



2017 ANNUAL REPORT

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Retelit S.p.A. Separate Financial Statements at December 31, 2017

THE COMPANY

Retelit is a leading Italian provider of data and infrastructure services to the telecommunications market and has been listed on the Milan Stock Exchange since 2000, joining the STAR segment on September 26, 2016.

The Company's fiber optic infrastructure covers over 12,500 kilometers (equivalent to approx. 231,000 km of fiber-optic cables, of which 67,000 located in MAN), connecting 9 Metropolitan Area Networks and 15 Data Centers across Italy.

The Retelit network also extends beyond Italy through a pan-European ring with PoP's in Frankfurt and London. The Company also reaches the main European telecommunications hubs, including Amsterdam and Paris. Retelit is a member of AAE-1 (Asia-Africa-Europe-1), the submarine cable system connecting Europe to Asia through the Middle East, reaching 19 Countries, from Marseilles to Hong Kong,

owning a landing station in Bari. Since February 2017, the Company has been part of the Open Hub Med project, a Sicilian Consortium for the Mediterranean Digital Telecommunications Node.

These valuable assets make Retelit a perfect technological partner for TLC and ICT operators and companies, providing on-demand a complete range of high-quality, reliable and secure solutions. Services range from ultra-broadband fiber optic Internet connection to the Cloud and network and VPN services to colocation solutions, with over 10,500 square meters of equipped and secure fiber optic connected spaces, for the outsourcing of Data Center services and the satisfaction of disaster recovery and business continuity needs.

Retelit's Carrier Ethernet services are in addition Metro Ethernet Forum (MEF) certified.

ISO
9001

ISO
14001

ISO
27001

CE
MEF
CERTIFIED

ENVIRONMENTAL
POLICY

VISION

ICT as a Service as a key element in the business models of successful enterprises.



MISSION

Being the reference partner to our Clients and driver of a system aimed at creating value through virtualisation, supported by broadband connectivity services and Data Centers and the development of innovative Cloud business solutions.



VALUES



Quality: qualified services and personnel with a continual focus on ensuring unmatched performances and complete reliability.

Speed: grant immediate feed-back to external and internal requests ahead of competitors.

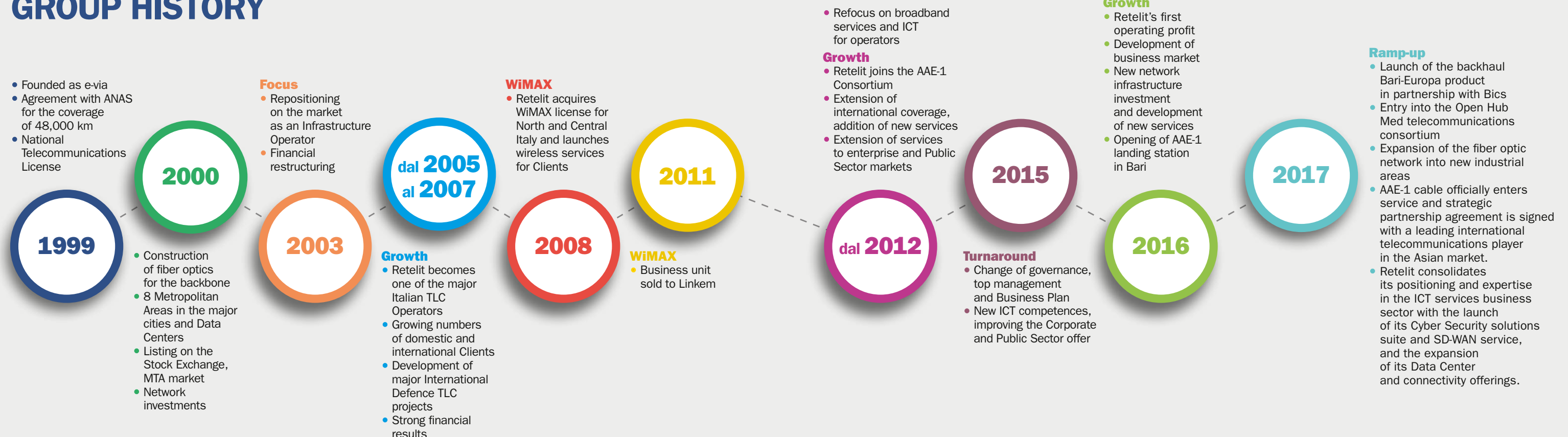
Innovation: continual research and the adoption of cutting-edge solutions and technologies to ensure services which are always one step ahead of the market.

Excellence: talent and passion for unmatched quality which sets our Team apart from competitors.

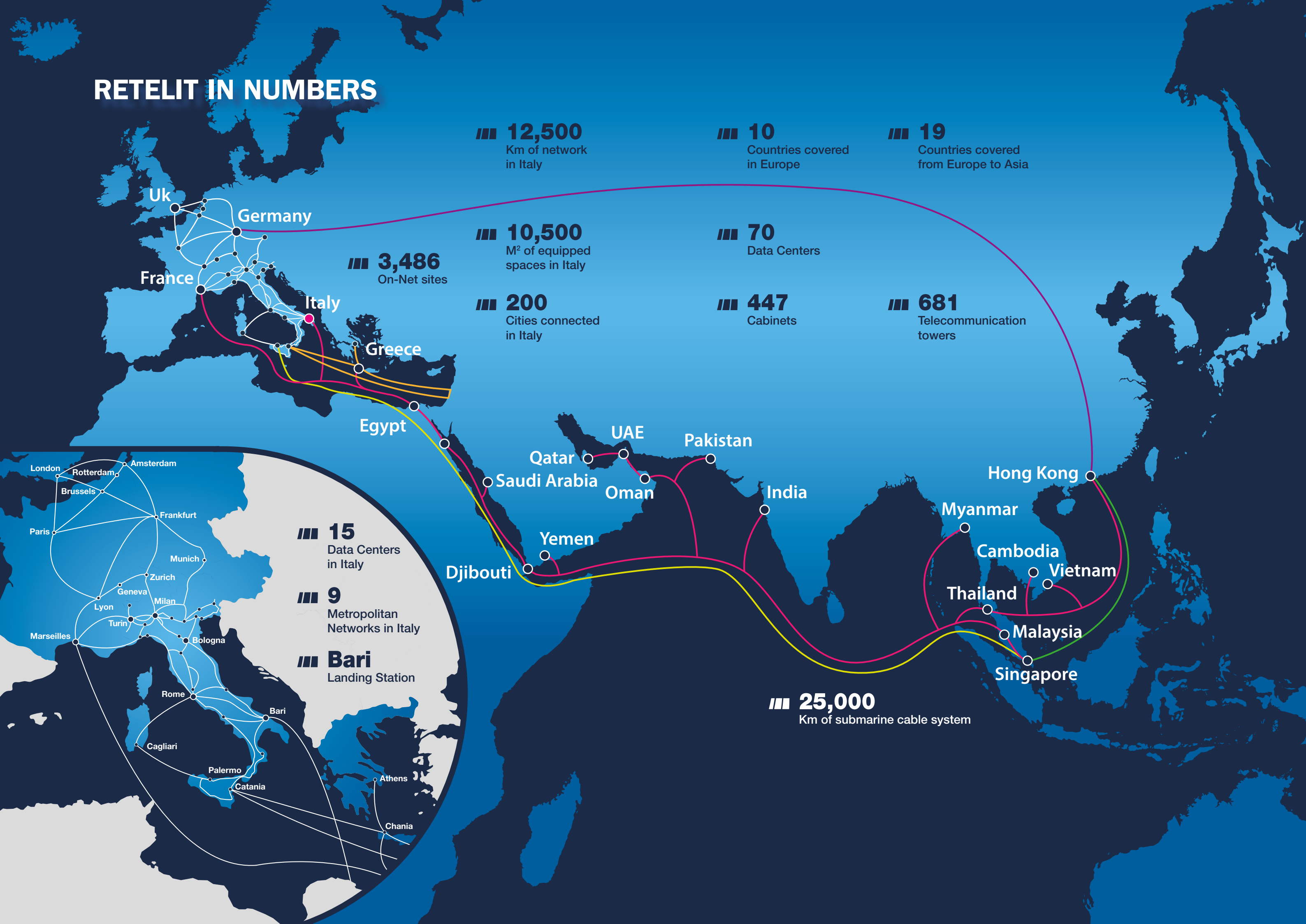
Efficiency: continual focus on the operating environment to ensure optimal use of resources.

Competition: comparison with the market as the only measure of success.

GROUP HISTORY



RETELIT IN NUMBERS



Uk

Germany

France

Italy

Greece

Egypt

UAE

Pakistan

Qatar

Saudi Arabia

Oman

India

Yemen

Djibouti

Hong Kong

Myanmar

Cambodia

Vietnam

Thailand

Malaysia

Singapore

London

Rotterdam

Amsterdam

Brussels

Frankfurt

Paris

Munich

Zurich

Geneva

Lyon

Turin

Milan

Marseilles

Bologna

Rome

Bari

Cagliari

Palermo

Catania

Athens

Chania

15
Data Centers
in Italy

9
Metropolitan
Networks in Italy

Bari
Landing Station

25,000
Km of submarine cable system

12,500
Km of network
in Italy

10
Countries covered
in Europe

19
Countries covered
from Europe to Asia

10,500
M² of equipped
spaces in Italy

70
Data Centers

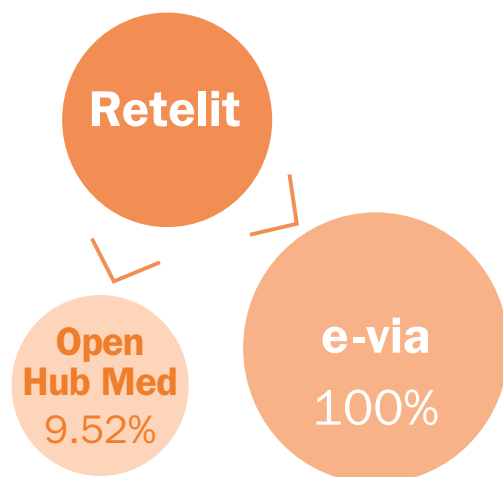
200
Cities connected
in Italy

447
Cabinets

681
Telecommunication
towers

3,486
On-Net sites

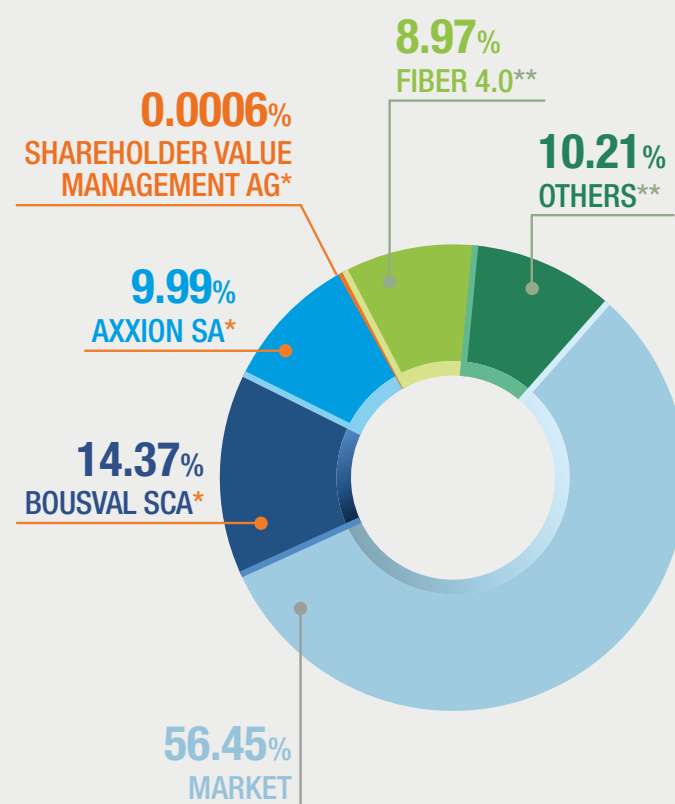
STRUCTURE



The Group, headed by Retelit S.p.A. as the holding, comprises the following companies (hereafter collectively "the Group"):

- Retelit S.p.A., incorporated on August 31, 1999, with registered office in Milan, viale Francesco Restelli 3/7 and a share capital of Euro 144,208,618.73 fully paid-in, is listed on the MTA organized and managed by Borsa Italiana S.p.A.;
- e-via S.p.A., incorporated on June 29, 1999, with registered office in Milan, viale Francesco Restelli 3/7 and a share capital of Euro 109,173,233 fully paid-in, is wholly-owned by Retelit.

SHAREHOLDERS



* Shareholder's agreement between Bousval SA, Axxion and Shareholder Value Management

** Shareholder's agreement between Fiber 4.0 and other

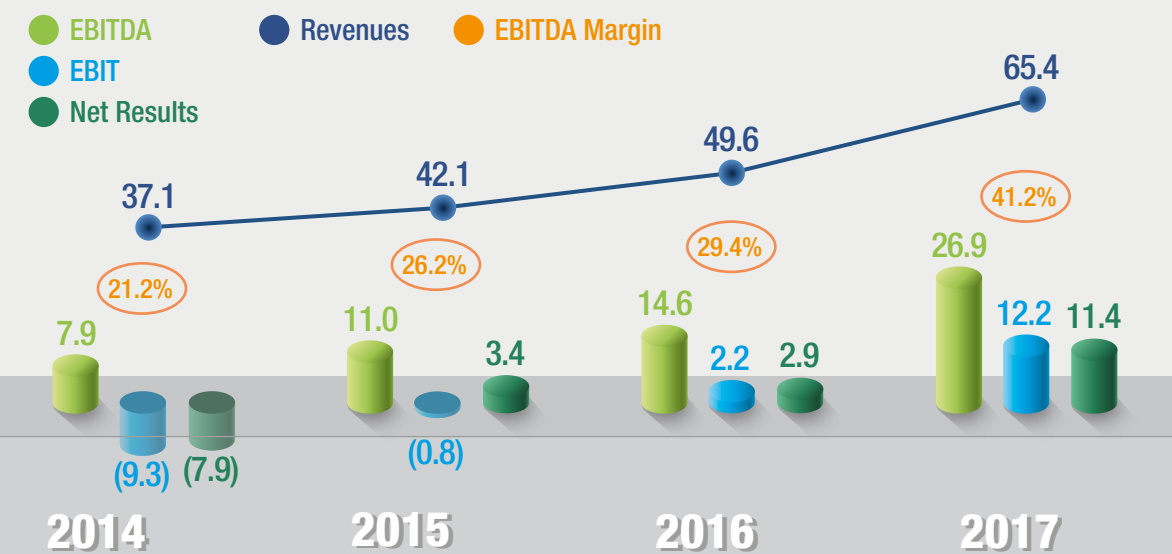
SHARE PERFORMANCE

Retelit S.p.A. has been listed on the MTA market of the Italian Stock Exchange since 2000 and on September 26, 2016 joined the STAR segment. The share price rose 45.4% in 2017, outperforming the FTSE MIB index by 33.7%. The share's high was Euro 1.707 on December 28, 2017, with a low of Euro 1.054 on February 24, 2017. The average volume traded in 2017 was approx. 1,644,900 shares (more than double the 2016 daily average of 627,579). The Group market capitalisation at 31/12/2017 was Euro 273.5 million.

KEY FINANCIAL HIGHLIGHTS

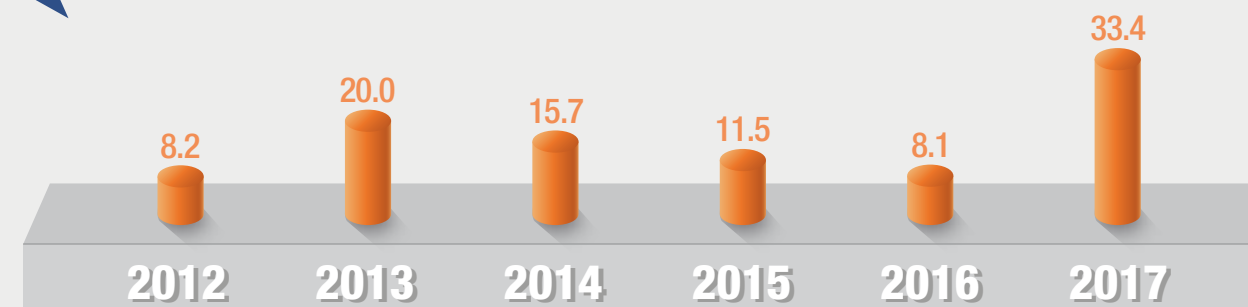
Revenues, EBITDA, EBIT & Net Result

(millions of Euro)



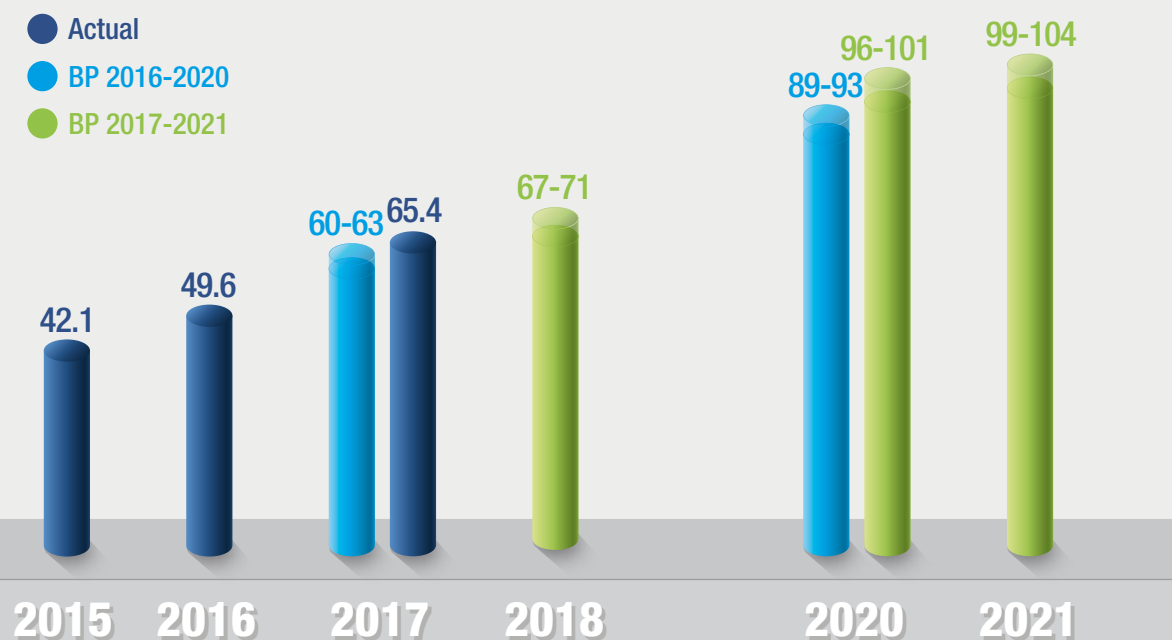
Consolidated Positive Net Financial Position (NFP)

(millions of Euro)



Business Plan - Revenues

(millions of Euro)



GOVERNANCE

BOARD OF DIRECTORS

Dario Pardi	Chairman	Nicolò Locatelli	Director
Valentino Bravi	Vice Chairman	Laura Guazzoni	Independent Director
Federico Protto	Chief Executive Officer	Annunziata Magnotti	Independent Director
Stefano Borghi	Director (resigned on 13.02.2018)	Laura Rovizzi	Independent Director
		Carla Sora	Independent Director

INDEPENDENT AUDITING FIRM
Deloitte & Touche S.p.A.

CLIENT SEGMENTS



INTERNATIONAL WHOLESALE

Retelit is the preferred partner for the office connection (B-end) needs of international operators in Italy. Based on its capillary infrastructure and Ethernet protocol transport services, international operators can connect their Client's offices in Italy to their international VPN network. Retelit's international vocation is evident in its presence at the major European telecommunication hubs (Frankfurt, London, Amsterdam, Paris, Marseilles) and involvement in the AAE-1 project (Asia-Africa-Europe-1), thanks to which Retelit through a submarine connection reaches 19 countries from Marseilles to Hong Kong.

MANAGEMENT



DARIO PARDI
Chairman of the Board of Directors



FEDERICO PROTTO
Chief Executive Officer and General Manager



**ANTONIO
BALDINI**
IT



**ANTONIO
VERCALLI**
Procurement,
General Services
and Quality



**ENRICO
MONDO**
COO



**FABIO
BORTOLOTTI**
CFO



**GIADA
DI CESARE**
Human Resources



**GIUSEPPE
SINI**
Head of Retelit
International BU



**ROBERTO
LEONI**
Operations



DOMESTIC WHOLESALE

Retelit is the go-to solution also for the Italian wholesale market, particularly for its infrastructural (Ducts and Dark fiber networks) and data transmission offers, in particular Ethernet connectivity with new generation (Carrier Ethernet MEF) fiber optic carriers.

The Group continually satisfies the fiber optic demand of this market, constantly developing its network to serve the distribution points of mobile and WISP operators seeking to extend their broadband wireless coverage to be subsequently transported through fiber. Leveraging on its know-how and execution speed, Retelit has established itself as the preferred infrastructural partner for large players requiring turnkey solutions for their network access projects.



BUSINESS

Enterprises and the Public Sector rely on the consolidated skill-set of Retelit in the telecommunications sector for the upgrading and improvement of their ICT systems. In particular, Retelit has the capacity to execute projects with innovative and cutting-edge solutions which satisfy the most demanding expectations of Clients, creating value for their businesses. Retelit's ad hoc projects deliver specific standards or solutions designed to meet exacting Client demands on the basis of agreements and partnerships with a range of national and international operators and system integrators, entirely channelled through a single contact point. Retelit seeks to become a digital enabler for all organisations developing "Industry 4.0" Digital Transformation projects. As encapsulated in the Group's mission to "create value through virtualisation, guaranteed by broadband connectivity services and Data Centers and the development of innovative Cloud business solutions" Retelit sees itself more as a partner than a supplier within an ecosystem of enterprises focused on innovation.

INFRASTRUCTURE SERVICES



EXPERIENCE AND RELIABILITY

Retelit's proprietary infrastructure, a distinguishing aspect of the Group, stretches for 12,500 km across Italy, connecting the major cities, the national, provincial and municipal road networks and the most populated areas on the Italian Peninsula. Nearly 231,000 kilometers of fiber optic cables extend across 9 MAN (Metropolitan Area Network): Milan, Rome, Turin, Padua, Bologna, Reggio Emilia, Treviso, Naples and Bari. The proprietary network, which has been developed over twenty years, connects the major technological and industrial hubs and the main facilities of national and international telecommunications operators. The Retelit network goes beyond national boundaries: from the European PoP's in Marseilles, Frankfurt and London, the Group provides connectivity, transmission and network services to all operators who need to connect their facilities or customers to and from Italy. Retelit is a member of the Asia-Africa-Europe-1 (AAE-1), the submarine cable system that connects Europe to Asia through the Middle East at high speed and low latency via 19 landing points. Retelit infrastructure is flexible and scalable: its ringed structure offers multiple, differentiated and redundant paths which guarantee security and reliability. With over twenty years' experience on the wholesale market, Retelit boasts commercial agreements with major telecommunications, carrier and OTT operators.



DARK FIBER

Along urban and suburban main lines in Italy, as part of the Metropolitan Area Network, Retelit puts its dark fiber infrastructure at the service of companies and operators. To light the fiber, Retelit is able to accommodate customers' optoelectronic devices on its sites throughout its own network, granting an Indefeasible Right of Use, ordinarily for 10-15 years, with maintenance for the whole period, or rental of one or more fiber pairs.

DUCTS

Retelit's ducts infrastructure runs along highways and national roads reaching all major urban areas. One benefit of this system, both in terms of structure and implementation, is the possibility of inserting the optical cables by the cable jetting method. This method allows faster and easier insertion and minimizes the risk of damage to the cable.



CONNECTIVITY

Retelit's flexible, modern and secure network guarantees quality connectivity services with transmission capacities that can vary according to the needs of businesses and diversification levels.

Dedicated Circuits

Retelit's dedicated network transmission service is based on SDH and WDM technologies: the service provides a point-to-point digital line between two locations, ensuring constant bit rate packet transport from the sender to the recipient with exclusive use of the network. The commissioning bandwidth capacity can range from 64 Kbps and 2 Mbps to 40 Gbps with different protection and diversification modes and 100% guaranteed bandwidth.

Carrier Ethernet

In recent years, the Ethernet protocol has become an ever more popular connectivity solution for both LAN and WAN. It is a flexible and scalable technology, which offers high-performance point-to-point and multi-point connections with high bandwidth capacity. The Carrier Ethernet connectivity service transparently delivers from 10Mbps up to 100 Gigabit Ethernet (10 Gbps) via optical fiber with different protection and diversification modes. The quality and performance of the Carrier Ethernet service comply with international MEF 2.0 standards and are designed to adapt over time to increasingly complex applications and technologies.

Ethernet First Mile

The Ethernet First Mile service offers all the advantages of an Ethernet connection without the need to create new fiber infrastructure or modify technology in use. A range of options allows the creation of a dedicated network with technologies such as VDSL2 (Very High Speed DSL) with FTTC and FTTH architectures.

Wireless

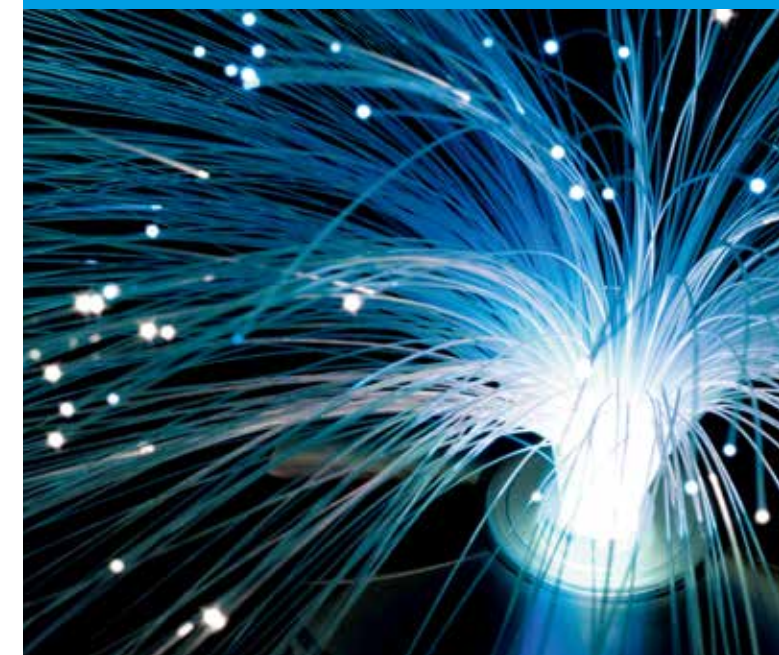
The Wireless solution offers a broadband connection in otherwise unreachable remote areas. The connection is implemented via radio frequency and by Ethernet access networks on carrier radio with licensed

TELECOMMUNICATIONS SERVICES



HIGH-CAPACITY DATA TRANSMISSION WITH GUARANTEED BANDWIDTH

Retelit's portfolio of data solutions meets telecommunications and high-capacity transmission needs with guaranteed bandwidth. Retelit telecommunications services are the ideal solution for creating private networks, virtual private networks and point-to-point connections. Retelit, a leading operator in the telecommunications sector in Italy, is recognized as unique due to its great flexibility in designing customized ICT solutions for the wholesale world of operators, domestic and international carriers and medium-large companies. From core business components connected to its owned infrastructure to associated network and connectivity solutions, Retelit responds rapidly and flexibly to customer needs by creating highly competitive and efficient customized solutions.



frequency in point-to-point mode and has guaranteed symmetric capacity. To date, Retelit provides 84% coverage of the Italian provinces, with 1,300 active access and transmission sites nationally and 312 optical fiber interconnected PoP's.

SD WAN

The ideal solution for cross-site connectivity and hybrid network management, Retelit's Software Defined Wide Area Network (SD WAN) service focuses on resolving network inefficiencies through centralized control of the entire network and identification of optimal routing options for efficient traffic management. In identifying the best routes for data routing, the smart SD WAN architecture can select lower cost lines and enhance information and content transmission performance.

Virtual Private Network

The VPN solution is the most secure way of interconnecting various corporate facilities. The Virtual Private Network allows the creation of an intranet that connects the facilities of the company or the company to a Data Center. The two network options are: VPLS, for geographical networks with level 2 Ethernet protocol and MPLS, for a level 3 network to a single user in the company. Both solutions are among the most reliable, scalable and flexible VPN technologies, while their differences support the architectural choices of each business.

Voice

Retelit's suite of voice services is structured to respond flexibly to the communication needs of single and multi-site companies. The aim is to guarantee a dedicated voice network and high quality of service at low cost. The suite includes:

- a voice service based on the latest VoIP technology that, in combination with the Retelit fiber connection, guarantees quality and high performance at a competitive cost. The VoIP Gateway technology converts telephony traffic and transmits it over a data network, using all the advantages of high speed networking;
- a fax server for sending and receiving faxes, managed directly via e-mail. The virtual fax service avoids the need for a dedicated line and fax machine and increases operational efficiency;
- a virtual PBX that provides companies with a switchboard service in the Cloud.

RETELIT'S NETWORK IN THE WORLD

Together with 19 of the major global telecommunications operators, Retelit has constructed the AAE-1 latest generation submarine cable system connecting Europe to the Far East by way of Africa, the Gulf countries and South Asia. The cable ensures the connection of all major countries of Asia, Africa

and Europe by connecting each point to the major telecommunications gateways from Marseilles to Hong Kong and Singapore. It is a low-latency infrastructure that offers a flexible connectivity service, with bandwidth capacity from 10 Gbps to 100 Gbps, and a range of connection solutions.

Bari, the Mediterranean Telecommunications Hub

Due to its location at the very heart of the Mediterranean, and thanks to the availability of Retelit's optical fiber network and the potential of the AAE-1 system, Bari now places first in terms of speed and latency in Europe and the Far East and is a strategic and alternative landing station for Eurasian traffic.

International Connectivity

International agreements and infrastructure investment have allowed Retelit to develop an increasingly widespread fiber optic network throughout Italy and internationally. The establishment of two European PoP's in Frankfurt and London have contributed to this development, acting as access points for the supply of traditional and new international Carrier Ethernet connectivity services. To date, thanks to its assets and their value, Retelit has been able to comfortably respond to growing bandwidth demands at an international level. European backhauling services, the AAE-1 submarine cable, Carrier Ethernet services and international dedicated networks offer a wide range of solutions and access points in the world, while delivering high performance standards and bandwidth guarantees. This ensures the provision of a set of services – thanks to a network of diversified land and sea routes – that offer operators and service providers new infrastructural opportunities to meet the needs of their end customers.

Bari-Europa Backhaul

The innovative, high capacity, low latency service launched by Retelit in partnership with BICS, offers a new digital route connecting with Europe. By connecting network infrastructures in Italy and in Europe, the European backhaul service is designed to meet the ever-increasing de-

mand for connectivity to Europe. A service that offers connectivity across the whole of Europe, with strategic nodes starting in Bari and connecting with diversified routes Frankfurt, Amsterdam, London, Paris and Marseilles. An alternative route, in alliance with the submarine cable, connects Singapore and Hong Kong, passing through Bari to reach the rest of Europe. Retelit's Italian AAE-1 landing station in Bari in this scenario plays a fundamental role as a connecting point between the sea and land networks.

INTERNET

The service offers dedicated Internet access based on ultra-fast fiber connectivity, a solution that guarantees the best performance on the market, with maximum flexibility and a wide range of additional services. The Internet access has 100% guaranteed bandwidth with speeds from 2 Mbps to 10 Gbps.

IP Transit

Thanks to Retelit's Internet access solution, Service Providers and Operators can take advantage of network access with 100% bandwidth guarantee. The fast, flexible and stable service provides access to the various IP backbones that link Retelit's PoP's to domestic and international Internet networks. The solution is delivered by traditional IPv4 stacks or dual IPV4 and IPV6 stacks, ensuring maximum performance especially in terms of latency.

Remote Peering

The remote peering service provides Operators and Service Providers with direct access to the main Internet eXchanges (IX). Partnerships established and consolidated over the years allow Retelit to offer a highly efficient service with minimal investment, connecting to all major Italia IXP's. Remote peering facilitates high performance and bandwidth capacity, as well as the identification of alternative routes for Internet traffic, with minimal investment. Connected IX in Italy: Milan Internet eXchange (MiX), Nautilus Mediterranean eXchange (NaMeX), TOrino Piemonte Internet eXchange (TOP-IX), VSIX Nap del Nord Est.



DATA CENTER & CLOUD SERVICES



SPACES AND SECURITY IN WRETELIT'S PROPRIETARY DATA CENTERS

Retelit's optical fiber infrastructure includes a network of 15 Data Centers distributed across Italy. Highly customizable in terms of space and solutions, Retelit's Data Centers offer advanced technology housing and colocation capabilities. The facilities are equipped with dual access optical fiber, air conditioning systems and redundant electrical protection systems, which guarantee the absolute continuity of service in the case of faults and unforeseen circumstances Retelit Data Center:

- premium: Milan, Bergamo, Bologna, Rome
- standard: Bari, Alessandria, Brescia, Genoa, Modena, Viterbo, Naples, Savona, Turin, Treviso, Verona

//// HOUSING & COLOCATION

The solutions offer the rental of racks and spaces in Retelit's fully equipped, professional Data Centers. With the latest and most suitable technology in terms of efficiency and security, the Retelit proprietary facilities can offer backup in secure and redundant Data Centers.

//// CLOUD

The combination of the strength, stability and high performance of Retelit's own Data Centers and network, together with the most innovative hyper-convergence and virtualization technologies on the market offer a solid mix of modular solutions. Retelit's Cloud services allow businesses to surpass the limits and costs of traditional infrastructure solutions to ensure robust scalability and a high degree of flexibility and elasticity and offer a wide range of the most innovative Cloud solutions with Software-Defined Data Center logic and architectures.

Virtual Data Center

The service guarantees the full autonomy of computational and network resources, security and access resources and virtual machine templates. The demand from companies for independence in managing their business activities is a focal point of the service, along with enhanced data security, protection and performance, with replication on two separate Data Centers in Italy.

Cloud Connect

The Cloud Connect service combines Retelit's experience and infrastructure in offering a direct link to the world's leading Cloud Service Providers. Distinguished by flexibility, performance control and cost efficiency, the Retelit Cloud Connection service facilitates companies in their digital transformations, integrating a range of services, from guaranteed bandwidth fiber optic connectivity to various IP services, providing a single partner with complete visibility of the quality of delivered services.

Cloud Storage

Retelit's Cloud Storage service provides a data storage solution that allows compa-

nies to optimize costs while maintaining the highest levels of security and protection. A flexible solution that offers reliable and straight-forward on-demand access to data storage, ensuring data integrity and security, operational continuity, flexible and scalable architecture.

Cloud Backup

Backup & Recovery solution offers businesses backup and storage of proprietary data and resources within a virtual environment. The service is designed to guarantee businesses secure, long-lasting and reliable backup storage, ensuring maximum efficiency and autonomy without the need to purchase local resources. The Backup & Recovery solution can be combined with Retelit's data storage and Virtual Data Center solutions.

Disaster Recovery

Retelit's Disaster Recovery solution is based on the Cloud replication of infrastructures and data to guarantee the standards of recovery required by business needs. With Retelit's Disaster Recovery solution, businesses can enjoy the advantage of significantly optimizing business expenses by adopting resources that only have an economic impact on activation of the Disaster Recovery Plan, thus avoiding infrastructure and software investments that, in the best of scenarios, may never actually be called upon.

//// INFORMATION SECURITY

Retelit's business IT security solutions offer a complete and flexible range of services to protect business networks.

Perimeter Security

The Perimeter Security service is designed for businesses wanting total autonomy in network defense management. Retelit's solution can be Cloud or own-premises delivered with the use of advanced firewall devices.

Security Operation Center

The Security Operation Center Service is a comprehensive and fully integrated solution of network management entrusted to

Retelit as Managed Security Service Provider. Retelit fully supports the business from design to management in 4 main phases: design, with specialists that analyze business needs and determine the most suitable technology solution; activation, with the physical and logical configuration of all necessary components; management where the dedicated SOC takes care of change management activities and recoveries from any faults; reporting.

Cyber security control room

The platform allows businesses to have a support infrastructure that maintains constant and proactive monitoring of the business network. The solution allows security system management outsourcing with the guarantee of protection from threats by the monitoring and prevention of potential cyber attacks. The service is delivered in two ways: management of diverse IT security components and proactive monitoring of business network and asset security. The service includes: Security Audit, Penetration Test, Ransomware Protection, Digital Forensic, Data Breach Management and DDoS Mitigation solutions.

//// APPLICATION PERFORMANCE MONITORING

Retelit's Application Performance Monitoring (APM) differs from more traditional solutions in its real-time and real user experience analysis. The totality of transaction and of users, wherever and however they are connected, forms the basis for assessing the delivered service level. When an anomaly occurs, a top-down approach is used to immediately and easily identify the critical element in the entire service delivery chain. Its use over time allows business to implement significant improvements ranging from increased productivity to reduced intervention times, thus strategically facilitating IT and business decisions. Retelit's Application Performance Monitoring platform can also be associated with value-added services such as: Synthetic Monitoring, User Experience Management (UEM), Deep Application Transaction Management.



An aerial photograph of Milan, Italy, taken during the golden hour. The Duomo di Milano is the central focus, with its intricate Gothic architecture and tall spire. To its right, the modern, glass-clad Pirella Göttsche building stands out. The city is densely packed with various buildings, and the background shows a hazy view of the surrounding landscape under a warm, orange-hued sky.

ANNUAL FINANCIAL REPORT AT DECEMBER 31, 2017

CORPORATE BOARDS

Board of Directors

Dario Pardi – Chairman
 Valentino Bravi – Vice Chairman
 Federico Protto – Chief Executive Officer
 Stefano Borghi – Director
 (resigned on 13.02.2018)
 Nicolò Locatelli – Director
 Laura Guazzoni – Independent Director
 Annunziata Magnotti – Independent Director
 Laura Rovizzi – Independent Director
 Carla Sora – Independent Director

Board of statutory auditors

Fabio Monti – Chairman
 Paolo Mandelli – Statutory Auditor
 Valentina Lamanna – Statutory Auditor
 Pietro Biagio Monterisi – Alternate Auditor
 Luca Zoani – Alternate Auditor

Appointments and remuneration committee

Laura Rovizzi (Chairman)
 Valentino Bravi
 Annunziata Magnotti
 Carla Sora

Control and risks and related parties committee

Laura Guazzoni (Chairman)
 Nicolò Locatelli
 Annunziata Magnotti
 Carla Sora

Independent audit firm

Deloitte & Touche S.p.A.



Retelit S.p.A.

Registered office at viale Francesco
 Restelli 3/7 - 20124 Milano
 Share capital Euro 144,208,618.73 f.p.u.
 Milan Business Register,
 Fiscal Code and VAT n. 12897160151
 Court of Milan, REA n. 1595443

Note:

The Board of Directors was appointed by the Shareholders' Meeting of January 7, 2015 and will remain in office until the Shareholders' Meeting called to approve the 2017 Annual Accounts.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of June 29, 2015 for the 2015-2016-2017 three-year period and will remain in office until the Shareholders' Meeting called to approve the 2017 Annual Accounts.

The Independent Audit Firm was appointed by the Shareholders' Meeting of May 3, 2012 for financial years 2012 to 2020 inclusive.

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

if we had to pick a term to sum up developments over recent years at the Retelit Group, we would with certain pride speak of a rebirth. In 2015 the company began to restructure its operating model, expand its business areas and complete the engineering works which have enabled us to tap into the remunerative international innovation aspect of the voice connection systems area. Retelit can now reap the benefits of a number of years dedicated to business consolidation and a focus on network infrastructure technology extension and completion plans and projects. Over recent years, we have even witnessed the key indicators grow at rates well ahead of the market, alongside the gaining of market share. These developments were confirmed in the year just concluded. The 2017 results are testament to the complex yet correct business strategies undertaken – mainly to strengthen the range of data transmission services based on fiber connections. Over the last twelve months, the number of domestic and international customers has grown strongly on each of the company's business lines. Within the scope of the industrial development plan, drawn up in 2015 and with the expansion objectives until 2022 currently subject to an additional upwards review, a continual escalation has seen the Group make a massive commitment to the implementation of projects for the expansion of Data Center, Cloud and Cyber Security services, combined with connectivity services built for business customers (both corporate and public sector), with high technological content, boosting significantly the financial indicators. 2017 revenues surpassed Euro 65 million, while the net profit was slightly in excess of Euro 11 million.

In support of this growth strategy, various international infrastructure agreements and investments have augmented the coverage of our fiber optic network both in Italy and abroad. Presently the efficiency and sophistication of Retelit's assets give it sufficient flexibility to respond promptly to growing worldwide demand for bandwidth. The European Backhaul services, the AAE-1 submarine cable, the Carrier Ethernet services and its dedicated international links, allow the company to offer a very wide range of solutions and connection nodes throughout the world, while assuring high performance and sufficient bandwidth.

The establishment of an organisation which is more responsive to high-tech services market developments have propelled an influx of new customers attracted by the Group's infrastructure and supplies. In 2017, the number of Retelit's domestic wholesale business customers reached 129 and accounted for 39% of revenues. For the international wholesale segment, the Retelit Group reasserted its standing as the supplier preferred by international operators thanks to the "B-end" link-up. This segment accounts for 45% of revenues and also reports strong sales at an overall contract value of Euro 63 million. AAE-1 cable services provided a major contribution, starting commercialization in 2017. The Business segment reported a 64% revenue increase thanks to a series of targeted initiatives, which included the extension of Data Center services with the "Smart SaaS Partnership Program". An additional lever of growth, based primarily on business customers, was optimising connectivity solutions among facilities equipped with SD-WAN technology (Software Defined Wide Area Network).

After the restructuring, the relaunch. If until 2017 Management's focus was on consolidating earnings and repositioning on the domestic and international market, the operating outlook for the 2018-2022 period focuses on extending the scope for expansion through internal and acquisition-led growth, supported by the achievement of financial solidity. Between 2018 and 2022, the Business segment should expand further, alongside the acquisition of major shares of the domestic and international wholesale segments, leveraging on all infrastructural assets and new international partnerships. Key objectives, which until just a few years ago would have appeared excessively ambitious, today – on the conclusion of a period of major successes – may reasonably be considered as within our reach and allow us to consider a future filled with fresh and exciting goals.

Milan, March 15, 2018

Retelit S.p.A.
The Chairman of the Board of Directors
Mr. Dario Pardi



DIRECTORS' REPORT 2017

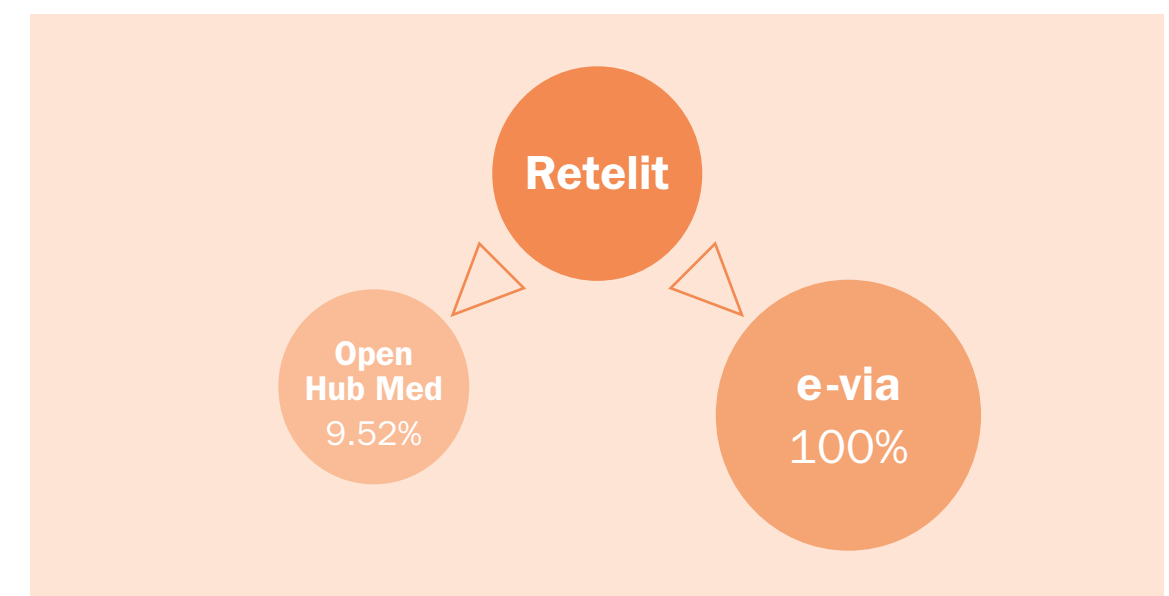
Group Structure and Consolidation Scope

Retelit S.p.A. ("Retelit" or the "company"), incorporated on August 31, 1999, with registered office in Milan (MI), viale Francesco Restelli, 3/7, has a share capital of Euro 144,208,618.73 fully paid-in and is listed on the MTA market organized and managed by Borsa Italiana S.p.A. in the STAR segment (Segmento con Titoli ad Alti Requisiti, Elevated Requirements Securities Segment) for companies demonstrating excellence in terms of liquidity, transparency and corporate governance.

Retelit wholly-owns e-via S.p.A. ("e-via"), incorporated on June 29, 1999, with registered office in Milan (MI), viale Francesco Restelli, 3/7 and a share capital of Euro 109,173,233.00 fully paid-in. Retelit S.p.A. exercises control over e-via in accordance with the new IFRS 10 as having the power to implement actions which directly influence the results of the subsidiaries.

Group Structure and Investments

In February 2017, Retelit joined the consortium company Open Hub Med (OHM), acquiring 9.52% of the share capital for an investment of approx. Euro 100,000. The consortium comprising, in addition to Retelit, Interoute Italia, Italtel, Eolo, MIX, Supernap Italia, Equinix Italia, Fastweb, In-Site, Vuetel Italia and the Sicilian consortium XMED, is the largest neutral and open data exchange hub in Italy and the main landing point for submarine cables in the Mediterranean, positioned in Carini (Palermo). The investment is part of the strategy to maximize the industrial and commercial potential of the AAE-1 submarine cable system, perfectly complementing it. Retelit in fact, in addition to the AAE-1 submarine landing point in Bari, utilizes an additional hub for data exchange in Southern Italy – directing Internet traffic, through OHM hub submarine cables, to Milan and the major European hubs using its fiber optic backbone.



Economic and Regulatory Overview

Global and Italian economic conditions – together with the consolidation of technological trends – are creating very favorable conditions for the Information and Communications Technology (ICT) market, particularly in terms of telecommunications infrastructure – an area in which Retelit is engaged both in Italy and globally. Furthermore, the political and regulatory environment in Italy is correctly incentivizing the digital conversion of our businesses and Public Sector, creating therefore opportunities in the sector. On the other hand, the marketplace is rapidly changing, prompting all players to quickly rethink and possibly reposition themselves.

ECONOMIC DEVELOPMENTS AND TECHNOLOGICAL TRENDS

The Bank of Italy estimates that GDP increased by 1.5% in 2017 and will rise by 1.4% in the current year and then by 1.2% in 2019-2020. Economic activity is believed to be primarily driven by domestic demand. It is estimated that the contribution of net foreign demand – slightly negative during the current year – will return to positive territory in 2019-2020. In 2020 it is forecast that GDP will be approximately 1.5% lower than in 2007, marking a recovery of approximately nine-tenths of the contraction that occurred from 2008 to 2013.

Overall, this GDP performance continues to benefit from support from expansionary economic policies, albeit to a relatively lesser degree than in the past. This

reflects, on the one hand, the gradual removal of the monetary stimulus expected by the markets and, on the other, increasing support, independent of domestic demand, from the improvement in household disposable income prospects and the reduction in idle business capacity. The Bank of Italy predicts that monetary policy measures will drive less than half of a percentage point of growth per year in 2018-2019. Government spending is expected to contribute approximately two-tenths to the increase in GDP in both this and the next year.

Digital growth

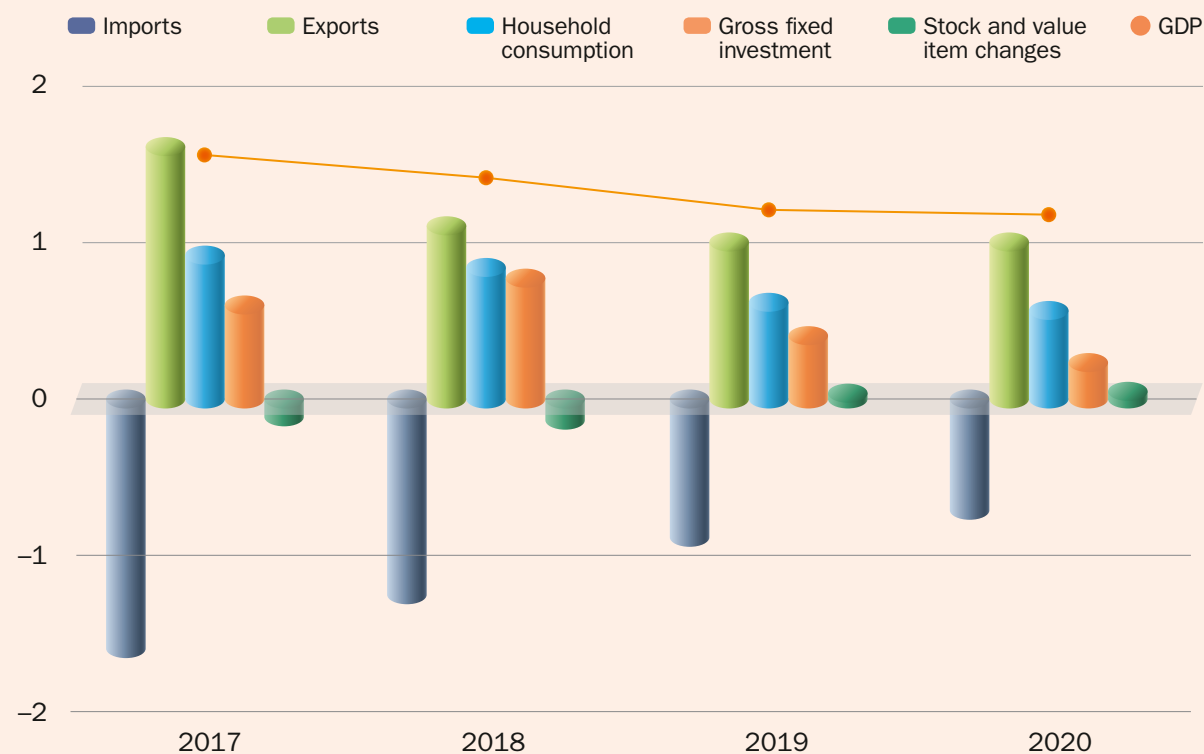
If this economic environment – which in any event suggests a general recovery – is viewed together with the specific ICT sector situation, it may be inferred that the gap that Italy still must close with other European nations can only result in more robust digital growth than the European average.

The report *Digital Economy and Society Index (DESI) 2017* still ranks Italy in 25th place. When it comes to the use of digital technologies by businesses and online public services, Italy is around average. Compared with the previous year, Italy has made progress in the area of connectivity, particularly as regards improved

access to next generation access (NGA) networks. However, the poor performance in terms of digital competencies risks slowing further development of the economy and digital companies.

- **Connectivity:** Italy has made significant progress, due above all to the strong increase in coverage of NGA networks. The spread of fixed-line broadband is still limited, even though prices have fallen.
- **Human capital:** an increasing number of individuals are online, but skill levels remain low according to all indicators.
- **Internet use:** the online activity of Italian Internet users is well below the European Union (EU) average. Italy is in 27th place.
- **Integration of digital technologies:** Italy is closing the gap with the EU in terms of the digitalization of its companies. Approximately 30% of its businesses use digital invoicing, far in excess of the EU average (18%). However, SMEs rarely use electronic sales channels.
- **Digital public services:** Italy has delivered strong results in terms of the online availability of public services (completion of online services) and open data, but it has one of the lowest levels of e-government services use in Europe.

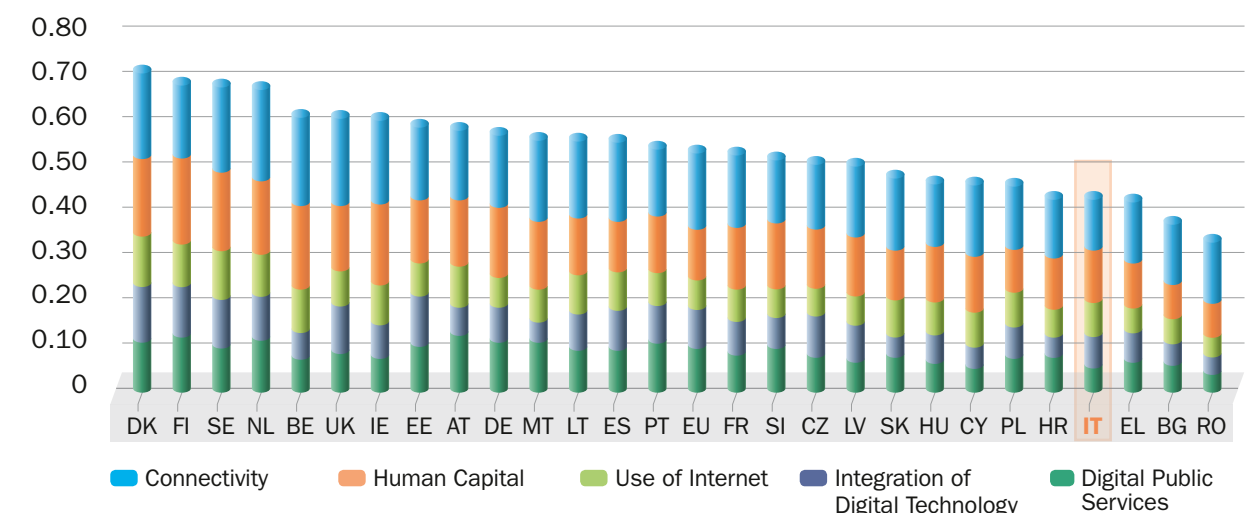
GDP AND CONTRIBUTIONS TO GROWTH OF THE MAIN DEMAND COMPONENTS AND IMPORTS* (percentages)



Source: Bank of Italy and Istat workings.

* Seasonally adjusted and corrected for working days.

DIGITAL ECONOMY AND SOCIETY INDEX (DESI) 2017 RANKING



Technological trends

On the technological front, the ongoing development of the ICT sector will continue to generate new market trends, driven by the push towards digitalization and the digital conversion of the industrial chain – particularly in Italy where this process is still in its early stages compared to our European and global counterparts.

Big Data and Data analytics are emerging as main trends, supported by marketing and business analysis demands and the continual pursuit of algorithms in support of strategic and market choices.

Also Cloud Computing – and in particular Software as a Service, thanks to the new Agile working possibilities and increasingly evolved Cloud development environments (e.g. DevOps) – is seeing significantly greater demand among Italian businesses.

The professional use of smartphones and Mobile Collaboration is expanding, also thanks to new business working models centered on Smart Working.

The fastest developing and most consolidated technological trends in 2017 included Cyber Security – increasingly central for Businesses and the Public Sector which are now the target of frequent attacks by hackers or blackmail related to ransomware threats – a type of malware which limits access to infected devices and with the demand of a ransom to remove restrictions. There is a growing awareness of the constant danger posed by web threats. For example, companies need approx. 200 days to become aware of intrusions into their systems, 70 to recover from the intrusion and up to 24 months to cover the costs incurred following a violation. The Retelit Group also therefore offers businesses a Cyber Security Control Room service, designed to reduce reaction times from the point at which an issue is recognized until its mit-

igation to a minimum. Cyber security is a key issue with the upcoming entry into force of the new General Data Protection Regulation (expected in May 2018) and of the NIS (Network and Information Security) directive. In the same manner, technologies such as IoT, Artificial Intelligence and Machine Learning shall be subject to – or even utilised for – attacks of an increasingly sophisticated and disruptive nature.

Data Privacy and its derivations will undertake particular importance from 2018 with companies required to comply with the new EU regulation on personal data handling (Regulation EU 2016/679). The key principle behind the new regulation is “Privacy by design”, therefore the requirement to protect data from the conception and design phase of a handling purpose or a system and to adopt conduct which prevents possible issues.

The Internet of Things (IoT) is still in its early stages, although has enormous development potential – blending physical and virtual worlds through the creation of intelligent environments. Over the last six years, the European Commission has been particularly active with regards to this issue, collaborating with sector organizations and Member States to facilitate its development. IoT is the first step towards the digitalization of society and the economy, whereby objects and individuals are interconnected through communication networks, exchanging information on their state and surrounding environment. The Internet of Things will likely take off in the coming of years with the arrival of 5G technology and the consolidation of technology such as Network Function Virtualization (NFV). Billions of objects in a range of environments (urban and rural) will be connected, also through narrowband (NB-IoT), generating masses of data which will be analyzed

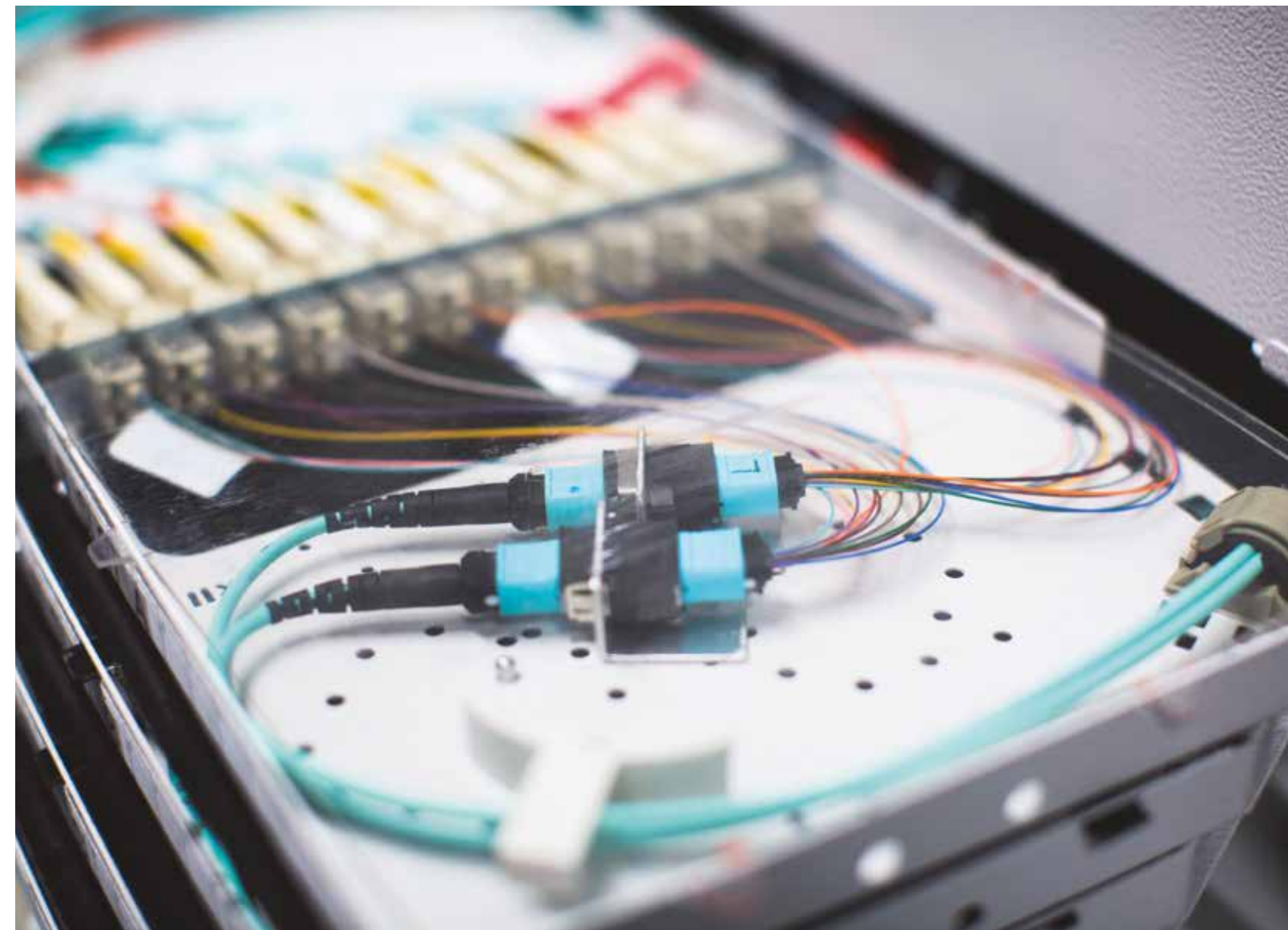
and sorted at Data Centers to offer services to business, institutions and communities. The Group, thanks to its fiber optic network which – in addition to presence across Italy – already connects all the main Data Centers, has established itself as a key and strategic player in the IoT ecosystem.

Mobile payments are another and quickly developing trend: the Mobile Payment & Commerce Research Center Report of the School of Management of the Milan Polytechnic indicated that in 2017 purchases by smartphone grew 65%, surpassing Euro 5.8 billion (a quarter of total online purchases).

Also in 2017, Mobile Points of Sale (PoS) reached a value of Euro 900 million (+9% on 2016). Retelit is collaborating with specialized companies to offer

its customers integrated solutions managed through its Data Centers.

The impact of blockchain on our company will significantly increase in 2018. According to the definition of Don & Alex Tapscott, authors of the *Bitcoin Revolution* book of 2016, blockchain is “an incorruptible digital ledger of financial transactions which can be programmed to record not only financial transactions but virtually anything which has a value”. The success of this technology is driven by the demand for a credible system to manage our data reliably and transparently. Blockchain is expected to be a major future development, establishing a decentralised infrastructure capable of permanently recording our data. Data which our increasingly global and digitalised economies produce in ever greater volumes.



Artificial intelligence is a paradigm which has begun to shift towards being a disruptive development: it is growing rapidly, as can be seen by the attention focused on it by the major players and by the acquisition of start-ups: Google acquired 9 between 2011 and 2016, Intel and Apple 5, Twitter 4, with the other remaining big players 2 or 3 each, all with at least a Machine Learning capability.*

The graph** below outlines the main technological trends in terms of medium-term growth forecasts, assessing in quadrants business interests and priorities.

* Source: ASSTEL Report 2017.

** Source: Study on IT Demand in Italy 2016, Assintel.

Fiber optics as an enabling infrastructure

Fiber optics, thanks to the development of technologies and related applications, every year undertakes increasing importance in the ICT world and is now often indispensable in contexts where just a few years ago it did not even figure. The trends described above are based on a current or planned fiber optic infrastructure as indispensable for broadband and ultra-broadband communication. Fiber based solutions and services are now a mainstay of innovating businesses and have captured the interest also of those most tuned in to new technologies.

The main fiber optic related technological trends may be summarized as follows:

Cloud for businesses

To remain competitive, businesses need to develop IT infrastructure and platforms and therefore outsource to the Cloud through partners whose core business is ICT and can guarantee quality, efficiency and the latest technologies, significantly cutting legacy and obsolescence risks. Fiber optic connections in this sense guarantee safe and reliable connectivity without limitations.

FTTH* Internet

Also for residential users, FTTH is now seen by many as the only option going forward for highly performing networks and is in fact now a reality for over 100 million connected homes in the Far East, with hundreds of millions of users enjoying benefits not yet available in most of Europe.

Complementation of fiber optic and wireless

Wireless is increasingly complementary to fiber optics: 4G networks immediately exposed the limits of radio bridge back-hauling and for a number of years' mobile operators have operated campaigns for the replacement of radio links with fiber optic links, initially through concentration nodes and thereafter through peripheral base stations. 5G technology will offer even more interesting opportunities, connecting antennas and small cells to guarantee high speed at low latency for full coverage data transmission. 5G is in fact necessary for the Industry 4.0 Plan, smart cities, advanced telemedicine and new technological models such as Machine to Machine (M2M) and IoT. Although on the one hand Europe has set out a stringent roadmap, on the other a willingness among operators does not seem apparent, possibly due to a fear of being unable to recover in the meantime

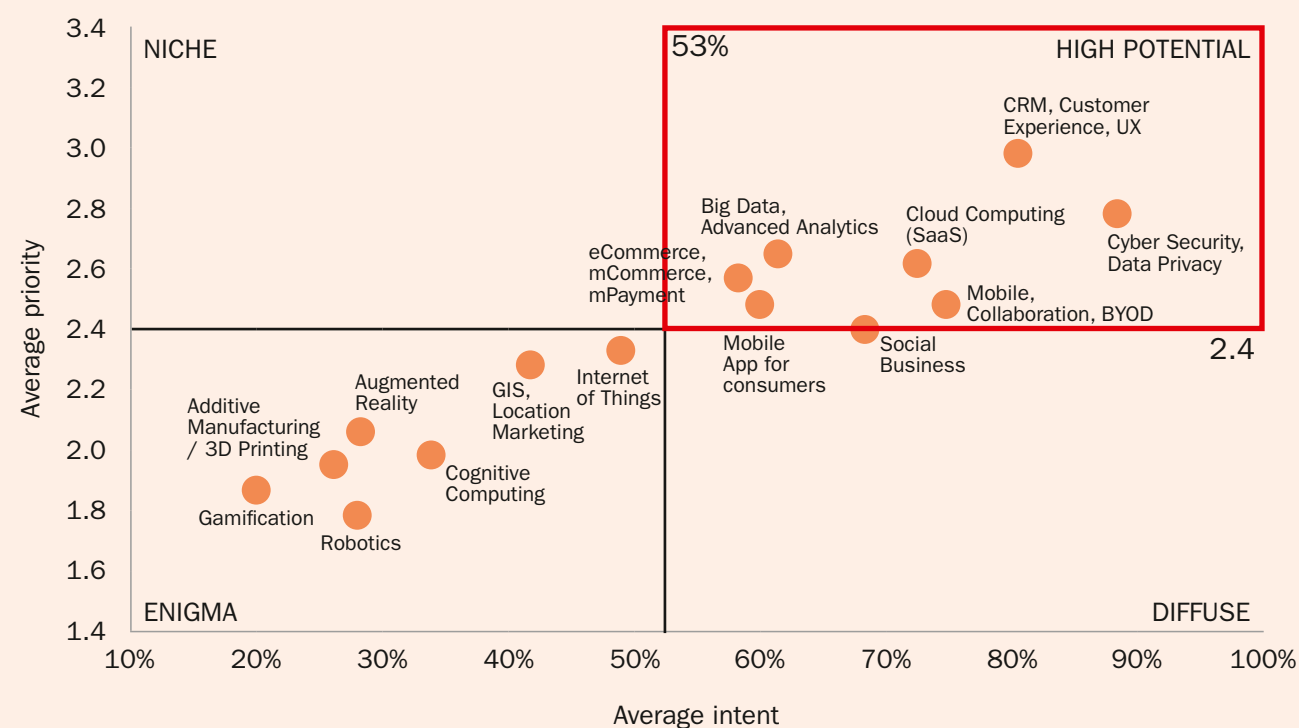
investments in 4G. The Communications Authority (AGCOM) has announced that it will launch a consultation among players to explore the requirements necessary for the development of these new ecosystems, for which fiber optics will obviously play a central role.

Software-defined networking (SDN) is an emerging technological paradigm that aims to provide dynamism, ease of management, adaptability and cost-effectiveness – ideal for meeting objectives relating to the nature of the new applications. This architecture uncouples routing (control plane) from forwarding (data plane), making the former directly programmable. This approach allows operators to manage the entire network consistently and holistically, regardless of the underlying network technology. Traffic flow on the entire network can also be adapted dynamically to meet changing needs.

Hyper-connected Data Center development

The marrying of fiber optics and wireless will form the basis of integrated connectivity infrastructure for Smart Cities technologies, enabling the provision of autonomous vehicles and always connected intelligent objects (IoT), exchanging massive amounts of data with Data Centers distributed across the world. In fact, after the boom of the initial 2000's and a number of initiatives in subsequent years, we now have many new Data Centers: in the Milan area alone, many large Data Centers of excellent quality have been completed, while others are in the design phase in Rome and elsewhere.

BUSINESS PRIORITY MATRIX FOR THE NEAR FUTURE OF ITALIAN BUSINESS



* FTTH: Fiber To The Home.

DOMESTIC MARKET OVERVIEW

Global ICT market growth, supported by the emergence of new digital enablers, is reflected also on the Italian market – which however still lags behind the rest of Europe. This development is linked to the economic recovery and is apparent in significantly improving “Digital Economy” parameters (such as Connectivity Growth and Public Sector Digitalization).

The domestic marketplace has now entered a period of significant development after years of relative stagnancy. Major new entities have set up and others are preparing their entry, while the traditional players, beginning with Telecom Italia, are reacting through repositioning plans and strategies focused on innovation. AGCOM's report underlines the current “*growth in the use of services and applications through the Internet platform and the consequent strengthening of the web giants (Google, Apple, Facebook, Microsoft) also on our market*”. We shall certainly see a major relaunch of infrastructural investment which in terms of volumes and objectives has not been seen for at least 15 years.

In its 2017 annual report, AGCOM classified the major trends as follows:

1. Following ten years of contracting resources, the sector returns to growth.
2. In 2016, telecommunications services spend by households and businesses increased by close to 1% – compared to a 1.8% contraction in the previous year.
3. Traditional voice services revenues continue to decline (–7.6%), while data service revenues grow (+5.6%).
4. Telecommunications infrastructure investment, following growth over the last two years, in 2016 contracted approx. 5%.
5. Demand begins to align with supply: in 2016 ultra-broadband access almost doubled (from 1.2 to 2.3 million).

6. With the improving availability of mobile broadband, mobile device data consumption significantly increases (+46%).

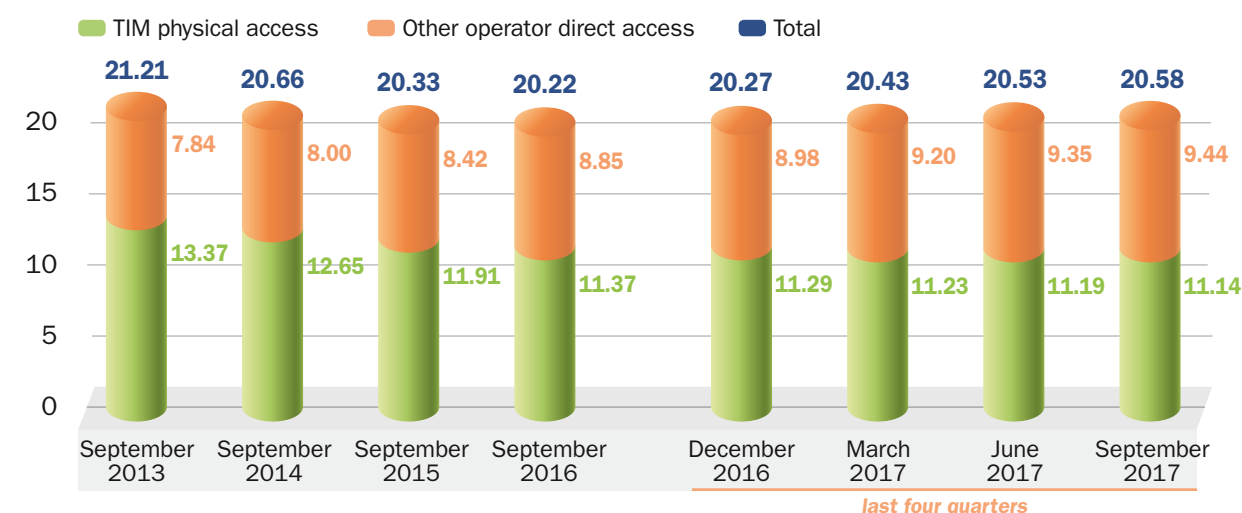
7. The fixed network competitive environment in 2016 developed in a similar fashion to the preceding years: a gradual reduction in Telecom Italia market share alongside growth for the main competitors.

8. Highly dynamic Fixed Wireless (FWA) access services segment, with revenues up 23% (although still representing a niche market).

9. Competitive dynamics are changing across the entire sector, although the effects are not yet apparent on the fixed broadband market from the entry of Enel through Open Fiber and, on the mobile telecommunications market from the merger between Wind and H3G resulting in WindTre (with Iliad expected to enter the mobile market as a result of the conditions laid down for the merger's approval).

The Italian Anti-trust Authority's Communications Monitor No. 4/2017 emphasizes that the number of network access lines rose for the fourth consecutive quarter: on an annual basis, the total increase amounted to 360,000 lines, with TIM losing approximately 230,000 lines and the other operators gaining 590,000. In the third quarter of 2017, access lines attributable to non-incumbent operators amounted to 9.44 million out of 20.58 million overall (accounting for 46% of the total).

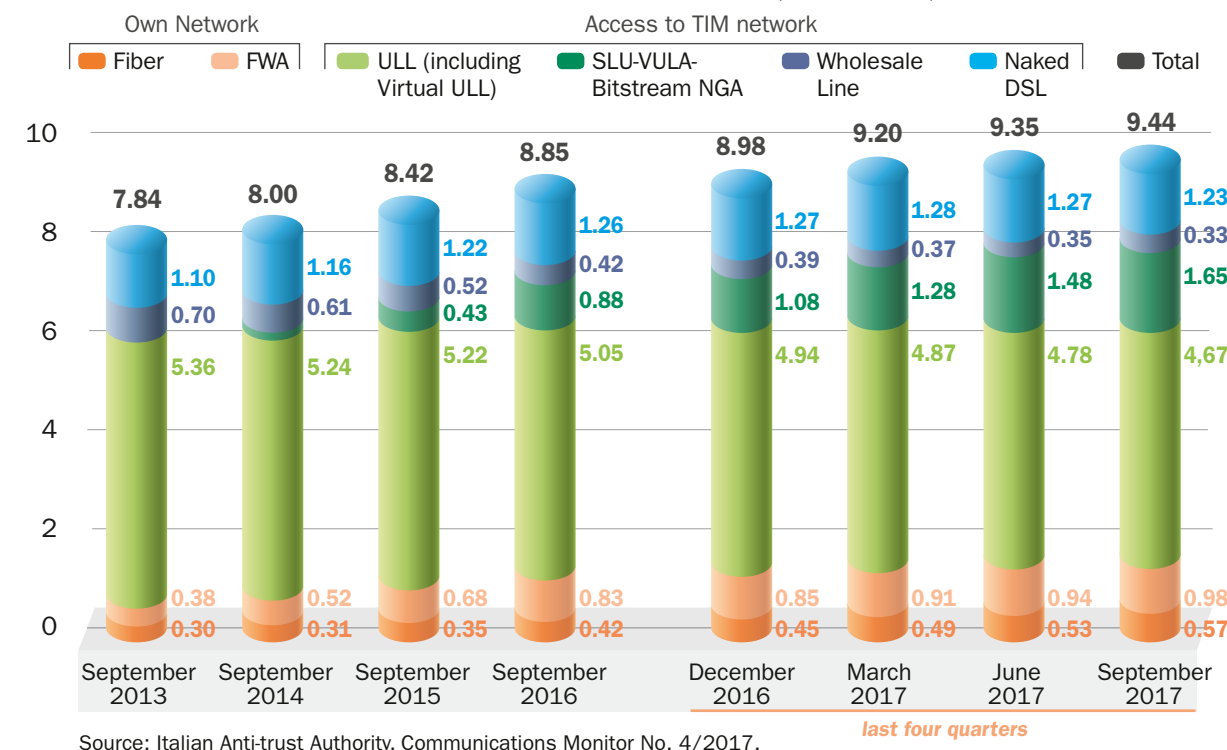
DIRECT LINES OF OPERATORS* (millions of lines)



The growth is largely attributable to the services provided using the new NGA approach, which more than offset the decrease in ULL (Unbundling local loop) and WLR (Wholesale line rental) access

lines. At the annual level, fiber-optic lines increased by 160,000 and FWA access lines of alternative operators via their own networks by 150,000.

DIRECT ACCESS LINES OF NON-INCUMBENT OPERATORS (millions of lines)

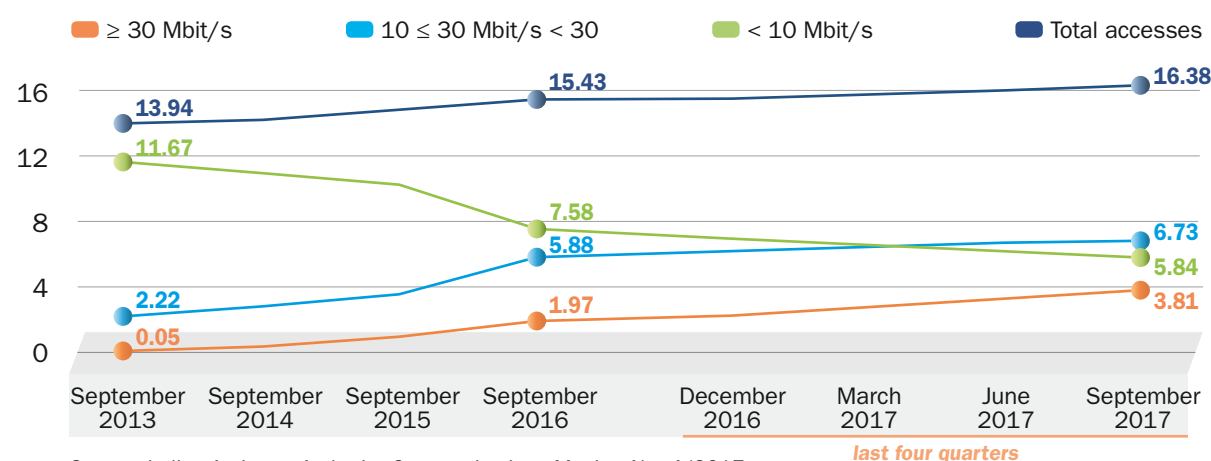


In September 2017, over 64% of broadband lines were marketed at speeds of 10 Mbps or more. On an annual basis, the number of lines with speeds of 30 Mbps or more rose by slightly more than 1.8 mil-

lion to 3.8 million. In the final quarter of the observation period (June 2017 - September 2017), only services over 30 Mbps increased, clearly indicating the tendency to use higher-speed connections.

BROADBAND AND ULTRA-BROADBAND ACCESS LINES VIA FIXED-LINE NETWORKS

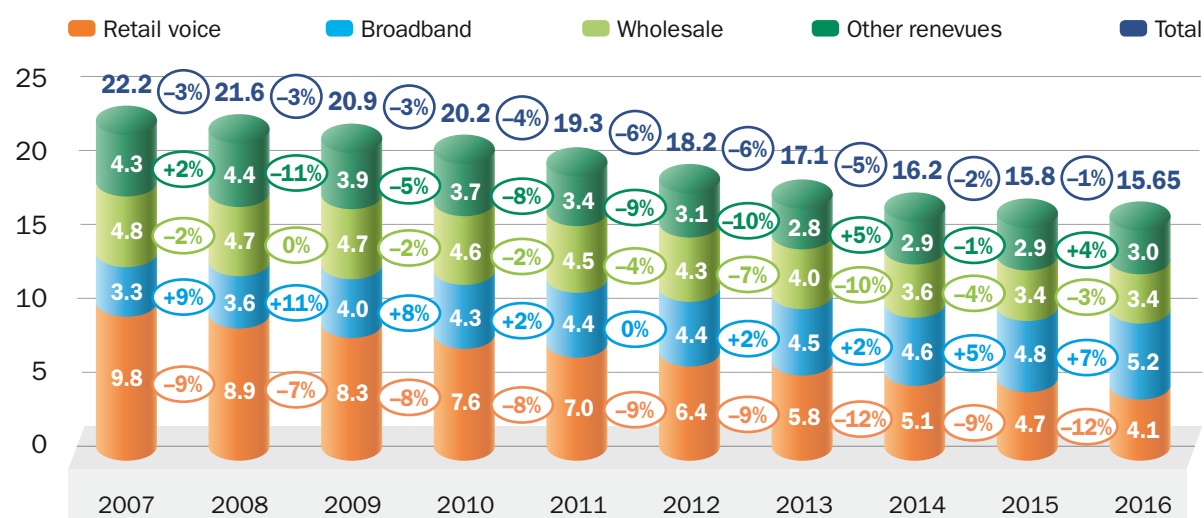
(Access by speed class – millions)



In 2016 fixed-line network revenues decreased by just 1%, compared with a decline of 29.5% from 2007 to 2016. It therefore seems that stabilization is on the way,

driven in part by the increasing revenues generated by broadband (+7% from 2015 to 2016 and +57% from 2007 to 2016) and FWA (fixed wireless access) operators.

FIXED-LINE NETWORK REVENUES (€ billions)

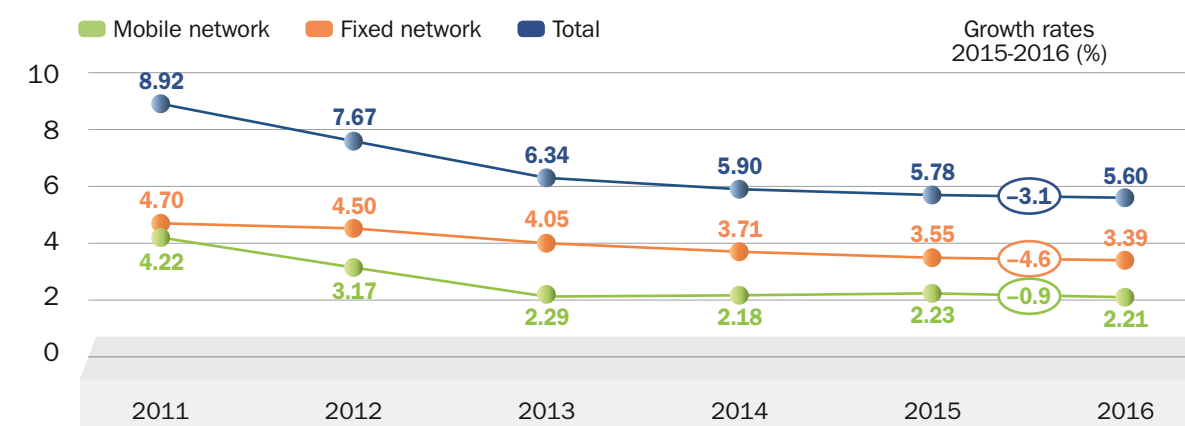


Source: ASSTEL 2017 Report – Based on company data provided by the Milan Polytechnic Monitoring Center.

Domestic wholesale market overview

According to AGCOM's 2016 figures, wholesale service revenues overall continue to decline (–3.1%), although principally in terms of fixed network services revenues (–4.6%).

INTERIM SERVICE REVENUES (€ billions)



Source: 2017 Anti-trust Authority Annual Report.

The reduction of interim service volumes which mostly rely on the infrastructure of the incumbent is furthermore an issue which will assume increasing importance in the future, in consideration of the provision of new generation wholesale services which for utilization require greater proprietary infrastructure investment by the incumbent's competitors, such as for example the use of sub-loop unbundling services which, during 2016, in volume terms grew by over 80%.

The backhauling market for wireless networks is of continued importance, where infrastructural operators compete to support wireless operators in replacing radio bridges with fiber optic connections. This process – with the advent of 5G – shall be further sped up. New access nodes will in addition be necessary to extend reach across the country, beginning with the major urban centers.

In executing its plan, Open Fiber will profoundly change the domestic wholesale market, in which the Retelit Group is currently a major fiber optic services player.

Business market overview

In the business segment, although Telecom Italia maintains leadership with a share of 52.7%, AGCOM's 2016 figures indicate increasing competition from the other operators: Fastweb strengthens its position, reaching over 18% of segment share, while BT Italia holds slightly over 8%. "Tier 2" small and medium operators grew (+0.8%), including the Retelit Group whose solutions principally target the business user (with 13% of the segment).

The increasing number of new digital enablers, including the Cloud, IoT, Big Data, Mobile/Digital Business and Cybersecurity, is a business opportunity of great interest for the more innovative ICT operators, who may even drive the development of additional connectivity and traditional IT services demand among businesses.

This development therefore presents an opportunity to "Tier 2" enterprises such

as the Retelit Group, capable of investing also to improve the service level offered to businesses throughout the entire Customer Journey – from the initial phases as they tackle the digital transformation and business evolution project, up to post-sales processes and the monitoring of customer satisfaction.

Telecom Italia's plans and the entry of new players

On February 3, 2017, TIM announced the 2017-2019 strategic plan, which significantly breaks from that previously announced. In particular, forecast investment in Italy is of approx. Euro 11 billion, of which approx. Euro 5 billion dedicated to accelerating ultra-broadband network development. On Plan conclusion, TIM expects to have equipped 50 large cities with connections of up to 1 Gbit/s. The incumbent has also declared the provision by July 2017 of the new fixed network to approx. 70% of Italian residences in over 1,950 municipalities, while those reached by 4G (called also LTE) numbered over 7,100 (more than 97% of the population). The extension of TIM's network infrastructure coverage and wholesale services will support the provision of core Group services to Business and Wholesale market customers in areas currently not yet covered by adequate infrastructure and not included in Retelit's investment plans.

In February 2018, TIM presented Carlo Calenda, Minister of Economic Development for the Gentiloni Government, with a project to form a separate legal entity to own the network, in the form of a fully-owned subsidiary of TIM with a high level of corporate governance. On March 6, 2018, TIM's Board of Directors authorized Chief Executive Officer Amos Genish to begin the formal process of notifying the Anti-trust Authority of the project for the voluntary separation of the fixed-line access network. The project is to involve the creation of a separate legal entity (the

"Netco") as a fully-owned subsidiary of TIM to own the access network (from the central switchboard to customers' homes) and all the infrastructure (buildings, electronic equipment and IT systems), along with the staff required to provide wholesale services independently.

The Group is closely monitoring TIM's strategy, which, as it regards the access network, is unfolding within a scenario that is undergoing rapid change as a result of the creation of Open Fiber. The correct regulation of wholesale services should prevent market distortions and permit the Group to avail of advantageous offers to access areas in which it does not have a network presence.

Open Fiber seeks to construct, manage and maintain the fiber optic network with Fiber to the Home (FTTH) technology, operating exclusively on the wholesale market and providing network access services to all interested market operators. The 2017-2026 Industrial Plan announced by the company sets out the connection of 271 cluster A and B cities, in addition to the 6,753 municipalities currently included in the cluster C and D white areas, for which Infratel has announced two public tenders. As stated, for the Group, the entry of Open Fiber may open up the possibility to extend, through the network and services of Open Fiber, the base of business customers with fiber connections to whom services may be offered. Network infrastructure (fiber optics and minitubes) and the Open Fiber services should be made available to the Group, in addition to other operators, so as to provide a real alternative to direct access infrastructure investment or the acquisition of network and services infrastructure (e.g. GEA) from the incumbent for the provision of Group core services to Business and Wholesale market customers. Also the existing Group infrastructure may be made available to the Open Fiber project to speed up the rollout.

In the same way, the Group may utilise infrastructure of the future Netco held by TIM, hopefully at more beneficial conditions than those currently applied by the incumbent.

In addition to Open Fiber, the two major new players emerging on the domestic scene are Iliad on the mobile market and the F2i project on the business services market.

Iliad seeks to become the fourth largest mobile network operator in Italy: it will take over the frequencies of Hutchison and VimpelCom, activating its services by summer 2018 initially on roaming agreements and progressively thereafter on its own network. The European Commission in fact approved the merger of H3G and Wind on the condition of the entry of another mobile operator, maintaining the number of sector players at four and avoiding dangerous concentrations. Iliad announced investments of over Euro 900 million and the creation of thousands of jobs. The French operator seeks to tackle the market with low cost solutions, an approach which has been successful in France. It is expected that Iliad will equip its network with a fiber optic backhauling which guarantees the quality of the service expected and facilitates the exponential growth of data traffic, also in view of the upcoming move to 5G technology. Considering the Group's long and consolidated experience with wireless operators, this also may present a major opportunity.

The new services for businesses market player is the project led by the F2i infrastructure fund. In June, F2i and Marguerite (fund supporting six European public institutions) announced the acquisition by the Abertis Group of 94.12% of Infracom S.p.A., in July the acquisition of control of MC-link S.p.A. and on September 27, 2017 an agreement for the acquisition of 90% of the share capital of KPNQWEST Italia. The infrastructure fund project aims to create a fast Internet services hub dedicated to corporate customers. The companies acquired were integrated into a single entity which may become a vehicle for additional combinations. The investments are currently held by the vehicle company 2i Fiber. The decision of F2i to focus on the business broadband services market, in which the Retelit Group also operates, is explained by the emergence of significant growth and technological development in the segment. The Group therefore faces a new competitor, although a product of the coming together of existing players within the business services market, with major financial capacity and leading European public financial institutions among its ownership, including CDP which (as stated) together with Enel owns Open Fiber.

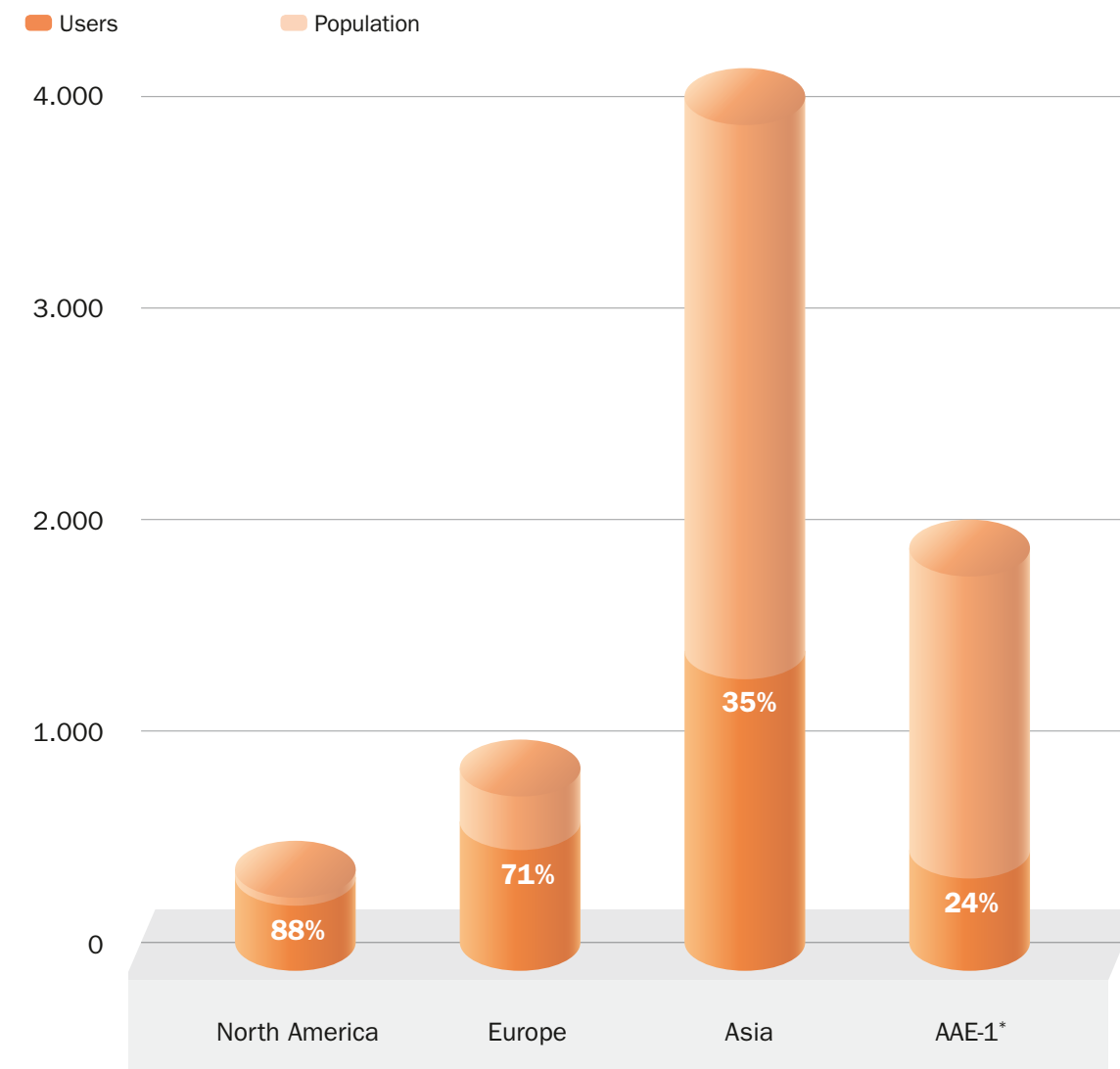
Meanwhile, Retelit is assessing partnerships with other infrastructure operators requiring support in certain areas of the country or due to specific demands and, in this regard, is also closely following the mergers in progress and opportunities presented by the sector.

INTERNATIONAL MARKET OVERVIEW

Demand for capacity from Asia to Europe (and vice versa) is expanding at higher rates than other traditional routes such as the transatlantic and transpacific routes. This growth is driven by major economic expansion in those countries which are also investing in infrastructure, including the ICT sector.

In 2015, Telecommunications infrastructure supported only 35% of the population along the Eurasia route. The countries reached by the Asia Africa Europe 1 (AAE-1) cable, of which the Retelit Group holds 5.5%, excluding the terminal countries of France and Italy on the one hand and Singapore and Hong Kong on the other, today account for 24% of global Internet users, despite the still low penetration level among the total population:

INTERNET USERS (millions)



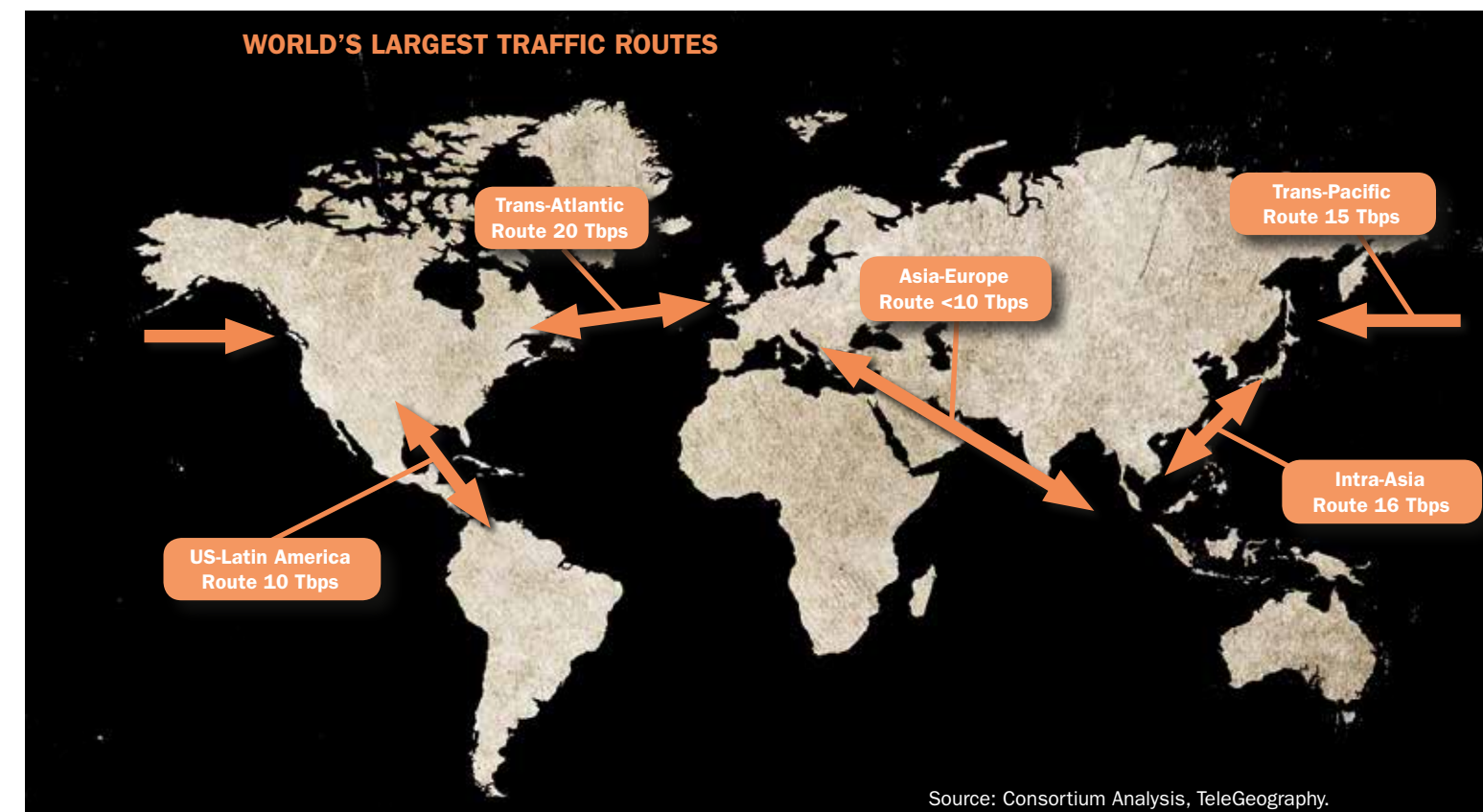
Source: www.internetworldstats.com (@ 30 June 2015).
 * AAE-1 Landings (excluding Hong Kong, Singapore, France, Italy).

Consequently, demand for capacity on the Eurasia route has grown among operators for access to content on the servers of the Over The Top's (OTT's), including Google, Amazon, Facebook, Apple etc... Eurasia traffic grew 41% in 2016 on 2015.

Demand forecasts on the Eurasia route have been confirmed, if indeed not underestimated. After a wait-and-see period in terms of the efficacy of the new AAE-1 and SMW5 systems, the market in the second half of 2017 reacted positively to the completion of these projects. Internet traffic demand and the need for diversification have required significant amounts of available capacity, particularly on the Singapore Europe and Hong Kong Europe routes. Retelit's strategy to promote the Bari alternative to Marseilles is quickly garnering success, particularly for the backhaul business from Bari. In September and October, 90 Gbps of backhaul

capacity on the Retelit network was sold and has already been delivered. In addition, OTT operators have heavily invested to connect the fastest growing markets such as India and South-East Asia through the construction of processing centers in Singapore and Hong Kong. The required capacity estimates have risen on those made just 6 months ago. The positioning of Retelit as an alternative player with the competitive advantage of proprietary assets in Europe is currently a key market factor. In addition, considering the flexibility to allocate AAE-1 capacity in comparison to traditional systems, the acquisition of capacity on this cable is expected to significantly increase. Retelit will consequently benefit from an alternative positioning than the traditional players. The key factor behind this result is the speed in generating appropriate opportunities for the commercial pipeline.

WORLD'S LARGEST TRAFFIC ROUTES



Source: Consortium Analysis, TeleGeography.

GOVERNMENT DIGITAL AGENDA INITIATIVES

The Italian Government announced five priorities among its 2016 objectives: SPID (Digital Identity Public System), electronic payments, unified population database, Public Sector (PA) websites and services guidelines and services interoperability – objectives which can only be achieved together with major digitalization.

The Digital Agenda* therefore plays a key role in guaranteeing support for private investment where and when necessary and creates an important mechanism for public and private partnership to deliver the shared objective of raising Italy to the level of the most advanced countries. The risk is that Italy will not be a key player in the new digital revolution and does not succeed in creating a Unified Digital Market, through which the European Union seeks to open up digital sector opportunities and strengthen Europe's position as a global digital economy** leader.

The Agency for a Digital Italy (AgID) took two important actions in 2017:

1. it distributed a circular governing the ICT survey process and the procedure for qualifying national strategic hubs: participating in the survey allows the

* The Digital Agenda is one of seven main initiatives identified in the wider EU 2020 Strategy, which targets the inclusive, intelligent and sustainable growth of the Union. The Digital Agenda seeks to fully leverage the potential of IT and communication technologies to support innovation, economic growth and competitiveness. Within the European Digital Agenda, Italy has developed its own national strategy, identifying priorities and processes, in addition to actions to be implemented and measured according to specific indicators, in line with the European Digital Agenda scoreboards.

** In the Unified Digital Market, individuals and businesses may access activities online and operate without interruption in a fair competition environment. In addition, high levels of personal data and consumer protection are envisaged, independently of nationality or place of residence.

government to make optimal use of its information resources and to identify the Plan category to which the Data Centers may be assigned.

2. Consultation on the circular "Criteria for the qualification of software as a service (SaaS) solutions for the public administration Cloud", which lays down the characteristics and methods of qualification of SaaS solutions to be provided in the SaaS Marketplace currently being implemented within the public administration Cloud environment.

In 2017 an Artificial Intelligence Task Force was created by AgID to study the effects of artificial intelligence on the creation and distribution of new public services.

In the words of Antonio Samaritani, Director General of the Agency for a Digital Italy, "support, harmonization and acceleration will be the key words that will carry us into 2018".

As part of this Digital Agenda program, in support of the digitalization of businesses, the Ministry for Economic Development launched the "National Industry Plan 4.0 2017-2020" which sets out concrete measures in pursuit of the following strategic guidelines:

- stimulation of private investment in research, development and innovation;
- guarantee of adequate network infrastructure, security and data protection, collaboration in the setting of international interoperability standards;
- skills creation and research stimulation;
- circulation of the knowledge, potential and applications of Industry 4.0 technologies and assurance of public-private governance for the achievement of the established objectives.

The Plan breaks down into a set of organic and complementary measures supporting investments in innovation and competitiveness, benefitting businesses and sector operators (e.g. "Iper e Superammortamento" (Asset Tax Breaks), Tax breaks on Research and Development and the "New Sabatini" law).

The Italian government has enacted measures for 2018 to complete and reinforce its Industry 4.0 Plan, with a focus on digital competencies and professional qualification training. In implementation of the objectives planned through 2020, the 2018 Budget Act consolidates investments in innovation by extending tax relief measures such as increased depreciation rates for investments in technology, the New Sabatini Act and the Industry 4.0 training tax credit.

THREE-YEAR PUBLIC SECTOR IT PLAN

The Three-Year Public Sector IT Plan was presented in the first half of 2017. The Plan provides strategic and economic guidance for all areas of the public sector in support of the digital transformation of the country.

In particular, the Plan lays down the operational guidelines for the development of public information technology, the strategic model for the evolution of the public sector's IT system and ICT investments in the public sector according to guidelines set by the European Union and the Italian government. An entire section is devoted to the development of Italy's national physical infrastructure, i.e. the hardware assets necessary to implement the Plan: communications networks, Data Centers, the public sector Cloud, disaster recovery and business continuity systems and monitoring and security devices.

The main strategic goals set in this part of the Plan relate to:

1. increasing the quality of the services offered in terms of security, resilience, energy efficiency and business continuity;
2. implementing a public sector Cloud environment that is uniform from the contractual and technological standpoint by retraining existing internal public sector staff or relying on the resources of qualified external entities;
3. saving money by consolidating Data Centers and migrating services to the Cloud.

According to the Plan, physical infrastructure is divided into three general categories: Data Centers, the Cloud and connectivity, which group together the activities and infrastructure helpful to increasing and rationalizing the cost of the public sector's Internet connectivity and increasing Internet access in public places and public sector offices.

In accordance with the National Ultra-Broadband Plan, the Plan envisages two approaches to the connectivity issue:

- the connectivity of all peripheral offices – meaning all offices of the public sector that will not be considered part of a national strategic hub – will be assured by the coverage provided under the Consip Public Connectivity Service Framework Agreement;
- the various levels of connectivity of the national strategic hubs will be determined in a specific tender procedure, considering the potential bandwidth requirements and transmission characteristics, for which the coverage provided by the Framework Agreement is not always adequate.

The Group is in a strong position both to offer fiber-optic connectivity services to the winning bidders in the Consip Public Connectivity Service tender procedure

and to take part in the tender procedures for the national strategic hubs, either directly or through temporary consortia. In January 2018, the Agency for a Digital Italy issued various circulars with the aim of facilitating an increase in the Cloud services offered and achieving the objectives set in the Three-Year Public Sector IT Plan:

- a circular regarding the qualification of a public sector national strategic hub (allowing the process of surveying the public sector's ICT assets to begin);
- a circular regarding the qualification of SaaS solutions for the public sector Cloud;
- a circular regarding the qualification of public Cloud service providers to the public sector.

In this framework, in January 2018 Consip announced a market consultation procedure on the provision of Cloud-computing services to the public sector according to the "public Cloud" paradigm. The Retelit Group participated in this consultation procedure by giving its point of view and describing the characteristics of its services.

REGULATORY FRAMEWORK

After focusing primarily on fixed-line cable networks, in recent years regulatory activity has principally involved the wireless sector. In order to implement EC Communication No 2016/588 "5G an Action Plan" by 2020, in March 2017 the Ministry of Economic Development launched a procedure to solicit project proposals for the performance of pre-commercial 5G

testing within the 3.6-3.8 GHz portion of the radio spectrum. The projects will be carried out over a period of four years in five Italian cities: Milan, Prato, L'Aquila, Bari and Matera. All the projects to test the new high-speed 5G network have now begun: in the Milan metro area, the project has been assigned to Vodafone Italia S.p.A.; in Prato and L'Aquila, the lead companies are Open Fiber and Wind Tre, whereas in Bari and Matera the operators TIM, Fastweb and Huawei were selected. In conjunction with the launch of these testing projects, Italy's Communications Authority launched a survey of the market regarding the development prospects for wireless and mobile systems in the transition to the fifth generation (5G) and the use of new portions of the spectrum over 6 GHz. The findings of this survey have yet to be published.

In keeping with the objectives that European authorities have set for the joint development of the 5G network in the Member States, Italy's 2018 Budget Act set the legislative parameters for increasing the efficiency of use of the spectrum and for facilitating the transition to new 5G technologies. The Budget Act tasks the Communications Authority with establishing the procedures for allocating rights to use radio frequencies for bidirectional terrestrial mobile broadband electronic communications services by April 30, 2018. The portions of the spectrum – known as "pioneer bands" – identified at the European level are 3.4-3.8 GHz, 26.5-27.5 GHz and 694-790 MHz. Some of these portions of the spectrum in Italy are currently allocated to other uses: in particular, the 700 MHz band is used for digital terrestrial and 3.4-3.6 GHz is used for BWA. The Budget Act thus sets a timeline involving a reorganization of the use of the spectrum and in particular the re-farming of the 700 MHz frequencies and the allocation of the rights to use the 3.6-

3.8 GHz portion of the spectrum, with the resulting amendment of Italy's National Frequency Allocation Plan by September 30, 2018.

As mentioned, the backhauling market for wireless networks continues to be of significant interest to the Group, which aims to support wireless operators during the process of replacing radio links with fiber-optic connections and supplying fiber-optic connections to the new access nodes, which with the advent of 5G will be even more diffusely spread, starting with large urban centers.

The Ultra-broadband Plan: key milestones in 2017

In 2017, the ultra-broadband sector again confirmed its strategic role in delivering real digital change to Italy, thanks also to its ability to support key strategies for economic growth, such as the Industry 4.0 Plan.

The Government, in implementing the "Italian ultra-broadband and digital growth 2014-2020 strategy" approved in March 2015, seeks to bridge Italy's digital infrastructure and services gap, in accordance with the European digital agenda. In support of these objectives, in 2016 the first two "Tenders for the construction and management of passive broadband infrastructure in white areas" were launched, awarded to Open Fiber respectively in March and July of 2017.

On October 16, 2017, Open Fiber began to accept manifestations of interests from operators to acquire passive wholesale services in "Phase 1" areas of municipalities of the first round.

The third round, regarding the Calabria, Puglia and Sardinia regions has not yet been published. On September 29 Infra-Itel launched the consultation phase on the investment plans for the coverage of ultra-broadband in the white areas of the regions concerned.



In July 2017, Infratel announced the outcome of the update to the coverage analysis of the national territory, which indicated the substantial lack of “investment intention” improvement on the part of operators to guarantee 100 Mbps connections, with a drop of 30 Mbps in investment intention and the consequent emergence of new white areas, constituting 8.2% of property units in 2020. These new white areas, as not included in the initial two rounds, may however be the subject of further initiatives.

In October 2017, Open Fiber began to accept manifestations of interests from operators to acquire passive wholesale services in “Phase 1” areas of municipalities of the first round of the UBB tender.

On February 28, 2018 Infratel published a call for shows of interest in optical infrastructure and co-location services. The projects will be carried out according to the “Direct Intervention Model – A” in accordance with state aid approved by the European Commission and involve the implementation of optical infrastructure (cable ducts and passive fiber-optic networks) enabling new generation access networks (NGANs) in the “white areas” of 685 municipalities (business districts/areas only in 17 cases).

Although the third and final UBB tender procedure regarding Calabria, Puglia and Sardinia has yet to be announced, in October 2017 Infratel began consultation concerning the related Investment Plan.

In December 2017, the Council of State issued a non-definitive judgment on the petition filed by TIM seeking to quash the first Infratel ultra-broadband tender procedure and applied to the European Court of Justice for a ruling on the validity of TIM's claims, i.e. that the merger of Metroweb into Enel Open Fiber on January 23, 2017

constituted a breach of European and tender rules. The Council of State judges, ahead of the EU Court judgment, therefore suspended its judgment.

With SINFI,* Infratel's objective is to carry out “a mapping of the existing electronic communication networks and of all other physical infrastructure necessary for hosting, available in Italy”: a major project which, thanks to infrastructure knowledge and the sharing of programmes, will permit real optimization of interventions with positive impacts on delivery times and coverage extension. The current version of the system was opened to a restricted group of researchers, including a Group representative, who can test and view in advance platform functionalities. Communication Authority Motion No. 88/17/CIR of September 26, 2017 is an important precedent on the issue of access to infrastructure utilizable for the laying of fiber optic cables and a point of reference for the extension of its principles to all infrastructure managers with similar characteristics.

Oversight Authority activities

The Authority concluded its third cycle of analysis of markets for interconnection services, regarding regulations for the fixed-line network. In February 2017, it began the fourth cycle of analysis of access markets and established the conditions of implementation of the non-discrimination obligation imposed on Telecom Italia within the framework of the analysis of access markets, in addition to launching two procedures aimed at establishing switch-off procedures for local access network switchboards and at revising the service level agreement and penalty system.

* Under Article 4 of Legislative Decree No. 33 of February 15, 2016, implementing Directive No. 2014/61/EC of May 15, 2014 of the European Parliament and Council, enacting measures to reduce high speed electronic communication network installation costs.

From a legislative standpoint, Art. 19-quinquiesdecies of the “Tax Decree-Law” – converted, with amendments, by Law No. 172 of December 4, 2017 – establishes a new obligation for undertakings that supply public electronic communications networks or electronic communications services accessible to the public to disclose “clear and transparent” information regarding the characteristics of the physical infrastructure used to provide the services. This same provision also tasks the Communications Authority with establishing the technical characteristics and nomenclature of the various types of physical infrastructure, defining full fiber optic infrastructure as infrastructure that provides a

fiber optic connection to the customer's location. Accordingly, circulation to the public of offers of electronic communications services that do not comply with the technical characteristics established by the Authority is designated an unfair business practice. To implement this provision, the Italian Anti-trust Authority prepared a draft document setting out the technical characteristics and corresponding nomenclature of the various types of physical infrastructure used to provide telephony services, television networks and electronic communications. In February 2018, the draft document was placed in consultation in order to solicit comments, information and documents from operators.



Group Strategy

The development of the sector in general confirms that the Group strategy – which continues to focus on developing the fiber optic network both domestically and internationally, in addition to infrastructural integration and technological innovation and the development of Data Center, Cloud and Cyber Security services – is correctly targeted. In fact, growing demand for broadband services from businesses, telecommunication operators and ICT service providers are expected to support the fiber investment necessary to handle the explosion of data traffic demand and the need to connect Next Generation Networks (NGN's). In addition, the major expansion of “as a service” platforms and the constant demand for security and the outsourcing of the ICT by businesses involved in Digital Transformation has focused the Group on the development of increasingly innovative Data Center services which are closely integrated thanks to Software Defined platforms.

Infrastructural and technological innovation investment are accompanied by quality certifications (ISO) both for network and Data Center services, specific technology certifications, such as for example the MEF (Metro Ethernet Forum) 2.0 certification for Carrier Ethernet services and the continual focus of the organization on service quality, a unique selling point which has enabled the Group to grow within a highly competitive marketplace.

Retelit's plans partly focus on developing the Group's infrastructure which, in addition to fiber optics, includes also Data Centers distributed throughout Italy and, on its completion, its share of the AAE-1 submarine cable system capacity. On the other hand, the focus is on extending the

value proposition both in terms of Data Center and Telecommunications services, selecting qualified partners with the same characteristics as Retelit in terms of quality and reliability which can quickly integrate into the Group's value proposition. The core elements of the offer are: i) an excellent owned network serving the major urban and industrial areas of the country; ii) a platform of innovative services, which ensure the modularity, scalability and flexibility of the portfolio; iii) a quick and proactive structure, enabling a timely and efficient response to market demands; iv) a network of partners selected to develop an ecosystem of highly innovative and always up-to-date solutions.

TECHNOLOGIES FOR THE DEVELOPMENT OF THE VALUE PROPOSITION

Despite an unfavourable global economic environment and consequently reduced investment in the sector over recent years, the Group has progressively innovated and developed its technological infrastructure, selecting the highest standard solutions available and leading partners. The main investments over the last three years have been:

- a) The backbone Dense Wavelength Division Multiplexing/Optical Transport Network (DWDM/OTN) platform which has reduced network complexity, improving the capacity to satisfy the increasing market demand generated by the significant increase in the use of ultra-broadband services and technologies. Thanks to increased transmission capacity and its highly efficient network, the Group offers a broad range of innovative services and also supports low latency strategic applications such as high frequency trading and digitalized healthcare, relaying data in real time.
- b) The Carrier Ethernet platform, through which Retelit introduced highly developed functionalities in terms of network and services scalability, flexibility, management and control, with the consequent introduction of new services and the improvement of existing services. In particular, the management of Quality Of Service (QoS) has optimized the use of bandwidth, differentiating data on the basis of its content and its strategic value. The new platform hosts Virtual Private Network (VPN) services, L2 and L3, and added value IP services.
- c) The Cloud Storage platform – constructed at the Milan and Bologna Data Centers and integrated with its network – through which the Group launched its Cloud Storage service and thanks to which clients can request and activate Data Backup & Storage resources provided through the Public or Private Cloud. The platform was designed to offer clients flexibility and scalability which guarantees ease of installation and the rapid management of their virtual infrastructures. In addition, over the last year the platform has been extended with new high performance Software Defined Storage technologies.
- d) The hyper-convergent Virtual Data Center platform, installed at the Milan and Bologna Data Centers and integrated to its network: scalable, modular and offering all the functionalities of a traditional IT infrastructure in a single device. The “all-in-one” solution integrates storage, computing, networking, hypervisor, real-time duplication and compression and optimization functionalities, guaranteeing unified management, data protection and disaster recovery. The computing power offered to clients is significantly greater than that available to date on the domestic market.
- e) The Object Storage platform, installed at the Bologna Data Center and integrated into the proprietary network: capable of guaranteeing the recovery of large quantities of data. The services based on a B2B client storage platform provided as IaaS and in the Private Cloud. Technological innovation creates a series of advantages, beginning with usage costs with Pay-as-you-go tariffs without thresholds and completed with an advantage which again combines costs savings with eco-sustainability thanks to the new extremely low consumption technology for the infrastructure.
- f) The Management Firewall and DDoS Mitigation platforms installed at the Milan and Bologna Data Centers, which this year were supplemented with a Cyber Security Control Room service. In order to satisfy divergent business demands, the Group has invested in the development of a series of services for the management of security infrastructure through a Managed Security Service Provider. The suite of proposed services includes solutions for: Perimeter Security, Security Operation Center, Cyber Security Control Room, Cyber Security Consulting, DDoS Mitigation.
- g) A guaranteed and high-quality connectivity service for the main Cloud Providers (AWS, Google, Microsoft, SAP, Salesforce, IBM Softlayer) called Cloud Connect. This is a level 2 or level 3 service through the infrastructure of Retelit and its international partners.
- h) The Application Performance Management (APM) as a Service platform is designed to manage solutions that support the entire life cycle of the application, identifying and resolving performance issues in the shortest possible time from development and test phases right through to production. Retelit selected the market leading APM Solution offering real-time analysis, i.e. Real

User Experience, of network applications, for which full testing was carried out in 2017, followed by integration with the Retelit platform, competence center and Network Operations Center (NOC).

- i) The Geographic Information System (GIS) platform with the dual purpose of supporting on the one hand the design and management of network assets through highly innovative technology, and on the other marketing and sales operations through the sharing in a dynamic geospatial and interactive environment of technical and commercial information. The GIS platform has also been integrated with a Coverage Portal, made available to Retelit customers and able to provide fast customized quotations across all Italian regions. In 2018, the portal will feature an Application Performance Interface (API) able to interface with other coverage portals of leading national and international carriers.

The Group plan focuses on the technological innovation of its network and Data Center services and the development and extension geographically of its platforms. Indeed, 2017 saw the start of several projects for the development of new technologies and services which will be the focus of strategies for 2018, such as:

- j) In order to respond to new demands for bandwidth and ICT services to and from the Asia and Pacific (APAC) region, through the connectivity made available by the new submarine cable AAE-1 (of which Retelit is a consortium member), Retelit is expanding its 100G DWDM network, with latest generation technologies, to the south of Italy. The backbone network is being expanded by the lighting of a pair of recent acquired fibres of approximately 2,500 km from Rome through Naples to Sicily and Bari, connecting to the nodes of the OHM consortium, of which Retelit is a mem-

ber, and the Sicily Hub of Telecom Italia Sparkle (TIS). Through this network expansion, Retelit will be able to provide new connectivity services (and new products) to the national and international market, amplifying capacity from APAC through the AAE-1 to Europe and interconnecting the submarine cables landing in Southern Italy.

- k) Retelit is implementing new Software Defined Wide Area Network service (SD-WAN) network transport technologies for the marketing of fully Data Center integrated and easily customizable Layer 2 VPN and Layer 3 VPN services. To this end, research was carried out in 2017 to analyze existing market solutions and identify potential suppliers for the provision of a multi-tenancy SD-WAN solution to the specifications of the Retelit market. A test environment was created to test the full potential of the technology and, in 2018, plans are set to adopt the solution in the main Business networks of new Retelit customers and to integrate it with international partner networks.
- l) As part of its development and technological innovation plan, Retelit is working on the implementation of a latest-generation pure IP network infrastructure capable of absorbing the continued growth of Internet services demanded by national and international customers, particularly those connecting to the landing station in Bari, where the AAE-1 submarine cable terminates. This new infrastructure, together with strategic transit agreements with major TIER1 partners, presence in the main national and international IX interchange (Internet Exchange) nodes and private peering agreements with major content providers, will allow Retelit to offer high quality IP/Internet services to national and international companies, guaranteeing superior performance for the main destinations.

BUSINESS MARKET DRIVERS

The Group plan focuses on the technological innovation of its network and Data Center services and the development and extension geographically of its platforms. The strategy focuses on disrupting the business market with a proposal of end-to-end ICT services with Retelit as the only main contractor.

With this objective, partnerships are being finalized to extend the range of managed services with competences ranging from the specialized design of IT solutions with new infrastructure, to the installation, configuration and deployment of systems, up to system assistance and, in general, the maintenance of ICT systems, with assistance and recovery services throughout the country.

With a view to boosting the Group's network presence with the major Tier 4 Data Centers, the installation of Virtual Data Center infrastructure in one such Data Center is planned, in addition to integration into the overall platform which is therefore further developed. In addition, the partnership with these players involves the extension of the Data Center Services value proposition to the business market, with the provision of hous-

ing and colocation services in certified Tier 4 Data Centers, as part of the managed services.

The Company is developing a strategy to guarantee the business evolution of enterprises through the provision of services ranging from connectivity to the Public Cloud through to the unified management of the integration of the Cloud, APM and Cyber Security services through Software Defined technologies capable of unifying hybrid Cloud and legacy world environments.

The Group is actively engaged in the current convergence between the energy and telecommunication sectors. This convergence, while also based on a natural infrastructural synergy, stems from the need for electricity network operators to monitor an increasing volume of data for the proactive management of their networks, while for telecommunication operators from the possibility which electricity networks offer to collate and send to Data Centers data from the region, businesses and residences.

One of the guidelines of the company development plan in 2017, and upon which an indirect sales channel will be developed in 2018, concerns services for the Small-Medium Enterprise (SME) segment.



In particular, synergies are being created between FTTH and FTTN technologies with the main market players through bitstream and openstream accesses capable of guaranteeing greater network coverage for all services which go to meet the needs of the lower bracket of the Italian business market.

DOMESTIC WHOLESALE MARKET DRIVERS

The Group continues to satisfy the demands of Italian providers in terms of its network's dedicated connectivity, providing end customers with high-quality Internet through infrastructural investment and product innovation.

Fiber optic backhauling connections for mobile and wireless operators in general remains central, indispensable in order to ensure the service quality required for the exponential growth of data traffic. The upcoming move to 5G technology presents a further opportunity in this regard. The Retelit Group can leverage on its assets and extensive and consolidated experience in constructing fiber optic connections for the backhauling of wireless operators.

The Group strategy in addition focuses on developing new agreements and synergies to guarantee the development of infrastructure and services for other carriers thanks to the BUL plan through fiber backhauling.

INTERNATIONAL WHOLESALE MARKET DRIVERS

The consolidated positioning on the International Wholesale market for fiber optic Ethernet services to satisfy multinational end customer connection demand ("B-End services") is still the main lever generating Group revenues on this market. The strategy to maintain market share as a preferred provider of B-End services is based on the continued improvement of the demand sensitive quality parameters, in addition to price. Speed, flexibility and

customer care. These can mitigate price competition pressures.

The growth strategy is focused on the commercial success of the new Over The Top players entering the connectivity and infrastructure markets. Together with the network strategy to connect all the main Data Centers with proprietary infrastructure, the success of the major content providers is the main driver behind infrastructure services growth in Italy.

The launch of the AAE-1 cable system in addition consolidates the positioning of Retelit on the very high capacity international transport services market on the Eurasia route, adding further value to the Italian backbone and the Bari Cable Landing Station (CLS) investment.

The expansion towards International Carriers is supported by the infrastructural development to Sicily and Bari, connecting the nodes of the OHM consortium, of which Retelit is a member, and of Sicily Hub which involves Telecom Italia Sparkle (TIS), in addition to those of the Bari Landing Station.

Furthermore, the major demand for Internet bandwidth from customers in Eurasia is matched by the Group's IP network expansion strategy, increasing the attractiveness of the Southern Italian hub over Marseilles.

The emerging Asian markets are generating exponentially growing connectivity demand from and to Europe which can now be addressed by Retelit with a satisfactory portfolio of adequate services.

NETWORK AND ULTRA-BROADBAND STRATEGY

The Group's network strategy focuses on extending the geographic coverage of fiber optics across the country, particularly with regards to connecting locations considered strategic for its business, also in relation to the new opportunities available as a result of the AAE-1 submarine ca-

ble, in addition to other areas with greater concentrations of businesses and the latest generation Data Centers or those attracting the big players.

The signing in April 2017 of an agreement with a major infrastructural player which allows the Group to extend its optic network into areas of Southern Italy thus far only partially served with third party capacity is of particular importance.

The strategy to connect industrial areas close to the network also continues, with the dedication by the Retelit Group of a specific commercial campaign in this regard.

The Group is contributing to the national Ultra-broadband development strategy and attentively follows the current investment in the NGAN networks, in order to pursue all possible partnership opportunities with other players and consequently develop its centrally important fiber optic network.

The strategy was supported by increasing visibility also at institutional level: Retelit has majorly boosted its social media presence and participated at numerous events and round tables centered on ultra-broadband, providing on occasion suggestions and opinions.

The conclusion of the process for the first two Infratel bands, with the awarding to Open Fiber of all lots so far opened, is a positive outcome in view of the potential blockage which would have arisen had the appeals presented by certain operators been successful. Indeed, sector growth opportunities have been preserved by investments under the Governmental Plan. The ability of Open Fiber to comply with the implementation times set by the Infratel tenders will also be decisive.

On the international front, the growing demand for capacity to Asia and the Pacific is answered not only by the AAE-1 infrastructure but also by recent acquisitions on the land section from Frankfurt to Hong Kong using the TEA4, and of the submarine section to Singapore and Hong Kong on the other submarine cables SMW-5 and SIC. The Group is also working on the implementation of a latest-generation pure IP network infrastructure capable of absorbing the continued growth of Internet services demanded by national and international customers, particularly those connecting to Southern Italian landing stations (Bari and Sicily), where most Eurasian submarine cables terminate.

This new infrastructure, together with strategic transit agreements with major TIER1 partners, presence in the main national and international IX interchange (Internet Exchange) nodes and private peering agreements with major content providers, will allow Retelit to offer high quality IP/Internet services to national and international companies, guaranteeing superior performance for the main destinations.

The Group has continued its strategy of interconnecting the major Data Centers, connecting 55 via a proprietary Software Defined Network and guaranteeing maximum scalability, the best latency, the most innovative technologies and high performance service levels and bandwidth dynamics, with bandwidth upgrade on demand.

AAE-1 CABLE STRATEGY

Retelit's strategy in terms of the international submarine capacity market is to generate value from its infrastructure, including the Bari Cable Landing Station and the Italian Backhaul network to Europe, positioning itself as a better-quality

alternative to the traditional routes (through Marseilles or Sicily). This strategy involves the transport of traffic from and to the AAE-1 submarine cable system through Bari on Retelit infrastructure and therefore the winning of significant market share. Retelit's solutions for significant capacity users such as the Over the Tops and the Global Carriers is innovative in comparison to those of traditional submarine cable managers. Leveraging on the technological features of the AAE-1 submarine cable system, together with the company's flexibility and speed, Retelit has established itself as the go-to solution on the Eurasia route which features dramatic growth and elevated service quality and response time demands. The bundle solution with the European backhaul and the existing international Customer portfolio are strategic success factors for the acquisition of market share based on the wet capacity of the AAE-1 cable.

In order to maximize the value of the AAE-1 submarine cable system investment, Retelit joined the OHM consortium, the largest neutral and open data ex-

change hub in Italy and the main landing point for submarine cables in the Mediterranean, positioned in Carini (Palermo), extending the proprietary fiber optic transport network in Sicily to the South (Southern Network Project) and as far as Marseilles in the West. Such network expansions will be fully commissioned in 2018. With this further strategic investment, Retelit positions itself as the only operator able to gather traffic from three landing points (Bari, Palermo and Marseilles) of the main submarine cables from Eurasia, i.e. AAE-1 and SMW-5. The network strategy will allow Retelit to offer exclusive cross-connection between AAE-1 and SMW5 in Italy and better land protection of the 2 cables than the submarine line to Marseilles. The strategic objective is to restore, in the next three years, Italy's positioning as the main Mediterranean landing site in competition with Marseilles.

In 2017, sales contracts were signed involving the write-off of investments for Euro 20.6 million. For more extensive analysis, reference should be made to paragraph "AAE-1 Cable".

QUALITY AND CERTIFICATIONS

In addition to targeting innovation, Retelit has chosen to certify its products and services in order to ensure a top quality service for clients. The certifications demonstrate that the company system complies with national and international excellence and quality standards.

- a) ISO 9001:2008 Operating System Certification for the Quality of Organization of the companies Retelit and e-via;
- b) ISO 27001:2013 Operating System Certification for Information Security based on an approach to business risk which seeks to establish, monitor, update and improve the security of information, applied at the Data Centers of Milan, Bergamo, Bologna and Rome, to the Cloud services and at the Milan headquarters;
- c) ISO 14001:2004 is the main recognized international standard for the introduction of an environmental management system (SGA). Retelit and e-via currently hold this certification for the Data Centers of Milan, Bergamo, Bologna and Rome and for the Milan headquarters;

d) ALLA/NALLA Certification for Telecommunication Services for the provision of military connectivity services;

e) Metro Ethernet Forum 2.0 Certification for all Ethernet Transport Services: E-Line, E-Access, E-LAN. Having passed over 700 tests, Retelit is the only Italian operator which complies with all the new Carrier Ethernet 2.0 standards;

f) A number of employees have attained in terms of IT services quality certifications for IT development processes and Cloud environment operations, such as ITIL v3, VMWARE and VEEAM; similarly, in the telecommunications field, the company continues to target technical certifications for employees in areas of interest. The engineering unit currently has three MEF CEP2.0 certified employees and a number of Cisco CCNA certified employees.

Additional certifications are expected to be achieved over the course of the 2017-2021 Plan. In 2018, the possibility shall be assessed of certifying at technological level, such as Tier III, a number of premium Data Centers which already meet the minimum certification requirements.



Operating overview

Group operations may be broken down and analyzed according to client segments or the type of products/services offered.

1. Client segments

- Domestic Wholesale segment
- International Wholesale segment
- Business segment

2. Products/Services

- Telecommunications infrastructure
- Telecommunications services
- Data Center services (Colocation, Cloud, Cyber Security e APM)
- international connectivity services based on the AAE-1 system (Wet Capacity)
- land services for AAE-1

CLIENT SEGMENT PERFORMANCES

The Retelit Group historically has positioned itself on the Italian intermediate telecommunications services market – generally known as the Wholesale market. The Company has focused on data

transmission services based on fiber connections and has developed an extensive portfolio of Italian and international clients and growth levels outstripping the market average. From 2015, the Group developed its Data Center, Cloud and Cyber Security services linked to connectivity services constructed for business customers (Corporate and Public Sector).

Retelit's strategy is therefore based on three client pillars, reflecting the relative segments:

1. Domestic Wholesale Segment (Carriers, OLO,* and xSP**)
2. International Wholesale Segment (Carriers and OTT's***)
3. Business Segment (Corporate and Public Sector)

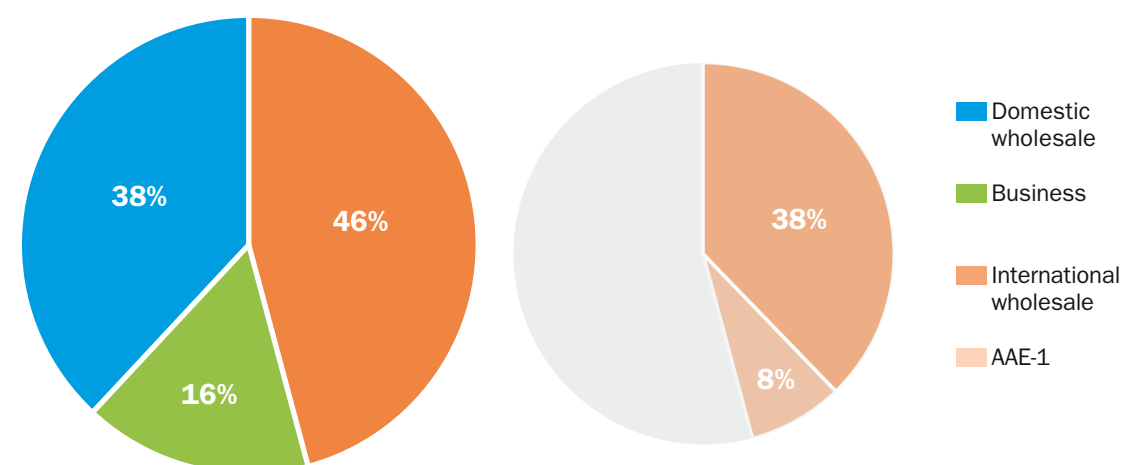
In response to the activities described above, core sales have been strong – totaling Euro 62,897 thousand, up 30% on the same period of the previous year. Revenues are broken down as follows:

* OLO: Other Licensed Operator.

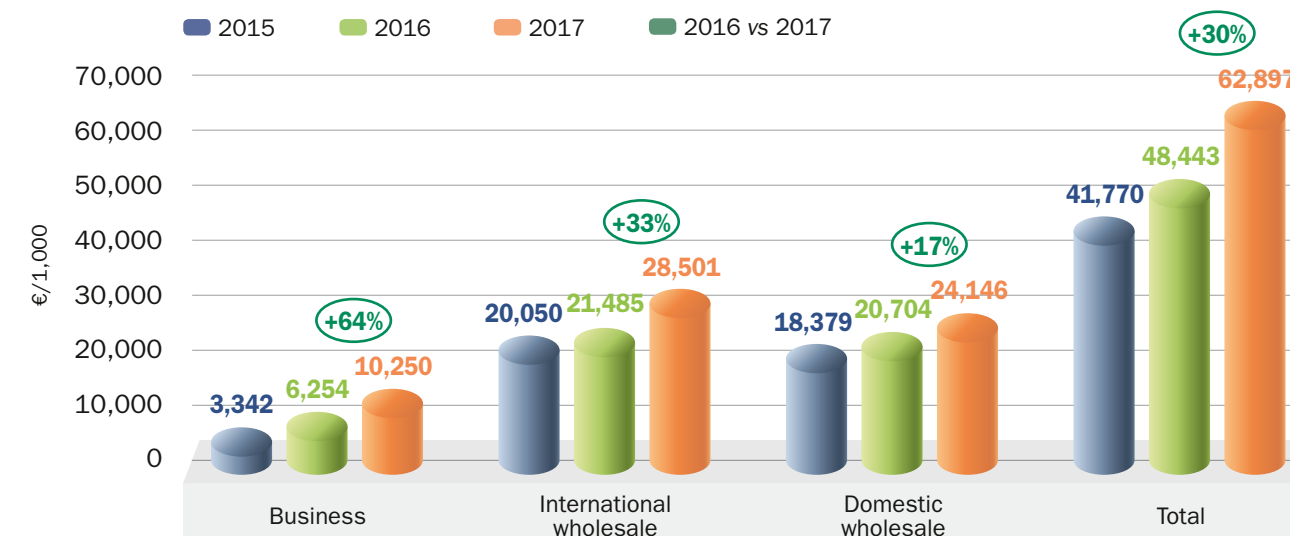
** xSP: Service Providers.

*** OTT: Over the Tops (e.g. Google, Amazon, Facebook...).

REVENUES 2017



CORE REVENUES



The percentages in the graphs represent core revenues in 2017 against 2016 and 2015. All customer segments have seen constant growth.

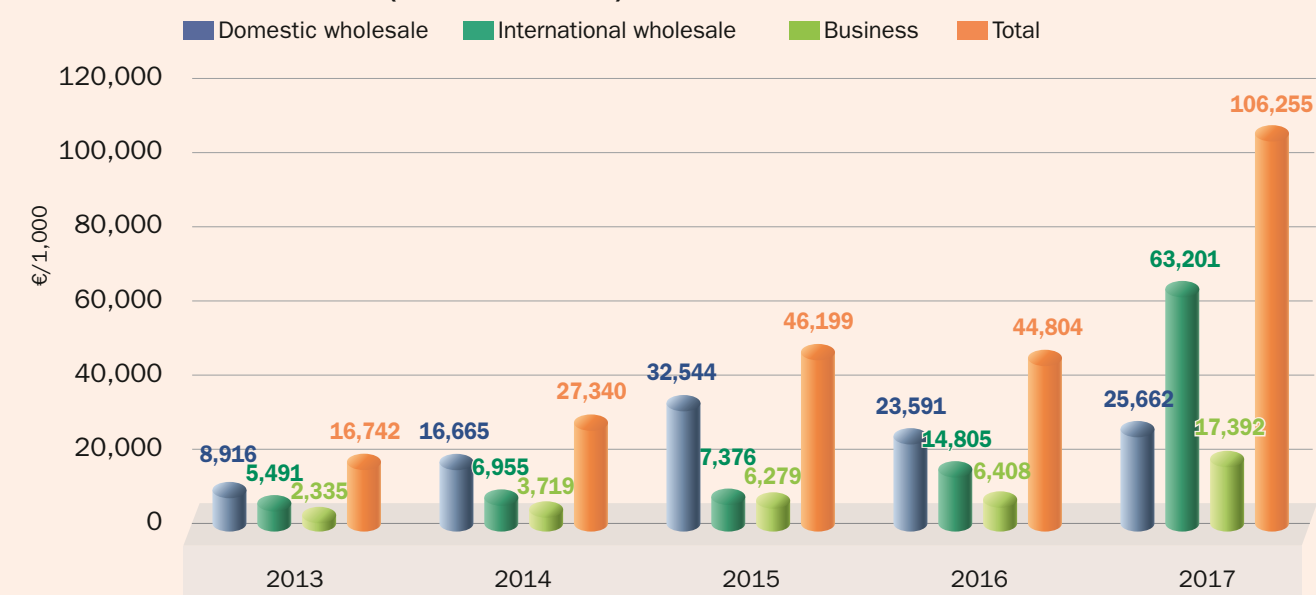
New orders measured on the “total contract value”* acquired in 2017 amount to

Euro 106.2 million, while amounting to Euro 44.8 million in 2016.

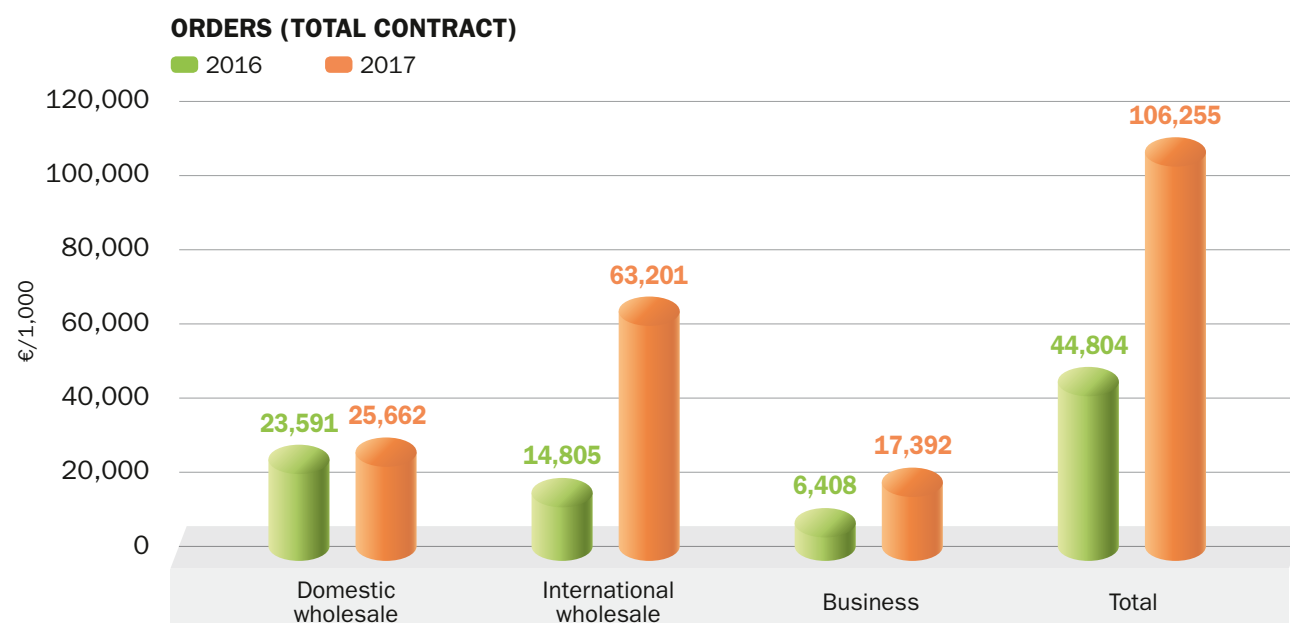
The “total contract value” for the three customer segments over the last five years is as follows:

* Value of contracts acquired for their total duration. Represents the total expected cash flows (excluding VAT) over the contractual duration.

CLIENT ORDERS (TOTAL CONTRACT)



The table on the previous page compares the years 2013 to 2017.
The table below breaks down orders acquired in 2017 compared to 2016.



The Domestic Wholesale segment for Retelit represents, with 129 clients between domestic Carriers, Mobile Operators, OLO's, xSP's and multi-utilities, 39% of revenues and approx. 24% of total orders. This confirmed its continued focus on mobile network operators (e.g. infrastructure to support 4G development), fixed networks, ICT System Integrators and New Media. Domestic Wholesale segment sales were strong, reporting new orders measured as the "total contract value" of Euro 25.6 million, slightly up on the previous year.

The International Wholesale and Business segments however reported significant growth. In addition, the International Wholesale segment in which the Retelit Group has historically been a preferred partner of international operators for so-called B-end connections in Italy was further bolstered, with additional order growth. In line with the AAE-1 submarine cable

project strategy to expand onto new markets and with new players, operations focused on positioning and developing opportunities on the OTT market were stepped up, through proposals which seek to attract their content to the Italian Data Centers, and in particular the Retelit fiber network.

With 68 clients between International Carriers and OTT's (Retelit supports almost all international operators currently operating in Italy), the International Wholesale segment represented for the Group 45% of revenues in 2017.

International Wholesale segment sales were strong, with new orders measured as the "total contract value" of Euro 63.2 million, significantly ahead of 2016 (Euro 14.8 million). From its entry into service on June 22, 2017 until year-end, the AAE-1 contributed to international Wholesale revenues (representing 7% of total Group revenues).

The go-to-market activities for the commercialization of AAE-1 cable related ser-

vices are focused principally on four business areas:

- End-to-end connectivity of the main European and Italian (connected directly by Retelit) traffic exchange points (connected thanks to the partnership with BICS) for the European and American existing Retelit Client carriers with the 2 main Asian Hubs connected by the AAE-1: Singapore and Hong Kong.
- Backhaul connectivity to members of the consortium from Bari to Italian and European DC's (Data Centers), focusing on the strategic value of the Bari route compared to the traditional routes from Sicily or from Marseilles.
- Business development on new Carrier customers in the Middle East and Far East for connectivity to Europe.
- Focus on the international defense business for the connection of military bases.

Business market operations with 194 clients made advances with a series of targeted initiatives, including:

- focus on large multi-office projects, also in partnership with other operators for low capacity circuits. Go-To-Market through direct sales force, with possible support of business partners;
- Cloud services (including Virtual Data Center, Cloud Storage, Backup, Disaster Recovery), bundled with fiber optic connectivity;
- Cyber Security services bundled with fiber optic connectivity and Cloud services in line with the new General Data Protection Regulation (GDPR);
- Application Performance Management as a Service services for the monitoring of Data Center applications;
- a specific plan for the selection of companies located in the vicinity of the network and fully corresponding to the Group target profile;

- opportunities in the Public Sector, through involvement in public tenders falling within the applicable scope.

The Business market is driven by current ultra-broadband demand. Inevitably, this will feed into network infrastructure related services. Although on the one hand, proprietary IT infrastructural investment by medium-size businesses is reducing, their interest in outsourcing and in "as-a-service" to obtain a dual benefit which Retelit can provide is growing: more efficient and more personalized services and lower operating costs. This benefit obviously by itself implies a significant increase in business ultra-broadband demand.

The Company has extended its connectivity services offer through expanding Backup service solutions through LTE connectivity and Satellite to develop highly innovative and secure VPN solutions for the business segment.

In order to develop new opportunities, also supported by partnerships with other ICT players, the selection continued of industrial areas and strategic sites, for example aggregation sites. The selection process takes account also of possible synergies with the wholesale market.

Major contracts in volume and content terms were acquired in the period. A major fashion market company trusted the Group with monitoring services for its APM applications, a leading high-end jewellery and luxury watches and accessories company ordered VPN connectivity solutions, a network services company acquired fiber optic connections on national routes and an ICT sector company in the north-east acquired infrastructure. In addition, the Retelit Group leveraged its services to develop the technological solutions of Bonfiglioli Italia S.p.A., an Italian enterprise with a strong global presence pro-

viding innovative and reliable solutions for the control and transmission of power for industry and self-propelled machines. The solution is based on the creation of a Virtual Data Center service dedicated to housing SAP environments and including fiber optic connectivity, Virtual Firewalls for the boundary protection of the SAP environment and the creation of a Disaster Recovery plan in terms of Business Continuity and the simplification of the data recovery process. Business mar-

ket sales were strong, with new orders measured as the "total contract value" of Euro 17.3 million ahead of 2016 (Euro 6.4 million).

In order to promote the brand and its commercial solutions, the Group took part in a number of cyber security, hybrid Cloud and convergence focused events, all of a key nature for the proposition of solutions targeting innovation in the digital and ICT sector.

PRODUCTS/SERVICES PERFORMANCE
The Retelit Group commercial proposal is based on five categories of services:

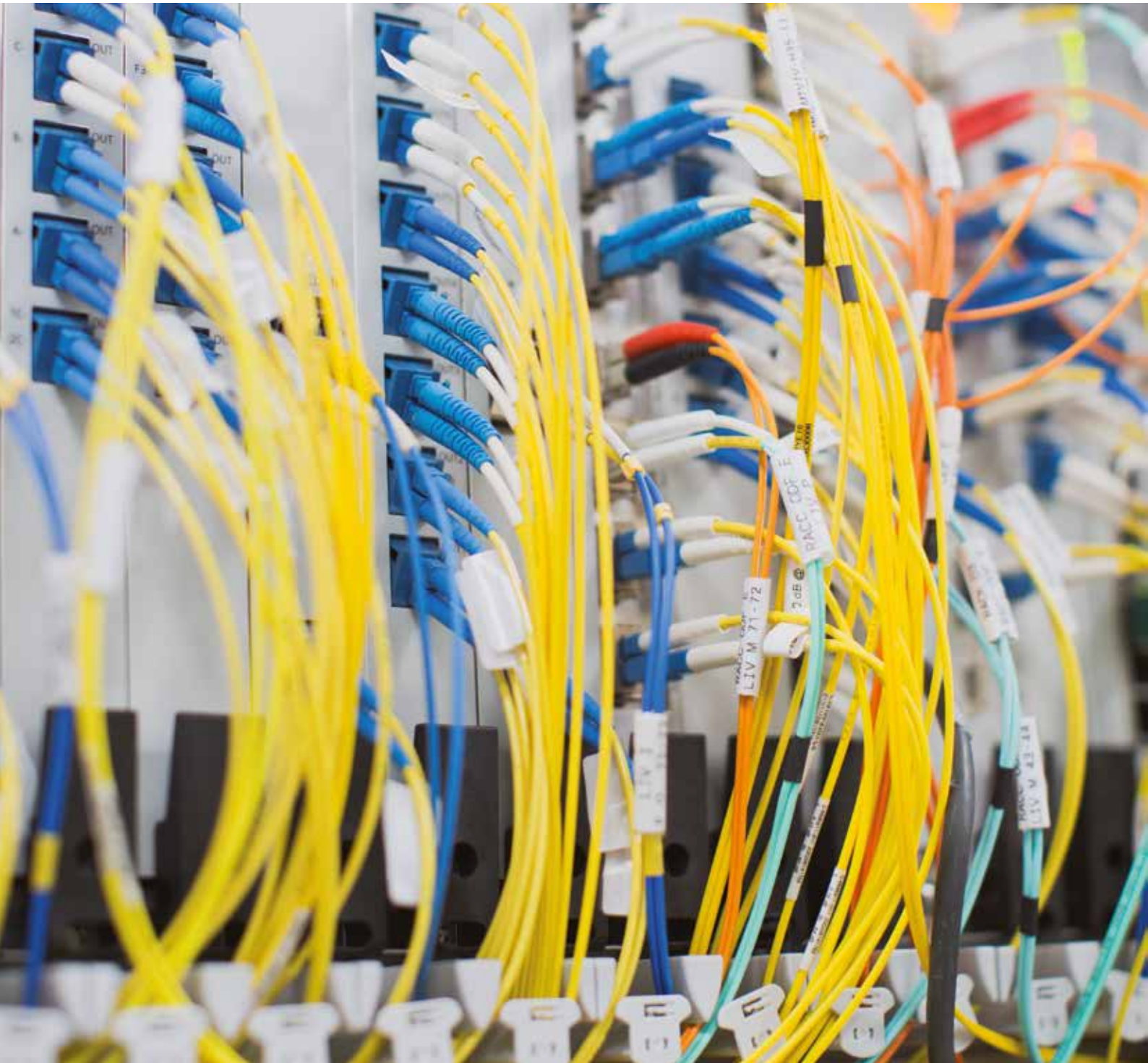
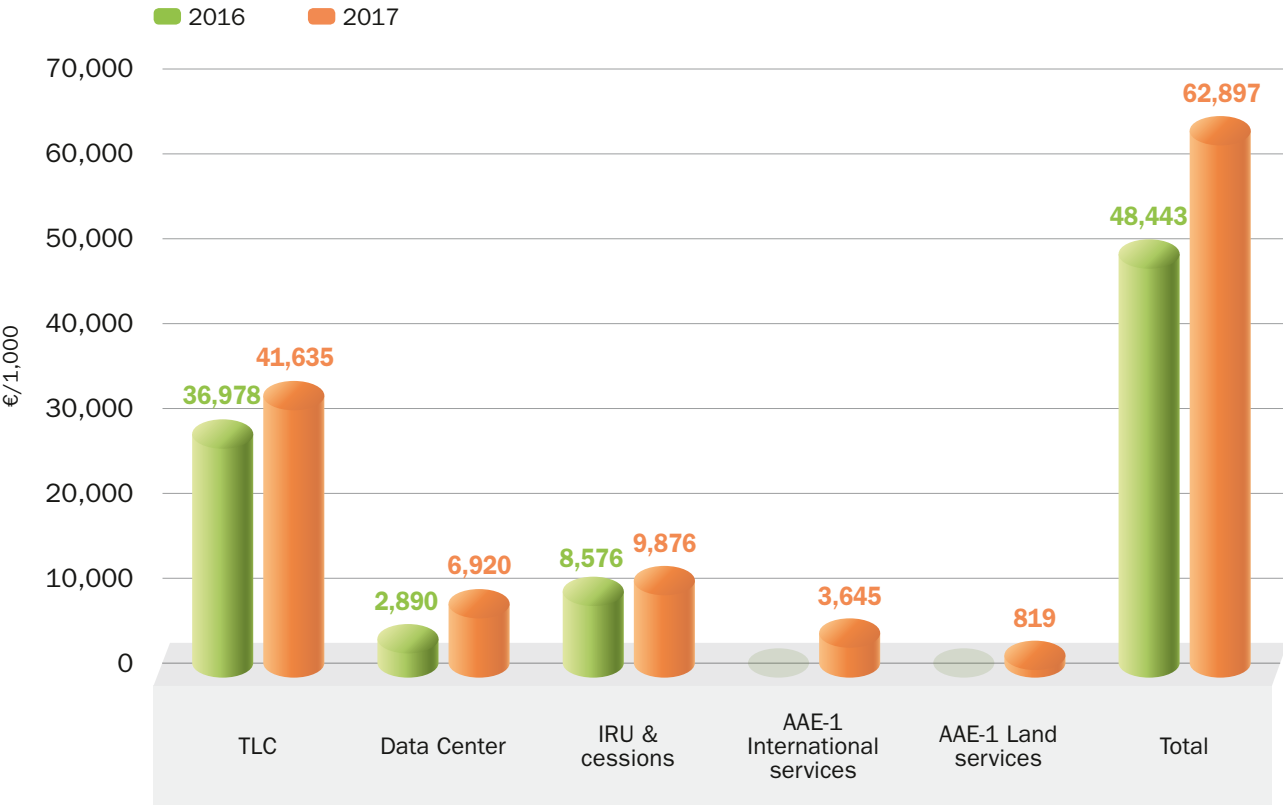
- 1. **Telecommunications services:** Broad-band transport, IP services, managed network services (VPN's) targeting, with divergent features, both Wholesale operators and businesses and the Public Sector, guaranteeing highly reliable and secure Internet connectivity at clients offices;
- 2. **Data Center services:** Colocation services of its infrastructure at highly reliable Data Centers and Cloud computing solutions such as Virtual Data Centers, Cloud Storage, Cloud Security and Application Performance Management;
- 3. **Infrastructure:** Dark fiber and ducts, long-term leasing of physical infrastructure for the integration of client networks. These usually focus on both

fixed and mobile network infrastructure operators, in addition to system integrators and OTT's;

- 4. **AAE-1 based International Services:** Wet Capacity i.e. capacity sold on AAE-1 submarine cable;
- 5. **AAE-1 land services:** Bari European Backhaul, transport service of the Bari Landing Station for all major Italian and European Data Centers through the proprietary network and the strategic partnership with BICS.

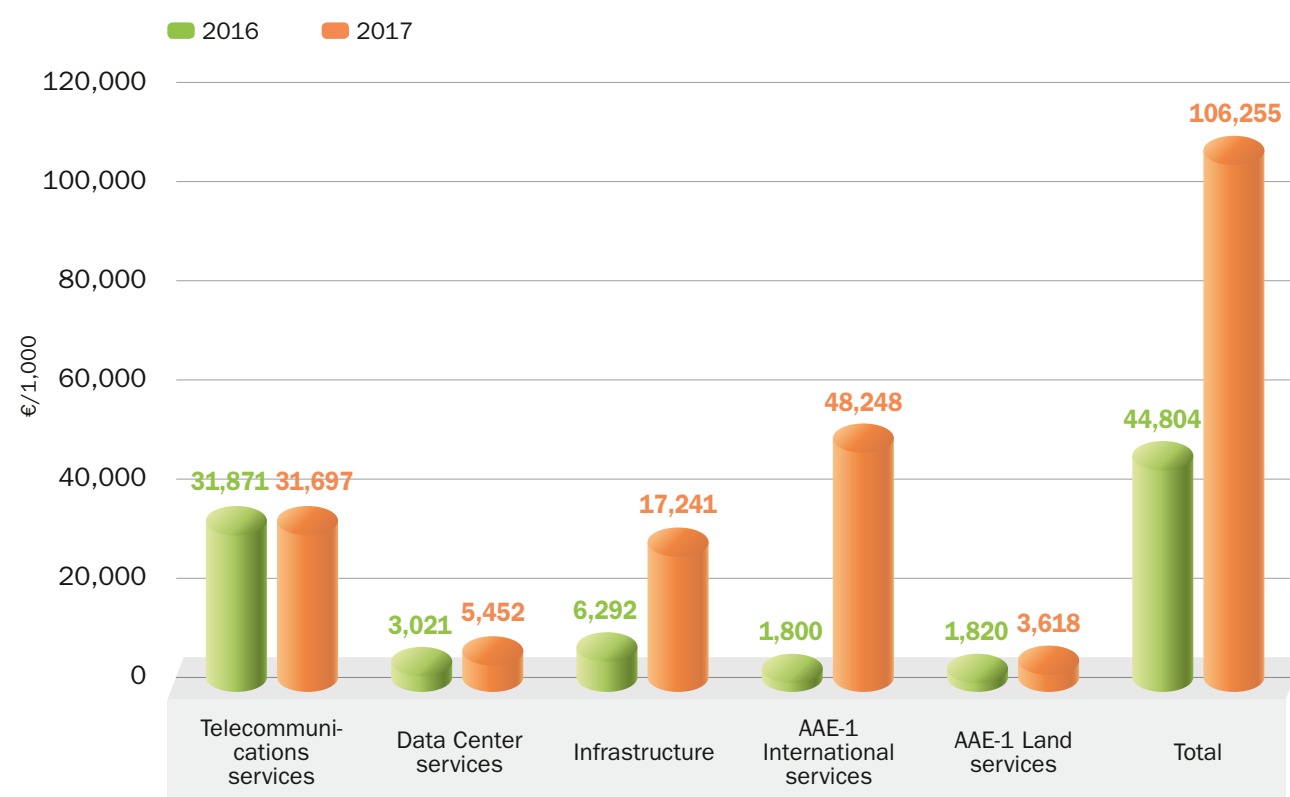
In terms of breakdown by products/services, we highlight the telecommunication services, including ethernet E-LINK, which in 2017 accounted for approx. 49% of total orders. Internet IP-LINK services also grew, in particular for the Business segment. New orders broken down by services are presented below:

SERVICE REVENUES



New orders broken down by services are presented below:

SERVICE ORDERS (TOTAL CONTRACT)



The contribution of the AAE-1 cable represents 49% of total new orders.

With regards to the AAE-1 submarine cable system, fully activated between Marseilles and Hong Kong (this final Landing Station launched on December 14, 2017), contracts with leading international capacity service operators and (also as bundles of wet capacity and backhaul) for Bari-Europe Backhaul services, have been concluded, including a twenty-year contract for the granting of usage rights of over 1 Terabit of nominal capacity (entitlement) on the AAE-1 with a major Asian carrier, a contract for the concession of usage rights for 10 years of 100 Gbps of capacity between Singapore and Italy with Sparkle and a contract for the concession of usage rights for 15 years for 100 Gbps of capacity between Hong Kong and Mar-

seilles with Vodafone. In addition, orders include the scheduled repayments for the Bari landing station by the Consortium, in addition to the first year installment (out of a total of twenty) for the maintenance of the Bari Landing Station which will be paid also by the AAE-1 Consortium. In December 2016, an agreement with the international operator BICS was finalized for the sale of 60 Gbps of AAE-1 cable submarine capacity, in addition to a commitment from the same operator of backhaul capacity between Bari and the Retelit Points of Presence (PoP) in Milan and Turin and the major European Data Centers in Frankfurt, London, Amsterdam and Paris.

The following table breaks down the value of contracts acquired over the last four years by client and product/service.

TOTAL CONTRACT VALUE (Ytd)

Euro/000

Year	Service	Dom. Wh.	Int. Wh.	Business	Total
2013	Data Center & Cloud	1,552	490	211	2,253
	IRU & infrastructure sale	547	–	611	1,158
	Telecommunication services	6,817	5,000	1,513	13,330
2013 Total		8,916	5,491	2,335	16,742
2014	Data Center & Cloud	1,339	23	128	1,491
	IRU & infrastructure sale	9,583	–	–	9,583
	Telecommunication services	5,743	6,932	3,591	16,266
2014 Total		16,665	6,955	3,719	27,340
2015	Data Center & Cloud	1,230	104	651	1,985
	IRU & infrastructure sale	21,382	800	831	23,013
	Telecommunication services	9,931	6,471	4,797	21,200
2015 Total		32,544	7,376	6,279	46,199
2016	Data Center & Cloud	1,764	135	1,122	3,021
	IRU & infrastructure sale	5,371	179	742	6,292
	Telecommunication services	16,456	10,871	4,544	31,871
	AAE-1 International services	–	1,800	–	1,800
	AAE-1 Land services	–	1,820	–	1,820
2016 Total		23,591	14,805	6,408	44,804
2017	Data Center & Cloud	2,041	345	3,065	5,452
	IRU & infrastructure sale	9,261	–	7,980	17,241
	Telecommunication services	14,360	10,990	6,347	31,697
	AAE-1 International services	–	48,248	–	48,248
	AAE-1 Land services	–	3,618	–	3,618
2017 Total		25,662	63,201	17,392	106,255

Strategic Business Area Performances

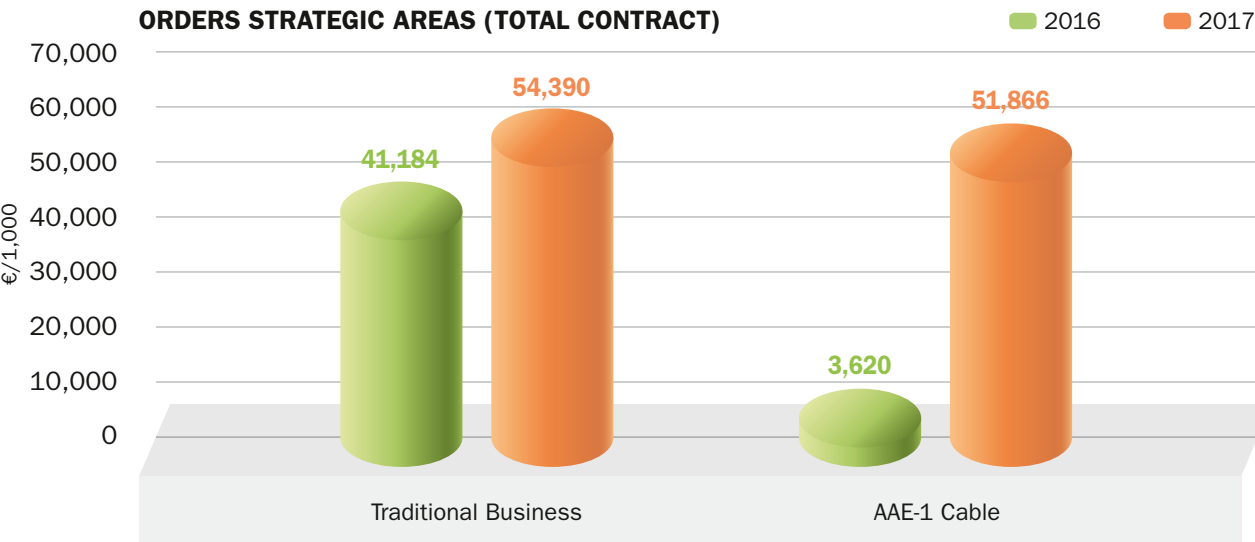
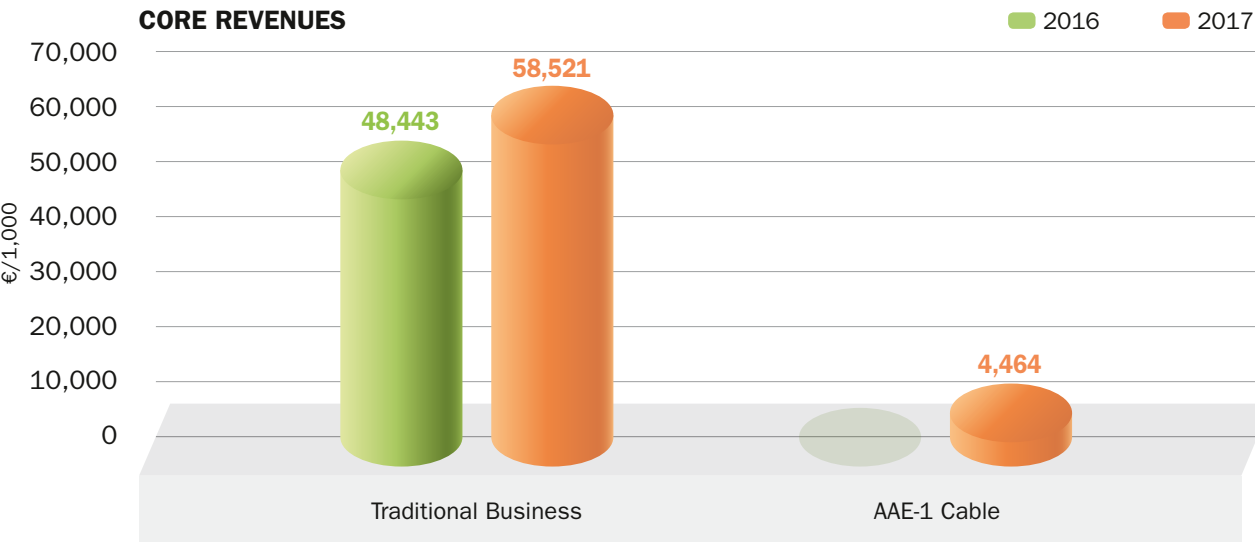
According to the features of the organization, operating and strategic model, two Strategic Areas (SA's) are identifiable:

- a) Traditional Business
- b) AAE-1 Cable

The scope of the AAE-1 cable strategic area is defined as the operations, both related to revenues and costs, including human resources, directly concerning the investment

in the cable system and its monetization. The Group has an industrial accounting model for the correct allocation of costs related to services supplied by one strategic business area to another, in order to identify as accurately as possible the performances of the individual areas. Following the entry into service on June 22, 2017 of the AAE-1 system, the AAE-1 cable strategic area during the period delivered its first revenues.

New revenues and orders by strategic business area are outlined in the graph below:



The “Traditional Business” area returned an excellent performance, with total orders based on total contract values increasing from Euro 41,184 thousand for 2016 to Euro 54,390 thousand for 2017, up 32%. This result is ahead of the budget estimate thanks to the considerable telecommunications services contribution of the domestic wholesale area and of services sold on the business market. Orders calculated from total contract values for the “AAE-1 cable” strategic area for 2017 were Euro 51,866 thousand, in line with the budget.

“Traditional Business” area core revenues amounted in 2017 to Euro 58,521 thousand, against Euro 48,443 thousand

in 2016. “AAE-1 cable” revenues in 2017 were Euro 4,464 thousand, while in 2016 no revenues were reported as the AAE-1 Cable entered into service on June 22, 2017.

The results of the individual Strategic Areas for the “Traditional Business” indicate an operating profit before amortization and depreciation of Euro 23.5 million, while for the “AAE-1 cable” amounting to Euro 3.4 million. The “Traditional Business” operating profit was Euro 10.0 million, while for the “AAE-1 cable” amounting to Euro 2.2 million. The results of the “AAE-1 cable” concern the period of entry into service (June 2017) until the reporting date of December 31, 2017.

	AAE-1 Business al 31.12.2017	Traditional Business al 31.12.2017
(in Euro millions)		
Revenues	4,464	60,910
Operating profit before amort., deprec. & write-downs	3,417	23,487
Operating profit	2,210	10,018
Pre-tax profit	1,755	10,016

For further details, reference should be made to paragraph “Segment disclosure”.



Investments

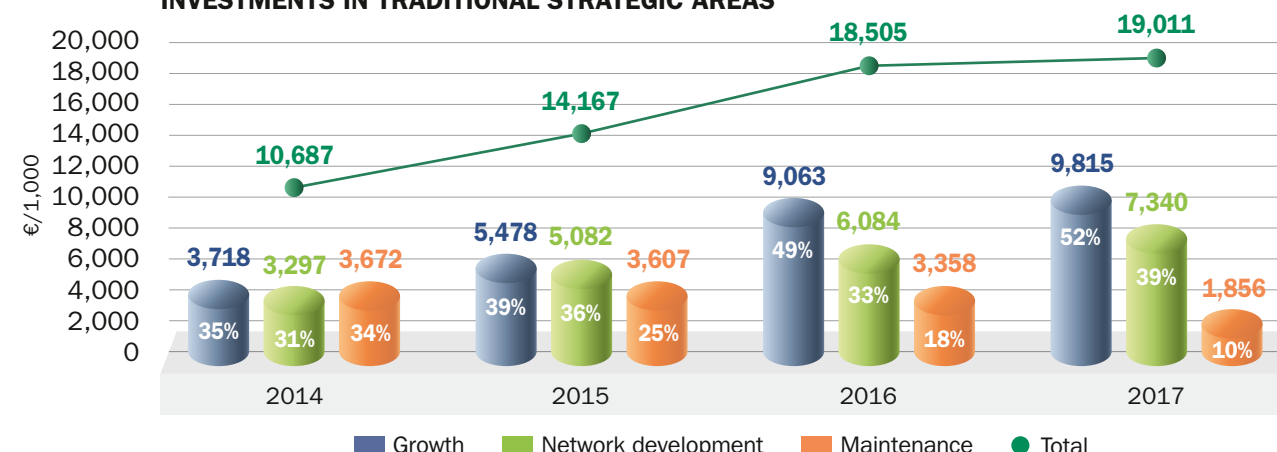
Investments in the year totaled Euro 32,247 thousand, of which Euro 19,011 thousand in infrastructure and Euro 13,236 thousand concerning the AAE-1 Strategic Area. A breakdown of capex between infrastructure and the AAE-1 Cable Strategic Area is provided by:

- growth and development: investments

to activate services for one or more clients;

- infrastructure and new services: investments to extend coverage of the network to reach potential new clients and offer a service in line with expectations and market trends;
- maintenance: investments necessary for the maintenance of the infrastructure's operating level.

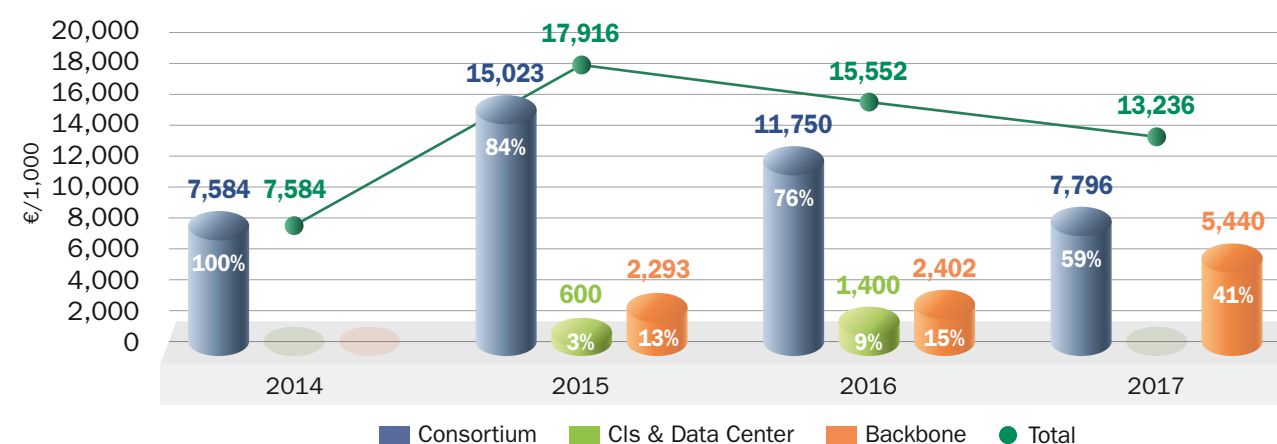
INVESTMENTS IN TRADITIONAL STRATEGIC AREAS



Investments in “maintenance” are those necessary to guarantee the operating level and reflect the obsolescence of the network. The portion of these investments has reduced, although against the continual growth of Group infrastructure, confirming

therefore the quality of the infrastructure and its low level of obsolescence. Investments in “growth and development” and in “infrastructure and new services” relate to the pursuit respectively of short/medium-term and long-term new business.

INVESTMENTS IN AAE-1 CABLE STRATEGIC AREAS



The investments in the AAE-1 strategic area are broken down by:

- Consortium: investment for membership of the AAE-1 consortium for the construction of the submarine cable system;
- Cable Landing Station and Data Centers: investment for the construction of the CLS and related activities by the company in the Bari area;
- Backbone: investments for the upgrade of the backhaul infrastructure for land sections both in Italy and in Europe and Asia, in order to tap into commercial opportunities deriving from the use of the AAE-1 cable.

INVESTMENTS IN PHYSICAL INFRASTRUCTURE

Investments, excluding the AAE-1 cable, in 2017 totaled Euro 19,011 thousand and principally concerned the construction of Client connections, the acquisition of IT

infrastructure and the development of the metropolitan network and particularly the backbone with the new fiber optic sections to Sicily on the one hand and Marseilles on the other.

Other significant investments concerned the expansions for the connection of a number of Data Centers in Lombardy and the expansion of the Carrier Ethernet network at a number of strategic sites for the Business segment.

The acquisition of new backbone sections in Southern Italy and to Marseilles, through IRU dark fiber agreements, accounted for the majority of the extension to the network infrastructure compared to December 31, 2016 of 2,742 km.

12,568 km (equivalent to approx. 231,000 km of fiber optic cable), of which 2,443 km (equivalent to approx. 67,000 km of fiber optic cable) urban, was therefore added.

The network km available to the Group is outlined in the table below:

Metropolitan Area Network (MAN)*	31.12.16	31.12.17
Infrastructure constructed or under license from third parties (km)	1,201	1,302
Dark fiber from third parties (km)	1,250	1,142
Total MAN km	2,451	2,444

* The portion of the long distance network infrastructure passing through the municipal limits of the cities of Milan, Rome, Turin, Bologna, Padua, Reggio Emilia and Florence is considered an integral part of the MAN.

LONG DISTANCE (LD) NETWORK	31.12.16	31.12.17
Infrastructure constructed or under license from third parties (km)	3,941	4,036
Dark fiber from third parties (km)	3,434	6,088
Total Long Distance km	7,375	10,124
Total MAN + LONG DISTANCE*	9,826	12,568

* The long distance network at 12.31.2017 includes sections where dark fiber overlaps with infrastructure under license from third parties for 818 km; therefore the total distance covered is 11,750 km.

The number of km of Group fiber optics are presented in the table below. Proprietary Group infrastructure and that used on the basis of IRU contracts with conclusion beyond 3 years constitutes 98% of the total extension.

Proprietary Infrastructure	km of fiber (1,000)	%
Proprietary + IRU expiring beyond 3 years	224	97
IRU expiring in less than 3 years	7	3
Total	231	100

The Retelit Group at December 31, 2017 connected to fiber over 3,486 On-Net sites, an increase of 16% on December 31, 2016, as outlined in the following table:

ON-NET SITES	31.12.16	31.12.17
Owned Data Centers	15	15
Date Centers of other operators	39	40
Client sites	1,868	2,303
Telecommunication towers	629	681
Cabinets	447	447
Total On-Net sites	2,998	3,486

In order to ensure the timely extension of its territorial coverage, the company utilized both a proprietary network constructed ex novo entirely in fiber optics and network sections acquired from other operators on the basis of usage rights;

the Retelit Group sells and purchases Indefeasible Rights of Use on equipped cable ducts and fiber optics for industrial purposes, as is common practice in the telecommunications sector.

AAE-1 CABLE

The total company investment for involvement in the consortium of USD 45.0 million (approx. Euro 39.4 million) has been fully made.

In addition to the above stated contribution, the Construction and Maintenance Agreement (C&MA) signed by Retelit with the AAE-1 consortium established other costs – as follows:

- Euro 2.1 million for the construction of the Cable Landing Station and the related activities by the company in the Bari area;
- Euro 3.9 million (USD 4.3 million) for Cable Landing Station for the portion of the cable which will connect to the submarine part. This amount, initially incurred by the company, corresponds

to a similar repayment of USD 4.0 million by the Consortium in 8 quarterly installments from entry into use of the infrastructure in June 2017.

Furthermore, an additional Euro 10.8 million is considered principally for the upgrade of the backhaul infrastructure for land sections both in Italy and in Europe and Asia, in order to tap into commercial opportunities deriving from the use of the cable.

The total investment expected in the current industrial plan by the Group in the AAE-1 submarine cable system amounts therefore to Euro 55.9 million.

The breakdown of the investments in the AAE-1 submarine cable system is reported below:

	Total investment as planned at 31.12.17	Investment made at 31.12.17	Residual investment
(in Euro millions)			
AAE-1 Consortium	39.4	39.4	–
AAE-1 Consortium (USD)	45.0	45.0	–
cable landing station	2.1	2.1	–
other landing station & connect. with AAE-1	3.6	3.6	–
italian backhaul and other investments	10.8	9.2	1.6
Total investment	55.9	54.3	1.6

The residual commitments of the overall investment amount therefore to Euro 1.6 million for “Italian backhaul and other investments” which the company expects to

make over the duration of its 2018-2022 industrial plan. The amount therefore currently does not represent a commitment to third parties.

In 2017, sales contracts were signed involving the write-off of investments for Euro 20.6 million. In particular, the commercial agreement with a leading Asian international telecommunications player for the sale over 20 years of 1.1 Tbps

of capacity on the fiber optic AAE-1 submarine cable resulted in sales of investments of Euro 19.9 million. Against all the disposals made, Euro 21.9 million was collected in the year.



Group Organizational Structure and Operating Processes

The headcount at December 31, 2017 was 79, of which 7 executives. The organization, reporting to the Chief Executive

Officer, comprises the following operating divisions: Operational Management, which includes the Commercial and Operations departments, Finance and Control and the Procurement and General Services Departments, IT and Human Resources. The graph below outlines personnel movements.



Corporate Governance

The Corporate Governance structure of the company is set out according to the Italian traditional administration and control model which includes a Board of Directors, appointed by the Shareholders' Meeting, assigned the strategic management of the company, and the supervisory functions to the Board of Statutory Auditors (also appointed by the Shareholders' Meeting), with oversight on the administration of the company and compliance with law and the deeds of incorporation, in addition to verifying the adequacy of the internal control system to guarantee the reliable presentation of operating events and the adequacy of the indications provided to the subsidiaries.

The Board of Directors was appointed with Shareholders' Meeting motion of January 7, 2015 and will remain in office for three years, therefore until the date of the Shareholders' Meeting to be called to approve the 2017 Annual Accounts. The Board of Directors, originally comprising nine members, currently comprises eight members following the resignation of the director Stefano Borghi on February 12, 2018 and with the Board of Directors deciding not to proceed with the co-option of a new director in replacement of the resigning Stefano Borghi, due to the upcoming Shareholders' Meeting which, among other matters, will appoint a new Board of Directors.

Four directors are considered independent in accordance with the CFA and the Self-Governance Code for listed companies, approved by the Corporate Governance Committee promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria (July 2015 version) and with which the company complies. The Board of Statutory Auditors was appointed by Shareholders' Meeting

motion of June 29, 2015 and will remain in office for three years, therefore until the date of the Shareholders' Meeting to be called to approve the 2017 Annual Accounts.

The audit of accounts is assigned to an independent audit firm, with appointment by the Shareholders' Meeting. On May 3, 2012 Deloitte & Touche S.p.A. was thus appointed for the audit of accounts for the 2012-2020 period (therefore until the Shareholders' Meeting called for the approval of the 2020 Annual Accounts).

In line with the By-Laws, with motion of January 19, 2015 the Board appointed a Chief Executive Officer, also acting as General Manager from the same date, assigned the duty of the company's management and reserving exclusive decision-making powers upon certain matters to his/her remit. With motion of March 30, 2015 (subsequently amended on July 21, 2015), the Board granted the Chairman a number of operating powers for the development of the Cloud services strategy and offer under the 2015-2019 industrial plan and subsequent reviews.

The Board, with motion of January 12, 2015, established a "Remuneration and Appointments Committee" and a "Control and Risks Committee", which was granted functions also in relation to related party transactions. The composition of the Committees complies with the Self-Governance Code.

The Board of Directors also appointed the Chief Financial Officer of the company as the Executive Officer for Financial Reporting.

In order to encourage correct and honest conduct, the Group also adopted an ethics code, which sets out the values which the Retelit Group recognizes, accepts and shares, at all levels, in the carrying out of business activities.

With motion of January 20, 2016, the Board of Directors re-appointed the Supervisory Board (OdV) established as per

Legislative Decree 231/2001 for three years, until December 31, 2018. The OdV has the duty to oversee the adequacy and the application of the ethics code and of the "Organization, management and control model" adopted by the company in accordance with Legislative Decree No. 231 of June 8, 2001 concerning the "Provision governing the responsibility of legal persons, of companies and associations, also without legal personality, in accordance with Article 11 of Law No. 300 of September 29, 2000".

For further information on corporate governance, reference should be made to

the "Corporate Governance and Ownership Structure Report in accordance with Article 123-bis of Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act)", published on the website www.retelit.it – "Corporate Governance / Corporate Governance Report" Section.

OWNERSHIP STRUCTURE

At March 9, 2018, pursuant to the communications received by the company in accordance and/or communicated to CONSOB pursuant to Article 120 of the CFA, the significant holdings in the share capital of Retelit S.p.A. are as follows:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
LPTIC – Libyan Posts Telecommunications Information Technology Company	Bousval S.A.	14.37	14.37
Stefano Giorgetti	Fiber 4.0 S.r.l.	12.821*	12.821*
Mr. Holger Van Den Heuvel	Selin S.p.A.	8.35	8.35
Axxion SA	Axxion SA	5.678**	5.678**

* Potential equity investment under a call-and-put agreement entered into between Selin S.p.A., HBC S.p.A. and Fiber 4.0 S.r.l., which grants a call option to Fiber 4.0 S.r.l., to be exercised by September 9, 2018, and a put option to Selin S.p.A. and HBC S.p.A., to be exercised by December 9, 2018, on the residual shares for which the call option has not been exercised.

** 5.435% on behalf of: Frankfurter Aktienfonds für Stiftungen.

Significant Events in the Year

In February 2017, Retelit joined the consortium company Open Hub Med, acquiring 9.52% of the share capital for an investment of approx. Euro 100,000. The consortium comprising, in addition to Retelit, Interoute Italia, Italtel, Eolo, MIX, Supernap Italia, Equinix Italia, Fastweb, In-Site, Vuetel Italia and the Sicilian consortium XMED, is the largest neutral and open data exchange hub in Italy and the main landing point for submarine cables in the Mediterranean, positioned in Carini (Palermo).

On February 20, 2017, e-via as part of a temporary consortium (RTI) presented an offer for Lot 2 (Friuli-Venezia Giulia and the Autonomous Province of Trento) of the Infratel **second round**, subsequently awarded to Open Fiber in July 2017.

In March 2017, the Commission award proposal was approved and the **first round** tender was awarded to Open Fiber S.p.A. for all five lots under tender.

In March 2017, Retelit and BICS, a global telecommunications operator, launched a new innovative joint connectivity solution linking Europe – through Bari – to Singapore and Hong Kong via Thailand/Vietnam, utilizing the AAE-1 submarine cable system. Uniting the respective infrastructures in Italy and Europe, Retelit and BICS have developed a new backhaul product, managed end-to-end, to satisfy high capacity and low latency connectivity demand from Asia, the Middle East and Africa to Europe through Retelit's Italian landing station in Bari. With BICS, a global connectivity leader, Retelit improves accessibility to the AAE-1 route from and to Europe. The new solution enables in fact members of the AAE-1 consortium and their clients to connect to Milan, Frankfurt, London, Amsterdam and Paris and all other digital hubs in Europe passing through Bari, which is

currently the route of greatest interest in the Mediterranean. This agreement will significantly contribute to the Group's growth internationally.

The Board of Directors of Retelit S.p.A. on March 13, 2017 approved the removal by the parent company Retelit S.p.A. of the restriction on the future share capital increases reserve of its subsidiary e-via S.p.A. for an amount of Euro 131,346 thousand, with consequent approval of the full and immediate allocation of this reserve in coverage of financial statement losses and/or other equity accounts of its subsidiary e-via S.p.A.

On March 24, 2017, the Group utilised the A credit line for Euro 12,000 thousand under the loan agreed by the subsidiary e-via with a syndicate of leading banks. The contract provides for the issue of two credit lines, of respective maximum amounts of Euro 21 million and Euro 9 million, for a total maximum therefore of Euro 30 million. At the reporting date, the first credit line had been entirely used. On the same date, the company was granted the option by the banks to extend the availability of line B from March 24 to December 29, 2017.

On April 4, 2017, the company signed with the same banking syndicate a plain vanilla Interest Rate Swap (IRS). This is a non-speculative derivative product hedging future interest rate movements on the loan for a total of Euro 21 million concerning 100% of line A.

On June 22, 2017, commercialisation began of the cable constituting 25 thousand km of submarine infrastructure between Marseilles and Bari to the Far East, through 19 countries, now ready to satisfy bandwidth demand from and to Asia. With the launch of the AAE-1 cable, Retelit may now offer operators, Carriers and international OTT's high-speed and low latency connections through alternative infrastructure than previously available. The Italian landing point of the cable owned by

the company is in Bari, a strategic digital hub in the Mediterranean thanks to its location. The cable, which has been laid as far as Hong Kong, currently has 21 connected international "terminal stations" out of 21 (20 landing points and a land extension, in Singapore).

On June 30, 2017, the derivatives subscribed in 2014 to hedge against Euro/Dollar currency risk on commitments undertaken to the AAE-1 Consortium expired.

On September 7, 2017, the company participated at the Italian Infrastructure Day 2017, an event of the Italian Equity Week organized and held at the Italian Stock Exchange's headquarters, with the support of Confindustria, Altagamma and the Italian Fashion Sector Chamber of Commerce.

In the third quarter of 2017, the laying of the AAE-1 submarine cable was fully completed as far as Hong Kong.

In the third quarter, a connectivity contract was signed with a major textile machinery business, in addition to a fiber connection contract with an entirely regional capital services company which connects Public Sector demand, the ICT market, businesses and citizens.

In December, a commercial agreement was signed with a leading Asian international telecommunications player for the sale over 20 years of 1.1 Tbps of capacity on the fiber optic submarine cable (AAE-1) connecting Europe to Asia, through Bari. With a capacity of 40 Terabit per second and 100 Gbps technology, the AAE-1 is the world's fastest cable system and the first to offer the lowest level of point-to-point latency through an "express route" between Egypt and Thailand. The agreement in addition permits Retelit to use a wide range of services made available

by Asian players at competitive prices to complete its range of international services for the Italian market and to pursue its network expansion strategy and points of presence, starting with two of the main Asian market hubs.

The partnership finally establishes that the Asian operator can use Retelit's backhaul services to connect the capacity acquired on the AAE-1 system from Bari to the main "Internet Exchanges" and suppliers of Italian and European content, thereby satisfying the increasing Internet traffic demand on its own market.

On December 29, 2017, the Group utilised the entire credit line B for Euro 9 million concerning the loan agreed by the subsidiary e-via with a syndicate of leading banks, whose availability was extended from March 24 to December 29, 2017.

Subsequent Events

On January 25, 2018, the company extended the plain vanilla Interest Rate Swap (IRS) signed with a syndicate of lending banks on April 4, 2017 also to the Euro 9 million, equal to 100%, of the line B entirely utilised on December 29, 2017. The IRS in question is a non-speculative derivative hedging future movements in the interest rate on the loan for a total of Euro 30 million concerning 100% of lines A and B.

The 2018-2021 Industrial Plan was updated in Q1 2018 for the purposes of the impairment test and the plan timeframe extended to 2022.

The extension of the Industrial Plan to 2022 is testament to the growth strategy and forecasts better results than previously announced thanks to the increased revenues generated from commercialization of the AAE-1 submarine cable and expected Wholesale synergies.

The Plan forecasts revenues of Euro 96-101 million in 2021 (compared to Euro 85-93 million under the previous plan) and revenues of Euro 99-104 million in 2022.

EBITDA in 2021 is forecast at between Euro 44-46 million (in line with the previous plan) and at between Euro 48-51 million in 2022.

In addition, the expected development of business segment operations and the synergies for the commercialization of the AAE-1 cable's entry into use will result in a differing revenue mix – at a higher margin. In particular, revenues and EBITDA by segment are expected to grow as follows under the plan:

- Wholesale: revenues forecast to grow from Euro 48 million in 2017 to between Euro 52-54 million in 2022, with a Compounded Annual Growth Rate (CAGR) of approx. 2% over the plan. An EBITDA margin of between 40% and 43% is forecast in the period;
- Business: revenues forecast to grow from Euro 10 million in 2017 to between Euro 25 million and Euro 27 million in 2022, with a CAGR of approx. 22%. An EBITDA margin of between 43% and 46% is forecast in the period;
- AAE-1 submarine cable system: revenues expected to grow from Euro 4.5 million in 2017 to a range of Euro 22-23 million in 2022. An EBITDA margin of between 65% and 70% is forecast in the period.

Thanks to these performances, sustained EBIT and net profit growth is forecast.

The expected cash generation under the Plan should enable the reaching of a Group net cash position in 2021 of between Euro 120-125 million, compared to the Euro 96-101 million previously forecast. In 2022, net cash is forecast at between Euro 155 and 160 million. The cumulative investments estimated over the 2018-2022 five-year period is approx. Euro 90-95 million.

Guidance for 2018 for the main financial indicators is as follows:

forecast revenues of between Euro 67 and 71 million, EBITDA of between Euro 24 and 28 million, investments in the range of Euro 28 and 31 million and a Net Cash Position of between Euro 37 and 40 million.

The 2018-2022 Industrial Plan was prepared according to current accounting policies and estimates.

In the first quarter of 2018, USD 19 million was converted, comprising part of the amount received at the end of December concerning the sale of capacity on the AAE-1 system, resulting in a currency loss of Euro 0.6 million.

Outlook

The Board of Directors approved the 2018-2021 Industrial Plan update, extending it to 2022. For a description of the plan, reference should be made to paragraph "Subsequent events". The initial months of the year are in line with the plan.

Operating Performance

CONSOLIDATED KEY FINANCIAL HIGHLIGHTS

	2017	2016	cge.
	(in Euro thousands)		
Value of production	65,374	49,592	31.83%
Value added (1)	33,385	20,930	59.51%
EBITDA	26,904	14,576	84.57%
EBIT	12,228	2,172	463.13%
Pre-tax profit	11,771	2,882	308.41%
Net profit	11,375	2,865	297.09%
Net margin percentage (2)	17.4%	5.8%	
Parent Company Shareholders Net Equity	146,474	135,357	8.21%
Average workforce	n. 76.8	n. 76.6	0.26%
Debt ratio (A/B)*	-22.8%	-6.0%	
Net debt/total capital employed (A/C)*	-29.6%	-6.4%	

(*) see Net Equity and consolidated debt table.

(1) difference between value of production and purchases of raw materials, external services and other operating costs.

(2) Net profit/value of production.

CONSOLIDATED EARNINGS

	2017	2016	cge.
	(in Euro thousands)		
telecommunication services	48,599	39,809	22%
network usage rights and maintenance	10,771	8,267	30%
cable ducts & fiber sales	2,903	310	837%
other products and services	625	57	987%
core revenues	62,897	48,443	30%
other revenues	2,478	1,148	116%
value of production	65,374	49,592	32%

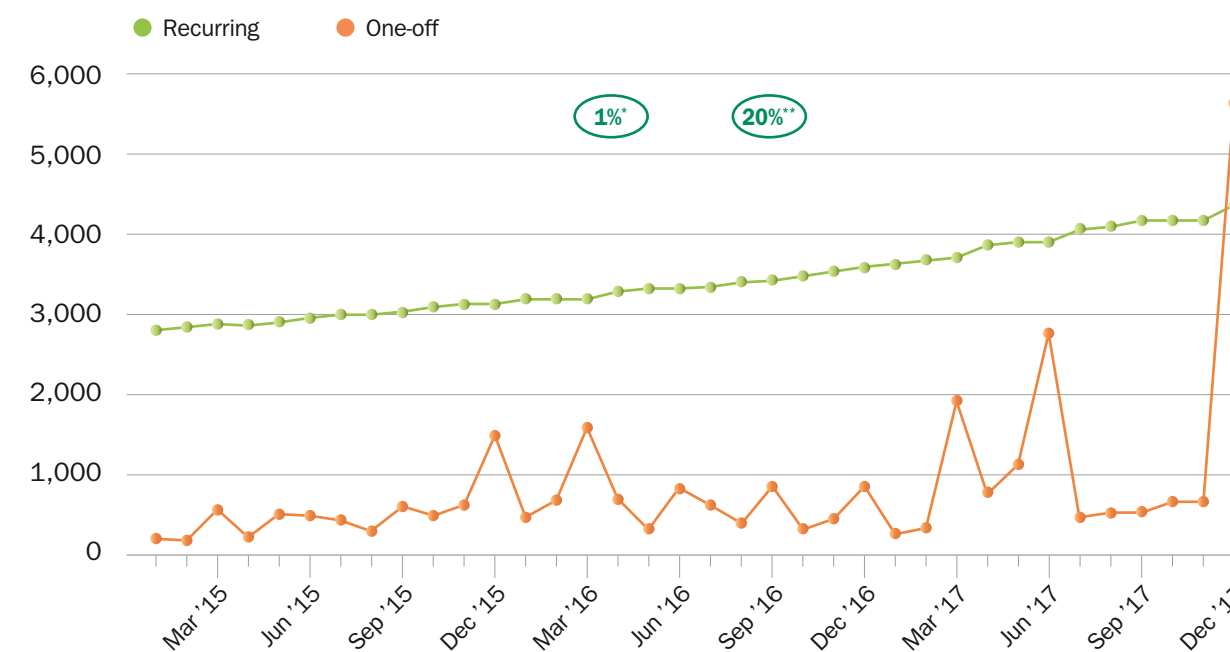
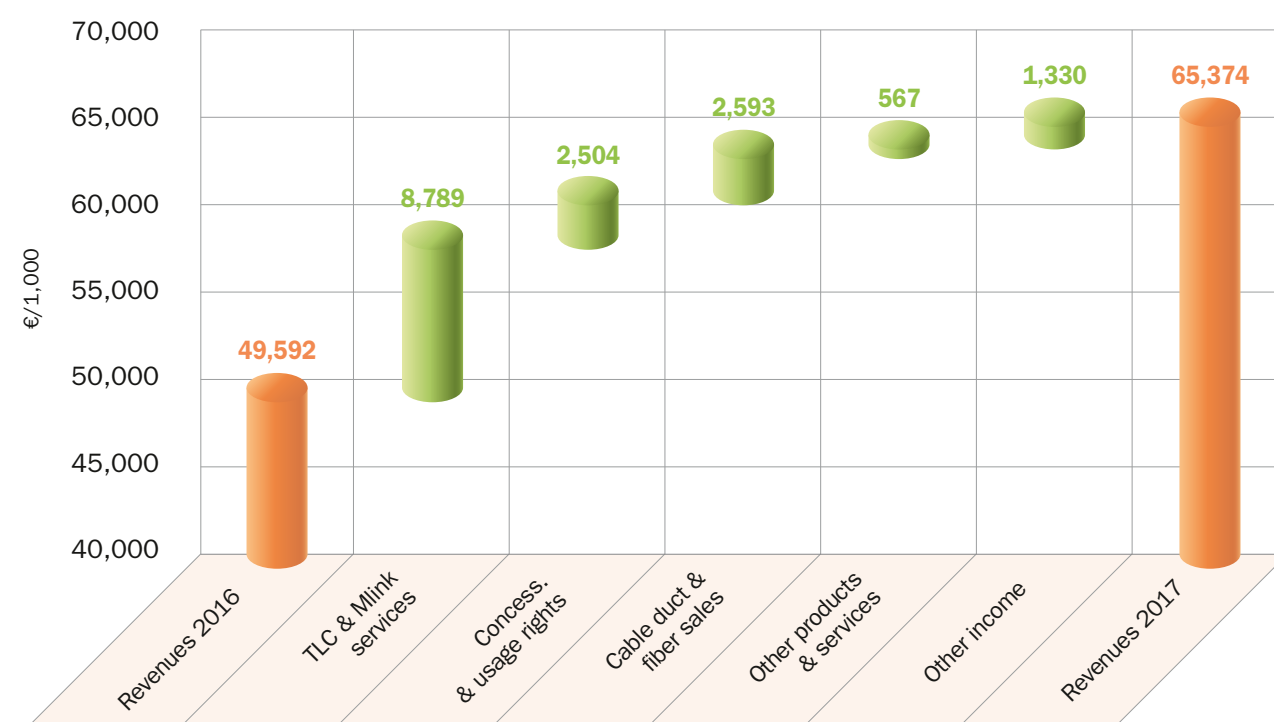
2017 core revenues totaled Euro 62,897 thousand, up 30% on 2016 (Euro 48,443 thousand). Breaking down 2017 revenues, telecommunication services advanced 22% to Euro 48,599 thousand (Euro 39,809 thousand in 2016). Network usage rights and maintenance revenues amounted to Euro 10,771 thousand, compared to Euro 8,267 thousand in 2016, up 30% – principally due to new fiber optic connections released to mobile operators in the year. Cable duct

and fiber sales revenues amount to Euro 2,903 thousand, compared to Euro 310 thousand in 2016, increasing 837%, principally due to the non-recurring income from the sale of capacity on the AAE-1 submarine cable system.

2017 revenues against the previous year and 2017 monthly revenues broken down between monthly fees and one-off activation fees against the previous year are presented in the following graph.



2017 VS 2016 – REVENUES



€/1,000	Jan '15	Feb '15	Mar '15	Apr '15	May '15	Jun '15	Jul '15	Aug '15	Sep '15	Oct '15	Nov '15	Dec '15
Recurring	2,814	2,842	2,883	2,871	2,903	2,965	2,991	2,995	3,029	3,085	3,140	3,137
One-off	202	193	583	227	512	495	433	304	616	489	633	1,502
Total revenues	3,016	3,035	3,466	3,098	3,415	3,459	3,424	3,299	3,645	3,574	3,773	4,639

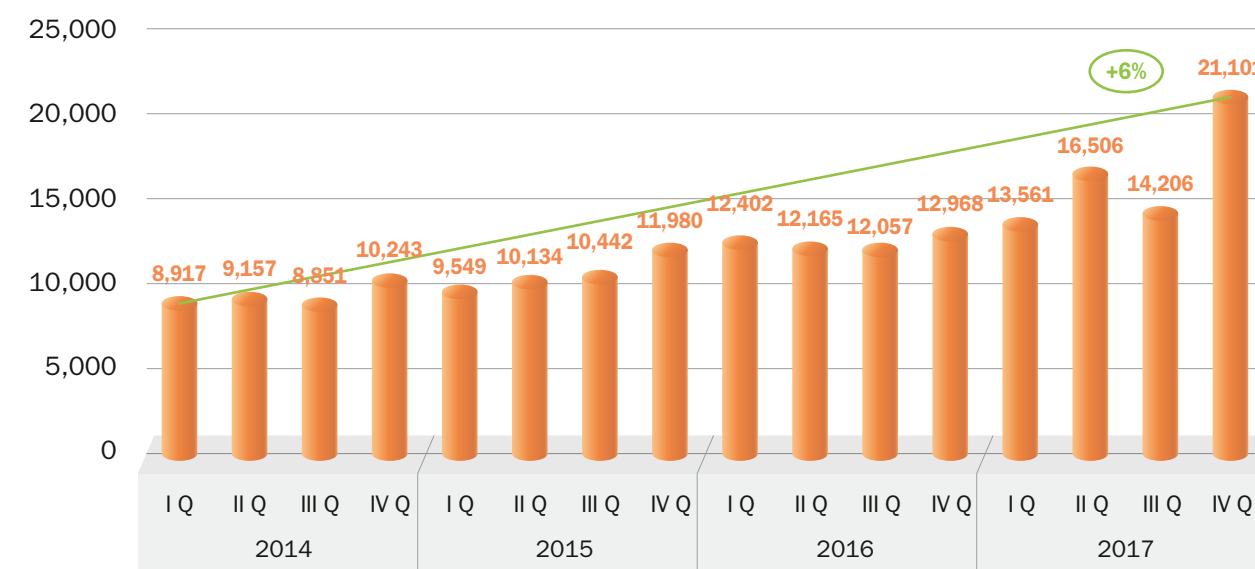
€/1,000	Jan '16	Feb '16	Mar '16	Apr '16	May '16	Jun '16	Jul '16	Aug '16	Sep '16	Oct '16	Nov '16	Dec '16	TOT '16
Recurring	3,189	3,192	3,194	3,278	3,327	3,329	3,346	3,393	3,424	3,469	3,535	3,593	40,270
One-off	484	684	1,598	704	325	851	624	397	856	320	465	864	8,172
Total revenues	3,673	3,876	4,792	3,982	3,652	4,180	3,970	3,791	4,281	3,789	4,000	4,457	48,443

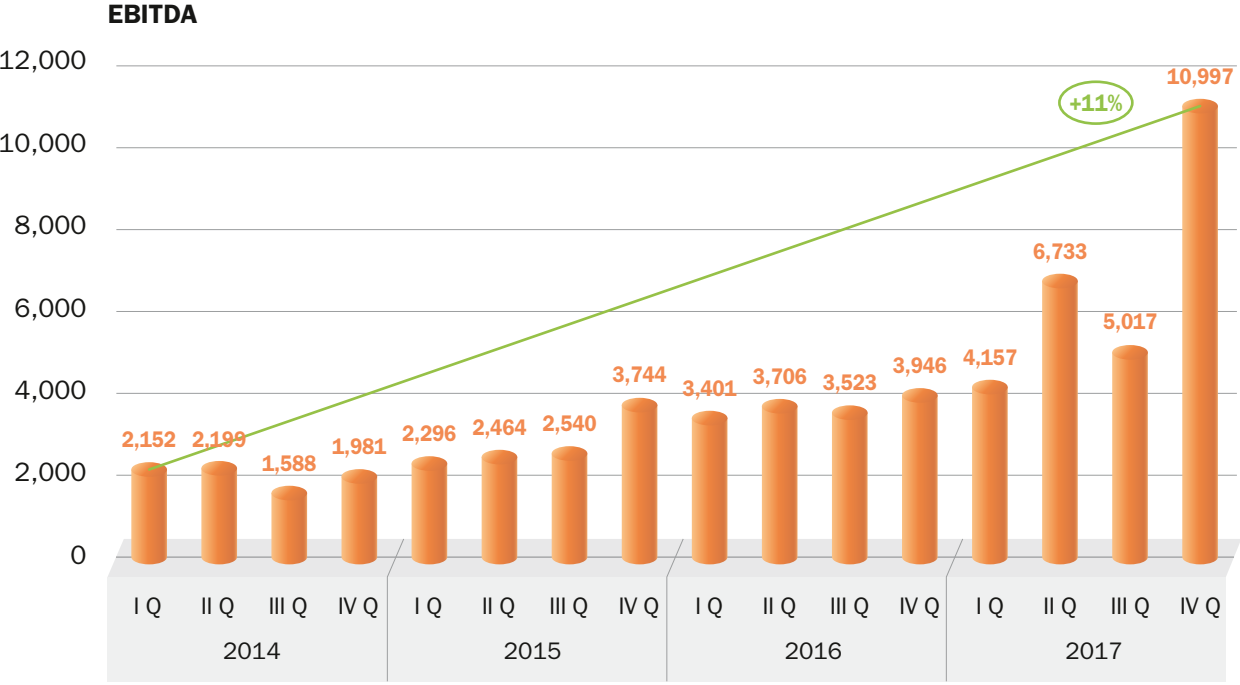
€/1,000	Jan '17	Feb '17	Mar '17	Apr '17	May '17	Jun '17	Jul '17	Aug '17	Sep '17	Oct '17	Nov '17	Dec '17	TOT '17
Recurring	3,632	3,678	3,702	3,866	3,891	3,895	4,039	4,079	4,137	4,177	4,179	4,357	47,631
One-off	263	346	1,892	775	1,102	2,770	479	530	533	664	663	5,248	15,265
Total revenues	3,895	4,025	5,594	4,641	4,993	6,664	4,519	4,609	4,669	4,841	4,842	9,605	62,897

Recurring monthly revenues grew over the last 12 months from Euro 3,632 thousand for January 2017 to Euro 4,357 thousand for December 2017. The follow-

ing graphs highlight in greater detail revenue and EBITDA growth over the last 12 quarters, with a CAGR respectively of 6% and 11%.

REVENUES

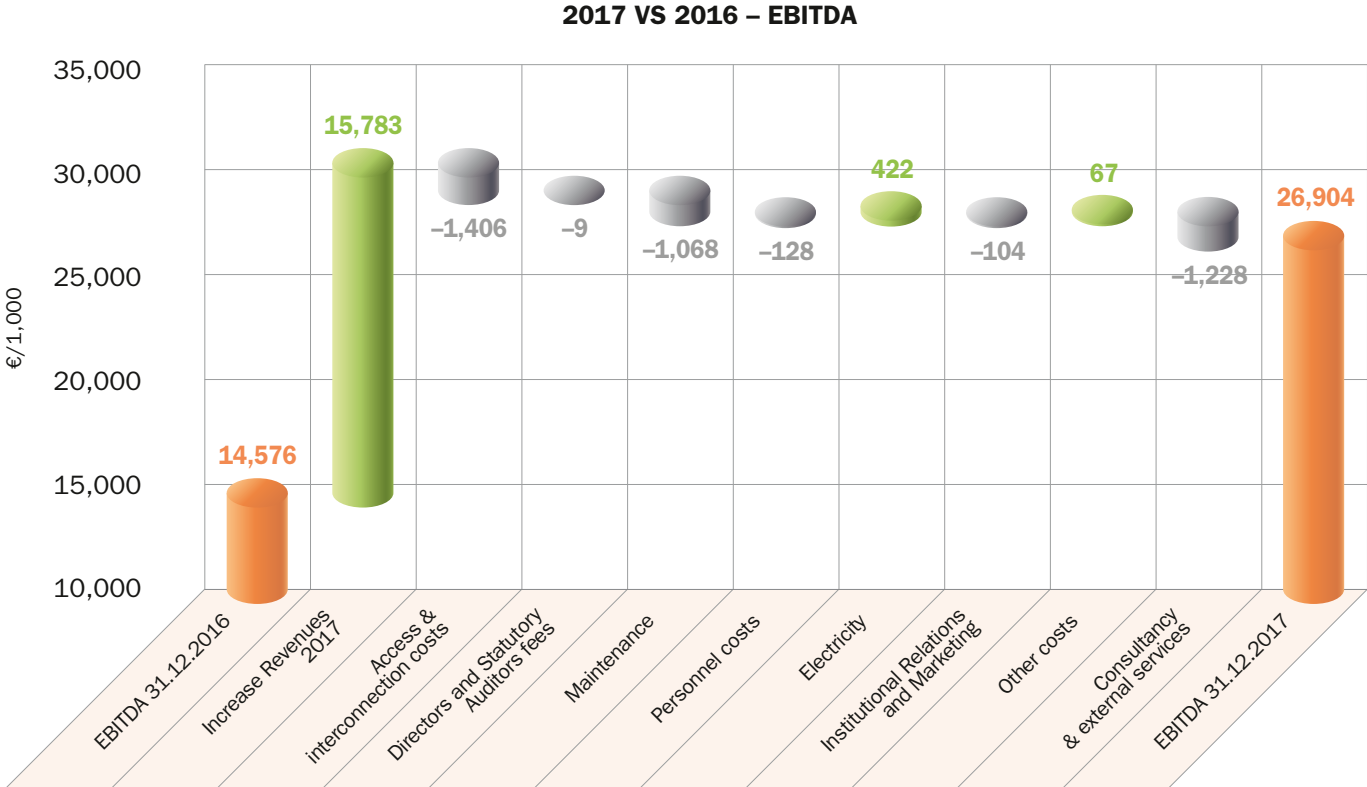




EBITDA was Euro 26,904 thousand, up 84.6% on Euro 14,576 thousand in 2016. This result benefitted from the revenue increase. The remuneration of directors and statutory auditors amounts to Euro 1,299 thousand, substantially unchanged on 2016 and includes the variable remuneration, in addition to the cost of the Supervisory Board and the Internal Audit function. Ordinary consultancy costs, such

as audit, legal, tax, notary, administrative, technical and other minor consultancy, totaled Euro 2,132 thousand (Euro 1,180 thousand in 2016). Strategic consultancy costs amount to Euro 607 thousand, while in 2016 amounting to Euro 331 thousand.

EBITDA compared with the same period of the previous year is broken down in the following graph.

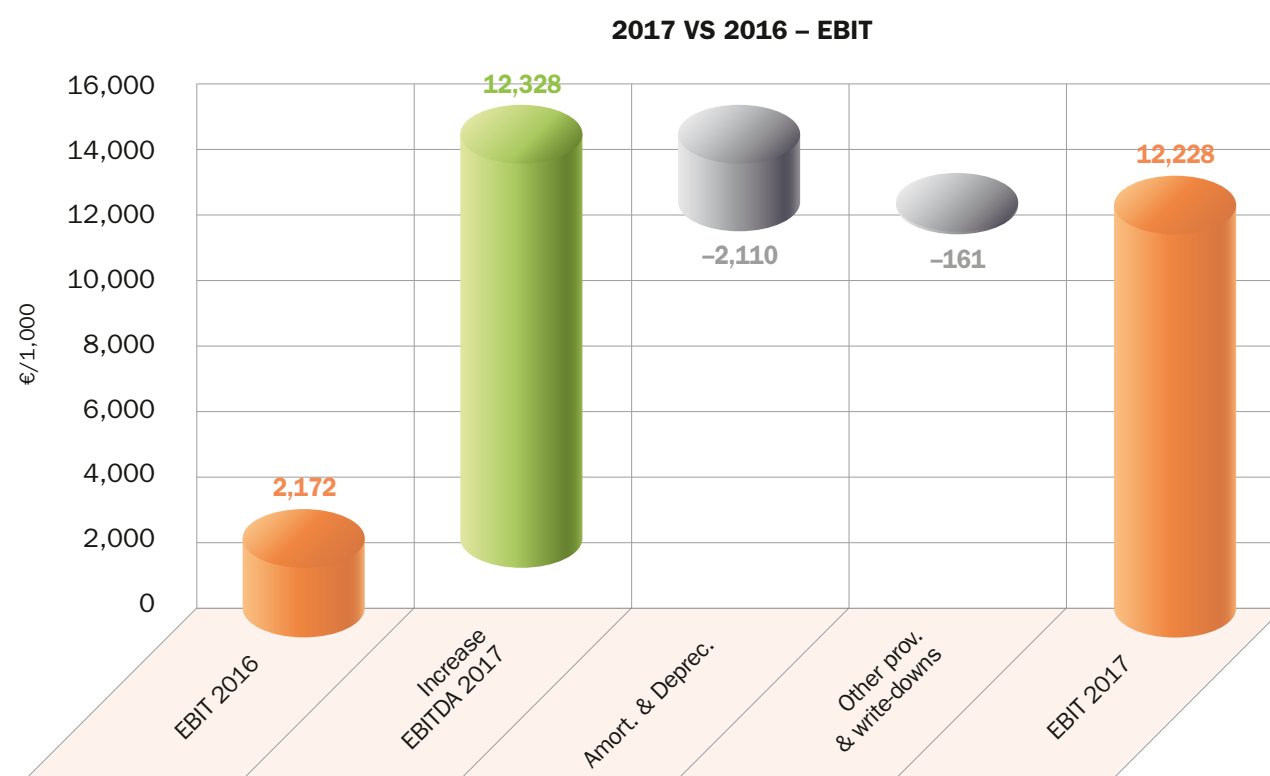


EBIT in the year totaled Euro 12,233 thousand, improving 463% on Euro 2,172 thousand in the previous year. Risk provision allocations totalled Euro 128 thousand (Euro 115 thousand in 2016) against the expected liabilities in the case of conclusion of office or resolu-

tion of contract of the Chief Executive Officer. In addition, doubtful debt provisions were made of Euro 431 thousand in the year (Euro 283 thousand in 2016).

2017 EBIT compared with the previous year is broken down in the following graph.





The increases in depreciation are principally due to that on the AAE-1 cable beginning from June 2017.

The net profit was Euro 11,375 thousand, compared to Euro 2,865 thousand in the previous year.

CONSOLIDATED NET EQUITY AND DEBT

	2017	2016	
	(in Euro thousands)		
Financial liabilities			
current	17,412	888	1860%
non-current	15,122	11,037	37%
Financial assets			
current	(0)	(562)	-100%
cash and cash equivalents	(65,953)	(19,459)	239%
Net debt (A)	(33,420)	(8,095)	313%
Total Shareholders' Equity (B)	146,474	135,357	8%
Total capital employed (C)	113,054	127,261	-11%
Debt ratio (A/B)	-22.8%	-6.0%	
Net debt/total capital employed (A/C)	-29.6%	-6.4%	

The net cash position totaled Euro 33,420 thousand, compared to Euro 8,095 thousand at the end of the previous year. During the year, the final instalment of Euro 5,500 thousand was received for the sale of the WiMAX business unit. In addition, on December 28, 2017, the fee for the sale to a leading international Asian telecommunications player, operating internationally, for the sale of submarine capacity on the AAE-1 cable was received. Financial liabilities (current and non-current) relate to loans received.

CASH FLOWS

Operating activities generated liquidity of Euro 23,235 thousand, compared to Euro 14,453 thousand in 2016. Cash flows

absorbed by investing activities totaled Euro 10,216 thousand (of which Euro 13,750 thousand for investment in the AAE-1 consortium and Euro 21,894 thousand generated by the sale of capacity on the AAE-1 system), compared to Euro 32,206 thousand in 2016. Cash flow generated by financing activities totaled Euro 25,642 thousand, compared to Euro 16,003 thousand in 2016 and include the annual instalment for the sale of the WiMAX unit (Euro 5,500 thousand including interest of Euro 339 thousand), in addition to the disbursement of loans (Euro 20,947 thousand). Total cash flows of Euro 46,494 thousand were generated, against an absorption of Euro 7,059 thousand in the previous year.

Reconciliation between Parent Company and Group Net Result and Net Equity

	Net Equity at 31.12.2016	Net Profit/Loss
	(in Euro thousands)	
Bal. from sep. Financial Statements of the Parent Company	150,055	9,635
Value of investment in subsidiary restated		(6,916)
Dividends received by Shareholders		(6,535)
Result of the subsidiary	(3,581)	15,191
Total Net Equity	146,474	11,375
Minority interest share		
Total Group share of Net Equity	146,474	11,375



Retelit S.p.A. Key Financial Highlights

	2017	2016	cge.
	(in Euro thousands)		
Value of production	6,339	2,278	178.26%
Value added (1)	1,560	(1,173)	232.96%
EBITDA	(1,172)	(3,192)	63.28%
EBIT	(2,438)	(3,453)	29.41%
Net profit/(loss)	9,636	(4,059)	337.38%
Net margin percentage (2)	152.0%	-178.2%	
Parent Company Shareholders Net Equity	150,055	140,578	6.74%
Average workforce	n. 23.0	n. 23.8	-3.16%

(1) Difference between value of production of raw materials, external services and other operating costs.

(2) Net profit/(loss) of production.

	2017	2016
	(in Euro thousands)	
Financial liabilities		
current	0	14,387
non-current	41,204	26,014
Financial assets		
current		
non-current	0	(561)
cash and other cash equivalents	(23,398)	(5,635)
Net debt (A)	17,806	34,205
Total Shareholders' Equity (B)	150,055	140,578
Total capital employed (C)	167,862	174,783
Debt ratio (A/B)	11.9%	24.3%
Net debt/total capital employed (A/C)	10.6%	19.6%

Principal Risks and Uncertainties

The main risk factors to which the Group is exposed and described below with an indication of the management strategies and policies may be categorized as follows:

- external market risks;
- strategic and operating risks;
- legal and compliance risks.

EXTERNAL MARKET RISKS

Risks related to a dependence on licenses, authorizations and third party fulfilments

The Retelit Group operates on the basis of licenses and authorizations – subject to periodic review, amendment, suspension or revocation by the competent authorities – constructing and maintaining telecommunications networks on the basis of administrative authorizations. In order to conduct these activities, the Retelit Group is required to maintain such licenses and authorizations.

Where the above-stated licenses and authorizations are revoked or not renewed, the Retelit Group may suffer operational curtailments, with possible impacts on the financial statements. Group policy is to constantly monitor regulatory developments across all markets in order to identify and adopt promptly the most appropriate response strategies.

Heightened market competition and price movement risks

The Group operates in a highly competitive sector, in which the closest competitors are mainly large national telecommunication operators also relying on proprietary fiber optic networks; these competitors have a strong presence across the country and operate also in the retail sector. Any incapacity of the Group to successfully compete in its sectors against cur-

rent or future competitors may impact the market position, with consequent repercussions for operations and the Group's financial statements. In order to successfully compete, the Group strategy is to consistently strive to provide high quality infrastructure and transport services at competitive prices, while maintaining a range of services in line with market demand and streamlining its internal procedures and consistently improving its procurement capacity.

RISKS RELATING TO REGULATORY DEVELOPMENTS

The Italian telecommunications sector on which the Group and its competitors operate is highly regulated. The regulatory environment is quickly evolving under EU directives in terms of market and services regulation from both an ex-ante and ex-post viewpoint. In this regard, the need to facilitate service innovation and at the same time prevent the continuation and reinforcement of dominant positions should be balanced; in fact, excessive regulation may limit this latter risk, although to the detriment of the former. Currently, the possibility of regulatory developments lessening the efficacy of the existing Oversight Board regulations (the Communications Authority) and therefore favoring the dominant operator at the expense of others is a potential risk. Group policy is to constantly monitor regulatory developments in order to identify and adopt promptly the most appropriate response strategies.

STRATEGIC AND OPERATING RISKS

Risks related to technological development and the commercial offer

The sector in which the Retelit Group operates features potential technological changes, heightened competition and product and service obsolescence. The Group's future success will depend also on its ability to anticipate such technolog-

ical changes and its capacity to promptly adapt through the development of products and services which satisfy customer demands. It relies on internal and external technical resources and a significant specialization in technology, applications and solutions to remain at the cutting edge of technological development. The Group in addition maintains a consistent market driven positioning to promptly align with market orientation.

It invests sufficiently to maintain cutting edge technological infrastructure, both in terms of performance and services offered.

Risks related to the loss of Clients

Wholesale business involves the concentration of revenues among a reduced number of Clients. Therefore, the interruption of commercial relations with a particularly significant Client may significantly impact the Group's results and cash flow. The Group manages this risk through a policy of progressive diversification and extension of the Client portfolio, in order to reduce the dependence on a limited number of Clients.

Risks related to Group dependence on other service providers

Companies not belonging to the Group, with whom the Retelit Group cooperates in the execution of operations and in particular for the construction of infrastructure, are responsible for damage they may cause to Group Clients and third parties. The involvement of the Retelit Group in any type of dispute and any loss in this regard may expose the Group to damage to its image, in addition to repercussions on its financial statements.

In order to mitigate service interruption effects, the Group exclusively utilizes reliable suppliers, qualified as per applicable technical regulations and consistently monitors the maintenance and installation of new plant.

Risks related to the implementation of the Industrial Plan

The effective and full implementation of 2018-2022 Industrial Plan, illustrated in the "Subsequent events" paragraph, and the achievement of the planned results and objectives may depend on the general economic environment, regulatory developments or events which are unforeseeable and/or uncontrollable for the Group which, consequently, may give rise to unforeseen costs. Therefore, the failure to achieve the Industrial Plan objectives or their achievement amid unforeseen costs may impact the Group's financial statements.

The Group – based on historic consolidated fiber optic business data, close and continual analysis of the domestic and international broadband telecommunications market, in addition to consistent and ongoing performance measurement – considers the risks related to plan implementation to be sufficiently under control by means of timely identification of the necessary corrective measures.

LEGAL AND COMPLIANCE RISKS

Compliance risks

All Group operating and commercial activities are carried out in compliance with the applicable rules and regulations of the respective territories, including the sector national technical rules and standards governing operations. In relation to Legislative Decree 231/2001 regarding the administrative liability of legal persons, the Group companies avail of an Oversight Body and an Organization, Management and Control Model updated to the most recent regulatory developments.

Risks related to legal proceedings

The Group may be required to settle liabilities arising from the various legal disputes in progress. In this case, it may be necessary to settle the extraordinary liabilities with consequent economic and financial effects.

Research and Development

Research and development concerns the design, installation and optimization of telecommunication networks and systems and Data Center services, in order to improve the services offered, particularly for the testing of cutting edge technologies for the connection of clients to the network, their security and the development of advanced Cloud Application performance management and Cyber Security services and monitoring applications.

In 2017, these operations particularly focused on extending the network architecture for the integration of the Cloud platform with the telecommunications network through Software Defined technologies. A particular focus was placed on the Virtual Data Center area for Hybrid Cloud functionalities, with technological scouting and trial sessions for the integration of the new technology. A range of Virtualization technologies and Backup and Storage systems were assessed, including new Object Storage, Software Defined Storage and Open Stack Platforms for the development of Hybrid Cloud solutions systems chosen for the service provision infrastructure.

Also in 2017, studies were carried out on the possibility of the interconnection of Group Private Cloud solutions with Public Cloud solutions through private and guaranteed connections (Cloud Connect).

The technological monitoring of Carrier Ethernet transport solutions also continued, of very high speed and low latency transmission technologies and of IT platform virtualization solutions. A specific technological focus was placed on new SD-WAN technologies for the progressive integration to company platforms at the point at which a sufficient level of maturity is reached. The Group continued to invest in the development and research of solutions for the high capac-

ity DWDM/OTN optic transport platform in service of traffic backhauling from the AAE-1 submarine cable and the development of Southern Italy. Research was also carried out on technological solutions for the development of a new high performing and bandwidth capacity IP platform for new Internet connectivity services.

As part of the development of connectivity services, the company researched during the year new technological solutions for the development of Backup services. The study led to the start up of specific test environments for solutions based on LTE 4G transmission technology, on solutions providing coverage through Geostationary Satellites. Various studies and market research led the Group to carry out an analysis on energy saving at the Data Centers, with the drafting of a relative air conditioning systems and environment monitoring systems innovation plan.

In terms of the development of SaaS in Cloud platforms, the scouting for new partners and the most appropriate solutions for integration in Retelit's value proposition began. The research objective was to identify the platforms closely linked to intensive use of broadband and fiber optics. Among these, we particularly mention those for the management and control of network and application performance and of processes through the adoption of an Application Performance Management platform, in which the Group has invested.

Particular attention, finally, was focused on the development of new design and consultation system functionalities through hardware expansion and development for GIS systems. The objectives include the development of GIS functionalities in relation to the legal provisions related to the Infrastructure Registry (SINFI – see also paragraph "Group structure and investments") and developmental solutions for the Geomarketing sys-

tem, in order to innovate the method to analyses commercial opportunities and support the investment decision-making process for the country. Research was carried out to ensure the availability of the GIS platform for the management of a Coverage Portal, made available to Retelit customers and capable of providing fast customised quotations across all Italian regions.

All new services and new technical solution research, in addition to quality development, is carried out in-house by a team of specialist technicians controlling production, installation and verifying each incoming and outgoing service/process. The costs for these activities were fully expensed in the period.

In 2017, in addition to the normal development and updating operations – at the Milan operating base – specific research and development was principally undertaken on the acquisition of new know-how for "new applications to improve telecommunication networks", in addition to the perfection of prior know-how through the testing and experimentation of new innovative integrated services for the provision of new services.

For the development of these projects, the companies have incurred costs in the past year relating to R&D activities of Euro 955,142.00 entirely expensed to the income statement.

Against that outlined above, the Group – through the subsidiary e-via – intends to utilize the research and development Tax break as per Legislative Decree 145/2013 Article 3 – Law No. 190/2014 Article 1, paragraph 35 – Ministerial Decree 27/05/2015, published in the Official Gazette of 29/07/2015.

Treasury Shares

At the reporting date, Retelit S.p.A. did not hold treasury shares, nor shares of the group Shareholders' companies, neither directly or through nominees.

Opt-out from the Obligation to Publish an Information Prospectus upon Corporate Operations

In accordance with Article 3 of Consob Resolution No. 18079 of January 20, 2012, the Board of Directors of Retelit S.p.A. on December 14, 2012 decided to avail of the opt-out faculty under Article 70, paragraph 8 and 71, section 1-bis, of Consob Regulation No. 11971/99 (and subsequent amendments and supplements).

RETELIT S.P.A.
Consolidated
Financial Statements
at December 31, 2017

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet

(thousands of Euro)	31.12.2017	31.12.2016	NOTE
Non-current assets:			
Network infrastructure	114,905	107,877	
Other fixed assets	1,096	1,239	
Tangible assets in progress	–	36,992	
Total property, plant and equipment	116,001	146,109	[1]
Concessions, licenses, trademarks & similar rights	49,802	21,371	
Other intangible assets	0	500	
Total intangible assets	49,802	21,871	[2]
Non-current financial assets	100	–	[3]
Deferred tax assets	7,200	7,200	[6]
Other non-current assets	516	457	[7]
Total other non-current assets	7,816	7,657	
TOTAL NON-CURRENT ASSETS	173,619	175,637	
Current assets:			
Current financial assets	0	5,751	[4]
Trade receivables, other receivables and other current assets	34,877	21,882	[8]
Tax receivables, VAT receivables and current direct taxes	538	1,134	[5]
Cash and cash equivalents	65,953	19,459	[9]
TOTAL CURRENT ASSETS	101,368	48,226	
TOTAL ASSETS	274,988	223,863	
Shareholders' equity:			
Share capital issued	144,209	144,209	
Net Equity reserves and Net Result	2,265	(8,852)	
Net Equity and Net Result	146,474	135,357	
TOTAL NET EQUITY	146,474	135,357	[10]
Non-current liabilities:			
Non-current financial liabilities	15,122	11,037	[11]
Post-Employment Benefits and employee provisions	1,482	1,392	[12]
Provisions for risks and future charges	1,513	2,690	[13]
Deferred non-current revenues	43,517	33,333	[16]
TOTAL NON-CURRENT LIABILITIES	61,633	48,453	
Current liabilities:			
Current financial liabilities	17,412	888	[11]
Current future risks and charges	383		[12]
Trade and payables and other financial liabilities	44,397	35,990	[14]
of which related parties	444	1,049	
Tax payables, VAT payables and current direct taxes	1,056	17	[15]
Deferred current revenues	3,633	3,157	[16]
TOTAL CURRENT LIABILITIES	66,880	40,054	
TOTAL LIABILITIES	274,988	223,863	

Consolidated Comprehensive Income Statement

(thousands of Euro)	31.12.2017	31.12.2016	NOTE
Revenues	59,994	48,133	[17]
Other income	5,381	1,458	[18]
of which non-recurring	1,709		
TOTAL REVENUES AND OPERATING INCOME	65,374	49,592	
Purchase of raw materials and services	(26,789)	(23,408)	[19]
Personnel costs	(6,482)	(6,354)	[20]
Other operating costs	(5,200)	(5,253)	[21]
EBITDA	26,904	14,576	
Amortization, depreciation and write-downs of tangible and intangible assets	(14,117)	(12,007)	[1-2]
Other provisions and write-downs	(558)	(398)	[22]
EBIT	12,228	2,172	
Financial income	479	724	[23]
Financial income from derivative instruments	–	107	
Financial charges	(911)	(120)	[24]
Adjustment investment measured at equity	(25)	–	
PRE-TAX PROFIT	11,771	2,882	
Income taxes	(395)	(17)	[25]
Deferred taxes	–	–	[6]
NET PROFIT FOR THE YEAR	11,375	2,865	
Profit/(loss) recognised to Net Equity to be recognised to the Income Statement	(270)	121	
Profit/(loss) recognised to Net Equity not to be recognised to the Income Statement	12	(66)	
Comprehensive profit for the year	11,117	2,920	

Statement of Changes in Consolidated Shareholders' Equity

(thousands of Euro)	Share capital	Share premium reserve	Other reserves	Retained earnings/(acc. losses)	Profits/(losses) recognized to Shareholder's Equity	Cash flow hedge reserve	Consolidation reserve	Total Shareholders' Equity
01.01.16	144,209	30,864	2,621	(45,182)	(188)		112	132,437
Comprehensive Profit				2,865	(66)	121		2,920
31.12.16	144,209	30,864	2,621	(42,317)	(254)	121	112	135,357
Loss coverage		(30,864)	(2,621)	33,485				–
Comprehensive Profit				11,375	12	(270)		11,117
31.12.17	144,209	–	–	2,543	(242)	(149)	112	146,474

Consolidated Cash Flow Statement

(thousands of Euro)	31.12.2017	31.12.2016	NOTE
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit	11,375	2,865	
Adjustments for:			
Amortization and depreciation	14,117	12,007	
Doubtful debt provision	431	283	
Changes in Post-Employment Benefit provisions	101	123	
Change in Provisions for risks and charges	(794)	(482)	
Interest and charges matured	913	(711)	
Adjustment investment measured at equity	25		
Interest and other financial charges received/(paid)	(426)	659	
Income taxes	395	17	
(Gain)/loss on divestments of which non-recurring	(2,902) 1,709	(309)	
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	23,235	14,453	
(Increase)/decrease trade receivables and other financial assets	(13,426)	1,846	
(Increase)/decrease tax receivables, VAT receivables and direct taxes	597	(430)	
Increase/(decrease) trade payables and deferred revenues	20,021	7,750	
Increase/(decrease) tax payables, VAT payables and current direct taxes	643	(357)	
NET CHANGES IN CURRENT ASSETS AND LIABILITIES AND OTHER CHANGES	7,834	8,809	
CASH FLOW GENERATED FROM OPERATING ACTIVITIES	31,070	23,262	
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible assets	(13,898)	(29,755)	
Divestments in tangible assets	1,315	488	
Gain/(loss) on divestments	(125)		
Investments in intangible assets	(6,909)	(5,397)	
Investments in AAE-1 intangible assets	(11,479)		
Divestments in intangible assets	21,894		
of which non-recurring	20,185		
Change due to monetary effects of investments	(955)	2,494	
Net investments in other non-current assets	(59)	(36)	
CASH FLOW ABSORBED BY INVESTING ACTIVITIES	(10,216)	(32,206)	[1-2]
CASH FLOW FROM FINANCING ACTIVITIES			
Net (Increase)/decrease financial assets	5,500	6,248	
New loan issue	20,947	10,315	
(Repayment) of loans	(805)	(560)	
CASH FLOW GENERATED FROM FINANCING ACTIVITIES	25,642	16,003	
TOTAL CASH FLOW	46,494	7,059	
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	19,459	12,400	
CASH AND CASH EQUIVALENTS AT END OF YEAR	65,953	19,459	[9]



EXPLANATORY NOTES TO THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

Basis of Preparation

GENERAL INFORMATION

Retelit S.p.A. and e-via S.p.A, a directly held subsidiary (hereafter jointly “the Retelit Group” or “the Group”) are principally engaged in the telecommunications sector.

Retelit S.p.A.’s registered office and headquarters are in Milan, in viale Restelli 3/7.

The share of the parent company Retelit S.p.A. is listed on the STAR segment of the Italian Stock Exchange. The amounts indicated in the financial statements and the explanatory notes, unless otherwise stated, are in thousands of Euro.

The publication of the consolidated financial statements of Retelit as at December 31, 2017 was approved by the Board of Directors on March 15, 2018.

DECLARATION AND BASIS OF PREPARATION

The Consolidated Financial Statements of the Retelit Group at December 31, 2017 were prepared in accordance with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Boards (IASB) and endorsed by the European Commission, and the relative enacting provisions at the preparation date of the present financial statements, and comprise the Consolidated Balance Sheet, the Consolidated Comprehensive Income Statement, the Statement of Changes in Consolidated Shareholders’ Equity, the Consolidated Cash Flow Statement and the Explanatory Notes.

The financial statements were prepared in compliance with IAS 1; where considered necessary to better represent company

operations, additional accounts were presented. In particular, within the property, plant and equipment macro-account, the sub-category “Network infrastructure” is presented, within the Intangible assets macro-account the sub-category “Concessions, licenses, brands and similar rights” and within the macro-account Current and non-current liabilities “Deferred revenues”, relating to the provision of fiber optics, cable ducts on an IRU basis and submarine capacity.

The Explanatory Notes to the Consolidated Financial Statements of the Retelit Group for the year ended December 31, 2017 illustrate the accounting policies adopted, provide the disclosure required by IAS/IFRS accounting standards and not contained in other parts of the financial statements and any further information not disclosed in the financial statements but considered necessary to provide a true and fair view of business operations. The Consolidated Financial Statements were prepared based on the underlying accounting records at December 31, 2017, in accordance with the historic cost convention and the going concern concept.

GOING CONCERN

In consideration of the Group’s position, its unique capabilities and capacity to generate revenues, on the preparation of these financial statements the Board of Directors assessed and weighed the uncertainties which may impact the capacity of the company to generate sufficient cash flows to pursue operations, pay suppliers and meet investment commitments.

The going concern is one of the fundamental requirements to be assessed for the preparation of the financial statements. In this regard, the Directors are

required to carry out a forward looking exercise regarding future events in order to understand and assess whether the business is able to continue operations into the foreseeable future and meet its obligations without the intention or the need to put the business into liquidation, discontinue operations or undertake the legally-established administration procedures for companies in crisis.

Following close analysis in this regard by Retelit’s Directors, the Consolidated Financial Statements at December 31, 2017 – reporting a net profit of Euro 11.4 million and Shareholders’ equity of Euro 146.5 million – were prepared on a going concern basis as no uncertainties exist, according to the considerations outlined below.

The 2017-2021 industrial plan was updated only for the purposes of the impairment test and was extended to 2022, testament to the growth strategy and forecasts better results for the final years of the plan than previously announced thanks to the increased revenues generated from commercialization of the AAE-1 submarine cable and expected Wholesale synergies.

BASIS OF PREPARATION

The consolidated financial statements were prepared according to the cost criterion.

The balance sheet classifies assets and liabilities as current or non-current, based on their operating nature or rather whether they will be realized or settled within twelve months.

The Comprehensive Income Statement presents amounts classified by nature.

The Cash Flow Statement is presented using the indirect method.

The consolidated financial statements are presented in thousands of Euro, where not otherwise specified. The amounts in the tables below, having been rounded, may present discrepancies where such units are summed.

Accounting standards, amendments and IFRS interpretations applied from January 1, 2017

The following amendments were applied for the first time by the Group from January 1, 2017:

- On January 29, 2016, the IASB published the “Disclosure Initiative (Amendments to IAS 7)” document, which contains amendments to IAS 7. The document provides clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of disclosure which enables readers of the financial statements to understand the changes to liabilities following funding operations, including the changes from cash movements and those from non-cash movements. The amendments do not establish a specific format to be used. However, the amendments introduced require entities to provide a reconciliation between the opening balance and the closing balance for liabilities deriving from financial operations. The presentation of comparative disclosure relating to preceding periods is not required.
- On January 19, 2016, the IASB published the “Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)” document, which contains amendments to IAS 12. The document provides clarifications on the recognition of deferred tax assets on unrealised losses in the measurement of “Available for Sale” financial assets on the occurrence of certain circumstances and on estimates of assessable income for future years. The adoption of these amendments does not have any effects on the Group consolidated financial statements.

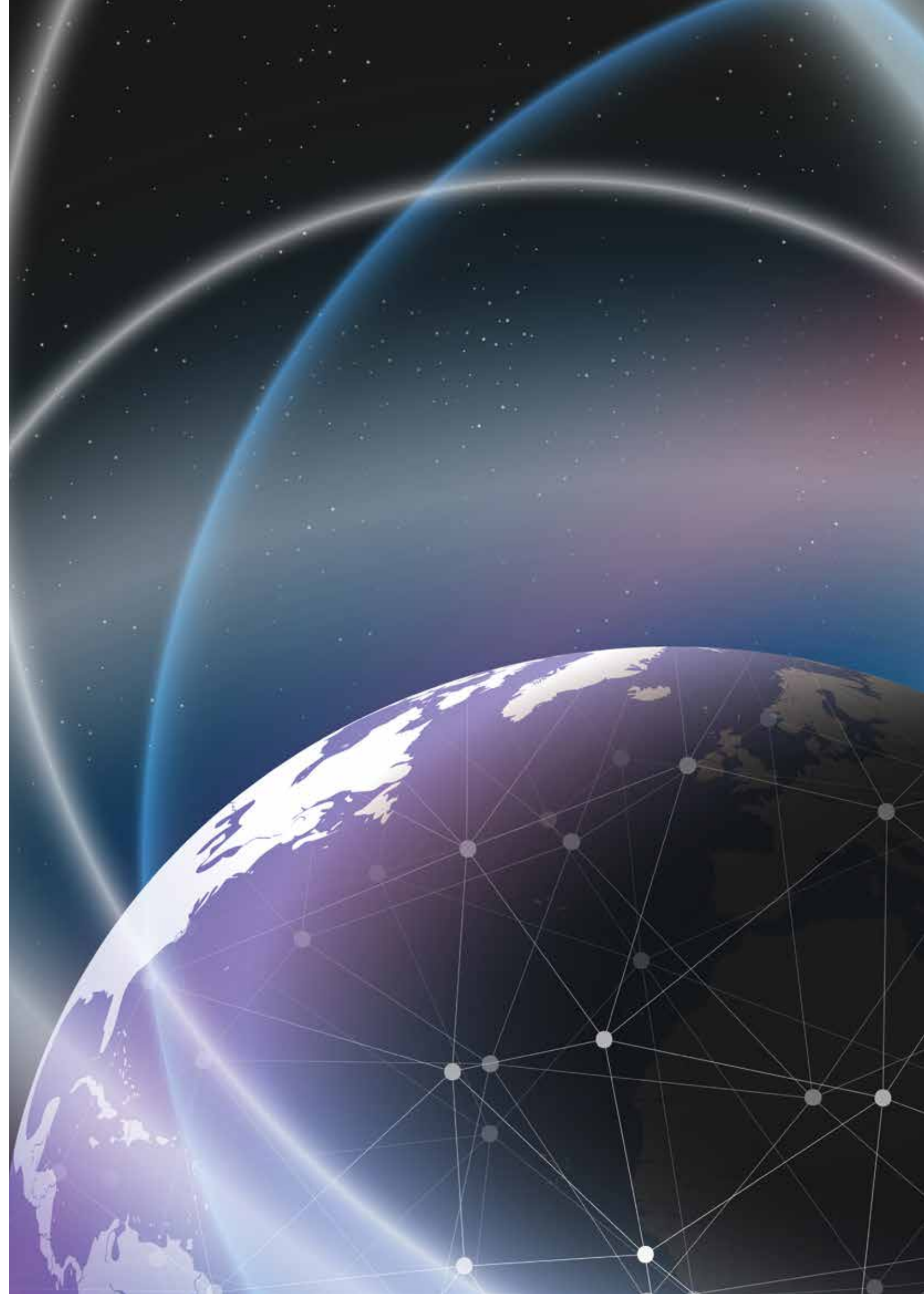
IFRS and IFRIC accounting standards, amendments and interpretations approved by the EU, not yet mandatory and not adopted in advance by the Group at December 31, 2017

- On May 28, 2014, the IASB published “**IFRS 15 – Revenue from Contracts with Customers**” which, together with additional clarifications published on April 12, 2016, replaces IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, in addition to 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 establishes a new revenue recognition model, which will apply to all contracts with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are:
 - the identification of the contract with the client;
 - the identification of the performance obligations of the contract;
 - the establishment of the price;
 - the allocation of the price to the performance obligations of the contract;
 - the recognition criteria of the revenue where the entity satisfies the performance obligations.

The standard is applicable from January 1, 2018. The amendments to IFRS 15 – *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, published by the IASB in April 2016. Based on analysis currently being carried out by the Finance Department, the directors consider that the application of IFRS 15 will have a significant impact on the amounts recognised as revenues and

on the relative disclosure in the Group consolidated financial statements. With regard to telecommunications services in particular, the main changes relate to the current accounting treatment of the fees for installation service (known as “set-up fees” or “one-off fees”). According to the current accounting policy, these fees are recognized in full as income when the service is released, since they refer to activation service, whereas the new standard requires that fees be allocated to the performance obligations assumed by the customer and recognized when these obligations are fulfilled, i.e. over the term of the contract. Activation fees associated with revenues generated by indefeasible rights of use (IRUs) will also be allocated to the performance obligations and recognized as the obligations are fulfilled – generally over the term of the contract. According to the management’s current estimate, the transition to the new standard is expected to translate into a decrease in equity of Euro 16 to 20 million (net of the related tax effect), with an increase in deferred revenues. The effects of the new application of this standard will also be influenced by the application of the new IFRS 16.

The directors will exercise the option for simplified initial application, according to which contracts not terminated by January 1, 2018 will be accounted for as if they had been recognized in accordance with IFRS 15 from the outset. The cumulative effect of the transition will be accounted for as an adjustment to the opening balances of equity during the year of first-time application. The comparative figures from the previous year will not be adjusted. In the notes, the directors will explain the effects of the application of IFRS 15 on the balance sheet and income statement for the reporting year.



- On July 24, 2014, the IASB published IFRS 9 – *Financial Instruments*. The document incorporates the results of the IASB project to replace IAS 39. The new standard must be applied for financial statements beginning on or after January 1, 2018.

The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular for financial assets the new standard utilises a single approach based on the management method of financial instruments and on the contractual cash flow characteristics of the financial assets in order to determine the measurement criteria, replacing the various rules established by IAS 39. For financial liabilities however the standard is amended with regard to the accounting treatment of the fair value changes of a financial liability designated as a financial liability at fair value through profit or loss, in the case in which these changes relate to changes in the credit rating of the issuer of the liability. According to the new standard, these changes must be recorded to “Other comprehensive income” and no longer to the income statement. In addition, in the non-substantial changes to liabilities it is no longer permitted to record the economic effects of the renegotiation on the residual duration of the payable modifying the effective interest rate at that date, but it is necessary to record the relative effect in the income statement.

In relation to impairment, the new standard requires that the doubtful debts estimate is based on the expected losses model (and not on the incurred losses model under IAS 39), utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures. The standard establishes that this impairment model applies to all fi-

ancial instruments, therefore financial assets valued at amortized cost, those valued at fair value through other comprehensive income and receivables deriving from rental contracts and trade receivables.

In fact, this standard introduces a new model of hedge accounting to adjust the requirements under the current IAS 39, which on occasion are considered too stringent and inappropriate to reflect the risk management policies of the company. The main amendments of the document relate to:

- increased number of transactions eligible for hedge accounting, in particular including also the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;
- the change in the accounting method of the forward contracts and options when considered in a hedge accounting relationship in order to reduce the volatility of the income statement;
- the amendments to the effectiveness test through the replacement of the current methods based on the 80-125% parameter with the principle of the “economic relationship” between the item hedged and the hedge instrument; in addition, a retrospective evaluation of the effectiveness of the hedge relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by the additional disclosure requirements on the risk management activities of the company. Based on the analysis undertaken, the directors consider that the application of IFRS 9 will not have a significant impact on the amounts and on the relative disclosure in the Group consolidated financial statements.

- On January 13, 2016, the IASB published the new standard **IFRS 16 – Leases**, which replaces IAS 17 – *Leases*,

as well as 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 leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The standard establishes a single model to recognise and measure leasing contracts for the lessee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognise as leasing contracts “low-value assets” and leasing contracts less than 12 months. This Standard does not contain significant amendments for lessors.

The standard is effective from January 1, 2019, although advance application is permitted, only for companies which have already applied IFRS 15 – *Revenue from Contracts with Customers*.

The directors are currently assessing whether to apply IFRS 16 in advance from January 1, 2018, together with the obligatory application of IFRS 15. The Finance Department commenced a project for the implementation of the new standard which provides as first step a detailed analysis of the contracts and accounting impacts and a second step implementation and/or adjustment of the administration processes and accounting system. The qualitative and quantitative impacts of the new standard on initial application are currently being determined.

- On September 12, 2016, the IASB published “**Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**”. For entities primarily involved in insurance activities, the amendments clarify the considerations deriving from application of the new IFRS 9 (from January 1, 2018) to financial assets, before the replacement of the current IFRS 4 with the standard IFRS 17 – *Insurance Contracts*, under which financial liabilities are measured.

The amendments introduced two possible approaches:

- overlay approach*
- deferral approach*

These approaches will permit:

- the possibility to recognise to the comprehensive income statement (i.e. in the OCI statement), rather than the income statement, the effects from application of IFRS 9 rather than IAS 39 on certain designated financial assets before application of the new standard concerning insurance contracts (“overlay approach”).
- The possibility of a temporary extension to the application of IFRS 9 until the first between the application date of the new standard on insurance contracts or periods beginning January 1, 2021. Entities deferring application of IFRS 9 will continue to apply the current IAS 39 (“deferral approach”).

The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

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

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 18, 2017, the IASB published **IFRS 17 – Insurance Contracts** which replaces IFRS 4 – *Insurance Contracts*. The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The IASB developed the standard in order to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer. The new standard sets out in addition presentation and disclosure requirements to improve comparability between entities belonging to the same sector. It measures insurance contracts on the basis of a General Model or a simplified version of such, called the Premium Allocation Approach (“PAA”). The main features of the General Model are:

- the estimates and assumptions of future cash flows always refer to the current portion;
- the measurement reflects the time value of money;
- the estimates include an extensive use of observable market information;
- a current and clear risk measurement exists;
- the expected profit is deferred and aggregated into groups of insurance contracts on initial recognition;
- the expected profit is recognised in the period of contractual coverage, taking account of adjustments from changes in the assumptions on cash flows for each group of contracts.

The PPA approach involves the measuring of the liability for the residual coverage of a group of insurance contracts on the condition that, on initial recognition, the entity expects that this liability reasonably reflects an approximation

of the General Model. Contracts with a coverage period of one year or less are automatically considered appropriate for the PPA approach. The simplifications from application of the PPA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is necessary to discount these cash flows where it is expected that the balance will be paid or received within one year from the date on which the claim occurred.

The entity should apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective from January 1, 2021, although advance application is permitted, only for entities applying IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The Directors do not expect this standard to have a significant impact on the Group consolidated financial statements.

- On June 20, 2016, the IASB published **“Classification and measurement of share-based payment transactions (Amendments to IFRS 2)”** which contains amendments to IFRS 2. The amendments provide clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled. These changes will be applied from January 1, 2018. The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On December 8, 2016, the IASB published the **“Annual Improvements to IFRSs: 2014-2016 Cycle”** document, which includes the amendments to a number of standards within the annual improvement process. The principal changes relate to:

- IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*. The amendment to this standard is applicable at the latest from periods beginning January 1, 2018 and concerns the elimination of certain short-term exemptions under paragraphs E3-E7 of Appendix E of IFRS 1 as the benefit of these exemptions is now considered exhausted.
- 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*. The amendment clarifies that the option for a venture capital organization or similarly qualifying entities (e.g. a mutual investment fund or similar entity) to measure investments in associates and joint ventures valued at fair value through profit or loss (rather than through application of the equity method) is applied for each individual investment on initial recognition. The amendment is applied from January 1, 2018.
- IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, with the exception of that under paragraphs B10-B16, applies to all investments which are classified as held-for-sale, held-for-distribution to Shareholders or as discontinued operations as per IFRS 5. This amend-

ment is applicable from January 1, 2017, however not having been endorsed by the European Union has not yet been adopted by the Group at December 31, 2017.

The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On December 8, 2016, the IASB published **“Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)”**. The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the financial statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a transaction, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance.

The interpretation clarifies that the transaction date is the first between:

- the date on which the advance payment or payment on account received is recognized to the financial statements of the entity;
- the date on which the asset, cost or revenue (or part of such) is recognized to the financial statements (with consequent reversal of the advance payment or payment on account received).

Where numerous payments or receipts in advance are made, a settlement date should be identified for each. IFRIC 22 is applicable from January 1, 2018. The Directors do not expect this interpretation to have a significant impact on the company’s financial statements.

- On December 8, 2016, the IASB published **“Transfers of Investment Prop-**

erty (Amendments to IAS 40) which contains amendments to IAS 40. These amendments clarify the transfers of a building to, or from, investment property. In particular, an entity shall reclassify a building to, or from, investment property only when there is a clear indication of a change in the use of the building. This change must be attributable to a specific event and shall not therefore be limited to only a change in intention by management of the entity. These amendments are applicable from January 1, 2018. The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On June 7, 2017, the IASB published the interpretative document **IFRIC 23**

– Uncertainty over Income Tax Treatments. The document deals with uncertainties on the tax treatment to be adopted for income taxes.

It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the financial statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1.

The new interpretation applies from

January 1, 2019, although early application is permitted. The Directors do not expect this interpretation to have a significant impact on the company's financial statements.

- On October 12, 2017, the IASB published the document **“Prepayment Features with Negative Compensation (Amendments to IFRS 9)”**. This document specifies that a debt instrument which provides for an early repayment option may comply with the characteristics of the contractual cash flows (“SPPI” test) and, consequently, may be measured through the amortised cost method or fair value through other comprehensive income also in the case where the “reasonable additional compensation” to be paid in the event of advance repayment is a

“negative compensation” for the lender. The amendment applies from January 1, 2019, although early application is permitted. The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On October 12, 2017, the IASB published the document **“Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)”**. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associates and joint ventures for which the equity method is not applied. The amendment applies from January 1, 2019, although early application is permitted.

The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

- On December 12, 2017 the IASB published the document “**Annual Improvements to IFRSs 2015-2017 Cycle**” which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:
 - IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control a business which represents a joint operation, it must remeasure its previous holding in the business. This process however is not required in relation to obtaining joint control.
 - IAS 12 *Income Taxes*: The amendment clarifies that all the tax effects related to dividends (including the payments on financial instruments classified within equity) must be recognised in line with the transaction which generated these profits (profit or loss, OCI or net equity).
 - IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans which remain in place even after the qualifying asset is ready for use or for sale, these become part of the overall financing utilised to calculate the borrowing costs.

The amendments are applicable from January 1, 2019, although advance application is permitted. The directors do not expect these amendments to have a significant impact on the Group consolidated financial statements. The directors are currently assessing the possible effects from the introduction of these amendments on the Group consolidated financial statements.

- 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**. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

According to IAS 28, the profit or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter is limited to the share held in the joint venture or associate by external investors to the transaction. On the other hand, IFRS 10 provides for the recognition of the entire profit or loss in the case of loss of control of a subsidiary, also if the entity continues to hold a non-controlling holding, including also upon the sale or conferment of a subsidiary to a joint venture or associate. The amendments introduced establish that for the disposal/conferment of an asset or of a subsidiary to a joint venture or associated company, the amount of profit or loss to be recognised to the financial statements of the disposing company/conferring company depends on whether the asset or the subsidiary disposed of/conferred constitutes a business, in the definition established by IFRS 3. In the case in which the assets or the subsidiary disposed of/conferred represents a business, the entity should recognize the profit or the loss on the entire share previously held; while, in the contrary case, the share of the profit or loss concerning the stake still held by the entity should be eliminated. Currently, the IASB has suspended the application of this amendment. The Directors do not expect these amendments to have a significant impact on the Group consolidated financial statements.

Consolidation Scope

The Consolidated Financial Statements of the Retelit Group at December 31, 2017 were prepared based on the separate financial statements of the Parent Company and, at the same date, those of the companies over which Retelit S.p.A. exercises control.

The table below reports the data of the company's belonging to the Retelit Group:

e-via S.p.A., providing since 1999 telecommunication services through the construction, installation and operation of a broadband fiber optic network.

The consolidation scope at December 31, 2017 did not change and comprises Retelit S.p.A. and e-via S.p.A.

COMPANIES INCLUDED IN THE CONSOLIDATION SCOPE

	Reg. office	Currency	Share capital	% held
Retelit S.p.A.	Milan - MI	Euro	144,208,618.73	Parent Company
e-via S.p.A.	Milan - MI	Euro	109,173,233.00	100

Consolidation Principles

The Consolidated Financial Statements of the Retelit Group include the Separate Financial Statements of Retelit S.p.A. and the individual financial statements of the subsidiary e-via.

For the consolidation, the financial statements of the subsidiary at December 31, 2017 were utilized, as approved by the Board of Directors and appropriately reclassified and adjusted in accordance with the accounting policies of the Parent Company.

The Consolidated Financial Statements were prepared utilizing the line-by-line method, which provides for the consolidation of the financial statements of the Parent Company and of its subsidiary line-by-line, adding the corresponding values of assets, liabilities, revenues and costs. The consolidation is undertaken regardless of the size of the equity investment held, with minority Shareholders attribut-

ed the share of equity and results for the year pertaining to them.

Inter-company balances and transactions and the relative unrealized gains are eliminated in full.

Gains and losses not yet realized, deriving from transactions between Group companies, are eliminated, as are all payables and receivables, costs and revenues between Group companies.

Inter-company balances and transactions represented by receivables, payables, costs and revenues are eliminated in full.

Subsidiaries are consolidated as of the date on which control was effectively transferred to the Group and cease to be consolidated as of the date in which control is transferred outside the Group. Where loss of control occurs during the year, the Consolidated Financial Statements include the result for the period of the subsidiary in proportion to the period of the year in which the Group held control.

Accounting Policies

The accounting policies adopted in the preparation of the Consolidated Financial Statements at December 31, 2017 comply with IAS/IFRS international accounting standards approved by the European Union. These are the same in substance, valuations and continuity as those used for the preparation of the 2016 Consolidated Annual Accounts.

The accounting policies and measurement criteria are applied uniformly to the consolidated companies.

The data relating to the year ended December 31, 2017 was determined reliably, in accordance with the principle of substance over form.

No revaluations have been made.

Specifically, the accounting policies adopted for the preparation of the financial statements at December 31, 2017 are as follows:

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment recorded in accordance with IAS 16 are initially measured at cost, including all directly allocated costs necessary for bringing the asset to the condition for which it was acquired. Improvements made to the conditions of the asset compared to the original conditions increases the stated book value of the asset.

After initial recognition, tangible assets are recorded at cost, less accumulated depreciation and any loss in value.

Depreciation is recorded when the asset is available for use.

The depreciation is calculated on a straight-line basis over the estimated useful life of the asset, established based on the business utilization plans and taking into account the residual value of the asset. Leasehold improvements are depreciated over the lower period between the estimated useful life

of the asset and the duration of the contract.

The depreciation of the fixed asset is proportion to the useful life of the individual components. The depreciation rates compared with the previous year are illustrated below:

Rate used	2017	2016
Network infrastructured (cable ducts & fiber)	2% - 4%	2% - 4%
PoP plant & shelters	6% - 12.5%	6% - 12.5%
Final drop	5% - 12.5%	5% - 12.5%
Other tangible assets	10% - 20%	10% - 20%

The table illustrates the depreciation rate range by asset category.

At the moment of the sale, or when there are no expected future economic benefits from the use of an asset, this is eliminated from the financial statements and any loss or gain (calculated as the difference between the disposal value and the book value) is recorded in the income statement in the year of the above-mentioned elimination. The residual value of the asset, useful life and the methods applied are reviewed on an annual basis and adjusted prospectively if necessary at the end of each year.

INTANGIBLE FIXED ASSETS

Intangible assets recorded in accordance with IAS 38 are initially measured at historical cost, including all the directly attributable charges relating to the intangible asset. The expenses incurred for these assets subsequent to acquisition or completion are expensed in the year,

unless they may not be measured reliably and are not capable of contributing future economic benefits.

After initial recognition, intangible assets are recorded at cost, less accumulated amortization and any loss in value.

The amortization is measured on a straight-line basis, from the moment in which the asset is available for use, over the useful life of the lower period between the contractual duration and the expected utilization of the assets.

Software licenses are amortized on a straight-line basis over three or five years based on their expected useful life.

The brands and concessions, licenses and similar are amortized respectively over ten and fifteen years, or based on the contractual duration.

The costs of other intangible assets are only recorded under assets when they may be utilized in the medium-term period. The above-stated costs are amortized based on their useful lives, where defined, or otherwise based on their contractual term, if lesser.

The investment in submarine transmission capacity is recorded under intangible assets and amortised on a straight-line basis over its useful life.

REAL USAGE RIGHTS

The real usage rights relating to fiber optics, cable ducts and transmission systems acquired from other operators (IRU payables) are capitalized under “Concessions, licenses, trademarks and similar rights” based on the historical cost and amortized over the lower period between the technical duration and the contractual duration of the concession.

Income deriving from the sale of real usage rights to third parties (IRU receivables) is recorded in the “Revenues” account and recognized in the Income Statement in accordance with the accruals concept over the contractual duration



of the concession. The activation fee, whose amount is defined in the sales contract, is recorded in the "Revenues" account and recognized in the Income Statement in the year in which the non-deferrable costs relating to activation of the usage right are incurred.

IMPAIRMENTS

The value of intangible assets, property, plant and equipment and other non-current assets are subject to an impairment test whenever indicators of a loss in value are present.

The impairment test is undertaken through a comparison between the book value and the recoverable value, which is the higher between the fair value of an asset less selling costs and its value in use. The recoverable value is determined by individual asset, except when this asset does not generate cash flows which are sufficiently independent from the cash flows of other assets or groups of assets; in this case, the value is determined based on the smallest Cash Generating Unit (CGU) which independently generates cash flows deriving from use.

If the carrying amount of an asset is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value. In the determination of the value in use, the Retelit Group discounts the present value of the estimated future cash flows, at a post-tax rate that reflects the market assessment of the time value of money and the risks specific to the asset. The losses in value incurred by operating assets are recorded in the income statement in the category of costs relating to those assets.

At each reporting date, the Group evaluates the losses previously recorded and estimates the new recoverable value. The value of an asset previously written down may be restated only if there have been changes in the estimates used to deter-

mine the recoverable value of the asset after the last recording of a loss in value. In this case, the carrying amount of the asset is recorded at the recoverable value, while the restated value must not exceed the carrying amount which would have been determined, after amortization or depreciation, if no loss in value had been recognized in previous years. A restated amount is recorded as income in the income statement, except when the asset is recorded as a revalued amount, in which case the restatement is treated as a revaluation. After the recording of the amount restated, the depreciation of the asset is adjusted in future years, in order to record the adjusted book value, net of any residual value, over the useful life of the asset.

INVESTMENTS

Investments in jointly-controlled companies are measured using the equity method.

FINANCIAL ASSETS

Financial assets are initially recognised at cost – increased for any purchase accessory charges – which represents the fair value of the amount paid. After the initial recording, the financial assets are measured in relation to their use.

RECEIVABLES AND PAYABLES

Receivables are initially recognized at nominal value, corresponding to the fair value and subsequently measured at amortized cost (in relation to financial receivables) and written down in the case of impairment. The payables are valued at amortized cost.

Receivables and payables due beyond one year, non-interest bearing or which mature interest below lower market rates are discounted using market rates.

DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments are used principally for hedging purposes, in

order to reduce the foreign currency and interest rate risk. In line with IAS 39, derivative financial instruments for the hedging of payments in US Dollars for involvement in the AAE-1 project consortium are recognised according to hedge accounting policies. The derivative financial instruments on the interest rate risk are also recognised in accordance with hedge accounting.

These derivative instruments are classified as cash flow hedges, therefore the effective portion of profits or losses (intrinsic value) on the derivative financial instrument is suspended in the comprehensive income statement, except for the portion concerning the hedged operation, which is recognized to tangible assets in progress.

If the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized to the comprehensive income statement is immediately transferred to the income statement in the account Financial Income/Charges.

If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognized in the income statement to the Financial Income/Charges account.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents include cash values, deposits on demand and short-term liquidity, this latter with original maturity less than three months, and are recorded at nominal value.

LOANS

Loans are recognized at initial cost, corresponding to the fair value of the amount received, less the accessory charges for acquiring the loan.

After initial recording, the loans are valued under the amortized cost criteria, utilizing the effective interest rate method.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and expenses of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the balance sheet date. The provisions are recorded when a legal or implicit current obligation exists that derives from a past event and a payment of resources is probable to satisfy the obligation and the amount of this payment can be reliably estimated.

Provisions are recorded at the amount representing the best estimate that the Company would pay to discharge the obligation or to transfer it to a third party at the reporting date, as per IAS 37. If the effect of discounting is significant, the provisions are determined discounting the expected future cash flows at an after-tax rate that reflects the current market assessment of the time value of money. Where discounting is applied, the increase in the provision due to the passage of time is recognized as an interest expense.

EMPLOYEE BENEFITS

Employee benefits paid post-employment (Post-Employment Benefits of a "defined benefit" type) and the other long-term benefits ("other long-term benefits") are subject to actuarial valuations. The liability recognized in the financial statements is representative of the current value of the obligations of the group, less any assets serving the plans.

In order to make a reasonable estimate of the amounts of the benefits that each employee has already matured against their period of employment, this amount is discounted utilizing a method based on various demographic and financial assumptions.

The actuarial gains and losses are recorded directly in equity.

The integrated indemnities at the end of employment are recorded as liabilities

and costs when the company is obliged to interrupt the employment of an employee or a group of employees before the normal retirement age, or is obliged to pay compensation at the end of employment following a proposal for the payment of voluntary leaving incentives.

MEASUREMENT OF REVENUES AND COSTS

Revenues from services and sales and purchase, production and selling costs and in general other income and charges are recognized in accordance with the accruals principle.

Revenues are measured at the present value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Sale of assets

Revenues are recognized when the Group has transferred the significant risks and benefits connected to the ownership of the asset and no longer exercises the normal level of continual activity associated with ownership as well as the effective control on the asset sold.

Provision of services

Revenues for transmission capacity rental are recognized based on specific contractual agreements and, in any case, after explicit acceptance by the Client.

Contributions for installation and activation are considered revenues in the period in which the service is activated, as related to the costs incurred.

Revenues from services are recognized on the basis of services provided and as per the relevant contracts.

Where payment extensions are provided to clients without interest, the amount to be received is discounted. The difference between the present value and the amount received constitutes financial income recorded on an accruals basis.

INTEREST

This is recorded on an accruals basis, using the effective interest method. The financial charges directly concerning the AAE-1 project were capitalized as an increase in the value of the project until its entry into operation.

INCOME TAXES (CURRENT AND DEFERRED)

Current and deferred income taxes – calculated in accordance with IAS 12 – are determined based on a realistic estimate of the fiscal charge with reference to the legislation currently in force.

Deferred taxes principally derive from temporary differences between the accounting value of the assets and liabilities and the corresponding amounts for

tax purposes and utilizable fiscal losses. The deferred tax assets are recognized only for those amounts for which it is probable there will be future assessable income to recover the amounts.

In particular, the amount of deferred tax assets refers to part of the tax losses and temporary differences, whose recognition in the financial statements is principally attributable to the forecast contained in the 2018-2022 plan approved by the Board of Directors of Retelit on February 2, 2018.

From the year considered and for a three-year period, the company has joined the Retelit Group national tax consolidation in accordance with Article 117/129 of the Income Tax Law (T.U.I.R.).

The parent company acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

Each company involved in the tax consolidation transfers to the consolidating company its assessable income (assessable income or tax loss); the consolidating company recognizes a receivable equal to the IRES to be paid (the consolidated company recognizes a payable to the consolidating company). On the other hand, against companies contributing tax losses, the consolidating company recognizes an IRES payable for the portion of the loss effectively offset at group level (the consolidated company recognizes a receivable from the consolidating company).

TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES

The presentation currency of the consolidated financial statements is the Euro, which is also the Group's operational currency. The transactions in currencies oth-

er than the Euro are recognized initially at the exchange rate at the date of the transaction. The monetary assets and liabilities in foreign currencies other than the Euro are translated to the functional currency at the exchange rate at the balance sheet date. All exchange differences are recognized in the income statement. The non-monetary accounts valued at historical cost in currencies other than the Euro are translated using the exchange rate at the date of the initial recording of the transaction. The non-monetary accounts recorded at fair value in currencies other than the Euro are converted using the exchange rate at the date the value was determined.

USE OF ESTIMATES

The preparation of the financial statements and the relative notes in application of IFRS require that management makes discretionary valuations and accounting estimates on the values of the assets and liabilities in the financial statements and on the disclosures in the notes to the financial statements. The actual results could differ from those estimated. Estimates are utilized to record provisions for credit risks, depreciation and amortization, asset write-downs, employee benefits, taxes, deferred taxes and provisions for risks and charges. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized in the statement of profit and loss.

Discretionary valuations

The preparation of the Group financial statements requires the Directors to undertake discretionary valuations, estimates and assumptions, which impact upon the amount of revenue, costs, assets and liabilities, as well as potential liabilities at the reporting date.

Uncertainty in the estimates

The impairment test on fixed assets was executed on the basis of the Industri-



al Plan, substantially confirmed for the years 2018-2021 and with extension to 2022, approved by the Board of Directors, as outlined in the “Subsequent events” paragraph.

The Plan is based on a number of future events and actions which will be undertaken by the Directors, which include, among other matters, assumptions relating to future events and actions of the Directors which may not necessarily occur, and events and actions which the Directors and management may not influence or may only in part influence, concerning the performance of the key financial indicators or other contributing factors. Consequently, the variance between actual and forecast figures may even be significant.

The Group has recorded a risk provision against restoration obligations on the release of technological sites. Estimates and assumptions were made in calculating the expected average cost for the removal of the plant installed to determine the provision. These estimates, although based on reasonable assumptions, may incur future changes based on market performance.

The Group, in calculating the depreciation of tangible fixed assets, defined the useful life on the basis of a physical and technological obsolescence estimate of the plant.

EARNINGS/(LOSS) PER SHARE

The earnings per share is calculated by dividing the result attributable to the company's ordinary Shareholders by the weighted average number of ordinary shares outstanding during the year. The diluted result is calculated by dividing the net result attributable to the ordinary Shareholders of the parent company by the average weighted number of ordinary shares outstanding during the year, taking into account dilutive instruments in circulation.

Criteria for the Preparation of the Cash Flow Statement

The Retelit Group cash flow statement reflects the effect of incoming and outgoing cash and cash equivalents on operating, investing and financing activities.

The cash flows are classified as deriving from operating, investing and financing activities as per IAS 7.

Cash and cash equivalents reported in the financial statements include cash, cheques, bank overdrafts and short-term securities readily convertible into cash.

The cash flows relating to the operating activities are presented, in accordance with the indirect method, adjusting the net result for the year from the effect of non-cash items, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Cash flow from investing activities are also adjusted to take into consideration cash items accrued but not yet paid.

The paragraph “Notes to the cash flow statement” includes a reconciliation of the changes in the financial assets and liabilities whose cash flows are included within the cash flow statement of the Group.

Notes to the Balance Sheet

[1] PROPERTY, PLANT & EQUIPMENT

The changes in property, plant and equipment in the year are illustrated in the following page:

(thousands of Euro)	Network infrastructure	Other tangible assets	Assets in progress	Total
book value at 31.12.2015	233,373	5,056	23,646	262,075
increases	15,745	663	13,347	29,755
decreases	(3,534)	–	–	(3,534)
book value at 31.12.2016	245,584	5,719	36,993	288,296
accumulated depreciation at 31.12.2015	(133,234)	(4,233)	–	(137,467)
depreciation 2016	(7,827)	(247)	–	(8,074)
decreases	3,354	–	–	3,354
accumulated depreciation at 31.12.2016	(137,707)	(4,480)	–	(142,187)
net value at 31.12.2016	107,877	1,238	36,993	146,109
net value at 31.12.2015	100,139	824	23,646	124,608

(thousands of Euro)	Network infrastructure	Other tangible assets	Assets in progress	Total
book value at 31.12.2016	245,584	5,719	36,993	288,296
increases	13,686	213	–	13,898
decreases	(222)	–	–	(222)
transfers	2,386	–	(36,993)	(34,605)
book value at 31.12.2017	261,434	5,932	0	267,367
accumulated depreciation at 31.12.2016	(137,707)	(4,480)	–	(142,187)
depreciation 2017	(8,923)	(356)	–	(9,279)
decreases	99	–	–	99
accumulated depreciation at 31.12.2017	(146,530)	(4,836)	–	(151,367)
net value at 31.12.2017	114,905	1,095	0	116,001
net value at 31.12.2016	107,877	1,238	36,993	146,109

“Network infrastructure” includes the constituent parts of the wired network (cable ducts and fiber), measured separately on the basis of their cost and useful life.

The increase in property, plant and equipment was Euro 13,898 thousand, as follows:

- Euro 13,686 thousand concerning network infrastructure for upgrading of the Data Centers and development of the Man and the backbone and final drop network;
- Euro 213 thousand concerning other tangible assets.

Assets in progress refer to the investment in the AAE-1 consortium and were mainly reclassified under intangible assets following the entry into use of the AAE-1 submarine cable during the year. The decreases refer to the sale of infrastructure in the period. The relative income was recognised under “Other revenues” of the consolidated comprehensive income statement.

With regards to network infrastructure tangible and intangible assets, the Board of Directors of the company at the meeting of March 13, 2018 approved the results of the impairment tests, prepared with the support of a leading Advisory firm, for the recognition of the carrying amounts to the financial statements of infrastructure, as per IAS 36 for the calculation of the recoverable value at December 31, 2017 according to the value in use criterion. The calculation was made applying the Discounted Cash Flow (DCF) model, based on cash flows projected over the 2017-2021 Industrial Plan, approved by the Board of Directors and outlined in the “subsequent events” paragraph.

This plan, with regards to current business, was based on strategic rationale and weighted assumptions calculated according to the traditional business model of the Group, assuming continual growth of the telecommunication

services wholesale market and, at the same time, development of the business segment value added services offer, in particular connectivity and Cloud services for private businesses and the public sector.

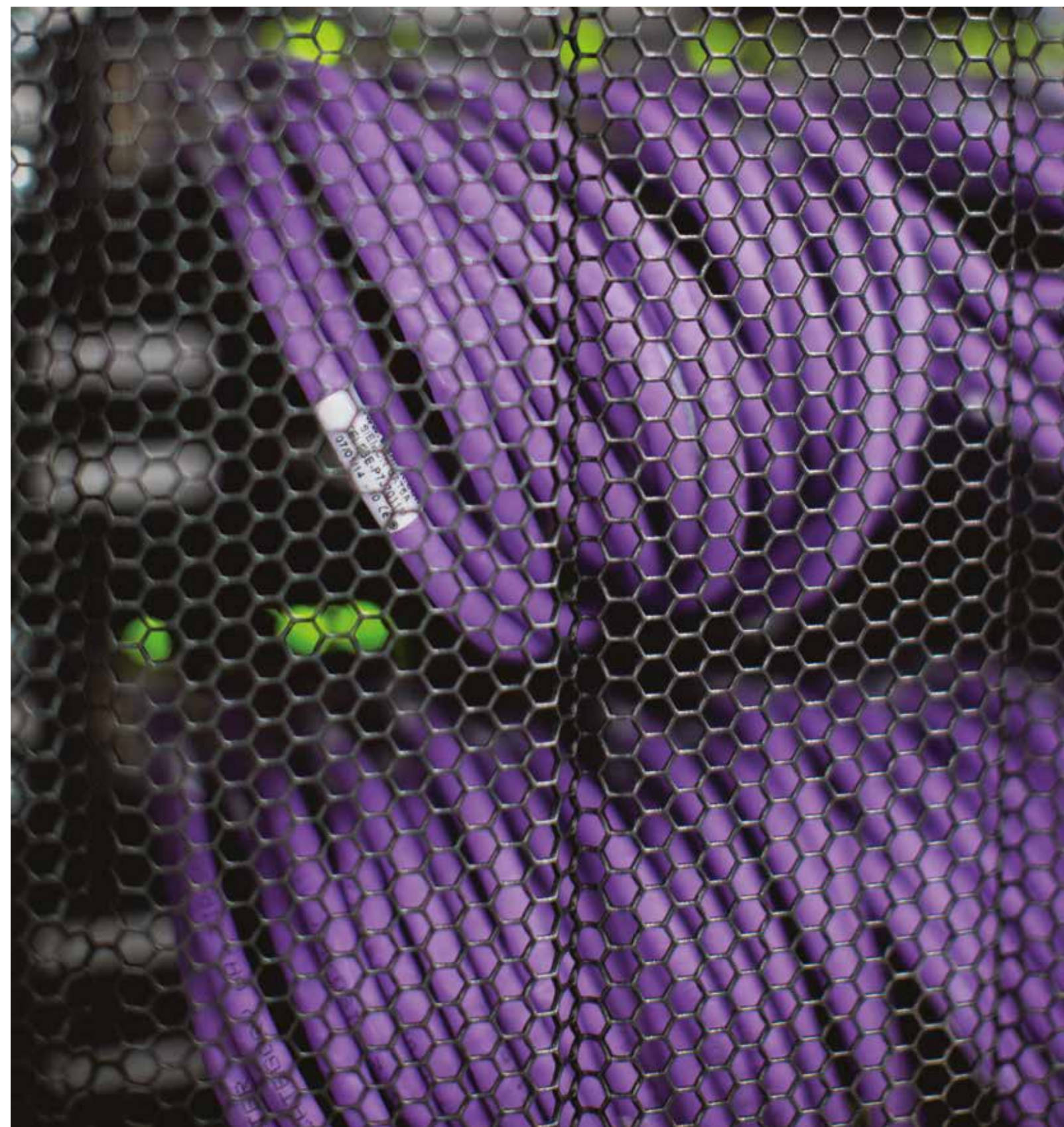
On the basis of the Group reporting structure and considering the entry into the consortium for the construction of the AAE-1 submarine cable system, the recoverable value of the network infrastructure was verified separately from AAE-1 cable duct investment; for this process – as previously indicated – the company utilized the support of a leading financial consultancy firm.

The discount rate applied for the Impairment test was estimated on the basis of the weighted average cost of capital (WACC), in line with the “asset side” approach of the present analysis. In particular, the following parameters were applied:

- *risk free rate*: average gross yield of ten-year Government Securities over the last 12 months before the reporting date for the Traditional Business and of twenty-year securities for the AAE-1 Cable;
- *equity market risk premium*: 5.5%, in line with latest professional practice;
- *beta unlevered*: estimated from the observed coefficient against a sample of comparable companies.
- *additional risk premium*: 1.0% to take account of the uncertainty of the development of the Plan in view of the growth rates forecast for the Traditional Business and equal to 1.5% until 2024 and 2.5% between 2025 and 2037 for the AAE-1 cable, to take account of the uncertainty on execution of the plan for this infrastructure.

The cost of debt was calculated according to the following assumptions:

- cost of gross debt: average of the Euro IRS with 10 year maturity rate over last 12 months from the reporting date for the Traditional Business and over 20 years for the AAE-1 Cable;
- spread: 3.2%, on the basis of the credit rating of companies operating in the sector;
- corporate tax rate: applicable and expected IRES rate.



On the basis of the cost of own capital and the cost of the estimated payable, the WACC for each CGU is calculated, utilizing the financial structure concerning the sample of comparable companies.

For the Traditional Business, the estimate of the value in use of the network firstly requires the estimate of Free Operating Cash Flows (FOCF) for the plan years (2018-2022) and of the Terminal Value (TV). With regards to the explicit period, the main growth assumptions concern:

- Growth based on the backlog already substantially acquired and the strong results communicated in 2017 compared to budget. In particular, within the National Wholesale market agreements were signed with new clients (among which Iliad, Open Fiber and Wind) which will have a significant impact in 2018 permitting the company to grow market share;
- Consolidation of the international wholesale market position for telecommunication services through multinationals (B-end), client access (IP Transit) and international network (Backbones and Pops) development;
- The growth forecast in the subsequent years (2020-2022) is driven by the Business market which will largely offset a small decrease in the Wholesale markets. The effect is due to the completion of the Business market offer through development of an integrated and high added value (VAS) connectivity services offer, such as for example APM, Disaster Recovery, ICT as a service, VPN, Internet and Security, for medium and large private enterprises and the public sector, through strengthening the commercial structures, as initiated in 2014 under the e-via brand. This is related to the development of Data Center and Cloud services.

For the calculation of the Terminal Value, the following are considered:

- cash flows beginning with the cash flow from the last year of the explicit projection, assuming depreciation equal to the fully operational investments;
- a long-term growth factor of 1.4%, corresponding to the most recent long-term inflation forecast for Italy by the International Monetary Fund;
- a value of fully operational investments, estimated by taking into account on the one hand those relating to Final Drop actions necessary to support the order intake forecast at the end of the plan and, on the other, the need for technological innovation and capacity expansion (including passive IRU's to maturity) which the current infrastructure will require over the long-term.

The income taxes were recalculated from the operating income, without considering the benefit of tax losses which were separately verified.

Both the FCFO and the Terminal Value were discounted at an average weighted cost of capital (WACC) of 7.1% after estimated taxes. The comparison with the value in use, calculated as described above, confirmed the carrying amount.

Considering that the scenario underlying the plan figures includes EBITDA growth over the duration of the plan in line also with the qualitative composition of revenues, the sensitivity analysis of the Value in Use was conducted applying a deferment of one year of the EBITDA percentages on those expected from the plan and confirming the carrying amount.

This analysis confirmed the significant sensitivity of the results to changes in the underlying parameters; the Directors however consider the forecast figures as valid and achievable as this scenario is

considered the most realistic and is supported by a number of solidity elements.

Also for the investments in the AAE-1 submarine cable, the Board of Directors on March 13, 2018 approved the impairment test results, carried out to establish their recoverability, considering the projected operating cash flows over the entire useful life of the submarine cable (2018-2037). For this useful life, prudently no terminal value was calculated from the possibility of extending the operating period of the cable or undertaking its disposal. At the same time, no particular dismantling costs on conclusion of such operations are expected.

The cash flows are analytically estimated for the 2018-2037 period and consider:

- total cumulative investments of approx. Euro 33 million;
- estimated revenues from 2018 from sale of residual available capacity on the basis of a particularly comprehensive estimate procedure which included the estimate of Europe/Asia traffic flows, carried out by a leading sector consultancy firm;
- sector figures for the 2018-2037 period and assumptions upon Retelit's market share, the entry into use of competitor cables, price dynamics and expected sales methods, with the support of a European consultancy firm specialized in the design and construction of submarine cables;
- cable maintenance and operating costs, including the management of the landing station, estimated total cumulative costs of Euro 60 million;
- management and maintenance costs of the national backhaul with total cumulative costs of Euro 26 million, to support the increased data traffic expected on the Bari-Bologna-Milan, Bari-Naples-Rome and Milan routes to the

main European PoP's, including Frankfurt, London, Amsterdam and Paris, thanks to the partnership with BICS.

The discounting of cash flows was made assuming a WACC in two stages after taxes of:

- 9.1% for the AAE-1 cable cash flows until 2024, incorporating an additional premium for the higher risk than the national network infrastructure of 1.5% and 10.0% from 2025 to 2037, incorporating an additional premium of 2.5%.

As the Plan was elaborated in USD, in accordance with the provisions of IAS 36 the impairment test was undertaken in USD. Therefore, the WACC was determined taking into account expected inflation in the USA (IMF forecast). The test produced a value in use in the base scenario which exceeded the relative comparable carrying amounts. Sensitivity scenarios were developed according to the following assumptions:

- a) reduction in the wet sales capacity in IRU;
- b) annual reduction of sales prices of the wet capacity of 15% up to 30% compared to the price considered in the base scenario;
- c) absence of additional investments;
- d) cash flows until 2032 according to the base case, and negative cash flows from the elimination of core revenues for the remaining final years until 2037.

In all sensitivity scenarios, the test produced a recoverable value which exceeded the carrying amount. With all other assumptions unchanged and in particular maintaining the execution risk at 1.5% until 2024 and thereafter at 2.5%, no scenario would result in a potential impairment.

Vice versa, the simultaneous combination of the four sensitivity scenarios examined could generate a theoretical impairment.

However, due to the excessive number of unfavorable variables which may occur, they are in probability terms less significant and distant from the assumptions drawn up. However, the Directors consider the forecast data in the base scenario as valid and reachable as considered more realistic in consideration of the various solidity factors included in the plan and from the analysis carried out in close collaboration with a leading US consultancy firm, highly specialised in the design,

implementation and preparation of business plans for submarine cable systems, with valuations based on the company's current commercial initiatives and negotiations.

Considering the complexity and the high sensitivity of the value to changes in assumptions it is not excluded that in future years impairments may emerge where the results differ significantly from forecasts. The network infrastructure is outlined in the table below:

(thousands of Euro)	Long distance network infrastructure	MAN network infrastructure	Final drop network infrastructure	Other plant	Total
book value at 31.12.2016	150,564	39,315	49,245	6,460	245,584
increases	2,917	184	10,081	504	13,686
decreases	(195)	–	(27)	–	(222)
book value at 31.12.2017	155,672	39,499	59,299	6,964	261,434
accumulated depreciation at 31.12.2016	(89,306)	(23,207)	(21,862)	(3,330)	(137,707)
depreciation 2017	(4,326)	(776)	(3,306)	(515)	(8,923)
decreases	94	–	5	–	99
accumulated depreciation at net value book at 31.12.2017	(93,537)	(23,983)	(25,163)	(3,845)	(146,530)
net value at 31.12.2017	62,135	15,516	34,136	3,119	114,905
net value at 31.12.2016	61,258	16,108	27,383	3,130	107,877

[2] INTANGIBLE ASSETS

The changes in intangible assets in the year are illustrated below:

(thousands of Euro)	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets in progress	Total
book value as at 31.12.2015	61,595	3,678		65,273
increases	4,897	–	500	5,397
book value at 31.12.2016	66,492	3,678	500	70,670
accumulated amortization at 31.12.2015	(41,260)	(3,605)		(44,865)
amortization 2016	(3,933)	–		(3,933)
accumulated amortization at 31.12.2016	(45,193)	(3,605)	–	(48,798)
net value at 31.12.2016	21,300	72	500	21,872
net value as at 31.12.2015	20,334	73	–	20,407

(thousands of Euro)	Concessions, licenses, trademarks and similar rights	Submarine network infrastructure	Other intangible assets	Assets in progress	Total
book value at 31.12.2016	66,492	–	3,678	500	70,670
increases	6,910	11,438		–	18,348
decreases	–	(20,635)		–	(20,635)
write-downs					–
transfers	500	34,605		(500)	34,605
book value at 31.12.2017	73,902	25,408	3,678	–	102,988
accumulated depreciation at 31.12.2016	(45,193)	–	(3,605)	–	(48,798)
amortization 2017	(3,873)	(965)		–	(4,838)
decreases	–	450		–	450
transfers					–
accumulated depreciation at 31.12.2017	(49,066)	(516)	(3,605)	–	(53,187)
net value at 31.12.2017	24,836	24,893	72	–	49,801
net value at 31.12.2016	21,300	–	72	500	21,872

The submarine network infrastructure until the entry into use of the AAE-1 submarine cable was classified under intangible assets in progress.

The decrease in “Submarine Network Infrastructure” mainly refers to the commercial operation which resulted in the sale of more than 1 Terabit nominal capacity to a leading

Asian player. The sale resulted in non-recurring income recognised under “Other revenues” in the comprehensive income statement, entirely paid at December 31, 2017.

The breakdown of the account concessions, licenses, trademarks and similar rights is shown below:

(thousands of Euro)	Licenses, trademarks and other intangible assets	Real usage rights	Total
book value at 31.12.2016	6,251	60,311	66,563
increases	388	6,518	6,906
write-downs	0	0	0
transfers	–	500	500
book value at 31.12.2017	6,639	67,330	73,969
accumulated amortization at 31.12.2016	(5,145)	(40,047)	(45,192)
amortization 2017	(362)	(3,511)	(3,873)
accumulated amortization at 31.12.2017	(5,507)	(43,558)	(49,065)
net value at 31.12.2017	1,132	23,772	24,904
net value at 31.12.2016	1,106	20,264	21,370

The real usage rights relate to optic fiber, cable ducts and transmission systems acquired from other operators.

The increases in the real usage rights amount to Euro 4,897 thousand.

[3] INVESTMENTS MEASURED AT EQUITY

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
Open Hub Med Società Consortile a Responsabilità Limitata	100	0	100
Investments valued at equity	100	0	100

Retelit Spa has a 9.52% holding in the share capital of Open Hub Med (OHM), a consortium company with limited liability. The OHM consortium is the largest neutral and open data exchange hub in Italy and the main landing point for submarine cables in the Mediterranean, positioned in Carini (Palermo). The investment is part of the strategy to maximize the in-

dustrial and commercial potential of the AAE-1 submarine cable system, perfectly complementing it. Retelit in fact, in addition to the AAE-1 submarine landing point in Bari, utilizes an additional hub for data exchange in Southern Italy – directing Internet traffic, through OHM hub submarine cables, to Milan and the major European hubs using its fiber optic backbone.

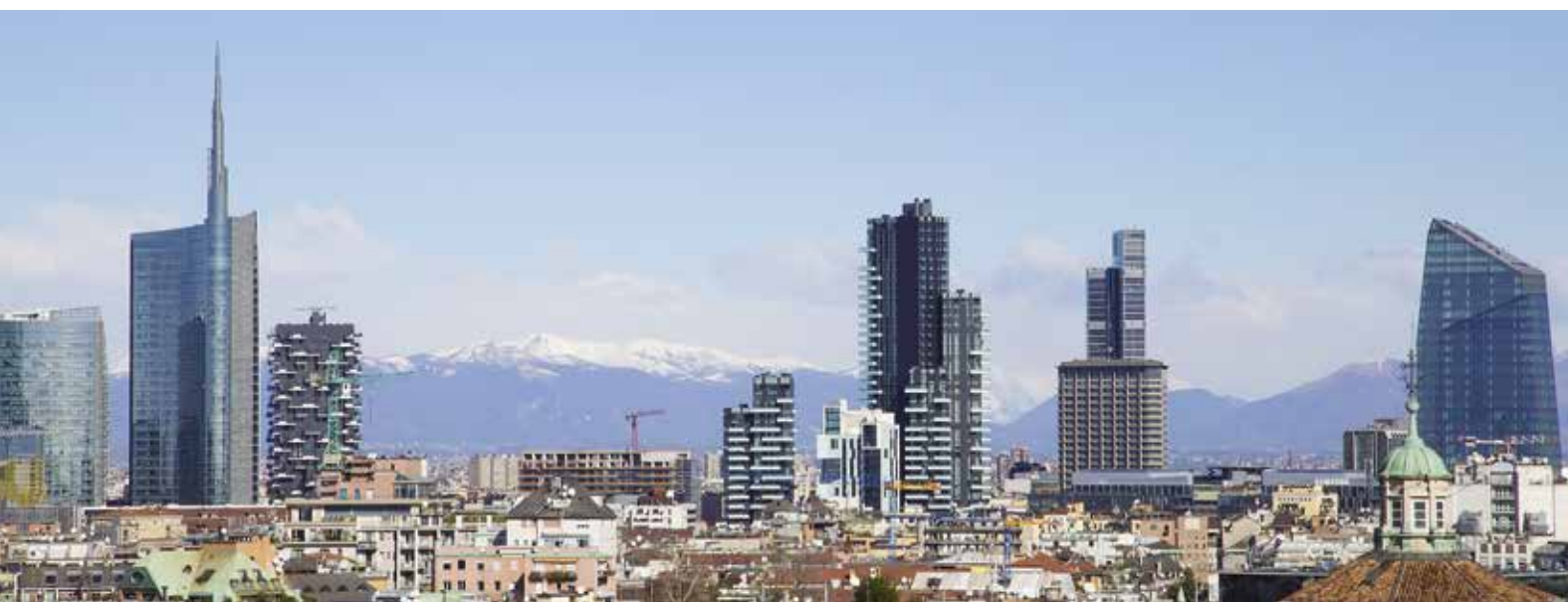
[4] FINANCIAL ASSETS

The breakdown of the financial assets is shown below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
current financial receivables from Clients	0	5,190	(5,190)
other current financial receivables	0	561	(561)
current financial assets	0	5,751	(5,751)
Total financial assets	0	5,751	(5,751)

Financial receivables from clients at December 31, 2016 comprised discounted receivables from Linkem S.p.A. following the disposal of the WiMAX business unit in 2013. The final instalment of the receivable was received during 2017. Other current financial receivables at December 31, 2016 amount to Euro

561 thousand and refer to the fair value measurement of the forward currency instruments totaling USD 35,660 thousand in December 2014 and with a residual amount at December 31, 2016 of USD 4,060 thousand. The derivatives had completely expired in 2017.



[5] TAX RECEIVABLES, VAT RECEIVABLES AND DIRECT TAXES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
VAT receivables	(0)	736	(736)
IRES receivables	426	300	126
IRAP receivables	57	78	(21)
other tax receivables	55	20	35
tax, VAT and direct tax receivables within 12 months	538	1,134	(597)

The Group utilizes a Group VAT consolidation which permits the parent company to offset debit and credit balances from periodic settlements, in addition to the final balance, of the subsidiary company. Other tax receivables relate for Euro 356 thousand to the tax break on research

and development under Legislative Decree 145/2013 Article 3 – Law No. 190/2014, Article 1, paragraph 35 – Ministerial Decree 27/05/2015, published in the Official Gazette of 29/07/2015, as reported in the “Research and development” paragraph.

[6] DEFERRED TAX ASSETS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
non-current deferred tax assets	7,200	7,200	0
Total	7,200	7,200	0

The amount in question comprises deferred tax assets recorded, in accordance with IAS 12, for the part of tax losses and temporary differences for which it is considered probable future assessable income will permit recovery on the basis

of the fiscal assessable amounts taken from the Industrial Plan utilized for the impairment test.

The movement of non-current deferred tax assets is reported below.

COMPOSITION	Balance at 31.12.2016	Increases	Utilisations	Balance at 31.12.2017
non-current deferred tax assets	7,200	2,443	(2,443)	7,200
Total	7,200	2,443	(2,443)	7,200

Utilizations relate to the portion concerning the reduction in the comprehensive income for 2016 of the subsidiary e-via, in accordance with tax regulations. The increases refer to the reconstitution of deferred tax assets for which the manifestation of future assessable income is considered probable.

Deferred tax assets recorded in the financial statements amount to Euro 7,200 thousand, of which Euro 5,237 thousand relating to tax losses and Euro 1,963 thousand relating to temporary differences. The calculation of deferred tax assets

were made in accordance with current tax regulations.

The value of the theoretical deferred tax assets (IRES and IRAP) amounts to Euro 64,408 thousand, of which Euro 32,204 thousand relating to tax losses and Euro 32,203 thousand relating to temporary differences.

The table below shows the breakdown of the temporary differences on assessable income of Euro 116,682 thousand, of which Euro 7,037 thousand recorded as deferred tax assets.

COMPOSITION	31.12.2017 Taxable temporary differences	31.12.2016 Taxable temporary differences	31.12.2017 Temporary changes recognised
tangible assets	106,436	111,419	7,037
provisions			–
asset adjustment provisions & other	10,246	10,922	–
Total	116,682	122,341	7,037

[7] OTHER NON-CURRENT ASSETS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
deposits	516	457	59
Total	516	457	59

The guarantee deposits mainly refer to rental deposits.



[8] TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
trade receivables	32,384	19,619	12,765
other receivables	(0)	41	(42)
other current assets	2,494	2,221	272
Total	34,877	21,882	12,996

Receivables and other current assets are realizable within twelve months.

The breakdown of trade receivables is illustrated below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
domestic Clients	36,265	26,849	9,416
foreign Clients	5,792	2,034	3,757
doubtful debt provision	(9,673)	(9,265)	(408)
Total	32,384	19,619	12,765

Trade receivables amount to Euro 36,265 thousand and increased on the previous year mainly due to the sales in the final part of the year and therefore not yet collected and for invoices to be issued for Euro 2,085 thousand to the AAE-1 consortium, relating to the reimbursement by the consortium of construction costs for the Cable Landing Station and a cable section which connects to the submarine section.

Trade receivables are shown net of a doubtful debt provision totaling Euro 9,673 thousand. The doubtful debt provision for Euro 5,429 thousand arises from the adjustment to the realizable value of receivables in the telephony services division, operations discontinued in 2003. The changes in the doubtful debt provision are illustrated below:

COMPOSITION	Balance at 31.12.2016	Increases	Utilisations	Balance at 31.12.2017	Difference
doubtful debt provision	9,265	431	(22)	9,673	408
Total	9,265	431	(22)	9,673	408

The breakdown of overdue and not yet due trade receivables, net of the doubtful debt provision is illustrated below:

Overdue	At 31.12.2017	At 31.12.2016	Changes
over 180 days	1,806	1,128	679
90-180 days	1,347	1,196	151
30-90 days	1,677	1,678	(1)
0-30 days	4,039	2,342	1,697
not yet due	23,514	13,275	10,239
Total	32,384	19,619	12,765

“Not yet due” receivables increased on the previous year by Euro 10,239 thousand mainly due to the sales in the final part of the year and for invoices to be issued to the AAE-1 consortium for Euro 2,085 thousand. The average collection period of trade receivables in the year was 79 days.

At December 31, 2017, there were no significant concentrations of credit risk.

Other current assets comprise income and charges accounted for on an accruals basis, irrespective of the date of payment or receipt.

[9] CASH AND CASH EQUIVALENTS

The balance represents amounts held in bank current accounts, short-term liquidity and cash on hand at the end of the year. The breakdown is as follows:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
bank and postal deposits	65,951	19,457	46,494
cash-in-hand and cash equivalents	3	3	0
Total	65,953	19,459	46,494

There are no restrictions on the use of cash and cash equivalents. Cash and cash equivalents comprise Euro 19,909 thousand of US Dollars translated at the year-end exchange rate.

[10] SHAREHOLDERS' EQUITY

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
share capital issued	144,209	144,209	0
Net Equity reserves and Net Result	2,265	(8,852)	11,117
Total	146,474	135,357	11,117

The share capital of the Parent Company amounts to Euro 144,209 thousand and comprises 164,264,946 shares without nominal value.

The share capital of the company consists entirely of ordinary shares. No treasury shares were held at the reporting date. There are no outstanding stock option plans.

[11] FINANCIAL LIABILITIES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
payables to financial institutions	15,122	11,037	4,084
non-current financial liabilities	15,122	11,037	4,084
payables to financial institutions	17,412	888	16,523
current financial liabilities	17,412	888	16,523
Total	32,533	11,926	20,608

Non-current financial liabilities amount to Euro 15,122 thousand and concern:

- for Euro 13,542 thousand the loan issued by a banking syndicate totalling Euro 30,000 thousand;
- for Euro 292 thousand the loan issued by Banco Popolare Soc. Coop. in 2015;
- for Euro 1,182 thousand the non-current

portion of the subsidized loan as per Ministerial Decree of November 27, 2013 ("Nuova Sabatini") with Banco Popolare Soc. Coop. signed in the third quarter of 2016;

- for Euro 106 thousand the financial payable from the fair value measurement of variable interest currency derivatives.

Current financial liabilities amount to Euro 17,412 thousand and concern:

- for Euro 16,318 thousand the loan issued by a banking syndicate totalling Euro 30,000 thousand;
- for Euro 578 thousand the loan issued by Banco Popolare Soc. Coop. in 2015;
- for Euro 473 thousand the non-current portion of the subsidized loan as per Ministerial Decree of November 27, 2013 ("Nuova Sabatini") with Banco Popolare Soc. Coop. signed in the third quarter of 2016;
- for Euro 43 thousand the financial payable from the fair value measurement of interest currency derivative hedges.

The syndicated bank loan provides for financial covenants whose non-compliance would require early redemption. At December 31, 2017 the covenants had

been complied with, except for the Excess Cash Flow. Therefore, in accordance with the syndicated loan contract, the Group made an obligatory repayment of the Loan totalling Euro 7.7 million, equal to 30% of the Excess Cash Flow. The Excess Cash Flow indicates any negative change in the Net Financial Debt resulting from the last consolidated financial statements (subtracting the cash out for payments made in the last year deriving from any distribution of dividends, reserves and/or purchase of treasury shares and expressly includes the amounts received on the receivable from Linkem S.p.A.) compared to the Net Financial Debt resulting from the previous financial statements, this latter reduced by any medium/long-term financial debt repayments in the last year.

The repayment plans for payables to financial institutions are reported below.

scheduled repayments					
	2018	2019	2020	2021	Total
scheduled repayments	17,412	6,678	6,354	2,089	32,533

[12] POST-EMPLOYMENT BENEFITS AND EMPLOYEE PROVISIONS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
Post-Employment Benefits	1,482	1,392	89
Total	1,482	1,392	89

The Post-Employment Benefits are employee benefits received after the termination of employment.

The Post-Employment Benefits provision of Euro 1,482 thousand represents the

present value of the Group's obligation, valued according to actuarial techniques.

The following assumptions were utilized in the actuarial measurement:

number of beneficiaries	76
annual increase in salaries white-collar & managers	1.00%
annual increase in salaries executives	2.50%
annual increase in Post-Employment Benefits	2.62%
annual discount rate	1.61%
inflation rate	1.50%
mortality	RG48
disability	INPS table
pensionable age	100% on satisfying AGO requirements

The assumptions utilised utilized are the same as for the previous year. The discount rate was based on the IBoxx Eurozone Corporate A with duration of greater than 10 years index. The technical analysis undertaken considers acceptable the utilisation of a basket which, in accordance with the provisions of IAS 19, corresponds to the simple average yield, at the actuarial meas-

urement date, of bonds with an issuer rating equal to at least A. Where the discounting of a basket of securities of double A were utilised the value of the Post-Employment Benefit liability at December 31, 2017 would amount to Euro 1,527 thousand.

The change in the Post-Employment Benefit provision, calculated utilizing adequate parameters, is represented below:

STATEMENT OF CHANGES IN POST-EMPLOYMENT BENEFITS 2017

opening liability recognised to Balance Sheet	1,392
cost relating to current employee services	160
actuarial (gains)/losses	(12)
financial charges	13
benefits issued in the year	(72)
closing liability recognised to Balance Sheet	1,482

In accordance with IAS 19, a sensitivity analysis relating to the post-employment benefit was undertaken on the most significant actuarial assumptions, in order to show the extent of changes in the liabilities in the financial statements based on reasonable fluctuations in each of these actuarial assumptions. In particular the following table shows the changes in the post-employment benefit in the case of an increase or decrease in the discount rate or inflation rate of 0.25 basis points as well as an increase in turnover of one percentage point.

Actuarial assumptions	POST-EMPLOYMENT BENEFITS
Turnover rate +1%	1,473
Turnover rate -1%	1,492
Inflation rate +0.25%	1,509
Inflation rate -0.25%	1,455
Discount rate +0.25%	1,446
Discount rate -0.25%	1,519

[13] PROVISIONS FOR RISKS AND CHARGES

The provision for risks and charges mainly refers to present obligations deriving from legal disputes from passage rights for the installation of duct cables and fibers or

technological site restoration charges. The changes in the account are shown in the table below:

COMPOSITION	Balance at 31.12.2016	Increases	Utilisations	Balance at 31.12.2017	Changes
public land occupation charges	1,293		(718)	575	(718)
other provisions	1,397	128	(204)	1,321	(76)
Total	2,690	128	(922)	1,896	(794)

The increase in the provisions for risks of Euro 128 thousand refers to the provision for termination indemnity of the Chief Executive Officer.

The utilisation of the provision for occupation of public land charges of Euro 718 thousand relates to the release following the sentence in favour of the group.

The utilisation of the other provisions is mainly due to the release of excess provisions made in previous years against the increase in activities for contracts with telecommunication operators, currently in the completion phase.

[14] TRADE PAYABLES, OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
payments on account	307	596	(288)
trade payables	36,367	28,530	7,837
tax payables	220	212	8
payables to social security institutions	325	304	21
other payables	1,265	1,447	(182)
other current liabilities	5,912	4,902	1,011
trade payables, other payables and other current liabilities – within 12 months	44,397	35,990	8,407

Trade payables concern:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
payables to domestic suppliers	29,784	27,646	2,138
payables to EU suppliers	207	519	(312)
payables to non-EU suppliers	6,377	366	6,011
Total	36,367	28,530	7,837

Trade payables total Euro 36,367 thousand and increased on the previous year Euro 7,837 thousand of which Euro 3,642 thousand for invoices to be received from the AAE-1 consortium against the construction costs of the Cable Landing Station and a cable section which will connect to the submarine section and for the remaining part principally due to the significant investments undertaken in the final part of the year and not yet due.

Tax payables, amounting to Euro 220 thousand, comprise employee withholding taxes due in January 2017.

Social security payables, amounting to Euro 325 thousand, mainly related to INPS employee withholding taxes in addition to pension contribution withholding taxes.

Other payables, amounting to Euro 1,265 thousand, refer for Euro 889 thousand to employee variable remuneration (Euro 976 thousand in 2016) and Euro 371 thousand vacation days due (Euro 456 thousand in 2016) and for the remainder other payables.

Other current liabilities refer to deferred income.

[15] TAX PAYABLES, VAT PAYABLES AND CURRENT DEFERRED TAXES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
VAT payables	660	–	660
IRAP payables	395	17	378
Total	1,056	17	1,038

The Group utilizes a Group VAT consolidation which permits the parent company to offset debit and credit balances from periodic settlements, in addition to

the final balance, of the subsidiary company. The IRAP payables relate to the payable for income taxes for the year.

[16] DEFERRED REVENUES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
deferred IRU revenues – non-current	43,517	33,333	10,184
deferred IRU revenues – current	3,633	3,157	475
Total	47,150	36,490	10,659

The account concerns revenues from real usage rights (IRU) granted to third parties

in the period or in prior periods although accruing in subsequent periods.



Notes to the Comprehensive Income Statement

[17] REVENUES

The revenues account comprises the following components:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
telecommunications services	48,599	39,809	8,789
usage right concessions	10,771	8,267	2,504
other product and services	625	57	567
Total revenues	59,994	48,133	11,860

Telecommunication services, which includes in addition to SDH transport, IP and dark fiber rental, also colocation services, amount to Euro 48,599 thousand, compared to Euro 39,809 thousand in the previous year. The account usage right concessions, which amounts to

Euro 10,771 thousand compared to Euro 8,267 thousand in the previous year, includes maintenance installation fees and contract activation fees which, based on the conditions of the contracts, are on average 30% of the sales value.

[18] OTHER INCOME

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
cable ducts & fiber sales	2,903	310	2,593
other	2,478	1,148	1,330
Total	5,381	1,458	3,922

The account cable ducts and fiber sales totaling Euro 2,903 thousand also includes income from the sale of infrastructure and capacity on the AAE-1 submarine cable for Euro 1,709 thousand.

“Other” comprises:

- Euro 1,963 thousand prior year income from the over provision of liabilities and the release of risk provisions in line with the provision for disputes;
- for Euro 356 thousand the contribu-

tions relating to the tax break on research and development under Legislative Decree 145/2013 Article 3 – Law No. 190/2014, Article 1, paragraph 35 – Ministerial Decree 27/05/2015, published in the Official Gazette of 29/07/2015, described in the “Research and development” paragraph;

- for Euro 121 thousand insurance compensation;
- for Euro 38 thousand other revenues.

[19] PURCHASE OF RAW MATERIALS AND SERVICES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
raw materials and consumables	70	317	(246)
third party service costs	26,719	23,092	3,627
Total	26,789	23,408	3,381

The breakdown of raw materials and consumables are shown below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
assets for resale	0	253	(253)
other	70	63	8
Total	70	317	(246)

Service costs are illustrated below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
access & interconnection costs	13,155	11,749	1,406
maintenance costs	5,969	4,900	1,068
miscellaneous consulting and outsourcing	2,739	1,511	1,228
electricity, water & gas	1,268	1,690	(422)
institutional relations, marketing, sales reps.	996	892	104
Directors and statutory auditors fees	1,299	1,290	9
insurance	184	170	14
cleaning & office surveillance	83	99	(16)
internal fixed & mobile phone costs	51	59	(8)
other services costs	975	732	243
Total	26,719	23,092	3,627

The increase of Euro 1,406 thousand in access and interconnection costs, which refers to costs incurred from the main international operators for the connection of Clients of the Group network, is mainly due to the increase in revenues. Consultancy costs total Euro 2,739 thousand, compared to Euro 1,511 thousand in the previous year. The account comprises:

- legal consultancy and notary fees Euro 425 thousand (Euro 523 thousand in 2016);
- technical consultancy Euro 701 thousand (Euro 331 thousand in 2016);
- financial, tax and administrative consultancy Euro 144 thousand (Euro 157 thousand in 2016);
- audit fees Euro 152 thousand (Euro 97 thousand in 2016);
- strategic and managerial consultancy Euro 745 thousand (Euro 91 thousand in 2016);

- commercial consultancy Euro 190 thousand (Euro 73 thousand in 2016);
- IT consultancy Euro 171 thousand (Euro 70 thousand in 2016);
- other minor consultancy Euro 211 thousand (Euro 168 thousand in 2016).

Directors and statutory auditors' fees amounted to Euro 1,299 thousand (Euro 1,290 thousand), as follows:

- Euro 550 thousand of fixed director remuneration;
- Euro 575 thousand the variable remuneration of directors matured in the year;
- Euro 64 thousand Supervisory Board and Internal Audit fees;
- Euro 110 thousand Board of Statutory Auditors' fees.

Director and statutory auditor emoluments did not change on the previous year.

[20] PERSONNEL COSTS

Personnel costs include:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
wages and salaries	4,744	4,574	170
social security charges	1,556	1,471	85
Post-Employment Benefits	182	310	(129)
Total	6,482	6,354	128

The account includes all costs for personnel including raises, promotions, vacation days matured and not taken, provisions in accordance with law, collective contractual agreements and leaving incentives. The post-employment benefit includes the

provision for the year.

The increase in personnel costs reflects the rise in staff numbers following the recruitment by the technical and commercial departments for the development of the new services.

[21] OTHER OPERATING COSTS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
rent, lease and similar costs	4,653	4,240	413
other operating costs	546	1,013	(466)
Total	5,200	5,253	(53)

The breakdown of rent, lease and similar costs is shown below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
property rental	1,336	1,471	(135)
fiber optics rental	2,474	2,103	371
hardware, software & EDP hire	30	24	7
vehicle hire	261	256	5
other	553	386	166
Total	4,653	4,240	413

The cost for property rental was Euro 1,336 thousand, compared to Euro 1,471 thousand in the previous year. The reduction is principally due to savings on rental charges concerning Data Centers disposed of in the previous year as no longer

considered strategic. Property rental refers for Euro 1,094 thousand to the costs incurred for premises rental necessary for the PoP areas and for Euro 242 thousand the Group headquarters. The breakdown of other costs are shown below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
levies, licenses & misc. taxes	334	477	(143)
prior year charges	142	501	(359)
other	70	34	35
Total	546	1,013	(466)

The account Taxes, licenses and rights includes the costs for telecommunication licenses and relative passage rights.

Prior year costs mainly refer to charges deriving from previous years.

[22] OTHER PROVISIONS AND WRITE-DOWNS

Write-downs and provisions are outlined as follows:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
doubtful debt provision	431	283	148
provisions for risks	128	115	13
Total	558	398	161

The increase in the provisions for risks of Euro 128 thousand refers to the provision for termination indemnity of the Chief Executive Officer.

[23] FINANCIAL INCOME

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
interest income on bank accounts	168	45	123
financial income from deriv. instruments	–	107	(107)
other financial income	311	679	(368)
Total	479	831	(245)

Other financial income of Euro 311 thousand relates to interest matured on the

receivable from Linkem (related to the WiMAX business unit disposal contract).

[24] FINANCIAL CHARGES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
interest charges	472	45	427
other financial charges	440	76	364
Total	911	120	791

Financial charges related to interest on the loans subscribed.

Other financial charges refer for Euro 375 thousand to currency losses, principally due to movements on the US Dollar.

[25] INCOME TAXES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
IRAP	395	17	378
Total	395	17	378

Income taxes relate to IRAP due from the subsidiary e-via. Retelit S.p.A. and e-via S.p.A. signed a tax consolidation agreement for the year 2017.

In relation to the utilization of the deferred

tax assets, reference should be made to note 6.

Reconciliation between theoretical income tax rate and consolidated income tax rate is shown in the table below:

COMPOSITION	Balance at 31.12.2017	%
pre-tax profit as per fin. stats.	11,771	
theoretical tax rate 24%	2,825	24.0
non-deductible costs (tax effect)	(2,667)	–22.7
fiscal depreciation & other adjustments (tax effect)	(1,360)	–11.6
release temporary differences (tax effect)	(63)	–0.5
utilise tax losses (tax effect)	(2,443)	–20.8
IRAP (calculated on a different tax base)	395	3.4
Total	395	3.4



Earnings per share

The earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to the ordinary Shareholders of the parent company by the average weighted number of ordinary shares outstanding during the year. The diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to the ordinary Shareholders of the

parent company by the average weighted number of ordinary shares outstanding during the year and the potential shares deriving from the exercise of all options outstanding. There are no financial instruments with dilution effects. The result and information on the shares utilized for calculation of the basic and diluted earnings/(loss) per share is reported below:

(in Euro thousands)	2017	2016
net profit attributed to the ordinary Shareholders of the Parent Company	11,117	2,799
(income)/charges with dilution effects	–	–
net profit attributed to the ordinary Shareholders of the Parent Company to calculate diluted earnings per share	11,117	2,799

(in Euro thousands)	2017	2016
weighted average number of ordinary shares to calculate basic earnings per share	163,243	163,243
dilution effect:		
options on shares & warrants	–	–
weighted average number of ordinary shares to calculate basic earnings per share	163,243	163,243

Notes to the Cash Flow Statement**NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES**

Operating activities in 2017 generated Euro 31,070 thousand compared to cash generated in the previous year of Euro 23,262 thousand. Net cash flow generated from operating activities was negatively impacted for Euro 13,426 thousand from the increase in trade receivables and other current assets mainly due to sales in the final part of the year. Net cash flow from operating activities was positively impacted for Euro 20,021 thousand from the increase in payables (which increased on the previous year mainly due to the significant investments made in the final months of the year) and from the increase in deferred revenues (following the increase in invoicing for connections and long-term usage rights in the year).

CASH FLOW ABSORBED FROM INVESTING ACTIVITIES

Investing activities absorbed Euro 10,216 thousand. Investments absorbed Euro 13,898 thousand on tangible fixed assets (including Euro 11,479 thousand relating to the AAE-1 project) and Euro 6,909 thousand on intangible assets. Investing activities includes income deriving from the sale of infrastructure amounting to Euro 21,894 thousand, of which Euro 20,185 thousand non-recurring for the sale of the AAE-1 cable.

The table below shows the reconciliation of the changes in the financial assets and liabilities whose cash flows are included within the cash flow statement of the Group.

COMPOSITION	Balance at 31.12.2016	Financial movements	Non-financial movements	Note	Balance at 31.12.2017	Changes
current financial assets	5,751	5,500	251	(1)	(0)	(5,751)
non-current financial liabilities	11,037	20,947	(16,863)	(2)	15,121	4,084
current financial liabilities	888	(805)	17,328	(3)	17,411	16,523
Total financial assets and liabilities	17,677	25,642	716		32,533	14,856

(1) currency hedge derivative

(2) portion of loans reclassified current and non-current portion of derivative

(3) portion of loans reclassified current and current portion of derivative

Commitments and Risks

We list in detail the risks and commitments concerning the Group companies:

- Commitments for residual leasing charges on administrative and commercial offices for Euro 881 thousand;
- Commitments of e-via for the maintenance of the network, the maintenance of technological sites and for NOC operations and the resolution of outages and provisioning for Euro 1,451 thousand.
- Special lien in favor of the banking syndicate on part of the fiber optic network owned by e-via for Euro 60,003 thousand.

Segment Information

Segment disclosure presented according to IFRS 8 – *Operating segments* was prepared as per the accounting standards adopted for the preparation and presentation of the Group Consolidated Financial Statements.

According to the features of the organization, operating and strategic model, two main segments are identifiable (as approved by the Board of Directors on December 18, 2015): the traditional segment and that concerning the AAE-1 submarine cable. The disclosure corresponds to the structure for periodic reporting analyzed by management and by the Board of Directors for management of the business and is subject to periodic management reporting.

	AAE-1 Sector	Traditional Sector	Consolidated financial statements	AAE-1 Sector	Traditional Sector	Consolidated financial statements
(thousands of Euro)	31.12.2017	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2016
Non-current assets:						
Network infrastructure	3,092	111,813	114,905		107,877	107,877
Other fixed assets		1,096	1,096		1,239	1,239
Tangible assets in progress		0	–	23,646	13,346	36,992
Total property, plant and equipment	3,092	112,909	116,001	23,646	122,463	146,109
Concessions, licences, trademarks & similar rights	29,502	20,300	49,802	1,900	19,471	21,371
Other intangible assets		0	0		500	500
Total intangible assets	29,502	20,300	49,802	1,900	19,971	21,871
Non-current financial assets	100	0	100	838	(838)	–
Deferred tax assets		7,200	7,200		7,200	7,200
Other non-current assets		516	516		457	457
Total other non-current assets	100	7,716	7,816	838	6,819	7,657
TOTAL NON-CURRENT ASSETS	32,694	140,925	173,619	26,384	149,253	175,637
Current assets:						
Current financial assets		0	0	1,126	4,625	5,751
Trade receivables, other receivables and other current	10,233	24,644	34,877	804	21,078	21,882
Tax receivables, VAT receivables and current direct		538	538		1,134	1,134
Cash and cash equivalents		65,953	65,953		19,459	19,459
TOTAL CURRENT ASSETS	10,233	91,135	101,368	1,930	46,296	48,226
TOTAL ASSETS	42,927	232,061	274,988	28,314	195,549	223,863
Non-current liabilities:						
Non-current financial liabilities	14,072	1,050	15,122	1,441	9,596	11,037
Post-Employment Benefits and employee provisions		1,482	1,482		1,392	1,392
Provisions for risks and future charges		1,896	1,896		2,690	2,690
Deferred non-current revenues	7,582	35,935	43,517		33,333	33,333
TOTAL NON-CURRENT LIABILITIES	21,654	40,363	62,016	1,441	47,012	48,453
Current liabilities:						
Current financial liabilities	15,939	1,473	17,412	559	329	888
Trade & other payables & other financial liabilities	6,006	38,391	44,397	3,122	32,868	35,990
Tax payables, VAT payables & current direct taxes		1,056	1,056		17	17
Deferred current revenues	565	3,068	3,633		3,157	3,157
TOTAL CURRENT LIABILITIES	22,510	43,988	66,497	3,681	36,373	40,054
NET CAPITAL EMPLOYED	(1,236)	147,711		23,192	112,165	

	AAE-1 Sector	Wholesale and Business Sector	Consolidated financial statements	AAE-1 Sector	Wholesale and Business Sector	Consolidated financial statements
(Thousands of Euro)	31.12.2017	31.12.2017	31.12.2017	31.12.2016	31.12.2016	31.12.2016
Revenues	2,997	56,997	59,994		48,133	48,133
Other income	1,467	3,914	5,381		1,458	1,458
TOTAL REVENUES AND OPERATING INCOME	4,464	60,910	65,374	0	49,592	49,592
Purchases of raw materials and services	(962)	(25,827)	(26,789)	(50)	(23,358)	(23,408)
Personnels costs		(6,482)	(6,482)		(6,354)	(6,354)
Other operating costs	(85)	(5,115)	(5,200)		(5,253)	(5,253)
EBITDA	3,417	23,487	26,904	(50)	14,626	14,576
Amortization, depreciation and write-downs of tangible and intangible assets	(1,207)	(12,910)	(14,117)		(12,007)	(12,007)
Other provisions and write-downs		(558)	(558)		(398)	(398)
EBIT	2,210	10,018	12,228	(50)	2,222	2,172
Financial income		479	479		724	724
Financial income from derivative instruments	–	–	–	107	–	107
Financial charges	(430)	(481)	(911)	(30)	(90)	(120)
Adjustment investment measured at equity	(25)	–	(25)		–	–
PRE-TAX PROFIT	1,755	10,016	11,771	27	2,855	2,882

The present financial statements do not contain regional sector information as the Retelit Group currently only operates on the domestic market and in relation to

one sector of activity, represented by the wholesale and business telecommunications market.

Financial Risks

The financial risks and operating strategies and policies followed are outlined below.

CREDIT RISK

The maximum amount of the counterparty risk corresponds to the book value of cash and cash equivalents, trade receivables and non-current financial assets.

The credit risk is the exposure to potential losses deriving from non-compliance with obligations by trading partners. The Group only deals with established and reliable clients. According to Group policy, clients that request extensions of payment are subject to a credit rate check. Moreover, the collection of receivables is monitored during the year so that the exposure to losses is not substantial. At December 31, 2017, there were no significant concentrations of credit risk. All the positions are closely monitored by management. In addition, the credit risk relating to cash held by banks is mitigated by the amounts being held in several credit institutions; these investments are characterized by a limited counterparty risk profile and their short-term nature.

CURRENCY RISK

The currency risk is the risk that the fair value or the future cash flows of a financial instrument are altered following changes in exchange rates. The exposure of the Group to changes in exchange rates principally refers to the US Dollar.

For the coverage of the currency risk for payments, the Group implements a hedging policy based on the expected net cash flows in the expected currencies. Hedging was undertaken through forward derivative instruments in December 2014 totaling USD 35,660 thousand and closed in the year, simultaneous to the conclusion of the financial commitments in US Dollars no longer significant.

In addition, the Group is exposed to currency movements relating to Group operating activities (where revenues or costs are denominated in a currency other than the Group's functional currency). The exposure to this currency risk is low in consideration of the reduced operating activities in foreign currencies, with the exception of non-recurring transactions which could expose the Group to higher risks.

LIQUIDITY RISK

The Group controls liquidity risk through a liquidity use planning instrument. This instrument considers the due date of the financial assets (trade receivables and other financial assets) and the expected cash flows from the operations. The objective of the Group is to maintain a balance between the maintenance of funding and flexibility through use of overdrafts and loans. The Group has a significant amount of liquidity utilizable on demand for operating purposes.

The expected cash flows relating to trade and financial payables are illustrated in the table below.

2017	2018	2019	2020	2021	2022	2022 and beyond	Total
35,536	60	60	60	60	60	531	36,367

	2018	2019	2020	2021	Total
scheduled repayments	17,412	6,678	6,354	2,089	32,533

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument are altered following changes in interest rates.

CATEGORIES OF ASSETS AND LIABILITIES AS PER IAS 39

Liquidity at banks falls within the loans and receivables category of IAS 39. In addition, the forward derivative financial instruments are classified to the derivative financial instruments category of IAS 39.

MANAGEMENT OF CAPITAL

The primary capital management objective of the Group is to guarantee a solid credit rating and adequate indicators in order to support activity and maximize the value for Shareholders.

The Group manages the capital structure

and makes amendments based on changes in economic conditions.

To maintain or adjust the share capital structure, the group can adjust the dividends paid to Shareholders, repay the share capital or issue new shares. There were no changes to these objectives, policies or procedures in 2016 and 2017.

The Group verifies its own capital through the debt/capital ratio, or through a ratio of the net debt to the total of capital plus the net debt.

RISK CONCENTRATIONS

The concentration of the risks derives from financial instruments which have similar risks and which are impacted in equal measure by changes in the variations in the general economic conditions. The Group does not have particular risk concentrations as they do not utilize these financial instruments.

Workforce

The headcount at December 31, 2016 by category reports the following changes:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
executives	7	6	1
managers	25	24	1
white-collar	47	44	3
Total	79	74	5

The average headcount in the year was:

executives: 6

managers: 25

white collar & apprentices: 46

The telecommunications sector national labor contract is applied.

Net Financial Position

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
A. Cash	65,953	19,459	46,494
D. Liquidity	65,953	19,459	46,494
E. Current financial receivables	0	562	(562)
G. Current portion of non-current debt	17,412	888	16,523
I. Current debt	17,412	888	16,523
J. Net current financial debt I-E-D	(48,542)	(19,133)	(29,409)
K. Non-current bank payables	15,122	11,037	4,084
N. Non-current debt	15,122	11,037	4,084
O. Net debt J+N	(33,420)	(8,095)	(23,325)

Group liquidity at December 31, 2017 totals Euro 65,953 thousand, while at December 31, 2016 amounted to Euro 19,459 thousand. The debt (current and non-current) relates to the loans in place.

Disputes in Progress

A summary of the principal disputes in course at December 31, 2016 are illustrated below.

RETELIT DISPUTES**Tosi-Leideman**

Messrs. Mauro Tosi and Johan Anders Leideman advanced a case against Retelit requesting damages totaling Euro 1.1 million, against (i) dismissal without just cause from the position of directorship with Retelit held until December 5, 2014 (thereafter held *in prorogatio* until the appointment of the new Board of Directors on January 7, 2015) and (ii) the dissolution of the executive committee of Retelit of which they were members and their dismissal from the office of director of Retelit USA LLC, with both decisions based on the lapsing of *pactum*

fiduciae between the company and the plaintiffs.

With Judgment No. 7396/2017 issued on June 1, 2017 and published on June 29, 2017, the Milan Court rejected all petitions presented by Messrs. Tosi and Leideman, fully accepting that put forward by Retelit, both in fact and in law, and jointly ordering the counterparties to reimburse Retelit's expenses; the sentence became final as the complainants renounced their appeal against Retelit renouncing refusal of the legal expenses.

Responsibility action against former Directors

On April 28, 2016, the Shareholders' AGM approved the social responsibility action, in accordance with Article 2393 of the Civil Code, against a number of

former directors in office between October 30, 2012 and January 7, 2015. The Board of Directors initiated the activities required for execution of the Shareholders' AGM motion and the relative introductory deed was prepared in the initial months of 2017. The opening hearing initially established for December 20, 2017 was deferred to January 23, 2018. and subsequently to September 11, 2018.

E-VIA DISPUTES

Autostrade per l'Italia S.p.A. / e-via III. (Rome Court of Appeal, sec. III. R.G. 1025/2014)

With summons before the Rome Court, Autostrade requested the payment of Euro 370 thousand for passage rights from 2003 to 2006, relating to twelve concessions, and subsequent request for the payment of fees for the period 2007-2009 amounting to Euro 400 thousand.

The Rome Court, with judgement No. 18727/2013, only partially accepted the claim by Autostrade per l'Italia, declaring however, as requested by e-via, the non-efficacy of the conventions subject to dispute following the entry into force of the 2003 Electronic Communications Code.

On February 18, 2014, the company Autostrade notified an appeal against the judgement, requesting the payment of Euro 662 thousand. In the hearing held on July 9, 2014, the case was sent for establishment of conclusions on June 28, 2017, with this hearing deferred to February 9, 2018. At the hearing of February 9, the parties presented their conclusions and requested a date for the exchange of conclusions and replies. The case is currently awaiting decision.

The directors assessed the risk of loss on the basis of an opinion from a leading legal firm.

Municipality of Peschiera Borromeo /e-via (Council of State, sec. V, R.G. 3951/2014)

The case relates to the legitimacy of the request for payment from e-via S.p.A. amounting to Euro 125 thousand including fees for the occupation of public land (Tosap) and concession fees for the installation of telecommunication networks. e-via S.p.A., with appeal filed on December 23, 2010, cited the illegality of this request as contrary to the Electronic Communications Code.

The Municipality of Peschiera Borromeo filed a counter-appeal on February 14, 2012.

On February 11, 2014, the Lombardy Administration Court accepted the appeal of e-via against the Municipality of Peschiera Borromeo for the cancellation of the requests from the Municipality for payment of fees of Euro 125 thousand, re-affirming that following the entry into force of the Electronic Communications Code the granting of authorization for the installation of electronic communication networks may not be subject to the payment of fees other than those set out in Article 93 of the Electronic Communications Code.

The judgement was appealed by the Municipality of Peschiera Borromeo. E-via counter-appealed on October 3, 2014. Currently, no date has been fixed for the relative hearing.

The directors assessed the risk of loss on the basis of an opinion from a leading legal firm.

Province of Genoa / e-via (Genoa Court, sec I., R.G. 5854/2013)

The case concerns the request for payment by the Genoa Province of Euro 424 thousand for water charges for the installation of telecommunication networks, located not within the water resources of the Province (water streams) but on the roads and bridges (generally managed

by Anas S.p.A.) which cross such water streams.

As for the passage of the telecommunication networks on the roads (or on the bridges), the Company already pays a fee, e-via S.p.A. brought an appeal to the Liguria Administration Court to ascertain the illegality of the request made by the Genoa Province as contrary to the Electronic Communications Code.

On November 30, 2011, the Genoa Province – through the management company GEC S.p.A. – requested e-via S.p.A. to pay the sums for water fees. Concerning this deed, on February 7, 2012, the Company made an appeal for additional reasons to the Liguria Administrative Court and to the Cuneo Provincial Tax Commission.

The Genoa Province and GEC S.p.A. made counter-appeals respectively on February 9, 2012 and March 7, 2012. The Liguria Region also made an appeal on April 12, 2012. The Company and the Genoa Province filed documents on June 1, 2012. On June 11, 2012, the Company, the Genoa Province and the Liguria Region filed their petitions. On June 21, 2012, the Company filed their reply.

The hearing before the court was held on July 12, 2012. On September 3, 2012, the judgement was filed which declared inadmissible the appeal and the additional reasons as the court did not have jurisdiction.

On June 4, 2012, the Cuneo Province Tax Commission filed the judgement which declared their ineffectual jurisdiction, confirming that of the ordinary court.

In accordance with the judgement of the Liguria Administrative Court, e-via retook proceedings before the Ordinary Genoa Court. With ordinance dated January 2, 2014, the Ordinary Court suspended the case and brought up the question of jurisdiction before the Supreme Court in order to determine whether jurisdiction for the demands proposed by e-via should be before the administration court or the or-

dinary court. e-via decided not to contest this decision. The hearing was held on April 28, 2015. Subsequently, with Order No. 2730 of 2017, the Court of Cassation declared the jurisdiction of the ordinary court.

In conformity with the sentence of the Cuneo Provincial Tax Commission, e-via brought the case before the Cuneo Court. In the hearing of March 18, 2015, the judge suspended the case, while awaiting the pronouncement of the Supreme Court of Cassation.

At the hearing of April 29, 2015, the Ordinary Court postponed the hearing to January 13, 2016. At the hearing of January 13, 2016, the judge postponed the hearing to September 20, 2016 and subsequently the case was postponed to April 12, 2017, ahead of the judgement of the Court of Cassation. Following the Court of Cassations decision with order of June 29, 2017, the Cuneo Court removed the case from the role due to lis pendens and the next hearing is fixed for October 24, 2017. In the hearing on July 24, 2017, the case was sent for negotiations between the parties. At the subsequent hearing of January 25, 2018, the case was further deferred to March 15, 2018 for attempts at conciliation between the parties. The negotiations are in course.

The directors assessed the risk of loss on the basis of an opinion from a leading legal firm.

EUR S.p.A. / e-via (Ordinary Court of Rome, R.G. 48011/2015)

With injunction notified on June 10, 2015, the Court of Rome, on the application of EUR S.p.A., required e-via to settle the amount of Euro 508 thousand, declared due against the non-payment of a number of electricity charges in relation to a building owned by EUR and rented to e-via.

With appeal filed on July 20, 2015, e-via opposed the injunction, putting forward

in addition a counter claim for the charging of undue sums for Euro 240 thousand. On September 22, 2015, the judge fixed the hearing of the case for April 14, 2016. Following the request of the Judge, a mediation procedure began between the parties, which was unsuccessful. The case will proceed according to ordinary lines and the next hearing is fixed for April 27, 2017, with negotiations in progress for an agreed settlement to the dispute and deferral to January 18, 2018. At the hearing a further postponement was requested while informing the judge that an agreement between the parties had been reached but due to the lengthy period required by the public nature of Eur it was not possible to formalise the agreement (even before the competent boards). The case was therefore deferred for discussion to September 28, 2018.

The directors assessed the risk of loss on the basis of an opinion from a leading legal firm.

Veneto Strade/e-via (Ordinary Court of Milan, R.G. 38331/2015)

With appeal notified on September 28, 2015, Veneto Strade S.p.A. initiated a case at the Court of Milan requesting payment from e-via of Euro 780 thousand in relation to infrastructure concession fees. With Judgment No. 6151/2017, issued on May 15, 2017 and published on May 31, 2017, the Milan Court entirely rejected Veneto Strade's application, ordering this latter to reimburse expenses.

Municipality of Milan/e-via (Lombardy Regional Admin. Court, Milan, Sec. IV - R. G. 484/2017)

Under the appeal to the Regional Administrative Court and with two appeals for additional issues, e-via challenged the provisions by which the Municipality of Milan requested e-via to carry out, at its own expense, transfer of interference works (telecommunication networks) with regards to metro line M4, for an amount greater than Euro 20 thousand. Currently, no date has been fixed for the hearing.

Transactions with Related Parties

The identification of the related parties and transactions undertaken with them is governed by the "Related party transactions policy" approved by the Board of Directors on July 12, 2013.

The table below outlines the main Retelit

Group income statement and balance sheet transactions with related parties. Transactions between Retelit Group companies and related parties were executed at market conditions and in the economic interest of the Group.

	Trade receivables, other receivables and other current assets [4]	Trade payables, other payables and other financial liabilities [10]	Investments
Company	(Euro/000)	(Euro/000)	(Euro/000)
Site S.p.A.	172	444	1,234
Total	172	444	1,234
Book value	34,877	44,397	32,286
% of total	0%	1%	4%

Site S.p.A. constructed networks on behalf of e-via S.p.A. The payments made to Site during the year amounted to Euro 657 thousand.

Significant Non-Recurring Events and Operations

As requested by Consob Communication No. DEM/6064293 of July 28, 2006, we report the non-recurring transactions in 2017 through which Retelit S.p.A. undertook commercial transactions for the sale of rights relating to the AAE-1 submarine cable with a leading Asian telecommunications player and a European telecommunications operator. The contract with the Asian telecommunications player resulted in the sale for a period of 20 years of 1.1 Tbps AAE-1 submarine cable ca-

capacity in which the company is owner in addition to the sub-concession of some ancillary rights deriving from the participation in the AAE-1 consortium.

This sale resulted in the full recognition of income for Euro 1,709 thousand in the account "Other revenues" in the income statement.

The table below summarises the impact of these non-recurring transactions on the total account values in the financial statements.

	Shareholders' Equity		Net Result		Net Financial Debt		Cash Flows (*)	
	absolute value	%	absolute value	%	absolute value	%	absolute value	%
Book values (A)	146,474	100	11,375	100	(33,420)	100	46,494	100
effect operations	(1,709)	-1	(1,709)	-15	21,551	-64	(21,551)	-46
Total (B)	(1,709)	-1	(1,709)	-15	21,551	-64	(21,551)	-46
Gross notional book value (A+B)	144,765	99	9,666	85	(11,870)	36	24,944	54

(*) cash flows refer to the increase/(decrease) in cash and cash equivalents



Directors' and Statutory Auditors' Fees

The remuneration paid to the Directors for the year amounted to Euro 1,055 thousand (net of social security charges), of which Euro 480 thousand fixed remuneration and Euro 575 thousand variable remuneration. The remuneration of the Board of Statutory Auditors amounts to Euro 110 thousand.

Independent Auditors' Fees

The fees paid to the audit firm Deloitte & Touche S.p.A. are shown below.

Type of service	Service provider	Recipient	Fees (Euro/000)
Audit	Deloitte & Touche S.p.A.	Parent Company	66
Declaration activities	Deloitte & Touche S.p.A.	Subsidiary	25
Audit	Deloitte & Touche S.p.A.	Subsidiary	26
			117

Retelit S.p.A.
The Chief Executive Officer
Signed *Mr. Federico Protto*



CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

Attestazione del bilancio consolidato ai sensi dell'art. 154-bis del D.LGS. 58/98

- I sottoscritti Federico Protto in qualità di Amministratore Delegato e Fabio Bortolotti, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari di Retelit S.p.A., attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
 - l'adeguatezza in relazione alle caratteristiche dell'impresa e
 - l'effettiva applicazione,
 delle procedure amministrative e contabili per la formazione del bilancio consolidato nel corso dell'esercizio 2017.
- Si attesta, inoltre, che il bilancio consolidato al 31 dicembre 2017:
 - corrisponde alle risultanze dei libri e delle scritture contabili;
 è redatto in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché alle disposizioni legislative e regolamentari di riferimento vigenti in Italia e, a quanto consta, è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.
- La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Milano, 15 marzo 2018

L'amministratore Delegato

Federico Protto

Il Dirigente Preposto alla redazione dei documenti contabili societari

Fabio Bortolotti

REPORT FROM THE INDEPENDENT AUDITING FIRM

Deloitte

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RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 14 DEL D.LGS. 27 GENNAIO 2010, N. 39 E DELL'ART. 10 DEL REGOLAMENTO (UE) N. 537/2014

Agli Azionisti della
Retelit S.p.A.

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO CONSOLIDATO

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo Retelit (il Gruppo), costituito dalla situazione patrimoniale finanziaria consolidata al 31 dicembre 2017, dal conto economico complessivo consolidato, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note esplicative al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla società Retelit S.p.A. (la Società) in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Valutazione del valore d'uso relativo al business AAE-1

Descrizione dell'aspetto chiave della revisione

Al 31 dicembre 2017 il valore attribuito al business AAE-1, rappresentato dall'investimento complessivo nel sistema cavo sottomarino, iscritto tra le immobilizzazioni materiali e immateriali del bilancio consolidato del Gruppo Retelit ammonta rispettivamente ad Euro 3 milioni e ad Euro 29,5 milioni.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

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Nella nota [1], la Direzione del Gruppo Retelit ha fornito l'informativa circa la recuperabilità del suddetto investimento, evidenziando le assunzioni alla base della stima dei principali flussi di ricavi e costi attesi lungo l'intera vita utile del cavo sottomarino AAE-1 (2018 – 2037) e la determinazione di un appropriato tasso di attualizzazione (WACC). Tali assunzioni sono influenzate da aspettative future e da condizioni di mercato, che potrebbero non realizzarsi, oppure realizzarsi in misura insufficiente a quanto necessario per recuperare integralmente il valore dell'investimento iscritto in bilancio.

Abbiamo considerato l'impairment test del Business AAE-1 un aspetto chiave della revisione data la complessità e l'elevata sensibilità del valore a variazioni delle assunzioni elaborate dalla Direzione e la significatività dell'ammontare dello stesso nel bilancio consolidato del Gruppo Retelit.

La nota [1] riporta tra l'altro gli scenari di sensibilità che illustrano gli effetti derivanti da variazioni nelle variabili chiave utilizzate ai fini dell'impairment test.

Procedure di revisione svolte

Abbiamo preliminarmente esaminato le modalità usate dalla Direzione per la determinazione del valore d'uso del business AAE-1, analizzando i metodi e le assunzioni utilizzati dalla Direzione per lo sviluppo dell'impairment test.

Nell'ambito delle nostre verifiche abbiamo, tra l'altro, svolto le seguenti procedure:

- rilevazione e comprensione dei controlli rilevanti posti in essere dal Gruppo Retelit sul processo di predisposizione dell'impairment test e di approvazione dei relativi risultati;
- analisi della ragionevolezza delle principali assunzioni adottate per la formulazione delle previsioni dei flussi di cassa. In particolare, i flussi di ricavi attesi, derivanti dalla vendita di capacità disponibile, sono stati determinati sulla base di un procedimento estimativo particolarmente articolato che ha compreso la stima dei flussi di traffico Europa/Asia. Al riguardo, abbiamo rivisto la stima dei flussi di cassa, predisposta da primaria società di consulenza americana nelle vendite di capacità di cavidotti sottomarini, e condotto interviste con la Direzione della Società e gli esponenti della società di consulenza americana al fine di acquisire una comprensione delle modalità di determinazione degli stessi, verificando la ragionevolezza delle ipotesi sottostanti alla stima;
- acquisito una comprensione delle azioni commerciali poste in essere dal management attraverso l'acquisizione delle vendite realizzate e delle trattative in corso di realizzazione;
- analisi dei consuntivi rispetto ai piani originari al fine di valutare la natura degli scostamenti e l'attendibilità del processo di predisposizione dei piani;
- verifica della corretta determinazione del valore contabile attribuibile al business del business AAE-1;
- verifica delle *sensitivity analysis* predisposte dalla Direzione.

Per i modelli utilizzati nella determinazione del valore recuperabile abbiamo coinvolto i nostri specialisti al fine della:

- valutazione della ragionevolezza del tasso di attualizzazione (WACC); e
- verifica dell'accuratezza matematica del modello utilizzato per la determinazione del valore d'uso del business AAE-1.

Inoltre, abbiamo esaminato l'adeguatezza e la conformità dell'informativa fornita dal Gruppo sull'impairment test secondo quanto previsto dallo IAS 36.

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3

Riconoscimento del ricavo da operazione di cessione di diritti

Descrizione dell'aspetto chiave della revisione

In data 12 dicembre 2017, Retelit SpA ha realizzato un'operazione commerciale finalizzata alla cessione di parte dei diritti relativi al sistema di cavo sottomarino AAE-1 con un primario operatore asiatico.

Il contratto ha comportato la cessione all'operatore asiatico per un periodo di 20 anni di 1,1 Tbps della capacità nominale di cui la Società è titolare oltre alla subconcessione di alcuni diritti ancillari derivanti dalla partecipazione al consorzio AAE-1. La cessione ha comportato l'iscrizione integrale del provento dell'operazione che è stato incluso nella voce "Altri Ricavi" di conto economico, tra i componenti non ricorrenti.

L'operazione ha avuto efficacia e conseguente riflesso contabile a partire dal 28 dicembre 2017.

Abbiamo considerato la seguente operazione un aspetto chiave della revisione contabile a causa della significatività della stessa sulla situazione economico-patrimoniale e finanziaria del gruppo, della complessità della struttura contrattuale e della conseguente necessità di analizzare tutte le implicazioni al fine di stabilire se il provento fosse da riconoscere immediatamente oppure da ripartire lungo l'intera durata del contratto. Tali analisi hanno comportato un impegno particolare.

Ulteriori informazioni inerenti all'operazione sono contenute nelle note [2] e [18] del bilancio consolidato.

Procedure di revisione svolte

Con riferimento alla contabilizzazione dell'operazione commerciale realizzata con l'operatore asiatico abbiamo svolto, tra l'altro, le seguenti procedure:

- acquisito ed esaminato la documentazione rilevante inerente alla cessione, in particolare il contratto di cessione dei diritti tra l'operatore asiatico e Retelit, il Memorandum di Understanding sottoscritto tra le parti, il parere legale rilasciato da primaria Law Firm internazionale, il parere contabile rilasciato da primaria società di revisione e verificato l'incasso del corrispettivo avvenuto in data 28 dicembre 2017;
- svolto diversi incontri con la Direzione e il Collegio Sindacale al fine di comprendere le ragioni economiche dell'operazione;
- verificato la corretta rappresentazione contabile dell'operazione, in particolare che la stessa fosse coerente con quanto riportato nelle clausole contrattuali;
- verificato la corretta determinazione del provento non ricorrente determinato dalla differenza tra il corrispettivo pattuito e il valore netto contabile della frazione del diritto oggetto di eliminazione;

Con riferimento al trattamento contabile dell'operazione abbiamo altresì coinvolto i nostri specialisti in materie tecnico-contabili.

Infine, abbiamo esaminato l'adeguatezza e la conformità dell'informativa fornita dal Gruppo inerente a tale operazione secondo quanto previsto dagli IFRS.



4

Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio consolidato

Gli Amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Retelit S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;



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- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio, ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti della Retelit S.p.A. ci ha conferito in data 3 maggio 2012 l'incarico di revisione legale del bilancio separato e consolidato della Società per gli esercizi in chiusura dal 31 dicembre 2012 al 31 dicembre 2020.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al Collegio Sindacale, nella sua funzione di Comitato per il Controllo Interno e la Revisione Legale, predisposta ai sensi dell'art. 11 del citato Regolamento.

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RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10 e dell'art. 123-bis, comma 4, del D.Lgs. 58/98

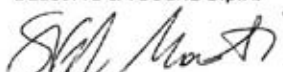
Gli Amministratori della Retelit S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del gruppo Retelit al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, co. 4, del D.Lgs. 58/98, con il bilancio consolidato del gruppo Retelit al 31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del gruppo Retelit al 31 dicembre 2017 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

DELOITTE & TOUCHE S.p.A.


Stefano Marnati
Socio

Milano, 30 marzo 2018

REPORT BY THE BOARD OF STATUTORY AUDITORS

Relazione del Collegio sindacale all'Assemblea degli azionisti di Retelit S.p.A.

(ai sensi dell'art. 153 del Decreto Legislativo n. 58/98 e dell'articolo 2429, comma 3 del codice civile)

Premessa: fonti normative, regolamentari e deontologiche

Signori Azionisti,

abbiamo svolto l'attività di vigilanza in conformità alla legge (D. Lgs. 24/2/1998 n. 58 – “*Testo Unico delle disposizioni in materia di intermediazione finanziaria*” di seguito anche “*TUF*” e D.Lgs. 27/1/2010 n. 39 “*Attuazione della direttiva 2006/43/CE relativa alle revisioni legali dei conti annuali e dei conti consolidati*”) e alle indicazioni contenute nel Codice di Autodisciplina, al quale Retelit S.p.A. aderisce, adeguando l'operatività ai principi di comportamento del Collegio sindacale nelle società di capitali con azioni quotate nei mercati regolamentati raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e alle comunicazioni CONSOB in materia di controlli societari e di attività del Collegio sindacale.

Informazione finanziaria al 31 dicembre 2017: rilevanza e specificità

È sottoposto al Vostro esame il progetto di bilancio di Reti Telematiche Italiane S.p.A., in forma abbreviata Retelit S.p.A. (di seguito anche la “*Società*”), relativo all'esercizio chiuso al 31 dicembre 2017 e redatto secondo i principi contabili internazionali IFRS, che evidenzia un utile di euro 9.635.527 a fronte di una perdita di euro 4.059.083 del 2016.

Vi viene presentato anche il bilancio consolidato dell'esercizio 2017, anch'esso redatto secondo gli stessi principi contabili internazionali, che evidenzia un utile consolidato pari a euro 11.375 migliaia a fronte di euro 2.865 migliaia del 2016.

La Relazione Finanziaria Annuale 2017 (di seguito anche *Relazione Finanziaria*), che comprende sia il progetto di bilancio al 31/12/2017 di Retelit S.p.A. sia il bilancio consolidato di gruppo al 31/12/2017 (nel quale l'unica società consolidata, peraltro, è la controllata al 100% e-Via S.p.A.), è stata approvata dal Consiglio di amministrazione di Retelit S.p.A. nella seduta del 15 marzo 2018.

Considerate le strettissime interrelazioni fra Retelit S.p.A. e la sua controllata e-Via S.p.A., società gestite in via unitaria e quasi alla stregua di una sola entità, segnaliamo che il bilancio della capogruppo Retelit S.p.A. non è significativo e che per ogni valutazione e informazione

sull'andamento della gestione e sulla situazione patrimoniale, economica e finanziaria occorre necessariamente fare esclusivo riferimento al bilancio consolidato.

Proprio per tale peculiarità anche l'attività del Collegio sindacale di Retelit S.p.A. e le osservazioni qui svolte hanno prioritariamente riguardo al gruppo Retelit nel suo complesso e, dunque, ai valori consolidati.

Si ricorda che la controllata e-Via S.p.A. è soggetta ad attività di direzione e coordinamento, ai sensi degli artt. 2497 e ss. del Codice Civile, di Retelit S.p.A.

Nell'interpretazione del risultato dell'esercizio del bilancio separato di Retelit S.p.A. e per la comparazione con quello precedente, ricordiamo che il 2017 è influenzato positivamente, per euro 6.916.000, dal “ripristino di valore” della partecipazione nella controllata e-Via S.p.A. (svalutata nel 2009, con imputazione della perdita al conto economico): si tratta di un provento non ricorrente e a cui non corrisponde un'entrata finanziaria. Il valore iscritto nel bilancio separato al 31/12/2017 di Retelit S.p.A. per la partecipazione detenuta in e-Via S.p.A. è ora pari a euro 149,5 milioni di euro.

Nel bilancio consolidato, ovviamente, detto provento per “ripristino di valore” è stato eliso e dunque l'utile d'esercizio consolidato è al netto di esso e non lo comprende.

Inoltre il bilancio separato 2017 di Retelit S.p.A. beneficia del dividendo di euro 6.534.771 deliberato dalla controllata e-Via S.p.A. e iscritto fra i proventi finanziari. Nel bilancio consolidato questa componente positiva di reddito, infragruppo, è stata naturalmente elisa.

Alla data di riferimento del bilancio il Gruppo Retelit possiede una consistente liquidità (circa 66 milioni di euro al 31/12/2017) per il congiunto effetto di operazioni, anche di carattere non ricorrente, intervenute nell'ultima frazione dell'esercizio 2017, trattate nella Relazione Finanziaria alla quale si rinvia. L'elevata liquidità rappresenta un fattore importante per la crescita e lo sviluppo, ma al contempo impone agli organi sociali, ciascuno per quanto di propria competenza, di monitorare con attenzione ogni futura strategia del suo impiego.

Abbiamo vigilato affinché, a tutela della completa informazione finanziaria riservata ai terzi e al mercato, nella Relazione Finanziaria al 31 dicembre 2017, alla quale si rinvia, fossero riportate tutte le informazioni che la legge prescrive.

Ricordiamo che il Collegio sindacale che redige la presente relazione, con l'approvazione del progetto di bilancio al 31 dicembre 2017, giunge a naturale termine di mandato, come da delibera dell'assemblea degli azionisti del 29 giugno 2015.

Richiamo ai principi di valutazione adottati nella redazione del bilancio**Principi**

La Società ha redatto il Bilancio dell'esercizio 2017, consolidato del gruppo Retelit e separato di Retelit S.p.A., secondo i principi contabili internazionali (IAS/IFRS), così come per il precedente esercizio 2016. Nelle note esplicative di commento della Relazione Finanziaria al 31 dicembre 2017 sono riportati i principi contabili e i criteri di valutazione adottati.

Il Bilancio dell'esercizio 2017 di Retelit S.p.A., così come quello consolidato, sono stati sottoposti al giudizio della Società di revisione legale Deloitte & Touche S.p.A. che ha emesso le proprie relazioni di revisione, in data odierna, senza rilievi né richiami di informativa, sia per quanto riguarda la sua conformità alle norme di legge e ai principi contabili, sia per quanto riguarda la coerenza della relazione sulla gestione al bilancio medesimo (consolidato e separato).

Continuità aziendale

Gli amministratori hanno valutato l'applicabilità del presupposto della continuità aziendale nella redazione del bilancio consolidato del Gruppo Retelit e del bilancio separato di Retelit S.p.A., concludendo che tale presupposto è adeguato in quanto, allo stato, non sussistono dubbi sulla continuità aziendale.

Stime valutative complesse

I valori delle poste di bilancio che sottendono stime valutative complesse sono stati determinati dagli amministratori previo svolgimento di specifici *Impairment Test* che hanno riguardato, in particolare, i seguenti valori iscritti nell'attivo:

- investimento nel cavo AAE-1;
- partecipazione in e-Via S.p.A. (iscritta nel bilancio separato di Retelit S.p.A., peraltro al maggior valore, rispetto all'esercizio precedente, già indicato in precedenza);
- infrastruttura di rete (iscritta nel bilancio di e-Via S.p.A. e dunque nel bilancio consolidato);
- imposte anticipate iscritte nel bilancio di e-Via S.p.A. e dunque nel bilancio consolidato.

Attività di vigilanza sull'osservanza della legge e dello statuto

In osservanza delle indicazioni fornite da CONSOB con comunicazioni n. DAC/RM 97001574 del 20 febbraio 1997 e n. DEM/1025564 del 6 aprile 2001, successivamente integrata con

comunicazioni n. DEM/3021582 del 4 aprile 2003 e n. DEM/6031329 del 7 aprile 2006 e di quelle contenute nel Codice di Autodisciplina, il Collegio sindacale:

- ha vigilato sull'osservanza della legge e dello statuto;
- ha partecipato alle riunioni dell'Assemblea degli azionisti, del Consiglio di amministrazione, nonché alle riunioni del Comitato controllo rischi e parti correlate e del Comitato per le nomine e la remunerazione e ha ottenuto dagli amministratori periodiche informazioni sul generale andamento della gestione, sulla sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società, attivandosi per quanto di propria competenza a che le delibere assunte ed eseguite fossero conformi alla legge e allo statuto e non fossero manifestamente imprudenti, azzardate, in potenziale conflitto di interessi e in contrasto con le delibere assunte dall'assemblea o tali da compromettere l'integrità del patrimonio sociale.

Le operazioni con interessi degli amministratori o con altre parti correlate sono state sottoposte alle procedure di trasparenza previste dalle disposizioni in materia.

Il Collegio sindacale non ha riscontrato, nel corso dell'esercizio 2017, operazioni atipiche e/o inusuali effettuate con terzi o con parti correlate, ivi comprese le società del gruppo Retelit.

Pertanto le informazioni relative alle principali operazioni infragruppo e con le altre parti correlate realizzate nell'esercizio 2017, nonché la descrizione delle loro caratteristiche e degli effetti economici, sono contenute nelle note di commento al bilancio separato di Retelit S.p.A. e al bilancio consolidato del gruppo Retelit.

Per una sintesi delle informazioni di maggior rilievo che hanno interessato la *governance* societaria, rinviando alle nostre precedenti relazioni (ultima, quella del 31 marzo 2017) non essendo successivamente intervenute modificazioni di rilievo ovvero meritevoli di segnalazione all'assemblea, ad eccezione:

i) dell'anticipata rinuncia al mandato del consigliere Stefano Borghi, che ha rassegnato le proprie dimissioni in data 12 febbraio 2018. Allo stato il Consiglio di amministrazione non ha ancora provveduto alla cooptazione del consigliere dimissionario e l'organo amministrativo, da tale data, è composto da 8 consiglieri (in luogo dei 9 consiglieri stabiliti dall'assemblea del 29/6/2015). L'ex consigliere Stefano Borghi era altresì componente del Comitato per le nomine e remunerazioni, che pure non è stato integrato, sicché, dal 12/2/2018, quest'ultimo ha funzionato con i restanti quattro membri;

ii) del nuovo patto parasociale fra azionisti (c.d. patto "Fiber 4.0") ampiamente descritto nella "Relazione sul governo societario e gli assetti proprietari 2017 ai sensi dell'art. 123-bis del

TUF" (approvata dagli amministratori il 15 marzo 2018 e reperibile, come per legge, sul sito internet della Società) alla quale si rinvia;

iii) del nuovo patto parasociale fra azionisti (altri e diversi dai precedenti; c.d. patto "SVM") enunciato in data 28 marzo 2018 e pure pubblicato, come per legge, sul sito internet della Società, sezione Investor Relations, al quale pure si rinvia.

Operazioni principali e più rilevanti

Tra i fatti di maggior rilievo intervenuti nell'esercizio 2017, pur rinviando alla Relazione Finanziaria Annuale, si evidenzia quanto segue.

Operazione Cavo AAE-1

Come noto, a seguito di delibera assunta dal precedente Consiglio di amministrazione del 12 settembre 2014, in data 16 settembre 2014 Retelit S.p.A. aveva perfezionato l'accordo per l'ingresso nel consorzio internazionale AAE-1 (d'ora innanzi anche "Operazione AAE-1").

Il valore complessivo dell'investimento della Società per l'Operazione AAE-1, è stato pari a circa 39,4 milioni di euro (USD 45 milioni) oltre a investimenti infrastrutturali sinergici, anche in tratte terrestri sul territorio italiano e in alcune direttrici europee, per circa ulteriori Euro 14,9 milioni suddivisi come segue: i) Euro 2,1 milioni per la realizzazione della c.d. *cable landing station* di Bari; ii) Euro 3,6 milioni per la realizzazione delle porzioni di cavo che collegheranno la parte sottomarina con le *cable landing station*; iii) Euro 9,2 milioni per l'*upgrade* della rete nazionale e per l'infrastruttura di *backhaul* al fine di sfruttare le opportunità commerciali derivanti dall'utilizzo del cavo.

In sostanziale allineamento con le tempistiche previste all'origine, il cavo sottomarino è stato completato ed è entrato in funzione in data 22 giugno 2017.

Per maggiori dettagli su quanto precede si rinvia all'esposizione contenuta nella Relazione Finanziaria 2017 redatta dagli amministratori.

In data 12 dicembre 2017 Retelit S.p.A. ha quindi realizzato un'operazione commerciale finalizzata alla cessione di parte significativa dei diritti relativi al sistema di cavo sottomarino AAE-1 (circa il 50%, misurato in 1,1 Tbps, per la durata di 20 anni, della capacità nominale di cui la Società è titolare, oltre alla subconcessione di alcuni diritti ancillari derivanti dalla partecipazione al Consorzio) con un primario operatore asiatico. L'operazione, deliberata dal Consiglio di amministrazione il giorno 11 dicembre 2017 e perfezionata il giorno successivo,

ha avuto efficacia il 28 dicembre 2017 (coincidente con la data di incasso) e dunque riflesso contabile nel 2017.

Al 31/12/2017 il valore attribuito in bilancio al residuo investimento nel cavo sottomarino AAE-1, iscritto nelle immobilizzazioni materiali e immateriali dell'attivo del bilancio consolidato del Gruppo Retelit, ammonta, rispettivamente a euro 3,1 milioni e a euro 29,5 milioni. Al riguardo si segnala che nel progetto di bilancio 2017 l'investimento nel consorzio AAE-1 è stato riclassificato principalmente nelle immobilizzazioni immateriali.

Il conto economico del bilancio 2017 espone proventi (plusvalenze) di carattere non ricorrente, iscritti nella voce "altri ricavi", per euro 1,7 milioni riferibili essenzialmente all'operazione di parziale smobilizzo dell'investimento in rassegna.

Per maggiori dettagli si rinvia alla Relazione Finanziaria, paragrafo 1.7.2, redatta dagli amministratori.

Si precisa che la rappresentazione contabile di quanto precede è supportata da un articolato parere di conformità ai principi contabili internazionali reso da PricewaterhouseCoopers S.p.A. (PWC) che non ha ipotizzato un trattamento contabile diverso. La Società di revisione legale Deloitte & Touche ha condiviso la descritta rappresentazione contabile nel bilancio di Retelit, separato e consolidato di gruppo, al 31/12/2017.

In merito al reperimento delle risorse finanziarie destinate all'Operazione AAE-1 ricordiamo che in data 24 marzo 2016 la Società, tramite la propria controllata e-Via S.p.A., aveva stipulato uno specifico contratto di finanziamento con un *pool* di banche composto da Unicredit S.p.A., Banca Popolare di Milano Soc. Coop. a.r.l. e MPS Capital Services Banca per le Imprese S.p.A. che prevedeva l'erogazione di due linee di credito, di importo pari rispettivamente a massimi euro 21 milioni e a euro 9 milioni, per un importo complessivo massimo pari, quindi, a euro 30 milioni.

In ragione dello scopo cui il predetto finanziamento è sotteso, la liquidità bancaria ricevuta dalla partecipata e-Via S.p.A. è stata trasferita a Retelit S.p.A. a titolo di finanziamento infragruppo (a fine 2017 euro 30 milioni) a condizioni in linea con il finanziamento bancario principale e prevedendo un *mark-up*. Al 31/12/2017 e-Via S.p.A. vanta un credito complessivo nei confronti di Retelit S.p.A. di euro 41,2 milioni regolato da separati contratti infragruppo aventi scadenza nel 2020 e nel 2021. Il rischio delle variazioni future del tasso di interesse sul finanziamento bancario è stato coperto con un prodotto derivato non speculativo.

Nel rispetto delle condizioni contrattuali del finanziamento bancario, il Gruppo Retelit ha provveduto a destinare a rimborso obbligatorio del Finanziamento un importo di 12,3 milioni di euro in data 26 marzo 2018.

In relazione all'attività di gestione e commercializzazione dei servizi del sistema cavo AAE-1, Retelit S.p.A. ed e-Via S.p.A. hanno stipulato un contratto di mandato senza rappresentanza, ai sensi e per gli effetti dell'art. 1705 c.c., in considerazione del fatto che solo la controllata è titolare della licenza di operatore di servizi di telecomunicazione e possiede tutti gli altri *asset* operativi del Gruppo.

Cessione ramo d'azienda Linkem: incasso ultima rata

Per quanto riguarda il residuo credito verso Linkem S.p.A., trattato nelle relazioni dei precedenti esercizi a seguito della cessione, avvenuta nel 2013, del ramo d'azienda WiMAX, la Relazione Finanziaria informa dell'avvenuto incasso, nel corso del 2017, anche dell'ultima rata a saldo integrale del prezzo convenuto.

Piano Banda Ultra Larga

Come illustrato nella Relazione Finanziaria, cui si rinvia per i dettagli tecnici, nell'ambito e in attuazione del Piano di Banda Ultralarga di cui al D.Lgs. n. 33/2016, i primi due "Bandi per la concessione di costruzione e gestione di infrastruttura passiva a banda ultralarga nelle aree bianche" (cui il Gruppo Retelit aveva partecipato tramite la controllata e-Via S.p.A., direttamente piuttosto che in RTI – Raggruppamento Temporaneo di Impresa) sono stati entrambi aggiudicati a Open Fiber (rispettivamente a marzo e luglio del 2017). Si rinvia all'ampia informativa resa dagli amministratori nella Relazione Finanziaria.

Altre partecipazioni

Come già indicato nella nostra relazione dell'esercizio precedente, si ricorda che a febbraio 2017 Retelit S.p.A. è entrata a far parte del consorzio Open Hub Med Società Consortile a responsabilità limitata (OHM) sottoscrivendo una partecipazione del 9,52% per un controvalore di 125 mila euro. Gli amministratori ritengono che detta partecipazione sia strumentale allo sfruttamento e alla commercializzazione dal cavo sottomarino AAE-1.

Detta partecipazione risulta attualmente valutata e iscritta in bilancio al minor valore di patrimonio netto, pari a 100 mila euro.

Attività di vigilanza sull'adeguatezza del sistema amministrativo contabile e sull'attività di revisione legale dei conti

Il Collegio sindacale ha verificato l'osservanza delle norme di legge inerenti alla formazione del progetto di bilancio separato di Retelit S.p.A., del progetto di bilancio consolidato di Gruppo e delle rispettive relazioni finanziarie al 31 dicembre 2017 redatte dagli amministratori a corredo degli stessi.

La Società di revisione legale Deloitte & Touche S.p.A. ha rilasciato in data odierna le relazioni ai sensi degli artt. 14 e 16 del D.Lgs. n. 39/2010 in cui attesta che il bilancio separato di Retelit S.p.A. e il bilancio consolidato del gruppo Retelit S.p.A. al 31 dicembre 2017 sono conformi agli International Financial Reporting Standards (IFRS) adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38 del 2005, sono redatti con chiarezza, rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa per tale esercizio. La Società di revisione ritiene altresì che le relazioni sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l) e m) e al comma 2, lett. b) dell'articolo 123 bis del D.Lgs. n. 58 del 1998 presentate nella relazione sul governo societario e gli assetti proprietari siano coerenti con il bilancio d'esercizio della Società e con il bilancio consolidato del Gruppo.

Dalla relazione rilasciata, ai sensi dell'articolo 11 del regolamento UE n. 537/2014 e dell'articolo 19, 3° comma, del d.lgs. 27 gennaio 2010, n. 39, in data 30 marzo 2018 da Deloitte & Touche per l'esercizio chiuso al 31 dicembre 2017, non sono emerse particolari "questioni fondamentali" diverse dai temi in precedenza citati anche nella presente nostra relazione.

Il Collegio sindacale ha vigilato sull'indipendenza della Società di revisione Deloitte & Touche S.p.A. e sulla compatibilità degli incarichi a essa conferiti con riferimento a quanto previsto dall'articolo 160 del D.Lgs. 24 febbraio 1998 n. 58. Come risulta dalla Relazione Finanziaria Deloitte & Touche S.p.A. ha avuto incarichi di revisione per un importo complessivo di euro 117 mila, di cui euro 66 mila per Retelit S.p.A. e euro 51 mila per la controllata e-Via S.p.A. (importo, quest'ultimo, costituito da euro 26 mila per attività di revisione e da euro 25 mila per attività di attestazione che sono state richieste al revisore).

Il Collegio sindacale ha altresì valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità dello stesso a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dal responsabile della funzione (dirigente preposto), l'esame della documentazione aziendale e l'analisi dei risultati del lavoro svolto dalla Società

di revisione Deloitte & Touche S.p.A. L'amministratore delegato e il dirigente preposto alla redazione dei documenti contabili societari hanno attestato con apposita relazione, allegata al Bilancio separato di Retelit S.p.A.: a) l'adeguatezza e l'effettiva applicazione delle procedure contabili amministrative; b) la conformità del contenuto dei documenti contabili ai principi contabili internazionali IFRS/IAS omologati dalla Comunità Europea nonché ai provvedimenti emanati dalla CONSOB in attuazione del Decreto Legislativo n. 38/2005; c) la corrispondenza dei documenti stessi alle risultanze dei libri e delle scritture contabili e la loro idoneità a rappresentare correttamente la situazione patrimoniale, economica e finanziaria della Società. Analoga relazione di attestazione risulta allegata al bilancio consolidato del gruppo Retelit S.p.A.

Attività di vigilanza sul rispetto dei principi di corretta amministrazione e sull'adeguatezza della struttura organizzativa

Il Collegio sindacale ha vigilato, per quanto di propria competenza ed anche attraverso la partecipazione alle adunanze del Consiglio di amministrazione e dei due Comitati endoconsiliari, sul rispetto dei principi di corretta amministrazione e che le scelte di gestione assunte dagli amministratori avessero profili di legittimità sostanziale e rispondessero all'interesse della Società. A tal fine ha verificato che le delibere del Consiglio di amministrazione fossero adeguatamente supportate da processi di informazione, analisi e verifica, anche con il ricorso, quando ritenuto necessario, all'attività consultiva dei comitati e di consulenti e professionisti esterni.

Sulla base delle informazioni acquisite le scelte gestionali dell'organo amministrativo sono avvenute in modo informato e sono state ispirate a principi di corretta gestione e di ragionevolezza, sì che gli amministratori sono consapevoli della rischiosità e degli effetti delle operazioni compiute e di tali temi è stata resa da costoro ampia informativa nella Relazione Finanziaria al 31 dicembre 2017.

Nella Relazione Finanziaria annuale, gli amministratori hanno adempiuto gli obblighi di informativa previsti dall'art. 154-ter del D.Lgs. 58/98, introdotto dal D.Lgs. 195/2007 (c.d. "Decreto Transparency") evidenziando i principali rischi e incertezze cui sono esposti la Società e il Gruppo.

Il Collegio sindacale ritiene che gli strumenti e gli istituti di *governance* adottati dalla Società, tenuto conto delle dimensioni della stessa e del vincolo di non affrontare spese sproporzionate

in relazione ad esse, costituiscano un valido presidio al rispetto dei principi di corretta amministrazione nella prassi operativa.

Il Collegio sindacale ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa della Società e delle disposizioni impartite dalla Società alla società controllata ai sensi dell'art. 114, comma 2, del D.Lgs. 58/98, tramite l'acquisizione di informazioni dai responsabili delle competenti funzioni aziendali, incontri con la Società di revisione legale, il dirigente preposto alla redazione dei documenti contabili e societari ai sensi dell'articolo 154-bis del TUF, il responsabile *dell'Internal auditing*, l'amministratore delegato, l'Organismo di Vigilanza e mediante periodici incontri con i sindaci della società controllata e-Via S.p.A., ai fini del reciproco scambio di dati e informazioni rilevanti.

Il Collegio sindacale ha monitorato le principali evoluzioni dell'organizzazione vigilando sull'adeguatezza della struttura interna rispetto agli obiettivi strategici della Società mediante appositi incontri principalmente con l'amministratore delegato e anche con i vari attori del sistema di controllo interno.

Rilievo del Collegio sindacale sulla gestione del rischio di cambio

Con riguardo all'incasso, avvenuto in data 28 dicembre 2017, dell'ingente corrispettivo conseguito a fronte della già menzionata e rilevante operazione di parziale cessione dei diritti relativi al sistema di cavo sottomarino AAE-1, il Collegio sindacale, a seguito delle informazioni ricevute durante il Consiglio di amministrazione del 2 febbraio 2018 e al fine di verificare il rispetto delle procedure interne, in essere e adottate da tempo (per le note rilevanti operazioni in valuta del passato), ha chiesto l'avvio di un *audit* interno in data 5 febbraio 2018. Il rapporto della funzione di *Internal audit*, reso il 14 marzo 2018, ha confermato che la *policy* interna è stata disattesa e il Collegio sindacale ha reso informativa nella riunione del Consiglio di amministrazione del giorno successivo (15 marzo 2018), censurando l'omissione. L'entità della perdita sofferta per euro 96.400 ha influito sull'esercizio 2017 e per euro 581.831 influirà sul conto economico dell'esercizio 2018.

Al momento il Consiglio di amministrazione non ha preso posizione sulle responsabilità di danno.

Criticità riscontrate dal Collegio sindacale in ordine a talune spese di consulenza

Come si evince dalla Relazione Finanziaria 2017, le spese per "*consulenze strategiche e manageriali*" ammontano a euro 745 mila (euro 91 mila nel 2016). La sensibile crescita è da porsi principalmente in relazione al supporto richiesto dall'organo amministrativo per valutare

alcune operazioni di acquisizione di società del settore concentratesi essenzialmente nel corso di un trimestre e che, nello stesso lasso temporale, non hanno trovato perfezionamento. A tal riguardo segnaliamo di aver richiamato, tempestivamente e ogni volta che è stato ritenuto necessario, allo svolgimento di istruttorie adeguate, stante i tempi assai ristretti e tenuto conto dei controvalori sottesi alle predette operazioni, molto significativi in proporzione alle dimensioni del gruppo Retelit.

Attività di vigilanza sull'adeguatezza del sistema di controllo interno

Il Collegio sindacale ha altresì valutato e vigilato sull'adeguatezza del sistema di controllo interno mediante: *i)* periodici incontri con l'amministratore delegato preposto al sistema di controllo interno; *ii)* esame delle relazioni dell'*Internal auditor* sul sistema di controllo interno di Retelit S.p.A.; *iii)* la partecipazione a tutte le riunioni del comitato controllo rischi e l'analisi della relativa documentazione.

Il Collegio ha tenuto periodiche riunioni con gli esponenti della Società di revisione Deloitte & Touche S.p.A., ai sensi dell'art. 150, comma 3, D.Lgs. 58/98, da cui non sono emersi dati e informazioni significative diverse da quelle in rappresentate, dal Collegio, nel paragrafo precedente.

Per quanto riguarda i principali contenziosi in corso al 31/12/2017 e i rischi connessi, valutati dagli amministratori e riflessi in bilancio, si rinvia allo specifico capitolo della Relazione Finanziaria al 31 dicembre 2017. Si segnala che la loro rappresentazione in bilancio è condivisa da parte della Società di revisione legale e da quest'ultima ritenuta conforme ai principi contabili.

Il Collegio sindacale ha inoltre preso atto della valutazione complessiva del sistema di controllo interno e di gestione dei rischi da parte del responsabile esterno dell'*Internal audit* e condivide la valutazione di complessiva adeguatezza del sistema di controllo interno e di gestione dei rischi espressa da quest'ultimo, ad eccezione del rilievo formulato con riguardo alla gestione del rischio cambio.

Il Collegio sindacale, per parte sua, ha inoltre vigilato in via continuativa sulle attività svolte dai principali attori del sistema di controllo interno e di gestione dei rischi e, in particolare, sull'attuazione delle azioni di miglioramento e di mitigazione individuate sollecitando, ove del caso, interventi di rafforzamento dei relativi presidi.

Il sistema di controllo interno e di gestione dei rischi contempla anche il c.d. "Modello Organizzativo 231", vale a dire un modello di organizzazione e gestione, adottato ai sensi del D.Lgs. n. 231/2001, volto a prevenire la commissione dei reati che possono comportare una responsabilità della Società. A tal fine si sono svolti incontri congiunti periodici, talora anche nel corso di riunioni consiliari, con l'Organismo di Vigilanza il quale, nelle proprie relazioni periodiche, ha sempre espresso giudizio positivo in merito allo stato di attuazione del Modello Organizzativo 231.

In merito alla gestione e al trattamento delle informazioni societarie privilegiate la Società è da tempo dotata di una specifica procedura che ha trovato applicazione nel corso dell'esercizio. La procedura disciplina anche la tenuta del registro delle persone aventi accesso alle informazioni privilegiate.

Il Collegio sindacale ha monitorato l'applicazione della procedura sopra richiamata e il suo periodico aggiornamento, riscontrando alcune criticità e segnalando la necessità di un adeguamento alle Linee Guida Informazioni Privilegiate diramate da CONSOB a ottobre 2017. La Società, a seguito della sollecitazione del Collegio sindacale, sta recependo alcune previsioni delle Linee Guida, ma ha tenuto ad affermare la propria facoltà di avvalersi del principio di proporzionalità enunciato in detto documento di CONSOB.

La Società è da tempo dotata di un Codice Etico, di un Modello di Organizzazione Gestione e Controllo aggiornato in relazione alle modifiche normative intervenute ai sensi del D.Lgs. 231/2001 e di un Organismo di Vigilanza. Con riguardo a quest'ultimo si ricorda che, con delibera del 20 gennaio 2016, il Consiglio di amministrazione aveva rinnovato l'incarico precedentemente conferito per altri tre anni e fino al 31 dicembre 2018.

Si segnala altresì che con delibera del 2 febbraio 2018 il Consiglio di amministrazione, previo nostro parere favorevole, ha rinnovato l'incarico di *Internal audit*, anche per l'anno 2018, al medesimo soggetto esterno che ha svolto la stessa funzione nel corso dell'esercizio 2015 e del successivo biennio 2016/2017.

Ricordiamo che con delibera del 11 ottobre 2016, il Consiglio di amministrazione aveva approvato la procedura per la segnalazione di illeciti e violazioni mediante strumenti che garantiscano la tutela della riservatezza dei dati personali del segnalante (c.d. procedura *whistleblowing*).

Quanto agli aspetti relativi alla *governance* societaria, al fine di non appesantire con ripetizioni la presente relazione, si rinvia alla "Relazione sul governo societario e gli assetti proprietari 2017", resa ai sensi dell'art. 123-bis del T.U.F. pubblicata nel sito internet della Società

(all'indirizzo www.retelit.it nella sezione Corporate Governance / Relazione di Corporate Governance).

Modalità di concreta attuazione delle regole di governo societario

Il Collegio sindacale ha vigilato sulle modalità di concreta attuazione della *Governance* riportate nella relazione ex articolo 123-bis del TUF approvata nel corso della seduta del Consiglio di amministrazione del 15 marzo 2018.

Avuto riguardo alle raccomandazioni del Codice di Autodisciplina e per quanto di competenza del Collegio sindacale, si comunica che con riferimento al Consiglio di amministrazione in carica, con delibera del 19 gennaio 2015, è stata determinata a favore dell'amministratore delegato e direttore generale, ing. Federico Protto un'indennità in caso di cessazione del rapporto di lavoro, come dettagliatamente esposto nella Relazione sul Governo Societario e gli Assetti Proprietari ex art. 123-bis, T.U.F., cui si rinvia, riguardo alla quale il precedente Collegio sindacale aveva espresso parere favorevole. Il diritto a ricevere il pagamento di tale indennità verrà meno con l'assemblea di approvazione del bilancio al 31 dicembre 2017.

Riguardo alla politica di remunerazione per l'esercizio 2018 relativa al Consiglio di amministrazione in carica, che viene sottoposta, ai sensi di legge, al voto consultivo dell'assemblea, si rinvia alle informazioni contenute nella Relazione sulla remunerazione ex art. 123-ter, T.U.F., la quale contiene anche, in apposita sezione, le informazioni sui compensi corrisposti a valere sull'esercizio chiuso il 31 dicembre 2017.

Nel corso del 2017, il Collegio sindacale ha rilasciato:

- a termini di legge, i pareri di cui all'articolo 2389, comma 3 del codice civile: dapprima il parere relativo alla parte fissa delle remunerazioni degli amministratori; successivamente, quello relativo alla parte variabile;
- autorizzazione alla stipula di un contratto di prestazione di servizi (per euro 35 mila) fra la Società di revisione legale e Retelit S.p.A.; si segnala che Retelit ha ritenuto di imputare il relativo costo nell'esercizio 2018;
- il parere raccomandato dal Codice di Autodisciplina di Borsa Italiana, cui Retelit ha dichiarato di aderire, al punto 7 C 1, in ordine alla nomina del responsabile della funzione di *Internal audit*.

Nello svolgimento dell'attività di vigilanza sopra descritta e durante l'anno 2017, l'attuale Collegio si è riunito 17 volte e ha assistito: i) alle 18 riunioni del Consiglio di amministrazione;

ii) alle 9 riunioni del Comitato controllo rischi e parti correlate; iii) alle 6 riunioni del Comitato per le nomine e la remunerazione. Il Collegio sindacale ha partecipato all'unica assemblea degli azionisti tenutasi il 27 aprile 2017.

Si rappresenta il considerevole impegno richiesto al Collegio sindacale, emblematicamente confermato, per quanto occorrer possa, anche dalla frequenza delle riunioni.

Il Collegio sindacale ha vigilato sulle modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina di Borsa Italiana al quale la Società aderisce.

Inoltre, a seguito dell'ammissione dell'emittente Retelit alla quotazione delle proprie azioni nel più prestigioso "segmento STAR" di Borsa Italiana (ottenuta a settembre nel 2016) il monitoraggio del Collegio sindacale si è esteso al rispetto delle ulteriori e più stringenti prescrizioni richieste ovvero comunque raccomandate.

Quanto alla c.d. "autovalutazione" del requisito di indipendenza dei propri componenti, il Collegio sindacale ne ha verificato la sussistenza nel corso della riunione del 13 febbraio 2017 e, da ultimo e per l'esercizio in corso, di quella del 13 marzo 2018.

Nessuno dei sindaci, dalle attestazioni individualmente rese, ha avuto, per conto proprio o di terzi, interesse in alcuna operazione compiuta dalla Società durante l'esercizio.

Il Consiglio di amministrazione, in data 11 maggio 2017, ha effettuato la verifica della permanenza dei requisiti di indipendenza dei suoi componenti, confermando la sussistenza dei medesimi in capo ai consiglieri Laura Guazzoni, Annunziata Magnotti, Carla Sora e Laura Rovizzi. Per quest'ultima l'indipendenza è stata confermata, a maggioranza, dall'organo amministrativo nella riunione del giorno 11 dicembre 2017.

Non ricorrono i presupposti di cui al punto 2. C.3. del Codice di Autodisciplina per la nomina del c.d. "*Lead Independent Director*".

Attività di vigilanza sui rapporti con società controllate

Il Collegio sindacale ha vigilato sull'adeguatezza, anche in merito alla tempestività, delle disposizioni impartite dalla Società alla società controllata in ordine agli obblighi di comunicazione previsti dalla legge ai sensi degli articoli 2497 e ss. del Codice Civile. In particolare, tenuto conto che la Società esercita attività di direzione e coordinamento ai sensi degli articoli 2497 ss. del c.c. nei confronti della propria controllata e-Via S.p.A., ha verificato il rispetto delle regole di comportamento previste per la medesima, sia al fine di assicurare l'espletamento dei compiti di coordinamento e di controllo, sia per garantire il rispetto degli

obblighi di trasparenza ed informativa nei confronti del pubblico previsti dalla vigente normativa.

Dai flussi informativi ricevuti in merito all'attività svolta dagli organi di controllo della società controllata nonché dal revisore legale, (Deloitte & Touche S.p.A., che è lo stesso di Retelit S.p.A.), non sono emersi rilievi, criticità o segnalazioni.

Ciò premesso il Collegio sindacale rileva che, in data 15 marzo 2018, il Consiglio di amministrazione di e-Via S.p.A. ha approvato il progetto di bilancio al 31 dicembre 2017 convocando l'assemblea in data 20 aprile 2018 e il legale rappresentante di Retelit S.p.A., quale unico socio di e-Via S.p.A., ha rinunciato al termine di cui all'articolo 2429, comma 3 del Codice Civile. Per effetto di ciò, alla data odierna, la Società di revisione legale non ha ancora rilasciato la propria relazione sul bilancio 2017 della controllata e-Via S.p.A. non essendo spirati i termini a suo favore; di conseguenza oggi non risulta disponibile la relazione al predetto bilancio del Collegio sindacale. Trattasi di un'anomalia.

Tuttavia, in considerazione: *a)* dell'esigenza manifestata da Retelit S.p.A. di voler osservare i termini di cui all'articolo 2.2.3. punto 3 del Regolamento dei Mercati organizzati e gestiti da Borsa Italiana S.p.A. per gli emittenti c.d. "STAR" circa la messa a disposizione del pubblico della Relazione Finanziaria annuale; *b)* delle già menzionate strettissime interrelazioni fra Retelit S.p.A. e la controllata e-Via S.p.A.; *c)* del periodico e costante scambio informativo con gli organi di controllo (Società di revisione legale e Collegio sindacale) di quest'ultima; *d)* delle assicurazioni ricevute dai predetti organi di controllo circa l'assenza di rilievi nelle rispettive erigende relazioni al bilancio 2017 di e-Via S.p.A.; *e)* del già avvenuto rilascio da parte della Società di revisione legale della certificazione, senza rilievi e/o eccezioni, del bilancio consolidato di Gruppo Retelit, il che implicitamente presuppone, per logica e per coerenza, un identico giudizio sul progetto di bilancio della, peraltro unica, società controllata e consolidata; *f)* della circostanza che il bilancio, approvato, di e-Via S.p.A. insieme alle suddette relazioni, ragionevolmente e verosimilmente senza rilievi, sarà comunque reso disponibile ben prima della data indicata per l'assemblea di Retelit S.p.A. che sarà chiamata ad approvarne il bilancio; abbiamo ritenuto che sussistano ugualmente i presupposti per rendere la presente relazione, fermo restando che, in difetto di quanto indicato alle lettere *d)* e *f)* che precedono, sarebbe nostro scrupolo e premura relazionare in assemblea.

Attività di vigilanza sulle operazioni con parti correlate

Nel corso delle verifiche effettuate non sono state rilevate operazioni societarie censurabili, atipiche e/o inusuali effettuate con parti correlate. Le informazioni relative alle principali operazioni infragruppo, nonché la descrizione delle loro caratteristiche e degli effetti economici sono contenute nelle "note esplicative" di commento al bilancio separato di Retelit S.p.A.

Nel capitolo "*Rapporti con parti correlate*" inserito nella Relazione Finanziaria al 31 dicembre 2017, gli amministratori evidenziano le principali operazioni intercorse con parti correlate, individuate sulla base dei principi contabili internazionali e delle disposizioni emanate in materia da CONSOB. Trattasi di operazioni di natura commerciale effettuate nell'ordinaria attività d'impresa e concluse, secondo le attività istruttorie svolte dagli organi preposti, a normali condizioni di mercato. Al capitolo sopra menzionato si rinvia per quanto attiene all'individuazione della tipologia delle operazioni e dei relativi effetti economici, patrimoniali e finanziari. Il Collegio sindacale, in osservanza dell'articolo 2391-bis del codice civile, ha vigilato sull'applicazione delle procedure di legge e regolamentari in materia.

Omissioni e/o fatti censurabili rilevati. Denunce ricevute ai sensi dell'articolo 2408 del codice civile

Per quanto riguarda l'azione di responsabilità nei confronti dei precedenti amministratori, in carica dal 30 ottobre 2012 al 7 gennaio 2015, deliberata dall'assemblea del 28 aprile 2016 si rimanda alla relazione a essa resa dall'attuale organo amministrativo e al verbale di tale assemblea, depositato e pubblicato ai sensi di legge.

Il Collegio sindacale ha costantemente monitorato lo svolgimento dei vari passaggi necessari per dare esecuzione alla delibera assunta dall'assemblea. Al momento in cui si redige la presente relazione resta ancora da perfezionare la notifica dell'atto di citazione a uno degli ex amministratori, residente all'estero, nei cui confronti l'assemblea ha promosso l'azione. La prossima udienza è fissata al giorno 11 settembre 2018.

Si segnala l'accordo, riferito nella Relazione Finanziaria 2017, intervenuto con gli ex amministratori sig.ri Tosi e Leideman (sottoposti ad azione sociale di responsabilità in separato giudizio) che, a fronte della rinuncia di Retelit alla rifusione delle spese legali, non hanno proposto appello alla sentenza n. 7396/2017 del Tribunale di Milano che aveva rigettato tutte

le loro domande per ulteriori compensi asseritamente spettanti in relazione alla carica a suo tempo ricoperta in Retelit.

Da ultimo si comunica che nel corso dell'esercizio non sono pervenute denunce ai sensi e per gli effetti dell'articolo 2408 del codice civile.

Principali fatti di rilievo intervenuti nella frazione dell'esercizio in corso (2018)

Oltre a quanto già illustrato in precedenza, si ricorda che:

- in data 6 marzo 2018 il Consiglio di amministrazione ha confermato l'attualità del Piano Industriale approvato il 13 marzo 2017 (per gli anni 2018-2021) estendendolo fino al 2022; in proposito si rimanda ai dettagli forniti in Relazione Finanziaria;
- il budget 2018 è stato approvato dal Consiglio di amministrazione nella riunione del 2 febbraio 2018.

Proposte in ordine al bilancio di esercizio al 31 dicembre 2017

Il Collegio sindacale, a seguito dell'attività di vigilanza svolta e per quanto sopra riferito, non rileva motivi ostativi all'approvazione del progetto di bilancio dell'esercizio chiuso in data 31 dicembre 2017 predisposto dal Consiglio di amministrazione.

In ordine alla proposta di destinazione dell'utile di esercizio formulata dal Consiglio di amministrazione al punto n. 4.17 della Relazione Finanziaria al bilancio separato di Retelit S.p.A., il Collegio sindacale non ha rilievi: in particolare il dividendo proposto (per euro 3.285.298,92, in ragione di euro 0,02 ad azione), allo stato, è sostenibile e non pone alla Società problemi finanziari.

Si ricorda che la proposta di distribuzione del dividendo è resa possibile grazie al combinato effetto:

- i) del "ripristino di valore" della partecipazione in e-Via S.p.A. di 6,9 milioni di euro (che di fatto permette la copertura delle perdite riportate dai precedenti esercizi) già segnalata nel paragrafo iniziale a commento del risultato dell'esercizio;
- ii) della distribuzione di dividendi, da e-Via S.p.A. a favore di Retelit S.p.A., deliberata il 16 ottobre 2017 per euro 6.534.771, quest'ultima resa a sua volta possibile in virtù della delibera, adottata in data 13 marzo 2017 dal Consiglio di amministrazione di Retelit S.p.A., che aveva disposto la rinuncia al vincolo sulla riserva per futuri aumenti di capitale di euro 131.346.080

della società controllata e-Via S.p.A., rinuncia finalizzata a consentire l'utilizzo di detta riserva a copertura delle perdite riportate, nella società controllata, dagli esercizi precedenti.

Milano, 30 marzo 2018.

I SINDACI

Fabio Monti



Valentina Lamanna



Paolo Lorenzo Mandelli



RETELIT S.P.A.
Separate
Financial Statements
at December 31, 2017

BALANCE SHEET

(Euro thousands)	31.12.2017	31.12.2016	NOTE
Non-current assets:			
Other fixed assets	149,653	173,008	
Tangible assets in progress	–	34,605,254	
Total property, plant and equipment	149,653	34,778,262	[1]
Intangible assets:			
Concessions, licenses, trademarks and similar rights	25,346,695	497,514	
Other intangible assets	0	0	
Total intangible assets	25,346,695	497,514	[2]
Investments	149,534,209	142,618,209	[3]
Investments valued at equity	100,000	–	[3]
Other non-current assets	510	510	[6]
Total other non-current assets	149,634,718	142,618,718	
TOTAL NON-CURRENT ASSETS	175,131,066	177,894,495	
Current assets:			
Current financial assets	–	561,370	[4]
Trade receivables, other receivables and other current assets	9,859,305	612,856	[7]
<i>of which related parties</i>	3,325,737		
Tax receivables, VAT receivables and current direct taxes	72,336	800,814	[5]
Cash and cash equivalents	23,398,196	5,634,634	[8]
TOTAL CURRENT ASSETS	33,329,837	7,609,673	
TOTAL ASSETS	208,460,903	185,504,168	
Shareholders' equity:			
Share capital issued	144,208,619	144,208,619	
Net Equity reserves and Net Results	5,846,604	(3,630,336)	
Net Equity and Net Results	150,055,222	140,578,283	[9]
TOTAL NET EQUITY	150,055,222	140,578,283	
Post-Employment Benefits and other employee provisions	590,005	342,051	[10]
Provisions for risks and future charges	111,206	440,590	[11]
Deferred non-current revenues	4,123,219	500,000	[15]
Non-current financial liabilities	41,204,494	40,401,015	[13]
TOTAL NON-CURRENT LIABILITIES	46,028,924	41,683,656	
Current liabilities:			
Current financial liabilities	0	–	[13]
Provisions for risks and future charges	383,241		[11]
Trade and payables and other financial liabilities	11,022,379	3,242,229	[12]
<i>of which related parties</i>	2,238,268	186,917	
Tax payables, VAT payables and current direct taxes	660,133	–	[14]
Deferred current revenues	311,004	–	[15]
TOTAL CURRENT LIABILITIES	12,376,757	3,242,229	
TOTAL LIABILITIES	208,460,903	185,504,168	

Comprehensive Income Statement

(Euro thousands)	31.12.2017	31.12.2016	NOTE
Revenues	1,637,957	107,656	[16]
Other income	4,700,967	2,170,423	[17]
<i>of which non-recurring</i>	1,709,045		
<i>of which related parties</i>	2,847,789	1,883,311	
TOTAL REVENUES AND OPERATING INCOME	6,338,924	2,278,079	
Purchases of raw materials and services	(4,386,918)	(3,024,545)	[18]
Personnel costs	(2,732,116)	(2,018,491)	[19]
Other operating costs	(391,996)	(426,795)	[20]
EBITDA	(1,172,106)	(3,191,751)	
Amortization, depreciation and write-downs of tangible and intangible assets	(1,137,768)	(146,958)	
Other provisions and write-downs	(127,777)	(114,760)	[21]
EBIT	(2,437,651)	(3,453,469)	
Financial income	6,565,102	132,236	[22]
Financial income from derivative instruments	6,916,000		
Financial charges	(1,382,924)	(737,849)	[23]
<i>of which related parties</i>	1,067,742	728,994	
Adjustment investment measured at equity	(25,000)		
PRE-TAX PROFIT/(LOSS)	9,635,527	(4,059,083)	
Income taxes	–	–	[24]
Deferred taxes	–	–	
NET PROFIT/(LOSS) FOR THE YEAR	9,635,527	(4,059,083)	

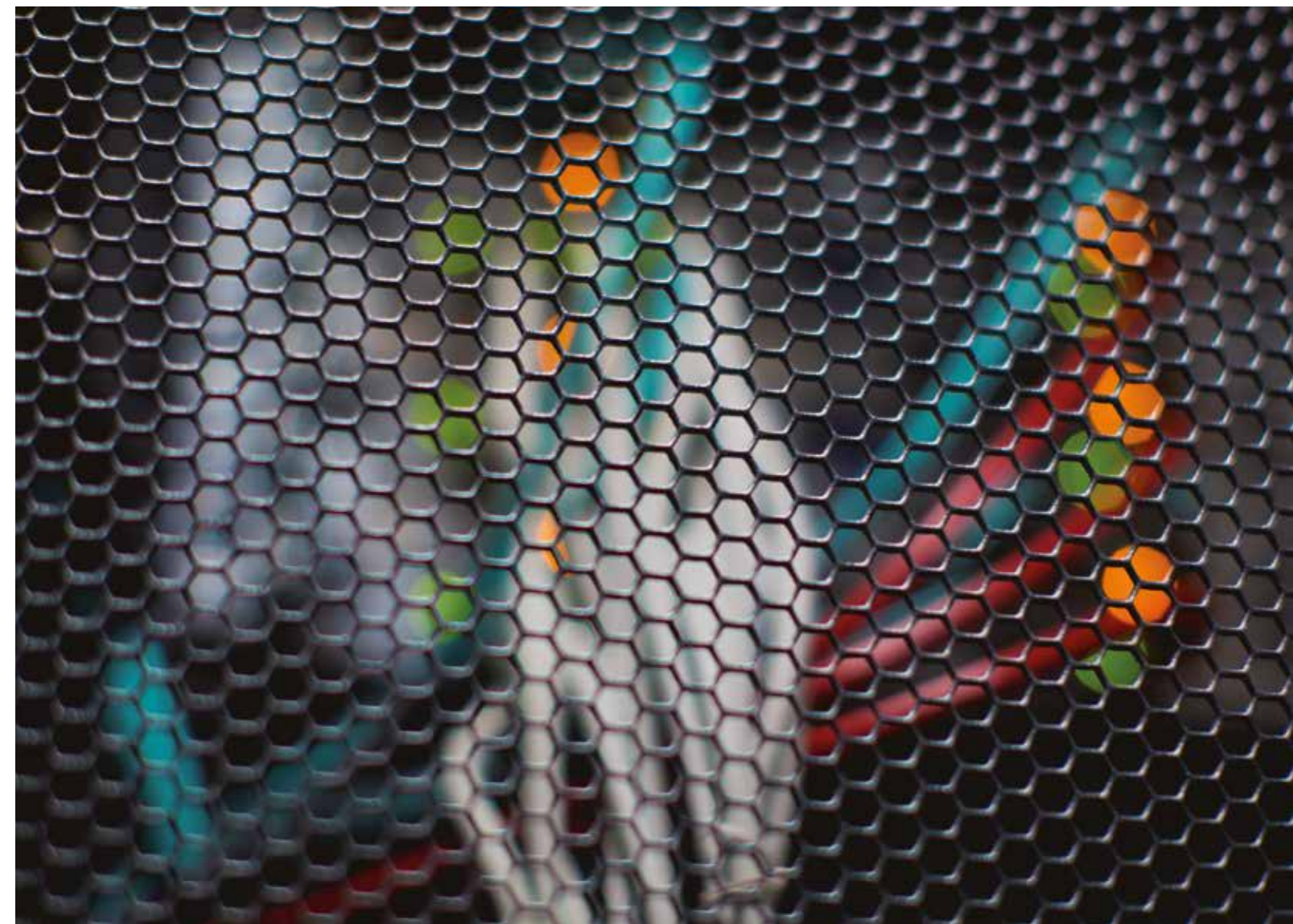
Profit recognised to Net Equity to be recognised to the Income Statement	(121,000)	121,116	
Profit/(loss) recognised to Net Equity not to be recognised to the Income Statement	(37,471)	(22,857)	
Comprehensive profit/(loss) for the year	9,477,056	(3,960,825)	

Cash Flow Statement

(Euro thousands)	31.12.2017	31.12.2016	NOTE
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit/(loss)	9,636	(4,059)	
Adjustments for:			
Amortization and depreciation	1,138	147	
Change in Post-Employment Benefit provisions	210	(15)	
Change in provisions for risks and charges	54	(130)	
Adjustment investment measured at equity	25		
Write-back of investments valued at historic cost	(6,916)		
Interest and charges matured	(5,182)	606	
Dividends paid	6,534		
Interest and other financial charges received/(paid)	(285)	25	
(Gain)/loss on divestments	(1,709)		
of which non-recurring	(1,709)		
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES	3,504	(3,427)	
(Increase)/Decrease trade receivables and other financial assets	(9,246)	522	
(Increase)/Decrease tax receivables, VAT receivables and direct taxes	728	(184)	
Increase/(Decrease) trade payables and deferred revenues	14,000	902	
Increase/(Decrease) tax payables, VAT payables and current direct taxes	660	(357)	
NET CHANGE IN CURRENT ASSETS AND LIABILITIES AND OTHER CHANGES	6,143	883	
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES	9,647	(2,544)	
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible assets	(11)	(11,617)	
Investments valued at equity method	(125)		
Divestments in tangible assets	(95)	(268)	
Investments in AAE-1 intangible assets	(11,478)		
Divestments in intangible assets	21,894		
of which non-recurring	20,185		
Change due to monetary effects of investments	(2,286)	(623)	
CASH FLOW GENERATED (ABSORBED) FROM INVESTING ACTIVITIES	7,899	(12,508)	[1-2]
CASH FLOW FROM FINANCING ACTIVITIES			
Net (Increase)/Decrease financial assets	(585)	1,404	
(Repayment) of loans	803	13,659	
CASH FLOW GENERATED (ABSORBED) FROM FINANCING ACTIVITIES	218	15,063	
TOTAL CASH FLOW	17,763	10	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,635	5,624	
CASH AND CASH EQUIVALENTS AT END OF YEAR	23,398	5,635	

Statement of Changes in Shareholders' Equity

(Euro thousands)	Share capital	Share premium reserve	Other reserves	Retained earnings/ (acc. losses)	Profits/ (losses) recognized to Share. Equity	Cash flow hedge reserve	Total Share. Equity
01.01.16	144,209	30,864	2,621	(33,093)	(62)		144,539
Comprehensive Profit				(4,059)	(23)	121	(3,962)
31.12.16	144,209	30,864	2,621	(37,152)	(85)	121	140,578
Losses covered		(30,864)	(2,621)	33,485			—
Comprehensive Profit				9,636	(37)	(121)	9,477
31.12.17	144,209	—	—	5,969	(122)	0	150,055



NOTES TO THE SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AT DECEMBER 31, 2017

Basis of Preparation

GENERAL INFORMATION

Retelit S.p.A. is principally engaged in the telecommunications sector and operates also through the subsidiary e-via S.p.A.

Retelit S.p.A.'s registered office and headquarters are in Milan, in viale Restelli 3/7.

The Company is listed on the STAR segment, MTA Market of the Italian Stock Exchange.

The publication of the Financial Statements of Retelit as at December 31, 2017 was approved by the Board of Directors on March 15, 2018.

DECLARATION AND BASIS OF PREPARATION

The Financial Statements of Retelit at December 31, 2017 were prepared in accordance with International Accounting Standards IAS/IFRS issued by the International Accounting Standards Boards (IASB) and the relative enacting provisions at the preparation date of the present Financial Statements and approved by the European Union, and comprise the Balance Sheet, the Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement and the Explanatory Notes.

The Financial Statements were prepared in compliance with IAS 1; where considered necessary to better represent Company operations, additional accounts were presented.

The Explanatory Notes to the Financial Statements of Retelit for the year ended December 31, 2017 illustrate the accounting policies adopted, provide the disclosure required by IAS/IFRS accounting standards and not contained in other parts of the Financial Statements and any further information not disclosed in the Financial Statements but considered necessary to provide a true and fair view of business operations.

The Financial Statements were prepared based on the underlying accounting records at December 31, 2017, in accordance with the historic cost convention and the going concern concept.

GOING CONCERN

The going concern is one of the fundamental requirements to be assessed for the preparation of the Financial Statements. In this regard, the Directors are required to carry out a forward looking exercise regarding future events in order to understand and assess whether the business is able to continue operations into the foreseeable future and meet its obligations without the intention or the need to put the business into liquidation, discontinue operations or undertake the legally-established administration procedures for companies in crisis.

Following close analysis in this regard by Retelit's Directors, the Separate Financial Statements at December 31, 2017 – reporting a comprehensive profit of Euro 9 million and Shareholders' equity of Euro 150 million – were prepared on a going concern basis according to the consider-

ations outlined below; the assessment of the Company's going concern is strictly related to that of the Group and therefore the same considerations and effects outlined in the consolidated financial report are taken into account.

As described in the "Subsequent events" paragraph, the 2018-2021 Industrial Plan was updated only for the purposes of the impairment test and was extended to 2022, testament to the growth strategy and forecasts better results for the final years of the Plan than previously announced thanks to the increased revenues generated from commercialization of the AAE-1 submarine cable and expected wholesale synergies.

BASIS OF PREPARATION

The Financial Statements were prepared according to the cost criterion.

The balance sheet classifies assets and liabilities as current or non-current, based on their operating nature or rather whether they will be realized or settled within twelve months.

The Comprehensive Income Statement presents amounts classified by nature.

The Cash Flow Statement is presented using the indirect method.

The Financial Statements are presented in thousands of Euro, where not otherwise specified. The amounts in the tables below, having been rounded, may present discrepancies where such units are summed.

AMENDMENTS AND NEW STANDARDS AND INTERPRETATIONS

Accounting standards, amendments and IFRS interpretations applied from January 1, 2017

The following amendments were applied for the first time by the Company from January 1, 2017:

- On January 29, 2016, the IASB published the "Disclosure Initiative (Amendments to IAS 7)" document, which contains amendments to IAS 7. The document

provides clarifications to improve disclosure on financial liabilities. In particular, the amendments require the provision of disclosure which enables readers of the Financial Statements to understand the changes to liabilities following funding operations, including the changes from cash movements and those from non-cash movements. The amendments do not establish a specific format to be used. However, the amendments introduced require entities to provide a reconciliation between the opening balance and the closing balance for liabilities deriving from financial operations. The presentation of comparative disclosure relating to preceding periods is not required.

- On January 19, 2016, the IASB published the "Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)" document, which contains amendments to IAS 12. The document provides clarifications on the recognition of deferred tax assets on unrealised losses in the measurement of "Available for Sale" financial assets on the occurrence of certain circumstances and on estimates of assessable income for future years. The adoptions of these amendments do not have any effects on the Separate Financial Statements.

IFRS and IFRIC standards, amendments and interpretations endorsed by the European Union, not yet mandatory and not adopted in advance by the Company at December 31, 2017

- On May 28, 2014, the IASB published "IFRS 15 Revenue from Contracts with Customers" which, together with additional clarifications published on April 12, 2016, replaces IAS 18 Revenue and IAS 11 Construction Contracts, in addition to the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construc-

tion of Real Estate, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenues-Barter Transactions Involving Advertising Services*. The standard establishes a new revenue recognition model, which will apply to all contracts with clients, with the exception of those falling under the application of other IAS/IFRS such as leasing, insurance contracts and financial instruments. The essential issues for the recognition of revenues according to the new model are:

- the identification of the contract with the client;
- the identification of the performance obligations of the contract;
- the establishment of the price;
- the allocation of the price to the performance obligations of the contract;
- the recognition criteria of the revenue where the entity satisfies the performance obligations.

The standard is applicable from January 1, 2018. The amendments to IFRS 15, *Clarifications to IFRS 15 – Revenue from Contracts with Customers*, published by the IASB in April 2016. The Directors consider that the application of IFRS 15 will not have a significant impact on the amounts recognised as revenues and on the relative disclosure in the Financial Statements. With regard to telecommunications services in particular, the main changes relate to the current accounting treatment of the fees for installation service (known as “set-up fees” or “one-off fees”). According to the current accounting policy, these fees are recognized in full as income when the service is released, since they refer to activation service, whereas the new standard requires that fees be allocated to the performance obligations assumed by the customer and recognized when these obligations are fulfilled, i.e. over the term of the contract. Activation fees associated with revenues

generated by indefeasible rights of use (IRUs) will also be allocated to the performance obligations and recognized as the obligations are fulfilled – generally over the term of the contract. According to the management’s current estimate, the transition to the new standard is expected to translate into a decrease in equity of Euro 0.5 to 1.5 million (net of the related tax effect), with an increase in deferred revenues. The effects of the new application of this standard will also be influenced by the application of the new IFRS 16.

The Directors will exercise the option for simplified initial application, according to which contracts not terminated by January 1, 2018 will be accounted for as if they had been recognized in accordance with IFRS 15 from the outset. The cumulative effect of the transition will be accounted for as an adjustment to the opening balances of equity during the year of first-time application. The comparative figures from the previous year will not be adjusted. In the notes, the Directors will explain the effects of the application of IFRS 15 on the balance sheet and Income Statement for the reporting year.

- On July 24, 2014, the IASB published IFRS 9 – *Financial Instruments*. The document incorporates the results of the IASB project to replace IAS 39. The new standard must be applied for Financial Statements beginning on or after January 1, 2018.

The standard introduces new criteria for the classification and measurement of financial assets and liabilities. In particular for financial assets the new standard utilises a single approach based on the management method of financial instruments and on the contractual cash flow characteristics of the financial assets in order to determine the measurement criteria, replacing the various rules established by IAS 39. For financial liabilities however the

standard is amended with regard to the accounting treatment of the fair value changes of a financial liability designated as a financial liability at fair value through profit or loss, in the case in which these changes relate to changes in the credit rating of the issuer of the liability. According to the new standard, these changes must be recorded to “Other comprehensive income” and no longer to the Income Statement. In addition, in the non-substantial changes to liabilities it is no longer permitted to record the economic effects of the renegotiation on the residual duration of the payable modifying the effective interest rate at that date, but it is necessary to record the relative effect in the Income Statement.

In relation to impairment, the new standard requires that the doubtful debts estimate is based on the expected losses model (and not on the incurred losses model under IAS 39), utilizing supporting information, available without unreasonable charges or effort, which includes historic, current and projected figures. The standard establishes that this impairment model applies to all financial instruments, therefore financial assets valued at amortized cost, those valued at fair value through other comprehensive income and receivables deriving from rental contracts and trade receivables.

In fact, this standard introduces a new model of hedge accounting to adjust the requirements under the current IAS 39, which on occasion are considered too stringent and inappropriate to reflect the risk management policies of the Company. The main amendments of the document relate to:

- increased number of transactions eligible for hedge accounting, in particular including also the risks of non-financial assets/liabilities eligible to be managed in hedge accounting;

- the change in the accounting method of the forward contracts and options when considered in a hedge accounting relationship in order to reduce the volatility of the Income Statement;
- the amendments to the effectiveness test through the replacement of the current methods based on the 80-125% parameter with the principle of the “economic relationship” between the item hedged and the hedge instrument; in addition, a retrospective evaluation of the effectiveness of the hedge relationship will no longer be required.

The greater flexibility of the new accounting rules is offset by the additional disclosure requirements on the risk management activities of the Company. Based on the analysis undertaken, the Directors consider that the application of IFRS 9 will not have a significant impact on the amounts and on the relative disclosure in the Financial Statements.

- On January 13, 2016, the IASB published the new standard **IFRS 16 – Leases**, which replaces IAS 17 – *Leases*, as well as 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 leases and introduces a criterion based on control (right of use) of an asset to distinguish leasing contracts from service contracts, identifying essential differences: the identification of the asset, the right of replacement of the asset, the right to obtain substantially all the economic benefits from the use of the asset and the right to use the asset underlying the contract.

The standard establishes a single model to recognise and measure leas-

ing contracts for the leasee (lessees) which provides also for the recognition of operating leases under assets with a related financial payable, providing the possibility not to be recognise as leasing contracts “low-value assets” and leasing contracts less than 12 months. This Standard does not contain significant amendments for lessors.

The standard is effective from January 1, 2019, although advance application is permitted, only for companies which have already applied IFRS 15 – *Revenue from Contracts with Customers*.

The Directors are currently assessing whether to apply IFRS 16 in advance from January 1, 2018, together with the obligatory application of IFRS 15. The Finance Department commenced a project for the implementation of the new standard which provides as first step a detailed analysis of the contracts and accounting impacts and a second step implementation and/or adjustment of the administration processes and accounting system. The qualitative and quantitative impacts of the new standard on initial application are currently being determined.

- On September 12, 2016, the IASB published “**Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**”. For entities primarily involved in insurance activities, the amendments clarify the considerations deriving from application of the new IFRS 9 (from January 1, 2018) to financial assets, before the replacement of the current IFRS 4 with the standard IFRS 17 Insurance Contracts, under which financial liabilities are measured. The amendments introduced two possible approaches:
 - *overlay approach*
 - *deferral approach*
 These approaches will permit:
 - the possibility to recognise to the comprehensive Income Statement

(i.e. in the OCI statement), rather than the Income Statement, the effects from application of IFRS 9 rather than IAS 39 on certain designated financial assets before application of the new standard concerning insurance contracts (“overlay approach”);

- the possibility of a temporary extension to the application of IFRS 9 until the first between the application date of the new standard on insurance contracts or periods beginning January 1, 2021. Entities deferring application of IFRS 9 will continue to apply the current IAS 39 (“deferral approach”).

The Directors do not expect these amendments to have a significant impact on the Financial Statements.

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

At the reporting date, the relevant bodies of the European Union had not yet concluded the process necessary for the implementation of the amendments and standards described below.

- On May 18, 2017, the IASB published **IFRS 17 – Insurance Contracts** which replaces IFRS 4 – *Insurance Contracts*. The new standard ensures that an entity provides pertinent information which accurately presents the rights and obligations under insurance contracts. The IASB developed the standard in order to eliminate inconsistencies and weaknesses in the existing accounting policies, providing a single principle-based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer. The new standard sets out in addition presentation and disclosure requirements to improve comparability between entities belonging to the same sector.

It measures insurance contracts on the basis of a General Model or a simplified version of such, called the Premium Allocation Approach (“PAA”). The main features of the General Model are:

- the estimates and assumptions of future cash flows always refer to the current portion;
- the measurement reflects the time value of money;
- the estimates include an extensive use of observable market information;
- a current and clear risk measurement exists;
- the expected profit is deferred and aggregated into groups of insurance contracts on initial recognition;
- the expected profit is recognised in the period of contractual coverage, taking account of adjustments from changes in the assumptions on cash flows for each group of contracts.

The PPA approach involves the measuring of the liability for the residual coverage of a group of insurance contracts on the condition that, on initial recognition, the entity expects that this liability reasonably reflects an approximation of the General Model. Contracts with a coverage period of one year or less are automatically considered appropriate for the PPA approach. The simplifications from application of the PPA method do not apply to the valuation of liabilities for existing claims, which are measured with the General Model. However, it is necessary to discount these cash flows where it is expected that the balance will be paid or received within one year from the date on which the claim occurred.

The entity should apply the new standard to insurance contracts issued, including reinsurance contracts issued, reinsurance contracts held and also investment contracts with a discretionary participation feature (DPF).

The standard is effective from January 1, 2021, although advance application is permitted, only for entities applying IFRS 9 – *Financial Instruments* and IFRS 15 – *Revenue from Contracts with Customers*. The Directors do not expect that the adoption of this standard will have a significant impact on the Financial Statements.

- On June 20, 2016, the IASB published “**Classification and measurement of share-based payment transactions (Amendments to IFRS 2)**” which contains amendments to IFRS 2. The amendments provide clarifications upon the recognition of the effects of vesting conditions in the presence of cash-settled share-based payments, on the classification of share-based payments with characteristics of net settlement and the recognition of the amendments to the terms and conditions of a share-based payment which changes the classification from cash-settled to equity-settled. These changes will be applied from January 1, 2018. The Directors do not expect these amendments to have a significant impact on the Financial Statements.
- On December 8, 2016, the IASB published the “**Annual Improvements to IFRSs: 2014-2016 Cycle**” document, which includes the amendments to a number of standards within the annual improvement process. The principal changes relate to:
 - IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*. The amendment to this standard is applicable at the latest from periods beginning January 1, 2018 and concerns the elimination of certain short-term exemptions under paragraphs E3-E7 of Appendix E of IFRS 1 as the benefit of these exemptions is now considered exhausted.

- 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*. The amendment clarifies that the option for a venture capital organization or similarly qualifying entities (e.g. a mutual investment fund or similar entity) to measure investments in associates and joint ventures valued at fair value through profit or loss (rather than through application of the equity method) is applied for each individual investment on initial recognition. The amendment is applied from January 1, 2018.
- IFRS 12 *Disclosure of Interests in Other Entities – Clarification of the scope of the Standard*. The amendment clarifies the scope of application of IFRS 12, specifying that the disclosure required by the standard, with the exception of that under paragraphs B10-B16, applies to all investments which are classified as held-for-sale, held-for-distribution to Shareholders or as discontinued operations as per IFRS 5. This amendment is applicable from January 1, 2017, however not having been endorsed by the European Union has not yet been adopted at December 31, 2017. The Directors do not expect these amendments to have a significant impact on the Financial Statements.
- On December 8, 2016, the IASB published “**Foreign Currency Transactions and Advance Consideration (IFRIC Interpretation 22)**”. The interpretation provides guidelines for transactions in foreign currencies where advances or non-monetary payments on account are recorded in the Financial Statements, before the recognition of the relative asset, cost or revenue. This document provides indications on how an entity should determine the date of a trans-

action, and consequently, the exchange rate to be utilised concerning operations in foreign currencies concerning payments made or received in advance. The interpretation clarifies that the transaction date is the first between:

- a) the date on which the advance payment or payment on account received is recognized to the Financial Statements of the entity;
- b) the date on which the asset, cost or revenue (or part of such) is recognized to the Financial Statements (with consequent reversal of the advance payment or payment on account received).

Where numerous payments or receipts in advance are made, a settlement date should be identified for each. IFRIC 22 is applicable from January 1, 2018. The Directors do not expect this interpretation to have a significant impact on the Financial Statements.

- On December 8, 2016, the IASB published “**Transfers of Investment Property (Amendments to IAS 40)**” which contains amendments to IAS 40. These amendments clarify the transfers of a building to, or from, investment property. In particular, an entity shall reclassify a building to, or from, investment property only when there is a clear indication of a change in the use of the building. This change must be attributable to a specific event and shall not therefore be limited to only a change in intention by management of the entity. These amendments are applicable from January 1, 2018. The Directors do not expect these amendments to have a significant impact on the Financial Statements.
- On June 7, 2017, the IASB published the interpretative document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document deals with uncertainties on the tax treatment to be adopted for income taxes.

It establishes that uncertainties in the calculation of tax liabilities or assets are reflected in the Financial Statements only where it is probable that the entity will pay or recover the amount in question. In addition, the document does not contain any new disclosure obligations, but underlines that an entity should establish whether it will be necessary to provide information on considerations made by management and the relative uncertainty concerning the accounting of income taxes, in accordance with IAS 1.

The new interpretation applies from January 1, 2019, although early application is permitted. The Directors do not expect this interpretation to have a significant impact on the Financial Statements.

- On October 12, 2017, the IASB published the document “**Prepayment Features with Negative Compensation (Amendments to IFRS 9)**”. This document specifies that a debt instrument which provides for an early repayment option may comply with the characteristics of the contractual cash flows (“SPPI” test) and, consequently, may be measured through the amortised cost method or fair value through other comprehensive income also in the case where the “reasonable additional compensation” to be paid in the event of advance repayment is a “negative compensation” for the lender. The amendment applies from January 1, 2019, although early application is permitted. The Directors do not expect these amendments to have a significant impact on the Financial Statements.
- On October 12, 2017, the IASB published the document “**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**”. This document clarifies the need to apply IFRS 9, including the impairment requirements, to other long-term interests in associ-

ates and joint ventures for which the equity method is not applied. The amendment applies from January 1, 2019, although early application is permitted. The Directors do not expect these amendments to have a significant impact on the Financial Statements.

- On December 12, 2017 the IASB published the document “**Annual Improvements to IFRSs 2015-2017 Cycle**” which reflects the amendments to some standards within the annual improvements process. The principal changes relate to:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: the amendment clarifies that when an entity obtains control of a business which represents a joint operation, it must remeasure its previous holding in the business. This process however is not required in relation to obtaining joint control.
- IAS 12 *Income Taxes*: the amendment clarifies that all the tax effects related to dividends (including the payments on financial instruments classified within equity) must be recognised in line with the transaction which generated these profits (profit or loss, OCI or net equity).
- IAS 23 *Borrowing costs*: the amendment clarifies that in the case of loans which remain in place even after the qualifying asset is ready for use or for sale, these become part of the overall financing utilised to calculate the borrowing costs.

The amendments are applicable from January 1, 2019, although advance application is permitted. The Directors do not expect these amendments to have a significant impact on the Financial Statements. The Directors are currently assessing the possible effects from the introduction of these amendments on the Financial Statements.

- 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**. The document was published in order to resolve the current conflict between IAS 28 and IFRS 10.

According to IAS 28, the profit or loss from the sale or conferment of a non-monetary asset to a joint venture or associate in exchange for a share of the capital of this latter is limited to the share held in the joint venture or associate by external investors to the transaction. On the other hand, IFRS 10 provides for the recognition of the entire profit or loss in the case of loss of control of a subsidiary, also if the entity continues to hold a non-controlling holding, including also upon the sale or conferment of a subsidiary to a joint venture or associate. The amendments introduced establish that for the disposal/conferment of an asset or of a subsidiary to a joint venture or associated company, the amount of profit or loss to be recognized to the Financial Statements of the disposing company/confering company depends on whether the asset or the subsidiary disposed of/conferred constitutes a business, in the definition established by IFRS 3. In the case in which the assets or the subsidiary disposed of/conferred represents a business, the entity should recognize the profit or the loss on the entire share previously held; while, in the contrary case, the share of the profit or loss concerning the stake still held by the entity should be eliminated. Currently, the IASB has suspended the application of this amendment. The Directors do not expect these amendments to have a significant impact on the Financial Statements.

Accounting policies

The accounting policies adopted in the preparation of the Company Financial Statements at December 31, 2017 comply with IAS/IFRS international accounting standards approved by the European Union. These are the same in substance, except for that reported in the employee benefits paragraph, in terms of valuations and continuity as those used for the preparation of the 2016 Annual Accounts.

The data relating to the year ended December 31, 2017 was determined reliably, in accordance with the principle of substance over form and prudence.

No revaluations have been made.

Specifically, the accounting policies adopted for the preparation of the Financial Statements at December 31, 2017 are as follows:

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment recorded in accordance with IAS 16 are initially measured at cost, including all directly allocated costs necessary for bringing the asset to the condition for which it was acquired. Improvements made to the conditions of the asset compared to the original conditions increases the stated book value of the asset.

After initial recognition, tangible assets are recorded at cost, less accumulated depreciation and any loss in value.

Depreciation is recorded when the asset is available for use.

The depreciation is calculated on a straight-line basis over the estimated useful life of the asset, established based on the business utilization plans and taking into account the residual value of the asset. Leasehold improvements are depreciated over the lower period between the estimated useful life of the asset and the duration of the contract.

At the moment of the sale, or when there are no expected future economic benefits from the use of an asset, this is eliminated from the Financial Statements and any loss or gain (calculated as the difference between the disposal value and the book value) is recorded in the Income Statement in the year of the above mentioned elimination. The residual value of the asset, useful life and the methods applied are reviewed on an annual basis and adjusted prospectively if necessary at the end of each year.

INTANGIBLE FIXED ASSETS

Intangible assets recorded in accordance with IAS 38 are initially measured at historical cost, including all the directly attributable charges relating to the intangible asset. The expenses incurred for these assets subsequent to acquisition or completion are expensed in the year, unless they may not be measured reliably and are not capable of contributing future economic benefits.

After initial recognition, intangible assets are recorded at cost, less accumulated amortization and any loss in value.

The amortization is measured on a straight-line basis, from the moment in which the asset is available for use, over the useful life of the lower period between the contractual duration and the expected utilization of the assets.

Software licenses are amortized on a straight-line basis over three or five years based on their expected useful life.

The brands and concessions, licenses and similar are amortized respectively over ten and fifteen years, or based on the contractual duration.

The costs of other intangible assets are only recorded under assets when they may be utilized in the medium-term period. The above-stated costs are amortized based on their useful lives, where defined, or otherwise based on their contractual term, if lesser.

The investment in submarine transmission capacity is recorded under intangible assets and amortised on a straight-line basis over its useful life.

INVESTMENTS IN SUBSIDIARIES

These are measured using the cost method, on the basis of which the investor recognizes income from the investment only to the extent of dividends from retained earnings of the investment and generated subsequently to the acquisition date.

INVESTMENTS IN JOINTLY-CONTROLLED COMPANIES

Investments in jointly-controlled companies are measured using the equity method.

IMPAIRMENTS

The value of intangible assets and property, plant and equipment and investments in subsidiaries and associates are subject to an impairment test whenever indicators of a loss in value are present. The impairment test is undertaken through a comparison between the book value and the recoverable value, which is the higher between the fair value of an asset less selling costs and its value in use.

The recoverable value is determined by individual asset, except when this asset does not generate cash flows which are sufficiently independent from the cash flows of other assets or groups of assets; in this case, the value is determined based on the smallest cash generating unit which independently generates cash flows deriving from use.

If the carrying amount of an asset is higher than its recoverable value, this asset has incurred a loss in value and is consequently written down to the recoverable value. In the determination of the value in use, Retelit discounts the present value of the estimated future cash flows, at a pre-tax rate that reflects the market assessment of the time value of money and

the risks specific to the asset. The losses in value incurred by operating assets are recorded in the Income Statement in the category of costs relating to those assets.

At each reporting date, the Company in addition evaluates the losses previously recorded and estimates the new recoverable value. The value of an asset previously written down may be restated only if there have been changes in the estimates used to determine the recoverable value of the asset after the last recording of a loss in value. In this case, the carrying amount of the asset is recorded at the recoverable value, while the restated value must not exceed the carrying amount which would have been determined, after amortization or depreciation, if no loss in value had been recognized in previous years. A restated amount is recorded as income in the Income Statement. After the recording of the amount restated, the depreciation of the asset is adjusted in future years, in order to record the adjusted book value, net of any residual value, over the useful life of the asset.

FINANCIAL ASSETS

The financial assets are initially recognized at cost – increased for any purchase accessory charges – that represents the fair value of the amount paid. After the initial recording, the financial assets are measured in relation to their use.

RECEIVABLES AND PAYABLES

Receivables are initially recognized at nominal value, corresponding to the fair value and subsequently measured at amortized cost (in relation to financial receivables) and written down in the case of impairment. The payables are valued at amortized cost.

Receivables and payables due beyond one year, non-interest bearing or which mature interest below lower market rates are discounted using market rates.

DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments are used principally for hedging purposes, in order to reduce the foreign currency and interest rate risk. In line with IAS 39, derivative financial instruments for the hedging of payments in US Dollars for involvement in the AAE-1 project consortium are recognised according to hedge accounting policies.

These derivative instruments are classified as cash flow hedges, therefore the effective portion of profits or losses (intrinsic value) on the derivative financial instrument is suspended in the comprehensive Income Statement, except for the portion concerning the hedged operation, which is recognized to tangible assets in progress. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss recognized to the comprehensive Income Statement is immediately transferred to the Income Statement in the account Financial Income/Charges.

If hedge accounting cannot be applied, gains or losses deriving from the fair value of the financial derivative instrument are recognized in the Income Statement to the Financial Income/Charges account.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents include cash values, deposits on demand and short-term liquidity, this latter with original maturity less than three months, and are recorded at nominal value.

LOANS

Loans are recognized at initial cost, corresponding to the fair value of the amount received, less the accessory charges for acquiring the loan.

After initial recording, the loans are valued under the amortized cost criteria, utilizing the effective interest rate method.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges relate to costs and expenses of a defined nature and of certain or probable existence whose amount or date of occurrence are uncertain at the balance sheet date. The provisions are recorded when a legal or implicit current obligation exists that derives from a past event and a payment of resources is probable to satisfy the obligation and the amount of this payment can be reliably estimated.

Provisions are recorded at the value representing the best estimate of the amount that the Company would pay to discharge the obligation or to transfer it to a third party at the balance sheet date. If the effect of discounting is significant, the provisions are determined discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money. Where discounting is applied, the increase in the provision due to the passage of time is recognized as an interest expense.

EMPLOYEE BENEFITS

Employee benefits paid post-employment (Post-Employment Benefits of a "defined benefit" type) and the other long-term benefits ("other long-term benefits") are subject to actuarial valuations. The liability recognized in the Financial Statements is representative of the present value of the obligations of the Company, less any assets serving the Plans.

In order to make a reasonable estimate of the amounts of the benefits that each employee has already matured against their period of employment, this amount is discounted utilising a method based on various demographic and financial assumptions.

The Company utilized the option permitted by IAS 19 (par. 93 A-D) for the recognition of actuarial gains/losses under Shareholders' Equity.

The integrated indemnities at the end of employment are recorded as liabilities and costs when the Company is obliged to interrupt the employment of an employee or a group of employees before the normal retirement age, or is obliged to pay compensation at the end of employment following a proposal for the payment of voluntary leaving incentives.

MEASUREMENT OF REVENUES AND COSTS

Revenues from services and sales and purchase, production and selling costs and in general other income and charges are recognized in accordance with the accruals principle.

Revenues are measured at the present value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Sale of assets

Revenues are recognized when the Group has transferred the significant risks and benefits connected to the ownership of the asset and no longer exercises the normal level of continual activity associated with ownership as well as the effective control on the asset sold.

Provision of services

Revenues for transmission capacity rental are recognized based on specific contractual agreements and, in any case, after explicit acceptance by the Client.

Contributions for installation and activation are considered revenues in the period in which the service is activated, as related to the costs incurred.

Revenues from services are recognized on the basis of services provided and as per the relevant contracts.

Where payment extensions are provided to clients without interest, the amount to be received is discounted. The difference between the present value and the

amount received constitutes financial income recorded on an accruals basis.

INTEREST

This is recorded on an accruals basis, using the effective interest method. The financial charges directly concerning the AAE-1 project were capitalized as an increase in the value of the project until its entry into operation.

INCOME TAXES (CURRENT AND DEFERRED)

Current and deferred income taxes – calculated in accordance with IAS 12 – are determined based on a realistic estimate of the fiscal charge with reference to the legislation currently in force.

Deferred taxes principally derive from temporary differences between the accounting value of the assets and liabilities and the corresponding amounts for tax purposes and utilizable fiscal losses. The deferred tax assets are recognized only for those amounts for which it is probable there will be future assessable income to recover the amounts.

In particular, the amount of deferred tax assets refers to part of the tax losses and temporary differences, whose recognition in the Financial Statements is principally attributable to the forecast contained in the 2018-2022 Plan approved by the Board of Directors of Retelit on February 2, 2018.

From the year considered and for a three-year period, the Company has joined the Retelit Group national tax consolidation in accordance with Article 117/129 of the Income Tax Law (T.U.I.R.).

The parent company acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

Each company involved in the tax consolidation transfers to the consolidating company its assessable income (assessable income or tax loss); the consolidating company recognizes a receivable equal to the IRES to be paid (the consolidated company recognizes a payable to the consolidating company). On the other hand, against companies contributing tax losses, the consolidating company recognizes an IRES payable for the portion of the loss effectively offset at group level (the consolidated company recognizes a receivable from the consolidating company).

TRANSLATION OF ACCOUNTS IN FOREIGN CURRENCIES

The presentation currency of the Financial Statements is the Euro, which is also the functional currency. The transactions in currencies other than the Euro are recognized initially at the exchange rate at the date of the transaction. The monetary assets and liabilities in foreign currencies other than the Euro are translated to the functional currency at the exchange rate at the balance sheet date. All exchange differences are recognized in the Income

Statement. The non-monetary accounts valued at historical cost in currencies other than the Euro are translated using the exchange rate at the date of the initial recording of the transaction. The non-monetary accounts recorded at fair value in currencies other than the Euro are translated using the exchange rate at the date the value was determined.

USE OF ESTIMATES

The preparation of the Financial Statements and the relative notes in application of IFRS require that management makes discretionary valuations and accounting estimates on the values of the assets and liabilities in the Financial Statements and on the disclosures in the notes to the Financial Statements. The actual results could differ from those estimated. Estimates are utilized to record provisions for credit risks, depreciation and amortization, asset write-downs, employee benefits, taxes, deferred taxes and provisions for risks and charges. The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognized in the statement of profit and loss.

Discretionary valuations

The preparation of the Group Financial Statements requires the Directors to undertake discretionary valuations, estimates and assumptions, which impact upon the amount of revenue, costs, assets and liabilities, as well as potential liabilities at the reporting date.

Uncertainty in the estimates

The impairment test on fixed assets was executed on the basis of the Industrial Plan, substantially confirmed for the years 2018-2021 and with extension to 2022, approved by the Board of Directors, as outlined in the "Subsequent events" paragraph.

The Plan is based on a number of future events and actions which will be undertaken by the Directors, which include, among other matters, assumptions relating to future events and actions of the Directors which may not necessarily occur, and events and actions which the Directors and management may not influence or may only in part influence, concerning the performance of the key financial indicators or other contributing factors. Consequently, the variance between actual and

forecast figures may even be significant. The Group has recorded a risk provision against restoration obligations on the release of technological sites. Estimates and assumptions were made in calculating the expected average cost for the removal of the plant installed to determine the provision. These estimates, although based on reasonable assumptions, may incur future changes based on market performance.

The Group, in calculating the depreciation of tangible fixed assets, defined the useful life on the basis of a physical and technological obsolescence estimate of the plant.

EARNINGS/(LOSS) PER SHARE

The earnings per share is calculated by dividing the result attributable to the Company's ordinary Shareholders by the weighted average number of ordinary shares outstanding during the year. The diluted result is calculated by dividing the net result attributable to the ordinary Shareholders of the parent company by the average weighted number of ordinary shares outstanding during the year, taking into account dilutive instruments in circulation.



Notes to the Balance Sheet

[1] PROPERTY, PLANT & EQUIPMENT

The changes in property, plant and equipment in the year are illustrated below:

(Euro thousands)	Other tangible assets	Assets in progress	Total
book value at 31.12.2015	357	22,988	23,344
increases	–	11,617	11,617
book value at 31.12.2016	357	34,605	34,961
accumulated depreciation at 31.12.2015	(147)	–	(147)
depreciation 2016	(36)	–	(37)
decreases	–	–	–
accumulated depreciation at 31.12.2016	(183)	–	(184)
net value at 31.12.2016	174	34,605	34,777
net value at 31.12.2015	212	22,988	23,198

(Euro thousands)	Other tangible assets	Assets in progress	Total
book value at 31.12.2016	357	34,605	34,961
increases	8	–	8
transfers	–	(34,605)	(34,605)
book value at 31.12.2017	365	(0)	365
accumulated depreciation at 31.12.2016	(183)	–	(183)
depreciation 2017	(33)	–	(33)
accumulated depreciation at 31.12.2017	(216)	–	(216)
net value at 31.12.2017	149	(0)	149
net value at 31.12.2016	174	34,605	34,777

Assets in progress refer to the investment in the AAE-1 consortium and were reclassified under intangible assets following the entry into use of the AAE-1 submarine cable during the year.

[2] INTANGIBLE ASSETS

The changes in intangible assets in the year are illustrated below:

(Euro thousands)	Concessions, licenses, trademarks and similar rights	Other intangible assets	Total
book value at 31.12.2015	638	279	917
increases	268	–	268
book value at 31.12.2016	906	279	1,185
accumulated amortization at 31.12.2015	(299)	(279)	(578)
amortization 2016	(110)	–	(110)
accumulated amortization at 31.12.2016	(409)	(279)	(688)
net value at 31.12.2016	496	(1)	495
net value at 31.12.2015	339	–	339

(Euro thousands)	Concessions, licenses, trademarks and similar rights	Other intangible assets	Submarine network infrastructure	Total
book value at 31.12.2016	906	279	–	1,185
increases	95	–	11,438	11,533
decreases	–	–	(20,635)	(20,635)
transfers	–	–	34,605	34,605
book value at 31.12.2017	1,001	279	25,409	26,688
accumulated amortization at 31.12.2016	(409)	(279)	–	(688)
amortization 2017	(139)	–	(965)	(1,104)
decreases	–	–	450	450
accumulated amortization at 31.12.2017	(548)	(279)	(516)	(1,342)
net value at 31.12.2017	453	–	24,893	25,346
net value at 31.12.2016	497	–	–	497

The submarine network infrastructure until the entry into use of the AAE-1 submarine cable was classified under intangible assets in progress.

The decrease in "Submarine Network Infrastructure" mainly refers to the commercial operation which resulted in the sale of more than 1 Terabit nominal capacity to a leading Asian player. The sale resulted in non-recurring income recognised under "Other revenues" in the comprehensive Income Statement, entirely paid at December 31, 2017.

For the investments in the AAE-1 project, the Board of Directors on March 13, 2018 carried out an impairment test to establish the recoverability, considering the projected operating cash flows over the entire useful life of the submarine cable (2018-2037). For this useful life, prudently no terminal value was calculated from the possibility of extending the operating period of the cable or undertaking its disposal. At the same time, no particular dismantling costs on conclusion of such operations are expected.

The cash flows are analytically estimated for the 2018-2037 period and consider:

- total cumulative investments of approx. Euro 33 million;
- estimated revenues from 2018 from sale of residual available capacity on the basis of a particularly comprehensive estimate procedure which included the estimate of Europe/Asia traffic flows, carried out by a leading sector consultancy firm;
- sector figures for the 2018-2037 period and assumptions upon Retelit's market share, the entry into use of competitor cables, price dynamics and expected sales methods, with the support of a European consultancy firm specialized in the design and construction of submarine cables;
- cable maintenance and operating costs, including the management of the landing station, estimated total cumulative costs of Euro 60 million;
- management and maintenance costs of the national backhaul with total cumulative costs of Euro 26 million, to support the increased data traffic ex-

pected on the Bari-Bologna-Milan, Bari-Naples-Rome and Milan routes to the main European PoP's, including Frankfurt, London, Amsterdam and Paris, thanks to the partnership with BICS.

The discounting of cash flows was made assuming a WACC in two stages after taxes of 9.1% for the AAE-1 cable cash flows until 2024, incorporating an additional premium for the higher risk than the national network infrastructure of 1.5% and 10.0% from 2025 to 2037, incorporating an additional premium of 2.5%. As the Plan was elaborated in USD, in accordance with the provisions of IAS 36 the impairment test was undertaken in USD. Therefore, the WACC was determined taking into account expected inflation in the USA (IMF forecast). The test produced a value in use in the base scenario which exceeded the relative comparable carrying amounts. Sensitivity scenarios were developed according to the following assumptions:

a) reduction in the wet sales capacity in IRU;

b) annual reduction of sales prices of the wet capacity of 15% up to 30% compared to the price considered in the base scenario;

c) absence of additional investments;

d) cash flows until 2032 according to the base case, and negative cash flows from the elimination of core revenues for the remaining final years until 2037.

In all sensitivity scenarios, the test produced a recoverable value which exceeded the carrying amount. With all other assumptions unchanged and in particular maintaining the execution risk at 1.5% until 2024 and thereafter at 2.5%, no scenario would result in a potential impairment.

Vice versa, the simultaneous combination of the four sensitivity scenarios examined could generate a theoretical impairment. However, due to the excessive number of unfavorable variables which may occur, they are in probability terms less significant and distant from the assumptions drawn up. However, the Directors consider the forecast data in the base scenario as valid and reachable as considered more realistic in consideration of the various solidity factors included in the plan and from the analysis carried out in close collaboration with a leading US consultancy firm, highly specialised in the design, implementation and preparation of business plans for submarine cable systems, with valuations based on the Company's current commercial initiatives and negotiations.

Considering the complexity and the high sensitivity of the value to changes in assumptions it is not excluded that in future years impairments may emerge where the results differ significantly from forecasts.



[3] INVESTMENTS VALUED UNDER THE EQUITY METHOD

Investments and their movements are outlined in the following table:

COMPOSITION	Historic cost	Impairment provision	Net value at 31.12.2016	Increases	Decreases	Net value at 31.12.2017	Net Equity at 31.12.2017
Investments							
e-via S.p.A. (100%)	149,534	(6,916)	142,618	6,916	0	149,534	145,953
Total investments	149,534	(6,916)	142,618	6,916	0	149,534	145,953

COMPOSITION			Net value at 31.12.2016	Increases	Decreases	Net value at 31.12.2017	Net Equity at 31.12.2017
Investments valued at equity							
Open Hub Med Società Consortile a Responsabilità Limitata (9.52%)			0	125	-25	100	1,080
Total investments valued at equity			0	125	-25	100	1,080

For the investments measured at cost, as indicated in the previous table, the value of the investment recognized to the Financial Statements at December 31, 2017 exceeds the net equity of the subsidiary and is justified by the earnings prospects of the investee.

The impairment test, carried out according to the 2018-2021 Group Industrial Plan extended to 2022, and approved by the Board of Directors on March 13, 2017 and outlined in note 1 (Property, plant and equipment) of the Notes to the balance sheet of the consolidated report did not indicate the need for a write-down of the subsidiary.

The estimate of the value in use of the Company e-via S.p.A. firstly required a fu-

ture free cash flow from operations (FCFO) estimate, net of the tax effect, based on an indefinite life and defining maintenance investments as including the terminal cash flows. These investments were estimated taking into account on the one hand those relating to Final Drop actions necessary to support the order intake forecast at the end of the plan and, on the other, the need for technological innovation and capacity expansion (including passive IRU's to maturity) which the current infrastructure will require over the long-term.

Discounting, on the basis of a post-tax WACC of 7.1%, these future FCFO's and supplementing them with the net financial position and the value of deferred tax assets (for prior year losses) recognised to

the Financial Statements, a value in use of e-via S.p.A. of greater than the carrying amount of the investment from the separate Financial Statements of Retelit S.p.A. at December 31, 2017 emerges, therefore not indicating any impairment. The sensitivity analysis on the value in use of e-via S.p.A. was conducted considering two differing scenarios, obtained through altering, compared to the plan data, sales revenues and operating costs: the former were reduced 5%, while the latter were increased 5%.

The Directors consider the forecast data of the base scenario as valid and achievable, which did not result in any write-down as considered the most realistic, supported by a number of solidity elements. On completion of the impairment test illustrated above and in consideration of the continual strong results reported by e-via S.p.A. in recent years (in particular from 2015-2017), with consequent distributions of dividends and the elimination of the reasons which resulted in the write-down of the investment in 2009, the value of the investment was restated at

its historical cost pre write-down by Euro 6,916 thousand, recognising revenue in the Income Statement due to the release of the provision considered excessive. Therefore the carrying amount of the investment of e-via S.p.A. in the separate Financial Statements of Retelit S.p.A. at December 31, 2017 now amounts to Euro 149,534 thousand.

The investments measured at equity comprise the 9.52% holding in the share capital of Open Hub Med (OHM), a consortium company with limited liability. Open Hub Med, the main destination for submarine cables in the Mediterranean, is the first neutral and open hub in Italy for transmission of data messages. The investment is part of the strategy to maximize the industrial and commercial potential of the AAE-1 submarine cable system, perfectly complementing it. Retelit in fact, in addition to the AAE-1 submarine landing point in Bari, utilizes an additional hub for data exchange in Southern Italy – directing Internet traffic, through OHM hub submarine cables, to Milan and the major European hubs using its fiber optic backbone.

[4] FINANCIAL ASSETS

The breakdown of the financial assets is shown below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
other non-current financial receivables	0	0	0
non-current financial assets	0	0	0
other current financial receivables	0	561	(561)
current financial assets	0	561	(561)
Total financial assets	0	561	(561)

Other current financial receivables at December 31, 2016 amount to Euro 561 thousand and refer to the fair value measurement of the forward currency instruments totaling USD 35,660 thousand

in December 2014 and with a residual amount at December 31, 2016 of USD 4,060 thousand. The derivatives had completely expired in 2017.

[5] TAX RECEIVABLES, VAT RECEIVABLES AND DIRECT TAXES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
VAT receivables	0	736	(736)
IRES receivables	58	50	8
other tax receivables	14	15	(0)
tax, VAT and direct tax receivables within 12 months	72	801	(728)

[6] OTHER NON-CURRENT ASSETS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
deposits	1	2	(1)
Total	1	2	(1)

[7] TRADE RECEIVABLES, OTHER RECEIVABLES AND OTHER CURRENT ASSETS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
trade receivables	6,506	572	5,935
parent company receivables	3,326	0	3,326
other receivables	(12)	(8)	(4)
other current assets	39	49	(10)
Total	9,859	613	9,246

Trade receivables amount to Euro 6,506 thousand and increased on the previous year mainly due to the sales of AAE-1 capacity in the final part of the year and therefore not yet collected and for invoices to be issued for Euro 2,085 thousand

to the AAE-1 consortium, relating to the reimbursement by the consortium of construction costs for the cable landing station and a cable section which connects to the submarine section.

[8] CASH AND CASH EQUIVALENTS

The balance represents amounts held in bank current accounts, short-term liquidity and cash on hand at the end of the year. The breakdown is as follows:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
bank and postal deposits	23,396	5,632	17,764
cash-in-hand and cash equivalents	2	3	(0)
Total	23,398	5,635	17,764

Cash and cash equivalents comprise Euro 19,499 thousand of US Dollars translated at the year-end exchange rate.



[9] SHAREHOLDERS' EQUITY

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
share capital issued	144,209	144,209	0
Net Equity reserves and Net Result	5,847	(3,630)	9,477
Total	150,055	140,578	9,477

The share capital amounts to Euro 144,209 thousand and comprises 164,264,946 shares without nominal value. The share capital of the Company consists entirely of ordinary shares. No treasury shares were held at the reporting date. There are no outstanding stock option plans.

The reserves are not distributable until the constitution of the legal reserve to 20% of the share capital, as established by Article 2430 of the Civil Code.

The Shareholders' AGM of April 27, 2017 approved the coverage of the 2016 losses of Euro 37,237 thousand through full use of existing reserves and therefore use of the share premium reserve, amounting to Euro 30,864 thousand, in addition to the rights option reserve, for the share capital increase of July 31, 2008, not exercised and sold on the market, of Euro 2,621 thousand.

The table below indicates the utilization and distribution limits of the reserves:

COMPOSITION	Amount	Possibility of utilisation	Available portion	Summary of utilisations made in three previous years	
				to cover losses	for other reasons
share capital	144,209				
share premium reserve	0	A, B, C			
other reserves	0	A, B, C			
Total	144,209				

Key:
 A: for share capital increase
 B: to cover losses
 C: for distribution to Shareholders (until reaching of regulatory limits for the legal reserve)

[10] POST-EMPLOYMENT BENEFITS AND EMPLOYEE PROVISIONS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
Post-Employment Benefits	590	342	248
Total	590	342	248

The Post-Employment Benefits are employee benefits received after the termination of employment.

The Post-Employment Benefits provision of Euro 590 thousand represents the

present value of the Company's obligation, valued according to actuarial techniques.

The following assumptions were utilized in the actuarial measurement:

number of beneficiaries	31
annual increase in salaries white-collar and managers	1.00%
annual increase in salaries executives	2.50%
annual increase in Post-Employment Benefits	2.625%
annual discount rate	1.61%
inflation rate	1.50%
mortality	RG48
disability	INPS table
pensionable age	100% on satisfying AGO requirements

The assumptions utilized are the same as for the previous year. The discount rate was based on the IBoxx Eurozone Corporate A with duration of greater than 10 years index. The technical analysis undertaken considers acceptable the utilisation of a basket which, in accordance with the provisions of IAS 19, corresponds to the simple average yield, at the actuarial measurement date, of bonds with an

issuer rating equal to at least A. Where the discounting of a basket of securities of double A were utilised the value of the Post-Employment Benefit liability at December 31, 2017 would amount to Euro 609 thousand.

The change in the Post-Employment Benefit provision, calculated utilizing adequate parameters, is represented below:

Statement of changes in Post-Employment Benefits 2017

opening liability recognised to Balance Sheet	342
costs relating to current employee services	22
actuarial (gain)/losses	9
financial charges	7
benefits issued in the year	209
closing liability recognised to Balance Sheet	590

In accordance with IAS 19 a sensitivity analysis relating to the post-employment benefit was undertaken on the most significant actuarial assumptions, in order to show the extent of changes in the liabilities in the Financial Statements based on reasonable fluctuations in each of these actuarial assumptions. In particular the following table shows the changes in the post-employment benefit in the case of an increase or decrease in the discount rate or inflation rate of 0.25 basis points as well as an increase in turnover of one percentage point.

Actuarial assumptions	Post-Employment Benefits
Turnover rate +1%	586
Turnover rate -1%	594
Inflation rate +0.25%	601
Inflation rate -0.25%	579
Discount rate +0.25%	575
Discount rate -0.25%	606

[11] PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are broken down as follows:

COMPOSITION	31.12.2016	Increases	Utilisations	31.12.2017
other provisions	441	128	(75)	494
Total	441	128	(75)	494

The increase in the provisions for risks of Euro 128 thousand refers to the provision for termination indemnity of the Chief Executive Officer.

The utilisation of the other provisions is

mainly due to the release of excess provisions made in previous years against the increase in activities for contracts with telecommunication operators, currently in the completion phase.

[12] TRADE PAYABLES, OTHER PAYABLES AND OTHER FINANCIAL LIABILITIES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
payments on account	7,610	2,331	5,279
trade payables	118	99	19
payables to social security institutions	163	119	43
other payables	574	496	78
other current liabilities	319	9	310
payables to subsidiaries	2,238	187	0
trade payables, other payables and other current liabilities – within 12 months	11,022	3,242	7,780

Trade payables concern:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
payables to domestic suppliers	5,716	2,254	3,462
payables to EU suppliers	25	26	(1)
payables to non-EU suppliers	1,869	51	1,818
Total	7,610	2,331	5,279

Trade payables total Euro 7,610 thousand and increased on the previous year Euro 5,279 thousand of which Euro 3,642 thousand for invoices to be received from the AAE-1 consortium against the construction costs of the cable landing sta-

tion and a cable section which will connect to the submarine section.

Other payables of Euro 574 thousand principally concern payables to employees for vacation days due and variable remuneration.

[13] FINANCIAL LIABILITIES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
financial liabilities vs Group Companies	41,204	40,401	803
financial liabilities			
Total	41,204	40,401	803

Financial liabilities concern:

- for Euro 11,204 thousand the loan granted by the subsidiary e-via S.p.A. With regards to this loan, in order to optimise the Group liquidity management through the centralization of financial resources at the parent company, e-via S.p.A. made available to Retelit S.p.A. funding exceeding its normal operating requirements. Maturity of the agreement was established as December 31, 2020. On the funding made available, an interest rate based on the average amount of funding in the quarter is applied, as follows:

- 1.1% annually for funding up to Euro 5 million;
- 1.2% annually for funding between Euro 5 and 10 million;
- 1.3% annually for funding greater than Euro 10 million.
- for Euro 30,000 thousand a second loan undertaken by the subsidiary e-via S.p.A. Considering that on March 24, 2016 a loan was agreed between a banking syndicate and e-via S.p.A. for a maximum total amount of Euro 30 million in order to meet the financial commitments for the construction of the AAE-1 submarine cable and the national and international backhaul,

the subsidiary made available to the parent the funding necessary, on a case by case basis, received under the above loan contract. On the funding made available to Retelit, an interest rate is applied, initially based on the Annual Rate under the Loan Contract at the subscription date, which takes account of the overall financial charge (interest, commissions, expenses and other charges and related taxes, etc.) and specifically:

- 3.92% annually for line A of the syndicate loan;
- 4.13% annually for line B of the syndicate loan.

In addition to a mark-up of between 1.1% and 1.3%.

Retelit is obliged to repay e-via the amounts made available based on the present agreement to ensure timely repayment, pursuant to the Loan Contract, of the sums financed by e-via to the lending banks, or by 2021.

[14] TAX PAYABLES, VAT PAYABLES AND CURRENT DIRECT TAXES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
VAT paybles	660	–	660
Total	660	0	660

The Group utilizes a Group VAT consolidation which permits the parent company to offset debit and credit balances from periodic settlements, in addition to the final balance, of the subsidiary company.

[15] DEFERRED REVENUES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
deferred IRU revenues – non-current	4,123	500	3,623
deferred IRU revenues – current	311	–	311
Total	4,434	500	3,934

The increase in deferred revenues is due to the sale of IRU capacity on the AAE-1 cable during the year.

Notes to the Comprehensive Income Statement

[16] REVENUES

The revenues account comprises the following components:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
telecommunication services	87	(0)	(0)
usage right concessions	1,551	0	0
other products and services	0	108	(108)
Total revenues	1,638	108	1,530

The revenues for usage right concessions refers to the sale of IRU capacity on the AAE-1 submarine cable system.

During the year Retelit S.p.A. conferred to the subsidiary e-via S.p.A. a mandate without representation in relation to the

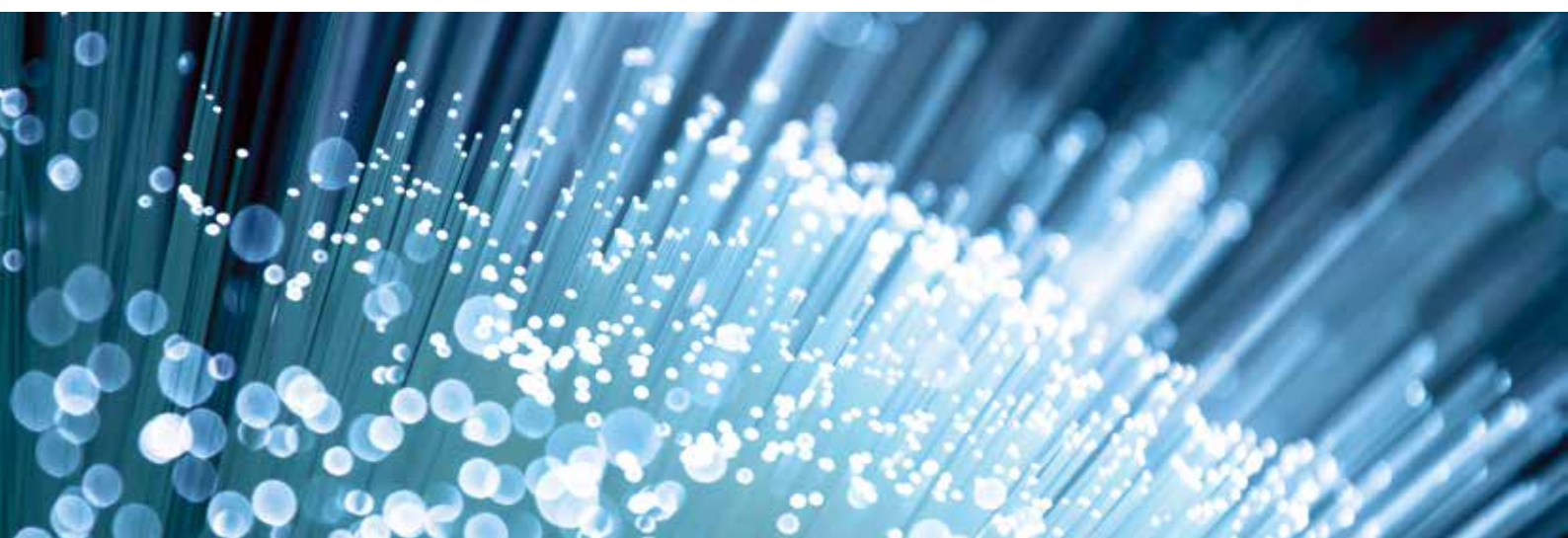
management and distribution activities of the AAE-1 cable based on which e-via S.p.A. may act in the name of and on behalf of Retelit S.p.A. Against the execution of the mandate e-via S.p.A. will receive remuneration of 2% of the commercialisation contract value.

[17] OTHER INCOME

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
cable ducts and fiber sales	1,709	–	1,709
other	144	287	(143)
inter-company revenues	2,848	1,883	964
Total	4,701	2,170	2,531

The account cable ducts and fiber sales totaling Euro 1,709 thousand also includes non-recurring income from the sale of infrastructure and capacity on the AAE-1 submarine cable. Inter-company revenues entirely concern

the subsidiary e-via S.p.A. and are principally related to the recharge of overhead costs, administrative costs and for the rental of the registered office on the basis of the existing agreements.



[18] PURCHASE OF RAW MATERIALS AND SERVICES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
third party service costs	4,387	3,025	1,362
Total	4,387	3,025	1,362

Service costs are illustrated below:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
misc. consulting and outsourcing	1,333	770	563
directors and statutory auditors fees	1,239	1,239	(0)
institutional relations and marketing	577	486	91
insurance	89	78	11
lunch vouchers	45	34	11
maintenance costs	655	34	621
cleaning and office surveillance	25	28	(2)
electricity, water and gas	7	7	(0)
other service costs	417	349	68
Total	4,387	3,025	1,362

Directors and statutory auditor emoluments of Euro 1,239 thousand include the variable portion of Director remuneration, in addition to Supervisory Board and Internal Audit costs.

Consultancy costs of Euro 1,333 thousand refer for Euro 295 thousand to legal consultancy, for Euro 66 thousand

to audit costs, for Euro 585 thousand to strategic consultancy, for Euro 48 thousand to financial consultancy and for the remainder to other consultancy.

Institutional relations and representation costs include expenses incurred in fulfilment of regulations governing investor relations and marketing expenses.

[19] PERSONNEL COSTS

Personnel costs include:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
wages and salaries	2,010	1,426	584
social security charges	696	549	147
Post-Employment Benefits	26	43	(17)
Total	2,732	2,018	714

The account includes all costs for personnel including raises, promotions, vacation days matured and not taken, provisions in accordance with law, collective contractual agreements and leaving incentives.

The increase in personnel costs is mainly attributable to the transfer of personnel from the subsidiary e-via S.p.A. for Group organisational purposes.

[20] OTHER OPERATING COSTS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
property rental	234	232	2
hardware, software and EDP hire	30	23	7
vehicle hire	90	92	(2)
taxes and duties	3	3	0
prior year charges	23	62	(40)
other	13	14	(1)
Total	392	427	(35)

Building rental relates to costs incurred for the rental of the Company's headquarters.

[21] PROVISIONS AND WRITE-DOWNS

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
provisions for risks	128	115	13
Total	128	115	13

The provisions for risks of Euro 128 thousand refers to the provision for termination indemnity of the Chief Executive Officer.

[22] FINANCIAL INCOME

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
interest income on bank accounts	30	25	5
revaluation investments measured at cost	6,916	–	6,916
financial income from deriv. instruments	–	107	(107)
other financial income	6,535	–	6,535
Total	13,481	132	13,349

The revaluation of the investment measured at cost equal to Euro 6,916 thousand refers to the reversal of the write-down made in previous years on the carrying

amount of the investment in e-via S.p.A.; The dividends from subsidiaries, e-via S.p.A. amounts to Euro 6,535 thousand and were received during the year.

[23] FINANCIAL CHARGES

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
interest charges	1,068	729	339
other financial charges	315	9	306
Total	1,383	738	645

Interest charges on loans from Group companies relate to the loans with the subsidiary e-via.

[24] INCOME TAXES

There are no current taxes as the Company presents a negative assessable base. The reconciliation between the effective

and theoretical rate is summarized in the following table:

COMPOSITION	Balance at 31.12.2017	%
pre-tax profit as per fin. stats.	9,636	
theoretical tax rate 24%	2,313	24.0
non-deductibles costs (tax effect)	(2,786)	–28.9
Total	(474)	–4.9

It was not considered appropriate to recognize deferred tax assets on tax losses in the year.

The value of theoretical deferred tax assets on the tax losses is Euro 11,042 thousand.

Notes to the Cash Flow Statement**NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES**

Operating activities in 2017 generated Euro 17,763 thousand compared to cash generated in the previous year of Euro 10 thousand. Net cash flow generated from operating activities was negatively impacted for Euro 9,246 thousand from the increase in trade receivables and other current assets mainly due to sales in the final part of the year. Net cash flow from operating activities was positively impacted for Euro 14,000 thousand from the increase in payables (which increased on the previous year mainly due to the significant investments made in the final months of the year) and from the increase in deferred revenues (following the increase in invoicing for connections and long-term usage rights in the year).

CASH FLOW ABSORBED FROM INVESTING ACTIVITIES

Investing activities absorbed Euro 7,899 thousand. During the year cash was absorbed for Euro 11,479 thousand on the AAE-1 project. Investing activities includes income deriving from the sale of infrastructure amounting to Euro 21,894 thousand, of which Euro 20,185 thousand non-recurring for the sale of the AAE-1 cable.

The table below shows the reconciliation of the changes in the financial assets and liabilities whose cash flows are included within the cash flow statement.

COMPOSITION	Balance at 31.12.2016	Financial movements	Non- financial movements	Note	Balance at 31.12.2017	Changes
current financial assets	561	(585)	1,146	(1)	0	(561)
non-current financial liabilities	40,401	803			41,204	803
Total financial assets and liabilities	40,962	218	1,146		41,204	242

(1) currency hedge derivate and interest & charges non settled

Commitments and Risks

We list in detail the risks and commitments concerning the Company:

- a) commitment in favor of Banco di Brescia for Euro 2,011 thousand, in guarantee of credit lines granted to e-via;
- b) commitment in favor of Unicredit for Euro 16,000 thousand, in guarantee of credit lines granted to e-via;
- c) commitments for residual leasing charges on administrative and commercial offices for Euro 159 thousand.

Segment Information

The present Financial Statements do not contain specific segment disclosure as Retelit only operates in one sector of activity.

Financial Risks

The financial risks and operating strategies and policies followed are outlined below.

CREDIT RISK

The maximum amount of the counterparty risk corresponds to the book value of cash and cash equivalents, trade receivables and non-current financial assets. The credit risk is the exposure to potential losses deriving from non-compliance with obligations by trading partners. The Company only deals with well-known and trustworthy clients. According to Company policy, customers that request extensions of payment are subject to a credit rate check. Moreover, the collection of receivables is monitored during the year so that the exposure to losses is not substantial. At December 31, 2017, there were no significant concentrations of credit risk. All the positions are closely

monitored by management. In addition, the credit risk relating to cash held by banks is mitigated by the amounts being held in several credit institutions; these investments are characterized by a limited counterparty risk profile and their short-term nature.

CURRENCY RISK

The currency risk is the risk that the fair value or the future cash flows of a financial instrument are altered following changes in exchange rates. The exposure to changes in exchange rates principally refers to the US Dollar.

For the coverage of the currency risk for payments, the Company implements a hedging policy based on the expected net cash flows in the expected currencies. Hedging was undertaken through forward derivative instruments in December 2014 totaling USD 35,660 thousand and closed in the year, simultaneous to the conclusion of the financial commitments in US Dollars no longer significant.

In addition, the Company is exposed to currency movements relating to operating activities (where revenues or costs are denominated in a currency other than the functional currency). The exposure to this currency risk is low in consideration of the reduced operating activities in foreign currencies, with the exception of non-recurring transactions which could expose the Company to higher risks. The Company mitigates the currency risk exposure through converting into Euro receipts and payments in foreign currencies without delay. At December 31, 2017, the Company was exposed to the currency risk relating to liquidity held in US Dollars, totaling USD 23.4 million; this exposure was mitigated with the conversion of these amounts into Euro at the beginning of 2018.

LIQUIDITY RISK

The Company controls liquidity risk through a liquidity use planning instrument. This instrument considers the due date of the financial assets (trade receivables and other financial assets) and the expected cash flows from the operations. The objective is to maintain a balance between the maintenance of funding and flexibility through use of overdrafts and loans. The Company has a significant amount of liquidity utilizable on demand for operating purposes.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument are altered following changes in interest rates.

CATEGORIES OF ASSETS AND LIABILITIES AS PER IAS 39

Liquidity at banks falls within the loans and receivables category of IAS 39. In addition, the forward derivative financial instruments are classified to the derivative financial instruments category of IAS 39.

MANAGEMENT OF CAPITAL

The primary capital management objective of the Group is to guarantee a solid credit rating and adequate indicators in order to support activity and maximize the value for Shareholders.

The Company manages the capital structure and makes amendments based on changes in economic conditions.

To maintain or adjust the share capital structure, the Group can adjust the dividends paid to Shareholders, repay the share capital or issue new shares. There were no changes to these objectives, policies or procedures in 2016 and 2017.

The Company verifies its own capital through the debt/capital ratio, or through a ratio of the net debt to the total of capital plus the net debt.

RISK CONCENTRATIONS

The concentration of the risks derives from financial instruments which have similar risks and which are impacted in equal measure by changes in the variations in the general economic conditions. The Company does not have particular risk concentrations as they do not utilize these financial instruments.



Workforce

The headcount at December 31, 2017 by category was as follows:

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016	Changes
executives	5	5	0
managers	11	6	5
white-collar	15	12	3
Total	31	23	8

The average headcount in the year was:

executives: 5

managers: 11

white collar: 13

The telecommunications sector national

labor contract is applied.

The increase in personnel is mainly attributable to the transfer of personnel from the subsidiary e-via S.p.A. for Group organisational purposes.

Net Financial Position

COMPOSITION	Balance at 31.12.2017	Balance at 31.12.2016
A. Cash	23,398	5,635
D. Liquidity	23,398	5,635
E. Current financial receivables	0	561
H. Other current financial payables	0	0
I. Current debt	0	0
J. Net current financial debt I-E-D	(23,398)	(6,196)
M. Other non-current payables	41,204	40,401
N. Non-current debt	41,204	40,401
O. Net debt J+N	17,806	34,205

Disputes in Progress

TOSI-LEIDEMAN

Messrs. Mauro Tosi and Johan Anders Leideman advanced a case against Retelit requesting damages totaling Euro 1.1 million, against (i) dismissal without just cause from the position of directorship with Retelit held until December 5, 2014 (thereafter held *in prorogatio* until the appointment of the new Board of Directors on January 7, 2015) and (ii) the dissolution of the executive committee of Retelit of which they were members and their dismissal from the office of director of Retelit USA LLC, with both decisions based on the lapsing of *pactum fiduciae* between the Company and the plaintiffs. With Judgment No. 7396/2017 issued on June 1, 2017 and published on June 29, 2017, the Milan Court rejected all petitions presented by Messrs. Tosi and Leideman, fully accepting that put forward by

Retelit, both in fact and in law, and jointly ordering the counterparties to reimburse Retelit's expenses; the sentence became final as the complainants renounced their appeal against Retelit renouncing refusal of the legal expenses.

RESPONSIBILITY ACTION AGAINST FORMER DIRECTORS

On April 28, 2016, the Shareholders' AGM approved the social responsibility action, in accordance with Article 2393 of the Civil Code, against a number of former Directors in office between October 30, 2012 and January 7, 2015. The Board of Directors initiated the activities required for execution of the Shareholders' AGM motion and the relative introductory deed was prepared in the initial months of 2017. The opening hearing initially established for December 20, 2017 was deferred to January 23, 2018 and subsequently to September 11, 2018.

Related Party Transactions

The identification of related parties and transactions carried out with such parties is based on self-certification letters issued by Shareholders, Directors, Statutory Auditors or any parties considered subject to such rules.

The table below outlines Retelit's main Income Statement and balance sheet transactions with related parties. Transactions between Retelit and related parties were executed at market conditions and in the economic interest of the Company.

	Trade receivables, other receivables and other current assets [7]	Trade payables, other payables and other financial liabilities [12]	Financial liabilities [13]	Other revenues [17]
Company	(Euro/000)	(Euro/000)	(Euro/000)	(Euro/000)
e-via S.p.A.	3,326	2,238	41,204	2,848
Total	3,326	2,238	41,204	2,848
Book value	9,859	11,022	41,204	4,701
% of total	34	20	100	61

Significant Non-Recurring Events and Operations

As requested by Consob Communication No. DEM/6064293 of July 28, 2006, we report the non-recurring transactions in 2017 through which Retelit S.p.A. undertook commercial transactions for the sale of rights relating to the AAE-1 submarine cable with a leading Asian telecommunications player and a European telecommunications operator. The contract with the Asian telecommunications player re-

sulted in the sale for a period of 20 years of 1.1 Tbps AAE-1 submarine cable capacity in which the Company is owner in addition to the sub-concession of some ancillary rights deriving from the participation in the AAE-1 consortium.

This sale resulted in the full recognition of income for Euro 1,709 thousand in the account "Other revenues" in the Income Statement.

The table below summarises the impact of these non-recurring transactions on the total account values in the Financial Statements.

	Shareholders' Equity		Net Result		Net Financial Debt		Cash Flows (*)	
	absolute value	%	absolute value	%	absolute value	%	absolute value	%
Book values (A)	150,055	100	9,636	100	17,806	100	17,763	100
Effect operations	(1,709)	-1	(1,709)	-18	21,551	121	(21,551)	-121
Total (B)	(1,709)	-1	(1,709)	-18	21,551	121	(21,551)	-121
Gross notional book value (A+B)	148,346	99	7,927	82	39,357	221	(3,787)	-21

(*) cash flows refer to the increase/(decrease) in cash and cash equivalents

Directors' and Statutory Auditors' Fees

The remuneration paid to the Directors and the Board of Statutory Auditors for the year amounted respectively to Euro 1,050 thousand (net of social security charges) and Euro 75 thousand.

Independent Auditors' Fees

The fees paid to the independent audit firm Deloitte & Touche S.p.A. are presented below:

Type of service	Recipient	Fees (Euro/000)
Audit	Parent Company	66
		66

Outlook

Reference should be made to the Directors' Report.

Board of Directors Proposal

Shareholders are invited to approve the Financial Statements at December 31, 2017 which report a profit of Euro 9,635,527.13.

We propose the allocation of the net profit as follows:

- for Euro 3,666,030.68, to fully cover prior year losses;
- for Euro 481,776.36, to the legal reserve as per Article 2430 of the Civil Code;
- for Euro 2,202,421.17, to be carried forward;
- for Euro 3,285,298.92 to Shareholders as dividend.

Retelit S.p.A.
The Chief Executive Officer
Mr. Federico Protto



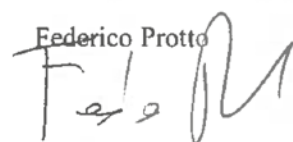
CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

Attestazione del bilancio d'esercizio ai sensi dell'art. 154-bis del D.LGS. 58/98

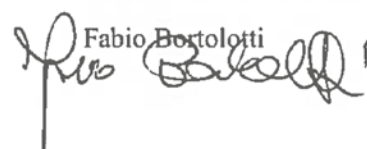
- I sottoscritti Federico Protto in qualità di Amministratore Delegato e Fabio Bortolotti, in qualità di Dirigente Preposto alla redazione dei documenti contabili societari di Retelit S.p.A., attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
 - l'adeguatezza in relazione alle caratteristiche dell'impresa e
 - l'effettiva applicazione,
 delle procedure amministrative e contabili per la formazione del bilancio d'esercizio nel corso dell'esercizio 2017.
- Si attesta, inoltre, che il bilancio d'esercizio al 31 dicembre 2017:
 - corrisponde alle risultanze dei libri e delle scritture contabili;
 - è redatto in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché alle disposizioni legislative e regolamentari di riferimento vigenti in Italia e, a quanto consta, è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente.
- La relazione sulla gestione comprende un'analisi attendibile dell'andamento e del risultato della gestione, nonché della situazione dell'emittente e dell'insieme delle imprese incluse nel consolidamento, unitamente alla descrizione dei principali rischi e incertezze cui sono esposti.

Milano, 15 marzo 2018

L'amministratore Delegato

Federico Protto


Il Dirigente Preposto alla redazione dei documenti contabili societari

Fabio Bortolotti


REPORT FROM THE INDEPENDENT AUDITING FIRM

Deloitte

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RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 14 DEL D.LGS. 27 GENNAIO 2010, N. 39 E DELL'ART. 10 DEL REGOLAMENTO (UE) N. 537/2014

**Agli Azionisti della
Retelit S.p.A.**

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO SEPARATO

Giudizio

Abbiamo svolto la revisione contabile del bilancio separato della Retelit S.p.A. (la Società), costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2017, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note esplicative al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio separato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio separato* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio separato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Valutazione del valore d'uso relativo al business AAE-1

Descrizione dell'aspetto chiave della revisione

Al 31 dicembre 2017 il valore attribuito al business AAE-1, rappresentato dall'investimento complessivo nel sistema cavo sottomarino, iscritto tra le immobilizzazioni immateriali del bilancio separato di Retelit ammonta rispettivamente ad Euro 24,8 milioni.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona
Sede Legale: Via Tortona, 25 - 20146 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1726239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esso correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informatica completa relativa alla struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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Nella nota [2], la Direzione di Retelit ha fornito l'informativa circa la recuperabilità del suddetto investimento, evidenziando le assunzioni alla base della stima dei principali flussi di ricavi e costi attesi lungo l'intera vita utile del cavo sottomarino AAE-1 (2018 – 2037) e la determinazione di un appropriato tasso di attualizzazione (WACC). Tali assunzioni sono influenzate da aspettative future e da condizioni di mercato, che potrebbero non realizzarsi, oppure realizzarsi in misura insufficiente a quanto necessario per recuperare integralmente il valore dell'investimento iscritto in bilancio.

Abbiamo considerato l'impairment test del Business AAE-1 un aspetto chiave della revisione data la complessità e l'elevata sensibilità del valore a variazioni delle assunzioni elaborate dalla Direzione e la significatività dell'ammontare dello stesso nel bilancio separato di Retelit.

La nota [2] riporta tra l'altro gli scenari di sensibilità che illustrano gli effetti derivanti da variazioni nelle variabili chiave utilizzate ai fini dell'impairment test.

Procedure di revisione svolte

Abbiamo preliminarmente esaminato le modalità usate dalla Direzione per la determinazione del valore d'uso del business AAE-1, analizzando i metodi e le assunzioni utilizzati dalla Direzione per lo sviluppo dell'impairment test.

Nell'ambito delle nostre verifiche abbiamo, tra l'altro, svolto le seguenti procedure:

- rilevazione e comprensione dei controlli rilevanti posti in essere dalla direzione della Società sul processo di predisposizione dell'impairment test e di approvazione dei relativi risultati;
- analisi della ragionevolezza delle principali assunzioni adottate per la formulazione delle previsioni dei flussi di cassa. In particolare, i flussi di ricavi attesi, derivanti dalla vendita di capacità disponibile, sono stati determinati sulla base di un procedimento estimativo particolarmente articolato che ha compreso la stima dei flussi di traffico Europa/Asia. Al riguardo, abbiamo rivisto la stima dei flussi di cassa, predisposta da primaria società di consulenza americana nelle vendite di capacità di cavidotti sottomarini, e condotto interviste con la Direzione della Società e gli esponenti della società di consulenza americana al fine di acquisire una comprensione delle modalità di determinazione degli stessi, verificando la ragionevolezza delle ipotesi sottostanti alla stima;
- acquisito una comprensione delle azioni commerciali poste in essere dal management attraverso l'acquisizione delle vendite realizzate e delle trattative in corso di realizzazione;
- analisi dei consuntivi rispetto ai piani originari al fine di valutare la natura degli scostamenti e l'attendibilità del processo di predisposizione dei piani;
- verifica della corretta determinazione del valore contabile attribuibile al business del business AAE-1;
- verifica delle *sensitivity analysis* predisposte dalla Direzione.

Per i modelli utilizzati nella determinazione del valore recuperabile abbiamo coinvolto i nostri specialisti al fine della:

- valutazione della ragionevolezza del tasso di attualizzazione (WACC); e
- verifica dell'accuratezza matematica del modello utilizzato per la determinazione del valore d'uso del business AAE-1.

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Inoltre, abbiamo esaminato l'adeguatezza e la conformità dell'informativa fornita dalla Società sull'impairment test secondo quanto previsto dallo IAS 36.

Riconoscimento del ricavo da operazione di cessione di diritti

Descrizione dell'aspetto chiave della revisione

In data 12 dicembre 2017, Retelit SpA ha realizzato un'operazione commerciale finalizzata alla cessione di parte dei diritti relativi al sistema di cavo sottomarino AAE-1 con un primario operatore asiatico.

Il contratto ha comportato la cessione all'operatore asiatico per un periodo di 20 anni di 1,1 Tbps della capacità nominale di cui la Società è titolare oltre alla subconcessione di alcuni diritti ancillari derivanti dalla partecipazione al consorzio AAE-1. La cessione ha comportato l'iscrizione integrale del provento dell'operazione che è stato incluso nella voce "Altri Ricavi" di conto economico, tra i componenti non ricorrenti.

L'operazione ha avuto efficacia e conseguente riflesso contabile a partire dal 28 dicembre 2017.

Abbiamo considerato la seguente operazione un aspetto chiave della revisione contabile a causa della significatività della stessa sulla situazione economico-patrimoniale e finanziaria del gruppo, della complessità della struttura contrattuale e della conseguente necessità di analizzare tutte le implicazioni al fine di stabilire se il provento fosse da riconoscere immediatamente oppure da ripartire lungo l'intera durata del contratto. Tali analisi hanno comportato un impegno particolare.

Procedure di revisione svolte

Con riferimento alla contabilizzazione dell'operazione commerciale realizzata con l'operatore asiatico abbiamo svolto, tra l'altro, le seguenti procedure:

- acquisito ed esaminato la documentazione rilevante inerente alla cessione, in particolare il contratto di cessione dei diritti tra l'operatore asiatico e Retelit, il Memorandum di Understanding sottoscritto tra le parti, il parere legale rilasciato da primaria Law Firm internazionale, il parere contabile rilasciato da primaria società di revisione e verificato l'incasso del corrispettivo avvenuto in data 28 dicembre 2017;
- svolto diversi incontri con la Direzione e il Collegio Sindacale al fine di comprendere le ragioni economiche dell'operazione;
- verificato la corretta rappresentazione contabile dell'operazione, in particolare che la stessa fosse coerente con quanto riportato nelle clausole contrattuali;
- verificato la corretta determinazione del provento non ricorrente determinato dalla differenza tra il corrispettivo pattuito e il valore netto contabile della frazione del diritto oggetto di eliminazione;

Con riferimento al trattamento contabile dell'operazione abbiamo altresì coinvolto i nostri specialisti in materie tecnico-contabili.

Infine, abbiamo esaminato l'adeguatezza e la conformità dell'informativa fornita dal Gruppo inerente a tale operazione secondo quanto previsto dagli IFRS.



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Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio separato

Gli Amministratori sono responsabili per la redazione del bilancio separato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38/05 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio separato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio separato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio separato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio separato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio separato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio separato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;



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- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio separato nel suo complesso, inclusa l'informativa, e se il bilancio separato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'assemblea degli azionisti della Retelit S.p.A. ci ha conferito in data 3 maggio 2012 l'incarico di revisione legale del bilancio separato e consolidato della Società per gli esercizi in chiusura dal 31 dicembre 2012 al 31 dicembre 2020.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al Collegio Sindacale, nella sua funzione di Comitato per il Controllo Interno e la Revisione Legale, predisposta ai sensi dell'art. 11 del citato Regolamento.

RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D.Lgs. 39/10 e dell'art. 123-bis, comma 4, del D.Lgs. 58/98

Gli Amministratori della Retelit S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della Retelit S.p.A. al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio separato e la loro conformità alle norme di legge.

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Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, co. 4, del D.Lgs. 58/98, con il bilancio separato della Retelit S.p.A. al 31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio separato della Retelit S.p.A. al 31 dicembre 2017 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, co. 2, lettera e), del D.Lgs. 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

DELOITTE & TOUCHE S.p.A.



Stefano Marnati
Socio

Milano, 30 marzo 2018



REPORT BY THE BOARD OF STATUTORY AUDITORS

Relazione del Collegio sindacale all'Assemblea degli azionisti di Retelit S.p.A.

(ai sensi dell'art. 153 del Decreto Legislativo n. 58/98 e dell'articolo 2429, comma 3 del codice civile)

Premessa: fonti normative, regolamentari e deontologiche

Signori Azionisti,

abbiamo svolto l'attività di vigilanza in conformità alla legge (D. Lgs. 24/2/1998 n. 58 – “*Testo Unico delle disposizioni in materia di intermediazione finanziaria*” di seguito anche “*TUF*” e D.Lgs. 27/1/2010 n. 39 “*Attuazione della direttiva 2006/43/CE relativa alle revisioni legali dei conti annuali e dei conti consolidati*”) e alle indicazioni contenute nel Codice di Autodisciplina, al quale Retelit S.p.A. aderisce, adeguando l'operatività ai principi di comportamento del Collegio sindacale nelle società di capitali con azioni quotate nei mercati regolamentati raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili e alle comunicazioni CONSOB in materia di controlli societari e di attività del Collegio sindacale.

Informazione finanziaria al 31 dicembre 2017: rilevanza e specificità

È sottoposto al Vostro esame il progetto di bilancio di Reti Telematiche Italiane S.p.A., in forma abbreviata Retelit S.p.A. (di seguito anche la “*Società*”), relativo all'esercizio chiuso al 31 dicembre 2017 e redatto secondo i principi contabili internazionali IFRS, che evidenzia un utile di euro 9.635.527 a fronte di una perdita di euro 4.059.083 del 2016.

Vi viene presentato anche il bilancio consolidato dell'esercizio 2017, anch'esso redatto secondo gli stessi principi contabili internazionali, che evidenzia un utile consolidato pari a euro 11.375 migliaia a fronte di euro 2.865 migliaia del 2016.

La Relazione Finanziaria Annuale 2017 (di seguito anche *Relazione Finanziaria*), che comprende sia il progetto di bilancio al 31/12/2017 di Retelit S.p.A. sia il bilancio consolidato di gruppo al 31/12/2017 (nel quale l'unica società consolidata, peraltro, è la controllata al 100% e-Via S.p.A.), è stata approvata dal Consiglio di amministrazione di Retelit S.p.A. nella seduta del 15 marzo 2018.

Considerate le strettissime interrelazioni fra Retelit S.p.A. e la sua controllata e-Via S.p.A., società gestite in via unitaria e quasi alla stregua di una sola entità, segnaliamo che il bilancio della capogruppo Retelit S.p.A. non è significativo e che per ogni valutazione e informazione

sull'andamento della gestione e sulla situazione patrimoniale, economica e finanziaria occorre necessariamente fare esclusivo riferimento al bilancio consolidato.

Proprio per tale peculiarità anche l'attività del Collegio sindacale di Retelit S.p.A. e le osservazioni qui svolte hanno prioritariamente riguardo al gruppo Retelit nel suo complesso e, dunque, ai valori consolidati.

Si ricorda che la controllata e-Via S.p.A. è soggetta ad attività di direzione e coordinamento, ai sensi degli artt. 2497 e ss. del Codice Civile, di Retelit S.p.A.

Nell'interpretazione del risultato dell'esercizio del bilancio separato di Retelit S.p.A. e per la comparazione con quello precedente, ricordiamo che il 2017 è influenzato positivamente, per euro 6.916.000, dal “ripristino di valore” della partecipazione nella controllata e-Via S.p.A. (svalutata nel 2009, con imputazione della perdita al conto economico): si tratta di un provento non ricorrente e a cui non corrisponde un'entrata finanziaria. Il valore iscritto nel bilancio separato al 31/12/2017 di Retelit S.p.A. per la partecipazione detenuta in e-Via S.p.A. è ora pari a euro 149,5 milioni di euro.

Nel bilancio consolidato, ovviamente, detto provento per “ripristino di valore” è stato eliso e dunque l'utile d'esercizio consolidato è al netto di esso e non lo comprende.

Inoltre il bilancio separato 2017 di Retelit S.p.A. beneficia del dividendo di euro 6.534.771 deliberato dalla controllata e-Via S.p.A. e iscritto fra i proventi finanziari. Nel bilancio consolidato questa componente positiva di reddito, infragruppo, è stata naturalmente elisa.

Alla data di riferimento del bilancio il Gruppo Retelit possiede una consistente liquidità (circa 66 milioni di euro al 31/12/2017) per il congiunto effetto di operazioni, anche di carattere non ricorrente, intervenute nell'ultima frazione dell'esercizio 2017, trattate nella Relazione Finanziaria alla quale si rinvia. L'elevata liquidità rappresenta un fattore importante per la crescita e lo sviluppo, ma al contempo impone agli organi sociali, ciascuno per quanto di propria competenza, di monitorare con attenzione ogni futura strategia del suo impiego.

Abbiamo vigilato affinché, a tutela della completa informazione finanziaria riservata ai terzi e al mercato, nella Relazione Finanziaria al 31 dicembre 2017, alla quale si rinvia, fossero riportate tutte le informazioni che la legge prescrive.

Ricordiamo che il Collegio sindacale che redige la presente relazione, con l'approvazione del progetto di bilancio al 31 dicembre 2017, giunge a naturale termine di mandato, come da delibera dell'assemblea degli azionisti del 29 giugno 2015.

Richiamo ai principi di valutazione adottati nella redazione del bilancio

Principi

La Società ha redatto il Bilancio dell'esercizio 2017, consolidato del gruppo Retelit e separato di Retelit S.p.A., secondo i principi contabili internazionali (IAS/IFRS), così come per il precedente esercizio 2016. Nelle note esplicative di commento della Relazione Finanziaria al 31 dicembre 2017 sono riportati i principi contabili e i criteri di valutazione adottati.

Il Bilancio dell'esercizio 2017 di Retelit S.p.A., così come quello consolidato, sono stati sottoposti al giudizio della Società di revisione legale Deloitte & Touche S.p.A. che ha emesso le proprie relazioni di revisione, in data odierna, senza rilievi né richiami di informativa, sia per quanto riguarda la sua conformità alle norme di legge e ai principi contabili, sia per quanto riguarda la coerenza della relazione sulla gestione al bilancio medesimo (consolidato e separato).

Continuità aziendale

Gli amministratori hanno valutato l'applicabilità del presupposto della continuità aziendale nella redazione del bilancio consolidato del Gruppo Retelit e del bilancio separato di Retelit S.p.A., concludendo che tale presupposto è adeguato in quanto, allo stato, non sussistono dubbi sulla continuità aziendale.

Stime valutative complesse

I valori delle poste di bilancio che sottendono stime valutative complesse sono stati determinati dagli amministratori previo svolgimento di specifici *Impairment Test* che hanno riguardato, in particolare, i seguenti valori iscritti nell'attivo:

- investimento nel cavo AAE-1;
- partecipazione in e-Via S.p.A. (iscritta nel bilancio separato di Retelit S.p.A., peraltro al maggior valore, rispetto all'esercizio precedente, già indicato in precedenza);
- infrastruttura di rete (iscritta nel bilancio di e-Via S.p.A. e dunque nel bilancio consolidato);
- imposte anticipate iscritte nel bilancio di e-Via S.p.A. e dunque nel bilancio consolidato.

Attività di vigilanza sull'osservanza della legge e dello statuto

In osservanza delle indicazioni fornite da CONSOB con comunicazioni n. DAC/RM 97001574 del 20 febbraio 1997 e n. DEM/1025564 del 6 aprile 2001, successivamente integrata con

comunicazioni n. DEM/3021582 del 4 aprile 2003 e n. DEM/6031329 del 7 aprile 2006 e di quelle contenute nel Codice di Autodisciplina, il Collegio sindacale:

- ha vigilato sull'osservanza della legge e dello statuto;
- ha partecipato alle riunioni dell'Assemblea degli azionisti, del Consiglio di amministrazione, nonché alle riunioni del Comitato controllo rischi e parti correlate e del Comitato per le nomine e la remunerazione e ha ottenuto dagli amministratori periodiche informazioni sul generale andamento della gestione, sulla sua prevedibile evoluzione, nonché sulle operazioni di maggior rilievo economico, finanziario e patrimoniale effettuate dalla Società, attivandosi per quanto di propria competenza a che le delibere assunte ed eseguite fossero conformi alla legge e allo statuto e non fossero manifestamente imprudenti, azzardate, in potenziale conflitto di interessi e in contrasto con le delibere assunte dall'assemblea o tali da compromettere l'integrità del patrimonio sociale.

Le operazioni con interessi degli amministratori o con altre parti correlate sono state sottoposte alle procedure di trasparenza previste dalle disposizioni in materia.

Il Collegio sindacale non ha riscontrato, nel corso dell'esercizio 2017, operazioni atipiche e/o inusuali effettuate con terzi o con parti correlate, ivi comprese le società del gruppo Retelit.

Pertanto le informazioni relative alle principali operazioni infragruppo e con le altre parti correlate realizzate nell'esercizio 2017, nonché la descrizione delle loro caratteristiche e degli effetti economici, sono contenute nelle note di commento al bilancio separato di Retelit S.p.A. e al bilancio consolidato del gruppo Retelit.

Per una sintesi delle informazioni di maggior rilievo che hanno interessato la *governance* societaria, rinviando alle nostre precedenti relazioni (ultima, quella del 31 marzo 2017) non essendo successivamente intervenute modificazioni di rilievo ovvero meritevoli di segnalazione all'assemblea, ad eccezione:

i) dell'anticipata rinuncia al mandato del consigliere Stefano Borghi, che ha rassegnato le proprie dimissioni in data 12 febbraio 2018. Allo stato il Consiglio di amministrazione non ha ancora provveduto alla cooptazione del consigliere dimissionario e l'organo amministrativo, da tale data, è composto da 8 consiglieri (in luogo dei 9 consiglieri stabiliti dall'assemblea del 29/6/2015). L'ex consigliere Stefano Borghi era altresì componente del Comitato per le nomine e remunerazioni, che pure non è stato integrato, sicché, dal 12/2/2018, quest'ultimo ha funzionato con i restanti quattro membri;

ii) del nuovo patto parasociale fra azionisti (c.d. patto "Fiber 4.0") ampiamente descritto nella "Relazione sul governo societario e gli assetti proprietari 2017 ai sensi dell'art. 123-bis del

TUF" (approvata dagli amministratori il 15 marzo 2018 e reperibile, come per legge, sul sito internet della Società) alla quale si rinvia;

iii) del nuovo patto parasociale fra azionisti (altri e diversi dai precedenti; c.d. patto "SVM") enunciato in data 28 marzo 2018 e pure pubblicato, come per legge, sul sito internet della Società, sezione Investor Relations, al quale pure si rinvia.

Operazioni principali e più rilevanti

Tra i fatti di maggior rilievo intervenuti nell'esercizio 2017, pur rinviando alla Relazione Finanziaria Annuale, si evidenzia quanto segue.

Operazione Cavo AAE-1

Come noto, a seguito di delibera assunta dal precedente Consiglio di amministrazione del 12 settembre 2014, in data 16 settembre 2014 Retelit S.p.A. aveva perfezionato l'accordo per l'ingresso nel consorzio internazionale AAE-1 (d'ora innanzi anche "Operazione AAE-1").

Il valore complessivo dell'investimento della Società per l'Operazione AAE-1, è stato pari a circa 39,4 milioni di euro (USD 45 milioni) oltre a investimenti infrastrutturali sinergici, anche in tratte terrestri sul territorio italiano e in alcune direttrici europee, per circa ulteriori Euro 14,9 milioni suddivisi come segue: i) Euro 2,1 milioni per la realizzazione della c.d. *cable landing station* di Bari; ii) Euro 3,6 milioni per la realizzazione delle porzioni di cavo che collegheranno la parte sottomarina con le *cable landing station*; iii) Euro 9,2 milioni per l'*upgrade* della rete nazionale e per l'infrastruttura di *backhaul* al fine di sfruttare le opportunità commerciali derivanti dall'utilizzo del cavo.

In sostanziale allineamento con le tempistiche previste all'origine, il cavo sottomarino è stato completato ed è entrato in funzione in data 22 giugno 2017.

Per maggiori dettagli su quanto precede si rinvia all'esposizione contenuta nella Relazione Finanziaria 2017 redatta dagli amministratori.

In data 12 dicembre 2017 Retelit S.p.A. ha quindi realizzato un'operazione commerciale finalizzata alla cessione di parte significativa dei diritti relativi al sistema di cavo sottomarino AAE-1 (circa il 50%, misurato in 1,1 Tbps, per la durata di 20 anni, della capacità nominale di cui la Società è titolare, oltre alla subconcessione di alcuni diritti ancillari derivanti dalla partecipazione al Consorzio) con un primario operatore asiatico. L'operazione, deliberata dal Consiglio di amministrazione il giorno 11 dicembre 2017 e perfezionata il giorno successivo,

ha avuto efficacia il 28 dicembre 2017 (coincidente con la data di incasso) e dunque riflesso contabile nel 2017.

Al 31/12/2017 il valore attribuito in bilancio al residuo investimento nel cavo sottomarino AAE-1, iscritto nelle immobilizzazioni materiali e immateriali dell'attivo del bilancio consolidato del Gruppo Retelit, ammonta, rispettivamente a euro 3,1 milioni e a euro 29,5 milioni. Al riguardo si segnala che nel progetto di bilancio 2017 l'investimento nel consorzio AAE-1 è stato riclassificato principalmente nelle immobilizzazioni immateriali.

Il conto economico del bilancio 2017 espone proventi (plusvalenze) di carattere non ricorrente, iscritti nella voce "altri ricavi", per euro 1,7 milioni riferibili essenzialmente all'operazione di parziale smobilizzo dell'investimento in rassegna.

Per maggiori dettagli si rinvia alla Relazione Finanziaria, paragrafo 1.7.2, redatta dagli amministratori.

Si precisa che la rappresentazione contabile di quanto precede è supportata da un articolato parere di conformità ai principi contabili internazionali reso da PricewaterhouseCoopers S.p.A. (PWC) che non ha ipotizzato un trattamento contabile diverso. La Società di revisione legale Deloitte & Touche ha condiviso la descritta rappresentazione contabile nel bilancio di Retelit, separato e consolidato di gruppo, al 31/12/2017.

In merito al reperimento delle risorse finanziarie destinate all'Operazione AAE-1 ricordiamo che in data 24 marzo 2016 la Società, tramite la propria controllata e-Via S.p.A., aveva stipulato uno specifico contratto di finanziamento con un *pool* di banche composto da Unicredit S.p.A., Banca Popolare di Milano Soc. Coop. a.r.l. e MPS Capital Services Banca per le Imprese S.p.A. che prevedeva l'erogazione di due linee di credito, di importo pari rispettivamente a massimi euro 21 milioni e a euro 9 milioni, per un importo complessivo massimo pari, quindi, a euro 30 milioni.

In ragione dello scopo cui il predetto finanziamento è sotteso, la liquidità bancaria ricevuta dalla partecipata e-Via S.p.A. è stata trasferita a Retelit S.p.A. a titolo di finanziamento infragruppo (a fine 2017 euro 30 milioni) a condizioni in linea con il finanziamento bancario principale e prevedendo un *mark-up*. Al 31/12/2017 e-Via S.p.A. vanta un credito complessivo nei confronti di Retelit S.p.A. di euro 41,2 milioni regolato da separati contratti infragruppo aventi scadenza nel 2020 e nel 2021. Il rischio delle variazioni future del tasso di interesse sul finanziamento bancario è stato coperto con un prodotto derivato non speculativo.

Nel rispetto delle condizioni contrattuali del finanziamento bancario, il Gruppo Retelit ha provveduto a destinare a rimborso obbligatorio del Finanziamento un importo di 12,3 milioni di euro in data 26 marzo 2018.

In relazione all'attività di gestione e commercializzazione dei servizi del sistema cavo AAE-1, Retelit S.p.A. ed e-Via S.p.A. hanno stipulato un contratto di mandato senza rappresentanza, ai sensi e per gli effetti dell'art. 1705 c.c., in considerazione del fatto che solo la controllata è titolare della licenza di operatore di servizi di telecomunicazione e possiede tutti gli altri *asset* operativi del Gruppo.

Cessione ramo d'azienda Linkem: incasso ultima rata

Per quanto riguarda il residuo credito verso Linkem S.p.A., trattato nelle relazioni dei precedenti esercizi a seguito della cessione, avvenuta nel 2013, del ramo d'azienda WiMAX, la Relazione Finanziaria informa dell'avvenuto incasso, nel corso del 2017, anche dell'ultima rata a saldo integrale del prezzo convenuto.

Piano Banda Ultra Larga

Come illustrato nella Relazione Finanziaria, cui si rinvia per i dettagli tecnici, nell'ambito e in attuazione del Piano di Banda Ultralarga di cui al D.Lgs. n. 33/2016, i primi due "Bandi per la concessione di costruzione e gestione di infrastruttura passiva a banda ultralarga nelle aree bianche" (cui il Gruppo Retelit aveva partecipato tramite la controllata e-Via S.p.A., direttamente piuttosto che in RTI – Raggruppamento Temporaneo di Impresa) sono stati entrambi aggiudicati a Open Fiber (rispettivamente a marzo e luglio del 2017). Si rinvia all'ampia informativa resa dagli amministratori nella Relazione Finanziaria.

Altre partecipazioni

Come già indicato nella nostra relazione dell'esercizio precedente, si ricorda che a febbraio 2017 Retelit S.p.A. è entrata a far parte del consorzio Open Hub Med Società Consortile a responsabilità limitata (OHM) sottoscrivendo una partecipazione del 9,52% per un controvalore di 125 mila euro. Gli amministratori ritengono che detta partecipazione sia strumentale allo sfruttamento e alla commercializzazione dal cavo sottomarino AAE-1.

Detta partecipazione risulta attualmente valutata e iscritta in bilancio al minor valore di patrimonio netto, pari a 100 mila euro.

Attività di vigilanza sull'adeguatezza del sistema amministrativo contabile e sull'attività di revisione legale dei conti

Il Collegio sindacale ha verificato l'osservanza delle norme di legge inerenti alla formazione del progetto di bilancio separato di Retelit S.p.A., del progetto di bilancio consolidato di Gruppo e delle rispettive relazioni finanziarie al 31 dicembre 2017 redatte dagli amministratori a corredo degli stessi.

La Società di revisione legale Deloitte & Touche S.p.A. ha rilasciato in data odierna le relazioni ai sensi degli artt. 14 e 16 del D.Lgs. n. 39/2010 in cui attesta che il bilancio separato di Retelit S.p.A. e il bilancio consolidato del gruppo Retelit S.p.A. al 31 dicembre 2017 sono conformi agli International Financial Reporting Standards (IFRS) adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'art. 9 del D.Lgs. n. 38 del 2005, sono redatti con chiarezza, rappresentano in modo veritiero e corretto la situazione patrimoniale e finanziaria, il risultato economico e i flussi di cassa per tale esercizio. La Società di revisione ritiene altresì che le relazioni sulla gestione e le informazioni di cui al comma 1, lettere c), d), f), l) e m) e al comma 2, lett. b) dell'articolo 123 bis del D.Lgs. n. 58 del 1998 presentate nella relazione sul governo societario e gli assetti proprietari siano coerenti con il bilancio d'esercizio della Società e con il bilancio consolidato del Gruppo.

Dalla relazione rilasciata, ai sensi dell'articolo 11 del regolamento UE n. 537/2014 e dell'articolo 19, 3° comma, del d.lgs. 27 gennaio 2010, n. 39, in data 30 marzo 2018 da Deloitte & Touche per l'esercizio chiuso al 31 dicembre 2017, non sono emerse particolari "questioni fondamentali" diverse dai temi in precedenza citati anche nella presente nostra relazione.

Il Collegio sindacale ha vigilato sull'indipendenza della Società di revisione Deloitte & Touche S.p.A. e sulla compatibilità degli incarichi a essa conferiti con riferimento a quanto previsto dall'articolo 160 del D.Lgs. 24 febbraio 1998 n. 58. Come risulta dalla Relazione Finanziaria Deloitte & Touche S.p.A. ha avuto incarichi di revisione per un importo complessivo di euro 117 mila, di cui euro 66 mila per Retelit S.p.A. e euro 51 mila per la controllata e-Via S.p.A. (importo, quest'ultimo, costituito da euro 26 mila per attività di revisione e da euro 25 mila per attività di attestazione che sono state richieste al revisore).

Il Collegio sindacale ha altresì valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità dello stesso a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dal responsabile della funzione (dirigente preposto), l'esame della documentazione aziendale e l'analisi dei risultati del lavoro svolto dalla Società

di revisione Deloitte & Touche S.p.A. L'amministratore delegato e il dirigente preposto alla redazione dei documenti contabili societari hanno attestato con apposita relazione, allegata al Bilancio separato di Retelit S.p.A.: a) l'adeguatezza e l'effettiva applicazione delle procedure contabili amministrative; b) la conformità del contenuto dei documenti contabili ai principi contabili internazionali IFRS/IAS omologati dalla Comunità Europea nonché ai provvedimenti emanati dalla CONSOB in attuazione del Decreto Legislativo n. 38/2005; c) la corrispondenza dei documenti stessi alle risultanze dei libri e delle scritture contabili e la loro idoneità a rappresentare correttamente la situazione patrimoniale, economica e finanziaria della Società. Analoga relazione di attestazione risulta allegata al bilancio consolidato del gruppo Retelit S.p.A.

Attività di vigilanza sul rispetto dei principi di corretta amministrazione e sull'adeguatezza della struttura organizzativa

Il Collegio sindacale ha vigilato, per quanto di propria competenza ed anche attraverso la partecipazione alle adunanze del Consiglio di amministrazione e dei due Comitati endoconsiliari, sul rispetto dei principi di corretta amministrazione e che le scelte di gestione assunte dagli amministratori avessero profili di legittimità sostanziale e rispondessero all'interesse della Società. A tal fine ha verificato che le delibere del Consiglio di amministrazione fossero adeguatamente supportate da processi di informazione, analisi e verifica, anche con il ricorso, quando ritenuto necessario, all'attività consultiva dei comitati e di consulenti e professionisti esterni.

Sulla base delle informazioni acquisite le scelte gestionali dell'organo amministrativo sono avvenute in modo informato e sono state ispirate a principi di corretta gestione e di ragionevolezza, sì che gli amministratori sono consapevoli della rischiosità e degli effetti delle operazioni compiute e di tali temi è stata resa da costoro ampia informativa nella Relazione Finanziaria al 31 dicembre 2017.

Nella Relazione Finanziaria annuale, gli amministratori hanno adempiuto gli obblighi di informativa previsti dall'art. 154-ter del D.Lgs. 58/98, introdotto dal D.Lgs. 195/2007 (c.d. "Decreto Transparency") evidenziando i principali rischi e incertezze cui sono esposti la Società e il Gruppo.

Il Collegio sindacale ritiene che gli strumenti e gli istituti di *governance* adottati dalla Società, tenuto conto delle dimensioni della stessa e del vincolo di non affrontare spese sproporzionate

in relazione ad esse, costituiscano un valido presidio al rispetto dei principi di corretta amministrazione nella prassi operativa.

Il Collegio sindacale ha acquisito conoscenza e vigilato, per quanto di propria competenza, sull'adeguatezza della struttura organizzativa della Società e delle disposizioni impartite dalla Società alla società controllata ai sensi dell'art. 114, comma 2, del D.Lgs. 58/98, tramite l'acquisizione di informazioni dai responsabili delle competenti funzioni aziendali, incontri con la Società di revisione legale, il dirigente preposto alla redazione dei documenti contabili e societari ai sensi dell'articolo 154-bis del TUF, il responsabile *dell'Internal auditing*, l'amministratore delegato, l'Organismo di Vigilanza e mediante periodici incontri con i sindaci della società controllata e-Via S.p.A., ai fini del reciproco scambio di dati e informazioni rilevanti.

Il Collegio sindacale ha monitorato le principali evoluzioni dell'organizzazione vigilando sull'adeguatezza della struttura interna rispetto agli obiettivi strategici della Società mediante appositi incontri principalmente con l'amministratore delegato e anche con i vari attori del sistema di controllo interno.

Rilievo del Collegio sindacale sulla gestione del rischio di cambio

Con riguardo all'incasso, avvenuto in data 28 dicembre 2017, dell'ingente corrispettivo conseguito a fronte della già menzionata e rilevante operazione di parziale cessione dei diritti relativi al sistema di cavo sottomarino AAE-1, il Collegio sindacale, a seguito delle informazioni ricevute durante il Consiglio di amministrazione del 2 febbraio 2018 e al fine di verificare il rispetto delle procedure interne, in essere e adottate da tempo (per le note rilevanti operazioni in valuta del passato), ha chiesto l'avvio di un *audit* interno in data 5 febbraio 2018. Il rapporto della funzione di *Internal audit*, reso il 14 marzo 2018, ha confermato che la *policy* interna è stata disattesa e il Collegio sindacale ha reso informativa nella riunione del Consiglio di amministrazione del giorno successivo (15 marzo 2018), censurando l'omissione. L'entità della perdita sofferta per euro 96.400 ha influito sull'esercizio 2017 e per euro 581.831 influirà sul conto economico dell'esercizio 2018.

Al momento il Consiglio di amministrazione non ha preso posizione sulle responsabilità di danno.

Criticità riscontrate dal Collegio sindacale in ordine a talune spese di consulenza

Come si evince dalla Relazione Finanziaria 2017, le spese per "*consulenze strategiche e manageriali*" ammontano a euro 745 mila (euro 91 mila nel 2016). La sensibile crescita è da porsi principalmente in relazione al supporto richiesto dall'organo amministrativo per valutare

alcune operazioni di acquisizione di società del settore concentratesi essenzialmente nel corso di un trimestre e che, nello stesso lasso temporale, non hanno trovato perfezionamento. A tal riguardo segnaliamo di aver richiamato, tempestivamente e ogni volta che è stato ritenuto necessario, allo svolgimento di istruttorie adeguate, stante i tempi assai ristretti e tenuto conto dei controvalori sottesi alle predette operazioni, molto significativi in proporzione alle dimensioni del gruppo Retelit.

Attività di vigilanza sull'adeguatezza del sistema di controllo interno

Il Collegio sindacale ha altresì valutato e vigilato sull'adeguatezza del sistema di controllo interno mediante: *i)* periodici incontri con l'amministratore delegato preposto al sistema di controllo interno; *ii)* esame delle relazioni dell'*Internal auditor* sul sistema di controllo interno di Retelit S.p.A.; *iii)* la partecipazione a tutte le riunioni del comitato controllo rischi e l'analisi della relativa documentazione.

Il Collegio ha tenuto periodiche riunioni con gli esponenti della Società di revisione Deloitte & Touche S.p.A., ai sensi dell'art. 150, comma 3, D.Lgs. 58/98, da cui non sono emersi dati e informazioni significative diverse da quelle in rappresentate, dal Collegio, nel paragrafo precedente.

Per quanto riguarda i principali contenziosi in corso al 31/12/2017 e i rischi connessi, valutati dagli amministratori e riflessi in bilancio, si rinvia allo specifico capitolo della Relazione Finanziaria al 31 dicembre 2017. Si segnala che la loro rappresentazione in bilancio è condivisa da parte della Società di revisione legale e da quest'ultima ritenuta conforme ai principi contabili.

Il Collegio sindacale ha inoltre preso atto della valutazione complessiva del sistema di controllo interno e di gestione dei rischi da parte del responsabile esterno dell'*Internal audit* e condivide la valutazione di complessiva adeguatezza del sistema di controllo interno e di gestione dei rischi espressa da quest'ultimo, ad eccezione del rilievo formulato con riguardo alla gestione del rischio cambio.

Il Collegio sindacale, per parte sua, ha inoltre vigilato in via continuativa sulle attività svolte dai principali attori del sistema di controllo interno e di gestione dei rischi e, in particolare, sull'attuazione delle azioni di miglioramento e di mitigazione individuate sollecitando, ove del caso, interventi di rafforzamento dei relativi presidi.

Il sistema di controllo interno e di gestione dei rischi contempla anche il c.d. "Modello Organizzativo 231", vale a dire un modello di organizzazione e gestione, adottato ai sensi del D.Lgs. n. 231/2001, volto a prevenire la commissione dei reati che possono comportare una responsabilità della Società. A tal fine si sono svolti incontri congiunti periodici, talora anche nel corso di riunioni consiliari, con l'Organismo di Vigilanza il quale, nelle proprie relazioni periodiche, ha sempre espresso giudizio positivo in merito allo stato di attuazione del Modello Organizzativo 231.

In merito alla gestione e al trattamento delle informazioni societarie privilegiate la Società è da tempo dotata di una specifica procedura che ha trovato applicazione nel corso dell'esercizio. La procedura disciplina anche la tenuta del registro delle persone aventi accesso alle informazioni privilegiate.

Il Collegio sindacale ha monitorato l'applicazione della procedura sopra richiamata e il suo periodico aggiornamento, riscontrando alcune criticità e segnalando la necessità di un adeguamento alle Linee Guida Informazioni Privilegiate diramate da CONSOB a ottobre 2017. La Società, a seguito della sollecitazione del Collegio sindacale, sta recependo alcune previsioni delle Linee Guida, ma ha tenuto ad affermare la propria facoltà di avvalersi del principio di proporzionalità enunciato in detto documento di CONSOB.

La Società è da tempo dotata di un Codice Etico, di un Modello di Organizzazione Gestione e Controllo aggiornato in relazione alle modifiche normative intervenute ai sensi del D.Lgs. 231/2001 e di un Organismo di Vigilanza. Con riguardo a quest'ultimo si ricorda che, con delibera del 20 gennaio 2016, il Consiglio di amministrazione aveva rinnovato l'incarico precedentemente conferito per altri tre anni e fino al 31 dicembre 2018.

Si segnala altresì che con delibera del 2 febbraio 2018 il Consiglio di amministrazione, previo nostro parere favorevole, ha rinnovato l'incarico di *Internal audit*, anche per l'anno 2018, al medesimo soggetto esterno che ha svolto la stessa funzione nel corso dell'esercizio 2015 e del successivo biennio 2016/2017.

Ricordiamo che con delibera del 11 ottobre 2016, il Consiglio di amministrazione aveva approvato la procedura per la segnalazione di illeciti e violazioni mediante strumenti che garantiscano la tutela della riservatezza dei dati personali del segnalante (c.d. procedura *whistleblowing*).

Quanto agli aspetti relativi alla *governance* societaria, al fine di non appesantire con ripetizioni la presente relazione, si rinvia alla "Relazione sul governo societario e gli assetti proprietari 2017", resa ai sensi dell'art. 123-bis del T.U.F. pubblicata nel sito internet della Società

(all'indirizzo www.retelit.it nella sezione Corporate Governance / Relazione di Corporate Governance).

Modalità di concreta attuazione delle regole di governo societario

Il Collegio sindacale ha vigilato sulle modalità di concreta attuazione della *Governance* riportate nella relazione ex articolo 123-bis del TUF approvata nel corso della seduta del Consiglio di amministrazione del 15 marzo 2018.

Avuto riguardo alle raccomandazioni del Codice di Autodisciplina e per quanto di competenza del Collegio sindacale, si comunica che con riferimento al Consiglio di amministrazione in carica, con delibera del 19 gennaio 2015, è stata determinata a favore dell'amministratore delegato e direttore generale, ing. Federico Protto un'indennità in caso di cessazione del rapporto di lavoro, come dettagliatamente esposto nella Relazione sul Governo Societario e gli Assetti Proprietari ex art. 123-bis, T.U.F., cui si rinvia, riguardo alla quale il precedente Collegio sindacale aveva espresso parere favorevole. Il diritto a ricevere il pagamento di tale indennità verrà meno con l'assemblea di approvazione del bilancio al 31 dicembre 2017.

Riguardo alla politica di remunerazione per l'esercizio 2018 relativa al Consiglio di amministrazione in carica, che viene sottoposta, ai sensi di legge, al voto consultivo dell'assemblea, si rinvia alle informazioni contenute nella Relazione sulla remunerazione ex art. 123-ter, T.U.F., la quale contiene anche, in apposita sezione, le informazioni sui compensi corrisposti a valere sull'esercizio chiuso il 31 dicembre 2017.

Nel corso del 2017, il Collegio sindacale ha rilasciato:

- a termini di legge, i pareri di cui all'articolo 2389, comma 3 del codice civile: dapprima il parere relativo alla parte fissa delle remunerazioni degli amministratori; successivamente, quello relativo alla parte variabile;
- autorizzazione alla stipula di un contratto di prestazione di servizi (per euro 35 mila) fra la Società di revisione legale e Retelit S.p.A.; si segnala che Retelit ha ritenuto di imputare il relativo costo nell'esercizio 2018;
- il parere raccomandato dal Codice di Autodisciplina di Borsa Italiana, cui Retelit ha dichiarato di aderire, al punto 7 C 1, in ordine alla nomina del responsabile della funzione di *Internal audit*.

Nello svolgimento dell'attività di vigilanza sopra descritta e durante l'anno 2017, l'attuale Collegio si è riunito 17 volte e ha assistito: i) alle 18 riunioni del Consiglio di amministrazione;

ii) alle 9 riunioni del Comitato controllo rischi e parti correlate; iii) alle 6 riunioni del Comitato per le nomine e la remunerazione. Il Collegio sindacale ha partecipato all'unica assemblea degli azionisti tenutasi il 27 aprile 2017.

Si rappresenta il considerevole impegno richiesto al Collegio sindacale, emblematicamente confermato, per quanto occorrer possa, anche dalla frequenza delle riunioni.

Il Collegio sindacale ha vigilato sulle modalità di concreta attuazione delle regole di governo societario previste dal Codice di Autodisciplina di Borsa Italiana al quale la Società aderisce.

Inoltre, a seguito dell'ammissione dell'emittente Retelit alla quotazione delle proprie azioni nel più prestigioso "segmento STAR" di Borsa Italiana (ottenuta a settembre nel 2016) il monitoraggio del Collegio sindacale si è esteso al rispetto delle ulteriori e più stringenti prescrizioni richieste ovvero comunque raccomandate.

Quanto alla c.d. "autovalutazione" del requisito di indipendenza dei propri componenti, il Collegio sindacale ne ha verificato la sussistenza nel corso della riunione del 13 febbraio 2017 e, da ultimo e per l'esercizio in corso, di quella del 13 marzo 2018.

Nessuno dei sindaci, dalle attestazioni individualmente rese, ha avuto, per conto proprio o di terzi, interesse in alcuna operazione compiuta dalla Società durante l'esercizio.

Il Consiglio di amministrazione, in data 11 maggio 2017, ha effettuato la verifica della permanenza dei requisiti di indipendenza dei suoi componenti, confermando la sussistenza dei medesimi in capo ai consiglieri Laura Guazzoni, Annunziata Magnotti, Carla Sora e Laura Rovizzi. Per quest'ultima l'indipendenza è stata confermata, a maggioranza, dall'organo amministrativo nella riunione del giorno 11 dicembre 2017.

Non ricorrono i presupposti di cui al punto 2. C.3. del Codice di Autodisciplina per la nomina del c.d. "*Lead Independent Director*".

Attività di vigilanza sui rapporti con società controllate

Il Collegio sindacale ha vigilato sull'adeguatezza, anche in merito alla tempestività, delle disposizioni impartite dalla Società alla società controllata in ordine agli obblighi di comunicazione previsti dalla legge ai sensi degli articoli 2497 e ss. del Codice Civile. In particolare, tenuto conto che la Società esercita attività di direzione e coordinamento ai sensi degli articoli 2497 ss. del c.c. nei confronti della propria controllata e-Via S.p.A., ha verificato il rispetto delle regole di comportamento previste per la medesima, sia al fine di assicurare l'espletamento dei compiti di coordinamento e di controllo, sia per garantire il rispetto degli

obblighi di trasparenza ed informativa nei confronti del pubblico previsti dalla vigente normativa.

Dai flussi informativi ricevuti in merito all'attività svolta dagli organi di controllo della società controllata nonché dal revisore legale, (Deloitte & Touche S.p.A., che è lo stesso di Retelit S.p.A.), non sono emersi rilievi, criticità o segnalazioni.

Ciò premesso il Collegio sindacale rileva che, in data 15 marzo 2018, il Consiglio di amministrazione di e-Via S.p.A. ha approvato il progetto di bilancio al 31 dicembre 2017 convocando l'assemblea in data 20 aprile 2018 e il legale rappresentante di Retelit S.p.A., quale unico socio di e-Via S.p.A., ha rinunciato al termine di cui all'articolo 2429, comma 3 del Codice Civile. Per effetto di ciò, alla data odierna, la Società di revisione legale non ha ancora rilasciato la propria relazione sul bilancio 2017 della controllata e-Via S.p.A. non essendo spirati i termini a suo favore; di conseguenza oggi non risulta disponibile la relazione al predetto bilancio del Collegio sindacale. Trattasi di un'anomalia.

Tuttavia, in considerazione: *a)* dell'esigenza manifestata da Retelit S.p.A. di voler osservare i termini di cui all'articolo 2.2.3. punto 3 del Regolamento dei Mercati organizzati e gestiti da Borsa Italiana S.p.A. per gli emittenti c.d. "STAR" circa la messa a disposizione del pubblico della Relazione Finanziaria annuale; *b)* delle già menzionate strettissime interrelazioni fra Retelit S.p.A. e la controllata e-Via S.p.A.; *c)* del periodico e costante scambio informativo con gli organi di controllo (Società di revisione legale e Collegio sindacale) di quest'ultima; *d)* delle assicurazioni ricevute dai predetti organi di controllo circa l'assenza di rilievi nelle rispettive erigende relazioni al bilancio 2017 di e-Via S.p.A.; *e)* del già avvenuto rilascio da parte della Società di revisione legale della certificazione, senza rilievi e/o eccezioni, del bilancio consolidato di Gruppo Retelit, il che implicitamente presuppone, per logica e per coerenza, un identico giudizio sul progetto di bilancio della, peraltro unica, società controllata e consolidata; *f)* della circostanza che il bilancio, approvato, di e-Via S.p.A. insieme alle suddette relazioni, ragionevolmente e verosimilmente senza rilievi, sarà comunque reso disponibile ben prima della data indicata per l'assemblea di Retelit S.p.A. che sarà chiamata ad approvarne il bilancio; abbiamo ritenuto che sussistano ugualmente i presupposti per rendere la presente relazione, fermo restando che, in difetto di quanto indicato alle lettere *d)* e *f)* che precedono, sarebbe nostro scrupolo e premura relazionare in assemblea.

Attività di vigilanza sulle operazioni con parti correlate

Nel corso delle verifiche effettuate non sono state rilevate operazioni societarie censurabili, atipiche e/o inusuali effettuate con parti correlate. Le informazioni relative alle principali operazioni infragruppo, nonché la descrizione delle loro caratteristiche e degli effetti economici sono contenute nelle "note esplicative" di commento al bilancio separato di Retelit S.p.A.

Nel capitolo "*Rapporti con parti correlate*" inserito nella Relazione Finanziaria al 31 dicembre 2017, gli amministratori evidenziano le principali operazioni intercorse con parti correlate, individuate sulla base dei principi contabili internazionali e delle disposizioni emanate in materia da CONSOB. Trattasi di operazioni di natura commerciale effettuate nell'ordinaria attività d'impresa e concluse, secondo le attività istruttorie svolte dagli organi preposti, a normali condizioni di mercato. Al capitolo sopra menzionato si rinvia per quanto attiene all'individuazione della tipologia delle operazioni e dei relativi effetti economici, patrimoniali e finanziari. Il Collegio sindacale, in osservanza dell'articolo 2391-bis del codice civile, ha vigilato sull'applicazione delle procedure di legge e regolamentari in materia.

Omissioni e/o fatti censurabili rilevati. Denunce ricevute ai sensi dell'articolo 2408 del codice civile

Per quanto riguarda l'azione di responsabilità nei confronti dei precedenti amministratori, in carica dal 30 ottobre 2012 al 7 gennaio 2015, deliberata dall'assemblea del 28 aprile 2016 si rimanda alla relazione a essa resa dall'attuale organo amministrativo e al verbale di tale assemblea, depositato e pubblicato ai sensi di legge.

Il Collegio sindacale ha costantemente monitorato lo svolgimento dei vari passaggi necessari per dare esecuzione alla delibera assunta dall'assemblea. Al momento in cui si redige la presente relazione resta ancora da perfezionare la notifica dell'atto di citazione a uno degli ex amministratori, residente all'estero, nei cui confronti l'assemblea ha promosso l'azione. La prossima udienza è fissata al giorno 11 settembre 2018.

Si segnala l'accordo, riferito nella Relazione Finanziaria 2017, intervenuto con gli ex amministratori sig.ri Tosi e Leideman (sottoposti ad azione sociale di responsabilità in separato giudizio) che, a fronte della rinuncia di Retelit alla rifusione delle spese legali, non hanno proposto appello alla sentenza n. 7396/2017 del Tribunale di Milano che aveva rigettato tutte

le loro domande per ulteriori compensi asseritamente spettanti in relazione alla carica a suo tempo ricoperta in Retelit.

Da ultimo si comunica che nel corso dell'esercizio non sono pervenute denunce ai sensi e per gli effetti dell'articolo 2408 del codice civile.

Principali fatti di rilievo intervenuti nella frazione dell'esercizio in corso (2018)

Oltre a quanto già illustrato in precedenza, si ricorda che:

- in data 6 marzo 2018 il Consiglio di amministrazione ha confermato l'attualità del Piano Industriale approvato il 13 marzo 2017 (per gli anni 2018-2021) estendendolo fino al 2022; in proposito si rimanda ai dettagli forniti in Relazione Finanziaria;
- il budget 2018 è stato approvato dal Consiglio di amministrazione nella riunione del 2 febbraio 2018.

Proposte in ordine al bilancio di esercizio al 31 dicembre 2017

Il Collegio sindacale, a seguito dell'attività di vigilanza svolta e per quanto sopra riferito, non rileva motivi ostativi all'approvazione del progetto di bilancio dell'esercizio chiuso in data 31 dicembre 2017 predisposto dal Consiglio di amministrazione.

In ordine alla proposta di destinazione dell'utile di esercizio formulata dal Consiglio di amministrazione al punto n. 4.17 della Relazione Finanziaria al bilancio separato di Retelit S.p.A., il Collegio sindacale non ha rilievi: in particolare il dividendo proposto (per euro 3.285.298,92, in ragione di euro 0,02 ad azione), allo stato, è sostenibile e non pone alla Società problemi finanziari.

Si ricorda che la proposta di distribuzione del dividendo è resa possibile grazie al combinato effetto:

- i) del "ripristino di valore" della partecipazione in e-Via S.p.A. di 6,9 milioni di euro (che di fatto permette la copertura delle perdite riportate dai precedenti esercizi) già segnalata nel paragrafo iniziale a commento del risultato dell'esercizio;
- ii) della distribuzione di dividendi, da e-Via S.p.A. a favore di Retelit S.p.A., deliberata il 16 ottobre 2017 per euro 6.534.771, quest'ultima resa a sua volta possibile in virtù della delibera, adottata in data 13 marzo 2017 dal Consiglio di amministrazione di Retelit S.p.A., che aveva disposto la rinuncia al vincolo sulla riserva per futuri aumenti di capitale di euro 131.346.080

della società controllata e-Via S.p.A., rinuncia finalizzata a consentire l'utilizzo di detta riserva a copertura delle perdite riportate, nella società controllata, dagli esercizi precedenti.

Milano, 30 marzo 2018.

I SINDACI

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