EI TOWERS GROUP

ANNUAL REPORT 2017

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 2018

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 23, 2018, for deliberation upon the following

MEETING AGENDA

1. Approval of the Financial Statements as of December 31, 2017; 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, 2017; Presentation of the consolidated non financial Disclosure as of December 31,2017; related and consequent resolutions.
2. Compensation Report in accordance with Article 123-ter of the Legislative Decree no. 58/98.
3. Determination of the number of the members of the Board of Directors.
4. Determination of the terms in office of the Directors.
5. Appointment of the Board of Directors.
6. Appointment of the Chairman of the Board of Directors.
7. Determination of Directors’ remuneration.
8. Increase in fee payable to external auditors for audit of the Company’s financial statements for the 2017-2021 period.
9. 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 1,364,540 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 12, 2018 (Record Date). The registration of debit and credit entries in the accounts subsequent to such date shall not count for 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 Company should receive the proxy 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 20, 2018. 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.

APPOINTMENT OF THE BOARD OF DIRECTORS

With reference to the appointment of the Board of Directors, as per Article 13 of the Corporate by-laws, the Company is managed by a Board of Directors consisting of a minimum of 5 (five) to a maximum of 21 (twenty-one) members, shareholders or non-shareholders, who will remain in office for a period, determined by the Shareholders' Meeting, which cannot exceed 3 (three) fiscal years and may be re-elected.

The Directors are appointed by the Shareholders' Meeting based on lists in which the candidates will be listed by means of a progressive number. Each candidate may appear on only one list; otherwise they will be ineligible for election. The lists that contain a number of candidates equal to or above three shall include at least one third (with rounding off to the higher in the case of a fraction) of members belonging to the less represented gender.

Shareholders have a right to present a list if they represent, alone or together with other shareholders, at least 1 % of the shares entitled to vote at the Ordinary General Meeting (in accordance with the percentage of shares established in Consob Resolution no. 20273 of January 24, 2018).

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 a declaration by the candidates that they are in possession of the requisites for independent directors, must either be deposited at the company's registered office (Ufficio Affari Societari, open 9:00 – 18:00 weekdays), or sent by email to the certified electronic mail address das.eitowers@legalmail.it or by fax to no. +39 039 2432390, by March 29, 2018. 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 are in possession of the requisites required by law and by the regulations for members of the Board of Directors.

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 by the Shareholders, 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 specified in the regulations for the presentation of lists by the Issuer.

Without prejudice to the right to present a certificate proving ownership of the shareholding within the period prescribed in the previous paragraph, when presenting the lists, information concerning the identity of the shareholders presenting the individual lists shall be provided, 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.

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

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

Shareholders are also invited, with a view to submission of applications, to take into account the requirements expressed by the Company regarding the maximum accumulation of administration and/or control offices, pursuant to the Corporate Governance Code for listed companies, disclosed in the Annual Report on Corporate Governance available on the Company's website www.eitowers.it (Governance section – Governance System).

The lists submitted will be made available to the general public at the company's registered office, on the Company's website www.eitowers.it (Governance section - Shareholders' Meetings - Documents) and on the the website of authorized storage device eMarket STORAGE at www.emarketstorage.com, no later than April 2, 2018.

DOCUMENTATION

The documentation relating to the items on the agenda of the Shareholders' Meeting, including the Report on Corporate Governance and Ownership Structure and the Consolidated Non-Financial Disclosure, 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 authorized storage device eMarket STORAGE, at the website address www.emarketstorage.com, in accordance with the terms and conditions provided by prevailing laws and regulations.

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

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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 14, 2018

The Chairman of the Board

of Directors

Alberto Giussani

2017 Annual Report

2017 Annual Report

Directors' Report on Operations

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	Francesca Meneghel Riccardo Massimo Perotta

Independent Auditors Deloitte & Touche S.p.A.

Key Consolidated Financial Results

Euro in millions	2017	2016 (*)
Revenues	262.9	251.5
Adjusted EBITDA (**)	133.6	123.1
EBITDA (***)	131.1	119.6
Operating profit (EBIT)	90.0	75.4
Profit before tax	76.6	66.0
Net profit	54.4	44.4

Key Consolidated Balance Sheet and Financial Data

Euro in millions	December 31, 2017	December 31, 2016 (*)
Net invested capital	812.0	780.3
Shareholders' equity	494.2	637.8
Net financial position	(317.7)	(142.6)

Personnel

	December 31, 2017	December 31, 2016
No. of employees	557	561

Core Ratios

	2017	2016 (*)
Adjusted EBITDA (**)/Revenues	50.8%	40.9%
EBITDA (***)/Revenues	49.9%	47.6%
EBIT/Revenues	34.2%	30.0%
Profit before tax/Revenues	29.1%	26.2%
Net profit/Revenues	20.7%	17.6%
Earning per share (Euro per share)	1.99	1.58
Diluted earning per share (Euro per share)	1.99	1.58

(*) RESTATED

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

Dear Shareholders,

In the year just ended the releverage plan of the Group has completed, in accordance with the targets disclosed to the market, focused on one hand on the distribution of dividends and the buyback of treasury shares, on the other hand on the refinancing of the existing Eurobond with a new senior loan which allowed to lengthen debt maturities under significantly ameliorative economic conditions compared to the previous ones.

The expansion activity through acquisitions on national territory has also continued having as its purpose the increase of the Group's presence in the radio and telecommunications broadcasting industry, in order to reduce the exposure related to television broadcasting.

With reference to the releverage plan, by virtue of the dividends distributed during the year, amounting overall to € 149.1m including € 49.4m as ordinary and € 99.7m as extraordinary, and to the buyback of treasury shares started in September 2016 and concluded last December with the purchase of about 1.3m shares for a total investment of € 66.5m, at year-end the Group's leverage (Net Financial Position/EBITDA) stood at approximately 2.4 times, reaching one year in advance the target disclosed to the market and originally scheduled for the end of 2018.

After the distribution to the shareholders of over 210m through dividends and buybacks, during the current year and subsequent years the management's objective is to maintain leverage consistent with a capital structure that creates value for all shareholders, while ensuring a constant dividend policy with a payout ratio at least equal to 100% of the consolidated net profit.

In this context, the refinancing of the five-year Eurobond issued in April 2013 with a new senior bank loan was successfully completed in December under much more favorable economic conditions, which will determine already from 2018 a significant reduction in net financial charges, despite an increased debt, and a consequent increase in earnings per share all other things remaining equal.

The new loan, with bullet maturity in 2021, guarantees to the Group the financial flexibility to be able to continue with the expansion plan through acquisitions while giving the possibility to distribute dividends in accordance with the policy disclosed to the market.

With reference to the business performance, the main income indicators increased compared to the previous year due to the combined effect of an organic increase in revenues and a containment of operating costs and to the full consolidation of acquisitions of companies and assets made in 2016 and the contribution from the acquisitions made in 2017.

It should be noted that the data relating to 2016 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, details of which are provided in the notes to the financial statements. It should be noted that the changes in the income statement are not, however, significant compared to what is outlined in the consolidated financial statements at December 31, 2016.

A summary of 2017 consolidated economic and financial results is reported below; concerning 2016 comparative data, reference should be made to the following paragraph Analysis of Consolidated Figures.

- Core revenues amounted to € 262.9m, with an increase of 4.5% compared to the figure of the same period of the previous year (€ 251.5m);
- Adjusted EBITDA[1] with a growth of 8.5% came to € 133.6m compared to € 123.1m in the same period of the previous year, with a ratio on revenues at 50.8% (49% in 2016);
- EBITDA amounted to € 131.1m (€ 119.6m in 2016), equal to 49.9% of revenues (47.6% in 2016);
- Operating Profit (EBIT) amounted to € 90m, growing by 19.3% on the figure restated of the previous year (€ 75.5m); operating profitability rose to 34.2% from the previous 30%;
- Pre-tax Profit amounted to € 76.6m on the figure restated of € 66.1m, with an increase of 16%;
- Net Profit amounted to € 54.4m on the 2016 figure restated of € 44.4m (+22.7%);
- Net Financial Position was negative for € 317.7m compared to € 142.6m at the end of 2016;

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

Amounts in Euro thousands	2016	2017
EBITDA	119,627	131,087
Acquisition charges	2,940	1,114
Charges on lay-off incentives	570	1,446
Adjusted EBITDA	**123,137**	**133,647**

- Net Invested Capital amounted to € 812m (€ 780.3m at December 31, 2016).

- The Parent Company EI Towers S.p.A. ends with core revenues amounting to € 221m (+2.7% compared to 2016), Adjusted EBITDA amounting to € 108.2m (+6.5%), Operating Profit (EBIT) amounting to € 76.8m (+20.3%) and Net Profit amounting to € 47.1m (+25.5%).

The world economy recorded in 2017 an average growth rate of 3.5%, in line with the previous year (3.1%) and should rise to almost 4% in 2018, in accordance with the forecasts by principal research institutes. These favorable prospects might be impacted by possible trade restriction measures and by an increase, even sudden, in risk aversion in the markets.

In the Eurozone the GDP rose by 2.3% in 2017, in acceleration compared to 1.8% of the previous year, and a similar pace is expected also in 2018. In France, the GDP increased by 1.8% in 2017, in Germany by 2.5% and in Spain by 3.1%. In the Euro area the domestic demand is supported by increased employment and very accommodating financing conditions; exports continue improving, driven by the favorable dynamic of internal demand.

In Italy, GDP growth maintains a differential of about 1 percentage point compared to the average figure of Eurozone, but experienced a significant acceleration during the year, from 0.9% in 2016 to 1.5% in 2017, and should continue at a pace approaching 1.5% also in 2018. This process is linked, in particular, to the improvement of the industrial production: equal to 3% in 2017, almost twice of the previous year and on the maximum levels since 2010. In December alone, industrial production grew by 4.9% on an annual basis, the eleventh consecutive month of growth.

The strengthening of productive activity was supported by the favorable worldwide situation and by expansionary economic policies, but benefitted also from the reforms carried out in recent years. The effects of the monetary policy, which maintained cost of capital employed at very low levels, were accompanied by those of tax incentives for the purchase of capital goods and digital technologies. The vitality of Italian enterprises is confirmed by the strong increase in innovative start-ups entered in the Register of Companies (currently over 8,000, a more than quadruple number compared to 2014), by the good course of the exports, rose by over 5% in 2017, and of the current account surplus in the balance of payments, which in 2017 rose reaching almost 3% in relation to GDP.

2017 was a positive year for European and US indices: the growth trend has started in January with the arrival of the Trump Administration in the US and with expectations of a rise in interest rates from the Fed, and continued in Europe thanks to an overall improvement of the main macroeconomic indicators and to a renewed confidence in the solidity of the Eurozone, also helped by the results of the elections in France.

In this context, the Italian list showed a better performance compared to those obtained by the main European stock markets: Ftse Mib index recorded a rise of 13.6%, while Ftse Italia Mid Cap index (segment relating to small-and medium-capitalisation companies) registered a rally of 32.3%, benefiting from the strong ability of the companies in the segment to innovate and internationalize and from the introduction of regulations on Individual Savings Plans (The Italian PIR - Piani Individuali di Risparmio), that provides for tax-exempt investments in equity securities of the segment.

In 2017 EI Towers shares earned about 4.5%, reaching € 53.50 with a market capitalisation of € 1,512m; the performance rose to 12.4% (in line with those of the main list of the Italian Stock Exchange) taking into account the extraordinary dividend of € 3.60 distributed in February. In addition to the aforesaid distribution of the extraordinary dividend, also the continuation of the treasury share buyback programme contributed to the positive performance of shares.

During the first half-year EI Towers shares recorded a negative performance of about 1% (+6.4% taking account of the extraordinary dividend), with an overall upward trend in the second half of the year (+5.6%, Ftse Mib +6.2%) when, in November alone, shares earned over 11% downstream the publication of results related to the first nine months and the improvement of the 2017 Adjusted EBITDA guidance.

THE TREND OF EI TOWERS SHARE COMPARED TO FTSE MIB IN 2017 (BASE 1/1/2017=100)

OUTSTANDING EVENTS AND OPERATIONS IN THE FIRST HALF-YEAR

During the year the programme to purchase treasury shares was completed in accordance with the resolution approved by the Shareholders' Meeting on April 20, 2017 and by the Board of Directors on May 4, 2017; total shares purchased in the half-year were 951,107, equal to 3.37% of the share capital.

Following these purchases, total treasury shares held at December 31, 2017 are 1,364,540, equal to 4.83% of the share capital.

Based on the resolution of the Shareholders' Meeting of January 12, an extraordinary dividend of € 3.60 per share was paid on February 8, by way of distribution of reserves, in the total amount of € 99.7m.

On May 24, an ordinary dividend of € 1.80 per share was paid, as resolved by the Shareholders' Meeting on April 20, for an overall consideration of € 49.4m.

During the year acquisitions of assets and companies operating in the tower business continued.

In particular, on April 3, three companies operating in Veneto and on June 22, a Ligurian company (Ganora TV S.r.l.) were acquired for an overall value of € 7.1m including the net financial position acquired. The companies were subsequently merged into EIT Radio S.r.l.

On June 22, the company FP Tower S.r.l., wholly owned by Towertel S.p.A., was merged into the direct parent company.

On July 26, EIT Radio S.r.l. acquired the company Gepra S.r.l., and then merged into the acquirer, for a total consideration of € 0.8m including the net financial position acquired.

On December 15, EIT Radio S.r.l. acquired the company Multireti S.r.l. for a provisional consideration of € 15.2m including the net financial position acquired.

In addition, EI Towers S.p.A. acquired in the year business units for a total consideration of € 3.7m.

During the period different transactions concerning purchase and issuance of surface rights on land and flat roofs on which towers stand have been carried out, as a result of which the Group took over active contracts related to assets acquired, for a total value of € 15.3m.

Concerning Nettrotter S.r.l., in order to strengthen further the Company's assets in the phase of development of the business, in May the shareholders EI Towers S.p.A. and Thinktank 2000 S.L. waived receivables for an overall amount of € 1m from the afore-said company, resulting in a consequent increase in equity reserves of the subsidiary.

On October 30, a loan agreement was concluded for € 270m to be used for the early repayment of the existing Eurobond and to support the general corporate activity. The 4-year loan, with redemption in a single payment upon maturity, is without secured guarantees and provides for, as financial covenant, the maintenance of a consolidated leverage not exceeding 3.25.

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 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.

As highlighted above, the positive performance of operations, together with the contribution from the acquisitions made, led to an improvement in the profitability of the Group compared to the previous year.

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, 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 November 3, 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	2017		2016 (*)	
Revenues from sales of goods and services	**262,935**	**100.0%**	**251,533**	**100.0%**
Other income and revenues	753		1,204	
Total revenues	**263,688**		**252,737**	
Operating costs	130,041		129,600	
Adjusted EBITDA	**133,647**	**50.8%**	**123,137**	**49.0%**
Non-ordinary items	(2,560)		(3,510)	
Gross operating margin (EBITDA)	**131,087**	**49.9%**	**119,627**	**47.6%**
Amortisation, depreciation write-downs and provisions	41,067		44,178	
Operating result (EBIT)	**90,020**	**34.2%**	**75,449**	**30.0%**
Financial charges, net	(13,417)		(9,424)	
Pre-tax result (EBT)	**76,603**	**29.1%**	**66,025**	**26.2%**
Income taxes	(22,160)		(21,668)	
Net income	**54,443**	**20.7%**	**44,357**	**17.6%**
(Profit)/loss pertaining to minority interests	53		47	
Net Group Income	**54,496**	**20.7%**	**44,404**	**17.7%**

(*) RESTATED

Revenues from sales of goods and services amounted to € 262,935k in 2017, and refer in the amount of € 180,278k 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 telecommunications operators. Compared to the previous year, the increase was of 4.5%, due to an increase in activities for customers and the change in the consolidation area following the acquisitions.

Non-ordinary charges amounting to € 2,560k have been recorded during the period concerning in the amount of € 1,114k extraordinary acquisition transactions, included in the item Purchases, services and other costs of the Financial Statements and as regards the remaining amount of € 1,446k lay-off incentives for employees included in the item Personnel costs of the Financial Statements (€ 3,510k in 2016 relating in the amount of € 2,940k to extraordinary acquisition transactions and in the amount of € 570k to lay-off incentives for employees).

Excluding these charges, total operating costs amount to € 130,041k, with a slight increase compared to € 129,600k 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, partly offset by the reduction in costs made in the period. These operating costs mainly consist of personnel costs for € 42,932k,

costs for leased assets of third parties in the amount of € 43,031k and costs for services and other operating costs for € 44,078k.
Adjusted EBITDA amounted to € 133,647k, an increase of 8.5% compared to 2016, with an incidence on revenues from 49% to 50.8%.
EBITDA amounted to € 131,087k (49.9% of revenues) compared to € 119,627k in the same period in 2016 (47.6% of revenues), with an increase of 9.6%.
Total amortisation, depreciation and write-downs amounted to € 41,067k and refer in the amount of € 26,670k to tangible assets, € 14,238k to intangible assets and € 159k to write-downs of receivables of uncertain collection in order to reflect the estimated realisable value; the decrease compared to the figures restated of 2016 is due to lower depreciation and write-downs on tangible assets (€ -3,004k) and write-downs of trade receivables (€ -2,952k), partly offset by higher amortisation of intangible assets (€ +2,845k), mostly ascribable to amortisation referred to Customer Relations ensuing from the acquisitions carried out.
Operating result (EBIT) amounted to € 90,020k, a significant increase of 19.3% compared to 2016; operating profitability growing to 34.2%.
Net financial charges amounted to € 13,417k and included € 12,989k related to the bond loan repaid in advance in December and financial income in the amount of € 292k, these latter significantly decreasing compared to 2016 (€ 570k) due to the lower available liquidity.
Pre-tax result amounted to € 76,603k (29.1% of revenues), an increase of 16% on the figure restated of the previous year.
Net income was € 54,443k, equal to 20.7% of revenues, including € 54,496k attributable to the Group and a loss of € 53k attributable to minority shareholders and referring to the minority interest in the company Nettrotter S.r.l.

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, 2017		December 31, 2016 (*)	
Net working capital	(10,797)	-1.3%	(24,699)	-3.2%
Goodwill	502,332		488,414	
Other non-current assets	399,905		396,841	
Non-current liabilities	(79,472)		(80,240)	
Non-current capital	822,765	101.3%	805,015	103.2%
Net invested capital	**811,968**	**100.0%**	**780,316**	**100.0%**
Net financial position	**317,739**	**39.1%**	**142,559**	**18.3%**
Group shareholders' equity	**494,190**	**60.9%**	**637,715**	**81.7%**
Minority shareholders' equity	**39**	**0.0%**	**42**	**0.0%**
Financial position and shareholders' equity	811,968	100.0%	780,316	100.0%

(*) RESTATED

The change in Net Working Capital compared to December 31, 2016 (increase of € 13,902k) is basically due to the following effects, partly due also to the acquisitions carried out in the period:
- increase in trade receivables of € 16,540k;
- increase in trade payables of € 7,625k;
- increase of € 2,047k in debt relating to the payment of deferred instalments of the price related to business combinations;
- other equity changes with an increase in net assets of € 7,034k.

The increase in Goodwill compared to the restated figures at December 31, 2016 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 for the Group at December 31, 2017 amounted to € 494,190k, equal to 60.9% of Net Invested Capital, and Net Financial Position amounted to € 317,739k, worsening by € 175,180k compared to December 31, 2016 mainly due to the buy-back programme to purchase treasury shares and distribution of dividends in the year.

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*	2017	2016
Cash flow generated (absorbed) by operating activities	90,033	91,759
Cash flow generated (absorbed) by investing activities	(53,964)	(77,140)
Cash flow generated (absorbed) by financing activities	(121,813)	(24,092)
Net cash flow for the period	(85,744)	(9,473)

Cash flow generated by operating activities decreased compared to 2016 despite an increased operating profitability due to a greater disbursement for the payment of income taxes (€ 29,014k compared to € 22,041k in 2016) and to a higher absorption of working capital in the total amount of € 6,213k.

The net flow absorbed by investing activities, equal to € 53,964k, mainly consists of disbursements made for investments in technical assets for € 10,589k, purchases of assets (land, contracts and business units) in the amount of € 18,340k and business combinations in the amount of € 23,612K.

The flow related to financing activities, negative in the amount of € 121,813k, includes the net use of credit lines in the amount of € 94,115k, outflows in the amount of € 49,058k related to the purchase of treasury shares and in the amount of € 149,142k related to the distribution of dividends, described above, together with net interests in the amount of € 17,728k, largely attributable to the bond loan repaid in advance in December.

Financial Results

The summary statement of income of the parent company EI Towers S.p.A. for 2017 is set out below compared with previous year's figures.

INCOME STATEMENT *Euro in thousands*	2017		2016	
Revenues from sales of goods and services	**221,021**	**100.0%**	**215,244**	**100.0%**
Other income and revenues	185		1,124	
Total revenues	**221,206**		**216,368**	
Operating costs	113,040		114,766	
Adjusted EBITDA	**108,166**	**48.9%**	**101,602**	**47.2%**
Non-ordinary items	(1,841)		(2,324)	
Gross operating margin (EBITDA)	**106,325**	**48.1%**	**99,278**	**46.1%**
Amortisation, depreciation write-downs and provisions	29,491		35,388	
Operating result (EBIT)	**76,834**	**34.8%**	**63,890**	**29.7%**
Financial charges, net	(10,222)		(6,597)	
Pre-tax result (EBT)	**66,612**	**30.1%**	**57,293**	**26.6%**
Income taxes	(19,494)		(19,739)	
Net income	**47,118**	**21.3%**	**37,554**	**17.4%**

Revenues from sales of goods and services amounted to € 221,021k in 2017 (+2.7% over 2016), and refer in the amount of € 180,278k 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 operating costs, amounting to € 113,040k, decreased by € 1,726k (-1.5%) compared to 2016 following the containment actions carried out during the year, and mainly consist of personnel costs in the amount of € 40,847k (net of € 1,446k related to lay-off incentives for employees and included in non-ordinary items), costs for leased assets of third parties in the amount of € 33,528k and costs for services and other operating costs in the amount of € 38,665k (net of € 396k relating to charges for M&A operations and reclassified as non-ordinary items).

Adjusted EBITDA amounted to € 108,166k, an increase of 6.5% compared to 2016, with an incidence on revenues from 47.2% to 48.9%.

EBITDA amounted to € 106,325k (48.1% ratio to revenues) compared to € 99,278k in 2016 (46.1% of revenues), with an increase of 7.1%.

Total amortisation, depreciation and write-downs amounted to € 29,491k and refer in the amount of € 24,498k to tangible assets and € 4,993k to intangible assets; the decrease of € 5,897k compared to the figures of 2016 is basically due to lower write-downs of trade receivables in the amount of € 3,074k and to the difference arising from lower amortisation, depreciation and write-downs of fixed assets.

Operating result (EBIT) amounted to € 76,834k, with an increase of 20.3% compared to 2016; operating profitability increased from 29.7% to 34.8%.

Net financial charges, equal to € 10,222k, include charges amounting to € 12,989k related to the bond loan repaid in December and financial income in the amount of € 3,404k, the latter mainly attributable to financial relations with the companies of the Group (€ 3,136k)

Pre-tax result amounted to € 66,612k (30.1% ratio to revenues), with an increase of 16.3% compared to 2016.

The year ended with a net income of € 47,118k, equal to 21.3% of revenues.

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, 2017		December 31, 2016	
Net working capital	(1,666)	-0.2%	(8,372)	-1.1%
Goodwill	361,901		361,901	
Interests in subsidiaries	107,564		99,895	
Other non-current assets	331,729		341,269	
Non-current liabilities	(34,070)		(34,902)	
Non-current capital	767,124	100.2%	768,163	101.1%
Net invested capital	**765,458**	**100.0%**	**759,791**	**100.0%**
Net financial position	**322,505**	**42.1%**	**165,935**	**21.8%**
Shareholders' equity	**442,953**	**57.9%**	**593,856**	**78.2%**
Financial position and shareholders' equity of the Group	765,458	100.0%	759,791	100.0%

Net Invested Capital at December 31, 2017 amounted to € 765,458k, and consists of:

- Goodwill in the amount of € 361,901k, equal to the figure at December 31, 2016;
- Interests in subsidiaries in the amount of € 107,564k including € 94,423k related to the interest in the wholly owned subsidiary Towertel S.p.A., € 2,850k related to the 95% interest in the share capital of Nettrotter S.r.l. and € 10,291k related to the 100% interest in EIT Radio S.r.l.; the increase compared to December 31, 2016 is due in the amount of € 950k to the capital strengthening of Nettrotter S.r.l. carried out in the year and the remaining to the increase in the investment in the company EIT Radio S.r.l. following the merger of some companies acquired during the year in the same company;
- Other non-current assets in the amount of € 331,729k, with a decrease of €9,540k compared to December 31, 2016 basically due to the decrease in technical assets following amortisation and depreciation accounted for the period, which were higher than the investments made, partly offset by an increase in intra-group financial relationships (€ +7,329k).
- Non-current liabilities in the amount of € 34,070k, basically in line with December 31, 2016;
- Net Working Capital negative in the amount of € 1,666k, increasing compared to December 31, 2016 mainly due to the increase in trade receivables (€ 9,949k) only partly offset by the increase in trade payables (€ 3,577k).

Shareholders' Equity at December 31, 2017 amounted to € 442,953k, equal to 57.9% of Net invested capital, and Net Financial Position was negative for € 322,505k, worsening by € 156,570k compared to December 31, 2016, mainly following the purchase of treasury shares and distribution of dividends in the year.

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*	2017	2016
Cash flow generated (absorbed) by operating activities	79,729	83,580
Cash flow generated (absorbed) by investing activities	(25,115)	(63,617)
Cash flow generated (absorbed) by financing activities	(120,285)	(24,066)
Net cash flow for the period	(65,671)	(4,102)

Cash flow generated by operating activities decreased compared to 2016 despite an increased operating profitability mainly due to a greater disbursement for the payment of income taxes (€ 28,146k compared to € 20,804k).

The net flow absorbed by investing activities, equal to € 25,115k, consists of disbursements made for investments in technical assets in the amount of € 9,148k, purchases of assets (land, contracts and business units) in the amount of € 3,878k, business combinations in the amount of € 4,760K and net use of the intercompany current account by subsidiaries in the amount of € 7,329K.

The flow related to financing activities, negative in the amount of € 120,285k, includes the net use of credit lines in the amount of € 85,578k, outflows in the amount of € 49,058k related to the purchase of treasury shares and in the amount of € 149,142k related to the distribution of dividends, described above, together with net interests in the amount of € 17,663k, largely attributable to the bond loan repaid in advance in December.

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, 2017	Net Profit Dec.31, 2017	Shareholders' equity at Dec.31, 2016 (**)	Net Profit Dec.31, 2016 (**)
As per balance sheet and income statement of EI Towers S.p.A.	**442,953**	**47,297**	**593,856**	**36,930**
Excess of shareholders'equity, including gross income for the period over book value of investments in subsidiary and affiliated companies	(23,934)	8,276	(19,060)	7,613
Higher values recorded as assets of subsidiary and affiliated companies net of the tax effect	75,416	(897)	63,184	(766)
Consolidation adjustments arising from:				
Dividend elimination				
Elimination of unrealised intra-group gains/losses				
Other consolidation adjustments	(245)	-	(265)	-
Total	**494,190**	**54,675**	**637,715**	**43,777**
Profit/(loss) attributable to minority interests	39	(53)	42	(47)
As per consolidated financial statements	**494,229**	**54,622**	**637,757**	**43,730**

(**) Comparative data at December 31, 2016 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.

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, to promote the development of wireless electronic communication broadband services (5G), in the course of 2017 the European Commission established the deadline of June 30, 2020 at European level for the switch off for the migration of 700 MHz band, currently used by television operators, in favor of mobile telecommunications operators, including the possibility for the Member States with special needs to extend until June 30, 2022 the completion of the process.

Italy has set 2022 also to ensure the natural replacement cycle of TV sets, keeping into account that, unlike other countries, TV is mainly used via terrestrial digital (DTT); therefore, the switch off, freeing up 700Mhz band, is expected to take place with a transitional period of two years, from 2020 to 2022.

As of today, competent ministerial bodies are expected to disclose by June 30, 2018 the national plan for the reallocation of frequencies used by national and local television operators.

This process will lead to a reallocation of the spectrum currently used by the Group's television customers. The management believes that up to the present it is difficult to estimate the effects, but they could reasonably be negative; in fact, any reduction of frequencies allocated to customers to which are provided hosting and managing network services could result in a corresponding reduction of services offered with consequent negative effects on the Group's economic and financial results.

Similarly, the growth in spreading of alternative means of distribution of audiovisual content to DTT and, more generally, the gradual migration from a linear modality to a streaming modality to access the aforesaid contents, an evident phenomenon also in Italy, could lead to a reduction in the demand for the services provided by the Group.

With a view to mitigating the potential negative impact, the management intends to continue activities of diversification of business through acquisitions of companies and assets related to radio and wireless telecommunications sectors.

With reference to the latter, it should be highlighted that stiffening competition among operators, also following the expected entry into the market of the new operator Iliad, with the consequent reduction of their margins, could determine further downwards pressure on hosting service prices offered by the Group, with consequent negative effects on economic and financial results. Furthermore, the management intends to counterbalance these effects by increasing hosting services offered to operators in relation to coverage plans provided for 4G and 5G.

In addition, the progressive process of optimization of the network announced by Wind Tre following the merger between the two pre-existing operators, could lead to a reduction in revenues from hosting services currently provided on the Group's sites; the management believes that the negative effect could be partly mitigated by new hosting services provided to the new entrant Iliad which plans to realize a network with national coverage.

Similarly, although the risk is today assed by the management 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.

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, or a development of listening in streaming, could have negative effects on the services provided by the Group to radio operators, even though as of today the management believes that these effects are not significant.

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 88% of total revenues achieved in 2017 by the Group, reporting a significant concentration in terms of commercial counterparts; in particular, revenues towards the parent company Elettronica Industriale S.p.A. account for around 69% of total revenues.

This risk, which, moreover, is a consequence of the structure of the reference market consisting of few big players, is 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, TIM 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.

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.

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 consolidated financial debt is basically represented by a senior bank loan of € 270m with reimbursement provided in a single payment in October 2021 and by other short-term credit lines. 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. 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 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.

Staff composition

The EI Towers Group had 557 employees at the end of 2017 (553 of them in permanent posts).

Number of employees (permanent staff)	Dec.31, 2017	Average 2017	Dec. 31, 2016
Executives	21	22	22
Middle managers	62	59	57
Office-workers	474	482	482
Industry workers			-
Total	**557**	**563**	**561**

Average age by category of permanent staff

Employees	Dec. 31, 2017	Dec. 31, 2016
	Age	Age
Executives	51	50
Middle managers	53	53
Office-workers	51	51
Industry workers	-	-
Weighted average	**52**	**51**

Staff composition

EI Towers S.p.A. had 552 employees at the end of 2017 (548 of them in permanent posts).

Number of employees (permanent staff)	Dec.31, 2017	Average 2017	Dec. 31, 2016
Executives	21	22	22
Middle managers	59	56	54
Office-workers	472	480	480
Industry workers			-
Total	**552**	**558**	**556**

Average age by category of permanent staff

Employees	Dec. 31, 2017	Dec. 31, 2016
	Age	Age
Executives	51	50
Middle managers	53	53
Office-workers	51	51
Industry workers	-	-
Weighted average	**52**	**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 2017 follows:

Contribution networks and television broadcasting transmission

- assessment of the quality of the video signal obtainable from compression systems based on H.265 standard and their comparison with standards currently in use;
- design and implementation of field-trials related to transport networks for contribution and to Head-End architectures for compression and broadcast of sports events in standard UHD;
- assessment and measures for characterization of Radio Link performance in IP based technology in view of their use in the distribution network of DTT multiplexes;
- analysis and active participation in field trials with the main purpose of developing network synchronization systems alternative to GPS system;

DTT (Digital Terrestrial Television)

Concerning Head-End infrastructures for the Digital Terrestrial Television, assessment activities of video signal processing techniques, that could be implemented on Head-End apparatus, have been undertaken, aimed at reducing the bit-rate of services making up DTT multiplex, maintained unchanged the characteristics of quality of the video signal.

The activities connected to DVB-T network realised on behalf of the Cairo Communication Group, have continued, and, in particular, for supporting measurement activities in the fields and certification of coverage.

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;

- 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 (SFN) modality;
- identifying the configurations of DVB-T2 network best suited to the migration from DVB-T, in terms of available coverage and bit-rate.
- updating forecast and measurement methods of radio coverage.

IoT ("Internet of Things")

During 2017 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, in cooperation with other company's departments, a preliminary campaign of measures, necessary to refine planning radio parameters (network "fine tuning") has continued.
Activities aimed at characterizing sensor devices and indicating their use in the territory in line with the applications requested have also continued.

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), Ministerial working groups, the Competition Authority and Confindustria Radio-TV continued, with active participation and supplying contribution.

In this respect, the activities of a new SPT group (Spectrum Planning) have started within EBU-BNE which leads on radio planning issues for terrestrial broadcast. These activities replace those carried on in the past within DigiTAG which were terminated with the closure of the consortium.

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 it should be noted that on October 30, 2017 EI Towers S.p.A. signed a bank loan pool contract of € 270m, disclosed to the market on September 26, 2017, of which a nominal value of € 30m from Mediobanca - Banca di Credito Finanziario S.p.A., related party of EI Towers S.p.A.

Treasury shares held by subsidiaries

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

Group taxation

EI Towers S.p.A. exercised the option to adhere, for three fiscal years (starting from 2017), 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.

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.
With reference to the requirements set forth by EU Regulation 679/2016, which shall enter into force on May 25, 2018, the process of adjustment of the privacy management system to the new regulatory principles has started.

Direction and coordination activity

Amendment of Article 16 (ex Art. 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 16 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., Multireti S.r.l., acquired on December 15, 2017 and towards Nettrotter S.r.l. (held 95% of the share capital).

Supervision and control

EI Towers S.p.A. 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 Corporate By-laws.

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 Corporate By-laws, 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 Corporate By-laws, 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	Michele Pirotta (Presidente)
Commitee	Manlio Cruciatti
(and related parties)	Alberto Giussani

Remuneration	Alberto Giussani (Presidente)
Committee	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.

Consolidated declaration of a non-financial nature prepared pursuant to Legislative Decree 254/2016

The consolidated declaration of a non-financial nature (or Non-financial declaration) of the EI Towers Group, prepared pursuant to Legislative Decree no. 254/2016 (the "Decree"), constitutes a separate report (2017 Sustainability Report) from this Report on Operations, as provided for in Article 5 para. 3, letter b) of the Decree, and is published on the website www.eitowers.it "Sustainability" section.

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.

With reference to significant events that occurred after December 31, 2017, it should be noted that:

- on March 16, 2018, EI Towers S.p.A. and Cairo Network S.r.l. agreed on the finalisation of the previous agreement signed on January 27, 2015, focusing on the implementation and subsequent multi-year full service technical management (hosting, assistance and maintenance, use of broadcasting infrastructure, etc.) of the national digital terrestrial multiplex of which Cairo is holder of the rights of use.

  The contract provides for an annual consideration of € 16.0m with a maximum potential burden of € 6m between 2018 and 2022, of € 5.5m between 2023 and 2027 and of € 5.0m between 2028 and 2034, which reflects a greater entrepreneurial risk sharing compared to the previous agreement (which provided for a value of 40% for the whole duration of the contract), in the event that the last third of the available band on MUX (conventional value of € 10.0m) is not fully exploited by Cairo with new own or third-party contents;

- the renewal by the parent company EI Towers S.p.A. of the multi-year contract for the supply of hosting services, assistance and maintenance (full service) with the controlling company Elettronica Industriale S.p.A.. The transaction, disclosed to the market, is classified as a transaction between related parties of major importance for which the Company made use of the exclusion provided for by Article 13 para. 3 letter c) of Consob Regulations Transactions with related parties no. 17221 of March 12, 2010.

  The duration of the contract is 7 years, from July 1, 2018 to June 30, 2025, and it will be renewable for a successive period of 7 years, upon renegotiation in good faith between the Parties of the new consideration within the 12 months immediately preceding the expiry date.

  In addition, the contract includes mechanisms for governing the expected impacts of the complex framework of regulatory and technological evolution following the so-called Refarming of "700 Band" (reallocation of frequencies in favour of mobile telecommunications).

FORESEEABLE DEVELOPMENTS

Also in 2018 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, in order to increase the business diversification from TV broadcasting segment.

In the light of the renewal of the Master Service Agreement with the controlling company Elettronica Industriale S.p.A. and the road-map related to the refarming process of television frequencies, whose effects will be fully appreciated during the second half of the year, a multi-year Business Plan might be approved and presented to the market by the end of the year.

On the basis of information currently available, the achievement of an Adjusted EBITDA in line with the target already disclosed to the market and with the consensus, as well as the maintenance of a leverage ratio basically in line with 2017, taking into account currently foreseeable M&A operations and the dividend distribution proposal, can be confirmed for 2018.

BOARD OF DIRECTORS REPORT TO THE SHAREHOLDERS' MEETING OF APRIL 23, 2018:

1. **Approval of the Financial Statements as of December 31, 2017; 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, 2017; Presentation of the consolidated non financial Disclosure as of December 31, 2017; 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, 2017, will meet with your approval.

Especially, we submit for your attention the approval of the Financial Statements as of December 31, 2017, as explained above, and of the Directors' Report on Operations.

We propose to resolve the distribution of a dividend of € 2.05 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, 2018 (no. 28,262,377 shares, less no. 1,364,540 treasury shares held in portfolio by the Company and equal to 4.83% of the share capital), the total amount of the proposed dividend would be equal to around 55,140,565.85, by way of distribution of:

a) the entire profit for the period in the amount of € 47,117,455.44

b) the share premium reserve in the amount of € 8,023,110.41.

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. **Determination of the number of the members of the Board of Directors .**

   Dear Shareholders,

   we inform you that the mandate of the Board of Directors, as conferred by resolution of the General Meeting on April 21, 2015, expires with the General Meeting to approve the financial statements at December 31, 2017.

   It should be noted that, pursuant to Article 13, letter A) of the Corporate By-laws, the Company is managed by a Board of Directors composed of a minimum of 5 (five) to a maximum of 21 (twenty-one) members, appointed by the Shareholders' Meeting, which also decides the number of directors.

   It should also be noted that, in accordance with the Corporate Governance Code of listed companies, which EI Towers S.p.A. complies with, the Board of Directors, within the annual self-assessment process, has expressed, with a view to the renewal of the board of Directors, an opinion regarding the size of the Board, proposing the maintenance of the current number of directors.

4. Determination of the term of office of the directors.

Dear Shareholders,

Article 13, letter A) of the Corporate By-laws provides that the Board of Directors of the Company is appointed for a period, determined by the Shareholders' Meeting, not exceeding three years and is re-eligible.

The Shareholders' Meeting is therefore asked to establish, within the limit referred to in the Corporate By-laws, the duration of mandate of the Board of Directors.

5. Appointment of the Board of Directors.

Dear Shareholders,

we inform you that the mandate of the Board of Directors, as conferred by resolution of the General Meeting of April 21, 2015, expires with the General Meeting to approve the financial statements at December 31, 2017.

In this regard, we remind you that according to the law and the Articles of Association, directors are appointed by the Shareholders' Meeting on the basis of lists submitted by 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. 20273 of January 24, 2018).

With specific reference to the terms and conditions for the presentation of lists for the appointment of the Board of Directors please refer to the Notice of calling of the Shareholders' Meeting published in accordance with the law. We would also like to remind you that the election of the members of the Board of Directors shall be made in accordance with Article 13, letter F) of the Corporate By-laws.

It should also be noted that, in accordance with the Corporate Governance Code of listed companies, which EI Towers S.p.A. complies with, the Board of Directors, within the annual self-assessment process, has expressed, with a view to the renewal of the Board of Directors, an opinion regarding the composition and the diversity of the Board, renewing the hope that Shareholders, when presenting the lists of candidates, maintain a similar level of quality in terms of competences, professionalism and experiences represented. In particular, even on the basis of the outcome of the self-assessment and in line with the legal provisions and with the Corporate

Governance Code, the Board of Directors proposes to take into account the following criteria:

- confirmation of a majority of independent Directors, considering the applicable provisions of law and of corporate governance, as well as the provisions set out by the Italian Competition Authority (AGCM) with Resolution n. 23117 on December 14, 2011;

- gender quota for at least one third of the Board;

- balanced mix of different office seniorities and age groups in order to balance the needs for continuity with the needs for renewal in the management;

- managerial, professional and/or academic/institutional profiles, with skills which can be useful for the business of EI Towers Group, some of whom with experience in internal control;

- nominees who hold offices in other companies which, for number and quality, can be compatible with an effective and diligent performance of their role of Company's Director, also in consideration of the commitment required by the professional and working activities;

- confirmation, for the role of Chairman, of an independent member with adequate expertise in corporate governance, who can represent a guarantee for all the Shareholders, thanks to his/her skills and experience.

The Company and the Board hope that the all the diversities represented can be functional to a better identification and achievement of the Group's strategic targets, in consideration of the future challenges.

It should be noted that the current guidance shall be taken into account in the annual Report on Corporate Governance and Ownership Structure, which will be published according to the time limits laid down by law, as provided for also by art. 123-bis of Consolidated Law on Finance, with regard to diversity.

We remind you that, in accordance with Article 18 letter B) of the Corporate By-laws, the General Meeting is also called upon to establish the remuneration of the Statutory Auditors.

We therefore invite you to vote in this regard according to the laws and the Corporate By-laws.

6. Appointment of the Chairman of the Board of Directors.

Dear Shareholders,

We inform you that the General Meeting is also called upon to decide on the appointment of the Chairman of the Board of Directors in compliance with the law and the Corporate By-laws.

We also point out that, in accordance with the Corporate Governance Code of listed companies, to which EI Towers S.p.A. adheres, the Board of Directors expressed, in view of its renewal, its opinions on the composition of the Board and role of the Chairman, for which you should refer to the report on item 5 of the agenda of the Shareholders' meeting.

7. Determination of Directors' remuneration.

Dear Shareholders,

We inform you that the General Meeting is called upon to establish the remuneration of the Board of Directors in accordance with Article 13 letter E) of the Corporate By-laws.

We therefore invite you to vote in this regard according to the laws and the Corporate By-laws.

8. Increase in fee payable to external auditors for audit of the Company's financial statements for the 2017-2021 period.

Dear Shareholders,

We note that, with a resolution dated April 18, 2013, the shareholders of EI Towers S.p.A. (the "Company") conferred a mandate to Deloitte & Touche S.p.A. for the statutory audit of the Company's annual consolidated and non-consolidated financial statements, and a limited review of the Company's consolidated half-year report for the years 2013 to 2021.

As a result of the changes in the regulations governing the subject of statutory audits introduced by Directive 2014/56/EU of April 16, 2014, Regulations (EU) no. 537/2014 of April 16, 2014 and the Legislative Decree no. 135 of July 17 , 2016 and the adoption of new audit principles, we note that the independent audit firm, Deloitte & Touche S.p.A., with its letter of February 14, 2018, has advised us of the applicability of the circumstances for the adjustment of fees, as provided in the section entitled "Updating of fees" of the contract that governs the current audit mandate, and it has accordingly requested supplementation of the compensation, for each of the years from December 31, 2017 to December 31, 2021 (included), in the amount of €10,000 for 110 hours.

For this purpose, we provide the "Reasoned PROPOSAL ABOUT THE SUPPLEMENTATION OF THE FEE FOR THE STATUTORY AUDIT MANDATE CONFERRED TO DELOITTE & TOUCHE S.P.A. FOR THE FINANCIAL YEARS 2017 TO 2021." by Board of Statutory Auditors.

"EI TOWERS S.P.A. BOARD OF STATUTORY AUDITORS

Motivated proposal about the increase in fee payable for the 2017-2021 period for statutory audit to the company Deloitte & Touche S.p.A.

Dear Shareholders,

With the resolution dated April 18, 2013, the shareholders of EI Towers S.p.A. approved the proposal of Deloitte & Touche S.p.A. of January 30, 2013 conferring a mandate to Deloitte & Touche S.p.A. for the statutory audit of the Company's consolidated and non-consolidated annual financial statements, and a limited review of the Company's consolidated half-year report for the financial years 2013 to 2021.

Whereas:

- The above proposal includes a section entitled "Updating of the fees" that provides that the fees may be adjusted upon the manifestation of relevant and exceptional circumstances unforeseeable at the time of the preparation of the proposal, such as to entail an additional time commitment with respect to that estimated. Such circumstances include, without limitation, the change in the Company's and/or Group's structure and size, changes in the controls established within the internal controls system, regulatory changes with regard to accounting and/or audit principles, the execution of complex business transactions placed into effect by the Company and/or Group companies, additional audit procedures or supplementary obligations for the execution of the statutory audit, as well as additional activities, if any, carried out in relation to companies audited by other auditors; such activities must be communicated to the Company for the purpose of agreeing on the definition of those activities specifically not provided in the original proposal and the quantification of the related charges;
- With respect to the regulations governing statutory audits, Directive 2014/56/EU of April 16, 2014, Regulations (EU) n. 537/2014 of April 16, 2014, and the Legislative Decree No. 135 of July 17, 2016 introduced changes

regarding the audit of entities of public interest; amongst other things, such changes entail the expansion of the audit report as provided by Article 10 of the European Regulations; in addition, as result of the aforementioned changes, the audit firm conducting the statutory audit is required, as provided by Article 11 of the European Regulations, to prepare an additional report for the Internal Control Committee, and the audit report whose information content has been expanded with respect to the report on fundamental issues as provided by previous regulations;

- Within the sphere of the project "Reporting on Audited Financial Statements - New and Revised Auditor Reporting Standards and Related Conforming Amendments," the International Auditing and Accounting Standards Board (IAASB) issued new audit principles in January 2015, the State General Accounting Department adopted seven audit principles (ISA Italia 260, ISA Italia 570, ISA Italia 700, ISA Italia 701, ISA Italia 705, ISA Italia 706, and ISA Italia 710) with Protocol No. 157387 of July 31, 2017. The main changes introduced by such principles include new obligations in terms of communications to the Management and the governance bodies and, as a consequence, a new audit report format that must include a specific section for the communication of Key Audit Matters"; such section contains additional information for the users of financial statements for the purpose of supplying additional support for the understanding of the business and of the areas of the financial statements that are subject to audit;

- An additional and important change regards the adoption and the implementation of a new version of the audit principle (SA Italia) 720B in relation to the responsibility of the party appointed to conduct the statutory audit with regard to the report on operations and certain specific information contained in the report on corporate governance and ownership structures, which contains not only the opinions about the consistency of the financial statements, but also the opinion about conformity with the provisions of the law, as well as a statement about the identification, if applicable, of significant errors.

With its letter to the Company of February 14, 2018, Deloitte & Touche S.p.A., in consideration of the foregoing, specified the existence of the conditions for the adjustment of the fees, communicating the increase in the number of hours (110) and fees (€10,000.00) related to each of the years from December 31, 2017 to December 31, 2021 (included), with a total annual fee of €126,500.00, subdivided as follows:

Proposal to adjust fees for the years of 2017 - 2021	**Hours**	**Fees (Euro)** Inclusive of Istat Adjustment
Audit of the EI Towers S.p.A. financial statements, including (i) verification of the signing of tax returns, (ii) verification that the report on operations and certain specific information contained in the report on corporate governance are in conformity with the provisions of the law	830	76,422
Audit of the Group's consolidated financial statements, including the coordination of the audit work for the consolidated financial statements and the verification of the consolidation procedures	170	15,330
Verification of the regular maintenance of the accounting records and the correct reporting of the operating events in the accounting records	100	9,198
Limited accounting review of the EI Towers S.p.A. condensed half-year consolidated financial statements	280	25,550
Total	**1,380**	**126,500**

The following table shows the changes in the fees with respect to those agreed in the original proposal of January 30, 2013:

	Hours	**Fees (Euro)**
Hours and fees as per the original proposal dated January 30, 2013	1,270	114,000
ISTAT adjustment accrued (2014-2017)		2,500
Proposed adjustment	110	10,000
Total	**1,380**	**126,500**

In accordance with the provisions of Article 13, Paragraph 1 of the Legislative Decree No. 39 of January 27, 2010 "The Shareholders' Meeting, upon the reasoned proposal of the control body, confers the mandate for the statutory audit and determines the compensation due to the statutory auditor and to the independent audit firm conducting the statutory audit for the entire term of the mandate and any criteria for the adjustment of such compensation during the mandate", the Board of Statutory Auditors has examined the aforementioned request for the purpose of formulating a proposal to be submitted to the Shareholders' Meeting.

In this regard, the Board of Statutory Auditors has held meetings with the independent audit firm to obtain greater details about the activities to be carried out as a result of the changes in the regulations governing the statutory audit and the audit principles of reference (ISA Italia), which went into effect with the audit of the financial statements at December 31, 2017, and as a result of which, the independent audit firm is required, amongst other things:

- to expand the content of the audit report as provided by Article 10 of the European Regulations;

- to prepare an additional report for the Internal Controls Committee and the statutory audit as provided by Article 11 of the European Regulations;

- to comply with new obligations in terms of communications to senior management and the governance bodies and to prepare a new audit report format that must include a specific section for the communication of "key audit matters", as provided by the adoption of the seven audit principles (ISA Italia 260, ISA Italia 570, ISA Italia 700, ISA Italia 701, ISA Italia 705, ISA Italia 706, and ISA Italia 710);

- to express an opinion on conformity with the provisions of the law and to release a statement about the identification, if any, of significant errors, with reference to the report operations and specific information contained in the report on corporate governance and ownership structures (in addition to the opinion about such reports' consistency with the financial statements), as provided by the adoption and implementation of the new audit principle (ISA Italia) 720B.

In addition, the Board of Statutory Auditors has held meetings with the company departments involved in the audit process, which have provided their assessments about the request for the supplementation and the fairness of the request's contents.

As a result of the foregoing, the Board of Statutory Auditors believes that the request for the supplementation is: consistent with the statutory audit process with reference to the mandate in effect; adequate in consideration of the new audit activities connected with the changes in regulations and the issuance of new audit principles; consistent with the professional commitment required; and in line with the conditions already in effect. The Board of Statutory Auditors accordingly

proposes

in light of the new responsibilities and activities assumed by the independent audit firm following the regulatory changes in relation to the statutory audit and to the audit principles of reference, that the shareholders approve, in the terms indicated, the supplementation of compensation for Deloitte & Touche

S.p.A.'s audit activity in the amount of Euro 10,000.00 (ten thousand), for each of years from December 31, 2017 to December 31, 2021 (included), with no changes to the other terms and conditions of the original proposal approved by the EI Towers S.p.A. shareholders' meeting with a resolution dated April 18, 2013.

THE STATUTORY AUDITORS

(Antonio Aristide Mastrangelo)

(Francesca Meneghel)

(Riccardo Perotta)"

9. Authorization to the Board of Directors for the purchase and sale of treasury shares.

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, 2017 in accordance with the resolution of the Shareholders' Meeting on April 21, 2017.

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 (hereinafter referred to as the "Consolidated Law onFinance"), and Articles 73, 144-bis and Exhibit 3A, Schedule no. 4 of the Consob Resolution no. 11971 of May 14, 1999 and subsequent amendments (hereinafter referred to as the "Issuers' Regulations"), 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, 2018, the Company holds no. 1,364,540 treasury shares, equal to 4.83% 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, 2018.

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 Article 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 predetermined 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, 2018; 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 determined 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, 2017	Dec.31, 2016 (**)
ASSETS			
Non current assets			
Property, plant and equipment	6.1	177,706	188,091
Goodwill	6.2	502,332	488,414
Other intangible assets	6.3	213,527	201,151
Investments in associates/joint control companies	6.4	713	713
Other financial assets	6.5	1,924	946
Deferred tax assets	6.6	6,035	5,940
TOTAL NON CURRENT ASSETS		**902,237**	**885,255**
Current assets			
Inventories	7.1	2,384	3,152
Trade receivables	7.2	47,872	31,332
Tax receivables	7.3	1,058	6
Other receivables and current assets	7.4	12,352	11,075
Cash and cash equivalents	7.5	8,244	93,988
TOTAL CURRENT ASSETS		**71,910**	**139,553**
TOTAL ASSETS		**974,147**	**1,024,808**

(*) 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, 2016 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, 2017	Dec.31, 2016 (**)
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	8.1	2,826	2,826
Share premium reserve	8.2	144,380	194,220
Treasury shares	8.3	(66,518)	(17,459)
Other reserves	8.4	346,742	408,490
Valuation reserve	8.5	(2,897)	(3,076)
Retained earnings	8.6	15,161	8,309
Net profit for the period	8.7	54,496	44,405
Total shareholders' equity		**494,190**	**637,715**
Profit/(loss) pertaining to minority interests		(53)	(47)
Share capital and reserves pertaining to minority interests		92	89
Shareholders' equity pertaining to minority interests		**39**	**42**
TOTAL SHAREHOLDERS' EQUITY	**8**	**494,229**	**637,757**
Non current liabilities			
Post-employment benefit plans	9.1	11,771	11,909
Deferred tax liabilities	6.6	62,544	63,525
Financial liabilities and payables	9.2	285,408	228,599
Provisions for non current risks and charges	9.3	5,157	4,806
TOTAL NON CURRENT LIABILITIES		**364,880**	**308,839**
Current liabilities			
Financial payables	10.1	40,225	680
Trade payables	10.2	42,055	34,430
Current tax liabilities	10.3	704	3,464
Other financial liabilities	10.4	350	7,268
Other current liabilities	10.5	31,704	32,371
TOTAL CURRENT LIABILITIES		**115,038**	**78,213**
TOTAL LIABILITIES		**479,918**	**387,052**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**974,147**	**1,024,808**

(*) 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, 2016 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	2017	2016 (**)
Sales of goods and services	11.1	262,935	251,533
Other revenues and income	11.2	753	1,204
TOTAL REVENUES		**263,688**	**252,737**
Personnel expenses	11.3	44,378	43,067
Purchases, services, other costs	11.4	88,223	90,043
Amortisation, depreciation and write-downs	11.5	41,067	44.178
TOTAL COSTS		**173,668**	**177,288**
EBIT		**90,020**	**75,449**
Financial expenses	11.6	(13,709)	(9,994)
Financial income	11.7	292	570
EBT		**76,603**	**66,025**
Income taxes	11.8	22,160	21,668
NET PROFIT FOR THE PERIOD	**11.9**	**54,443**	**44,357**
Attributable to:			
- Parent company		54,496	44,405
- Minority interests		(53)	(47)
Earnings per share (Euro):	11:10		
- Basic		1.99	1.58
- Diluted		1.99	1.58

(*) 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, 2016 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	2017	2016 (**)
CONSOLIDATED NET PROFIT/(LOSS)(A):		**54,443**	**44,358**
Total comprehensive gains/(losses) recognized in the Income Statement		**313**	
Effective portion of gains/(losses) on hedging instruments (cash flow hedge)	8.5	313	-
Tax effect		-	
Total comprehensive gains/(losses) not recognized in the Income Statement		**(135)**	-
Actuarial gains/(losses) on defined benefit plans	8.5	(177)	(825)
Tax effect	8.5	42	197
TOTAL OTHER COMPREHENSIVE INCOME /(LOSS) NET OF TAX EFFECTS (B)		**178**	**(628)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)		**54,622**	**43,730**
attributable to:			
- Owners of the parent		54,675	43,777
- Minority interests		(53)	(47)

(**) Comparative data at December 31, 2016 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	2017	2016 (**)
CASH FLOW FROM OPERATING ACTIVITIES:			
Operating profit		90,020	**75,449**
+ Depreciation and amortisation		41,067	44,178
+ Change in trade receivables		(18,729)	(6,247)
+ Change in trade payables		7,418	2,354
+ Change in other assets and liabilities		(729)	(1,934)
- Income tax paid		(29,014)	(22,041)
Net cash flow from operating activities [A]	12	**90,033**	**91,759**
CASH FLOW FROM FINANCING ACTIVITIES:			
Investments in tangible assets		(13,742)	(16,793)
Investments in intangible assets		(19,272)	(10,674)
Changes in payables for investing activities		2,940	(7,832)
(Increases)/decreases in other financing activities		(278)	(116)
Business combinations net of cash acquired		(23,612)	(41,725)
Net cash flow from investing activities [B]	12	**(53,964)**	**(77,140)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Changes in treasury shares		(49,058)	(15,615)
Net change in financial payables		94,115	-
Dividend payment		(149,142)	-
Interests (paid)/received		(17,728)	(8,477)
Net cash from financing activities [C]	12	**(121,813)**	**(24,092)**
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]		**(85,744)**	**(9,473)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]		**93,988**	**103,461**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]		**8,244**	**93,988**

(**) Comparative data at December 31, 2016 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.

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EI TOWERS GROUP

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, 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**
PPA EEFECTS RELATED TO ACQUISITIONS IN 2016								**(62)**	**(62)**		**(62)**
Balance at December 31, 2016	**2,826**	**194,220**	**408,490**	**(17,459)**	**(3,076)**	**-**	**8,309**	**44,405**	**637,715**	**42**	**637,757**
Balance at January 1, 2017	**2,826**	**194,220**	**408,490**	**(17,459)**	**(3,076)**	**-**	**8,309**	**44,405**	**637,715**	**42**	**637,757**
Net result for 2016	-	-	-	-	-	-	6,851	(6,851)	-	-	-
Dividend distribution	-	(48,840)	(61,748)	-	-	-	-	(37,554)	(149,142)	-	(149,142)
Buy-back of treasury shares	-	-	-	(49,059)	-	-	-	-	(49,059)	-	(40,059)
Other movements	-	-	-	-	-	-	-	-	-	50	50
Comprehensive income/(loss)	-	-	-	-	(134)	313	-	54,496	54,675	(53)	54,622
Balance at December 31, 2017	**2,826**	**144,380**	**346,742**	**(66,518)**	**(3,210)**	**313**	**15,161**	**54,496**	**494,190**	**39**	**494,229**

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

(values in thousands of Euro)

	Notes	Dec.31, 2017	of which vs. Related parties (note 15)	% weight	Dec.31, 2016 (**)	of which vs. Related parties (note 15)	% weight
ASSETS							
Non current assets							
Property, plant and equipment	6.1	177,706			188,091		
Goodwill	6.2	502,332			488,414		
Other intangible assets	6.3	213,527			201,151		
Investments in associates/joint control companies	6.4	713			713		
Other financial assets	6.5	1,924			946		
Deferred tax assets	6.6	6,035			5,940		
TOTAL NON CURRENT ASSETS		**902,237**			**885,255**		
Current assets							
Inventories	7.1	2,384			3,152		
Trade receivables	7.2	47,872	986	2%	31,332	1,028	3%
Tax receivables	7.3	1,058			6		
Other receivables and current assets	7.4	12,352			11,075		
Cash and cash equivalents	7.5	8,244			93,988		
TOTAL CURRENT ASSETS		**71,910**			**139,553**		
TOTAL ASSETS		**974,147**			**1,024,808**		

(**) Comparative data at December 31, 2016 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, 2017	of which vs. Related parties (note 15)	% weight	Dec.31, 2016 (**)	of which vs. Related parties (note 15)	% weight
SHAREHOLDERS' EQUITY AND LIABILITIES							
Share capital and reserves							
Share capital	8.1	2,826			2,826		
Share premium reserve	8.2	144,380			194,220		
Treasury shares	8.3	(66,518)			(17,459)		
Other reserves	8.4	346,742			408,490		
Valuation reserve	8.5	(2,897)			(3,076)		
Retained earnings	8.6	15,161			8,309		
Net profit for the period	8.7	54,496			44,405		
Total shareholders' equity		**494,190**			**637,715**		
Profit/(loss) pertaining to minority interests		(53)			(47)		
Share capital and reserves pertaining to minority interets		92			89		
Shareholders' equity pertaining to minority interests		**39**			**42**		
TOTAL SHAREHOLDERS' EQUITY	**8**	**494,229**			**637,757**		
Non current liabilities							
Post-employment benefit plans	9.1	11,771	225	2%	11,909		
Deferred tax liabilities	6.6	62,544			63,525		
Financial liabilities and payables	9.2	285,408	29,720	10%	228,599		
Provisions for non current risks and charges	9.3	5,157			4,806		
TOTAL NON CURRENT LIABILITIES		**364,880**			**308,839**		
Current liabilities							
Financial payables	10.1	40,225	121	0%	680		
Trade payables	10.2	42,055	2,005	5%	34,430	1,698	5%
Current tax liabilities	10.3	704			3,464		
Other financial liabilities	10.4	350			7,268		
Other current liabilities	10.5	31,704	1,474	5%	32,371	678	2%
TOTAL CURRENT LIABILITIES		**115,038**			**78,213**		
TOTAL LIABILITIES		**479,918**			**387,052**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**974,147**			**1,024,808**		

(**) Comparative data at December 31, 2016 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	2017	of which vs. Related parties (note 15)	% weight	2016 (**)	of which vs. Related parties (note 15)	% weight
Sales of goods and services	11.1	262,935	183,119	70%	251,533	181,079	72%
Other revenues and income	11.2	753			1,204		
TOTAL REVENUES		**263,688**			**252,737**		
Personnel expenses	11.3	44,378	1,961	4%	43,067	1,163	3%
Purchases, services, other costs	11.4	88,223	2,638	3%	90,043	3,108	3%
Amortisation, depreciation and write-downs	11.5	41,067			44,178		
TOTAL COSTS		**173,668**			**177,288**		
EBIT		**90,020**			**75,449**		
Financial expenses	11.6	(13,709)	(41)	0%	(9,994)		
Financial income	11.7	292			570		
EBT		**76,603**			**66,025**		
Income taxes	11.8	22,160			21,668		
NET PROFIT FOR THE PERIOD	**11.9**	**54,443**			**44,357**		
Attributable to:							
- Parent company		54,496			44,405		
- Minority interests		(53)			(47)		
Earnings per share (Euro):	11:10						
- Basic		1,99			1.58		
- Diluted		1,99			1.58		

(**) Comparative data at December 31, 2016 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, 2017 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 forecast.

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 amortisation, 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 are 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 amortisation 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, the 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 amortised 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 (ELI - The Italian TFR), 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 in 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, 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, 2017

The Group applied the following accounting standards, amendments and interpretations for the first time starting from January 1, 2017:

- 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 Group discloses information within the Report on Operations and in the Explanatory Notes to these consolidated financial statements.
- 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 on measuring "Available for Sale" financial assets when certain circumstances come to pass and on the estimate of taxable income for future years. The adoption of these amendments did not have an impact 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, 2017

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, have been endorsed by the European Union on November 6, 2017. The Directors do not expect the application of IFRS 15 to significantly affect the consolidated financial statements.

- 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 (together with the measurement of non-substantial modifications of financial 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.

Based on the analyses carried out, the Directors expect the application of IFRS9 to have a non-material impact on amounts and on related information reported in the consolidated financial statements of the Group. In particular, the adaptation to this accounting standard will lead to an increase in provisions for bad debts with a counter entry in a Shareholders' equity reserve; analyses aimed at exactly quantifying impacts are being completed.

- 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.

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.

- 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. 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. Most amendments are effective for annual periods beginning on or after January 1, 2018. 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. 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. The directors do not expect a significant effect on the consolidated financial statements from the adoption of these amendments.

- On June 7, 2017 the IASB has published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document deals with the matter of uncertainty over taxation to apply in terms of income tax.
  The document envisages that the uncertainty in the determination of tax assets or liabilities is reflected on the financial statements only when it is likely that the entity will pay or recover the amount in question. Moreover, the document does not contain any new disclosure requirements. Instead it highlights that the entity must establish whether or not it is necessary to provide information on management consideration and relative to the uncertainty concerning how tax is booked, in accordance with the provisions of IAS 1.
  The new interpretation is effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of these amendments.

- Amendment to **IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on October 12, 2017)".** This document clarifies that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements of the Group from the adoption of these amendments.

- Document "**Annual Improvements to IFRSs 2015-2017 Cycle**", published on December 12, 2017 (among which IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities – Borrowing costs eligible for capitalisation) which implements the changes to the standards within the scope of their annual improvement process. The amendment is effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted. The directors are assessing the possible effects on the 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.

- Standard **IFRS 14 – Regulatory Deferral Accounts** (published on January 30, 2014) permits an entity which is a first-time adopter of IFRS to continue to account the amounts related to the "Rate Regulation Activities" in accordance with the previous accounting standards adopted. Since the group is not a first-time adopter, this standard is not applicable.

4. MAIN CORPORATE OPERATIONS AND CHANGES IN THE CONSOLIDATION AREA

On April 3, three companies operating in Veneto and on June 22, a Ligurian company (Ganora TV S.r.l.) were acquired for an overall value € 7.1m including the net financial position acquired. The companies were subsequently merged into EIT Radio S.r.l.

On June 22, the company FP Tower S.r.l., wholly owned by Towertel S.p.A., was merged into the direct parent company.

On July 26, EIT Radio S.r.l. acquired the company Gepra S.r.l., then merged into the acquirer, for a total consideration of € 0.8m including the net financial position acquired.

On December 15, EIT Radio S.r.l. acquired the company Multireti S.r.l. for a provisional consideration of € 15.2m including the net financial position acquired.

In addition, EI Towers S.p.A. acquired in the year business units for a total consideration of € 3.7m.

During the period different transactions concerning purchase and issuance of surface rights on land and flat roofs on which towers stand have been carried out, as a result of which the Group took over active contracts related to assets acquired, for a total value of € 15.3m.

Concerning Nettrotter S.r.l., in order to further strengthen the Company's assets in the phase of development of the business, in May the shareholders EI Towers S.p.A. and Thinktank 2000 S.L. waived receivables for an overall amount of € 1m from the afore-said company, resulting in a consequent increase in equity reserves of the subsidiary.

5. BUSINESS COMBINATIONS

As described previously, on April 3, EI Towers S.p.A. completed the acquisition of 100% of the share capital of Giancarlo Rova S.r.l., S.T.A. S.r.l. and Magif Telecomunicazioni S.r.l. for a price of approximately € 6,169k including an earn out provisional share of € 50k.

On June 22, the merger of Giancarlo Rova S.r.l., S.T.A. S.r.l. and Magif Telecomunicazioni S.r.l. into EIT Radio S.r.l., a company directly controlled by EI Towers 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 group of companies acquired at the date of acquisition (provisional allocation)**	**Adjustment at the time of final allocation**	**Carrying values of the acquired company**
Other intangible assets	-	5,293	5,293
Tangible assets	259	-	259
Deferred tax assets/liabilities	-	(1,477)	(1,477)
Other assets/(liabilities)	398	-	398
Financial assets/(liabilities)	-	-	-
Cash and cash equivalents	529	-	529
Total net acquired assets (a)	**1,186**	**3,816**	**5,002**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**1,186**	**3,816**	**5,002**
Total acquisition cost	**6,169**	**-**	**6,169**
Goodwill	**4,983**	**(3,816)**	**1,167**

Cash and cash equivalents acquired	529
Purchase price	6,169
Portion of price not paid at December 31, 2017	1,508
Net cash flows absorbed by the acquisition	**4,132**

On June 22, EIT Radio S.r.l. completed the acquisition of 100% of the share capital of Ganora TV S.r.l., for a price of € 932k.

On July 18, the merger of Ganora TV 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, 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	-	1,310	1,310
Tangible assets	15	-	15
Deferred tax assets/liabilities	-	(365)	(365)
Other assets/(liabilities)	(115)	-	(115)
Cash and cash equivalents	(7)	-	(7)
Total net acquired assets (a)	**(107)**	**945**	**838**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**(107)**	**945**	**838**
Total acquisition cost	**932**	**-**	**932**
Goodwill	**1,039**	**(945)**	**94**

Cash and cash equivalents acquired	(7)
Purchase price	932
Portion of price not paid at December 31, 2017	732
Net cash flows absorbed by the acquisition	**207**

On July 26, EIT Radio S.r.l. completed the acquisition of 100% of the share capital of Gepra S.r.l., for a price of € 765k including an earn out provisional share of € 85k.

On September 22, the merger of Gepra 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, 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	-	739	739
Tangible assets	43	-	43
Deferred tax assets/liabilities	-	(206)	(206)
Other assets/(liabilities)	(7)	-	(7)
Cash and cash equivalents	3	-	3
Total net acquired assets (a)	**39**	**533**	**572**
Minority shareholders' interests (b)	-	-	**-**
Total net assets acquired pro-rata (a-b)	**39**	**533**	**572**
Total acquisition cost	**765**	**-**	**765**
Goodwill	**726**	**(533)**	**193**

Cash and cash equivalents acquired	3
Purchase price	765
Portion of price not paid at December 31, 2017	201
Net cash flows absorbed by the acquisition	**561**

On December 15, EIT Radio S.r.l. completed the acquisition of 100% of the share capital of Multireti S.r.l., for a provisional price of € 15,237k.

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	-
Tangible assets	2,226
Deferred tax assets/liabilities	7
Other assets/(liabilities)	462
Financial assets/(liabilities)	-
Cash and cash equivalents	78
Total net acquired assets (a)	**2,773**
Minority shareholders' interests (b)	-
Total net assets acquired pro-rata (a-b)	**2,773**
Total acquisition cost	**15,237**
Goodwill	**12,464**

Cash and cash equivalents acquired	78
Purchase price	15,237
Portion of price not paid at December 31, 2017	1,828
Net cash flows absorbed by the acquisition	**13,331**

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 € 12,464k.

DEFINITION OF THE FINAL PURCHASE PRICE ALLOCATION OF THE COMPANIES ACQUIRED IN 2016 AND RELATED RESTATEMENT

On November 30, 2016 EIT Radio S.r.l. acquired 100% of the share capital of Società Bresciana Telecomunicazioni S.r.l. and of the company BT S.r.l., for a price of € 19.1m including an earn out provisional share of € 0.6m.

On December 20, 2016 the merger of Società Bresciana Telecomunicazioni S.r.l. and BT S.r.l. into EIT Radio S.r.l. was completed.

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 group of companies acquired at the date of acquisition (provisional allocation)	Adjustment at the time of final allocation	Carrying values of the acquired company
Other intangible assets	14	21.727	21,741
Tangible assets	2,333	-	2,333
Deferred tax assets/liabilities	-	(6,063)	(6,063)
Other assets/(liabilities)	162	-	162
Financial assets/(liabilities)	(2,040)	-	(2,040)
Cash and cash equivalents	(211)	-	(211)
Total net acquired assets (a)	**258**	**15,664**	**15,922**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**258**	**15,664**	**15,922**
Total acquisition cost	**16,999**	**2,140**	**19,139**
Goodwill	**16,741**	**(13,524)**	**3,217**

On December 19, 2016 Towertel S.p.A. acquired 100% of the share capital of FP Tower S.r.l., for a price of € 3.5m including an earn out provisional share of € 0.5m.

On June 22, 2017 the merger of FP Tower S.r.l. into Towertel S.p.A. was completed.

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	-	3,308	3,308
Tangible assets	94	-	94
Deferred tax assets/liabilities	-	(923)	(923)
Other assets/(liabilities)	(159)	-	(159)
Cash and cash equivalents	31	-	31
Total net acquired assets (a)	**(34)**	**2,385**	**2,351**
Minority shareholders' interests (b)	-	-	-
Total net assets acquired pro-rata (a-b)	**(34)**	**2,385**	**2,351**
Total acquisition cost	**2,919**	**539**	**3,458**
Goodwill	**2,953**	**(1,846)**	**1,107**

As envisaged in paragraph 49 of IFRS 3, comparative amounts at December 31, 2016 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, 2016.

	Dec. 31, 2016	PPA	Dec. 31, 2016 RESTATED
ASSETS			
Non current assets			
Property, plant and equipment	188,091		188,091
Goodwill	503,779	(15,365)	488,414
Other intangible assets	176,207	24,944	201,151
Investments in associates/joint control companies	713		713
Other financial assets	946		946
Deferred tax assets	5,940		5,940
TOTAL NON CURRENT ASSETS	**875,676**	**9,579**	**885,255**
TOTAL CURRENT ASSETS	**139,553**	**-**	**139,553**
TOTAL ASSETS	**1,015,229**	**9,579**	**1,024,808**

	Dec. 31, 2016	PPA	Dec. 31, 2016 RESTATED
TOTAL SHAREHOLDERS' EQUITY	**637,819**	**(62)**	**637,757**
Non current liabilities			
Post-employment benefit plans	11,909		11,909
Deferred tax liabilities	56,567	6,958	63,525
Financial liabilities and payables	228,599		228,599
Provisions for non current risks and charges	4,806		4,806
TOTAL NON CURRENT LIABILITIES	**301,881**	**6,958**	**308,839**
Current liabilities			
Financial payables	680		680
Trade payables	34,430		34,430
Current tax liabilities	3,464		3,464
Other financial liabilities	7,268		7,268
Other current liabilities	29,687	2,684	32,371
TOTAL CURRENT LIABILITIES	**75,529**	**2,684**	**78,213**
TOTAL LIABILITIES	**377,410**	**9,642**	**387,052**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,015,229**	**9,579**	**1,024,808**

The effect on Shareholders' Equity is attributable to the adjustment of the profit for the previous year due to the amortisation of the amount allocated to Customer Relations (€ 91k) net of the related tax effect (€28k).

NOTES ON MAIN ASSETS ITEM

6. NON CURRENT ASSETS

Below are tables showing changes occurring over the last two years for original cost, accumulated amortisation 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, 2016	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
Changes in the consolidation area	254	1,526	4,268	74	49	-	6,171
Reclassification	-	-	-	-	-	(1,229)	(1,229)
Other changes	344	890	4,280	349	386	(6,249)	-
Acquisitions	461	1,457	2,333	148	407	10,298	15,104
Disposals	(3)	(264)	(3,715)	(55)	(345)	(37)	(4,419)
Depreciation and write-downs	-	-	-	-	-	-	-
Closing Balance Dec.31, 2017	52,896	182,101	280,988	45,934	28,176	21,395	611,490

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, 2016	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 Dec.31, 2016	20,540	105,445	217,380	39,606	24,802	-	407,772
Changes in the consolidation area	-	1,098	2,451	45	34	-	3,628
Reclassification	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Disposals	-	(184)	(3,707)	(52)	(342)	-	(4,285)
Amortisation	919	7,191	15,367	1,951	1,129	-	26,557
Depreciation and write-downs	-	109	4	-	-	-	113
Closing Balance Dec.31, 2017	21,459	113,659	231,495	41,550	25,623	-	433,785

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, 2016	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
Changes in the consolidation area	254	428	1,817	29	15	-	2,543
Reclassification	-	-	-	-	-	(1,229)	(1,229)
Other changes	344	890	4,280	349	386	(6,249)	-
Acquisitions	461	1,457	2,333	148	407	10,298	15,104
Disposals	(3)	(80)	(8)	(3)	(3)	(37)	(134)
Amortisation	(919)	(7,191)	(15,367)	(1,951)	(1,129)	-	(26,557)
Depreciation and write-downs	-	(109)	(4)	-	-	-	(113)
Closing Balance Dec.31, 2017	31,437	68,442	49,493	4,384	2,554	21,395	177,706

The main changes during the period were for:

- Increases in tangible assets under formation and advances in the amount of € 10,298k attributable in the amount of € 6,684k 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, in the amount of € 3,033k to the development and implementation of the transmission network of Nettrotter S.r.l. and in the amount of € 581k to the development of the infrastructure to control radio signal by EIT Radio S.r.l.

- Increases in the Item Towers amounting to € 2,775k attributable in the amount of € 2,347k to the acquisition and construction of towers and in the amount of € 428k 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 € 1,059k attributable in the amount of € 805k to the acquisition of some lots of land on which towers are located and in the amount of € 254k 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 € 8,430k attributable in the amount of € 4,280k to transfers of tangible assets under formation during previous years completed in 2017, in the amount of € 2,333k to the purchase of plants on towers and in the amount of € 1,817k to the change in the consolidation area determined by the acquisitions described in the paragraph 5, Business Combinations.

The write-downs of 2017 mainly relate to Towers no longer used and under disposal.

6.2 Goodwill

Beginning Balance Jan.1, 2016	**479,541**
Changes in the consolidation area	24,232
Reclassification	-
Other changes	6
Increases	-
Disposals	-
(Depreciation and write-downs)	-
Closing Balance Dec.31, 2016	**503,779**
Definition of PPA on Acquisitions in 2016	**(15,365)**
Net Closing Balance Dec.31, 2016	**488,414**
Changes in the consolidation area	13,918
Reclassification	-
Other changes	-
Increases	-
Decreases	-
(Depreciation and write-downs)	-
Net Closing Balance Dec.31, 2017	**502,332**

It should be noted that the Purchase Price Allocation process carried out, as provided for in IFRS3, related to the companies acquired in 2016 already described in the paragraph 5, Business Combinations, determined at December 31, 2016 a decrease in the item Goodwill amounting to € 15,365k due to:

- the recognition during the financial year of the final price of the companies acquired in the previous year and the consequent increase in Goodwill in the amount of € 2,684k with acquisition debt as counterparty;
- allocation in the amount of € 24,944k to the item Customer relations which consequently generated an increase in Deferred taxes in the amount of € 6,958k with an increase of the same amount in the item Goodwill as counterparty.

The increase in Goodwill in 2017, attributable to the changes in the consolidation area equal to € 13,918k, includes:

- In the amount of € 1,167k the allocation of a part of the consideration for the acquisition of Giancarlo Rova S.r.l., S.T.A. S.r.l. and Magif Telecomunicazioni S.r.l.;
- In the amount of € 94k the allocation of a part of the consideration for the acquisition of Ganora TV S.r.l.;
- In the amount of € 193k the allocation of a part of the consideration for the acquisition of Gepra S.r.l.;
- In the amount of € 12,464k the allocation of a part of the consideration for the acquisition of Multireti S.r.l.

With reference to the aforesaid acquisition of Multireti 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, 2017 goodwill was subject to the impairment tests as required by IAS 36. This analysis was done at the level of Cash Generating Units (CGUs) “Tower”, to which the value of goodwill is allocated and was based on financial flows for the 2018 financial year reflected in the most recent multi-year plan approved by the Board of Directors and on medium-term forecasts covering the period 2019 – 2022 arranged for the purpose of the impairment test approved by the Board of Directors on February 22, 2018.

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 5.08%.

These assessments have been carried out by utilising an actuarial base rate, corresponding to the weighted average cost of capital net of taxes of 5.34% and a growth rate, used to extrapolate cash flows over the plan period of 1.3%, 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.

It should be noted that the WACC which makes the value in use of the CGU equal to the book value is 11.1%, considering a growth rate to extrapolate cash flows over the plan timeframe equal to 1.3%.

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, 2016	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
Definition of PPA on Acquisitions in 2016	-	25,035	-	-	-	-	25,035
Closing Balance Dec.31, 2016	11,246	240,737	1	13,158	166	19	265,327
Changes in the consolidation area	-	7,342	-	7	-	-	7,349
Reclassification	1,141	161	-	55	(128)	-	1,229
Other changes	-	-	-	-	-	-	-
Acquisitions	78	17,794	-	-	177	-	18,049
Disposals	-	-	-	-	-	(9)	(9)
Closing Balance Dec.31, 2017	12,465	266,034	1	13,220	215	10	291,945

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, 2016	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
Definition of PPA on Acquisitions in 2016	-	91	-	-	-	-	91
Closing Balance Dec.31, 2016	10,421	47,648	-	6,103	-	3	64,175
Changes in the consolidation area	-	-	-	7	-	-	7
Reclassification	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(3)	(3)
Amortisation	914	12,395		929	-	-	14,238
(Depreciation), (write-downs)/write-ups	-	-	-	-	-	-	-
Closing Balance Dec.31, 2017	11,335	60,043	-	7,039	-	-	78,417

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, 2016	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
Definition of PPA on Acquisitions in 2016	-	24,944	-	-	-	-	24,944
Closing Balance Dec.31, 2016	824	193,089	1	7,055	166	16	201,151
Changes in the consolidation area	-	7,342	-	-	-	-	7,342
Reclassification	1,141	161	-	55	(128)	-	1,229
Other changes	-	-	-	-	-	-	-
Acquisitions	78	17,794	-	-	177	-	18,049
Disposals	-	-	-	-	-	(6)	(6)
Amortisation	(914)	(12,395)	-	(929)	-	-	(14,238)
(Depreciation), (write-downs)/write-ups	-	-	-	-	-	-	-
Closing Balance Dec.31, 2017	1,129	205,991	1	6,181	215	10	213,527

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 € 24,944k, presented net of the related Amortisation Fund in the amount of € 91k, in the item Customer relations related to the companies acquired in 2016 described in the paragraph 5, Business Combinations, with impact on the items of the financial statements at December 31, 2016 (restatement);

- an increase amounting to € 7,342k in the item Customer relations related to the companies acquired in 2017 described in the paragraph 5, Business Combinations.

Moreover, there was an increase amounting to € 17,794k in the item Customer relations related to assets and business units acquired during 2017.

The increase in Item Patents and intellectual property rights is mainly attributable to the "*in house*" management project for the main information systems and related licenses and to the development of the 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, 2017		Dec.31, 2016	
	Stake	Book value	Stake	Book value
Società Funivie della Maddalena S.p.A.	30.99%	713	30.99%	713
Total		**713**		**713**

6.5 Other financial assets

	Dec. 31, 2017	Dec. 31, 2016
Other investments	79	57
Guarantee deposits and Other financial assets	1,845	889
Total	**1,924**	**946**

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 or advance payments of the purchase price concerning some companies which were the subject of an acquisition. In particular, this item changed during the year mainly due to the advance payment amounting to € 700k paid for the purchase of the company Air.Net S.r.l. and due to other guarantee deposits paid for the participation in municipal tenders for making areas for site development available.

The item Other investments includes interests in the joint ventures "Consorzio Vedetta", "Consorzio Cefriel" and "Consorzio Emittenti Televisive" (CERT) and minority interests in the share capital of Credito Cooperativo di Brescia.

The item changed in the year mainly due to the purchase of shares in the "Consortium CERT", for a counter-value of € 27k.

6.6 Deferred tax assets and liabilities

	Dec.31, 2017	Dec.31, 2016
Deferred tax assets	6,035	5,940
Deferred tax liabilities	(62,544)	(63,525)
Net position	**(56,509)**	**(57,585)**

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
2016	5,051	588	198	103	-	5,940
2017	5,940	63	42	7	(17)	6,035

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
2016	(56,480)	3,693	-	(10,738)	-	(63,525)
2017	(63,525)	2,871	-	(2,048)	158	(62,544)

The item Deferred tax assets amounted to € 6,035k 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 € 62,544k 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 € 2,048k 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 2017, for which the Purchase Price Allocation was completed, as described in further detail in paragraph 5, Business combinations.

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

	Temporary gap	Tax effect Dec.31, 2017	Temporary gap	Tax effect Dec.31, 2016
Deferred tax assets related to:				
Property, plant and equipment	841	234	755	211
Non current intangible assets	158	44	-	-
Provision for receivables write-off	10,130	2,431	10,184	2,444
Provisions for risks and charges	3,961	1,089	3,518	951
Post-employment benefit plans	5,699	1,368	5,523	1,326
Inventories	2,581	720	2,911	812
Other temporary differences	613	149	768	196
TOTAL	**23,983**	**6,035**	**23,659**	**5,940**

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 € 2,431k, the effect related to the Provision for risks and charges amounted to € 1,089k 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 € 720k.

	Temporary gap	Tax effect Dec.31, 2017	Temporary gap	Tax effect Dec.31, 2016
Deferred tax liabilities related to:				
Property, plant and equipment	17,806	4,863	19,717	5,396
Non current intangible assets	203,424	56,643	204,150	56,956
Post-employment benefit plans	4,197	1,007	4,038	1,110
Other temporary differences	131	31	261	63
TOTAL	**225,558**	**62,544**	**228,166**	**63,525**

The tax effect amounting to € 56,643k 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 € 4,863k, 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, 2017	Balance at Dec.31, 2016
Raw materials, ancillary materials and consumables	4,913	6,037
Goods	52	26
Finished goods	-	-
Total	4,965	6,063
Provision for devalued raw materials, ancillary materials and consumables	(2,581)	(2,911)
Provision for devalued finished goods	-	-
Total inventories	**2,384**	**3,152**

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

	Value at Dec.31, 2016	Changes in the consolidation area	Allocated	Uses	Other changes	Value at Dec. 31, 2017
Provision for devalued raw materials	(2,911)	-	(716)	1,046	-	(2,581)
Total	**(2,911)**	**-**	**(716)**	**1,046**	**-**	**(2,581)**

Raw materials, ancillary materials and consumables amounting to € 2,332k include spare parts and accessories for the maintenance and installation of transmission plants.

The Provision for devalued raw materials amounted to € 2,581k 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 € 716k and decreased following the scrapping of spare parts, already wholly written down, in the amount of € 1,046k.

7.2 Trade receivables

Trade receivables were made up as follows:

	Balance at Dec.31, 2017		Balance at Dec.31, 2016	
	Total	Due within 1 year	Total	Due within 1 year
Receivables from customers	46,886	44,635	30,304	27,425
Receivables from related parties	986	986	1,028	1,028
Total	**47,872**	**45,621**	**31,332**	**28,453**

Receivables from customers have been recorded net of a Provision for receivables write-off of € 9,244k.

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

	Value at Dec.31, 2016	Allocations	Uses	Other changes	Value at Dec.31, 2017
Provision for receivables write-off	9,584	159	(501)	2	9,244

In 2017 a provision amounting to € 159k 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 € 2,251k and mainly refer to the extension granted to the client Prima TV S.p.A.

7.3 Tax receivables

	Dec.31, 2017	Dec.31, 2016
Ires and Irap credit	1,058	6
Total	**1,058**	**6**

The item Tax receivables, which totals € 1,058k included net Ires (Corporate income tax) credit based on the National Group Taxation.

EI Towers S.p.A. as consolidating entity and the subsidiaries Towertel S.p.A., Nettrotter S.r.l. and EIT Radio S.r.l. as consolidated entities 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. Appropriate agreements between the interested parties govern the option exercise.

7.4 Other receivables and current assets

	Dec.31, 2017	Dec.31, 2016
Other receivables	6,016	4,836
Prepayments and accrued income	6,336	6,239
Total	**12,352**	**11,075**

The item Other receivables, shown net of depreciation amounting to € 1,468k, decreased compared to the previous year mainly due to higher VAT receivables amounting to € 1,084k.

The aforesaid item included:

- VAT receivables from tax authorities amounting to € 2,815k;

- Other tax receivables amounting to € 448k 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 € 49k.
- Advance payments to suppliers amounting to € 929k;
- Advance payments to employees for business trips amounting to € 201k;
- Other receivables amounting to € 1,622k.

The item Prepayments and accrued income includes prepaid expense for costs beyond the close of the tax year for an amount of € 6,336k.

7.5 Cash and cash equivalents

Here follows the breakdown of this item:

	Dec. 31, 2017	Dec. 31, 2016
Cash in hand	11	13
Cash and cash equivalents	8,233	93,975
Total	**8,244**	**93,988**

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 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, 2017 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, 2017 the Share-premium reserve amounted to € 144,380k (€ 194,220k at December 31, 2016).

The item changed during the year in the amount of € 49,840k following the distribution of an extraordinary dividend based on the resolution of the Shareholders' Meeting of January 12, 2017, and the allocation of the profit for the year with consequent distribution of dividends based on the resolution of the Shareholders' Meeting of April 20, 2017.

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 20, 2017, 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, 2017. In execution of this resolution, on May 4, 2017, the Board of Directors, continuing along the plan established in July 2016, resolved to renew the buy-back programme to purchase treasury shares to maximum no. 641,535 shares, representing 2.27% of the share capital, in order 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 (the "Programme").

	2017		2016	
	Number of shares	Book value	Number of shares	Book value
Beginning Balance	413,433	17,459	62,526	1,845
Additions	951,107	49,058	350,907	15,614
Disposals	-	-	-	-
Changes in the consolidation area	-	-	-	-
Closing Balance	**1,364,540**	**66,518**	**413,433**	**17,459**

At December 31, 2017 the Company held no. 1,364,540 treasury shares, equal to 4.83% of the share capital. In 2017, in line with the Programme, the Company purchased no. 951,107 treasury shares, equal to 3.37 % of the share capital.

8.4 Other reserves

The item Other reserves at December 31, 2017 amounted to € 346,742k (€ 408,490k at December 31, 2016).

The change to the item in the amount of € 61,748k is due to the distribution of the aforesaid extraordinary dividend.

8.5 Valuation reserves

	Dec.31, 2017	Dec.31,2016
Financial instruments held as cash flow hedges	313	-
Actuarial Gains/(Losses)	(3,210)	(3,076)
Total	**(2,897)**	**(3,076)**

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
Financial instruments held as cash flow hedges	-	-	-	-	313	-	313
Actuarial Gains/(Losses) on defined benefit plans	(3,076)	(177)	-	-	-	42	(3,210)
Total	**(3,076)**	**(177)**	**-**	**-**	**313**	**42**	**(2,897)**

The Reserve for Financial Instruments held as cash flow hedges includes the effective portion of the change in the fair value of derivatives stipulated to hedge the interest rate risk (Interest Rate Swap) of the loan agreement signed on October 30, for a nominal amount of € 270m.

The Reserve for actuarial gains and losses, with a negative balance of € 3,210k, includes the actuarial components relating to the valuation of defined benefit schemes, booked directly in Net Equity.

8.6 Retained earnings

	Dec.31, 2017	Dec.31, 2016
Retained earnings	15,161	8,309
Total	**15,161**	**8,309**

The item changed in 2017 in an amount equalling the difference between the net profit for 2016 resulting from the consolidated financial statements and the net profit for 2016 referring to the parent company EI Towers S.p.A. entirely paid as dividend based on the resolution of April 20, 2017.

8.7 Profit (Loss) for the year

The item includes the net result for the year amounting to € 54,496k.

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 2016
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, 2017.
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 1.5% has been adopted as medium scenario of expected inflation deducted from the "Economic and Financial Document 2017" and from the subsequent “Update to the document”.
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, 2017.

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

	2017	2016
Balance at the beginning	**11,909**	**11,744**
Service cost	21	15
Actuarial (gains)/losses	177	825
Interest cost	(26)	4
Indemnities paid	(345)	(694)
Other changes	36	15
Changes in the consolidation area	-	-
Balance at Dec.31st	**11,771**	**11,909**

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 € 499k;
- a change in inflation rate of +/-50 basis points leads to a change in the provision for employee termination indemnity of about € 304k;
- 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 € 74k.

9.2 Payables and financial liabilities

	Dec.31, 2017	Dec.31, 2016
Bond loan	-	228,599
Due to banks	285,408	-
Total	**285,408**	**228,599**

The item Bond loan refers to the Eurobond issued by EI Towers S.p.A. on April 18, 2013 with a total nominal value of € 230m and set at zero following the full early repayment occurred on December 20.

The item Due to banks refers to the non-current portion relating to the following loans:

- variable rate loan (euribor 6 months plus a spread of 75 bps) with Intesa Sanpaolo, Banco BPM, Mediobanca and Unicredit for an amount equal to € 270m signed on October 30, and disbursed on December 20, with a term of 4 years from the signing, recorded in the financial statements by applying the method of amortized cost on the basis of an effective rate of 0.62%;
- flat rate financing of 0.45% with UBI Banca, for an amount equal to € 30m disbursed on May 19, and with a term of 3 years from the disbursement, recorded in the financial statements by applying the method of amortized cost on the basis of internal rate of return at 0.56%.

The aforesaid loans are subject to the covenants shown below:

Counterparty	Covenant	Frequency of verification
Banking pool	Net financial position/EBITDA(*) not higher than 3.25	Six-monthly
	Change of control	per event
UBI Banca	Change of control	per event

(*) values, as defined in the loan agreement, to be calculated on the financial statements

The aforesaid covenants as of today's date are respected.

9.3 Provisions for risks and charges

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

	2017	2016
Balance at Jan.1st	**4,806**	**4,161**
Provisions	1,588	1,470
Releases	(1,069)	(212)
Uses	(168)	(613)
Changes in the consolidation area	-	-
Balance at Dec.31st	**5,157**	**4,806**
Of which:		
current	-	-
non-current	5,157	4,806
Total	**5,157**	**4,806**

Provisions for risks are due to charges for recovery of sites hosting Group's infrastructures where there are legal or implicit obligations for € 1,622k and for € 3,535k mainly to provisions for contractual risks and disputes.

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

10 CURRENT LIABILITIES

10.1 Payables to banks

	Dec. 31, 2017	Dec. 31, 2016
Loans	13,224	592
Credit lines	27,001	40
Current account overdraft	-	48
Total	**40,225**	**680**

The Item Loans mainly refers to the non-current portion of loans already mentioned in the paragraph Payables and financial liabilities.

Credit lines refer to advances with maturity of 12 months or less. The fair value coincides with the carrying value. The change for the period is attributable to a greater use of this type of financing.

10.2 Supplier payables

	Balance at Dec.31, 2017			Balance at Dec.31, 2016
	Total	Due		
		Within 1 year	After 1 year	
Due to suppliers	40,050	40,050	-	32,732
Due to related parties	2,005	2,005	-	1,698
Total	**42,055**	**42,055**	**-**	**34,430**

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, 2017	Dec.31, 2016
Tax payables for Ires	213	3,077
Tax payables for Irap	491	387
Total	**704**	**3,464**

The item Tax payables for Ires amounting to € 213k includes the debt mainly attributable to the company acquisitions carried out during the year.

The item Tax payables for Irap amounting to € 491k includes the debt of the Group's companies net of tax prepayments.

10.4 Other financial liabilities

	Dec.31, 2017	Dec.31,2016
Bond loan	-	6,080
Financial liabilities	348	1,188
Financial liabilities on hedging derivatives	2	-
Total	**350**	**7,268**

The item Bond loan refers to the Eurobond issued by EI Towers S.p.A. on April 18, 2013 for a book value of € 230m and set at zero following the full early repayment occurred on December 20.

The Item Financial liabilities includes:

- in the amount of € 227k liabilities for a finance lease held by EIT Radio S.r.l.;
- in the amount of € 121k a third-party financing relating to the acquisition of the company Multireti S.r.l.

The Item Financial liabilities on hedging derivatives includes in the amount of € 2k the change in the fair value as of the year end date of derivatives (Interest Rate Swap) stipulated to hedge the risk from interest rate changes of the loan agreement signed on October 30, for a nominal amount of € 270m.

10.5 Other current liabilities

	Dec. 31, 2017	Dec. 31, 2016
Due to social security institutions	1,725	1,731
Advance payments	26	26
Other payables	22,306	22,108
Accrued and deferred income	7,647	8,506
Total	**31,704**	**32,371**

The item Due to social security institutions includes payables due to social security institutions related to the portion of salary and collaboration of December 2017.

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 2017 and in previous years in an amount equal to € 14,439k; payables to employees in the amount of € 4,024k (14th-month payments and related contributions, overtime payables and contributions and production bonus), payables to directors and auditors in the amount of € 618k, payables for deductions for € 1,380k, payables to third parties for supplementary contribution for € 247k.

The item Accrued and deferred income includes deferred income due to revenues over the year amounting to € 7,647k.

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, 2017	Dec.31, 2016
Cash in hand	11	13
Other cash equivalents	8,233	93,975
Securities and other current financial assets	-	-
Liquidity	**8,244**	**93,988**
Current financial receivables	-	-
		-
Current payables due to banks	(27,001)	(680)
Current portion of non-current financial debt	(13,224)	(6,080)
Payables and other current financial liabilities	(350)	(1,188)
Current financial debt	**(40,575)**	**(7,948)**
Current Net Financial Position	**(32,331)**	**86,040**
Non-current payables due to banks	(285,408)	-
Bond loan	-	(228,599)
Payables and other non-current financial liabilities	-	-
Non-current financial debt	**(285,408)**	**(228,599)**
Net Financial Position	**(317,739)**	**(142,559)**

The item Cash in hand refers to the cash on hand at the reference date at the haedquarter 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 includes the short-term exposure to the banking system for advances with maturity shorter than a year.

The Current portion of non-current financial debt includes the short-term portion relating to the financing for a total amount of € 270m signed on October 30, with a banking pool, to the financing of € 30m signed with UBI Banca and to the existing financing with BNL for an amount of € 58k, held by the company Multireti S.r.l., acquired in December.

The item Payables and other current financial liabilities includes:

- in the amount of € 227k liabilities for a finance lease held by EIT Radio S.r.l.;
- in the amount of € 121k a third-party financing held by the company Multireti S.r.l.;
- in the amount of € 2k the change in the fair value of derivatives (Interest Rate Swap) stipulated to hedge the risk from interest rate changes.

The item Bond loan refers to the Eurobond issued by EI Towers S.p.A. on April 18, 2013 for a nominal value of € 230m and set at zero following the full early repayment occurred on December 20.

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:

	2017	2016
Revenues from hosting and contract services	261,891	250,081
Revenues from plant installation and restoration	1,008	1,348
Revenues from sale of materials	36	104
Total	**262,935**	**251,533**

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 € 179,572k. 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 € 706k.

The percentage of revenues from the parent company Elettronica Industriale on consolidated revenues was 69%.

11.2 Other revenues and income

This item amounting to € 753k includes in the amount of € 428k the adjustment made to the earn out quota estimated for some acquisitions completed in the previous years, in accordance with IFRS 3, and in the amount of € 229k insurance reimbursements and other income.

11.3 Personnel costs

	2017	2016
Ordinary pay	23,311	23,324
Overtime	589	697
Special benefits	2,808	2,912
Additional salary period (13th and 14th salary period)	3,399	3.437
Accrued holiday pay	(24)	39
Total wages and salary	**30,083**	**30,409**
Social security contributions	10,036	9,903
Employee leaving indemnity	23	15
Other expenses	4,236	3,413
Gross total personnel expenses	**44,378**	**43,740**
Capitalization of labour costs	-	(673)
Net total personnel expenses	**44,378**	**43,067**

The increase in this item is mainly due to higher lay-off incentives paid compared to the previous year in the amount of € 876k and to the absence of the capitalised cost component related to the implementation of the network for the Cairo Communication Group, completed in 2016.

The item Other expenses amounted to € 4,236k and mainly includes expenses for the Employee leaving indemnity transferred to pension funds (€ 1,787k) 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 € 1,446k (€ 570k in 2016) and fees paid to the directors employed by Group companies amounting to € 249k.

11.4 Purchases, services and other costs

	2017	2016
Purchases	**2,258**	**2,804**
Change in the inventories of raw materials, work in progress, semifinished and finished goods	**769**	**(251)**
Increase for internal work	**(1,308)**	**(2,663)**
Cost for professional, technical and administrative services	8,398	8,680
Seconded personnel, travelling expenses and bill of charges	1,206	1,294
Consumption	13,408	13,624
Maintenance	13,807	13,983
Bank and insurance services	775	822
Other services	3,794	4,014
Total services	**41,388**	**42,417**
Leasing and rentals	**43,031**	**44,735**
Provisions for risks	**519**	**1,258**
Other operating costs	**1,566**	**1,743**
Total purchases, service and other costs	**88,223**	**90,043**

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

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

The item Cost for professional, technical and administrative services mainly includes legal and notarial services, costs for technical and commercial activities aimed at developing the activities of the Group’s companies, personnel administration services provided by the indirect parent company R.T.I. S.p.A. and non-ordinary charges related to business combinations carried out during the year amounting to € 1,114k (€ 2,940k in the previous year).

The item Other services includes charges for vigilance and surveillance at the head-offices and local offices amounting to € 1,155k, company information system service supplied by R.T.I. S.p.A. in the amount of € 239k (€ 923k in 2016), transport, storage and porter charges for € 223k, cleaning and waste disposal charges for € 530k, remuneration of directors and statutory auditors for € 774k.

The item Rent, lease and similar costs includes charges for the rent of satellite segments in the total amount of € 18,471k, rental of lands and hosting on third party towers in the amount of € 21,184k, other rentals mainly related to the offices located in Lissone and other secondary offices in the amount of € 1,652k. The change in that item compared to the previous year is mainly due to the decrease in expenditure on the rental of satellite segments.

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

The item Other operating costs mainly includes charges, taxes and government licenses, local taxes amounting to € 937k, charges related to the conclusion of litigations amounting to € 141k, membership fees amounting to € 138k, capital losses on the sale of fixed assets amounting to € 117k.

11.5 Amortisation, depreciation and write-downs

	2017	2016
Depreciation of tangible assets	26,557	29,505
Amortisation of intangible assets	14,238	11,393
Write-downs of fixed assets	113	169
Write downs of receivables	159	3,111
Total amortisation, depreciation and write-downs	**41,067**	**44,178**

Depreciation amounted to € 26,557k for tangible assets and amortisation to € 14,238k 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 2016 and 2017 determined higher amortisation of intangible assets.

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

Write-downs of fixed assets mainly relate, in the amount of € 109k, to Towers no longer used or under disposal.

11.6 Financial charges

	2017	2016
Interests on financial liabilities	(13,285)	(9,958)
Expenses on derivatives	(315)	-
Other financial losses	(108)	(33)
Foreign exchange losses	(1)	(3)
Total financial losses	**(13,709)**	**(9,994)**

The item Interests on financial liabilities is attributable in the amount of €12,989k to the interest charges for the period and to the costs resulting from early repayment, occurred on December 20, related to the Eurobond issued by EI Towers S.p.A., in the amount of € 228k to interest charges paid on short and medium-term loans and for the remaining part related to interest charges for leasing contracts terminated in the period deriving from company acquisitions finalized during the previous years.

The item Expenses on derivatives amounting to € 315k include the amount recognised as a result of the setting up of derivatives (Interest Rate Swap) stipulated to hedge the risk from interest rate changes of the loan agreement signed on October 30, for a nominal amount of € 270m.

The item Other financial losses includes € 96k related to fees on undrawn amounts from the date of signing to the date of disbursement of the loan of € 270m, € 8k related to the advanced closing of the loans attributable to the change in the consolidation area and € 4k related to other financial charges.

11.7 Financial income

	2017	2016
Interests on financial assets	292	570
Total financial gains	**292**	**570**

The item Interests on financial assets decreased compared to the previous year due to the 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 € 5k (€ 127k in the previous year);
- interest income for payment extension for € 243k;
- Interest income on financial receivables and other income equal to € 44k .

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.

	2017	2016
Liabilities evaluated with amortized cost method	12,989	9,883
Derivatives	315	-
Loans and receivables	113	(463)
Other financial income/(losses)	-	4
Total financial income/(losses)	**13,417**	**9,424**

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

11.8 Income taxes

	2017	2016
Ires tax	20,901	22,151
Irap tax	4,193	3,826
Advanced taxes	(63)	(588)
Deferred taxes	(2,871)	(3,721)
Total	**22,160**	**21,668**

The reduction in Ires (corporate income tax) belonging to the financial year, compared to those for 2016 is due to the reduction of the rate applied to the taxable base from 27.5% to 24% in accordance with Art. 1 para. 61 L. 208/2015. The change in Irap (regional tax on business activity) belonging to the financial year is mainly caused by the increase in the taxable base, relative to the performance of the economic results achieved in the financial year by the Group companies.

The items Deferred tax assets and liabilities include 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.

The following is a reconciliation of the tax rate in force in Italy (corporate income tax) for the years 2017 and 2016, and the Group's actual tax rate:

	2017	2016
Current tax rate	27.9%	31.40%
Irap tax non deductible expenses	1.56%	1.71%
Deferred and advanced taxes	-3.83%	-6.07%
Taxes previous year	-0.50%	0.22%
Non deductible expenses and consolidation adjustment with no tax effect	3.80%	5.56%
Actual tax rate	**28.93%**	**32.82%**

11.9 Consolidated net result

The consolidated net result as at December 31, 2017, including the result attributable to minority interests, amounted to € 54,443k.

11.10 Earnings per share

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

	December 31, 2017	December 31, 2016
Net profit for the year (thousands of euro)	**54,496**	**44,405**
Weighted average number of ordinary shares (without own shares)	27,323,189	28,152,887
Basic EPS	**1.99**	**1.58**
Weighted average number of ordinary shares for the diluted EPS computation	27,323,189	28,152,887
Diluted EPS	**1.99**	**1.58**

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 decreased compared to 2016 despite an increased operating profitability due to a greater disbursement for the payment of income taxes (€ 29,014k compared to € 22,041k in 2016) and to a higher absorption of working capital in the total amount of € 6,213k.

The net flow absorbed by investing activities, equal to € 53,964k, mainly consists of disbursements made for investments in technical assets in the amount of € 10,589k, purchases of assets (land, contracts and business units) in the amount of € 18,340k and business combinations in the amount of € 23,612K.

The flow related to financing activities, negative in the amount of € 121,813k, includes the net use of credit lines in the amount of € 94,115k, outflows in the amount of € 49,058k related to the purchase of treasury shares and in the amount of €149,142k related to the distribution of dividends, described above, together with net interests in the amount of € 17,728k, largely attributable to the bond loan repaid in advance in December.

Below is, in accordance with Ias 7, the table showing the change in liabilities arising from financing activities.

	Dec.31, 2016	Cash flow	Non-monetary flows			Dec.31, 2017
			Exchange difference	Change in fair value	Other changes	
Non current financial payables	-	285,408	-	-	-	**285,408**
Bonds	234,679	(230,000)	-	-	(4,679)	**-**
Other current financial payables	1,868	38,705	-	2	-	**40,575**
Current financial assets	-		-	-	-	**-**
Net liabilities deriving from financing activities	**236,547**	**94,113**	**-**	**2**	**(4,679)**	**325,983**
Cash and cash equivalents (-)	(93,988)	85,744	-	-	-	**(8,244)**
Net financial debt	**142,559**	**179,857**	-	2	(4,679)	**317,739**

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

The item Current payables to banks includes, as well as short-term use of uncommitted lines of credit, the portion due within a year's time of committed lines of credit signed during the year by EI Towers S.p.A.

The item Non-current payables to banks refers to the portion due after one year of committed lines of credit.

These payables are recorded in the financial statements by applying the amortised cost method.

The two lines of credit signed during the year for the total amount of € 300m are the following:

- line of credit with UBI Banca for an amount equal to € 30m, signed on May 12, with a term of 36 months from the disbursement occurred on May 19;
- line of credit with a banking pool (Intesa Sanpaolo, Mediobanca, Banco BPM, Unicredit) for an amount equal to € 270m, signed on October 30, with a term of 48 months from the signing.

Existing loans and lines of credit are subject to the covenants shown below:

Counterparty	Covenant	Frequency of verification
Banking pool	Net financial position/EBITDA(*) not higher than 3.25	Six-monthly
	Change of control	per event
UBI Banca	Change of control	per event

(*) values, as defined in the loan agreement, to be calculated on the financial statements

The aforesaid covenants as of today's date are respected.

The following table illustrates effective interest rates and financial charges recognized to the income statement related to the loans accounted for at amortised cost and the fair value calculated on the basis of market rates at year-end.

Counterparty	IRR	Financial charges (euro)	Fair Value (euro)
Banking pool	0.62%	50,409	275,552,115
UBI Banca	0.56%	103,283	30,077,143

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, 2017.

ITEM OF BALANCE	Financial instruments evaluated at fair value held for trading	Instruments evaluated at fair value held for designation	Loans and receivables	BOOK VALUE
NON-CURRENT ASSETS				
equity investments	-	-	792	**792**
Receivables	-	-	1,845	**1,845**
receivables from parent company	-	-	-	-
receivables from subsidiaries/associated companies	-	-	-	-
CURRENT ASSETS				
receivables from customers	-	-	46,886	**46,886**
trade receivables from parent company	-	-	338	**338**
trade receivables from associated companies	-	-	618	**618**
trade receivables from related parties	-	-	30	**30**
receivables from parent company	-	-	-	-
receivables from subsidiaries/affiliated companies	-	-	-	-
bank and postal deposits	-	-	8,233	**8,233**
cash and cash equivalent	-	-	11	**11**
Securities	-	-	-	-
TOTAL FINANCIALS ASSETS	**-**	**-**	**58,753**	**58,753**

ITEM OF BALANCE	Financial instruments held for trading	Instruments evaluated at fair value held for designation	Liabilities at amortised cost	BOOK VALUE
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES				
payables to banks	-	-	285,408	285
Bond loan	-	-	-	-
CURRENT LIABILITIES				
payables to banks	-	-	40,225	40,225
Bond loan	-	-	-	-
payables to suppliers	-	-	40,050	40,050
trade payables to parent company	-	-	1,714	1,714
trade payables to subsidiaries	-	-	28	28
trade payables to associated companies	-	-	263	263
trade payables to other related parties	-	-	-	-
other financial liabilities (current portion)	-	-	348	348
hedging derivatives	-	2	-	2
non-hedging derivatives	-	-	-	-
financial payables to parent company	-	-	-	-
financial payables to affiliated companies	-	-	-	-
TOTAL FINANCIAL LIABILITIES	-	2	368,036	368,038

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	Financial instruments evaluated at fair value held for trading	Instruments evaluated at fair value held for designation	Loans and receivables	BOOK VALUE
NON-CURRENT ASSETS				
equity investments	-	-	770	**770**
Receivables	-	-	889	**889**
receivables from parent company	-	-	-	-
receivables from subsidiaries/affiliated 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/affiliated 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	Financial instruments held for trading	Instruments evaluated at fair value held for designation	Liabilities at amortised 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

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, 2017 and 2016 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 and that the fair value of derivatives represents the net position of assets and liabilities.

Input data used in determining the fair value at the date of the financial statements, provided by the infoProvider Bloomberg, are the following:

- Euro curves for the estimation of forward rates and of discount factors;
- Euribor rate fixing;
- CDS (Credit default swap) senior Mid listed of the different counterparties (if available);
- Credit spread of EI Towers S.p.A.

December 31, 2017

	BOOK VALUE	Mark to Market	Mark to Model			TOTAL FAIR VALUE
			Black&Scholes' Model	Binominal Model	DCF Model	
Mediun-long term trade receivables	3,331	-	-	-	3,327	**3,327**
Current payables to banks	40,225	-	-	-	40,225	**40,225**
Payables and current financial liabilities	348	-	-	-	348	**348**
Non-current payables to banks	285,408	-	-	-	285,408	**285,408**
Bond loan	-	-	-	-	-	**-**
Derivatives designated as cash flow hedges	2	-	-	-	2	**2**

December 31, 2016

	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**
Current financial payables and liabilities	1,188	1,188	-	-	-	**1,188**
Non-current payables to banks	-	-	-	-	-	**-**
Bond loan	234,679	251,332	-	-	-	**251,332**

The fair value of the item Non-current payables to banks has been calculated considering the credit spread of EI Towers S.p.A.

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

It should be noted that the book value indicated for receivables and payables for which the fair value was calculated includes also the quota with maturity less than 12 months after the date that the financial statements are issued.

The fair value of trade receivables is calculated taking into account the counterparty's creditworthiness only in the presence on the market of information that can be used for its calculation.

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 2017 and 2016 respectively, showing, for each of them, the nature of these charges and incomes.

December 31, 2017

Categorie IAS 39	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	-	**(315)**	-	-	**(315)**
- securities	-	-	-	-	-
- derivative instruments	-	(315)	-	-	(315)
- other financial instruments	-	-	-	-	-
Financials instrument held for trading	**-**	**-**	**-**	**-**	**-**
Liabilities at amortised cost	**(12,989)**	**-**	**-**	**-**	**(12,989)**
- intra-group financial liabilities	-	-	-	-	-
- other liabilities at amortised cost	(12,989)	-	-	-	(12,989)
Loans and receivables	**(114)**	**-**	**-**	**1**	**(113)**
Income on trade receivables	243	-	-	-	243
- intra-group financial assets/liabilities	-	-	-	-	-
Loans	(101)	-	-	-	(101)
Bank and postal deposits	-	-	-	-	-
Other income and charges	(256)	-	-	1	(255)
Financials instruments available for sale	-	-	-	-	**-**
Total IAS 39 Categories	**(13,103)**	**(315)**	**-**	**1**	**(13,417)**
Interest cost	-	-	-	-	-
Total financial instrument not within IAS 39 categories	**-**	**-**	**-**	-	**-**

TOTALE	**(13,417)**

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 amortised cost	**(9,883)**	**-**	**-**	**-**	**(9,883)**
- intra-group financial liabilities	-	-	-	-	-
- other liabilities at amortised cost	(9,883)			**-**	**(9,883)**
Financial instruments held to maturity					**-**
Loans and receivables	**464**	**-**	**-**	**(1)**	**463**
Income on 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)**
				TOTALE	**(9,424)**

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 all financial resources involves the centralisation of coordination and direction activities.

The interest rate risk directly originates from variable rate financial payables, which expose the Group to cash flow risk.

The management's objective is to limit the fluctuation of financial expenses that impact the financial result, limiting the risk of a potential rise in interest rates.

In this context, with reference to medium-term debt, the Group pursues its objectives using financial derivatives contracts entered into with third parties aimed at setting in advance or reducing that possible rise in rates.

Hedge Accounting is adopted from the date the derivative contract is entered into until the date of its extinction or expiry, documenting, by way of the hedging relationship, the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

Specifically, the cash flow hedge method set out by IAS 39 is used.

The objective to hedge interest rate risk was attained through the signing of four derivatives contracts (Interest Rate Swap) which enable EI Towers S.p.A. to receive from the counterparty a floating interest rate, indexed to the same market parameter provided for in the financing.

The main characteristics of the transactions on derivatives entered into are reported below:

Counterparty	Notional	Fixed rate	Floating rate	Floor	Validity	Expiry
I.R.S. - Banca Intesa -	Euro 80,001,000	0.1445%	Euribor 6M/360	-0.75%	Dec.12, 2017	Oct. 30, 2021
I.R.S. - Unicredit -	Euro 80,002,000	0.1445%	Euribor 6M/360	-0.75%	Dec.12, 2017	Oct. 30, 2021
I.R.S. - Banco BPM -	Euro 80,000,000	0.1445%	Euribor 6M/360	-0.75%	Dec.12, 2017	Oct. 30, 2021
I.R.S. - Mediobanca -	Euro 29,997,000	0.1445%	Euribor 6M/360	-0.75%	Dec.12, 2017	Oct. 30, 2021

Sensitivity analysis

Sensitivity analysis was conducted on the financial instruments exposed to interest rate risk at the time of the drafting of these Financial Statements.

The assumptions upon which the model is based are illustrated below:

- Medium-term payables were subject to a change of 50 bps upwards and 20 bps downwards at the date of re-fixing of the internal rate of return posted during the year.
- Short term payables and other current financial items were subject to a re-calculation of the amount of financial expenses by applying a change of 50 bps upwards and 20 bps downwards to the values posted to the financial statements.
- Interest rate swaps were subject to recalculation of the fair value by applying an asymmetric shift of 50 bps upwards and 20 bps downwards to the interest rate curve at the reporting date. The ineffective portion was calculated based on the fair value recalculated using the adjusted interest rate curve.

It should be noted that the change applied was not a symmetrical change of 50 bps also downward, since the short-term interest rate curve at the reporting date had negative values.

The table below summarises the changes in profit or loss for the year and in shareholders' equity, deriving from the sensitivity analysis carried out net of tax effects on the basis of the theoretical rate in force at the reporting date.

Years	Variation b.p.	Economic performance	Shareholders' equity reserve	Total shareholders' equity
2017	50	249	4,925	5,174
	-20	-57	-2,344	-2,401

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 unforeseen 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, 2017 and 2016, 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.

December 31, 2017

ITEM OF BALANCE AS AT DECEMBER 31, 2017	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	285,408	-	-	-	292,045	-	292,045
Current due to bank	40,225	27,059	6,476	6,695	-	-	40,230
Current bond loan	-	-	-	-	-	-	-
Non current bond loan	-	-	-	-	-	-	-
Due to suppliers	40,050	-	-	-	-	-	40,050
Due to other suppliers							-
Due to parent company	1,714	-	-	-	-	-	1,714
Other debt and financial liabilities	350	350	-	-	-	-	350
Total	**367,747**	**27,409**	**6,476**	**6,695**	**292,045**	**-**	**374,389**

December 31, 2016

ITEM OF BALANCE AS AT DECEMBER 31, 2016	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	680	680	-	-	-	-	680
Current bond loan	6,080	-	8,912	-	-	-	8,912
Non current bond loan	228,599	-	-	-	238,912	-	238,912
Due to other suppliers	32,732	-	-	-	-	-	-
Due to parent company	1,510	-	-	-	-	-	-
Other debt and financial liabilities	1,188	1,188	-	-	-	-	1,188
Total	**270,789**	**1,868**	**8,912**	**-**	**238,912**	**-**	**249,692**

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, 2017 and 2016.

December 31, 2017

RISK CLASSES as at DECEMBER 31, 2017	Gross receivables	Net matured				Total net matured	Provision for bad debts	Total to mature	Net receivables
		0-30days	30-60days	60-90days	over				
RECEIVABLES FROM THIRD PARTY									
Customers	56,130	4,587	4,842	2,723	28,050	40,202	(9,244)	15,928	46,886
RECEIVABLES FROM PARENT AND ASSOCIATED COMPANIES									
Customers	986	-	1	78	61	140	-	846	986
TOTAL TRADE RECEIVABLES	**57,116**	**4,587**	**4,843**	**2,801**	**28,111**	**40,342**	**(9,244)**	**16,774**	**47,872**

December 31, 2016

RISK CLASSES as at DECEMBER 31, 2016	Gross receivables	Net matured				Total net matured	Provision for bad debts	Total to mature	Net receivables
		0-30days	30-60days	60-90days	over				
RECEIVABLES FROM THIRD PARTY									
Customers	39,888	2,509	2,000	1,151	20,486	26,146	(9,584)	13,742	30,304
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**	**31,332**

With reference to the main category of trade receivables it should be noted that in terms of concentration, the top 10 customers reached about 87.7% of turnover. 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, 2016	Allocations	Uses	Other changes	Value at Dec. 31, 2017
Provision for receivables write-off	9,584	159	(501)	2	9,244

14. SHARE-BASED PAYMENTS

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.	-	(71)	-	-	(22)	-
R.T.I. S.p.A.	380	(1,389)	-	61	(1,566)	-
Elettronica Industriale S.p.A.	180,278	(506)	-	277	(126)	-
Total controlling entities	**180,658**	**(1,966)**	**-**	**338**	**(1,714)**	**-**
ASSOCIATED ENTITIES						
Publitalia '80 S.p.A.	-	(43)	-	-	(49)	-
Videotime S.p.A.	64	(240)	-	-	-	-
Videotime Produzioni S.p.A.	65	(241)	-	40	(213)	-
MedioBanca S.p.a.	-	(45)	(41)	-	-	(29,841)
Milan Entertainment S.r.l.	115	(15)	-	-	-	-
Monradio S.r.l.	634	-	-	162	-	-
Radio Studio 105 SpA	489	-	-	31	-	(12)
Virgin Radio Italy SpA	304	-	-	44	-	(7)
Radio Engineering CO S.r.l.	526	-	-	100	-	(33)
Radio Subasio s.r.l.	7	-	-	3	(1)	1
Radio Auto s.r.l	2	(1)		2	-	(1)
Consorzio Colle Maddalena	255	-	-	235	-	-
Mediaset Premium SpA	-	(1)	-	3	-	-
Total associated entities	**2,461**	**(586)**	**(41)**	**618**	**(263)**	**(29,893)**
AFFILIATED ENTITIES						
Società Funivie della Maddalena	-	(78)	-	-	(28)	-
Total affiliated entities	**-**	**(78)**	**-**	**-**	**(28)**	**-**
EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	**-**	**(1,922)**	**-**	**-**	**-**	**(1,402)**
PENSION FUNDS	**-**	**-**	**-**	**-**	**-**	**(247)**
OTHER RELATED PARTIES	**-**	**(47)**	**-**	**30**	**-**	**2**
TOTAL RELATED PARTIES	**183,119**	**(4,599)**	**(41)**	**986**	**(2,005)**	**(31,540)**

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 other radio companies belonging to the Mediaset Group; costs and trade payables due to associates are mainly attributable to leases (Videotime S.p.A. and Videotime Produzioni S.p.A.) and to specialist services on the Italian market (MTA – Mercato Telematico Azionario) provided by Mediobanca S.p.A.

Il should be noted that the item other payables to associated companies includes the share related to Mediobanca S.p.A. of the financing for an overall amount of € 270m signed on October 30, 2017 with a banking pool with a term of 4 years from the signing, recorded in the financial statements by applying the method of amortised cost.

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 periodical 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 € 149m.

The Group issued guarantees for commercial and financial commitments for about €4.4m.

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, 2017

(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%
Multireti s.r.l.	Bari	euro	12.0	100.00%
Monte Maddalena Telecomunicazioni s.r.l. in liquidation	Brescia	euro	20.0	65.49%

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

Service	Entity supplying the service	Beneficiary	Fees 2017
Account auditing	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a.	125,486
Account auditing	Deloitte & Touche S.p.A.	Subsidiary companies	95,858
Attestation services	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a. (1) (2)	56,014
Attestation services	Deloitte & Touche S.p.A.	Subsidiary companies (2)	3,014
Total			**280,372**

(1) Auditing services of the Annual non-financial report

(2) Attestation services Tax Return and Form 770

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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. 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 2017.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Consolidated Financial Statements as at December 31, 2017 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 22, 2018

For the Board of Directors
The Chief Executive Officer

(Guido Barbieri)

The Assigned Executive for the drafting
of the company accounting documents

(Fabio Caccia)

2017 Annual Report

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No.39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of EI Towers S.p.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated 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 no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of EI Towers S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment Test of Goodwill

Description of the Key Audit Matter

The consolidated financial statements for the year ended December 31, 2017 include goodwill, allocated to the "cash generating unit" (CGU) Tower, for Euro 502 million, equal to approximately 52% of the total consolidated assets. The goodwill, as required by IAS 36 "Impairment of Assets", is not amortised, but is tested for impairment at least annually.

The impairment test is carried out by comparing the recoverable amount - determined according to the value in use method - and the book value that includes the goodwill and the other assets allocated to the CGU.

The evaluation process carried out by the Management is complex and is based on assumptions regarding, among others, the forecast of expected cash flows of the CGU and the determination of an appropriate discount rate (WACC) and long-term growth (g-rate).

For the determination of the recoverable amount, the Company referred to the projected cash flows for the year 2018 included in the last multi-year plan approved by the Board of Directors, and to the medium-term forecasts for the period 2019-2022 prepared for the impairment test purposes, which was approved by the Board of Directors on February 22, 2018. The cash flow forecast is based on assumptions influenced by future expectations and exogenous variables, among which the evolution of the market, including regulation, is significant, as are the discount rates and long-term growth rates.

Given the materiality of the amount of goodwill included in the consolidated financial statements, the subjectivity of the estimates relating to the determination of the cash flows of the CGU and the key variables of the impairment model, we considered the impairment test a key audit matter.

Comment notes 6.2 on the main asset items of the consolidated financial statements as at December 31, 2017 include the disclosures on goodwill and on the impairment test, including a "sensitivity analysis" which illustrates the effects of changes on the discount rate and the growth rate on the recoverability of the assets. The paragraph "impairment of assets", in chapter 3 of the introductory part to the explanatory notes, shows the estimates and the criteria adopted for the purposes of the impairment test.

Audit procedures

As part of our audit, we have carried out, among others, the following procedures, also with the support of experts:

- Analysis of the methods used by the Management to determine the value in use;

- Assessment of compliance of the procedures implemented by Management for the impairment test with applicable accounting standards;

- Observation and understanding of relevant controls carried out by the Company on the implementation of the impairment test;

- Reasonability analysis of the main assumptions adopted for the cash flow forecasts, also by means of sector data analysis and collection of relevant information from the Management;

- Analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process;

- Assessment of the reasonableness of the discount rate (WACC) and the growth rate (g-rate);

- Assessment of the mathematical accuracy of the model used to determine the value in use;

- Assessment of the correct determination of the carrying amount of the CGU;

- Assessment of the sensitivity analysis prepared by the Management and development of independent sensitivity analysis;

• Assessment of compliance with IAS 36 over the information disclosed by the Company with reference to the impairment test.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of 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 no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of EI Towers S.p.A. has appointed us on April 18, 2013 as auditors of the Company for the years from 2013 to 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of EI Towers S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of EI Towers Group as at December 31, 2017, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of EI Towers Group as at December 31, 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of EI Towers Group as at December 31, 2017 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of EI Towers S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 29, 2018

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

EI TOWERS S.p.A.

2017 Annual Report

Financial Statements and Explanatory Notes

EI TOWERS S.p.A.

Statement of Financial Position at December 31, 2017

(values in Euro)

ASSETS	Notes	Dec. 31, 2017	Dec. 31, 2016
Non-current assets	**8**		
Property, plant and equipment	8.1	140,476,642	157,030,895
Goodwill	8.2	361,900,759	361,900,759
Other intangible assets	8.3	46,281,908	46,662,596
Investments	8.4		
in subsidiaries		107,563,782	99,895,420
in associates and joint control companies		-	-
Total		107,563,782	99,895,420
Receivables and othe non-current financial assets	8.5	139,613,090	132,284,083
Deferred tax assets	8.6	5,357,470	5,292,646
Total non-current assets		**801,193,651**	**803,066,398**
Current assets	**9**		
Inventories	9.1	2,331,883	3,126,513
Trade receivables	9.2		
from customers		30,383,705	20,870,460
from associates		446,522	544,122
from subsidiaries		1,955,943	1,381,417
from affiliates and joint control companies		-	-
from parent companies		337,885	378,859
Total		33,124,055	23,174,858
Tax receivables	9.3	1,058,131	-
Other receivables and current asset	9.4	5,075,684	5,213,722
Cash and cash equivalents	9.5	3,072,139	68,743,359
Total current assets		**44,661,892**	**100,258,451**
Non-current assets held for sale		**-**	**-**
TOTAL ASSETS		**845,855,543**	**903,324,849**

EI TOWERS S.p.A.

Statement of Financial Position at December 31, 2017

(values in Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2017	Dec. 31, 2016
Shareholders' equity	**10**		
Share capital	10.1	2,826,238	2,826,238
Share premium reserve	10.2	144,387,117	194,226,797
Treasury shares	10.3	(66,517,644)	(17,459,414)
Other reserves	10.4	317,942,660	379,690,725
Valuation reserve	10.5	(2,803,142)	(2,982,929)
Retained earnings		-	-
Profit (loss) for the period	10.6	47,117,455	37,554,280
TOTAL SHAREHOLDERS' EQUITY		**442,952,685**	**593,855,696**
Non-current liabilities	**11**		
Post-employment benefit plans	11.1	11,678,025	11,816,671
Deferred tax liabilities	8.6	18,818,456	19,892,566
Payables and financial liabilities	11.2	285,408,209	228,598,518
Provisions for risks and charges	11.3	3,574,011	3,192,204
Total non-current liabilities		**319,478,700**	**263,499,959**
Current liabilities	**12**		
Financial payables	12.1	40,167,000	-
Trade payables	12.2		
to suppliers		28,944,326	26,471,649
to subsidiaries		883,117	87,775
to affiliates and joint control companies		15,608	-
to associates		261,570	175,391
to parent companies		1,710,461	1,507,048
Total		31,815,081	28,241,863
Tax payables	12.3	354,938	3,308,803
Intercompany financial payables			
to parent companies		-	-
Total		-	-
Other financial liabilities	12.4	1,974	6,080,000
Other current liabilities	12.5	11,085,165	8,338,529
Total current liabilities		**83,424,158**	**45,969,194**
Non-current liabilities related to assets held for sale		**-**	**-**
TOTAL LIABILITIES		**402,902,859**	**309,469,153**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**845,855,543**	**903,324,849**

EI TOWERS S.p.A.

Statement of Income at December 31, 2017

(values in Euro)

INCOME STATEMENT	Notes	Dec. 31, 2017	Dec. 31, 2016
Revenues	**13**		
Sales of goods and services	13.1	221,021,231	215,244,145
Other revenues and income	13.2	184,782	1,123,917
Total revenues		**221,206,013**	**216,368,062**
Costs	**14**		
Personnel expenses	14.1	42,292,692	41,307,273
Purchases, services, other costs	14.2	72,588,293	75,782,795
Amortisation, depreciation and write-downs	14.3	29,491,402	35,387,877
Total costs		**144,372,388**	**152,477,945**
Gains/(losses) from disposals of non-current assets		**-**	**-**
EBIT		**76,833,626**	**63,890,118**
(Expenses)/income from financial investments	**15**		
Financial expenses	15.1	(13,626,071)	(9,887,201)
Financial income	15.2	3,403,834	3,290,335
Other income/(expenses) from equity investments		-	-
Total (expenses)/income from financial investments		**(10,222,237)**	**(6,596,866)**
EBT		**66,611,389**	**57,293,251**
Income taxes for the year	**16**		
current taxes	16	20,437,490	21,520,792
deferred taxes	16	(943,557)	(1,781,821)
Total income taxes for the year		**19,493,933**	**19,738,972**
Net profit form continuing operations		**47,117,455**	**37,554,280**
Net gains/(losses) from discontinued operations		**-**	**-**
Net profit (loss) for the period		**47,117,455**	**37,554,280**

EI TOWERS S.p.A.

Statement of Comprehensive Income at December 31, 2017

(values in Euro)

	Notes	2017	2016
PROFIT (LOSS) FOR THE PERIOD (A)		**47,117,455**	**37,554,280**
Total comprehensive gains/(losses) recognized in the Income Statement		**313,392**	
Effective portion of gains/(losses) on hedging instruments (cash flow hedge)	10.5	313,392	-
Tax effects		-	
Total comprehensive gains/(losses) not recognized in the Income Statement		**(133,605)**	-
Actuarial gains/(losses) on defined benefit plans	10.5	(175,796)	(820,912)
Tax effects	10.5	42,191	197,019
TOTAL COMPREHENSIVE INCOME/(LOSSES) NET OF TAX EFFECTS (B)		**179,787**	**(623,893)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)		**47,297,242**	**36,930,387**

EI TOWERS S.p.A.

Statement of Cash Flows at December 31, 2017

(values in thousands of Euro)

	Notes	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:			
Operating profit		76,834	63,890
+ Depreciation and amortisation		29,491	35,388
+ changes in trade receivables		(9,949)	(1,857)
+ changes in trade payables		3,577	2,046
+ changes in other assets and liabilities		7,922	4,917
- Income tax paid		(28,146)	(20,804)
Net cash flow from operating activities [A]	**17**	**79,729**	**83,580**
CASH FLOW FROM INVESTING ACTIVITIES:			
Investments in tangible assets		(7,945)	(14,217)
Investments in intangible assets		(4,308)	(340)
Changes in payables for investing activities		(773)	(7,596)
(Increases)/decreases in other financing activities		(7,329)	(36,941)
Investments/Disposals of equity interests		(4,760)	(4,522)
Net cash flow from investing activities [B]	**17**	**(25,115)**	**(63,616)**
CASH FLOW FROM FINANCING ACTIVITIES:			
changes in treasury shares		(49,048)	(15,615)
net change in financial payables		95,578	-
dividend payment		(149,142)	-
interests (paid)/received		(17,663)	(8,451)
Net cash flow from financing activities [C]	**17**	**(120,285)**	**(24,066)**
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]		**(65,671)**	**(4,102)**
CHANGE IN CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]		**68,743**	**72,846**
CHANGE IN CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]		**3,072**	**68,743**

EI TOWERS S.p.A.

Statement of Changes in Shareholders' Equity for periods ended December 31, 2017 and 2016

(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, 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**
Balance at Jan. 1, 2017	**2,826**	**194,227**	**379,691**	**(17,459)**	**(2,983)**	**-**	**-**	**37,554**	**593,856**
Allocation of dividends	-	(49,840)	(61,748)	-	-	-	-	(37,554)	(149,142)
Stock option	-	-		-	-		-	-	-
Buy-back of treasury shares	-	-	-	(49,059)	-		-	-	(49,059)
Total net income/(loss) for the period	-	-	-	-	(134)	313	-	47,117	47,297
Balance at Dec. 31, 2017	**2,826**	**144,387**	**317,943**	**(66,518)**	**(3,117)**	**313**	**-**	**47,117**	**442,953**

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

(values in Euro)

ASSETS	Notes	Dec. 31, 2017	of which vs. Related parties (note 20)	% weight	Dec. 31, 2016	of which vs. Related parties (note 20)	% weight
Non-current assets	**8**						
Property, plant and equipment	8.1	140,476,642			157,030,895		
Goodwill	8.2	361,900,759			361,900,759		
Other intangible assets	8.3	46,281,908			46,662,596		
Investments	8.4						
in subsidiaries		107,563,782			99,895,420		
in affiliated and joint control companies		-			-		
Total		107,563,782			99,895,420		
Receivables and othe non-current financial assets	8.5	139,613,090	138,885,849	99%	132,284,083	131,600,505	99%
Deferred tax assets	8.6	5,357,470			5,292,646		
Total non-current assets		**801,193,651**			**803,066,398**		
Current assets	**9**						
Inventories	9.1	2,331,883			3,126,513		
Trade receivables	9.2						
from customers		30,383,705			20,870,460		
from associates		446,522	446,522	100%	544,122	544,122	100%
from subsidiaries		1,955,943	1,955,943	100%	1,381,417	1,381,417	100%
from affiliated and joint control companies		-			-		
from parent companies		337,885	337,885	100%	378,859	378,859	100%
Total		33,124,055			23,174,858		
Tax receivables	9.3	1,058,131			-		
Other receivables and current asset	9.4	5,075,684	213,000	4%	5,213,722	1,091,500	21%
Cash and cash equivalents	9.5	3,072,139			68,743,359		
Total current assets		**44,661,892**			**100,258,451**		
Non-current assets held for sale		**-**			**-**		
TOTAL ASSETS		**845,855,543**			**903,324,849**		

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

(values in Euro)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	Dec. 31, 2017	of which vs. Related parties (note 20)	% weight	Dec. 31, 2016	of which vs. Related parties (note 20)	% weight
Shareholders' equity	**10**						
Share capital	10.1	2,826,238			2,826,238		
Share premium reserve	10.2	144,387,117			194,226,797		
Treasury shares	10.3	(66,517,644)			(17,459,414)		
Other reserves	10.4	317,942,660			379,690,725		
Valuation reserve	10.5	(2,803,142)			(2,982,929)		
Retained earnings		-			-		
Profit (loss) for the period	10.6	47,117,455			37,554,280		
TOTAL SHAREHOLDERS' EQUITY		**442,952,685**			**593,855,696**		
Non-current liabilities	**11**						
Post-employment benefit plans	11.1	11,678,025	225,000	2%	11,816,671		
Deferred tax liabilities	8.6	18,818,456			19,892,566		
Payables and financial liabilities	11.2	285,408,209	29,720,025	10%	228,598,518		
Provisions for risks and charges	11.3	3,574,011			3,192,204		
Total non-current liabilities		**319,478,700**			**263,499,959**		
Current liabilities	**12**						
Financial payables	12.1	40,167,000	121,321	0%	-		
Trade payables	12.2						
to suppliers		28,944,326			26,471,649		
to subsidiaries		883,117	883,117	100%	87,775	87,775	100%
to affiliated and joint control companies		15,608	15,608	100%	-		
to associates		261,570	261,570	100%	175,391	175,391	100%
to parent companies		1,710,461	1,710,461	100%	1,507,048	1,507,048	100%
Total		31,815,081			28,241,863		
Tax payables	12.3	354,938			3,308,803		
Intercompany financial payables					-		
to parent companies		-			-		
Total		-			-		
Other financial liabilities	12.4	1,974			6,080,000		
Other current liabilities	12.5	11,085,165	2,381,051	21%	8,338,529	1,123,347	13%
Total current liabilities		**83,424,158**			**45,969,194**		
Non-current liabilities related to assets held for sale		**-**			**-**		
TOTAL LIABILITIES		**402,902,859**			**309,469,153**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**845,855,543**			**903,324,849**		

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

(values in Euro)

INCOME STATEMENT	Notes	2017	of which vs. Related parties (note 20)	% weight	2016	of which vs. Related parties (note 20)	% weight
Revenues	**13**						
Sales of goods and services	13.1	221,021,231	185,234,516	84%	215,244,145	183,504,215	85%
Other revenues and income	13.2	184,782			1,123,917	-	
Total revenues		**221,206,013**			**216,368,062**		
Costs	**14**						
Personnel expenses	14.1	42,292,692	280,510	1%	41,307,273	(264,000)	-1%
Purchases, services, other costs	14.2	72,588,293	3,496,944	5%	75,782,795	3,193,000	4%
Amortisation, depreciation and write-downs	14.3	29,491,402			35,387,877		
Total costs		**144,372,388**			**152,477,945**		
Gains/(losses) from disposals of non-current assets		**-**			**-**		
EBIT		**76,833,626**			**63,890,118**		
(Expenses)/income from financial investments	**15**						
Financial expenses	15.1	(13,626,071)	(40,637)	0%	(9,887,201)	-	
Financial income	15.2	3,403,834	3,135,627	92%	3,290,335	2,790,000	85%
Other (expense)/income from equity investments		-			-		
Total (expenses)/income from financial investments		**(10,222,237)**			**(6,596,866)**		
EBT		**66,611,389**			**57,293,251**		
Income taxes for the year	**16**						
current taxes	16	20,437,490			21,520,792		
deferred taxes	16	(943,557)			(1,781,821)		
Total income taxes for the year		**19,493,933**			**19,738,972**		
Net profit form continuing operations		**47,117,455**			**37,554,280**		
Net gains/(losses) from discontinued operations		**-**			**-**		
Net profit (loss) for the period		**47,117,455**			**37,554,280**		

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 no° DEM 6064313 of July 28, 2006.

3. *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 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, 2017 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 criterion 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, in continuity with the previous 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 amortisation, 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 are 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 amortised 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 amortisation 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 affiliated 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 amortised 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, the 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 amortised 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, all receivables sold, *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 amortised 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 amortised 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 amortised 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 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, 2017

Starting from January 1, 2017, the Company applied the following IFRS accounting standards, amendments and interpretations:

- 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 Company discloses information within the Report on Operations and in the Explanatory Notes to these consolidated financial statements.

- 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 on measuring "Available for Sale" financial assets when certain circumstances come to pass and the estimate of taxable income for future years. The adoption of these amendments 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 at December 31, 2017

Standards already issued but not yet having come into force at the date of drafting of the financial statements of the Company 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.

- **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* have been endorsed by the European Union on November 6, 2017. The directors do not expect a significant effect on the consolidated financial statements from the application of IFRS 15.

- 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 (together with the measurement of non-substantial modifications of financial 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.

Based on the analyses carried out, the Directors expect the application of IFRS9 to have a non-material impact on amounts and on related information reported on the consolidated financial statements of the Company. In particular, the adaptation to this accounting standard will lead to an increase in provisions for receivables write-off with a Shareholders' equity reserve as a counter entry; analyses aimed at exactly quantifying impacts are being completed.

- 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.

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.

- 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. Most changes are effective for annual periods beginning on or after January 1, 2018. 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. 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. The directors do not expect a significant effect on the financial statements of the Company from the adoption of these amendments.

- On June 7, 2017 the IASB has published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments.** The document deals with the matter of uncertainty over taxation to apply in terms of income tax.

The document envisages that the uncertainty in the determination of tax assets or liabilities is reflected on the financial statements only when it is likely that the entity will pay or recover the amount in question. Moreover, the document does not contain any new disclosure requirements. Instead it highlights that the entity must establish whether or not it is necessary to provide information on management consideration and relative to the uncertainty concerning how tax is booked, in accordance with the provisions of IAS 1.

The new interpretation is effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements of the Company from the adoption of these amendments.

- Amendment to **IAS 28 "Long-term Interests in Associates and Joint Ventures" (published on October 12, 2017)"**. This document clarifies that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied. The amendment is effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted. The directors do not expect a significant effect on the consolidated financial statements of the Company from the adoption of these amendments.
- Document "**Annual Improvements to IFRSs 2015-2017 Cycle**", published on December 12, 2017 (among which IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - Remeasurement of previously held interest in a joint operation, IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity, IAS 23 Borrowing costs Disclosure of Interests in Other Entities - Borrowing costs eligible for capitalisation) which implements the changes to the standards within the scope of their annual improvement process. The amendment is effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted. The directors are assessing the possible effects on the Company's 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.

- Standard **IFRS 14 – Regulatory Deferral Accounts** (published on January 30, 2014) permits an entity which is a first-time adopter of IFRS to continue to account the amounts related to the "Rate Regulation Activities" in accordance with the previous accounting standards adopted. Since the group is not a first-time adopter, this standard is not applicable.

5. Main corporate operations

During the year, in accordance with the resolution approved by the Shareholders' Meeting on April 20, 2017 and by the Board of Directors on May 4, 2017 the plan to purchase treasury shares was completed; total shares purchased were 951,107 equal to 3.37% of the issued share capital

Following these purchases, total treasury shares held at December 31, are 1,364,540, equal to 4.83% of the issued share capital.

On the basis of the resolution approved by the Shareholders' Meeting of January 12, on February 8, an extraordinary dividend of € 3.60 per share was paid, through the distribution of reserves, for a total amount of € 99.7m.

On May 24, an ordinary dividend of €1.80 per share was paid, in accordance with the resolution approved by the Shareholders' Meeting on April 20, for a total amount of € 49.4m.

Concerning Nettrotter S.r.l., in order to further strengthen the Company's assets in the phase of development of the business, in May the shareholders waived receivables for an overall amount of € 1m from the afore-said company, resulting in a consequent increase in equity reserves of the subsidiary.

On October 30, a loan agreement was signed for the amount of € 270m for the repayment of the existing Eurobond and the support of operations. The loan, with a term of 4 years and with redemption in a single payment at the maturity date, is without secured guarantees and envisages as financial covenants the maintenance of a consolidated leverage not higher than 3.25.

6. Stock Option Plans

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, 2016	Dec.31, 2015
Non-current assets		
Property, plant and equipment	4,610	4,646
Goodwill and other intangible assets	-	-
Investments and other non-current financial assets	2,235,732	1,473,885
Deferred tax assets	149,852	73,588
Total non-current assets	**2,390,194**	**1,552,119**
Current assets		
Trade receivables	1,008	1,534
Tax receivables	29,322	32,109
Intercompany financial receivables	1,222,105	1,832,433
Receivables and other current assets	58,082	59,788
Cash and cash equivalents	32,129	26,879
Total current assets	**1,342,646**	**1,952,743**
Non-current assets held for sale	**-**	**-**
TOTAL ASSETS	**3,732,840**	**3,504,862**

LIABILITIES AND SHAREHOLDERS' EQUITY	Dec.31, 2016	Dec.31, 2015
Shareholders' equity		
Share capital	614,238	614,238
Share-premium reserve	275,237	275,237
Treasury shares	(416,656)	(416,656)
Other reserves	1,388,808	1,354,643
Profit (loss) for the period	(150,985)	50,368
TOTAL SHAREHOLDERS' EQUITY	**1,710,642**	**1,877,830**
Non-current liabilities		
Post-employment benefit plans	1,289	1,271
Deferred tax liabilities	686	373
Other non-current liabilities	783,572	873,215
Total non-current liabilities	**785,547**	**874,859**
Current liabilities		
Financial payables	156,480	93,431
Trade payables	2,045	2,252
Tax payables	-	-
Intercompany financial payables	525,872	479,237
Payables and other current liabilities	552,254	177,253
Total current liabilities	**1,236,651**	**752,173**
Non-current liabilities related to assets held for sale	**-**	**-**
TOTAL LIABILITIES	**2,022,198**	**1,627,032**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,732,840**	**3,504,862**

INCOME STATEMENT	2016	2015
Revenues	4,425	7,685
Costs	33,266	27,197
EBIT	**(28,841)**	**(19,512)**
(Expenses)/income from financial investments	(124,248)	71,996
EBT	**(153,089)**	**52,484**
Income taxes for the year	(2,104)	2,116
Net profit from continuing operations	**(150,985)**	**50,368**
Net gains/(losses) from discontinued operations	-	-
Net profit (loss) for the period	**(150,985)**	**50,368**

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, 2016	**48,877**	**126,876**	**263,805**	**44,631**	**27,061**	**14,053**	**525,302**
Business combination	-	-	-	-	-		**-**
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**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	(1,067)	**(1,067)**
Other changes	326	502	4,279	349	386	(5,842)	**-**
Acquisitions	82	558	2,333	148	407	5,537	**9,063**
Disposals	(3)	-	(3,716)	(55)	(345)	(34)	**(4,153)**
(Depreciation and write-downs)	-	-	-	-	-	-	**-**
Dec.31, 2017	**48,484**	**128,266**	**275,448**	**45,791**	**28,061**	**12,714**	**538,763**

Amortisation and depreciation	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation	Total
Jan.1, 2016	**20,203**	**71,301**	**201,720**	**37,271**	**23,512**	**(18)**	**353,989**
Business combination	-	-	-	-	-	-	**-**
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**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	**-**
Disposals	-	-	(3,707)	(52)	(342)	-	**(4,101)**
Amortisation	913	5,147	15,248	1,950	1,127	-	**24,385**
(Depreciation and write-downs)	-	109	4	-	-	-	**113**
Dec.31, 2017	**21,369**	**81,538**	**228,411**	**41,437**	**25,531**	**-**	**398,285**

Net book value	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation	Total
Jan.1, 2016	**28,674**	**55,575**	**62,086**	**7,361**	**3,549**	**14,071**	**171,312**
Business combination	-	-	-	-	-	-	**-**
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**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	(1,067)	**(1,067)**
Other changes	326	502	4,279	349	386	(5,842)	**-**
Acquisitions	82	558	2,333	148	407	5,537	**9,063**
Disposals	(3)	-	(9)	(3)	(3)	(34)	**(52)**
Amortisation	(913)	(5,147)	(15,248)	(1,950)	(1,127)	-	**(24,385)**
(Depreciation and write-downs)	-	(109)	(4)	-	-	-	**(113)**
Dec.31, 2017	**27,115**	**46,728**	**47,038**	**4,354**	**2,531**	**12,714**	**140,477**

The main additional changes during the period were for:

- Increases in tangible assets under formation and advances in the amount of € 5,537k 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;
- Increases in Towers in the amount of € 1,060k attributable to the acquisition and construction of Towers;
- Increases in Land and building in the amount of € 408k attributable to the acquisition of some lots of land on which Towers are located;
- Increases in Plant and machinery in the amount of € 6,612k attributable in the amount € 4,279k to transfers of tangible assets under formation during previous years completed in 2017 and in the amount of € 2,333k to the purchase of plants on towers.

The write-downs of 2017 amounted to € 113k and mainly relate Towers no longer used and under disposal.

8.2 Goodwill

Beginning balance at Jan.1, 2016	**361,901**
Reclassification	-
Increases	-
Other changes	-
Disposals	-
(Depreciation and write-downs)	-
Closing balance at Dec.31, 2016	**361,901**
Reclassification	-
Increases	-
Other changes	-
Disposals	-
(Depreciation and write-downs)	-
Net final balance at Dec.31, 2017	**361,901**

This item did not change compared to the previous year.

At December 31, 2017 goodwill was subject to the impairment tests as required by IAS 36. This analysis was done at the level of Cash Generating Units (CGUs) “Tower”, to which the value of goodwill is allocated and was based on financial flows for the 2018 financial year reflected in the most recent multi-year plan approved by the Board of Directors and on medium-term forecasts covering the period 2019 – 2022 arranged for the purpose of the impairment test approved by the Board of Directors on February 22, 2018.

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 5.08%.

These assessments have been carried out by utilising an actuarial base rate, corresponding to the weighted average cost of capital net of taxes of 5.34% and a growth rate, used to extrapolate cash flows over the plan period prudentially of 1.3%, 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, 2016	**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**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	1,141	-	-	55	(129)	-	**1,067**
Other changes	-	-	-	-	-	-	**-**
Acquisitions	78	3,467	-	-	-	-	**3,545**
Disposals	-	-	-	-	-	-	**-**
Dec.31, 2017	**12,345**	**64,581**	**-**	**12,303**		**-**	**89,231**

Amortisation and depreciation	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Jan.1, 2016	**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**
Business combinations	-	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-	-	**-**
Other changes	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	**-**
Amortisation	909	3,246	-	838	-	-	**4,993**
(Depreciation), (write-downs)	-	-	-	-	-	-	**-**
Dec.31, 2017	**11,223**	**24,904**	**-**	**6,821**	**-**	**-**	**42,948**

Net book value	Patents and intellectual property rights	Customer relations	Trademarks	Licences	Intangible assets in progress and advances	Other intangible assets	Total
Jan.1, 2016	**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**
Business combinations	-	-	-	-	-	-	-
Reclassification	1,141	-	-	55	(129)	-	1,067
Other changes	-	-	-	-	-	-	-
Acquisitions	78	3,467	-	-	-	-	3,545
Disposals	-	-	-	-	-	-	-
Amortisation	(909)	(3,246)	-	(838)	-	-	(4,993)
Dec.31, 2017	**1,123**	**39,677**	**-**	**5,482**		**-**	**46,282**

Patents and intellectual property rights

The increase in Item Patents and intellectual property rights, including a reclassification in the amount of € 1,012k from tangible assets in progress is attributable to the “in house” management project for the main information systems and related licenses and 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.

8.4 *Equity investments*

This item is detailed as follows:

Equity investments in subsidiaries

	Dec.31, 2017		Dec.31, 2016	
	stake	book value	stake	book value
Towertel S.p.A.	100%	94,423	100%	94,423
Nettrotter S.r.l.	95%	2,850	95%	1,900
EIT Radio S.r.l.	100%	10,291	100%	3,572
Total		**107,564**		**99,895**

The investment in EIT Radio S.r.l. increased compared to the previous year following:

- the acquisition of 100% of the share capital of Giancarlo Rova S.r.l., S.T.A S.r.l, Magif Telecomunicazioni S.r.l. for a consideration of € 6,169k, then merged into EIT Radio S.r.l. increasing the carrying value for an amount equal to the aforesaid consideration;
- the subscription of an increase of capital of the company EIT Radio S.r.l. amounting to € 550k.

In addition, it should be noted that the 95% investment in the capital of Nettrotter S.r.l. increased during the year following the waiver of receivables by shareholders in proportion to the company shares held in the amount of € 1,000k with a corresponding increase in the equity reserves of the subsidiary.

As required by IAS 36, for financial assets classified as investments in 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, 2017 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 5.08%.

These assessments have been carried out by utilising an actuarial base rate, corresponding to the weighted average cost of capital net of taxes of 5.34% and a growth rate, used to extrapolate cash flows over the plan period prudentially of 1.3%.

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 investments was greater than the book value, with the exception of the investment held in EIT Radio S.r.l. for which the discounting rate which makes the recoverable value equal to the book value is in excess of 12.5% compared to the basic parameter and the perpetual growth rate which, similarly, makes the recoverable value and the book value equal is 0.5%.

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, 2017			Dec.31, 2016
		Due		
	Total	from 1 to 5 years	over 5 years	Total
Security deposits paid	508	-	508	491
Other financial assets	160	160	-	160
Consortium fees	59	-	59	32
C/A Subsidiary - Towertel S.p.A.	96,329	-	96,329	103.415
C/A Subsidiary - Nettrotter S.p.A.	3,621	-	3,621	2.920
C/A Subsidiary - EIT Radio S.r.l.	35,801	-	35,801	24.530
C/A Subsidiary for invoices to be issued	3,136	-	3,136	734
Total	**139,613**	**160**	**139,453**	**- 132.284**

Security deposits refer to deposits paid for leases and utility; consortium fees refer to the investment quota in “Consorzio Cefriel” and “Consorzio Emittenti Televisive” (CERT).

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) and Mantignana (€ 60k), all operating in the tower business.

Total non-current financial assets amounted to € 138,886k 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 € 98,709k, with Nettrotter S.r.l. in the amount of € 3,698k and with EIT Radio S.r.l. in the amount of € 36,479k. The increase in the balance of the current account opened for the benefit of the subsidiary EIT Radio S.r.l. is attributable to the acquisitions carried out in the period by the subsidiary, financed from the aforesaid current account.

It should be noted that specific impairment tests carried out to support the carrying value of each investment allowed to verify also the recoverability of existing non-current financial receivables from subsidiaries.

8.6 Deferred tax assets and liabilities

	Dec.31, 2017	Dec.31, 2016
Deferred tax assets	5,357	5,293
Deferred tax liabilities	(18,818)	(19,893)
Net position	**(13,461)**	**(14,600)**

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
2016	**4,388**	**708**	**197**	**-**	**5,293**
2017	**5,293**	**23**	**42**	**-**	**5,357**

DEFERRED TAX LIABILITIES	Balance at Jan.1st	Through Income Statement	Through Shareholders' Equity	Other changes	Balance at Dec.31st
2016	**(20,967)**	**1,074**	**-**	**-**	**(19,893)**
2017	**(19,893)**	**921**	**-**	**153**	**(18,818)**

The item Deferred tax assets amounted to € 5,357k 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 € 18,818k 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 differences	Tax effect Dec.31, 2017	Temporary differences	Tax effect Dec.31, 2016
Deferred tax assets related to:				
Property, plant and equipment	580	162	488	136
Provision for receivables write-off	9,352	2,245	9,526	2,286
Provisions for risks and charges	2,796	764	2,406	641
Post-employment benefit plans	5,683	1,364	5,507	1,323
Inventories	2,581	720	2,911	812
Other temporary differences	428	102	399	95
TOTAL	**21,421**	**5,357**	**21,237**	**5,293**

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 € 2,245k, the effect related to the Provision for inventory obsolescence amounted to € 720k, the effect related to the discounting of the Employee Termination Indemnity amounted to €1,364k.

	Temporary differences	Tax effect Dec.31, 2017	Temporary differences	Tax effect Dec.31, 2016
Deferred tax liabilities related to:				
Property, plant and equipment	15,909	4,338	17,536	4,793
Non current intangible assets	48,300	13,475	50,152	13,992
Post-employment benefit plans	4,188	1,005	4,029	1,108
Other temporary differences	-	-	-	-
TOTAL	**68,396**	**18,818**	**71,717**	**19,893**

The tax effect amounting to € 13,475k 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 € 4,338k, 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, 2017	Balance at Dec.31, 2016
Raw materials, ancillary materials and consumables	4,913	6,037
Goods	-	-
Finished goods	-	-
Total	4,913	6,037
Provision for devalued raw materials, ancillary materials and consumables	(2,581)	(2,911)
Provision for devalued finished goods	-	-
Net inventories	**2,332**	**3,127**

	Dec.31, 2016	Allocations	Uses	Dec.31, 2017
Provision for devalued raw materials, ancillary materials and consumables	(2,911)	(716)	1,045	(2,581)

Raw materials, ancillary materials and consumables for a net value of € 2,332k 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 2017 due to provisions in the amount of € 716k and decreased following the scrapping of spare parts in the amount of € 1,045k.

9.2 Trade receivables

This item was made up as follows:

	Dec.31, 2017	Dec.31, 2017			Dec.31, 2016
		Due			
	Total	within 1 year	from 1 to 5 years	over 5 years	
Receivables from customers	38,794	36,615	2,179	-	29,755
Provision for bad debts	(8,411)	(8,411)	-	-	(8,885)
Total net receivables from customers	**30,384**	**28,205**	**2,179**	**-**	**20,870**
Receivables from associates	447	447	-	-	544
Receivables from subsidiaries	1,956	1,956	-	-	1,381
Receivables from parent companies	338	338	-	-	379
Total	**33,124**	**30,945**	**2,179**	**-**	**23,175**

Provision for receivables write-off	Balance at Jan.1st	Other changes	Allocation for the year	Uses for the year	Balance at Dec.31st
2017	8,885	-	-	(474)	**8,411**
2016	5,864	-	3,074	(53)	**8,885**

Receivables from customers

Receivables from customers relate to normal sales transactions.

Receivables due after one year amounted to € 2,179k and mainly refer to the extension granted to the customers Prima TV S.p.A.

In 2017 the Provision for receivables write-off was used to close some credit positions for transactions or for the closure of insolvency proceedings related to some customers.

Trade receivables from associates

Trade receivables from associates consist of:

- € 206k from Consorzio Colle Maddalena for hosting sites;
- € 136k from Monradio S.r.l. for hosting sites;
- € 40k from Videotime Produzioni S.p.A. mainly due to recharge of equipped areas at local offices;
- € 29k from Radio Engineering CO S.r.l l mainly due to ordinary maintenance services;

- € 17k from Virgin Radio S.p.A. mainly due to apparatus repair;
- € 11k from Radio Studio 105 S.p.A. mainly due to for hosting sites;
- € 3k from Radio Subasio for hosting sites;
- € 3k from Mediaset Premium S.p.A. due to recharge of costs.

Trade receivables from subsidiaries

Trade receivables from subsidiaries refer to invoices to be issued and consist of:

- € 1,259k from Towertel S.p.A. for recharges of services and hosting sites;
- € 381k from EIT Radio S.r.l. for recharges of services;
- € 316k from Nettrotter S.r.l. for recharges of services.

Trade receivables from parent companies

Trade receivables from parent companies amounted to € 338k, and refer to receivables from the following companies:

- Elettronica Industriale S.p.A. in the amount of € 234k 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, 2017	Dec. 31, 2016
Receivables from tax authorities for Ires under national group taxation	1,058	-
Total	**1,058**	**-**

The item Tax receivables which totals € 1,058k included net Ires credit based on the National Group Taxation.

The company EI Towers S.p.A. as consolidating entity and the subsidiaries Towertel S.p.A., Nettrotter S.r.l. and EIT Radio S.r.l. as consolidated entities 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. Appropriate agreements between the interested parties govern the option exercise.

9.4 Other receivables and current assets

This item can be broken down as follows:

	Dec.31, 2017	Dec.31, 2016
Receivables from employees	200	201
Advances	466	184
Receivables from the Revenue	1,744	1,298
Other receivables	499	425
Receivables from subsidiaries for IRES from tax consolidation	213	1,086
Pre-paid expenses	1,954	2,019
Total	**5,076**	**5,214**

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 € 1,366k;
- 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 EIT Radio S.r.l. deriving from the tax consolidation agreement.

Pre-paid expenses refer in the amount of € 1,684k to costs for site leases and land leases and surface rights invoiced in advance (including € 916k over 12 months), in the amount of € 66k to costs for different insurance premium and for € 204k to pre-paid expenses for other operating charges.

9.5 Cash and cash equivalents

Here follows the breakdown of this item:

	Dec.31, 2017	Dec.31, 2016
Cash in hand	11	13
Cash and cash equivalents	3,061	68,731
Total	**3,072**	**68,743**

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, 2017 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, 2017 the Share-premium reserve amounted to € 144,387k (€ 194,227k at December 31, 2016).

The item changed during the year in the amount of € 49,840k following the distribution of an extraordinary dividend based on the resolution of the Shareholders' Meeting of January 12, 2017, and the allocation of the profit for the year with consequent distribution of dividends based on the resolution of the Shareholders' Meeting of April 20, 2017.

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 20, 2017, finally authorised the Board of Directors to purchase shares till the maximum number allowed by law. This power is valid till the approval of the financial statements at December 31, 2017. In execution of this resolution, on May 4, 2017, the Board of Directors, continuing along the plan established in July 2016, resolved to renew the buy-back programme to purchase treasury shares to maximum no. 641,535 shares, representing 2.27% of the share capital, 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 (the "Programme")").

	2017		2016	
	Number	**Book value**	**Number**	**Book value**
Beginning balance	413,433	17,459	62,526	1,845
Increases	951,107	49,058	350,907	15,614
Decreases	-	-	-	-
Closing balances	**1,364,540**	**66,517**	**413,433**	**17,459**

At December 31, 2017, the Company held no. 1,364,540 treasury shares, equal to 4.83% of the share capital. In 2017, in line with the Programme, the Company purchased no. 951,107 treasury shares, equal to 3.37 % of the share capital.

10.4 Other reserves

The item consists of:

	Dec.31, 2017	**Dec.31, 2016**
Legal reserve	565	565
Extraordinary reserve	-	61,748
Shareholders' payment in capital account	10,200	10,200
Other reserves	307,178	307,178
Total other reserves	**317,943**	**379,691**

Legal reserve

At December 31, 2017 the Legal reserve amounted to € 565k.

No changes occurred during the year.

Extraordinary reserve

The Extraordinary reserve set at zero during the year in the amount of € 61,748k following the distribution of an extraordinary dividend as decided by the Meeting dated January 12, 2017.

10.5 Valuation reserves

	Dec.31, 2017	Dec.31, 2016
Financial Instruments held as cash flow hedges	313	-
Reserve for actuarial gains and losses	(3,117)	(2,983)
Total	**(2,803)**	**(2,983)**

The Reserve for Financial Instruments held as cash flow hedges includes the effective portion of the change in the fair value of derivatives stipulated to hedge the interest rate risk (Interest Rate Swap) of the loan agreement signed on October 30, for a nominal amount of € 270m.

The change in the Reserve for actuarial gains and losses, with a negative balance of € 3,117k, is due the actuarial components relating to the valuation of defined benefit schemes, booked directly in Net Equity in the amount of € 176k (increase) and to related deferred taxes in the amount of € 42k (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	144,387	A B C	144,387	-	-
Treasury shares	(66,518)	=	=	-	-
Legal reserve	565	B	565	-	-
Extraordinary reserve	-	A B C	-	-	-
Other reserves - Shareholders' payment in capital	10,200	A	=	-	-
Other available reserves	307,178	A B C	307,178	-	-
Valuation reserve	(2,803)	=	=	-	-
Profit (loss) for previous years	-	=	=	-	-
Total	**395,835**		**452,130**	-	

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 € 47,117k.

The Board of Directors proposed the distribution of a dividend of € 2.05 per outstanding share entitled on the coupon detachment date, thus excluding treasury shares held in portfolio at that date, through the distribution of the entire profit for the year amounting to € 47,117k and the share premium reserve amounting to € 8,023k.

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 2016
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, 2017.
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 1.50% has been adopted as medium scenario of expected inflation deducted from the "Economic and Financial Document 2017" and the subsequent "Update to the Document".
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, 2017.

Based on the actuarial valuation, the value of the Employee severance indemnity (the Italian TFR) reserve related to 552 employees of the Company was € 11,678k at December 31, 2017.

During the year, the reserve changed as follows:

Provision at Jan.1, 2017	**11,817**
Employee severance pre-payments for the period	(121)
Employee severance indemnities paid during the year	(224)
Actuarial gains/(losses)	176
Reserve transferred from subsidiaries, affiliated and associates companies	36
Amount accrued and charged to income statement	(5)
Provision at Dec.31, 2017	**11,678**

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 severance indemnity of about € 496k;
- a change in inflation rate of +/-50 basis points leads to a change in the provision for employee severance indemnity of about € 302k;
- a change in the probability of termination of the employment relationship of +/-50% leads to a change in the provision for employee severance indemnity of about € 73k.

11.2 Payables and financial liabilities

	Dec.31, 2017	Dec.31, 2016
Bond loan - Non current portion	-	228,599
Due to banks - Non current portion	285,408	-
Total	**285,408**	**228,599**

The item Bond loan refers to the Eurobond issued on April 18, 2013 with a nominal value of € 230m and set at zero following the full early repayment occurred on December 20.

The item Due to banks refers to the non-current portion relating to the following loans:

- variable rate loan (euribor 6 months plus a spread of 75 bps) with Intesa Sanpaolo, Banco BPM, Mediobanca and Unicredit for an amount equal to € 270m signed on October 30, and disbursed on December 20, with a term of 4 years from the signing, recorded in the financial statements by applying the method of amortised cost on the basis of an effective rate of 0.62%;
- flat rate financing of 0.45% with UBI Banca, for an amount equal to € 30m disbursed on May 19, and with a term of 3 year from the disbursement, recorded in the financial statements by applying the method of amortised cost on the basis of internal rate of return at 0.56%.

The aforesaid loans are subject to the covenants shown below:

Counterparty	Covenant	Frequency of verification
Banking pool	Net financial position/EBITDA(*) not higher than 3.25	Six-monthly
	Change of control	per event
UBI Banca	Change of control	per event

(*) values, as defined in the loan agreement, to be calculated on the financial statements

The aforesaid covenants as of today's date are respected.

11.3 Provisions for risks and charges

	Beginning balance at Jan.1, 2017	Provisions	Releases	Uses	Final balance at Dec.31, 2017
Provisions for risks	3,192	1,336	(860)	(94)	3,574
Total	**3,192**	**1,336**	**(860)**	**(94)**	**3,574**

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 during the year.

12. Current liabilities

12.1 Payables to banks

	Dec.31, 2017	Dec.31, 2016
Lines of credit	27,001	-
Loans	13,166	-
Total	**40,167**	**-**

The Item Loans mainly refers to the current portion of loans already mentioned in the paragraph Payables and financial liabilities.

Lines of credit refer to advances with maturity of 12 months or less. The fair value coincides with the carrying value. The change for the period is attributable to a greater use of this type of financing.

12.2 Trade payables

	Dec.31, 2017	Dec.31, 2017 Due			Dec.31, 2016
	Total	within 1 year	from 1 to 5 years	over 5 years	
Payables to suppliers	28,944	28,944	-	-	26,472
Payables represented by securities	-	-	-	-	-
Payables to subsidiaries	883	883	-	-	88
Payables to affiliated and joint control companies	16	16	-	-	-
Payables to associated companies	262	262	-	-	175
Payables to parent companies	1,710	1,710	-	-	1,507
Total	**31,815**	**31,815**	**-**	**-**	**28,242**

We believe that the payables' fair value approximates their book value.

Payables to subsidiaries, amounting to € 883k, consist of:

- € 877k to EIT Radio S.r.l. for hosting sites, apparatus maintenance and management;
- € 6k to Towertel S.p.A. for hosting sites.

Payables to affiliated companies, amounting to € 16k, consist of invoices to be received for hosting services on sites to Società Funivie della Maddalena S.p.A.

Payables to associated companies consist of:

- € 213k to the Company Videotime Produzioni S.p.A. for hosting sites;
- € 49k to the Company Promoservice Italia s.r.l. for Christmas gifts to employees and purchase of vouchers for exchange of merchandise.

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 € 1,566k related to leases (€ 644k), Information Technology services (€ 239k), personnel administrative services (€ 478k), professional services for insurance advice, supplier certification and other services for € 205k;
- the direct parent company Elettronica Industriale S.p.A. in the amount of € 6k related to other professional services in relation to applications for the installation of equipment for the Cairo Communication Group, in the amount of € 51k related to voice service costs and in the amount of € 65k for leases;
- the indirect parent company Mediaset S.p.A. for € 22k as charge of professional services.

12.3 Tax Payables

This item can be broken down as follows:

	Dec.31, 2017	Dec.31, 2016
Tax payables for Ires from tax consolidation	-	3,058
Tax payables for Irap to the Revenue	355	250
Total	**355**	**3,309**

The item Tax payables for Irap amounting to € 355k includes the debt net of advances paid .

12. Other current financial liabilities

	Dec.31, 2017	Dec.31, 2016
Bond loan - current portion	-	6,080
Financial liabilities on hedging derivatives	2	-
Total	**2**	**6,080**

The item Bond loan refers to the Eurobond issued on April 18, 2013 for a book value of € 230m and set at zero following the full early repayment occurred on December 20.

The Item Financial liabilities on hedging derivatives includes in the amount of € 2k the fair value as of the year end date of derivatives (Interest Rate Swap) stipulated to hedge the risk from interest rate changes of the loan agreement signed on October 30, for a nominal amount of € 270m.

12.5 Other current liabilities

	Dec.31, 2017	Dec.31, 2016
Due to employees for wages and salaries, accrued holiday pay and expenses	**3,983**	**3,059**
Due to insurance companies	**3**	**60**
Due to social security institutions	**1,695**	**1,696**
Due to Revenue	**1,334**	**1,388**
Due to Directors	**331**	**296**
Due to Statutory Auditors	**132**	**146**
Other liabilities due to third parties	**2,464**	**1,046**
Other liabilities due to subsidiaries for I.RE.S. from tax consolidation	**902**	**441**
Other liabilities due to subsidiaries	**4**	**3**
Deferred income	**237**	**203**
Total	**11,085**	**8,339**

Due to employees for wages and salaries, accrued holiday pay and expenses amounted to € 3,983k and mainly consist of due for 14th-month payments and related contributions in the amount of € 1,071k, due to directors for management by objectives bonus for € 1,287k, due to employees for overtime and contributions in the amount of € 346k and due to employees related to lay-off incentives in the amount of € 1,164k. The change in this item compared to the previous year is attributable to payables for lay-off incentives.

Due to social security institutions included payables for amounts owed in relation to December salaries and collaboration.

The item Due to Revenue includes payables for withheld taxes made on employees and independent contractors in December.

The item Other liabilities due to third parties includes in the amount of € 2,094k liabilities for the share of the price still to be paid for the acquisition of the companies Giancarlo Rova S.r.l., STA S.r.l., Magif Telecomunicazioni S.r.l. and for the acquisition of two business units, in the amount of € 245k 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 Towertel S.p.A, Nettrotter S.r.l. and EIT Radio S.r.l. deriving from the tax consolidation agreement.

The item Deferred income includes in the amount of € 206k (including € 45k beyond one year) the advance invoicing of hosting services for transmission equipment and in the amount of € 32k the invoicing of interest income from recovery plans.

12.6 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.

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, 2017	Dec.31, 2016
Cash in hand	11	13
Other cash equivalents	3,061	68,731
Total liquidity	**3,072**	**68,743**
Current financial receivables	**-**	**-**
Payables due to banks	(27,001)	**-**
Current portion of non-current debt	(13,166)	(6,080)
Current financial payables and liabilities	(2)	-
Current financial debt	**(40,169)**	**(6,080)**
Current net financial position	**(37,097)**	**62,663**
Bond loan	-	(228,599)
Non-current financial payables and liabilities	(285,408)	
Non-current financial debt	**(285,408)**	**(228,599)**
Net financial position	**(322,505)**	**(165,935)**

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

The item Other cash equivalents consists of the credit balances of the bank current accounts.

The item Payables due to banks includes the short-term exposure to the banking system for advances with maturity shorter than a year.

The Current portion of non-current debt includes the share the short-term portion relating to the financing for a total amount of € 270m signed on October 30, with a banking pool and to the financing of € 30m signed with UBI Banca.

The item Payables and other current financial liabilities includes the change in the fair value of derivatives (Interest Rate Swap) stipulated to hedge the risk from interest rate changes.

The item Bond loan related to the Eurobond issued on April 18, 2013 for a nominal value of € 230m set at zero following the full early repayment occurred on December 20.

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:

	2017	2016
Revenues from hosting and contract services	220,037	213,898
Revenues from plant installation and restoration	984	1,342
Revenues from sale of materials	-	5
Total	**221,021**	**215,244**

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 € 179,572k.

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 for € 706k.

13.2 Other revenues and income

Other revenues and income mainly refer to insurance reimbursements.

14. Costs

14.1 Personnel expenses

	2017	2016
Wages and salaries	29,794	30,173
Social security charges	9,943	9,826
Post-employment benefit plans	21	14
Other personnel expenses	3,466	2,574
Ancillary personnel expenses	788	789
Out of period (income)/costs on personnel expenses	129	150
Recovery on personnel expenses	(1,850)	(1,546)
Capitalization of labour costs	-	(673)
Total	**42,292**	**41,307**

The increase in this item is mainly due to higher lay-off incentives paid compared to the previous year in the amount of € 876k, and lower capitalization of labour costs amounting to € 673k, as a result of the implementation of the network for the Cairo Communication Group.

The item Other expenses mainly includes expenses for the Employee leaving indemnity (the Italian TFR) transferred to pension funds (€ 1,771k) 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 € 1,446k and fees paid to the directors employed by the company amounting to € 249k.

14.2 Purchases, services and other costs

This item can be broken down as follows:

	2017	2016
Purchases	**2,138**	**2,642**
Changes in the inventories of raw materials, semifinished and finished goods	**795**	**(225)**
Increase for internal work	**(1,308)**	**(2,663)**
Cost for professional, technical and administrative services	4,993	5,298
Travelling expenses and bill of charges	1,197	1,280
Consumption	12,927	13,369
Maintenance	12,723	13,408
Bank and insurance services	692	741
Other services	3,234	3,364
Total services	**35,766**	**37,460**
Leases and rentals	**33,528**	**36,009**
Net provisions for risks	**475**	**1,104**
Other operating costs	**1,193**	**1,455**
Total	**72,588**	**75,783**

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

The item Increase for internal work includes the capitalization of charges related to 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 € 395k (€ 1,754k in 2016).

The item Other services includes charges for vigilance and surveillance at the head-offices and local offices amounting to € 1,121k, company information system service supplied by the indirect parent company R.T.I. S.p.A. for € 293k, transport, storage and porter charges for € 344k, cleaning and waste disposal charges for € 530k.

The item Leases and rentals includes charges for the rent of satellite segments for the transmission of TV signal for a total amount of € 18,471k, rental of lands and hosting on third party towers amounting to € 11,959k, other rentals mainly related to the offices located in Lissone and other secondary offices for € 1,632k.

The item Other operating costs includes charges, taxes and government licenses, local taxes in the amount of € 831k, transactions in the amount of € 140k.

14.3 Amortisation, depreciation and write-downs

	2017	2016
Depreciation of tangible assets	24,385	27,565
Amortisation of other intangible assets	4,993	4,599
Wtite-downs/(Reversal) of fixed assets	113	150
Write-downs of current assets	-	3,074
Total	**29,419**	**35,388**

Write-downs of fixed assets equal to € 113k mainly include the amount granted for the depreciation of towers being disposed.

15. (Expenses)/income from financial investments

15.1 Financial expenses

	2017	2016
Interest expenses on short-term loans	71	-
Interest expenses on medium-term loans	154	-
Interest expenses on bond loan	12,989	9,883
Accessory charges on loans	96	-
Charges on derivatives	315	-
Other charges	1	4
Total	**13,626**	**9,887**

The item Interest expenses on bond loan are attributable to the interest charges for the period and to the early repayment, occurred on December 20, related to the Eurobond issued on April 18, 2013 for a nominal value of € 230m.

The item Interest expenses on medium-term loans includes financial charges recognized on two loans for a nominal amount of € 30m and € 270m measured at the amortised cost.

The item Interest expenses on short-term loans includes interests recognised on lines of credit with a maturity of less than 12 months.

The item Accessory charges on loans includes € 96k related to fees on undrawn amounts from the date of signing to the date of disbursement of the loan of € 270m.

The item Expenses on derivatives amounting to € 315k include the amount recognised as a result of the setting up of derivatives (Interest Rate Swap) stipulated to hedge the risk from interest rate changes of the loan agreement signed on October 30, for a nominal amount of € 270m.

15.2 Financial income

	2017	2016
Interest income on c/a from subsidiary companies	3,136	2,790
Interest income on bank c/a	4	102
Exchange gains realised	2	2
Financial income different from the foregoing	266	392
Extraordinary financial income	(4)	5
Total	**3,404**	**3,290**

The Item Financial income increased compared to the previous year mainly due to the liquidity transferred to the subsidiary EIT Radio S.r.l. to address acquisitions made in the year.

This item mainly 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. in the amount of € 3,136k;
- interest income for the period related to bank and postal deposits in the amount of € 4k, 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 € 239k.

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 18, which contains additional information on financial instruments and risk management policies.

December 31, 2017

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	-	(315)	-	-	**(315)**
Financial assets held for trading	-	-	-	-	**-**
Liabilities at amortised cost	(12,989)	-	-	-	**(12,989)**
Financial assets held to maturity	-	-	-	-	**-**
Receivables and loans	-	-	-	-	**-**
Bank and postal deposits	4	-	-	-	**4**
Income on receivables	239	-	-	-	**239**
Intragroup financial income and liabilities	3,136	-	-	-	**3,136**
Loans	(96)	-	-	-	**(96)**
Other financial income/(charges)	(201)	-	-	1	**(200)**
Financial assets available for sale	-	-	-	-	**-**
Total IAS 39 categories	**(9,907)**	**(315)**	**-**	**1**	**(10,221)**
Other financial income/(charges)			-	-	**-**
Total	**(9,907)**	**(315)**	**-**	**1**	**(10,221)**

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)**

16. Income taxes for the year

	2017	2016
Charges/(proceeds) for Ires from tax consolidation	17,092	18,433
Provision for Irap	3,345	3,088
Total current taxes	**20,437**	**21,521**
Provision for deferred tax liabilities	355	549
Use of provision for deferred tax liabilities	(1,276)	(1,623)
Total deferred tax liabilities	**(921)**	**(1,074)**
Use of credit from deferred tax assets	633	383
Deferred tax assets	(656)	(1,091)
Total deferred tax assets	**(23)**	**(708)**
Total	**(19,494)**	**19,739**

The reduction in Ires (corporate income tax) belonging to the financial year, compared to the previous year is caused by the reduction of the rate applied to the taxable base from 27.5% to 24% in accordance with Art. 1 para. 61 L. 208/2015. The change in Irap (regional tax on business activity) belonging to the financial year is mainly caused by the increase in the taxable base, relative to the performance of the economic results achieved in the financial year by the Company.

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.

The following is a reconciliation of IRES and Irap tax rate in force for the years 2017 and 2016 and the Company's actual rate:

Ires	**Dec.31, 2017**	**Dec.31,2016**
Ordinary applicable tax rate	**24.00%**	**27.50%**
Effect of increase (decrease) differences		
against ordinary tax rate:		
Vehicles	0.71%	0.89%
Other	1.28%	3.67%
Actual tax rate	**25.99%**	**32.06%**

Irap	**Dec.31, 2017**	**Dec.31,2016**
Theoretical tax burden	**3.90%**	**3.90%**
Other permanent changes	1.11%	2.45%
Actual tax rate	**5.01%**	**6.35%**

NOTES ON MAIN CASH FLOW STATEMENT ITEMS

17. Cash Flow Statement

Cash flow generated by operating activities decreased compared to 2016 despite an increased operating profitability mainly due to a greater disbursement for the payment of income taxes (€ 28,146k compared to € 20,804k).

The net flow absorbed by investing activities, equal to € 25,115k, consists of disbursements made for investments in technical assets in the amount of € 9,148k, purchases of assets (land, contracts and business units) in the amount of € 3,878k, business combinations in the amount of € 4,760K.

The flow related to financing activities, negative in the amount of € 120,285k, includes the net use of credit lines in the amount of € 85,578k, outflows in the amount of € 49,058k related to the purchase of treasury shares and in the amount of € 149,142k related to the distribution of dividends, described above, together with net interests in the amount of € 17,663k, largely attributable to the bond loan repaid in advance in December.

Below is, in accordance with Ias 7, the table showing the change in liabilities arising from financing activities.

	Dec.31, 2016	Cah Flow	Non-monetary flows			Dec.31, 2017
			Exchange difference	Change in fair value	Other changes	
Non current financial payables	-	285,408	-	-	-	**285,408**
Bonds	234,679	(230,000)	-	-	(4,679)	**-**
Other current financial payables	-	40,167	-	2	-	**40,169**
Current financial assets	-		-	-	-	**-**
Net liabilities deriving from financing activities	**234,679**	**95,575**	**-**	**2**	**(4,679)**	**325,577**
Cash and cash equivalents (-)	(68,743)	65,671	-	-	-	**(3,072)**
Net financial debt	**165,935**	**161,246**	-	2	(4,679)	**322,505**

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, 2017

	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	-	-	107,623	-	-	-	107,623
Financial receivables	-	-	139,553	-	-	-	139,553
CURRENT ASSETS							
Trade receivables							
from customers	-	-	30,384	-	-	-	30,384
from subsidiary companies	-	-	1,956	-	-	-	1,956
from affiliated companies	-	-	-	-	-	-	-
from parent companies	-	-	338	-	-	-	338
from associated companies	-	-	447	-	-	-	447
Cash and cash equivalents							
Bank and postal deposits	-	-	3,061	-	-	-	3,061
Cash in hand	-	-	11	-	-	-	11
TOTAL FINANCIAL ASSETS	-	-	283,373	-	-	-	283,373

December 31, 2016

BALANCE SHEET ITEMS	IAS 39 categories						
	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, 2017

BALANCE SHEET ITEMS	Categorie IAS 39			
	Financial instruments held for trading	Liabilities for instruments at fair value for designation	Liabilities at amortised cost	Book value
NON-CURRENT LIABILITIES				
Payables and financial liabilities	-		-	-
Payables due to banks	-	-	285,408	285,408
Bond loan	-	-	-	-
CURRENT LIABILITIES				
Payables due to banks				
Loans	-	-	13,166	13,166
Current account liabilities	-	-	-	-
Payables and financial liabilities		-		
Lines of credit	-	-	27,001	27,001
Bond loan	-	-	-	-
Hedging derivatives	-	2	-	2
Trade payables				
to suppliers	-	-	28,944	28,944
to parent companies	-	-	1,710	1,710
to associated companies	-	-	262	262
to affiliated companies	-	-	16	16
to subsidiaries	-	-	883	883
TOTAL FINANCIAL LIABILITIES	**-**	**2**	**357,390**	357,392

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

Fair value of financial assets and liabilities and calculation models used

The amounts of the fair values of financial assets and liabilities split based on the methodologies and calculation models used to calculate them are reported below, respectively at December 31, 2017 and 2016.

It is highlighted that there are not shown those financial assets and liabilities for which the fair value cannot be calculated objectively and for which the fair value is very close to the book value and that the fair value of derivatives represents the net position of credits and liabilities.

Input data used in determining the fair value at the date of the financial statements, provided by the infoProvider Bloomberg, are the following:

- Euro curves for the estimation of forward rates and of discount factors;
- Euribor rate fixing;
- CDS (Credit default swap) senior Mid listed of the different counterparties (if available);
- Credit spread of EI Towers S.p.A.

December 31, 2017

	Book value	Mark to Market	Mark to Model			Total fair value
			Black&Scholes' Model	Binomial Model	DCF Model	
Non- current payables due to banks	**285,408**	**-**	**-**	**-**	**285,408**	**285,408**
Bond loan	-		-	-	-	**-**
Medium-long term receivables	**3,164**	-	-	-	3,160	**3,160**

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**

The fair value of the item Non-current payables due to banks has been calculated considering the credit spread of EI Towers S.p.A.

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

It should be noted that, 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.

The fair value of trade receivables is calculated taking into account the counterparty's creditworthiness only in the presence on the market of information that can be used for its calculation.

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 management of all financial resources involves the centralisation of coordination and direction activities.

The interest rate risk directly originates from variable rate financial payables, which expose the Group to cash flow risk.

The management's objective is to limit the fluctuation of financial expenses that impact the financial result, limiting the risk of a potential rise in interest rates.

In this context, with reference to medium/long-term debt, the Group pursues its objectives using financial derivatives contracts entered into with third parties aimed at setting in advance or reducing that possible rise in rates.

Hedge Accounting is adopted from the date the derivative contract is entered into until the date of its extinction or expiry, documenting, by way of the hedging relationship, the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

Specifically, the cash flow hedge method set out by IAS 39 is used.

The objective to hedge interest rate risk was attained through the signing of four derivative contracts (Interest Rate Swap) which enables EI Towers S.p.A. to receive from the counterparty a floating interest rate, indexed to the same market parameter provided for in the financing.

The main characteristics of the transactions on derivatives entered into are reported below:

Counterparty	Notional	Fixed rate	Floating rate	Floor	Validity	Expiry
I.R.S. - Banca Intesa -	Euro 80,001,000	0.1445%	Euribor 6M/360	-0.75%	Dec.20, 2017	Oct.30, 2021
I.R.S. - Unicredit -	Euro 80,002,000	0.1445%	Euribor 6M/360	-0.75%	Dec.20, 2017	Oct.30, 2021
I.R.S. - Banco BPM -	Euro 80,000,000	0.1445%	Euribor 6M/360	-0.75%	Dec.20, 2017	Oct.30, 2021
I.R.S. - Mediobanca -	Euro 29,997,000	0.1445%	Euribor 6M/360	-0.75%	Dec.20, 2017	Oct.30, 2021

Sensitivity analysis was conducted on the financial instruments exposed to interest rate risk at the time of the drafting of these Financial Statements.

The assumptions upon which the model is based are illustrated below:

- Medium-to-long term payables were subject to a change of 50 bps upwards and 20 bps downwards at the date of re-fixing of the internal rate of return posted during the year.
- Short term payables and other current financial items were subject to a recalculation of the amount of financial expenses by applying a change of 50 bps upwards and 20 bps downwards to the values posted to the financial statements.
- Interest rate swaps were subject to recalculation of the fair value by applying an asymmetric shift of 50 bps upwards and 20 bps downwards to the interest rate curve at the reporting date. The ineffective portion was calculated based on the fair value recalculated using the adjusted interest rate curve.

It should be noted that the change applied was not a symmetrical change of 50 bps also downward, since the short-term interest rate curve at the reporting date had negative values.

The table below summarises the changes in profit or loss for the year and in shareholders' equity, deriving from the sensitivity analysis carried out net of tax effects on the basis of the theoretical rate in force at the reporting date.

Years	Variation b.p.	Economic performance	Shareholders' equity reserve	Total shareholders' equity
2017	50	249	4,925	5,174
	-20	-57	-2,344	-2,401

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 Group 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, 2017 and 2016, 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 Group may be asked to make payment and showing the relative Financial Statements notes for each class.

December 31, 2017

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	285,408	-	-	-	292,045	-	**292,045**
Current due to bank	40,167	27,001	6,476	6,695	-	-	**40,172**
Current bond loan	-	-	-	-	-	-	**-**
Non-current bond loan	-	-	-	-	-	-	**-**
Due to other suppliers	28,817	28,817	-	-	-	-	**28,817**
Due to suppliers for professionals	127	127	-	-	-	-	**127**
Due to subsidiary companies	883	883	-	-	-	-	**883**
Due to parent companies	1,710	1,710	-	-	-	-	**1,710**
Due to affiliated companies	16	16	-	-	-	-	**16**
Due to associated companies	262	262	-	-	-	-	**262**
Total	**357,390**	**58,816**	**6,476**	**6,695**	**292,045**	**-**	**364,032**

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**
Totale	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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 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. Concerning the main type of trade receivables, it should be noted that in terms of concentration of the first 10 customers approximately 93% of turnover has been reached.

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, 2017 and 2016.

December 31, 2017

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	38,794	1,068	2,767	1,194	22,548	27,577	11,217	8,411
Receivables from associated companies	447	-	1	78	57	136	311	-
Receivables from subsidiary companies	1,956	-	-	-	-	-	1,956	-
Receivables from parent companies	338	-	-	-	-	-	338	-
Total	**41,535**	**1,068**	**2,678**	**1,272**	**22,605**	**27,713**	**13,822**	**8,411**
		0-30days	**30-60days**	**60-90days**	**Over**	**Total**		
Financial receivables								
Financial receivables	668	-	-	-	668	668		
Securities	-	-	-	-	-	-		
Non-convertible bonds	-	-	-	-	-	-		
Bank and postal deposits and equivalents	3,061	3,061	-	-	-	3,061		
Cash in hand	11	11	-	-	-	11		
Hedge derivatives with third parties	-	-	-	-	-	-		
Non-hedge derivatives with third parties	-	-	-	-	-	-		
Non-hedge derivatives with subsidiaries	-	-	-	-	-	-		
Intragroup financial receivables	138,885	-	-	-	138,944	138,944		
Total	**142,625**	**3,072**	**-**	**-**	**139,612**	**142,684**		

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**		

The Provision for receivables write-off at December 31, 2017 amounted to € 8,411k.

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 periodic 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 € 95m.

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 2017 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					
Mediaset Group parent companies					
R.T.I. - Reti Televisive Italiane S.p.A.	-	61	-	-	-
Mediaset SpA	-	-	-	-	-
Elettronica Industriale S.p.A.	-	277	-	-	-
EI Towers Group subsidiaries					
Towertel S.p.A.	98,709	1,259	-	-	-
EIT Radio S.r.l.	36,479	381	213	-	-
Nettrotter S.r.l.	3,697	316	-	-	-
Mediaset Group associates					
Videotime Produzioni S.p.A.	-	39	-	-	-
Mediaset Premium S.p.A.		3			
Promoservice Italia S.r.l.		-			
Radio Studio 105 S.r.l.		11			
Virgin Radio Italy S.p.A.		17			
Radio Engeneering CO S.r.l		29			
Radio Subasio Srl		3			
Publitalia '80 S.p.A.	-	-	-	-	-
Fininvest Group associates					
Milan Entertainment srl		-			
Monradio s.r.l.		136			
Affiliates					
Funivie della Maddalena	-	-	-	-	-
Other related parties		208			

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.	-	1,562	-	-	-
Mediaset S.p.A.	-	22	-	-	-
Elettronica Industriale S.p.A.	-	126	4	-	-
EI Towers Group subsidiaries					
Towertel S.p.A.	-	6	503	-	-
EIT Radio S.r.l.	-	877	88	-	-
Nettrotter S.r.l.	-	-	310		-
Mediaset Group associates					
Videotime Produzioni S.p.A.	-	213	-	-	-
Promoservice Italia S.r.l.	-	49	-	-	-
Radio Studio 105 S.r.l.			12		
Virgin Radio Italy S.p.A.			7		
Radio Engeneering CO S.r.l			33		
Mediaset Premium S.p.A.		-			
Fininvest Group associates					
Mediobanca S.p.A.	29,720	-	121	-	-
Monradio s.r.l.		-	-	-	-
Affiliates					
Funivie della Maddalena	-	16	-	-	-
Executives with strategic responsibilities	-	-	**1,402**	-	-
Other related parties	**-**	**-**	**246**	-	**-**

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.	380	1,389	-		-
Mediaset S.p.A.	-	71	-	-	-
Elettronica Industriale S.p.A.	180,278	506	-	-	-
EI Towers Group subsidiaries					
Towertel S.p.A.	2,809	(954)	-	2,380	-
EIT Radio S.r.l.	-	497	-	679	-
Nettrotter S.r.l.	-	(315)	-	77	-
Mediaset Group associates					
Videotime S.p.A.	64	240	-		-
Videotime Produzioni S.p.A.	65	241	-	-	-
Mediaset Premium S.p.A.	-	1	-	-	-
Publitalia '80 S.p.A.	-	43	-		-
Radio Studio 105 S.r.l.	350				
Virgin Radio Italy S.p.A.	246				
Radio Engeneering CO S.r.l	219				
Radio Subasio Srl	7				
Radio Aut S.r.l.	2				
Promoservice Italia S.r.l.	-	-	-		-
Fininvest Group associates					
Mediobanca S.p.A.	-	45	41	-	-
Milan Entertainment srl	115	15	-	-	-
Monradio s.r.l.	445	-			
Executives with strategic responsibilities	-	**1,922**	**-**	-	-
Affiliates					
Funivie della Maddalena	-	31	-	-	-
Other related parties	**255**	**47**	-	-	-

For the Board of Directors

The Chairman

(Alberto Giussani)

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, 2017 (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	Multireti srl	Monte Maddalena Telecomunicazioni S.r.l. in liquidation
Non-current assets					
Property, plant, equipment and other tangible assets	25,761,483	3,112,214	6,571,287	2,210,191	-
Goodwill and other intangible assets	192,187,192	26,247,547	821,326	16,000	-
Investments and other non-current financial assets	13,926	15,965,298	2,000	1,508	4,440
Other non-current assets	1,082,540	83,294	-	-	-
Deferred tax assets	560,933	99,707	-	-	-
Total non-current assets	**219,606,074**	**45,508,060**	**7,394,613**	**2,227,699**	**4,400**
Current assets					
Inventories	-	11,728	40,149	-	-
Trade receivables	13,193,209	2,499,076	1,560,050	1,222,775	-
Tax receivables	-	-	-	-	6,727
Other receivables and current assets	6,547,105	798,119	57,688	89,828	-
Intragroup financial receivables	-	-	-	-	-
Current financial assets	-	-	-	-	-
Cash and cash equivalents	3,241,396	1,531,202	264,302	135,263	9,723
Total current assets	**22,981,711**	**4,840,125**	**1,922,188**	**1,447,866**	**16,450**
Non-currents assets held for sale	-				
TOTAL ASSETS	**242,587,785**	**50,348,185**	**9,316,801**	**3,675,565**	**20,890**

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	Multireti srl	Monte Maddalena Telecomunicazioni S.r.l. in liquidation
Shareholders' Equity					
Share capital	22,000,000	50,000	750,000	12,000	20,000
Share premium reserve	-	126,062	1,250,000	-	-
Treasury shares	-	-	-	-	-
Other reserves	51,618,338	1,185,350	1,000,000	2,018,808	22,902
Valuation reserve	(12,388)	-	-	-	-
Retained earnings (accumulated losses)	7,621,054	61,835	(1,156,814)	432,998	(4,740)
Net profit (loss) for the period	9,666,092	(382,058)	(1,060,996)	310,061	(17,524)
TOTAL SHAREHOLDERS' EQUITY	**90,893,096**	**1,041,189**	**782,189**	**2,773,867**	**20,638**
Non-current liabilities					
Post-employment benefit plans	92,775	156	-	-	-
Deferred tax liabilities	28,030,563	6,305,069	-	-	-
Financial liabilities and payables	98,708,992	36,479,415	-	-	-
Provisions for non-current risks and charges	1,562,922	20,000	-	-	-
Total non-current liabilities	**128,395,252**	**42,804,639**	**-**	**-**	**-**
Current liabilities					
Financial payables	-	-	-	-	-
Trade payables	6,245,695	2,163,160	4,525,921	155,624	-
Tax payables	45,349	66,286	3,606	262,533	-
Intragroup financial payables	-	-	3,697,442	-	-
Other financial liabilities	-	226,830	-	179,112	-
Other current liabilities	17,008,393	4,046,081	307,643	304,429	251
Total current liabilities	**23,299,437**	**6,502,357**	**8,534,612**	**901,698**	**251**
Non-current liabilities directly relating to assets held for sale	-	-	-	-	-
TOTAL LIABILITIES	**151,694,689**	**49,306,996**	**8,534,612**	**901,698**	**251**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**242,587,785**	**50,348,185**	**9,316,801**	**3,675,565**	**20,890**

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	Multireti srl	Monte Maddalena Telecomunicazioni S.r.l. in liquidation
Revenues					
Sales of goods and services	37,345,350	6,466,113	347,413	803,096	-
Other revenues and income	73,659	15,056	47.057	59,030	-
Total revenues	**37,419,009**	**6,481,169**	**394,470**	**862,126**	**-**
Costs					
Personnel expenses	328,713	53,828	-	-	-
Purchases, services, other costs	15,357,138	4,606,832	1,595,496	267,092	-
Amortisation, depreciation and write-downs	7,533,854	1,552,150	91,139	140,492	-
Impairment losses (reversals) of assets	-	-	-	-	-
Total costs	**23,219,705**	**6,212,810**	**1,686,635**	**407,584**	**-**
Gains/(losses) from disposals of non-current assets	-		-	-	-
EBIT	**14,199,304**	**268,359**	**(1,292,165)**	**454,542**	**-**
Financial (expenses)/income					
Financial expenses	(2,694,477)	(758,406)	(77,082)	(6,014)	-
Financial income	69,002	17,068	34	26	-
(Expenses) /Income from equity investments	-	-	-	-	-
Total (expenses)/income from financial investments	**(2,625,474)**	**(741,338)**	**(77,048)**	**(5,988)**	**-**
EBT	**11,573,830**	**(472,979)**	**(1,369,212)**	**448,554**	**-**
Income taxes	2,627,620	**(90,921)**	**(308,126)**	**138,493**	**-**
Net profit from continuing operations	**8,946,210**	**(382,058)**	**(1,060,996)**	**310,061**	**-**
Net gains/(losses) from discontinued operations	-	**-**	-	-	-
Net profit (loss) for the period	**8,946,210**	**(382,058)**	**(1,060,996)**	**310,061**	**-**

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	Result for the year: Total amount	Result for the year: Pro-quota amount	% held	Number of shares held	Book value	Value as per ex art. 2426 no. 4 c.c.	Differences: B-A	Differences: B-C
					(A)					(B)	(C)		
Subsidiaries													
(*) Towertel S.p.A.	Lissone - Via Zanella 21	22,000,000	1	90,893,096	90,893,096	9,666,092	9,666,092	100.00%	22,000,000	94,422,942	-	3,529,846	-
(*) EIT Radio S.r.l.	Lissone - Via Zanella 21	50,000	1	1,041,189	1,041,189	(382,058)	(382,058)	100.00%	50,000	10,290,840	-	9,249,651	-
(*) Nettrotter S.r.l.	Lissone - Via Zanella 21	750,000	1	782,189	743,080	(1,060,996)	(1,007,946)	95.00%	712,500	2,850,000	-	2,106,920	-

(*) Financial Statements figures at December 31, 2017

Disclosure pursuant to Article 149, part twelve, of the Consob Issuers' Regulations

values in euro

Service	Entity supplying the service	Beneficiary	Fees 2017
Account auditing	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a.	125,486
Attestation services	Deloitte & Touche S.p.A.	Parent company-EI Towers S.p.a. (1) (2)	56,014
Total			**181,500**

(1) The item includes the auditing service of the Annual non-financial report

(2) Attestation services Tax Return and Form 770

2017 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 2017.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Consolidated Financial Statements as at December 31, 2017 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 22, 2018

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 STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017, together with the respective explanatory notes and the Directors' Report, together with the Non-Financial Consolidated Statement pursuant to Legislative Decree no. 254/2016 (hereafter "Non-Financial Statement"), were approved and transmitted to us on March 22, 2017, with our waiver of the term established by law, where provided for.

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 separate 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 IAS/IFRS International Accounting Standards and related SIC/IFRIC interpretation standards in effect as at December 31, 2017.

The Auditors have verified the general approach applied to the separate financial statements and the consolidated financial statements 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, 2017, the auditing activities required by law were performed, 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.

***

The Board of Statutory Auditors in charge was appointed by the Shareholders' Meeting held on April 20, 2017 and will finish its mandate with the approval of the financial statements as at December 31, 2019 by the Shareholders' Meeting.

The legal review of EI Towers S.p.A. accounts (accounting of the balance sheet and the consolidated financial statements and limited auditing of accounts of the half-year report) was assigned to Deloitte & Touche S.p.A. for years from 2013 to 2021.

***

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 2017 the Board:

- attended two Shareholders' Meetings;

- attended the meetings of the Control and Risks 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;

- attended, with the Directors, the initiatives to learn in more detail about the business of the Company and the sector in which it operates;

- completed the verification required by law, 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 2, 2017 evaluated the organizational, administrative and accounting system to be sufficiently structured;

- 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 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 the 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;

- approved the assignment to issue certification, as established by current legislation, of the Non-Financial Statement to Deloitte & Touche S.p.A.;

- met the members of the Board of Statutory Auditors of the subsidiaries Towertel S.p.A., Nettrotter S.r.l. and EIT Radio 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;

- assessed the compliance with the Company’s interests of the intercompany transactions and the transactions with related parties, and for the latter their congruity; the characteristics and the parties involved; the effects of these transactions are adequately explained in the financial statements, to which the Board refers;

- specifically monitored, with reference to the above, the compliance of the procedure adopted by the Company, in compliance with the Regulation issued by Consob;

- 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.

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 Auditors have monitored the Financial Disclosure process pursuant to article 19 of Legislative Decree no. 39/2010, as well as the Non-Financial Reporting process and compliance with the provisions of Legislative Decree no. 254/2016. During the performance of the monitoring activities described above, no significant facts emerged such as to require reporting or mention in this report.

Relations with audit firm Deloitte & Touche S.p.A. took the form of periodic exchanges of information pursuant to article 2409-septies of the Italian Civil Code and article 19 of Legislative Decree no. 39 of January 27, 2010.

The Audit Firm informed us of the checks performed, as provided for by article 155, paragraph 2 of Legislative Decree no. 58/1998, and informed us that no reprehensible facts or irregularities had emerged such as to require reporting to the supervisory bodies and the Regulator. The Audit Firm also send us the supplementary report pursuant to article 11 of EU Regulation 537/14, the conclusions of which are consistent with the above.

The Audit Firm on March 29, 2018 issued its reports on the Financial Statements and the Consolidated Financial Statements as at December 31, 2017 without qualifications. Such reports issued pursuant to article 14 of Legislative Decree no 39/2010 state that the Financial Statements and the Consolidated Financial Statements for the year, prepared pursuant to the IAS/IFRS International Accounting Standards in effect on December 31, 2017, issued by the International Accounting Standards Board and adopted by the European Union, are in compliance with the provisions issued in the implementation of 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 for the year ended on December 31, 2017. In addition, in the judgement of the Statutory Auditors, the Management Report and the information referred to in paragraph 1, letters c), d), f), l), m) and in paragraph 2, letter b), of article 123 *bis*, of the Consolidated Law on Finance, contained in the Report on Corporate Governance, are consistent with financial statements and in compliance with the law. The Non-Financial Statement drawn up pursuant to Legislative Decree 254/2016 was examined by Deloitte & Touche S.p.A., which today issued its limited audit report without raising any exceptions.

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, reckless and in potential conflict of interest such as to compromise the integrity of the company's assets;

- compliance of the Group's activities with Law 262/2005.

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 development process of the privacy management system of EI Towers Group also through training initiatives for Managers and Persons responsible for data processing, the implementation of the Privacy Portal, and the introduction of the process to align the privacy management system with the new EU regulatory framework.

From the activities performed by the Supervisory Board (SB), 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 approved in its current form by the Board of Directors on July 25, 2017.

The Board of Statutory Auditors acknowledges that, on March 22, 2018, 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 and art. 123 *ter* of Legislative Decree no. 58/1998 and as proposed by the Compensation Committee, approved the Compensation Report, resolving to submit the first section of such Descriptive Report, which includes the Compensation Policy for Directors and Executives with strategic responsibilities, for approval by the General Meeting.

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, 2017, 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 provision 23117 of December 14, 2011 with which the Authority authorized the EI Towers S.p.A. – DMT S.p.A. merger of January 2, 2012).

The current Board of Directors, appointed by the Shareholders Assembly on the 21 April 2015 until the Meeting that will be held to approve these financial statements, 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*, paragraphs 3 and 4, of Legislative Decree no. 58/1998.

With reference to the significant events for the year 2017, described in the same section of the Directors' Report, the Auditors noted that:

- on January 12, 2017, the General Meeting of EI Towers S.p.A., which was attended by the Board of Statutory Auditors, 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 Euro 99.7 million. On April 20, 2017, the General Meeting of EI Towers S.p.A. resolved to distribute an ordinary dividend of Euro 1.80 per share, as proposed by the Board of Directors' Meeting held on May 4, 2017; on May 24, 2017, the dividend was paid to the shareholders, amounting to a total of Euro 49.4 million;
- during 2017, growth by acquisition continued with acquisitions of shareholdings and assets relating to the Group's typical activities;
- on October 30, 2017, a financing contract was stipulated for a total amount of Euro 270 million, with the aim of repaying the existing Eurobond and also of providing support for operating management (four-year duration, repayment in one instalment, without security), which establishes a financial covenant to maintain consolidated financial leverage at a level no higher than 3.25;
- the share buyback programme was completed in 2017.

As reported in the paragraph in the Directors' Report referring to major events occurring after the end of financial 2017, we draw your attention to the following:

- on March 16, 2018, there was a fine-tuning of the previous agreements between the Company and Cairo Network S.r.l. that reflects, among other things, greater participation in the enterprise risk of Cairo;
- the renewal by the Company of the long-term full-service contract for the provision of hosting, assistance and maintenance services with parent company Elettronica Industriale S.p.A. The operation, subject to disclosure to the market, qualifies as a significant transaction between correlated parties for which the Company had recourse to the exemption provided by article 13, paragraph 3, letter c) of the Consob Regulation on Transactions with Correlated Parties no. 17221 of March 12, 2010.

* * *

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. 16 of the Market Regulations adopted by Consob resolution no. 20249 of December 28, 2017.

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,

• does not have a centralised treasury relationship with Mediaset,

• 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 16 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., Multireti S.r.l. (acquired on December 15, 2017), and Nettrotter S.R.L. of which it owns 95% of the share capital.

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, amounting to Euro 47.1 million, which is consistent with the dividend policy approved by the Board of Directors on July 26, 2016, nor has it any 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 transactions. With regard to transactions with correlated parties, in the Directors’ Management Report, to which we make reference, regarding the periodic disclosures issuers are required to make pursuant to Consob Resolution no. 17221 of March 12, 2010 (article 5, paragraph 8 of the Regulation containing provisions on transactions with correlated parties), we report that on October 30, 2017, EI Towers S.p.A. entered into a syndicated loan contract worth Euro 270 million, disclosed to the market on September 26, 2017, of which a nominal amount of Euro 30 million is provided by Mediobanca – Banca di Credito Finanziario S.p.A., a correlated party of EI Towers S.p.A.

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 Separate and Consolidated Financial Statements.

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 Management 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, 2017.

4. The Independent Audit Firm Deloitte and Touche S.p.A., which the Board of Statutory Auditors regularly met and with which it exchanged information during the year, issued on March 29, 2018 its Reports on the Financial Statements and the Consolidated Statements as at December 31, 2017, without raising any issues, and on the consistency of the Directors' Reports with the financial statements themselves and their compliance with the law, also indicating the approval by the Board of Directors of the Non-Financial Statement; it also issued, with a separate report, the certificate of compliance of the Non-Financial Statement with Legislative Decree no. 254/2016.

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 Board received evidence of the recording in the Company's accounts of the following fees recognised as payable to Deloitte & Touche S.p.A., as set out below:

Audit Services:

- Deloitte & Touche S.p.A.	EI Towers S.p.A.	Euro 125.486
- Deloitte & Touche S.p.A.	Subsidiaries	Euro 95.858

Certification Services:

- Deloitte & Touche S.p.A.	EI Towers S.p.A.	Euro 56.014
- Deloitte & Touche S.p.A.	Subsidiaries	Euro 3.014

Certification services refer to audit work on the annual Non-Financial Report and Fiscal Model certification services.

Deloitte & Touche S.p.A. provided a special statement in which it states that no situations exist such as to affect its independence or be the cause of incompatibilities8. During the year the Board of Auditors expressed the opinions in accordance with law and the Corporate Governance Code adopted by the Company.

9. During the year, nine (9) meetings of the Board of Directors, 12 (twelve) meetings of the Board of Statutory Auditors, 10 (ten) meetings of the Control and Risk Committee, 5 (five) 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 Independent Audit

Firm 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, with reference to fiscal 2017, did not reveal any evidence of it not being suitable to provide an acceptable overall risk profile, as also determined in the meetings of the Control and Risk Committee, which were attended by the Statutory Auditors. On March 23, 2017, the Board of Directors, after receiving a favourable opinion from the Control and Risks Committee, approved the updating of the Guidelines for the Internal Control and Risk Management System of EI Towers Group and the updating of the *Enterprise Risk Management Policy.*

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 benchmark model for overseeing the internal control and risk management system. 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 assessed the adequacy of the accounting system and its reliability in correctly representing management. With reference to the statements contained in the Annual Report and Consolidated Financial Statements as at December 31, 2017, 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 procedures for the "preparation" and "disclosure" of financial information and, therefore, assesses such process as adequate and believes there are no remarks to be submitted to the Shareholder’s meeting, nor does it have any comments to make with regard to compliance with the provisions of Legislative Decree no. 254/2016.

14. We have no comments about the adequacy of the information flow by subsidiaries 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. 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. 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, 2017 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. 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 20, 2017, the Shareholders' Meeting resolved to authorize the purchase, until the meeting approving the financial statements as at 31 December 2017, 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. During the period from January 1, 2018 to March 22, 2018, the day of the Board of Directors approved the Draft Balance sheet at December 31, 2017, the Company has bought no treasury shares. The subsidiaries do not hold any shares of the Company. With the approval of the financial statements as at December 31, 2017 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. At today there were no stock options granted to employees.

Lissone, March 29, 2018

THE BOARD OF STATUTORY AUDITORS

Antonio Aristide Mastrangelo

Francesca Meneghel

Riccardo Perotta

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its 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 no. 38/05.

Basis for Opinion

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

Key Audit Matters

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

Impairment Test of Goodwill and Equity Investment

Description of the Key Audit Matter

The financial statements for the year ended December 31, 2017 include goodwill allocated to the "cash generating unit" (CGU) Tower, for Euro 362 million, equal to approximately 43% of the total assets. The goodwill, as required by IAS 36 "Impairment of Assets", is not amortised, but is tested for impairment at least annually.

Moreover, the financial statements include investments in subsidiaries recognized at cost for Euro 108 million and non-current financial receivables from the same subsidiaries for Euro 139 million, which in total correspond to approximately 29% of the balance sheet assets. In order to verify the recoverability of these assets, the Company subject their value to specific impairment tests, in the broader context of the tests carried out at the level of the Tower CGU, to which the investments in subsidiaries are also allocated.

The impairment tests are carried out by comparing the recoverable amount - determined according to the value in use method - and the book value that, for the purposes of the impairment test of goodwill, also includes the other assets allocated to the CGU.

The evaluation process carried out by the Management is complex and is based on assumptions regarding, among others, the forecast of expected cash flows of the CGU and the determination of an appropriate discount rate (WACC) and long-term growth (g-rate).

For the determination of the recoverable amount, the Company referred to the projected cash flows for the year 2018 included in the last multi-year plan approved by the Board of Directors, and to the medium-term forecasts for the period 2019-2022 prepared for the impairment test purposes, which was approved by the Board of Directors on February 22, 2018. The cash flow forecast is based on assumptions influenced by future expectations and exogenous variables, among which the evolution of the market, including regulation, is significant, as are the discount rates and long-term growth rates.

Given the materiality of the amount of goodwill, equity investments and non-current financial receivables included in the financial statements, the subjectivity of the estimates relating to the determination of the cash flows of the CGU and the key variables of the impairment model, we considered the impairment test a key audit matter.

Comment notes 8.2, 8.4 and 8.5 on the main asset items of the financial statements as at December 31, 2017 include the disclosures on goodwill, equity investments, non-current financial assets and on the impairment test, including a "sensitivity analysis" which illustrates the effects of changes on the discount rate and the growth rate on the recoverability of the assets. The paragraph "impairment of assets", in chapter 4 of the introductory part to the explanatory notes, shows the estimates and the criteria adopted for the purposes of the impairment test.

Audit procedures

As part of our audit, we have carried out, among others, the following procedures, also with the support of experts:

- Analysis of the methods used by the Management to determine the value in use;
- Assessment of compliance of the procedures implemented by Management for the impairment test with applicable accounting standards;
- Observation and understanding of relevant controls carried out by the Company on the implementation of the impairment test;
- Reasonability analysis of the main assumptions adopted for the cash flow forecasts, also by means of sector data analysis and collection of relevant information from the Management;
- Analysis of actual values, compared with the original plans, in order to understand the nature of variations and the reliability of the budgeting process;
- Assessment of the reasonableness of the discount rate (WACC) and the growth rate (g-rate);
- Assessment of the mathematical accuracy of the model used to determine the value in use;
- Assessment of the correct determination of the carrying amount of the CGU;
- Assessment of the sensitivity analysis prepared by the Management and development of independent sensitivity analysis;

- Assessment of compliance with IAS 36 over the information disclosed by the Company with reference to the impairment test.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of EI Towers S.p.A. has appointed us on April 18, 2013 as auditors of the Company for the years from 2013 to 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of EI Towers S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of EI Towers S.p.A. as at December 31, 2017, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of EI Towers S.p.A. as at December 31, 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of EI Towers S.p.A. as at December 31, 2017 and are prepared in accordance with the law.

Deloitte.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 29, 2018

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