2016
Annual Financial Report

Contents

LETTER TO SHAREHOLDERS

Dear Shareholders,

in 2016 INWIT's financial results were better than had been expected at the start of the year, and the Company continued on its path toward growth, diversification and improved efficiency.

The most important figure of 2016 is without doubt the increase in EBITDA ([1]) which reached 163.6 million euro, representing an increase of 13.4% over the pro-forma figure for 2015, thanks to the increase in revenues from other operators and to a marked reduction in rental costs.
In addition to the economic figures, also the principal operating indicators confirm the validity of the actions taken and the sound nature of the results achieved.

The most representative indicator of the growth process is the tenancy ratio, which originally stood at 1.55x, but is now up to 1.72x average customers per site. This result has been achieved thanks to effective commercial operations that have led both traditional and new operators to choose our infrastructures for their radio projects.
The most representative indicator of the improvement in efficiency is the average rental cost which now stands at around 12,700 euro per site, compared to the pro-forma figure for 2016 of 13,200 euro. This is an important result achieved thanks to the extensive renegotiation and transformation of existing contracts.

The Company has displayed its ability to identify and grasp growth and diversification opportunities, by building new sites to meet customers' needs, acquiring three small tower operators in Northern Italy,

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

and launching a challenging plan for the construction of micro-coverage facilities in areas of greatest customer and traffic intensity.
With a view to the future, we are confident that INWIT can continue to develop and create value for all stakeholders, by taking advantage of its distinguishing features: the quality of its assets, customer relations, innovative capacity, and the disciplined execution of projects.

The quality of assets continues to represent INWIT's principal competitive edge in terms of the strategic position of the sites and of the robust, reliable nature of the infrastructures. We shall continue to maintain, strengthen and enhance the value of these substantial assets over the course of time.
The consolidated, stable relationship with TIM and with other operators, is the other key factor in our business model. Our customers' satisfaction with the quality and value of our services, as confirmed by the lengthy contracts entered into, is a guarantee of the stability and transparency of future cash flows.

We would like to take advantage of all the investment opportunities that a developing market offers, by meeting the demand for traditional infrastructures and for innovative solutions such as microcell cover and high-speed backhauling. INWIT wishes to continue being distinguished for its technological excellence and innovative capacity.

Finally, INWIT wishes to be a company that keeps its promises to customers and to all stakeholders, and for this reason we are going to continue improving our processes, modernizing our operating instruments, pursuing customer satisfaction, and maintaining our obsession with results.

While up until now INWIT has played a major role as a platform for the sharing of passive infrastructures by mobile phone operators, we foresee ourselves becoming the benchmark company within the sector in the future.

Thanks once again to all our stakeholders

The Chairman
Prof. Francesco Profumo

The Chief Executive Officer
Engineer Oscar Cicchetti

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 euro
Registered office	Via G. Vasari 19 Milan
Tax Code, VAT no. and registration no. in the Register of Companies of Milan	08936640963
Website	www.inwit.it

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

BOARD OF DIRECTORS

Chairman	Francesco Profumo
Chief Executive Officer	Oscar Cicchetti
Directors	Paola Bruno (independent director) Primo Ceppellini (independent director) Elisabetta Colacchia Cristina Finocchi Mahne (independent director) Alessandro Foti (independent director) Giuseppe Gentili (independent) Saverio Orlando Piergiorgio Peluso Paola Schwizer (independent director)
Secretary to the Board	Rocco Ramondino

BOARD OF STATUTORY AUDITORS

Chairman	Enrico Maria Bignami
Acting Auditors	Umberto La Commara Michela Zeme
Alternate Auditors	Guido Paolucci Elisa Menicucci

INWIT ACTIVITIES

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

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

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

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

Key factors of *INWIT competitive* positioning

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

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

Integrated hosting services

At December 31, 2016, 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.

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, [2] which account for approximately 20% of the all sites, INWIT owns the civil structures only, not the technological systems[3]. 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.

TIM is the main customer of INWIT; during the period referred to in this Management Report, it generated revenues amounting to 254,892 thousand euros - or about 76.4% of the total revenues at December 31, 2016 (190,000 thousand euros o during the period April 1 – December 31, 2015, or 79.4% of total revenues). The Company's other main customers are the leading national mobile network operators (MNOs) (Vodafone, Wind, and H3G) with which the Group 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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(2) The infrastructural sites are positioned in properties owned or leased by TIM, in/on which TIM's fixed telephone devices are located.

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

HIGHLIGHTS AT DECEMBER 31, 2016

During the financial year 2016 INWIT confirmed the gradual increase in sales to the main mobile radio operators and of profitability of its infrastructures, thus further increasing the co-tenancy ratio and continuing the process of containing leasing costs.

Capital expenditures for the financial year 2016 are inclusive of the purchase of land lease rights and the construction of new infrastructure.

In addition, during the period under review, INWIT finalized the acquisition of three companies that held sites for mobile telephone service in Lombardy and the related leasing contracts with the main national mobile ratio operators, for a consideration of 8,316 thousand euros, of which 6,373 thousand euros euro have already been paid.

In greater detail, the following items are highlighted for the financial year 2016:

- Revenues amounted to 333,508 thousand euros (239,216 thousand euros euro at December 31, 2015 in regard to the first nine months only, given that assignment of the business unit by TIM was effective as of April 1, 2015);

- EBITDA amounted to 163,618 thousand euros (108,160 thousand euros at December 31, 2015);

- EBIT amounted to 147,262 thousand euros (95,486 thousand euros at December 31, 2015);

- Profit for the period was 97,925 thousand euros (62,933 thousand euros at December 31, 2015);

- Industrial investment for the period amounted to 35,271 thousand euros, to which should be added the acquisition of the entire share capital of Revi Immobili S.r.l., Gestione Due S.r.l., and Gestione Immobili S.r.l. for an overall consideration of 8,316 thousand euros as described above;

- INWIT's Net Financial Debt was 34,092 thousand euros, down by 13,868 thousand euros compared to December 31, 2015.

Financial Highlights

(thousands of euro)	2016 (a)	4th Quarter 2016 (b)	4th Quarter 2015 (c)	Change (b-c)	 %
Revenues	333,508	84,686	80,441	4,245	5.28%
EBITDA(1)	163,618	42,198	37,041	5,157	13.92%
EBITDA Margin	49.1%	49.8%	46.0%	3.8pp	3.8pp
EBIT(1)	147,262	36,080	29,945	6,135	20.49%
EBIT Margin	44.2%	42.6%	37.2%	5.3pp	5.3pp
Profit for the period	97,925	24,174	19,968	4,206	21.06%
Operating Free Cash Flow	132,240	41,889	11,640	30,249	259.9%
Capital expenditures (CAPEX) (2)	35,271	13,742	10,628	3,114	29.3%
	December 31, 2016	December 31, 2015		Change In absolute values	
ESMA net financial debt(1)	34,308	48,047		13,739	
INWIT Net financial debt (1)	34,092	47,960		13,868	

(1) Details are provided under "Alternative Performance Measures".

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

MAIN OPERATING EVENTS

Acquisition of the controlling interest in Revi Immobili S.r.l., Gestione Due S.r.l., and Gestione Immobili S.r.l.

On January 11, 2016, INWIT completed the acquisition of the above-mentioned companies, which manage mobile telephone network sites in Lombardy (located mainly in the province of Brescia) and of the related lease contracts with the leading Italian mobile radio operators. The consideration for the acquisition was 8,316 thousand euros.
The transaction is part of the strategy that INWIT is pursuing in Italy: continuously improving its earning profile and strengthening its market leadership.

The Shareholders' Meeting of April 19, 2016 approved, in an extraordinary session, the project of merger by acquisition into INWIT of the three wholly owned subsidiaries.

On September 26, 2016, the deed of merger by incorporation of the aforementioned three companies in Inwit S.p.A. was signed. The merger became effective from October 1, 2016. For accounting and tax purposes, the incorporated companies' transactions have been imputed to Inwit's financial statements as of January 1, 2016.

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;
- acquisition of new frequencies by operators requiring the development of new radio accesses;
- 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 become more efficient by pursuing its plan to decommission Sites, its plan to renegotiate leases and its land acquisition plan;
- has increased the value of its infrastructural assets, gradually raising the co-tenancy tenancy to 1.72x, up by 0.1x compared to December 2015 [(4)];
- has met TIM's demand for new sites by launching the construction of approximately 150 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.

[(4)] Organic" Co-Tenancy ratio calculated as the ratio between the number of tenants as at December 31, 2016 and the number of Sites not subject to decommissioning on the same date.

The impact of these strategies in the period ended December 31, 2016 is detailed below.

Rationalization of Sites

The site rationalization process already regulated by the MSA agreement with TIM continued during the course of 2016.

Renegotiation of leases with lessors

With a view to containing rental costs, and also taking into account the trend in the reference market, a program to renegotiate lease contracts (still in effect during the financial year 2016) was launched in 2015; this brought down the monthly rental costs to an average of below 13,000 euro, compared to about 14,500 euro at the date of transfer (April 1, 2015).

The savings achieved during 2016 can be attributed to measures intended to contain leasing costs, such as the renegotiation of lease contracts, the acquisition of land in line with the 2016-2018 plan, and the acquisition of the three real estate brokerage companies in Lombardy as described previously.

Increased co-tenancy

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

The table below shows the effects of new hosting agreements at December 31, 2016 as compared to the same data at December 31, 2015:

(amounts stated in thousands)		December 31, 2016	December 31, 2015
Number of sites (*)	(a)	11.1	11.2
Number of hostings in place with Tenants (**)	(b)	19.1	18.2
Number of hostings in place with *Tenants*, excluding TIM (***)	(c)	8.4	7.1
Average number of *Tenants* per Site (Tenancy ratio)	(b)/(a)	1.72	1.62
Average number of *Tenants* per Site, excluding TIM	(c)/(a)	0.76	0.63

(*) 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 December 31, 2016, the average number of operators per site was 1.72. This value is 0.76 if TIM is excluded.

INCOME, BALANCE SHEET AND FINANCIAL PERFORMANCE AT DECEMBER 31, 2016

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

In line with the previous 2016 Reports, as the income statement figures for the first quarter of 2015 are not significant, the income statement data at December 31, 2016 included in this Management Report show, for the purpose of comparison, the corresponding values for the fourth quarter of the previous year.

As described above, the financial information for the financial year 2016 reflect the consolidation of the fully owned subsidiaries Revi Immobili S.r.l., Gestione Due S.r.l., and Gestione Immobili S.r.l., The accounting effects of the business combination are detailed in the Note "Business Combinations" to the individual Financial Statements at December 31, 2016.

The inclusion of the three purchased companies in the scope of consolidation did not involve (because of their limited size) any significant increase in the overall income, balance sheet or financial values for the financial year 2016.

OPERATING PERFORMANCE IN THE PERIOD

Due to the sale of the business unit on April 1, 2015, the financial year 2016 is not directly comparable with the corresponding period of 2015. As a result, the reclassified income statement of the Company for the fourth quarter of 2016, derived from the "Income Statement" included in the individual Financial Statements at December 31, 2016, is compared with the corresponding values for the fourth quarter of the previous year.

(thousands of euro)	4th Quarter 2016	4th Quarter 2015	Change in absolute values	%
Revenues	84,686	80,441	4,245	5.3
Costs for lease of premises	(34,669)	(37,143)	2,474	(6.7)
Employee benefits expenses	(1,896)	(1,376)	(520)	37.8
Maintenance and other operating and service expenses	(5,923)	(4,881)	(1,042)	21.3
EBITDA	**42,198**	**37,041**	**5,157**	**13.9**
Depreciation and amortization, losses on disposals and impairment losses on non-current assets	(6,118)	(7,096)	978	(13.8)
Operating profit (loss) (EBIT)	**36,080**	**29,945**	**6,135**	**20.5**
Finance income and expenses	(847)	(940)	93	(9.9)
Profit (loss) before tax	**35,233**	**29,005**	**6,228**	**21.5**
Income taxes	(11,059)	(9,037)	(2,022)	22.4
Profit for the period	**24,174**	**19,968**	**4,206**	**21.1**

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

Revenues

Revenues amounted to 84,686 thousand euros, broken down as follows:

(thousands of euro)	4th Quarter 2016	4th Quarter 2015	Change in absolute	Change %
Revenues from TIM	63,958	63,332	626	1.0
Revenues from third parties	20,728	17,109	3,795	21.2
Total	**84,686**	**80,441**	**4,245**	**5.3**

Revenues from TIM amounted to 75.5% of total revenues (78.7% in the fourth quarter of 2015); they mainly comprise the quarterly fee set in the corresponding service agreement (MSA) entered into by the Parent Company, which provides for an annual rent of 253 million euro.

Revenues from third parties, accounting for 24.5% of total revenues (21.3% during the fourth quarter of 2015) refer to hosting services offered by the Company to Italian mobile radio operators and other Radio operators. Relationships with these operators are regulated by long-term trade agreements (typically with a six year term and option for renewal). These revenues are influenced by the performance of the mentioned agreements and in particular are affected by the change in the number of Tenants per site. During the fourth quarter of 2016, the tenancy ratio grew from 1.70 to 1.72.

EBITDA

EBITDA amounted to 42,198 thousand euros, with an EBITDA margin of 49.8% on revenues for the period (46.0% during the fourth quarter of 2015). EBITDA was particularly impacted by the change in the line items analyzed below:

- **Costs for lease of premises**

  These costs amounted to 34,669 thousand euros, down on the fourth quarter of 2015 (37,143 thousand euros), and accounted for 81.6% of cost items that impact on EBITDA (down compared to 85.6% in the fourth quarter of 2015), referring mainly to areas owned by third parties on which Sites are located.

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

  The average monthly rents are 13,000 euro compared to a value of about 14,500 euro at the date of the transfer.

- **Employee benefits expenses**

  The item amounted to 1,896 thousand euros and reflects the organizational structure, which includes 88 employees at December 31, 2016 (compared with 70 employees at December 31, 2015.

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

  The item amounted to 5,923 thousand euros (4,881 thousand euros in the fourth quarter 2015): 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.
  The increase of 21.3% compared to the fourth quarter of 2015 is attributable to the greater impact, in the fourth quarter 2016, of professional services and of contract registration fees.

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

Details are as follows:

(thousands of euro)	4th Quarter 2016	4th Quarter 2015	Change in absolute	%
Amortization of intangible assets with a finite useful life	358	162	196	121.0
Depreciation of tangible assets	3,395	3,127	268	8.6
Losses on disposals and impairment losses on non-current assets	2,365	3,807	(1,442)	(37.9)
Total	**6,118**	**7,096**	**(978)**	**(13.8)**

During the fourth quarter of 2016, the item capital losses on disposals and impairment losses on non-current assets included capital losses from disposal of non-current assets resulting from the decommissioning of sites amounting to 2,354 thousand euros.

EBIT

EBIT amounted to 36,080 thousand euros, with an EBIT ratio of 42.6% on revenues (compared to 37.2% in the fourth quarter 2015).

Net financial income/(expense)

The balance was 847 thousand euros, of which 384 thousand euros relating to interest expenses and bank fees (net of financial revenues) and 463 thousand euros relating to non-monetary changes for the adjustment of the provision for restoration costs and for the financial component of employee severance indemnities.

Income taxes

Income tax expenses amounted to 11,059 thousand euros and reflect the tax burden estimated on the basis of theoretical rates of 27.5% for Corporate Income Tax and 4.45% for Regional Business Tax.

Profit for the period

Profit for the period was 24,174 thousand euros, with a profit margin on revenues of 28.5% (up 21.1% compared to the fourth quarter 2015).

FINANCIAL POSITION AND CASH FLOWS PERFORMANCE

NON–CURRENT ASSETS

Goodwill: the item amounted to 1,411,770 thousand euros (compared to 1,404,000 thousand euros at December 31, 2015): and comprised:

- the portion of goodwill that was recorded in the financial statements of TIM at the time of the Transfer and is attributable to the Business Unit transferred to INWIT (1,404,000 thousand euros).
- the goodwill derived from the corporate merger resulting from the acquisition of the companies Revi Immobili S.r.l., Gestione Due S.r.l., and Gestione Immobili S.r.l., amounting to a total of 7,770 thousand euros.

Other intangible assets: The item amounts to 13,463 thousand euros (compared to 4,011 thousand euros at the end of 2015) and relates mainly to software and land lease rights.

Tangible assets: the item amounted to 193,028 thousand euros (compared to 186,407 thousand euros at December 31, 2015): The following variations arose during the course of 2016:

- assets deriving from the merger of Revi Immobili S.r.l., Gestione Due S.r.l., and Gestione Immobili S.r.l.(+292,000 euro).
- investments in tangible assets (+24,999 thousand euros)
- impairment losses and disposals (- 2,887 thousand euros)
- amortizations in the period (- 12,494 thousand euros)
- other variations (- 3,289 thousand euros)

For a more detailed analysis, see Note 7 “Tangible Assets” to the Financial Statements at December 31, 2016.

CAPITAL EXPENDITURES

Investments made during the course of the financial year 2016, amounting to 35,272 thousand euros, refer to:

- the purchase of land for 11,275 thousand euros,
- land usage rights for 9,638 thousand euros,
- extraordinary maintenance for 5,958 thousand euros,
- the development of smart cells for 1,216 thousand euros,
- the development of new infrastructure for 4,798 thousand euros,
- the remaining amount for intellectual property, stock and other assets.

EQUITY

Equity amounted to 1,484,066 thousand euros.
Equity in 2016 was composed as follows (compared with the previous year):

(thousands of euro)	December 31, 2016	December 31, 2015
Share capital	600,000	600,000
Share premium reserve	660,000	660,000
Legal reserve	120,000	120,000
Provision for instruments representing net equity	34	19
Other reserves	(125)	11
Retained earnings (losses) including earnings (losses) for the period	104,157	62,943
Total	**1,484,066**	**1,442,962**

FINANCIAL RESOURCES AND CASH FLOWS

Net financial debt

The table below shows a summary of the net financial debt at December 31, 2016, calculated in accordance with paragraph 127 of the recommendations contained in ESMA document No. 319 of 2013, implementing Regulation (EC) 809/2004. The table also includes the reconciliation of net financial debt calculated according to the criteria established by ESMA and those used by INWIT to monitor its own financial position.

(thousands of euro)	December 31, 2016	December 31, 2015
A. Cash		
B. Other cash equivalents	85,599	71,833
C Securities held for trading		
D Liquidity (A + B + C)	**85,599**	**71,833**
E. Current financial receivables	89	17
F Current financial payables		
G Current portion of financial payables (medium/long-term)	(20,233)	(231)
H. Other current financial payables		
I Current financial debt (F+G+H)	**(20,233)**	**(231)**
J Net current financial debt (I+D+E)	**65,455**	**71,619**
K Medium/long term financial payables	(99,763)	(119,666)
L Bonds issued		
M Other non-current financial payables		
N Non-Current financial debt (K+L+M)	**(99,763)**	**(119,666)**
O Net financial debt as recommended by ESMA (J+N)	**(34,308)**	**(48,047)**
Other financial receivables and non-current financial assets (*)	216	87
INWIT Net financial debt	**(34,092)**	**(47,960)**

(*) This item refers to loans granted to certain employees of the company at December 31, 2016.

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

Financial debt (current and non-current)

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

(thousands of euro)		December 31, 2016	December 31, 2015
Financial payables (medium/long-term):			
Amounts due to banks		99,763	119,666
Total non-current financial liabilities	**(a)**	**99,763**	**119,666**
Financial payables (short-term):			
Amounts due to banks		20,232	228
Amounts owed to the Parent Company		1	3
Total current financial liabilities	**(b)**	**20,233**	**231**
Total Financial liabilities (Gross financial debt)	**(a+b)**	**119,996**	**119,897**

This item refers to the Term Line under the Loan Agreement signed by the Company on May 8, 2015 with Mediobanca - Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A., and UniCredit S.p.A., which is described in detail in the Note "Financial liabilities (non-current and current)" of the individual Financial Statements at December 31, 2016.

Cash and cash equivalents

At December 31, 2016, this item amounted to 85,599 thousand euros.
Cash is held in bank and postal accounts with the following characteristics:

- maturities: investments can be converted into cash immediately and at any time;
- counterparty risk: investments have been made with investment-grade leading banking and financial institutions (75,460 thousand euros) and with the Parent Company (10,139 thousand euros) for no more than 20% of total liquidity:
- Country risk: investments were made in Italy and the UK.

CASH FLOWS

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

(thousands of euro)	Year 2016 (a)	4th Quarter 2016 (b)	4th Quarter 2015 (c)
EBITDA	163,618	42,198	37,041
Capital expenditures on an accrual basis (*)	(35,271)	(13,742)	(10,628)
EBITDA - Capex	128,347	28,456	26,413
Change in net operating working capital:	8,295	15,884	(13,082)
Change in trade receivables	*1,684*	*17,890*	*2,000*
Change in trade payables (**)	*16,003*	*(2,801)*	*(3,864)*
Other changes in operating receivables/payables	*(9,392)*	*795*	*(11,218)*
Change in provisions for employee benefits	222	(75)	52
Change in operating provisions and Other changes	(4,624)	(2,376)	(1,743)
Operating free cash flow	**132,240**	**41,889**	**11,640**
% of EBITDA	***80.8%***	***99.3%***	***31.4%***
Flow from acquisition of investments	(5,939)	-	-
Flow of finance expenses	(1,702)	(387)	(443)
Change in financial assets	(201)	(110)	(13)
income taxes paid	(54,568)	(15,276)	-
dividend payments	(56,700)	-	-
Change in other non-current assets	2,971	3,011	-
Other non-monetary changes	(2,362)	(2,526)	933
Increase in ESMA net financial debt	**13,739**	**26,601**	**12,117**

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

In addition to what has already been detailed with reference to EBITDA, financial debt for the financial year 2016 was affected by the following items:

Acquisition of investments

The flow of 5,939 thousand euros refers to the disbursement for the acquisition of the entire share capital of the three subsidiaries as described above (6,373 thousand euros), net of the net financial position acquired (434 thousand euros).

Capital expenditure

Investments made in the reporting period amounted to 35,271 thousand euros, and related to the purchase of software, land and surface usage rights, the development of new Sites, and the extraordinary maintenance and development of smart cells.

Change in net operating working capital

The change in working capital was positive at 8,295 thousand euros.

Finance income and expenses

The balance was 1,702 thousand euros, of which 27 thousand euros relating to interest accrued in the period, and 1,729 thousand euros relating to interest expenses and bank fees (net of non-monetary changes, amounting to 1,845 thousand euros, for the adjustment of the provision for restoration costs and for the financial component of employee severance indemnities).

DETAILED TABLES

INWIT's Financial Report at December 31, 2016 was drafted in accordance with Section 154–ter (Financial Reports) of Italian Legislative Decree no. 58/1998 (Consolidated Finance Act) and subsequent amendments and additions, and prepared in accordance with the international accounting principles issued by the International Accounting Standards Board and approved by the European Union (defined as the "IFRS") and with the measures adopted in implementation of Section 9 of Italian Legislative Decree no. 38/2005.

The Financial Report at December 31, 2016, comprises:

- the Management Report;
- the Individual Financial Statements of Infrastrutture Wireless Italiane S.p.A. at December 31, 2016
- certification of INWIT's Financial Statements at December 31, 2016 pursuant to art. 81-ter of Consob Regulation 11971 dated May 14, 1999, and subsequent amendments and additions

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

The chapter "Business outlook for the year 2017" contains forward-looking statements related to the management's intentions, beliefs, or current expectations regarding the financial performance and other aspects of the Company's operations and strategies.

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

Separate Income Statement

(euro)	Financial Year 2016	Financial Year 2015
Revenues	333,508,046	239,216,241
Acquisition of goods and services	(160,660,018)	(126,266,233)
Employee benefits expenses	(6,635,876)	(3,832,243)
Other operating expenses	(2,594,384)	(957,620)
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**163,617,768**	**108,160,155**
Amortization, gains/losses on disposals and impairment losses on non-current assets	(16,355,935)	(12,674,144)
Operating profit (loss) (EBIT)	**147,261,833**	**95,486,011**
Finance income	27,099	30,571
Finance expenses	(3,573,626)	(2,752,831)
Profit (loss) before tax	**143,715,306**	**92,763,751**
Income taxes	(45,790,473)	(29,831,126)
Profit for the period	**97,924,833**	**62,932,625**
Basic and Diluted Earnings Per Share	0.163	0.134

Statement of Comprehensive Income

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

(euro)		Financial Year 2016	Financial Year 2015
Profit for the period	**(a)**	**97,924,833**	**62,932,625**
Other items of the Statement of Comprehensive Income			
Other items that will not subsequently be reclassified in the Separate Income Statement		-	-
Re-measurement of employee fixed benefit plans (IAS19):			
Actuarial gains (losses)		(178,479)	14,640
Net fiscal impact		42,835	(4,026)
Total other items that will not subsequently be reclassified in the Separate Income Statement	**(b)**	**(135,644)**	**10,614**
Other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items of the Statement of Comprehensive Income	**(d=b+c)**	**(135,644)**	**10,614**
Total Comprehensive income for the period	**(e=a+d)**	**97,789,189**	**62,943,239**

Items of the consolidated statement of financial position

(euro)	December 31, 2016	December 31, 2015
Assets		
Non-current assets		
Intangible assets		
Goodwill	1,411,770,320	1,404,000,000
Intangible assets with a finite useful life	13,462,499	4,011,246
Tangible assets		
Property, plant and equipment	193,027,646	186,406,824
Other non-current assets		
Non-current financial assets	216,480	86,792
Miscellaneous receivables and other non-current assets	16,685,002	7,803,000
Deferred tax assets	1,230,684	1,110,889
Total Non-current assets	**1,636,392,631**	**1,603,418,751**
Current assets		
Trade and miscellaneous receivables and other current assets	51,893,630	50,486,004
Financial receivables and other current financial assets	88,859	17,099
Income tax receivables	-	-
Cash and cash equivalents	85,598,979	71,833,401
Total Current assets	**137,581,468**	**122,336,504**
Total Assets	**1,773,974,099**	**1,725,755,255**

(euro)	December 31, 2016	December 31, 2015
Equity		
Share capital	600,000,000	600,000,000
Share premium reserve	660,000,000	660,000,000
Legal reserve	120,000,000	120,000,000
Other reserves	(90,962)	29,179
Retained earnings (losses) including earnings (losses) for the period	104,157,459	62,932,625
Total Equity	**1,484,066,497**	**1,442,961,804**
Liabilities		
Non-current liabilities		
Employee benefits	1,835,029	1,452,327
Deferred tax liabilities	-	-
Provisions	95,190,596	100,360,655
Non-current financial liabilities	99,763,450	119,666,170
Miscellaneous payables and other non-current liabilities	1,600,690	3,576,708
Total Non-current liabilities	**198,389,765**	**225,055,860**
Current liabilities		
Current financial liabilities	20,232,594	231,177
Trade and miscellaneous payables and other current liabilities	69,239,541	53,084,988
Income tax payables	2,045,702	4,421,426
Total Current Liabilities	**91,517,837**	**57,737,591**
Total Liabilities	**289,907,602**	**282,793,451**
Total Equity and Liabilities	**1,773,974,099**	**1,725,755,255**

(euro)			Financial Year 2016	Financial Year 2015
Cash flows from operating activities:				
Profit for the period			97,924,833	62,932,625
Adjustments for:				
Depreciation and amortization, losses on disposals and impairment losses on non-current assets		21)	16,355,935	12,674,144
Net change in deferred tax assets and liabilities			(76,961)	(1,073,914)
Change in provisions for employee benefits			222,351	245,399
Change in trade receivables			1,682,745	(27,556,937)
Change in trade payables			8,641,454	12,175,677
Net change in miscellaneous receivables/payables and other assets/liabilities			(22,727,000)	18,427,607
Other non-monetary changes			2,392,972	315,118
Cash flows from operating activities	**(a)**		**104,416,329**	**78,139,719**
Cash flows from investing activities:				
Total purchase of intangible and tangible assets on an accrual basis (*)			(35,271,000)	(12,531,218)
Change in amounts due to fixed asset suppliers			7,362,000	6,319,106
Total purchase of intangible and tangible assets on a cash basis			(27,909,000)	(6,212,112)
Change in financial receivables and other financial assets		8)	(201,448)	(41,298)
Acquisition of control in subsidiaries or other businesses, net of cash acquired			(5,939,000)	-
Cash flows used in investing activities	**(b)**		**(34,049,448)**	**(6,253,410)**
Cash flows from financing activities:				
Change in current and non-current financial liabilities		14)	98,697	(102,908)
Dividends paid (*)			(56,700,000)	-
Cash flows used in financing activities	**(c)**		**(56,601,303)**	**(102,908)**
Aggregate cash flows	**(d=a+b+c)**		**13,765,578**	**71,783,401**
Net cash and cash equivalents at beginning of the period	**(e)**		**71,833,401**	**50,000**
Net cash and cash equivalents at end of the period	**(f=d+e)**	10)	**85,598,979**	**71,833,401**

See the specific Note “Events subsequent to December 31, 2016” to the Individual Financial Statements at December 31, 2016.

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

Pursuant to the Consob communication No. DEM/6064293 of July 28, 2006, it is specified that during the financial year 2016 no atypical and/or unusual operations were carried out, and that no significant non-recurring events or operations (as defined by said Communication) occurred.

BUSINESS OUTLOOK FOR THE YEAR 2017[5]

The need for increasing coverage means that the mobile radio infrastructures market is constantly growing, and that the companies operating in this sector are adapting to new technological requirements.
Micro-cell coverage deriving from the development of radiomobile network architecture, is part of the new technology associated with 4G coverage. This new technology is accompanied by a growth in mobile broadband connections and the constantly growing demand from operators for new frequencies; Furthermore, the operators manage existing through the sharing of assets and infrastructural operations.

This situation favors the development of the acceleration plan confirmed at the end of this year.

Implementation of the plan is based on:

- the increase in the co-tenancy ratio from 1.70 last year to 1.72 this year, which is forecast to continue growing until the end of the plan.
- continuation of the cost efficiency plan through the disposal of sites, the renegotiation of leases and the purchase of land and land use rights.

The plan to build more than 500 new traditional macro sites by the end of 2018, mainly supported by orders already received, is already at an advanced stage, as is the plan to develop more than 4,000 sites with "Small Cell" technology, capable of guaranteeing improved coverage also indoors, and 1,000 fiber connections in keeping with the need to update sites to 4G technology connection speeds.

The plan shall ensure that a **growing EBITDA trend at a rate in the "low teens"** be maintained over the course of the plan 2017-2019.

(5) The chapter "Business outlook for the year 2017" 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 2017 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 affecting the business activities of the Company, which may impact, even significantly, on the ability to achieve the objectives set by the management, are presented below.

The risk factors concerning the Company

Risks associated with the concentration of the Company’s revenues on a limited number of customers
Due to the concentration of the Company's customers, any issues in commercial relations with key customers could result in significant adverse effects on its earnings, balance sheet, and financial position.
The main customers are TIM, with which the Company entered into an MSA, and the three main MNOs in Italy other than TIM (Vodafone Omnitel B.V., Wind Telecomunicazioni S.p.A., and H3G S.p.A.), with which the Company has signed hosting services agreements. With respect to these agreements it should be noted that there is no certainty that they will continue or that they will be renewed upon expiration. Furthermore, even in case of renewal there is no certainty that the Company may be able to obtain contractual conditions that are at least comparable to those of the agreements in effect.
At any rate, the relationships with the Company's Customers are governed by multi-year commercial agreements, which are renewed automatically. Specifically, pursuant to the MSA, TIM may not terminate the Agreement before the end of an initial 8-year term. Part of the increase in Tenants is guaranteed by TIM pursuant to the aforementioned MSA (2,381 Tenants in the 2015-2018 period).
As part of its organizational processes, the Company has implemented a monitoring process for expiring agreements, and is also focused on Complementary Businesses (Small Cell)
In addition to the above, as a result of the concentration of revenues, the Company is also potentially exposed to credit risk arising from the possibility that its trading partners are not capable or able to meet their obligations.
Any interruption of the relationships with key customers, inability to renew existing contracts upon expiration, or possible default by one of its commercial counterparts could have negative effects on the activities and on the income, balance sheet, and financial position of the Company.

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

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

Risks related to management and coordination by TIM

The Company is part of the TIM Group and is subject to management and coordination by the latter in accordance with Articles 2497 and following of the Italian Civil Code. Without prejudice to the above, it should be noted that the Company can operate (i) in a condition of operational independence, to the extent appropriate to its status as a listed company and in compliance with the best practices followed by listed companies, and in any case with the rules of proper market functioning, through the revenues it generates from its customers and use of its own expertise, technology, and human and financial resources, and (ii) in a condition of broad managerial autonomy with respect to all operations (strategic planning, general management guidelines, extraordinary corporate transactions, communication of information, personnel and compensation policies, treasury transactions).
With specific reference to strategic planning, it is pointed out that the Company prepares its industrial plan in full autonomy and notifies it to TIM for the purpose of preparing the plan of the Group, to which INWIT belongs. TIM formulates guidelines, comments and observations that are not binding on the Company.Without prejudice to the above, it should be noted that in view of the commitments undertaken under the MSA, the Company is subject to certain operational constraints.

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

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

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

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

Risks related to key personnel

Any interruption in the employment relationship between the Company and its key personnel could have an adverse effect on the Company's income, balance sheet, and financial situation.
The results achieved by the Company also depend on the contribution provided by some 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 "Business Support", the Head of "Finance & Administration" and the Head of "Business Management & 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 “Financial liabilities (current and non-current)” to the individual Financial Statements at December 31, 2016.

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 December 31, 2016 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 December 31, 2016 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 related to the powers of the Italian Government ("golden powers")

Certain corporate resolutions of the Company, or the purchase of equity interests relevant for the control of the Company by non-EU entities, may be restricted by the Italian Government by virtue of its special powers ("golden powers") envisaged under Decree Law no. 21 of March 15, 2012, as converted with amendments into Law no. 56 of May 11, 2012, which governs the special powers of the State in relation, among other things, to strategic assets in the communications industry.

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

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

Risks related to global economic conditions

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

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

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

CORPORATE BODIES AT DECEMBER 31, 2016

BOARD OF DIRECTORS

The Company's Board of Directors consists of 11 directors, appointed on January 14, 2015 and May 15, 2015; it will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2017. On May 18, 2015 the Board of Directors appointed Francesco Profumo as Chairman of the Board of Directors of the Company.

On December 21, 2015 the Board of Directors appointed Paola Bruno as Company Director upon proposal of the Appointment and Remuneration Committee, replacing Professor Umberto Tombari, who had resigned on November 13, 2015.

On May 3, 2016 the Board of Directors acknowledged the resignation from the office of director, of Lawyer Francesca Petralia (Non-Executive Director), and the resignation of Director Elisabetta Colacchia from the position of member of the Appointments and Remuneration Committee, in virtue of the fact that she no longer met the requirements of Independent Director.

On June 10, 2016, the Board of Directors, upon proposal of the Appointments and Remuneration Committee, appointed Giuseppe Gentili as Director of the Company, in place of Lawyer Francesca Petralia.

On March 16, 2017, the Board of Directors appointed Engineer Saverio Orlando as Director of the Company, in place of Engineer Venanzio Iacozzilli who has resigned on March 8, 2017.

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

Chairman	Francesco Profumo
Chief Executive Officer	Oscar Cicchetti
Directors	Paola Bruno (independent director) Primo Ceppellini (independent director) Elisabetta Colacchia Cristina Finocchi Mahne (independent director) Alessandro Foti (independent director) Giuseppe Gentili (independent) Saverio Orlando Piergiorgio Peluso Paola Schwizer (independent director)
Secretary to the Board	Rocco Ramondino

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

The Board of Directors, which comprises a majority of independent directors, complies with the provisions contained in art. 37 of Consob Market Regulation and with the recommendations of the Corporate Governance Code issued by Borsa Italiana.

The following board committees were in place at December 31, 2016:

- **Control and Risk Committee:** composed of the Directors: Paola Schwizer (Chairperson), Primo Ceppellini, Alessandro Foti.
- **Nomination and Remuneration Committee**: composed of the Directors: Cristina Finocchi Mahne (Chairperson), Paola Bruno, Giuseppe Gentili.

BOARD OF STATUTORY AUDITORS

At the time of the Company's incorporation, the Board of Statutory Auditors of the Company was appointed: said Board shall remain in office until the approval of the financial statements for the year 2017. The Board of Statutory Auditors of the Company is now composed as follows:

Chairman	Enrico Maria Bignami
Acting Auditors	Umberto La Commara
	Michela Zeme
Alternate Auditors	Guido Paolucci
	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

At its meeting of May 8, 2015, the Board of Directors appointed Rafael Giorgio Perrino (Company Head of Finance and Administration) as manager responsible for preparing the financial reports of INWIT with effect on the date of commencement of trading on the electronic stock exchange (June 22, 2015).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

The internal control system is completed by the so-called: "**231 Organizational Model**", that is, an organizational and management model adopted pursuant to Italian Legislative Decree no. 231/2001, designed to prevent commission of criminal offences that may entail the Company's liability.

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

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

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

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

The Organizational Model takes into consideration those criminal offences covered by Italian Legislative Decree no. 231/2001, with the exclusion of those deemed not to directly concern TIM.

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

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

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

- the **Anticorruption Policy** that constitutes the benchmark for the prevention of corrupt practices ;
- the **Whistleblowing Procedure** which introduces a process designed to guarantee the receipt, analysis and management of reports of conduct suspected of infringing the Code of Ethics and Conduct and the 231 Organizational Model adopted by INWIT, the internal procedures, and any external regulations applicable to INWIT, together with reports from the Board of Statutory Auditors insofar as it is concerned.
- the **Procedure for transactions with related parties**, approved by the Board of Directors on May 18, 20156, establishing the procedural rules applicable to transactions with parties related to INWIT, carried out by the Company either directly or through its subsidiaries, pursuant to the Regulations adopted by CONSOB with its resolution no. 17221/2010 and subsequent amendments.
- the **Procedure for the internal management and public disclosure of insider information**, approved by the Board of Directors on February 27, 2015, in regard to the means of public disclosure of documents and information regarding the Company, with specific regard to insider information.

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

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

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

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

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

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

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

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

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

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

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

BUSINESS SUSTAINABILITY SECTION

INTRODUCTION

Since its listing on the Stock Exchange in 2015, INWIT, convinced that business operations, in order to be sustainable and lasting, must also be beneficial to the well-being of the community in which the Company operates and to the natural environment, has included in its Financial Report a section specifically concerning sustainability, with three main areas chosen for reporting purposes :

- the generation of economic value;
- the environment;
- human resources.

INWIT's aim is to achieve a balance between the three basic aspects of sustainability:

- environmental: meaning the capacity to preserve the quality and the reproducible character of natural resources;
- economic: meaning the capacity to generate income and work to sustain the population;
- social: meaning the capacity to guarantee conditions of human well-being (safety, health, education, democracy, participation and justice) distributed fairly among different classes and genders

This balance is achievable by taking in to account the expectations of all people and entities involved in the Company's business - the stakeholders (customers, suppliers, competitors, institutions, the environment, the local community, human resources and shareholders) - and by trying to reconcile their respective requirements.
In support of the consolidation of business following the initial start-up period, in 2016 INWIT launched a project for the certification, in accordance with UNI EN ISO 9001:2015 standards, of the following process monitored by Business Management & Operations “Supply of integrated services for hosting equipment for radio broadcasting, telecommunications, and television and radio signals broadcasting, and the associated activities of marketing, implementation and management of contracts entered into with customers and owners, routine and extraordinary maintenance, the construction of new sites and the disposal of existing sites”.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The economic value generated and distributed to the stakeholders is as follows.

(millions of euro)	2016	2015
Economic value produced directly		
a) Total operating revenues and proceeds	333,508	239,217
b) Interest accrued and dividends collected	27	31
Gains (losses) on disposals of non-current assets	(2,689)	(868)
d) Economic value produced directly (a+b+c)	330,846	238,380
Economic value distributed		
e) Operating costs	161,661	126,486
f) Employees costs	6,636	3,832
g) Shareholders and lenders	58,221	1,072
h) Duties and taxes	47,460	31,644
i) Economic value distributed (e+f+g+h)	273,978	163,034
Economic value retained (d-i)	56,868	75,346

THE ENVIRONMENT

Information regarding the environment has been obtained from management data, part of which have been estimated. The following data regard the consumption of energy (heating, transport and electricity), emissions, water consumption, paper consumption and waste production

Energy

Energy consumption is reported in accordance with the guidelines proposed by the Global Reporting Initiative in regard to direct consumption for heating, electricity generation and transport (Scope 1, according to the Greenhouse Gas Protocol6) and to indirect consumption for the purchase and consumption of electricity (Scope 2).

Heating

Consumption in 2016 and % variation compared to 2015

		2016
Energy generated from diesel oil	MJ	3,994
Energy generated from natural gas	MJ	281,943
Total energy for heating purposes	**MJ**	**285,937**
2016 against 2015		19%

The figures in the table show an increase of 19%, linked to a difference in the reporting period: 9 months in 2015 and the entire year in 2016. An overall comparison would show a stable trend.

Transport

Consumption in 2016 and % variation compared to 2015

		2016
Energy from lead-free petrol	MJ	681,594
Energy from diesel fuel	MJ	473,150
Total energy for transport(*)	**MJ**	**1,154,744**
2016 against 2015		1.623%
Total vehicles	**no.**	**49**
2016 against 2015		23%
Total distance traveled by vehicles	**Km**	**413,376**
2016 against 2015		973%

(*) Represents the conversion to Mega-joules of transport fuel consumed

The comparison with 2015 is meaningless, since the vehicle fleet only became fully operational in 2016, whereas in 2015 only the month of December was taken into consideration, since in the preceding months INWIT's employees had used vehicles from the Parent Company's fleet

(6) The Greenhouse Gas (GHG) Protocol, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), establishes the benchmarks for the measurement, management and reporting of greenhouse gas emissions.

Consumption of electricity for operation of the telecommunications plants and the civil and industrial technological plants, is reported below.

Electricity purchased and produced

		Consumption in 2016 and % variation compared to 2015
		2016
Electricity from mixed sources	kWh	343,200
Electricity from renewable sources	kWh	0
Total electricity consumed	**kWh**	**343,200**
2016 against 2015		68%

The figures show that the energy consumed by INWIT in 2016 came from mixed sources, whereas in 2015 it all came from renewable sources. This is the consequence both of the decision by the Parent Company TIM, not to acquire guarantees of origin to cover its electricity requirements (in 2015 and for some of 2016, INWIT's employees were housed in TIM's premises), and of INWIT's direct purchase of electricity from mixed sources to cover the electricity requirements of the new promises which part of the company's employees were transferred tolt should be noted that already in 2015, electricity consumption was estimated on the basis of a company model that takes account of statistical consumption figures, as no direct data is available. The figure in the table show an increase of 68%, associated both with the different reporting periods (9 months in 2015 and 12 months in 2016), and with the greater number of resources employed by INWIT S.p.A.

Air emissions

Emissions are classified according to the Greenhouse Gas Protocol: thus they are sub-divided into Scope 1 emissions if produced by the direct use of fuel for heating, transport and electricity generation; Scope 2 if produced indirectly as a consequence of the purchase and consumption of electricity; Scope 3 in the case of other indirect emissions, such as those produced by employees using their own vehicles to get to work. The following table shows total CO2 emissions.
The following table shows INWIT's total CO2 emissions:

		Emissions generated in 2016 and the % variation compared to 2015
		2016
Emissions of CO_2 for transport	kg	83,621
Emissions of CO_2 for heating	kg	15,592
Total direct emissions of CO_2 – under Scope 1 GRI	**kg**	**99,214**
2016 against 2015		456%
Emissions of CO_2 from the purchase of electricity generated from mixed sources[7]	kg	132,616
Total indirect emissions of CO_2 – under Scope 2 GRI	**kg**	**132,616**
2016 against 2015		(*)
Emissions of CO_2 from travel between home and the workplace (**)	kg	102,796
Total other indirect emissions of CO_2 – under Scope 3 GRI	**kg**	**102,796**
2016 against 2015		26%
Total emissions of CO_2	**kg**	**334,626**
2016 against 2015		236%

(*) The figures show that the electrical energy consumed by INWIT in 2016 came entirely from mixed sources, whereas in 2015 it all came from renewable sources. The annual variation in emissions is thus not comparable.
(**) The calculation of the impact of travel to work is based on statistical figures for company employees. .

(7) To calculate the emissions linked to the consumption of electricity generated from mixed sources, purchased in the Italian market, a coefficient published by GHG Protocol (2009) was used - which takes into account the national energy mix - equal to 386 grammes of CO_2/kWh.

Direct emissions (Scope 1) rose substantially, principally owing to the transport figures (more vehicles and longer distances covered); heating emissions were slightly up on the previous year (+19%).
Emissions generated by electricity from mixed sources (Scope 2) rose significantly in 2016 compared to 2015, due to different procurement policies.
The emissions associated with the journeys to and from work of those employees using their own vehicles, (Scope 3) rose, due to the increase in INWIT's employee in 2016, and to the different reporting periods (one year in 2016 compared to 9 months in 2015).

WATER

Water consumption

Consumption in 2016 and % variation compared to 2015

		2016
Consumption of water from water supply companies	m^3	1,873
Total water consumption	$\mathbf{m^3}$	**1,873**
2016 against 2015		(9)%

INWIT uses water supplied by water supply companies (mains water facilities).

PAPER

Paper for office and commercial purposes

Consumption in 2016 and % variation compared to 2015

		2016
FSC-certified paper for office purposes	kg	1,066
Total paper purchased for office purposes	**kg**	**1,066**
2016 against 2015		19%

The purchase of paper continues to move towards paper meeting the highest environmental quality standards based on the sustainable management of forests in accordance with the requirements of the Forest Stewardship Council (FSC, see. fsc.org).
Annual paper consumption is virtually stable overall.

Waste

In 2016 INWIT registered industrial waste figures of zero.

Electromagnetic emissions

INWIT's practices in regard to the question of electromagnetic emissions consist in:

- the careful management of plants during their lifetime, in accordance with the laws in force and with company efficiency and safety standards;
- the use and constant search for the latest technological instruments for controlling and checking emissions.

The systematic monitoring of the electromagnetic emissions of plants, aims to guarantee compliance with legal limits and the maintenance of high standards of safety for the population and for employees. On the basis of the controls carried out in Italy, the electromagnetic emissions produced are comfortably below the legal limits.

RESEARCH AND DEVELOPMENT

R&D of new service lines is a key element of the Company's business development, which aims to broaden the Customer base and the portfolio of services, through both independent actions and partnerships with the company's customers, with research centers and with innovative companies.
In regard to INWIT's R&D Plan, the Company is involved in the following activities:

- Small Cells
  INWIT is committed to the development and management of Small Cells capable of offering localized coverage concentrated in a specific area, but with high-quality capacities and performance;
- LTE Public Safety
  In terms of public projects, INWIT believes that the development of LTE Public Safety projects, as safe broad-band communications instruments for the police service, which could be developed together with Mobile Operators and/or Tetra service operators, could be of interest.
- Internet of Things
  The radio networks of the future will connect up billions of objects, using licensed frequencies and technologies used by mobile networks (Cellular IoT), or alternative networks generally developed on unlicensed frequencies (Capillary Networks). To this end, INWIT is committed to providing traditional hosting services both to Mobile Operators and to the new entities involved in alternative networks, and is also ready to grasp any opportunities for establishing a direct presence in the business.

INWIT'S PEOPLE

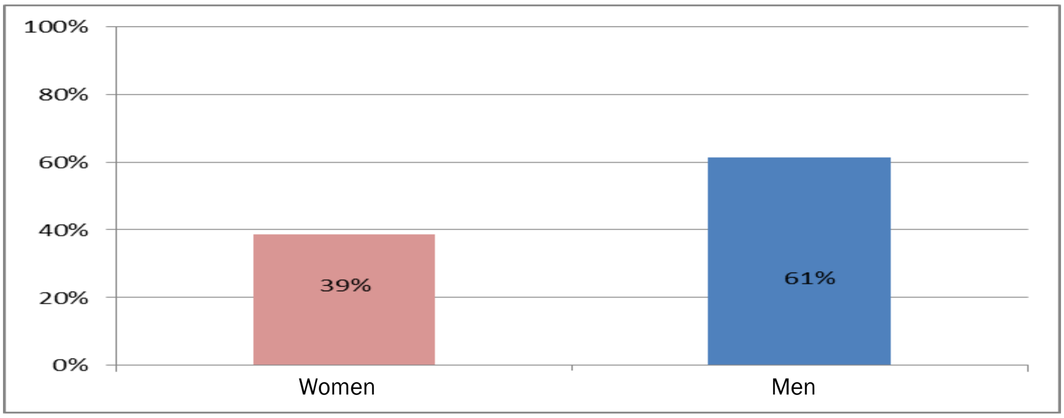
In a competitive scenario, where business, technology and consumption models are constantly undergoing radical change, the change required to meet the market challenge must include the valorization of employees and the development of their professionalism.
The Code of Ethics, adopted by all of the Companies in the Group and based on the UN's Global Compact, endorses numerous principles concerning Human Resources, such as health and safety protection, respect for rights, the promotion of equal opportunities and professional development.
INWIT acknowledges the key role played by human resources, respects employees' rights, and safeguards their health and safety in the workplace. Management of labour relations in INWIT aims to favor equal opportunities and the professional development of each employee.

WORKFORCE

There were 88 employees at December 31, 2016. They can be subdivided into their respective categories, as follows:

(units)	December 31, 2016	December 31, 2015
Executives	8	5
Middle Managers	21	15
Administrative staff	59	50
Total	**88**	**70**

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



The average entity of the workforce in the period in question was 79.58 employees (units), and can be sub-divided as follows:

average workforce	From January 1, 2016 to December 31, 2016	From January 14, 2015 to December 31, 2015
Executives	5.75	2.1
Middle Managers	19.58	4.6
Administrative staff	54.25	41.9
Total	**79.58**	**48.56**

In 2016, INWIT consolidated its business operations, processes and organizational structure . At the same time, the workforce increased by 18 resources. Taking the figure at the start of business (60 people at April 1, 2015), employee numbers have risen by 50% (28 units)

The growth in the workforce was in keeping with the evolution of the planned qualitative/quantitative through the hiring of personnel from the TIM Group, selected strictly on the basis of the skills required. 63% of the newly-hired employees are employed in the Business Management & Operations Function, while the remaining 37% have been assigned to Staff functions.

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

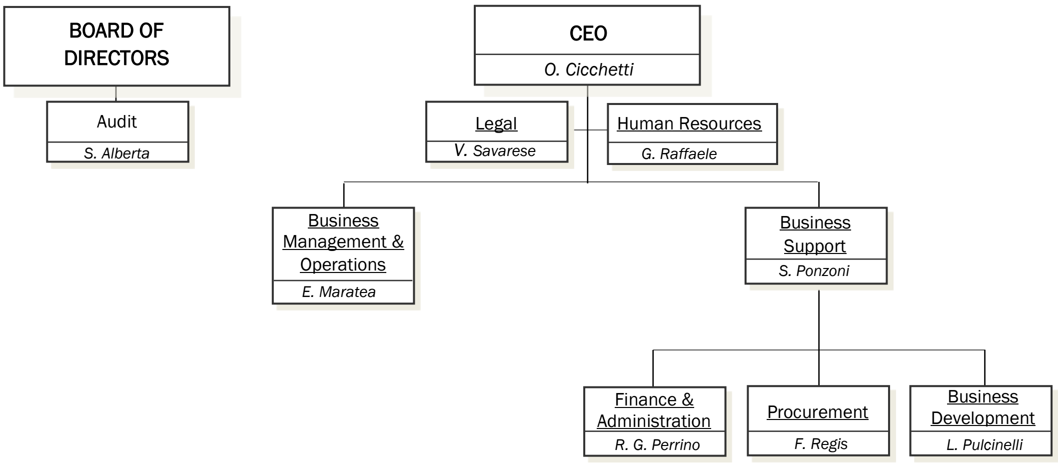
ORGANIZATION

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

The organizational structure establishes the following functions, whose principal activities are described below and who shall be answerable to the CEO:

- the Business Support Function, set up in October 2016 with the task of ensuring the coordination of administrative, financial and control activities, together with purchasing and business development - the latter activity being guaranteed by the Business Development function set up in October 2016);
- the Human Resources Function, which guarantees the hiring, management and development of employees, the establishment of remuneration policies, the evaluation of performance, the definition and adoption of the organizational structure that effectively and efficiently supports the reaching of company targets;
- the Legal Function, which guarantees the legal safeguarding of the Company the Legal Function, through the new Compliance and Regulation Function set up in October 2016, also guarantees the management of requirements in regard to compliance and regulatory matters;
- the Business Management & Operations Function, which is responsible for all of the operating mechanisms, and in particular for the processes of selling, customer contracting and management, the identification and purchase of sites, lease contract management, the renegotiation of contractual terms and conditions, the management of site operations and plants. Specifically, with regard to the operational management of activities relating to the sites situated throughout Italy, the Business Management & Operations Function operates through 4 local units: North West, North East, Centre and South.

The Audit function, which reports to the Board of Directors, guarantees the establishment and implementation of audit programs (that is, audits of processes and activities), and draws up reports concerning the audit activities carried out.



ISO 9001:2015 CERTIFICATION

In support of the consolidation of business following the initial start-up period, in 2016 INWIT launched a project for the certification, in accordance with UNI EN ISO 9001:2015 standards, of the following process monitored by Business Management & Operations "Supply of integrated services for hosting equipment for radio broadcasting, telecommunications, and television and radio signals broadcasting, and the associated activities of marketing, implementation and management of contracts entered into with customers and owners, routine and extraordinary maintenance, the construction of new sites and the disposal of existing sites".

TRAINING

In 2016, a total of 2,448 hours of training were provided, that is, the equivalent of approximately 28 hours per capita.Nearly all of INWIT's employees were involved in training courses.

MANAGEMENT TRAINING

During the course of the year, all employees took part in a company seminar lasting two days, during which the business model and the future prospects of INWIT were explained and examined, together with its strategic aims and its positioning in the Tower Company market: training was also provided regarding the knowledge and information required when monitoring processes, in particular those forms concerning the technological evolution of mobile networks and the capacity to market hosting services.
English language courses for certain function heads continued in 2016 .

SPECIALIZED TRAINING

During the course of the year, employees were involved in specialized training in the use, for example, of computer systems supporting business processes, and pertaining to their respective areas of work.

LANGUAGE TRAINING

English language courses for certain function heads continued in 2016 .Overall, the training provided represented 8% of total training.

INSTITUTIONAL TRAINING

In December 2016, all employees were involved in the INWIT Compliance Day, aimed at a more detailed knowledge of the 231 Organizational Model and the corresponding regulations.
Occupational health and safety courses continued.

COMPENSATION

Remuneration policy is designed to help achieve business targets, promote the creation of value for shareholders, and constantly improve company performance INWIT intends to establish a remuneration system in keeping with the Parent Company's guidelines, and with the market's best practices, by strengthening the engagement of employees, and by acknowledging their vital role and professional contribution.
At the managerial level, action has been taken in regard to the short-term variable remuneration system reserved for all heads of recognized organizational units, on the basis of the economic/financial targets and quantitative targets set out in the Business Plan.
In support of the achievement of the key business targets - represented by a growth in revenue and the optimization of leasing costs - those resources operating throughout the country in regard to such processes have been the subject of canvassing operations.

HEALTH AND SAFETY PROTECTION

The Company considers the continuous improvement in its health and safety performance to be a key priority, and a factor of vital importance for the safeguarding of the health and safety of its own employees and of other workers.
In 2016 action was taken in regard to an action plan launched in 2015, starting from compliance with legal requirements, involving for example risk assessment, in the form of the updating of the Risk Assessment Document, the assessment of work-related stress, and the establishment of a detailed system of delegation to figures in charge, located at different levels of the organization.
INWIT continued providing training in the health and safety field.

PEOPLE CARING

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

The principal measures offered by INWIT during the course of 2016 were:

- crèches present in all Telecom branches and, subject to special agreement, also provided by outside providers;

- company loans;
- holidays for the children of employees;
- projects in the fields of sport, art, culture, entertainment and historical events.

OTHER MEASURES FOR THE BENEFIT OF EMPLOYEES

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

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

TELEMACO is the National Supplementary Pension Fund for employees of companies in the telecommunications industry. It was established in 1998 in the form of a no-profit association, and has been operative since 2000; the aim is to guarantee member employees the same standard of living at the moment they retire, thanks to the creation of a supplementary pension scheme in addition to the State one.
It is designed for the white-collar and blue-collar workers, and the management, of those companies that apply the national collective employment contract for the telecommunications industry, for full-time workers, apprentices and workers entering the labor market, as well as those persons dependent on employees who pay in to the Fund.

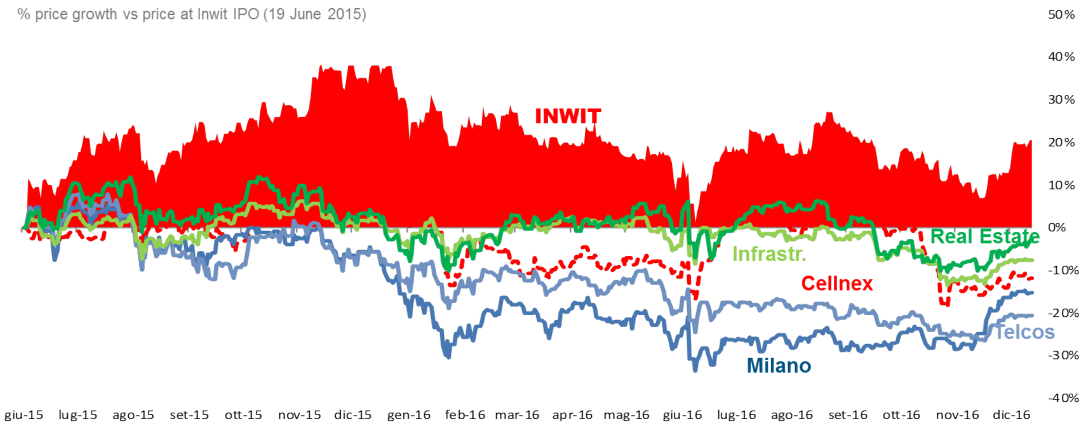
The CRALT (The TIM Group Employees' Social Club) organizes trips and holidays, together with sporting , cultural and recreational events, for the employees of Companies in the TIM Group. The CRALT also enables members and their families to purchase goods and services at discounted prices/tariffs, with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

SOLIDARITY

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

INFORMATION FOR INVESTORS

Following completion of the Global Offering, on June 22, 2015, INWIT shares were listed on the MTA of Borsa Italiana at a price of 3.65 euro per share.
The following chart shows the performance of the stock in the period comprised between the start of trading and December 31, 2016.

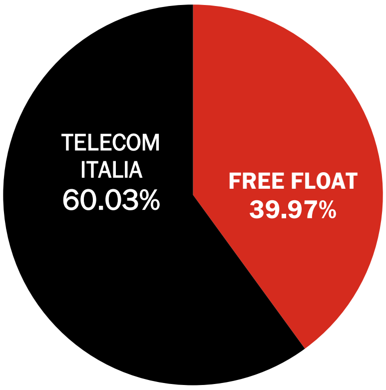


INWIT SHARE CAPITAL AT DECEMBER 31, 2016

Share capital	600,000,000 euro
Number of ordinary shares (without nominal value)	600,000,000
Market capitalization (based on average prices between January, 1, 2016 and December 31, 2016)	2,641 million euro

SHAREHOLDERS

Shareholders’ structure at December 31, 2016



TREASURY SHARES

The company does not hold treasury shares or shares of the parent, not did it purchase or sold 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 2016 there were no transactions of major significance, as defined by Article 4, paragraph 1(a) of the aforementioned regulation, or any other transactions with related parties, that had any significant impact on the Company's financial position or results for the financial year 2016.
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 individual Financial Statements at December 31, 2016.

ALTERNATIVE PERFORMANCE MEASURES

In this Management Report at December 31, 2016 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	
+	Finance expenses
-	Finance income
EBIT - Operating profit (loss)	
+/-	Impairment losses (reversals) on non-current assets
+/-	Losses (gains) on disposals of non-current assets
+	Depreciation and Amortization
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

(*) Includes the change in trade payables for amounts due to fixed asset suppliers.

Individual Financial Statements of Infrastrutture Wireless Italiane S.p.A. at December 31, 2016

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

Contents

INDIVIDUAL FINANCIAL STATEMENTS OF INFRASTRUTTURE WIRELESS ITALIANE S.P.A. AT DECEMBER 31, 2016

STATEMENTS OF FINANCIAL POSITION

Assets

(euro)	notes	December 31, 2016	of which related parties	December 31, 2015	of which related parties
Assets					
Non-current assets					
Intangible assets					
Goodwill	5)	1,411,770,320		1,404,000,000	
Intangible assets with a finite useful life	6)	13,462,499		4,011,246	
Tangible assets					
Property, plant and equipment	7)	193,027,646		186,406,824	
Other non-current assets					
Non-current financial assets	8)	216,480		86,792	
Miscellaneous receivables and other non-current assets	9)	16,685,002		7,803,000	
Deferred tax assets		1,230,684		1,110,889	
Total Non-current assets		**1,636,392,631**		**1,603,418,751**	
Current assets					
Trade and miscellaneous receivables and other current assets	9)	51,893,630	*3,721,000*	50,486,004	*3,034,000*
Financial receivables and other current financial assets	8)	88,859		17,099	
Income tax receivables		-		-	
Cash and cash equivalents	10)	85,598,979	*10,139,000*	71,833,401	*7,560,000*
Total Current assets		**137,581,468**		**122,336,504**	
Total Assets		**1,773,974,099**		**1,725,755,255**	

Equity and Liabilities

(euro)	notes	December 31, 2016	of which related parties	December 31, 2015	of which related parties
Equity	11)				
Share capital		600,000,000		600,000,000	
Share premium reserve		660,000,000		660,000,000	
Legal reserve		120,000,000		120,000,000	
Other reserves		(90,962)		29,179	
Retained earnings (losses) including earnings (losses) for the period		104,157,459		62,932,625	
Total Equity		**1,484,066,497**		**1,442,961,804**	
Liabilities					
Non-current liabilities					
Employee benefits	12)	1,835,029		1,452,327	
Deferred tax liabilities		-		-	
Provisions	13)	95,190,596		100,360,655	
Non-current financial liabilities	14)	99,763,450		119,666,170	
Miscellaneous payables and other non-current liabilities	16)	1,600,690	*896,000*	3,576,708	*2,831,000*
Total Non-current liabilities		**198,389,765**		**225,055,860**	
Current liabilities					
Current financial liabilities	14)	20,232,594	*1,000*	231,177	*3,000*
Trade and miscellaneous payables and other current liabilities	16)	69,239,541	*52,077,000*	53,084,988	*41,586,000*
Income tax payables		2,045,702		4,421,426	
Total current Liabilities		**91,517,837**		**57,737,591**	
Total Liabilities		**289,907,602**		**282,793,451**	
Total Equity and Liabilities		**1,773,974,099**		**1,725,755,255**	

SEPARATE INCOME STATEMENT

(euro)	*notes*	**Financial Year 2016**	*of which related parties*	**Financial Year 2015**	*of which related parties*
Revenues	17)	333,508,046	*255,609,000*	239,216,241	*190,383,000*
Acquisition of goods and services	18)	(160,660,018)	*(34,531,000)*	(126,266,233)	*(30,003,000)*
Employee benefits expenses	19)	(6,635,876)	*(1,129,000)*	(3,832,243)	*(663,000)*
Other operating expenses	20)	(2,594,384)	*(28,000)*	(957,620)	*(16,000)*
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)		**163,617,768**		**108,160,155**	
Amortization, gains/losses on disposals and impairment losses on non-current assets	21)	(16,355,935)		(12,674,144)	
Operating profit (loss) (EBIT)		**147,261,833**		**95,486,011**	
Finance income	22)	27,099		30,571	
Finance expenses	22)	(3,573,626)	*(6,000)*	(2,752,831)	*(236,000)*
Profit (loss) before tax		**143,715,306**		**92,763,751**	
Income tax	23)	(45,790,473)		(29,831,126)	
Profit for the period		**97,924,833**		**62,932,625**	
Basic and Diluted Earnings Per Share	24)	0.163		0.134	

STATEMENT OF COMPREHENSIVE INCOME

(euro)		Financial Year 2016	Financial Year 2015
Profit for the period	**(a)**	**97,924,833**	**62,932,625**
Other items of the Statement of Comprehensive Income			
Other items that will not subsequently be reclassified in the Separate Income Statement		-	-
Re-measurement of employee fixed benefit plans (IAS19):			
Actuarial gains (losses)		(178,479)	14,640
Net fiscal impact		42,835	(4,026)
Total other items that will not subsequently be reclassified in the Separate Income Statement	**(b)**	**(135,644)**	**10,614**
Other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items that will subsequently be reclassified in the Separate Income Statement		-	-
Total other items of the Statement of Comprehensive Income	**(d=b+c)**	**(135,644)**	**10,614**
Total Comprehensive income for the period	**(e=a+d)**	**97,789,189**	**62,943,239**

CHANGES IN NET EQUITY

Changes in net equity from January 14, 2015 to December 31, 2015

(euro)	*notes*	Share capital	Share premium reserve	Other reserves and earnings (losses) carried forward, including the result for the period	**Total Equity**
Amounts at January 14, 2015	**11)**	**50,000**	**-**	**-**	**50,000**
Total Comprehensive income for the period		-	-	62,943,239	62,943,239
Issue of shares for the Contribution of the business unit by the Parent		599,950,000	780,000,000	-	1,379,950,000
Restatement of part of the share premium reserve to the legal reserve		-	(120,000,000)	120,000,000	-
Other changes		-	-	18,565	18,565
Values at December 31, 2015	**11)**	**600,000,000**	**660,000,000**	**182,961,804**	**1,442,961,804**

Changes in net equity from January 1, 2016 to December 31, 2016

(euro)	*Notes*	Share capital	Share premium reserve	Other reserves and earnings (losses) carried forward, including the result for the period	**Total Equity**
Amounts at January 1, 2016	**11)**	**600,000,000**	**660,000,000**	**182,961,804**	**1,442,961,804**
Total Comprehensive income for the period		-	-	97,789,189	97,789,189
Dividends approved		-	-	(56,700,000)	(56,700,000)
Other changes		-	-	15,504	15,504
Values at December 31, 2016	**11)**	**600,000,000**	**660,000,000**	**224,066,497**	**1,484,066,497**

CASH FLOW STATEMENT

(euro)			Financial Year 2016	Financial Year 2015
Cash flows from operating activities:				
Profit for the period			97,924,833	62,932,625
Adjustments for:				
Depreciation and amortization, losses on disposals and impairment losses on non-current assets		21)	16,355,935	12,674,144
Net change in deferred tax assets and liabilities			(76,961)	(1,073,914)
Change in provisions for employee benefits			222,351	245,399
Change in trade receivables			1,682,745	(27,556,937)
Change in trade payables			8,641,454	12,175,677
Net change in miscellaneous receivables/payables and other assets/liabilities			(22,727,000)	18,427,607
Other non-monetary changes			2,392,972	315,118
Cash flows from operating activities	**(a)**		**104,416,329**	**78,139,719**
Cash flows from investing activities:				
Total purchase of intangible and tangible assets on an accrual basis (*)			(35,271,000)	(12,531,218)
Change in amounts due to fixed asset suppliers			7,362,000	6,319,106
Total purchase of intangible and tangible assets on a cash basis			(27,909,000)	(6,212,112)
Change in financial receivables and other financial assets		8)	(201,448)	(41,298)
Acquisition of control in subsidiaries or other businesses, net of cash acquired			(5,939,000)	-
Cash flows used in investing activities	**(b)**		**(34,049,448)**	**(6,253,410)**
Cash flows from financing activities:				
Change in current and non-current financial liabilities		14)	98,697	(102,908)
Dividends paid (*)			(56,700,000)	-
Cash flows used in financing activities	**(c)**		**(56,601,303)**	**(102,908)**
Aggregate cash flows	**(d=a+b+c)**		**13,765,578**	**71,783,401**
Net cash and cash equivalents at beginning of the period	**(e)**		**71,833,401**	**50,000**
Net cash and cash equivalents at end of the period	**(f=d+e)**	10)	**85,598,979**	**71,833,401**

(*) of which related parties:

(euro	Financial Year 2016	Financial Year 2015
Total purchase of intangible and tangible assets on an accrual basis	9,876,000	1,903,000
Dividends paid	34,038,900	-

NOTE 1 - FORM, CONTENT, AND OTHER GENERAL INFORMATION

FORM AND CONTENT

The present Individual Financial Statements of Infrastrutture Wireless Italiane S.p.A. (hereinafter"**INWIT**", or the "**Company**") for the period from January 1, 2016 to December 31, 2016 (hereinafter the "**Financial Statements at December 31, 2016**") were drawn up on the assumption of corporate continuity (for further details, see Note 2 "Accounting Standards"), in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and approved by the European Union (defined as the "**IFRS**") and with the legal and regulatory provisions in force in Italy (in particular, the measures adopted in implementation of Section 9 of Italian Legislative Decree no. 38 of February 28, 2005).

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

On April 1, 2015, the Company acquired, as the result of the assignment in kind from TIM, the business unit consisting of the towers and infrastructures supporting mobile telecommunication networks (the "**Business Unit**"). As a result of said assignment, the Company's activity consists in providing hosting services to mobile telecommunication operators and other customers to develop and carry out wireless communications.

During June 2015, INWIT successfully completed the process to have its common shares listed on the electronic stock exchange organized and managed by Borsa Italiana S.p.A. Said listing process included and offer for sale of INWIT shares by the Parent Company, at the end of which the latter's share of INWIT's share capital was 63.67%. On July 6, the over-allotment (greenshoe) option granted by TIM to the coordinators of the offer for a total of 21,800,000 shares was exercised in its entirety. After the greenshoe option was settled, the share of the Parent Company in INWIT was 60.03%.

The figures at December 31, 2016 are compared with the figures from the statement of financial position at December 31, 2015; 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. It is emphasized that the first twelve months of 2015 are characterized by 9 months of operation following the transfer of business unit that took place on April 1, 2015.

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

The Financial Statements at December 31, 2016 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 thousands of Euro. The values expressed in the notes to these financial statements are expressed in thousands of Euro, unless otherwise indicated.

During the financial year 2016, Inwit S.p.A. perfected the manner in which it records prepaid expenses for the deferral of lease charges. This perfection has not impacted the income statement, but has resulted in the reclassification of "Miscellaneous receivables and other current assets" as "Miscellaneous receivables and other non-current assets" at December 31, 2015 amounting to € 7,803 thousand euros.

Publication of the Financial Statements at December 31, 2016 was approved by the Board of Directors' meeting on March 16, 2017.

STRUCTURE OF THE FINANCIAL STATEMENTS

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

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

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

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

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

SEGMENT REPORTING

An operating segment is a component of an entity:

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

The Company has identified only one operating segment (which also represents the level at which the goodwill is monitored by management and will be tested for impairment). Specifically, the management information note prepared and made available to the Board of Directors for the aforementioned purposes considers the business activity carried out by INWIT and its subsidiaries as an indistinct mix; 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 Financial Statements at December 31, 2016 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).

INTANGIBLE ASSETS

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

Goodwill

Goodwill is classified as an intangible asset with an indefinite life, and is initially recorded at cost value, which in the case in question is the value transferred as a result of the Contribution, and subsequently subjected to assessment, at least once a year, in order to identify any possible losses in value ("*Impairment Test*"). As a rule, this test is carried out at the end of the financial year, and thus the date of said test is the same as the date of closing of the annual financial statements.

Intangible assets with a finite useful life

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

TANGIBLE ASSETS

Intangible assets are recorded at purchase or production cost. Those costs borne subsequent to purchase, are only capitalized if they result in an increase in the future economic benefits inherent in the good to which they refer. All other costs are posted in the separate income statement as they arise.
The cost of assets also includes the costs of disposal of such, and of the restoration of the site when there is a legal or implied obligation to do such. The corresponding liability is posted, during the period in which the obligation arises, to a fund entered among liabilities within the context of the provisions for risks and charges, at current value; the imputation to the separate income statement of the capitalized charge, takes place during the course of the useful life of the corresponding tangible assets, by means of the amortization of such assets. The reappraisal of the estimates of demolition costs, of time-discounting rates, and of the dates on

which these costs are expected to be borne, is carried out annually. The variations in the aforementioned liabilities are recorded as an increase or a reduction in the cost of the corresponding asset; the amount deducted from the value of an asset must not exceed the book value of that asset. Any excess is immediately recorded in the separate income statement, by agreement, under Depreciation and Amortization.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets. The following are the approximate useful lives of the various categories of asset :

Tangible asset category	Useful life
(years)	
Plant and equipment	10
Towers and pylons	28
Manufacturing and distribution equipment	5
Other goods	3-9
Surface usage rights	20

the amortization rates are reviewed annually, and are modified if the currently estimated useful life differs from that estimated beforehand. The effects of these modifications are accounted for in the separate income statement on the basis of future use.
Land is not amortized.

REDUCTION IN THE VALUE OF INTANGIBLE AND TANGIBLE ASSETS

Goodwill

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

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

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

Tangible and intangible assets with a finite useful life

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

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

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

FINANCIAL INSTRUMENTS

Receivables and loans

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

Cash and cash equivalents

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

Change in the value of financial assets

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

Financial liabilities

Financial liabilities include financial debts and other financial liabilities. Pursuant to IAS 39, they also include trade debts and other debts of various kinds. Financial liabilities are initially recorded at *fair value* and are subsequently recorded at amortized cost.

EMPLOYEE BENEFITS

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

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

BENEFIT PLANS IN THE FORM OF EMPLOYEE STOCK OPTIONS

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

PROVISIONS FOR RISKS AND CHARGES

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

REVENUES

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

RECOGNITION OF COSTS

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

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

TAXES

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

EARNINGS PER SHARE

- (a) Basic earnings per share

The basic earnings per ordinary share are calculated by dividing the earnings for the financial period by the weighted average of the ordinary shares in circulation during the period.

- (b) Diluted earnings per share

The diluted earnings per share are calculated by dividing the earnings for the financial period by the weighted average of the ordinary shares in circulation during the period. For the purposes of calculating the diluted earnings per ordinary share, the weighted average of the shares in circulation during the period is modified by assuming that all assignees exercise rights that potentially have a diluting effect, while the Company's earnings are adjusted to take account of any effects, net of tax, of the exercise of said rights.

USE OF ACCOUNTING ESTIMATES

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

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

Financial statement area	Accounting estimates
Goodwill	Verification of the reduction in value of goodwill is performed by comparing the book value of the cash generating units and their recoverable value; the later value is represented by the greater of fair value less sale costs, and the use value of the same unit. Calculation of use value entails a complex process of evaluation, through the use of methods such as the *discounted cash flow* method and the corresponding assumptions regarding estimated cash flow. The recoverable value depends significantly on the discount rate used in the time-discounted cash flows model, on the expected future cash flows, and on the growth rate used for extrapolation purposes.
Appropriations, potential liabilities and employee provisions	As far as regards provisions related to the fund for recovery costs, the estimate of the future cost of dismantling the asset and restoring the Site, is a complex process requiring the evaluation of the liabilities deriving from dismantling and restoration obligations that are often not fully specified by law, administrative regulations or contractual clauses, and that in general are to be met over the course of several years. Provisions for judicial, arbitration and tax litigation are the result of a complex estimation process based on the probabilities of losing the cases in question. Provisions for employees, and in particular the provision for employee severance indemnities, are determined on the basis of actuarial assumptions. changes in the aforesaid actuarial assumptions could have significant effects on these provisions.

NEW STANDARDS AND INTERPRETATIONS INCORPORATED BY THE EU AND IN EFFECT SINCE JANUARY 1, 2016

Pursuant to IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), the IFRS in effect since January 1, 2016 are indicated and briefly described hereafter.

- **Amendments to IFRS 11 (*Joint Arrangements*): *Accounting for acquisitions of interests in Joint Operations***
  EU regulation No. 2015/2173 was issued on November 24, 2015, which incorporated at the EU level some minor scope amendments to IFRS 11 (Joint arrangements).
  IFRS 11 regulates the accounting of the interests in Joint Ventures and Joint Operation. The amendments in question add new guidelines on the accounting treatment of the acquisition of an interest in a joint operation that constitutes a business (as defined in IFRS 3 - Business combinations).
  These amendments specify the appropriate accounting treatment for such acquisitions.
  The adoption of these amendments had no impact on the Financial Statements at December 31, 2016.

- **Amendments to IAS 16 *(Property, plant and equipment)* and IAS 38 *(Intangible assets)***
  EU regulation No. 2015/2231 was issued on December 2, 2015, which incorporated at the EU level some minor scope amendments to IFRS 16 (Property, plant and equipment) and IAS 38 (Intangible assets).
  IAS 16 and IAS 38 both establish the principle of the expected pattern of consumption of the future economic benefits of an asset as the basis for depreciation and amortization.
  The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. For intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the achievement of a set revenue threshold; or (ii) when it can be demonstrated that the generation of the revenues and the use of the economic benefits of the asset are highly correlated.
  The adoption of these amendments had no impact on the Financial Statements at December 31, 2016.

- **Improvements to the IFRS (2012-2014 cycle)**
  On December 15, 2015, Regulation EU 2015/2343 was issued, applying several improvements to the IFRS for the 2012–2014 cycle, at EU level. These amendments included:

- **IFRS 5** Non-current assets held for sale and discontinued operations: these amendments relate to changes in the methods of disposal (from held for sale to held for distribution to owners and vice versa);
- **IFRS 7** Financial Instruments - supplementary disclosures: these amendments relate to the disclosure on servicing contracts, in terms of "continuing involvement", and the applicability of the disclosure provided for by IFRS 7 concerning the offsetting of financial assets and financial liabilities in the interim financial statements;
- **IAS 19** Employee Benefits: these amendments relate to the discount rate (with reference to the market area);
- **IAS 34** Interim Financial Reporting: the amendment clarifies that the information included in the interim financial statements can be supplemented by other available information, also contained in other sections of the interim report (e.g. the Interim Report) by the technique of incorporation by reference.

The adoption of these amendments had no impact on the Financial Statements at December 31, 2016.

- Amendments to IAS 27: The net equity method in the separate financial statements

  EU regulation No. 2015/2441 was issued on December 18, 2015, which at the EU level incorporated certain amendments to IAS 27- Separate Financial Statements (The net equity method in separate financial statements) .The amendments to IAS 27 enable entities to also adopt the net equity method in their accounting treatment of holdings in subsidiaries, joint ventures and affiliates in the separate financial statements of such. The adoption of these amendments has had no effect on the separate financial statements at December 31, 2016, because TIM does not adopt the net equity method in its accounting treatment of holdings in subsidiaries, joint ventures and affiliates.

- Amendments to IAS 1 (*Presentation of financial statements*) – *Disclosure initiative*

  EU regulation No. 2015/2406 was issued on December 18, 2015, which incorporated at the EU level amendments to IAS 1 (Presentation of financial statements) - Disclosure initiative.

  In particular, the amendments, which are part of a broader initiative to improve the presentation and disclosure of the financial statements, include updates in the following areas:
  - materiality: it is clarified that the concept of materiality applies to the financial statements as a whole and that the inclusion of immaterial information can affect the usefulness of the financial reporting;
  - disaggregation and subtotals: it is clarified that the specific items of the separate income statement, the statement of comprehensive income and the statement of financial position can be disaggregated. In addition, new requirements for the use of the subtotals are introduced;
  - structure of the notes: it is clarified that the companies have a certain degree of flexibility regarding the order of presentation of the notes. In establishing this order, the companies must take into account the requirements of understandability and comparability of the financial statements;
  - investments accounted for using the equity method: the Other Comprehensive Income (OCI) relating to investments in associates and joint ventures accounted for using the equity method must be divided in the income statement between reclassifiable and non-reclassifiable.

  The adoption of these amendments had no impact on the Financial Statements at December 31, 2016.

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

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

	Mandatory application starting from
New Standards/Interpretations incorporated by the EU	
IFRS 15 (*Revenue from contracts with customers*)	January 1, 2018
IFRS 9 (*Financial Instruments*)	January 1, 2018
New Standards/Interpretations not yet incorporated by the EU	
IFRS 16 *(Leasing)*	January 1, 2019
Amendments to IAS 12 (Income taxes) – Recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 (*Cash flow statement- Disclosure initiative*)	January 1, 2017
Clarifications to IFRS 15 (*Revenue from contracts with customers*)	January 1, 2018
Amendments to IFRS 2 (Classification and measurement of share-based payments	January 1, 2018
Improvements to the IFRS (*2014-2016 cycle*) – *Amendments to IFRS 12 and to IAS 28*	January 1, 2017 for IFRS 12 January 1, 2018 for IAS 28
IFRIC 22 (*Transactions in foreign currency with advance payment / deposit received*)	January 1, 2018
Amendments to IAS 40 (*Real-Estate Investments*)	January 1, 2018

Any effects on INWIT's financial statements deriving from the new Standards/Interpretations, are still being evaluated. In particular, a number of specific projects have been implemented at Group level in regard to adoption of IFRS 16, and thus a reliable estimate of the quantitative effects will only be possible upon completion of the project.

- **IFRS 16 (Leases)**
  In January 2016, the IASB issued IFRS 16 (Leases). IFRS 16 replaces IAS 17 (Leases) and the corresponding interpretations (IFRIC 4 Determine whether an arrangement contains a lease; SIC 15 Operating Leases—Incentives; SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease).
  IFRS 16 shall apply retrospectively on January 1, 2019, through the adoption of one of the following methods:
  - the “full retrospective method”, entailing the restatement of comparative reporting periods;
  - the "simplified retrospective method" involving the recording of the cumulative effect of initial application of the principle to the adjustment of net equity at the start of the year in which the principle is adopted, thus without restating the comparative reporting periods.

  Early application is permitted, provided that IFRS 15 (Revenue from Contracts with Customers) is also adopted. IFRS 16 has not been incorporated by the EU.
  IFRS 16, from the lessor's point of view, for all leases with lessors (with no distinction made between operating leases and financial leases), provides for the recording of a liability in the statement of financial position, represented by the current value of future rents, against the recording, among the assets, of the "right of use of the leased asset”. Lease contracts of 12 months or less, and the lease of goods of limited value, may be excluded from application of IFRS 16. The principle effects on the Company's separate financial statements may be summarized as follows:
  - <u>Statements of Financial Position</u>: greater non-current assets, as a result of the recording of the "right of use of the leased asset" offsetting financial debts;

- Separate Income Statement: the different nature, name and classification of costs (amortization of the "right of use of asset" and "financial charges for interest" compared to "operating lease rents" with IAS 17), with a consequent impact on operating profits (gross and net). Furthermore, the combination of the straight-line amortization of "right of use of asset" and the effective interest rate method applied to lease-related debts, entails, compared to IAS 17, higher costs in the income statement during the early years of the lease contract, and falling costs during the later years thereof.

NOTE 3 - FINANCIAL RISK MANAGEMENT

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

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

MARKET RISK

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

Interest rate risk

At December 31, 2016, the Company's financial debts basically coincided with the loan agreement stipulated with Mediobanca – Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A.. As described in detail in the subsequent Note "Financial liabilities (current and non-current), this financial debt accrues interest at a fixed rate of 1.243% per annum.

The Company does not have, nor does it need, derivative contracts to mitigate the risk arising from interest rate fluctuations.

Exchange rate risk

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

CREDIT RISK

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

The Company's main customer is TIM, which, during the reference period of these individual financial statements, generated revenues of 254,892 thousand euros (approximately 76.4% of total revenues at December 31, 2016). The other customers of the Company are the leading national mobile operators (Vodafone, Wind, and H3G) 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

In order to meet its liquidity requirements, on May 8, 2015, the Company finalized a Loan Agreement with Mediobanca – Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A., and UniCredit S.p.A. which includes, among other things, a revolving credit facility that can be utilized in several tranches up to 40 million euro, available until May 8, 2020, to be utilized to support the working capital and for general cash needs. At December 31, 2016, this line of credit, described in detail in the subsequent Note "Financial liabilities (non-current and current)", had not been utilized and was thus fully available.

ASSETS AND LIABILITIES BY CATEGORY

For the purpose of providing comparative information between the carrying amounts and the fair value of financial instruments, as required by IFRS 7, the following assumptions were made in determining fair value:

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

The table below shows the assets and liabilities at December 31, 2016 on the basis of the categories provided for by IAS 39.

Carrying amount for each IAS 39 class of financial asset/liability at December 31, 2016

(thousands of euro)	notes	December 31, 2016	Amounts recognized in the financial statements according to IAS 39			
			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		216	*216*			
	(a)	**216**	***216***			
Current assets						
Trade and miscellaneous receivables and other current assets						
of which loans and receivables		25,985	*25,985*			
Financial receivables and other current financial assets						
of which loans and receivables	8)	89	*89*			
Cash and cash equivalents		85,599	*85,599*			
	(b)	**111,673**	***111,673***			
Total	**(a+b)**	**111,889**	***111,889***			
LIABILITIES						
Non-current liabilities						
of which liabilities at amortized cost	14)	99,763	*99,763*			
	(c)	**99,763**	***99,763***			
Current liabilities						
of which liabilities at amortized cost	14)	20,232	*20,232*			
Trade and miscellaneous payables and other current liabilities						
of which liabilities at amortized cost	16)	34,203	*34,203*			
	(d)	**54,436**	***54,436***			
Total	**(c+d)**	**154,199**	***154,199***			

NOTE 4 – BUSINESS COMBINATIONS

ACQUISITION OF THE CONTROLLING INTEREST IN REVI IMMOBILIARE S.R.L., GESTIONE DUE S.R.L., AND GESTIONE IMMOBILI S.R.L.

On January 11, 2016 INWIT S.p.A. acquired 100% of the share capital of the above-mentioned companies, which, overall, manage 76 sites for mobile telephone service in Lombardy, located mainly in the province of Brescia.
The transaction is part of the strategy that INWIT is pursuing in Italy: continuously improving its earning profile and strengthening its market leadership.

The accounting effects of the business combination, defined in accordance with the requirements of IFRS 3 can be summarized as follows:

- the value of the overall consideration is 8,316 thousand euros, of which 6,373 thousand euros have already been paid;
- all Assets acquired and all Liabilities taken over have been recorded at the book values they had in the financial statements of the acquired companies, given that said values are a fair approximation of their fair value. A goodwill of 7,770 thousand euros was recorded, in addition to the values of the Assets acquired and the Liabilities taken over; its value was determined as shown in the following table:

(thousands of euro)		Revi Immobili S.r.l.	Gestione Due S.r.l.	Gestione Immobili S.r.l.	Total
Valuation of consideration	(a)	**1,669**	**3,803**	**2,844**	**8,316**
Value of assets acquired	(b)	104	507	468	1,079
Value of liabilities assumed	(c)	(89)	(221)	(223)	(533)
Goodwill	(a–b-c)	**1,654**	**3,517**	**2,599**	**7,770**

Book values at the date of acquisition

(thousands of euro)		Revi Immobili S.r.l.	Gestione Due S.r.l.	Gestione Immobili S.r.l.	Total
Goodwill					
Other non-current assets		5	278	9	292
Current assets		99	229	*459*	787
of which Cash and cash equivalents		*38*	*83*	*313*	*434*
Total assets	(a)	**104**	**507**	**468**	**1,079**
Total non-current liabilities					
of which Non-current financial liabilities					
Total current liabilities		(89)	(221)	(223)	(533)
of which Current financial liabilities					
Total liabilities	(b)	**(89)**	**(221)**	**(223)**	**(533)**
Net assets	(a-b)	**15**	**286**	**245**	**546**

The Shareholders' Meeting of April 19, 2016 approved, in an extraordinary session, the project of merger by acquisition into INWIT of the three wholly owned subsidiaries.

On September 26, 2016, the deed of merger by incorporation of the aforementioned three companies in Inwit S.p.A. was signed.

The merger will be effective from October 1, 2016. For accounting and tax purposes, the incorporated companies' transactions have been imputed to Inwit's financial statements as of January 1, 2016.

NOTE 5 – GOODWILL

At December 31, 2016, goodwill amounted to 1,411,770 thousand euros (1,404,000 thousand euros at December 31, 2015).

(thousands of euro)	December 31, 2015	Mergers	Other changes	December 31, 2016
Goodwill	1,404,000	7,770	-	1,411,770
Total	**1,404,000**	**7,770**	**-**	**1,411,770**

The increase recorded in the period, corresponds to the goodwill derived from the corporate merger resulting from the acquisition of the companies Revi Immobili S.r.l., Gestione Due S.r.l., and Gestione Immobili S.r.l. and totals 7,770 thousand euros.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually.

In accordance with IAS 36, goodwill is not subject to amortization, but is tested for impairment annually or more frequently if specific events or circumstances arise leading to the presumption of such impairment. For the purposes of said test, goodwill must be allocated to CGUs, or groups of CGUs, in accordance with the upper merger threshold, which may not exceed the business sector identified for the purposes of IFRS 8. The principle followed when allocating goodwill takes account of the minimum level at which goodwill is monitored for internal control purposes. The company Infrastrutture Wireless Italiane S.p.A. corresponds to the Cash Generating Unit (CGU) to which the goodwill has been allocated.

The impairment test consists in comparing the recoverable value of the CGU to which the goodwill has been allocated, with the carrying amount of its operating assets. The recoverable value is the greater of the following: the use value (current value of expected earnings) and the fair value less costs of disposal.

The form of value used to determine the recoverable value is fair value, and this is based on stock market capitalization. The impairment test conducted on December 31, 2016, failed to reveal any loss due to impairment of value, since the recoverable value of Inwit is much greater than its book value.

The difference between the fair value and the corresponding net book value at December 31, 2016, is as follows:

(millions of euro)	**INWIT S.p.A.**
Difference between use values and book values	+1,157

With regard to the results of the sensitivity analyses, the variation required in order to render the recoverable value equal to the book value, is -43.8% of the share's value, that is, € 2.47 per ordinary share.

NOTE 6 – INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

Compared to December 31, 2015, these have increased in value by 9,452 thousand euros, and are characterized by the following composition and variation:

(thousands of euro)	January 14, 2015	Additions	Depreciation and Amortization	December 31, 2015
Patent rights and utilization of intellectual property	-	1,903	(370)	1,533
Other intangible assets	-	1,046	(4)	1,042
Intangible assets under development and advances		1,436	-	1,436
Total	**-**	**4,385**	**(374)**	**4,011**

(thousands of euro)	December 31, 2015	Mergers	Additions	Disposals	Depreciation and Amortization	Other changes	December 31, 2016
Patent rights and utilization of intellectual property	1,533	-	938	-	(896)	218	1,793
Other intangible assets	1,042	4	7,743	(55)	(172)	244	8,806
Intangible assets under development and advances	1,436	-	1,591	-	-	(163)	2,864
Total	**4,011**	**4**	**10,272**	**(55)**	**(1,068)**	**299**	**13,463**

Investments for the period of 10,272 thousand euros mainly refer to the purchase of land usage rights (7,902 thousand euros) and to the purchase of software (1,157 thousand euros).

NOTE 7 – TANGIBLE ASSETS

Compared to December 31, 2015, these have increased in value by 6,981 thousand euros, and are characterized by the following composition and variation:

(thousands of euro)	January 14, 2015	Contribution	Additions	Impairment losses/ Disposals	Depreciation and Amortization	Other changes	December 31, 2015
Land	-	-	1,517	-	-	1	1,518
Plant and equipment	-	183,763	3,442	(3,894)	(8,400)	6,780	181,691
Manufacturing and distribution equipment	-	5	-	-	(6)	12	11
Construction in progress and advance payments	-	-	3,187	-	-	-	3,187
Total	-	183,768	8,146	(3,894)	(8,406)	6,793	186,407

(thousands of euro)	December 31, 2015	Mergers	Additions	Disposals	Depreciation and Amortization	Impairment losses	Other changes	December 31, 2016
Land	1,518	59	7,764	-	-	-	1,594	10,935
Plant and equipment	181,691	233	5,174	(2,782)	(12,478)	(105)	(2,992)	168,741
Manufacturing and distribution equipment	-	-	17	-	-	-	-	17
Other goods	11	-	602	-	(16)		1	598
Construction in progress and advance payments	3,187	-	11,442	-	-	-	(1,892)	12,737
Total	186,407	292	24,999	(2,782)	(12,494)	(105)	(3,289)	193,028

Investments made in the reporting period, amounting to 24,999, thousand euros, mainly refer to the purchase of land for 11,275 thousand euros, to the development of new sites for 4,976 thousand euros, to extraordinary maintenance of sites for 5,958 thousand euros, and to the development of Small Cells for 1,216 thousand euros.

During the period disposals of Sites amounted to 2.782 thousand euros.
The other changes include mainly the reclassification to the item "Land" of the advances paid in the previous periods, once the property transfer was completed.

Infrastructures amounting to 273 thousand euros were acquired during the period as a result of the business combination described in Note 4.

The gross value and the accumulated depreciation at December 31, 2016 and at December 31, 2015, are detailed as follows:

(thousands of euro)	Gross Value at December 31, 2015	Accumulated impairment losses	Depreciation Provision	Net Value at December 31, 2015
Land	1,518	-	-	1,518
Plant and equipment	1,046,294	(3,026)	(861,577)	181,691
Manufacturing and distribution equipment	44	-	(33)	11
Construction in progress and advance payments	3,187	-	-	3,187
Total	**1,051,043**	**(3,026)**	**(861,610)**	**186,407**

(thousands of euro)	Gross Value at December 31, 2016	Accumulated impairment losses	Depreciation Provision	Net Value at December 31, 2016
Land	10,935	-	-	10,935
Plant and equipment	1,006,816	(687)	(837,387)	168,741
Manufacturing and distribution equipment	17	-	-	17
Other goods	647	-	(49)	598
Construction in progress and advance payments	12,737	-	-	12,737
Total	**1,031,152**	**(687)**	**(837,437)**	**193,028**

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

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

The item is detailed in the following table:

(thousands of euro)		December 31, 2016	December 31, 2015
Financial receivables (medium/long-term):			
Multi-year loans to employees		216	87
Total non-current financial assets	**(a)**	**216**	**87**
Financial receivables (short-term):			
Multi-year loans to employees		89	17
Total current financial assets	**(b)**	**89**	**17**
Total financial assets	**(a+b)**	**305**	**104**

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

NOTE 9 – TRADE AND MISCELLANEOUS RECEIVABLES AND OTHER CURRENT ASSETS

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

(thousands of euro)		December 31, 2015	*of which IAS 39 Financial Instruments*	Mergers	Other changes during the period	December 31, 2016	*of which IAS 39 financial instruments*
Miscellaneous receivables and other non-current assets							
Prepaid expenses		7,803	-	-	8,882	16,685	-
	(a)	**7,803**	-	-	**8,882**	**16,685**	-
Trade receivables							
Receivables from customers		24,582	*24,582*	107	(2,057)	22,632	*22,632*
Receivables from the Parent Company		2,975	*2,975*	3	375	3,353	*3,353*
	(b)	**27,557**	***27,557***	**110**	**(1,682)**	**25,985**	***25,985***
Miscellaneous receivables and other current assets							
Other receivables		704	-	-	2,850	3,554	-
Prepaid expenses		22,225	-	168	(39)	22,354	-
	(c)	**22,929**	-	**168**	**2,811**	**25,908**	-
Total	**(a+b+c)**	**58,289**	***27,557***	**278**	**10,011**	**68,578**	***25,985***

Receivables from customers relate to hosting services.

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

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

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

NOTE 10 – CASH AND CASH EQUIVALENTS

At December 31, 2016, this item amounted to 85,599 thousand euros, and was composed as follows:

(thousands of euro)	December 31, 2016	December 31, 2015
Cash equivalents held at banks, financial institutions and post offices.	74,909	64,271
Receivables from the Parent Company	10,139	7,560
Cheques and cash on hand	551	2
Total	**85,599**	**71,833**

At December 31, 2016, cash is held in bank and postal current accounts, and in bank deposit accounts, with the following characteristics:

- maturities: investments can be converted into cash within three months in the case of bank deposit accounts, and at any time in the case of cash held in current accounts;
- counterparty risk: investments were made with major *investment grade* banks and financial institutions, and with the Parent Company, employing no more than 20% of total liquidity;
- Country risk: investments were made in Italy and the UK.

NOTE 11 - EQUITY

At December 31, 2016, net equity amounted to 1,484,066 thousand euros, the breakdown of which is as follows:

(thousands of euro)	December 31, 2016	December 31, 2015
Share capital	600,000	600,000
Share premium reserve	660,000	660,000
Other reserves and earnings (losses) carried forward, including the result for the period	224,066	182,962
Legal reserve	120,000	120,000
Provision for instruments representing net equity	34	19
Other reserves	(126)	10
Retained earnings (losses) including earnings (losses) for the period	104,157	62,933
Total	**1,484,066**	**1,442,962**

At December 31, 2016 the share capital, fully subscribed and paid up, consisted of 600,000,000 ordinary shares without par value.

Movements of share capital during the period from January 1 to December 31, 2016, are shown in the following table:

Reconciliation between the number of shares in circulation at December 31, 2015, and the number of shares in circulation at December 31, 2016.

(number of shares)	At December 31, 2015	Issue of shares	At December 31, 2016	% of Capital
Ordinary shares issued	600,000,000	-	600,000,000	100,0
Total shares in circulation	**600,000,000**	**-**	**600,000,000**	

Reconciliation between the value of shares in circulation at December 31, 2015, and the value of shares in circulation at December 31, 2016.

(thousands of euro)	Capital at December 31, 2015	Change in capital	Capital at December 31, 2016
Ordinary shares issued	600,000	-	600,000
Total Capital issued	**600,000**	**-**	**600,000**
Total Capital in circulation	**600,000**	**-**	**600,000**

BENEFIT PLANS IN THE FORM OF EMPLOYEE STOCK OPTIONS

The Provision for instruments representing net equity refers to:

- the general stock option plan (19 thousand euros) in existence in the TIM Group at December 31, 2016 and subscribed to by a number of employees who transferred to Inwit upon completion of the contribution.
- 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 during the course of the financial year 2016.

Said plans have had no significant impact either on the net result or on the financial position of INWIT at December 31, 2016.

NOTE 12 – EMPLOYEE BENEFITS

Compared to December 31, 2015, these have increased in value by 383 thousand euros, and are characterized by the following composition and variation:

(thousands of euro)	January 14, 2015	Contribution	Increase/ Present value	Decrease	At December 31, 2015
Provision for employee severance indemnities	-	1,223	262	(33)	1,452
Total	**-**	**1,223**	**262**	**(33)**	**1,452**

(thousands of euro)	December 31, 2015	Increase/ Present value	Decrease	December 31, 2016
Provision for employee severance indemnities	1,452	392	(9)	1,835
Total	**1,452**	**392**	**(9)**	**1,835**

The increase of 392 thousand euros in the column "Increases/Present value" is broken down as follows:

(thousands of euro)	December 31, 2016	December 31, 2015
Finance expenses	25	27
Net actuarial (gains) losses for the period	184	(14)
Transfers	183	249
Total	**392**	**262**

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

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

The assumptions made may be detailed as follows:

ECONOMIC ASSUMPTIONS

Inflation rate	
Year 2017	1.10% per year
Year 2018	1.30% per year
2019 and subsequent years	1.50% per year
Time-discount rate	1.31% per year
Annual rate of increase in the Provision for employee severance indemnities	
Year 2017	2.325% per year
Year 2018	2.475% per year
2019 and subsequent years	2.625% per year

DEMOGRAPHIC ASSUMPTIONS

Probability of death	RG 48 Mortality Tables published by the State General Accounting Office
Probability of invalidity	INPS Tables subdivided by age and gender
Probability of resignation:	
up to the age of 40 – Executives	6.50%
up to the age of 40 – Non-Executives	1.00%
from the age of 41 to 59 - Executives	2.00%
from the age of 41 to 59 - Non-Executives	0.50%
from the age of 60 to 64 - Executives	20.00%
from the age of 60 to 64 - Non-Executives	6.50%
Subsequently	Nothing
Probability of retirement	Meeting the minimum requirements established by Statutory General Insurance, updated by Italian Law no. 214 of December 22, 2011. 2011
Probability of receiving, at the start of the year, a 70% advance on the Provision for Employee Severance Indemnities.	1.50% in each year

Application of the aforementioned assumptions resulted in a Provision for Employee Severance Indemnities liability of 1,835 thousand euros at December 31, 2016.

The sensitivity analysis for each actuarial assumption that is relevant for the determination of the end-of-period liability, is reported below; said analysis shows the effects, expressed in absolute terms, of the changes in the relevant actuarial assumptions, possible at that date.
The average financial duration of the liability is 11.7 years.

CHANGE IN THE ASSUMPTIONS	**Amounts** (thousands of euro)
Turnover rate:	
+ 0.25 p.p.	(5)
- 0.25 p.p.	5
Annual inflation rate:	
+ 0.25 p.p.	4
- 0.25 p.p.	(37)
Annual time-discounting rate:	
+ 0.25 p.p.	(50)
- 0.25 p.p.	(51)

NOTE 13 – PROVISIONS FOR RISKS AND CHARGES

These provisions fell by 5,172 thousand euros compared to December 31, 2015, and are characterized by the following composition and variation:

(thousands of euro)	January 14, 2015	Contribution	Increase	Decrease	December 31, 2015
Provision for restoration costs	-	94,511	6,997	(1,152)	100,356
Other provisions	-	5	-	-	5
Total	-	94,516	6,997	(1,152)	100,361

(thousands of euro)	December 31, 2015	Increase	Decrease	Other changes	December 31, 2016
Provision for restoration costs	100,356	2,388	(4,533)	(3,421)	94,790
Other provisions	5	399	(5)	-	399
Total	**100,361**	**2,787**	**(4,538)**	**(3,421)**	**95,189**

The increase in the period refers to both the allocation of costs foreseen for the dismantling of sites, linked to the passage of time (1,820 thousand euros), and to the allocation for 68 new sites (568 thousand euros).
The decrease in the provision for restoration charges is related to the use thereof to cover the dismantling costs incurred in the period.
The other movements during the period refer to the adjustment of the provision on the basis of the forecast inflation and time-discounting rates (3,421 thousand euros).

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

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

(thousands of euro)		December 31, 2016	December 31, 2015
Financial payables (medium/long-term):			
Amounts due to banks		99,763	119,666
Total non-current financial liabilities	**(a)**	**99,763**	**119,666**
Financial payables (short-term):			
Amounts due to banks		20,232	228
Amounts owed to the parent company		1	3
Total current financial liabilities	**(b)**	**20,233**	**231**
Total Financial liabilities (Gross financial debt)	**(a+b)**	**119,996**	**119,897**

The item in question refers to the Term Line (as defined below) of the loan agreement entered into by the Company on May 8, 2015 with Mediobanca – Banca di Credito Finanziario S.p.A., Intesa Sanpaolo S.p.A., and UniCredit S.p.A., (the "**Loan Agreement**").

The Loan Agreement provides for a medium-term loan, broken down into two credit facilities, both to be used by cash disbursements and with five-year maturity set on May 8, 2020; more specifically:

- a term line of 120 million euro, fully used ("Term Line"); and
- a revolving credit facility that can be used in several tranches up to 40 million euro, available until the thirtieth day preceding the date of final reimbursement and to be used to support working capital and for the general cash needs of the Company ("Revolving Line"). At December 31, 2016, the Revolving Line had not been used and was therefore fully available

The Term Line will be reimbursed starting on November 8, 2017, in six semi-annual installments of equal principal amount of 20 million euro and with a final expiry date five years after the signing of the Loan Agreement.

The interest on the Term Line is calculated semi-annually and is set at a fixed rate of 1.243%.

The overall cost of the Term Line is 1.33%.

"COVENANTS", "NEGATIVE PLEDGES" AND OTHER CONTRACTUAL CLAUSES IN EFFECT AT DECEMBER 31, 2016

The Loan Agreement includes somegeneral pledges and *covenants*, both positive and negative, in line with market practice for loans of similar amounts and nature. There is a clause of *cross-default* on the debt of the Parent Company, but not *of cross-default connected to companies of* the TIM Group.
The Loan Agreement contains a clause concerning change of control and termination of the main MSA contract; these events entitle the lending banks to ask INWIT for compulsory early repayment.
Lastly, at December 31, 2016, no covenant, negative pledge clause or other clause relating to the above-described debt position, had in any way been breached or violated.

NOTE 15 – NET FINANCIAL DEBT

The table below shows the Company's net financial debt at December 31, 2016, calculated in accordance with paragraph 127 of the recommendations contained in ESMA document No. 319 of 2013, implementing Regulation (EC) 809/2004.
The table also includes the reconciliation of net financial debt calculated according to the criteria established by ESMA and those used by INWIT to monitor its own financial position.

(thousands of euro)	December 31, 2016 (*)	December 31, 2015
A. Cash		
B. Other cash equivalents	85,599	71,833
C Securities held for trading		
D Liquidity (A + B + C)	**85,599**	**71,833**
E. Current financial receivables	89	17
F Current financial payables		
G Current portion of financial payables (medium/long-term)	(20,233)	(231)
H. Other current financial payables		
I Current financial debt (F+G+H)	**(20,233)**	**(231)**
J Net current financial debt (I+D+E)	**65,455**	**71,619**
K Medium/long term financial payables	(99,763)	(119,666)
L Bonds issued		
M Other non-current financial payables		
N Non-Current financial debt (K+L+M)	**(99,763)**	**(119,666)**
O Net financial debt as recommended by ESMA (J+N)	**(34,308)**	**(48,047)**
Other financial receivables and other non-current financial assets (**)	216	87
INWIT Net financial debt	**(34,092)**	**(47,960)**

(*) As regards the effects of related party transactions on Net Financial Debt, reference should be made to the specific table included in the Note “Related Parties”.
(*) This item refers to loans granted to certain employees of the company at December 31, 2016.

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

The item was composed as follows at December 31, 2016:

(thousands of euro)		December 31, 2015	*of which IAS 39 Financial Instruments*	Mergers	Other changes during the period	December 31, 2016	*of which IAS 39 Financial Instruments*
Miscellaneous payables and other non-current liabilities							
Amounts owed to the Parent Company		2,831	-	-	(1,935)	896	-
Payables to social security agencies		2	-	-	(1)	1	-
Deferred income		744	-	-	(40)	704	-
	(a)	**3,577**	**-**	**-**	**(1,976)**	**1,601**	**-**
Trade payables							
Payables to suppliers		7,549	*7,549*	76	8,806	16,431	*16,431*
Amounts owed to the Parent Company		10,723	*10,723*	-	7,049	17,772	*17,772*
	(b)	**18,272**	***18,272***	**76**	**15,855**	**34,203**	***34,203***
Miscellaneous payables and other current liabilities							
Amounts owed to the Parent Company		25,176	-	-	(2,869)	22,307	
Deferred income		4,524	-	447	1,046	6,017	
Payables to social security agencies		245	-	-	106	351	
Tax payables		3,682	-	10	(1,020)	2,672	
Other current liabilities		1,186	-	-	2,503	3,689	
	(c)	**34,813**	**-**	**457**	**(234)**	**35,036**	
Income tax payables		4,421	-	-	(2,375)	2,046	
	(d)	**4,421**	**-**	**-**	**(2,375)**	**2,046**	
Total	**(a+b+c+d)**	**61,083**	***18,272***	**533**	**11,270**	**72,886**	***34,203***

Miscellaneous payables and other liabilities primarily refer to the debt for tax consolidation (896 thousand euros).

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

Payables to the Parent Company amounted to 40,079 thousand euros and mainly refer to commercial transactions for ordinary maintenance (2,809 thousand euros) and extraordinary maintenance (7,565 thousand euros), service contracts (2,879 thousand euros), the construction of 68 new sites (4,519 thousand euros), as well as sundry transactions related to tax consolidation (19,299 thousand euros) and other items (3,008 thousand euros).

Tax payables mainly refer to VAT for the period and the regional and municipal surtaxes.

The other current liabilities refer mainly to the residual debt related to the purchase of the three subsidiaries, as described in the preceding Note 4 (1,943 thousand euros), and to amounts due to the Revenue Agency for income tax (895 thousand euros). The book value of trade and miscellaneous payables and other current liabilities is considered a reasonable approximation of their respective fair value.

NOTE 17 - REVENUES

Revenues amounted to 333,508 thousand euros, broken down as follows:

(thousands of euro)	Financial Year 2016	Financial Year 2015
Revenues		
Revenues from TIM	254,892	190,000
Revenues from third parties	78,616	49,216
Total	**333,508**	**239,216**

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

“Revenues from TIM” amount to 254,892 thousand euros, that is, 76.43% of total revenue for the financial period, and they chiefly refer to the so-called “Integrated Service” governed by the Master Service Agreement which includes the provision, at the Sites, of: (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 78,616 thousand euros, refers essentially to hosting services offered by the Company to Italian mobile operators (Vodafone, Wind and H3G). Relationships with these operators are regulated by long-term trade agreements (typically for a three or six year term and option for renewal).

NOTE 18 – ACQUISITION OF GOODS AND SERVICES

The item amounted to 160,660 thousand euros and breaks down as follows:

(thousands of euro)		Financial Year 2016	Financial Year 2015
Purchases of materials and goods for resale	**(a)**	**133**	**-**
Costs for services			
Maintenance		9,590	8,341
Professional services		3,210	856
Other service expenses		5,189	3,324
	(b)	**17,989**	**12,521**
Lease and rental costs	**(c)**	**142,538**	**113,745**
Total	**(a+b+c)**	**160,660**	**126,266**

The costs incurred for the acquisition of materials and services during the period refer mainly to costs for leases with TIM and third parties (142,538 thousand euros).

NOTE 19 – EMPLOYEE COSTS

Costs amounted to 6,636 thousand euros, broken down as follows:

(thousands of euro)		Financial Year 2016	Financial Year 2015
Employee benefits expenses			
Salaries		4,260	2,420
Social security charges		1,554	892
Other employee costs		209	98
	(a)	**6,023**	**3,410**
Miscellaneous employee costs and sundry labor services			
Fees paid to external personnel		613	422
	(b)	**613**	**422**
Total	**(a+b)**	**6,636**	**3,832**

The average number of employees during the period was 79.6. They can be subdivided into their respective categories, as follows:

(numbers)	2016	2015
Executives	5.7	2.1
Middle Managers	19.6	4.6
Administrative staff	54.3	41.9
Total	**79, 6**	**48.6**

There were 88 employees at December 31, 2016. They can be subdivided into their respective categories, as follows:

(numbers)	2016	2015
Executives	8	5
Middle Managers	21	15
Administrative staff	59	50
Total	**88**	**70**

NOTE 20 – OTHER OPERATING EXPENSES

Costs amounted to 2,594 thousand euros, broken down as follows:

(thousands of euro)	Financial Year 2016	Financial Year 2015
Other operating expenses		
Provisions for risks and charges	399	-
Costs and provisions for indirect duties and taxes	1,593	739
Membership fees, donations, study grants and work experience contributions	67	31
Other Expenses	535	188
Total	**2,594**	**958**

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

Amortization, gains/losses on disposals and impairment losses on non-current assets amounted to 16,356 thousand euros, and are composed as follows:

(thousands of euro)		Financial Year 2016	Financial Year 2015
Amortization of intangible assets with a finite useful life			
Patent rights and utilization of intellectual property rights		896	370
Other intangible assets		172	4
	(a)	**1,068**	**374**
Depreciation of tangible assets			
Plant and equipment		12,478	8,400
Manufacturing and distribution equipment		16	6
	(b)	**12,494**	**8,406**
(Gains)/losses on disposals and impairment losses on non-current assets	**(c)**	**2,794**	**3,894**
Total	**(a+b+c)**	**16,356**	**12,674**

The item (gains)/losses on disposals and impairment losses on non-current assets comprises gains on disposals of non-current assets amounting to 73 thousand euros, losses on disposals of non-current assets following the decommissioning of sites amounting to 2,762 thousand euros, and impairment losses on non-current assets of 105 thousand euros relating to sites to be decommissioned in 2017.

NOTE 22 – FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

Financial income amounts to 27 thousand euros, and refers to interest accrued on cash held in current accounts and bank deposit accounts during the period in question.

FINANCIAL EXPENSES

Financial expenses amounted to 3,574 thousand euros and break down as follows:

(thousands of euro)	Financial Year 2016	Financial Year 2015
Interest expenses and other financial expenses		
Interest to banks	1,516	869
Interest to the Parent Company	6	202
Bank fees	192	133
Other financial expenses	1,860	1,549
Total	**3,574**	**2,753**

The other financial expenses chiefly refer to the adjustment of the provision for restoration charges.

NOTE 23 – INCOME TAXES

DEFERRED TAX ASSETS AND DEFERRED TAX PROVISION

Deferred tax assets amounting to 1,231 thousand euros refer both to the effects of the Contribution of the business unit, and to the taxes for the financial period.

The expiry date of the deferred tax assets at December 31, 2016, is more than 12 months later.

At December 31, 2016, the Company has no equity reserves the taxation of which has been suspended, subject to taxation in the event of distribution.

INCOME TAXES

Income taxes amount to 45,790 thousand euros and are composed as follows.

(thousands of euro)	Financial Year 2016	Financial Year 2015
Regional Business Tax (IRAP) for the period	6,339	4,421
Corporate Income Tax (IRES) for the period	38,951	23,653
Tax consolidation expenses	896	2,831
Total current taxes	**46,186**	**30,905**
Deferred taxes for the period	(76)	(1,074)
Adjustment of taxation for previous financial years	(320)	-
Total income taxes	**45,790**	**29,831**

The fiscal burden for the period has been estimated on the basis of a Corporate Income Tax rate of 27.5% and a Regional Business Tax rate of 4.25%.

The reconciliation of the theoretical tax charge, calculated using a Corporate Income Tax rate of 27.5%, with the actual tax charge resulting from the financial statements, is as follows:

(thousands of euro)	Financial Year 2016	Financial Year 2015
Profit (loss) before tax	**143,715**	**92,764**
Theoretical income taxes	**39,522**	**25,510**
Tax effect of increases (reductions):	63	-
Non-deductible costs	262	35
Actual taxes recorded in the income statement, excluding Regional Business Tax	**39,847**	**25,545**
Current and deferred Regional Business Tax	6,339	4,286
Total actual taxes recorded in the income statement	**46,186**	**29,831**

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

NOTE 24 – EARNINGS PER SHARE

The following table shows the calculation of earnings per share:

		Financial Year 2016	Financial Year 2015
Basic and diluted earnings per share			
Profit for the period	(euro)	97,924,833	62,932,625
Average number of ordinary shares		600,000,000	470,096,296
Basic and diluted earnings per share	(euro)	0.163	0.134

NOTE 25 – CONTINGENT LIABILITIES, COMMITMENTS AND GUARANTEES

MAIN DISPUTES AND PENDING LEGAL ACTIONS

The following are the main disputes that the Company is involved in at December 31, 2016. as far as civil litigation is concerned, a number of lawsuits are pending for damages amounting to a total of 291 thousand euros. as far as administrative litigation is concerned, a number of lawsuits are pending concerning appeals against the COSAP council resolution and the regulations governing occupation of public spaces, and challenges to orders to demolish Sites. In regard to the progress of the aforesaid lawsuits, and on the basis of the information available at the time of the closing of these financial statements, it is likely that a civil lawsuit will be lost, for which a liability of 399 thousand euros has been estimated, said liability being covered by the provision for risks and charges. As regards the other lawsuits, the adverse party's claims have been rebutted, and adverse outcomes are deemed unlikely.

COMMITMENTS AND GUARANTEES

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

NOTE 26 - RELATED PARTIES

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

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

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

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

Items of the consolidated statement of financial position

The effects of the transactions with related parties on the items of the statement of financial position at December 31, 2016 and December 31, 2015 are shown below:

STATEMENT OF FINANCIAL POSITION LINE ITEMS AT DECEMBER 31, 2016

(thousands of euro)	Total (a)	Related Parties: Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % on the financial statements item (b)/(a)*
NET FINANCIAL DEBT						
Current financial liabilities	**(20,233)**	(1)	-	-	(1)	*0.0%*
Cash and cash equivalents	**85,599**	10,139	-	-	10,139	*11.8%*
Total net financial debt	**(34,092)**	10,138	-	-	10,138	*-29.7%*
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS						
Trade and miscellaneous receivables and other current assets	**51,894**	3,353	-	368	3,721	*7.2%*
Miscellaneous payables and other non-current liabilities	**(1,601)**	(896)	-	-	(896)	*55.9%*
Trade and miscellaneous payables and other current liabilities	**(69,240)**	(40,079)	(392)	(11,606)	(52,077)	*75.3%*

STATEMENT OF FINANCIAL POSITION LINE ITEMS AT DECEMBER 31, 2015

(thousands of euro)	Total (a)	Related Parties: Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % on the financial statements item (b)/(a)*
NET FINANCIAL DEBT						
Current financial liabilities	**(231)**	(3)	-	-	(3)	*1.3%*
Cash and cash equivalents	**71,833**	7,560	-	-	7,560	*10.5%*
Total net financial debt	**(47,960)**	7,557	-	-	7,557	*-15.8%*
OTHER STATEMENT OF FINANCIAL POSITION LINE ITEMS						
Trade and miscellaneous receivables and other current assets	**50,486**	2,996	-	38	3,034	*6.0%*
Miscellaneous payables and other non-current liabilities	**(3,577)**	(2,831)	-	-	(2,831)	*79.1%*
Trade and miscellaneous payables and other current liabilities	**(57,506)**	(35,899)	(216)	(5,471)	(41,586)	*72.3%*

In the item net financial debt, the available liquidity consists of the intra-group current account (10,139 thousand euros) held with the Parent Company.
Receivables from the Parent Company(amounting to 3,353 thousand euros) mainly include the assessments relating to the recouping of electrical energy costs.Trade receivables from related parties (amounting to 368 thousand euros) are mainly made up of receivables from Persidera S.p.A. relating to leases for hosting services.
Payables to the Parent Company (amounting to 40,079 thousand euros) consist of trade payables (17,772 thousand euros) and miscellaneous payables and other liabilities (22,307 thousand euros). Trade payables consist of service contracts, software design and development, site restoration, ordinary

and extraordinary maintenance on the sites and other services. The miscellaneous payables and other liabilities primarily refer to the debt for tax consolidation (19,299 thousand euros).
Payables to senior management (amounting to 426 thousand euros) refer to fees payable to key management personnel of the Company.
Payables to related parties (11,606 thousand euros) mainly consist of trade payables to Telenergia S.r.l. (11,582 thousand euros) for the supply of electrical energy, and to Olivetti (24 thousand euros) for the supply of software.

Items of the income statement

The effects of the transactions with related parties on the items of the income statement at December 31, 2016, and for the corresponding period of the previous financial year, are the following:

ITEMS OF THE INCOME STATEMENT AT DECEMBER 31, 2016

(thousands of euro)	Total (a)	Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Revenues	**333,508**	254,892	-	717	255,609	*76.6%*
Acquisition of goods and services	**(160,660)**	(34,478)	-	(53)	(34,531)	*21.5%*
Employee benefits expenses	**(6,636)**	(31)	(1,098)	-	(1,129)	*18.1%*
Other operating expenses	**(2,594)**	(28)	-	-	(28)	*1.1%*
Finance expenses	**(3,574)**	(6)	-	-	(6)	*0.2%*

ITEMS OF THE INCOME STATEMENT AT DECEMBER 31, 2015

(thousands of euro)	Total (a)	Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Revenues	**239,216**	190,000	-	383	190,383	*79.6%*
Acquisition of goods and services	**(126,266)**	(29,975)	-	(28)	(30,003)	*23.8%*
Employee benefits expenses	**(3,832)**	-	(663)	-	(663)	*17,3%*
Other operating expenses	**(958)**	(16)	-	-	(16)	*1.7%*
Finance expenses	**(2,753)**	(236)	-	-	(236)	*8.6%*

Revenues from the Parent Company (254,892 thousand euros) refer mainly to rental revenues ensuing from the Master Service Agreement.
The revenues from other related parties (717 thousand euros) refer to rental revenues from Watersider S.p.A.

Purchases of materials and services from the Parent Company (34,478 thousand euros) refer to the lease of infrastructural sites (22,231 thousand euros), maintenance services (9,583 thousand euros), outsourced services (450 thousand euros), telephone costs (447 thousand euros) and other service costs (1,767 thousand euros). Purchases of materials and services from other related parties (53 thousand euros) mainly refer to outsourced services from H.R. Services.

Employee benefits expense for senior management (1,173 thousand euros) refer to compensation due to Company key managers.

Other operating costs charged by the Parent Company (28 thousand euros) refer to membership fees.

The financial charges towards the Parent Company (6 thousand euros) consist of bank fees for guarantees issued by the Parent Company.

Items of the Statement of financial position

The effects of the transactions with related parties on the items of the statement of financial position at December 31, 2016, and for the corresponding period of the previous financial year, are the following:

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2016

(thousands of euro)	Total (a)	Related Parties				
		Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Operating activities:						
Change in trade receivables	**1,683**	(378)	-	(330)	(708)	*-42.1%*
Change in trade payables	**8,641**	7,049	-	6,135	13,184	*152.6%*
Net change in miscellaneous receivables/payables and other assets/liabilities	**(22,727)**	(4,783)	(176)	-	(4,959)	*22.0%*
Financing activities:						
Change in current and non-current financial liabilities	**98**	(2)	-	-	(2)	*2.0%*

ITEMS OF THE STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2015

(thousands of euro)	Total (a)	Related Parties				
		Parent Company	Senior management	Other related parties	Total related parties (b)	*As a % of the financial statement item (b)/(a)*
Operating activities:						
Change in trade receivables	**(27,557)**	(2,975)	-	(38)	(3,013)	*10.9%*
Change in trade payables	**12,176**	10,173	-	5,471	16,194	*87.9%*
Net change in miscellaneous receivables/payables and other assets/liabilities	**18,427**	10	221	-	231	*1,3%*
Financing activities:						
Change in current and non-current financial liabilities	**(119,997)**	(120,000)	-	-	(120,000)	*100.0%*

The table shows two significant changes in 2016. The first change in trade payables refers to the increase in trade payables to Telenergia. The second change refers to miscellaneous receivables/payables with the Parent Company (4,783 thousand euros), mainly due to the payment of debts under the tax consolidation.

REMUNERATION OF KEY MANAGERS

The remuneration recorded on an accrual basis in respect of key managers amounted to 1,098 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 2016 MBO will be paid during the second quarter of 2017).

The contributions paid in to defined contribution plans (Assida, Fontedir) on behalf of key managers, amounted to 15 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:	
Oscar Cicchetti	Chief Executive Officer
Managers:	
Silvia Ponzoni	Head of *Business Support*
Rafael Giorgio Perrino	Head of Finance & Administration
Emilio Maratea	Head of Business Management & Operations

NOTE 27 – SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB Communication no. DEM/6064293 of July 28, 2006, it should be noted that during the course of the financial year 2016, no significant non-recurring events or transactions occurred.

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

In accordance with Consob Communication DEM/6064293 of July 28, 2006, during the course of the financial year 2016, no atypical and/or unusual transactions occurred as defined by the Communication.

NOTE 29 – EVENTS SUBSEQUENT TO DECEMBER 31, 2016

No significant events occurred after the closing of the financial year.

NOTE 30 – INFORMATION ON DIRECTION AND COORDINATION ACTIVITY

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

- 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, 2015 of TIM S.p.A., the company that exercises direction and coordination activities.

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

Statements of Financial Position

(millions of euro)	**December 31, 2015**
Intangible assets	31,103
Tangible assets	11,531
Other non-current assets	12,218
Total Non-current assets	**54,852**
Current assets	**5,889**
Discontinued operations/Non-current assets held for sale	-
Total Assets	**60,741**
Equity	**16,111**
Share capital	*10,720*
Reserves	*1,731*
Retained earnings (accumulated losses), including profit (loss) for the year	*3,660*
Non-current financial liabilities	30,743
Employee benefits	1,278
Deferred tax liabilities	2
Provisions	324
Miscellaneous payables and other non-current liabilities	600
Total Non-current liabilities	**32,948**
Current liabilities	**11,682**
Total Liabilities	**44,630**
Total Equity and Liabilities	**60,741**

Income statement

(millions of euro)	Financial Year 2015
Revenues	13,797
Operating profit before depreciation and amortization, capital gains (losses) and impairment reversals (losses) on non-current assets (EBITDA)	**5,266**
Operating profit (loss) (EBIT)	**2,188**
Income (expenses) from investments	(132)
Finance income	2,121
Finance expenses	(4,546)
Profit (loss) before tax from continuing operations	**(369)**
Income taxes	(96)
Profit (loss) before tax from continuing operations	**(465)**
Profit (loss) from discontinued operations/Non-current assets held for sale	9
Profit (loss) for the year	**(456)**

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, 2015. For an adequate, full understanding of the trend of operations and financial situation of TIM S.p.A. at December 31, 2015, and of the Company's net result in the financial year to that date, see the financial statements which, together with the report by the independent auditors, is available as provided for by law.

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

NOTE 31 – FURTHER INFORMATION

Operating leases

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

Lease installments payable

The Company is party to non-voidable lease agreements for Sites; at December 31, 2016, the lease installments still due totaled:

(millions of euro)	At December 31, 2016
Within 1 year	24
From 2 to 5 years	98
Beyond	31
Total	**153**

Lease installments receivable

The Company is party to non-voidable hosting agreements; at December 31, 2016, the lease installments still to be collected totaled:

(millions of euro)	At December 31, 2016
Within 1 year	326
From 2 to 5 years	1,239
Beyond	445
Total	**2,010**

Directors and statutory auditors' fees

The fees payable to the Company's Statutory Auditors and Directors at December 31, 2016, for the performance of their corresponding duties, amount to, respectively, 105 thousand euros and 1,214 thousand euros.

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

The following schedule shows the total fees due to PricewaterhouseCoopers S.p.A. ("PwC") and to other entities belonging to the PwC network, for the auditing of the 2016 financial statements, together with the fees attributable to the financial year 2016 for other auditing/reviewing services, and for services other than auditing, provided to INWIT by PwC and by the other entities within the PwC network. Out-of-pocket expenses incurred in 2016 in relation to said services are also included here.

	INWIT S.p.A.		
(thousands of euro)	PwC S.p.A.	Other entities of the PwC network	Total PwC network
Auditing services:			
statutory audit of the separate financial statements	194	-	194
limited review of the interim half-yearly financial statements	42	-	42
miscellaneous(*)	62	-	62
Out-of-pocket expenses	23	-	23
Total	**321**	**-**	**321**

(*) This sum comprises fees for: the review of the Reporting Package at December 31, 2016 (10 thousand euros), limited review of the interim financial statements at March 31, 2016 (28 thousand euros), and voluntary audit at December 31, 2015 of Gestione Immobili S.r.l., Gestione Due S.r.l. and Rebbi Immobili S.r.l. (24 thousand euros).

CERTIFICATION OF THE FINANCIAL STATEMENTS AT DECEMBER 31,2016 PURSUANT TO ARTICLE 81-TER OF THE CONSOB REGULATION 11971 DATED MAY 14, 1999, WITH AMENDMENTS AND ADDITIONS

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

   of the administrative and accounting procedures used in the preparation of the financial statements for the period January 1 – December 31, 2016.

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

3. The undersigned also certify that:

   3.1 the financial statements at December 31, 2016

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

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

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

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

March 16, 2017

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

Gruppo Tim - Direzione e Coordinamento Tim S.p.A.
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Numero REA MI 2057238
Capitale Sociale € 600.000.000,00

INDEPENDENT AUDITORS REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE 39 OF 27 JANUARY 2010

To the shareholders of
Infrastrutture Wireless Italiane SpA

Report on the financial statements

We have audited the accompanying financial statements of Infrastrutture Wireless Italiane SpA, which comprise the statement of financial position as of 31 December 2016, 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, a summary of significant accounting policies and other explanatory notes.

Directors responsibility for the financial statements

The directors of Infrastrutture Wireless Italiane SpA are 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, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Auditors responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity preparation of financial statements that give a true and fair view, to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Infrastrutture Wireless Italiane SpA as of 31 December 2016 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, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Report on compliance with other laws and regulations

Opinion on the consistency with the financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard 720B (SA Italia) to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree 58/98, which are the responsibility of the directors of Infrastrutture Wireless Italiane SpA, with the financial statements of Infrastrutture Wireless Italiane SpA as of 31 December 2016. In our opinion, the report on operations and the information 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 2016.

Milan, 28 March 2017

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

Other information

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

Dear Shareholders,

Infrastrutture Wireless Italiane S.p.A. ("INWIT" or the "Company") operates in Italy in the field of electronic communications infrastructure, and specifically infrastructure devoted to hosting equipment for radio broadcasting, telecommunications, and television and radio signals broadcasting.
INWIT launched operations on April 1, 2015, the effective date of the contribution of Telecom Italia S.p.A.'s "Tower" business unit ("Telecom Italia") 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 Telecom Italia and other customers.In this context, INWIT stands out as the largest Italian Tower Operator in terms of number of sites managed, with a special focus on mobile services.
During the course of the financial year ending December 31, 2016, INWIT's Board of Statutory Auditors performed its auditing duties as required by law, taking account also of the standards of conduct recommended by the National Board of Accountants and Bookkeepers, and of the CONSOB communications regarding corporate controls and the activities of the Board of Statutory Auditors.
During the course of the financial year, the Board of Statutory Auditors acquired the information it needed to perform its dutiesm both through attending the meetings of the Board of Directors, the Control and Risk Committee, the Appointments and Remuneration Committee, and the Board Committee of Independent Directors (set up by board resolution adopted on November 12, 2015, with the aim of following - with preliminary advisory powers - the process of leveraging Telecom Italia's interest in the Company which, in July 2016, the Parent Company decided not to follow up), and through meetings with company structures and the analysis of documents.
Furthermore, the Board of Directors reported at least once a quarter on business conducted, on those transactions of the greatest importance from the financial, economic and equity points of view, on transactions entailing possible conflicts of interest (mainly intra-group transactions, on any atypical or unusual transactions, and on any other business or transaction that it deemed ought to be disclosed to the recipients of the information.

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1. On the basis of the information received, and of the specific analyses conducted by the Board of Statutory Auditors, the transactions of the greatest importance from the financial, economic and equity points of view, conducted by the Company in 2016, are mainly represented by the following:

- on January 11, 2016 INWIT acquired 100% of the share capital of Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l., which, overall, manage 76 sites for mobile telephone service in Lombardy (located mainly in the province of Brescia), and of the related lease contracts with the leading Italian mobile radio operators. The consideration for the acquisition was 8,316,000 euro. The transaction is in keeping with the strategy of the continual improvement in profitability and market leadership that INWIT is pursuing in Italy.
- The Shareholders' Meeting of April 19, 2016 approved, in an extraordinary session, the project of merger by incorporation in INWIT of the three wholly owned subsidiaries: Revi Immobili S.r.l., Gestione Due S.r.l. and Gestione Immobili S.r.l. On September 26, 2016, the deed of merger by incorporation of the aforementioned three companies in INWIT was signed. The merger will be effective from October 1, 2016. For accounting and tax purposes, the incorporated companies'

transactions have been imputed to INWIT's financial statements as of January 1, 2016. The Board of Statutory Auditors has verified that the aforementioned transactions complied with law, with the articles of association, and with the principles of proper administration, and has ascertained that said transactions were not patently imprudent or risky, or contrary to the shareholders' meeting' resolutions, or such as to compromise the integrity of the Company's assets.

2. During the course of 2016 and subsequent to the closure of that financial year, the Board of Statutory Auditors discovered no atypical and/or unusual transactions carried out with third parties or related parties (including the Group's companies).

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

As far as regards transactions with related parties, the Board of Statutory Auditors reports that, in accordance with CONSOB's regulatory provisions contained in resolution no. 17221 of March 12, 2010 (and subsequent amendments and additions), the Company adopted, with resolution of May 18, 2015, effective from the date of commencement of trading in INWIT's shares listed on the electronic stock exchange organized and managed by Borsa Italiana S.p.A. (i.e. June 22, 2015) a special procedure briefly illustrated in the "Report on Corporate Governance and Ownership Structure of Infrastrutture Wireless Italiane S.p.A in the financial year 2016", to which reference should thus be made.

The Board of Statutory Auditors has monitored the compliance of the procedures adopted with the principles established by CONSOB, together with actual observance thereof.

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

4. The independent auditors PricewaterhouseCoopers S.p.A. issued a report on March 28, 2017, pursuant to Section 14 of Italian Legislative Decree no. 39 of January 27, 2010, in which it certifies that the financial reports for the financial year to December 31, 2016, truthfully and correctly represent the Company's assets, financial situation, net result, changes in net equity, and financial flows.

The report does not contain any requests for specific disclosures.

5. During the course of 2016, and up to the date of drafting of this Report, the Board of Statutory Auditors has not received any reports under Article 2408 of the Italian Civil Code.

6. During the course of 2016, and up to the date of drafting of this Report, the Board of Statutory Auditors, has not received any complaints.

7. During the course of 2016, the Company appointed PricewaterhouseCoopers S.p.A. solely to carry out an independent audit of the Company's financial statements and accounts.

8. During 2016, Infrastrutture Wireless Italiane S.p.A. did not assign any tasks to entities or persons having continuous business relationships with PricewaterhouseCoopers S.p.A. and/or with companies in the PwC network.

The Board of Statutory Auditors has monitored the independence of the Independent Auditors, and on March 28, 2017, the Independent Auditors issued their annual statement of independence pursuant to Section 17, paragraph 9(a), of Italian Legislative Decree 39/2010.

9. During the course of 2016, the Board of Statutory Auditors provided the Board of Directors with opinions, pursuant to Article 2389, paragraph 3, of the Italian Civil Code, in regard to the variable remuneration paid to the CEO Oscar Cicchetti for the year 2016. On March 28, 2017, the Board of Statutory Auditors provided the Board of Directors with a similar opinion regarding the variable remuneration to be paid to the CEO in 2017.

On June 10, 2016, pursuant to Article 2386, paragraph 1, of the Italian Civil Code, the supervisory body expressed its approval of the decision to nominate Giuseppe Gentili as a member of the Board of Directors, in place of the resigning member Francesca Petralia.

Likewise, more recently, on March 16, 2017, the Board of Statutory Auditors expressed its approval, in accordance with the aforementioned provision of law, of the decision to appoint Saverio Orlando as a member of the Board of Directors to replaced the resigning member Venanzio Iacozzilli.

10. During 2016, the Company's Board of Directors met 6 times ; the Control and Risks Committee held 7 meetings, while the Appointments and Remuneration Committee met 10 times. The Board of Statutory Auditors met 16 times during the course of 2016 (5 times jointly with the Control and Risks Committee);

moreover, in 2016 it attended: (i) one shareholders' meeting; (ii) all Board of Directors' meetings; (iii) all meetings of the Control and Risks Committee, and (through its Chairman or his proxy) all meetings of the Appointments and Remuneration Committee. The Board of Statutory Auditors also guaranteed the attendance of at least one of its members at the meetings of the Board Committee of Independent Directors.

11. The Board of Statutory Auditors has taken note of, and monitored - insofar as it is concerned - due compliance with the principles of good administration: through attendance of the meetings of the Board of Directors and of the various Committees; by gathering information from the CEO, the Company's management, the head of the Audit Department, and the Executive Manager responsible for drawing up the Company's accounting documents and records; and also through meetings with the aforesaid persons and with the representatives of the independent auditors PricewaterhouseCoopers S.p.A., for the purpose of the reciprocal exchange of relevant information and data.

Specifically, as far as regards the Board of Directors' decisional processes, the Board of Statutory Auditors has ascertained, also by attending the Board of Directors' meetings, that the Directors' decisions comply with law and with the Company's articles of association, and has verified that the corresponding resolutions were supported by information, analyses, controls and discussions, and also, when necessary, by recourse to consultation with the committees and with external consultants. The Board of Statutory Auditors has also verified, insofar as such is known, that the Directors have submitted the declarations required by Article 2391 of the Italian Civil Code.

12. In accordance with INWIT's Code of Corporate Governance, the Board of Directors provides strategic guidance and supervision, with the principal aim of creating value for shareholders in the medium/long term, with a view to ensuring the sustainability of the Company's business, and also bearing in mind the legitimate interests of the remaining stakeholders.

In order to implement its decisions and to govern the Company's business, the Board of Directors, in compliance with the limits established by law, may delegate the appropriate powers to one or more directors, who report to the Board of Directors and to the Board of Statutory Auditors on the activities they perform, on the general performance of management, on its foreseeable evolution, and on the Company's most important transactions from the financial, economic and equity points of view.

During 2016, Francesco Profumo performed the role of Company Chairman, and Oscar Cicchetti that of CEO.

The Chairman of the Board of directors has the company signature, and is the Company's legal representative in relations with third parties.

The CEO was assigned legal representation of the Company together with responsibility regarding market disclosure, the strategic management and overall governance of the Company, and also the management of any extraordinary transactions. The CEO was also assigned responsibility for establishing - through implementation of the Board of Directors' guidelines - the internal control system, and for ensuring that it met the requirements of changing operating conditions and of the evolving legislative/regulatory situation.

The Company adopted an organizational model that provides for the monitoring of the principal activities required for the management and development of the Company's business. On the basis of this model, the CEO is reported to by:

- the Business Management & Operations Function, headed by Emilio Maratea;
- the Business Support Function, set up in October 2016 and headed by Silvia Ponzoni, with the task of ensuring the coordination of administrative, financial and control activities, together with purchasing and business development;administration, finance and control operations are managed by Rafael Perrino, who is also responsible for Investor Relations, and who is Executive Manager responsible for the drafting of the Company's accounting documents;
- the Legal Function, headed by Valeria Savarese, which through the Compliance and Regulations Function, set up in October 2016, guarantees the management of formalities relating to compliance and regulatory issues;
- the People Value Function headed by Gabriella Raffaele.

The Board of Statutory Auditors, insofar as it is concerned, acquired information regarding the Company's chosen organizational structure, and the implementation and development of such ;it also monitored the dynamic adequacy of the organizational structure and its operation, bearing in mind the Company's objectives.

13. The Board of Statutory Auditors monitored the implementation and due operation of the Company's internal control and risk management system (hereinafter, for the sake of brevity: the internal control system), ensuring its adequacy, both now and in the future, by means of:(i) meetings with the Control and Risks Committee ; (ii) regular meetings with the Heads of the Audit Function, the Legal Function - who, as mentioned, also oversees questions of compliance - and with the Executive Manager responsible for drafting the Company's accounting documents, and (iii) the acquisition of documents.
The internal control system is organised, and operates, in accordance with the principles and criteria set out in Borsa Italiana's Code of Corporate Governance. It is an integral part of the organizational structure of the Company and of the Telecom Italia Group, and involves a number of actors who operate in a coordinated manner according to their respective responsibilities, as follows: (i) the Board of Directors is responsible for strategic guidance and supervision; (ii) the CEO and management are responsible for monitoring and managing the Company's operations; (iii) the Control and Risks Committee, and the Head of the Audit Function, have a monitoring role and lend support to the Board of Directors; and (iv) the Board of Statutory Auditors has a supervisory role.
The establishment and maintenance of the internal control system is entrusted to the CEO and to the Executive Manager responsible for drafting the Company's accounting documents, insofar as each is concerned, so as to ensure the overall adequacy of the system and its actual operation, from a risk-based perspective, which is also taken into consideration when the Board of Directors' agendas are drawn up.
In accordance with the Company's Code of Corporate Governance, in exercising the Board's responsibility for the internal control and risk management system, the Board also avails itself of the services of the Audit Function, headed by Silvia Alberta, which enjoys its own organizational independence and has sufficient adequate resources to carry out its own activities.
As permitted by the Company's Code of Corporate Governance, and as decided by the Board of directors, subject to the opinion of the Control and Risks Committee, the Audit Function avails itself, through a specific Framework Agreement, of the services of a major audit firm, selected following a specific call for tenders, in order to carry out its own activities.
For further details of the internal control system, see the "Report on Corporate Governance and Ownership Structure of Infrastrutture Wireless Italiane S.p.A in the financial year 2016".
The Board of Statutory Auditors has acknowledged the overall evaluation of the internal control and risk management system submitted by the Head of the Audit Function.
With a view to the future, the Board of Statutory Auditors deems the internal control and risk management system to be generally adequate.In this regard, despite it deeming it natural that INWIT, which has been operating for less than two years and which possesses a streamlined structure, should display certain weaknesses, the Board of Statutory Auditors has advised the management to further strengthen the internal control system which, although not displaying - as things stand - any clearly critical areas, needs to find the right balance for the future development of the Company.
The Company has adopted, and seen to the deployment of, the Organizational Model of the Telecom Italia Group pursuant to Italian Legislative Decree no. 231 of June 8, 2001, for the prevention of crimes, together with the corresponding staff training.
In this regard, it should be noted that INWIT's Board of Directors at its meeting of January 27, 2015, appointed the Board of Statutory Auditors, up to the end of its term of office, as supervisory body under Section 6, paragraph 1(b), of Italian Legislative Decree no. 231 of June 8, 2001.
As of the aforesaid Board of Directors' resolution, INWIT's Board of Statutory Auditors acts as Supervisory Body 231 in accordance with the provisions of law in force
14. The Board of Statutory Auditors has evaluated and monitored the adequacy of the administrative-accounting system and its capacity to reliably and correctly represent company transactions, by obtaining information from the heads of the company functions concerned, by examining company documents and by analyzing the results of the work carried out by the independent auditors PricewaterhouseCoopers S.p.A.
The Board of Statutory Auditors has acknowledged the statements issued by the CEO and by the Executive Manager responsible for drafting the Company's accounting documents, in regard to the adequacy - in relation to the Company's nature - and the actual application in 2016, of the administrative and accounting procedures required for the drafting of the financial statements.
With regard to the question of the impairment testing of goodwill and of assets with an undefined useful life, in accordance with international accounting standards, the Board of Statutory Auditors has

monitored (i) the Board of Directors' adoption of a specific procedure, and subsequently (ii) the results of the tests conducted in this regard by management, which confirmed the recoverable nature of said goodwill and assets.

The Board of Statutory Auditors also issued, on March 28, 2017, the Report pursuant to Section 19 of Italian Legislative Decree no. 39/2010, which failed to identify any "fundamental issues" or "significant inadequacies" in the internal control system in regard to the process of financial disclosure.

15. The Board of Statutory Auditors found that the obligation under Section 114 of Italian Legislative Decree no. 58/1998 does not apply in that the Company held no interests in other companies at December 31, 2016.

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

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

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

For further information regarding the Company's Corporate Governance, see the "Report on Corporate Governance and Ownership Structure of Infrastrutture Wireless Italiane S.p.A in the financial year 2016".

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

Furthermore, the Board of Statutory Auditors has verified that the Report on Remuneration, issued pursuant to Section 123-ter of Italian Legislative Decree no. 58/1998 and approved by the Board of Directors, has been drawn up in accordance with the provisions of law, and provides adequate information regarding the Company's remuneration policy and on the fees and salaries paid during the course of 2016.

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

19. The Board of Statutory Auditors, having acknowledged the results of the financial statements to December 31, 2016, and bearing in mind that the Statutory Reserve has reached one-fifth of Equity pursuant to Article 2430 of the Italian Civil Code, has no objection to make in regard to the Board of Directors' proposal to the Shareholders' Meeting, to allocate net profit for the financial year 2016, amounting to 97,924,833 euro:

- in part for distribution to the Shareholders, in the form of a dividend of 0147 euro for each of the 600,000,000 ordinary shares in circulation at May 22, 2017, the envisaged dividend payment date, amounting to a total of 88,200,000 euro;
- and in part (the remaining 9,724,833 euro) to retained earnings.

The Shareholders' Meeting is also called on to nominate two Directors to replace the two resigning Directors.

****

Milan, March 29, 2017

THE BOARD OF STATUTORY AUDITORS

Enrico Maria Bignami

Lawyer Umberto La Commara

Michela Zeme