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	%
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	**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

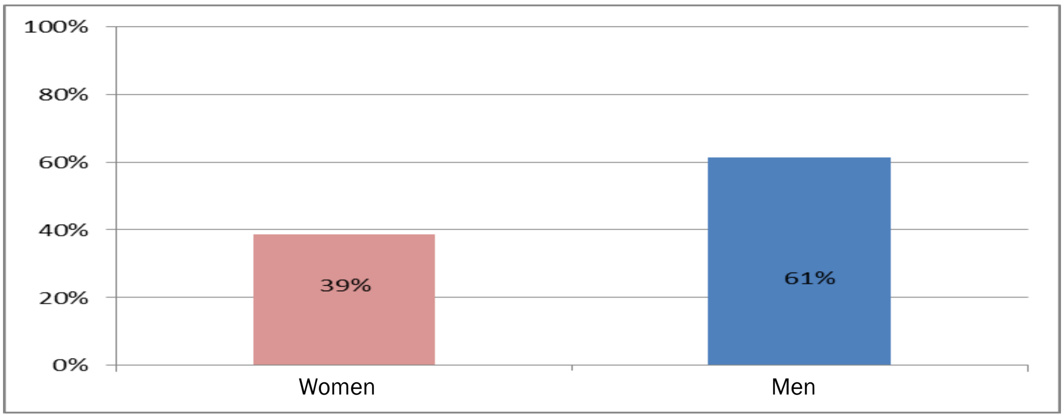
In a competitive scenario, where business, technology and consumption models are constantly undergoing radical change, the change required to meet the market challenge must include the valorization of employees and the development of their professionalism.
The Code of Ethics, adopted by all of the Companies 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.

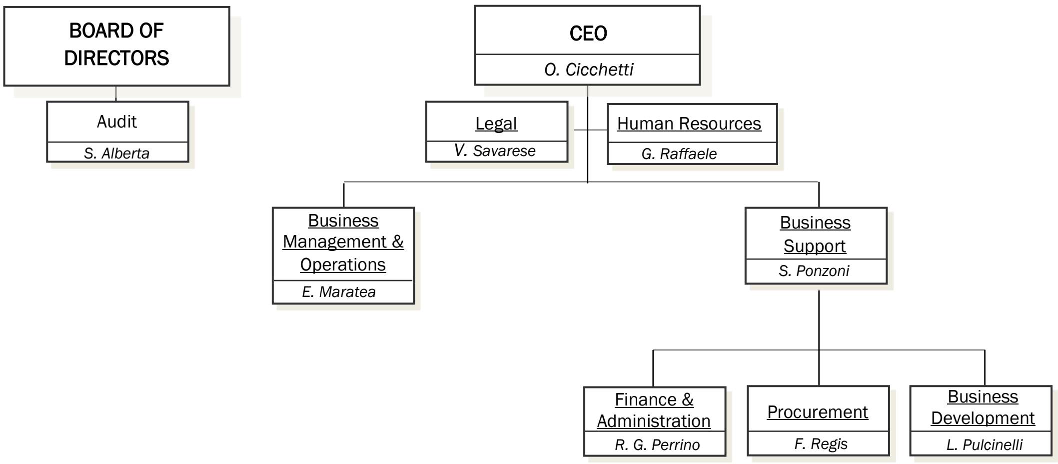
ORGANIZATION

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.

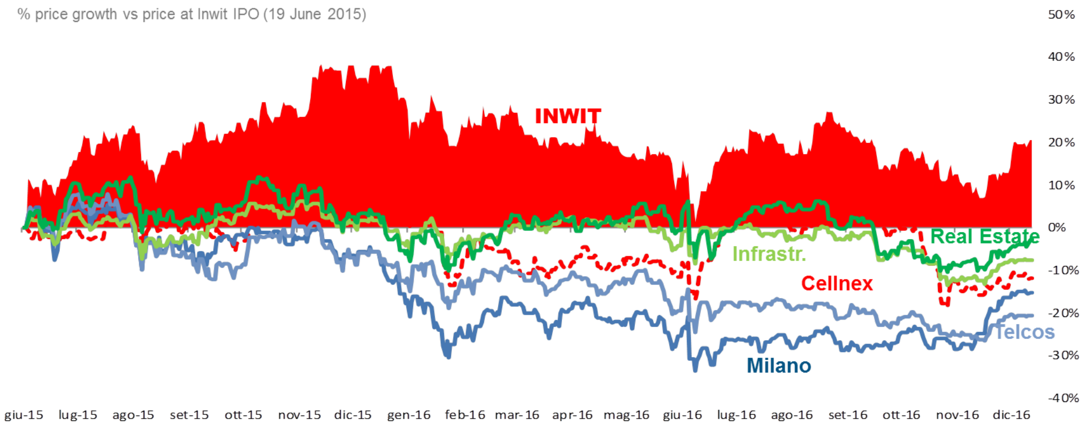
The CRALT (The TIM Group Employees' Social Club) organizes trips and holidays, together with sporting , cultural and recreational events, for the employees of Companies in the TIM Group. The CRALT also enables members and their families to purchase goods and services at discounted prices/tariffs, with 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.

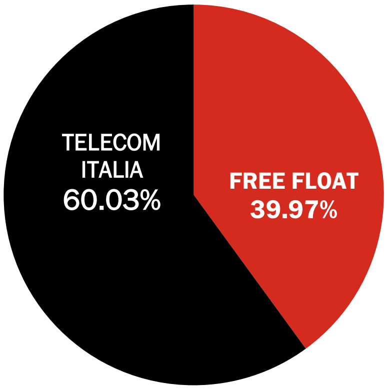


INWIT SHARE CAPITAL AT DECEMBER 31, 2016

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.