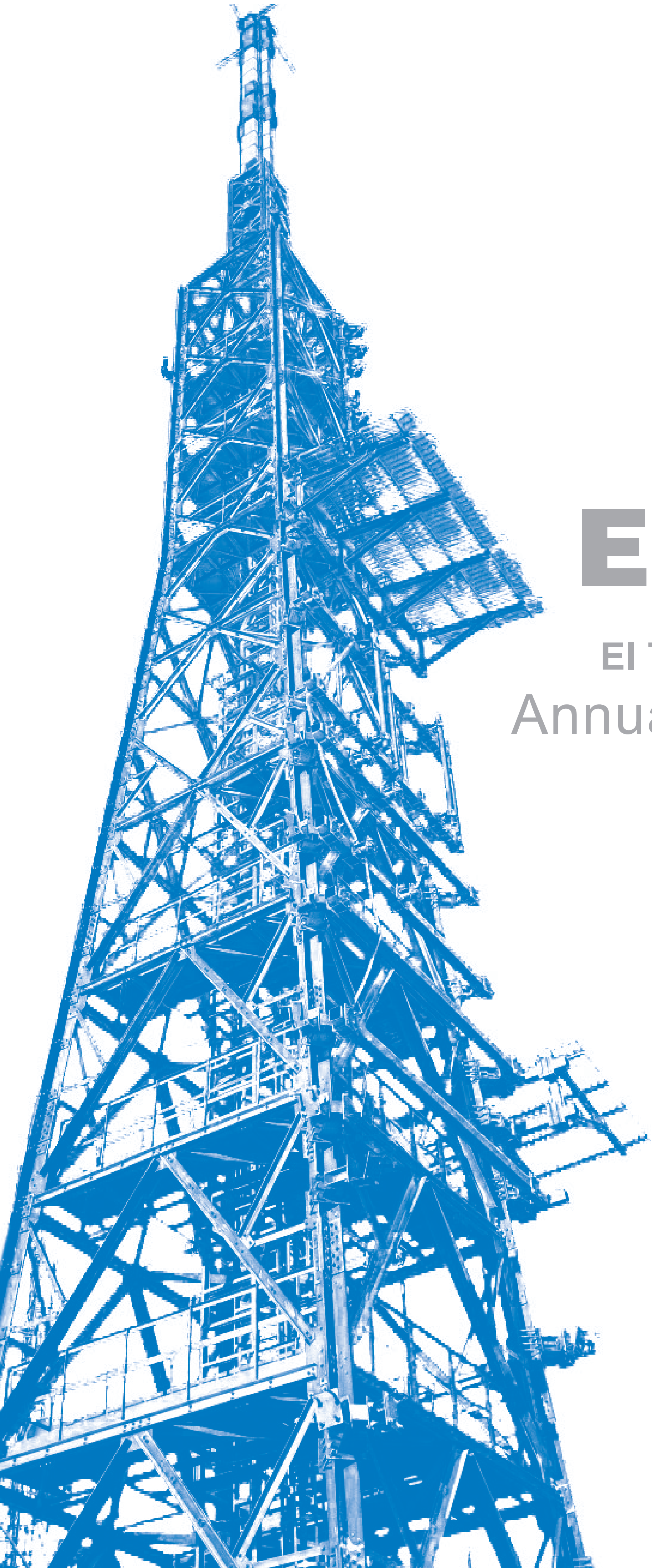

EI TOWERS

EI TOWERS Group
Annual Report 2016

EI TOWERS S.p.A.

Via Zanella, 21 - 20851 Lissone (MB)
Tax Code and Inscription Number in the
Monza and Brianza Enterprises Register: 12916980159
VAT Number: 01055010969
www.eitowers.it
Company subject to direction and coordination of Mediaset S.p.A.

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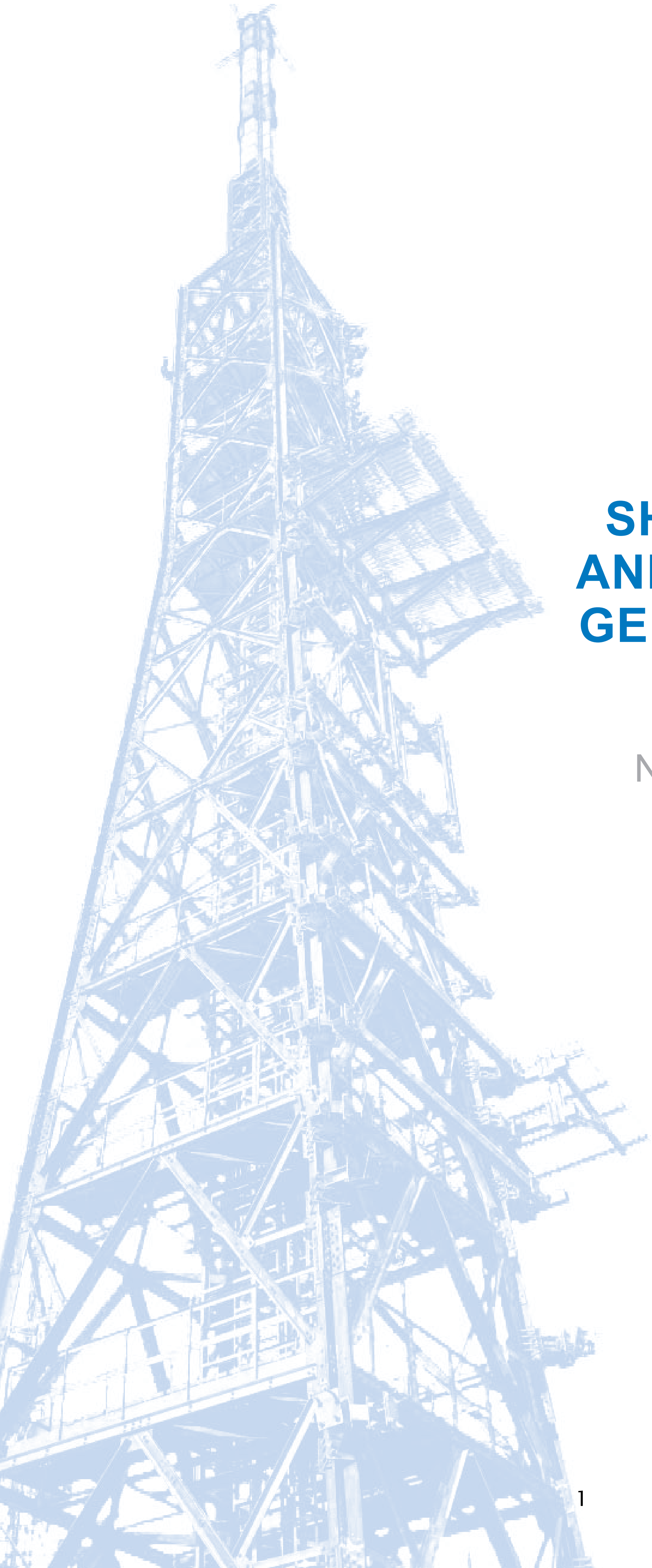
This document is an English translation of an original Italian text. In the event of discrepancies between the original Italian text and this English translation, the original Italian text shall prevail.

Professional operating within the prerogatives of Law 4/2013.



SHAREHOLDERS' ANNUAL ORDINARY GENERAL MEETING 2017

Notice of Convocation

NOTICE OF CONVOCATION

Notice of Ordinary Meeting of the Shareholders

The persons entitled to participate and to exercise the voting right are invited to the Ordinary Meeting of the Shareholders to be held in a single session at the registered office at Via Zanella no. 21, Lissone, Italy at 11:00 a.m. on April 20, 2017, for deliberation upon the following

MEETING AGENDA

1. Approval of the Financial Statements as of December 31, 2016; Report of the Board of Directors on Operations, Report of the Independent Auditors and Report of the Board of Statutory Auditors; Presentation of the Consolidated Financial Statements as of December 31, 2016; related and consequent resolutions.
2. Compensation Report in accordance with Article 123-ter of the Legislative Decree no. 58/1998.
3. Nomination of the members of the Board of Statutory Auditors.
4. Nomination of the Chairman of the Board of Statutory Auditors.
5. Establishment of remuneration for the Board of Statutory Auditors.
6. Authorization to the Board of Directors for the purchase and sale of treasury shares; related resolutions.

The share capital subscribed and paid is equal to € 2,826,237.70, subdivided into 28,262,377 common shares, with face value of € 0.10 each, each of which gives the right to one vote at the shareholders' meeting, with the exception of 687,708 treasury shares held by the Company as of the date of this meeting notice, inclusive of 6,000 treasury shares lent to Mediobanca Banca di Credito Finanziario S.p.A. for its execution of specialist activity pursuant to Article 2.2.3, Paragraph 4 of the Regulations of the markets organized and managed by Borsa Italiana as well as the related instructions to the Regulations. Such number could change as of the date of the shareholders' meeting; a change, if any, shall be announced at the opening of the shareholders' meeting. The structure of the share capital is disclosed on the Company's Internet site: www.eitowers.it (Governance section – Share Capital Structure).

ELIGIBILITY TO ATTEND THE MEETING

Pursuant to the law and the Corporate By-laws, the persons authorized to participate in the Shareholders' Meeting are those to whom the voting right accrues and for whom the Company has received the notice released by an authorized intermediary certifying the legitimation on the basis of the evidence coming from the intermediary's accounting records upon the close of the accounts on the seventh open market day preceding the date set for the single session of the Shareholders' Meeting and therefore, April 7, 2017 (Record Date). The registration of debit and credit entries in the accounts subsequent to such date shall not count for the purpose of legitimating the exercise of the voting right during the Shareholders' Meeting. Accordingly, anyone who is the owner of the shares subsequent to such date shall not be entitled to participate in or vote at the Shareholders' Meeting. The notices of the intermediaries to the Company are effected in accordance with prevailing laws and regulations.

Participation in the Shareholders' Meeting is governed by the provisions on the subject contained in laws, regulations and the by-laws, as well as provisions contained in the prevailing Shareholders' Meeting Rules available on the website of the Company: www.eitowers.it (Governance section - Shareholders' Meetings).

PROXY VOTES

Pursuant to Article 10 of the Corporate By-laws and in accordance with applicable legislation, anyone to whom the right of voting accrues may elect to be represented by another person, including a person who is not a shareholder, according to the terms and conditions provided by prevailing laws. For this purpose, the proxy form available through the intermediaries who are depositaries of the shares as well as at the Company's registered office and on the website www.eitowers.it (Governance section - Shareholders' Meetings) can be used. The appointment may be made with a document in an electronic format with a digital signature according to the law. The proxy may be sent to the Company through a registered, return-receipt letter to the registered office, or through electronic notification at the following certified electronic mail address: das.eitowers@legalmail.it. In such cases, the proxy should be received by the Company prior to the start of the meeting. The representative may, in place of the original proxy, deliver or transmit a copy thereof, including on an information support, certifying under the representative's responsibility the conformity of the proxy copy to the original and the identity of the proxy holder. As provided by the Corporate by-laws, the Company does not designate the person to whom the shareholder proxies are to be conferred, as referenced in Article 135-undecies of Legislative Decree no. 58/98, as subsequently amended (TUF - Consolidated Finance Act). Procedures for voting by correspondence or with electronic means are not contemplated.

RIGHT TO REQUEST THE ADDITION OF NEW BUSINESS AND MOVE NEW RESOLUTIONS

In accordance with Article 126-bis of Legislative Decree no. 58/98 (TUF - Consolidated Finance Act), shareholders who represent, including jointly, at least one fortieth of the share capital may request, within ten days from the publication of this meeting notice, the supplementation of the list of matters to be discussed, indicating in the request the other issues that they propose. The request must be presented in writing at the Company's registered office, through a registered, return-receipt letter, or through certified electronic mail at the certified electronic mail address (das.eitowers@legalmail.it), together with certification attesting to the ownership of the shares, issued by an intermediary entitled according to the applicable regulations and within the terms provided by the law, a report to the board of directors on the subjects which such persons propose to discuss. The supplementation of the list of matters to be discussed is not admitted for matters to be resolved by the Shareholders' Meeting, as prescribed by law, that regard a proposal of the directors or a project or a report drawn up by the directors.

With the same means and terms as provided for supplementing the meeting agenda, and together with the documentation provided for the supplementation, the shareholders referenced in the preceding paragraph may present proposals for resolutions about matters on the meeting agenda.

Notice and publication of the supplements to the meeting agenda or the presentation of other proposals for resolutions about matters on the meeting agenda, as well as the related reports, are to be done in accordance with the means and terms provided by prevailing laws and regulations.

RIGHT TO ASK QUESTIONS ABOUT THE MATTERS ON THE MEETING AGENDA

In accordance with Article 127-ter of Legislative Decree no. 58/98 (TUF - Consolidated Finance Act), anyone entitled to vote may pose questions about the matters on the meeting agenda, including prior to the Shareholders' Meeting. The questions need to be submitted in writing via certified electronic mail (das.eitowers@legalmail.it) or via fax EI Towers S.p.A. - Direzione Affari Societari - Via Zanella n. 21, 20851 Lissone (MB) al n. +39 039.2432390, together with certification attesting to the ownership of the shares, by no later than April 18, 2017. The response to any questions received prior to the Shareholders' meeting from legitimate persons which are pertinent to the meeting agenda shall be given at the latest during the Shareholders' Meeting. The Company may supply a single response to questions having the same content.

NOMINATION OF THE BOARD OF STATUTORY AUDITORS

With reference to point 3 of the meeting agenda, as per article 18 of the Corporate By-laws, a Board of Statutory Auditors, consisting of 3 (three) active members and of 3 (three) substitute members is entrusted with monitoring the Company.

All the Statutory Auditors must be inscribed in the Register set up within the law and must have carried out the legal auditing of accounts for a period of not less than three years. Furthermore, the Statutory Auditors must possess the necessary requisites laid down by the relative legislation and regulations that are currently in force.

The Statutory Auditors are appointed on the basis of lists presented by the General Meeting. In particular, lists are presented comprising two sections: one for the appointment of the standing auditors and the other for the appointment of the alternate auditors. The lists must contain a minimum number of candidates equal to the number of candidates to elect, listed by means of a progressive number. Candidates of different gender must be included at the top of the lists in the section of both standing auditors and alternate auditors.

Each candidate can only be present on one list; otherwise they will be ineligible for election.

Shareholders have a right to present a list if they represent, alone or together with other shareholders, at least 1% (in accordance with the percentage of shares established in Consob Resolution no. 19856/2017) of the shares entitled to vote at the Ordinary General Meeting.

Each shareholder may not present either individually or together with other shareholders more than one list nor vote for more than one list, either through a third party or through a trust company. Shareholders belonging to the same group – meaning a parent company, subsidiary company or jointly controlled company – and shareholders that are part of a shareholders group as defined in article 122 of Legislative Decree 58/1998 with the objective of company shares cannot present or join in presenting more than one list nor vote for more than one list, either through a third party or through a trust company.

The lists, underwritten by the shareholders presenting the individual lists, must also be accompanied by the relative information concerning their identity, with an indication of the total portion of the share capital held and a curriculum vita for each of the candidates containing extensive information about the personal and professional characteristics of each candidate, and must either be deposited at the company's registered office (Ufficio Affari Societari, open 9:00 – 18:00 weekdays and 9:00 – 13:00 on Saturday, March 25, 2017), or sent by email to the certified electronic mail address das.eitowers@legalmail.it or by fax to no. +39 039 2432390, by March 26, 2017. In the event that on the expiry date for the deposit of the lists, only one list is deposited, or only lists submitted by shareholders that are connected with each other pursuant to current laws and regulations are deposited, it will be possible to submit additional lists within the third day following such expiry date; in such case, the threshold for the submission of the lists will be reduced by a half.

Ownership of the aforesaid minimum shareholding requirement necessary to present the lists is calculated taking into account the shares registered in the shareholders' name as at the date when the lists are lodged at the Company's registered offices. In order to prove ownership of the number of shares necessary for presentation of the lists, a copy of the relevant certificate issued by a broker authorised by law, must be presented and/or sent, at least within the due date for the presentation of lists by the Company. When presenting the lists, they must also be accompanied by the relative information concerning the identity of the shareholders presenting the individual lists, with an indication of the total portion of the share capital held. Shareholders who do not hold either personally or collectively a controlling share or majority share must in addition present the declaration required by law stating the absence of relations with those shareholders who do hold such shares. Together with each list, in accordance with the terms referred to above, individual candidates must deposit a declaration accepting the candidacy and stating that no instances of ineligibility or incompatibility as defined by law exists with regard to them and that they have not exceeded the current legal limit on accumulating positions of responsibility and that they fulfil the requisites demanded by current laws, regulations and the company statute for members of the Board of Statutory Auditors, together with a list of any management and audit positions held in other companies and any other document required by regulations in force.

Shareholders who intend to present lists containing nominations for the Bard of Statutory Auditors are invited to take into account the contents of Consob recommendation DEM/9017893 of 26 February 2009.

Any lists presented that do not comply with the provisions referred to above will not be submitted for voting.

The lists will be made available to the general public at the company's registered office, on the Company's website www.eitowers.it (in the Corporate Governance/Shareholders' Meetings section) and on the authorised storage device eMarket STORAGE, at the website address www.emarketstorage.com, by March 30, 2017.

DOCUMENTATION

The documentation relating to the items on the agenda of the Shareholders' Meeting, including the Report on Corporate Governance and Ownership Structure, will be available to the public at the Company's registered office, on the Company's website www.eitowers.it (Governance section – Shareholders' Meetings – Documents) and on the authorised storage device eMarket STORAGE, at the website address www.emarketstorage.com, in accordance with the terms and conditions provided by prevailing laws and regulations.

The shareholders are entitled to review all documentation filed at the Company's Registered Office and to obtain a copy of the same.

It is to be noted that documentation and information regarding this Meeting, also pursuant to Article 125-*quater* of TUF (Consolidated Finance Act), together with the Corporate By-laws, are available on the Company's website www.eitowers.it (Governance section).

***

The Shareholders are urged to arrive at least one hour prior to the start of the Shareholders' Meeting in order to facilitate registration.

Lissone – March 10, 2017

The Chairman of the Board of Directors

(Alberto Giussani)

2016 Annual Report

2016 Annual Report

Directors' Report on Operations

CORPORATE BOARDS

Board of Directors

Chairman	Alberto Giussani
Chief Executive Officers	Guido Barbieri Valter Gottardi
Directors	Paola Casali Manlio Cruciatti Piercarlo Invernizzi Rosa Maria Lo Verso Michele Pirotta Francesco Sironi

Board of Statutory Auditors

Chairman	Antonio Aristide Mastrangelo
Standing Auditors	Anna Girello Francesco Vittadini

Independent Auditors Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS

Key Consolidated Financial Results

Euro in millions	2016	2015 (*)
Revenues	251.5	241.8
Adjusted EBITDA (**)	123.1	117.0
EBITDA (***)	119.6	113.0
Operating profit (EBIT)	75.5	73.0
Profit before tax	66.1	64.4
Net profit	44.4	47.3

Key Consolidated Balance Sheet and Financial Data

Euro in millions	December 31, 2016	December 31, 2015 (*)
Net invested capital	780.4	739.7
Shareholders' equity	637.8	609.5
Net financial position	(142.6)	(130.2)

Personnel

	December 31, 2016	December 31, 2015
No. of employees	561	570

Core Ratios

	2016	2015 (*)
Adjusted EBITDA (**)/Revenues	49.0%	48.4%
EBITDA (***)/Revenues	47.6%	46.7%
EBIT/Revenues	30.0%	30.2%
Profit before tax/Revenues	26.3%	26.6%
Net profit/Revenues	17.7%	19.6%
Earning per share (Euro per share)	1.58	1.68
Diluted earning per share (Euro per share)	1.58	1.68

(*) RESTATED

(**) Corresponding to the difference between revenues and operating costs, gross of non-monetary costs related to depreciations, amortizations and write-downs (net of possible revaluation) of current and non-current assets, of non-ordinary economic components related to M&A transactions according IFRS3, to layoffs and any costs related to atypical and/or unusual deals as defined by Consob communication of July 28, 2006 No. DEM 6064293.

(***) Corresponding to the difference between revenues and operating costs, gross of non-monetary costs related to depreciations, amortizations and write-downs (net of possible revaluation) of current and non-current assets.

DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,

The year 2016 saw on the one hand the implementation of a series of actions aimed at diversifying the business, which today still remains concentrated on television operators, and, on the other, the releverage plan of the Group.

With reference to the first point, there was the establishment of the company EIT Radio S.r.l., entirely held by the parent company EI Towers S.p.A., with the primary objective to develop service activities to the benefit of national and regional radio operators. During the year the company merged three companies acquired in the sector and is therefore already fully operational.

Again with a view to diversify the traditional business, the company Nettrotter S.r.l., operating in the Internet of Things sector and in particular in LPWA (Low Power Wide Area) segment with Sigfox tecnology, accelerated the network implementation plan, which will be completed around mid- 2017, with the objective to provide a wide range of services to potential customers. It should be noted that Sigfox technology networks are today present in 31 countries worldwide covering in population terms more than 480 million people.

Moreover, during the year the releverage plan of the Group started. The plan is based on a payout ratio amounting to at least 100% of the consolidated net profit for the three year period 2016-2018 and on the buyback of treasury shares up to 5% of the share capital to be completed by the end of the year 2018. In addition, the Board of Directors proposed the distribution of an extraordinary dividend, subsequently approved by the Shareholders' Meeting, and then paid to the shareholders in February 2017.

The management's objective is to achieve and maintain in the medium-term a capital structure which is expected to create value for all shareholders by optimizing the weighted average cost of capital (WACC); as already disclosed to the market, the target is represented by a leverage (ratio between the Net Financial Position and EBITDA) equal to 2.5 times.

That parameter is however influenced by a number of factors such as, in particular, the cost of funding and the expected return of investment opportunities: it is therefore subject to upwards revisions where interesting growth opportunities are envisaged through external lines.

With reference to the organic business performance, the results achieved in the previous year consolidated in 2016, with good developments in particular for hosting services to customers operating with Wimax and LTE Broadband Wireless Access protocols, against a gradual reduction in services to certain regional and local television operators currently in economic and financial difficulties.

With reference to the mobile telecommunications market, the most important event of the period was the combination process between the third and the fourth national operator, which gave rise to the new Wind Tre operating as a new entity starting from December 31, 2016. The new company now represents the first national operator with more than 31 million customers in mobile telecommunications and a declared market share of about 37%.

That combination was authorized by European antitrust authorities with some remedies (in particular the gradual availability by Wind Tre of frequencies and towers) designed to enable the entry into the Italian market of a new operator, the Iliad Group already present on the French market with the trademark Free.

With reference to activities of growth through external lines, different acquisitions of companies and assets were completed in 2016, bringing the number of sites managed at December 31, to over 3,300. The acquisition of interests in Inwit S.p.A., a company of the Telecom Italia Group managing over 11,500 sites, on the contrary, did not materialize, following the interruption of the process of selling by the majority shareholder.

At European level, M&A in the sector proved to be rather dynamic with a series of transactions having as main acquirer Cellnex Telecom and more recently American Tower, which in joint venture with the Dutch pension fund PGGM acquired in December the company FPS Towers managing 2,400 sites in France. Additional tower assets at European level are expected to be offered for sale in 2017. In this context the Group will carefully look at investment opportunities in order to eventually diversify the business from a geographical point of view where conditions are present for creating value in favor of the shareholders.

In 2016 the Group's Adjusted EBITDA and EBIT saw an improvement over 2015, as a result of acquisitions made.

It should be noted that the economic data relating to 2015 have been restated to reflect retroactively the effects of the final Purchase Price Allocation of assets and liabilities acquired as a result of business combinations as provided by IFRS 3.

These effects determined higher amortization and depreciation amounting to € 0.7m and lower taxes amounting approximately to € 0.2m compared to the financial statements as at December 31, 2015.

A summary of 2016 consolidated economic and financial results is reported below; concerning 2015 comparative data, reference should be made to the following paragraph Analysis of Consolidated Figures.

- Core revenues amounted to € 251.5m, with an increase of 4% compared to the figure of the same period of the previous year (€ 241.8m);
- Adjusted EBITDA[1] with a growth of 5.2% came to € 123.1m compared to € 117m in the same period of the previous year, with a ratio on revenues at 49% (48.4% in 2015);
- EBITDA amounted to € 119.6m (€ 113m in 2015), equal to 47.6% of revenues (46.7% in 2015);
- Operating Profit (EBIT) amounted to € 75.5m, growing by 3,5% on the figure restated of the previous year (€ 73m); operating profitability stable at approximately 30%;
- Pre-tax Profit amounted to € 66.1m on the figure restated of € 64.4m, with an increase of 2.7%;
- Net Profit amounted to € 44.4m on the 2015 figure restated of € 47.3m;
- Net Financial Position was negative for € 142.6m compared to € 130.2m at the end of 2015;
- Net Invested Capital of the Group amounted to € 780.4m (€ 739.7m at December 31, 2015).

- The Parent Company EI Towers S.p.A. ends with Revenues amounting to € 215.2m (+0.7% compared to 2015), Adjusted EBITDA amounting to € 101.6m (+4.6%), Operating Profit (EBIT) amounting to € 63.9m (+5.9%) and a net Profit amounting to € 37.6m (+2%).

[1] The table below shows the reconciliation between EBITDA and Adjusted EBITDA:

Amounts in Euro thousands	**2016**	**2015**
EBITDA	119,627	112,978
Acquisition charges	2,940	3,613
Charges on lay-off incentives	570	445
Adjusted EBITDA	**123,137**	**117,036**

GENERAL ECONOMIC DEVELOPMENTS

The world economy recorded in 2016 an average growth rate around 3.1%, in line with the previous year. In the United States the annual GDP growth was 1.6%, with a marked slowdown in the last part of the year due to a sharp fall in exports. In the United Kingdom the GDP increased by 1.8% on an annual basis, contradicting the negative expectations after Brexit, while for the Eurozone the GDP rose by 1.7%, in gradual consolidation as a result of the boost coming from the domestic components of demand. However, big differences among the economies of the various Countries of the Euro area persist, with Germany at +1.9%, France at +1.1% and Spain at +3.2%.

After a deep recessionary phase, the Italian GDP was +0.9% on an annual basis. The recovery in the Italian economy has continued, albeit slowly, mainly due to the effect of the positive contribution of domestic demand, as well as of the growth in household consumption expenditure, estimated, in real terms, with an increase of 1.3% in 2016, with a decrease in the second part of the year in particular concerning durable goods. The performance of industrial production was positive (+1.6%), as a result of a significant growth in the final part of the year.

The moderate strengthening of global growth, begun in summer 2016, is expected to continue also in 2017 (global GDP +3.4%), driven by the expansionary budgetary policies put in place by China and Japan and announced by the United States; however, these forecasts are affected by considerable uncertainty linked to the type and magnitude of the measures that the new American Administration could launch, notably within trade, and that could have negative effects on the global growth performance. In Euro area Countries a GDP growth of 1.6% is expected; however, the uncertainties linked to Britain's exit from the EU, the effects of which have been contained so far, will continue. The expected trend of the Italian economy envisages a GDP growth around +1%, in any case lower than the EU average.

EI TOWERS SHARES ON THE STOCK MARKET

The year 2016 was characterized by a negative start on all major international stock exchanges because of macroeconomic concerns in different areas. In the first trading month, the Ftsemib40 index lost around 25%, EI Towers shares around 20%.

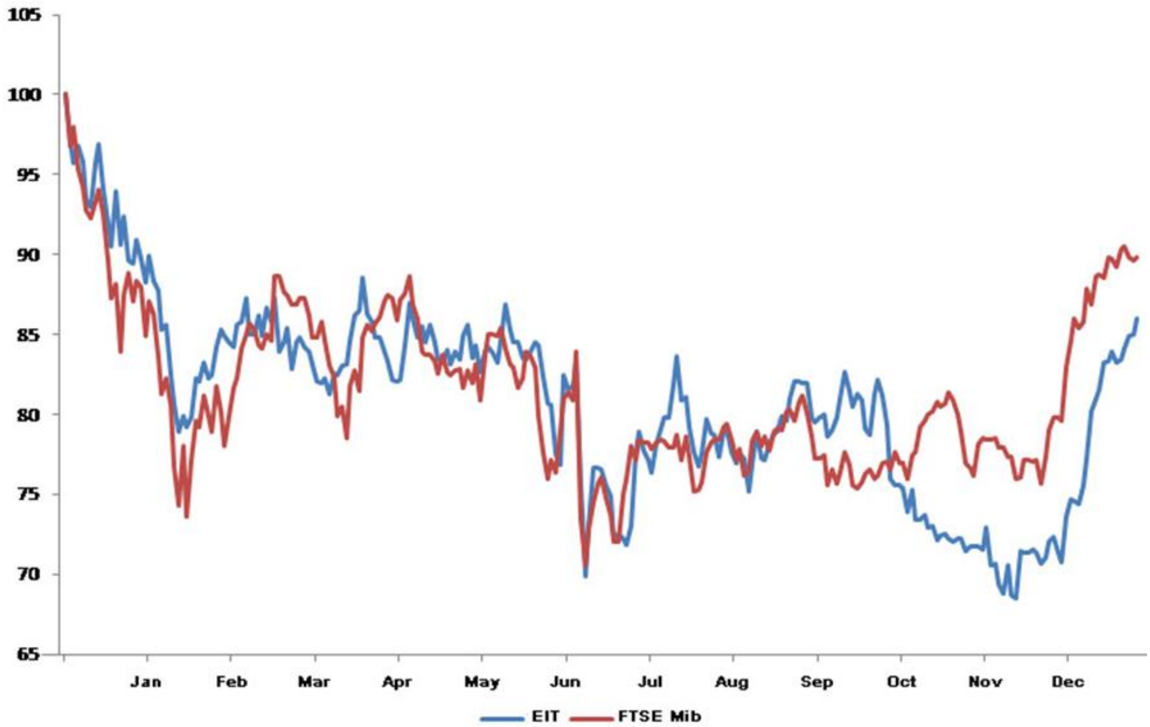
The first half-year, also because of expectations on the potential impact resulting from a possible Brexit, closed with a negative performance of 24% of FtseMib; in the same period the performance of EI Towers shares stood at 23%.

The second half-year was characterized, with regard to the majority of the markets, by the bottom of expectations about the future slope of the rate curve and therefore by issues focused on "risk on" trade, namely in favour of raw materials, banks/insurance, consumer discretionary. The victory of the Republican candidate in the American presidential elections together with the statements on the doubling of GDP growth rates and the commitment of public spending on domestic infrastructures gave further impetus to the "reflation trade" already underway. The main western equity markets closed the second half-year with positive double-digit percentages.

During the second half-year EI Towers shares recorded a positive performance of 12%; in particular, the announcement of an extraordinary dividend distribution contributed to a positive change of 19% recorded only in December.

On the whole, EI Towers shares recorded in 2016 an absolute performance equal to -14%.

THE TREND OF EI TOWERS SHARE COMPARED TO FTSE MIB IN 2016 (BASE 1/1/2016=100)



MAIN CORPORATE OPERATIONS AND EQUITY INVESTMENTS

On May 31, EIT Radio S.r.l., a company wholly owned by EI Towers S.p.A., was established. It will focus on the provision of hosting and ancillary services to radio operators.

During the year, acquisitions of companies and assets (contracts, towers, land and surface rights) related to the tower business continued.

In particular, on May 31, EI Towers S.p.A. acquired the company Fortress Italia S.r.l., which operates towers mainly hosting radio operators, for a consideration of € 3.5m, including an earn out provisional share of € 0.2m. The acquiree was merged into EIT Radio S.r.l. on October 20.

On June 10, Towertel S.p.A. acquired the company Sa Oghe T.C. S.r.l., for a consideration of € 5.2m, including an earn out provisional share of € 1.1m. The acquiree was merged into the acquirer on November 2.

On July 8, the deed for the merger of NewTelTowers S.p.A. into the parent company Towertel S.p.A. was signed.

On July 8, Towertel S.p.A. acquired the company Giardino De Sanctis S.r.l. for a consideration of € 1.6m. The acquiree was merged into the acquirer on September 14.

On July 19, Towertel S.p.A. acquired the company Saga S.r.l. for a consideration of € 2.8m, including an earn out provisional share of € 0.4m. The acquiree was merged into the acquirer on September 26.

On August 2, Towertel S.p.A. acquired the company Vip Electronics S.r.l. for a consideration of € 1.7m, including an earn out provisional share of € 0.1m. The acquiree was merged into the acquirer on September 26.

On November 30, EIT Radio S.r.l. acquired the company Società Bresciana Telecomunicazioni (SBT) S.r.l. for a provisional consideration of € 17m. The acquiree was merged into the acquirer on December 20.

In addition, on December 20, the company BT S.r.l., previously 100% held by Società Bresciana Telecomunicazioni S.r.l. was merged into EIT Radio S.r.l.

On December 19, Towertel S.p.A. acquired the company FP Tower S.r.l. for a provisional consideration of € 2.9m.

During the year several transactions were made to purchase contracts, towers, land and stipulate surface rights, for a total consideration of € 11.5m.

On July 20, the share capital of Nettrotter S.r.l. was increased by € 1m, including a share premium of € 0.8m, following the payments proportionally made by quotas by the shareholders of EI Towers S.p.A. and Thinktank 2000 S.L.

The capital increase is functional for the financial support to the company in the network implementation phase.

On September 8, EI Towers, in accordance with the resolution approved by the Shareholders' Meeting on April 21, started the plan to purchase treasury shares; at December 31, total shares purchased pursuant to the aforesaid plan are 350,907 equal to 1.24% of the issued share capital.

Following these purchases, total treasury shares held on the same date are 413,433, equal to 1.46% of the issued share capital.

Under the releverage plan already described, on November 18, the Board of Directors of EI Towers S.p.A. resolved to propose to the Shareholders' Meeting the distribution of an extraordinary dividend of € 3.60 per share. Following the positive resolution of the Meeting held on January 12, 2017, the dividend was subsequently paid to the shareholders on February 8, 2017.

THE MAIN GROUP COMPANIES

The main companies of the Group, in addition to the parent company EI Towers S.p.A., are the wholly owned subsidiaries Towertel S.p.A. and EIT Radio S.r.l. and the 95% subsidiary Nettrotter S.r.l.

PERFORMANCE OF OPERATIONS

EI Towers Group is one of the major national operators in the sector of electronic communications network infrastructures, carrying out its activity in favor of TV and mobile telecommunications operators through long-term contracts.

In particular, the Group provides hosting on its infrastructure (transmission "towers" or "sites") and a series of connected services (technical assistance, ordinary and extraordinary maintenance, logistics, design).

In addition, the Group provides the management service of the so-called "contribution traffic" through its operation centres and network infrastructures in favor of TV productions of the Mediaset Group and of other national operators active in the sector of the production of sports events and news.

The core business is not subject to seasonal phenomena and is relatively uncorrelated with respect to the economic cycle by virtue of the fact that existing contracts with telecommunications operators for hosting sites are long term and the service offered is particularly critical for clients, being essential for broadcasting transmission.

In this regard, it should be highlighted that, despite an ongoing negative economic situation in Italy over recent years, the Group was able to constantly increase profitability, as a result of the completion of several acquisitions and the containment of operating costs.

ANALYSIS OF CONSOLIDATED FIGURES

The Consolidated Financial Statements figures are analyzed below.
The form and content of the tables below showing profit and loss, balance sheet and cash flow statements have been reclassified from those in the Financial Statements, so as to show figures for some intermediate levels as well as the capital and financial aggregates regarded as most meaningful for an understanding of the operating performance of the Group. Though these are not mandatory disclosures, descriptions of the criteria adopted in preparing them and the appropriate references to the statutory Notes to the Accounts are nevertheless provided in accordance with the indications of Consob Communication no. 6064293 of July 28, 2006 and the CESR Recommendation on Alternative Performance Measures ("Non Gaap Measures") of November3, 2005 (CESR/o5-178b) ESMA October 5, 2015.

Financial Results

The Consolidated Income Statements below show the intermediate figures for Adjusted Gross Operating Margin (Adjusted EBITDA), EBITDA and Operating Profit (EBIT).

In particular, Adjusted EBITDA is the difference between income and operating costs on a consolidated basis, before accounting for the non-monetary charges for amortization and impairments (net of any restorations of value) of current and non-current assets, of non-ordinary items relating to business combinations pursuant to IFRS 3, to lay-off incentives for employees and any charges related to atypical and/or unusual transactions as defined in the Consob Communication no. DEM 6064293 of July 28, 2006.

EBITDA is the difference between income and operating costs on a consolidated basis, before accounting for the non-monetary charges for amortization and impairments (net of any restorations of value) of current and non-current assets.

Operating Profit (EBIT) is obtained from EBITDA by subtracting the non-monetary charges for amortization and impairments (net of any restorations of value) of current and non-current assets.

CONSOLIDATED INCOME STATEMENT *Euro in thousands*	2016		2015 (*)	
Revenues from sales of goods and services	**251,533**	**100.0%**	**241,807**	**100.0%**
Other income and revenues	1,204		2,846	
Total revenues	**252,737**		**244,653**	
Operating costs	129,600		127,617	
Adjusted EBITDA	**123,137**	**49.0%**	**117,036**	**48.4%**
Non-ordinary items	(3,510)		(4,058)	
Gross operating margin (EBITDA)	**119,627**	**47.6%**	**112,978**	**46.7%**
Amortisation, depreciation write-downs and provisions	44,087		40,018	
Operating result (EBIT)	**75,540**	**30.0%**	**72,960**	**30.2%**
Financial charges, net	(9,424)		(8,621)	
Income/(expense) from equity investments	-		12	
Pre-tax result (EBT)	**66,116**	**26.3%**	**64,351**	**26.6%**
Income taxes	(21,696)		(17,071)	
Net income	**44,420**	**17.7%**	**47,280**	**19.6%**
(Profit)/loss pertaining to minority interests	47		11	
Net Group Income	**44,467**	**17.7%**	**47,291**	**19.6%**

(*) RESTATED

Revenues from sales of goods and services amounted to € 251,533k in 2016, and refer for € 179,552k to the use of transmission infrastructure and assistance and maintenance services, logistics, Head end, design and ancillary services towards the direct parent company Elettronica Industriale S.p.A. and for the remaining to contracts of use of the infrastructure and supply of services towards other broadcast and wireless telecommunications operators. Compared to the previous year, the increase was of 4%, largely due to the change in the consolidation area following the acquisitions made in the period.
Other income and revenues include a capital gain amounting to € 1,089k related to the sale of a property made during the first quarter of the year; it should be noted that in 2015 that item included in the amount of € 2,531k the fair value redetermination of the earn out liability related to a previous acquisition.
Non-ordinary charges amounting to € 3,510k have been recorded during the period concerning in the amount of € 2,940k extraordinary acquisition transactions (including € 1,313k incurred, overall, for the acquisition, not materialized, of Inwit S.p.A. and Axión Infraestructuras de Telecomunicaciones S.A.U.), included in the item Purchases, services and other costs of the Financial Statements and as regards the remaining amount of € 570k lay-off incentives for employees included in the item Personnel costs of the Financial

Statements (€ 4,058k in 2015 relating in the amount of € 3,613k to extraordinary acquisition transactions and in the amount of € 445k to lay-off incentives for employees).

Excluding these charges, total operating costs amount to € 129,600k, with an increase of 1.6% compared to € 127,617k in the same period of the previous year mainly as a result of the incidence of costs related to the companies acquired in the meantime and the start-up of the activity of the company Nettrotter S.r.l., partly offset by the reduction in costs made in the period. These operating costs mainly consist of personnel costs in the amount of € 42,497k, costs for leased assets of third parties in the amount of € 44,735k and costs for services and other operating costs in the amount of € 39,668k.

Adjusted EBITDA amounted to € 123,137k, an increase of 5.2% compared to 2015, with an incidence on revenues from 48.4% to 49%.

EBITDA amounted to € 119,627k (47.6% of revenues) compared to € 112,978k in the same period in 2015 (46.7% of revenues), with an increase of 5.9%.

Total amortization, depreciation and write-downs amounted to € 44,087k and refer in the amount of € 29,674k to tangible assets, € 11,302k to intangible assets and € 3,111k to write-downs of receivables of uncertain collection in order to reflect the estimated realisable value; the increase compared to the figures restated of 2015 is due to higher amortization on intangible assets (€ +3,216k, mainly referred to Customer Relations) and write-downs of trade receivables (€ +2,964k), partly offset by lower depreciation and write-downs of tangible assets (€ -2,111k).

Operating result (EBIT) amounted to € 75,540k, an increase of 3.5% compared to 2015; operating profitability basically stable approximately at 30%.

Net financial charges amounted to € 9,424k and included € 9,883k related to the existing bond loan measured at amortized cost and financial income in the amount of € 570k, these latter significantly decreasing compared to 2015 (€ -777k) due to the reduction in liquidity remuneration rates.

Pre-tax result amounted to € 66,166k (26.3% of revenues), an increase of 2.7% on the figure restated of the previous year.

Net income was € 44,420k, equal to 17.7% of revenues, including € 44,467k attributable to the Group and a loss of € 47k attributable to minority shareholders and referring to the minority interest in the company Nettrotter S.r.l.

It should be noted that the result restated of 2015 benefited from lower taxes due to the recalculation of deferred tax assets and liabilities as a consequence of the change in the rate of Corporate Income Tax (IRES) starting from January

1, 2017 (from 27.5% to 24%), with a positive net effect on the income statement amounting to € 4,246k.

Balance Sheet and Financial Position

The Group's summary balance sheet is set out below, restated to bring out the two main aggregates Net Invested Capital and Net Financial Position, the latter being the balance of Gross Financial Debt, Cash and Other Cash Equivalents and Other Financial Assets. Details of the Financial Statement items making up the Net Financial Position are set out in the Explanatory Notes.

These tables accordingly differ in layout from the statutory Balance Sheet which primarily distinguishes current from non-current assets and liabilities.

Net Working Capital includes current assets (apart from cash and cash equivalents and current financial assets included in the Net Financial Position), tax assets and liabilities (taxes paid in advance/deferred), non-current assets held for sale, provisions for risks and charges, trade payables and taxes payable.

RECLASSIFIED CONSOLIDATED BALANCE SHEET *Euro in thousands*	December 31, 2016		December 31, 2015 (*)	
Net working capital	(22,016)	-2.8%	(34,391)	-4.6%
Goodwill	503,779		479,541	
Other non-current assets	371,897		366,948	
Non-current liabilities	(73,282)		(72,385)	
Non-current capital	802,394	102.8%	774,104	104.6%
Net invested capital	**780,378**	**100.0%**	**739,713**	**100.0%**
Net financial position	**142,559**	**18.3%**	**130,247**	**17.6%**
Group shareholders' equity	**637,777**	**81.7%**	**609,428**	**82.4%**
Minority shareholders' equity	**42**	**0.0%**	**39**	**0.0%**
Financial position and shareholders' equity	780,378	100.0%	739,713	100.0%

(*) RESTATED

The change in Net Working Capital compared to December 31, 2015 (€ 12,375k) is basically due to the following effects, partly due also to the acquisitions carried out in the period:
- increase in trade receivables of € 5,215k;
- increase in accrued income and prepaid expenses of € 1,814k;

– decrease in other receivables of a miscellaneous nature of € 1,648k;
– decrease in trade payables of € 6,912k;
– decrease in other current liabilities of € 82k, resulting from a net decrease of € 5,583k in relation to the debt for the payment of deferred installments of the price related to business combinations and other equity changes with a net increase of € 5,501k.

The increase in Goodwill compared to the restated figures at December 31, 2015 is a consequence of the execution of the process of allocation (both provisional and final – "Purchase Price Allocation") of the consideration for the acquisitions carried out during the year.

With reference to provisional allocations, according to IFRS 3, a specific analysis of the consideration paid will be carried out within 12 months of the acquisition date in order to determine the fair value of net assets acquired and liabilities assumed.

If at the end of the evaluation period tangible and intangible assets with finite useful lives are identified, an adjustment of provisional amounts recorded at the acquisition will be carried out with retroactive effect from the acquisition date.

The increase in Other non-current assets is a consequence of the final allocation to Customer Relations of a portion of the consideration for the acquisitions made and of acquisitions of contracts made in the period, partly offset by the decrease in other fixed assets as a consequence of the depreciation accounted for the period, higher than the investments made.

Shareholders' Equity at December 31, 2016 amounted to € 637,777k, equal to 81.7% of Net Invested Capital, and Net Financial Position amounted to € 142,559k, worsening by € 12,312k compared to December 31, 2015.

The following table shows the Condensed Cash Flow Statement with the indication of cash flows generated or absorbed from operating, investing and financing activities in the year.

CASH FLOW STATEMENT *Euro in thousands*	2016	2015
Cash flow generated (absorbed) by operating activities	91,759	85,485
Cash flow generated (absorbed) by investing activities	(77,140)	(77,019)
Cash flow generated (absorbed) by financing activities	(24,092)	(38,922)
Net cash flow for the period	(9,473)	(30,456)

Cash flow generated by operating activities increased compared to 2015 due to greater operating profitability and lower disbursement for the payment of income taxes (€ 22,041k compared to €24,612k in 2015), partly offset by higher absorption of working capital.

The net flow absorbed by investing activities includes investments in tangible and intangible assets in the total amount of € 27,467k, including purchases of assets (contracts, land and towers) in the amount of €11,029k, and business combinations net of cash acquired equal to € 41,725 related to the acquisitions described above (€ 49,010k in 2015).

Cash flow absorbed by financing activities is due to the payment of the coupon of the bond loan made in the period, net of interests received relating to liquidity held in banks, in the amount of € 8,477k (€ 7,902k in 2015) and to the buy-back of treasury shares in the amount of € 15,615k. The decrease compared to the previous year is due to the fact that in 2016 no dividends were distributed compared to €31,020k paid in 2015.

PARENT COMPANY'S RESULTS

Financial Results

The summary statement of income of the parent company EI Towers S.p.A. for 2016 is set out below compared with previous year's figures.

INCOME STATEMENT *Euro in thousands*	2016		2015	
Revenues from sales of goods and services	**215,244**	**100.0%**	**213,712**	**100.0%**
Other income and revenues	1,124		298	
Total revenues	**216,368**		**214,010**	
Operating costs	114,766		116,854	
Adjusted EBITDA	**101,602**	**47.2%**	**97,156**	**45.5%**
Non-ordinary items	(2,324)		(2,225)	
Gross operating margin (EBITDA)	**99,278**	**46.1%**	**94,931**	**44.4%**
Amortisation, depreciation write-downs and provisions	35,388		34,614	
Operating result (EBIT)	**63,890**	**29.7%**	**60,317**	**28.2%**
Financial charges, net	**(6,597)**		**(7,340)**	
Income/(expense) from equity investments	-		12	
Pre-tax result (EBT)	**57,293**	**26.6%**	**52,989**	**24.8%**
Income taxes	(19,739)		(16,158)	
Net income	**37,554**	**17.4%**	**36,831**	**17.2%**

Revenues from sales of goods and services amounted to € 215,244k in 2016 (+0.7% over 2015), and refer in the amount of € 179,552k to the use of transmission infrastructure and assistance and maintenance services, logistics, Head end, design and ancillary services towards the direct parent company Elettronica Industriale S.p.A., and for the remaining amount to contracts of use of the infrastructure and supply of services towards broadcast and wireless telecommunications operators.

Total other income and revenues include a capital gain amounting to € 1,089k related to the sale of a property made during the first quarter of the year.

Total operating costs, amounting to € 114,766k, decreased by € 2,088k (-1.8%) compared to 2015 following the containment actions carried out during the year, and mainly consist of personnel costs in the amount of € 40,735k (net of € 570k related to lay-off incentives for employees and included in non-ordinary items), costs for leased assets of third parties in the amount of € 36,008k and costs for services and other operating costs for €

38,023k (net of € 1,754k relating to charges for M&A operations and reclassified as non-ordinary items).
Adjusted EBITDA amounted to € 101,602k, an increase of 4.6% compared to 2015, with an incidence on revenues from 45.5% to 47.2%.
EBITDA amounted to € 99,278k (46.1% of revenues) compared to € 94,931k in 2015 (44.4% of revenues), with an increase of 4.6%.
Total amortization, depreciation and write-downs amounted to € 35,388k and refer in the amount of € 27,716k to tangible assets, € 4,599k to intangible assets and € 3,074k to write-downs of receivables in order to reflect the estimated realisable value; the increase of € 774k compared to the figures of 2015 is basically due to higher write-downs of trade receivables (€ +2,876k), partly offset by lower amortization, depreciation and write-downs of fixed assets (€ -2,102k).
Operating result (EBIT) amounted to € 63,890k, with an increase of 5.9% compared to 2015; operating profitability increased from 28.2% to 29.7%.
Net financial charges, equal to € 6,597k, include € 9,883k related to the existing bond loan measured according to the amortized cost approach and financial income in the amount of € 3,291k, including € 2,790k concerning financial relations with the companies of the Group.
Pre-tax result amounted to € 57,293k (26.6% of revenues).
The year ended with a net income of € 37,554k, equal to 17.4% of revenues. It should be noted that the result for 2015 benefited from lower taxes due to the recalculation of assets and liabilities for deferred taxes as a consequence of the change in the corporate income tax (IRES) starting from January 1, 2017 (from 27.5% to 24%), with a positive net effect on the income statement equal to € 1,936k.

Balance Sheet and Financial Position

The table below sets out the Summary Balance Sheet, reclassified in a different layout from that of the Financial Statement which distinguishes current from non-current assets and liabilities so as to bring out the two main aggregates Net Invested Capital and Net Financial Position, the latter being the balance of Cash and Other Cash Equivalents and Other Financial Assets less Gross Financial Debt and Other Current Liabilities.

Net Working Capital includes current assets (apart from Cash and Cash Equivalents and Current Financial Assets included in the Net Financial Position), tax assets and liabilities (taxes paid in advance/deferred), non-current assets held for sale, provisions for risks and charges, trade payables and taxes payable.

RECLASSIFIED BALANCE SHEET *Euro in thousands*	December 31, 2016		December 31, 2015	
Net working capital	(8,372)	-1.1%	(10,598)	-1.4%
Goodwill	361,901		361,901	
Interests in subsidiaries	99,895		95,373	
Other non-current assets	341,269		321,669	
Non-current liabilities	(34,902)		(34,943)	
Non-current capital	768,163	101.1%	744,000	101.4%
Net invested capital	**759,791**	**100.0%**	**733,402**	**100.0%**
Net financial position	**165,935**	**21.8%**	**160,862**	**21.9%**
Shareholders' equity	**593,856**	**78.2%**	**572,540**	**78.1%**
Financial position and shareholders' equity of the Group	759,791	100.0%	733,402	100.0%

Net Invested Capital at December 31, 2016 amounted to € 759,791k, and consists of:

- Goodwill in the amount of € 361,901k;
- Interests in subsidiaries in the amount of € 99,895k including € 94,423k related to the interest in the wholly owned subsidiary Towertel S.p.A., € 1,900k related to the 95% interest in the share capital of Nettrotter S.r.l. and € 3,572k related to the 100% interest in EIT Radio S.r.l.; the increase compared to December 31, 2015 is due in the amount of € 950k to the capital increase of Nettrotter S.r.l. carried out in 2016 and to the investment in the company EIT Radio S.r.l. established during the year;
- Other non-current assets in the amount of € 341,269k, with an increase of €19,600k compared to December 31, 2015 basically due to the increase in intra-group financial relationships (€ +36,924k) partly offset by a decrease in technical assets following amortization and depreciation accounted for the period, which were higher than the investments made;
- Non-current liabilities in the amount of € 34,902k, in line with December 31, 2015;
- Net Working Capital negative in the amount of € 8,372k.

Shareholders' Equity at December 31, 2016 amounted to € 593,856k, equal to 78.2% of Net invested capital, and Net Financial Position was negative for € 165,935k, worsening by € 5,073k compared to December 31, 2015.

The following table shows the Condensed Cash Flow Statement with the indication of cash flows generated or absorbed from operating, investing and financing activities in the year.

CASH FLOW STATEMENT *Euro in thousands*	2016	2015
Cash flow generated (absorbed) by operating activities	83,580	70,689
Cash flow generated (absorbed) by investing activities	(63,617)	(87,063)
Cash flow generated (absorbed) by financing activities	(24,066)	(38,876)
Net cash flow for the period	(4,102)	(55,251)

Cash flow generated by operating activities increased compared to 2015 due to greater operating profitability and lower disbursement for the payment of income taxes (€ 20,804k compared to €23,994k in 2015).

The net flow absorbed by investing activities includes increases in financial assets in the amount of € 36,941k (€ 62,564k in 2015) in relation to the use of credit lines by subsidiaries largely to finance acquisitions, investments in tangible and intangible assets amounting overall to € 14,557k, and equity investments in the amount of € 4,522k (€ 910k in 2015), already mentioned above.

Cash flow absorbed by financing activities is due to the payment of the coupon of the bond loan made in the period, net of interests received relating to liquidity held in banks, in the amount of € 8,451k (€ 7,856k in 2015) and to the buy-back of treasury shares in the amount of €15,615k. The decrease compared to the previous year is due to the fact that in 2016 no dividends were distributed compared to € 31,020k paid in 2015.

RECONCILIATION BETWEEN CONSOLIDATED AND PARENT COMPANY NET PROFIT AND SHAREHOLDERS' EQUITY

(CONSOB Communication 6064293 of July 27, 2006)

(values in thousands of Euro)

	Shareholders' equity at Dec.31, 2016	Net Profit Dec.31, 2016	Shareholders' equity at Dec.31, 2015	Net Profit Dec.31, 2015
As per balance sheet and income statement of EI Towers S.p.A.	**593,856**	**36,930**	**572,540**	**37,102**
Excess of shareholders'equity, including gross income for the period over book value of investments in subsidiary and affiliated companies	(19,060)	7,613	(40,681)	11,256
Higher values recorded as assets of subsidiary and affiliated companies net of the tax effect	63,246	(704)	77,835	(794)
Consolidation adjustments arising from:				
Dividend elimination				
Elimination of unrealised intra-group gains/losses				
Other consolidation adjustments	(265)	-	(266)	-
Total	**637,777**	**43,839**	**609,428**	**47,563**
Profit/(loss) attributable to minority interests	42	(47)	39	(11)
As per consolidated financial statements	**637,819**	**43,792**	**609,467**	**47,552**

DETAILS OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

As defined in the Group's Corporate Governance Code, the Internal Controls and Risk Management System is "a set of rules, procedures and organizational structures aimed at maintaining the identification, measurement, management and monitoring of the main risks. This system is integrated in the general organizational and corporate governance structure adopted by the Issuer and take into consideration national and international reference models and best practices".

The Board of Directors of EI Towers S.p.A. issued the Guidelines for the Internal Control and Risk Management System of the Group. Such Guidelines identify the Enterprise Risk Management (ERM), as reference model for the protection of this System.

For the implementation of the above mentioned Guidelines, the Director responsible for the internal control and risk management system has issued the "Policy Enterprise Risk Management", which describes the ERM Model adopted and the elements making up the Internal Control and Risk Management System, defining roles, responsibilities and main activities carried out in this connection by actors involved and related coordination procedures. The ERM policy was approved by the Board of Directors on November 5, 2014 and subsequently updated on March 23, 2017.

For further information about the risk management system adopted by the EI Towers Group, please refer to the Report on Corporate Governance and the Ownership Structure available on the website www.eitowers.it in the section Governance/Governance System.

Main risk factors and uncertainties

A number of potential risk factors and uncertainties impact the Group's pursuit of strategic objectives, as well as its economic and financial position.

A description of the nature of each of the main sources of risk and uncertainty is provided below, along with the risk management and mitigation measures implemented by management.

Market risk

The customers of the Group are represented by national television and radio networks, the major local television and radio players, telecom and mobile operators running the business in Italy.

With reference to the television broadcasting market, digital terrestrial television (DTT) broadcasting represents the most common national broadcasting method; a possible growth in alternative broadcasting means (such as satellite, cable and IPVT) could cause a downturn in the reference market and a consequent reduction in demand of services offered by the Group, with the consequent negative effects on economic and financial results.

Similarly, although the risk is today assessable as remote, the development of alternative technologies for mobile telephone broadcasting (i.e. satellite telephone), today not considered by national operators, could determine a reduction in demand of services offered by the Group.

Stiffening competition among mobile telephone operators, with the consequent compression of their margins, could result in downward pressure on hosting service prices offered to these operators with the consequent effects on the Group's economic and financial results.

Concerning the radio broadcasting market, today the most common transmission method is the analogue one in FM mode; the switch to digital transmission (DAB), not yet planned at nation level, could abstractly have negative effects on the services provided by the Group to radio operators.

Following the merger between the telecommunications operators Wind and Tre, effective from January 1, 2017, in the years to come, a reduction in revenues from hosting services could occur following the optimization of the networks held by the two operators. The negative effect could be partly offset by new services provided to the new entrant Iliad with whom preliminary discussion for this purpose are on going.

Inflation trend is an important variable for the Group since contracts signed with clients provide for, in almost all cases, a periodic adjustment linked to inflation. The ongoing low-inflation environment could lead to a stagnation in revenues covered by contract and in operating profitability, since only a part of operating costs, in particular those related to rent of sites not owned, is index-linked to inflation.

Operating risk

Revenues related to the first 10 clients are about 90% of total revenues achieved in 2016 by the Group, with a significant concentration in terms of commercial counterparts; in particular, revenues towards the parent company Elettronica Industriale S.p.A. are equal to 71% of total revenues.

This risk is however mitigated by the fact that the Group operates through the signing of lease and long-term service contracts and the main clients are television and telecommunications operators with high standing (Mediaset Group, Telecom Italia Group, Vodafone, Wind Tre, etc…).

In addition, historically the Tower business unit showed a high ability to renew expiring contracts, increasing the range of services offered to clients and consequently recording a very low churn rate.

With reference to regional and local TV operators, it should be noted that the economic and financial situation on the one hand and the rationalization of frequencies allocated on the other hand, finds it probable that a portion of current customers gradually exit from the market, with the consequent effects, considered today not significant, on the Group's economic and financial results.

The activity of the Group is based on the availability of a portfolio of towers, where the company owns the property of the infrastructure and the land (or other real estate right) on which the structure insists. Infrastructure portfolio includes also sites where the structure and/or the land are used on the basis of different agreements with respective assignors. The agreements for the use of these sites may not be renewed or possible renewals may not be obtained at the same existing conditions, with negative effects on the profitability of the Group.

It should be noted that some sites acquired by the Group have been built in a time frame affected by regulatory changes. That situation requires to undertake procedures for the regularization of these site concessions. In case this regularization is not possible or competent authorities impose adjustment and/or change of some sites, that could involve changes in operating conditions and/or require an increase in investments and/or management costs, with the consequent negative effects on the Group's results.

The activity of the Group's clients is carried out in a sector subject to well-structured national and European regulations. In particular, radio-television and mobile communication operators are subject to regulations aimed at protecting people and environment from the exposure to electromagnetic fields. In case of violation of regulations, the operator could be sanctioned also with the interruption of broadcasting activity, with negative consequences on the revenues of the Group.

It should also be noted the possibility that, due to the effect of the compliance with the national plans for the allocation of frequencies and to possible decisions from regions and local bodies on site location, or to renewal plans adopted by regions or local bodies, or to possible changes in regulations or different interpretations of regulations in force, it could be necessary to proceed with a delocalization, that means that some sites of the Group could become no longer usable.

More generally, changes in the ownership of frequencies allocated to customers to whom are provided hosting and network management services could result in a reduction, even significant, in services provided and consequently negative effects on the Group's economic and financial results.

Financial risks

The free cash flow resulting from the core business enabled the Group to rely on its own resources and manage its own growth strategy, both internally and externally through the acquisition of tower portfolios, thus preserving its financial strength.

The Group's consolidated financial debt structure is basically represented by the Eurobond for a nominal amount of € 230m expiring on April 2018. It should also be noted the existence of a line of credit with the indirect parent company Mediaset S.p.A., which can be used as a current account overdraft. During 2017 activities aimed at finding the most appropriate funding sources will start in order to reimburse the aforesaid Eurobond and cover the requirements relating to the expected acquisitions. A significant deterioration of the credit market compared to the current situation could result in a refinancing at worse economic conditions compared to current ones, or under conditions in terms of guarantees, commitments and covenants which could have a negative effect on operating activities, and consequently on the Group's economic and financial results.

More detailed information regarding financial risk management policies can be found in the specific section of the Explanatory Notes in the Group's Consolidated Financial Statements under "Additional Disclosures about Financial Instruments and Risk Management Policies".

Risks connected with the management of legal disputes

The Group is potentially subject to the risk of legal litigation in the performance of its activities, which could have negative impact on the economic and financial results.

For more detailed information regarding the main legal disputes that are currently pending, reference should be made to the comments included in the specific section of the Explanatory Notes.

Risks connected with Governance

The typical Governance-related risks, such as the risk of non-compliance with the laws and regulations, improper assignment of powers and authorities, and inappropriate remuneration policies, are mitigated by the implementation of a strong system of Corporate Governance.
EI Towers has adhered to the provisions set out in the Corporate Governance Code of Borsa Italiana and has continued to bring its own Corporate Governance system over time in line with the recommendations of the Corporate Governance Code, the regulatory provisions on this matter and domestic and international best practices. For more detailed information on the EI Towers Group's organizational structure and Corporate Governance, reference should be made to the Annual Report on Corporate Governance and Ownership Structure published on the web site www.eitowers.it under section Governance/System of Governance.

HUMAN RESOURCES (GROUP)

Staff composition

The EI Towers Group had 561 employees at the end of 2016 (559 of them in permanent posts).

Number of employees (permanent staff)	December 31, 2016	Average 2016	December 31, 2015
Executives	22	23	22
Middle managers	57	57	56
Office-workers	482	488	492
Industry workers			-
Total	**561**	**567**	**570**

Average age by category of permanent staff

Employees	December 31, 2016	December 31, 2015
	Age	Age
Executives	50	50
Middle managers	53	52
Office-workers	51	50
Industry workers	-	-
Weighted average	**51**	**51**

HUMAN RESOURCES (EI TOWERS S.P.A.)

Staff composition

EI Towers S.p.A. had 556 employees at the end of 2016 (554 of them in permanent posts).

Number of employees (permanent staff)	December 31, 2016	Average 2016	December 31, 2015
Executives	22	23	22
Middle managers	54	55	54
Office-workers	480	486	490
Industry workers			-
Total	**556**	**563**	**566**

Average age by category of permanent staff

Employees	December 31, 2016	December 31, 2015
	Age	Age
Executives	50	50
Middle managers	53	52
Office-workers	51	50
Industry workers	-	-
Weighted average	**51**	**51**

DISCLOSURES UNDER ARTICLE 2428 OF THE ITALIAN CIVIL CODE

Research and development activities

A summary of the main subjects developed by R&D in 2016 follows:

Contribution networks and television broadcasting transmission

- assessment of audio/video compression apparatus in HEVC based technology and of transport apparatus for contribution and broadcast of sports events in standard UHD;
- assessment, through appropriate Proof-of-Concept, of architectures and microwave radio transport apparatus, in IP based technology, for the technological upgrading of distribution networks;
- preparation of technical specifications for different types of apparatus to be used, in the transition to IP based technology of microwave radio distribution networks;
- analysis and participation in field trials regarding the development of alternative systems to network synchronization, currently realized through GPS system;
- the activity of assessment of "test&monitoring" apparatus necessary to understand the proper functioning of the network infrastructure continued.

DTT (Digital Terrestrial Television)

Within the management of Head-End infrastructures for the Digital Terrestrial Television, in addition to the usual activities related to the change and the definition of DTT multiplex configurations, benchmarking activities have been carried out to oversee the developments of Head-End apparatus that is currently manufactured at major specialized vendors.

An important and significant contribution has still been provided for the activities connected to DVB-T network realised on behalf of the Cairo Communication Group.

New developments in digital terrestrial broadcasting (DVB-T2)

Activities have been carried on aiming at:

- analyzing the apparatus available for DVB-T2 generation, transmission and diffusion and assessing the aspects of the system connected to their use, including the verification of operational compatibility among apparatus of different contractors;
- characterizing the transmission modes of T2-MI signals in the existing network infrastructure, by placing special emphasis on the transmission of these signals in Single Frequency Network modality;

IoT ("Internet of Things")

During 2016 the commitment to realize a IoT network in Italy based on Sigfox technology continued.
In this regard, knowledge on the features of the system and the radio coverage has been increased, in such a way as to optimize the network project, including the definition of number and position in the territory of necessary radio base stations. In particular, in an area representing different characteristics of urbanisation, a preliminary campaign of measures was made to refine planning radio parameters (network "fine tuning").
In the same period an activity aimed at defining and improving the characteristics of sensor devices in relation to their use in the territory in line with the applications requested by customers has started.

National and international regulatory committees

National and international bodies continued participating in the works for the standardization and regulation of digital technologies concerning TV signal, acquiring and supplying important elements related to planning and design of digital networks and their possible future developments.

The activities of DVB, BNE consortium (Broadcast Network Europe – European association of broadcast network operators), DigiTAG, Ministerial working groups, the Competition Authority and Confindustria Radio-TV continued, with active participation and supplying contribution.

Within HD Forum Italia, the active participation in the drawing up of the preliminary draft of HD-Book 4.0 has continued.

Concerning IoT activities, there was active participation, providing contributions related to SigFox technology, in the Architecture Working Group within the IoT Committee of Confindustria Digitale.

Relationships with subsidiaries, associates, parent companies, companies under shared control and other related parties

On October 31, 2012 the Board of Directors adopted the current "Procedure for related party transactions" of EI Towers S.p.A. (the "Procedure") drafted in accordance with the principles prescribed in CONSOB Resolution no. 17221 "Regulations containing provisions relating to transactions with related parties" of March 12, 2010 and subsequent changes.

The procedure is available on the company's website **www.eitowers.it** un-der section Governance/Related parties and lays down rules for identifying, approving, executing and reporting related party transactions by EI Towers S.p.A. itself or its subsidiaries, thus ensuring that such dealings are both transparent and correct in substance and procedure. It also lays down conditions for any exception to the rules' application. For further details on the Procedure reference should be made to the Report on Corporate Governance and the Ownership Structure available on the website **www.eitowers.it** in the section Governance/Governance System.

With reference to the periodic disclosure that has to be made by the Issuers, according to the Consob Resolution no. 17221 of March 12, 2010 (Article 5, Paragraph 8, of the Regulations containing measures regarding transactions with related parties), in the reference period the following transaction of extreme relevance finalized by EI Towers S.p.A. is reported:

Contract of Intra-group current account EI Towers S.p.A. – EIT Radio S.r.l.

– counterpart: EIT Radio S.r.l., a direct wholly-owned subsidiary of EI Towers S.p.A.;

– subject: The contract regulates in particular:

a) methods of presentation of financial statements by EI Towers S.p.A.;

b) organization and management by EI Towers S.p.A. of non-bank current account items (current account service).

– consideration: the consideration for the Intra-group current account, which shall at no time exceed the total maximum amount of € 75m, is equal to 1-month Euribor Average, base 365/365, surveyed monthly by Il Sole 24 Ore "Short-term rates – Euribor – European – Average % month of …" the second working day preceding the closing date of each month increased by 300 base points. Credit amounts deposited in Intra-group current account are, in case, paid at 1-month Euribor Average, base 365/365, surveyed monthly by Il Sole 24 Ore "Short-term rates – Euribor – European – Average % month of …" the second working day preceding the closing date of each month increased by 50 base points.

Group taxation

EI Towers S.p.A. exercised the option to adhere, for three fiscal years (starting from 2014), to the national group taxation, regulated by Article 117 and subsequent of the Decree by the President of the Republic no. 917/1986 and the Ministerial Decree dated June 9, 2004, with EI Towers S.p.A. as consolidating company and the subsidiary Towertel S.p.A. as consolidated company.

As consolidated companies, the subsidiaries:

- Nettrotter S.r.l., during the year 2015
- EIT Radio S.r.l., during the year 2016

adhered to the national group taxation of EI Towers S.p.A. (three-year option).

Appropriate agreements between the parties govern the exercise of the option.

Information pursuant to Article 2427 no. 22-quinquies and no. 22-sexies of the Italian Civil Code.

It is noted that EI Towers S.p.A. belongs to the Mediaset Group, the Consolidated Financial Statements of which are prepared by Mediaset S.p.A., as controlling entity. A copy of the Consolidated Financial Statements of the Mediaset Group has been deposited at the registered office of Mediaset S.p.A., in Milan, Via Paleocapa no. 3.

It is noted that EI Towers S.p.A. belongs to the Fininvest Group, the Consolidated Financial Statements of which are prepared by Finanziaria d'Investimento Fininvest S.p.A., as controlling entity. A copy of the Consolidated Financial Statements of the Fininvest Group has been deposited at the registered office of Finanziaria d'Investimento Fininvest S.p.A., in Rome, Largo del Nazareno 8.

Treasury shares held by subsidiaries

The subsidiaries of EI Towers S.p.A. do not hold shares of the issuer.

2010 Stock Option Plan

It should be noted that no. 100,000 options assigned in 2010 expired in the year.

As of today, there are no stock option plans assigned to employees.

OTHER INFORMATION

Privacy Management System

With respect to the provisions set forth by the Legislative Decree of June 30, 2003, No. 196 "Privacy Code", the development process of the Privacy Management System of the EI Towers Group continued in the period, also through training initiatives for data controllers or processors and the implementation of the privacy portal.

Direction and coordination activity

Amendment of Article 37 of Consob Regulation 16191/2007 regarding markets.
Effective from January 2, 2012 EI Towers S.p.A. is subjected to the direction and coordination activity of Mediaset S.p.A.
Also according to Article 2.6.2, paragraph 9, of the Regulation of the Markets Organized and Managed by Borsa Italiana S.p.A., we acknowledge the full conformance of EI Towers S.p.A. with the expectations of Article 37 of Consob Regulation 16191/2007 since it:

- fulfilled and is regularly fulfilling advertising obligations provided for by Article 2497-bis of the Italian Civil Code,
- has an autonomous negotiating capacity in relationships with clients and suppliers,
- has no centralized treasury relationship with Mediaset S.p.A.,
- has a Control and Risk Committee which carries out also the functions of Related Party Committee, and a Remuneration Committee composed exclusively of independent directors according to the criteria of article 148, para. 3, of the Legislative Decree 58/1998, of the Corporate Governance Code of Borsa Italiana S.p.A. and of article 37 of Consob Regulation 16191/2007. EI Towers S.p.A. has also a Board of Directors composed of a majority of independent directors.
- EI Towers S.p.A. carries out at present direction and coordination activities towards the wholly owned subsidiaries Towertel S.p.A., EIT Radio S.r.l., FP Tower S.r.l., acquired on December 19, 2016 and towards NETTROTTER S.r.l. (held 95% of the share capital).

Supervision and control

Your Company responded to the Corporate Liability Act (Legislative Order 231/2001) by appointing its own "Supervisory and Control Body". That body is fully independent and has the task, with the support of the relevant company departments and outside consultants, of seeing to it that the company applies its chosen "Organizational Model" in full, and reporting to the company's Board of Directors. For further details on the Organizational Model and the Supervisory and Control Body reference is made to the Corporate Governance and Share Ownership Report published on the website **www.eitowers.it** in the section Governance/Governance System.

Consob Communication DAC/RM97001574 of February 20, 1997

A list of the company's directors is given below with their powers and duties, as recommended by CONSOB (Communication of February 20, 1997, Prot. DAC/RM97001574):

Chairman

Alberto Giussani	The Chairman is authorized to represent the Company under the Articles of Association.

Chief Executive Officer

Guido Barbieri	Powers and responsibilities related to the Corporate Management of the Company, with all routine administrative powers subject to a maximum of euro 2,500,000.00 in any single transaction, but with the exception of actions reserved to the Board of Directors. Under the Articles of Association, the Chief Executive Officer is authorized to represent the Company within the limits of the powers granted.

Chief Executive Officer

Valter Gottardi	Powers and responsibilities related to the Business Management of the Company, with all routine administrative powers subject to a maximum of euro 2,500,000.00 in any single transaction and all non-routine administrative powers subject to a maximum of euro 500,000.00 in any single

transaction, but with the exception of actions reserved to the Board of Directors. Under the articles of Association, the Chief Executive Officer is authorized to represent the Company within the limits of the powers granted.

Directors	Paola Casali Manlio Cruciatti Piercarlo Invernizzi Rosa Maria Lo Verso Michele Pirotta Francesco Sironi
Control and Risks Commitee (and related parties)	Michele Pirotta (President) Manlio Cruciatti Alberto Giussani
Remuneration Committee	Alberto Giussani (President) Paola Casali Francesco Sironi

Report on Corporate Governance and Company Structure

The Report on Corporate Governance and Company Structure according to Article 123-bis of the Finance Consolidation Act has been published on the website **www.eitowers.it** in the section Governance/System of Governance.

Faculty to waive the obligation to issue an information memorandum in the occasion of significant transactions (opt-out)

According to Article 3 of Consob Resolution no. 18079 of January 20, 2012, the Board of Directors on December 14, 2012 resolved to adhere to the opt-out regime envisaged by Articles 70, Para. 8 and 71 Para. 1/bis of the Regulations for Issuers Consob no. 11971/99 (and subsequent amendments), using the faculty to waive the obligation to issue an information memorandum in the occasion of significant transactions such as merger, corporate capital splitting, capital increase through non-monetary contribution of assets, acquisitions and disposals.

Other information

It should be noted that on May 5, 2015 on the initiative of the Public Prosecutor's Office of the District Court of Milan, the Guardia di Finanza began to acquire the documentation concerning the Tender and Exchange Offer on Rai Way S.p.A. ordinary shares. The assumed offence is envisaged by Article 185 of the Finance Consolidated Act.

EI Towers S.p.A. has reiterated that the company and its directors have always operated fairly, in full compliance with the laws and ensuring transparency and completeness of information disclosed to the market.

SUBSEQUENT EVENTS TO DECEMBER 31, 2016

On January 12, 2017 the Ordinary Meeting of EI Towers S.p.A. resolved to distribute an extraordinary dividend of € 3.60 per share, accepting the proposal formulated by the Board of Directors of November 18, 2016.

The dividend was paid to the shareholders on February 8, 2017 for a total consideration of € 99.7m.

During 2017 the buy-back programme to purchase ordinary shares of the Company has continued; at the date of authorisation for publication of this Report treasury shares held by the company amounted to 2.5% of the capital.

FORESEEABLE DEVELOPMENTS

Also in 2017 the objective of the Group will be to develop the business through both internal lines and external growth, with particular reference to mobile telecommunications and radio broadcasting sector.

On the basis of information currently available, for the current year the achievement of an EBITDA in line with the target disclosed to the market can be confirmed.

The buy-back programme is currently being carried out with better results than originally expected; therefore it is believed that the objective of buying back 5% of the share capital can be basically achieved already by the end of this year.

Taking into consideration the extraordinary dividend already distributed and the ordinary dividend proposed, the buy-back programme and the expected acquisitions of companies and assets, it is estimated that at the end of the year, the leverage ratio (Net Financial Position/EBITDA) should be around the envisaged target of 2.5.

BOARD OF DIRECTORS REPORT TO THE SHAREHOLDERS' MEETING OF APRIL 20, 2017:

1. **Approval of the Financial Statements as of December 31, 2016; Report of the Board of Directors on Operations, Report of the Independent Auditors and Report of the Board of Statutory Auditors; Presentation of the Consolidated Financial Statements as of December 31, 2016; related and consequent resolutions**

Dear Shareholders,

We hereby submit the present Report on Operations, trusting that it, together with the layout and criteria adopted in drawing up the Balance Sheet, Income Statement, Comprehensive Income Statement, Statement of Changes in Shareholders' Equity, Cash Flow Statement and Explanatory Notes for the period ended December 31, 2016, will meet with your approval.

Especially, we submit for your attention the approval of the Financial Statements as of December 31, 2016, as explained above, and of the Directors' Report on Operations.

We propose to resolve the distribution of a dividend of € 1.80 for each of the outstanding shares entitled on the coupon detachment date, thus excluding treasury shares held in portfolio at that date, by distributing the entire profit for the year and a portion of the share premium reserve.

With reference to the outstanding shares as of 22 March, 2017 (no. 28,262,377 shares, less no. 715,724 treasury shares held in portfolio by the Company and equal to 2.53% of the share capital), the total amount of the proposed dividend would be equal to around 49,583,975.40, by way of distribution of:

a) the entire profit for the period in the amount of € 37,554,279.56

b) the share premium reserve in the amount of € 12,029,695.84.

This amount may decrease if, on the coupon detachment date, the actual number of treasury shares should increase following any purchase carried out in implementation of the buy-back programmes resolved by the Board of Directors in compliance with Shareholders' Meeting relevant resolutions.

2. Compensation Report in accordance with Article 123-ter of the Legislative Decree no. 58/1998

Dear Shareholders,

We submit for your attention the Compensation Report, pursuant to Article 123-ter of the Legislative Decree no. 58/1998 ("Finance Consolidated Act") and the provisions issued by Consob. Especially, we propose to approve the first section of the Report, which outlines the Company's Policy regarding the compensation of directors and executives, in compliance with the provisions of Article 123-ter of the Finance Consolidated Act.

The following proposed resolution is brought to your attention:

"The Shareholders' Meeting, taken note of the Compensation Report pursuant to Article 123-ter of the Legislative Decree no. 58/1998 and the provisions issued by Consob,

resolves

to approve the first section of the Report, which outlines the Company's Policy regarding the compensation of directors and executives, in compliance with the provisions of Article 123-ter of the Finance Consolidated Act."

3. Appointment of members of the Board of Statutory Auditors

Dear Shareholders,

We inform you that the mandate of the Board of Statutory Auditors, as conferred by resolution of the General Meeting of April 24, 2014, expires with the General Meeting to approve the financial statements at December 31, 2016.

In this regard, we remind you that a Board of Statutory Auditors, consisting of three active members and three substitute members, is entrusted with monitoring the Company. Statutory Auditors remain in office three years and are re-eligible. All the Statutory Auditors must be inscribed in the Register set up within the law and must have carried out the legal auditing of accounts for a period of not less than three years. Furthermore, the Statutory Auditors must possess the necessary requisites laid down by the relative legislation and regulations that are currently in force.

The Board of Statutory Auditors is appointed by the Shareholders' Meeting on the basis of lists submitted by Shareholders pursuant to Article 18 letter D) of the Articles of Association. More specifically, the right to submit a list shall accrue to the Shareholders representing, alone or with other shareholders, at least 1% of the shares with voting rights at an ordinary shareholders' meeting (shareholding determined in accordance with the Consob Resolution no. 19856/2017). With specific reference to the terms and conditions for the presentation of lists for the appointment of the Board of Statutory Auditors please refer to the Notice of calling of the Shareholders' Meeting published in accordance with the law.

We therefore invite you to appoint the members of the Board of Statutory Auditors according to the laws and the Articles of Association.

4. Appointment of the Chairman of the Board of Statutory Auditors

Dear Shareholders,

We remind you that, pursuant to Article 18 letter B) of the Articles of Association, where two or more lists are presented, the chairmanship of the Board of Statutory Auditors shall go to the first standing member candidate, listed in progressive order, of the list that obtains the second highest number of votes.

If only one list was submitted or if there are no lists, the Meeting is called to resolve on the appointment of the Chairman of the Board of Statutory Auditors according to the laws and the Articles of Association.

We therefore invite you to appoint the Chairman in the terms illustrated.

5. Establishment of remuneration for the Board of Statutory Auditors

Dear Shareholders,

We remind you that, pursuant to Article 18 letter B) of the Articles of Association, the General Meeting is called upon to establish the remuneration of the Board of Statutory Auditors.

We therefore invite you to vote in this regard according to the laws and the Articles of Association.

6. Authorization to the Board of Directors for the purchase and sale of treasury shares; related resolutions

Dear Shareholders,

We note that the power of the Board of Directors of your Company (hereinafter referred to as the "Company") to purchase treasury shares will expire upon the approval of the Financial Statements as of December 31, 2016 in accordance with the resolution of the Shareholders' Meeting on April 21, 2016.

The Board considers it is useful to submit for your close examination the renewal of the authorization for the purchase and sale of treasury shares, with the related terms, justification and means set out hereunder, in conformity with the provisions of Article 132 of Legislative Decree no. 58 of February 24, 1998, and Articles 73, 144-bis and Exhibit 3A, Schedule no. 4 of the Consob Resolution no. 11971 of May 14, 1999 (hereinafter referred to as the "Issuers' Regulations") and subsequent amendments, and of the Regulation (EU) no. 596/2014, as subsequently amended (the "MAR") and of the Commission Delegated Regulation (EU) 2016/1052 of March 8, 2016.

As of today, the share capital subscribed and paid of the Company is equal to Euro 2,826,237.70, subdivided into 28,262,377 ordinary shares, with a face value of Euro 0.10 each.

As at March 22, 2017, the Company holds no. 715,724 treasury shares, equal to 2.53% of the share capital, inclusive of 6,000 treasury shares lent to Mediobanca - Banca di Credito Finanziario S.p.A. for exercising the activity of specialist pursuant to Article 2.2.3, Paragraph 4 of the Regulations applicable to the markets organized and operated by Borsa Italiana and the instructions in relation to the Regulations. The subsidiary companies do not hold shares of the Company. Specific instructions will be given to the subsidiary companies so that they promptly report any purchase of shares done in accordance with Article 2359-bis of the Italian Civil Code.

The proposal submitted to the Shareholders' Meeting concerns the authorization for the purchase of treasury shares, with the way and for the purposes provided by laws and market practices for the time being in force. In particular, the Board intends to pursue the objectives set out below, including by operating, should the opportunities arise, in accordance with the market practices and in any case, in compliance with the applicable laws:

i) to carry out stabilization of the share performance in the cases provided by applicable laws, and sustain liquidity;

ii) to set up a so-called "share store" so that the Company may hold and dispose of the shares for possible use as payment for extraordinary transactions, including the exchanging of equity investments, with other persons within the sphere of transactions of interest to the Company;

iii) complying with the obligations arising (where approved) from plans of options on shares or other share assignments to employees or members of the administrative and control bodies of EI Towers S.p.A. or of the Company's subsidiaries.

The Board of Directors accordingly proposes that the Shareholders' Meeting should authorize the purchase of ordinary shares, in one or more tranches, up to the maximum number allowed by law, to be held as treasury shares directly and as treasury shares possibly owned by subsidiary companies.

The aforementioned purchases may be effected, under Article 2357, Paragraph 1 of the Italian Civil Code, within the limits of the earnings available for distribution and the available reserves as shown by the most recent regularly approved financial statements, with the consequent constitution, in accordance with Article 2357-ter, Paragraph 3 of the Italian Civil Code, of a restricted reserve equal to the amount of the treasury shares as acquired from time to time, which shall be maintained until the shares are transferred.

Upon the purchase of shares or their sale, swap, grant or write-down, the appropriate accounting entries shall be made in accordance with the provisions of the law and applicable accounting principles. In the event of sale, swap, grant or write-down, the amount in relation thereto may be re-used for other purchases, until the expiration of the term of the Shareholders’ authorization, without prejudice to the quantitative and spending limits and the conditions established by the Shareholders' Meeting.

The authorization for the purchase is to be requested for a period less than the maximum period allowed by prevailing laws and regulations (which is currently 18 months starting from the date of the resolution of the Shareholders' Meeting), and precisely we request that the authorization be valid until the meeting of the shareholders that will approve the Financial Statements as of December 31, 2017.

The Board proposes that the price of purchase of the shares be identified from time to time, with reference to the means pre-established for effecting the transaction and in respect of legal and regulatory prescriptions or admitted market practices, within a minimum–maximum range determined in accordance with the following criteria:

- the minimum purchase price shall be no more than 20% below the reference price of the shares as registered during the market trading session on the day preceding any individual transaction or the date on which the price is fixed;
- the maximum purchase price shall be no more than 20% above the reference price of the shares as registered during the market trading session on the day preceding any individual transaction or the date on which the price is fixed.

Without prejudice to the above, in the event in which the transactions for the purchase of treasury shares are realized within the regulated market, the price for the bids to purchase shall be no greater than the higher of (i) the price of the last independent transaction and (ii) the highest current price of the independent bid to purchase on the market in which the purchase bids are input, in compliance with art. 3, paragraph 2 of the Commission Delegated Regulation (EU) 2016/1052.

The Board proposes that the authorization allows for effecting the aforementioned transactions, in one or more tranches, by acquiring shares, in accordance with Article 144-bis Paragraph 1, letter a) and b) of the Issuers’ Regulations:

- by means of a tender offer or exchange offer;
- on markets regulated according to the operational means established in the regulations covering the organization and

operation of the markets, which do not allow for the direct matching of purchase bids with pre-determined offers for sale.

The purchases may occur with means other than those indicated above in accordance with Article 132, Paragraph 3 of Legislative Decree no. 58/1998 or other provisions applicable as of the date of the transaction.

Furthermore, the Board of Directors, pursuant to and for the effects of Article 2357-ter of the Italian Civil Code, asks the Shareholders' Meeting to authorize the sale, in one or more tranches, of the shares purchased pursuant to this resolution or the shares already in the Company's portfolio, including prior to having purchased the maximum quantity of shares that can be purchased, and to repurchase the shares to the extent that the treasury shares held by the Company do not exceed the limit established by the authorization, without prejudice to the relevant resolutions regarding any compensation plans against or without payment, in favour of employees or members of the administrative or control bodies of EI Towers S.p.A. or subsidiary companies, as well as regarding plans for the bonus assignment of shares to shareholders and the consequent obligations provided by the plans.

With the exception of the plans covering the distribution, against or without payment, of options on shares or shares, which will occur at prices determined by the plans, the price for any other sale of treasury shares, which is to be set by the board of directors with the authority to delegate the power therefor to one or more directors, may be no more than 10% below the reference price of the shares as registered during the market trading session on the day preceding any individual transaction, in any case without prejudice to the respect of the limits which may be provided by law, also by European legislation, and accepted market practices for the time being in force.

Should the treasury shares be the subject of an exchange, swap, grant or any other act of assignment without cash payment, the economic terms of the transaction shall be determined on the basis of the nature and characteristics of the transaction, including by taking into account the market performance of the EI Towers S.p.A. shares.

The utilisation of the shares may occur in the manner deemed most appropriate in the interest of the Company, and in any event, in respect of applicable laws and regulations and admitted market practices. The options on shares or the shares to be assigned as part of distribution plans will be assigned with the means and in the terms indicated by the plan regulations.

The purchase of treasury shares that is the subject of this authorization request is not instrumental to the reduction of the share capital.

That said, we submit for your approval the following proposed resolution:

"*The Shareholders' Meeting, accepting the proposals formulated by the Board of Directors in accordance with the terms provided in the report, in accordance with law and accepted market practices for the time being in force*

resolves

- *to authorise the purchase of shares of the Company, in one or more tranches, up to the maximum legal limit, taking account of the treasury shares held directly and any that might be held by subsidiaries and until the approval of the financial statements for the year ending on December 31, 2017; purchases may be made within the limits of distributable profits and reserves as reported in the last approved Annual Report.*

  Purchases shall be made, in one or more tranches, by acquiring shares, in accordance with Article 144-bis Paragraph 1, letter a) and b) of the Issuers' Regulations:

  - *by means of a tender offer or exchange offer;*
  - *on markets regulated according to the operational means established in the regulations covering the organization and operation of the markets, which do not allow for the direct matching of purchase bids with pre-determined offers for sale.*

  The purchase price of the shares shall be established from time to time according to the chosen method for carrying out the operation and in full compliance with regulatory requirements, regulations and accepted market practices, within a minimum and a maximum range according to the following criteria:

  - *the minimum purchase price shall not be less than 20% of the reference price of the shares as traded on the Stock Exchange* *on the day prior to each operation or the date on which the price is fixed;*

- *the maximum purchase price shall not in any case exceed 20% of the reference price of the shares traded on the Stock Exchange on the day prior to each operation or the date on which the price is fixed.*

Without prejudice to the above, in the event of purchases of shares being made on the regulated market, the price of offers to purchase should not exceed the higher price between the price of the last independent trade and the current price of the proposed independent purchase in the market in which the proposals are made, in conformity with Article 3, Paragraph 2, of the Commission Delegated Regulation (EU) 2016/1052;

- *to authorize, on one or more occasions, to utilise shares purchased pursuant to this resolution or already held by the company, even before having reached the maximum number permitted and to buy back shares up to the limit established by the authorisation, subject to the resolutions relating to any remuneration plan whether for reward or free, in favour of employees or members of the administrative and control bodies of EI Towers S.p.A. or of the Company's subsidiaries as well as eventual plans for the allocation of free shares to shareholders and the resulting provisions of the plans.*

With the exception of plans for the distribution, whether paid or free, of share options or shares, which will be effected at prices deter-mined by the plans themselves, for any other transaction for the sale of shares the price will be determined by the Board of Directors, with the authority to delegate to one or more directors, at not more than 10% less than the reference price of the shares on the trading session on the day prior to each operation, in any case without prejudice to the respect of the limits which may be provided by law, also by European legislation, and accepted market practices for the time being in force.

If shares are traded, exchanged, transferred or conferred in any other manner other than in cash, the economic terms will be determined according to the nature and characteristics of the transaction, also taking into account the market performance of EI Towers shares.

Shares may be used in the way considered most appropriate in the interests of the company, and in any case in full compliance with applicable laws and accepted market practices. Share options or shares to be allocated under distribution plans will be allocated in the manner and the terms indicated by the regulations of the plans themselves;

- *to grant to the Board of Directors and, on its behalf, to the Chief Executive Officers, separately, all necessary powers to execute in a full and concrete way the resolutions stated in previous points in compliance with the applicable law*."

FOR THE BOARD OF DIRECTORS

The Chairman

(Alberto Giussani)

EI TOWERS GROUP

Consolidated Financial Statements

and Notes

Consolidated Statement of Financial Position (*)

(values in thousands of Euro)

	Notes	Dec.31, 2016	Dec.31, 2015 (**)
ASSETS			
Non current assets			
Property, plant and equipment	6.1	188,091	200,025
Goodwill	6.2	503,779	479,541
Other intangible assets	6.3	176,207	161,042
Investments in associates/joint control companies	6.4	713	-
Other financial assets	6.5	946	830
Deferred tax assets	6.6	5,940	5,051
TOTAL NON CURRENT ASSETS		**875,676**	**846,489**
Current assets			
Inventories	7.1	3,152	2,902
Trade receivables	7.2	31,332	26,117
Tax receivables	7.3	6	1,078
Other receivables and current assets	7.4	11,075	9,075
Cash and cash equivalents	7.5	93,988	103,461
TOTAL CURRENT ASSETS		**139,553**	**142,633**
TOTAL ASSETS		**1,015,229**	**989,122**

(*) With reference to Consob Resolution no. 15519 dated 27th July 2006, the effects on the Balance Sheet items generated by related party transactions are shown in a separated table mentioned in the next pages and moreover described in the Explanatory Note15.

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Financial Position (*)

(values in thousands of Euro)

	Notes	Dec.31, 2016	Dec.31, 2015 (**)
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8.1	2,826	2,826
Share premium reserve	8.2	194,220	194,220
Treasury shares	8.3	(17,459)	(1,845)
Other reserves	8.4	408,490	360,551
Valuation reserve	8.5	(3,076)	(2,380)
Retained earnings	8.6	8,309	8,764
Net profit for the period	8.7	44,467	47,291
Total shareholders' equity		**637,777**	**609,428**
Profit/(loss) pertaining to minority interests		(47)	(11)
Share capital and reserves pertaining to minority interests		89	50
Shareholders' equity pertaining to minority interests		**42**	**39**
TOTAL SHAREHOLDERS' EQUITY	**8**	**637,819**	**609,467**
Non current liabilities			
Post-employment benefit plans	9.1	11,909	11,744
Deferred tax liabilities	6.6	56,567	56,480
Financial liabilities and payables	9.2	228,599	226,977
Provisions for non current risks and charges	9.3	4,806	4,161
TOTAL NON CURRENT LIABILITIES		**301,881**	**299,362**
Current liabilities			
Financial payables	10.1	680	-
Trade payables	10.2	34,430	41,342
Current tax liabilities	10.3	3,464	702
Other financial liabilities	10.4	7,268	6,731
Other current liabilities	10.5	29,687	31,519
TOTAL CURRENT LIABILITIES		**75,529**	**80,294**
TOTAL LIABILITIES		**377,410**	**379,656**

(*) With reference to Consob decision no. 15519 dated 27th July 2006, the effects on the Balance Sheet items generated by related party transactions are shown in a separated table mentioned in the next pages and moreover described in the Explanatory Note15.

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Income (*)

(values in thousands of Euro)

	Notes	2016	2015 (**)
Sales of goods and services	11.1	251,533	241,807
Other revenues and income	11.2	1,204	2,846
TOTAL REVENUES		**252,737**	**244,653**
Personnel expenses	11.3	43,067	42,203
Purchases, services, other costs	11.4	90,043	89,472
Amortisation, depreciation and write-downs	11.5	44.087	40,018
TOTAL COSTS		**177,197**	**171,693**
EBIT		**75,540**	**72,960**
Financial expenses	11.6	(9,994)	(9,968)
Fianancial income	11.7	570	1,347
Income/(expense) from equity investments		-	12
EBT		**66,116**	**64,351**
Income taxes	11:08	21,696	17,071
NET PROFIT FOR THE PERIOD	**11:09**	**44,420**	**47,280**
Attributable to:			
- Parent company		44,467	47,291
- Minority interests		(47)	(11)
Earnings per share (Euro):	11:10		
- Basic		1.58	1.68
- Diluted		1.58	1.68

(*) With reference to Consob decision no. 15519 dated 27th July 2006, the effects on the Balance Sheet items generated by related party transactions are shown in a separated table mentioned in the next pages and moreover described in the Explanatory Note15.

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Comprehensive Income

(values in thousands of Euro)

	Notes	2016	2015 (**)
CONSOLIDATED NET PROFIT/(LOSS)(A):		**44,420**	**47,280**
Statement of comprehensive gains/(losses):			
Effective portion of gains/(losses) on hedging instruments (cash flow hedge)		-	-
Actuarial gains/(losses) on defined benefit plans		-	-
Other comprehensive gains/(loss)	8.5	(825)	375
Tax effect related to other gains/(losses)	8.5	197	(103)
TOTAL OTHER COMPREHENSIVE INCOME /(LOSS) NET OF TAX EFFECTS (B)		**(628)**	**272**
TOTAL COMPREHENSIVE INCOME (A+B)		**43,792**	**47,552**
attributable to:			
- Owners of the parent		43,839	47,563
- Minority interests		(47)	(11)

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Cash Flows

(values in thousands of Euro)

	Notes	2016	2015 (**)
CASH FLOW FROM OPERATING ACTIVITIES:			
Operating profit		**75,540**	**72,960**
+ Depreciation and amortisation		44,087	40,018
+ Change in trade receivables		(6,247)	(631)
+ Change in trade payables		2,354	2,199
+ Change in other assets and liabilities		(1,934)	(4,449)
- Income tax paid		(22,041)	(24,612)
Net cash flow from operating activities [A]	12	**91,759**	**85,485**
CASH FLOW FROM FINANCING ACTIVITIES:			
Investments in tangible assets		(16,793)	(27,283)
Investments in intangible assets		(10,674)	(500)
Changes in payables for investing activities		(7,832)	-
(Increases)/decreases in other financing activities		(116)	(226)
Business combinations net of cash acquired		(41,725)	(49,010)
Net cash flow from investing activities [B]	12	**(77,140)**	**(77,019)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Changes in treasury shares		(15,615)	-
Dividend payment		-	(31,020)
Interests (paid)/received		(8,477)	(7,902)
Net cash from financing activities [C]	12	**(24,092)**	**(38,922)**
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]		**(9,473)**	**(30,456)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]		**103,461**	**133,917**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]		**93,988**	**103,461**

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Changes in Shareholders' Equity

(values in thousands of Euro)

	Share capital	Share premium reserve	Legal reserve and other reserves	Treasury shares	Actuarial reserve	Other valuation reserves	Retained earnings (accumulated losses)	Nel income (loss) for the period	**TOTAL EQUITY OF THE GROUP**	**TOTAL EQUITY OF MINORITY INTERESTS**	**TOTAL SHAREHOLDERS' EQUITY**
Balance at January 1, 2015	**2,826**	**194,220**	**352,488**	**(1,845)**	**(2,721)**	**203**	**10,004**	**37,709**	**592,884**	**-**	**592,884**
Net result for 2014	-	-	7,928	-	-	-	29,781	(37,709)	-	-	-
Changes in the consolidation area	-	-	-	-	-	-	-	-	-	50	50
Dividend distribution	-	-	-	-	-	-	(31,020)	-	(31,020)	-	(31,020)
Stock option	-	-	135	-	-	(135)	-	-	-	-	-
Comprehensive income/(loss)	-	-	-	-	272	-	-	47,770	48,042	(11)	48,031
Balance at December 31, 2015	**2,826**	**194,220**	**360,551**	**(1,845)**	**(2,448)**	**68**	**8,764**	**47,770**	**609,906**	**39**	**609,945**
PPA EEFECTS RELATED TO ACQUISITIONS IN 2015								**(478)**	**(478)**		**(478)**
Balance at December 31, 2015	**2,826**	**194,220**	**360,551**	**(1,845)**	**(2,448)**	**68**	**8,764**	**47,291**	**609,428**	**39**	**609,467**
Balance at January 1, 2016	**2,826**	**194,220**	**360,551**	**(1,845)**	**(2,448)**	**68**	**8,764**	**47,291**	**609,428**	**39**	**609,467**
Net result for 2015	-	-	47,871	-	-	-	(579)	(47,291)	-	-	-
Stock option	-	-	68	-	-	(68)	-	-	-	-	-
Buy-back of treasury shares	-	-	-	(15,614)	-	-	-	-	(15,614)	-	(15,614)
Other movements	-	-	-	-	-	-	124	-	124	50	174
Comprehensive income/(loss)	-	-	-	-	(628)	-	-	44,467	43,839	(47)	43,792
Balance at December 31, 2016	**2,826**	**194,220**	**408,490**	**(17,459)**	**(3,076)**	**-**	**8,309**	**44,467**	**637,777**	**42**	**637,819**

Consolidated Statement of Financial Position according to Consob Resolution no. 15519 dated July 27, 2006

(values in thousands of Euro)

	Notes	Dec.31, 2016	of which vs. Related parties (note 15)	% weight	Dec.31, 2015 (**)	of which vs. Related parties (note 15)	% weight
ASSETS							
Non current assets							
Property, plant and equipment	6.1	188,091			200,025		
Goodwill	6.2	503,779			479,541		
Other intangible assets	6.3	176,207			161,042		
Investments in associates/joint control companies	6.4	713			-		
Other financial assets	6.5	946			830		
Deferred tax assets	6.6	5,940			5,051		
TOTAL NON CURRENT ASSETS		**875,676**			**846,489**		
Current assets							
Inventories	7.1	3,152			2,902		
Trade receivables	7.2	31,332	1,028	3%	26,117	687	3%
Tax receivables	7.3	6			1,078		
Other receivables and current assets	7.4	11,075			9,075		
Cash and cash equivalents	7.5	93,988			103,461		
TOTAL CURRENT ASSETS		**139,553**			**142,633**		
TOTAL ASSETS		**1,015,229**			**989,122**		

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Financial Position according to Consob Resolution no. 15519 dated July 27, 2006

(values in thousands of Euro)

	Notes	Dec. 31, 2016			Dec. 31, 2015 (**)		
SHAREHOLDERS' EQUITY AND LIABILITIES							
Share capital and reserves							
Share capital	8.1	2,826			2,826		
Share premium reserve	8.2	194,220			194,220		
Treasury shares	8.3	(17,459)			(1,845)		
Other reserves	8.4	408,490			360,551		
Valuation reserve	8.5	(3,076)			(2,380)		
Retained earnings	8.6	8,309			8,764		
Net profit for the period	8.7	44,467			47,291		
Total shareholders' equity		**637,777**			**609,428**		
Profit/(loss) pertaining to minority interests		(47)			(11)		
Share capital and reserves pertaining to minority interets		89			50		
Shareholders' equity pertaining to minority interests		**42**			**39**		
TOTAL SHAREHOLDERS' EQUITY	**8**	**637,819**			**609,467**		
Non current liabilities							
Post-employment benefit plans	9.1	11,909			11,744		
Deferred tax liabilities	6.6	56,567			56,480		
Financial liabilities and payables	9.2	228,599			226,977		
Provisions for non current risks and charges	9.3	4,806			4,161		
TOTAL NON CURRENT LIABILITIES		**301,881**			**299,362**		
Current liabilities							
Financial payables	10.1	680			-		
Trade payables	10.2	34,430	1,698	5%	41,342	1,145	3%
Current tax liabilities	10.3	3,464			702		
Other financial liabilities	10.4	7,268			6,731		
Other current liabilities	10.5	29,687	678	2%	31,519	491	2%
TOTAL CURRENT LIABILITIES		**75,529**			**80,294**		
TOTAL LIABILITIES		**377,410**			**379,656**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,015,229**			**989,122**		

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

Consolidated Statement of Income according to Consob Resolution no. 15519 dated July 27, 2006

(values in thousands of Euro)

	Notes	2016	of which vs. Related parties (note 15)	% weight	2015 (**)	of which vs. Related parties (note 15)	% weight
Sales of goods and services	11.1	251,533	181,079	72%	241,807	180,770	75%
Other revenues and income	11.2	1,204			2,846		
TOTAL REVENUES		**252,737**			**244,653**		
Personnel expenses	11.3	43,067	1,163	3%	42,203	1,047	2%
Purchases, services, other costs	11.4	90.043	3,108	3%	89,472	3,372	4%
Amortisation, depreciation and write-downs	11.5	44,087			40,018		
TOTAL COSTS		**177,197**			**171,693**		
EBIT		**75,540**			**72,960**		
Financial expenses	11.6	(9,994)			(9,968)		
Financial income	11.7	570			1,347		
Income/(expense) from equity investments		-			12		
EBT		**66,116**			**64,351**		
Income taxes	11.8	21,696			17,071		
NET PROFIT FOR THE PERIOD	**11.9**	**44,420**			**47,280**		
Attributable to:							
- Parent company		44,467			47,291		
- Minority interests		(47)			(11)		
Earnings per share (Euro):	11.10						
- Basic		1.58			1.68		
- Diluted		1.58			1.68		

(**) Comparative data at December 31, 2015 differ from those published as a result of the definition of the final allocation of consideration from business combinations. The effects of the changes are fully described in para. 5 Business Combinations, to which reference should be made.

EXPLANATORY NOTES

1. GENERAL INFORMATION

EI Towers S.p.A. is a joint stock company incorporated in Italy and inscribed in the Enterprises Register of Monza and Brianza. Its registered office is located in Via Zanella, 21 – Lissone (MB). Its majority shareholder is Elettronica Industriale S.p.A., which, in turn, is wholly owned indirectly by Mediaset S.p.A. The main activities of the company and the Group are described in the opening section of the Directors' Report on Operations.

These Financial Statements are stated in the Euro, because this is the currency that is used for most of the Group's transactions.

2. GENERAL DRAFTING CRITERIA AND ACCOUNTING STANDARDS FOR THE DRAFTING OF THE FINANCIAL STATEMENTS

These Financial Statements have been drawn up with a going concern approach, because the Directors have checked that there do not exist any uncertainties as defined in the Paragraph 25 of IAS 1 of any financial, operational, managerial criticalities or of any other nature that could possibly impact the ability of the Group to face up to its obligations in the foreseeable future. The risks and the uncertainties relative to the business itself are described in the Directors' Report on Operations. The description of how the Group manages its financial risks, among which there are the liquidity and capital ones, is contained in the paragraph called Additional information on financial instruments and the risk management policies contained in these Explanatory Notes.

The Financial Statements at December 31, 2016 have been drawn up according to the IAS/IFRS and the relative interpretations issued by the SIC/IFRIC homologated by the European Commission and in force at the date in question.

The accounting criterion normally used for assets and liabilities is that of historical cost, with the exception of some financial instruments for which, pursuant to what is laid down in IAS 39 and IFRS 13, the fair value is used.

The tables in the Financial Statements and the Explanatory Notes have been prepared together with the supply of the additional disclosure laid down, regarding Financial Statements layouts and information, by the Consob

Resolution no. 15519 of July 27, 2006 and by the Consob Communication no. 6064293 of July 28, 2006.

The values of the items in the Financial Statements are shown in amounts of thousands of Euro.

The drawing up of the Consolidated Financial Statements and of the Explanatory Notes required making estimates and assumptions, both in calculating some assets and liabilities, as well as in the evaluation of the potential assets and liabilities.

Estimates are based on the current status of information available, examined periodically and effects are reflected in income statement. However, it is possible that actual events over the next year may have a different outcome to those forecasted, causing adjustments to the carrying amounts of each single item that are not foreseeable today.

The main estimates are relative to the calculation of the usage value of the Cash Generating Units to which the goodwill, or other assets with a defined or indefinite useful life are allocated, for the purposes of the periodic check regarding the ability to be able to find the recoverable value of these assets according to the criteria laid down by IAS 36. The calculation of this usage value requires the estimating of the cash flows that are forecasted to be produced by the CGU, as well as the setting of an appropriate discounting rate to be used. The main uncertainties that could influence this estimate are relative to the calculation of the Weighted Average Cost of Capital (WACC), of the growth rates of the flows beyond the forecast horizon (g), as well as the hypotheses made in developing the expected cash flows for the years of the explicit fore-cast.

The main forecasted data refer to the funds for risks and charges and the Bad Debts Reserves.

The estimates and assumptions are periodically reviewed and the impacts of each individual change in them are posted to the Income Statement.

It is also reported that, in continuity with the previous year, the discount rate used to measure post-employment benefit liabilities is the rate of the composite interest rate curve of securities issued by Corporate issuers rating AA instead of the one related to A-rated issuers.

3. SUMMARY OF THE ACCOUNTING STANDARDS AND VALUATION CRITERIA

Financial Statements tables and layouts

The Consolidated Balance Sheet is drawn up following the layout that splits assets and liabilities into current and non-current. An asset or liability is classified as current when it meets one of the following criteria:

- It is expected that it will be realized, or extinguished, or it is estimated that it will be sold, or used, in the ordinary operating cycle of the Group, or
- it is mainly held for trading, or
- it is expected that it will be realized or extinguished within 12 months from the Financial Statements closing date.

Lacking all three of the above conditions the assets and liabilities are classified as being non-current.

The **Income Statement** is drawn up with the layout of costs by type, following the same methodology as the Group's internal reporting and in line with the prevailing international practices in the sector, showing the intermediate levels of the operating result and the pre-tax result. The *operating result* is the difference between the Net Revenues and the operating costs (these latter include the costs of a non-monetary nature relative to the amortization, depreciation and write-downs of current and non-current assets, net of any reinstatements of value).

To enable a better measurement of the true progress of normal operations there can also be shown separately, within the section down to the Operating Result, cost and revenue components arising from events or operations that, because of their type and amount, have to be considered as non-recurrent. These operations can be linked to the definitions of significant non-current operations and events that are contained in the Consob Communication no. 6064293 of July 28, 2006, differing from the definition of "atypical and/or unusual operations" contained in the same Consob Communication of July 28, 2006, according to which there are considered to be atypical and/or unusual operations those operations which, due to their significance/relevance, the type of the counterparts, the subject of the transaction, the method of calculating the transfer price and the time of the event (nearness to the closing date of the financial year) can give rise to doubts regarding the correctness/completeness of the information in the Financial Statements, to conflicts of interest, to the safeguarding of the company's equity, or to safeguarding of the minority shareholders' interests.

The **Comprehensive Income Statement** table shows the cost and revenue items, net of tax, which has asked for, or allowed, by the various International Accounting Standards are posted directly among the Balance Sheet reserves. Items that would be reclassified to profit or loss at future point of time are presented separately from items that will never be reclassified. For each one of the significant Balance Sheet reserves that are shown in the table there are given the references to the successive Explanatory Notes, within which there is supplied the relative information and there are detailed the breakdowns and the changes that have taken place since the last fiscal year.

The **Cash Flow Statement** has been drafted by applying the indirect method, according to which the pre-tax result is adjusted for the impacts of non-monetary operations, for any deferral or provision of previous or future operational incomes or payments and for elements of revenues or cost connected with financial flows deriving from investment or financial activities. Changes in payables to suppliers for investments are included in the Cash Flows from investment activities. Incomes and charges relative to medium/long-term financing operations and the relevant hedging instruments, as well as dividends paid, are included in the financial activities.

The **Net Equity Movements** table shows the changes that have taken place in the Net Equity items relative to the following:

- allocation of the profit for the period of the parent company and subsidiaries to minority shareholders;
- breakdown of the comprehensive profit/loss;
- amounts relative to transactions with the shareholders;
- purchase and sale of treasury shares;
- impact from any changes in the accounting standards.

It is highlighted that for the purpose of fulfilling the obligations contained in the Consob Resolution no. 15519 of July 27, 2006 called "Measures regarding Financial Statements layouts", there are also given, in addition to the obligatory tables, specific Consolidated Income Statement and Balance Sheet tables giving the significant amounts of the balances or transactions with Related Parties shown apart from the respective reference items.

Consolidation standards and area

The Consolidated Financial Statements includes the Financial Statements of EI Towers S.p.A. and of the companies regarding whom EI Towers S.p.A. has the legal right of exercising control, either directly or indirectly, which is understood as the power to determine their financial and operational choices and obtain the relative benefits from them.

The assets, liabilities, charges and incomes of the *subsidiary companies* are consolidated on a line-by-line basis, which means they are taken into the Consolidated Financial Statements in their entirety. The accounting book value of these shareholdings is zeroed out against the equivalent amount of the net equity of the companies in which shares are held, giving each individual asset and liability item its current value at the date of the acquisition of control (Purchase Method). In case of residual difference, if positive it will be recorded as non-current asset under the item "Goodwill", if negative it will be recorded as income in the income statement.

In the case of purchases of equity investments by a common parent company, (business combination under common control) a situation that is excluded from the area of obligatory application of IFRS 3, in the absence of specific IAS/IFRS standards or interpretations for these types of operations, taking into account what is laid down by IAS 8, there is generally held to be applicable the criterion based on the *principle of the continuity of the values*, which foresees that in the Financial Statements of the purchaser the assets and the liabilities are transferred at the values contained in the Consolidated Financial Statements at the transfer date of the common parent that controls the parties who carry out the business combination, with the posting of any difference between the price paid for the equity investment and the net book value of the assets to a specific reserve within the Group Net Equity.

In the preparation of the Consolidated Financial Statements there are washed out all the intercompany receivables, payables, costs and revenues between the consolidated companies, as well as the unrealised profits on intercompany operations.

The amounts of the Net Equity and of the result for the accounting period of the consolidated companies belonging to minority shareholders are identified and shown separately in the *Consolidated Balance Sheet* and *Income Statement.*

The accounting treatment of purchases and sales of minority interests in subsidiary companies, as long as they do not result in a loss of control, are dealt with as transactions with shareholders. Consequently, the difference between the fair value of the price paid, or received, regarding these transactions and the adjustment made to minority interests must be posted with the other side of the entry going to the item *Other comprehensive gains and losses* of the Parent Company's Net Equity. Similarly, also the ancillary costs arising from these operations must be posted, in accordance with IAS 32, in the Net Equity.

The accounting situations of the *affiliated companies* and of companies subject to *joint control*, are posted to the Consolidated Financial Statements using the Net Equity method, as described in the following item Equity Investments.

An *affiliate* is a company in which the Group is able to exercise a significant but not a controlling or joint control influence, through participation in the decisions regarding financial and operational policies of the affiliate.

With reference to IFRS 11, a *joint venture* is a contractual agreement with which the Group, together with other participants, undertakes a business activity subject to joint control. For joint control there is meant the contractual sharing of control of a business activity and this only exists when the strategic, financial and operational decisions regarding the business require the unanimous consent of the parties that share control of it.

Buildings, plants and equipment

Towers, plant, machinery, equipment, buildings and land are posted at purchase, production or conferment cost, including any ancillary charges, any dismantling costs and the direct costs necessary to make the asset ready for use. These fixed assets, with the exception of land, which is not subject to depreciation, are systematically depreciated in each accounting period on a straight-line basis, using economic and technical depreciation rates determined in relation to the remaining useful life of the assets.

Depreciation is calculated on a straight-line basis on the cost of the assets net of the relative residual values (if significant) based on their estimated useful lives, applying the following rates:

- Buildings	2% -3%
- Towers	5%
- Plant and machinery	10%- 20%
- Equipment	12% - 16%
- Office forniture and electronic machines	8% - 20%
- Motor vehicles and other means of transport	10% - 25%

The possibility to recover their value is assessed according to the criteria laid down by IAS 36, described in the section below "Impairment of assets".

Ordinary maintenance costs are posted in full to the Income Statement. *Incremental maintenance costs* are attributed to the related assets and depreciated over their remaining useful life.

Leasehold improvements are attributed to the classes of assets to which they refer and depreciated at the lower between residual life of the lease contract and residual useful life of the type of asset to which the improvement relates.

Whenever the single components of a complex tangible fixed asset have different useful lives, they posted separately in order to be depreciated separately, in line with their individual useful lives ("component approach").

Specifically, according to this principle, the value of land and that of the buildings that are on it are separated and only the buildings are depreciated.

Gains and losses resulting from sales or disposals of assets are calculated as the difference between the sale revenue and the net book value of the asset and are posted to the Income Statement.

As envisaged by IAS 16, the value of fixed assets also includes charges for restoration of sites where towers are located.

Leased assets

Assets acquired through lease contracts are posted to tangible fixed assets and a financial payable for the same amount is posted to liabilities. The payable is progressively reduced according to the reimbursement plan of the amounts of the principal included in the contract installment payments. The amount of the interest ratio is kept in the Income Statement in the item financial charges and the value of the asset posted to tangible fixed assets is depreciated on a straight-line basis according to the economic/technical life of the asset, or, if shorter, on the basis of the expiry date of the leasing contract.

The costs for lease installments coming from operating leases are posted at fixed amounts based on the duration of the contract.

Intangible fixed assets

Intangible fixed assets are assets without any physically identifiable nature, controlled by the company and able to generate future economic benefits. They also include goodwill when this is acquired for value.

They are posted at purchase or production cost, including ancillary charges according to the criteria already described for tangible fixed assets.

In the event of purchased intangible fixed assets whose availability for use and the relevant payments are deferred beyond ordinary terms, the purchase value and the relative payable are discounted by posting the implicit financial charges contained within the original purchase price.

Intangible fixed assets with a defined useful life are amortized on a straight-line basis, starting from the time when the asset is available for use, over the period of their forecasted usefulness. The possibility to recover their value is assessed according to the criteria envisaged by IAS 36, described in the next section *Impairment of assets*.

Intangible assets concerning **Customer relations** relate to the valuation of contracts in force on the basis of economic-financial projections and depreciated at a constant rate based on a useful life of 20 years.

Goodwill and the **other non-current assets with undefined useful life or not available for use** are not subject to amortization on a straight-line basis but subject to an impairment test.

Any write-downs of these assets cannot be the subject of subsequent reinstatements of value.

The Goodwill resulting from the acquisition of control of an equity investment or of a branch of a company is the excess between the purchase cost, understood as being the sum of the prices transferred for the business combination, increased by the fair value of any equity investment that was previously owned in the acquired enterprise, compared to the fair value of the assets, liabilities and potential liabilities identifiable in the acquired entity as of the date of acquisition.

For the purposes of calculating the goodwill, the transfer price for a business combination is calculated as the sum of the fair values of the assets transferred and the liabilities taken on by the Group at the date of acquisition and of the capital instruments issued in exchange for the control of the acquired entity, also including the fair value of any prices subject to conditions that are foreseen in the purchase contract.

Any goodwill adjustments can be posted in the *measurement period* (which cannot be more than one year from the date of acquisition) which are due to either successive changes in the fair value of the prices subject to conditions or to the calculation of the current value of the assets and liabilities acquired, if they were only posted provisionally at the date of acquisition and when these changes are calculated as adjustments based on further information regarding facts and circumstances existing at the date of the combination.

Any successive differences compared to the initial estimates, ***contingent considerations***, must be posted to the Income Statement, unless arising from additional information existing at the purchase date; in this case they are adjustable within 12 months from the date of purchase. Similarly any rights to receive back some parts of the price paid if certain conditions arise must be classified as assets by the purchaser.

The ***transaction costs*** relative to business combinations in the accounting period when they are incurred, with the exception of those incurred relative to issues of debt securities or shares that have to be posted according to what is laid down by IAS 32 and 39;

In the case of the ***purchase of controlling interests that are less than 100%*** of the capital, the interest of minorities can either, for each individual business combination, be valued at the fair value with the corresponding posting of the goodwill, i.e. the Full goodwill method, or with the method based on the proportional amount of the fair value of the identifiable net assets acquired (i.e. Partial goodwill).

The valuation method can be chosen each time for each transaction.

In the case of business combinations carried out in phases, the interest previously held in the acquiree is subject to revaluation at fair value at the date when control was acquired and any resulting gains or losses are recognised in the Income Statement in the year in which the transaction is completed.

In the case of the sale or ceding of amounts of control equity investments the remaining amount of the goodwill attributable to them is included in the calculation of the gain or loss from disposal.

Impairment of assets

The book values of the tangible and intangible fixed assets are periodically reviewed as laid down by IAS 36, which asks for the evaluation of the existence of any losses of value (“impairment”), where there are indicators that indicate that this problem could exist. In the case of goodwill, of intangible fixed assets with an undefined useful life or of assets not available for use this valuation is carried out at least yearly, normally at the time of the preparation of the Annual Report, but also at any time when there is an indication of a possible loss of value of an asset.

The possible recovery of the posted values is checked by comparing the accounting book value in the Financial Statements with the greater between the fair value less costs to sell and the value in use of the asset because according to IAS 36 recoverable amount is defined as the higher of the fair value of an asset or a Cash Generating Unit less costs to sell and its value in use. The usage value is generally calculated by discounting the cash flows expected from the usage of the asset or the Cash Generating Units and also by the value expected from its disposal at the end of its useful life.

A single Cash Generating Unit attributable to the activity of Tower operator has been identified at the date of the financial statements in line with the organisational and business structures of the Group.

In the case of impairment the cost is posted to the Income Statement but, first of all, reducing the goodwill and then posting the excess amount, proportionately to the value of the other assets of the specific CGU. With the exception of the goodwill and the assets with an undefined useful life reinstatements of the values of the other assets are allowed when the conditions that brought about the write-down change. In this case the book value of the asset can be increased within the limits of the new estimated value but not over the value that would have been calculated, where there were no preceding write-downs.

Equity investments in associated companies and joint ventures

These equity investments are accounted for in the Consolidated Financial Statements using the Net Equity method. At the time of purchase the difference between the cost of the equity investment, including any ancillary charges and the amount belonging to the purchaser of the net fair value of the assets, liabilities and identifiable potential liabilities of the subsidiary is accounted for according to IFRS 3, by posting, if it is positive, a goodwill, included in the book value of the equity investment or, if it is negative, an income in the Consolidated Income Statement.

The posted values of these equity investments are afterwards adjusted to the initial posting, based on the pro rata changes in the Net Equity of the subsidiary coming from the accounting situations, drawn up by the companies involved, at the time of drafting the Consolidated Financial Statements.

When there are losses belonging to the Group that are higher than the book value the book value is written off and appropriate provisions or liabilities are posted for the amount of any further losses, but only if the investor is committed to fulfilling legal or implicit obligations regarding the subsidiary or, in any case, to cover its losses. Whenever no further losses are found and, afterwards, the subsidiary achieves profits the investor will only post the amount of the profits appertaining to it after these have equaled the losses not accounted for.

After the application of the Net Equity method, the book value of these equity investments, also including the goodwill if any, whenever there exist the pre-requisites laid down by the measures in IAS 39, must be subjected to an impairment test, pursuant to and following the methodologies, previously commented on, that are laid down by IAS 36.

In the case of a write-down for loss of value the relative cost is posted to the Income Statement. The original value can be reinstated in the following fiscal years if the reasons for the write-down disappear.

Non-current financial assets

Equity investments other than investments in associated companies or jointly controlled companies are posted to the item "*other financial assets*" in non-current assets and are classified pursuant to IAS 39 as financial assets "*Available for sale*" at fair value or, alternatively, at cost if the fair value cannot be dependably calculated with the posting of the valuation impact, until the asset is disposed of but with the exception of the case when it has suffered a permanent loss in value, to a specific reserve in the Net Equity.

In the event of a write-down for loss of value, i.e. impairment, the cost is posted to the Income Statement. The original value is reinstated in subsequent fiscal years if the reasons for the write-down disappear.

The risk resulting from any losses above the value of the Net Equity is posted to a specific risks fund to the extent to which the investor is committed to fulfilling legal or implicit obligations regarding the subsidiary or, in any case, to cover its losses.

Among the assets available for sale there also fall the financial investments, not held for trading, valued according to the rules already referred to for the assets "*Available for sale*" and the financial payables, for the amount of them that is due beyond 12 months.

The receivables are posted at their amortized cost, using the actual interest rate method.

Non-current assets available for sale

Non-current assets available for sale are valued at the lower between their previous net book value and their market value less cost of sales. Non-current assets are classified as available for sale when it is estimated that their book value will be recovered by means of a sale transaction rather than through their use in company operations. This condition is only met when the sale is considered as very likely and the asset is available for immediate sale in its current condition. For this purpose, Management must be committed to the sale, which must take place within 12 months from the date of classification of this item.

Current Assets

Inventories

The inventories of raw materials, semi-finished and finished products are valued at the lower between acquisition or production cost, including ancillary charges, i.e. at FIFO (First In First Out) and their presumed net realisable value deducible from the market trend.

Trade receivables

The receivables are posted at their fair value, which is generally also their face value, except in the case where, because of significant extended payment terms, it is the same as the value calculated by applying the amortized cost method. Their value at year-end is adjusted to their estimated realisable value and written down in case of impairment. Receivables originating in non-EMU currencies are valued at the year-end spot rates issued by the European Central Bank.

Sale of receivables

The recognition of the sale of receivables is subject to the measures laid down by IAS 39 regarding the *derecognition* of financial assets. As a result, the receivables sold to factoring companies, with or without recourse, in the event that the latter includes clauses that imply maintaining a significant exposure to the trend of the cash flows from the sold receivables, remain in the Financial Statements, even though they have been legally sold, with a corresponding accounting posting of a financial liability for the same amount.

Current financial assets

Financial assets are posted and reversed in the Financial Statements based on their transaction date and they are initially valued at cost, including the expenses directly connected with their acquisition.

At successive dates of the Financial Statements, those financial assets to be held until maturity are shown at amortized cost, according to the actual interest rate method, net of write-downs made to reflect impairment.

Cash and equivalents

This item includes the cash, the bank current accounts and deposits that are repayable on demand and other short-term and high liquidity financial investments that are readily convertible to cash, with an insignificant risk of a change in value.

Treasury shares

Treasury shares are shown at cost and posted as a reduction of Net Equity.

Employee Benefits

Post-Employment Benefit Plans

The Employee Leaving Indemnity, which is obligatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is a type of deferred remuneration and it is related to the length of the working lives of the employees and the emoluments received.

Due to the Supplementary Pension Reform, the amounts of the Employee Leaving Indemnity accrued until December 31, 2006 shall continue to remain within the company constituting a defined benefit plan, with the obligation of the accrued benefits to that date being subject to an actuarial valuation, while the amounts that accrue from January 1, 2007, with the exception of those regarding companies with less than 50 employees, according to the choices made by the employees, are allocated to supplementary pension funds, or transferred by the company to the treasury fund managed by INPS (Italian National Social Security Institute) starting from the time when the employees formalise their choice, as *defined contribution* plans that are no longer subject to actuarial valuation).

For the benefits subject to actuarial valuation, the liability relative to the Employee Leaving Indemnity must be calculated by projecting forward the already accrued amount up to the future date of the dissolution of the employment relationship and then calculating the net present value of the amount, at the date of the Financial Statements, using the actuarial method called the "Projected Unit Credit Method".

Through the actuarial valuation, there is input to the Income Statement in the item "Financial Incomes/Charges" of the *interest cost*, which constitutes the theoretical charge that the company would have to incur if it asked the market for a loan of the amount equal to the ELI fund and in the item "personnel costs" of the current service cost that defines the amount of the rights accrued by the employees during the fiscal year but only for those companies of the Group with less than 50 employees and who, therefore, have not transferred to supplementary pension schemes the amounts accrued from January 1, 2007. The actuarial gains and losses that reflect the impacts coming from the changes in the actuarial hypotheses used are posted directly to the Net Equity, without ever passing to the Income Statement and they are shown in the Comprehensive Income Statement table.

Share-based payments

The Group, in line with what is laid down by IFRS 2, which classifies Stock Options as "share based payments" and asks that for the type that falls into the "*equity-settled*" category, which means that it foresees the physical handing over of the share certificates, the calculation at the assignment date of the fair value of the option rights issued and its posting as a personnel costs to be split evenly of the period of the accrual of the rights (*vesting period*) with the posting of the other side of the entry to the specific reserve of Net Equity. This posting is carried out based on the estimate of the rights that will actually accrue in favour of the person who has the right, taking into consideration the usufruct conditions of them, not based on the market value of the rights.

At the end of the exercising period the relative Net Equity reserve is reclassified among the reserves available for use.

The calculation of the fair value takes place using the "binomial" model.

Trade payables

The trade payables are posted at their nominal value, which is usually close to the amortized cost. Those originating in non-EMU currencies are valued at the year-end spot rates issued by the European Central Bank.

Funds for risks and charges

The funds for risks and charges are relative to those costs and charges whose existence is either certain or probable but, however, for which, at the closing date of the accounting period it was not possible to ascertain, with absolute certainty, either their true amount or the exact date on which they shall fall due. They have been provided only when there is a real current obligation, which is the result of past events that can be of a legal or contractual type, or derived from declarations or behaviour of the company that create valid expectations in the persons involved (implicit obligations). The provisions for these items have been posted at the value that represents the best possible estimate of the amount that the enterprise would have to pay in order to extinguish its obligation.

Non-current financial liabilities

The Non-current financial liabilities are shown at their amortized cost, using the actual interest rate method.

Revenue recognition

The revenues from sales and services are posted when the actual transfer takes place of the risks and benefits arising from the ceding of the ownership of the goods or at the time when the supply of the service takes place.

The revenues are shown net of returns, discounts, allowances and premiums, as well as of any directly linked tax charges.

Any cost recoveries are shown as a direct reduction of the relative costs.

Income taxes

The current income taxes are posted, for each company, on the basis of the estimated taxable income in line with the tax rates and fiscal measures that are currently in force, or have been basically approved, at the close of the accounting period in the various countries, taking into account any applicable exemptions and tax credits that are due.

The prepaid and deferred taxes are calculated based on the timing differences between the values attributed to the assets and liabilities in the Financial Statements on a statutory basis and the corresponding values that are recognized for fiscal purposes, on the basis of the tax rates that will be in force at the time when the timing differences will be reversed. When the results are posted directly to Net Equity, the current taxes, the prepaid taxes assets and the deferred taxes liabilities are also posted to Net Equity.

The deferred taxes assets and liabilities are set off when there exists a legal right to be able to set off the current taxes assets and liabilities and when they refer to taxes that are due to the same Tax Authority and the Group intends to settle the current tax assets and liabilities on a net basis.

In the case of any changes in the net book value of the deferred tax assets and liabilities arising from a change in the tax rates or the relative legislation, rules or regulations, the resulting deferred taxes are posted into the Income Statement, unless they are relative to elements that have already been debited or credited previously to the Net Equity.

It should be noted that EI Towers S.p.A. exercised the option to adhere, for three fiscal years, starting from 2014, to the national group taxation, regulated by article 117 and subsequent of the Decree by the President of the Republic no. 917/1986 and the Ministerial Decree dated June 9, 2004, with EI Towers S.p.A. as consolidating company.

Dividends

The dividends are accounted for in the accounting period in which there is passed the resolution to distribute them.

Earnings per share

The earnings per share are calculated by dividing the net profit of the Group by the weighted average of the number of shares in circulation, net of the treasury shares. The diluted earnings per share is calculated by taking into account in the calculation the number of shares in circulation and the potential diluting effect coming from the assignment of treasury shares to the beneficiaries of stock option plans that have already reached maturity.

Changes in accounting estimates

Pursuant to the IAS 8 these items are input to the Income Statement, on a forecasted basis, starting from the accounting period during which they are adopted.

Accounting standards, amendments and interpretations effective from January 1, 2016

The Group applied the following accounting standards, amendments and interpretations for the first time starting from January 1, 2016:

- Amendments to IAS 19 "**Defined Benefit Plans: Employee Contributions**" (published on November 21, 2013): related to the recognition of contributions from employees or third parties to defined benefit plans. The adoption of these amendments had no effects on the consolidated financial statements of the Group.
- Amendments to **IFRS 11** "**Accounting for acquisitions of interests in joint operations**" (published on May 6, 2014): related to the accounting for acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses. The adoption of these amendments had no effects on the consolidated financial statements of the Group.
- Amendments to **IAS 16** and to **IAS 38** "**Clarification of acceptable methods of depreciation and amortization"** (published on May 12, 2014): according to which a revenue-based depreciation method is not considered to be appropriate, since, revenues generated by an activity that includes the use of an asset subject to depreciation generally reflect factors other than consumption of an asset's economic benefits, a requisite required for depreciation. The adoption of this amendment had no effects on the consolidated financial statements of the Group.
- Amendment to **IAS 1 – "Disclosure Initiative"** (published on December 18, 2014): the objective of these changes is to provide a clarification on disclosure principles which can be perceived as an impediment to a clear and intelligible presentation of financial statements. The adoption of this amendment had no effects on the consolidated financial statements of the Group.
- Amendments to **IFRS 10, IFRS 12 and IAS 28** "***Investment Entities: Applying the Consolidation Exception*** (published on December 18, 2014), containing changes related to issues that have arisen in the context of applying the consolidation exception for investment entities. The adoption of this amendment had no effects on the consolidated financial statements of the Group.

Lastly, within the annual improvement process of standards, on December 12, 2013 the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments – Definition of vesting condition, IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables) and on September 25, 2014 the document "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosure and IAS 19 – Employee Benefits) . The improvements partly integrate pre-existing standards. The adoption of this amendment had no effects on the consolidated financial statements of the Group.

New accounting standards, interpretations and amendments not yet applicable and not applied in advance by the Group at December 31, 2016

Standards already issued but not yet having come into force at the date of drafting of the Group's consolidated financial statements are outlined below. The list applies to standards and interpretations that the Group expects to be reasonably applicable at a future date. The Group intends to adopt these standards when they come into force.

- **Standard IFRS 15 – Revenue from Contracts with Customers** (published on May 28, 2014 and completed with additional clarification published on April 12, 2016) which is intended to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, and the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard sets out a new framework for revenue recognition, that will apply to all contracts with customers except for those that fall within the scope of other IAS/IFRS standards as leases, insurance contracts and financial instruments. The key steps in accounting revenues according to the new framework are:
    - Identify the contract(s) with a customer;
    - Identify the performance obligations in the contract;
    - Determine the transaction price;
    - Allocate the transaction price to the performance obligations in the contract;
    - Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, published by IASB on April 12, 2016, have not yet been endorsed by the European Union. In the Directors' opinion, the application of IFRS 15 could impact in particular on disclosure of revenues provided in the consolidated financial statements of the Group. However, it is not possible to make a reasonable estimate of the effects until the Group has completed a detailed analysis of customer relations.

- Final version of **IFRS 9 – Financial Instruments** (published on July 24, 2014). This document includes the results of the IASB's project to replace IAS 39:
  - Introduces new requirements for classification and measurement of financial assets and liabilities;
  - Concerning the impairment model, the new standard requires that the estimation of credit losses is carried out on the basis of an expected losses impairment model (and not on an incurred losses model provided for by IAS 39) by using supportable information, available without unreasonable changes or efforts which include historical data, both current and future;
  - Introduces the new general hedge accounting model (increase in the types of transactions eligible for hedge accounting, change to the accounting method for forward contracts and option when included in an hedging relationship, changes to the effectiveness test)

The new standard is effective for annual reporting periods beginning on or after January 1, 2018.

The Directors are assessing the impact of the application of IFRS9 on amounts and information reported on the consolidated financial statements of the Group.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

Up to the time of the present annual report, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the above amendments and standards.

On January 13, 2016 the IASB published the standard **IFRS 16 – Leases** which will replace the standard IAS 17 – Leases, and the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces the criterion based on the right of use of an asset to distinguish between lease contracts and service contracts, identifying as discriminating factors: the identification of the asset, the right of substitution of the asset, the right to obtain substantially all the economic benefits from that use and the right to direct the asset's use underlying the contract.

The standard establishes a single recognition and measurement model of lease contracts for the lessee providing for the recognition of the leased asset also operating under assets against a financial liability, providing the possibility not to recognize as a lease contracts concerning "low-value assets" and leases with a lease term of 12 months or less. On the contrary, this Standard does not include significant changes for lessors.

The standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted only for the Entities which apply in advance IFRS 15 – Revenue from Contracts with Customers in advance. In the Directors' opinion, the application of IFRS 16 is expected to significantly impact on the accounting of lease contracts and on related disclosure provided in the consolidated financial statements of the Group. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of related contracts.

- Amendment to **IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"** (published on January 19, 2016). The document is intended to clarify around the recognition of a deferred tax asset for unrealised losses when certain circumstances come to pass and the estimate of taxable income for future years. Those amendments shall apply from January 1, 2017 but, early application is permitted. The directors do not expect a significant effect on the consolidated financial statements from the adoption of these amendments.
- Amendment to **IAS 7 "Disclosure Initiative"** (published on January 29, 2016). The document is intended to clarify IAS7 to improve information about financial liabilities. More specifically, amendments require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017, but earlier application is permitted. The submission of comparative information related to previous years is not required. The directors do

not expect a significant effect on the consolidated financial statements from the adoption of these amendments.

- Amendment to **IFRS 2 "Classification and measurement of share-based payment transactions"** (published on June 20, 2016), contains clarifications in relation to the accounting of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement features and the accounting for modifications of the terms and conditions of share-based payments modifying the classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements from the adoption of these amendments.
- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard). The improvements partly integrate pre-existing standards. The directors do not expect a significant effect on the consolidated financial statements from the adoption of these amendments.
- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on December 8, 2016). The interpretation is intended to provide guidelines for transactions that are denominated in a foreign currency where the entity recognises a non-monetary prepayment asset or deferred income liability, in advance of the recognition of the related asset, expense or income. The document provides guidance on how an entity shall determine the date of the transaction, and consequently, the spot rate of exchange to be used when transactions in a foreign currency occur in which the payment is made or received in advance. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements from the adoption of these changes.
- Amendment to **IAS 40 "Transfers of Investment Property"** (published on December 8, 2016). The amendments clarify transfers of property to, or

from, investment property. More specifically, an entity shall reclassify a property into, or out of, investment properties only when there was an evident change in use of the property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements from the adoption of these amendments.

- On September 11, 2014 the IASB published an amendment to **IFRS 10 and IAS 28** "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture". This document has been published in order to solve the current conflict between IAS 28 and IFRS 10 related to the recognition of a gain or loss resulting from the sale or contribution of non-monetary assets to a joint venture or associate in return of an equity stake. The IASB deferred indefinitely the application of this amendment.

4. MAIN CORPORATE OPERATIONS AND CHANGES IN THE CONSOLIDATION AREA

On May 31, EIT Radio S.r.l., a company wholly owned by EI Towers S.p.A., was established. It will provide hosting and ancillary services to radio operators.

On the same date, EI Towers S.p.A. acquired the company Fortress Italia S.r.l., which manages towers mainly hosting radio operators, for a consideration of € 3.5m, including an earn out provisional share of € 0.2m. The acquiree was merged into EIT Radio S.r.l. on October 20.

On June 10, Towertel S.p.A. acquired the company Sa Oghe T.C. S.r.l., for a consideration of € 5.2m, including an earn out provisional share of € 1.1m. The acquiree was merged into the acquirer on November 2.

On July 8, the deed for the merger of NewTelTowers S.p.A. into the parent company Towertel S.p.A. was signed.

On July 8, Towertel S.p.A. acquired the company Giardino De Sanctis S.r.l. for a consideration of € 1.6m. The acquiree was merged into the acquirer on September 14.

On July 19, Towertel S.p.A. acquired the company Saga S.r.l. for a consideration of € 2.8m, including an earn out provisional share of € 0.4m. The acquiree was merged into the acquirer on September 26.

On August 2, Towertel S.p.A. acquired the company Vip Electronics S.r.l. for a consideration of € 1.7m, including an earn out provisional share of € 0.1m. The acquiree was merged into the acquirer on September 26.

On November 30, EIT Radio S.r.l. acquired the company Società Bresciana Telecomunicazioni (SBT) S.r.l. for a provisional consideration of € 17m. The acquiree was merged into the acquirer on December 20.

In addition, on December 20, the company BT S.r.l., previously 100% held by Società Bresciana Telecomunicazioni S.r.l. was merged into EIT Radio S.r.l.

On December 19, Towertel S.p.A. acquired the company FP Tower S.r.l. for a provisional consideration of € 2.9m.

During the year several acquisitions of contracts, towers, land have been carried out and surface rights entered into, for a total consideration of € 11.5m.

On July 20, the share capital of Nettrotter S.r.l. was increased by € 1m, including a share premium of € 0.8m, following the payments proportionally made by quotas by the shareholders of EI Towers S.p.A. and Thinktank 2000 S.L.

The capital increase is functional for the financial support to the company in the network implementation phase.

5. BUSINESS COMBINATIONS

As described previously, on May 31, EI Towers S.p.A. completed the acquisition of 100% of the share capital of Fortress Italia S.r.l., for a price of approximately € 3.5m including an earn out provisional share of € 0.2m.

On October 20, the merger of Fortress Italia S.r.l. into EIT Radio S.r.l., a company directly controlled by EI Towers S.p.A., was completed by notarial deed.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date, as well as the Purchase Price Allocation completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	4,167	4,167
Tangible assets	144	-	144
Deferred tax assets/liabilities	-	(1,167)	(1,167)
Other assets/(liabilities)	159	-	159
Financial assets/(liabilities)	(334)	-	(334)
Total net acquired assets (a)	**(31)**	**3,000**	**2,969**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**(31)**	**3,000**	**2,969**
Total acquisition cost	**3,522**	**-**	**3,522**
Goodwill	**3,553**	**(3,000)**	**553**

Cash and cash equivalents acquired	(334)
Purchase price	3,522
Portion of price not paid at December 31, 2016	651
Net cash flows absorbed by the acquisition	**3,205**

On June 10, Towertel S.p.A. completed the acquisition of 100% of the share capital of Sa Oghe T.C. S.r.l., for a price of approximately € 5.2m including an earn out provisional share of €1.1m.

On November 2, the merger of Sa Oghe T.C. S.r.l. into Towertel S.p.A. was completed.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date, as well as the Purchase Price Allocation completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	3,990	3,990
Tangible assets	963	-	963
Deferred tax assets/liabilities	-	(1,118)	(1,118)
Other assets/(liabilities)	(736)	-	(736)
Financial assets/(liabilities)	(127)	-	(127)
Total net acquired assets (a)	**100**	**2,872**	**2,972**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**100**	**2,872**	**2,972**
Total acquisition cost	**5,175**	**-**	**5,175**
Goodwill	**5,075**	**(2,872)**	**2,203**

Cash and cash equivalents acquired	(127)
Purchase price	5,175
Portion of price not paid at December 31, 2016	1,758
Net cash flows absorbed by the acquisition	**3,544**

On July 8, Towertel S.p.A. completed the acquisition of 100% of the share capital of Giardino De Sanctis S.r.l., for a price of approximately € 1.6m.

On September 14, the merger of Giardino De Sanctis S.r.l. into Towertel S.p.A. was completed.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date, as well as the Purchase Price Allocation completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	1,460	1,460
Tangible assets	-	-	-
Deferred tax assets/liabilities	-	(408)	(408)
Other assets/(liabilities)	52	-	52
Financial assets/(liabilities)	(21)	-	(21)
Total net acquired assets (a)	**31**	**1,052**	**1,083**
Minority shareholders' interests (b)	-	-	**-**
Total net assets acquired pro-rata (a-b)	**31**	**1,052**	**1,083**
Total acquisition cost	**1,580**	**-**	**1,580**
Goodwill	**1,549**	**(1,052)**	**497**

Cash and cash equivalents acquired	(21)
Purchase price	1,580
Portion of price not paid at December 31, 2016	401
Net cash flows absorbed by the acquisition	**1,200**

On July 19, Towertel S.p.A. completed the acquisition of 100% of the share capital of Saga S.r.l., for a price of approximately € 2.8m including an earn out provisional share of € 0.4m.

On September 26, the merger of Saga S.r.l. into Towertel S.p.A. was completed.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date, as well as the Purchase Price Allocation completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	2,408	2,408
Tangible assets	79	-	79
Deferred tax assets/liabilities	-	(674)	(674)
Other assets/(liabilities)	(101)	-	(101)
Financial assets/(liabilities)	107	-	107
Total net acquired assets (a)	**85**	**1,734**	**1,819**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**85**	**1,734**	**1,819**
Total acquisition cost	**2,791**	**-**	**2,791**
Goodwill	**2,706**	**(1,734)**	**972**

Cash and cash equivalents acquired	107
Purchase price	2,791
Portion of price not paid at December 31, 2016	1,200
Net cash flows absorbed by the acquisition	**1,484**

On August 2, Towertel S.p.A. completed the acquisition of 100% of the share capital of Vip Electronics S.r.l., for a price of approximately € 1.7m including an earn out provisional share of € 0.1m.

On September 26, the merger of Vip Electronics S.r.l. into Towertel S.p.A. was completed.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date, as well as the Purchase Price Allocation completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	1,479	1,479
Tangible assets	82	-	82
Deferred tax assets/liabilities	-	(414)	(414)
Other assets/(liabilities)	303	-	303
Financial assets/(liabilities)	(53)	-	(53)
Total net acquired assets (a)	**332**	**1,065**	**1,397**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**332**	**1,065**	**1,397**
Total acquisition cost	**1,715**	**-**	**1,715**
Goodwill	**1,383**	**(1,065)**	**318**

Cash and cash equivalents acquired	(53)
Purchase price	1,715
Portion of price not paid at December 31, 2016	541
Net cash flows absorbed by the acquisition	**1,227**

On November 30, EIT Radio S.r.l. completed the acquisition of 100% of the share capital of Società Bresciana Telecomunicazioni S.r.l. and the acquisition, indirectly (being wholly owned by Società Bresciana Telecomunicazioni S.r.l.), of the company BT S.r.l. for a price of approximately € 17m.

On December 20, the merger of Società Bresciana Telecomunicazioni S.r.l. and BT S.r.l. into EIT Radio S.r.l. was completed.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)
Other intangible assets	14
Tangible assets	2,333
Deferred tax assets/liabilities	-
Other assets/(liabilities)	162
Financial assets/(liabilities)	(2,040)
Cash and cash equivalents acquired	(211)
Total net acquired assets (a)	**258**
Minority shareholders' interests (b)	-
Total net assets acquired pro-rata (a-b)	**258**
Total acquisition cost	**16,999**
Goodwill	**16,741**

Cash and cash equivalents acquired	(211)
Purchase price	16,999
Portion of price not paid at December 31, 2016	-
Net cash flows absorbed by the acquisition	**17,210**

As stated in the above table, the Purchase Price Allocation has not yet been completed at the date of authorization for the publication of these consolidated financial statements. The allocation has been provisionally recognized as goodwill in the total amount of €16,741k.

On December 19, Towertel S.p.A. completed the acquisition of 100% of the share capital of FP Tower S.r.l. for a price of approximately € 2.9m.

The following table summarizes the consideration paid, the fair value of acquired assets and assumed liabilities at the transaction date.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)
Other intangible assets	10
Tangible assets	109
Deferred tax assets/liabilities	-
Other assets/(liabilities)	(179)
Financial assets/(liabilities)	31
Total net acquired assets (a)	**(29)**
Minority shareholders' interests (b)	-
Total net assets acquired pro-rata (a-b)	**(29)**
Total acquisition cost	**2,919**
Goodwill	**2,948**

Cash and cash equivalents acquired	31
Purchase price	2,919
Portion of price not paid at December 31, 2016	438
Net cash flows absorbed by the acquisition	**2,450**

As stated in the above table, the Purchase Price Allocation has not yet been completed at the date of authorization for the publication of these consolidated financial statements. The allocation has been provisionally recognized as goodwill in the total amount of € 2,948k.

DEFINITION OF THE FINAL PURCHASE PRICE ALLOCATION OF THE COMPANIES ACQUIRED IN 2015 AND RELATED RESTATEMENT

On July 10, 2015 Towertel S.p.A. completed the acquisition of 100% of the share capital of Tecnorad Italia S.p.A., for a price of approximately € 14.8m including an earn out provisional share of € 0.5m.

On July 24, 2015 the merger of Tecnorad Italia into Towertel S.p.A., was approved. The merger was then completed on November 30.

The Purchase Price Allocation, shown in the table, was completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	14,160	14,160
Tangible assets	3,037	-	3,037
Deferred tax assets/liabilities	-	(3,987)	(3,987)
Other assets/(liabilities)	(2,687)	-	(2,687)
Financial assets/(liabilities)	160	-	160
Total net acquired assets (a)	**510**	**10,173**	**10,683**
Minority shareholders' interests (b)	**-**	-	**-**
Total net assets acquired pro-rata (a-b)	**510**	**10,173**	**10,683**
Total acquisition cost	**14,758**	-	**14,758**
Goodwill	**14,247**	**(10,173)**	**4,074**

On July 24, 2015 Towertel S.p.A. acquired 100% of the share capital of DAS Immobiliare S.r.l., for a price of approximately € 3.6m including an earn out provisional share of € 0.2m.

On September 8, 2015 the merger of DAS Immobiliare into Towertel S.p.A was approved. The merger was then completed on November 30.

The Purchase Price Allocation, shown in the table, was completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	2,921	2,921
Tangible assets	208	-	208
Deferred tax assets/liabilities	-	(822)	(822)
Other assets/(liabilities)	181	-	181
Financial assets/(liabilities)	15	-	15
Total net acquired assets (a)	**404**	**2,099**	**2,503**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**404**	**2,099**	**2,503**
Total acquisition cost	**3,567**	-	**3,567**
Goodwill	**3,163**	**(2,099)**	**1,064**

Between October 27 and 28, 2015 Towertel S.p.A. acquired 100% of the share capital of 13 companies operating in the Region of Liguria, for a price of approximately € 40.8m including an earn out provisional share of € 1.6m.

On November 20, 2015 these companies were merged into Towertel S.p.A.

The Purchase Price Allocation, shown in the table, was completed at the date of authorization for the publication of these consolidated financial statements.

Net acquired assets	Carrying values of the acquired company at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	-	33,919	33,919
Tangible assets	2,381	-	2,381
Deferred tax assets/liabilities	-	(9,534)	(9,534)
Other assets/(liabilities)	(648)	-	(648)
Financial assets/(liabilities)	2,234	-	2,234
Total net acquired assets (a)	**3,967**	**24,385**	**28,352**
Minority shareholders' interests (b)	-	-	**-**
Total net assets acquired pro-rata (a-b)	**3,967**	**24,385**	**28,352**
Total acquisition cost	**40,759**	**-**	**40,759**
Goodwill	**36,792**	**(24,385)**	**12,407**

As envisaged in paragraph 49 of IFRS 3, comparative amounts at December 31, 2015 were redefined in order to reflect the effects of the price allocation process at the acquisition date. The table below shows the changes to the data at December 31, 2015.

	Dec. 31, 2015	PPA	Dec. 31, 2015 RESTATED
ASSETS			
Non current assets			
Property, plant and equipment	200,025		200,025
Goodwill	516,198	(36,657)	479,541
Other intangible assets	110,740	50,302	161,042
Investments in associates/joint control companies	-		-
Other financial assets	830		830
Deferred tax assets	5,051		5,051
TOTAL NON CURRENT ASSETS	**832,844**	**13,645**	**846,489**
TOTAL CURRENT ASSETS	**142,633**		**142,633**
TOTAL ASSETS	**975,477**	**13,645**	**989,122**

	Dec. 31, 2015	PPA	Dec. 31, 2015 RESTATED
TOTAL SHAREHOLDERS' EQUITY	**609,945**	**(478)**	**609,467**
Non current liabilities			
Post-employment benefit plans	11,744		11,744
Deferred tax liabilities	42,356	14,124	56,480
Financial liabilities and payables	226,977		226,977
Provisions for non current risks and charges	4,161		4,161
TOTAL NON CURRENT LIABILITIES	**285,238**	**14,124**	**299,362**
TOTAL CURRENT LIABILITIES	**80,294**		**80,294**
TOTAL LIABILITIES	**365,532**	**14,124**	**379,656**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**975,477**	**13,645**	**989,122**

The effect on Shareholders' Equity is attributable to the adjustment of the profit for the previous year due to the amortization of the amount allocated to Customer Relations (€ 698k) net of the related tax effect (€ 220k).

NOTES ON MAIN ASSETS ITEMS

6. NON CURRENT ASSETS

Below are tables showing changes occurring over the last two years for original cost, accumulated amortization and write-downs and the net amount of key financial statement items related to non-current assets.

6.1 Property, plant and equipment

HISTORICAL COST	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation and advances	Total
Beginning Balance Jan.1, 2015	**49,668**	**161,187**	**249,221**	**43,913**	**26,015**	**12,100**	**542,104**
Changes in the consolidation area	1,593	9,100	15	1	-	43	10,752
Reclassification	-	54	-	-	-	(269)	(215)
Other changes	36	1,545	4,681	415	766	(7,443)	-
Acquisitions	2,864	1,439	11,830	419	437	12,609	29,598
Disposals	(52)	(237)	(1,671)	(72)	(126)	(21)	(2,179)
Depreciation and write-downs	-	-	-	-	-	-	-
Closing Balance Dec.31, 2015	**54,108**	**173,087**	**264,076**	**44,676**	**27,092**	**17,019**	**580,058**
Changes in the consolidation area	259	4,338	999	26	33	15	5,670
Reclassification	(1,967)	-	-	-	-	(296)	(2,263)
Other changes	108	684	5,292	310	463	(6,839)	18
Acquisitions	421	733	5,948	536	417	8,740	16,795
Disposals	(1,070)	(350)	(2,493)	(130)	(326)	(27)	(4,396)
Depreciation and write-downs	(19)	-	-	-	-	-	(19)
Closing Balance Dec.31, 2016	**51,840**	**178,492**	**273,822**	**45,418**	**27,679**	**18,612**	**595,863**

AMORTISATION AND DEPRECIATION	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation and advances	Total
Beginning Balance Jan.1, 2015	**19,073**	**85,249**	**184,278**	**34,653**	**21,966**	**-**	**345,219**
Changes in the consolidation area	47	5,072	6	1	-	-	5,126
Reclassification	-	26	17	1	-	(18)	26
Other changes	-	-	-	-	-	-	-
Disposals	(52)	(231)	(1,649)	(72)	(118)	-	(2,122)
Amortisation	1,205	6,683	19,331	2,731	1,695	-	31,645
Depreciation and write-downs	-	140	-	-	-	-	140
Closing Balance Jan.1, 2015	**20,273**	**96,940**	**201,983**	**37,314**	**23,543**	**(18)**	**380,034**
Changes in the consolidation area	-	1,698	216	24	22	-	1,960
Reclassification	12	-	(14)	-	2	-	-
Other changes	-	-	-	-	-	18	18
Disposals	(675)	(338)	(2,442)	(123)	(318)	-	(3,896)
Amortisation	930	7,004	17,628	2,391	1,553	-	29,506
Depreciation and write-downs	-	141	9	-	-	-	150
Closing Balance Jan.1, 2016	**20,540**	**105,445**	**217,380**	**39,606**	**24,802**	**-**	**407,772**

NET BOOK VALUE	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation and advances	Total
Beginning Balance Jan.1, 2015	30,595	75,938	64,943	9,260	4,049	12,100	196,885
Changes in the consolidation area	1,546	4,028	9	-	-	43	5,626
Reclassification	-	28	(17)	(1)	-	(251)	(242)
Other changes	36	1,545	4,681	415	766	(7,443)	-
Acquisitions	2,864	1,439	11,830	419	437	12,609	29,598
Disposals	-	(6)	(22)	-	(8)	(21)	(57)
Amortisation	(1,205)	(6,683)	(19,331)	(2,731)	(1,695)	-	(31,645)
Depreciation and write-downs	-	(140)	-	-	-	-	(140)
Closing Balance Dec.31, 2015	33,835	76,147	62,093	7,362	3,550	17,037	200,025
Changes in the consolidation area	259	2,640	783	2	11	15	3,710
Reclassification	(1,979)	-	14	-	(2)	(296)	(2,263)
Other changes	108	684	5,292	310	463	(6,857)	-
Acquisitions	421	733	5,948	536	417	8,740	16,793
Disposals	(395)	(12)	(51)	(7)	(8)	(27)	(499)
Amortisation	(930)	(7,004)	(17,628)	(2,391)	(1,553)	-	(29,506)
Depreciation and write-downs	(19)	(141)	(9)	-	-	-	(169)
Closing Balance Dec.31, 2016	31,300	73,047	56,442	5,812	2,878	18,612	188,091

The main changes during the period were for:

- Increases in tangible assets under formation and advances for € 8,740k attributable in the amount of € 7,458k to towers and infrastructures classified under the item Towers and plants and equipment related to Towers classified under the items Plant and machinery and Technical and commercial equipment (including € 507k for plants related to the implementation of the network for the Cairo Communication Group), in the amount of € 1,282k to the development and implementation of the data transmission network of Nettrotter S.r.l.;

- Increases in the Item Towers in the amount of € 4,057k attributable in the amount of € 1,417k to the acquisition and construction of towers and in the amount of € 2,640k to the changes in the consolidation area determined by the acquisitions described in the paragraph 5, Business Combinations;

- Increases in the Item Land and building amounting to € 788k attributable in the amount of € 529k to the acquisition of some lots of land on which towers are located and in the amount of € 259k to the change in the consolidation area determined by the acquisitions described in the paragraph 5, Business Combinations;

- Increases in Plant and machinery amounting to € 12,037k attributable in the amount of € 5,292k to transfers of tangible assets under formation during previous years completed in 2016, in the amount of € 5,948k to the purchase of plants on towers (including € 4,213k for plants related to the implementation of the network for the Cairo Communication Group inclusive of personnel costs dedicated to this project in the amount of € 673k).

The write-downs of 2016 mainly relate to Towers no longer used and under disposal.

6.2 Goodwill

	Total
Beginning Balance Jan.1, 2015	**461,996**
Changes in the consolidation area	54,201
Reclassification	-
Other changes	1
Increases	-
Disposals	-
(Depreciation and write-downs)	-
Closing Balance Dec.31, 2015	**516,198**
Definition of PPA on Acquisitions in 2015	(36,657)
Net Closing Balance Dec.31, 2015	**479,541**
Changes in the consolidation area	24,232
Reclassification	-
Other changes	6
Increases	-
Decreases	-
(Depreciation and write-downs)	-
Net Closing Balance Dec.31, 2016	**503,779**

It should be noted that the Purchase Price Allocation process carried out, as provided for in IFRS3, related to the companies acquired in 2015 already described in the paragraph 5, Business Combinations, determined at December 31, 2015 a decrease in the item Goodwill amounting to € 36,657k due to the allocation in the amount of € 50,302k to the item Customer relations which consequently generated an increase in Deferred taxes in the amount of € 14,124k with an increase of the same amount in the item Goodwill as counterparty.

The increase in Goodwill in 2016, attributable to the changes in the consolidation area equal to € 24,232 k, includes:

- In the amount of € 553k the allocation of a part of the consideration for the acquisition of Fortress Italia S.r.l.;
- In the amount of € 2,203k the allocation of a part of the consideration for the acquisition of Sa Oghe T.C. S.r.l.;
- In the amount of € 497k the allocation of a part of the consideration for the acquisition of Giardino De Sanctis S.r.l.;

- In the amount of € 972k the allocation of a part of the consideration for the acquisition of Saga S.r.l.;
- In the amount of € 318k the allocation of a part of the consideration for the acquisition of Vip Electronics S.r.l.;
- In the amount of € 16,741k the allocation of a part of the consideration for the acquisition of Società Bresciana Telecomunicazioni S.r.l. and BT S.r.l.;
- In the amount of € 2,948k the allocation of a part of the consideration for the acquisition of FP Tower S.r.l..

With reference to the aforesaid acquisitions of Società Bresciana Telecomunicazioni S.r.l., BT S.r.l. and FP Tower S.r.l., as provided for in IFRS 3, a specific analysis of the consideration paid will be carried out within 12 months of the acquisition date in order to determine the fair value of net assets acquired and liabilities assumed. If at the end of the evaluation period tangible and intangible assets with finite useful lives are identified, an adjustment of provisional amounts recorded at the acquisition will be carried out with retroactive effect from the acquisition date.
At December 31, 2016 goodwill was subject to the impairment tests as required by IAS 36.

This assessment was done at the level of Cash Generating Units (CGUs) “Tower”, to which the value of goodwill is allocated, on the basis of multi-year plans approved by the Board of Directors.

The rate used to discount future cash flows was determined by calculating the weighted average cost of capital taking into account the target financial structure of comparable companies, the current market assessment of the cost of money for the plan period considered, and assuming a risk free rate equal to the average annual return on ten-year government debt securities in Italy, and a premium for long-term stock risk equal to 5.69%.

These assessments have been carried out by utilising an actuarial base rate, corresponding to the weighted average cost of capital net of taxes of 5.13% and a growth rate, used to extrapolate cash flows over the plan period of 1.1%, coinciding with the average inflation rate expected in the period.

These assessments confirmed the recoverability of the posted book values subjected to impairment tests of the CGU. For the assessment summarized above, sensitivity analyses were also carried out with respect to the financial parameters used for the determination of value in use. The discount rate was allowed to fluctuate in a range of +/-20% relative to the base figure, and the perpetual growth rate in a range of 0/2%. All sensitivity analyses confirmed that recoverable value for the CGU was greater than the book value.

It should be noted that the WACC which makes the value in use of the CGU equal to the book value is 12.1%, considering a growth rate to extrapolate cash flows over the plan timeframe equal to1.1%.

At comparable exchange rates, the reduction in EBITDA of the approved business plan and in the terminal value which makes the value in use of the CGU equal to the book value is equal to 58.8%.

6.3 Other intangible assets

HISTORICAL COST	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Beginning Balance Jan.1, 2015	9,659	138,931	-	12,241	42	7,575	168,448
Changes in the consolidation area	-	-	-	-	-	-	-
Reclassification	269	-	-	-	-	(54)	215
Other changes	5	-	-	-	(5)	-	-
Acquisitions	200	-	1	910	460	-	1,571
Disposals	-	-	-	-	-	-	-
Closing Balance Dec.31, 2015	10,133	138,931	1	13,151	497	7,521	170,234
Definition of PPA on Acquisitions in 2015	-	51,000	-	-	-	-	51,000
Closing Balance Dec.31, 2015	10,133	189,931	1	13,151	497	7,521	221,234
Changes in the consolidation area	119	13,504	-	-	-	19	13,642
Reclassification	296	1,967	-	-	-	-	2,263
Other changes	398	-	-	5	(403)	(7,500)	(7,500)
Acquisitions	300	10,300	-	2	72	-	10,674
Disposals	-	-	-	-	-	(21)	(21)
Closing Balance Dec.31, 2016	11,246	215,702	1	13,158	166	19	240,292

AMORTISATION AND DEPRECIATION	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Beginning Balance Jan.1, 2015	9,250	31,020	-	4,325	-	7,536	52,131
Changes in the consolidation area	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	(26)	(26)
Other changes	-	-	-		-	-	-
Disposals	-	-	-	-	-	-	-
Amortisation	367	6,160	-	858	-	3	7,388
(Depreciation), (write-downs)/write-ups	-	-	-	-	-	-	-
Closing Balance Dec.31, 2015	9,617	37,180	-	5,183	-	7,513	59,493
Definition of PPA on Acquisitions in 2015	-	698	-	-	-	-	698
Closing Balance Dec.31, 2015	9,617	37,878	-	5,183	-	7,513	60,191
Changes in the consolidation area	105	-	-	-	-	-	105
Reclassification	-	-	-	-	-	-	-
Other changes	-	-	-		-	(7,500)	(7,500)
Disposals		-	-	-	-	(13)	(13)
Amortisation	699	9,679	-	920	-	3	11,301
(Depreciation), (write-downs)/write-ups	-	-	-	-	-	-	-
Closing Balance Dec.31, 2016	10,421	47,557	-	6,103	-	3	64,084

NET BOOK VALUE	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Beginning Balance Jan.1, 2015	409	107,911	-	7,916	42	39	116,317
Changes in the consolidation area	-	-	-	-	-	-	-
Reclassification	269	-	-	-	-	(28)	241
Other changes	5	-	-	-	(5)	-	-
Acquisitions	200	-	1	910	460	-	1.571
Disposals	-	-	-	-	-	-	-
Amortisation	(367)	(6,160)	-	(858)	-	(3)	(7,388)
(Depreciation), (write-downs)/write-ups	-	-	-	-	-	-	-
Closing Balance Dec.31, 2015	515	101,751	1	7,968	497	8	110,740
Definition of PPA on Acquisitions in 2015	-	50,302	-	-	-	-	50,302
Closing Balance Dec.31, 2015	515	152,053	1	7,968	497	8	161,042
Changes in the consolidation area	14	13,504	-	-	-	19	13,537
Reclassification	296	1,967	-	-	-	-	2,263
Other changes	398	-	-	5	(403)	-	-
Acquisitions	300	10,300	-	2	72	-	10,676
Disposals	-	-	-	-	-	(8)	(8)
Amortisation	(699)	(9,679)	-	(920)	-	(3)	(11,302)
(Depreciation), (write-downs)/write-ups	-	-	-	-	-	-	-
Closing Balance Dec.31, 2016	824	168,145	1	7,055	166	16	176,207

It should be noted that the Purchase Price Allocation process carried out, as provided for in IFRS3, determined the following effects:

- an increase amounting to € 50,302k in the item Customer relations related to the companies acquired in 2015 described in the paragraph 5, Business Combinations, with impact on the items of the financial statements at December 31, 2015 (restatement);
- an increase amounting to € 13,504k in the item Customer relations related to the companies acquired in 2016 described in the paragraph 5, Business Combinations.

Moreover, there was an increase amounting to € 10,300k in the item Customer relations related to assets acquired during 2016.

The increase in Item Patents and intellectual property rights is attributable in the amount of € 777k to the "*in house*" management project for the main information systems and related licenses, in the amount of €122k to the extension of Auge Remote Control system linked to the implementation of the network for the Cairo Communication Group and for the remaining amount to the development of the new system called "Banca Dati Postazioni" (Tower Database).

6.4 Equity investments in associated and jointly-controlled companies

The following table summarises holdings held on the basis of ownership percentages and the book values of equity investments accounted for using the equity method in the two years concerned.

	Dec.31, 2016		Dec.31, 2015	
	Stake	Book value	Stake	Book value
Società Funivie della Maddalena S.p.A.	30.99%	713	-	-
Total		**713**		**-**

On November 30, EIT Radio S.r.l., by acquiring the entire share capital of Società Bresciana Telecomunicazioni S.r.l. then merged into the acquirer on December 20, acquired, indirectly, 30.99% of the share capital of Società Funivie della Maddalena S.p.A.

6.5 Other financial assets

	Dec. 31, 2016	Dec. 31, 2015
Other investments	57	46
Guarantee deposits and Other financial assets	889	784
Total	**946**	**830**

The item Guarantee deposits and Other financial assets included amounts paid as a deposit for lease agreements of lots of land on which Towers are located and the consideration paid out for the purchase options of the shares representing the total share capital of the Companies Segit S.r.l. (€ 60k), Artel S.r.l. (€ 40k), Mantignana (€ 60k).

The item Other investments includes interests in the joint ventures “Consorzio Vedetta” and “Consorzio Cefriel” and two minority interests in the share capital of Banca Valsabbina and Credito Cooperativo di Brescia held by Società Bresciana Telecomunicazioni S.r.l. before the acquisition.

6.6 Deferred tax assets and liabilities

	Dec.31, 2016	Dec.31, 2015
Deferred tax assets	5,940	5,051
Deferred tax liabilities	(56,567)	(56,480)
Net position	**(50,627)**	**(51,429)**

The following tables show separately for assets and liabilities the changes in deferred taxes over the past two years.

The tax assets and liabilities relating to actuarial valuations of defined benefit schemes are accounted directly in the income statement and no deferred tax assets are recorded in the balance sheet.

DEFERRED TAX ASSETS	Balance at Jan.1	Through Income Statement	Through Shareholders' Equity	Business combinations / Changes in consolidation area	Other changes	Balance at Dec.31
2015	6,334	(1,202)	(103)	-	22	5,051
2016	5,051	588	198	103	-	5,940

DEFERRED TAX LIABILITIES	Balance at Jan.1	Through Income Statement	Through Shareholders' Equity	Business combinations / Changes in consolidation area	Other changes	Balance at Dec.31
2015	(48,465)	6,259	-	(14,124)	(150)	(56,480)
2016	(56,480)	3,693	-	(3,780)	-	(56,567)

The item Deferred tax assets amounted to € 5,940k and corresponds to deferred tax assets determined based on temporary differences between the value recorded in the balance sheet and corresponding values recognized for fiscal purposes.

The item Deferred tax liabilities amounted to € 56,567k and corresponds to deferred tax liabilities determined based on temporary differences between the value recorded in the balance sheet and corresponding values recognized for fiscal purposes. The increase amounting to € 3,780k in deferred tax liabilities due to the change in the consolidation area includes the recognition of the tax effect of the allocation to Customer relations of part of the consideration for the companies acquired in 2016, for which the Purchase Price Allocation was completed, as described in further detail in paragraph 5, Business combinations.

The change in the consolidation area in 2015 includes the recognition of the tax effect of the allocation to Customer relations of part of the consideration for the companies acquired in the period.

The following is a breakdown of the temporary differences that generated deferred tax assets and liabilities.

	Temporary gap	Tax effect Dec.31, 2016	Temporary gap	Tax effect Dec.31, 2015
Deferred tax assets related to:				
Property, plant and equipment	755	211	630	160
Provision for receivables write-off	10,184	2,444	7,324	1,757
Provisions for risks and charges	3,518	951	2,971	847
Post-employment benefit plans	5,523	1,326	4,698	1,292
Inventories	2,911	812	3,014	841
Other temporary differences	768	196	579	154
TOTAL	**23,659**	**5,940**	**19,216**	**5,051**

It should be noted that, among the most significant components of deferred tax assets, the tax effect related to the Provision for receivables write-off amounted to € 2,444k, the effect related to the Provision for risks and charges amounted to € 951k and was from the Provision for restoration of Towers and from the Provision for contractual risks, and the effect related to depreciation of inventories amounted to € 812k.

	Temporary gap	Tax effect Dec.31, 2016	Temporary gap	Tax effect Dec.31, 2015
Deferred tax liabilities related to:				
Property, plant and equipment	19,717	5,396	21,556	5,973
Non current intangible assets	179,206	49,998	170,533	47,878
Post-employment benefit plans	4,038	1,110	3,875	1,066
Other temporary differences	261	63	4,915	1,563
TOTAL	**203,222**	**56,567**	**200,879**	**56,480**

The tax effect amounting to € 49,998k mainly attributable to Customer relations recorded as intangible asset and the effect related to the allocation of gains generated from acquisitions carried out in previous years amounting to € 5,396k, are among the main significant components of deferred tax liabilities.

7. CURRENT ASSETS

7.1 Inventories

At the end of the period, this item could be broken down as follows:

	Balance at Dec.31, 2016	Balance at Dec.31, 2015
Raw materials, ancillary materials and consumables	6,037	5,916
Goods	26	-
Finished goods	-	-
Total	6,063	5,916
Provision for devalued raw materials, ancillary materials and consumables	(2,911)	(3,014)
Provision for devalued finished goods	-	-
Total inventories	**3,152**	**2,902**

The changes in the provision for devalued inventory occurred during the year are reported below.

	Value at Dec.31, 2015	Changes in the consolidation area	Allocations	Uses	Other changes	Value at Dec. 31, 2016
Provision for devalued raw materials	(3,014)	-	(54)	157	-	(2,911)
Total	**(3,014)**	**-**	**(54)**	**157**	**-**	**(2,911)**

Raw materials, ancillary materials and consumables for a net value of € 3,126k include spare parts and accessories for the maintenance and installation of transmission plants.

The Provision for devalued raw materials amounted to € 2,911k and relates to materials with slow turnover for which, after an attentive analysis of turnover indexes, an impairment has been carried out depending on their estimated market value.

This provision increased during the year due to provisions amounting to € 54k and decreased following the scrapping of spare parts, wholly written down, in the amount of € 157k.

7.2 Trade receivables

Trade receivables were made up as follows:

	Balance at Dec.31, 2016		Balance at Dec.31, 2015	
	Total	Due within 1 year	Total	Due within 1 year
Receivables from customers	30,304	27,425	25,430	21,762
Receivables from related parties	1,028	1,028	687	687
Total	**31,332**	**28,453**	**26,117**	**22,449**

Receivables from customers have been recorded net of a Provision for receivables write-off of € 9,584k.

The changes in the Provision for receivables write-off are reported below.

	Value at Dec.31, 2015	Allocations	Uses	Other changes	Value at Dec.31, 2016
Provision for receivables write-off	6,524	3,111	(55)	4	9,584

In 2016 an additional provision amounting to € 3,111k was accounted in order to reflect the estimated realisable value of receivables.

Details of type, risk class, concentration and deadline of trade receivables will be found in Note 13.

Details of receivables from related parties are given in Note 15 (Related party transactions).

Receivables due after one year amounted to € 2,879k and mainly refer to the extension granted to the client Prima TV S.p.A. and Fantasy Way S.r.l.

7.3 Tax receivables

The item tax receivables, which totals € 6k included net Irap (regional tax on business activities) credit at December 31, 2016 of EIT Radio S.r.l..

7.4 Other receivables and current assets

	Dec.31, 2016	Dec.31, 2015
Other receivables	4,836	4,650
Prepayments and accrued income	6,239	4,425
Total	**11,075**	**9,075**

The item Other receivables, shown net of depreciation amounting to € 1,468k, decreased compared to the previous year mainly due to lower VAT receivables amounting to € 848k while increased in the amount of € 1,084k mainly due to the changes in the consolidation area attributable to the acquisition made in 2016.

The aforesaid item included:

- VAT receivables from tax authorities amounting to € 1,731k;
- Other tax receivables amounting to € 441k mainly related to IRES receivables connected to the request for reimbursement ex Legislative Decree 185/2008 and Legislative Decree 201/2011 for a total amount of € 340k, IVA receivables relating to prior years amounting to € 59k, other receivables amounting to € 42k.
- Advance payments to suppliers amounting to € 527k;
- Advance payments to employees for business trips amounting to € 202k;
- Other receivables amounting to € 1,934k including € 641k related to the acquisition of Società Bresciana Telecomunicazioni S.r.l. that arose before the acquisition of that company.

Prepayments and accrued income increased compared to the previous year due to the changes in the consolidation area.

7.5 Cash and cash equivalents

Here follows the breakdown of this item:

	Dec. 31, 2016	Dec. 31, 2015
Cash in hand	13	32
Cash and cash equivalents	93,975	103,429
Total	**93,988**	**103,461**

The item Cash in hand represents cash on hand at the reference date at the headquarter or local offices.

The item Cash and cash equivalents consists of credit balance of bank current accounts of the companies of the Group.

An analysis of the changes in cash flow will be found in the Consolidated Cash Flow Statement.

NOTES ON MAIN LIABILITIES ITEMS

8. SHAREHOLDERS' EQUITY

8.1 Share Capital

At December 31, 2016 the Share Capital of the Group, the same as that of the Group Parent, was fully subscribed and paid up. It is made up of 28,262,377 ordinary shares with a nominal value of 0.10 Euro each, and a total value of € 2,826k.

No changes occurred during the year.

8.2 Share-premium reserve

At December 31, 2016 the Share-premium reserve amounted to € 194,220k.

No changes occurred during the year.

8.3 Treasury shares

This item includes EI Towers S.p.A. shares, the acquisition of which was authorised time by time by resolutions of the General Meetings of Shareholders. The Meeting of EI Towers S.p.A. with resolution dated April 21, 2016, finally authorised the Board of Directors to purchase share of the company till the maximum number allowed by law. This power is valid till the approval of the financial statements at December 31, 2016. On July 26, 2016, the Board of Directors resolved to adopt a buy-back programme relating to maximum no. 1,413,119 treasury shares, representing 5% of the share capital (the "Programme"). The Programme, which started in September 2016, aims at purchasing shares of the Company, directly or through authorized intermediaries, to set up a so-called "securities warehouse" so that the Company may hold and dispose of the shares for possible use as payment in the context of extraordinary transactions, including the exchange of equity investments, with other persons in the context of transactions of interest to the Company.

	2016		2015	
	Number of shares	Book value	Number of shares	Book value
Beginning Balance	62,526	1,845	62,526	1,845
Additions	350,907	15,614	-	-
Disposals	-	-	-	-
Changes in the consolidation area	-	-	-	-
Closing Balance	**413,433**	**17,459**	**62,526**	**1,845**

On the date of commencement of the Programme, the Company held no. 62,526 treasury shares, equal to 0.22% of the share capital. In 2016, in line with the Programme, the Company purchased no. 350,907 treasury shares, equal to 1.24 % of the share capital.

8.4 Other reserves

The item Other reserves at December 31, 2016 amounted to € 408,490k (€ 360,551k at December 31, 2015).

The item increased in the year due to the allocation of the profit for the year according to the meeting’s resolution dated April 21, 2016.

It should be noted that the change amounting to € 68k as a consequence of the expiration of a stock option plan is no longer be exercisable.

8.5 Valuation reserves

	Dec.31, 2016	Dec.31,2015
Stock option plans	-	68
Actuarial Gains/(Losses)	(3,076)	(2,448)
Total	**(3,076)**	**(2,380)**

The table below illustrates the changes to these reserves during the year:

Valuation reserves	Balance at Jan.1	Increase/ (Decrease)	Through Profit and Loss Account	Opening balance adjustments of the hedged item	Fair Value adjustments	Deferred tax effect	Balance at Dec.31
Stock option plans	68	(68)	-	-	-	-	-
Actuarial Gains/(Losses) on defined benefit plans	(2,448)	(825)	-	-	-	197	(3,076)
Total	**(2,380)**	**(893)**	**-**	**-**	**-**	**197**	**(3,076)**

The Reserve for stock option plans was reduced to zero as a consequence of the expiry of a three-year stock option plan, no longer exercisable, granted by Mediaset during 2010 for the quota related to the EI Towers Group's employees.

The Reserve for actuarial gains and losses, with a negative balance of € 3,076k, includes the actuarial components relating to the valuation of defined benefit schemes, booked directly in Net Equity.

8.6 Retained earnings

	Dec.31, 2016	Dec.31, 2015
Retained earnings	8,309	8,764
Total	**8,309**	**8,764**

The item decreased in 2016 mainly due to the allocation of the net profit for 2015, while increased in the amount of €124k following the effects on the income statement of the accounting under IAS 17 of two finance leases held by Società Bresciana Telecomuncazioni S.r.l. and BT s.r.l. already in effect at the acquisition date.

8.7 Profit (Loss) for the year

The item includes the net result for the year amounting to € 44,467k.

9 NON-CURRENT LIABILITIES

9.1 Post-employment benefit plans

Benefits to employees who qualify for Employee Leaving Indemnity (Italian TFR) under Italian legislation are considered under IAS 19 as post-employment benefits, and must be recognized on the balance sheet according to actuarial valuations.

The procedure for determining the Group's obligations to its employees was carried out by an independent actuary, according to the following steps:

- Projection of the Employee Leaving Indemnity already accrued at the valuation date up until the point in the future when the contract of employment will terminate, or the when the accrued amounts are partially paid as advances on Employee Leaving Indemnity.
- Discounting, at the valuation date, of the cash flows the Group will pay to its employees in the future.
- Realigning the discounted benefits on the basis of the employee's length of service at the valuation date compared to the length of service expected on the hypothetical date of payment by the Group.

The valuation of Employee Leaving Indemnity according to IAS 19 is conducted "ad personam" with a closed population, i.e. detailed calculations were made for each employee without taking into account any employees who may be taken on in the future.

The actuarial valuation model is based on "technical bases" which are the demographic, economic and financial assumptions relating to the calculation parameters. The assumptions are summarised below:

EMPLOYEE LEAVING INDEMNITY - DEMOGRAPHIC, ECONOMIC-FINANCIAL ASSUMPTIONS	
Demographic assumptions	
Death probability	ISTAT survival table, divided by age and gender, as of 2015
Probability of leaving the Group	Percentages for retirement, resignation/dismissal, contract expiry have been taken from the observation of Company data. Concerning permanent staff, the timeframe considered is till the contractual expiry date, supposing no advance leaving. Actuarial valuation took into consideration the new date when the post-employment plan becomes effective according to the Legislative Decree no. 201 dated December 6, 2011 relating to "Urgent provisions for growth, fairness and the consolidation of public accounts" ("*Disposizioni urgenti per la crescita, l'equità e il consolidamento dei conti pubblici*"), converted with amendments into Law no. 214 of December 22, 2011, and the adjustment of the requirements to access post-employment plans in accordance with life expectancy, according to article no. 12 of the Legislative Decree dated May 31, 2010, no. 78, amended by Law no. 122, dated July 30, 2010.
TFR advance	Frequencies of advances and average percentage of TFR requested in advance have been taken from the observation of historical data for the Company.
Supplementary retirement scheme	Those who entirely pay their TFR to supplementary schemes relieve the Company from any commitments with respect to TFR and are not assessed. For other employees, their position has been assessed by considering their actual choices updated at December 31, 2016.
Severance pay share to remuneration (Qu. I. R.)	The employee's choice of exercising the option concerning an advance on severance pay (TFR) in payroll can be made at any time between March 1, 2015 and June 30, 2018 and is irrevocable. The actuarial assessment has been carried out taking into consideration the choices effectively espressed by employees at the date of the assessment submitted by the Group's Companies, without making any assumption in that regard.
Economic-financial assumptions	
Inflation rate	A rate of 1.20% has been adopted in 2017 and a rate of 1.5% in the following years, in the medium scenario of expected inflation deducted from the "Update of the Economic and Financial Document 2016" ("*Nota di Aggiornamento del Documento di Economia e Finanza 2016*").
Discount rates	According to IAS 19R, the discounting rate adopted has been determined regarding bond market yield of top companies at the valuation date. In this respect, the curve of "Composite" interest rates of securities issued by Corporate issuers rating A "Investment Grade" Euro area class (source: Bloomberg) has been used at December 31, 2016.

The changes in the provision for post-employment benefits are summarised in the following table:

	2016	2015
Balance at the beginning	**11,744**	**12,745**
Service Cost	15	15
Actuarial (gains)/losses	825	(375)
Interest Cost	4	17
Indemnities paid	(694)	(658)
Other changes	15	-
Changes in the consolidation area	-	-
Balance at Dec.31st	**11,909**	**11,744**

A sensitivity analysis was carried out on the main assumptions used in the measurement model in accordance with IAS 19.

In particular, it is reported that:

- a change in discount rates of +/-50 basis points leads to a change in the provision for employee termination indemnity provision of about € 550k;
- a change in inflation rate of +/-50 basis points leads to a change in the provision for employee termination indemnity provision of about € 335k;
- a change in the probability of termination of the employment relationship of +/-50% leads to a change in the provision for employee termination indemnity provision of about € 61k.

9.2 Payables and financial liabilities

	Dec.31, 2016	Dec.31, 2015
Bond loan	228,599	226,977
Total	**228,599**	**226,977**

The item Bond loan refers to the non-current portion of the Eurobond issued by EI Towers S.p.A. on April 18, 2013 with a term of 5 years and total nominal value of € 230m. This bond was recorded in financial statements using the amortized cost method based on an internal rate of return of 4.35%.

9.3 Provisions for risks and charges

The following table provides the breakdown and changes in these provisions:

	2016	2015
Balance at Jan.1st	**4,161**	**3,342**
Provisions	1,470	1,219
Releases	(212)	(157)
Uses	(613)	(243)
Changes in the consolidation area	-	-
Balance at Dec.31st	**4,806**	**4,161**
Of which:		
current	-	-
non-current	4,806	4,161
Total	**4,806**	**4,161**

Provisions for risks are due to charges for recovery of sites hosting Group's infrastructures where there are legal or implicit obligations for € 1,645k and for the remaining amount mainly to provisions for contractual risks.

The items Uses and Releases mainly refer to the settlement of contingent liabilities.

10 CURRENT LIABILITIES

10.1 Payables to banks

	Dec. 31, 2016	Dec. 31, 2015
Loans	592	-
Credit lines	40	-
Current account overdraft	48	-
Total	**680**	**-**

The item Payables to banks includes the short-term exposure to the banking system originally held by Società Bresciana Telecomunicazioni S.r.l.. More specifically, the Item Loans includes four bank loans with: Banca Valsabbina (two loans) amounting to € 143k; Credem, one loan amounting to €189k; Banco Popolare (today Banco BPM), one loan amounting to € 260k.

10.2 Supplier payables

	Balance at Dec.31, 2016			Balance at Dec.31, 2015
	Total	Due		
		Within 1 year	After 1 year	
Due to suppliers	32,732	32,732	-	40,197
Due to related parties	1,698	1,698	-	1,145
Total	**34,430**	**34,430**	**-**	**41,342**

The item Due to suppliers mainly refers to purchases concerning the supply of goods and services for the management of infrastructures.

The item Due to related parties refers to payables to subsidiary and associated companies and to the parent company. These payables are detailed in the following note 15 (Related Party Transactions).

10.3 Tax payables

	Dec.31, 2016	Dec.31, 2015
Tax payables for Ires	3,077	582
Tax payables for Irap	387	120
Total	**3,464**	**702**

This item, amounting to € 3,464k represents the debt, net of tax prepayments, of the companies of the Group in respect of Ires (corporate income tax) and Irap (regional tax on business activities) for the year.

The company EI Towers S.p.A. as consolidating company and the subsidiaries Towertel S.p.A., Nettrotter S.r.l. and EIT Radio S.r.l. as consolidated companies come within the national group taxation, regulated by article 117 and subsequent of the Decree by the President of the Republic no. 917/1986 and the Ministerial Decree dated June 9, 2004. The exercise of the option is regulated according to the agreements between the parties.

10.4 Other financial liabilities

	Dec.31, 2016	Dec.31,2015
Bond loan	6,080	6,731
Financial liabilities	1,188	-
Total	**7,268**	**6,731**

The item Bond loan refers to the current portion of the Eurobond issued by EI Towers S.p.A. on April 18, 2013 for a book value of € 230m.

The Item Financial liabilities includes:

- in the amount of € 883k liabilities, including interest expenses accrued, related to some leases held by Società Bresciana Telecomunicazioni S.r.l., already in effect at the acquisition date, with companies belonging to the previous Group;
- in the amount of € 305k liabilities for two finance leases held by Società Bresciana Telecomunicazioni S.r.l. and BT S.r.l.

10.5 Other current liabilities

	Dec. 31, 2016	Dec. 31, 2015
Due to social security institutions	1,731	1,672
Advance payments	26	176
Other payables	19,424	24,049
Accrued and deferred income	8,506	5.622
Total	**29,687**	**31,519**

The item Due to social security institutions includes payables due to social security institutions related to the portion of salary and collaboration of December 2016.

The item Advance payments includes advances from customers amounting to €26k.

The Other payables item mainly refers to the payable, including the earn out estimated share, for the acquisitions completed in 2016 and in previous years in an amount equal to € 12,392k; payables to employees in the amount of € 3,075k (14th-month payments and related contributions, overtime payables and contributions and production bonus), payables to directors and auditors in the amount of € 553k, payables for deductions for € 1,451k, payables to third parties for supplementary contribution for € 250k.

The item Accrued and deferred income includes deferred income due to revenues over the year amounting to € 8,506k. The increase for the period in this Item is mainly due to the change in the consolidation area.

10.6 Net financial position

The breakdown of the Consolidated Net Financial Position is given below as provided for by the Consob communication no. 6064293 of July 28, 2006 showing the current and non-current net financial debt of the Group. For each of the items reported, the related note reference is also indicated.

Below is a breakdown of certain financial position items. As necessary, please refer to individual financial statement items for comments on the main changes in these items.

	Dec.31, 2016	Dec.31, 2015
Cash in hand	13	32
Other cash equivalents	93,975	103,429
Securities and other current financial assets	-	-
Liquidity	**93,988**	**103,461**
Current financial receivables	-	-
	-	-
Current payables due to banks	(680)	-
Current portion of non-current financial debt	(6,080)	(6,731)
Payables and other current financial liabilities	(1,188)	-
Current financial debt	**(7,948)**	**(6,731)**
Current Net Financial Position	**86,040**	**96,730**
Non-current payables due to banks	-	-
Bond loan	(228,599)	(226,977)
Payables and other non-current financial liabilities	-	-
Non-current financial debt	**(228,599)**	**(226,977)**
Net Financial Position	**(142,559)**	**(130,247)**

The item Cash in hand refers to the cash on hand at the reference date at the headquarter or local offices.

The item Other cash equivalents consists of the credit balances of the bank current accounts of the Group's companies.

The item Current payables due to banks at December 31, 2016 includes the short-term exposure to the banking system originally held by Società Bresciana Telecomunicazioni S.r.l., and more specifically four bank loans with: Banca Valsabbina (two loans) amounting to € 143k; Credem, one loan amounting to €189k; Banco Popolare (today Banco BPM), one loan amounting to € 260k.

The Current portion of non-current financial debt includes the share for the period of the interests on the bond loan measured at amortized cost.

The item Payables and other current financial liabilities includes:

- in the amount of € 883k liabilities, including interest expenses accrued, related to some leases held by Società Bresciana Telecomunicazioni S.r.l., already in effect at the acquisition date, with companies belonging to the previous Group;
- in the amount of € 305k liabilities for two finance leases held by Società Bresciana Telecomunicazioni S.r.l. and BT S.r.l., already in effect at the acquisition date.

The item Bond loan includes the measurement at amortized cost of the Eurobond already described.

NOTES ON MAIN STATEMENT OF INCOME ITEMS

11. INCOME STATEMENT

11.1 Revenues from sales and services

Below is a breakdown of these revenues with the main categories highlighted:

	2016	2015
Revenues from hosting and contract services	250,081	240,804
Revenues from plant installation and restoration	1,348	999
Revenues from sale of materials	104	4
Total	**251,533**	**241,807**

Revenues from hosting and contract services mainly included revenues for hosting, assistance and maintenance services, logistics and use of transmission infrastructure, head end and design. It should be noted that the subject item consists of revenues from the parent company Elettronica Industriale S.p.A. amounting to € 178,902k. The increase in this item compared to the previous year is basically attributable to the contract for the implementation of the network for the Cairo Communication Group and to the changes in the consolidation area.

The item Revenues from plant installation and restoration included revenues for the management of equipment installation and restoration and includes revenues for restoration services to the parent company Elettronica Industriale S.p.A. for € 650k.

The percentage of revenues from the parent company Elettronica Industriale on consolidated revenues was 71%.

11.2 Other revenues and income

This item amounting to € 1,204k mainly includes the capital gain, in the amount of € 1,089k, realised during the year on the disposal of the property located in Ascoli.

11.3 Personnel costs

	2016	2015
Ordinary pay	23,324	23,012
Overtime	697	597
Special benefits	2,912	2,892
Additional salary period (13th and 14th salary period)	3,437	3,446
Accrued holiday pay	39	6
Total wages and salary	**30,409**	**29,953**
Social security contributions	9,903	9,918
Employee leaving indemnity	15	15
Retirement pay	-	-
Other expenses	3,413	3,260
Gross total personnel expenses	**43,740**	**43,146**
Capitalization of labour costs	(673)	(943)
Net total personnel expenses	**43,067**	**42,203**

The increase in this item is mainly due to the overall dynamic of labour costs, higher lay-off incentives paid compared to the previous year in the amount of € 125k, lower capitalization of EI Towers S.p.A.’s labour costs, in the amount of € 270k, attributable to the implementation, in the first half of the year, of the network for the Cairo Communication Group and the increase in the amount of € 134k of the extraordinary component of labour cost including daily allowances.

The item Other expenses amounted to € 3,413k and mainly includes expenses for the Employee leaving indemnity transferred to pension funds (€ 1,774k) and short-term benefits for employees including medical assistance, company cars, canteen services and other goods and services offered free or at a reduced price. The item also includes lay-off incentives for employees for € 570k (€ 445k in 2015) and fees paid to the directors employed by Group companies amounting to € 246k.

11.4 Purchases, services and other costs

	2016	2015
Purchases	**2,804**	**3,354**
Change in the inventories of raw materials, work in progress, semifinished and finished goods	**(251)**	**(349)**
Increase for internal work	**(2,663)**	**(2,940)**
Cost for professional, technical and administrative services	8,680	7,980
Seconded personnel, travelling expenses and bill of charges	1,294	1,203
Consumption	13,624	14,190
Maintenance	13,983	12,953
Bank and insurance services	822	870
Other services	4,014	4,559
Total services	**42,417**	**41,755**
Leasing and rentals	**44,735**	**44,566**
Provisions for risks	**1,258**	**1,062**
Other operating costs	**1,743**	**2,024**
Total purchases, service and other costs	**90,043**	**89,472**

The item Purchases mainly includes purchases for raw materials, spare parts and accessories.

The item Increase for internal work includes lower costs for the capitalization of additional charges for the installation of plants (ancillary materials and third party production).

The increase in item Cost for professional, technical and administrative services is mainly attributable to higher costs linked to the changes in the consolidation area and costs for commercial activities designed to develop the activities of Nettrotter S.r.l.. It should be noted that non-ordinary charges related to company acquisition transactions carried out during the year amounted to € 2,940k (€ 3,613k in the previous year).

The item Other services includes charges for vigilance and surveillance at the head-offices and local offices amounting to € 1,130k, company information system service supplied by the indirect parent company R.T.I. S.p.A. in the amount of € 923k (€ 1,230k in 2015), transport, storage and porter charges for € 399k, cleaning and waste disposal charges for € 541k.

The item Rent, lease and similar costs includes charges for the rent of satellite segments in the total amount of € 21,117k, rental of lands and hosting on third party towers in the amount of € 20,234k, other rentals mainly related to the offices located in Lissone and other secondary offices in the amount of € 1,621k. The change in that item compared to the previous year is mainly due to the decrease in expenditure on the rental of satellite segments and the increase in rent of land and hosting on third party towers due to the change in the consolidation area.

The item Provisions for risks reflects the assessment with relation to the risks of the Group.

The item Other operating costs includes charges, taxes and government licenses, local taxes amounting to € 1,126k, charges related to the conclusion of litigations amounting to € 188k, membership fees amounting to € 114k, capital losses on the sale of fixed assets amounting to € 123k.

11.5 Amortization, depreciation and write-downs

	2016	2015
Amortisation of tangible assets	29,505	31,645
Amortisation of intangible assets	11,302	8,086
Write-downs of fixed assets	169	140
Write downs of receivables	3,111	147
Total amortisation, depreciation and write-downs	**44,087**	**40,018**

Amortization amounted to € 29,505k for tangible assets and € 11,302k for intangible assets. The impacts of the allocation to Customer relations of the goodwill arising from the Purchase Price Allocation related to the acquisitions completed in 2015 and 2016 determined higher amortization of intangible assets.

The item Write-downs of receivables includes the provision for bad debts.

Write-downs of fixed assets relate, in the amount of € 141k, to Towers no longer used or under disposal.

11.6 Financial charges

	2016	2015
Interests on financial liabilities	(9,958)	(9,873)
Other financial losses	(33)	(92)
Foreign exchange losses	(3)	(3)
Total financial losses	**(9,994)**	**(9,968)**

The item Interests on financial liabilities is attributable in the amount of € 9,883k to the interest charges measured at the amortized cost related to the bond loan and in the amount of € 75k to interest charges paid on existing loans in the companies acquired.

The item Other financial losses includes € 4k related to financial charges for the discounting of the Employee Termination Indemnity and € 8k related to the advanced closing of the loans attributable to the change in the consolidation area and € 21k related to other financial charges.

11.7 Financial income

	2016	2015
Interests on financial assets	570	1,347
Total financial gains	**570**	**1,347**

The item Interests on financial assets decreased compared to the previous year due to the reduction in liquidity remuneration rates and lower average deposits on bank current accounts.

In particular, this item includes:

- interest income for the period related to bank and postal deposits amounting to € 127k;
- interest income for payment extension for € 436k;
- Interest income on financial receivables and other income equal to € 7k.

Financial income/charges recognised according to IAS 39

The table below summarises the gains and losses recorded on the income statement, classified according to IAS 39 categories. For more detail please refer to Note 13, which contains additional information on financial instruments and risk management policies.

	2016	2015
Liabilities evaluated with amortized cost method	9,883	9,844
Financial assets held to maturity	-	-
Loans and receivables	(463)	(1,240)
Financial assets available for sale	-	-
Other financial income/(losses)	4	17
Total financial income/(losses)	**9,424**	**8,621**

The item Other financial income/(losses) includes charges relating to the discounting of employee termination indemnity.

11.8 Income taxes

	2016	2015
Ires tax	22,151	19,154
IRAP tax	3,826	3,193
Advanced taxes	(588)	1,202
Deferred taxes	(3,693)	(6,478)
Total	**21,696**	**17,071**

The change in IRES (corporate income tax) and Irap (regional tax on business activities) belonging to the financial year, compared to those for 2015 is caused by the increase in the taxable base, relative to the performance of the financial results achieved in the financial year by the Group companies, higher non-deductible provisions, together with lower uses of the provision for receivables write-off compared to 2015 and the increase in the rate of non-deductible amortization originating from the allocation to Customer relations of the goodwill deriving from the Purchase Price Allocation of the companies acquired.

The items Deferred tax assets and liabilities comprise in the financial movements for the year relative to the posting and/or usage that is generated by the impact of the progress of the temporary differences between the fiscally allowed and the statutory values of assets and liabilities.

It should be noted that the adjustment, made at December 31, 2015, of deferred tax assets and the provision for deferred tax liabilities on the basis of the new IRES rate equal to 24% applicable from January 1, 2017 as provided for by law 208/2015, determined respectively the recognition of a charge to the income statement amounting to € 463k and an income to the income statement amounting to € 4,709k.

The following is a reconciliation of the tax rate in force in Italy (corporate income tax) for the years 2016 and 2015, and the Group's actual tax rate:

	2016	**2015**
Current tax rate	31.4%	31.40%
IRAP tax non deductible expenses	1.71%	4.90%
Deferred and advanced taxes	-6.07%	-5.50%
Taxes previous year	0.22%	-0.01%
Non deductible expenses and consolidation adjustment with no tax	5.56%	-4.26%
Actual tax rate	**32.82%**	**26.53%**

11.9 Consolidated net result

The consolidated net result as at December 31, 2016, including the result attributable to minority interests, amounted to € 44,420k.

11.10 Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	December 31, 2016	**December 31, 2015**
Net profit for the year (thousands of euro)	**44,467**	**47,291**
Weighted average number of ordinary shares (without own shares)	28,152,887	28,199,851
Basic EPS	**1.58**	**1.68**
Weighted average number of ordinary shares for the diluted EPS computation	28,152,887	28,199,851
Diluted EPS	**1.58**	**1.68**

The figure for earnings per share is determined by reconciling the Group's net profit with the weighted average number of shares in circulation during the period, net of own shares. The figure for diluted shares is determined by calculating the number of shares in circulation and the potential diluting effect from the allocation of own shares to the beneficiaries of accrued stock option rights.

NOTES ON MAIN CASH FLOW STATEMENT ITEMS

12. CASH FLOW STATEMENT

Cash flow generated by operating activities increased compared to 2015 due to greater operating profitability and lower disbursement for the payment of income taxes (€ 22,041k compared to €24,612k in 2015), partly offset by higher absorption of working capital.

The net flow absorbed by investing activities includes investments in tangible and intangible assets in the total amount of € 27,467k, including purchases of assets (contracts, land and towers) in the amount of €11,029k, and business combinations net of cash acquired equal to € 41,725k related to the acquisitions described above (€ 49,010k in 2015).

Cash flow absorbed by financing activities is due to the payment of the coupon of the bond loan made in the period, net of interests received relating to liquidity held in banks, in the amount of € 8,477k (€ 7,902k in 2015) and to the buy-back of treasury shares in the amount of € 15,615k. The decrease compared to the previous year is due to the fact that in 2016 no dividends were distributed compared to € 31,020k paid in 2015.

OTHER INFORMATION

13. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The tables below include an analysis, separately for the two years being compared, regarding the additional information asked for by IFRS 7, for the purpose evaluating the relevancy of the financial instruments with reference to the Balance Sheet and Financial situations and the Income Statement result of the Group.

Categories of financial assets and liabilities

Here below is a breakdown of the book value of financial assets and liabilities in the categories laid down by IAS 39 at December 31, 2016.

ITEM OF BALANCE	Financials instruments evaluated at fair value held for trading	Instruments evaluated at fair value held for designation	Loans and receivables	Financials instruments held to maturity	Financials instruments available for sale	BOOK VALUE
NON-CURRENT ASSETS						
equity investments	-	-	770	-	-	**770**
Receivables	-	-	889	-	-	**889**
receivables from parent company	-	-	-	-	-	-
receivables from subsidiaries/associated companies	-	-	-	-	-	-
CURRENT ASSETS						
receivables from customers	-	-	30,304	-	-	**30,304**
trade receivables from parent company	-	-	379	-	-	**379**
trade receivables from associated companies	-	-	619	-	-	**619**
trade receivables from related parties	-	-	30	-	-	**30**
receivables from parent company	-	-	-	-	-	-
receivables from subsidiaries/associated companies	-	-	-	-	-	-
bank and postal deposits	-	-	93,975	-	-	**93,975**
cash and cash equivalent	-	-	13	-	-	**13**
Securities	-	-	-	-	-	-
TOTAL FINANCIALS ASSETS	**-**	**-**	**126,979**	**-**	**-**	**126,979**

ITEM OF BALANCE	Financials instruments held for trading	Instruments evaluated at fair value held for designation	Liabilities at amortizated cost	BOOK VALUE
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES				
payables to banks	-	-	-	-
Bond loan	-	-	228,599	228,599
CURRENT LIABILITIES				
payables to banks	-	-	680	680
Bond loan	-	-	6,080	6,080
payables to suppliers	-	-	32,732	32,732
trade payables to parent company	-	-	1,510	1,510
trade payables to subsidiaries	-	-	12	12
trade payables to associated companies	-	-	176	176
trade payables to other related parties	-	-	-	-
other financial liabilities (current portion)	-	-	1,188	1,188
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**270,977**	**270,977**

Here below is a breakdown of the book value of financial assets and liabilities in the categories laid down by IAS 39 at December 31, 2015.

ITEM OF BALANCE	Financials instruments evaluated at fair value held for trading	Instruments evaluated at fair value held for designation	Loans and receivables	Financials instruments held to maturity	Financials instruments available for sale	BOOK VALUE
NON-CURRENT ASSETS						
equity investments	-	-	46	-	-	**46**
Receivables	-	-	784	-	-	**784**
receivables from parent company	-	-	-	-	-	-
receivables from subsidiaries/associated companies	-	-	-	-	-	-
CURRENT ASSETS						
receivables from customers	-	-	25,430	-	-	**24,430**
trade receivables from parent company	-	-	290	-	-	**290**
trade receivables from associated companies	-	-	367	-	-	**367**
trade receivables from related parties	-	-	30	-	-	**30**
receivables from parent company	-	-	-	-	-	-
receivables from subsidiaries/associated companies	-	-	-	-	-	-
bank and postal deposits	-	-	103,429	-	-	**103,429**
cash and cash equivalent	-	-	32	-	-	**32**
Securities	-	-	-	-	-	**0**
TOTAL FINANCIALS ASSETS	**-**	**-**	**130,408**	**-**	**-**	**130,408**

ITEM OF BALANCE	Financials instruments held for trading	Instruments evaluated at fair value held for designation	Liabilities at amortizated cost	BOOK VALUE
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES				
payables to banks	-	-	-	-
Bond loan	-	-	226,977	226,977
CURRENT LIABILITIES				
payables to banks	-	-	-	-
Bond loan	-	-	6,731	6,731
payables to suppliers	-	-	40,197	40,197
trade payables to parent company	-	-	966	966
trade payables to associated companies	-	-	179	179
trade payables to other related parties	-	-	-	-
other financial liabilities (current portion)	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**-**	**-**	**275,050**	**275,050**

Fair value of financial assets and liabilities and calculation models used

Below is an analysis of the amounts corresponding to the fair value of assets and liabilities broken down by the methodologies and the calculation models used, at December 31, 2016 and 2015 respectively.

It is highlighted that there are not shown those financial assets and liabilities for which the fair value cannot be calculated objectively, since their book value is very close to it.

	BOOK VALUE	Mark to Market	Mark to Model			TOTAL FAIR VALUE
			Black&Scholes' Model	Binominal Model	DCF Model	
Mediun-long term trade receivables	2,879	-	-	-	2,873	**2,873**
Current payables to banks	680	680	-	-	-	**680**
Payables and current financial liabilities	1,188	1,188	-	-	-	**1,188**
Non-current payables to banks	-	-	-	-	-	**-**
Bond loan	234,679	251,332	-	-	-	**251,332**

	BOOK VALUE	Mark to Market	Mark to Model			TOTAL FAIR VALUE
			Black&Scholes' Model	Binominal Model	DCF Model	
Mediun-long term trade receivables	3,668	-	-	-	3,621	**3,621**
Current payables to banks	-	-	-	-	-	-
Non-current payables to banks	-	-	-	-	-	-
Bond loan	233,708	255,672	-	-	-	**255,672**

The fair value of stocks listed on an active market is based on market prices at the closing date of the Financial Statements. Market prices used are bid/ask prices according to the relevant assets or liabilities position held.

The fair value of the bond listed on the Irish Stock Exchange has been re-determined using the mean listed price at December 31, 2016 equal to 104.978.

Concerning trade receivables and payables expiring within the year the fair value has not been calculated since their carrying value comes close.

Financial charges and incomes identified in compliance with IAS 39

Below is an analysis of the net financial charges and incomes generated from financial assets and liabilities broken down pursuant to the categories laid down by IAS 39, for 2016 and 2015 respectively, showing, for each of them, the nature of these charges and incomes.

December 31, 2016

IAS 39 Categories	From interests	From changes in fair value	From equity reserve	Foreign exchange gains/losses	Net gains/losses
Financials instrument at Fair Value held for designation	**-**	**-**	**-**	**-**	**-**
- securities	-	-	-	-	**-**
- derivative instruments	-	-	-	-	**-**
Financials instrument held for trading	**-**	**-**	**-**	**-**	**-**
Liabilities at amortizated cost	**(9,883)**	**-**	**-**	**-**	**(9,883)**
- intra-group financial liabilities	-	-	-	-	**-**
- other liabilities at amortized cost	(9,883)			-	**(9,883)**
Financial instruments held to maturity					**-**
Loans and receivables	**464**	**-**	**-**	**(1)**	**463**
Income on trade receivables	436	-	-	-	436
- intra-group financial assets/liabilities	-	-	-	-	-
Loans	(8)	-	-	-	(8)
Bank and postal deposits	127	-	-	-	127
Other income and charges	(91)			(1)	(92)
Financials instruments available for sale	-	-	-	-	**-**
Total IAS 39 Categories	**(9,419)**	**-**	**-**	**(1)**	**(9,420)**
Interest cost	-	(4)	-	-	(4)
Total financial instrument not within IAS 39 categories	**-**	**(4)**	**-**	-	**(4)**
				TOTAL	**(9,424)**

December 31, 2015

IAS 39 Categories	From interests	From changes in fair value	From equity reserve	Foreign exchange gains/losses	Net gains/losses
Financials instrument at Fair Value held for designation	**-**	**-**	**-**	**-**	**-**
- securities	-	-	-	-	**-**
- derivative instruments	-	-	-	-	**-**
Financials instrument held for trading	**-**	**-**	**-**	**-**	**-**
Liabilities at amortizated cost	**(9,844)**	**-**	**-**	**-**	**(9,844)**
- intra-group financial liabilities	-	-	-	-	**-**
- other liabilities at amortized cost	(9,844)			**-**	**(9,844)**
Financial instruments held to maturity					**-**
Loans and receivables	**1,242**	**-**	**-**	**(2)**	**1,240**
Income on receivables	377	-	-	-	377
- intra-group financial assets/liabilities	-	-	-	-	-
Loans	(69)	-	-	-	(69)
Bank and postal deposits	949	-	-	-	949
Other income and charges	(15)			(2)	(17)
Financials instruments available for sale	-	-	-	-	**-**
Total IAS 39 Categories	**(8,602)**	**-**	**-**	**(2)**	**(8,604)**
Interest cost	-	(17)	-	-	(17)
Financial guarantees		-	-	-	-
Provisions discounting	-	-	-	-	**-**
Receivables discounting	-	-	-	-	**-**
Payables discounting	-	-	-	-	**-**
Other income and charges	-	-	-	-	**-**
Total financial instrument not within IAS 39 categories	**-**	**(17)**	**-**	-	**(17)**
				TOTAL	**(8,621)**

Equity management

The Group's objectives regarding equity management are aimed at protecting the Group's ability to ensure shareholders' yields and interests and maintain an optimal equity structure.

Types of financial risks and connected coverage activities

EI Towers has defined specific policies for the management of the Group's financial risks, aimed at reducing its exposure to exchange rate risks, interest rate risks and liquidity risks; this activity is carried out directly from the companies with positions exposed to risk, carrying out their relative coverage.

The selection of the financial counterparts is concentrated on those with a high credit standing while, at the same time, ensuring a limited concentration of exposure with them.

Exchange rate risk

EI Towers Group's exposure to exchange rate risk is not significant at the moment being the activity of the Group focused exclusively on the domestic market or partially in the EU.

Interest rate risk

The management of the financial resources foresees the centralisation of coordination and direction activities.

The interest rate risk is not significant to this day since debt exposure consists only of the fixed rate bond loan issued during the year.

Sensitivity analysis

No sensitivity analysis has been carried out in 2016 since at the date of authorization for publication of these financial statements there are no financial instruments exposed to interest rate risk.

Liquidity risk

The liquidity risk is correlated to the difficulty of finding funds to honor commitments.

This risk may be due to the unavailability of sufficient funds to face financial commitments in accordance with the established terms and expiry dates in case of sudden revocation of uncommitted credit lines or in the event that the company must honour its financial liabilities before their natural maturity.

In general, the management of the liquidity risk implies:

- the maintenance of a debt profile broadly consistent with cash flows generated by operating activities.
- the availability of financial assets that can be quickly turned into cash to meet any cash requirements.

The table below shows, respectively at December 31, 2016 and 2015, the Group's financial obligations, by contract maturity date, considering the so-called worst case scenario and at undiscounted values, considering the nearest date when the Group may be asked to make payment and showing the relative Financial Statements notes for each class.

ITEM OF BALANCE AS AT DECEMBER 31, 2016	Book Value	Time Band					Total cash flows
		from 0 to 3 months	from 4 to 6 months	from 7 to 12 months	from 1 to 5 years	after 5 years	
FINANCIAL LIABILITIES:							
Non current due to bank	-	-	-	-	-	-	-
Current due to bank	680	680	-	-	-	-	680
Current bond loan	6,080	-	8,912	-	-	-	8,912
Non current bond loan	228,599	-	-	-	238,912	-	238,912
Financial due to parent company	-	-	-	-	-	-	-
Financial due to associated companies	-	-	-	-	-	-	-
Financial due to other related parties	-	-	-	-	-	-	-
Due to other suppliers	-	-	-	-	-	-	-
Due to parent company	-	-	-	-	-	-	-
Due to associated companies	-	-	-	-	-	-	-
Due to other related parties	-	-	-	-	-	-	-
Intra-group financial liabilities	-	-	-	-	-	-	-
Other debt and financial liabilities	1,188	1,188	-	-	-	-	1,188
Total	**236,547**	**1,868**	**8,912**	**-**	**238,912**	**-**	**249,692**

ITEM OF BALANCE AS AT DECEMBER 31, 2015	Book Value	Time Band from 0 to 3 months	from 4 to 6 months	from 7 to 12 months	from 1 to 5 years	after 5 years	Total cash flows
FINANCIAL LIABILITIES:							
Non current due to bank	-	-	-	-	-	-	-
Current due to bank	-	-	-	-	-	-	-
Current bond loan	6,731	-	8,912	-	-	-	8,912
Non current bond loan	226,977	-	-	-	247,849	-	247,849
Financial due to parent company	-	-	-	-	-	-	-
Financial due to associated companies	-	-	-	-	-	-	-
Financial due to other related parties	-	-	-	-	-	-	-
Due to other suppliers		-	-	-	-	-	-
Due to parent company	-	-	-	-	-	-	-
Due to associated companies	-	-	-	-	-	-	-
Due to other related parties	-	-	-	-	-	-	-
Intra-group financial liabilities	-	-	-	-	-	-	-
Other debt and financial liabilities	-	-	-	-	-	-	-
Total	**233,708**	**-**	**8,912**	**-**	**247,849**	**-**	**256,761**

The Group expects to face these obligations through the realisation of its financial assets and with the liquidity generated by operating activities.

The difference between the values in the Financial Statements and the total of the financial flows is mainly due to the calculation of interest on the contractual duration of the payables to banks.

Credit risk

The credit risk mainly comes from hosting activities and services in favour of radio and television operators and mobile telecommunications.

The Group, based on a specific policy, manages the credit risk through a comprehensive customer credit rating procedure with an analysis of their economic and financial situations both at the time of setting the initial credit limit and through the ongoing and continuous monitoring of observance of the payment terms, updating, when necessary, the previously assigned credit limit.

Below is a summary table of the net balances and of the Provision for receivables write-off broken down according to the above-mentioned classes at December 31, 2016 and 2015.

RISK CLASSES as at DECEMBER 31, 2016	Gross receivables	Net matured 0-30days	30-60days	60-90days	over	Total net matured	Provision for bad debts	Total to mature	Total at December 31, 2016
RECEIVABLES FROM THIRD PARTY									
Customers	39,888	2,509	2,000	1,151	20,486	26,146	(9,584)	13,742	39,888
RECEIVABLES FROM PARENT AND ASSOCIATED COMPANIES									
Customers	1,028	148	3	78	40	269	-	759	1,028
TOTAL TRADE RECEIVABLES	**40,916**	**2,657**	**2,003**	**1,229**	**20,526**	**26,415**	**(9,584)**	**14,501**	**40,916**

RISK CLASSES as at DECEMBER 31, 2015	Gross receivables	Net matured 0-30days	30-60days	60-90days	over	Total net matured	Provision for bad debts	Total to mature	Total at December 31, 2015
RECEIVABLES FROM THIRD PARTY									
Customers	31,954	752	1,356	1,194	15,477	18,778	(6,524)	13,176	31,954
RECEIVABLES FROM PARENT AND ASSOCIATED COMPANIES									
Customers	687	1	-	78	27	105	-	582	687
TOTAL TRADE RECEIVABLES	**32,641**	**752**	**1,356**	**1,271**	**15,504**	**18,883**	**(6,524)**	**13,758**	**32,641**

With reference to the main category of trade receivables it should be noted that in terms of concentration, the top 10 customers reached about 89.7% of turnover, while the top 100 customers reached 98.1% of total sales. These indicators are in line with those of the previous year.

Below is a table showing the changes in the Provision for receivables write-off.

	Value at Dec. 31, 2015	Allocations	Uses	Other changes	Value at Dec. 31, 2016
Provision for receivables write-off	6,524	3,111	(55)	4	9,584

14. SHARE-BASED PAYMENTS

It should be noted that No. 100,000 options assigned in 2010 expired in 2016.

As of today, there are no stock option plans assigned to employees.

15. RELATED PARTY TRANSACTIONS

The schedule below provides a breakdown, by principal business combination, for each related party.

The total values of the positions and transactions with related parties and their impact on the relative types of financial statements are illustrated in the specific balance sheet and income statement schedules drafted in accordance with CONSOB decision no.15519 of July 27, 2006 reported at the beginning of these Financial Statements.

	Revenues	Operating costs	Financial income/ (charges)	Trade receivables	Trade payables	Other receivables/ (payables)
CONTROLLING ENTITIES						
Mediaset S.p.A.	-	(69)	-	-	(20)	-
R.T.I. S.p.A.	300	(2,016)	-	61	(1,372)	-
Elettronica Industriale S.p.A.	179,552	(439)	-	318	(118)	-
Total controlling entities	**179,852**	**(2,524)**	**-**	**379**	**(1,510)**	**-**
AFFILIATED ENTITIES						
Publitalia '80 S.p.A.	4	-	-	-	-	-
Videotime S.p.A.	129	(482)	-	39	(131)	-
MedioBanca S.p.a.	-	(45)	-	-	-	-
Milan Entertainment S.r.l.	90	(9)	-	110	-	5
Monradio S.r.l.	495	-	-	187	-	-
Radio Studio 105 Srl	113	-	-	48	(12)	-
Virgin Radio Italy SpA	61	-	-	10	-	(7)
Radio Engineering CO S.r.l.	81	-	-	31	-	-
Consorzio Colle Maddalena	254	-	-	195	-	-
Promoservice Italia S.r.l.	-	(45)	-	-	(45)	-
Mediaset Premium SpA	-	-	-	-	-	-
Total affiliated entities	**1,227**	**(581)**	**-**	**619**	**(188)**	**(2)**
EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**-**	**(1,118)**	**-**	**-**	**-**	**(424)**
PENSION FUNDS	**-**	**-**	**-**	**-**	**-**	**(250)**
OTHER RELATED PARTIES	**-**	**(48)**	**-**	**30**	**-**	**(2)**
TOTAL RELATED PARTIES	**181,079**	**(4,271)**	**-**	**1,028**	**(1,698)**	**(678)**

Revenues and trade receivables from parent companies are mainly referable to hosting, assistance and maintenance services, logistics, use of transmission infrastructure, head end and design, and revenues concerning broadcast equipment installation services.

Costs and trade payables to parent companies are mainly imputable to EDP services and personnel administrative services and leases given from RTI S.p.A., a company controlling Elettronica Industriale S.p.A..

Revenues and trade receivables from associates are relative to hosting and maintenance services to Monradio S.r.l. and radio companies belonging to the Mediaset Group; costs and trade payables due to associates are mainly attributable to leases (Videotime S.p.A.) and to specialist services on the Italian market (MTA – Mercato Telematico Azionario) provided by Mediobanca S.p.A.

Data related to other related parties include relationships with some associations mainly carrying out activities connected to the operating management of TV signal transmission.

16. COMMITMENTS AND GUARANTEES

The Group rents the land on which it has constructed its clients broadcasting towers from which it gains its revenues. These contracts are long-term and generally include clauses of advance withdrawal and of period adjustment of rent as a consequence of inflation.

In addition, the Group has contract commitments for the use of satellite capacity, optical fibre, infrastructure maintenance and other rentals, containing anticipated withdrawal clauses.

Total commitments described above amounted to approximately € 170m.

The Group issued guarantees for commercial and financial commitments for about € 4.3m.

It should also be noted that EI Towers S.p.A. assumed the commitment to compensate the third buyer of the companies of Technology business unit, disposed on October 13, 2011, up to a maximum of € 4m, for possible extraordinary losses or other liabilities which could come out with reference to the companies DMT System S.p.A. in liquidation, Asteroide S.r.l. and DMT Service S.r.l. in liquidation, and attributable to the period they operated before their disposal. As of today, no elements which could create liabilities referring to EI Towers S.p.A. came out.

17. POTENTIAL LIABILITIES

The Group, during the regular execution of its activities, is part of some active and passive civil and administrative judicial proceedings. In particular, administrative cases, related to some transmission sites used by the Group, are under way. On the basis of available information, we believe that the risk related to an unfavorable outcome of cases is improbable and, in any case, is not quantifiable; therefore, no provisions have been allocated to cover possible liabilities which could come from proceedings under way.

For the Board of Directors

The Chairman

(Alberto Giussani)

LIST OF EQUITY INVESTMENTS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2016

(Euro in thousands)

Companies consolidated on a line-by-line basis	Registered Office	Currency	Share capital	% held by the Group (*)
Towertel s.p.a.	Lissone	Euro	22,000.0	100.00%
EIT Radio s.r.l.	Lissone	Euro	50.0	100.00%
Nettrotter s.r.l.	Lissone	Euro	750.0	95.00%
FP Tower s.r.l.	Rome	Euro	500.0	100.00%
Monte Maddalena Telecomunicazioni s.r.l.	Brescia	Euro	20.0	65.49%

(*) Shares of the Group calculated without considering treasury shares held by associated companies

DISCLOSURE PURSUANT TO ARTICLE 149, PART TWELVE, OF THE CONSOB ISSUERS' REGULATIONS

(Euro in thousands

Service	Entity supplying the service	Beneficiary	Fees 2016
Account auditing	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a.	139,582
Account auditing	Deloitte & Touche S.p.A.	Subsidiary companies	107,346
Attestation services	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a. (1) (2)	2,514
Attestation services	Deloitte & Touche S.p.A.	Subsidiary companies (1)	1,014
Other services	Deloitte S.L.	Parent company-EI Towers S.p.a. (3)	45,000
Other services	Deloitte Asesores Tributarios S.L.U.	Parent company-EI Towers S.p.a. (3)	30,000
Total			**325,456**

(1) Attestation services Tax Return and Form 770

(2) Attestation services related to the bond loan

(3) "Tax" and "Financial" due diligence services related to the acquisition of the Company Axion Infrastructuras de Telecomunicaciones S.A.U.

2016 Annual Report

Certification of the

Financial Statements

pursuant to Article 154-bis

of the Legislative Decree 58/98

Certification of the Group's Consolidated Financial Statements in conformity with Article 154, part two, of Legislative Decree 58/98

1. The undersigned Guido Barbieri, Chief Executive Officer, and Fabio Caccia, the Assigned Executive for the drafting of the company accounting documents of EI Towers S.p.A., attest, also taking into account what is lead down by article 154, part two, paragraphs 3 and 4 of the Legislative Decree of February 24, 1998 no. 58:

   - the adequacy relative to the characteristics of the Group and
   - the effective application

   of the administrative and accounting procedures for building up the Consolidated Financial Statements, during the financial year 2016.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Consolidated Financial Statements as at December 31, 2016 was carried out based on the rules and methodologies defined by EI Towers S.p.A. in line with the model *Internal Control – Integrated Framework* issued by the *Committee of sponsoring Organizations* of the *Treadway Commission* which represents a body of general reference principles for the system of internal controls that is generally accepted at international level.

3. Furthermore, it is also attested that:

3.1 The Consolidated Financial Statements:

   a) are drawn up in conformity with the applicable International Accounting Standards recognised within the European Community, pursuant to the regulation (EC) no. 1606/2002 of the European Community and Council of July 19, 2002 as well as with the measures issued to actuate article 9 of the Legislative Decree no. 38/2005;
   b) reflect the balances in the books and the accounting postings;
   c) are suitable and appropriate in order to give a true and fair view of the Balance Sheet, Income Statement and Financial situations of the Issuer and of the group of companies included within the consolidation.

3.2 The Directors' Report on Operations contains a trustworthy analysis of the progress and result of operations, as well as of the situation of the Issuer and of the group of companies included within the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

March 23, 2017

For the Board of Directors
The Chief Executive Officer

(Guido Barbieri)

The Assigned Executive for the drafting
of the company accounting documents

(Fabio Caccia)

2016 Annual Report

Independent Auditors' Report

Deloitte.

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITORS' REPORTPURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
EI Towers S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of EI Towers S.p.A. and its subsidiaries (the "EI Towers Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the EI Towers Group as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of EI Towers S.p.A., with the consolidated financial statements of the EI Towers Group as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the EI Towers Group as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 28, 2017

This report has been translated into the English language solely for the convenience of international readers.

EI TOWERS S.p.A.

2016 Annual Report

Financial Statements and Explanatory Notes

EI TOWERS S.p.A.

Statement of Financial Position at December 31, 2016

(values in Euro)

ASSETS	Notes	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	**8**		
Property, plant and equipment	8.1	157,030,895	171,312,425
Goodwill	8.2	361,900,759	361,900,759
Other intangible assets	8.3	46,662,596	50,625,535
Investments	8.4		
in subsidiaries		99,895,420	95,372,942
in associates and joint control companies		-	-
Total		99,895,420	95,372,942
Receivables and othe non-current financial assets	8.5	132,284,083	95,342,963
Deferred tax assets	8.6	5,292,646	4,387,883
Total non-current assets		**803,066,398**	**778,942,507**
Current assets	**9**		
Inventories	9.1	3,126,513	2,901,814
Trade receivables	9.2		
from customers		20,870,460	19,907,289
from associates		544,122	366,455
from subsidiaries		1,381,417	3,829,261
from affiliates and joint control companies		-	-
from parent companies		378,859	289,037
Total		23,174,858	24,392,041
Tax receivables	9.3	-	982,765
Other receivables and current asset	9.4	5,213,722	5,268,242
Cash and cash equivalents	9.5	68,743,359	72,845,989
Total current assets		**100,258,451**	**106,390,852**
Non-current assets held for sale		**-**	**-**
TOTAL ASSETS		**903,324,849**	**885,333,359**

EI TOWERS S.p.A.

Statement of Financial Position at December 31, 2016

(values in Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2016	Dec. 31, 2015
Shareholders' equity	**10**		
Share capital	10.1	2,826,238	2,826,238
Share premium reserve	10.2	194,226,797	194,226,797
Treasury shares	10.3	(17,459,414)	(1,844,878)
Other reserves	10.4	379,690,725	342,791,531
Valuation reserve	10.5	(2,982,929)	(2,291,382)
Retained earnings		-	-
Profit (loss) for the period	10.6	37,554,280	36,831,539
TOTAL SHAREHOLDERS' EQUITY		**593,855,696**	**572,539,846**
Non-current liabilities	**11**		
Post-employment benefit plans	11.1	11,816,671	11,655,524
Deferred tax liabilities	8.6	19,892,566	20,966,642
Payables and financial liabilities	11.2	228,598,518	226,976,740
Provisions for risks and charges	11.3	3,192,204	2,320,923
Total non-current liabilities		**263,499,959**	**261,919,830**
Current liabilities	**12**		
Financial payables		-	-
Trade payables	12.1		
to suppliers		26,471,649	35,111,403
to subsidiaries		87,775	159,643
to affiliates and joint control companies		-	-
to associates		175,391	178,253
to parent companies		1,507,048	967,340
Total		28,241,863	36,416,639
Tax payables	12.2	3,308,803	825,489
Intercompany financial payables			
to parent companies		-	-
Total		-	-
Other financial liabilities	12.3	6,080,000	6,731,000
Other current liabilities	12.4	8,338,529	6,900,556
Total current liabilities		**45,969,194**	**50,873,684**
Non-current liabilities related to assets held for sale		**-**	**-**
TOTAL LIABILITIES		**309,469,153**	**312,793,513**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**903,324,849**	**885,333,359**

EI TOWERS S.p.A.

Statement of Income at December 31, 2016

(values in Euro)

INCOME STATEMENT	Notes	Dec. 31, 2016	Dec. 31, 2015
Revenues	**13**		
Sales of goods and services	13.1	215,244,145	213,711,958
Other revenues and income	13.2	1,123,917	298,181
Total revenues		**216,368,062**	**214,010,139**
Costs	**14**		
Personnel expenses	14.1	41,307,273	40,907,536
Purchases, services, other costs	14.2	75,782,795	78,171,703
Amortisation, depreciation and write-downs	14.3	35,387,877	34,614,378
Total costs		**152,477,945**	**153,693,618**
Gains/(losses) from disposals of non-current assets		**-**	**-**
EBIT		**63,890,118**	**60,316,521**
(Expenses)/income from financial investments	**15**		
Financial expenses	15.1	(9,887,201)	(9,865,792)
Financial income	15.2	3,290,335	2,526,273
Other income/(expenses) from equity investments		-	12,361
Total (expenses)/income from financial investments		**(6,596,866)**	**(7,327,158)**
EBT		**57,293,251**	**52,989,363**
Income taxes for the year	**16**		
current taxes	16	21,520,792	18,472,985
deferred taxes	16	(1,781,821)	(2,315,161)
Total income taxes for the year		**19,738,972**	**16,157,824**
Net profit form continuing operations		**37,554,280**	**36,831,539**
Net gains/(losses) from discontinued operations		**-**	**-**
Net profit (loss) for the period		**37,554,280**	**36,831,539**

Statement of Comprehensive Income at December 31, 2016

(values in Euro)

	Notes	2016	2015
PROFIT (LOSS) FOR THE PERIOD (A)		**37,554,280**	**36,831,539**
Total comprehensive gains/(losses) recognized in the Income Statement			
Effective portion of gains/(losses) on hedging instruments (cash flow hedge)		-	-
Total comprehensive gains/(losses) not recognized in the Income Statement		-	-
Actuarial gains/(losses) on defined benefit plans	10.5	(820,912)	373,206
Tax effects	10.5	197,019	(102,631)
TOTAL COMPREHENSIVE INCOME/(LOSSES) NET OF TAX EFFECTS (B)		**(623,893)**	**270,575**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)		**36,930,387**	**37,102,114**

EI TOWERS S.p.A.

Statement of Cash Flows at December 31, 2016

(values in thousands of Euro)

	Notes	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:			
Operating profit		63,890	60,317
+ Depreciation and amortisation		35,388	34,614
+ changes in trade receivables		(1,857)	(6,397)
+ changes in trade payables		2,046	6,222
+ changes in other assets and liabilities		4,917	(73)
- Income tax paid		(20,804)	(23,994)
Net cash flow from operating activities [A]	**17**	**83,580**	**70,689**
CASH FLOW FROM INVESTING ACTIVITIES:			
Investments in tangible assets		(14,217)	(23,389)
Investments in intangible assets		(340)	(200)
Changes in payables for investing activities		(7,596)	-
(Increases)/decreases in other financing activities		(36,941)	(62,564)
Investments/Disposals of equity interests		(4,522)	(910)
Net cash flow from investing activities [B]	**17**	**(63,617)**	**(87,063)**
CASH FLOW FROM FINANCING ACTIVITIES:			
changes in treasury shares		(15,615)	
dividend payment		-	(31,020)
interests (paid)/received		(8,451)	(7,856)
Net cash flow from financing activities [C]	**17**	**(24,066)**	**(38,876)**
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]		**(4,102)**	**(55,251)**
CHANGE IN CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]		**72,846**	**128,098**
CHANGE IN CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]		**68,743**	**72,847**

Statement of Changes in Shareholders' Equity for periods ended December 31, 2016 and 2015

(values in thousands of Euro)

	Share capital	Share premium reserve	Legal reserve and other reserves	Treasury shares	Actuarial reserve	Other valuation reserves	Retained earnings (accumulated losses)	Nel income (loss) for the period	TOTAL SHAREHOLDERS' EQUITY
Balance at Jan. 1, 2015	**2,826**	**194,227**	**342,453**	**(1,845)**	**(2,630)**	**203**	**-**	**31,224**	**566,458**
Allocation of 2014 net income	-	-	204	-	-	-	-	(204)	-
Allocation of dividends	-	-	-	-	-	-	-	(31,020)	(31,020)
Stock option	-	-	135	-	-	(135)	-	-	-
Total net income/(loss) for the period	-	-	-	-	271		-	36,832	37,102
Balance at Dec. 31, 2015	**2,826**	**194,227**	**342,792**	**(1,845)**	**(2,359)**	**68**	**-**	**36,832**	**572,540**
Balance at Jan. 1, 2016	**2,826**	**194,227**	**342,792**	**(1,845)**	**(2,359)**	**68**	**-**	**36,832**	**572,540**
Allocation of 2015 net income	-	-	36,832	-	-	-	-	(36,832)	-
Allocation of dividends	-	-	-	-	-	-	-	-	-
Stock option	-	-	68	-	-	(68)	-	-	-
Buy-back of treasury shares	-	-	-	(15,614)	-	-	-	-	(15,614)
Total net income/(loss) for the period	-	-	-	-	(624)	-	-	37,554	36,930
Balance at Dec. 31, 2016	**2,826**	**194,227**	**379,691**	**(17,459)**	**(2,983)**	**-**	**-**	**37,554**	**593,856**

EI TOWERS S.p.A.

Statement of Financial Position as per Consob Resolution no. 15519 dated July 27, 2006

(values in Euro)

ASSETS	Notes	Dec. 31, 2016	of which vs. Related parties (note 21)	% weight	Dec. 31, 2015	of which vs. Related parties (note 21)	% weight
Non-current assets	**8**						
Property, plant and equipment	8.1	157,030,895			171,312,425		
Goodwill	8.2	361,900,759			361,900,759		
Other intangible assets	8.3	46,662,596			50,625,535		
Investments	8.4						
in subsidiaries		99,895,420			95,372,942		
in associates and joint control companies		-			-		
Total		99,895,420			95,372,942		
Receivables and othe non-current financial assets	8.5	132,284,083	131,600,505	99%	95,342,963	94,675,932	99%
Deferred tax assets	8.6	5,292,646			4,387,883		
Total non-current assets		**803,066,398**			**778,942,507**		
Current assets	**9**						
Inventories	9.1	3,126,513			2,901,814		
Trade receivables	9.2						
from customers		20,870,460			19,907,289		
from associates		544,122	544,122	100%	366,455	366,455	100%
from subsidiaries		1,381,417	1,381,417	100%	3,829,261	3,829,261	100%
from associates and joint control companies		-			-		
from parent companies		378,859	378,859	100%	289,037	289,037	100%
Total		23,174,858			24,392,041		
Tax receivables	9.3	-			982,765		
Other receivables and current asset	9.4	5,213,722	1,091,500	21%	5,268,242		
Cash and cash equivalents	9.5	68,743,359			72,845,989		
Total current assets		**100,258,451**			**106,390,852**		
Non-current assets held for sale		**-**			**-**		
TOTAL ASSETS		**903,324,849**			**885,333,359**		

Statement of Financial Position as per Consob Resolution no. 15519 dated July 27, 2006

(values in Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2016	of which vs. Related parties (note 21)	% weight	Dec. 31, 2015	of which vs. Related parties (note 21)	% weight
Shareholders' equity	**10**						
Share capital	10.1	2,826,238			2,826,238		
Share premium reserve	10.2	194,226,797			194,226,797		
Treasury shares	10.3	(17,459,414)			(1,844,878)		
Other reserves	10.4	379,690,725			342,791,531		
Valuation reserve	10.5	(2,982,929)			(2,291,382)		
Retained earnings		-			-		
Profit (loss) for the period	10.6	37,554,280			36,831,539		
TOTAL SHAREHOLDERS' EQUITY		**593,855,696**			**572,539,846**		
Non-current liabilities	**11**						
Post-employment benefit plans	11.1	11,816,671			11,655,524		
Deferred tax liabilities	8.6	19,892,566			20,966,642		
Payables and financial liabilities	11.2	228,598,518			226,976,740		
Provisions for risks and charges	11.3	3,192,204			2,320,923		
Total non-current liabilities		**263,499,959**			**261,919,830**		
Current liabilities	**12**						
Financial payables		-			-		
Trade payables	12.1						
to suppliers		26,471,649			35,111,403		
to subsidiaries		87,775	87,775	100%	159,643	159,643	100%
to associates		175,391	175,391	100%	178,253	178,253	100%
to parent companies		1,507,048	1,507,048	100%	967,340	967,340	100%
Total		28,241,863			36,416,639		
Tax payables	12.2	3,308,803			825,489	690,324	84%
Intercompany financial payables		-			-		
to parent companies		-			-		
Total		-			-		
Other financial liabilities	12.3	6,080,000			6,731,000		
Other current liabilities	12.4	8,338,529	1,123,347	13%	6,900,556	494,302	7%
Total current liabilities		**45,969,194**			**50,873,684**		
Non-current liabilities related to assets held for sale		**-**			**-**		
TOTAL LIABILITIES		**309,469,153**			**312,793,513**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**903,324,849**			**885,333,359**		

Statement of Income as per Consob Resolution no. 15519 dated July 27, 2006

(values in Euro)

INCOME STATEMENT	Notes	2016	of which vs. Related parties (note 21)	% weight	2015	of which vs. Related parties (note 21)	% weight
Revenues	**13**						
Sales of goods and services	13.1	215,244,145	183,504,215	85%	213,711,958	183,185,000	86%
Other revenues and income	13.2	1,123,917	-	0%	298,181	46,000	15%
Total revenues		**216,368,062**			**214,010,139**		
Costs	**14**						
Personnel expenses	14.1	41,307,273	(264,000)	-1%	40,907,536	1,899,103	5%
Purchases, services, other costs	14.2	75,782,795	3,193,000	4%	78,171,703	3,504,000	4%
Amortisation, depreciation and write-downs	14.3	35,387,877			34,614,378		
Total costs		**152,477,945**			**153,693,618**		
Gains/(losses) from disposals of non-current assets		**-**			**-**		
EBIT		**63,890,118**			**60,316,521**		
(Expenses)/income from financial investments	**15**						
Financial expenses	15.1	(9,887,201)	-	0%	(9,865,792)	-	0%
Financial income	15.2	3,290,335	2,790,000	85%	2,526,273	1,238,000	49%
Other (expense)/income from equity investments		-			12,361		
Total (expenses)/income from financial investments		**(6,596,866)**			**(7,327,158)**		
EBT		**57,293,251**			**52,989,363**		
Income taxes for the year	**16**						
current taxes	16	21,520,792			18,472,985		
deferred taxes	16	(1,781,821)			(2,315,161)		
Total income taxes for the year		**19,738,972**			**16,157,824**		
Net profit form continuing operations		**37,554,280**			**36,831,539**		
Net gains/(losses) from discontinued operations		**-**			**-**		
Net profit (loss) for the period		**37,554,280**			**36,831,539**		

Explanatory Notes

1. General information

EI Towers S.p.A. is a joint stock company incorporated in Italy and inscribed in the Enterprises Register of Monza and Brianza. Its registered office is located in Via Zanella, 21 – Lissone (MB). Its majority shareholder is Elettronica Industriale S.p.A., which, in turn, is wholly owned indirectly by Mediaset S.p.A. The main activities of the company and the Group are described in the opening section of the Directors' Report on Operations.

These Financial Statements are stated in the Euro, because this is the currency that is used for most of the Company's transactions.

2. Adoption of the International Accounting Standards

Following the coming into force of the Legislative Decree No. 38 of February 28, 2005, which actuated, within the Italian legislation, the European Regulation no. 1606/2002, since 2006 the Company applied the right, in accordance with Article 4 of this decree, to draft the equity value according to the IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB) and homologated at EEC level.

The accounting layouts and the disclosures contained in this Annual Report have been drawn up according to IAS 1, as laid down by the CONSOB Communication n° DEM 6064313 of July 28, 2006.

3. General drafting criteria and accounting standards used to prepare the Financial Statements

These Financial Statements have been drawn up with a going concern approach, because the Directors have checked that there do not exist any uncertainties as defined in the Paragraph 25 of IAS 1 of any financial, operational, managerial criticalities or of any other nature that could possibly impact the ability of the Company to face up to its obligations in the foreseeable future. The risks and the uncertainties relative to the business itself are described in the Directors' Report on Operations. The description of how the Company manages its financial risks, among which there are the liquidity and capital ones, is contained in the paragraph called Additional information on financial instruments and the risk management policies contained in these Explanatory Notes.

The Financial Statements at December 31, 2016 have been drawn up according to the IAS/IFRS and the relative interpretations issued by the SIC/IFRIC homologated by the European Commission and in force at the date in question.

The accounting criterion normally used for assets and liabilities is that of historical cost, with the exception of some financial instruments for which, pursuant to what is laid down in IAS and IFRS 13, the fair value is used.

The tables in the Financial Statements and the Explanatory Notes have been prepared together with the supply of the additional disclosure laid down, regarding Financial Statements layouts and information, by the Consob Resolution no. 15519 of July 27, 2006 and by the Consob Communication no. 6064293 of July 28, 2006.

The values of the tables in the Explanatory Notes are shown in amounts of thousand Euros.

The drawing up of the Consolidated Financial Statements and of the Explanatory Notes required making estimates and assumptions, both in calculating some assets and liabilities, as well as in the evaluation of the potential assets and liabilities.

Estimates are based on the current status of information available, examined periodically and effects are reflected in income statement. However, it is possible that actual events over the next year may have a different outcome to those forecasted, causing adjustments to the carrying amounts of each single item that are not foreseeable today.

The main estimates are relative to the calculation of the usage value of the Cash Generating Units to which the goodwill, or other assets with a defined or indefinite useful life are allocated, for the purposes of the periodic check regarding the ability to be able to find the recoverable value of these assets according to the criteria laid down by IAS 36. The calculation of this usage value requires the estimating of the cash flows that are forecasted to be produced by the CGU, as well as the setting of an appropriate discounting rate to be used. The main uncertainties that could influence this estimate are relative to the calculation of the Weighted Average Cost of Capital (WACC), of the growth rates of the flows beyond the forecast horizon (g), as well as the hypotheses made in developing the expected cash flows for the years of the explicit forecast.

The main forecasted data refer to the funds for risks and charges and the bad debts reserves.

It is also reported that, starting from the this year the discount rate used to measure post-employment benefit liabilities is the rate for the composite interest rate curve of securities issued by Corporate issuers rating AA instead of the one issued by A-rated issuers.

4. Summary of the accounting standards and evaluation criteria

Financial Statements tables and layouts

The Balance Sheet is drawn up following the layout that splits assets and liabilities into current and non-current. An asset or liability is classified as current when it meets one of the following criteria:

- it is expected that it will be realized, or extinguished, or it is estimated that it will be sold, or used, in the ordinary operating cycle of the Company, or
- it is mainly held for trading, or
- it is expected that it will be realized or extinguished within 12 months from the Financial Statements closing date.

Lacking all three of the above conditions the assets and liabilities are classified as being non-current.

The **Income Statement** is drawn up with the layout of costs by type, following the same methodology as the Company's internal reporting and in line with the prevailing international practices in the sector, showing the intermediate levels of the operating result and the pre-tax result. The *operating result* is the difference between the Net Revenues and the operating costs (these latter include the costs of a non-monetary nature relative to the amortization, depreciation and write-downs of current and non-current assets, net of any reinstatements of value).

To enable a better measurement of the true progress of normal operations there can also be shown separately, within the section down to the Operating Result, cost and revenue components arising from events or operations that, because of their type and amount, have to be considered as non-recurrent. These operations can be linked to the definitions of significant non-current operations and events that are contained in the Consob Communication no. 6064293 of July 28, 2006, differing from the definition of "atypical and/or unusual operations" contained in the same Consob Communication of July 28, 2006, according to which there are considered to be atypical and/or unusual operations those operations which, due to their significance/relevance, the type of the counterparts, the subject of the transaction, the method of calculating the transfer price and the time of the event (nearness to the closing date of the financial year) can give rise to doubts regarding the correctness/completeness of the information in the Financial Statements, to conflicts of interest, to the safeguarding of the company's equity, or to safeguarding of the minority shareholders' interests.

The **Comprehensive Income Statement** table shows the cost and revenue items, net of tax, which has asked for, or allowed, by the various International Accounting Standards are posted directly among the Balance Sheet reserves. Items that would be reclassified to profit or loss at future point of time are presented separately from items that will never be reclassified. For each one of the significant Balance Sheet reserves that are shown in the table there are given the references to the successive Explanatory Notes, within which there is supplied the relative information and there are detailed the breakdowns and the changes that have taken place since the last fiscal year.

The **Cash Flow Statement** has been drafted by applying the indirect method, according to which the pre-tax result is adjusted for the impacts of non-monetary operations, for any deferral or provision of previous or future operational incomes or payments and for elements of revenues or cost connected with financial flows deriving from investment or financial activities. Changes in payables to suppliers for investments are included in the Cash Flows from investment activities. Incomes and charges relative to medium/long-term financing operations and the relevant hedging instruments, as well as dividends paid, are included in the financial activities.

The **Net Equity Movements** table shows the changes that have taken place in the Net Equity items relative to the following:

- allocation of the profit for the period of Company to minority shareholders;
- breakdown of the comprehensive profit/loss;
- amounts relative to transactions with the shareholders;
- purchase and sale of treasury shares;
- impact from any changes in the accounting standards.

It is highlighted that for the purpose of fulfilling the obligations contained in the Consob Resolution no. 15519 of July 27, 2006 called "Measures regarding Financial Statements layouts", there are also given, in addition to the obligatory tables, specific Consolidated Income Statement and Balance Sheet tables giving the significant amounts of the balances or transactions with Related Parties shown apart from the respective reference items.

Buildings, plants and equipment

Towers, plant, machinery, equipment, buildings and land are posted at purchase, production or conferment cost, including any ancillary charges, any dismantling costs and the direct costs necessary to make the asset ready for use. These fixed assets, with the exception of land, which is not subject to depreciation, are systematically depreciated in each accounting period on a straight-line basis, using economic and technical depreciation rates determined in relation to the remaining useful life of the assets.

Depreciation is calculated on a straight-line basis on the cost of the assets net of the relative residual values (if significant) based on their estimated useful lives, applying the following rates:

Buildings	2% -3%
Towers	5%
Plant and machinery	10%- 20%
Equipment	12% - 16%
Office furniture and electronic machines	8% - 20%
Motor vehicles and other means of transport	10% - 25%

The possibility to recover their value is assessed according to the criteria laid down by IAS 36, described in the section below "Impairment of assets".

Ordinary maintenance costs are posted in full to the Income Statement. *Incremental maintenance costs* are attributed to the related assets and depreciated over their remaining useful life.

Leasehold improvements are attributed to the classes of assets to which they refer and depreciated at the lower between residual life of the lease contract and residual useful life of the type of asset to which the improvement relates.

Whenever the single components of a complex tangible fixed asset have different useful lives, they posted separately in order to be depreciated separately, in line with their individual useful lives ("*component approach*").

Specifically, according to this principle, the value of land and that of the buildings that are on it are separated and only the buildings are depreciated.

Gains and losses resulting from sales or disposals of assets are calculated as the difference between the sale revenue and the net book value of the asset and are posted to the Income Statement.

As envisaged by IAS 16, the value of fixed assets also includes charges for restoration of sites where towers are located.

Leased assets

Assets acquired through lease contracts are posted to tangible fixed assets and a financial payable for the same amount is posted to liabilities. The payable is progressively reduced according to the reimbursement plan of the amounts of the principal included in the contract installment payments. The amount of the interest ratio is kept in the Income Statement in the item financial charges and the value of the asset posted to tangible fixed assets is depreciated on a straight-line basis according to the economic/technical life of the asset, or, if shorter, on the basis of the expiry date of the leasing contract.

The costs for lease installments coming from operating leases are posted at fixed amounts based on the duration of the contract.

Government contribution

Government contribution obtained for investments in plants have been recorded in the Income Statement during the period necessary to correlate them to related costs and classified as deferred income.

Intangible fixed assets

Intangible fixed assets are assets without any physically identifiable nature, controlled by the company and able to generate future economic benefits. They also include goodwill when this is acquired for value.

They are posted at purchase or production cost, including ancillary charges according to the criteria already described for tangible fixed assets.

In the event of purchased intangible fixed assets whose availability for use and the relevant payments are deferred beyond ordinary terms, the purchase value and the relative payable are discounted by posting the implicit financial charges contained within the original purchase price.

Intangible fixed assets with a defined useful life are amortized on a straight-line basis, starting from the time when the asset is available for use, over the period of their forecasted usefulness. The possibility to recover their value is assessed according to the criteria envisaged by IAS 36, described in the next section *Impairment of assets*.

Intangible assets concerning *customer relations* relate to the valuation of contracts in force on the basis of economic-financial projections and depreciated at a constant rate based on a useful life of 20 years.

Goodwill and the *other non-current assets with undefined useful life or not available for use* are not subject to amortization on a straight-line basis, but subject to an *impairment test*.

Any write-downs of these assets cannot be the subject of subsequent reinstatements of value.

Impairment of assets

The book values of the tangible and intangible fixed assets are periodically reviewed as laid down by IAS 36, which asks for the evaluation of the existence of any losses of value ("*impairment*"), where there are indicators that indicate that this problem could exist. In the case of goodwill, of intangible fixed assets with an undefined useful life or of assets not available for use this valuation is carried out at least yearly, normally at the time of the preparation of the Annual Report, but also at any time when there is an indication of a possible loss of value of an asset.

The possible recovery of the posted values is checked by comparing the accounting book value in the Financial Statements with the greater between the net sale price, where there is an active reference market, and the usage value of the asset.

The usage value is calculated based on the discounting of the cash flows expected from the usage of the individual asset or of the cash generating unit to which the asset belongs and from its disposal at the end of its useful life.

A single Cash Generating Unit attributable to the activity of Tower operator has been identified at the date of the financial statements in line with the organizational and business structures of the Company, which includes the Company, direct subsidiaries Towertel S.p.A., EIT Radio S.r.l., Nettrotter S.r.l. and its indirect subsidiaries FP Tower S.r.l. and Monte Maddalena Telecomunicazioni S.r.l..

In the case of impairment the cost is posted to the Income Statement but, first of all, reducing the goodwill and then posting the excess amount, proportionately to the value of the other assets of the specific CGU. With the exception of the goodwill and the assets with an undefined useful life reinstatements of the values of the other assets are allowed when the conditions that brought about the write-down change. In this case the book value of the asset can be increased within the limits of the new estimated value but not over the value that would have been calculated, where there were no preceding write-downs.

Equity investments in associated companies and joint ventures

These equity investments are accounted using the Net Equity method. At the time of purchase the difference between the cost of the equity investment, including any ancillary charges and the amount belonging to the purchaser of the net fair value of the assets, liabilities and identifiable potential liabilities of the subsidiary is accounted for according to IFRS 3, by posting, if it is positive, a goodwill, included in the book value of the equity investment or, if it is negative, an income in the Income Statement.

The posted values of these equity investments are afterwards adjusted to the initial posting, based on the pro rata changes in the Net Equity of the subsidiary coming from the accounting situations, drawn up by the companies involved, at the time of drafting the Financial Statements.

When there are losses belonging to the Company that are higher than the book value the book value is written off and appropriate provisions or liabilities are posted for the amount of any further losses, but only if the investor is committed to fulfilling legal or implicit obligations regarding the subsidiary or, in any case, to cover its losses. Whenever no further losses are found and, afterwards, the subsidiary achieves profits the investor will only post the amount of the profits appertaining to it after these have equaled the losses not accounted for.

After the application of the Net Equity method, the book value of these equity investments, also including the goodwill if any, whenever there exist the prerequisites laid down by the measures in IAS 39, must be subjected to an *impairment test*, pursuant to and following the methodologies, previously commented on, that are laid down by IAS 36.

In the case of a write-down for loss of value the relative cost is posted to the Income Statement. The original value can be reinstated in the following fiscal years if the reasons for the write-down disappear.

Non-current financial assets

Equity investments other than investments in associated companies or jointly controlled companies are posted to the item *Other financial assets* in non-current assets and are classified pursuant to IAS 39 as financial assets "*Available for sale*" at Fair value or, alternatively, at cost if the fair value cannot be dependably calculated with the posting of the valuation impact, until the asset is disposed of but with the exception of the case when it has suffered a permanent loss in value, to a specific reserve in the Net Equity.

In the event of a write-down for loss of value, i.e. *impairment*, the cost is posted to the Income Statement. The original value is reinstated in subsequent fiscal years if the reasons for the write-down disappear.

The risk resulting from any losses above the value of the Net Equity is posted to a specific risks fund to the extent to which the investor is committed to fulfilling legal or implicit obligations regarding the subsidiary or, in any case, to cover its losses.

Among the assets available for sale there also fall the financial investments, not held for trading, valued according to the rules already referred to for the assets "*Available for sale*" and the financial payables, for the amount of them that is due beyond 12 months.

The receivables are posted at their amortized cost, using the actual interest rate method.

Non-current assets available for sale

Non-current assets available for sale are valued at the lower between their previous net book value and their market value less cost of sales. Non-current assets are classified as available for sale when it is estimated that their book value will be recovered by means of a sale transaction rather than through their use in company operations. This condition is only met when the sale is considered as very likely and the asset is available for immediate sale in its current condition. For this purpose, Management must be committed to the sale, which must take place within 12 months from the date of classification of this item.

Current Assets

Inventories

The inventories of raw materials, semi-finished and finished products are valued at the lower between acquisition or production cost, including ancillary charges, i.e. at FIFO (First In First Out) and their presumed net realisable value deducible from the market trend.

Trade receivables

The receivables are posted at their fair value, which is generally also their face value, except in the case where, because of significant extended payment terms, it is the same as the value calculated by applying the amortized cost method. Their value at year-end is adjusted to their estimated realisable value and written down in case of impairment. Receivables originating in non-EMU currencies are valued at the year-end spot rates issued by the European Central Bank.

Sale of receivables

The recognition of the sale of receivables is subject to the measures laid down by IAS 39 regarding the *derecognising* of financial assets. As a result, the receivables sold to factoring companies, *with or without recourse*, in the event that the latter includes clauses that imply maintaining a significant exposure to the trend of the cash flows from the sold receivables, remain in the Financial Statements, even though they have been legally sold, with a corresponding accounting posting of a financial liability for the same amount.

Current financial assets

Financial assets are posted and reversed in the Financial Statements based on their transaction date and they are initially valued at cost, including the expenses directly connected with their acquisition.

At successive dates of the Financial Statements, those financial assets to be held until maturity are shown at amortized cost, according to the actual interest rate method, net of write-downs made to reflect impairment.

Cash and equivalents

This item includes the cash, the bank current accounts and deposits that are repayable on demand and other short-term and high liquidity financial investments that are readily convertible to cash, with an insignificant risk of a change in value.

Treasury shares

Treasury shares are shown at cost and posted as a reduction of Net Equity.

Employee Benefits

Post-Employment Benefit Plans

The Employee Leaving Indemnity, which is obligatory for Italian companies pursuant to Article 2120 of the Italian Civil Code, is a type of deferred remuneration and it is related to the length of the working lives of the employees and the emoluments received.

Due to the Supplementary Pension Reform, the amounts of the Employee Leaving Indemnity accrued until December 31, 2006 shall continue to remain within the company constituting a defined benefit plan, with the obligation of the accrued benefits to that date being subject to an actuarial valuation, while the amounts that accrue from January 1, 2007, with the exception of those regarding companies with less than 50 employees, according to the choices made by the employees, are allocated to supplementary pension funds, or transferred by the company to the treasury fund managed by INPS (Italian National Social Security Institute) starting from the time when the employees formalise their choice, as defined contribution plans that are no longer subject to actuarial valuation.

For the benefits subject to actuarial valuation, the liability relative to the Employee Leaving Indemnity must be calculated by projecting forward the already accrued amount up to the future date of the dissolution of the employment relationship and then calculating the net present value of the amount, at the date of the Financial Statements, using the actuarial method called the "Projected Unit Credit Method".

The actuarial gains and losses that reflect the impacts coming from the changes in the actuarial hypotheses used are posted directly to the Net Equity, without ever passing to the Income Statement and they are shown in the Comprehensive Income Statement table.

Share-based payments

The Company, in line with what is laid down by IFRS 2, which classifies Stock Options as "share based payments" and asks that for the type that falls into the "*equity-settled*" category, which means that it foresees the physical handing over of the share certificates, the calculation at the assignment date of the fair value of the option rights issued and its posting as a personnel costs to be split evenly of the period of the accrual of the rights (*vesting period*) with the posting of the other side of the entry to the specific reserve of Net Equity. This posting is carried out based on the estimate of the rights that will actually accrue in favour of the person who has the right, taking into consideration the usufruct conditions of them, not based on the market value of the rights.

At the end of the exercising period the relative Net Equity reserve is reclassified among the reserves available for use.

The calculation of the fair value takes place using the "binomial" model.

Trade payables

The trade payables are posted at their nominal value, which is usually close to the amortized cost. Those originating in non-EMU currencies are valued at the year-end spot rates issued by the European Central Bank.

Funds for risks and charges

The funds for risks and charges are relative to those costs and charges whose existence is either certain or probable but, however, for which, at the closing date of the accounting period it was not possible to ascertain, with absolute certainty, either their true amount or the exact date on which they shall fall due. They have been provided only when there is a real current obligation, which is the result of past events that can be of a legal or contractual type, or derived from declarations or behaviour of the company that create valid expectations in the persons involved (implicit obligations). The provisions for these items have been posted at the value that represents the best possible estimate of the amount that the enterprise would have to pay in order to extinguish its obligation.

Non-current financial liabilities

The Non-current financial liabilities are shown at their amortized cost, using the actual interest rate method.

Revenue recognition

The revenues from sales and services are posted when the actual transfer takes place of the risks and benefits arising from the ceding of the ownership of the goods or at the time when the supply of the service takes place.

The revenues are shown net of returns, discounts, allowances and premiums, as well as of any directly linked tax charges.

Any cost recoveries are shown as a direct reduction of the relative costs.

Income taxes

The current income taxes are posted, for each company, on the basis of the estimated taxable income in line with the tax rates and fiscal measures that are currently in force, or have been basically approved, at the close of the accounting period in the various countries, taking into account any applicable exemptions and tax credits that are due.

The prepaid and deferred taxes are calculated based on the timing differences between the values attributed to the assets and liabilities in the Financial Statements on a statutory basis and the corresponding values that are recognized for fiscal purposes, on the basis of the tax rates that will be in force at the time when the timing differences will be reversed. When the results are posted directly to Net Equity, the current taxes, the prepaid taxes assets and the deferred taxes liabilities are also posted to Net Equity.

The deferred taxes assets and liabilities are set off when there exists a legal right to be able to set off the current taxes assets and liabilities and when they refer to taxes that are due to the same Tax Authority and the Company intends to settle the current tax assets and liabilities on a net basis.

In the case of any changes in the net book value of the deferred tax assets and liabilities arising from a change in the tax rates or the relative legislation, rules or regulations, the resulting deferred taxes are posted into the Income Statement, unless they are relative to elements that have already been debited or credited previously to the Net Equity.

Dividends

The dividends are accounted for in the accounting period in which there is passed the resolution to distribute them.

Earnings per share

The earnings per share are calculated by dividing the net profit by the weighted average of the number of shares in circulation, net of the treasury shares. The diluted earnings per share is calculated by taking into account in the calculation the number of shares in circulation and the potential diluting effect coming from the assignment of treasury shares to the beneficiaries of stock option plans that have already reached maturity.

Changes in accounting estimates

Pursuant to the IAS 8 these items are input to the Income Statement, on a forecasted basis, starting from the accounting period during which they are adopted.

Accounting standards, amendments and interpretations effective from January 1, 2016

Starting from January 1, 2016, the Company applied the following IFRS accounting standards, amendments and interpretations:

- Amendments to IAS 19 "**Defined Benefit Plans: Employee Contributions**" (published on November 21, 2013): related to the recognition of contributions from employees or third parties to defined benefit plans. The adoption of these amendments had no effects on the financial statements of the Company.
- Amendments to **IFRS 11** "**Accounting for acquisitions of interests in joint operations**" (published on May 6, 2014): related to the accounting for acquisitions of interests in joint operations in which the activities of the

joint operations constitute businesses. The adoption of these amendments had no effects on the financial statements of the Company.

- Amendments to **IAS 16** and to **IAS 38 "Clarification of acceptable methods of depreciation and amortization"** (published on May 12, 2014): according to which a revenue-based depreciation method is not considered to be appropriate, since, revenues generated by an activity that includes the use of an asset subject to depreciation generally reflect factors other than consumption of an asset's economic benefits, a requisite required for depreciation. The adoption of this amendment had no effects on the financial statements of the Company.
- Amendment to **IAS 1 - "Disclosure Initiative"** (published on December 18, 2014): the objective of these changes is to provide a clarification on disclosure principles which can be perceived as an impediment to a clear and intelligible presentation of financial statements. The adoption of this amendment had no effects on the financial statements of the Company.
- Amendment to ***IAS 27 - Equity Method*** in Separate Financial Statements (published on August 12, 2014): introduces the option to use the equity method of accounting in measuring investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity. The adoption of this amendment had no effects on the financial statements of the Company.
- Amendments to **IFRS 10, IFRS 12 and IAS 28** "***Investment Entities: Applying the Consolidation Exception*** (published on December 18, 2014), containing changes related to issues that have arisen in the context of applying the consolidation exception for investment entities. The adoption of this amendment had no effects on the financial statements of the Company.

Lastly, within the annual improvement process of standards, on December 12, 2013 the IASB published the document "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 Share Based Payments - Definition of vesting condition, IFRS 3 Business Combination - Accounting for contingent consideration, IFRS 8 Operating segments - Aggregation of operating segments and Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement - Short-term receivables and payables) and on September 25, 2014 the document "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosure and IAS 19 - Employee Benefits). The improvements partly integrate pre-existing standards. The adoption of this amendment had no effects on the financial statements of the Company.

New accounting standards, interpretations and amendments not yet applicable and not applied in advance by the Company

Standards already issued but not yet having come into force at the date of drafting of the financial statements are outlined below. The list applies to standards and interpretations that the Company expects to be reasonably applicable at a future date. The Company intends to adopt these standards when they come into force.

The Company did not apply the following Standards, new or amended, issued, but not yet into effect.

- **Standard IFRS 15 – Revenue from Contracts with Customers** (published on May 28, 2014 and completed with additional clarification published on April 12, 2016) which is intended to replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, and the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues-Barter Transactions Involving Advertising Services. The standard sets out a new framework for revenue recognition, that will apply to all contracts with customers except for those that fall within the scope of other IAS/IFRS standards as leases, insurance contracts and financial instruments. The key steps in accounting revenues according to the new framework are:
    - Identify the contract(s) with a customer;
    - Identify the performance obligations in the contract;
    - Determine the transaction price;
    - Allocate the transaction price to the performance obligations in the contract;
    - Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, published by IASB on April 12, 2016, have not yet been endorsed by the European Union. In the Directors' opinion, the application of IFRS 15 could impact in particular on disclosure of revenues provided in the financial statements of the Company. However, it is not possible to make a reasonable estimate of the effects until the Company has completed a detailed analysis of customer relations.

- Final version of **IFRS 9 – Financial Instruments** (published on July 24, 2014). This document includes the results of the IASB's project to replace IAS 39:
  - Introduces new requirements for classification and measurement of financial assets and liabilities;
  - Concerning the impairment model, the new standard requires that the estimation of credit losses is carried out on the basis of an expected losses impairment model (and not on an incurred losses model provided for by IAS 39) by using supportable information, available without unreasonable changes or efforts which include historical data, both current and future;
  - Introduces the new general hedge accounting model (increase in the types of transactions eligible for hedge accounting, change to the accounting method for forward contracts and option when included in an hedging relationship, changes to the effectiveness test)

The new standard is effective for annual reporting periods beginning on or after January 1, 2018.

The Directors are assessing the impact of the application of IFRS 9 on amounts and information reported on the financial statements of the Company.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

Up to the time of the present annual report, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the above amendments and standards.

- On January 13, 2016 the IASB published the standard IFRS 16 – Leases which will replace the standard IAS 17 – Leases, and the interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

  The new standard provides a new definition of lease and introduces the criterion based on the right of use of an asset to distinguish between lease contracts and service contracts, identifying as discriminating factors: the identification of the asset, the right of substitution of the asset, the right to obtain substantially all the economic benefits from that use and the right to direct the asset's use underlying the contract.

The standard establishes a single recognition and measurement model of lease contracts for the lessee providing for the recognition of the leased asset also operating under assets against a financial liability, providing the possibility not to recognize as a lease contracts concerning "low-value assets" and leases with a lease term of 12 months or less. On the contrary, this Standard does not include significant changes for lessors.

The standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted only for the Entities which apply in advance IFRS 15 - Revenue from Contracts with Customers in advance. In the Directors' opinion, the application of IFRS 16 is expected to significantly impact on the accounting of lease contracts and on related disclosure provided in the financial statements of the Company. However, it is not possible to provide a reasonable estimate of the effects until the Company has completed a detailed analysis of related contracts.

- Amendment to **IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"** (published on January 19, 2016). The document is intended to clarify around the recognition of a deferred tax asset for unrealised losses when certain circumstances come to pass and the estimate of taxable income for future years. Those amendments shall apply from January 1, 2017 but, early application is permitted. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these amendments.
- Amendment to **IAS 7 "Disclosure Initiative"** (published on January 29, 2016). The document is intended to clarify IAS7 to improve information about financial liabilities. More specifically, amendments require to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017, but earlier application is permitted. The submission of comparative information related to previous years is not required. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these amendments.
- Amendment to **IFRS 2 "Classification and measurement of share-based payment transactions"** (published on June 20, 2016), contains clarifications in relation to the accounting of the effects of vesting conditions in the presence of cash-settled share-based payments, the classification of share-based payments with net settlement features and

the accounting for modifications of the terms and conditions of share-based payments modifying the classification from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, but earlier application is permitted. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these amendments.

- Document "Annual Improvements to IFRSs: 2014-2016 Cycle", published on December 8, 2016 (including IFRS 1 First-Time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters, IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice, IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the Standard). The improvements partly integrate pre-existing standards. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these amendments.
- Interpretation IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (published on December 8, 2016). The interpretation is intended to provide guidelines for transactions that are denominated in a foreign currency where the entity recognises a non-monetary prepayment asset or deferred income liability, in advance of the recognition of the related asset, expense or income. The document provides guidance on how an entity shall determine the date of the transaction, and consequently, the spot rate of exchange to be used when transactions in a foreign currency occur in which the payment is made or received in advance.. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018, but earlier application is permitted. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these changes.
- Amendment to **IAS 40 "Transfers of Investment Property"** (published on December 8, 2016). The amendments clarify transfers of property to, or from, investment property. More specifically, an entity shall reclassify a property into, or out of, investment properties only when there was an evident change in use of the property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018, but earlier application is

permitted. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these amendments.

- On September 11, 2014 the IASB published an amendment to **IFRS 10 and IAS 28** “Sales or Contribution of Assets between an Investor and its Associate or Joint Venture”. This document has been published in order to solve the current conflict between IAS 28 and IFRS 10 related to the recognition of a gain or loss resulting from the sale or contribution of non-monetary assets to a joint venture or associate in return of an equity stake. The IASB deferred indefinitely the application of this amendment.

5. Main corporate operations

On May 31, EIT Radio S.r.l. was established. The company will provide hosting and ancillary services to radio operators.

On the same date, the company Fortress Italia S.r.l. was acquired. The company operates towers mainly hosting radio operators, for a consideration of € 3.5m, including an earn out provisional share of € 0.2m. The acquiree was merged into EIT Radio S.r.l. on October 20.

On July 20, the share capital of Nettrotter S.r.l. was increased by € 1m, including a share premium of € 0.8m, following the payments proportionally made by quotas by the Company and Thinktank 2000 S.L.

The capital increase is functional for the financial support to the company in the network implementation phase.

On September 8, EI Towers, in accordance with the resolution approved by the Shareholders’ Meeting on April 21, started the plan to purchase treasury shares; at December 31, total shares purchased pursuant to the aforesaid plan are 350,907 equal to 1.24% of the issued share capital.

Following these purchases, total treasury shares held on the same date are 413,433, equal to 1.46% of the issued share capital.

Under the releverage plan already described, on November 18, the Board of Directors resolved to propose to the Shareholders’ Meeting the distribution of an extraordinary dividend of € 3.60 per share. Following the positive resolution of the Meeting held on January 12, 2017, the dividend was subsequently paid to the shareholders on February 8, 2017.

6. 2010 Stock Option Plan

It is highlighted that no. 100,000 options assigned in 2010 expired in 2016.

As of today, there are no stock option plans assigned to employees.

7. Other information

Direction and coordination activities

According to article 2497-bis para. 4, a summary statement of key data of the last financial statements approved by Mediaset S.p.A., a company carrying out Direction and Coordination activity, is shown below.

ASSETS	Dec.31, 2015	Dec.31, 2014
Non-current assets		
Property, plant and equipment	4,646	4,679
Goodwill and other intangible assets	-	-
Investments and other non-current financial assets	1,473,885	1,474,422
Deferred tax assets	73,588	50,119
Total non-current assets	**1,552,119**	**1,529,220**
Current assets		
Trade receivables	1,534	2,036
Tax receivables	32,109	36,338
Intercompany financial receivables	1,832,433	1,928,967
Receivables and other current assets	59,788	54,313
Cash and cash equivalents	26,879	29,376
Total current assets	**1,952,743**	**2,051,030**
Non-current assets held for sale	**-**	**-**
TOTAL ASSETS	**3,504,862**	**3,580,250**
LIABILITIES AND SHAREHOLDERS' EQUITY	**Dec.31, 2015**	**Dec.31, 2014**
Shareholders' equity		
Share capital	614,238	614,238
Share-premium reserve	275,237	275,237
Treasury shares	(416,656)	(416,656)
Other reserves	1,354,643	1,339,970
Profit (loss) for the period	50,368	37,087
TOTAL SHAREHOLDERS' EQUITY	**1,877,830**	**1,849,876**
Non-current liabilities		
Post-employment benefit plans	1,271	1,313
Deferred tax liabilities	373	424
Other non-current liabilities	873,215	872,959
Total non-current liabilities	**874,859**	**874,696**
Current liabilities		
Financial payables	93,431	214,089
Trade payables	2,252	1,912
Tax payables	-	820
Intercompany financial payables	479,237	473,629
Payables and other current liabilities	177,253	165,228
Total current liabilities	**752,173**	**855,678**
Non-current liabilities related to assets held for sale	**-**	**-**
TOTAL LIABILITIES	**1,627,032**	**1,730,374**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,504,862**	**3,580,250**

INCOME STATEMENT	2015	2014
Revenues	7,685	6,140
Costs	27,197	32,031
Gains/(losses) from disposals of non-current assets	-	-
EBIT	**(19,512)**	**(25,891)**
(Expenses)/income from financial investments	71,996	63,222
EBT	**52,484**	**37,331**
Income taxes for the year	2,116	244
Net profit from continuing operations	**50,368**	**37,087**
Net gains/(losses) from discontinued operations	-	-
Net profit (loss) for the period	**50,368**	**37,087**

Group taxation

EI Towers S.p.A. as consolidating company and the subsidiaries Towertel S.p.A., Nettrotter S.r.l. and EIT Radio S.r.l. as consolidated companies adhere to the national group taxation, regulated by article 117 and subsequent of the Decree by the President of the Republic no. 917/1986 and the Ministerial Decree dated June 9, 2004.

Information pursuant to Article 2427 no. 22-quinquies and no. 22-sexies of the Italian Civil Code

It is noted that EI Towers S.p.A. belongs to the Mediaset Group, the Consolidated Financial Statements of which are prepared by Mediaset S.p.A., as controlling entity. A copy of the Consolidated Financial Statements of the Mediaset Group has been deposited at the registered office of Mediaset S.p.A., in Milan, Via Paleocapa no. 3.

It is noted that EI Towers S.p.A. belongs to the Fininvest Group, the Consolidated Financial Statements of which are prepared by Finanziaria d'Investimento Fininvest S.p.A., as controlling entity. A copy of the Consolidated Financial Statements of the Fininvest Group has been deposited at the registered office of Finanziaria d'Investimento Fininvest S.p.A., in Rome, Largo del Nazareno 8.

COMMENTS ON MAIN ASSETS ITEMS

8. Non-current assets

8.1 Property, plants and equipment

The following table summarises the values for the period of original cost, depreciation and write-downs and the net amount:

Historical cost	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation	Total
Jan.1, 2015	**48,743**	**125,344**	**248,964**	**43,871**	**25,958**	**11,127**	**504,006**
Business combination	-	-	-	-			**-**
Reclassification	-	-	-	-		(269)	**(269)**
Other changes	36	1,244	4,681	415	766	(7,142)	**()**
Acquisitions	150	416	11,830	419	437	10,357	**23,609**
Disposals	(52)	(128)	(1,671)	(72)	(101)	(21)	**(2,045)**
(Depreciation and write-downs)	-						**-**
Dec.31, 2015	**48,877**	**126,876**	**263,805**	**44,631**	**27,061**	**14,053**	**525,302**
Business combinations	-	-	-	-	-		**-**
Reclassification	-	-	-	-	-	(296)	**(296)**
Other changes	108	355	5,292	310	463	(6.510)	**18**
Acquisitions	165	252	5,948	536	416	6.900	**14,217**
Disposals	(1,070)	(277)	(2,493)	(128)	(326)	(27)	**(4,321)**
(Depreciation and write-downs)	-						**-**
Dec.31, 2016	**48,079**	**127,206**	**272,552**	**45,349**	**27,614**	**14,120**	**534,919**

Amortisation and depreciation	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation	Total
Jan.1, 2015	**19,055**	**66,232**	**184,021**	**34,611**	**21,910**	**-**	**325,829**
Business combination	-	-	-	-	-		**-**
Reclassification	-	-	17	1		(18)	**()**
Other changes	-	-	-	-			**-**
Disposals	(52)	(122)	(1,649)	(72)	(92)		**(1,988)**
Amortisation	1,200	5,085	19,331	2,731	1,695		**30,042**
(Depreciation and write-downs)		106					**106**
Dec.31, 2015	**20,203**	**71,301**	**201,720**	**37,271**	**23,512**	**(18)**	**353,989**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	12	-	(14)	()	3	-	
Other changes	-	-	-	-	-	18	**18**
Disposals	(675)	(276)	(2,442)	(123)	(318)	-	**(3,834)**
Amortisation	916	5,116	17,593	2,391	1,549	-	**27,565**
(Depreciation and write-downs)	-	141	9		-	-	**150**
Dec.31, 2016	**20,456**	**76,282**	**216,865**	**39,539**	**24,746**	**-**	**377,888**

Net book value	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation	Total
Jan.1, 2015	**29,688**	**59,112**	**64,944**	**9,260**	**4,049**	**11,127**	**178,177**
Business combination	-	-	-	-	-	-	**-**
Reclassification	-	-	(17)	(1)	-	(251)	**(268)**
Other changes	36	1,244	4,681	415	766	(7,142)	**()**
Acquisitions	150	416	11,830	419	437	10,357	**23,609**
Disposals	-	(6)	(22)	()	(8)	(21)	**(58)**
Amortisation	(1,200)	(5,085)	(19,331)	(2,731)	(1,695)	-	**(30,042)**
(Depreciation and write-downs)	-	(106)	-	-	-	-	**(106)**
Dec.31, 2015	**28,674**	**55,575**	**62,086**	**7,361**	**3,549**	**14,071**	**171,312**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	(12)	-	14		(3)	(296)	**(296)**
Other changes	108	355	5,292	310	463	(6,528)	**()**
Acquisitions	165	252	5,948	536	416	6,900	**14,217**
Disposals	(395)	(1)	(51)	(5)	(8)	(27)	**(487)**
Amortisation	(916)	(5,116)	(17,593)	(2,391)	(1,549)	-	**(27,565)**
(Depreciation and write-downs)	-	(141)	(9)	()	-	-	**(150)**
Dec.31, 2016	**27,624**	**50,924**	**55,687**	**5,810**	**2,868**	**14,120**	**157,031**

The main additional changes during the period were for:

- Increases in tangible assets under formation and advances in the amount of € 6,900k mainly for towers and infrastructures classified under the item Towers, plants and equipment related to Towers classified under the items Plant and machinery and Technical and commercial equipment (including € 507k for plants related to the implementation of the network for the Cairo Communication Group);
- Increases in Towers in the amount of € 607k attributable to the acquisition and construction of Towers;
- Increases in Land and building in the amount of € 273k attributable to the acquisition of some lots of land on which Towers are located;
- Increases in Plant and machinery in the amount of € 11,240k attributable in the amount € 5,292k to transfers of tangible assets under formation during previous years completed in 2016, in the amount of € 5,948k to the purchase of plants on towers (including € 4,213k for plants related to the implementation of the network for the Cairo Communication Group inclusive of personnel costs dedicated to this project in the amount of € 673k).

The write-downs of 2016 amounted to € 150k and mainly relate Towers no longer used and under disposal.

8.2 Goodwill

Beginning balance at Jan.1, 2015	**361,901**
Reclassification	-
Increases	-
Other changes	-
Disposals	-
(Depreciation and write-downs)	-
Closing balance at Dec.31, 2015	**361,901**
Reclassification	-
Increases	-
Other changes	-
Disposals	-
(Depreciation and write-downs)	-
Net final balance at Dec.31, 2016	**361,901**

This item did not change compared to the previous year.

At December 31, 2016 goodwill was subject to the impairment tests as required by IAS 36.

This assessment was done at the level of Cash Generating Units (CGUs) “Tower”, to which the value of goodwill is allocated, on the basis of multi-year plans approved by the Board of Directors.

The rate used to discount future cash flows was determined by calculating the weighted average cost of capital taking into account the financial structure, the current market assessment of the cost of money for the plan period considered, and assuming a risk free rate equal to the average annual return on ten-year government debt securities in Italy, and a premium for long-term stock risk equal to 5.69%.

These assessments have been carried out by utilising an actuarial base rate, corresponding to the weighted average cost of capital net of taxes of 5.13% and a growth rate, used to extrapolate cash flows over the plan period prudentially of 1.1%, coinciding with the average inflation rate expected in the period.

These assessments confirmed the recoverability of the posted book values subjected to impairment tests of the CGU. For the assessment summarised above, sensitivity analyses were also carried out with respect to the financial parameters used for the determination of value in use. The discount rate was allowed to fluctuate in a range of +/-20% relative to the base figure, and the perpetual growth rate in a range of 0/2%. All sensitivity analyses confirmed that recoverable value for the CGU was greater than the book value.

8.3 Other intangible assets

Historical cost	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Jan.1, 2015	**9,659**	**61,111**	**-**	**12,241**	**42**	**7,500**	**90,554**
Business combinations							**-**
Reclassification	269						**269**
Other changes	5				(5)		**-**
Acquisitions	200				460		**660**
Disposals							**-**
Dec.31, 2015	**10,132**	**61,111**	**-**	**12,241**	**497**	**7,500**	**91,482**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	296	-	-	-	-	-	**296**
Other changes	398	-	-	6	(403)	(7,500)	**(7,500)**
Acquisitions	300	3	-	2	35	-	**340**
Disposals	-	-	-	-	-	-	**-**
Dec.31, 2016	**11,126**	**61,114**	**-**	**12,248**	**129**	**-**	**84,618**

Amortisation and depreciation	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Jan.1, 2015	**9,250**	**15,512**	**-**	**4,325**	**-**	**7,500**	**36,588**
Business combinations							**-**
Reclassification							**-**
Other changes							**-**
Disposals							**-**
Amortisation	367	3,073		828			**4,269**
(Depreciation), (write-downs)							**-**
Dec.31, 2015	**9,618**	**18,585**	**-**	**5,153**	**-**	**7,500**	**40,856**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	(7,500)	**(7,500)**
Disposals	-	-	-	-	-	-	**-**
Amortisation	697	3.073	-	829	-	-	**4,599**
(Depreciation), (write-downs)	-	-	-	-	-	-	**-**
Dec.31, 2016	**10,315**	**21,658**	**-**	**5,982**	**-**	**()**	**37,955**

Net book value	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Jan.1, 2015	**410**	**45,599**	**-**	**7,916**	**42**	**-**	**53,966**
Business combinations	-	-	-	-	-	-	-
Reclassification	269	-	-	-	-	-	269
Other changes	5	-	-	-	(5)	-	-
Acquisitions	200	-	-	-	460	-	660
Disposals	-	-	-	-	-	-	-
Amortisation	(367)	(3,073)	-	(828)	-	-	(4,269)
Dec.31, 2015	**516**	**42,526**	**-**	**7,087**	**497**	**-**	**50,626**
Business combinations	-	-	-	-	-	-	-
Reclassification	296	-	-	-	-	-	296
Other changes	398	-	-	6	(403)	-	-
Acquisitions	300	3	-	2	35	-	340
Disposals	-	-	-	-	-	-	-
Amortisation	(697)	(3,073)	-	(829)	-	-	(4,599)
Dec.31, 2016	**813**	**39,456**	**-**	**6,266**	**129**	**-**	**46,663**

Patents and intellectual property rights

The increase in Item Patents and intellectual property rights, including a reclassification in the amount of € 296k from tangible assets in progress, amounted to € 994k, including € 777k attributable to the "*in house*" management project for the main information systems and related licenses, € 122k relating to the extension of Auge Remote Control system attributable to the implementation of the network for the Cairo Communication Group and for the remaining amount to the development of the new system called "Banca Dati Postazioni" (Tower Database).

Licenses

The item Licenses includes investments related to the rights to use optical fiber networks for signal transport.

Intangible assets in progress and advances

The increase in the Item Intangible assets in progress mainly concerns investments related to the project called "Banca Dati Postazioni" (Tower Database).

8.4 Equity investments

This item is detailed as follows:

Equity investments in subsidiaries

	Dec.31, 2016		Dec.31, 2015	
	stake	book value	stake	book value
Towertel S.p.A.	100%	94,423	100%	94,423
Nettrotter S.r.l.	95%	1,900	95%	950
EIT Radio S.r.l.	100%	3,572		
Total		**99,895**		**95,373**

It should be noted that on May 31, the company EIT Radio S.r.l. held by 100% has been established, subscribing a share capital equal to € 50k.

On the same date, the Company acquired 100% of the share capital of Fortress Italia S.r.l. for a consideration of € 3,522k. On October 20, the merger of Fortress Italia S.r.l. into EIT Radio S.r.l. was completed.

Following the above, the carrying value of the investment in EIT Radio S.r.l. at December 31, 2016 is representative of the amount paid for the subscription of the share capital of EIT Radio S.r.l., amounting to € 50k, increased by the value of the investment held by the Company, amounting to € 3,522k, in Fortress Italia S.r.l. then merged into EIT Radio S.r.l. It should be noted that the 95% investment in the capital of Nettrotter S.r.l. increased during the year following capital increase and premium reserve in the amount of €1,000k subscribed by shareholders in proportion to shares held.

As required by IAS 36, for financial assets classified as subsidiaries (IAS 27), measures were taken to verify their recorded value in order to ensure that they were not posted at a value higher than recoverable value, defined as the greater of fair value net of selling costs and value of use determined using estimates of future cash flows when the entity specifies that these come from operations.

Equity investments with a posted book value greater than equity at December 31, 2016 were subject to a specific impairment test to support the book value in the wider context of tests carried out in relation to Tower CGU already described (see Paragraph Goodwill).

The rate used to discount future cash flows was determined by calculating the weighted average cost of capital taking into account the target financial structure of comparable companies, the current market assessment of the cost of money for the plan period considered, and assuming a risk free rate equal to the average annual return on ten-year government debt securities in Italy, and a premium for long-term stock risk equal to 5.69%.

These assessments have been carried out by utilising an actuarial base rate, corresponding to the weighted average cost of capital net of taxes of 5.13% and a growth rate, used to extrapolate cash flows over the plan period prudentially of 1.1%.

These assessments confirmed the recoverability of the posted book values subjected to impairment test. For the assessment summarised above, sensitivity analyses were also carried out with respect to the financial parameters used for the determination of value in use. The discount rate was allowed to fluctuate in a range of +/-20% relative to the base figure, and the perpetual growth rate in a range of 0/2%. All sensitivity analyses confirmed that recoverable value for the equity investment was greater than the book value.

8.5 Non-current receivables and financial assets

This item includes medium/long-term receivables and is broken down as follows at year end:

	Dec.31, 2016				Dec.31,2015
		Due			
	Total	from 1 to 5 years	over 5 years		
Security deposits paid	491	-	491		475
Other financial assets	160	160	-		160
Consortium fees	32	-	32		32
C/A Subsidiary - Towertel S.p.A.	103,415	-	103,415		90,770
C/A Subsidiary - HIGHTEL S.p.A.	-	-	-		2,393
C/A Subsidiary - Nettrotter S.p.A.	2,920	-	2,920		1,000
C/A Subsidiary - EIT Radio S.r.l.	24,530	-	24,530		-
C/A Subsidiary for invoices to be issued	734	-	734		512
Total	**132,284**	**160**	**132,124**	**-**	**95,343**

Security deposits refer to deposits paid for leases and utility; consortium fees refer to the investment quota in "Consorzio Cefriel".

The item Other Financial assets included the considerations paid out for the purchase option of the shares representing the total share capital of the companies Segit S.r.l. (€ 60k), Artel S.r.l. (€ 40k), Mantignana (€ 60k).

Total non-current financial assets amounted to € 131,601k and related to the credit balance, including accrued interest (included under item C/A Subsidiary for invoices to be issued), of the intra-group current account respectively with the subsidiary Towertel S.p.A. in the amount of € 104,046k, with the subsidiary Nettrotter S.r.l. in the amount of € 2,937k and with the subsidiary

EIT Radio S.r.l. in the amount of € 24,618k. The increase in the balance of the current account opened for the benefit of the subsidiaries Towertel S.p.A. and EIT Radio S.r.l. is attributable to the acquisitions carried out in the period.

8.6 Deferred tax assets and liabilities

	Dec.31, 2016	Dec.31, 2015
Deferred tax assets	5,293	4,388
Deferred tax liabilities	(19,893)	(20,967)
Net position	**(14,600)**	**(16,579)**

The following tables show separately for assets and liabilities the changes in deferred taxes over the past two years.

The tax assets and liabilities relating to actuarial valuations of defined benefit schemes are accounted directly in the income statement and no deferred tax assets are recorded in the balance sheet.

DEFERRED TAX ASSETS	Balance at Jan.1st	Through Income Statement	Through Shareholders' Equity	Other changes	Balance at Dec.31st
2015	5,619	(1,134)	(103)	6	4,388
2016	4,388	708	197	-	5,293

DEFERRED TAX LIABILITIES	Balance at Jan.1st	Through Income Statement	Through Shareholders' Equity	Other changes	Balance at Dec.31st
2015	(21,817)	3,448	-	(2,598)	(20,967)
2016	(20,967)	1,074	-	-	(19,893)

The item Deferred tax assets amounted to € 5,293k and corresponds to deferred tax assets determined based on temporary differences between the value recorded in the balance sheet and corresponding values recognized for fiscal purposes.

The item Deferred tax liabilities amounted to € 19,893k and corresponds to deferred tax liabilities determined based on temporary differences between the value recorded in the balance sheet and corresponding values recognized for fiscal purposes.

Other changes refer to compensation between advance and deferred taxes.

The following is a breakdown of the temporary differences that generated tax assets and liabilities.

	Temporary gap	Tax effect Dec.31, 2016	Temporary gap	Tax effect Dec.31, 2015
Deferred tax assets related to:				
Property, plant and equipment	488	136	423	102
Provision for receivables write-off	9,526	2,286	6,663	1,599
Provisions for risks and charges	2,406	641	1,515	427
Post-employment benefit plans	5,507	1,323	4,686	1,289
Inventories	2,911	812	3,014	841
Other temporary differences	399	95	494	130
TOTAL	**21,237**	**5,293**	**16,795**	**4,388**

It should be noted that, among the most significant components of deferred tax assets, the tax effect related to the Provision for receivables write-off amounted to € 2,286k, the effect related to the Provision for inventory obsolescence amounted to € 812k, the effect related to the discounting of the Employee Termination Indemnity amounted to €1,323k.

	Temporary gap	Tax effect Dec.31, 2016	Temporary gap	Tax effect Dec.31, 2015
Deferred tax liabilities related to:				
Property, plant and equipment	17,536	4,793	19,122	5,290
Non current intangible assets	50,152	13,992	52,004	14,613
Post-employment benefit plans	4,029	1,108	3,868	1,064
Other temporary differences	-	-	-	-
TOTAL	**71,717**	**19,893**	**74,994**	**20,967**

The tax effect amounting to € 13,992k mainly attributable to Customer relations recorded as intangible asset and the effect related to the allocation of gains generated from acquisitions carried out in previous years amounting to

€ 4,793k, are among the main significant components of deferred tax liabilities.

9. Current assets

9.1 Inventories

This item could be broken down as follows:

	Balance at Dec.31, 2016	Balance at Dec.31, 2015
Raw materials, ancillary materials and consumables	6,037	5,916
Goods	-	-
Finished goods	-	-
Total	6,037	5,916
Provision for devalued raw materials, ancillary materials and consumables	(2,911)	(3,014)
Provision for devalued finished goods	-	-
Net inventories	**3,127**	**2,902**

	Dec.31, 2015	Allocations	Uses	Dec.31, 2016
Provision for devalued raw materials, ancillary materials and consumables	(3,014)	(54)	157	(2,911)

Raw materials, ancillary materials and consumables for a net value of € 3,127k include spare parts and accessories for the maintenance and installation of transmission plants.

The Provision for devalued raw materials, ancillary materials and consumables relates to materials with slow turnover for which, after an attentive analysis of turnover indexes, impairment has been carried out depending on their estimated market value. This provision increased in 2016 due to provisions in the amount of € 54k and decreased following the scrapping of spare parts in the amount of 157k.

9.2 Trade receivables

This item was made up as follows:

	Dec.31, 2016	Dec.31, 2016			Dec.31, 2015
		Due			
	Total	within 1 year	from 1 to 5 years	over 5 years	
Receivables from customers	29,755	26,876	2,593	286	25,771
Provision for bad debts	(8,885)	(8,885)	-	-	(5,863)
Total net receivables from customers	**20,870**	**17,991**	**2,593**	**286**	**19,907**
Receivables from associates	544	544		-	366
Receivables from subsidiaries	1,381	1,381	-	-	3,829
Receivables from parent companies	379	379	-	-	289
Total	**23,175**	**20,296**	**2,593**	**286**	**24,392**

Provision for receivables write-off	Balance at Jan.1st	Other changes	Allocation for the year	Uses for the year	Balance at Dec.31st
2016	5,864	-	3,074	(53)	**8,885**
2015	8,527	-	198	(2,861)	**5,864**

Receivables from customers

Receivables from customers relate to sales transactions with customers.

Receivables due after one year amounted to € 2,879k and mainly refer to the extension granted to the customers Prima TV S.p.A. and Fantasy Way S.r.l.

In 2016 an allocation to the Provision for receivables write-off amounting to € 3,074k was accounted in order to reflect the estimated realisable value of receivables.

Trade receivables from associates

Trade receivables from associates consist of:

- € 195k from Consorzio Colle Maddalena for hosting sites;
- € 161k from Monradio S.r.l. for hosting sites;
- € 110k from Milan Entertainment S.r.l. for broadcasting services;
- € 39k from Videotime S.p.A. mainly due to recharge of equipped areas at local offices;

- € 22k from Radio Engineering CO S.r.l mainly due to ordinary maintenance services;
- € 12k from Radio Studio 105 S.p.A. mainly due to for hosting sites;
- € 5k from Virgin Radio S.p.A. mainly due to expense reimbursements and apparatus repair.

Trade receivables from subsidiaries

Trade receivables from subsidiaries refer to invoices to be issued and consist of:

- € 1.027k from Towertel S.p.A. for recharges of services and hosting sites;
- € 255k from verso Nettrotter S.r.l. for recharges of services;
- € 100k from verso EIT Radio S.r.l. for recharges of services;

Trade receivables from parent companies

Trade receivables from parent companies amounted to € 379k, and refer to trade receivables from the following companies:

- Elettronica Industriale S.p.A. in the amount of € 275k for repair services of goods and equipment, € 43k for leases of equipped areas at local offices.
- RTI S.p.A. for € 61k for the corresponding amount charged for site rentals at local offices.

9.3 Tax receivables

	Dec.31, 2016	Dec.31, 2015
Receivables from Revenue for IRAP	-	983
Total	**-**	**983**

The item Tax receivables was reduced to zero following the use, during 2016, of net Irap (regional tax on business activity) credit of the previous year.

9.4 Other receivables and current assets

This item can be broken down as follows:

	Dec.31, 2016	Dec.31, 2015
Receivables from employees	201	222
Advances	184	138
Receivables from the Revenue	1,298	2,593
Other receivables	425	377
Receivables from subsidiaries for IRES from tax consolidation	1,086	-
Pre-paid expenses	2,019	1,939
Total	**5,214**	**5,268**

The item Receivables from employees includes advances paid mainly for business trips to employees.

Advances refer to payments made to suppliers for services supplied, but not yet invoiced.

The item Receivables from the Revenue included:

- VAT receivable from tax authorities amounting to € 920k;
- Other tax receivables amounting to € 378k mainly related to IRES receivables connected to the request for reimbursement ex Legislative Decree 185/2008 and Legislative Decree 201/2011 for a total amount of € 335k, IVA receivables relating to prior years amounting to € 43k.

The item Receivables for IRES from tax consolidation includes receivables from the subsidiary Towertel S.p.A. deriving from the tax consolidation agreement.

Pre-paid expenses refer in the amount of € 1,825k to costs for site leases and land leases and surface rights invoiced in advance (including € 1,027k over 12 months), in the amount of € 58k to costs for different insurance premium and for € 136k to pre-paid expenses for other operating charges.

9.5 Cash and cash equivalents

Here follows the breakdown of this item:

	Dec.31, 2016	Dec.31, 2015
Cash in hand	13	17
Cash and cash equivalents	68,731	72,829
Total	**68,743**	**72,846**

The item Cash in hand represents cash on hand at the reference date at the haedquarter or local offices.

The item Cash and cash equivalents consists of credit balance of the Company's bank current accounts.

An analysis of the changes in cash flow will be found in the Cash Flow Statement.

NOTES ON MAIN NET EQUITY AND LIABILITIES ITEMS

10. Shareholders' equity

Below are comments on the main categories that make up equity and the related changes.

10.1 Share Capital

At December 31, 2016 the Share Capital of the Company was fully subscribed and paid up. It is made up of 28,262,377 ordinary shares with a nominal value of 0.10 Euros each, and a total value of € 2,826k.

10.2 Share-premium reserve

At December 31, 2016 the Share-premium reserve amounted to € 194,227k.

No changes occurred during the year.

10.3 Treasury shares

This item includes the Company's shares, the acquisition of which was authorised time by time by resolutions of the General Meetings of Shareholders. The Meeting with resolution dated April 21, 2016, finally authorised the Board of Directors to purchase share of the Company till the maximum number allowed by law. This power is valid till the approval of the financial statements at December 31, 2016. On July 26, 2016, the Board of Directors resolved to adopt a buyback programme relating to maximum no. 1,413,119 treasury shares, representing 5% of the share capital (the "Programme"). The Programme, which started in September 2016, aims at purchasing shares of the Company, directly or through authorized intermediaries, to set up a so-called "securities warehouse" so that the Company may hold and dispose of the shares for possible use as payment in the context of extraordinary transactions, including the exchange of equity investments, with other persons in the con-text of transactions of interest to the Company.

	2016		2015	
	Number of shares	Book value	Number of shares	Book value
Beginning Balance	62,526	1,845	62,526	1,845
Additions	350,907	15,614	-	-
Disposals	-	-	-	-
Changes in the consolidation area	-	-	-	-
Closing Balance	**413,433**	**17,459**	**62,526**	**1,845**

On the date of commencement of the Programme, the Company held no. 62,526 treasury shares, equal to 0.22% of the share capital. In 2016, in line with the Programme, the Company purchased no. 350,907 treasury shares, equal to 1.24 % of the share capital.

10.4 Other reserves

The item consists of:

	Dec.31, 2016	Dec.31, 2015
Legal reserve	565	565
Extraordinary reserve	61,748	24,917
Shareholders' payment in capital account	10,200	10,200
Other reserves	307,178	307,110
Total other reserves	**379,691**	**342,792**

Legal reserve

At December 31, 2016 the Legal reserve amounted to € 565k.

No changes occurred during the year.

Extraordinary reserve

The extraordinary reserve increased by € 36,832k due to profit allocation as decided by the Meeting dated April 21, 2016.

The change in the item Other reserves in the amount of € 68k is due to the expiration of the 2010 stock option plan which can no longer be exercised.

10.5 Valuation reserves

	Dec.31, 2016	Dec.31, 2015
Reserve for stock option plans	-	68
Reserve for actuarial gains and losses	(2,983)	(2,359)
Total	**(2,983)**	**(2,291)**

The Reserve for stock option plans was reduced to zero in 2016 due to the expiration of a stock option plan which can no longer be exercised.

The change in the Reserve for actuarial gains and losses, with a negative balance of € 2,983k, is due the actuarial components relating to the valuation of defined benefit schemes, booked directly in Net Equity in the amount of € 821k (increase) and to related deferred taxes in the amount of € 197k (decrease).

The following table provides a detailed breakdown of Equity items indicating whether it is possible to use and distribute reserves.

Description	Amount	Possibility of utilization	Amount to distribute	Summing-up utilization made in the previous three years	
				to cover losses	for other reasons
Share capital	2,826	=	=	-	-
Share-premium reserve	194,227	A B C	194,227	12,314	-
Treasury shares	(17,459)	=	=	-	-
Legal reserve	565	B	565	-	-
Extraordinary reserve	61,748	A B C	61,748	4,977	-
Other reserves - Shareholders' payment in capital account	10,200	A	=	-	-
Other available reserves	307,178	A B C	307,178	-	-
Valuation reserve	(2,983)	=	=	-	-
Profit (loss) for previous years	-	=	=	-	-
Total	**556,302**		**563,718**	-	

Legend:

=	not available
A	- for an increase in share capital
B	- to cover losses
C	- for distributions to shareholders

10.6 Profit for the period

This item reflects the profit for the period of € 37,554k.

The Board of Directors proposed the distribution of a dividend of € 1.80 per share through the distribution of the entire profit for the year amounting to € 37,554k and the share premium reserve amounting to € 12,030k.

The total amount of the dividend could vary downwards if, at the coupon detachment date, the actual number of treasury shares were to increase as a result of any purchases made in the execution of the buy-back programme.

11. Non-current liabilities

11.1 Post-employment benefit plans

Benefits to employees who qualify for Employee Leaving Indemnity (Italian TFR) under Italian legislation are considered under IAS 19 as post-employment benefits, and must be recognized on the balance sheet according to actuarial valuations.

The procedure for determining the obligations to its employees was carried out by an independent actuary, according to the following steps:

- Projection of the Employee Leaving Indemnity already accrued at the valuation date up until the point in the future when the contract of employment will terminate, or the when the accrued amounts are partially paid as advances on Employee Leaving Indemnity.
- Discounting, at the valuation date, of the cash flows the Group will pay to its employees in the future.
- Realigning the discounted benefits on the basis of the employee's length of service at the valuation date compared to the length of service expected on the hypothetical date of payment by the Company.

The valuation of Employee Leaving Indemnity according to IAS 19 is conducted "ad personam" with a closed population, i.e. detailed calculations were made for each employee without taking into account any employees who may be taken on in the future.

The actuarial valuation model is based on technical bases which are the demographic, economic and financial assumptions relating to the calculation parameters. The assumptions are summarised below:

EMPLOYEE LEAVING INDEMNITY - DEMOGRAPHIC, ECONOMIC-FINANCIAL ASSUMPTIONS	
Demographic assumptions	
Death probability	ISTAT survival table, divided by age and gender, as of 2015
Probability of leaving the Group	Percentages for retirement, resignation/dismissal, contract expiry have been taken from the observation of Company data. Concerning permanent staff, the timeframe considered is till the contractual expiry date, supposing no advance leaving. Actuarial valuation took into consideration the new date when the post-employment plan becomes effective according to the Legislative Decree no. 201 dated December 6, 2011 relating to "Urgent provisions for growth, fairness and the consolidation of public accounts" ("*Disposizioni urgenti per la crescita, l'equità e il consolidamento dei conti pubblici*"), converted with amendments into Law no. 214 of December 22, 2011, and the adjustment of the requirements to access post-employment plans in accordance with life expectancy, according to article no. 12 of the Legislative Decree dated May 31, 2010, no. 78, amended by Law no. 122, dated July 30, 2010.
TFR advance	Frequencies of advances and average percentage of TFR requested in advance have been taken from the observation of historical data for the Company.
Supplementary retirement scheme	Those who entirely pay their TFR to supplementary schemes relieve the Company from any commitments with respect to TFR and are not assessed. For other employees, their position has been assessed by considering their actual choices updated at December 31, 2016.
Severance pay share to remuneration (Qu. I. R.)	The employee's choice of exercising the option concerning an advance on severance pay (TFR) in payroll can be made at any time between March 1, 2015 and June 30, 2018 and is irrevocable. The actuarial assessment has been carried out taking into consideration the choices effectively espressed by employees at the date of the assessment submitted by the Group's Companies, without making any assumption in that regard.

Economic-financial assumptions	
Inflation rate	A rate of 1.20% has been adopted in 2017 and a rate of 1.5% in the following years, in the medium scenario of expected inflation deducted from the "Update of the Economic and Financial Document 2016" ("*Nota di Aggiornamento del Documento di Economia e Finanza 2016*").
Discount rates	According to IAS 19R, the discounting rate adopted has been determined regarding bond market yield of top companies at the valuation date. In this respect, the curve of "Composite" interest rates of securities issued by Corporate issuers rating A "Investment Grade" Euro area class (source: Bloomberg) has been used at December 31, 2016.

Based on the actuarial valuation, the value of the TFR reserve related to 556 employees of the Company was € 11,817k at December 31, 2016.

During the year, the reserve changed as follows:

Provision at Jan.1, 2016	**11,656**
Employee severance pre-payments for the period	(270)
Employee severance indemnities paid during the year	(424)
Actuarial gains/(losses)	821
Reserve transferred from subsidiaries, affiliated and associates companies	16
Amount accrued and charged to income statement	18
Provision at Dec.31, 2016	**11,817**

As previously indicated, the Company relies on the option provided for under IAS 19 (para. 93.A-D) recognising the actuarial profits and losses directly under Net Equity.

A sensitivity analysis was carried out on the main assumptions used in the measurement model in accordance with IAS 19.

In particular, it is reported that:

- a change in discount rates of +/-50 basis points leads to a change in the provision for employee termination indemnity of about € 547k;
- a change in inflation rate of +/-50 basis points leads to a change in the provision for employee termination indemnity of about € 333k;
- a change in the probability of termination of the employment relationship of +/-50% leads to a change in the provision for employee termination indemnity of about € 60k.

11.2 Payables and financial liabilities

	Dec.31, 2016	Dec.31, 2015
Bond loan - Non current portion	228,599	226,977
Total	**228,599**	**226,977**

The item Payables and financial liabilities refers to the non-current portion of the Eurobond issued by the Company on April 18, 2013 with a term of 5 years and total nominal value of € 230m. This bond was recorded in financial statements using the amortized cost method based on an internal rate of return of 4.35%.

11.3 Provisions for risks and charges

	Beginning balance at Jan.1, 2016	Provisions	Releases	Uses	Final balance at Dec.31, 2016
Provisions for risks	2,321	1,225	(121)	(233)	3,192
Total	**2,321**	**1,225**	**(121)**	**(233)**	**3,192**

Provisions for risks are due to charges for recovery of sites hosting infrastructures where there are legal or implicit obligations in the amount of € 926k and for the remaining amount mainly to provisions for contractual risks.

The items Uses and Releases mainly refer to the settlement of contingent liabilities.

12. Current liabilities

12.1 Trade payables

	Dec.31, 2016	Dec.31, 2016 Due			Contribution from Towertel demerger	Dec.31, 2015
	Total	within 1 year	from 1 to 5 years	over 5 years		
Down payments	-		-	-	-	-
Payables to suppliers	26,472	26,472	-	-	-	35,111
Payables to subsidiaries	88	88	-	-	-	160
Payables to associated companies	175	175	-	-	-	178
Payables to parent companies	1,507	1,507	-	-	-	967
Total	**28,242**	**28,242**	**-**	**-**	**-**	**36,417**

We believe that the payables' fair value approximates their book value.

Payables to subsidiaries, amounting to € 88k, consist of:

- € 68k to EIT Radio S.r.l. for hosting sites, apparatus maintenance and management;
- € 20k to Towertel S.p.A. for hosting sites.

Payables to associated companies consist of:

- € 130k to the Company Videotime S.p.A. for hosting sites;
- € 45k to the Company Promoservice Italia s.r.l. for Christmas gifts to employees.

Payables to parent companies are related to trade payables to:

- the indirect parent company R.T.I S.p.A. in the total amount of € 1,373k related to Information Technology services (€ 1,126k), personnel administrative services (€ 119k), professional services for insurance advice, supplier certification and other services for € 128k;
- the direct parent company Elettronica Industriale S.p.A. in the amount of € 55k related to other professional services in relation to applications for the installation of equipment for the Cairo Communication Group and in the amount of € 60K related to rent;
- the indirect parent company Mediaset S.p.A. for € 19k as charge of professional services.

12.2 Tax Payables

This item can be broken down as follows:

	Dec.31, 2016	Dec.31, 2015
Tax payables for IRES from tax consolidation	3,058	135
Tax payables for IRAP to the Revenue	250	-
Tax payables to subsidiaries for IRES from tax consolidation	-	690
Total	**3,309**	**825**

EI Towers S.p.A. as consolidating company and its subsidiaries Towertel S.p.A., Nettrotter S.r.l. and EIT Radio S.r.l. as consolidated companies adhere to the national group taxation regulated by Article 117 and subsequent of the TUIR.

12.3 Other current financial liabilities

	Dec.31, 2016	Dec.31, 2015
Bond loan - current portion	6,080	6,731
Total	**6,080**	**6,731**

The item Bond loan refers to the current portion of the Eurobond issued by the Company on April 18, 2013 with a term of 5 years and total nominal value of € 230m. This bond was recorded in financial statements using the amortized cost method based on an internal rate of return of 4.35%.

12.4 Other current liabilities

	Dec.31, 2016	Dec.31, 2015
Due to employees for wages and salaries, accrued holiday pay and expenses	**3,059**	2,582
Due to insurance companies	**60**	85
Advances from customers	**-**	150
Due to social security institutions	**1,696**	1,638
Due to Revenue	**1,388**	1,231
Due to Directors	**296**	304
Due to Statutory Auditors	**146**	146
Other liabilities due to third parties	**1,046**	484
Other liabilities due to subsidiaries for I.RE.S. from tax consolidation	**441**	-
Other liabilities due to subsidiaries	**3**	-
Accrued expenses	**-**	8
Deferred income	**203**	274
Total	**8,339**	**6,901**

Due to employees for wages and salaries, accrued holiday pay and expenses amounted to € 3,059k and mainly consist of due for 14th-month payments and related contributions in the amount of € 1,068k, due to directors for management by objectives bonus for € 1,485k, due to employees for overtime and contributions for € 346k.

Due to social security institutions included payables for amounts owed in relation to December 2016 salaries and collaboration.

The item Due to Revenue includes payables for withheld taxes made on employees and independent contractors in December 2016.

The item Other liabilities due to third parties includes in the amount of € 651k liabilities for the share of the price still to be paid for the acquisition of the company Fortress Italia S.r.l., in the amount of € 248k liabilities due to third parties for employees' supplementary retirement program and for the remaining part other liabilities.

Other liabilities due to subsidiaries for IRES from tax consolidation include liabilities due to the subsidiaries Nettrotter S.r.l. and EIT Radio S.r.l. deriving from the tax consolidation agreement respectively in the amount of € 352k and € 89k.

The item Deferred income includes in the amount of € 166k (including € 57k beyond one year) the advance invoicing of hosting services for transmission equipment and in the amount of € 37k the invoicing of interest income from recovery plans.

12.5 Net financial position

The breakdown of the Consolidated Net Financial Position is given below as provided for by the Consob communication no. 6064293 of July 28, 2006 showing the current and non-current net financial debt.

Below is a breakdown of certain financial position items. As necessary, please refer to individual financial statement items for comments on the main changes in these items.

	Dec.31, 2016	**Dec.31, 2015**
Cash in hand	13	17
Other cash equivalents	68,731	72,829
Total liquidity	**68,743**	**72,846**
Current financial receivables	**-**	**-**
Payables due to banks	**-**	0
Current portion of non-current debt	(6,080)	(6,731)
Financial payables due to parent company	-	-
Current financial debt	**(6,080)**	**(6,731)**
Current net financial position	**62,663**	**66,115**
Bond loan	(228,599)	(226,977)
Non-current financial debt	**(228,599)**	**(226,977)**
Net financial position	**(165,935)**	**(160,862)**

The item Cash in hand refers to the cash on hand at the reference date at the headquarter or local offices.

The item Other cash equivalents consists of the credit balances of the bank current accounts of the Group's companies.

The Current portion of non-current debt includes the share for the period of the interests on the bond loan measured at amortized cost.

The item Bond loan includes the measurement at amortized cost of the Eurobond already described.

COMMENTS ON MAIN STATEMENT OF INCOME ITEMS

13. Revenues

13.1 Revenues from sales and services

Below is a breakdown of these revenues with the main categories highlighted:

	2016	2015
Revenues from hosting and contract services	213,898	212,714
Revenues from plant installation and restoration	1,342	994
Revenues from sale of materials	5	4
Total	**215,244**	**213,712**

Revenues from hosting and contract services mainly included revenues for hosting, assistance and maintenance services, logistics and use of transmission infrastructure, head end and design. It should be noted that the subject item consists of revenues from the parent company Elettronica Industriale S.p.A. for € 178,902k.

The item Revenues from plant installation and restoration included revenues for the management of equipment installation and restoration and includes revenues for services to the parent company Elettronica Industriale S.p.A per € 650k.

13.2 Other revenues and income

Other revenues and income mainly refer to the capital gain, amounting to € 1,089k, realised during the year on the disposal of a property located in Ascoli.

14. Costs

14.1 Personnel expenses

The following table shows the number of employees at December 31, 2016:

Number of employees (permanent staff)	2016	Average 2016	2015
Executives	22	23	22
Middle managers	54	55	54
Office-workers	480	486	490
Industry workers			-
Total	**556**	**563**	**566**

	2016	2015
Wages and salaries	30,173	29,701
Social security charges	9,826	9,835
Post-employment benefit plans	14	14
Other personnel expenses	2,574	2,358
Ancillary personnel expenses	789	846
Out of period (income)/costs on personnel expens	150	(3)
Recovery on personnel expenses	(1,546)	(901)
Capitalization of labour costs	(673)	(943)
Total	**41,307**	**40,908**

The increase in this item is mainly due to the dynamic of labour costs, higher lay-off incentives paid compared to the previous year in the amount of € 200k, and lower capitalization of labour costs amounting to € 270k, attributable to the implementation, in the first half of the year, of the network for the Cairo Communication Group.

The item Other expenses mainly includes expenses for the Employee leaving indemnity transferred to pension funds (€ 1,758k) and short-term benefits for employees including medical assistance, company cars, canteen services and other goods and services offered free or at a reduced price. The item also includes lay-off incentives for employees in the amount of € 570k and fees paid to the directors employed by the company amounting to € 246k.

14.2 Purchases, services and other costs

This item can be broken down as follows:

	2016	2015
Purchases	**2,642**	**3,344**
Changes in the inventories of raw materials, semifinished and finished goods	**(225)**	**(349)**
Increase for internal work	**(2,663)**	**(2,940)**
Cost for professional, technical and administrative services	5,298	5,257
Travelling expenses and bill of charges	1,280	1,184
Consumption	13,369	14,002
Maintenance	13,408	12,699
Bank and insurance services	741	808
Other services	3,364	4,129
Total services	**37,460**	**38,078**
Leases and rentals	**36,009**	**37,686**
Net provisions for risks	**1,104**	**696**
Other operating costs	**1,455**	**1,657**
Total	**75,783**	**78,172**

The item Purchases mainly includes purchases for raw materials, spare parts and accessories.

The item Increase for internal work refers to the capitalization of additional charges for the installation of plants (ancillary materials and third party production).

The item Cost for professional, technical and administrative services includes non-ordinary charges related to company acquisition transactions carried out during the year in the amount of € 1,754k (€ 1,855k in 2015).

The item Other services includes charges for vigilance and surveillance at the head-offices and local offices amounting to € 1,119k, company information system service supplied by the indirect parent company R.T.I. S.p.A. for € 923k, transport, storage and porter charges for € 462k, cleaning and waste disposal charges for € 395k.

The item Leases and rentals includes charges for the rent of satellite segments for the transmission of TV signal for a total amount of € 21,117k, rental of lands and hosting on third party towers amounting to € 11,737k, other rentals mainly related to the offices located in Lissone and other secondary offices for € 1,605k.

The item Other operating costs includes charges, taxes and government licenses, local taxes in the amount of € 1,012k, transactions in the amount of € 184k.

14.3 Amortization, depreciation and write-downs

	2016	2015
Amortisation of tangible assets	27,565	30,042
Amortisation of other intangible assets	4,599	4,269
Wtite-downs/(Reversal) of fixed assets	150	106
Write-downs of current assets	3,074	198
Total	**35,388**	**34,614**

Write-downs of fixed assets equal to € 150k include the amount granted for the depreciation of towers being disposed.

Write-downs of current assets amounted to Euro € 3,074k and represents the amount allocated for the Provision for bad debts.

15. (Expenses)/income from financial investments

15.1 Financial expenses

	2016	2015
Interest expenses on bond loan	9,883	9,844
Other charges	4	22
Total	**9,887**	**9,865**

Interest expenses on bond loan are attributable to the interests measured at the amortized cost related to the bond loan.

The item Other charges refers to charges for the discounting of the Employee Termination Indemnity.

15.2 Financial income

	2016	2015
Interest income on EI Towers c/a from subsidiary companies	2,790	1,238
Interest income on bank c/a	102	928
Exchange gains realised	2	-
Financial income different from the foregoing	392	340
Extraordinary financial income	5	20
Total	**3,290**	**2,526**

The Item Financial income increased compared to the previous year mainly due to the liquidity transferred to the subsidiaries Towertel S.p.A. and EIT Radio S.r.l. to address acquisitions made in the year.

This item includes:

- interest income related to the intra-group current account relationship with the subsidiaries Towertel S.p.A., EIT Radio S.r.l. and Nettrotter S.r.l.
- interest income for the period related to bank and postal deposits in the amount of € 102k, decreasing compared to the previous year due to the dynamic of remuneration rates and lower deposits on bank current accounts;
- interest income for payment extension in the amount € 392k.

December 31, 2016

IAS 39 categories	From interests	At Fair Value	From Fair Value Reserve	Profit/(loss) on exchanges	Net profit/(loss)
Financial instruments designated at Fair Value	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-
Liabilities at amortised cost	(9,883)	-	-	-	(9,883)
Financial assets held to maturity	-	-	-	-	-
Receivables and loans	(1)				(1)
Bank and postal deposits	102	-	-	-	102
Income on receivables	392	-	-	-	392
Intragroup financial income and liabilities	2,790	-	-	-	2,790
Loans		-	-	-	-
Other financial income/(charges)	9	-	-	(1)	8
Financial assets available for sale	-	-	-	-	-
Total IAS 39 categories	**(6,591)**	**-**	**-**	**(1)**	**(6,592)**
Other financial income/(charges)		(4)	-	-	(4)
Total	**(6,591)**	**(4)**	**-**	**(1)**	**(6,596)**

December 31, 2015

IAS 39 categories	From interests	At Fair Value	From Fair Value Reserve	Profit/(loss) on exchanges	Net profit/(loss)
Financial instruments designated at Fair Value	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-
Liabilities at amortised cost	(9,844)	-	-	-	(9,844)
Financial assets held to maturity	-	-	-	-	-
Bank and postal deposits	928	-	-	-	928
Income on receivables	340	-	-	-	340
Intragroup financial income and liabilities	1,237	-	-	-	1,237
Loans		-	-	-	-
Other financial income/(charges)	18	-	-	(2)	16
Financial assets available for sale	-	-	-	-	-
Total IAS 39 categories	**(7,321)**	**-**	**-**	**(2)**	**(7,323)**
Other financial income/(charges)		(17)	-	-	(17)
Total	**(7,321)**	**(17)**	**-**	**(2)**	**(7,340)**

16. Income taxes for the year

	2016	2015
Charges/(proceeds) for Ires from tax consolidation	18,433	15,912
Provision for Irap	3,088	2,561
Total current taxes	**21,521**	**18,473**
Provision for deferred tax liabilities	549	528
Use of provision for deferred tax liabilities	(1,623)	(3,976)
Total deferred tax liabilities	**(1,074)**	**(3,449)**
Utilization of credit from deferred tax assets	383	1,482
Deferred tax assets	(1,091)	(349)
Total deferred tax assets	**(708)**	**1,134**
Total	**19,739**	**16,158**

The change in IRES (corporate income tax) and Irap (regional tax on business activity) belonging to the financial year, compared to the previous year is caused by the increase in the taxable base and higher non-deductible provisions, together with lower uses of the provision for receivables write-off compared to 2015.

The item deferred taxes takes in the financial movements for the year relative to the posting and/or usage that is generated by the impact of the progress of the temporary differences between the fiscally allowed and the statutory values of assets and liabilities.

It should be noted that the adjustment, made at December 31, 2015, of deferred tax assets and provision for deferred tax liabilities on the basis of the new IRES rate equal to 24% applicable from January 1, 2017 as provided for by law 208/2015 (so-called 2015 Stability Law), determined respectively the recognition of a charge to the income statement in the amount of € 394k and an income to the income statement amounting to € 2,330k.

The following is a reconciliation of IRES and Irap tax rate in force for the years 2016 and 2015 and the Company's actual rate:

I.Re.S.	**Dec.31, 2016**	**Dec.31,2015**
Ordinary applicable tax rate	**27.50%**	**27.50%**
Effect of increase (decrease) differences		
against ordinary tax rate:		
Vehicles	0.89%	0.92%
Other	3.67%	1.62%
Actual tax rate	**32.06%**	**30.04%**

IRAP	**Dec.31, 2016**	**Dec.31,2015**
Theoretical tax burden	**3.90%**	**4.05%**
Other permanent differences:		
Other personnel expenses	0,00%	0,00%
Other permanent changes	2.45%	0.87%
Actual tax rate	**6.35%**	**4.92%**

COMMENTS ON MAIN CASH FLOW STATEMENT ITEMS

17. Cash Flow Statement

Cash flow generated by operating activities increased compared to 2015 due to greater operating profitability and lower disbursement for the payment of income taxes (€ 20,804k compared to € 23,994k in 2015).

The net flow absorbed by investing activities includes increases in financial assets in the amount of € 36,941k (€ 62,564k in 2015) in relation to the use of credit lines by subsidiaries largely to finance acquisitions, investments in tangible and intangible assets in the total amount of € 14,557k, and equity investments in the amount of € 4,522k (€ 910k in 2015), already described above.

Cash flow absorbed by financing activities is due to the payment of the coupon of the existing bond loan made in the period, net of interests received relating to liquidity held in banks, in the amount of € 8,451k (€ 7,856k in 2015) and to the buy-back of treasury shares in the amount of € 15,615k. The decrease compared to the previous year is due to the fact that in 2016 no dividends were distributed compared to € 31,020k paid in 2015.

18. Additional Information on the Financial Instruments and Risk Management Policies

The Company defined the policies for the management of the financial risks aimed at reducing its exposure to exchange rate, interest rate and liquidity risks.

The choice of financial counterparts focuses on those with high credit standing guaranteeing at the same time a limited concentration of exposure towards them.

Categories of financial assets and liabilities

Here below is a breakdown of financial assets and liabilities for the period according to IFRS 7 in the categories laid down by IAS 39.

December 31, 2016

	IAS 39 categories						
BALANCE SHEET ITEMS	**Financial instruments at fair value held for trading**	**Instruments evaluated at fair value held for designation**	**Receivables and loans**	**Financial instruments held to maturity**	**Financial instruments held for sale**	**Cost**	**Book value**
NON CURRENT ASSETS							
Other financial assets							
Equity investments	-	-	99,927	-	-	-	99,927
Financial receivables	-	-	132,251	-	-	-	132,251
CURRENT ASSETS							
Trade receivables							
from customers	-	-	20,870	-	-	-	20,870
from subsidiary companies	-	-	1,382	-	-	-	1,382
from affiliated companies	-	-	-	-	-	-	-
from parent companies	-	-	379	-	-	-	379
from associated companies	-	-	544	-	-	-	544
Cash and cash equivalents							
Bank and postal deposits	-	-	68,730	-	-	-	68,730
Cash in hand	-	-	13	-	-	-	13
TOTAL FINANCIAL ASSETS	-	-	324,096	-	-	-	324,096

December 31, 2015

	IAS 39 categories						
BALANCE SHEET ITEMS	**Financial instruments at fair value held for trading**	**Instruments evaluated at fair value held for designation**	**Receivables and loans**	**Financial instruments held to maturity**	**Financial instruments held for sale**	**Cost**	**Book value**
NON CURRENT ASSETS							
Other financial assets							
Equity investments	-	-	95,405	-	-	-	95,405
Financial receivables	-	-	95,311	-	-	-	95,311
CURRENT ASSETS							
Trade receivables							
from customers	-	-	19,908	-	-	-	19,908
from subsidiary companies	-	-	3,830	-	-	-	3,830
from affiliated companies	-	-	-	-	-	-	-
from parent companies	-	-	289	-	-	-	289
from associated companies	-	-	367	-	-	-	367
Cash and cash equivalents							
Bank and postal deposits	-	-	72,830	-	-	-	72,830
Cash in hand	-	-	17	-	-	-	17
TOTAL FINANCIAL ASSETS	-	-	287,957	-	-	-	287,957

December 31, 2016

	IAS 39 categories		
BALANCE SHEET ITEMS	**Financial instruments held for trading**	**Liabilities at amortised cost**	**Book value**
NON-CURRENT LIABILITIES			
Payables and financial liabilities	-	-	-
Payables due to banks	-	-	-
Bond loan	-	228,599	228,599
CURRENT LIABILITIES			
Payables due to banks			
Current account liabilities	-	-	-
Payables and financial liabilities			
Bond loan	-	6,080	6,080
Trade payables			
to suppliers	-	26,470	26,470
to parent companies	-	1,510	1,510
to associated companies	-	176	176
to affiliated companies	-	88	88
TOTAL FINANCIAL LIABILITIES	-	262,923	262,923

December 31, 2015

	IAS 39 categories		
BALANCE SHEET ITEMS	**Financial instruments held for trading**	**Liabilities at amortised cost**	**Book value**
NON-CURRENT LIABILITIES			
Payables and financial liabilities	-	-	-
Bond loan	-	226,977	226,977
CURRENT LIABILITIES			
Payables due to banks			
Current account liabilities	-	-	-
Payables and financial liabilities			
Bond loan	-	6,731	6,731
Trade payables			
to suppliers	-	35,111	35,111
to parent companies	-	967	967
to associated companies	-	178	178
to affiliated companies	-	160	160
TOTAL FINANCIAL LIABILITIES	-	270,124	270,124

Fair value – calculation models used

The amounts of the fair values of the classes of financial instruments that are split based on the methodologies and calculation models used to calculate them are given below.

December 31, 2016

	Book value	Mark to Market	Mark to Model			Total fair value
			Black&Scholes' Model	Binomial Model	DCF Model	
Non- current payables due to banks	-	-	-	-	-	-
Bond loan	234,679	251,332	-	-	-	251,332
Medium-long term receivables	2,879	-	-	-	2,873	2,873

December 31, 2015

	Book value	Mark to Market	Mark to Model			Total fair value
			Black&Scholes' Model	Binomial Model	DCF Model	
Non- current payables due to banks	-	-	-	-	-	-
Bond loan	233,708	255,672	-	-	-	255,672
Medium-long term receivables	3,668	-	-	-	3,621	3,621

The fair value of stocks listed on an active market is based on market prices at the closing date of the Financial Statements. Market prices used are bid/ask prices according to the relevant assets or liabilities position held.

The fair value of the bond listed on the Irish Stock Exchange has been re-determined using the mean listed price at December 30, 2016 equal to 104,978.

Concerning trade receivables and payables expiring within the year the fair value has not been calculated since their carrying value comes close.

The book value shown for receivables and payables, for which the fair value has been calculated, includes also the portion expiring within 12 months from the date of the financial statements.

Equity management

The goals of the Company, with regard to its capital management, are aimed at safeguarding the ability to continue to guarantee profitability and the interests of the stakeholders, as well as maintaining an optimal capital structure.

Type of financial risks and the linked hedging activities

Exchange rate risk

The Company's exposure to exchange rate risk is not significant at the moment being the activity of the Company focused exclusively on the domestic market or partially in the EU.

Interest rate risk

The interest rate risk is not significant to this day since debt exposure consists only of the fixed rate bond loan issued during the year.

Sensitivity analysis

No sensitivity analysis has been carried out in 2016 since at the date of these financial statements there are no financial instruments exposed to interest rate risk.

Liquidity risk

The liquidity risk is correlated to the difficulty of finding funds to honour commitments.

This risk may be due to the unavailability of sufficient funds to face financial commitments in accordance with the established terms and expiry dates in case of sudden revocation of *uncommitted* credit lines or in the event that the Company must honour its financial liabilities before their natural maturity.

In general, the management of the liquidity risk implies:

- the maintenance of a debt profile broadly consistent with cash flows generated by operating activities;
- the availability of financial assets that can be quickly turned into cash to meet any cash requirements.

The table below shows, respectively at December 31, 2016 and 2015, the Company's financial obligations, by contract maturity date, considering the so-called *worst case scenario* and at *undiscounted* values, considering the neatest date when the Company may be asked to make payment and showing the relative Financial Statements notes for each class.

December 31, 2016

Item of balance	Book value	Time Band from 0 to 3 months	from 4 to 6 months	from 7 to 12 months	from 1 to 5 years	Over 5 years	Total cash flows
Financial liabilities							
Non-current due to bank	-	-	-	-	-	-	-
Current due to bank	-	-	-	-	-	-	-
Current bond loan	6,080	-	8,912	-	-	-	8,912
Non-current bond loan	228,599	-	-	-	238,912	-	238,912
Due to other suppliers	26,320	26,320	-	-	-	-	26,320
Due to suppliers for professionals	150	150	-	-	-	-	150
Due to subsidiary companies	88	88	-	-	-	-	88
Due to parent companies	1,510	1,510	-	-	-	-	1,510
Due to associated companies	176	176	-	-	-	-	176
Total	**262,923**	**28,244**	**8,912**	**-**	**238,912**	**-**	**276,068**

December 31, 2015

Item of balance	Book value	Time Band from 0 to 3 months	from 4 to 6 months	from 7 to 12 months	from 1 to 5 years	Over 5 years	Total cash flows
Financial liabilities							
Current due to bank	-	-	-	-	-	-	-
Current bond loan	6,731	-	8,912	-	-	-	8,912
Non-current bond loan	226,977	-	-	-	247,849	-	247,849
Due to other suppliers	34,974	34,974	-	-	-	-	34,974
Due to suppliers for professionals	143	143	-	-	-	-	143
Due to subsidiary companies	160	160	-	-	-	-	160
Due to parent companies	966	966	-	-	-	-	966
Due to associated companies	179	179	-	-	-	-	179
Other financial liabilities	-	-	-	-	-	-	-
Total	**270,130**	**36,422**	**8,912**	**-**	**247,849**	**-**	**293,183**

The Company expects to face these obligations through the realisation of its financial assets and with the liquidity generated by operating activities.

The difference between the values in the Financial Statements and the total of the financial flows is mainly due to the calculation of interest on the contractual duration of the payables to banks.

Credit risk

The credit risk mainly comes from hosting activities and services in favour of radio and TV and mobile telecommunications operators.

The Company, based on a specific policy, manages the credit risk through a comprehensive customer credit rating procedure with an analysis of their economic and financial situations both at the time of setting the initial credit limit and through the ongoing and continuous monitoring of observance of the payment terms, updating, when necessary, the previously assigned credit limit.

Below is a summary table of the net balances and of the Provision for receivables write-off broken down according to the above-mentioned classes at December 31, 2016 and 2015.

December 31, 2016

RECEIVABLES								
CLASSES	Total net receivables	Net matured					Total falling due	Provision for receivables write-off
		0-30days	30-60days	60-90days	Over	Total		
Trade receivables								
Receivables from third party customers	29,755	1,090	1,710	568	15,723	19,091	10,664	8,885
Receivables from associated companies	544	1	-	78	40	119	425	-
Receivables from subsidiary companies	1,382	-	-	-	-	-	1,382	-
Receivables from parent companies	379	98	-	-	-	98	281	-
Total	**32,060**	**1,189**	**1,710**	**646**	**15,763**	**19,308**	**12,752**	**8,885**
		0-30days	**30-60days**	**60-90days**	**Over**	**Total**		
Financial receivables								
Financial receivables	651	-	-	-	651	651		
Securities	-	-	-	-	-	-		
Non-convertible bonds	-	-	-	-	-	-		
Bank and postal deposits and equivalents	68,730	68,730	-	-	-	68,730		
Cash in hand	13	13	-	-	-	13		
Hedge derivatives with third parties	-	-	-	-	-	-		
Non-hedge derivatives with third parties	-	-	-	-	-	-		
Non-hedge derivatives with subsidiaries	-	-	-	-	-	-		
Intragroup financial receivables	131,600	-	-	-	131,600	131,600		
Total	**200,994**	**68,743**	**-**	**-**	**132,251**	**200,994**		

December 31, 2015

RECEIVABLES								
CLASSES	Total net receivables	Net matured					Total falling due	Provision for receivables write-off
		0-30days	30-60days	60-90days	Over	Total		
Trade receivables								
Receivables from third party customers	25,771	472	1,082	604	13,713	15,871	9,900	5,863
Receivables from associated companies	367	1	-	78	26	104	263	-
Receivables from subsidiary companies	3,830	-	-	-	-	-	3,830	-
Receivables from parent companies	289	-	-	-	-	-	289	-
Total	**30,257**	**473**	**1,082**	**682**	**13,739**	**15,975**	**14,282**	**5,863**
		0-30days	**30-60days**	**60-90days**	**Over**	**Total**		
Financial receivables								
Financial receivables	635		-	-	635	635		
Bank and postal deposits and equivalents	72,830	72,830	-	-	-	72,830		
Cash in hand	17	17	-	-	-	17		
Intragroup financial receivables	94,676	-	-	-	94,676	94,676		
Total	**168,158**	**72,847**	**-**	**-**	**-**	**168,158**		

The Provision for receivables write-off at December 31, 2016 amounted to € 8,885k.

19. Investment Commitments and guarantees

The Company rents the land on which it has located its clients broadcasting towers from which it gains its revenues. These contracts are long-term and generally include clauses of advance withdrawal and of period adjustment of rent as a consequence of inflation.

In addition, the Company has contract commitments for the use of satellite capacity, optical fibre, infrastructure maintenance and other rentals, which contain clauses of advance withdrawal.

Total commitments described above amounted to approximately € 114m.

The Company issued guarantees for commercial and financial commitments for about € 4m.

It should be noted that the Company assumed the commitment to compensate the third buyer of the companies of the Technology business unit, disposed on October 13, 2011, up to a maximum of € 4m, for possible extraordinary losses or other liabilities which could come out with reference to the companies DMT System S.p.A. in liquidation, Asteroide S.r.l. and DMT Service S.r.l. in liquidation, and attributable to the period they operated before their disposal. As of today, no elements which could create liabilities referring to the Company came out.

DISCLOSURE UNDER ARTICLE 2428 OF THE ITALIAN CIVIL CODE

20. Transactions with subsidiaries, parent companies and related parties

Past and existing economic and financial relationships with Companies of the Mediaset Group and the Fininvest Group, regulated under normal market conditions, are shown below.

The main economic and financial relationships occurred in 2016 with related parties according to IAS 24 are shown in the following statements.

RECEIVABLES AND FINANCIAL ASSETS	Receivables and non-current financial assets	Trade receivables	Other receivables and current assets	Intercompany financial assets	Other current financial assets
Fininvest Group parent companies					
Milan Entertainment srl					5
Mediaset Group parent companies					
R.T.I. - Reti Televisive Italiane S.p.A.	-	61	-	-	-
Mediaset SpA	-	-	-	-	-
Elettronica Industriale S.p.A.	-	318	-	-	-
EI Towers Group subsidiaries					
Towertel S.p.A.	104,045	1,027	1,087	-	-
EIT Radio S.r.l.	24,618	100	-	-	-
Nettrotter S.r.l.	2,937	255	-	-	-
Mediaset Group associates					
Videotime S.p.A.	-	39	-	-	-
Promoservice Italia S.r.l.		-			
Radio Studio 105 S.r.l.		12			
Virgin Radio Italy S.p.A.		5			
Radio Engeneering CO S.r.l		22			
Publitalia '80 S.p.A.	-	-	-	-	-
Fininvest Group associates					
Milan Entertainment srl		110			
Monradio s.r.l.		161			
Other related parties	-	**195**	-	-	-
Consortium Colle Maddalena		195			
Consortium Antenna Tolentino					
Consortium Antenna Colbuccaro					
Consortium Vedetta		-			30
Consortia					

PAYABLES AND FINANCIAL LIABILITIES	Payables and non-current financial liabilities	Trade payables	Other payables and current liabilities	Intercompany financial liabilities	Other current financial liabilities
Fininvest Group parent companies					
Mediaset Group parent companies					
R.T.I. - Reti Televisive Italiane S.p.A.	-	1,371	-	-	-
Mediaset S.p.A.	-	20	-	-	-
Elettronica Industriale S.p.A.	-	117	-	-	-
EI Towers Group subsidiaries					
Towertel S.p.A.	-	20	-	-	-
EIT Radio S.r.l.	-	68	90	-	-
Nettrotter S.r.l.	-	-	352		-
Mediaset Group associates					
Videotime S.p.A.	-	131	-	-	-
Promoservice Italia S.r.l.	-	45	-	-	-
Radio Studio 105 S.r.l.			7		
Virgin Radio Italy S.p.A.					
Radio Engeneering CO S.r.l					
Mediaset Premium S.p.A.		-			
Fininvest Group associates					
Monradio s.r.l.		-	-	-	-
Executives with strategic responsibilities	**-**	-	424	-	**-**
Other related parties	**-**	-	**253**	-	**-**

REVENUES AND COSTS	Operating revenues	Operating costs	Financial charges	Financial income	(Charges)/Income from equity investments
Fininvest Group parent companies					
Mediaset Group parent companies					
R.T.I. - Reti Televisive Italiane S.p.A.	300	2,016	-	-	-
Mediaset S.p.A.	-	69	-	-	-
Elettronica Industriale S.p.A.	179,552	439	-	-	-
EI Towers Group subsidiaries					
Towertel S.p.A.	2,507	(1,004)	-	2,653	-
EIT Radio S.r.l.	6	(100)	-	91	-
Nettrotter S.r.l.	-	(238)	-	46	-
Mediaset Group associates					
Videotime S.p.A.	129	482	-	-	-
Publitalia '80 S.p.A.	4	-	-	-	-
Radio Studio 105 S.r.l.	82				
Virgin Radio Italy S.p.A.	46				
Radio Engeneering CO S.r.l	54				
Promoservice Italia S.r.l.	-	45	-	-	-
Fininvest Group associates					
Mediobanca S.p.A.	-	45	-	-	-
Milan Entertainment srl	90	9	-	-	-
Monradio s.r.l.	480	-			
Executives with strategic responsibilities	-	1,118	-	-	-
Other related parties	**254**	**48**	-	-	-
Consortium Antenna Monte Conero		11			
Consortium Colle Maddalena	254	-			
Consortium Antenna Tolentino		17			
Consortium Antenna Colbuccaro		4			
Consortium Vedetta		10			
Consortium Emittenti Radio TV - Cert		6			
Other related parties	-	-	-	-	-

For the Board of Directors

The Chairman

(Alberto Giussani)

ATTACHMENTS

The following attachment contains additional information that was not given in the Explanatory Notes of which they form an additional part.

- Summary table of economic and financial data of subsidiary companies included in the consolidation.
- List of equity investments in subsidiary and associated companies at December 31, 2016 (Art. 2427 para. 5 of the Italian Civil Code).
- Disclosure pursuant to article 149, part twelve, of the Consob Issuers' Regulations

Summary Table of Economic and Financial Data of Subsidiary Companies included in the Consolidation

EI Towers S.p.A.

Summary table of economic and financial data of subsidiary companies included in the consolidation

(values in Euro)

ASSETS	Towertel S.p.A.	EIT RADIO srl	Nettrotter srl	FP Towers S.r.l.	Monte Maddalena Telecomunicazioni S.r.l.
Non-current assets					
Property, plant, equipment and other tangible assets	25,469,477	2,404,969	3,538,762	94,348	18,593
Goodwill and other intangible assets	180,041,664	16,846,078	827,165	1,985,105	-
Investments and other non-current financial assets	2,933,342	733,475	2,000	48,000	4,440
Other non-current assets	106,565	82,369	-	-	-
Deferred tax assets	557,920	76,991	-	-	-
Total non-current assets	**209,108,968**	**20,143,882**	**4,367,927**	**2,127,453**	**23,033**
Current assets					
Inventories	-	-	26,132	-	-
Trade receivables	8,106,180	960,323	1,115,783	73,062	20,000
Tax receivables	-	6,332	-	-	6,703
Other receivables and current assets	5,436,572	951,210	41,586	332,807	-
Intragroup financial receivables	-	-	-	-	-
Current financial assets	-	-	-	-	-
Cash and cash equivalents	18,425,772	6,450,944	336,637	30,799	20,396
Total current assets	**31,968,524**	**8,368,809**	**1,520,138**	**436,668**	**47,099**
Non-currents assets held for sale	-				
TOTAL ASSETS	**241,077,491**	**28,512,691**	**5,888,065**	**2,564,121**	**70,132**

EI Towers S.p.A.

Summary table of economic and financial data of subsidiary companies included in the consolidation

(values in Euro)

SHAREHOLDERS' EQUITY AND LIABILITIES	Towertel S.p.A.	EIT RADIO srl	Nettrotter srl	FP Towers S.r.l.	Monte Maddalena Telecomunicazioni S.r.l.
Shareholders' Equity					
Share capital	22,000,000	50,000	750,000	500,000	20,000
Share premium reserve	-	-	1,250,000	-	-
Treasury shares	-	-	-	-	-
Other reserves	42,672,128	61,279	-	1,500,000	36,966
Valuation reserve	(11,695)	-	-	-	-
Retained earnings (accumulated losses)	7,570,329	123,938	(224,895)	-	-
Net profit (loss) for the period	8,946,210	(484,842)	(931,920)	(9,748)	(14,064)
TOTAL SHAREHOLDERS' EQUITY	**81,176,972**	**(249,625)**	**843,185**	**1,990,252**	**42,902**
Non-current liabilities					
Post-employment benefit plans	92,071	393	-	-	-
Deferred tax liabilities	28,410,308	-	-	-	-
Financial liabilities and payables	104,045,486	24,618,403	-	-	-
Provisions for non-current risks and charges	1,613,754	-	-	-	-
Total non-current liabilities	**134,161,619**	**24,618,796**	**-**	**-**	**-**
Current liabilities					
Financial payables	-	680,292	-	-	-
Trade payables	4,687,310	1,219,305	1,688,919	169,018	1,824
Tax payables	136,913	-	4,742	-	1,000
Intragroup financial payables	-	-	2,936,615	-	-
Other financial liabilities	-	1,188,421	-	-	-
Other current liabilities	20,914,677	1,055,502	414,604	404,851	24,406
Total current liabilities	**25,738,900**	**4,143,520**	**5,044,880**	**573,869**	**27,230**
Non-current liabilities directly relating to assets held for sale	-	-	-	-	-
TOTAL LIABILITIES	**159,900,519**	**28,762,316**	**5,044,880**	**573,869**	**27,230**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**241,077,491**	**28,512,691**	**5,888,065**	**2,564,121**	**70,132**

EI Towers S.p.A.

Summary table of economic and financial data of subsidiary companies included in the consolidation

(values in Euro)

INCOME STATEMENT	Towertel S.p.A.	EIT RADIO srl	Nettrotter srl	FP Towers S.r.l.	Monte Maddalena Telecomunicazioni S.r.l.
Revenues					
Sales of goods and services	37,345,350	1,314,466	118,835	215,540	-
Other revenues and income	73,659	6,067	1	-	57
Total revenues	**37,419,009**	**1,320,533**	**118,836**	**215,540**	**57**
Costs					
Personnel expenses	328,713	6,028	-	-	-
Purchases, services, other costs	15,357,138	1,619,592	1,277,434	138,084	3,824
Amortisation, depreciation and write-downs	7,533,854	80,160	91,739	68,240	9,296
Impairment losses (reversals) of assets	-	-	-	-	-
Total costs	**23,219,705**	**1,705,780**	**1,369,173**	**206,324**	**13,120**
Gains/(losses) from disposals of non-current assets	-		-	-	-
EBIT	**14,199,304**	**(385,248)**	**(1,250,337)**	**9,216**	**(13,063)**
Financial (expenses)/income					
Financial expenses	(2,694,477)	(157,208)	(46,097)	-	(1)
Financial income	69,002	194	422	-	-
(Expenses) /Income from equity investments	-	-	-	-	-
Total (expenses)/income from financial investments	**(2,625,474)**	**(157,014)**	**(45,675)**	**-**	**(1)**
EBT	**11,573,830**	**(542,262)**	**(1,296,012)**	**9,216**	**(13,064)**
Income taxes	2,627,620	**(57,420)**	**(364,092)**	**18,964**	**1,000**
Net profit from continuing operations	**8,946,210**	**(484,842)**	**(931,920)**	**(9,748)**	**(14,064)**
Net gains/(losses) from discontinued operations	-	**-**	-	-	-
Net profit (loss) for the period	**8,946,210**	**(484,842)**	**(931,920)**	**(9,748)**	**(14,064)**

List of the equity investments in subsidiary, associated and joint control companies

(values in Euro)

Name	Head office	Share capital	Face value per share	Shareholders' equity: Total amount	Shareholders' equity: Pro-quota amount (A)	Result for the year: Total amount	Result for the year: Pro-quota amount	% held	Number of shares held	Book value (B)	Value as per ex art. 2426 no. 4 c.c. (C)	Differences: B-A	Differences: B-C
Subsidiaries													
(*) Towertel S.p.A.	Lissone - Via Zanella 21	22,000,000	1	81,176,972	81,176,972	8,946,210	8,946,210	100.00%	22,000,000	94,422,942	-	13,245,970	-
(*) EIT Radio S.r.l.	Lissone - Via Zanella 21	50,000	1	(249,625)	(249,625)	(484,842)	(484,842)	100.00%	50,000	3,572,478	-	3,822,103	-
(*) Nettrotter S.r.l.	Lissone - Via Zanella 21	750,000	1	843,185	801,026	(931,920)	(885,324)	95.00%	712,500	1,900,000	-	1,098,974	-

(*) Financial Statements figures at December 31, 2016

Disclosure pursuant to Article 149, part twelve, of the Consob Issuers' Regulations

values in Euro

Service	Entity supplying the service	Beneficiary	Fees 2016
Account auditing	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a.	139,582
Attestation services	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a. (1) (2)	2,514
Other services	Deloitte S.L.	Parent company--EI Towers S.p.a. (3)	45,000
Other services	Deloitte Asesores Tributarios S.L.U.	Parent company--EI Towers S.p.a. (3)	30,000
Total			**217,096**

(1) Attestation services Tax Return and Form 770

(2) Attestation services related to the Bond Loan

(3) "Tax" and "Financial" due diligence services related to the acquisition of the Company Axion Infrastructuras de Telecomunicaciones S.A.U.

2016 Financial Statements

Certification of the

Financial Statements

pursuant to Article 154-bis

of the Legislative Decree *58/98*

Certification of the Financial Statements pursuant to Article 154 part two, of the Legislative Decree 58/98

1. The undersigned Guido Barbieri, Chief Executive Officer, and Fabio Caccia, the Assigned Executive for the drafting of the company accounting documents of EI Towers S.p.A., attest, also taking into account what is lead down by article 154, part two, paragraphs 3 and 4 of the Legislative Decree of February 24, 1998 no. 58:

   - to the adequacy relative to the characteristics of the Group and
   - the effective application

   of the administrative and accounting procedures for building up the Consolidated Financial Statements, during the financial year 2016.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Consolidated Financial Statements as at December 31, 2016 was carried out based on the rules and methodologies defined by EI Towers S.p.A. in line with the model Internal Control – Integrated Framework issued by the Committee of sponsoring Organizations of the Treadway Commission which represents a body of general reference principles for the system of internal controls that is generally accepted at international level.

3. Furthermore, it is also attested that:

3.1 Financial Statements:

a) are drawn up in conformity with the applicable International Accounting Standards recognised within the European Community, pursuant to the regulation (EC) no. 1606/2002 of the European Community and Council of July 19, 2002 as well as with the measures issued to actuate article 9 of the Legislative Decree no. 38/2005;
b) reflect the balances in the books and the accounting postings;
c) are suitable and appropriate in order to give a true and fair view of the Balance Sheet, Income Statement and Financial situations of the Issuer and of the group of companies included within the consolidation.

3.2 The Directors' Report on Operations contains a trustworthy analysis of the progress and result of operations, as well as of the situation of the Issuer and of the group of companies included within the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

March 23, 2017

For the Board of Directors
The Chief Executive Officer
(Guido Barbieri)

The Assigned Executive for the drafting
of the company accounting documents
(Fabio Caccia)

Reports of the Statutory Auditors and Independent Auditors

This document is an English translation of an original Italian text. In the event of discrepancies between the original Italian text and this English translation, the original Italian text shall prevail.

AUDITORS REPORT TO THE SHAREHOLDERS PURSUANT TO LEGISLATIVE DECREE NO. 58/98 AND ART. 2429 OF THE CIVIL CODE ABOUT THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 AND THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of the Company

EI TOWERS S.p.A.

Dear Shareholders,

The separate financial statements and the Group's consolidated financial statements as at December 31, 2016, together with the respective explanatory notes and the Directors' Report, were approved and transmitted to us on March 23, 2017 with waiver of the term established by law.

The Notes, which contain all the information required by art. 2427 of the Civil Code, show, among other things, the principles and valuation criteria adopted in the preparation of the financial statements and the consolidated financial statements. The Directors' Report summarizes the relevant facts to the year as required by art. 2428 of the Civil Code the principal risks and uncertainties for the company EI Tower S.p.A. and for his Group, and explains the foreseeable developments.

In particular, the Auditors acknowledge that the Separate and Consolidated Financial Statements WERE prepared in accordance with "International Financial Reporting Standards" and related SIC / IFRIC interpretations adopted by the European Commission, under the procedure referred to in Article 6 of Regulation (EC) n. 1606/2002 of the European Parliament and of the Council of the European Union of July 19, 2002.

The analytical control of the content of the financial statements and the consolidated financial statements has not been assigned to the Auditors, and for that reason the Auditors have verified the general approach thereof and the compliance with the law regarding their formation and structure. In this regard, we have no specific comments.

During the year ended December 31, 2016 we carried out the auditing activities required by law, in accordance with the standards of conduct of the Auditors, recommended by the National Council of Chartered Accountants, of which we refer in this report, taking into account the recommendations issued by Consob Communication no. 1025564 of April 6, 2001 and subsequent updates.

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The Board of Statutory Auditors in charge was appointed by the Shareholders' Meeting held on April 24, 2014 and will finish its mandate with the approval of the financial statements as at December 31, 2016 by the Shareholders' Meeting.

The legal review of EI Towers S.p.A. accounts (accounting of the balance sheet and the consolidated financial statement and limited auditing of accounts of the half-year report) was assigned to Deloitte & Touche S.p.A. for years from 2013 to 2021.

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The Board of Statutory Auditors collected during the year the information for the performance of its functions both through meetings with corporate structures and through what was reported in the meetings of the Board of Directors, of the Control and Risk Committee and the Remuneration Committee.

The institutional activity of the Board of Statutory Auditors was performed in the terms set out below. In particular it is acknowledged that during the 2016 the Board:

- attended the Shareholders' Meeting, held only once;

- attended the meetings of the Control and Risk Committee and of the Remuneration Committee and received from the Supervisory Board (SB) periodical reports on its activities;

- attended all meetings of the Board of Directors and obtained information from the Directors on the activities and most significant economic and financial transactions carried out by the Company; during 2016 the Board of Directors met 8 (eight) times to examine and vote on resolutions regarding, among other things, the approval of the quarterly reports and half-year reports, the examination of the 2016 budget, the approval of the audit plan for 2016, the risk management policy, the assessment of the independence of directors, the self-assessment of the Board, the policy of the dividends distribution and the purchase program of own shares, the assessment of the adequacy of the organizational, administrative and accounting procedures and of the internal control and risk management system, according to art. 2381 of the Civil Code and the Corporate Governance Code;

- took part, along with the Board Members, to initiatives finalized to an in-depth analysis of the Company's business, of the field in which the same operates, of the right principles of risk management and of its reference regulatory framework. In particular, on May 10, 2016, the Directors and Auditors of the Company, took part to an initiative held in Lissone, together with Independent Directors and Auditors of Mediaset S.p.A., with the support of the Company's management, concerning, the evolution of EI Tower Group from the merger with DMT Group. On the October 11, 2016 the Indipendent Directors and Statutory Auditors, participated in Lissone, to an induction sessions concerning the development of Internet of Things market a the business of the subsidiary Nettrotter S.r.l.. On the December 14, 2016 at the headquarter of the company was held, also with the help of external advisors, a board induction regarding the Risk Management model adopted by EI Tower Group;

- Completed the verification required by law, at least quarterly, holding 12 (twelve) board meetings;

- Acquired knowledge and verified, within its area of responsibility, the adequacy of the organizational structure of the Company and the compliance with the principles of fairness, through direct observations, collection of information from the managers of the organizational function and through meetings with officials in charge;

- Verified the adequacy of the internal control system and of the accounting system, as well as the reliability of the latter to correctly represent management events, by obtaining information from the heads of the respective departments, from the Auditing Firm and by examining business documents; the Board of Statutory Auditors reminds that the Board of Directors of the Company on November 3, 2016 evaluated the organizational, administrative and accounting system as consistent and appropriate with the work performed and the characteristics of the group;

- Found adequate the organizational choices of the Company in relation to its internal audit function, that is also supported by external advisors. For details regarding the advisors, please see the Annual Report on Corporate Governance and Ownership Structure;

- Met periodically, with the Control and Risk Committee, the responsible for the internal audit, receiving information about the audit activity planned for the period and receiving Reports about the adequacy of the EI Tower Group's internal control and risk management system;

- Took note of the report prepared by the Manager in charge of the internal control and risk management system about the risk assessment and the suggestion for managing the main business, strategic and process risks of EI Towers Group;

- Met, in accordance with the provisions of art. 19 of Legislative Decree no. 39/2010, the partners of Deloitte & Touche S.p.A., a company responsible for the statutory audit of the financial statements and the consolidated financial statements, in order to monitor the implementation of audit activities and to be updated about the carrying out of the same, to ensure, as required by art. 17 of the above mentioned Law no. 39, its independence and to operate the exchange of information on their activities;

- Met the members of the Board of Statutory Auditors of the subsidiaries Towertel S.p.A. and Nettrotter S.r.l. to exchange information on their activities, in accordance with paragraphs 1 and 2 of art. 151 of Legislative Decree no. 58/98;

- Carried out the necessary assessments to confirm the independence requirements of each member of the Board of Auditors during the meeting held the May 2, 2016;

- Assessed the compliance with Company's interest of the intercompany transactions and the transactions with related parties, and for the latters the congruity. The characteristics, parties involved and effects of these transactions are adequately explained in the financial statements, to which the Board refers;

- Monitored in particular, with reference to the above, the implementation of the Regulation issued by Consob regarding transactions with related parties, and the compliance of the procedure adopted by the Company;

- Monitored the implementation of the corporate governance rules contained in the Corporate Governance Code for listed companies promoted by the Italian Stock Exchange, which the Company has adopted;

- verified that the Company has given instructions to its subsidiaries to comply with the disclosure requirements of art. 114, paragraph 2, of Legislative Decree 58/1998. The provisions are adequate as required by law;

- Verified the adequacy of the method to perform an impairment test on the CGU Tower the related evaluations have confirmed that the recoverable amounts were higher than the accounting amounts; there are still reasons to keep '"goodwill" as an asset;

- Verified that the Directors' Report on operations for 2016 is consistent with the applicable laws and regulations and with the resolutions and the facts represented by the Separate Financial Statements and the Consolidated Financial Statements. The report specifies, as indicated above, the relations between related parties.

During the audit activity of the Board of Statutory Auditors, carried out in the manner described above, there were no significant facts emerging that would require reporting to the control bodies.

The members of the Board of Statutory Auditors have complied with the number of positions in art. 144 *terdecies* of Consob Regulation no. 11971 with the relevant disclosure obligations to Consob and the public. The Board advises that due to Consob Resolution no. 18079 of January 20, 2012, the system of calculation of offices contained in the Regulations for Issuers and their disclosure obligations to Consob, relating to positions held or terminated, and to other information subject to disclosure, are applicable only to the members of the supervisory bodies that hold this position in more than one listed company or issuer.

The Audit Firm on March 28, 2017 issued its reports to the Financial Statements and the Consolidated Financial Statements without qualifications or limitations. The Reports certified that the Directors are responsible for preparing the Financial Statements and Consolidated Financial Statements as at December 31, 2016and that they comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005; they are therefore drawn up clearly and give a true and fair view of the financial position, economic results and cash flows of the Company and the Group. The above mentioned Reports give also evidence that the Management Report and the information referred to in Article 123 *bis*, paragraph 4, of Legislative Decree no. 58/98 contained in the Annual Report on Corporate Governance and Ownership structure, are consistent with the separate financial statements and the consolidated financial statements of the company.

Fulfilling its tasks, the Board of Statutory Auditors, in particular, monitored:

- Compliance with the law and articles of association and the principles of good governance, ensuring that all transactions approved and implemented by the Board of Directors were in compliance with the law and the bylaws and were not manifestly imprudent or reckless;
- The compliance of the Group's activities with Law 262/2005.

The Board of Statutory Auditors, in accordance with the law, received the Relation on the fundamental issues released from Deloitte & Touche S.p.A. for 2016. In this regard, the Board of Statutory Auditors has no remarks.

The Board of Statutory Auditors, with reference to the measures of protection and guarantee adopted in matter of treatment of personal data according to Legislative Decree June 30, 2003, no. 196 and called Code in matter of protection of the personal data, acknowledges that in 2016 continued the developing process to of the privacy management system of EI Towers Group also trough training initiatives for Managers and Persons responsible for data processing and the publication of the Privacy Portal.

From the activities performed by the Supervisory Board there were no critical issues relevant pursuant to Legislative Decree no. 231/2001, to be reported, referring to the adequacy and implementation control process of the Organizational Model already approved form the Board of Directors during 2014, and, keeping in mind what stated in the Supervisory Body report, we evaluate the measures implementing the Organizational Model adequates and effectives.

The Board of Statutory Auditors acknowledges that, on March 23, 2017, the Board of Directors approved the Annual Report of Corporate Governance and Ownership structure, which includes, among other things, the information required by art. 123 *bis* of the Consolidated Finance Act.

On the same date, the Board of Directors, in accordance with art. 84 *quater* of the Issuers' Regulations, as amended by Resolution no. 18049 of December 23, 2011, and art. 123 *ter* of Legislative Decree no. 58/1998, approved the Compensation Report which includes the Compensation Policy for Directors and Executives with strategic responsibilities defined by the Board of Directors following the proposal of the Remuneration Committee.

In compliance with the article 3 (paragraph 3.C.5) of the Corporate Governance Code, which was adopted by the Company, the Board of Auditors, on May 4, 2016, verified the right application of the criteria and the procedures of assessment adopted by the Board of

Directors in order to assess the independence of its own members. The composition of the Board is consistent with the measures provided for by the Italian Competition Authority in matter of independence of Directors (please refer to the provision of December 14, 2011 with which the Authority authorized the EI Towers S.p.A. – DMT S.p.A. merger).

The current Board of Directors, appointed by the Shareholders Assembly on the 21 April 2015 until the Meeting that will be held to approve the financial statements at December 31, 2017, consists of nine members; six of these directors are non-executive and are in possession of the independence requirements of the code of self discipline and by Legislative Decree no. 58/1998.

The Manager in charge of preparing the corporate accounting documents Fabio Caccia, together with the Chief Executive Officer Guido Barbieri, issued during the year certifications of the Full Year and Half-Year financial statements and consolidated financial statements, in accordance with the requirements of art. 154 *bis*, paragraph 5, of Legislative Decree no. 58/1998.

With reference to the significant events for the year 2016, described in the same section of the Directors' Report, the Auditors noted that:

- On May 31, 2016 was incorporated EIT Radio S.r.l., fully owned by EI tower S.p.A., focusing on hosting services and related operations;
- On May 31, 2016 EI Towers S.p.A. bought Fortress Italia S.r.l. a company that manages host stations mainly for radio operators; subsequently, on 20 October 2016 the company was merged into EIT Radio S.r.l.;
- On September 8, 2016 EI Towers S.p.A. started to buy its own shares following the Shareholders deliberation of the 21st April 2016;
- During the year were concluded several acquisitions of companies related to Tower business: the July 8, 2016 NewtelTowers S.p.A. was incorporated in Towertel S.p.A., which during 2016 bought and merged Sa Oghe T.C. S.r.l., Giardino De Sanctis S.r.l., Saga S.r.l., Vip Electronics S.r.l.; it also bought on December 19, 2016 FP Tower S.r.l.; on November 30, 2016 EIT Radio S.r.l. bought Società Bresciana telecomunicazioni (SBT) S.r.l., merged with BT S.r.l. just after; on July 20, 2016 Nettrotter S.r.l. increased its capital for the development of resources for the creation of his network;

As reported in the section of the Directors' Report, referring to material events subsequent to year end 2016 it is noted that a EI Tower S.p.A. Shareholders Meeting was held January 12, 2017 which approved the distribution of an extraordinary dividend of EUR 3.60 per share, as proposed by the Board of Directors held on November 18, 2016; on February 18, 2016 that dividend was paid for a total value of 99.7 million. In the course of 2017 the plan to purchase treasury shares continued.

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The Board of Statutory Auditors reminds that EI Towers S.p.A., with effect from January 2, 2012, in accordance with art. 2497 et seq. of the Civil Code, is subject to management and coordination by Mediaset S.p.A., in this regard, the Board acknowledges that the company operates in full compliance with the provisions of art. 37 of Consob Market Regulations 16191/2007 and followings edit.

In particular, EI Towers S.p.A.:

- has complied and complies with disclosure requirements provided for by art. 2497 *bis* of Civil Code,
- has autonomous powers in relations with customers and suppliers,
- has a Control and Risk Committee, which also performs the functions of Related Parties Committee, and a Remuneration Committee composed entirely of independent directors in accordance with the criteria laid down in Article 148, paragraph 3, of the Consolidated Finance Act, in the Corporate Governance Code of Borsa Italiana S.p.A. and the abovementioned Article 37 Consob Market Regulations. EI Towers also has a Board of Directors consisting of a majority of independent directors.

EI Towers S.p.A. exercises direction and coordination of its fully owned subsidiaries Towertel S.p.A. EIT Radio S.r.l.. FP Tower S.r.l. and Nettrotter S.R.L. of which it owns the 95%.

The Board of Statutory Auditors also notes that the Company has complied with the measures laid down by the resolution of December 14, 2011, authorizing the merger EI Towers – DMT, prescribed by the Italian Competition Authority.

The Board has no observations with respect to the proposal made by the Board of Directors regarding the destination of the profit for the year, which is consistent with the dividend policy approved by the Board of Directors on July 26, 2016 or other proposals with regard to the financial statements, its approval and other matters within its area of responsibility, in accordance with art. 153 par. 2 of Legislative Decree no. 58/1998.

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The specific information to be provided in this report is listed below in the order provided for in the Consob recommendation of April 6, 2001 and subsequent updates.

1. We obtained information on the most significant economic, financial and patrimonial transactions performed during the year, also through subsidiaries, in order to verify that they were carried out in accordance with the law and the Bylaws and that they were not imprudent or risky, inconsistent with the Shareholders' Meeting's resolutions or such as to damage the net assets. You can find the illustration of the major initiatives undertaken during the year in the Directors' Report, and we here certify that, to the best of our knowledge, these have been based on the principles of good management and any issues related to potential or possible conflicts of interest are subject to careful consideration.

2. The information in our possession did not show the existence of atypical and / or unusual transactions during the year, including intercompany or related party transactions.

The ordinary administration operations carried out between companies of the Group or with related parties, as well as their main economic impacts, are shown in the Directors' Report and in the Notes to the Consolidated Financial Statements and Separate, in particular evidence is given, among other things, to:

- The nature of revenues and commercial credits from parent companies, whose main part consists of hospitality services, support and maintenance services, logistics, infrastructure transmission, Head - End and design as well as revenues from the service of installation of transmission equipment;
- the financial income related to the intercompany bank account;
- the costs and commercial payables to the parent companies, mostly due to use of services: EDP, personnel administration, and other various leases;
- the revenues and commercial receivables from affiliated entities related to supply of services;
- the revenues and commercial receivables from affiliated entities related to hospitality services and maintenance;
- the costs and commercial payables to the entities associated mainly attributable to leases and to specialist services on the Italian Market.

On the basis of the information gathered, the Board of Statutory Auditors has determined that such transactions comply with the law and the Bylaws, were carried out in the company's interest and are not likely to give rise to doubts as to the correctness and completeness of the disclosures in the financial statements, the existence of conflicts of interest, the safeguarding of assets and the protection of minority shareholders.

3. In the report and in the explanatory notes to the separate financial statements and the consolidated financial statements, the Directors have reported and explained the transactions carried out by the Company. In particular, we believe satisfactory the information provided by the Directors in their report pursuant to Art. 2428 of the Civil Code. The Board of Statutory Auditors acknowledges to have supervised the conformity of the adopted procedures and the compliance with the same procedures and, in this respect, there's nothing to report to the Shareholders' Meeting called to approve the financial statements as at December 31, 2016.

4. The Independent Audit Firm Deloitte and Touche S.p.A., which the Board of Statutory Auditors met regularly during the year, issued on March 28, 2017 its reports without comments and / or requests for information relating to the Financial Statements and the Consolidated Financial Statements as at December 31, 2016, which include the judgment consistency pursuant to art. 123 *bis*, paragraph 4 of Legislative Decree no. 58/1998.

5. We did not receive any complaints by shareholders according to art. 2408 of the Civil Code.

6. We did not receive any complaints or reports.

7. During the year the Company assigned Deloitte and Touche S.p.A. and to companies belonging to its network the listed under assignments better described even in the Explanatory Notes in the paragraph "Information given according to art. 149 *duodecies* Consob Issuers Regulations", together with related fees.

Other Services:

- Deloitte S.L.	EI Towers S.p.A.	euro 45.000
- Deloitte Asesores Tributarios S.L.U.	EI Towers S.p.A.	euro 30.000

8. During the year the Board of Auditors expressed the following opinions in accordance with law and the Corporate Governance Code adopted by the Company: i) opinion about the assignment of the task to support the Internal Audit function of EI Towers S.p.A. for

the year; ii) opinion on the Internal Audit Plan 2016, and on an adequate financial support provided to the Internal Audit function; iii) opinion on the Report on key matters arising from the statutory audit issued by the auditing firm Deloitte & Touche S.p.A. for the year 2015, iv) opinion for appointment, as advisor of Deloitte S.L. and Deloitte Abogados belonging to the same network as Deloitte & Touche S.p.A., with reference to the two accounting and tax due diligence for a potential acquisition, in Europe; v) opinion on distribution of extraordinary dividend.

9. During the year, eight (8) meetings of the Board of Directors, 12 (twelve) meetings of the Board of Statutory Auditors, 7 (seven) meetings of the Control and Risk Committee, 4 (four) meetings of the Remuneration Committee were held. These meetings were always attended by at least one member of the Board of Auditors.

10. We have no particular observations to make on the principles of good management. In particular, on the basis of the feedbacks from the meetings with the external auditors and members of the Board of Statutory Auditors of the main companies of the Group, the principles of good governance have been constantly observed.

11. We have no observations to make on the adequacy of the organizational structure, which we have found suitable to meet the needs of management and control on business operations.

12. The internal control system appeared to be adequate to the dimensional characteristics and management of the Company, as determined also in the meetings of the Control and Risk Committee, which was attended by the Statutory Auditors.

With particular reference to the system of risk management, the evaluation process, and the management of the main business risks, strategic risks and process risks of EI Towers Group, are carried out in accordance with the *Enterprise Risk Management* methodology. The considerations that came out from the process of detection and evaluation of business risks highlighted, as a whole, that the internal audit and the enterprise risks management is adequate.

13. The Board of Statutory Auditors has no observations concerning the adequacy of the accounting system and its reliability in correctly representing management and, in general, the financial reporting process. With reference to the statements contained in the Annual Report and Consolidated Financial Statements as at December 31, 2016, we note that the statement was made by the Manager in charge of preparing the corporate accounting documents in accordance with art. 154 *bis* of Legislative Decree no. N. 58/1998. The Board verified the existence of adequate rules and processes for the "preparation" and "disclosure" of financial information, the Board, therefore, evaluates adequate the process of preparation of the financial information and believes there are no remarks to be submitted to the Shareholder’s meeting.

14. We have no comments about the adequacy of the information flow by the subsidiaries Towertel S.p.A. EIT Radio S.r.l., FP Tower S.r.l. and Nettrotter S.r.l. to the parent company aimed at ensuring the timely fulfillment of obligations established by law.

15. During the regular meetings held by the Board of Statutory Auditors with the Company's independent auditors, in accordance also with Article 150, paragraph 3, of Legislative Decree no. N. 58/1998, there were no issues that should be highlighted in this report.

16. The Company has adopted the Corporate Governance Code for listed companies promoted by Borsa Italiana and has presented its model of corporate governance in the

"Annual Report on Corporate Governance and Ownership Structure", pursuant to art. 123 *bis* of Legislative Decree no. N. 58/1998, approved on March 23, 2017. The Board has completed successfully the verification of the requirements of independence for its members, and monitored the proper application of procedures and criteria adopted by the Board of Directors to evaluate the independence of its members.

17. Our supervisory activity was held during the year ended December 31, 2016 and it did not reveal omissions, or irregularities that should be noted in this Report.

18. In summarizing the audit activity carried out during the year, we have no proposals to be made, pursuant to art. 153, paragraph 2, of Legislative Decree no. N. 58/1998, with respect to separate financial statements, their approval and the subjects of our responsibility. We also have nothing to be observed on the proposed allocation of the profit for the year.

19. On April 21, 2016, the Shareholders' Meeting resolved to authorize the purchase, until the meeting approving the financial statements as at 31 December 2016, of treasury shares within the limits of distributable profits and reserves as reported in the last approved Annual Report, resulting in the creation, pursuant to Article 2357 *ter*, third paragraph of the Civil Code, of a restricted reserve equal to the amount of shares purchased from time to time, and which must be maintained until shares are transferred. In the period between April 21, 2016 and the December 31, 2016 the company bought no. 350.907 own shares equivalent to 1.24% of the share capital. The Company owned, at the December 31, 2016, no. 413.433 shares, representing 1.46% of the share capital, of which 6,000 shares are loaned to Mediobanca - Banca di Credito Finanziario S.p.A. in its role as Specialist pursuant to art. 2.2.3, paragraph 4, of the Rules of the Markets organized and managed by Borsa Italiana. With reference to the above actions, the right of vote is suspended pursuant to art. 2357 of the Civil Code. During the period from January 1, 2017 and March 22, 2017, the day before the Board of Directors held for the approval of the Balance sheet at December 31, 2016, the Company bought no. 302.291 shares equivalent to 1.07% of the share capital. From then till the day of this report there were no significant changes. The subsidiaries do not hold any shares of the Company. With the approval of the financial statements as at December 31, 2016 the power granted to the Board of Directors to purchase treasury shares will expire. Therefore, the Board of Directors decided to propose to the shareholders to renew the authorization to purchase treasury shares when appropriate to achieve the objectives contained in the Report of the Board of Directors on the specific item on the agenda.

20. During the financial year, no. 100,000 options granted in 2010 expired. At today there were no stock options granted to employees.

Lissone, March 28, 2017

THE BOARD OF STATUTORY AUDITORS

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INDEPENDENT AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
EI Towers S.p.A.

Report on the Financial Statements

We have audited the accompanying financial statements of EI Towers S.p.A., which comprise the statement of financial position as at December 31, 2016, and the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EI Towers S.p.A. as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of EI Towers S.p.A., with the financial statements of EI Towers S.p.A as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the financial statements of EI Towers S.p.A as at December 31, 2016.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 28, 2017

This report has been translated into the English language solely for the convenience of international readers.