right to use the leased asset.

Leasing liabilities, which were previously classified as finance leases under IAS 17, were left unchanged with respect to the accounting representation required by IAS 17, in full continuity with the past.

On the transition date (January 1, 2019), for leases previously classified pursuant to IAS 17 as operating leases, Inwit, consistent with the TIM Group, applied the simplified retrospective approach, recognizing the financial liability for leases and the corresponding value of the right of use, as measured on the basis of the remaining lease instalments as at the transition date.

IMPACT FROM ADOPTION OF IFRS 16

The differences between the commitments existing at December 31, 2018 arising from operating leases, amounting to 92,563 thousand euros, in application of IAS 17, and the leasing liabilities recorded in the statement of financial position at January 1, 2019, in application of IFRS 16, amounted to 685,462 thousand euros, mainly relating to other contacts and impact of discounting flows.

The following average discount rates were applied to the lease liabilities recognized in the statement of financial position at the date of initial application (January 1, 2019):

- Real Estate 2.14%,
- Land 3.24%
- Base transceiver stations 3.45%

IMPACTS ON THE FINANCIAL POSITION AS AT 1/1/2019 (TRANSITION DATE)

Adoption of the IFRS 16 resulted in greater non-current assets, due to the recording of the "right of use of the leased asset" offsetting greater financial abilities. In detail, the impacts during the transition on the main items of the consolidated statement of financial position are summarized below.

(thousands of euros)	***12.31.2018 (*)***	***IFRS 16 impact***	***1.1.2019 Restated***
Assets			
Non-current assets			
Intangible assets	1,450,347	-	1,450,347
Tangible assets	254,577	-	254,577
Right of use on third-party assets	2,632	700,695	703,327
Other non-current assets			
Non-current financial assets	218	-	218
Miscellaneous receivables and other non-current assets	21,672	-	21,672
Deferred tax assets	2,682	-	2,682
Current assets			
Trade and miscellaneous receivables and other current assets	78,176	-15,233	62,943
Financial receivables and other current financial assets	8,101	-	8,101
Current securities and equity investments	10,036	-	10,036
Income tax receivables	1	-	1
Cash and cash equivalents	104,125	-	104,125
Total assets	***1,932,567***	-	***2,618,029***
Equity and Liabilities			
Equity			
Share capital	599,788	-	599,788
Reserves	779,068	-	779,068
Profit/Losses, including the profit for the period	169,459	-	169,459
Total Equity	***1,548,305***	-	***1,548,305***
Non-current financial liabilities	130,208	583,029	713,237
Miscellaneous payables and other non-current liabilities	108,339	-	108,939
Current liabilities			
Current financial liabilities	40,359	102,433	142,792
Trade and miscellaneous payables and other current liabilities	105,356	-	105,356
Total Equity and Liabilities	***1,932,567***	-	***2,618,029***

(*) amounts already reclassified for IFRS 16 purposes.

IMPACT ON THE MAIN SEPARATE INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION ITEMS FOR THE FIRST NINE MONTHS OF 2019

“Comparable” income statement data and “comparable” statement of financial position data are presented to ensure comparability of income and financial results for the first nine months of 2019 with the corresponding periods of the previous year; said data were prepared according to the previous accounting standards (IAS 17 and related Interpretations).
The impact of IFRS 16 on the main income statement data for the first nine months of 2019 is detailed below.

(thousands of euros)	***1.1 – 9.30 2019 (a)***	**1.1 – 9.30 2019 comparable (*) (b)**	***Impact new standards (c=a-b)***	***1.1 – 9.30 2018***
Operating costs	(36,487)	(124,467)	87,980	(121,554)
EBITDA	***255,676***	***167,696***	***87,980***	***162,323***
Amortization of rights of use / finance leases	(97,746)	(12,912)	***(84,834)***	(11,195)
EBIT	***157,930***	***154,784***	***3,146***	***151,128***
Financial charges for rights of use / finance leases	(18,471)	(2,922)	***(15,549)***	(2,984)
Profit (loss) before tax from continuing operations	***139,459***	***151,862***	***(12,403)***	***148,144***
Income taxes	(40,590)	(43,426)	**2,836**	(42,396)
Profit (loss) for the period	***98,869***	***108,436***	***(9,567)***	***105,748***

(*) in the comparable first nine months of 2019 the leases signed as from 1.1.2019 continue to be classified as operating leases for the purposes of IAS 17.

The different nature, qualification and classification of expenses, with recognition of the “Amortization of the right of use of the asset" and of "Financial charges for interest associated with the rights of use", instead of the "Costs for use of third-party assets - operating lease payments ”, as per IAS 17, had a positive impact on EBITDA of 87,980 thousand euros.

The impact of IFRS 16 on the main statement of financial position data at September 30, 2019 is shown below.

(thousands of euros)	*9.30.2019* *(a)*	*9.30.2019 comparable* *(b)*	*Impact new standards* *(c=a-b)*
Assets			
Non-current assets			
Goodwill	1,411,770	1,411,770	-
Intangible assets	10,329	10,329	-
Tangible assets	269,296	269,296	-
Right of use on third-party assets	717,300	38,550	678,750
Other non-current assets	7,305	7,305	-
Total Non-current assets	***2,416,000***	***1,737,250***	***678,750***
Current assets	***218,323***	***251,629***	***(33,306)***
Total assets	***2,634,323***	***1,.988,879***	***645,444***
Equity and Liabilities			
Equity	***1,520,862***	***1,530,.429***	***(9,567)***
Non-current liabilities	***836,556***	***290,586***	***545,970***
Current liabilities	***276,905***	***167,864***	***109,041***
Total liabilities	***1,113,461***	***458,450***	***655,011***
Total Equity and Liabilities	***2,634,323***	***1,988,879***	***645,444***

The impact of IFRS 16 on net financial debt is detailed below.

Adjusted net financial debt

(thousands of euros)	*9.30.2019*	*12.31.2018*	*Change*
Adjusted net financial debt	***730,679***	***48,088***	***682,591***
Write-off of further liabilities recognized under leases	(658,173)	-	(658,173)
Adjusted Net Financial Debt (excluding IFRS 16 impact as at 1.1)	***72,506***	***48,088***	***24,418***

OPERATING PERFORMANCE IN THE PERIOD

(thousands of euros)	***1.1 – 9.30 2019***	***1.1 – 9.30 2019 comparable***	***1.1 – 9.30 2018***	***Change***	
				In absolute values	*%*
		a	b	(a-b)	(a-b)/b
Revenues	292,163	292,163	283,877	8,286	2.9
Costs for lease of premises	(7,608)	(95,588)	(97,818)	2,230	2.3
Employee benefits expenses - Ordinary expenses	(7,749)	(7,749)	(6,552)	(1,197)	(18.3)
Employee benefits expenses - Restructuring and rationalization expenses	(574)	(574)	(352)	(222)	(63.1)
Maintenance and other operating and service expenses	(20,556)	(20,556)	(16,832)	(3,724)	(22.1)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***255,676***	***167,696***	***162,323***	***5,373***	***3.3***
Amortization, gains/losses on disposals and impairment losses on non-current assets	(97,746)	(12,912)	(11,195)	(1,717)	(15.3)
Operating profit (loss) (EBIT)	***157,930***	***154,784***	***151,128***	***3,656***	***2.4***
Finance income/(expenses)	(18,471)	(2,922)	(2,984)	62	2.1
Profit (loss) before tax	***139,459***	***151,862***	***148,144***	***3,718***	***2.5***
Income taxes	(40,591)	(43,426)	(42,396)	(1,030)	(2.4)
Profit for the period	***98,868***	***108,436***	***105,748***	***2,688***	***2.5***

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 for the first nine months of 2019 are analyzed below:

Revenues

In the first nine months of 2019 these amounted to 292,163 thousand euros (283,877 thousand euros in the corresponding period of 2018, +2.9%) 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. Items which by their nature are non-linear or non-recurring ("one-off") are reported, relating to indemnification under the MSA for the years 2015/18 for 4,830 thousand euros. Also in the corresponding period of 2018 one-off revenues for the sharing and disposal of sites amounted to 3,933 thousand euros.
Net of those one-off revenues, the comparison with the first nine months of 2019 showed a 2.6% growth.

In detail:

(thousands of euros)	1.1 – 9.30 2019	1.1 – 9.30 2018	Change in absolute values	%
Revenues from the TIM Group relating to the Master Service Agreement on the transferred sites;	197,826	195,750	2,076	1.1
One-off revenues	4,830	3,933	897	22.8
Revenues from third-party customers on the transferred towers	73,358	70,741	2,617	3.7
Revenues from hosting on new sites and of new services	16,149	13,453	2,696	20.0
Total	292,163	283,877	8,286	2.9
Total (net of one-off revenues)	287,333	279,944	7,389	2.6

EBITDA

Reported EBITDA amounted to 255,676 thousand euros, benefiting by 87,980 thousand euros from the application of IFRS 16 (see chapter "Adoption of the new standard, IFRS 16 (Leasing)"). In 2019, there were also some one-off costs pertaining to the Daphne project (integration with Vodafone Towers) that totalled 2,434 thousand euros.
Comparable EBITDA, prepared on the basis of the same accounting standards as those adopted in 2018, amounted to 167,696 thousand euros, accounting for 57.4% of revenues for the period (57.5% in the same period of 2018). Compared to the first nine months of 2018, the increase was 3.3%, which rises to 4.4% when excluding the aforementioned one-off revenues/costs from the comparison.
Comparable EBITDA was particularly impacted by the change in the line items analyzed below:

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

  These amount to 95,588 thousand euros, down 2,230 thousand euros compared to the same period in 2018 (-2.3%). They represent 76.8% of the cost items with an impact on EBITDA (in the first nine months of 2018 they amounted to 80.5%). These consist of areas owned by third parties on which the Sites are situated.

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

  The item amounted to 7,749 thousand euros and reflects the organizational structure, which includes 121 employees at September 30, 2019 (compared with 117 employees at December 31, 2018.

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

  These amounted to 574 thousand euros. These are charges for incentivized redundancies and non-recurring personnel provisions. This latter item relates to application of art 4 par. 1-7ter of Law no. 92 of 28.6.2012, so-called Fornero Law, envisaging an employee rationalization plan through voluntary early retirement.

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

  The item amounted to 20,556 thousand euros (16,832 thousand euros in the same period of 2018).
  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 euros)	1.1 – 9.30 2019	1.1 - 9.30 2019 comparable	1.1 - 9.30 2018	Change in absolute values	Change %
Amortization of intangible assets with a finite useful life	*632*	*632*	*1,697*	*(1,065)*	*(62.8)*
Depreciation of owned tangible assets	*10,444*	*10,444*	*8,718*	*1,726*	*19.8*
Amortization of rights of use on third-party assets	*86,455*	*1,622*	*34*	*1,588*	*n.a.*
(Gains)/losses on disposals and impairment losses on non-current assets	*215*	*214*	*746*	*(532)*	*(71.3)*
Total	*97,746*	*12,912*	*11,195*	*1,717*	*15.3*

In the first nine months of 2019 the main change is shown under the item "amortization of rights of use on third party assets" following the adoption of IFRS16. In the comparable first nine months of 2019, the same item benefited from the reclassification of the amortization of surface rights, previously included in the amortization of intangible assets with a finite useful life.

EBIT

Reported EBIT amounted to 157,930 thousand euros and was positively impacted by 3,146 thousand euros following the application of IFRS 16.
Comparable EBIT for the first nine months of 2019 was posted at 154,784 thousand euros or 53.0% of revenues (53.2% in the corresponding period of 2018). In terms of absolute values, the increase was 2.4% compared to the first nine months of 2018.
This increase rose to 3.5% after excluding the one-off revenues/costs from the comparison.

Net financial income/(expense)

Reported net financial income (expense) amounted to (18,471) thousand euros; again, this figure includes the impact of financial expenses by 15,549 thousand euros following the application of IFRS 16.
In terms of comparison, it amounts to (2,922) thousand euros. Revenue for both business combinations amounted to 227 thousand euros and related mainly to income from the sale of securities amounting to 50 thousand euros and to IFRS9 impairment amounting to 152 thousand euros.
The financial charges are detailed as follows:

(thousands of euros)	1.1 – 9.30 2019	1.1 – 9.30 2019 comparable	1.1 – 9.30 2018
Interest expenses and other financial expenses			
Interest to banks	815	815	842
Interest expense for finance leases	15,551	2	1
Discounting charges (ARO fund and severance indemnity fund)	1,597	1,597	1,656
Other financial expenses	735	735	603
Total	*18,698*	*3,149*	*3,102*

Income taxes

These amounted to respectively 40,591 thousand euros (reported) and 43,246 thousand euros (comparable). Income tax expenses reflect the estimated tax charge on the basis of theoretical rates of 24.0% for IRES and 4.48% for IRAP.

Profit for the period

The reported profit for the period amounted to 98,868 thousand euros, or 33.8% of revenues.
The profit for the comparable period was 108,436 thousand euros, with a 37.1% effect on revenues. Compared to the first nine months of 2018, this rose by 2.5%, or 4.1% after excluding the one-off revenues/costs.

FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON-CURRENT ASSETS

Goodwill: goodwill amounted to 1,411,770 thousand euros (same amount on December 31, 2018).

Other intangible assets: these amounted to 10,329 thousand euros (40,569 thousand euros at the end of 2018).
Industrial investments for the period came to 4,590 thousand euros.

Tangible assets: the item amounted to 269,296 thousand euros (compared to 254,892 thousand euros at December 31, 2018).
Industrial investments for the period came to 25,521 thousand euros.

Rights of use on third-party assets: these amounted to 717,300 thousand euros.
This item is linked to the adoption of IFRS 16 and the reclassification of surface rights previously recorded under intangible assets. Industrial investments for the period came to 4,968 thousand euros.

For a more detailed analysis, please refer to Notes 4, 5, 6 and 7 of the Interim Financial Statements at September 30, 2019.

CAPITAL EXPENDITURES

Capital Expenditures made in the first nine months of 2019, totaling 35,079 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 property, equipment and other assets.

EQUITY

At September 30, 2019, equity amounted to 1,520,862 thousand euros, the breakdown of which is as follows:

(thousands of euros)	***9.30.2019***	***12.31.2018***
Share capital issued	600,000	600,000
Minus treasury shares	(222)	(222)
Share capital	***599,778***	***599,778***
Share premium reserve	***660,000***	***660,000***
Other reserves and earnings (losses) carried forward, including the result for the period	***119,309***	***119,068***
Legal reserve	*120,000*	*120,000*
Provision for instruments representing net equity	*467*	*266*
Treasury share reserve in excess of nominal value	*(1,215)*	*(1,215)*
Other reserves	*(57)*	*17*
Retained earnings (losses) including earnings (losses) for the period	***141,775***	***169,459***
Total	***1.520.862***	***1,548,305***

FINANCIAL RESOURCES AND CASH FLOWS

Net financial debt

The table below shows a summary of the net financial debt at September 30, 2019, 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 euros)	9.30.2019 (a)	9.30.2019 comparable (b)	12.31.2018 (c)	Change (a-b)
A Cash				
B Cash and cash equivalents	88,586	88,586	104,125	(15,539)
C Securities held for trading	5,148	5,148	10,036	(4,888)
D Liquidity (A + B + C)	*93,734*	*93,734*	*114,161*	*(20,427)*
E Current financial receivables	14,108	14,108	8,101	6,007
F Current financial payables	-	-	-	-
G Current portion of financial payables (medium/long-term)	(149,766)	(40,725)	(40,359)	(109,407)
H Other current financial payables	-	-		
I Current financial debt (F+G+H)	*(149,766)*	*(40,725)*	*(40,359)*	*(109,407)*
J Net current financial debt (I+D+E)	*(41,924)*	*67,117*	*81,903*	*(123,827)*
K Medium/long term financial payables	(688,968)	(140,162)	(130,209)	(558,759)
L Bonds issued	-	-	-	-
M Other non-current financial payables	-	-	-	-
N Non-Current financial debt (K+L+M)	*(688,968)*	*(140,162)*	*(130,209)*	*(558,759)*
O Net financial debt as recommended by ESMA (J+N)	*(730,892)*	*(73,045)*	*(48,306)*	*(682,586)*
Other financial receivables and non-current financial assets (*)	213	213	218	(5)
INWIT Net financial debt	*(730,679)*	*(72,832)*	*(48,088)*	*(682,591)*
Finance lease liabilities expiring within 12 months	*(549,028)*	*(222)*	*(237)*	*(548,791)*
Finance lease liabilities expiring over 12 months	*(109,145)*	*(104)*	*(84)*	*(109,061)*
INWIT adjusted net financial debt	*(72,506)*	*(72,506)*	*(47,767)*	*(24,739)*

(*) This item refers to loans granted to certain employees of the company at September 30, 2019.

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

Other cash and cash equivalents

As of September 30, 2019, this item amounted to 88,586 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 and intercompany deposit accounts, and at any time in the case of cash held in current accounts;
- counterparty risk: investments have been made with investment-grade leading banking institutions (83,203 thousand euros) and with the Group (5,379 thousand euros). There are also 4 thousand euros in checks andcash in hand;
- Country risk: investments were made in Italy, in Luxembourg and in the UK.

Securities held for trading

There are also 5,148 thousand euros (nominal value) in government securities issued by the Italian Republic, available for sale (BTPs). These securities were lent (*Stock Lending*) to a major banking counterparty in order to increase the return on investment.

Financial debt (current and non-current)

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

(thousands of euros)		12.31.2018	Adoption of IFRS 16	Other changes during the period	9.30.2019
Financial payables (medium/long-term):					
Amounts due to banks		59,972	-	9,968	69,940
Leasing liabilities		237	583,029	(34,238)	549,028
Other financial payables		70,000	-	-	70,000
Total non-current financial liabilities	***(a)***	***130,209***	***583,029***	***(24,270)***	***688,968***
Financial payables (short-term):					
Amounts due to banks		40,141	-	277	40,418
Leasing liabilities		84	102,433	6,628	109,145
Other financial payables		134	-	69	203
Total current financial liabilities	***(b)***	***40,359***	***102,433***	***6,974***	***149,766***
Total Financial liabilities (Gross financial debt)	***(a+b)***	***170,568***	***685,462***	***(17,296)***	***838,734***

Medium / long-term financial payables included:

- the Term loan concluded on 31/05/2019 with MUFG with a 5-year maturity and bullet redemption for a total of 30,000 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 item financial payables 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;
- finance lease liabilities mainly arose from adoption of the IFRS16. The short-term portion is reported in short-term financial payables. This item also includes finance leases for industrial vehicles (248 thousand euros) accounted for using the financial method established by IAS 17. The short-term portion is reported in short-term financial payables.

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 euros)	*1.1 – 9.30 2019*	*1.1 – 9.30 2019 comparable (a)*	**1.1 – 9.30 2018 (b)**	***Change (a-b)***
EBITDA	255,766	167,696	162,323	5,373
Write-off of capital contributions in income statement	(38)	(38)	(29)	(9)
Purchases of tangible and intangible assets and rights of use on third-party assets for the period (*)	(35,079)	(35,079)	(36,217)	1,138
EBITDA - Capex	220,559	132,579	126,077	6,502
Change in net operating working capital:	11,937	(6,136)	(3,371)	(2,765)
Change in trade receivables	(26,055)	(26,055)	(17,841)	(8,214)
Change in trade payables (**)(**)	21,014	21,014	11,785	9,229
Other changes in operating receivables/payables	16,978	(1,095)	2,685	(3,780)
Change in provisions for employee benefits	340	340	311	29
Change in operating provisions and Other changes	(325)	(325)	(725)	400
Operating free cash flow	***232,511***	***126,458***	***122,292***	***4,166***
% of EBITDA	***90.9%***	***75.4%***	***75.3%***	***0.1pp***
Flow from acquisition of investments	-	-	(180)	180
Flow from financial income and charges	(18,471)	(2,922)	(1,328)	(1,594)
income taxes paid	(24,596)	(24,596)	(26,073)	1,477
Change in other non-current assets	6,107	(139)	375	(514)
dividend payments	(126,553)	(126,553)	(114,000)	(12,553)
Leasing liabilities	(737,696)	(382)	(214)	(168)
Other non-monetary changes	(13,888)	3,395	(261)	3,656
Reduction/(Increase) in ESMA net financial debt	***(682,586)***	***(24,739)***	***(19,389)***	***(5,350)***

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

Recurring Free Cash Flow

The recurring free cash flow for the first nine months of 2019 - calculated net of both one-off revenues/costs (at *EBITDA* level) and) and the one-off payable not yet paid (*Change in trade payable*) - came to 135,933 thousand euros, showing 8.2% growth on the same period of 2018 (also determined considering EBITDA net of one-off revenues).

The following table shows the details of the items concerned:

(thousands of euros)	**1.1 - 9.30 2019**	**1.1 - 9.30 2019** **comparable** *(a)*	**1.1 – 9.30 2018** *(b)*	**Change** **in absolute values** **c=(a-b)**	**%**
EBITDA	253,280	165,300	158,390	6,910	4.4
Recurring investments	(4,121)	(4,121)	(3,069)	(1,052)	34.3
payment of income taxes	(24,596)	(24,596)	(26,073)	1,477	(5.7)
payment of financial expenses	(1,550)	(1,550)	(1,328)	(222)	16.7
Change in Trade Working Capital:	2,167	2,167	(5,311)	7,478	(140.8)
Change in trade receivables	(26,055)	(26,055)	(17,841)	(8,214)	46.0
Change in trade payables (*)	28,222	28,222	12,530	15,692	125.2
Change in operating receivables/payables	16,653	(1,420)	2,685	(4,105)	(152.9)
Change in provisions for employee benefits	340	340	311	29	9.3
Lease Payment	(106,240)	(187)	0	(187)	n.a.
Recurring Free Cash Flow	**135,933**	**135,933**	**125,605**	*10,328*	8.2

(*): excluding the change in payables for assets

Lease payments include the finance lease payments paid in the first nine months of 2019.

EVENTS SUBSEQUENT TO SEPTEMBER 30, 2019

See the specific Note "Events subsequent to September 30, 2019" to the Interim Financial Statements at 30.6.2019.

POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS.

In accordance with Consob Communication DEM/6064293 of July 28, 2006, during the first nine months of the financial year 2019, no atypical and/or unusual transactions occurred as defined by the Communication.

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 September 30, 2019. The non-recurring effects on Equity and Profit (Loss) for the period are expressed net of tax impacts:

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

(thousands of euros)	*1.1 – 9.30 2019*	*1.1 – 9.30 2018*
Charges related to restructuring and rationalization processes	(574)	(352)
Impact on Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***(574)***	***(352)***
Impact on Operating profit (loss) (EBIT)	***(574)***	***(352)***
Impact on Profit (loss) before tax	***(574)***	***(352)***
Income taxes on non-recurring items	164	100
Impact on the Profit (Loss) of the Period	***(410)***	***(252)***

BUSINESS OUTLOOK FOR THE YEAR 2019(4)

The wireless infrastructure market is continuing its profound transformation and demand for services from mobile operators and other radio network operators is growing.

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

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

Other radio network operators such as IoT and "Public Safety" providers are already on the market and new entrants are expected to specialise in specific product/market relationships through the innovative use models enabled by 5G. These market dynamics, together with the growing willingness of operators to share network infrastructure elements, lead INWIT to expect further growth in traditional business and a strong acceleration in new business.

With reference to the merger with Vodafone Towers, please refer to the press release published on July 26, 2019.

(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 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 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 the Note 10 “Financial liabilities (current and non-current)” to the interim Financial Statements at September 30, 2019.

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 September 30, 2019 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 September 30, 2019 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 BOARDS AT SEPTEMBER 30, 2019

BOARD OF DIRECTORS

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

On May 15, 2019, the Board of Directors appointed Piergiorgio Peluso and Carlo Nardello as non-executive directors to replace the outgoing Stefano Siragusa and Mario Di Mauro, who will remain in office until the next Shareholders' Meeting. Piergiorgio Peluso was appointed Chairman of the Board of Directors, without executive powers.

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

Chairman	Piergiorgio Peluso
CEO and General Manager	Giovanni Ferigo
Directors	Francesca Balzani (independent) Enrico Maria Bignami (independent) Gigliola Bonino Laura Cavatorta (independent) Luca Aurelio Guarna (independent) Carlo Nardello Agostino Nuzzolo Filomena Passeggio (independent) Secondina Giulia Ravera (independent)

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Also, on May 15, 2019, for logistical reasons, the company's Board of Directors resolved to transfer the address of the registered office in Milan from Via Giorgio Vasari 19 to Via Gaetano Negri 1.
All members of the Board of Directors are domiciled for the purposes of their office at the new registered office of INWIT.

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.

The Board of Directors, again on May 15, 2019, also supplemented the membership of the Strategy Committee set up on July 23, 2018; the Strategy Committee is composed of the Chairman of the Board of Directors Piergiorgio Peluso (replacing Stefano Siragusa), the Managing Director Giovanni Ferigo and the Directors Enrico Maria Bignami, Carlo Nardello (replacing Mario Di Mauro) and Secondina Giulia Ravera.

The composition of the other Internal Committees is as follows:

- ***Control and Risks 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.

BOARD OF STATUTORY AUDITORS

The April 13, 2018 Shareholders' Meeting appointed the 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

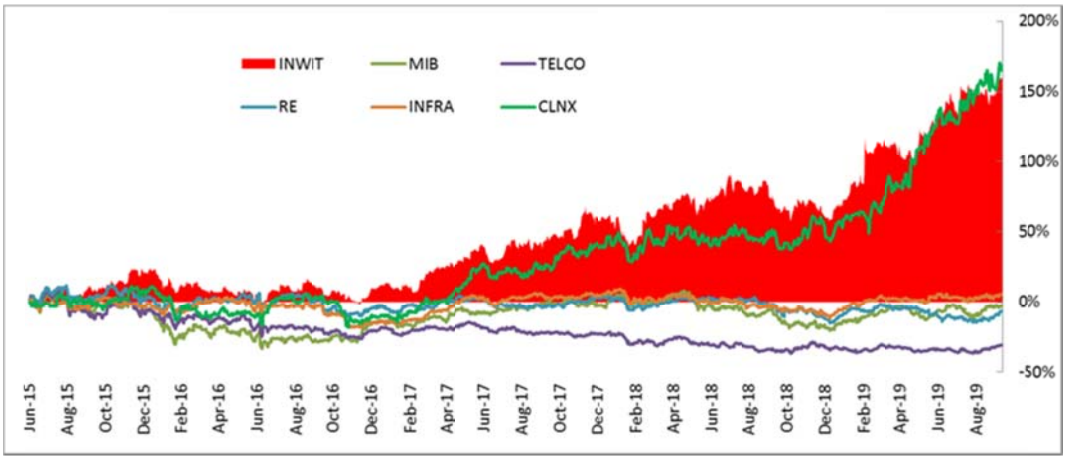
The Shareholders' Meeting held on February 27, 2015 appointed the audit firm PricewaterhouseCoopers S.p.A. to audit the Company's financial statements for the nine-year period 2015-2023.

MANAGER RESPONSIBLE FOR PREPARING THE CORPORATE FINANCIAL REPORTS

The Board of Directors confirmed Rafael Giorgio Perrino (Administration, Control & Risk Management Manager Company) manager responsible for preparing the financial reports of INWIT during its meeting held on April 13, 2018 and, subsequently, at its meeting on November 6, 2018 - following changes to the organizational structure.

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 euros per share.
The following chart shows the performance of the stock in the period comprised between the start of trading and September 30, 2019.

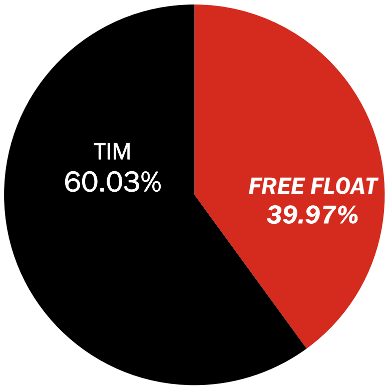


INWIT SHARE CAPITAL AT SEPTEMBER 30, 2019

Share capital	600,000,000 euros
Number of ordinary shares (without nominal value)	600,000,000
Market capitalization (based on average prices between 1/1/2019 and 30/9/2019)	4,784,6 million euros

SHAREHOLDERS

Shareholders' structure at September 30, 2019



TREASURY SHARES

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 6.46 euros 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 first nine months of 2019.

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 interim Financial Statements at September 30, 2019.

ALTERNATIVE PERFORMANCE MEASURES

In this Management Report at September 30, 2019 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 ESMA and 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.

Interim financial statements of Infrastrutture Wireless Italiane S.p.A. at September 30, 2019

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

Contents

INTERIM FINANCIAL STATEMENTS OF INFRASTRUTTURE WIRELESS ITALIANE S.P.A. AT SEPTEMBER 30, 2019

STATEMENT OF FINANCIAL POSITION

Assets

(thousands of euros)	Notes	09.30.2019	12.31.2018
Assets			
Non-current assets			
Intangible assets			
Goodwill	4)	1,411,770	1,411,770
Intangible assets with a finite useful life	5)	10,329	40,569
Tangible assets			
Property, plant and equipment	6)	269,296	254,892
Rights of use on third-party assets	7)	717,300	325
Other non-current assets			
Non-current financial assets		213	218
Miscellaneous receivables and other non-current assets	8)	7,092	21,672
Deferred tax assets		-	2,682
Total Non-current assets		***2,416,000***	***1,732,128***
Current assets			
Trade and miscellaneous receivables and other current assets	8)	106,863	78,176
Financial receivables and other current financial assets		14,108	8,101
Current securities and equity investments		5,148	10,036
Income tax receivables		3,618	2
Cash and cash equivalents		88,586	104,125
Total Current assets		***218,323***	***200,440***
Total assets		***2,634,323***	***1,932,568***

Equity and Liabilities

(thousands of euros)	Notes	09.30.2019	12.31.2018
Equity	9)		
Share capital issued		*600,000*	*600,000*
Minus: treasury shares		*(222)*	*(222)*
Share capital		599,778	599,778
Share premium reserve		660,000	660,000
Legal reserve		120,000	120,000
Other reserves		(691)	(932)
Retained earnings (losses) including earnings (losses) for the period		141,775	169,459
Total Equity		***1,520,862***	***1,548,305***
Liabilities			
Non-current liabilities			
Employee benefits		1,975	2,223
Deferred tax liabilities		37,917	-
Provisions for Risks and Charges		101,575	99,111
Non-current financial liabilities	10)	688,968	130,209
Miscellaneous payables and other non-current liabilities	12)	6,121	7,004
Total Non-current liabilities		***836,556***	***238,547***
Current liabilities			
Current financial liabilities	10)	149,766	40,359
Trade and miscellaneous payables and other current liabilities	12)	127,139	104,562
Income tax payables		-	795
Total current Liabilities		***276,905***	***145,716***
Total liabilities		***1,113,461***	***384,263***
Total Equity and Liabilities		***2,634,323***	***1,932,568***

SEPARATE INCOME STATEMENT

(thousands of euros)	Notes	3rd Quarter 2019	3rd Quarter 2018	1.1 – 09.30.2019	1.1 – 09.30.2018
Revenues	12)	96,286	94,968	292,163	283,877
Acquisition of goods and services - Ordinary charges	13)	(6,880)	(37,342)	(24,067)	(112,997)
Acquisition of goods and services - Charges associated with extraordinary transactions	19)	(2,434)	-	(2,434)	-
Employee benefits expenses - Ordinary expenses		(2,480)	(2,154)	(7,749)	(6,552)
Employee benefits expenses - Restructuring and rationalization expenses	19)	(157)	(352)	(574)	(352)
Other operating expenses		(489)	(354)	(1,663)	(1,653)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		***83,846***	54,766	***255,676***	***162,323***
Of which : Impact of Non-recurring Items	18)	*(2,591)*	*(352)*	*(3,008)*	*(352)*
Amortization, gains/losses on disposals and impairment losses on non-current assets	14)	(35,442)	(3,923)	(97,746)	(11,195)
Operating profit (loss) (EBIT)		***48,404***	50,843	***157,930***	***151,128***
Of which : Impact of Non-recurring Items	18)	*(2,591)*	*(352)*	*(3,008)*	*(352)*
Financial income	15)	22	85	227	118
Financial expenses	15)	(6,707)	(1,012)	(18,698)	(3,102)
Profit (loss) before tax		***41,719***	49,916	***139,459***	***148,144***
Of which : Impact of Non-recurring Items	18)	*(2,591)*	*(352)*	*(3,008)*	*(352)*
Income taxes		(12,088)	(14,339)	(40,591)	(42,396)
Profit for the period		***29,631***	35,577	***98,868***	***105,748***
Of which : Impact of Non-recurring Items	18)	*(1,853)*	*(252)*	*(2,151)*	*(252)*
Basic and Diluted Earnings Per Share		-	-	0.165	0.176

STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)		3rd Quarter 2019	3rd Quarter 2018	1.1 – 09.30.2019	1.1 – 09.30.2018
Profit for the period	***(a)***	***29,631***	***35,577***	***98,868***	***105,748***
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)		-	-	(182)	10
Net fiscal impact		-	-	44	(2)
Total other items that will not subsequently be reclassified in the Separate Income Statement	***(b)***	***-***	***-***	***(138)***	***8***
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	***(c)***	-	-	-	-
Total other items of the Statement of Comprehensive Income	***(d=b+c)***	***-***	***-***	***(138)***	***8***
Total Comprehensive income for the period	***(e=a+d)***	***29,631***	***35,577***	***98,730***	***105,756***

CHANGES IN NET EQUITY

Changes in Equity from January 1, 2018 to September 30, 2018

(thousands of euros)	Share capital	Share premium reserve	Other reserves and earnings (losses) carried forward, including the result for the period	*Total Equity*
Amounts at January 1, 2018	***600,000***	***660,000***	***262,660***	***1,522,660***
Total Comprehensive income for the period	-	-	105,756	105,756
Dividends approved	-	-	(114,000)	(114,000)
Other changes	-	-	(69)	(69)
Amounts at September 30, 2018	***600,000***	***660,000***	***254,347***	***1,514,347***

Changes in Equity from January 1, 2019 to September 30, 2019

(thousands of euros)	Share capital	Treasury share reserve 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, 2019	***599,778***	***(1,215)***	***660,000***	***289,742***	***1,548,305***
Total Comprehensive income for the period	-		-	98,730	98,730
Dividends approved	-	-	-	(126,553)	(126,553)
Other changes	-	-	-	380	380
Amounts at September 30, 2019	***599,778***	***(1,215)***	***660,000***	***262,299***	***1.520.862***

CASH FLOW STATEMENT

(thousands of euros)		1.1 – 09.30.2019	1.1 – 09.30.2018
Cash flows from operating activities:			
Profit for the period		98,868	105,748
Adjustments for:			
Amortization, gains/losses on disposals and impairment losses on non-current assets		97,594	11,195
Net change in deferred tax assets and liabilities		40,643	42,339
Change in provisions for employee benefits		340	311
Change in trade receivables		(26,055)	(17,841)
Change in trade payables		30,656	12,530
Net change in miscellaneous receivables/payables and other assets/liabilities		(8,091)	(24,252)
Other non-monetary changes		(13,683)	2,086
Cash flows from operating activities	***(a)***	***220,272***	***132,087***
Cash flows from investing activities:			
Total purchases of tangible and intangible assets and rights of use on third-party assets for the period (*)		(110,719)	(36,465)
Of which capital expenditures for the period		*(35,079)*	*(36,465)*
Of which Change in amounts due to fixed asset suppliers		*(9,642)*	*(497)*
Total purchases of tangible and intangible assets and rights of use on third-party assets on a cash basis		(44,721)	(36,962)
Change in financial receivables and other financial assets		(1,114)	(9,933)
Deferred payment for acquisition of control in companies		-	(180)
Other changes in non-current assets		6,107	375
Cash flows used in investing activities	***(b)***	***(39,728)***	***(46,700)***
Cash flows from financing activities:			
Change in current and non-current financial liabilities		(69,530)	50,009
Dividends paid (*)		(126,553)	(114,000)
Cash flows used in financing activities	***(c)***	***(196,083)***	***(63,991)***
Aggregate cash flows	***(d=a+b+c)***	***(15,539)***	***21,396***
Net cash and cash equivalents at beginning of the period	***(e)***	***104,125***	***54,360***
Net cash and cash equivalents at end of the period	***(f=d+e)***	***88,586***	***75,756***

(*) of which related parties:

(thousands of euros)	1.1 – 09.30.2019	1.1 – 09.30.2018
Total purchases of tangible and intangible assets and rights of use on third-party assets for the period	5,568	7,936
Dividends paid	76,002	68,438

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 the third quarter of 2019.

NOTE 1 - FORM, CONTENT, AND OTHER GENERAL INFORMATION

FORM AND CONTENT

These interim financial statements of Infrastrutture Wireless Italiane S.p.A. (hereinafter"**INWIT**", or the "**Company**") for the period from January 1, 2019 to September 30, 2019 (hereinafter the"**Interim Financial Statements at September 30, 2019**") were drawn up on the going concern assumption (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 "**TIM**" or the "**Parent**"), is domiciled in Italy, with registered office in Via Gaetano Negri, 1 Milan, and operates in accordance with the laws in force in the Republic of Italy.

The figures at September 30, 2019 are compared with the figures from the statement of financial position at December 31, 2018; 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 interim Financial Statements at September 30, 2019 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 Euros. The values expressed in the notes to these financial statements are expressed in thousands of euros, unless otherwise indicated.

Publication of the interim Financial Statements at 30 September 2019 was approved by the Board of Directors' meeting on 5 November 2019.

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	
+	Financial expenses
-	Financial 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).

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 interim Financial Statements at September 30, 2019 have been prepared on a going concern basis as there is the reasonable expectation that the Group will continue its operational activities in the foreseeable future (and in any event with a time horizon of more than twelve months).

ACCOUNTING CRITERIA

The accounting criteria adopted to prepare the interim financial statements at September 30, 2019 are consistent with those utilized for the yearly financial statements to December 31, 2018, to which reference is made, with the exception of the adjustments required by the nature of the interim measurements.

Furthermore, in the interim financial statements at September 30, 2019, income taxes for the period are calculated according to the best possible estimate based on available information and on a reasonable forecast of performance up to the end of the tax period. Conventionally, the income tax liabilities (current and deferred) on the profit for the interim period are recorded, net of advances and tax receivables (excluding receivables for which refunds have been requested) as well as deferred tax assets, and classified as an adjustment to "Deferred tax liabilities"; if the balance between deferred tax assets and deferred tax liabilities is an asset it is conventionally recorded in "Deferred tax assets".

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.

With regard to the most important accounting estimates, please refer to those illustrated in the annual financial statements at December 31, 2018.

NEW STANDARDS AND INTERPRETATIONS INCORPORATED BY THE EU AND IN EFFECT SINCE JANUARY 1, 2019

Pursuant to IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the IFRS in effect since January 1, 2019 are indicated and briefly described hereafter.

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).

For leases, the new standard provides, save for limited exceptions, that the right of use be recorded 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 adopted the following options with respect to 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 recorded values.

The effects of the application of IFRS 16 on the statement of financial position at January 1, 2019 are summarized in the following notes to these interim Financial Statements.

The economic impacts as at September 30, 2019 are summarized below:

(thousands of euros)	***09.30.2019***
EBITDA	***87,980***
Depreciation, gains/losses on disposal of rights of use/financial leasing	(84,834)
EBIT	***3,146***
Financial expenses	(15,549)
Profit (loss) before tax	***(12,403)***
Income taxes	(2,836)
Profit for the period	***(9,567)***

The capital impacts as at September 30, 2019 are summarized below:

(thousands of euros)	09.30.2019
Rights of use on third-party assets	678,750
Total non-current assets	***678,750***
Other current assets	(33,306)
Total current assets	***(33,306)***
Total assets	***645,444***

(thousands of euros)	09.30.2019
Equity	***(9,567)***
Non-current finance lease liabilities	548,806
Deferred tax liabilities	(2,836)
Total non-current liabilities	***545,970***
Current finance lease liabilities	109,041
Total current liabilities	***109,041***
Total liabilities	***645,444***

IFRIC 23 – Uncertainty on the treatment of income taxes

On October 23, 2018, Regulation EU no. 2018/1595 was issued which implemented IFRIC 23 - Uncertainty over income tax treatments.

Amendments to IFRS 9: Prepayment features with negative compensation

On March 22, 2018 Regulation EU no. 2018/498 was issued which implemented several amendments to IFRS 9 - Financial instruments.

Improvements to the IFRS (2015–2017 cycle)

On March 14, 2019 Regulation EU no. 2019/412 was issued which implemented several amendments to IAS 12 - Income taxes, IAS 23 - Borrowing costs, IFRS 3 - Business combinations and IFRS 11 - Joint arrangements.

IAS 28 (Investments in associates and joint ventures)

On February 8, 2019 Regulation EU no. 2019/237 was issued which implemented several amendments to IAS 28 - Investments in associates and joint ventures.

IAS 19 (Employee Benefits)

On March 13, 2019, EU Regulation no. 2019/402 was issued, which implemented a number of amendments to IAS 19 - Employee Benefits.

The adoption of these amendments/interpretations, with the exception of the accounting standard IFRS 16, did not have any effect on the Financial Statements at September 30, 2019.

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

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

	Mandatory application starting from
New Standards/Interpretations not yet incorporated by the EU	
Amendments to IFRS 3 Business Combinations	1/1/2020
Amendments to IAS 1 and IAS 8: definition of materiality	1/1/2020
Amendments to IFRS 9, IAS 39 and IFRS 7 in relation to the Interest Rate Benchmark Reform	1/1/2020
Amendments to the references to the "Conceptual Framework" in the IFRS	1/1/2020
IFRS 17: Insurance contracts	1/1/2021

Any impact of the new Principles/Interpretations on the Group's consolidated financial statements is still being assessed.

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 September 30, 2019, the Company's financial payables that accrue interest at a fixed rate correspond to:
- 40,032 thousand 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 UniCreditS.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.

The Company also signed a new variable rate loan with MUFG for 30 million euros.

In view of the moderate fixed/variable mix, the Company did not therefore consider it necessary to conclude derivative contracts aimed at mitigating the risk deriving 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 interim financial statements, generated revenues of 222,787 thousand euros (equal to 76.3% of total revenues at September 30, 2019). 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 September 30, 2019, this line had not been used and was therefore completely available.

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 September 30, 2019 on the basis of the categories contained in IFRS 9.

Carrying amount for each IFRS 9 class of financial asset/liability at September 30, 2019

(thousands of euros)		09.30.2019	Amounts recorded 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		213	*213*			
	(a)	***213***	***213***			
Current assets						
Trade and miscellaneous receivables and other current assets						
of which loans and receivables		75,539	*75,539*			
Financial receivables and other current financial assets						
of which loans and receivables		14,108	*14,108*			
Securities other than equity investments		5,148			*5,148*	
Cash and cash equivalents		88,586	*88,586*			
	(b)	***183,381***	***178,233***		***5,148***	
Total	***(a+b)***	***183,594***	***178,446***		***5,148***	
LIABILITIES						
Non-current liabilities						
Non-current financial liabilities						
of which liabilities at amortized cost		688,968	*688,968*			
	(c)	***688,968***	***688,968***			
Current liabilities						
Current financial liabilities						
of which liabilities at amortized cost		149,766	*149,766*			
Trade and miscellaneous payables and other current liabilities						
of which liabilities at amortized cost		108,395	*108,395*			
	(d)	***258,161***	***258,161***			
Total	***(c+d)***	***947,129***	***947,129***			

NOTE 4 – GOODWILL

At September 30, 2019, goodwill amounted to 1,411,770 thousand euros, unchanged compared to December 31, 2018.

(thousands of euros)	12.31.2018	Other changes	09.30.2019
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.

Specifically, at September 30, 2019 no external or internal events were identified that would justify a new impairment test and the amounts of goodwill attributed to the cash-generating units identified were therefore confirmed, corresponding to the carrying amount of the Company's invested operating capital.

NOTE 5 – INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

These provisions fell by 30,240 euros compared to December 31, 2018, and show the following composition and changes:

(thousands of euros)	12.31.2018	Adoption of IFRS 16	Additions	Amortization and depreciation	Other changes	09.30.2019
Patent rights and utilization of intellectual property	1,656		-	(632)	-	1,024
Other intangible assets	29,321		-	-	(29,321)	-
Irrevocable rights of use	1,992	(1,992)	-	-	-	-
Intangible assets under development and advances	7,600		4,590	-	(2,885)	9,305
Total	*40,569*	*(1,992)*	*4,590*	*(632)*	*(32,206)*	*10,329*

The other changes refer to the reclassification of the surface rights among the rights of use of third-party assets (note 7)

NOTE 6 – TANGIBLE ASSETS

PROPERTY, PLANT AND EQUIPMENT, OWNED

Compared to December 31, 2018, these have increased in value by 14,404 thousand euros, and show the following composition and changes:

(thousands of euros)	12.31.2018	Adoption of IFRS 16	Additions	Disposals	Amortization and depreciation	Other changes	09.30.2019
Land	26,259	-	1,361	-	-	939	28,559
Plant and equipment	187,263	-	4,444	(213)	(10,408)	9,000	190,086
Manufacturing and distribution equipment	16	-	-	-	(4)	-	12
Other goods	449	(315)	7	-	(32)	(1)	108
Construction in progress and advance payments	40,905	-	19,709	-	-	(10,083)	50,531
Total	***254,892***	***(315)***	***25,521***	***(213)***	***(10,444)***	***(145)***	***269,296***

Investments made in the reporting period, amounting to 25,521 thousand euros, mainly refer to the purchase of land for 1,361 thousand euros, to the development of new sites for 4,056 thousand euros, to the development of Small Cells for 4,841 thousand euros, and to the execution of Backhauling for 6,378 thousand euros.

During the period disposals of Sites amounted to 213 thousand euros.

The gross carrying amounts and accumulated depreciation at September 30, 2019 are detailed as follows:

(thousands of euros)	Gross Value at 09.30.2019	Accumulated impairment losses	Depreciation Provision	Net Value at 09.30.2019
Land	28,559	-	-	28,559
Plant and equipment	1,041,040	(562)	(850,392)	190,086
Manufacturing and distribution equipment	24	-	(12)	12
Other goods	227	-	(119)	108
Construction in progress and advance payments	50,531	-	-	50,531
Total	***1,120,381***	(562)	(850,525)	***269,296***

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

NOTE 7 - RIGHT OF USE ON THIRD-PARTY ASSETS

Following adoption of IFRS16, the breakdown of the item was as follows:

(thousands of euros)	*12.31.2018*	Adoption of IFRS 16	Additions	Lease increases	Disposals	Amortization and depreciation	Other changes	*09.30.2019*
Land use rights		290,017	-	32,680	(2,806)	(31,754)	(3,033)	285,104
Rights of use on civil and industrial buildings	-	409,385	3,988	42,827	(3,578)	(54,398)	29,133	427,357
Rights of use on plant and equipment	-	3,600	980	51	(40)	(227)	144	4,508
Rights of use on other assets	325	-	-	82	-	(76)	-	331
Total	*325*	*703,002*	*4,968*	*75,640*	*(6,424)*	*(86,455)*	*26,244*	*717,300*

Investments made during the period, amounting to 4,968 thousand euros, mainly consisted of the purchase of surface use rights amounting to 3,988 thousand euros.

NOTE 8 – 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 euros)		12.31.2018	*of which IFRS 9 Financial Instruments*	Adoption of IFRS 16	Other changes during the period	09.30.2019	*of which financial instruments IFRS 9*
Miscellaneous receivables and other non-current assets							
Deferred charges		21,672	-	(14,617)	37	7,092	-
	(a)	***21,672***	-	***(14,617)***	***37***	***7,092***	-
Trade receivables							
Receivables from customers		28,219	*28,219*	-	5,138	33,357	*33,357*
Receivables from the Parent Company		21,265	*21,265*	-	20,917	42,182	*42,182*
	(b)	***49,484***	***49,484***	-	***26,055***	***75,539***	***75,539***
Miscellaneous receivables and other current assets							
Other receivables		1,064	-	-	1,654	2,718	-
Receivables and Deferrals from the Parent Company		3,540	-	-	19,016	22,556	-
Deferred charges		24,088	-	(15,233)	(2,805)	6,050	-
	(c)	***28,692***	-	***(15,233)***	***17,865***	***31,324***	-
Total	*(a+b+c)*	***99,848***	***49,484***	***(29,850)***	***43,957***	***113,955***	***75,539***

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 deferred charges refer to costs pertaining to future periods. The long-term portion of these deferred charges is recorded as "Miscellaneous receivables and other non-current assets".

Receivables and Deferrals 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 9 - EQUITY

At September 30, 2019, equity amounted to 1,520,862 thousand euros, the breakdown of which is as follows:

(thousands of euros)	09.30.2019	12.31.2018
Share capital issued	600,000	600,000
Minus treasury shares	(222)	(222)
Share capital	***599,778***	***599,778***
Share premium reserve	***660,000***	***660,000***
Other reserves and earnings (losses) carried forward, including the result for the period	***119,309***	***119,068***
Legal reserve	*120,000*	*120,000*
Provision for instruments representing net equity	*467*	*266*
Treasury share reserve in excess of nominal value	*(1,215)*	*(1,215)*
Other reserves	*57*	*17*
Retained earnings (losses) including earnings (losses) for the period	***141,775***	***169,459***
Total	***1,520,862***	***1,548,305***

At September 30, 2019 the share capital, fully subscribed and paid up, consisted of 599,777,882 ordinary shares outstanding without nominal value.

BENEFIT PLANS IN THE FORM OF EMPLOYEE STOCK OPTIONS

The Provision for instruments representing net equity of 467 thousand euros 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 (432 thousand euros) at September 30, 2019 is used for long-term retention and incentive purposes, as these apply to the managers and the personnel of the Group.

NOTE 10 – FINANCIAL LIABILITIES (NON-CURRENT AND CURRENT)

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

(thousands of euros)		12.31.2018	Adoption of IFRS 16	Other changes during the period	09.30.2019
Financial payables (medium/long-term):					
Amounts due to banks		59,972	-	9,968	69,940
Leasing liabilities		237	583,029	(34,238)	549,028
Other financial payables		70,000	-	-	70,000
Total non-current financial liabilities	***(a)***	***130,209***	***583,029***	***(24,270)***	***688,968***
Financial payables (short-term):					
Amounts due to banks		40,141	-	277	40,418
Leasing liabilities		84	102,433	6,628	109,145
Other financial payables		134	-	69	203
Total current financial liabilities	***(b)***	***40,359***	***102,433***	***6,974***	***149,766***
Total Financial liabilities (Gross financial debt)	***(a+b)***	***170,568***	***685,462***	***(17,296)***	***838,734***

Financial payables (medium/long-term):

- *Payables to banks* refer to the following loan contracts, net of issue discounts (60 thousand euros), which were entered into respectively in:
  - November 2018 with Banca Popolare di Sondrio for 40,000 thousand euros with bullet repayment at maturity in December 2023;
  - May 2019 with MUFG for 30,000 thousand euros, bullet repayment at maturity on May 31, 2024.
- *Finance lease liabilities* refer to leases accounted for pursuant to IFRS 16, which has come into force on January 1, 2019;
- *Other financial payables* refer to the intercompany loan granted by TI Finance SA, the finance company of the TIM Group, for a total of 70,000 thousand euros with bullet repayment at maturity in December 2022.

Financial payables (short-term):

- *Payables to banks* refer to the syndicated loan agreement signed in May 2015 for 120,000 thousand 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 maturity in May 2020; the total amount is 40,032 thousand euros; the changes in the period refer to accrued interest and to the valuation according to the international accounting standards;
- *Other financial payables* mainly refer to the interest accrued on the intercompany loan.

"COVENANTS", "NEGATIVE PLEDGES" AND OTHER CONTRACT CLAUSES IN EFFECT AT SEPTEMBER 30, 2019

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 September 30, 2019, no covenant, negative pledge clause or other clause relating to the above-described debt position, had in any way been breached or violated.

NOTE 11 – NET FINANCIAL DEBT

The table below shows the Company's net financial debt at September 30, 2019, 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 euros)	***09.30.2019 (*)***	***12.31.2018***
A Cash		
B Cash and cash equivalents	88,586	104,125
C Securities held for trading	5,148	10,036
D Liquidity (A + B + C)	***93,734***	***114,161***
E Current financial receivables	14,108	8,101
F Current financial payables	-	-
G Current portion of financial payables (medium/long-term)	(149,766)	(40,359)
H Other current financial payables		
I Current financial debt (F+G+H)	***(149,766)***	***(40,359)***
J Net current financial debt (I+D+E)	***(41,924)***	***81,903***
K Medium/long term financial payables	(688,968)	(130,209)
L Bonds issued	-	-
M Other non-current financial payables	-	-
N Non-Current financial debt (K+L+M)	***(688,968)***	***(130,209)***
O Net financial debt as recommended by ESMA (J+N)	***(730,892)***	***(48,306)***
Other financial receivables and other non-current financial assets (**)	213	218
INWIT net financial debt	***(730,679)***	***(48,088)***

(*) 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 September 30, 2019.

NOTE 12 - TRADE AND MISCELLANEOUS PAYABLES AND OTHER (NON-CURRENT AND CURRENT) LIABILITIES

The item had the following composition as at September 30, 2019:

(thousands of euros)		12.31.2018	*of which IFRS 9 Financial Instruments*	Other changes during the period	09.30.2019	*of which IFRS 9 Financial Instruments*
Miscellaneous payables and other non-current liabilities						
Payables and Deferred Income to the Parent Company		5,742	-	(1,306)	4,436	-
Payables to social security agencies		224	-	445	669	-
Deferred income		1,038	-	(22)	1,016	-
	(a)	***7,004***	***-***	***(883)***	***6,121***	***-***
Trade payables						
Payables to suppliers		44,031	*44,031*	32,616	76,647	*76,647*
Payables to the Parent Company		43,350	*43,350*	(11,602)	31,748	*31,748*
	(b)	***87,381***	***87,381***	***21,014***	***108,395***	***108,395***
Miscellaneous payables and other current liabilities						
Payables and Deferred Income to the Parent Company		6,172	-	640	6,812	-
Deferred income		7,237	-	1,015	8,252	-
Payables to social security agencies		652	-	(274)	378	-
Tax payables		585	-	(69)	516	-
Other current liabilities		1,761	-	575	2,336	-
	(c)	***16,407***	-	***1,887***	***18,294***	-
Income tax payables		795	-	(795)	-	-
	(d)	***795***	***-***	***(795)***	***-***	***-***
Total	*(a+b+c+d)*	***111,587***	***87,381***	***21,223***	***132,810***	***108,395***

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

Payables to the Parent Company totaled 55,621 thousand euros and refer mainly to commercial transactions (31,748 thousand euros) for ordinary and extraordinary maintenance, service contracts and the construction of new sites, as well as sundry transactions divided between the current portion (6,812 thousand euros) which refers mainly to the short-term portion of the tax consolidation and the non-current portion (4,436 thousand euros) which refers mainly to the tax consolidation.

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

Other current and non-current liabilities mainly refer to payables to social security institutions under Article 4 of the Fornero Law.

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

NOTE 13 - REVENUES

Revenues amounted to 292,163 thousand euros, broken down as follows:

(thousands of euros)	1.1 – 09.30.2019	1.1 – 09.30.2018
Revenues		
Revenues from TIM	222,787	217,437
Revenues from third parties	69,376	66,440
Total	***292,163***	***283,877***

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 222,787 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 69,376 thousand euros, refers essentially to hosting services offered by the Company to Italian mobile operators. Relationships with these operators are regulated by long-term commercial agreements.

NOTE 14 – ACQUISITION OF GOODS AND SERVICES

The item amounted to 26,501 thousand euros and breaks down as follows:

(thousands of euros)		1.1 – 09.30.2019	1.1 – 09.30.2018
Purchases of materials and goods for resale	*(a)*	***451***	***152***
Costs for services			
Maintenance		4,349	4,077
Professional services		5,598	1,772
Other service expenses		7,426	7,809
	(b)	***17,373***	***13,658***
Lease and rental costs			
Lease and rental costs		96,657	99,187
Application of IFRS 16		*(87,980)*	-
	(c)	***8,677***	***99,187***
Total	*(a+b+c)*	***26,501***	***112,997***

The decrease in costs for **Acquisition of goods and services** mainly reflects the application of IFRS16.

NOTE 15 - 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 97,746 thousand euros, and are composed as follows:

(thousands of euros)		1.1 – 09.30.2019	1.1 – 09.30.2018
Amortization of intangible assets with a finite useful life	*(a)*	*632*	*1,697*
Depreciation of owned tangible assets	*(b)*	*10,444*	*8,718*
Amortization of rights of use on third-party assets	*(c)*	*86,455*	*34*
(Gains)/losses on disposals and impairment losses on non-current assets	*(d)*	*215*	*746*
Total	*(a+b+c+d)*	*97,746*	*11,195*

The increase in the item Amortization of rights of use on third-party assets reflects the application of IFRS16.

NOTE 16 – FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

Income amounted to 227 thousand euros and mainly refers to income from the IFRS 9 impairment for 152 thousand euros.

FINANCIAL EXPENSES

Financial expenses amounted to 18,698 thousand euros and break down as follows:

(thousands of euros)	1.1 – 09.30.2019	1.1 – 09.30.2018
Interest expenses and other financial expenses		
Interest to banks	815	842
Interest expense for finance leases	15,551	1
Financial fees	181	170
Other financial expenses	2,151	2,089
Total	***18,698***	***3,102***

Interest expense with banks refers to the financial charges paid during the period for the syndicated loan agreement and the medium/long-term financial payables described in Note 10 - Financial liabilities (non-current and current).
Financial fees refer to the cost of required guarantees and to fees for undrawn credit facilities with respect to the syndicated loan.
The *Other financial expenses* chiefly refer to the adjustment of the provision for restoration charges (1,577 thousand euros) and to the intercompany loan (451 thousand euros).

NOTE 17 – CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

MAIN DISPUTES AND PENDING LEGAL ACTIONS

At September 30, 2019, the Company was involved in:

- a civil litigation concerning the request for payment of compensation for the occupation of buildings on which two radio base stations are located, for restoring the state of the places and paying damages. In relation to the progress of the aforementioned legal case and based on the information available at the time of closing these Financial Statements, a total amount of 150 thousand euros has been allocated to the risk provision.
- a labour dispute concerning a request for payment of damages due to demotion. Based on the information available at the time of closing these Financial Statements, a total amount of 110 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 18 - 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, 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 September 30, 2019 and December 31, 2018 are shown below:

STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 12.31.2018

(thousands of euros)	*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%*
Non-current financial liabilities	*(130,209)*	-	-	(70,000)	(70,000)	*53.7%*
Current financial liabilities	*(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						
Trade and miscellaneous 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%*
Trade and miscellaneous payables and other current liabilities	*(103,788)*	(49,522)	(638)	(15,190)	(65,350)	*63.0%*

STATEMENT OF FINANCIAL POSITION LINE ITEMS AT 09.30.2019

(thousands of euros)	*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	*88,586*	5,379	-	-	5,379	*6.1%*
Financial receivables (short-term)	*14,108*	-	-	14,006	14,006	*99.3%*
Non-current financial liabilities	*(688,968)*	(53,119)	-	(70,009)	(123,376)	*17.9%*
Current financial liabilities	*(149,766)*	(20,718)		(200)	(20,918)	*14.0%*
Total net financial debt (*)	***(730,679)***	***(68,458)***	***-***	***(56,203)***	***(124,661)***	***17.1%***
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS						
Trade and miscellaneous receivables and other current assets	*106,863*	64,738	-	1,053	65,791	*61.6%*
Miscellaneous payables and other non-current liabilities	*(6,121)*	(4,436)	-	-	(4,436)	*72.5%*
Trade and miscellaneous payables and other current liabilities	*(127,139)*	(38,560)	(657)	(51,677)	(90,894)	*71.5%*

(*): the amount of Net Financial Debt also includes securities and non-current financial assets

In the item net financial debt, the available liquidity consists of the intra-group current account (5,379 thousand euros) held with the Parent Company.

Medium/long-term and short-term financial payables to the Parent Company refer to the adoption of IFRS 16, while those to other related parties, refer to the loan granted by TI Finance SA (70,000 thousand euros).

Short-term financial receivables refer to a deposit with TI Finance SA (14,006 thousand euros) with maturity of more than three months.

Receivables from the Parent Company (64,738 thousand euros) mainly include the assessments relating to the recouping of electrical energy costs. Trade receivables from related parties (1.053 thousand euros) are mainly made up of receivables from Persidera S.p.A. relating to leases for hosting services.

Payables to the Parent Company (42,996 thousand euros) consist of trade payables (31,748 thousand euros), non-current miscellaneous payables and other liabilities (4,436 thousand euros) and current miscellaneous payables and other liabilities (6,812 thousand euros). Trade payables mainly refer to service contracts, site restoration and routine and extraordinary maintenance carried out on sites and other services. Other non-current and current payables mainly relate to the tax consolidation.

Payables to Senior Management (amounting to 657 thousand euros) refer to amounts payable to key management personnel of the Company.

Payables to other related parties (51,677 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 September 30, 2019, and for the corresponding period of the previous financial year, are the following:

ITEMS OF THE INCOME STATEMENT AT 09.30.2018

(thousands of euros)	*Total* (a)	Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Revenues	***283,877***	217,437	-	657	218,094	*76.8%*
Acquisition of goods and services	***(112,997)***	(21,874)	-	(106)	(21,980)	*19.5%*
Employee benefits expenses	***(6,552)***	(41)	(856)	-	(897)	*13.7%*
Other operating expenses	***(1,653)***	5	-	-	5	*-0.2%*

ITEMS OF THE INCOME STATEMENT AT 09.30.2019

(thousands of euros)	*Total* (a)	Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Revenues	***292,163***	222,787	-	677	223,464	*76.5%*
Acquisition of goods and services - Ordinary charges	***(24,067)***	(5,872)	-	(63)	(5,935)	*24.7%*
Employee benefits expenses - Ordinary expenses	***(7,749)***	(48)	(954)	-	(1,002)	12.9%
Other operating expenses	***(1,663)***	4	-	-	4	*-0.2%*
Financial income	***227***	-	-	12	12	*5.3%*
Financial expenses	***(18,698)***	(1,086)	-	(451)	(1,537)	*8.2%*

Revenues from the Parent Company (222,787 thousand euros) refer mainly to rental revenues ensuing from the Master Service Agreement. Revenues from Other related parties (677 thousand euros) refer to rental revenues from Persidera S.p.A.

Purchases of materials and services from the Parent Company (5,872 thousand euros) mainly refer to maintenance services (3,568 thousand euros), outsourced services (343 thousand euros), telephone costs (446 thousand euros) and other service costs (1.515 thousand euros). Purchases of materials and services from other related parties (63 thousand euros) mainly refer to outsourced services from H.R. Services and to maintenance services from Olivetti.

Employee benefits expense for senior management (954 thousand euros) refer to compensation due to Company key managers.

Financial income related to other related parties (12 thousand euros) refers to interest income on financial receivables from TI Finance SA.

Financial expenses to the Parent Company (1.086 thousand euros) refer to interest expense on finance leases. Financial expenses related to other related parties (451 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 September 30, 2019, and for the corresponding period of the previous financial year, are the following:

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AT 09.30.2018

(thousands of euros)	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	***(17,841)***	(14,944)	-	(17)	(14,961)	*83.9%*
Change in trade payables	***12,530***	(2,488)	-	13,999	11,511	*91.9%*
Net change in miscellaneous receivables/payables and other assets/liabilities	***(24,252)***	(18,014)	10	250	(17,754)	*73.2%*

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AT 09.30.2019

(thousands of euros)	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	***(26,055)***	(20,917)	-	(942)	(21,859)	*83.9%*
Change in trade payables	***30,656***	(2,221)	-	36,230	34,009	*110.9%*
Net change in miscellaneous receivables/payables and other assets/liabilities	***(8,091)***	(19,682)	19	260	(19,403)	*-239.8%*

The table shows a significant change in the first nine months of 2019 relating to the increase in sundry payables to Other related-parties mainly due to the increase in the trade payable to Telenergia s.r.l.

REMUNERATION OF KEY MANAGERS

The remuneration recorded on an accrual basis in respect of key managers amounted to 954 thousand euros.

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 2019 MBO will be paid during the second quarter of 2020).

The contributions paid in to defined contribution plans (Assida, Fontedir) on behalf of key managers, amounted to 28 thousand euros.

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:	
Giovanni Ferigo	CEO
Managers:	
Andrea Balzarini	Head of Administration, Finance and Control & Business Support
Elisa Patrizi	Head of Technology & Operations
Gabriele Abbagnara	Head of Marketing & Sales, appointed as key manager by the Board of Directors on 02/18/2019

NOTE 19 – SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob Communication no. DEM/6064293 of July 28, 2006, the impact of non-recurring items on the individual separate income statement items is as follows:

(thousands of euros)	1.1 – 09.30.2019	1.1 – 09.30.2018
Charges associated with extraordinary transactions	(2,434)	(352)
Charges related to restructuring and rationalization processes	(574)	(352)
Impact on Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***(3,008)***	***(352)***
Impact on Operating profit (loss) (EBIT)	***(3,008)***	***(352)***
Impact on Profit (loss) before tax	***(3,008)***	***(352)***
Income taxes on non-recurring items	857	100
Impact on the Profit (Loss) of the Period	***(2,151)***	***(252)***

NOTE 20 – POSITIONS OR TRANSACTIONS RESULTING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS.

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

NOTE 21 – EVENTS SUBSEQUENT TO SEPTEMBER 30, 2019

No significant events occurred after the closing of these interim financial statements.

NOTE 22 – INFORMATION ON DIRECTION AND COORDINATION ACTIVITY

In accordance with Article 2497 et seq. of the Italian Civil Code regarding transparency in the management 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, 2018 of TIM S.p.A., the company responsible for management and coordination.

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

Statement of Financial Position

(millions of euros)	*12.31.2018*
Intangible assets	30,680
Tangible assets	12,476
Other non-current assets	12,049
Total Non-current assets	***55,205***
Current assets	***5,956***
Discontinued operations/Non-current assets held for sale	***-***
Total assets	***61,161***
Equity	***18,138***
Share capital	*11,656*
Reserves	*5,836*
Retained earnings (accumulated losses), including profit (loss) for the year	*644*
Non-current financial liabilities	24,777
Employee benefits	1,503
Deferred tax liabilities	3
Provisions	579
Miscellaneous payables and other non-current liabilities	3,006
Total Non-current liabilities	***29,868***
Current liabilities	***13,155***
Total liabilities	***43,023***
Total Equity and Liabilities	***61,161***

Income statement

(millions of euros)	*Financial Year 2018*
Revenues	13,902
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	***5,608***
Operating profit (loss) (EBIT)	***(241)***
Income (expenses) from investments	71
Financial income	1,177
Financial expenses	(2,427)
Profit (loss) before tax from continuing operations	***(1,420)***
Income taxes	(434)
Profit (loss) before tax from continuing operations	***(1,854)***
Profit (loss) from discontinued operations/Non-current assets held for sale	0
Profit (loss) for the year	***(1,854)***

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, 2018. For an adequate, full understanding of the trend of operations and financial situation of TIM S.p.A. at December 31, 2018, 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.

DECLARATION BY THE MANAGER RESPONSIBLE FOR PREPARING THE COMPANY'S FINANCIAL REPORTS

The manager responsible for preparing the corporate financial reports declares, pursuant to paragraph 2, art. 154-bis of the Consolidated Law on Finance, that the accounting disclosure contained in the Interim Report at September 30, 2019 of the INWIT Group corresponds to the Company's documents, accounting records and entries.

Manager responsible for preparing
the corporate financial reports

Rafael Giorgio Perrino