ANNUAL FINANCIAL STATEMENTS of INTRED S.P.A.

as at 31 December 2017

Brescia 16/03/2018

Intred S.p.A. – Via Creta, 15 – 25124 Brescia
www.intred.it – info@intred.it
VAT No. 02018740981 - Tax Code and Co. Reg. No. 11717020157
REA 366982 BS – Share Cap. €3,810,000.00 fully paid

Autorizzazione Ministeriale
n. 593 del 18/06/1998
MINISTERO DELLE COMUNICAZIONI

General information about the company

Company details

Company name:	INTRED SPA
Registered office:	VIA CRETA N. 15 BRESCIA BS
Share capital:	3,810,000.00
Share capital fully paid-up:	yes
Chamber of Commerce code:	BS
VAT number:	02018740981
Tax code:	11717020157
REA number:	366982
Legal form:	JOINT-STOCK COMPANY
Main business sector (ATECO):	611000
Company in liquidation:	no
Single-shareholder company:	no
Company subject to management and coordination by others:	no
Name of the company or entity exercising management and coordination:	
Member of a group:	no
Name of the parent company:	
Country of the parent company:	
Registration number in the register of cooperatives:	

Financial statements as at 31/12/2017

Balance Sheet

	31/12/2017	31/12/2016
Assets		
B) Fixed assets		
I - Intangible fixed assets	-	-
3) industrial patent rights and rights to use intellectual property	31,530	43,435
4) concessions, licences, trademarks and similar rights	3,368,099	2,843,153
5) goodwill	26,054	45,607
7) other	309,557	8,205
Total intangible fixed assets	*3,735,240*	*2,940,400*
II - Tangible fixed assets	-	-
1) land and buildings	2,632,132	2,690,974
2) plant and machinery	11,670,843	8,785,271
4) other assets	66,160	67,083
5) assets under construction and payments on account	10,000	299,097
Total tangible fixed assets	*14,379,135*	*11,842,425*
III - Financial fixed assets	-	-
1) equity investments in	-	-
d-bis) other companies	4,112	4,807
Total equity investments	*4,112*	*4,807*
2) receivables	-	-
d-bis) from others	49,225	64,889
due within the next financial year	49,225	64,889
Total receivables	*49,225*	*64,889*
3) other securities	45,000	30,000
4) derivative financial instruments - assets	1,448	-
Total financial fixed assets	*99,785*	*99,696*
Total fixed assets (B)	*18,214,160*	*14,882,521*
C) Current assets		

	31/12/2017	31/12/2016
II - Receivables	-	-
1) from customers	3,581,536	3,188,070
due within the next financial year	3,581,536	3,188,070
5-bis) tax receivables	163,145	160,854
due within the next financial year	163,145	160,854
5-ter) deferred tax assets	40,941	32,113
5-quater) from others	973,555	17,943
due within the next financial year	973,555	17,943
Total receivables	*4,759,177*	*3,398,980*
IV - Cash and cash equivalents	-	-
1) bank and postal deposits	1,086,844	1,905,439
3) cash and valuables on hand	999	521
Total cash and cash equivalents	*1,087,843*	*1,905,960*
Total current assets (C)	*5,847,020*	*5,304,940*
D) Prepayments and accrued income	**497,114**	**370,250**
Total assets	*24,558,294*	*20,557,711*
Liabilities and shareholders' equity		
A) Shareholders' equity	**9,439,162**	**6,906,215**
I - Share capital	3,810,000	3,810,000
IV - Legal reserve	336,767	254,966
VI - Other reserves, separately indicated	-	-
Extraordinary reserve	2,772,979	1,218,772
Total other reserves	*2,772,979*	*1,218,772*
VII - Reserve for hedges of expected cash flows	(18,292)	(13,531)
IX - Profit (loss) for the year	2,537,708	1,636,008
Total shareholders' equity	9,439,162	6,906,215
B) Provisions for risks and charges		
2) for taxes, including deferred taxes	347	-
3) derivative financial instruments - liabilities	25,516	17,803
Total provisions for risks and charges	*25,863*	*17,803*
C) Employee severance indemnity	**477,415**	**432,497**
D) Payables		
4) payables to banks	5,164,637	4,384,981
due within the next financial year	1,906,043	1,614,909

	31/12/2017	31/12/2016
due after the next financial year	3,258,594	2,770,072
6) advances	1,632	137
due within the next financial year	1,632	137
7) payables to suppliers	4,486,928	3,838,725
due within the next financial year	4,486,928	3,838,725
12) tax payables	335,444	447,400
due within the next financial year	335,444	447,400
13) payables to social security institutions	76,488	70,993
due within the next financial year	76,488	70,993
14) other payables	426,408	365,200
due within the next financial year	426,408	365,200
Total payables	*10,491,537*	*9,107,436*
E) Accruals and deferred income	**4,124,317**	**4,093,760**
Total liabilities and shareholders' equity	*24,558,294*	*20,557,711*

Income Statement

	31/12/2017	31/12/2016
A) Value of production		
1) revenue from sales and services	14,401,715	11,490,345
5) other revenue and income	-	-
other	375,126	385,467
Total other revenue and income	*375,126*	*385,467*
Total value of production	*14,776,841*	*11,875,812*
B) Costs of production		
6) for raw, ancillary and consumable materials and goods	310,607	179,813
7) for services	2,252,921	1,792,781
8) for use of third-party assets	3,698,975	3,655,200
9) for personnel	-	-
a) wages and salaries	1,805,810	1,500,413
b) social security contributions	422,184	365,883
c) employee severance indemnity	99,212	75,634
Total personnel costs	*2,327,206*	*1,941,930*

	31/12/2017	31/12/2016
10) amortisation, depreciation and write-downs	-	-
a) amortisation of intangible fixed assets	340,799	262,548
b) depreciation of tangible fixed assets	1,831,278	1,391,070
d) write-downs of receivables included in current assets and of cash and cash equivalents	-	38,722
Total amortisation, depreciation and write-downs	*2,172,077*	*1,692,340*
14) other operating expenses	490,767	242,562
Total costs of production	*11,252,553*	*9,504,626*
Difference between value and costs of production (A - B)	**3,524,288**	**2,371,186**
C) Financial income and expenses		
16) other financial income	-	-
c) from securities included in current assets that are not equity investments	47,883	29,430
Total other financial income	*47,883*	*29,430*
17) interest and other financial expenses	-	-
other	101,455	78,604
Total interest and other financial expenses	*101,455*	*78,604*
Total financial income and expenses (15+16-17+-17-bis)	*(53,572)*	*(49,174)*
D) Value adjustments to financial assets and liabilities		
19) write-downs	-	-
a) of equity investments	915	3,798
Total write-downs	*915*	*3,798*
Total value adjustments to financial assets and liabilities (18-19)	*(915)*	*(3,798)*
Result before tax (A-B+-C+-D)	**3,469,801**	**2,318,214**
20) Income taxes for the year, current, deferred and prepaid		
current taxes	939,069	686,489
deferred and prepaid taxes	(6,976)	(4,283)
Total income taxes for the year, current, deferred and prepaid	*932,093*	*682,206*
21) Profit (loss) for the year	**2,537,708**	**1,636,008**

Cash flow statement, indirect method

	Amount at 31/12/2017	Amount at 31/12/2016
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the year	2,537,708	1,636,008
Income taxes	932,093	682,206
Interest expense/(income)	53,572	49,174
1) Profit (loss) for the year before income taxes, interest, dividends and gains/losses on disposals	*3,523,373*	*2,367,388*
Adjustments for non-cash items with no balancing entry in net working capital		
Provisions to funds	347	
Amortisation and depreciation of fixed assets	2,172,077	1,653,618
Other upward/(downward) adjustments for non-cash items	99,212	75,634
Total adjustments for non-cash items with no balancing entry in net working capital	*2,271,636*	*1,729,252*
2) Cash flow before changes in net working capital	*5,795,009*	*4,096,640*
Changes in net working capital		
Decrease/(Increase) in trade receivables	(393,466)	(1,026,432)
Increase/(Decrease) in payables to suppliers	648,203	1,024,819
Decrease/(Increase) in prepayments and accrued income	(126,864)	8,917
Increase/(Decrease) in accruals and deferred income	30,557	118,674
Other decreases/(Other increases) in net working capital	(1,010,489)	2,992,452
Total changes in net working capital	*(852,059)*	*3,118,430*
3) Cash flow after changes in net working capital	*4,942,950*	*7,215,070*
Other adjustments		
Interest received/(paid)	(53,572)	(49,174)
(Income taxes paid)	(932,093)	(682,206)
Other receipts/(payments)	(52,790)	(19,761)
Total other adjustments	*(1,038,455)*	*(751,141)*
Cash flow from operating activities (A)	***3,904,495***	***6,463,929***
B) Cash flows from investing activities		
Tangible fixed assets		
(Investments)	(4,367,988)	(3,059,488)
Intangible fixed assets		
(Investments)	(1,135,639)	(571,370)

	Amount at 31/12/2017	Amount at 31/12/2016
Financial fixed assets		
(Investments)	(14,305)	(26,352)
Disinvestments	15,664	
Cash flow from investing activities (B)	***(5,502,268)***	***(3,657,210)***
C) Cash flows from financing activities		
Third-party funds		
Increase/(Decrease) in short-term payables to banks	291,134	(3,305,578)
New loans	488,522	2,440,964
(Repayment of loans)		(500,000)
Cash flow from financing activities (C)	***779,656***	***(1,364,614)***
Increase (decrease) in cash and cash equivalents (A ± B ± C)	***(818,117)***	***1,442,105***
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	1,905,439	463,225
Cash and valuables on hand	521	630
Total cash and cash equivalents at the beginning of the year	1,905,960	463,855
Cash and cash equivalents at the end of the year		
Bank and postal deposits	1,086,844	1,905,439
Cash and valuables on hand	999	521
Total cash and cash equivalents at the end of the year	1,087,843	1,905,960
Reconciliation difference		

Notes to the financial statements, introduction

Transposition of Dir. 34/2013/EU

For financial statements for years beginning on or after 01/01/2016, it should be noted that Legislative Decree no. 139 of 18/08/2015 (the so-called “financial statements decree”), published in Official Gazette no. 205 of 04/09/2015 and issued in implementation of EU Directive no. 34 of 26/06/2013, amended the Italian Civil Code to align its rules on the financial statements of limited companies with the new EU provisions.

The aforementioned directive replaced the existing EU legislation, with the aim of improving the informative value of the accounting document and starting a process of simplification of the rules governing the preparation and publication of financial statements.

In this context of reform, the Italian Accounting Standards Board (OIC), in accordance with the institutional purposes established by law, also revised 20 accounting standards, which are entrusted with the practical implementation of the new regulatory framework.

In particular, the amendment to the financial statements of limited companies concerned:

- the documents making up the financial statements;
- the principles for preparing the financial statements;
- the content of the Balance Sheet and Income Statement;
- the valuation criteria;
- the content of the Notes to the financial statements.

Comment

Dear Shareholders, these notes form an integral part of the financial statements as at 31/12/2017.

The financial statements for the year ended 31/12/2017 show a gross profit of Euro 3,469,801 and a net profit of Euro 2,537,708. At the close of 2017, the company's shareholders' equity stands at Euro 9,439,162.

The financial statements comply with Article 2423 onwards of the Italian Civil Code and with the national accounting standards published by the Italian Accounting Standards Board; they therefore give a clear, true and fair view of the company's financial position and results for the year.

The content of the balance sheet and income statement is that required by Articles 2424 and 2425 of the Italian Civil Code, while the cash flow statement has been prepared in accordance with Article 2425-ter.

The notes to the financial statements, prepared pursuant to Article 2427 of the Italian Civil Code, also contain all the information needed for a correct interpretation of the financial statements.

Basis of preparation

Preparation of the financial statements

The information in this document is presented in the order in which the related items appear in the balance sheet and income statement.

It is hereby stated that, pursuant to Article 2423, paragraph 3 of the Italian Civil Code, where the information required by specific legal provisions is not sufficient to give a true and fair view of the company's situation, the additional information deemed necessary for that purpose is provided.

No exceptional cases occurred that required recourse to the derogations referred to in Article 2423, paragraphs 4 and 5, and Article 2423-bis, paragraph 2 of the Italian Civil Code.

The financial statements, as well as these notes, have been prepared in units of euro.

Principles for preparing the financial statements

Financial statement items have been measured in accordance with the principle of prudence and on a going concern basis.

In determining whether the going concern assumption is applicable, the directors have taken into account all available information about the future, relating to at least, but not limited to, twelve months after the reporting date of the financial statements.

Pursuant to Article 2423-bis, paragraph 1, point 1-bis of the Italian Civil Code, the recognition and presentation of items take into account the substance of the transaction or contract.

In preparing the financial statements, expenses and income have been recognised on an accruals basis, regardless of when they were received or paid. Account has also been taken of risks and losses pertaining to the year, even if they became known after its close.

Structure and content of the Financial Statements

The balance sheet, income statement, cash flow statement and accounting information contained in these notes to the financial statements are consistent with the accounting records, from which they have been directly derived.

In the presentation of the balance sheet and income statement, the items preceded by Arabic numerals have not been grouped, as optionally permitted by Article 2423-ter of the Italian Civil Code.

Pursuant to Article 2423-ter of the Italian Civil Code, it should be noted that one financial statement item was not comparable with the previous year; it was therefore necessary to adapt the previous year's item. Specifically, it was deemed appropriate to reallocate the Guarantee Deposits, amounting to euro 49,225, to "Other receivables" under Financial Fixed Assets, adapting accordingly the previous year's item included in "Current assets".

Pursuant to Article 2424 of the Italian Civil Code, it is confirmed that there are no asset or liability elements falling under more than one item of the financial statements.

Valuation criteria

The criteria applied in measuring financial statement items and in making value adjustments comply with the provisions of the Italian Civil Code and the guidance in the accounting standards issued by the Italian Accounting Standards Board. Moreover, they are unchanged from the previous year.

Pursuant to Article 2427, paragraph 1, no. 1 of the Italian Civil Code, the most significant valuation criteria adopted in compliance with Article 2426 of the Italian Civil Code are illustrated below, with particular reference to those items for which the legislator allows different valuation and adjustment criteria or for which no specific criteria are laid down.

Other information

Valuation of foreign currency items

At year-end, the company holds no receivables or payables in foreign currency.

Transactions with a forward repurchase obligation

Pursuant to Article 2427, no. 6-ter, the company states that during the year it did not carry out any transaction subject to a forward repurchase obligation.

Further information

- The company has no receivables and has only one payable with a residual term of more than five years, represented by the medium-term loan (7-year term) taken out with "Ubi Banca Spa" on 17/07/2017, as described in more detail under "Payables" in the balance sheet;
- the company has granted collateral on company assets, consisting of the mortgage (euro 960,000) granted in favour of "Intesa Sanpaolo Spa" as security for the loan signed on 27/04/2007, as described in more detail under "Payables" in the balance sheet;
- no financial expenses have been allocated to amounts recorded under balance sheet assets.

Notes to the financial statements, assets

The amounts recorded under balance sheet assets have been measured in accordance with Article 2426 of the Italian Civil Code and with the national accounting standards. The sections relating to the individual items indicate the specific criteria applied.

Fixed assets

Intangible fixed assets

Where the conditions laid down by the accounting standards are met, intangible fixed assets are recorded under balance sheet assets at purchase and/or production cost and are amortised on a straight-line basis according to their future usefulness, taking into account the provisions of point 5) of Article 2426 of the Italian Civil Code.

The value of fixed assets is shown net of accumulated amortisation and write-downs.

Amortisation, where applicable, has been calculated according to the following predetermined plan, which is considered to ensure a correct allocation of the cost incurred over the useful life of the fixed assets concerned:

Intangible fixed asset items	**Period**
Start-up and expansion costs	5 years on a straight-line basis
Patents and use of intellectual works	10 years on a straight-line basis
Concessions	depending on the duration of their exploitation, where this is defined, or on the basis of their contractual term, if shorter
Software	3 years on a straight-line basis
Goodwill	10 years on a straight-line basis
Other intangible fixed assets	5 years on a straight-line basis - 10 years on a straight-line basis for Contributions for fitting out co-location exchanges, fitting out spaces and commissioning plant and infrastructure on third-party assets

For the purposes of Article 10 of Law no. 72 of 19 March 1983, and as also referred to by subsequent monetary revaluation laws, it should be noted that no monetary revaluation has ever been carried out on the intangible assets still held by the company.

The amortisation criterion for intangible fixed assets has been applied systematically and in each financial year, in relation to the remaining possibility of economic use of each individual asset or expense.

It should be noted that it was not necessary to write down these capitalised charges under Article 2426, paragraph 1, no. 3 of the Italian Civil Code since, as provided for by accounting standard OIC 9, no indicators of potential impairment of intangible fixed assets were found.

Any disposals of intangible assets during the year resulted in the elimination of their residual value.

Government grants received in relation to intangible fixed assets have been accounted for using the indirect method. The grants have therefore been recognised in the income statement under item A5 “other revenue and income” and then deferred on an accruals basis to subsequent years by recording deferred income.

Goodwill

Where the conditions indicated by the accounting standards are met, goodwill has been recorded under balance sheet assets with the consent of the board of statutory auditors, as it was acquired for consideration.

It was not possible to reliably estimate the useful life of this item, as a detailed valuation would be uneconomic, also in view of the fact that the amounts allocated are not significant and that the amortisation process is nearing its end, since the amounts allocated relate to the years 2009 – 2010.

Consequently, goodwill has been amortised within the ten-year limit prescribed by Article 2426, paragraph 1, no. 6 of the Italian Civil Code.

Intangible assets

Intangible assets are recognised at purchase cost, including ancillary costs, and are amortised within the legal or contractual limit established for them or, if lower, according to the duration of their exploitation.

Changes in intangible fixed assets are shown below:

Historical cost (opening value)	**3,644,705**
Increases	1,135,639
Decreases	0
Historical cost (closing value)	**4,780,344**
Accumulated amortisation (opening value)	**704,305**
Increases	340,799
Decreases	0
Accumulated amortisation (closing value)	**1,045,104**
Residual value at 31/12/2017	**3,735,240**

The breakdown of the residual value of intangible fixed assets is shown below:

Patent rights	31,530
Software	17,008
Concessions: Multi-year rights of use for optical fibre	3,351,091
Goodwill	26,054
Other costs of multi-year use	309,557
Intangible assets in progress	0
Total residual value at 31/12/2017	**3,735,240**

It should be noted that most of the "Multi-year Costs" included in Intangible Fixed Assets relate mainly to network infrastructure, which are industrial assets of extreme importance for the production cycle, and it is therefore deemed appropriate to detail them further in the following table:

	Historical cost	Accumulated amortisation	Net residual value
Concessions: Multi-year rights of use for optical fibre	3,871,241	520,150	3,351,091
Contributions for fitting out co-location exchanges – fitting out spaces, start-up of plant and infrastructure on third-party assets	338,190	33,820	304,370
Total at 31/12/2017	**4,209,431**	**553,970**	**3,655,461**

The item "Concessions: Multi-year rights of use for optical fibre" relates to investments made under the contracts that the company has entered into with Telecom Italia Spa, Infratel Spa and other smaller operators for the concession under IRU (Indefeasible Right of Use), mainly for 15 years, of portions of the Fibre Optic network located in Lombardy.

The item "Contributions for fitting out co-location exchanges" - fitting out spaces, start-up of plant and infrastructure on third-party assets, included in the item "Other costs of multi-year use", consists entirely of investments made under the contracts that the company has entered into with Telecom Italia Spa.

Tangible fixed assets

Assets belonging to the category of tangible fixed assets, recognised on the date on which the risks and rewards associated with the asset acquired are transferred, are recorded in the financial statements at purchase cost, increased by any ancillary charges incurred until the assets are ready for use and in any case within the limit of their recoverable value.

The depreciation criteria for tangible fixed assets have not changed from those applied in the previous year.

Tangible fixed assets are systematically depreciated in each financial year at rates commensurate with their remaining useful life, also taking into account the physical wear and tear of the asset; for the first year in which the assets come into operation, with the exception of depreciable assets below 516.46 euro, the rates are reduced by 50% as they are representative of the actual participation in the production process, which can be considered to have occurred on average halfway through the year.

No depreciation is calculated on assets sold or disposed of during the year.

Government grants received in relation to tangible fixed assets have been accounted for using the indirect method. The grants have therefore been recognised in the income statement under item A5 "other revenue and income" and then deferred on an accruals basis to subsequent years by recording deferred income.

It should be noted that it was not necessary to make write-downs under Article 2426, paragraph 1, no. 3 of the Italian Civil Code since, as provided for by accounting standard OIC 9, no indicators of potential lasting impairment of tangible fixed assets were found.

Changes in tangible fixed assets are shown below:

Historical cost (opening value)	**16,897,711**
Increases	4,367,988

Decreases	0
Historical cost (closing value)	**21,265,699**
Accumulated depreciation (opening value)	**5,055,286**
Increases	1,831,278
Decreases	0
Accumulated depreciation (closing value)	**6,886,564**
Residual value at 31/12/2017	**14,379,135**

The breakdown of the residual value of tangible fixed assets is shown below:

Land	1,128,155
Buildings	1,503,977
General plant	26,342
Specific plant	535
Network and fibre infrastructure	11,643,966
Office furniture and machines	30,067
Electronic office machines	24,680
Furnishings	11,413
Tangible assets under construction	10,000
Total residual value at 31/12/2017	**14,379,135**

The depreciation criteria adopted are as follows:

- Land no depreciation
- Buildings 3%
- General Plant capable of independent use 15%
- Proprietary network and fibre infrastructure 5%.
- Electronic exchanges and systems 18%.
- Radio links – circuits (equipment and amplification) 15%
- Proprietary exchange plant and infrastructure 10%
- Alarm and Video Surveillance Systems 30%
- Office Furniture 12%
- Electronic Accounting Equipment 20%
- Cars 25%
- Lorries 20%
- Depreciable Assets below euro 516.46 100%
  (on tangible assets with a value of less than 516.46 euro capable of independent use in the conduct of the business).

The amounts thus recorded are consistent with the state of use of the depreciated assets, taking into account the use and obsolescence they have undergone.

By way of illustration, it is deemed appropriate to detail further in the following table the industrial assets included in tangible fixed assets:

	Historical cost	Accumulated depreciation	Net residual value
Proprietary network and fibre infrastructure	9,760,786	885,766	8,875,020
Electronic exchanges and systems	4,519,496	2,519,301	2,000,195
Radio links – circuits (equipment and amplification)	838,017	369,761	468,256
Proprietary exchange plant and infrastructure	316,310	15,816	300,494
Total at 31/12/2017	**15,434,609**	**3,790,644**	**11,643,965**

Land and buildings

Based on a strict application of accounting standard OIC 16, interpreted in the light of the tax changes introduced by Article 2, paragraph 18, of Decree-Law no. 262 of 03/10/2006, converted with amendments into Law no. 286 of 24/11/2006, in previous years the portion of cost relating to the land on which the buildings stand was separated, distinguishing it from the buildings.

The value attributed to the land was determined on the basis of the flat-rate criterion for allocating the unit cost established by the tax legislator, which was considered appropriate, at 20% of the cost of the property net of any capitalised incremental costs.

Where the land was acquired separately before the subsequent construction of the building, the depreciable value is equal only to the cost actually incurred for the construction of the building.

The principle contained in paragraph 7 of the above legislation governs the case of separate and prior purchase of the land with respect to the subsequent construction of the building, and also applies to buildings erected on land already used for construction or which became free following the demolition of the building that occupied it.

Again on the basis of Law 286/2006, the company decided not to calculate depreciation on land, for tax or for statutory purposes.

Assets under construction and payments on account

Payments on account to suppliers for the purchase of tangible fixed assets recorded under item B.II.5 are initially recognised solely on the date on which the obligation to pay these amounts arises. Consequently, payments on account are not depreciated.

The same item includes tangible fixed assets under construction, which are initially recognised on the date on which the first construction costs are incurred and include the internal and external costs incurred to build the asset. These costs remain under this item until the project has been completed and are not depreciated until then.

Financial fixed assets

Equity investments

All equity investments recorded in the financial statements have been measured using the cost method, where cost means the expense incurred for the purchase, regardless of the method of payment, including any ancillary charges (bank commissions and fees, stamp duties, bank brokerage, etc.).

Equity investments in other companies whose value at the end of the year is lastingly lower than their purchase cost have been recorded at that lower value.

In determining the amount of the write-down, account was also taken of the trend in market prices together with an assessment of the investee's economic and financial conditions, for fixed assets represented by securities listed on organised markets, and of market trends, for the other fixed assets.

At 31/12/2017, financial fixed assets show a balance of Euro 99,785 and consist, in addition to the positive MTM of the Unicredit Derivative Instrument of euro 1,448, of the following components:

Equity investments	**CARRYING AMOUNT AT 31/12/2016**	**INCR.**	**DECR.**	**CARRYING AMOUNT AT 31/12/2017**	**% held at 31/12/2017**
Edizioni Valtrompia Srl in liq. Via Dante 163 - Sarezzo (Bs)	2,200	220	0	**2,420**	5.00
Banca Credito Cooperativo della Valtrompia Scrl Piazza Zanardelli 8 - Bovegno (Bs)	2,707	0	0	**2,707**	0.0008
Banca Valsabbina Scpa Via Molino 4 - 25078 Vestone (Bs)	5,748	0	0	**5,748**	0.0005
	10,655	**220**	**0**	**10,875**	
- Investment write-down provision					
- of which "Edizioni Valtrompia S.r.l. in liq."	(2,200)	(220)	0	**(2,420)**	
- of which "Banca Credito Cooperativo della Valtrompia Scrl"	0	(125)	0	**(125)**	
- of which "Banca Valsabbina Scpa"	(3,648)	(570)	0	**(4,218)**	
Total Equity Investments	**4,807**	**(695)**	**0**	**4,112**	

Receivables from Others

Sundry guarantee deposits	64,889	0	15,664	**49,225**	
Total Receivables from Others	**64,889**	**0**	**15,664**	**49,225**	

Other securities

"Unit Linked" policy CREDITRAS VITA SPA – Corso Italia 23 - Milano	30,000	15,000	0	**45,000**	
Total Other Securities	**30,000**	**15,000**	**0**	**45,000**	

The financial fixed assets in the financial statements have not been recorded at a value higher than their "fair value".

Finance lease transactions

Assets acquired under finance leases are accounted for, as provided by the Legislator, using the non-capitalisation method, with lease instalments recognised among operating costs.

The following table provides the information required by the Legislator.

Description of leased assets	value of leased asset	present value of unexpired lease instalments at 31/12/2017	Financial expenses for the year	Values that would have been shown if the assets had been treated as fixed assets	
				Depr. charge 2017	Accum. depr. at 31/12/2017
no. 1 Cisco Metro Switch equipment contract no. 3260053 of 04/02/2014 lessor: De Lage Landen Int. b.v. – Milano	31,674	5,318	530	6,334	25,336
no. 1 Bandwidth Allocator 2014 - contract no. 992928 of 29/04/2014 lessor: Mediocredito Italiano Spa – Milano	54,984	4,753	285	10,997	43,988
no. 1 Set of Transmission Antennas - contract no. 993137 of 15/05/2014 lessor: Mediocredito Italiano Spa – Milano	207,760	26,878	3,798	41,552	166,208
no. 1 Porsche Macan S Diesel car contract no. 56761 of 13/12/2016 lessor: Porsche Financial Services Italia Spa – Padova	72,719	37,930	2,850	18,180	36,360
no. 1 Smart Four Two Electric Drive car contract no. 2417971 of 27/10/2017 lessor: Mercedes Benz Financial Services Spa – Milano	22,204	17,111	120	5,551	5,551
Totals	**389,341**	**91,990**	**7,583**	**82,614**	**277,443**

Current assets

Current asset items are measured in accordance with numbers 8 to 11-bis of Article 2426 of the Italian Civil Code. The criteria used are indicated in the paragraphs on the respective financial statement items.

Receivables recorded under current assets

Receivables recorded under current assets are to be recognised using the amortised cost method, as defined by Article 2426, paragraph 2 of the Italian Civil Code, taking into account the time factor and the estimated realisable value, in accordance with Article 2426, paragraph 1, no. 8 of the Italian Civil Code.

The adjustment to the estimated realisable value was made by analytically recognising the losses incurred, deriving them from certain and precise elements.

For receivables for which the application of the amortised cost method and/or discounting was found to be immaterial, which is the case for all of them, recognition at estimated realisable value has been maintained in order to give a true and fair view of the company's financial position and results. This occurred, for example, for receivables due within

twelve months or, with reference to the amortised cost method, where transaction costs, commissions and any other difference between initial value and value at maturity are of little significance or, in the case of discounting, where the interest rate inferable from the contractual terms is not significantly different from the market interest rate.

Changes in and maturity of receivables recorded under current assets

The following table shows information on changes in receivables recorded under current assets and, if significant, information on their maturity.

It should be noted that the increase in the item "Receivables from Others" is mainly due to the receivable from Telecom Italia Spa for the non-recurring purchase, prepaid with an initial payment of euro 1,000,000 and currently outstanding for euro 956,000, of a "GEA" (Geographical Ethernet Access) package, using an innovative integrated supply model of transmission solutions through ad hoc design activities in relation to the specific needs of Intred Spa.

It has an indefinite duration, in time and value, with an amount decreasing on the basis of the activation of user lines, reasonably usable within the following 5 years; it was therefore not possible to quantify the portion due after the year or to apply the amortised cost method.

	Value at start of year	Change during the year	Value at end of year	Due within the year
Receivables from customers	3,188,070	393,466	3,581,536	3,581,536
Tax receivables	160,854	2,291	163,145	163,145
Deferred tax assets	32,113	8,828	40,941	-
Receivables from others	17,943	955,612	973,555	973,555
Total	**3,398,980**	**1,360,197**	**4,759,177**	**4,718,236**

Breakdown of receivables recorded under current assets by geographical area

Receivables recorded under current assets all fall within the "Italy" geographical area.

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value.

	Value at start of year	Changes during the year	Value at end of year
bank and postal deposits	1,905,439	(818,595)	1,086,844
cash and valuables on hand	521	478	999
Total	*1,905,960*	*(818,117)*	*1,087,843*

Prepayments and accrued income

Accruals and deferrals have been calculated on an accruals basis, by allocating income and/or costs common to two financial years.

When recording and reviewing multi-year prepayments, the existence or continuation of the time condition was verified.

Prepayments and accrued income total euro 497,114, an increase of euro 126,864 compared with the previous year's value of euro 370,250.

It should be noted that prepayments and accrued income have the following maturities:
- within the following financial year: euro 476,710;
- after the following financial year: euro 20,404, of which euro 1,547 beyond five years.

It should be noted that this item mainly consists of the following accounting entries:

Accrued income
- accrued income for network infrastructure rental (euro 50,616);
- accrued income for equipment rental (euro 2,049);

Prepayments
- prepaid insurance (euro 13,844);
- prepaid leasing instalments (euro 21,030);
- prepaid telephone fees (euro 11,451);
- prepaid infrastructure and access rental (euro 303,438);
- prepaid maintenance (euro 13,224);
- prepaid loan transaction costs (euro 10,523);
- prepaid technical consultancy (euro 15,579);

Capitalised financial expenses

All interest and other financial expenses were charged in full to the year. For the purposes of Article 2427, paragraph 1, no. 8 of the Italian Civil Code, it is therefore stated that none of them have been capitalised.

Notes to the financial statements, liabilities and equity

Shareholders' equity and liability items in the balance sheet have been recorded in accordance with the national accounting standards; the sections relating to the individual items indicate the specific criteria applied.

Shareholders' equity

The items are shown in the financial statements at their carrying amount, in accordance with the guidance in accounting standard OIC 28.

Changes in shareholders' equity items

With reference to the financial year now closing, the following tables show the changes in the individual shareholders' equity items, as well as the breakdown of other reserves, if any.

	Value at start of year	Allocation of prior year result - Other allocations	Other changes - Decreases	Result for the year	Value at end of year
Share capital	3,810,000	-	-	-	3,810,000
Legal reserve	254,966	81,801	-	-	336,767
Extraordinary reserve	1,218,772	1,554,207	-	-	2,772,979
Total other reserves	1,218,772	1,554,207	-	-	2,772,979
Reserve for hedges of expected cash flows	(13,531)	-	4,761	-	(18,292)
Profit (loss) for the year	1,636,008	(1,636,008)	-	2,537,708	2,537,708
Total	**6,906,215**	**-**	**4,761**	**2,537,708**	**9,439,162**

All subscribed shares have been fully paid up.

Availability and use of shareholders' equity

The following tables analytically show the shareholders' equity items, specifying their origin, possibility of use and distributability, as well as their use in the previous three financial years.

Description	Amount	Origin/Nature	Possibility of use
Share capital	3,810,000	Capital	
Legal reserve	336,767	Profits	A;B
Extraordinary reserve	2,772,979	Profits	A;B;C
Total other reserves	2,772,979	Profits	A;B;C
Reserve for hedges of expected cash flows	(18,292)	Capital	
Total	**6,901,454**		
Non-distributable portion			
Remaining distributable portion			
Key: A: for capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory restrictions; E: other			

Please note the following:
- in financial year 2007, in execution of the resolution of the extraordinary shareholders' meeting of 22/11/2007 (deed of Notary Giammatteo Rizzonelli, Rep. no. 10,233, Coll. no. 6,889), the share capital was increased from euro 10,920 to euro 210,000 through the partial use of the shareholders' equity item "Extraordinary Reserve";
- in financial year 2010, in execution of the resolution of the extraordinary shareholders' meeting of 07/06/2010 (deed of Notary Giammatteo Rizzonelli, Rep. no. 15,744, Coll. no. 10,702), the share capital was increased from euro 210,000 to euro 1,200,000 through the partial use of the shareholders' equity item "Extraordinary Reserve"; consequently, the Share Capital, increased to euro 1,200,000, fully subscribed and paid up, consists of 1,200,000 shares with a nominal value of Euro 1 each;

- in financial year 2014, in execution of the resolution of the extraordinary shareholders' meeting of 29/04/2014 (deed of Notary Alberto Broli, Rep. no. 85,105, Coll. no. 32,950), the share capital was increased from euro 1,200,000 to euro 3,810,000 through the partial use of the shareholders' equity item "Extraordinary Reserve"; consequently, the Share Capital, increased to euro 3,810,000, fully subscribed and paid up, consists of 3,810,000 shares with a nominal value of Euro 1 each.

Provisions for risks and charges

Provisions for risks and charges are shown in the following table:

Breakdown	31/12/2016	Increases	Uses	31/12/2017
Provision for deferred taxes	0	347	0	**347**
Derivative financial instruments - liabilities	17,803	7,713	0	**25,516**
Total	**17,803**	**8,060**	**0**	**25,863**

Employee severance indemnity

The employee severance indemnity (TFR) has been calculated in accordance with Article 2120 of the Italian Civil Code, taking into account the legal provisions and the specific features of the contracts and professional categories, and includes the annual portions accrued and the revaluations made on the basis of ISTAT indices.

The amount of the provision is shown net of advances paid and of the portions used for terminations of employment during the year, and represents the certain liability towards employees at the balance sheet date.

	Value at start of year	Changes in the year - Provision	Changes in the year - Use	Changes in the year - Total	Value at end of year
EMPLOYEE SEVERANCE INDEMNITY	432,497	88,206	43,288	44,918	477,415

Payables

Payables are to be recognised in the financial statements using the amortised cost method, as defined by Article 2426, paragraph 2 of the Italian Civil Code, taking into account the time factor, in accordance with Article 2426, paragraph 1, no. 8 of the Italian Civil Code. For payables for which the application of the amortised cost method and/or discounting was found to be immaterial, which is the case for all of them, recognition at nominal value has been maintained in order to give a true and fair view of the company's financial position and results. This occurred, for example, for payables due within twelve months or, with reference to the amortised cost method, where transaction costs, commissions and any other difference between initial value and value at maturity are of little significance or, in the case of discounting, where the interest rate inferable from the contractual terms is not significantly different from the market interest rate.

Changes in and maturity of payables

The following table shows information on changes in payables and any information on their maturity.

	Value at start of year	Change during the year	Value at end of year	Portion due within the year	Portion due after the year	Of which with a residual term of more than 5 years
Payables to banks	4,384,981	779,656	5,164,637	1,906,043	3,258,594	459,394
Advances	137	1,495	1,632	1,632	-	-
Payables to suppliers	3,838,725	648,203	4,486,928	4,486,928	-	-
Tax payables	447,400	(111,956)	335,444	335,444	-	-
Payables to social security institutions	70,993	5,495	76,488	76,488	-	-
Other payables	365,200	61,208	426,408	426,408	-	-
Total	**9,107,436**	**1,384,101**	**10,491,537**	**7,232,943**	**3,258,594**	**459,394**

Breakdown of payables by geographical area

No breakdown by geographical area is provided, as the information is not significant.

Payables secured by collateral on company assets

The following table shows, separately for each item, the payables secured by collateral on company assets, specifying the nature of the guarantees.

	Payables secured by mortgages	Total payables secured by collateral	Payables not secured by collateral	Total
Payables to banks	236,177	236,177	4,928,460	5,164,637
Advances	-	-	1,632	1,632
Payables to suppliers	-	-	4,486,928	4,486,928
Tax payables	-	-	335,444	335,444
Payables to social security institutions	-	-	76,488	76,488
Other payables	-	-	426,408	426,408
Total payables	**236,177**	**236,177**	**10,255,360**	**10,491,537**

Payables existing at the end of the year total Euro 10,491,537.

It should be noted that this item mainly consists of the following accounting entries:

- the long-term mortgage loan (15-year term) taken out with “Intesa Sanpaolo Spa” on 27/04/2007 and secured by a mortgage of euro 960,000, recorded at euro 236,177 (original amount euro 640,000);

- the long-term loan (6-year term) taken out with “Banca Valsabbina Scpa” on 27/11/ 2013, recorded at euro 141,007 (original amount euro 400,000);

- the medium-term loan (5-year term) taken out with “Unicredit Spa” on 07/05/2014, recorded at euro 300,000 (original amount euro 1,000,000);

- the “Sabatini Law” medium-term loan (5-year term) taken out with “Ubi Banca Spa” on 26/11/2014, recorded at euro 1,000,000 (original amount euro 2,000,000);

- the medium-term loan (5-year term) taken out with “Unicredit Spa” on 29/06//2016, recorded at euro 700,000 (original amount euro 1,000,000);

- the medium-term loan (5-year term) taken out with “Intesa Sanpaolo Spa” on 30/11//2016, recorded at euro 401,150 (original amount euro 500,000);

- the short-term loan taken out with “Ubi Banca Spa” on 10/03/2016, recorded at euro 500,000 (original amount euro 500,000) - (maturity 10/06/2018);

- the medium-term loan (7-year term) taken out with “Ubi Banca Spa” on 17/07/2017, recorded at euro 1,883,200 (original amount euro 2,000,000) - (maturity 17/07/2024);

- payables to suppliers of euro 4,486,928;

- tax payables of euro 335,791;

- payables to social security institutions of euro 76,488;

- payables to employees of euro 364,625.

Accruals and deferred income

Accruals and deferrals have been calculated on an accruals basis, by allocating costs and/or income common to two financial years.

When recording and reviewing multi-year deferred income, the existence or continuation of the time condition was verified. Where this condition has changed, the appropriate adjustments have been made.

Accruals and deferred income total euro 4,124,317, an increase of euro 30,557 compared with the previous year’s value of euro 4,093,760.

Note that accruals and deferred income have the following maturities:
- within the following financial year: euro 2,142,565;
- after the following financial year: euro 1,981,752, of which euro 1,346,981 beyond five years.

It should be noted that this item mainly consists of the following accounting entries:

Accruals
- accrued interest on loans (euro 7,347);
- accruals for utilities (euro 31,114);
- accruals for other services (euro 40,086).

Deferred income
- deferred income for “Infratel” capital grants received against the structural investments provided for by the MISE calls for tenders (euro 2,021,643);
- deferred income for periodic fees for services pertaining to future years (euro 1,876,633);

- deferred income for the Sabatini Law grant (euro 77,174);

- deferred income for revenue from IRU transfers (euro 70,319).

Notes to the financial statements, income statement

The income statement shows the result of operations for the year.

It provides a representation of operating transactions, through a summary of the positive and negative income components that contributed to the result for the year. The positive and negative income components, recorded in the financial statements in accordance with Article 2425-bis of the Italian Civil Code, are classified according to the various areas of activity: core, ancillary and financial.

Core activity identifies the income components generated by transactions that occur on a continuous basis and in the sector relevant to the conduct of operations, which identify and qualify the specific and distinctive part of the economic activity carried out by the company, for which it exists.

Financial activity consists of transactions that generate income and expenses of a financial nature.

On a residual basis, ancillary activity consists of transactions that generate income components that are part of ordinary activity but do not fall within core and financial activity.

Value of production

Revenue is recognised in the financial statements on an accruals basis, net of returns, allowances, discounts and bonuses, as well as of taxes directly connected with it. Revenue from the sale of goods is recognised at the time of delivery or shipment of the goods.

Revenue from services is recognised when the service is rendered, i.e. when it has been performed; in the specific case of continuous services, the related revenue is recognised for the portion accrued.

Other Revenue and Income also include items of a different nature that can nevertheless be classified within the Value of Production.

Comment

A1) Revenue from sales and services
The amount of Revenue from Sales and Services achieved during the year was euro 14,401,715, recording an increase of euro 2,911,370 compared with the value of the previous year, which was euro 11,490,345.

Account item	31/12/2017	31/12/2016	Change
Revenue from sales and services	14,401,715	11,490,345	2,911,370
Total	**14,401,715**	**11,490,345**	**2,911,370**

Income from the transfer of rights of use to third parties (IRUs granted) is recorded under “Revenue from sales and services” and recognised in the income statement on a time-accrual basis over the contractual term of the concession.

A5) Other revenue and income
Other Revenue and Income total euro 375,126, a decrease of euro 10,341 compared with the previous year’s value of euro 385,467.

Account item	31/12/2017	31/12/2016	Change
Other revenue and income	375,126	385,467	(10,341)
Total	**375,126**	**385,467**	**(10,341)**

"Capital grants" have been recognised in the income statement under "Other Revenue and Income" and deferred on an accruals basis to subsequent years by recording corresponding deferred income in the balance sheet.

Under this method, once the fixed asset comes into operation, economic-technical depreciation is calculated on its actual cost, while the related capital grant, calculated on the basis of the amount actually reported, is recognised in the income statement only for the portion pertaining to the year, calculated on the basis of the useful life of the asset.

Breakdown of revenue from sales and services by geographical area

No breakdown by geographical area is provided, as the information is not significant.

Costs of production

Costs and charges are recognised on an accruals basis and by nature, net of returns, allowances, discounts and bonuses, in accordance with the principle of matching with revenue, and recorded under the respective items as provided for by accounting standard OIC 12. As regards purchases of goods, the related costs are recognised when the substantial, not formal, transfer of title has occurred, taking the transfer of risks and rewards as the reference parameter for the substantial transfer.

B6) Costs for raw and ancillary materials, etc.

Costs for raw materials total euro 310,607, an increase of euro 130,794 compared with the previous year's value of euro 179,813.

B7) Costs for services

Costs for services total euro 2,252,921, an increase of euro 460,140 compared with the previous year's value of euro 1,792,781.

It should be noted that this item consists of the following accounting entries:

Account item	31/12/2017	31/12/2016	Change
Utilities	147,855	136,506	11,349
Maintenance	275,823	76,799	199,024
Telephony data flow	491,815	364,330	127,485
Advertising	227,805	183,638	44,167
Commissions	170,065	168,939	1,126
External collaborations	194,685	202,949	(8,264)
Directors' fees	240,000	240,000	0
Board of statutory auditors' fees	21,736	21,736	0
Consultancy and external services	121,262	89,446	31,816
Bank charges	49,468	31,486	17,982
Costs for sundry services	312,407	276,952	35,455
Total	**2,252,921**	**1,792,781**	**460,140**

B8) Costs for use of third-party assets

Costs for use of third-party assets total euro 3,698,975, an increase of euro 43,775 compared with the previous year's value of euro 3,655,200.

It should be noted that this item consists of the following accounting entries:

Account item	31/12/2017	31/12/2016	Change
Network infrastructure rental	3,418,310	3,373,259	45,051
Rents	195,278	171,190	24,088
Hire charges	70,325	74,241	(3,916)
Other sundry costs	15,062	36,510	(21,448)
Total	**3,698,975**	**3,655,200**	**43,775**

B9) Personnel costs

Personnel costs total euro 2,327,206, an increase of euro 385,276 compared with the previous year's value of euro 1,941,930.

B10) Amortisation, depreciation and write-downs

Costs for amortisation, depreciation and write-downs total euro 2,172,077, an increase of euro 479,737 compared with the previous year's value of euro 1,692,340.

B14) Other operating expenses

Other operating expenses total euro 490,767, an increase of euro 248,205 compared with the previous year's value of euro 242,562.

It should be noted that this item consists of the following accounting entries:

Account item	31/12/2017	31/12/2016	Change
User concessions for TLC Frequency Authorisations	155,752	149,621	6,131
Losses on receivables	*149,944	0	149,944
Membership fees	15,381	20,679	(5,298)
Imu tax	14,566	14,566	0
Tasi tax	1,105	1,099	6
Sundry taxes and duties	30,130	11,305	18,825
Other sundry operating expenses	123,889	45,292	78,597
Total	**490,767**	**242,562**	**248,205**

* of which approximately euro 100,000 non-recurring.

Financial income and expenses

Financial income and expenses are recognised on an accruals basis for the portion accrued during the year.

Grants aimed at reducing interest on loans are recorded as a reduction of item C.17 if obtained in the same year in which the interest expense is recognised.

Grants aimed at reducing interest expense on loans are recorded under item C.16.d if obtained in the year following that in which the interest expense is recognised.

Composition of income from equity investments

It is hereby acknowledged that in the year under review there is income from equity investments, albeit limited, as referred to in Article 2425, no. 15 of the Italian Civil Code, consisting of the dividends received from the investee "Banca Valsabbina Scpa" (euro 18).

Comment

C16) Other financial income

Other financial income totals euro 47,883, an increase of euro 18,453 compared with the previous year's value of euro 29,430.

It should be noted that this item consists of the following accounting entries:

Account item	31/12/2017	31/12/2016	Change
Interest income on bank deposits	2,069	5,158	(3,089)
Sabatini Law operating grants	30,869	15,435	15,434
Cash discounts on payments	14,927	8,498	6,429
Sundry financial income	18	339	(321)
Total	**47,883**	**29,430**	**18,453**

C17) Interest and other financial expenses

Interest and other financial expenses total euro 101,455, an increase of euro 22,851 compared with the previous year's value of euro 78,604.

It should be noted that this item consists of the following accounting entries:

Account item	31/12/2017	31/12/2016	Change
Interest expense on mortgages	30,802	34,142	(3,340)
Interest expense on loans	64,608	40,076	24,532
Sundry financial expenses	6,045	4,386	1,659
Total	**101,455**	**78,604**	**22,851**

D19) Write-downs

Write-downs of equity investments

Write-downs of equity investments total euro 915, a decrease of euro 2,883 compared with the previous year's value of euro 3,798.

Amount and nature of individual revenue/cost items of exceptional size or incidence

During this financial year, no revenue or other positive components arising from events of exceptional size or incidence were recognised.

Income taxes for the year, current, deferred and prepaid

The company has provided for taxes for the year on the basis of the tax rules in force. Current taxes refer to the taxes pertaining to the year as shown in the tax returns; taxes relating to previous years include direct taxes of previous years, including interest and penalties, and also refer to the positive (or negative) difference between the amount due following the settlement of a dispute or an assessment and the value of the provision set aside in previous years. Finally, deferred tax liabilities and deferred tax assets relate to positive or negative income components respectively subject to taxation or deduction in years other than those in which they are recognised for statutory purposes.

Deferred and prepaid taxes

This item includes the impact of deferred taxation on these financial statements. It arises from temporary differences between the values attributed to an asset or liability according to statutory criteria and the corresponding values recognised for tax purposes.

The company has determined deferred taxation with reference to IRES and IRAP.

The following table analytically shows the amounts making up the item "Current, Deferred and Prepaid Taxes:

Account item	Ires	Irap	Value at 31/12/2017
Current taxes	773,046	166,023	939,069
Total current taxes	**773,046**	**166,023**	**939,069**
Deferred taxes	0	0	0
Prepaid taxes	(5,317)	(1,659)	(6,976)
Total deferred and prepaid taxes	**(5,317)**	**(1,659)**	**(6,976)**
Total income taxes for the year	**767,729**	**164,364**	**932,093**

Notes to the financial statements, cash flow statement

The company has prepared the cash flow statement, which is the summary document that reconciles the changes during the year in the company's equity with the changes in its financial position; it highlights the financial resources the company needed during the year and their use.

As regards the method used, the company has adopted, as provided for by OIC 10, the indirect method, under which the cash flow is reconstructed by adjusting the result for the year for non-cash components.

It is appropriate to point out that, within the changes in Net Working Capital, in 2016 the company benefited from a non-recurring receipt of euro 2,473,000 for the Bul Valsabbia non-repayable grant against the specific investments made in 2014 and 2015; in 2017 the movements are affected by the non-recurring outlay for the purchase of the "GEA Telecom" package, detailed specifically under "Receivables from Others", which shows a prepaid credit position amounting to euro 956,000 at 31/12/2017.

Notes to the financial statements, other information

The other information required by the Italian Civil Code is provided below.

Employment data

The following table shows the average number of employees, broken down by category and calculated on the basis of the daily average.

	Middle managers	White-collar staff	Other employees	Total employees
Average number	2	45	1	48

Remuneration, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf

The following table shows the information required by Article 2427, no. 16 of the Italian Civil Code, specifying that there are no advances or loans and that no commitments have been undertaken on behalf of the administrative body as a result of guarantees of any kind given.

	Directors	Statutory auditors
Remuneration	240,000	21,736

Note also that the statutory audit is carried out by the Board of Statutory Auditors.

Categories of shares issued by the company

The company did not issue any shares during the year under review.

Securities issued by the company

The company has not issued any securities or similar instruments falling within the scope of Article 2427, no. 18 of the Italian Civil Code.

Details of other financial instruments issued by the company

No other financial instruments have been issued under Article 2346, paragraph 6 of the Italian Civil Code.

Commitments, guarantees and contingent liabilities not shown in the balance sheet

The information required by Article 2427, no. 9 of the Italian Civil Code is provided below.

Specifically, these are the residual "Finance Lease Instalments" relating to leasing contracts for electronic equipment, technical equipment and motor vehicles (euro 91,990), as well as "Bank guarantees" (euro 192,603) and "Insurance guarantees" (euro 390,450), issued in the interest of the company in favour of third parties, mainly Public Bodies, and related to the works for laying "Fibre" on public land.

Information on assets and financing earmarked for a specific business

Assets earmarked for a specific business

It is hereby stated that at the balance sheet date there are no assets earmarked for a specific business as referred to in no. 20 of Article 2427 of the Italian Civil Code.

Financing earmarked for a specific business

It is hereby stated that at the balance sheet date there is no financing earmarked for a specific business as referred to in no. 21 of Article 2427 of the Italian Civil Code.

Information on related party transactions

For the purposes of the regulations in force, please note that no related party transactions were carried out during the year.

Information on agreements not shown in the balance sheet

No agreements not shown in the balance sheet were entered into during the year.

Information on significant events after the end of the financial year

With reference to point 22-quater of Article 2427 of the Italian Civil Code, there are no significant events after the end of the financial year that have had a material impact on the company's financial position and results.

Companies that prepare the financial statements of the largest/smallest group of companies of which the company is part as a subsidiary

There are no cases under Article 2427, nos. 22-quinquies and sexies of the Italian Civil Code.

Information on derivatives pursuant to Article 2427-bis of the Italian Civil Code

In order to reduce the risk of adverse changes in interest rates, derivative contracts have been entered into for hedging purposes (IRS).

The derivative contracts are correlated with the payables relating to the loan contracts entered into.

In particular, there is a high correlation between the technical/financial characteristics of the hedged liabilities and those of the hedging contract, and there is also the intention to implement the hedge.

Transactions in derivative financial instruments are accounted for consistently with the main transactions against which they are carried out, or at market value where applicable.

The derivative transactions still outstanding at 31/12/2017 have the following characteristics:

Bank	**Ubi Banca Spa**	**Ubi Banca Spa**	**Unicredit Spa**
Contract ref.	141822	162252	9273285
Purpose	Hedging	Hedging	Hedging
Notional Value (31/12/2017)	1,000,000	1,883,200	700,000
Underlying Financial Risk	Interest rate risk	Interest rate risk	Interest rate risk
Mark to Market	-9,359	-16,157	+1,448
Start date	03/12/2014	17/07/2017	06/07/2016
Maturity	29/09/2019	17/07/2024	30/06/2021

Summary of the financial statements of the company exercising management and coordination

Pursuant to Article 2497-bis, paragraph 4 of the Italian Civil Code, it is hereby stated that the company is not subject to management and coordination by others.

Privacy and data protection

In compliance with Annex “B” to Legislative Decree 196 of 30/06/2003 (Consolidated Privacy Act), which lays down the technical and organisational measures to be adopted to protect sensitive data processed electronically, it is hereby acknowledged that “INTRED SPA” has continued its activities to ensure compliance with the rules in force.

Proposed allocation of profits or coverage of losses

Dear Shareholders, in the light of the above, the administrative body proposes that you allocate the profit for the year of euro 2,537,708 as follows:

- euro 126,885 to the legal reserve;
- euro 2,410,823 to the extraordinary reserve.

Notes to the financial statements, final part

Dear Shareholders, we confirm that these financial statements, consisting of the balance sheet, income statement, cash flow statement and notes to the financial statements, give a true and fair view of the company's financial position and of the results of operations for the year and correspond to the accounting records. We therefore invite you to approve the draft financial statements as at 31/12/2017 together with the proposed allocation of the result for the year, as prepared by the administrative body.

The Financial Statements are true and accurate and correspond to the accounting records.

Brescia, 16/03/2018

For the Board of Directors

Daniele Peli

Chairman of the BoD

DIRECTORS' REPORT

INTRED S.P.A. ACCOUNTS

as at 31 December 2017

Brescia 16/03/2018

Intred S.p.A. – Via Creta, 15 – 25124 Brescia
www.intred.it – info@intred.it
VAT No. 02018740981 - Tax Code and Co. Reg. No. 11717020157
REA 366982 BS – Share Cap. €3,810,000.00 fully paid

Autorizzazione Ministeriale
n. 593 del 18/06/1998
MINISTERO DELLE COMUNICAZIONI

Dear Shareholders, the Notes to the financial statements provided you with information illustrating the financial statements as at 31/12/2017; in this document, in accordance with Article 2428 of the Italian Civil Code, we provide information on the situation of your company and on the performance of operations. This report, prepared with amounts expressed in units of Euro, accompanies the Financial Statements in order to provide information on the company's income, financial position, cash flows and management, accompanied, where possible, by historical data and forward-looking assessments.

Information on the company

For your company, 2017 was a decidedly positive year. The value of production increased by 24.4% (€2.9 million) compared with the previous year, reaching €14.78 million, and at the same time all the intermediate economic indicators improved significantly: EBITDA: 39.6% of production, equal to €5.85 million (it grew by 44% compared with 2016); the operating result (EBIT): 24% of production, equal to €3.52 million (it grew by 49% compared with 2016); the net result: 17.2% of production, equal to €2.54 million (it grew by 55% compared with 2016); CASH FLOW: 33% of production, equal to €4.86 million (it grew by 46% compared with 2016). Further ratios are then shown in the tables that follow.

Analysing your company's reference market, it can be seen that from 2011 to 2016 fixed-network TLC operators reduced their turnover by 3.82 billion euro, -19.5%. The reduction in turnover was concentrated mainly among the large national operators. In fact, smaller companies such as INTRED, more dynamic and more focused on broadband and ultra-broadband connectivity, managed to increase sales in the same period, bucking the trend. Confirming this, your company's growth in the same period (from 2011 to 2016) was + 87%.

Revenue

INTRED is a medium-sized telecommunications operator, structured and well organised from a technical and commercial point of view. Its flexibility and strong determination to win new market share, combined with its very widespread, new-generation proprietary fibre optic network, enable the company to compete on an equal footing with the main operators in the sector, offering its customers a complete range of services: broadband and ultra-broadband connectivity, wireless connectivity, landline telephony, cloud services and connectivity for residential users.

Broadband connectivity
This category includes ADSL and HDSL connections, dedicated to professional users, which deliver bandwidth of up to 20 Mbps. This type of connection uses Telecom Italia's copper last mile with XDSL technology. It is still the most widespread connection method in Italy today, having been used for about 15 years and with coverage of close to 99% of the country. Over the next 4/5 years, fibre optic connections (FTTC and FTTH) are expected to replace XDSL connections. In 2017 this family of products generated 7% of INTRED's turnover, compared with 11% the previous year.

Ultra-broadband connectivity
The Internet access network is developing with two different technologies: FTTH (fiber to the home), where the optical fibre is taken directly to the end user; FTTC (fiber to the cabinet), where the fibre reaches the street cabinet and the copper pair from the Telecom Italia cabinet (last eighth of a mile) is used to reach the end user with VDSL2 technology. With this type of service, which is rapidly establishing itself across the country, INTRED generated 30% of its turnover in 2017, compared with 22% the previous year and only 13% in 2015.

RDSL connectivity (wireless)
This type of service is provided in areas not adequately covered by XDSL and fibre optics, or in areas that need backup connections as an alternative to cable. With this service our company generated 13% of its 2017 turnover.

Telephony (landline)
As a Telephone Operator holding an OLO (Other Licensed Operators) Ministerial Licence, INTRED offers and directly manages its own telephone numbers or, in accordance with resolutions 35/10/CIR (Pure Number Portability) and 274/07/CONS (Activation and migration of access services), can acquire such numbers from other OLOs and from Telecom Italia.
In one of its Data Centres INTRED hosts its own telephone exchange, directly interconnected with the national telephone network, through which it provides telephone services via its proprietary ULL (Unbundling Local Loop) network, in WLR (Wholesale Line Rental) or with VoIP (Voice over IP) technology. In 2017 the share of turnover from landline telephony services was 12%.

EIR (telecommunications services for residential users)
In 2010, the company's management took the strategic decision to create in the province of Brescia a very widespread new-generation fixed network based on optical fibre. This initiative led INTRED to enter the residential TLC market, until then unexplored, in order to optimise the substantial investments needed to build the above proprietary network. This family of products includes ADSL connections, RDSL connections, landline telephony and FTTC fibre optic connections. In 2017 the turnover generated by this family of products was 27% of the total.

Services for micro-businesses
This family of products includes TLC services (above all telephony, ADSL and FIBRE connectivity) for very small professional users: typically shops, craftsmen and professional offices. In 2017 services for micro-businesses, which grew strongly, generated 2% of INTRED's turnover.

Cloud Services
Since its foundation, INTRED has offered hosting services (domain registration, email, web, etc.), housing (hosting of physical servers in our data centres) and virtual servers. In 2017 these services generated 3% of the company's turnover.

Ancillary Services
This group includes equipment rental services (routers and firewalls), technical support, IP address fees, hardware sales, etc. In 2017 these services generated 4% of INTRED's turnover.

Investments

Investments in 2017 amounted to euro 5.49 million, concentrated essentially on the development of the FTTH and FTTC fibre optic access network, mainly in the provinces of Brescia, Bergamo and Mantua.
Most of the investments in INTRED's network infrastructure consist of tangible fixed assets (79.5% of the total): civil works for laying fibre optic networks, an activity normally commissioned from specialist TLC companies that usually build infrastructure for various operators; fibre optic cables of various sizes, purchased directly from national manufacturers; street cabinets and manholes, purchased from national manufacturers; electronic network equipment purchased from national and international distributors (Huawei and Cisco Systems); assets below €516, consisting mainly of connection termination devices, routers and switches (Huawei, Cisco Systems, AVM, etc.), purchased from national and international distributors and capable of independent use.
Another important part of the investments falls under intangible fixed assets (20.5% of the total): it consists mainly of acquisitions of rights of use, in IRU mode (Indefeasible Right of Use) for 15 years, for dark fibre and/or cable ducts. These rights were acquired mainly from Telecom Italia and Infratel Italia (in-house company of the Ministry of Economic Development). These investments made it possible to build network infrastructure at low cost and relatively quickly, with a significant reduction in civil works and in the related timescales linked to permits from the competent authorities.

Marketing and communication

As regards marketing and communication, in 2017 the company again pursued the objective of increasing the awareness of the INTRED brand in the province of Brescia, positioning the company as a solid, specialised and cutting-edge business able to earn the trust of the market, highlighting the laying of its own fibre optics as a strategic distinctive element.
Significant resources were devoted to marketing activities aimed at promoting the EIR brand in the residential market and its value positioning, concentrating on the features able to differentiate us from national competitors, such as local presence and the transparency of contractual conditions, and on laying the foundations for building Brand Awareness.

Various media were used to promote the marketing actions: large-format billboards and publications in local newspapers (Corriere della Sera, Giornale di Brescia and Brescia Oggi). For the first time, in 2017 marketing campaigns were run on radio (Radio Viva FM, the leading local radio station) and on television (Teletutto, the best-known Brescia television channel), and other significant resources were invested in promotional activities on social media such as Facebook and Google

Forecasts for 2018

Growth forecasts for the next financial year are very positive.
In 2018, too, the increase in revenue will be driven by sales of ultra-broadband services and EIR, while, as in recent years, we expect a decline in sales of broadband connections based on copper cable. Revenue growth will be accompanied by a further improvement in the financial results and intermediate economic indicators.
Investments will continue to be concentrated on the development of the proprietary network, a fundamental tool for generating a solid increase in revenue for your company. Investment will focus above all on the FTTH and FTTC access network.

Significant events

The company has undertaken some preliminary feasibility studies concerning a capital market access transaction in order to further accelerate the development of the company's business, including the possible admission to trading of the company's ordinary shares on the AIM Italia / Mercato Alternativo del Capitale multilateral trading facility. In order to examine this analysis further, the company has appointed advisers involved in the project which, if finalised, will in any case be subject to the approval of the competent Corporate Bodies.

Management and coordination

Pursuant to paragraph 5 of Article 2497-bis of the Italian Civil Code, it is hereby stated that the company is not subject to management and coordination by others.

Statement of financial position

For a better understanding of the company's balance sheet and financial position, a reclassified Balance Sheet is provided below.

Balance Sheet – Assets

Item	Year 2017	%	Year 2016	%	Absolute change	Change %
CURRENT ASSETS	**6,352,418**	**25.87 %**	**5,707,966**	**27.77 %**	**644,452**	**11.29 %**
Immediate liquidity	**1,087,843**	**4.43 %**	**1,905,960**	**9.27 %**	**(818,117)**	**(42.92) %**
Cash and cash equivalents	1,087,843	4.43 %	1,905,960	9.27 %	(818,117)	(42.92) %
Deferred liquidity	**5,264,575**	**21.44 %**	**3,802,006**	**18.49 %**	**1,462,569**	**38.47 %**
Receivables from shareholders						
Short-term receivables in current assets	4,718,236	19.21 %	3,366,867	16.38 %	1,351,369	40.14 %
Short-term fixed-asset receivables	49,225	0.20 %	64,889	0.32 %	(15,664)	(24.14) %
Tangible fixed assets held for sale						
Financial assets						
Prepayments and accrued income	497,114	2.02 %	370,250	1.80 %	126,864	34.26 %
Inventories						
FIXED ASSETS	**18,205,876**	**74.13 %**	**14,849,745**	**72.23 %**	**3,356,131**	**22.60 %**
Intangible fixed assets	3,735,240	15.21 %	2,940,400	14.30 %	794,840	27.03 %
Tangible fixed assets	14,379,135	58.55 %	11,842,425	57.61 %	2,536,710	21.42 %
Financial fixed assets	50,560	0.21 %	34,807	0.17 %	15,753	45.26 %
Medium/long-term receivables in current assets	40,941	0.17 %	32,113	0.16 %	8,828	27.49 %
TOTAL USES	**24,558,294**	**100.00 %**	**20,557,711**	**100.00 %**	**4,000,583**	**19.46 %**

Balance Sheet – Liabilities and Equity

Item	Year 2017	%	Year 2016	%	Absolute changes	Change %
THIRD-PARTY CAPITAL	**15,119,132**	**61.56 %**	**13,651,496**	**66.41 %**	**1,467,636**	**10.75 %**
Current liabilities	**11,357,260**	**46.25 %**	**10,431,124**	**50.74 %**	**926,136**	**8.88 %**
Short-term payables	7,232,943	29.45 %	6,337,364	30.83 %	895,579	14.13 %
Accruals and deferred income	4,124,317	16.79 %	4,093,760	19.91 %	30,557	0.75 %
Non-current liabilities	**3,761,872**	**15.32 %**	**3,220,372**	**15.67 %**	**541,500**	**16.81 %**
Medium/long-term payables	3,258,594	13.27 %	2,770,072	13.47 %	488,522	17.64 %
Provisions for risks and charges	25,863	0.11 %	17,803	0.09 %	8,060	45.27 %
TFR	477,415	1.94 %	432,497	2.10 %	44,918	10.39 %
SHAREHOLDERS' EQUITY	**9,439,162**	**38.44 %**	**6,906,215**	**33.59 %**	**2,532,947**	**36.68 %**
Share capital	3,810,000	15.51 %	3,810,000	18.53 %		
Reserves	3,091,454	12.59 %	1,460,207	7.10 %	1,631,247	111.71 %
Profits (losses) carried forward						
Profit (loss) for the year	2,537,708	10.33 %	1,636,008	7.96 %	901,700	55.12 %
Loss covered for the year						
TOTAL SOURCES	**24,558,294**	**100.00 %**	**20,557,711**	**100.00 %**	**4,000,583**	**19.46 %**

Key indicators of financial position

Based on the above reclassification, the following financial statement ratios are calculated:

RATIO	Year 2017	Year 2016	Changes %
Fixed asset coverage	51.82 %	46.40 %	11.68 %
Banks to current assets	88.33 %	82.66 %	6.86 %
Debt ratio	1.60	1.98	(19.19) %
Financial debt ratio	0.55	0.63	(12.70) %
Equity to invested capital	38.44 %	33.59 %	14.44 %
Financial expenses to turnover	0.70 %	0.68 %	2.94 %
Current ratio	55.93 %	54.72 %	2.21 %
Primary structure margin	(8,725,773)	(7,911,417)	10.29 %
Primary coverage ratio	0.52	0.47	10.64 %

RATIO	Year 2017	Year 2016	Changes %
Secondary structure margin	(4,963,901)	(4,691,045)	5.82 %
Secondary coverage ratio	0.73	0.68	7.35 %
Net working capital	(5,004,842)	(4,723,158)	5.96 %
Primary treasury margin	(5,004,842)	(4,723,158)	5.96 %
Primary quick ratio	55.93 %	54.72 %	2.21 %

Results of operations

For a better understanding of the company's operating result, a reclassified Income Statement is provided below.

Income Statement

Item	Year 2017	%	Year 2016	%	Absolute changes	Change %
VALUE OF PRODUCTION	**14,776,841**	**100.00 %**	**11,875,812**	**100.00 %**	**2,901,029**	**24.43 %**
- Raw materials consumed	310,607	2.10 %	179,813	1.51 %	130,794	72.74 %
- Overheads	5,951,896	40.28 %	5,447,981	45.87 %	503,915	9.25 %
VALUE ADDED	**8,514,338**	**57.62 %**	**6,248,018**	**52.61 %**	**2,266,320**	**36.27 %**
- Other revenue	375,126	2.54 %	385,467	3.25 %	(10,341)	(2.68) %
- Personnel costs	2,327,206	15.75 %	1,941,930	16.35 %	385,276	19.84 %
- Provisions						
GROSS OPERATING MARGIN	**5,812,006**	**39.33 %**	**3,920,621**	**33.01 %**	**1,891,385**	**48.24 %**
- Depreciation and write-downs	2,172,077	14.70 %	1,692,340	14.25 %	479,737	28.35 %
CORE OPERATING RESULT (Net Operating Margin)	**3,639,929**	**24.63 %**	**2,228,281**	**18.76 %**	**1,411,648**	**63.35 %**
+ Other revenue	375,126	2.54 %	385,467	3.25 %	(10,341)	(2.68) %
- Other operating expenses	490,767	3.32 %	242,562	2.04 %	248,205	102.33 %
INCOME BEFORE FINANCIAL ITEMS	**3,524,288**	**23.85 %**	**2,371,186**	**19.97 %**	**1,153,102**	**48.63 %**
+ Financial income	47,883	0.32 %	29,430	0.25 %	18,453	62.70 %
+ Exchange gains and losses						
OPERATING RESULT (Current margin before financial expenses)	**3,572,171**	**24.17 %**	**2,400,616**	**20.21 %**	**1,171,555**	**48.80 %**
+ Financial expenses	(101,455)	(0.69) %	(78,604)	(0.66) %	(22,851)	29.07 %
INCOME BEFORE ADJUSTMENTS TO	**3,470,716**	**23.49 %**	**2,322,012**	**19.55 %**	**1,148,704**	**49.47 %**

Item	Year 2017	%	Year 2016	%	Absolute changes	Change %
FINANCIAL ASSETS AND LIABILITIES						
+ Value adjustments to financial assets and liabilities	(915)	(0.01) %	(3,798)	(0.03) %	2,883	(75.91) %
+ Portion of former extraordinary items						
INCOME BEFORE TAX	3,469,801	23.48 %	2,318,214	19.52 %	1,151,587	49.68 %
- Income taxes for the year	**932,093**	**6.31 %**	**682,206**	**5.74 %**	**249,887**	**36.63 %**
NET INCOME	**2,537,708**	**17.17 %**	**1,636,008**	**13.78 %**	**901,700**	**55.12 %**

Key indicators of results of operations

Based on the above reclassification, the following financial statement ratios are calculated:

RATIO	Year 2017	Year 2016	Changes %
R.O.E.	26.88 %	23.69 %	13.47 %
R.O.I.	14.82 %	10.84 %	36.72 %
R.O.S.	24.47 %	20.64 %	18.56 %
R.O.A.	14.35 %	11.53 %	24.46 %
NORMALISED E.B.I.T.	3,571,256.00		
FULL E.B.I.T.	3,571,256.00	2,396,818.00	49.00 %

Information pursuant to Article 2428 of the Italian Civil Code

The information specifically required by Article 2428 of the Italian Civil Code is analysed in greater detail below.

Main risks and uncertainties to which the company is exposed

Pursuant to the first paragraph of Article 2428 of the Italian Civil Code, a description of the main risks and uncertainties to which the company is exposed is given below:

Financial risks

In particular, as regards the analysis of the financial risks connected with the Company's operations, the following can be reported:

Credit and concentration risk: the maximum theoretical exposure to credit risk is represented by the carrying amount of trade receivables and other receivables recorded under current assets.
Most of these receivables are of a commercial nature, and the bad debt provision existing at the end of the year is considered adequate to cover this type of risk.
At 31 December 2017 there were no significant concentrations of credit risk, as this risk is mitigated by the fact that credit exposure is spread over a large number of customers (members, cooperatives, companies and public bodies).

Exchange rate risk: the company is not exposed to exchange rate risk, as it uses the Euro as the reference currency for its transactions.

Interest rate risk: the Company is exposed to financial risks arising from interest rate fluctuations, as it had bank credit lines in place at 31 December 2017.
As regards the use of these short-term credit lines for current operations, they are governed by contractually defined market conditions and rates, and the risk arising from changes in the related interest rates is not considered significant.
As referred to and explained in the notes to the financial statements, the company has entered into derivative contracts in the form of "interest rate caps".
It should also be noted that it has no short, medium or long-term financing transactions with subsidiaries and associates.

Strategic risks

The Telecommunications sector is characterised by rapid technological developments aimed at providing customers with increasingly high-performance connections at very competitive prices. To maintain its competitiveness, the company must anticipate these technological developments in order to plan in good time the investments needed to provide products and services suited to customer needs.
The results achieved in recent years demonstrate the soundness of the business choices on investments, directed mainly towards FTTC/FTTH network technologies. We trust that these investments, which will continue to be developed over the next 3/4 years, can guarantee continuous growth until 2021/2022.

Operational risks

These represent the risk of losses arising from organisational, procedural and production inefficiencies.
The operational risks inherent in our business relate to possible inadequacies of internal processes, external factors, fraud, employee errors, errors in

correctly documenting transactions, losses of critical commercially sensitive data and failures in systems and/or network platforms.
The company has adopted an organisational model to prevent and limit the above risks.

Environmental and workplace safety risk: the company carries out its activities in full compliance with the provisions on the environment and on hygiene in the workplace.
Relations with employees are managed with respect for human rights, fundamental rights at work, the principle of equal opportunities and labour and workplace safety legislation, with constant attention to training. INTRED attaches primary importance to the safety and health of workers in the workplace within its corporate strategies and objectives.

Country risk: given the total concentration of turnover in Italy (a low-risk country) and the type of services offered, there are no areas of activity with risk and/or return profiles requiring specific disclosure.

Key non-financial indicators

Pursuant to the second paragraph of Article 2428 of the Italian Civil Code, it is hereby stated that, given the specific activity carried out and for a better understanding of the company's situation, performance and results of operations, the presentation of non-financial indicators is not considered relevant.

Environmental information

There is no particular information regarding the environment
It should nevertheless be noted that the Company has not been found guilty of, nor been called to answer, any charge in relation to damage caused to the environment.

Personnel information

The growth and professional development of people, as a decisive factor for the evolution and development of its activities, remains one of the company's primary objectives. The high level of skills and knowledge acquired, as well as commitment, flexibility, dedication and the pursuit of excellence in one's work, are a valuable asset that the company intends to preserve and, if possible, increase.
During the year there were no accidents at work resulting in serious injury or for which corporate liability was established, and the company did not receive any charges in respect of occupational diseases of employees or former employees and/or for mobbing.
Personnel costs increased by 20%, reaching €2.33 million, equal to 15.7% of production (in 2014 the incidence was 21.5%, in 2015 it was 18%, while in 2016 it was 16.4%). This expense heading includes the costs of direct employees and temporary workers, who in 2017 averaged

49.52 units (Full Time Equivalent – FTE). Production per employee has improved significantly in recent years: euro 236 thousand in 2015, euro 265 thousand in 2016 and euro 298 thousand in 2017.
In 2017, too, the company paid particular attention to staff training. Technical courses were held internally and/or through training companies specialising in networking, with a particular focus on Cisco Systems equipment. The company also organised training courses with specialist trainers for sales and pre/after-sales support staff.

Research and development

Pursuant to point 1 of the third paragraph of Article 2428 of the Italian Civil Code, it is hereby stated that research and development activities were carried out during the year.
Specifically, during 2017, mainly to support the above investments, your company carried out basic research and development activities and focused its efforts in particular on projects considered particularly innovative, which required a significant financial commitment both for the internal staff involved and for the collaborations, consultancy and materials used for tests and trials. We trust that the positive outcome of these innovations can generate good results in terms of turnover, with favourable effects on the company's processes.

Relations with subsidiaries, associates, parent companies and companies subject to the control of parent companies

As regards point 2 of the third paragraph of Article 2428 of the Italian Civil Code, it should be noted that the company has no relations of this kind.

Treasury shares

Pursuant to Articles 2435-bis and 2428 of the Italian Civil Code, it should be noted that at the end of the financial year the company did not hold any treasury shares.

Shares/quotas of the parent company

It is hereby stated that the company is not subject to control by any company or group of companies.

Business outlook

Pursuant to point 6) of the third paragraph of Article 2428 of the Italian Civil Code, it should be noted that the results of the first months of the current financial year show signs of positive prospects compared with the performance recorded during the year just ended,

as also confirmed by the increase in turnover volumes and the growth of the economic indicators.

Use of financial instruments relevant to the assessment of the financial position and of the result for the year

In order to reduce the risk of adverse changes in interest rates, derivative contracts have been entered into for hedging purposes (IRS).
The derivative contracts entered into are correlated with the payables relating to the loan contracts entered into.
In particular, there is a high correlation between the technical/financial characteristics of the hedged liabilities and those of the hedging contract, and there is also the intention to implement the hedge.
Transactions in derivative financial instruments are accounted for consistently with the main transactions against which they are carried out, or at market value where applicable.

Secondary offices

In compliance with Article 2428 of the Italian Civil Code, the company's secondary operating offices are shown below:
Administrative Office: Via P. Tamburini n. 1 – Brescia (BS)
Technical Office: Via Triumplina n. 235 – Brescia (BS).

Conclusions

Dear Shareholders, in the light of the considerations set out in the previous points and of the Notes to the financial statements, we invite you:

- to approve the Financial Statements for the year ended 31/12/2017 with the Notes to the financial statements and this Report accompanying them;
- to allocate the result for the year in accordance with the proposal made in the Notes to the financial statements.

Brescia, 16 March 2018

For the Board of Directors

Daniele Peli

Chairman of the BoD

RELAZIONE UNITARIA DEL COLLEGIO SINDACALE

BILANCIO INTRED S.P.A.

al 31 dicembre 2017

A) Relazione del Collegio Sindacale quale revisore indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39

B) Relazione ai sensi dell'art. 2429, comma 2, c.c.

All'Assemblea degli Azionisti della Intred S.p.A.

Premessa

Il Collegio sindacale, nell'esercizio chiuso al 31 dicembre 2017, ha svolto sia le funzioni previste dagli artt. 2403 e segg., c.c. sia quelle previste dall'art. 2409 - bis, c.c.

La presente relazione unitaria contiene nella sezione A) la "Relazione del revisore indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39" e nella sezione B) la "Relazione ai sensi dell'art. 2429, comma 2, c.c.".

A) Relazione del revisore indipendente ai sensi dell'art. 14 del D.Lgs. 27 gennaio 2010, n. 39

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio della società Intred S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2017, dal conto economico, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Intred S.p.A. al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità alle norme italiane che ne disciplinano i criteri di redazione.

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 del revisore per la revisione contabile del bilancio d'esercizio* 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.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità alle norme italiane che ne disciplinano i criteri di redazione 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 d'esercizio, 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 d'esercizio a meno che non 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 del revisore per la revisione contabile d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio 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 d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali ISA Italia, abbiamo esercitato il giudizio professionale ed abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, 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;

- 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 d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio 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.

Relazione su altre disposizioni di legge e regolamentari

Gli amministratori della Intred S.p.A. sono responsabili per la predisposizione della relazione sulla gestione della Intred S.p.A. al 31/12/2017, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua 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 con il bilancio della Intred S.p.A.al 31 dicembre 2017 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi. A nostro giudizio la relazione sulla gestione è coerente con il bilancio d'esercizio della Intred S.p.A. al 31 dicembre 2017 ed è redatta in conformità alle norme di legge

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lett. e), del D.Lgs. 39/2010, 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.

B) B) Relazione ai sensi dell'art. 2429, comma 2, c.c.

Nel corso dell'esercizio chiuso al 31 dicembre 2017 la nostra attività è stata ispirata alle disposizioni di legge e alle Norme di comportamento del collegio sindacale emanate dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, nel rispetto delle quali abbiamo effettuato l'autovalutazione, con esito positivo, per ogni componente il collegio sindacale.

B1) Attività di vigilanza ai sensi dell'art. 2403 e ss., c.c.

Abbiamo vigilato sull'osservanza della legge e dello statuto e sul rispetto dei principi di corretta amministrazione.

Abbiamo partecipato alle assemblee dei soci ed alle riunioni del consiglio di amministrazione, in relazione alle quali, sulla base delle informazioni disponibili, non abbiamo rilevato violazioni della legge e dello statuto, né operazioni manifestamente imprudenti, azzardate, in potenziale conflitto di interesse o tali da compromettere l'integrità del patrimonio sociale.

Abbiamo acquisito dal Presidente del Consiglio di Amministrazione, durante le riunioni svolte, informazioni sul generale andamento della gestione e sulla sua prevedibile evoluzione, nonché sulle operazioni di maggiore rilievo, per le loro dimensioni o caratteristiche, effettuate dalla società e dalle sue controllate e, in base alle informazioni acquisite, non abbiamo osservazioni particolari da riferire.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento dell'assetto organizzativo della società, anche tramite la raccolta di informazioni dai responsabili delle funzioni e a tale riguardo non abbiamo osservazioni particolari da riferire.

Abbiamo acquisito conoscenza e vigilato, per quanto di nostra competenza, sull'adeguatezza e sul funzionamento del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle funzioni e l'esame dei documenti aziendali, e a tale riguardo, non abbiamo osservazioni particolari da riferire.

Non sono pervenute denunzie dai soci *ex* art. 2408 c.c.

Nel corso dell'esercizio non sono stati rilasciati dal collegio sindacale pareri previsti dalla legge.

Nel corso dell'attività di vigilanza, come sopra descritta, non sono emersi altri fatti significativi tali da richiederne la menzione nella presente relazione.

B2) Osservazioni in ordine al bilancio d'esercizio

Per quanto a nostra conoscenza, gli amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423, comma 4, c.c.

Ai sensi dell'art. 2426, comma 5, c.c. non si rilevano valori iscritti ai punti B-I-1) e B-I-2) dell'attivo;

Ai sensi dell'art. 2426, n. 6, c.c. si dà atto dell'esistenza della voce "avviamento" che risulta ammortizzato con un criterio sistematico per un periodo di 10 anni.

I risultati della revisione legale del bilancio da noi svolta sono contenuti nella sezione A) della presente relazione.

Si precisa, inoltre, che il Collegio Sindacale è stato coadiuvato dal nuovo CFO assunto dalla società ad inizio 2018 in aggiunta all'abituale organico anche per supportare i piani di sviluppo menzionati nella relazione sulla Gestione da parte dell'Organo Amministrativo.

B3) Osservazioni e proposte in ordine all'approvazione del bilancio

Considerando le risultanze dell'attività da noi svolta il collegio propone all'assemblea di approvare il bilancio d'esercizio chiuso al 31 dicembre 2017, così come redatto dagli amministratori.

Brescia, 4 aprile 2018

Il Collegio Sindacale

Adalberto Salvi - Presidente

Salvatore Capatori – Sindaco effettivo

Vittorio Giongo – Sindaco effettivo

INTRED S.p.A.

Relazione della società di revisione indipendente

Bilancio d'esercizio al 31 dicembre 2017

Tel: +39 030.24.29.821
Fax: +39 030.4077005
www.bdo.it

Via Cefalonia n. 70
25124 Brescia

Relazione della società di revisione indipendente

Agli azionisti della
INTRED S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile dell'allegato bilancio d'esercizio della INTRED S.p.A., costituito dallo stato patrimoniale al 31 dicembre 2017, dal conto economico e dal rendiconto finanziario per l'esercizio chiuso a tale data e dalla nota integrativa.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società INTRED S.p.A. al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità alle norme italiane che ne disciplinano i criteri di redazione.

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 d'esercizio 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.

Altri aspetti

La presente relazione non è emessa ai sensi di legge, stante il fatto che, nell'esercizio chiuso al 31 dicembre 2017, la revisione legale *ex* art. 2409-*bis* del Codice Civile è stata svolta da altro soggetto, diverso dalla scrivente società di revisione.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità alle norme italiane che ne disciplinano i criteri di redazione 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 d'esercizio, 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 d'esercizio 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.

BDO Italia S.p.A. - Sede Legale: Viale Abruzzi, 94 - 20131 Milano - Capitale Sociale Euro 1.000.000 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio 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 d'esercizio.

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 d'esercizio, 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;
- 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 d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio 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.

Brescia, 4 aprile 2018

BDO Italia S.p.A.

Edoardo Vallazza
Socio

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