



INFRASTRUTTURE WIRELESS ITALIANE SPA

Independent auditor's report

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

Financial statements as of 31 December 2017



Independent auditor's report

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

Infrastrutture Wireless Italiane SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Infrastrutture Wireless Italiane SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/05.

Basis for Opinion

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

Key Audit Matters

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

PricewaterhouseCoopers SpA

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Key Audit Matter

How our audit addressed the key audit matter

Recoverability of goodwill

Note 4 "Goodwill".

As of 31 December 2017 goodwill amounts to €1,412 million, representing 78% of total assets and 98% of the net equity.

The recoverability of the carrying amount of goodwill was tested for impairment at year end, in accordance with IAS36 – Impairment of Assets.

The recoverable amount of goodwill is based on the fair value less cost of disposal of the group of cash generating units (CGU) to which the goodwill is allocated. The fair value less cost of disposal is based on the quoted market price of Company's shares, adjusted by the estimated fair value of the assets and liabilities not directly attributable to the group of CGU.

The recoverable amount of the group of CGU is compared with its carrying amount, inclusive of assets and liabilities attributable to the CGU, including goodwill.

The recoverability of goodwill represented a key audit matter considering the magnitude of its carrying amount, the contribution to total assets and net equity and the professional judgement required for the assessment of the allocation of goodwill to the group of CGU and of the assumptions used by management.

We have performed an understanding and evaluation of the internal controls over the impairment test of goodwill.

We have performed the following audit procedures:

- assessment of the adequacy of the impairment testing process in accordance with the requirements of the accounting standard;
- assessment of the allocation of goodwill to the group of cash generating units – CGU;
- assessment of the key assumptions used when determining the fair value, based on quoted market price;
- assessment of the accuracy of the carrying amount of assets and liabilities attributable to the group of CGU to which the goodwill is allocated;
- testing the mathematical accuracy of the calculation model used.

We have assessed the accuracy and completeness of the disclosure presented in the notes to the financial statements.



Key Audit Matter**How our audit addressed the key audit matter**

Revenues from Master Service Agreement with Telecom Italia SpA*Note 16 "Revenues"*

Annual revenues for 2017 amount to € 357 million, of which 75% or € 268 million generated from the parent company Telecom Italia SpA.

Revenues from Telecom Italia SpA relate to different types of service rendered by the Company and are governed by the Master Service Agreement signed on 13 March 2015.

The Master Service Agreement is a complex agreement, containing several performance obligations, such as lease of spaces on towers, supply of power, air conditioning, backup systems, monitoring, security, asset management and maintenance services, guarantees and other minor services.

The recognition of revenues derived from the Master Service Agreement represented a key audit matter considering the magnitude and the complexity of the agreement, the number of services rendered to Telecom Italia SpA and the degree of judgement used by management.

We have performed an understanding and evaluation of the internal controls over the identification of performance obligations associated with the Master Service Agreement.

We have verified the revenue recognition for the different performance obligations, also based on their stage of completion.

We obtained written confirmation of amounts due from Telecom Italia SpA.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/05 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of



accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant



audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

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

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

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

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/10 and Article 123-bis, paragraph 4, of Legislative Decree 58/98

Management of Infrastrutture Wireless Italiane SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Infrastrutture Wireless Italiane SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, with the financial statements of Infrastrutture Wireless Italiane SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.



In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Infrastrutture Wireless Italiane SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/10, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 20 March 2018

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

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