

## Wind Tre S.p.A.



**€2,250,000,000 Senior Secured Floating Rate Notes due 2024**  
**€1,625,000,000 2½% Senior Secured Notes due 2023**  
**€1,750,000,000 3¼% Senior Secured Notes due 2025**  
**\$2,000,000,000 5% Senior Secured Notes due 2026**

Wind Tre S.p.A., a joint stock company (*società per azioni*) incorporated and existing under the laws of the Republic of Italy (“Italy”), having its registered office at Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy (“Wind Tre” or the “Issuer”), is offering (the “Offering”) (i) €2,250 million aggregate principal amount of euro-denominated Senior Secured Floating Rate Notes due 2024 (the “Floating Rate Notes”), (ii) €1,625 million aggregate principal amount of euro-denominated 2½% Senior Secured Notes due 2023 (the “2023 Fixed Rate Euro Notes”), (iii) €1,750 million aggregate principal amount of euro-denominated 3¼% Senior Secured Notes due 2025 (the “2025 Fixed Rate Euro Notes,” and together with the 2023 Fixed Rate Euro Notes, the “Fixed Rate Euro Notes,” and the Fixed Rate Euro Notes together with the Floating Rate Notes, the “Euro Notes”), and (iv) \$2,000 million aggregate principal amount of U.S. dollar-denominated 5% Senior Secured Notes due 2026 (the “Dollar Notes,” together with the Fixed Rate Euro Notes, the “Fixed Rate Notes,” and the Floating Rate Notes, together with the Fixed Rate Notes, the “Notes”).

Interest on the Floating Rate Notes will accrue at a rate per annum, reset quarterly, equal to three-month EURIBOR (subject to a 0% floor) plus 275 basis points. Interest on the Floating Rate Notes will be payable quarterly in arrear on January 20, April 20, July 20 and October 20 of each year, commencing on April 20, 2018. The maturity date of the Floating Rate Notes is January 20, 2024. Interest on the 2023 Fixed Rate Euro Notes will accrue at the rate of 2.625% per annum. Interest on the 2023 Fixed Rate Euro Notes will be payable semi-annually in arrear on January 20 and July 20 of each year, commencing on July 20, 2018. The maturity date of the 2023 Fixed Rate Euro Notes is January 20, 2023. Interest on the 2025 Fixed Rate Euro Notes will accrue at the rate of 3.125% per annum. Interest on the 2025 Fixed Rate Euro Notes will be payable semi-annually in arrear on January 20 and July 20 of each year, commencing on July 20, 2018. The maturity date of the 2025 Fixed Rate Euro Notes is January 20, 2025. Interest on the Dollar Notes will accrue at the rate of 5.000% per annum. Interest on the Dollar Notes will be payable semi-annually in arrear on January 20 and July 20 of each year, commencing on July 20, 2018. The maturity date of the Dollar Notes is January 20, 2026.

The Floating Rate Notes will be redeemable, in whole or in part, on or after May 3, 2018, the 2023 Fixed Rate Euro Notes will be redeemable, in whole or in part, on or after November 3, 2019, the 2025 Fixed Rate Euro Notes will be redeemable, in whole or in part, on or after November 3, 2020, and the Dollar Notes will be redeemable, in whole or in part, on or after November 3, 2020, in each case, at the redemption prices set out in this Offering Memorandum (which in the case of the Floating Rate Notes will be 100% of the aggregate principal amount, unless such redemption occurs between May 3, 2018 and November 3, 2018, and is funded with the proceeds of public indebtedness, in which case the redemption price will be 101% of the aggregate principal amount). In addition, some or all of the Floating Rate Notes may be redeemed prior to May 3, 2018, some or all of the 2023 Fixed Rate Euro Notes may be redeemed prior to November 3, 2019, some or all of the 2025 Fixed Rate Euro Notes may be redeemed prior to November 3, 2020, and some or all of the Dollar Notes may be redeemed prior to November 3, 2020, in each case, at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable “make-whole” premium, as described in this Offering Memorandum. Before November 3, 2019, in the case of the 2023 Fixed Rate Euro Notes, November 3, 2020, in the case of the 2025 Fixed Rate Euro Notes, and November 3, 2020, in the case of the Dollar Notes, up to 40% of the aggregate amount of the applicable series of Notes may be redeemed with the net proceeds of certain equity offerings at the redemption prices set forth in this Offering Memorandum. Further, on one or more occasions prior to November 3, 2019, in the case of the 2023 Fixed Rate Euro Notes, prior to November 3, 2020, in the case of the 2025 Fixed Rate Euro Notes, and prior to November 3, 2020, in the case of the Dollar Notes, Wind Tre may redeem, during each 12 month period commencing with the Issue Date, up to 10% of the then outstanding aggregate principal amount of each of the 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes or the Dollar Notes at a redemption price equal to 103% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest and additional amounts, if any.

If Wind Tre undergoes a change of control while its consolidated net leverage is above a specified threshold or sells certain of its assets, Wind Tre may be required to make an offer to purchase the applicable Notes. In the event of certain developments affecting taxation, Wind Tre may redeem all, but not less than all, of the Notes.

*Joint Global Coordinators and Physical Bookrunners*

<i>Euro</i>	<b>Deutsche Bank</b>	<b>BofA Merrill Lynch</b>	<b>HSBC</b>
<i>USD</i>	<b>BofA Merrill Lynch</b>	<b>Deutsche Bank</b>	<b>HSBC</b>

*Joint Bookrunners*

<b>Banca IMI</b>	<b>Barclays</b>	<b>BNP PARIBAS</b>	<b>Citigroup</b>	<b>Crédit Agricole CIB</b>	<b>Credit Suisse</b>
<b>Goldman Sachs International</b>	<b>ING</b>	<b>J.P. Morgan</b>	<b>Mediobanca</b>	<b>Mizuho Securities</b>	<b>MUFG</b>
<b>Natixis</b>	<b>Nomura</b>	<b>SMBC Nikko</b>	<b>Société Générale</b>	<b>UniCredit Bank</b>	

The date of this Offering Memorandum is November 3, 2017.

Wind Tre's obligations of Wind Tre and will rank *pari passu* in right of payment to all of Wind Tre's existing and future senior indebtedness that is not expressly subordinated in right of payment to the Notes, including Wind Tre's obligations under the New Senior Credit Facilities and certain hedging obligations, and will rank senior in right of payment to all of Wind Tre's existing and future indebtedness that is expressly subordinated to the Notes. The Notes will be effectively subordinated to all of the existing and future indebtedness of Wind Tre that is secured by property and assets that do not also secure the Notes, to the extent of the value of such property and assets securing such indebtedness. The Notes will be guaranteed on a senior basis (the "Note Guarantees") by Wind Acquisition Finance S.A. ("WAF" or the "Guarantor"). The Note Guarantees will rank *pari passu* in right of payment to all of WAF's existing and future senior indebtedness that is not expressly subordinated in right of payment to the Note Guarantees, including WAF's obligations under the New Senior Credit Facilities and certain hedging obligations, and will rank senior in right of payment to all of WAF's existing and future indebtedness that is expressly subordinated to the Note Guarantees. The Note Guarantees will be effectively subordinated to all of the existing and future indebtedness of Wind Tre and WAF that is secured by property and assets that do not also secure the Note Guarantees, to the extent of the value of such property and assets securing such indebtedness. Upon issuance, the Notes will be secured by first-priority liens on the same assets that secure Wind Tre's obligations under the New Senior Credit Facilities and certain hedging obligations.

This Offering Memorandum includes information on the terms of the Notes and the Note Guarantees, including redemption and repurchase prices, security, covenants and transfer restrictions.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange (the "Exchange") and to admit the Notes to trading on the Euro MTF Market of the Exchange (the "Euro MTF Market"). The Euro MTF Market of the Exchange is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments. This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities, dated July 10, 2015, as amended. Application has also been made to list the Notes on the Vienna Stock Exchange and to admit the Notes to trading on the Third Market (MTF) operated by the Vienna Stock Exchange (the "Third Market (MTF)"). The Third Market (MTF) is not a regulated market within the meaning of the provisions of Directive 2004/39/EC on markets in financial instruments.

**Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 42.**

The Notes, the Note Guarantees and the Receipts (as defined below) have not been and will not be registered under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act. See "Notice to Investors" for additional information about offshore effectees and transfer restrictions.

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**Price for the Floating Rate Notes: 100.000% plus accrued interest, if any, from the date of issuance of the Notes**

**Price for the 2023 Fixed Rate Euro Notes: 100.000% plus accrued interest, if any, from the date of issuance of the Notes**

**Price for the 2025 Fixed Rate Euro Notes: 100.000% plus accrued interest, if any, from the date of issuance of the Notes**

**Price for the Dollar Notes: 100.000% plus accrued interest, if any, from the date of issuance of the Notes**

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The Notes will be issued under an indenture to be dated the Issue Date (the "Indenture"), by and among, *inter alios*, Wind Tre, Citibank, N.A., London Branch, as notes trustee (the "Trustee"), Citibank, N.A., London Branch, as principal paying agent, calculation agent, registrar and transfer agent (the "Principal Paying Agent," "Calculation Agent," "Registrar" and "Transfer Agent") and the Receipt Issuer (as defined below). The Euro Notes will be evidenced by one or more global notes (the "Euro Global Notes") and the Dollar Notes will be evidenced by one or more global notes (the "Dollar Global Notes," together with the Euro Global Notes, the "Global Notes"). Euro Notes which are offered pursuant to Rule 144A will be represented by beneficial interests in a global note (the "Euro Rule 144A Global Notes"). Dollar Notes and Euro Notes which are offered and sold in offshore transactions in reliance on Regulation S (the "Dollar Regulation S Notes" and the "Euro Regulation S Notes," respectively, and together the "Regulation S Notes") will be represented by beneficial interests in a global note (the "Regulation S Global Notes") and, together with the Euro Rule 144A Global Notes will be registered in the name of a nominee of a common depository, as common depository for, and in respect of interests held through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream").

The Dollar Notes which are offered pursuant to Rule 144A will be represented by beneficial interests in a global note (the "Dollar Rule 144A Global Notes") and will be initially registered in the name of Monte Titoli, as operator of the Italian central securities clearing system. Beneficial interests in the Dollar Notes that are issued pursuant to Rule 144A under the U.S. Securities Act (the "Dollar Rule 144A Notes") will be evidenced by one or more receipts (the "Receipts"), to be issued by Citibank, N.A. acting through its New York office, as receipt issuer (the "Receipt Issuer"), pursuant to the deposit agreement (the "Deposit Agreement") to be dated on or about November 3, 2017, among, *inter alios*, Wind Tre, the Receipt Issuer and the holders and beneficial owners of the Receipts issued thereunder, who will be deemed to be parties to the Deposit Agreement. All of the book-entry interests in the Dollar Rule 144A Global Notes will be initially credited to a third party securities account in Monte Titoli of Wind Tre on behalf of and operated by the Receipt Issuer. The Receipt Issuer will issue and deliver one or more global receipts evidencing the book-entry interests in the relevant Dollar Rule 144A Global Notes (the "Global Receipts") to The Depository Trust Company ("DTC"), the principal central securities depository and clearing system of the United States. Citibank, N.A., London Branch, will hold the Global Receipts as custodian for DTC, and the Global Receipts will be registered in the name of Cede & Co., as DTC's nominee, for the benefit of DTC's participants. Transfers of beneficial interests in the Global Receipts will be shown on and will be effected only through, records maintained in book-entry form by DTC or any other securities intermediary holding an interest directly or indirectly through DTC.

Italian law requires Monte Titoli, acting as a second level bank and holder of the Dollar Rule 144A Global Notes, to obtain from each eligible beneficial owner (as referred to in Italian Legislative Decree No. 239 dated April 1, 1996) a certification of its eligibility to receive interest, premium and other income in respect of the Dollar Rule 144A Notes free from Italian substitute tax upon the investor's first purchase of a beneficial interest in the Notes, represented by one or more Global Receipts (either at the time of the issuance of Notes or, if purchased thereafter, upon a purchase of Notes in the secondary market), and to make that certification available to the Italian tax authorities. There are no ongoing certification requirements for investors in the Dollar Rule 144A Global Notes following the initial certification of eligibility, subject to compliance with the procedures described in "Appendix B—Acupay Italian tax compliance and relief procedures" ("Appendix B"). Wind Tre has arranged certain procedures with respect to the Dollar Rule 144A Global Notes with Acupay System LLC ("Acupay") and Monte Titoli to facilitate the collection of certifications through the relevant participants in DTC.

The Euro Rule 144A Global Notes and the Regulation S Global Notes (and the book-entry interests therein) are expected to be delivered in book-entry form through Euroclear and Clearstream on or about November 3, 2017. The Dollar Rule 144A Notes will be credited to a third party securities account in Monte Titoli of Wind Tre on behalf of and operated by the Receipt Issuer and the Receipt Issuer will issue and deliver the Global Receipts (and the book-entry interests therein) to DTC on or about November 3, 2017.

Italian substitute tax at the then-applicable rate, currently 26.0% according to the provisions of Law Decree No. 66 of April 24, 2014 converted into law with amendments by law No. 89 of June 23, 2014 published in the Official Gazette No. 143 of June 23, 2014 ("Decree No. 66/2014"), will be withheld from any payment of interest and other income arising in respect of the Notes to any investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Notes (including, in the case of investors in the Dollar Rule 144A Notes, if the certification procedures prove to be ineffective or incorrect) or in respect of any investor in the Dollar Rule 144A Notes or its DTC participant who fails to comply with the Italian tax compliance procedures set forth in Appendix B hereto (the "Tax Certification Procedures"). Wind Tre will not pay any additional amounts in respect of any such withholding, except where the procedures required under Decree 239, in order to benefit from an exemption, have not been complied with due to the actions or omissions of Wind Tre or its agents. Investors in the Regulation S Notes and the Euro Rule 144A Notes will not be required to comply with the Tax Certification Procedures, although Euroclear or Clearstream will require such investors to comply with certain procedures to be eligible to receive interest free of Italian substitute tax in respect of the Regulation S Notes and the Euro Rule 144A Global Notes. You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes. See "Risk Factors—Risks Relating to the Notes and Wind Tre's Structure," "Important Italian Substitute Tax Requirements and Information in respect of the Tax Certification Procedures in respect of the Dollar Rule 144A Notes," "Book-Entry, Delivery and Form—Dollar Rule 144A Notes—Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures" and "Appendix B—Acupay Italian Tax Compliance and relief procedures."

## IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

***THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.***

Wind Tre has prepared this Offering Memorandum (the “**Offering Memorandum**”) based on information they have or have obtained from sources they believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. Copies of certain documents will be made available to you for inspection and collection upon request at the office of the Principal Paying Agent, Citibank, N.A., London Branch. None of Wind Tre, nor Deutsche Bank AG, London Branch, HSBC Bank plc, Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banca IMI S.p.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Inc., Citigroup Global Markets Limited, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., London Branch, J.P. Morgan Securities plc, J.P. Morgan Markets Limited (as selling agent for J.P. Morgan Securities LLC), Mediobanca - Banca di Credito Finanziario S.p.A., Mizuho Securities USA LLC, Mizuho International plc, MUFG Securities EMEA plc, MUFG Securities Americas Inc., Natixis, Nomura International plc, SMBC Nikko Capital Markets Limited, SMBC Nikko Securities America, Inc., Société Générale nor UniCredit Bank AG (collectively, the “**Initial Purchasers**”), the Trustee or the agents of the foregoing, represents that the information herein is complete. The information in this Offering Memorandum is current only as of the date on the cover, and Wind Tre’s business or financial condition or other information in this Offering Memorandum may change after that date. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither Wind Tre, nor the Initial Purchasers have authorized anyone to provide you with any different information.

Wind Tre has not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this Offering Memorandum. You must not rely on unauthorized information or representations.

This Offering Memorandum does not offer to sell or ask for offers to buy any Notes in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes.

Wind Tre does not, for any time after the cover date of this Offering Memorandum, represent that its affairs are the same as described or that the information in this Offering Memorandum is correct and Wind Tre does not imply those things by delivering this Offering Memorandum or selling Notes to you. This Offering Memorandum may only be used for the purposes for which it has been published.

Wind Tre is offering the Notes, the Guarantor is issuing the Note Guarantees, and the Receipt Issuer is issuing the Receipts, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under “*Notice to Investors*.” You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither Wind Tre, the Guarantor, the Receipt Issuer nor the Initial Purchasers are making an offer to sell the Notes, the Note Guarantees or the Receipts in any jurisdiction where the offer and sale of the Notes, the Note Guarantees or the Receipts is prohibited. Wind Tre does not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the

laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither Wind Tre, the Receipt Issuer, nor the Initial Purchasers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes, the Note Guarantees or the Receipts or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

Wind Tre accepts responsibility for the information contained in this Offering Memorandum. Wind Tre has made all reasonable inquiries and confirms to the best of its knowledge, information and belief that the information contained in this Offering Memorandum with regard to Wind Tre, its subsidiaries and affiliates, and the Notes, the Note Guarantees and Receipts, is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that Wind Tre is not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

Wind Tre has prepared this Offering Memorandum solely for use in connection with the offer of the Notes and Receipts to qualified institutional buyers under Rule 144A under the U.S. Securities Act and to non-U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) outside the United States under Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

Wind Tre and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which they have subscribed.

The information contained under the caption “*Exchange Rate Information*” includes extracts from information and data publicly released by official and other sources. While Wind Tre accepts responsibility for accurately summarizing the information concerning exchange rate information, Wind Tre does not accept any further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled “*Book-Entry, Delivery and Form,*” is subject to change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream currently in effect. Wind Tre accepts responsibility for accurately summarizing the information concerning DTC, Euroclear and Clearstream, but does not accept further responsibility in respect of such information.

Wind Tre has applied to have the Notes admitted to listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market.

Wind Tre cannot guarantee that its application for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See “*Notice to Investors.*”

## STABILIZATION

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH, WITH REGARD TO THE EURO NOTES, AND MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, WITH REGARD TO THE DOLLAR NOTES (THE “**STABILIZING MANAGERS**”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) MAY OVER-ALLOT NOTES, AS APPLICABLE, OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGERS (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGERS) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

## NOTICE TO INVESTORS IN THE RUSSIAN FEDERATION

This Offering Memorandum should not be considered as a public offer or advertisement of the Notes in the Russian Federation and is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer any of the Notes to any persons in the Russian Federation. Neither the Notes nor this Offering Memorandum or other documents relating to them have been or are intended to be registered in Russia, with the Central Bank of the Russian Federation (the “**CBR**”) or with any other state bodies that may from time to time be responsible for such registration, and the Notes are not intended for “placement” or “circulation” in the Russian Federation (as defined under Russian law), unless otherwise permitted under Russian law. Any information on the Notes in this Offering Memorandum is intended for, and addressed only to, persons outside of the Russian Federation. The Notes are not being offered, sold or delivered in the Russian Federation or to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation except as may be permitted by Russian law.

## NOTICE TO INVESTORS IN CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (“**NI 33-105**”), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offering.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

**European Economic Area.** Each of the Initial Purchasers has represented and agreed that, in relation to each Member State of the European Economic Area (the “**EEA**”), it has not made and will not make an offer of the Notes to the public in that Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Directive, except that it may make an offer of the Notes to the public in the Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an “**offer of the Notes to the public**” in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC as amended by Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in the Offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a “*qualified investor*” within the meaning of Article 2(1)(e) of the Prospectus Directive. Wind Tre, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the Offering.

**United Kingdom.** This Offering Memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, or (ii) investment professionals falling within Article 19(5) of the Financial Services and Market Act 2000 (Financial Promotion) Order 2001 (the “**Order**”) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 29(2) of the Order (all such persons together being referred to as “*relevant persons*”). The Notes are available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

**Italy.** The offering of the Notes has not been cleared by *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (“*investitori qualificati*”), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “**Italian Financial Act**”), as implemented by Article 26, paragraph 1(d) of Consob Regulation No. 16190 of October 29, 2007, as amended (“**CONSOB Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“**CONSOB Regulation No. 11971**”); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB

Regulations including Regulation No. 11971. In any event, any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and: (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of 1 September 1993 as amended (the “**Banking Act**”) and any other applicable laws or regulation; (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

**The Netherlands.** The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (“*Autoriteit Financiële Markten*”) or by a supervisory authority of another member state of the European Union (the “**EU**”). Article 5:3 Financial Supervision Act (the “**FSA**”) and article 53 paragraph 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

**Grand Duchy of Luxembourg.** This Offering Memorandum has not been approved by, and will not be submitted for approval to, the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) (the “**CSSF**”), for purposes of public offering or sale in the Grand Duchy of Luxembourg (“**Luxembourg**”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in, from or published in, Luxembourg, except for the sole purpose of listing the Notes on the Official List of the Luxembourg Stock Exchange and the admission of the Notes to trading on the Euro MTF Market, and except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended (the “**Prospectus Act 2005**”) implementing the Prospectus Directive. Consequently, this Offering Memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Prospectus Act 2005 or (ii) fewer than 150 prospective investors, which are not qualified investors.

Each purchaser of the Notes offered hereunder will be deemed to have represented, among other things set forth in “*Notice to Investors*,” the following:

1. You acknowledge that by investing in the Dollar Rule 144A Notes you become a party to the Deposit Agreement and agree to be subject to the provisions thereof;
2. You acknowledge that the Notes and the Receipts will bear a legend to the effect provided in “*Notice to Investors*”;
3. You acknowledge that prior to any proposed transfer of the Notes the holder of such Notes may be required to provide certifications and other documentation relating to the transfer and submit such certifications and other documentation as provided in the Notes, the Receipts, the Deposit Agreement and the Indenture; and
4. You acknowledge that Wind Tre, the Initial Purchasers, the Receipt Issuer, the Trustee and agents of the foregoing and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agree that if any of the acknowledgments, representations or agreements deemed to have been made by it by virtue

of its purchase of Notes is no longer accurate, you shall promptly notify Wind Tre, the Initial Purchasers and agents of the foregoing. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

**Hong Kong.** The Notes may not be offered or sold by means of any document other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or do not constitute an offer to the public within the meaning of that Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere) which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made thereunder.

**Japan.** The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the “*Financial Instruments and Exchange Law*”) and each Initial Purchaser has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

**Singapore.** This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “*SFA*”); (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 275(1A) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA, (2) where no consideration is or will be given for the transfer, (3) where the transfer is by operation of law, or (4) as specified in Section 276(7) of the SFA.



## ITALIAN “WHITE LIST STATES”

In order to qualify as eligible to receive interest free from *imposta sostitutiva* (Italian substitute tax), among other things, non-Italian resident holders of the Notes and beneficial interests therein must be beneficial owners resident for tax purposes in, or be “institutional investors” established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy (the “**White List States**”) as listed in the Italian Ministerial Decree dated September 4, 1996, as amended from time to time, or, as from the tax year in which the Ministerial Decree to be issued under Article 11, paragraph 4, let. c) of Legislative Decree No. 239 of April 1, 1996 is effective, in a country therein included. See “*Tax Considerations—Certain Italian Tax Considerations—Non-Italian Resident Noteholders.*” Subject to certain limited exceptions, such as for central banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all holders of the Notes and beneficial interests therein, including ultimate beneficiaries of interest payments under the Notes holding via sub-accounts to which interests in the Notes may be allocated upon purchase or thereafter. As of the date of this Offering Memorandum, the White List States include the following:

Albania	Czech Republic	Liechtenstein	Singapore
Alderney	Denmark	Lithuania	Saint Martin
Algeria	Ecuador	Luxembourg	Saint Kitts and Nevis
Andorra	Egypt	Macedonia	Saint Vincent and the Grenadines
Anguilla	Estonia	Malaysia	Slovak Republic
Argentina	Ethiopia	Malta	Slovenia
Armenia	Faroe Islands	Mauritius	South Africa
Aruba	Finland	Mexico	South Korea
Australia	France	Moldova	Spain
Austria	Georgia	Monaco	Sri Lanka
Azerbaijan	Germany	Montenegro	Sweden
Bangladesh	Ghana	Montserrat	Switzerland
Barbados	Gibraltar	Morocco	Syria
Belarus	Greece	Mozambique	Tajikistan
Belgium	Greenland	Nauru	Taiwan
Belize	Guernsey	Netherlands	Tanzania
Bermuda	Herm	New Zealand	Thailand
Bosnia and Herzegovina	Holy See	Nigeria	Trinidad and Tobago
Brazil	Hong Kong	Niue	Tunisia
British Virgin Islands	Hungary	Norway	Turkey
Bulgaria	Iceland	Oman	Turkmenistan
Cameroon	India	Pakistan	Turks and Caicos Islands
Canada	Indonesia	Philippines	Uganda
Cayman Islands	Ireland	Poland	Ukraine
Chile	Isle of Man	Portugal	United Arab Emirates
China	Israel	Qatar	United Kingdom
Colombia	Japan	Romania	United States
Congo (Republic of Congo)	Jersey	Russian Federation	Uruguay
Cook Islands	Jordan	Samoa	Uzbekistan
Costa Rica	Kazakhstan	San Marino	Venezuela
Cote d’Ivoire	Kyrgyzstan	Saudi Arabia	Vietnam
Croatia	Kuwait	Senegal	Zambia
Curacao	Latvia	Serbia	
Cyprus	Lebanon	Seychelles	

The Tax Certification Procedures provide that beneficial owners of interests in the Dollar Rule 144A Notes who, *inter alia*, are not eligible to receive payments of interest in respect of the Notes free of Italian substitute tax (including those who are not beneficial owners resident for tax purposes in White List States) will be subject to a mandatory exchange into beneficial interests in a Note paying interest net

of Italian substitute tax. Wind Tre will not pay any additional amounts in respect of any such deductions. See “*Important Italian Substitute Tax Requirements and Information in respect of the Tax Certification Procedures in respect of the Dollar Rule 144A Notes.*” Investors in the Regulation S Notes and the Euro Rule 144A Notes will not be required to comply with the Tax Certification Procedures, although Euroclear or Clearstream will require such investors to comply with certain procedures to be eligible to receive interest free of Italian substitute tax in respect of the Regulation S Notes and the Euro Rule 144A Notes. You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes.

The White List States may change and Wind Tre has no obligation to provide notice of any such change. Noteholders will bear the risk of changes in the White List States and should therefore inform themselves of any such changes.

#### **IMPORTANT ITALIAN SUBSTITUTE TAX REQUIREMENTS AND INFORMATION IN RESPECT OF THE TAX CERTIFICATION PROCEDURES IN RESPECT OF THE DOLLAR RULE 144A NOTES**

The statements herein regarding taxation are based on the laws and/or interpretations in force as of the date of this Offering Memorandum and are subject to any changes in law or interpretations occurring after such date, which changes could be made on a retroactive basis. The discussions below and elsewhere in this Offering Memorandum relating to Italian taxation do not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. For additional information concerning Italian tax, see “*Tax Considerations—Certain Italian Tax Considerations.*”

Under Italian law, interest in respect of the Notes may be subject to substitute tax in Italy, currently at the rate of 26.0%, upon (i) payment of interest, premium and other income in respect of the Notes or (ii) transfer of the Notes. When accruing to non-Italian resident holders of Notes, interest in respect of the Notes will not be subject to such substitute tax if accruing to eligible non-Italian resident holders of the Notes with no permanent establishment in Italy to which the Notes are effectively connected, *provided that* all the requirements and procedures set forth in Legislative Decree No. 239 of April 1, 1996 and in the relevant implementing rules (as amended) are complied with in due time in order to benefit from the exemption from substitute tax.

***Beneficial holders of the Notes in respect of whom such requirements and procedures are not complied with will receive payments net of Italian substitute tax at the rate of 26.0%. Wind Tre will not pay additional amounts in respect of any such substitute tax or in connection with the deductions of certain other amounts pursuant to the Tax Certification Procedures (as defined below) as set forth in “Description of Notes—Withholding Taxes.” See also “Tax Considerations—Certain Italian Tax Considerations—Non-Italian Resident Noteholders.”***

Wind Tre, Acupay System LLC (“**Acupay**”) and Monte Titoli (“**Monte Titoli**”) have entered into a tax compliance agency agreement, to be dated on or about the date of this Offering Memorandum, in respect of the Dollar Rule 144A Notes (the “**Tax Compliance Agency Agreement**”). The Tax Compliance Agency Agreement will incorporate, among other things, certain procedures arranged by Acupay, Monte Titoli and Wind Tre that will facilitate the collection and processing of information regarding the identity and residence of the beneficial owners of the Dollar Rule 144A Notes who (i) are exempt from Italian substitute tax requirements and therefore entitled to receive payments in respect of the Dollar Rule 144A Notes free and clear of Italian substitute taxes and (ii) are (a) direct participants in DTC, (b) hold their interests through securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant in DTC (each

such entity an “**indirect DTC participant**”), or (c) hold their interests through direct DTC participants. The Tax Certification Procedures are set forth in Appendix B to this Offering Memorandum (the “**Tax Certification Procedures**”). No arrangements or procedures have been made by Wind Tre with respect to any depository or clearing system other than the Tax Certification Procedures arranged by Acupay, Monte Titoli and Wind Tre mentioned above. In addition, DTC may discontinue providing its services as central depository and clearing system with respect to the beneficial interests in the Dollar Rule 144A Notes, which are represented by Global Receipts, at any time. Investors in the Euro Rule 144A Notes or the Regulation S Notes will not be required to comply with the Tax Certification Procedures, although Euroclear or Clearstream will require such investors to comply with certain procedures to be eligible to receive interest free of Italian substitute tax in respect of either the Euro Rule 144A Notes or the Regulation S Notes. You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes.

The Tax Certification Procedures provide that beneficial owners of interests in the Dollar Rule 144A Notes (i) who are not eligible to receive payments of interest in respect of the Dollar Rule 144A Notes free of Italian substitute tax, (ii) who fail to submit the applicable self-certification forms, (iii) for whom the applicable DTC participant has failed to supply correct beneficial owner information regarding the positions of any of the beneficial owners holding through such DTC participant or (iv) for whom the Tax Certification Procedures prove to be ineffective or incorrect, will in each case be subject to a mandatory exchange into beneficial interests in a Note paying interest net of Italian substitute tax (a “**Mandatory Exchange**”).

The Tax Certification Procedures also provide that payments of interest to any DTC participants that fail to comply with the Tax Certification Procedures, including the failure to effect a Mandatory Exchange in respect of an investor holding beneficial interests through such DTC participant or to submit an original paper signed self-certification form, will be paid net of Italian substitute tax in respect of such DTC participant’s entire beneficial interest in the Dollar Rule 144A Notes on all future payments to such DTC participant. Accordingly, all beneficial owners who hold their interests in the Dollar Rule 144A Notes through such DTC participant will receive interest net of Italian substitute tax for so long as they continue to hold such interests through such DTC participant. Relief for beneficial owners who are otherwise eligible to receive payments of interest in respect of the Dollar Rule 144A Notes free of Italian substitute tax will thereafter need to be obtained directly from the Italian tax authorities following the direct refund procedure established by Italian law.

The Tax Compliance Agency Agreement, including the Tax Certification Procedures annexed thereto, may be modified, amended or supplemented only by an instrument in writing duly executed by Wind Tre, Acupay and Monte Titoli, the parties to such agreement; *provided, however*, that any modification, amendment or supplement to the tax certification procedures or the technical tax compliance provisions may be made by Acupay and Monte Titoli (without Wind Tre’s consent or agreement but upon written notice to Wind Tre) if it is (i) necessary to reflect a change in applicable Italian law, regulation, ruling or interpretation thereof or to comply with requests of the supervisory authorities, (ii) necessary to reflect a change in applicable clearing systems rules or procedures or to add procedures for one or more new clearing systems, *provided that* the parties to the Tax Compliance Agency Agreement are provided with written communication from the applicable clearing system or new clearing systems to this effect (including, without limitation, written communications in the form of an e-mail or written posting), or (iii) not materially detrimental to the beneficial owners of the Dollar Rule 144A Notes.

Should a beneficial owner of the Dollar Rule 144A Notes otherwise entitled to an exemption suffer the application of substitute tax as a consequence of the Tax Certification Procedures no longer be in place or because of a failure by such beneficial owner or its DTC participant to comply with such procedures, such beneficial owner may request a refund of the substitute tax so applied directly from the Italian tax authorities within 48 months from the application of the tax. Beneficial owners of the Dollar Rule 144A Notes should consult their tax advisors on the procedures required under Italian tax law to recoup the substitute tax in these circumstances. None of Wind Tre, the Initial Purchasers, Monte Titoli, the Receipt Issuer, the Receipt Paying Agent, DTC or Acupay assumes any responsibility therefor.

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding Wind Tre's future financial position and results of operations, its strategy, plans, objectives, goals and targets, future developments in the markets in which it participates or is seeking to participate or anticipated regulatory changes in the markets in which it operates or intends to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Wind Tre cautions you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that the actual results of operations, including financial condition and liquidity and the development of the industries in which Wind Tre and the members of its group operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if Wind Tre's results of operations, including their financial condition and liquidity and the development of the industry in which they operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to, certain risks also related to Wind Tre Group:

- risks related to Wind Tre's competitive position;
- the status of, trends and anticipated changes in the telecommunications markets in which Wind Tre operates;
- Wind Tre's ability to increase data revenue and to mitigate the impact of trends toward reduced consumer voice usage;
- Wind Tre's ability to attract new mobile subscribers and retain existing mobile subscribers, including by offering mobile Internet at competitive prices;
- Wind Tre's ability to generate sufficient cash to service its debt, to control and finance its capital expenditures and operations;
- Wind Tre's ability to maintain its licenses and permits, and obtain new licenses for the key technologies underlying its service offerings and other licenses and permits necessary for the conduct of its business;
- Wind Tre's ability to recoup expenditures relating to investments in UMTS, HSDPA and LTE technologies;
- Wind Tre's ability to rollout its LTE platform and its ability to introduce competitive products and services based on LTE technologies;
- Wind Tre's ability to recoup expenditures relating to investments in ultra-broadband technology;
- risks related to Wind Tre's business, its strategy, or expectations about growth in demand for its products and services and about their business operations, financial condition and results of operations;

- changes in local and global economic conditions, including market perceptions concerning the instability of the euro, developments in financial markets and their impact on consumer spending and Wind Tre's ability to raise financing on terms acceptable to it;
- Wind Tre may not realize the cost savings, synergies and other benefits that the parties expect to achieve from the Merger;
- Wind Tre's ability to respond to changes in consumer preferences by developing and introducing competitive products and services based on new technologies on a timely basis;
- Wind Tre's ability to continuously upgrade its existing network;
- Wind Tre's ability to protect its equipment and network systems and avoid service disruptions;
- Wind Tre's ability to maintain, continue to grow and increase the profitability of its mobile and fixed-line businesses;
- risks associated with Wind Tre's dependence on third-party telecommunications providers for international mobile services;
- risks associated with Wind Tre's dependence on third party providers for roaming, tower services and last mile fixed access;
- Wind Tre's ability to establish and maintain distribution channels;
- Wind Tre's ability to maintain its relationships with its equipment and telecommunications providers;
- Wind Tre's ability to attract and retain key personnel;
- risks related to the adjustments to *Pro Forma* Adjusted EBITDA;
- any material difference between Wind Tre's actual financial position and results of operation and the unaudited *pro forma* financial data, and the accuracy of any guidance provided to Wind Tre's future results of operations on the basis of the historical and *pro forma* financial information;
- Shareholders' interests potentially not being aligned with investors' interests;
- Wind Tre's relationship with its shareholders;
- risks related to Italian tax matters;
- the extension of Italian CFC legislation to EU companies;
- changes in the political, fiscal, administrative and regulatory framework in which Wind Tre operates, including regulatory developments with respect to tariffs, conditions of interconnection and access, LLU model, and legal developments with respect to consumer protection laws, tax laws and regulations as well as their interpretation;
- risks related to a deferral or to a limitation of the deduction of interests expenses in Italy;
- risks related to database piracy or other database security breaches;
- the impact of decreased mobile communications usage, litigation or stricter regulation arising from actual or perceived health risks or other problems;
- infringement by Wind Tre of the intellectual property rights of others;
- the status and outcome of pending litigation, legal or regulatory actions, and impact of any new litigation, legal or regulatory actions Wind Tre may become party to or litigation, legal or regulatory actions to which it may be subject;

- Wind Tre’s ability to prevent labor disputes and work stoppages;
- risks associated with merging with, acquiring or forming partnerships with other parties;
- risks associated with writing-down of goodwill, licenses and other non-current assets on Wind Tre’s income statement as a result of impairment testing;
- risks associated with Italian legislation related to the “corporate liability of legal persons;”
- risks associated with sanctions against Russia, and Russia’s response to those sanctions;
- Wind Tre’s substantial leverage and debt service obligations;
- Wind Tre’s restrictive debt covenants which may affect its ability to finance its future operations and to pursue business opportunities;
- risks associated with Wind Tre’s structure and its other indebtedness;
- risks associated with the interest on the Floating Rate Notes;
- risks related to enforcement of the collateral and other assets securing, *inter alia*, the New Senior Credit Facilities, the Existing Senior Secured Notes, the Notes and the Note Guarantees;
- risks related to Luxembourg insolvency laws under which payments may be more limited than under U.S. bankruptcy laws;
- risks related to Italian insolvency laws which may not be as favorable to Noteholders as other jurisdictions;
- risks related to enforcement of Noteholders’ rights against Wind Tre’s directors and executive officers;
- risks related to changes in tax laws or regulations or in positions by the relevant tax authority;
- risks related to any Italian withholding or deduction of taxes;
- risks related to deduction of Italian substitute tax from any interest, premium and other income in respect of the Dollar Rule 144A Notes;
- risks related to certain limitations relating to a Luxembourg Guarantee;
- risks related to procedures of Monte Titoli and DTC, and the Receipt Issuer for transfer, payment and exercise of rights and remedies; and
- other factors discussed in this Offering Memorandum.

Wind Tre urges you to read the sections of this Offering Memorandum entitled “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Industry Overview*” and “*Business*” for a more complete discussion of the factors that could affect Wind Tre’s future performance and the markets in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. No obligation is undertaken to update or revise any forward-looking statement or risk factor, whether as a result of new information, future events or developments or otherwise.

## PRESENTATION OF FINANCIAL INFORMATION

### General

In this Offering Memorandum, as detailed below, the following financial information is presented: (i) the historical consolidated financial information of Wind Tre, (ii) the historical consolidated financial information of WIND, and (iii) the unaudited *pro forma* consolidated financial information of Wind Tre prepared to give *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Although the Merger was effective on November 5, 2016, it was recorded, for accounting purposes, as if it had occurred on November 1, 2016, and the results of WIND have been included in the results of Wind Tre from such date. As a result, Wind Tre's consolidated statement of financial position and consolidated income and cash flow statements as of and for the years ended December 31, 2014, and 2015, and the six months ended June 30, 2016 (prior to the incorporation of WIND), are not directly comparable to those as of and for the year ended December 31, 2016, and the six months ended June 30, 2017.

### Wind Tre

Wind Tre's consolidated financial information included in this Offering Memorandum has been extracted or derived from:

- (i) the audited consolidated financial statements of Wind Tre and its consolidated subsidiaries as of and for the years ended December 31, 2014, 2015, and 2016, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") (the "**Wind Tre Annual Consolidated Financial Statements**"); and
- (ii) the unaudited interim consolidated financial statements of Wind Tre and its consolidated subsidiaries as of June 30, 2017, and for the six months ended June 30, 2016 and 2017, prepared in a condensed form in accordance with IAS 34 (*Interim Financial Reporting*) (the "**Wind Tre Unaudited Consolidated Interim Financial Statements June 30, 2017**").

H3G S.p.A. is Wind Tre's "Predecessor" for accounting purposes. The consolidated financial information of Wind Tre as of and for the year ended December 31, 2016 includes the results of: (i) WIND as of December 31, 2016 and for the period beginning November 1, 2016 (although the legal effective date on which the business combination between entities under common control occurred is November 5, 2016, the accounting effective date used is November 1, 2016) to December 31, 2016 and (ii) H3G S.p.A. for the period beginning January 1, 2016 and ending December 31, 2016. The data and results of previous financial years correspond exclusively to H3G S.p.A., unless otherwise expressly stated.

The Wind Tre Annual Consolidated Financial Statements and the Wind Tre Unaudited Consolidated Interim Financial Statements June 30, 2017 contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and other generally accepted accounting principle frameworks and how those differences might affect the financial information included in this Offering Memorandum, and (ii) the impact that future additions to, or amendments of, IFRS accounting standards may have on Wind Tre's results of operations and/or financial condition, as well as on the comparability of the prior periods and the comparability of the financial information of Wind Tre and WIND.

The audit report on the Wind Tre Annual Consolidated Financial Statements was unqualified but did contain a matter of emphasis paragraph regarding disclosures made by Wind Tre's directors and contained in the explanatory notes with respect to the Merger accounting, accounting effects for the remedies required for the Merger and significant related party transactions. For further details, refer to the independent auditors' opinion contained elsewhere in this Offering Memorandum.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results. The financial information as of and for the six months ended June 30, 2017, is not necessarily indicative of the results that may be expected as of and for the year ended December 31, 2017, and should not be used as the basis for or prediction of an annualized calculation.

## **WIND**

WIND's consolidated financial information included in this Offering Memorandum has been extracted or derived from:

- (i) the audited consolidated financial statements of WIND and its consolidated subsidiaries as of and for the year ended December 31, 2014, prepared in accordance with IFRS;
- (ii) the audited consolidated financial statements of WIND and its consolidated subsidiaries as of and for the year ended December 31, 2015, prepared in accordance with IFRS (together with the audited consolidated financial statements of WIND and its consolidated subsidiaries as of and for the year ended December 31, 2014, the "**WIND Annual Consolidated Financial Statements**"); and
- (iii) the unaudited interim consolidated financial statements of WIND and its consolidated subsidiaries as of and for the ten months ended October 31, 2016, prepared in a condensed form in accordance with IAS 34 (*Interim Financial Reporting*) (the "**WIND Unaudited Consolidated Interim Financial Statements October 31, 2016**").

The WIND Annual Consolidated Financial Statements and the WIND Unaudited Consolidated Interim Financial Statements October 31, 2016 contained in the F-Pages to this Offering Memorandum have been prepared in accordance with IFRS and should be read in conjunction with the relevant notes thereto. Prospective investors are advised to consult their professional advisors for an understanding of: (i) the differences between IFRS and other generally accepted accounting principle frameworks and how those differences might affect the financial information included in this Offering Memorandum, and (ii) the impact that future additions to, or amendments of, IFRS accounting standards may have on Wind Tre's results of operations and/or financial condition, as well as on the comparability of the prior periods and the comparability of the financial information of Wind Tre and WIND.

Historical audited and unaudited consolidated financial information is not necessarily indicative of future expected results.

### ***Pro forma and pro forma as adjusted consolidated financial information***

This Offering Memorandum includes unaudited *pro forma* consolidated financial information of Wind Tre, presented to give *pro forma* effect to the Merger as if it had occurred as of January 1, 2016, for the *pro forma* consolidated income statements for the year ended December 31, 2016 and the six months ended June 30, 2016, together with explanatory notes (the "**Unaudited Pro Forma Consolidated Financial Information**").

The Unaudited *Pro Forma* Consolidated Financial Information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that Wind Tre would have reported had the Merger occurred as of January 1, 2016, for the purposes of the unaudited *pro forma* consolidated income statement for the year ended December 31, 2016 and for the unaudited *pro forma* consolidated income statement for the six months ended June 30, 2016.

The unaudited *pro forma* consolidated financial information for the twelve months ended June 30, 2017 has been derived by adding the unaudited *pro forma* consolidated income statement data for the year ended December 31, 2016, to the historical consolidated income statement data of Wind Tre for the six months ended June 30, 2017, and deducting the unaudited *pro forma* consolidated income statement data for



the six months ended June 30, 2016. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of Wind Tre's financial reporting, has not been audited or reviewed and is not necessarily representative of Wind Tre's results of operations for any future period.

The Unaudited *Pro Forma* Consolidated Financial Information is for informational purposes only and is based upon available information and certain assumptions that management believes are reasonable and is not intended to represent, or be indicative of, the consolidated results of operations that Wind Tre would have reported had the Merger been completed as of January 1, 2016, and should not be taken as indicative of Wind Tre's future consolidated results of operations. Future results may vary significantly from the results reflected because of various factors, including those discussed in "*Risk Factors*." The historical results of Wind Tre may not be indicative of Wind Tre's future results following completion of the Merger. The unaudited *pro forma* consolidated financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting unaudited *pro forma* consolidated financial information has been audited or reviewed in accordance with any generally accepted auditing standards.

The Unaudited *Pro Forma* Consolidated Financial Information and the unaudited *pro forma* consolidated financial information for the twelve months ended June 30, 2017, do not reflect the effects of the Transactions.

The Merger has been accounted for as a combination of entities or businesses under common control, as Wind Tre and WIND have been controlled by the same parties, CKHH and VEON, both before and after the combination. IFRS 3 (*Business Combinations*) excludes from its scope business combinations under common control. Therefore, lacking a specific accounting treatment within the IFRS framework, Wind Tre has taken into account indications included in IAS 8 in order to identify an accounting policy to be applied to the Merger and has applied the so-called predecessor accounting method by rolling forward the historical accounting records of WIND, as included in the consolidated accounts of its parent, Wind Acquisition Holdings Finance S.p.A., into Wind Tre at the date of the Merger.

The accounting policies used for the preparation of the Unaudited *Pro Forma* Consolidated Financial Information are, unless otherwise specified, consistent with those used in the preparation of the Wind Tre Annual Consolidated Financial Statements and the Wind Tre Unaudited Interim Consolidated Financial Statements June 30, 2017, which have been prepared in accordance with IFRS. Details of the accounting policies applied are provided in the notes of the Wind Tre Annual Consolidated Financial Statements.

The Offering Memorandum includes further unaudited *pro forma* adjusted information of Wind Tre that gives effect to the Transactions, as if they had occurred on January 1, 2016 ("**Unaudited Pro Forma Adjusted Information**"). The Unaudited *Pro Forma* Adjusted Information has been presented for illustrative purposes only and does not purport to indicate the financial results of Wind Tre's business had the Transactions taken place on the date indicated, and is not intended to be a projection of future results. The historical results of Wind Tre may not be indicative of Wind Tre's future results following completion of the Transactions. The Unaudited *Pro Forma* Adjusted Information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting Unaudited *Pro Forma* Adjusted Information has been audited or reviewed in accordance with any generally accepted auditing standards. The Unaudited *Pro Forma* Consolidated Financial Information and the Unaudited *Pro Forma* Adjusted Information should be read in conjunction with the information contained in "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and the historical financial statements of Wind Tre and WIND included elsewhere in this Offering Memorandum.

### **Non-IFRS financial measures**

This Offering Memorandum contains certain non-IFRS measures and ratios, including EBITDA, *Pro Forma* EBITDA, *Pro Forma* Adjusted EBITDA, *Pro Forma* Adjusted EBITDA margin, net financial indebtedness and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS or any other generally accepted accounting standards. The non-IFRS financial measures are presented, as Wind Tre's management believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Wind Tre or WIND's operating results and financial position, each as reported under IFRS. Non-IFRS financial measures and ratios such as EBITDA, *Pro Forma* EBITDA, *Pro Forma* Adjusted EBITDA, *Pro Forma* Adjusted EBITDA margin, net financial indebtedness and leverage and coverage ratios are not measurements of performance or liquidity under IFRS and should not be considered as alternatives to operating income or net profit or any other performance or financial measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the U.S. Securities and Exchange Commission (the "SEC") and will not be subject to review by the SEC; compliance with its requirements would require Wind Tre to make changes to the presentation of this information.

The non-IFRS financial measures presented in this Offering Memorandum presents: (i) management's breakdown of Wind Tre's financial results between Wind Tre's mobile and fixed-line businesses, and (ii) management's breakdown of WIND's financial results between WIND's mobile and fixed-line businesses. For financial accounting purposes, Wind Tre does not, and WIND did not, account for these two businesses separately. The non-IFRS financial measures presented are derived from management reporting systems and not from Wind Tre's financial accounting systems or from WIND's financial accounting systems or financial accounting records and, therefore, are not subject to the same degree of internal controls as information derived from their financial accounting systems. The non-IFRS financial measures are unaudited and are not reviewed by Wind Tre's independent auditors. Wind Tre and nonetheless believes that investors will find this information helpful in assessing its and WIND's business. Non-IFRS financial measures are not a measurement recognized under Italian generally accepted accounting principles, IFRS, generally accepted accounting principles in the United States ("U.S. GAAP") or any other recognized generally accepted accounting principle framework and includes management estimates as to certain allocations between Wind Tre's mobile and fixed-line businesses, and they should not be used to analyze either of these businesses on a stand-alone basis. Wind Tre allocates, and WIND allocated, certain of their costs and revenues differently in their non-IFRS financial measures as compared to financial accounting purposes. In addition, Wind Tre recognizes and allocates, and WIND recognized and allocated, certain costs and revenues at different times in given periods pursuant to their respective accounting policies, which limits the comparability of these metrics between periods.

### **Rounding**

The consolidated financial statements of Wind Tre and of WIND are presented in millions of euro, unless otherwise stated.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," are calculated using the numerical data in the consolidated financial statements of Wind Tre and WIND or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

### **CURRENCY PRESENTATION**

In this Offering Memorandum, all references to “**euro**,” “**EUR**” or “**€**” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, all references to “**U.S. dollars**,” “**USD**” and “**\$**” are to the lawful currency of the United States of America and all references to “**HKD**” are to the official currency of Hong Kong.

## DEFINITIONS

As used in this Offering Memorandum:

- “**2023 Fixed Rate Euro Notes**” refers to the €1,625 million aggregate principal amount of 2½% Senior Secured Notes due 2023 offered hereby.
- “**2025 Fixed Rate Euro Notes**” refers to the €1,750 million aggregate principal amount of 3½% Senior Secured Notes due 2025 offered hereby.
- “**3**” refers to, according to the context in which it is used, either the “3” brand of Wind Tre, or to H3G S.p.A. as a historical operating entity prior to the Merger, as the case may be.
- “**Acupay**” refers to Acupay System LLC.
- “**Beneficial Owners**” refers to each person owning a beneficial interest in the Notes with such beneficial interest evidenced by a Global Receipt.
- “**CKHH**” refers to CK Hutchison Holdings Limited, a company incorporated in the Cayman Islands with limited liability and registered on the Register of Companies of the Cayman Islands (No. MC-294571), with its principal place of business located in Hong Kong and with publicly listed securities traded on the Hong Kong Stock Exchange under the symbol “HKG:0001.”
- “**CKHH Group**” refers to CKHH and its consolidated subsidiaries.
- “**Collateral**” refers to first-priority security interests in (i) the shares of capital stock of each of Wind Tre and WAF, (ii) certain bank accounts, (iii) certain shareholder loans, and (iv) certain future upstream loans made by Wind Tre.
- “**Deposit Agreement**” means the deposit agreement, to be dated on or about November 3, 2017, between the Receipt Issuer, the Receipt Paying Agent, Wind Tre, and all Holders and Beneficial Owners of the Receipts issued thereunder, as amended from time to time, concerning the deposit of Notes and the issuance of Receipts by the Receipt Issuer representing beneficial interests in the Notes.
- “**Dollar Notes**” refers to the \$2,000 million aggregate principal amount of 5% Senior Secured Notes due 2026 offered hereby.
- “**Dollar Rule 144A Legend**” refers to the Dollar Rule 144A legend set forth in “*Description of Book-entry Interests and the Deposit Agreement Relating to the Dollar Rule 144A Global Notes—Transfer Restrictions Applicable to Dollar Rule 144A Notes and Receipts.*”
- “**Eligible Beneficial Owners**” refers to Beneficial Owners who may be eligible to receive interest on Notes and Receipts without deduction of Italian substitute tax.
- “**ENEL**” refers to ENEL S.p.A.
- “**Enel.Net**” refers to Enel.Net S.r.l., which company has been merged into Wind Tre.
- “**Existing Notes**” refers to the \$550,000,000 6½% Senior Secured Fixed Rate Notes due 2020, the €150,000,000 Senior Secured Floating Rate Notes due 2019, the \$1,900,000,000 4¾% Senior Secured Notes due 2020, the €2,475,000,000 4% Senior Secured Notes due 2020, the €575,000,000 Floating Rate Senior Secured Notes due 2020, the €400,000,000 Senior Secured Floating Rate Notes due 2020, the \$2,800,000,000 7¾% Senior Notes due 2021, and the €1,750,000,000 7% Senior Notes due 2021.
- “**Existing Senior Credit Facilities**” refers to the senior credit facilities agreement dated November 24, 2010, as amended and/or restated.

- “**Fixed Rate Euro Notes**” refers to, collectively, the 2023 Fixed Rate Euro Notes and the 2025 Fixed Rate Euro Notes offered hereby.
- “**Fixed Rate Notes**” refers to, collectively, the 2023 Fixed Rate Euro Notes, the 2025 Fixed Rate Euro Notes and the Dollar Notes offered hereby.
- “**Floating Rate Notes**” refers to the €2,250 million aggregate principal amount of Senior Secured Floating Rate Notes due 2024 offered hereby.
- “**Global Note**” means Notes issued in global form in accordance with the Indenture.
- “**Guarantor**” or “**WAF**” means Wind Acquisition Finance S.A.
- “**Holder**” means each person in whose name the Notes are registered.
- “**Indenture**” refers to the indenture governing the Notes by and among, *inter alios*, Wind Tre, Citibank, N.A., London Branch, as notes trustee, Citibank, N.A., London Branch, as principal paying agent, calculation agent, registrar and transfer agent and Citibank, N.A. as receipt issuer, as amended and supplemented from time to time.
- “**Intercreditor Agreement**” refers to the intercreditor agreement to be dated on or around the Issue Date, among, *inter alios*, the creditors, trustees and agents under each of the New Senior Credit Facilities, the Indenture, the Notes, and certain hedging counterparties and the Security Agent as described in “*Description of Certain Financing Arrangements.*”
- “**Issue Date**” refers to November 3, 2017.
- “**Merger**” refers to the transaction described under “*Summary—The Merger.*”
- “**MT Legend**” refers to the MT legend set forth in “*Notice to Investors.*”
- “**N Global Note**” means the N Note(s) issued as Global Note(s), bearing the Dollar Rule 144A Legend (for so long as it is applicable), the Tax Restricted Legend and the MT Legend, payments to which will be made net of Italian withholding tax.
- “**N Global Receipt**” means the Global Receipt(s) of Dollar Rule 144A Notes issued by the Receipt Issuer to evidence the N Receipts, bearing the Dollar Rule 144A Legend (for as long as it is applicable) and the Tax Restricted Legend and deposited with or on behalf of, and registered in the name of, DTC or its nominee that is maintained for the purpose of holding book-entry interests in Receipts representing beneficial interests in the N Notes of such Series.
- “**N Note(s)**” means the Note(s) of each applicable Series, subject to the Tax Restricted Legend and any other applicable legends and owned by Non-Eligible Beneficial Owners.
- “**Pro Forma Adjusted EBITDA**” means Wind Tre’s *pro forma* loss for the period attributable to the owners of the parent before income tax benefits/(expenses), non-controlling interests, finance income, finance expense, foreign exchange gains/losses, net, depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets as adjusted for certain restructuring costs incurred and cost synergies related to the Merger for the relevant period.
- “**N Receipt(s)**” means the Receipt(s) of any Dollar Rule 144A Notes issued by the Receipt Issuer representing a beneficial interest in the corresponding N Note(s), bearing the Tax Restricted Legend and any other applicable legend.
- “**New Revolving Credit Facility**” refers to the €400.0 million (equivalent) new multicurrency revolving credit facility under the New Senior Credit Facilities.

- “**New Senior Credit Facilities Agreement**” refers to the new senior credit facilities agreement dated on or around the Issue Date and the New Term Loan A and New Revolving Credit Facility (together, the “**New Senior Credit Facilities**”), provided thereunder, as part of the Transactions, as described in “*Description of Certain Financing Arrangements.*”
- “**New Term Loan A**” refers to the €3,000 million amortizing term loan under the New Senior Credit Facilities.
- “**Non-Eligible Beneficial Owners**” refers to Beneficial Owners (a) who are not Eligible Beneficial Owners, or (b) who fail to submit or timely submit valid Self-Certification Forms, or (c) whose applicable DTC participant or financial intermediary has failed to supply accurate and timely trade settlement information regarding a Beneficial Owner’s trade settlements (synchronized to DTC’s reporting of settlement activity), or (d) who are impacted by any failure of, or non-compliance with, these Tax Certification Procedures.
- “**Note Depository**” means Monte Titoli unless Monte Titoli notifies Wind Tre that it is unwilling or unable to continue to act as Note Depository, in which case an alternate Italian custody institution shall be appointed by Wind Tre and shall become the successor Note Depository in accordance with the terms of the Indenture, and thereafter “**Note Depository**” shall mean such successor Note Depository.
- “**Note Guarantees**” refers to the senior guarantee of the Notes by WAF.
- “**Notes**” refers to, collectively, the Floating Rate Notes, 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes and the Dollar Notes offered hereby.
- “**Notes Trustee**” or “**Trustee**” refers to Citibank, N.A., London Branch, a company with registered office at Citigroup Centre, 25 Canada Square, Canary Wharf, London, E14 5LB, United Kingdom, in its capacity as trustee under the Indenture.
- “**Offering**” refers to the issuance of the Notes and the Note Guarantees offered hereby.
- “**Receipt(s)**” means any receipts issued by the Receipt Issuer pursuant to the terms of the Deposit Agreement, whether in global or definitive form, representing the rights and beneficial interest in the Notes specified in the Deposit Agreement and in the applicable Receipt.
- “**Receipt Holder**” means the Person in whose name a Receipt is registered in the records of the Receipt Issuer.
- “**Receipt Issuer**” means Citibank, N.A., acting through its New York office or any successor entity appointed in accordance with the Deposit Agreement.
- “**Receipt Paying Agent**” means the paying agent under the Deposit Agreement.
- “**Rule 144A Legend**” refers to the Rule 144A legend set forth in “*Description of Book-entry Interests and the Deposit Agreement Relating to the Dollar Rule 144A Global Notes—Transfer Restrictions Applicable to Dollar Rule 144A Notes and Receipts.*”
- “**Self-Certification Forms**” refers to the self-certification form in Schedule II to Appendix B herein.
- “**Tax Certification Procedures**” means the procedures applicable to the Dollar Rule 144A Notes and the Receipts, but, for the avoidance of, not applicable to the Euro Rule 144A Notes or the Regulation S Notes, for Italian Substitute Tax set forth in the Tax Compliance Agency Agreement, as amended from time to time.
- “**Tax Compliance Agency Agreement**” means the tax compliance agency agreement, to be dated on or about the date of this Offering Memorandum, as amended from time to time by the parties

thereto, among Monte Titoli, as Italian tax representative, Acupay, as tax certification agent, and Wind Tre.

- “**Tax Compliance Agents**” means Acupay and Monte Titoli.
- “**Tax Credits**” refers to tax statements itemizing the tax credits, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant holder of such interests in N Receipts computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented.
- “**Tax Restricted Legend**” refers to the tax restricted legend set forth in “*Notice to Investors.*”
- “**Transactions**” refers to, collectively, the transactions as set out in “*Summary—Recent Developments—The Transactions.*”
- “**VEON**” refers to VEON Ltd., a Bermuda company organized under the laws of Bermuda, headquartered in Amsterdam, the Netherlands (tax resident therein) and has publicly listed securities traded on NASDAQ and Euronext Amsterdam (both under the symbol “VEON”).
- “**VEON Group**” refers to VEON and its consolidated subsidiaries.
- “**WIND**” refers to, according to the context in which it is used, either the “**WIND**” brand of Wind Tre, or to WIND Telecomunicazioni S.p.A. and its subsidiaries and other entities consolidated for the purpose of IFRS as the historical operating entity or group of entities prior to the Merger, as the case may be.
- “**Wind Tre**,” “**Issuer**” or “**Wind Tre Group**” refers to Wind Tre S.p.A., or Wind Tre S.p.A. and its subsidiaries, as the context requires, and other entities consolidated for the purposes of IFRS (except for references to such term under “*Description of Certain Financing Arrangements*” where such term shall have the meaning as set forth in the relevant finance document). Subsequent to the Merger, the legal entities of WIND Telecomunicazioni S.p.A. and H3G S.p.A. merged, with H3G S.p.A. as the surviving entity, and H3G S.p.A. subsequently changed its name to Wind Tre S.p.A.
- “**Wind Tre Italia**” refers to Wind Tre Italia S.p.A., Wind Tre’s direct parent company.
- “**X Global Note(s)**” means the X Note(s) of each applicable Series issued as a Global Note, bearing the Rule 144A Legend (for so long as it is applicable) and the MT Legend.
- “**X Global Receipt(s)**” means the Global Receipt(s) issued by the Receipt Issuer to evidence X Receipts and bearing any applicable legends (but not a Tax Restricted Legend), deposited with or on behalf of, and registered in the name of, DTC, or its nominee, that is maintained for the purpose of holding book-entry interests in such X Receipts, which represent beneficial interests in such X Notes.
- “**X Note(s)**” means the Note(s) subject to any applicable legends (but not a Tax Restricted Legend), payments on which will be made gross of Italian withholding tax, subject to the Tax Certification Procedures.
- “**X Receipt(s)**” means the Receipt(s) issued by the Receipt Issuer representing beneficial interests in the corresponding X Notes.

## **INDUSTRY, MARKET AND SUBSCRIBER DATA OF WIND TRE**

In this Offering Memorandum, Wind Tre relies on and refers to information regarding its business and the market in which Wind Tre operates and competes. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Wind Tre believes that these industry publications, surveys and forecasts are reliable but have not independently verified them and cannot guarantee their accuracy or completeness.

In addition, in many cases, Wind Tre has made statements in this Offering Memorandum regarding the Italian telecommunications industry, its position in the industry, its market share and the market shares of various industry participants based on its internal estimates, provided by its experience, its investigations of market conditions and its review of industry publications, including the reports of Telegeography and Ampere Analysis, and information made available to the public by its competitors.

Wind Tre cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect Wind Tre's position in the industry and none of its internal surveys or information has been verified by any independent sources. Neither Wind Tre nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Offering Memorandum relating to the operations, financial results or subscriber base of Telecom Italia, Vodafone, Fastweb, Tiscali and certain other information related to the telecommunication market has been obtained from information made available to the public in such companies' publicly-available reports and independent research. Neither Wind Tre nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

The subscriber data included in this Offering Memorandum, including penetration rates, average revenue per user (“**ARPU**”), average minutes of use (“**AMOU**”) per subscriber, Wind Tre's market share and churn rates are derived from management estimates, are not part of Wind Tre's financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. The use or computation of the terms ARPU, AMOU or churn may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry. Neither ARPU nor AMOU should be considered in isolation or as an alternative measure of performance under IFRS. ARPU and AMOU are non-IFRS measures.

The website URLs included in this Offering Memorandum are for inactive textual reference only. The information on the referenced websites is not incorporated herein and does not form a part of this Offering Memorandum.

### **Market Share**

The market share for Wind Tre's mobile business has been calculated by taking the total number of Wind Tre's subscribers as a percentage of the total number of subscribers in the Italian market (which is calculated here by adding the total number of its subscribers to the number of subscribers disclosed by each of the mobile network operators in their publicly available reports as of a given date), in each case excluding the market share represented by mobile virtual network operators or “**MVNOs**.” Based on internal estimates provided by Wind Tre, MVNOs had an aggregate market share of approximately 8% based on number of subscribers as of June 30, 2017.



## ARPU

Wind Tre believes that ARPU provides useful information concerning the appeal and usage patterns of its rate plans and service offerings and its performance in attracting and retaining high value subscribers of mobile, fixed-line voice and data and broadband subscribers. For purposes of calculating mobile ARPU, total mobile revenue of Wind Tre includes outgoing and incoming voice revenue, voice- and data-related VAS revenue derived from value added services, or “VAS” (including voicemail, SMS and MMS), roaming revenue, mobile Internet revenue and other telecommunications revenue, but does not include revenue from the sale of customer premises equipment (such as handsets and modems) and does not include revenue from non-telecommunications services.

For purposes of calculating fixed-line ARPU, total fixed-line revenue includes outgoing and incoming voice revenue, voice-related VAS revenue, fixed-line Internet and data revenue and other telecommunications revenue, but does not include revenue from outsourcing (certain revenue from services such as revenue for special projects with corporate subscribers) or revenue from the sale of modems, Private Automatic Branch Exchanges and other customer premises equipment, nor does it include revenue from non-telecommunications services.

Total mobile ARPU is defined here as the measure of the sum of Wind Tre’s mobile revenues in the period divided by the average number of mobile subscribers in the period (the average of each month’s average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

Mobile voice ARPU is defined here as the measure of the sum of Wind Tre’s mobile voice revenues in the period divided by the average number of mobile subscribers in the period (the average of each month’s average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period. Mobile voice ARPU consists of incoming and outgoing voice revenue, voice VAS, voice roaming revenue and voice-related other telecommunications revenue.

Mobile data ARPU is defined here as the sum of Wind Tre’s mobile data revenue in the period divided by the average number of mobile subscribers in the period (the average of each month’s average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in the period. Mobile data ARPU consists of Internet services on Wind Tre’s mobile network, all VAS non-voice revenues, data roaming revenue and data-related other telecommunications revenue.

Total fixed-line ARPU is defined here as the measure of the sum of Wind Tre’s fixed-line revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month’s average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period. The calculation does not include the total number of Internet-only subscribers in the average number of subscribers for this calculation.

Fixed-line voice ARPU is defined here as the measure of the sum of Wind Tre’s fixed-line voice revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month’s average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period.

Fixed-line data ARPU is defined here as the measure of the sum of Wind Tre's fixed-line data revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period.

Broadband ARPU is defined here as the measure of the sum of Wind Tre's broadband revenues in the period divided by the average number of broadband subscribers in the period (the average of each month's average number of broadband subscribers (calculated as the average of the total number of broadband subscribers at the beginning of the month and the total number of broadband subscribers at the end of the month)) divided by the number of months in that period.

### **AMOU**

AMOU in a certain period is defined here as the sum of the total traffic (in minutes), for either mobile or fixed-line, in a certain period divided by the average number of subscribers for the period (the average of each month's average number of subscribers, as applicable (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period.

### **Subscribers**

The number of subscribers in Wind Tre's mobile business is reported based on the number of Subscriber Identity Module cards ("**SIM cards**") in use. In Wind Tre's fixed-line business, (i) the number of its wholesale line rental, or "**WLR**," subscribers and its carrier pre-selection subscribers (both of which are among its indirect subscribers) and (ii) Wind Tre's direct subscribers based on the number of active contracts signed are reported here. The number of Wind Tre's carrier selection subscribers is reported here (which, together with its WLR subscribers and carrier pre-selection subscribers, constitute its indirect subscriber base) based on the number of customers who have active contracts signed with it and who have made at least one carrier selection call in the last three months. Subscriber numbers should not be equated with the actual number of individuals or businesses using Wind Tre's services.

Subscribers with respect to whom payment is made in advance of Wind Tre providing services are counted as prepaid subscribers and subscribers with respect to whom payment is made periodically following Wind Tre providing services are counted as postpaid subscribers. Prepaid mobile subscribers are counted in Wind Tre's subscriber base if they have activated a WIND or "3" SIM card in the last twelve months (with respect to new subscribers) or if they have recharged their mobile telephone credit in the last twelve months and have not requested that their SIM card be deactivated and have not switched to another telecommunications operator via mobile number portability during this period (with respect to Wind Tre's existing subscribers), unless a fraud event occurs. Postpaid subscribers are counted in Wind Tre's subscriber base if they have an active contract unless a fraud event has occurred or the subscription is deactivated due to payment default or because they have requested and obtained through mobile number portability a switch to another telecommunications operator.

Changes to the number and type of subscribers affect various key performance indicators. As a result, such data and any related comparisons of Wind Tre to other operators included in this Offering Memorandum may not accurately reflect Wind Tre's competitive position and the competitive positions of other such operators.

### **Churn**

The rate at which subscribers are voluntarily disconnected from Wind Tre's network, or are removed from its subscriber count due to inactivity, fraud or payment default is referred to as "churn" rate. Churn is calculated by dividing the total number of subscriber disconnections (including subscribers who

disconnect and reactivate with Wind Tre later with a different WIND SIM card or a different “3” SIM card, as applicable) for a given period by the average number of subscribers for that period (the average of each month’s average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period. A prepaid mobile subscriber is automatically deactivated if he/she has not recharged his/her mobile credit in the last thirteen months, or he/she has requested to have his/her SIM card deactivated or has requested and obtained through mobile number portability a switch to another telecommunications operator or if a fraud event occurs. This automatic deactivation policy has been applied historically by WIND and was applicable for the “3” brand starting in 2017, which previously had based deactivations on a subscriber-specific analysis. A postpaid subscriber is deemed to have churned when he/she requests that his/her SIM card is deactivated or due to payment default or has requested and obtained, through mobile number portability, a switch to another telecommunications operator or a fraud event has occurred.

Churn activity affects various key performance indicators, including total subscribers and ARPU levels. As a result, such data and any related comparisons of Wind Tre to other operators included in this Offering Memorandum may not accurately reflect Wind Tre’s competitive position and the competitive positions of other such operators.

#### **Penetration Rates**

Access to telecommunication services in the Italian mobile market is referred to as “penetration” of the market. Penetration rate calculations include customers who have more than one SIM card. In this Offering Memorandum, penetration rate presented as of each period-end is calculated by dividing the total number of SIM cards (excluding MVNOs) of all industry participants at such date (based upon market research reports and information made available by operators’ publicly available reports) by the Italian population from the latest figures as of June 30, 2017, obtained from the National Institute of Statistics (“*Istituto Nazionale di Statistica*”) and expressing such calculation as a percentage.

## **TRADEMARKS**

Wind Tre owns or has rights to use the trademarks, service marks and trade names that it uses in conjunction with the operation of its business. Some of the more important trademarks that Wind Tre owns, has rights to use or has prospective rights to use that appear in this Offering Memorandum include “WIND,” “Infostrada,” and the “W” logo designed in the shape of a wave that appears as part of the “WIND” logo. Wind Tre also has the right to use the “3” trademarks in Italy. Each of these trademarks is registered in Italy and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of the relevant business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of their owners.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. Neither Wind Tre nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates (New York) during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on October 23, 2017, was \$1.1749 per €1.00.

	U.S. dollars per €1.00			
	High	Low	Average	Period End
<b>Year</b>				
2012 .....	1.3458	1.2061	1.2860	1.3192
2013 .....	1.3803	1.2780	1.3284	1.3743
2014 .....	1.3932	1.2098	1.3285	1.2098
2015 .....	1.2103	1.0497	1.1102	1.0856
2016 .....	1.1532	1.0389	1.1069	1.0520
<b>Month</b>				
April 2017 .....	1.0925	1.0590	1.0717	1.0897
May 2017 .....	1.1244	1.0861	1.1057	1.1244
June 2017 .....	1.1440	1.1134	1.1238	1.1426
July 2017 .....	1.1842	1.1346	1.1532	1.1842
August 2017 .....	1.1979	1.1723	1.1818	1.1910
September 2017 .....	1.2026	1.1752	1.1904	1.1803
October 2017 (through October 23, 2017) .....	1.1859	1.1712	1.7780	1.1749

## SUMMARY

*This summary highlights selected information about Wind Tre and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the consolidated financial statements of Wind Tre and WIND and the related notes therein. You should read carefully the entire Offering Memorandum to understand the business of Wind Tre, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption “Risk Factors.” Please see “Appendix A: Glossary of Technical Terms” for a glossary of technical terms used in this Offering Memorandum.*

### Overview

#### *Wind Tre*

Wind Tre is a leading integrated telecommunications operator in the Italian market, offering mobile, Internet, fixed-line voice and data products and services to consumer and corporate customers. Wind Tre was formed through the combination of WIND Telecomunicazioni S.p.A. and H3G S.p.A., which was effective as of November 5, 2016. The Merger is expected to strengthen Wind Tre’s credit profile and create value for stakeholders by, among other things: (i) reinforcing Wind Tre’s competitive position in the Italian market by creating a leading integrated operator with an extensive network; (ii) providing operating and capital expenditure synergy potential as a result of network and commercial optimization and cost reductions; and (iii) improving cash flow generation and deleveraging potential. Wind Tre markets its mobile services through a dual brand strategy in the consumer segment, retaining both the WIND and “3” brands in order to leverage their strong and complementary positions. In the business market segment, Wind Tre is pursuing a fully integrated brand approach under the new “Wind Tre Business” brand, to leverage the scale and capacity of the combined group. As of June 30, 2017, Wind Tre’s mobile business had 30.3 million subscribers, making it one of the largest in Italy based on number of subscribers. Wind Tre’s fixed-line business, which includes Internet, voice and data services, is the leading alternative fixed-line operator in Italy, based on number of subscribers, with a fixed-line voice customer base of 2.7 million, of which 2.4 million are fixed-line broadband subscribers as of June 30, 2017. For the twelve months ended June 30, 2017, Wind Tre generated *pro forma* total revenue of €6,496 million and *Pro Forma* Adjusted EBITDA of €2,478 million. For the twelve months ended June 30, 2017, Wind Tre’s mobile and fixed-line businesses comprised 81.9% and 18.1%, respectively, of Wind Tre’s *pro forma* total revenues. For a description of the calculation of Wind Tre’s *Pro Forma* Adjusted EBITDA, see “*Presentation of Financial Information*” and “*Summary—Summary Consolidated Financial Information of Wind Tre Group.*”

Wind Tre’s mobile market share is approximately 36.5%, as of June 30, 2017, based on number of total mobile subscribers (excluding MVNOs). Wind Tre markets the WIND brand as its “smart, value-for-money” proposition that is oriented towards families and households, and markets the “3” brand as its “innovation and technology” proposition that is oriented towards a younger customer demographic, both of which are highly desirable and complementary segments of the market oriented towards future generations. Following the Merger, Wind Tre has positioned these brands and re-aligned their respective offerings in order to optimize their market impact. Wind Tre believes the strength of its brands, which have been developed over a long period of time and through considerable investment, are key differentiators between it and certain of its competitors in the market. Wind Tre provides a full range of voice, network access, international roaming and value added services (“VAS”) as well as mobile internet services to its mobile subscribers on all available telecommunications technologies, including the most recent long-term evolution (“LTE”) technologies (which are known as “**fourth generation**” or “**4G**” technologies). In line with the Italian telecommunications market, the majority of Wind Tre’s mobile subscribers are prepaid subscribers.

Wind Tre is the leading alternative fixed-line operator in Italy, based on number of subscribers. Wind Tre markets its fixed-line voice, broadband and data services primarily through its “Infostrada” brand. Wind Tre believes that the Italian fixed-line market provides a favorable competitive environment due to relatively low broadband penetration rates in Italy, as compared to the rest of the EU, and because of the absence of cable television infrastructure. The Italian Ultra-Broadband Strategy, has proposed to increase fixed-line broadband penetration in Italy. Wind Tre believes that its nationwide telecommunications network, in combination with its use of local loop unbundling (“LLU”), ideally positions it to increase its share of direct voice subscribers, with approximately 70% of the Italian population already covered with Wind Tre’s LLU services. As of June 30, 2017, 2.5 million of its fixed-line voice subscribers were direct voice subscribers. Furthermore, in 2016 Wind Tre entered into an agreement with Open Fiber (formerly Enel Open Fiber, Italy’s state-backed utility firm) with the aim of re-enforcing its ability to offer ultra-broadband services in the fixed-line market. Open Fiber is targeting the creation of a country-wide independent fiber network connecting approximately 9.5 million building units by the end of 2022. Open Fiber has already reached approximately 1.9 million building units as of August 2017 and intends to reach 2.7 million building units by the end of 2017. The agreement, which is already active in the first 13 cities reached by Open Fiber’s infrastructure, has been extended to another 258 Italian cities (for a total of 271).

Following the Merger, Wind Tre is an indirect wholly owned subsidiary of VIP-CKH Luxembourg S.à r.l., a 50/50 joint venture entity that is owned by VEON and CKHH. VEON is headquartered in Amsterdam, The Netherlands, with publicly listed securities traded on NASDAQ and Euronext Amsterdam and with a market capitalization of approximately \$7.1 billion, as of June 30, 2017, is a global provider of telecommunications services across 12 countries with revenues of approximately \$9 billion in 2016. CKHH, headquartered in Hong Kong, with publicly listed securities traded on the Hong Kong Stock Exchange and with a market capitalization of approximately HKD 385 billion (\$49.8 billion equivalent), as of June 30, 2017, is a conglomerate with investments across a number of sectors including telecommunications with revenues in excess of \$33 billion in 2016. See “*Principal Shareholders.*”

## **Wind Tre’s Strengths**

### ***A leading integrated telecoms operator***

Following the Merger, Wind Tre has strengthened its position as a leading mobile and fixed-line Internet, voice and data services operator in Italy with one of the largest customer bases, broadest product offerings and a leading network.

In the mobile segment, the combined WIND and “3” businesses served 30.3 million subscribers as of June 30, 2017, representing a market share of approximately 36.5% (excluding MVNOs). Wind Tre is also a leader in terms of mobile broadband and mobile data usage per subscriber on its network.

In the fixed-line segment, Wind Tre served 2.7 million fixed-line voice subscribers of which 2.4 million were fixed-line broadband subscribers as of June 30, 2017.

Wind Tre also has an extensive distribution network, with approximately 10,000 points of sale nationwide (compared to approximately 6,000 to 7,000 for each of Vodafone and TIM, respectively), on a combined basis for WIND and “3”, as of the end of 2016. In connection with the integration of the two businesses, certain of these points of sale have since been consolidated.

As a leading integrated telecommunications operator, Wind Tre is able to offer its customers a full range of products and services, including attractive bundle offerings, which enhance customer loyalty and reduce churn rates. Through its existing infrastructure and platforms, as well as its dual brand strategy, which focuses on specific value propositions, Wind Tre is able to address demand across most market segments.

### ***Structurally attractive market and supportive macro-economic backdrop***

The Italian telecommunications market is structurally attractive with relatively low data penetration and monetization levels in contrast to comparable European markets.

In the mobile segment, the Italian market is characterized by relatively low 4G/LTE penetration (34.2%), low ARPU (€12.4 per month), and a low proportion of postpaid subscribers (14.6%) as compared to France, Germany, Spain and the UK (which have an aggregated average of approximately 53.9% 4G/LTE penetration, €17.7 ARPU and 73.5% proportion of postpaid subscribers, respectively), providing substantial upside potential in terms of economics and customer retention. In particular, the progressive rollout and availability of 4G/LTE is expected to drive a substantial increase in data usage, which has already contributed to an improvement in mobile ARPU dynamics. Wind Tre, through its ongoing infrastructure investment plan, is well positioned to benefit from this trend (penetration rate source: Telegeography; ARPU and postpaid subscribers source: Ampere Analysis).

In the fixed-line segment, the “Italian Ultra-Broadband Strategy,” presented by the Italian Government in March 2015, is designed to bring fixed-line broadband penetration in Italy (approximately 62% as of June 2017) in line with France, Germany, Spain and the United Kingdom (the four of which have an average penetration of approximately 87% in June 2017) by 2020, as well as improve the availability of ultra-broadband service offerings through major fiber investments (source: Telegeography). As of December 31, 2016, only 15% of Italian fixed-line broadband subscribers had Internet packages with access to speeds in excess of 30 Mbps, implying significant up-selling potential with respect to more valuable, higher bandwidth broadband bundles.

The improving underlying Italian macroeconomic backdrop also provides support to consumer and business spending on telecom services and the ability to up-sell larger bundles. In particular, several indicators illustrate progressive improvement in macroeconomic conditions in Italy. Since the beginning of 2015 there has been a positive trajectory in year-on-year real GDP growth. The unemployment rate has decreased from approximately 12.3% as of December 31, 2014, to approximately 11.1% as of June 30, 2017, while the year-on-year growth in Italian industrial production has witnessed a significant improvement over the twelve month period ended June 30, 2017.

### ***Well-invested network infrastructure and favorable spectrum position***

Wind Tre has the largest network among Italian mobile network operators (“MNOs”) by number of sites, with operational use of approximately 27,000 transmission sites as of June 30, 2017. Wind Tre expects to have operational use of approximately 21,000 transmission sites after the optimization of the WIND and “3” networks, after which it is still expected to be the largest mobile network in Italy by number of transmission sites.

Wind Tre also benefits from having a larger spectrum allocation relative to all other Italian mobile operators (200 MHz overall as compared to 165 MHz for each of TIM and Vodafone, respectively, and 70 MHz, which Wind Tre sold to Iliad), providing for better network capacity and availability, leading to enhanced customer experience and satisfaction.

Wind Tre benefits from an integrated network infrastructure supported by some of the most advanced standards and technologies. This infrastructure provides significant headroom to handle increases in data consumption, while preserving customer experience and satisfaction, and is expected to increasingly act as a differentiating factor going forward.

Wind Tre’s mobile network is a key asset in maintaining and consolidating its leadership in mobile broadband. Wind Tre’s mobile network is being fully modernized with 4G/LTE technology to facilitate increasing traffic demand and deliver superior quality throughout Italy.



In terms of network infrastructure, Wind Tre leverages an extensive fully-owned fiber backbone (more than 35,000 km) supporting both fixed and mobile operations. Over the past few years, Wind Tre's fixed and mobile access networks have been extensively deployed and upgraded with some of the most advanced technologies, providing high levels of flexibility. As of June 30, 2017, Wind Tre's fixed access network covered approximately 70% of the Italian population through 1,957 LLU sites and "Fiber To The Home" ("FTTH") was available in 13 large Italian cities including Milan, Turin, Bologna and Perugia, in a cost efficient manner, through Wind Tre's long-term agreement with Open Fiber. As of June 30, 2017, 3G services were available to 98.6% and 97.5% of the Italian population on WIND and "3"'s networks, respectively, while 4G coverage was available to 80.1% and 79.0% of the Italian population on WIND and "3"'s networks, respectively. Wind Tre targets 99% 4G/LTE population coverage, on a combined basis, by 2019.

***Convergent, complementary digital offerings providing for a defensible market position***

Wind Tre's market position is supported by its extensive and integrated infrastructure and platforms, which have been enhanced following the Merger. With regard to consumer subscriptions, Wind Tre's ability to bundle products is supported by commercial agreements with Open Fiber and premium content providers (e.g., Netflix and Sky). Further, management believes, based on experiences in other European countries, that product bundling will drive an increase in ARPU and subscriber loyalty. With regard to corporate subscriptions, Wind Tre re-vamped and expanded its product offerings in May 2017 under the new "Wind Tre Business" brand. Under this new brand, Wind Tre aims to increase its market share across the corporate, SME and SOHO segments. As digital technologies and services become increasingly prevalent, Wind Tre is expected to benefit from new top-line opportunities, in particular through the deployment of the VEON digital platform, mobile financial services, mobile advertising, new Over The Top ("OTT") services and mobile ticketing, as well as by pursuing partnerships with other players in the digital arena. In addition, Wind Tre aims to apply "big data" and data mining platforms to drive customer engagement and market non-core services to customers.

Wind Tre has invested in a new IT platform which is expected to be another pillar of Wind Tre's digital transformation. This new platform will enable faster, more effective time to market in developing new offerings as well as enlarging the scope of partnerships with service and OTT providers, outside the traditional telecoms space.

Wind Tre believes that its brand positioning and strategy give it an advantage against both existing competitors and new entrants, who would need to invest considerable resources and time in order to develop comparable brands targeted at similar segments of the market.

***Sizeable and tangible synergies driving cash flow growth***

Substantial potential synergies, expected to total approximately €700 million per year, have been identified with respect to the integration of WIND and "3", of which approximately €490 million relate to operating expenditures and €210 million relate to capital expenditures, and 90% of annual run-rate savings are expected to be realized by the end of 2019. Wind Tre has already taken steps in identified operational areas and has achieved synergies and cost savings in the period since the Merger. It continues to implement steps to achieve further cost savings and identify and work to realize synergies by employing a dedicated merger integration team, which is working on plans to further optimize Wind Tre's operations. Focus areas include network and IT consolidation and modernization, customer service and distribution model integration, renegotiation of contracts on more favorable terms, product portfolio simplification, reduction of customer acquisition costs, as well as optimization and integration of regional offices. Wind Tre also expects to benefit from lower costs associated with improved procurement terms for network equipment and from the increased negotiating power with respect to international roaming agreements. The realization of synergies is based on current estimates and involves risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different

than current projections and there is no guarantee any or all of the synergies will be realized. See “*Summary—Summary Consolidated Financial Information of Wind Tre Group*” and “*Risk Factors—Risks Related to Wind Tre’s Market and Business—Wind Tre may not realize the cost savings, synergies and other benefits that the parties expect to achieve from the Merger.*”

Wind Tre’s management team and shareholders have previous experience in realizing synergies and achieving the successful integration of mobile operations in other countries (e.g., Austria, Ireland and Pakistan).

***Attractive financial profile underpinned by improving cash flow generation***

The completion of the Merger, via the contribution of H3G S.p.A. free of third-party debt, has led to an improvement of Wind Tre’s financial profile when compared to WIND Telecomunicazioni S.p.A., on a standalone basis. This is demonstrated by EBITDA growth in recent quarters, improving EBITDA margins, more efficient capital expenditures and deleveraging of the group. For instance, between the twelve months ended December 31, 2016 and the twelve months ended June 30, 2017, Wind Tre’s *pro forma* EBITDA (excluding restructuring costs) increased by approximately 3.5% from €2,184 million to €2,260 million and EBITDA margin (excluding restructuring costs), on a *pro forma* basis, improved from 33.6% to 34.8% over the same period. Over the same period, Wind Tre’s *pro forma* capital expenditures have decreased from €1,193 million (18.4% of revenue) to €1,144 million (17.6% of revenue) while *pro forma* operating cash flow (defined as *pro forma* EBITDA less capital expenditures) improved from €991 million to €1,116 million. The increase in EBITDA, together with other impacts from the Merger, have contributed to a significant deleveraging. Prior to the Merger, the ratio of WIND’s net financial indebtedness (excluding certain loan receivables) to EBITDA for the year ended December 31, 2014, was 5.9x, compared to the ratio of net financial liabilities as adjusted for the Transactions to *Pro Forma* Adjusted EBITDA for the twelve months ended June 30, 2017, which was 3.9x. See “*Summary—Summary Operational Data of Wind Tre and WIND.*”

In addition, following the Merger, Wind Tre may be able to access the historical net operating losses of H3G S.p.A. and the unutilized deductible interest reserves of WIND, H3G S.p.A. and Wind Tre Italia S.p.A., which as of December 31, 2016, totaled approximately €4.9 billion and €1.4 billion, respectively. Pursuant to Italian tax laws, both net operating losses and unutilized deductible interest reserves can be carried forward indefinitely though each figure is assessed on an ongoing basis and may be subject to revisions.

Taking into account the above, Wind Tre has a long-term ambition to reduce net leverage to below 3.0x based on the realization of synergies, improving operating cash flow and savings on taxes as well as interest expenses arising from the Transactions, which in each case are subject to change and certain factors outside of Wind Tre’s control. See “*Summary—Summary Consolidated Financial Information of Wind Tre Group.*”

***Experienced management team and supportive long-term shareholders***

Wind Tre’s management team is composed of industry professionals with significant experience in the mobile and fixed-line telecommunications markets in Italy and abroad. Wind Tre believes that its executives are able to quickly adapt to changes in the market, such as changes to the competitive landscape and technological evolution. In addition, the management team follows a prudent and consistent approach to managing all of its mobile, Internet, fixed-line voice and data businesses. Wind Tre believes that its management team is well prepared and has the relevant experience to successfully implement its growth strategy.

Wind Tre has highly supportive and well-known shareholders with significant knowledge in the sector, primarily comprised of affiliates of CKHH, a conglomerate with investments across a number of sectors and with revenue in excess of \$33 billion in 2016, and VEON, a global provider of

telecommunication services across 12 countries and with revenue of approximately \$9 billion in 2016. These shareholders are committed to their investment in Wind Tre and have prepared a robust corporate governance framework in order to facilitate the implementation of its business plan.

### **Wind Tre's Strategies**

Wind Tre's goal is to become the most innovative digital telecommunications operator in Italy with the largest and most extensive mobile broadband network in the country. It is also Wind Tre's intention to seek new growth opportunities in the business segment of the market, continue to strengthen its position in mobile, fixed-line voice and Internet segments, as well as enhance its fixed/mobile convergent business model.

In addition, considerable emphasis will be placed on increasing efficiency and further optimizing Wind Tre's cost structure as part of the integration program for the two operating companies. Wind Tre will employ the key strategic pillars set forth below to achieve its objectives.

#### ***Strengthen and leverage leadership position***

##### *Pursue a brand strategy focused on specific value propositions*

Wind Tre will continue to pursue a dual brand strategy in the consumer market segment, retaining both the WIND and "3" brands. Wind Tre will enhance the positioning of both brands as two well-recognized and complementary brands, with each brand focused on a specific value proposition. The WIND brand will be focused on "smart value for money" and will be oriented towards families and households. The "3" brand will be focused on "innovation and technology" and will be oriented towards a younger customer demographic. Both will offer clarity and simplicity.

In the business market segment, Wind Tre will pursue a differentiated and fully integrated brand approach to leverage the scale and capacity of the combined group. Following the Merger, Wind Tre Business was created as a new brand dedicated to servicing the business and public administration markets. The brand is focused on three fundamental values that establish its positioning: (i) trust (clarity and simplicity in offers and customer relations); (ii) relations (customer support services and a constant presence of the salesforce); and (iii) value (top quality innovative solutions and offers).

##### *Deploy the largest and most advanced mobile broadband network*

Wind Tre aims to create the largest and most advanced 4G/LTE network in Italy to maintain its leadership position in terms of mobile data usage and users. Wind Tre will contribute to the development of Italy's digital infrastructure through its continued planned investments between 2017-2021 in its telecommunications network, innovation and new technologies. The enhanced financial and operational capabilities of Wind Tre will enable it to provide high quality and greater network speed, thus capitalizing on the growing demand for connectivity and data consumption.

Wind Tre currently utilizes both the WIND and "3" networks. Wind Tre has begun the integration process for these networks, which is expected to take two to three years to implement. In the meantime, on a standalone basis, each network provides extensive coverage. For instance, WIND has a fully developed UMTS/HSPA network with 98.6% population coverage and 4G/LTE population coverage of 80.1% as of June 30, 2017. Wind Tre continues to develop and update its network and targets 99% population coverage for 4G/LTE, on a combined basis, by 2019.

Wind Tre seeks to become a key player in the fixed next-generation fiber network supported by its agreement with Open Fiber, who is in the process of creating an ultra-broadband network in Italy. Open Fiber and Wind Tre continue to work together to develop ultra-broadband connectivity services in FTTH technology in Italy. The agreement, which is already active in the first 13 cities reached by Open Fiber's infrastructure, has been extended to another 258 Italian cities (for a total of 271). Through FTTH

technology, the entire route between the telephone exchange and the customer's premises will be covered by fiber-optic cables. Almost 10 million building units, including houses and companies, will be able to obtain market leading connection speeds, reaching 1 Gbps speeds for both download and upload.

*Secure a leadership position in customer satisfaction*

Wind Tre strives to maintain high levels of customer satisfaction, increase customer loyalty and strengthen its customer relationships in order to reduce churn and capture a higher share of customer spend. Wind Tre intends to secure a leadership position in customer satisfaction by enhancing the overall quality of its network as well as the overall quality of its call centers, by investing in specialized call centers to better serve specific segments and by leveraging its customer contact points, including its distribution network and digital platforms.

Wind Tre places a great deal of emphasis on managing digital contact points and online customer assistance tools, ensuring high standards of quality and encouraging their use. For the WIND brand customers, the MyWIND application had reached approximately 16 million downloads as of June 30, 2017, and remains extremely popular among customers for its simplicity of use and the completeness of its services. The new VEON app, active since November 2016, which provides customers with an integrated experience of assistance services combined with typical OTT functionalities, had reached 1.8 million downloads in Italy as of June 30, 2017. The VEON application is consistently updated and version 2.0 was launched in August 2017 with an increase in use for assistance services and entertainment activities. It will eventually replace the MyWIND application. The "3" Customer Area application remains the main contact channel for the "3" brand and has reached approximately 16 million downloads as of June 30, 2017.

The availability of self-care assistance is also being further developed through the use of dedicated areas on the website and through applications, interactive voice response and automated SMS systems. In addition, further integration between customer care and the local sales network continues to provide more direct and transparent customer service.

*Leverage wide and strong distribution network*

In order to drive revenue generation from new subscribers and to enhance its customer acquisition efficiency while retaining its existing subscriber bases, Wind Tre intends to continue to improve the quality of its distribution channels and strengthen its sales network through ongoing initiatives.

Wind Tre markets its products and services through the largest sales outlet network in Italy, which as of June 30, 2017, consisted of approximately 10,000 points of sale, including 1,914 exclusive points of sale, of which 691 are WIND branded and 1,223 are "3" branded. In connection with the integration of the two businesses, certain of these points of sale have since been consolidated. From May 2017, WIND made available online offers dedicated to prospective mobile prepaid customers, either for delivery by courier to the customer's address or for collection at a sales point.

Wind Tre's distribution strategy is based on the "omnichannel" concept (stores, online and telephone), satisfying the needs of customers who independently select the sales channel which suits them best. The most important sales channel, in terms of performance, is the retail channel (monobrand and multibrand stores), which through integrated offers continue to increase in importance. Next is call centers and digital platforms, with an ever increasing focus on the latter.

### ***Capture growth opportunities beyond mobile consumers***

#### *Capture growth in fixed/mobile convergence and fiber*

Wind Tre plans to increase its focus on cross-selling mobile and fixed-line services by encouraging customers to subscribe to both fixed-line and mobile services in order to grow its subscriber base, reduce churn and capture a higher share of the total telecommunications spend by its customers.

In order to strengthen WIND and “3”’s position in the sphere of integrated services, Wind Tre emphasizes convergent offers, not only by leveraging cross-selling with its customer base, but also by launching convergent bundles. For example, Wind Tre’s “WIND Home” and “3 Fiber” offers bundle fixed connectivity with a mobile broadband product. Furthermore, Wind Tre is building strong partnerships with top content providers, such as Netflix and Sky, to further enrich its convergent portfolio.

#### *Increased focus on business segments and value added services*

Wind Tre believes that it has a significant opportunity to increase its business mobile and fixed-line subscriber base. Following the Merger, Wind Tre Business was created as a new brand dedicated to servicing the business and public administration market, leveraging the scale and capacity of the newly combined group.

Wind Tre aims to grow its share in each of the business segments in which it operates, including corporate customers, SMEs and SOHOs, with specific offers for each market segment. For larger companies Wind Tre Business offers a business budget with “all-inclusive” service charges in which customers, establish their telephone spending at a company level, identifying packages of traffic shared among the SIMs, thereby keeping control of the budget at a global level. Faced with the increasing interest in mobile applications, Wind Tre Business has also launched “Enterprise Mobility Services” through strategic partnerships and vertical system integrator agreements.

Wind Tre’s strategy also focuses on providing VAS in addition to traditional fixed and mobile services, enabling it to provide a one-stop solution to business customers.

Wind Tre provides PSTN, ISDN and VoIP fixed-line network voice services, data services, VAS and connectivity services to companies in the large business market. In this segment, Wind Tre is also able to tailor its offer to the specific needs and requirements expressed by customers. The offers for businesses also include flat solutions with tariffs based on the number of users, which enable customers to maintain full control over their spending. In addition, Wind Tre also extends its offer for the large business market through cloud services and its commercial proposal with ICT and managed services solutions, on both fixed and mobile networks. Wind Tre has an agreement with the Enterprise division of Google which enables it to propose collaboration and communication solutions to businesses based on Google Cloud Apps.

### ***Develop a state of the art digital service model***

#### *Accelerate the development of digital initiatives and engagement platforms*

Wind Tre intends to explore the opportunities arising from the combination of new technologies and customer demands, in particular, strengthening digital channels for new services, customer interaction and process efficiencies.

Wind Tre also aims to continue with its strategy of introducing new offers of digital content such as applications, games, music, films, e-books and digital magazines which customers can download from the main stores using their telephone account as a means of payment without the need for a credit card. In addition to the Google Play and the Windows Phone Store, which have been active for some time and are constantly growing, 2017 has seen the extension of the use of telephone credit for Apple content (for example, iTunes, App Store, Apple Music, and iBooks). This functionality was activated in March 2017 for “3” customers and in May 2017 for WIND customers. Wind Tre was the first Italian operator to make the

service available on the Apple platform. The launch of the Windows Store for “3” customers also took place in May 2017 (already active for WIND customers since August 2016). This has extended the digital contents perimeter and added the possibility for customers to make use of content downloaded from a laptop.

In November 2016, the VEON platform was released by Wind Tre on both the Android and IOS digital stores. The VEON platform transforms the customer experience for managing mobile accounts, in a significant move from the traditional brick-and-mortar service. This unique customer engagement platform will integrate powerful data analytics and artificial intelligence, with a fresh take on messaging capabilities, enabling users and communities to connect by voice, text, picture and video through its interface. VEON platform is a constantly evolving service and Wind Tre expects it to be its primary digital engagement platform going forward. With a view to fostering customers’ digital usage, Wind Tre has taken a series of initiatives, channeled through its monobrand stores, with the aim of encouraging the payment of digital items using telephone credit. Concurrently, Wind Tre is continuing to develop its digital position by leveraging all digital touch points to market its services, to improve its customer experience and to reduce operational costs.

With a view to fostering customers’ digital usage, Wind Tre has taken a series of initiatives, channeled through its monobrand stores, with the aim of encouraging the payment of digital items using telephone credit. Concurrently, Wind Tre is continuing to develop its digital position by leveraging all digital touch points to market its services, to improve its customer experience and to reduce operational costs.

*Provide innovative and tailored services leveraging data management and IT platforms*

Wind Tre expects to diversify its revenue streams by exploring new adjacent market segments, including mobile financial services, mobile advertising, OTT services and mobile ticketing, as well as pursuing partnerships with other players in the digital arena. Wind Tre aims to apply big data and data mining platforms to drive customer engagement and market non-core services to customers.

Wind Tre also intends to increasingly focus on Internet-connected devices. WIND launched its “Digital Home and Life” brand, the first retail telecommunications design concept in Italy to provide an integrated digital and physical experience by supplying high-tech devices aimed at making the everyday lives of its customers smarter and easier. Wind Tre’s stores offer a vast range of smart devices, such as wearables, health and safety related devices and connected home solutions.

*Optimize efficiency to create a cost efficient company and to maintain margins*

*Improve efficiency and eliminate overlaps*

Wind Tre places considerable emphasis on increasing efficiency and further optimizing its cost structure as part of the integration program following the Merger. Wind Tre aims to achieve this through comprehensive analysis of all cost elements.

In particular, it is expected that Wind Tre will benefit from network and IT consolidation and modernization to reduce total operating and capital expenditures, renegotiation of contracts on more favorable terms, an integrated customer service and distribution model, product portfolio simplification, reducing customer acquisition costs, as well as optimization and integration of regional offices.

Wind Tre also expects to benefit from lower costs associated with improved procurement terms for network equipment and from the increased negotiating power with respect to international roaming agreements. Wind Tre plans to further increase its cost efficiency, where possible, through the use of network site sharing agreements with other operators. It will also seek to create increased internal efficiency through innovative insourcing and increased productivity. The realization of synergies is based on current estimates and involves risks, uncertainties, assumptions and other factors that may cause actual

results, performance or achievements to be materially different than current projections and there is no guarantee any or all of the synergies will be realized.

These efficiency and synergy initiatives will enable Wind Tre to continue to enhance its margins, generate strong cash flow growth and de-leverage its balance sheet. Wind Tre has already taken steps in identified operational areas and has achieved synergies and cost savings in the period since the Merger. It continues to implement steps to achieve further cost savings and identify and work to realize synergies by employing a dedicated merger integration team which is working on plans to further optimize Wind Tre's operations.

#### *Optimize network infrastructure*

Wind Tre intends to pursue an asset light network footprint, focused on optimizing profitability and cash flow through the efficient use of technology and efficient capital allocation with regards to non-core access infrastructure.

Wind Tre's strategy will be to employ an asset light fixed access network, favoring the agreement with Open Fiber over investing in its own infrastructure, although it expects to continue to its the core backbone network.

Wind Tre also aims to take advantage of network sharing opportunities and the rationalization of its tower portfolio.

#### *Continue to use cash flow generated to reduce leverage*

Wind Tre intends to continue to improve its cash flow generation by increasing its operating cash flow, improving working capital efficiencies and by continuing to realize the substantial and tangible cost synergies arising from the integration of WIND and "3". Wind Tre intends to use its cash flow to decrease its overall level of indebtedness.

### **The Transactions**

The Transactions comprise, collectively: (i) the entry into the New Senior Credit Facilities; (ii) the Offering; (iii) the repayment of certain intercompany loans with WAF to fund repayment of the Existing Notes; (iv) the payment of call premia; (v) the closing of certain derivative hedging instruments; and (vii) the payment of transaction fees and expenses. See "*Use of Proceeds.*"

#### *The New Senior Credit Facilities*

Wind Tre is entering into the New Senior Credit Facilities in order to provide a portion of the funds necessary to refinance in full the Existing Notes and Existing Senior Credit Facilities. See "*Use of Proceeds.*"

As of the Issue Date it is expected that €3,000.0 million will be drawn down under the New Senior Credit Facilities and €400.0 million will be available for drawings under the New Revolving Credit Facility. The New Revolving Credit Facility is expected to remain undrawn as of the Issue Date.

For a description of the terms and conditions of the New Senior Credit Facilities, see "*Description of Certain Financing Arrangements—New Senior Credit Facilities Agreement.*"

#### *The Offering*

The Notes are being offered in order to provide a portion of the funds necessary to refinance in full the Existing Notes and Existing Senior Credit Facilities. See "*Use of Proceeds.*"

## **Tender Offer and Redemption of the Existing Notes**

On October 18, 2017, WAF launched a cash tender offer for the purchase of any and all of the outstanding aggregate principal amount of its: (i) \$550,000,000 6½% Senior Secured Notes due 2020; (ii) €150,000,000 Senior Secured Floating Rate Notes due 2019; (iii) \$2,800,000,000 7⅜% Senior Notes due 2021; and (iv) €1,750,000,000 7% Senior Notes due 2021, for cash (the “**Tender Offer**”). Any Existing Notes (other than the 10-Day Redemption Notes (as defined below)) not tendered prior to the Expiration Date will be satisfied and discharged upon the consummation of the Offering and redeemed in full on or about the 30th day after WAF delivers a conditional notice of redemption, which WAF delivered on October 18, 2017, (the “**Conditional Redemption Notice**”). The Tender Offer was made pursuant to a separate offer to purchase and not pursuant to this Offering Memorandum. Certain of the Initial Purchasers are acting as the Dealer Managers for the Tender Offer. The Tender Offer has been announced via notice to the Luxembourg Stock Exchange, which was published on October 18, 2017.

In addition, WAF issued conditional notices of redemption for the following Existing Notes, which WAF expects to repay on or around the Issue Date using proceeds from the Offering: (i) the \$1,900,000,000 4¾% Senior Secured Notes due 2020 at a redemption price of 101.188%; (ii) the €2,475,000,000 4% Senior Secured Notes due 2020 at a redemption price of 101%; (iii) the €575,000,000 Floating Rate Senior Secured Notes due 2020 at the redemption price of 100%; and (iv) the €400,000,000 Senior Secured Floating Rate Notes due 2020 at a redemption price of 100% (the “**10-Day Redemption Notes**”).

## **Recent Developments**

### ***Recent Trading***

As of the date hereof, Wind Tre has not yet finalized its financial statements in respect of the nine months and the three months ended September 30, 2017. However, based upon preliminary non-IFRS management estimates for the nine months and three months ended September 30, 2017, Wind Tre anticipates that it will report results reflecting that the negative trend in revenue (in each case, compared to the nine months and the three months ended September 30, 2016 on a *pro forma* basis and as experienced in the six months ended June 30, 2017 (compared to the six months ended June 30, 2016 on a *pro forma* basis)) will continue, primarily due to continuing competitive pressure, mainly in the mobile market. The effect upon EBITDA of a decrease in revenue is expected to be largely offset by the continued realization of cost savings attributable to the ongoing synergy initiatives initiated in connection with the Merger. For a description of these operating expense synergies, please see “*Summary—Summary Consolidated Financial Information of Wind Tre Group.*”

*The above information is based on preliminary results and estimates and is not intended to be a comprehensive statement as to what Wind Tre’s financial or operational results for the nine or three months ended September 30, 2017. Wind Tre’s independent auditors have not audited, reviewed, compiled or performed any procedures with respect to the recent trading, and accordingly, the independent auditors of Wind Tre do not express an opinion or provide any form of assurance with respect thereto for the purpose of this Offering Memorandum. The preliminary results mentioned above are derived from Wind Tre’s non-IFRS management accounts, rather than Wind Tre’s IFRS financials. Wind Tre’s preliminary estimates in relation to the nine and three months ended September 30, 2017, are based on a number of assumptions that are subject to inherent uncertainties and subject to change. In addition, while Wind Tre believes that the estimates that serve as the basis for the above statements to be reasonable, over the course of the next several weeks Wind Tre will be completing its financial statements for the three months ended September 30, 2017. Accordingly, Wind Tre’s actual results for the nine and three months ended September 30, 2017, may vary from its preliminary results and estimates, and such variations could be material. As such, you should not place undue reliance on them. See “Forward-Looking Statements” and “Risk Factors” for a more complete discussion of certain of the factors that could affect Wind Tre’s future performance and results of operation.*



### ***GSM1800 and GSM900 License Extension***

Wind Tre's license to provide mobile telephone services in Italy using digital GSM1800 and GSM900 technology, which was originally due to expire on June 30, 2018, was extended until December 31, 2029, following Wind Tre's payment, from cash on hand, of the extension and re-farming fee of approximately €434 million in September 2017.

### ***Non-Recourse Assignment of Iliad Receivables***

Wind Tre is in the process of finalizing a non-recourse assignment of the €400 million in outstanding receivables owed by Iliad to Wind Tre, payable between 2017 and 2019, for the spectrum blocks transferred, and to be released, by Wind Tre to Iliad, as discussed further under "*The Merger—Agreements with Iliad.*" Under this arrangement, the bank assignee would make a net payment to Wind Tre of approximately €390 million, with final pricing calculated based on market conditions at the time of sale. Closing and payment is expected to occur during the three months ended December 31, 2017, subject to the satisfaction of certain closing conditions. Iliad has already paid €50 million for the spectrum blocks transferred.

### ***Initial Phase of Network Consolidation***

Starting from May 2, 2017, roaming on WIND's 2G, 3G and 4G networks was gradually opened all around Italy in areas where there was no "3" coverage, for "3" customers, who can now use WIND's network at the same prices and with the same services as on the "3" network. In August 2017, Wind Tre started its first phase of network consolidation of the historical WIND and "3" network infrastructure through the decommissioning and consolidation of duplicative infrastructure. The results of the first phase are still under review by Wind Tre, but initial results show very good network performance.

### ***Sale of 10% Stake in Galata***

On July 4, 2017, Wind Tre sold all of its shares in Galata, which had comprised 10% of the shares of Galata. The shares were sold for a book value of €77 million to Cellnex for a total of €87 million. This followed the sale in March 2015 of 90% of its shares in Galata to a wholly owned subsidiary of Abertis Telecom Terrestre.

Galata is a company active in the towers business segment that owns approximately 7,400 tower sites acquired from WIND in 2015, together with the relevant functions, employees and related contracts. WIND entered into a tower services agreement with Galata for an initial term of 15 years for the provision of a broad range of services on Galata's sites and sites subsequently built by Galata hosting Wind Tre equipment.

## **The Merger**

### ***Terms of the Merger***

On August 6, 2015, VEON, which indirectly owned 100% of WIND, together with its subsidiary VimpelCom Amsterdam B.V., and CKHH, together with certain of its subsidiaries, entered into a contribution and framework agreement to form an equal joint venture holding company, VIP-CKH Luxembourg S.à r.l. that would own and operate their telecommunications businesses in Italy. This led to each of CKHH and VEON owning 50% of VIP-CKH Luxembourg S.à r.l., which in turn indirectly owns 100% of the Italian operating subsidiaries WIND and "3" of VEON and CKHH, respectively.

On September 1, 2016, the European Commission approved the transaction, including nominating the French operator Iliad as an appropriate remedy taker. On October 24, 2016, the transaction also received final approval from the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) ("**MISE**") in Italy for the transaction and for the parties to merge their mobile businesses. The transaction

was effective on November 5, 2016. On December 30, 2016, the legal entities of WIND and “3” merged, with “3” as the surviving entity, and “3” subsequently changed its name to Wind Tre S.p.A. At the same time, the direct parent of WIND, WAHF, and the direct parent of “3”, 3Italia S.p.A., merged, with 3Italia S.p.A. as the surviving entity, and 3Italia S.p.A. subsequently changed its name to Wind Tre Italia S.p.A.

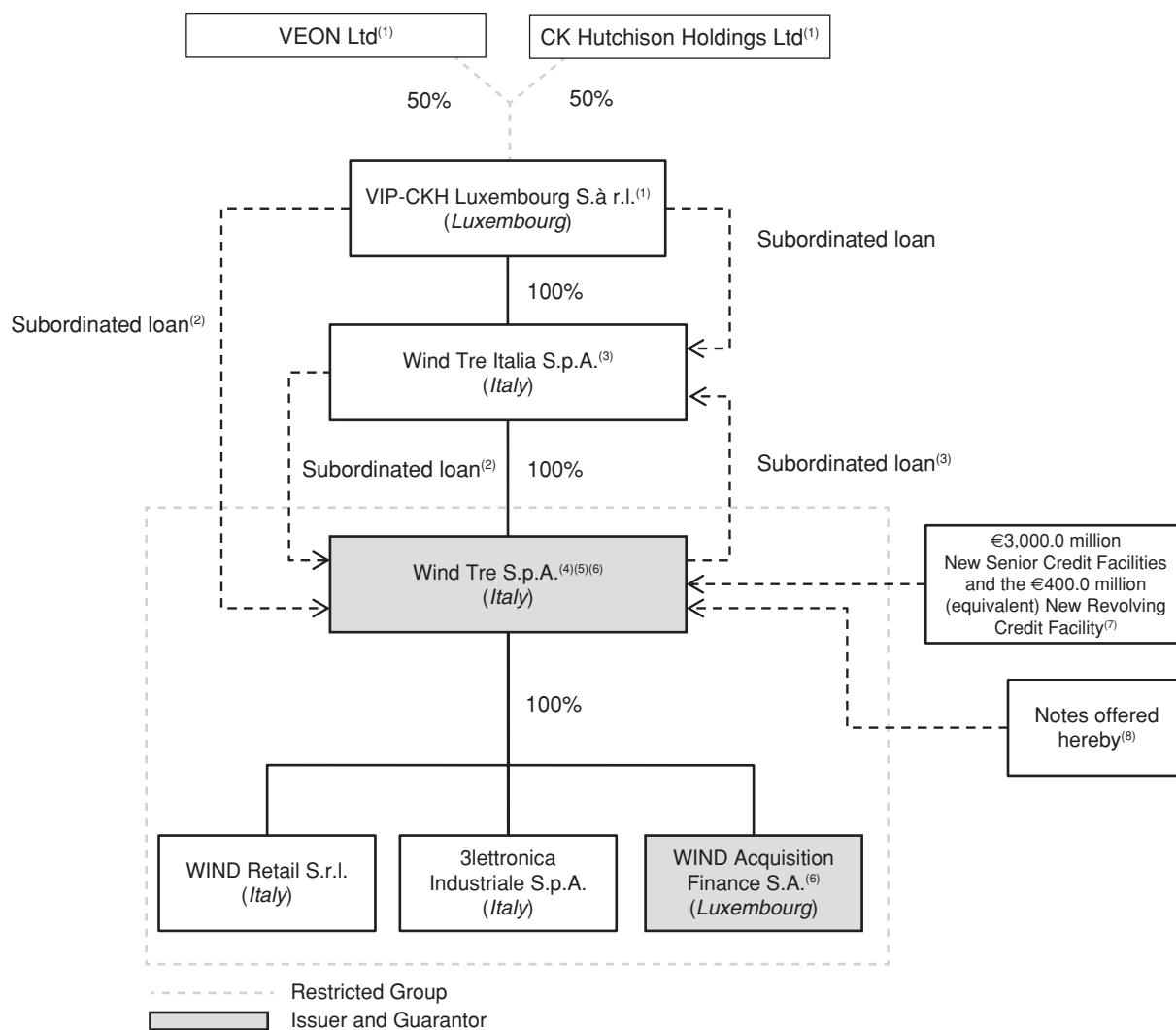
Pursuant to the terms of a shareholders’ deed of VIP-CKH Luxembourg S.à r.l., which has been incorporated into the bylaws of its subsidiaries, no party may reduce its aggregate indirect holding in VIP-CKH Luxembourg S.à r.l. below 50% for the first year following completion. After the first year, either party may sell its shares in VIP-CKH Luxembourg S.à r.l. to third parties after offering a right of first offer to the other party. Once three years following the completion have elapsed, each shareholder can invoke a buy/sell mechanism at any time. See “*Principal Shareholders.*”

#### *Agreements with Iliad*

In connection with its approval of the Merger, the European Commission required a divestment of sufficient assets to allow a new entrant to enter the Italian market as a fourth mobile network operator. Iliad, the French telecommunications operator, entered into contractual arrangements to purchase certain divested assets from Wind Tre, and it is expected that it will commence offering services in the Italian market at the end of 2017 or the beginning of 2018. The agreed remedies package with Iliad comprise three primary components: (i) transfer and release of use of certain of WIND and “3”’s mobile radio spectrum licenses from various frequency bands (900 MHz, 1800 MHz, 2100 MHz and 2600 MHz) for a purchase price of €450 million, payment of which is to be made in stages between 2017 and 2019 (and of which €50 million had been paid as of June 30, 2017); (ii) the offer to transfer to Iliad, and co-locate equipment of Iliad at pre-determined prices payable to Wind Tre on, up to 8,000 Wind Tre mobile sites; and (iii) wholesale roaming and RAN sharing agreements (for access to 2G, 3G, 4G, and new technologies), under which Wind Tre expects to receive certain revenues, allowing Iliad to use the Wind Tre network to offer its customers nationwide mobile services on a transitional basis while Iliad builds out its own mobile network. Iliad has publicly announced that, since late 2016 and during the first half of 2017, it has: (i) secured a backhaul network of some 10,000 kilometers of fiber and deployed its core network; (ii) set up roaming solutions, (iii) negotiated interconnection contracts, and (iv) recruited an Italy-based team to manage the new subsidiary’s operations.

## Wind Tre Group Corporate Structure and Certain Financing Arrangements

The following chart shows a simplified summary of the corporate and financing structure and nominal amounts of the principal indebtedness of the Wind Tre Group as of June 30, 2017, on a *pro forma* as adjusted basis, to give effect to the Transactions. The chart does not include all entities in the Wind Tre Group, nor all of the debt obligations thereof. All entities shown below are, unless otherwise indicated, directly or indirectly owned by their respective parent company. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “Description of Notes,” “Description of Certain Financing Arrangements” and “Capitalization.”



- (1) VIP-CKH Luxembourg S.à r.l. is owned indirectly 50% by CK Hutchison Holdings Ltd and 50% by VEON Ltd. See “Principal Shareholders.”
- (2) Certain subordinated shareholder loans have been lent to Wind Tre by VIP-CKH Luxembourg S.à r.l. and Wind Tre Italia. These shareholder loans will be subordinated under the Intercreditor Agreement to Wind Tre’s obligations under the New Senior Credit Facilities and the Notes. See “Certain Relationships and Related Party Transactions—Contracts with Parent Companies and Shareholders—” and “Description of Certain Financing Arrangements—Shareholder Loans.”
- (3) Wind Tre Italia is a direct 100% owned subsidiary of VIP-CKH Luxembourg S.à r.l. Wind Tre Italia owes a financial payable to Wind Tre in the amount of €1,090 million as of June 30, 2017. See “Certain Relationships and Related Party Transactions.”

- (4) Wind Tre is a direct 100% owned subsidiary of Wind Tre Italia. Wind Tre is the issuer of the Notes and the borrower under the New Senior Credit Facilities.
- (5) Pursuant to the Security Documents to be entered into on or prior to the Issue Date, each of Wind Tre and WAF has granted or will grant in favor of the Security Agent, liens and security interests on an equal and ratable first-priority basis over: (i) shares of capital stock of each of Wind Tre and WAF, (ii) certain bank accounts held by Wind Tre, (iii) certain intercompany loans made by VIP-CKH Luxembourg S.à r.l. to Wind Tre, and (iv) certain intercompany loans made by Wind Tre Italia to Wind Tre (together, the “Collateral”). The Collateral also secures, on an equal and ratable basis, the liabilities under the New Senior Credit Facilities and certain hedging obligations. In the future, to the extent there is no term indebtedness secured on the Collateral, a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (as defined in “Description of Notes”)) and certain hedging obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral. See “Description of Certain Financing Arrangements” for a more detailed discussion.
- (6) The Note Guarantees will rank *pari passu* in right of payment with all of the Guarantor’s future indebtedness that is not expressly subordinated in right of payment to the Note Guarantees, and will rank senior in right of payment to all of the Guarantor’s future indebtedness that is subordinated in right of payment to the Note Guarantees. The Note Guarantees will be effectively subordinated to future secured indebtedness of the Guarantor that is secured by property or assets to the extent of the value of the property or assets securing such indebtedness that does not also secure the Note Guarantees. As of June 30, 2017, Wind Tre and the Guarantor, on an unconsolidated basis, net of intercompany transactions and consolidation entries, accounted for 99.3% of the total assets of the Wind Tre Group and, during the six months ended June 30, 2017, generated 99.6% of the revenue and 100.0% of the *Pro Forma* EBITDA of the Wind Tre Group on a consolidated basis. The validity and enforceability of the Note Guarantees and the liability of the Guarantor will be subject to the limitations described in “Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.” The Note Guarantees may be released under certain circumstances. See “Description of Notes—The Guarantee.”
- (7) After giving effect to the Transactions, €3,000 million will be drawn under the New Senior Credit Facilities and €400 million will be available for drawings under the New Revolving Credit Facility. For a description of the New Senior Credit Facilities, see “Use of Proceeds,” “Description of Certain Financing Arrangements—New Senior Credit Facilities Agreement” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”
- (8) The Offering comprises: (i) €2,250 million aggregate principal amount of euro-denominated Senior Secured Floating Rate Notes due 2024; (ii) €1,625 million aggregate principal amount of euro-denominated 2<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2023; (iii) €1,750 million aggregate principal amount of euro-denominated 3<sup>3</sup>/<sub>8</sub>% Senior Secured Notes due 2025; and (iv) \$2,000 million aggregate principal amount of U.S. dollar-denominated 5% Senior Secured Notes due 2026. The Notes will rank *pari passu* in right of payment with all existing and future indebtedness of Wind Tre that is not expressly subordinated in right of payment to the Notes, including Wind Tre’s obligations under the New Senior Credit Facilities, and will rank senior in right of payment to all existing and future indebtedness of Wind Tre that is subordinated in right of payment to the Notes. The Notes will be effectively subordinated to all of the existing and future indebtedness of Wind Tre that is secured by property and assets that do not also secure the Notes, to the extent of the value of such property and assets securing such indebtedness.

### The Offering

The following is a brief summary of certain terms of this Offering. It may not contain all the information that is important to you. For additional information regarding the Notes and the Note Guarantees, see “Description of Notes” and “Description of Certain Financing Arrangements—Intercreditor Agreement.”

**Issuer** . . . . . Wind Tre S.p.A., a joint stock company (*società per azioni*) incorporated and existing under the laws of Italy, having its registered office at Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy.

**Guarantor** . . . . . Wind Acquisition Finance S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, having its registered office at 1, route d’ Esch, L-1470 Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B 109825 (“WAF”).

#### Notes Offered:

Floating Rate Notes . . . . . €2,250 million aggregate principal amount of euro-denominated Senior Secured Floating Rate Notes due January 20, 2024 (the “**Floating Rate Notes**”).

2023 Fixed Rate Euro Notes . . . . . €1,625 million aggregate principal amount of euro-denominated 2 $\frac{3}{8}$ % Senior Secured Notes due January 20, 2023 (the “**2023 Fixed Rate Euro Notes**”).

2025 Fixed Rate Euro Notes . . . . . €1,750 million aggregate principal amount of euro-denominated 3 $\frac{1}{8}$ % Senior Secured Notes due January 20, 2025 (the “**2025 Fixed Rate Euro Notes**,” together with the 2023 Fixed Rate Euro Notes, the “**Fixed Rate Euro Notes**,” and the Fixed Rate Euro Notes together with the Floating Rate Notes, the “**Euro Notes**”).

Dollar Notes . . . . . \$2,000 million aggregate principal amount of U.S. dollar-denominated 5% Senior Secured Notes due January 20, 2026 (the “**Dollar Notes**,” and together with the Fixed Rate Euro Notes, the “**Fixed Rate Notes**,” and the Floating Rate Notes, together with the Fixed Rate Notes, the “**Notes**”).

**Receipts** . . . . . Beneficial interests in the Dollar Rule 144A Notes will be evidenced by one or more Receipts, to be issued by the Receipt Issuer.

**Issue date of the Notes** . . . . . On or about November 3, 2017.

#### Interest:

Floating Rate Notes . . . . . Interest on the Floating Rate Notes will accrue at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 2.750% (subject to a 0% floor). Interest on the Floating Rate Notes will be payable quarterly in arrear on January 20, April 20,

July 20 and October 20 of each year, commencing on April 20, 2018.

2023 Fixed Rate Euro Notes . . . . . Interest on the 2023 Fixed Rate Euro Notes will accrue at the rate of 2.625% per annum. Interest on the 2023 Fixed Rate Euro Notes will be payable semi-annually in arrear on January 20 and July 20 of each year, commencing on July 20, 2018.

2025 Fixed Rate Euro Notes . . . . . Interest on the 2025 Fixed Rate Euro Notes will accrue at the rate of 3.125% per annum. Interest on the 2025 Fixed Rate Euro Notes will be payable semi-annually in arrear on January 20 and July 20 of each year, commencing on July 20, 2018.

Dollar Notes . . . . . Interest on the Dollar Notes will accrue at the rate of 5.000% per annum. Interest on the Dollar Notes will be payable semi-annually in arrear on January 20 and July 20 of each year, commencing on July 20, 2018.

**Issue Price:**

Floating Rate Notes . . . . . 100.000% plus accrued interest, if any, from the Issue Date.

2023 Fixed Rate Euro Notes . . . . . 100.000% plus accrued interest, if any, from the Issue Date.

2025 Fixed Rate Euro Notes . . . . . 100.000% plus accrued interest, if any, from the Issue Date.

Dollar Notes . . . . . 100.000% plus accrued interest, if any, from the Issue Date.

**Form and Denomination:**

Euro Notes . . . . . Euro Notes in denominations of €100,000 and any integral multiple of €1,000 in excess thereof. Notes in denominations of less than €100,000 will not be available.

Dollar Notes . . . . . Dollar Notes in denominations of \$200,000 and any integral multiple of \$1,000 in excess thereof. Notes in denominations of less than \$200,000 will not be available.

**Maturity Date:**

Floating Rate Notes . . . . . January 20, 2024.

2023 Fixed Rate Euro Notes . . . . . January 20, 2023.

2025 Fixed Rate Euro Notes . . . . . January 20, 2025.

Dollar Notes . . . . . January 20, 2026.

**Note Guarantees** . . . . . Wind Tre's obligations under the Notes and the Indenture will be guaranteed (the "Note Guarantees") by WAF on a senior basis.

The Note Guarantees will be subject to contractual and legal limitations, and, upon issuance by WAF, the Note Guarantees may be released under certain circumstances. See "Risk

*Factors—Risks Relating to the Notes and Wind Tre’s Structure”*  
and *“Description of Notes—The Guarantee.”*

**Ranking of the Notes . . . . .** The Notes:

- will be general senior obligations of Wind Tre, secured by the Collateral on a first-priority basis along with obligations under the New Senior Credit Facilities and certain hedging obligations (except that to the extent there is no term indebtedness secured on the Collateral, a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (as defined in *“Description of Notes”*)) and certain hedging obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral);
- will rank senior in right of payment to all existing and future indebtedness of Wind Tre that is expressly subordinated to the Notes;
- will be effectively senior in right of payment to any existing or future obligations of Wind Tre, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- will be effectively subordinated to any existing and future indebtedness of Wind Tre that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- will be effectively subordinated to any existing and future indebtedness of subsidiaries of Wind Tre that do not guarantee the Notes; and
- be unconditionally guaranteed on a senior secured basis by the Guarantor, subject to the guarantee limitations described herein.

**Ranking of the Note Guarantees . . . .** The Note Guarantees:

- will be a general senior obligation of WAF;
- will be secured by the assets of WAF constituting the Collateral;
- will rank *pari passu* in right of payment with all existing and future indebtedness of WAF that is not subordinated in right of payment to the Note Guarantees, including indebtedness under the guarantee of the New Senior Credit Facilities;

- will rank senior in right of payment to all existing and future indebtedness of WAF that is expressly subordinated to the Note Guarantees;
- will rank effectively senior to all existing and future indebtedness of WAF that is unsecured or secured by liens junior to the liens securing the Note Guarantees to the extent of the value of the Collateral; and
- subject to the loss sharing provisions with the creditors under the New Senior Credit Facilities Agreement as described in the Intercreditor Agreement, will be effectively subordinated to any existing and future indebtedness and other liabilities of WAF that is secured by liens senior to the liens on the assets of WAF securing WAF's Note Guarantees or secured by property and assets of WAF that do not secure such Note Guarantees, to the extent of the value of the property and assets securing such indebtedness.

**Security** . . . . . Subject to the terms of the security documents, the Notes will be secured by first priority liens on the same assets that secure, *inter alia*, the obligations under the New Senior Credit Facilities, including:

- a pledge over all of the shares of capital stock of Wind Tre;
- a pledge over all of the shares of capital stock of WAF;
- a pledge over certain selected bank accounts held by Wind Tre; and
- an assignment of receivables of VIP-CKH Luxembourg S.à r.l. and Wind Tre Italia S.p.A. in respect of certain shareholder loans,

collectively, the “**Collateral.**”

Pursuant to the Intercreditor Agreement, the Security Agent will act with respect to the Collateral only at the direction of a majority (greater than 50%) of Wind Tre's first priority secured creditors (including, for this purpose, both drawn and undrawn uncanceled commitments under the New Senior Credit Facilities Agreement, debt in respect of certain hedging obligations and debt under the Notes and any other senior secured indebtedness that is permitted to be issued under, and that the trustee or creditor representative in respect thereof acceded to, the Intercreditor Agreement in the future); *provided* that, in certain circumstances and subject to certain conditions, including compliance with the covenant described under “*Description of Notes—Certain Covenants—Limitation on Liens*” and the refinancing of the term loan indebtedness under the New Senior Credit Facilities Agreement, certain indebtedness may be designated as super senior and receive proceeds from



the enforcement of the Collateral in priority to holders of the Notes pursuant to the Intercreditor Agreement. Any proceeds received upon any enforcement over any Collateral, after any applicable liabilities in respect of indebtedness designated as super senior pursuant to the Intercreditor Agreement have been discharged from such recoveries, will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other indebtedness of Wind Tre or its restricted subsidiaries permitted to be incurred and secured by the Collateral on a *pari passu* basis.

For a description of security enforcement and other Intercreditor Agreement provisions, please see “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

The pledges and assignments securing the Notes and the New Senior Credit Facilities may be released under certain circumstances. See “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Note Guarantees will be released automatically without your consent or the consent of the Trustee,*” “*Description of Certain Financing Arrangements—Intercreditor Agreement,*” and “*Description of Notes—Security.*”

**Use of Proceeds** . . . . . The gross proceeds from the Offering will be €7,300 million (equivalent). Wind Tre is issuing the Notes and is entering into the New Senior Credit Facilities. Wind Tre intends to use the proceeds from the issue of the Notes, drawings under the New Senior Credit Facilities and net amounts due to Wind Tre on termination of derivative hedging instruments related to existing debt to (i) repay certain intercompany loans to WAF, which will utilize the funds to redeem the Existing Notes, (ii) repay the Existing Senior Credit Facilities, (iii) pay any call premia and (iv) pay transaction fees and expenses. See “*Use of Proceeds.*”

**Additional Amounts** . . . . . All payments under or with respect to the Notes or any Note Guarantees will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) except to the extent required by law. If withholding or deduction is required by law in the jurisdiction in which Wind Tre is then organized, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment on the relevant Notes is made by or on behalf of Wind Tre (including, without limitation, the jurisdiction of any Paying Agent), subject to certain exceptions, Wind Tre will pay such additional amounts as may be necessary so that the net amount received by any holder of Notes (including additional amounts) after such withholding or deduction will not be less than the amount such holder would

have received if such withholding or deduction had not been required. Wind Tre will not pay additional amounts in respect of any such substitute tax or in connection with the deductions of certain other amounts pursuant to the Tax Certification Procedures (except where the procedures required under Decree 239, in order to benefit from an exemption, have not been complied with due to the actions or omissions of Wind Tre or its agents) as set forth in “*Description of Notes—Withholding Taxes.*”—See “*Description of Notes—Additional Amounts.*” See also “—*Beneficial Owner Certification Requirements; Italian substitute tax.*”

**Optional Redemption:**

Floating Rate Notes . . . . . Wind Tre may redeem some or all of the Floating Rate Notes on or after May 3, 2018 at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, unless such redemption occurs between May 3, 2018 and November 3, 2018, and is funded with the proceeds of public indebtedness, in which case the redemption price will be 101% of the aggregate principal amount. Prior to May 3, 2018, Wind Tre may redeem, at its option, some or all of the Floating Rate Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable “make-whole” premium, as described in this Offering Memorandum.

2023 Fixed Rate Euro Notes . . . . . Wind Tre may redeem some or all of the 2023 Fixed Rate Euro Notes on or after November 3, 2019 at the redemption prices set out in this Offering Memorandum. Prior to November 3, 2019, Wind Tre may redeem, at its option, some or all of the 2023 Fixed Rate Euro Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable “make-whole” premium, as described in this Offering Memorandum. In addition, prior to November 3, 2019, Wind Tre may, at its option, redeem up to 40% of the 2023 Fixed Rate Euro Notes with the net proceeds from certain equity offerings. Further, at any time prior to November 3, 2019, Wind Tre may on one or more occasions redeem during each 12 month period commencing with the Issue Date up to 10% of the then outstanding aggregate principal amount of the 2023 Fixed Rate Euro Notes at a redemption price equal to 103% of the principal amount of the 2023 Fixed Rate Euro Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.

2025 Fixed Rate Euro Notes . . . . . Wind Tre may redeem some or all of the 2025 Fixed Rate Euro Notes on or after November 3, 2020 at the redemption prices set out in this Offering Memorandum. Prior to November 3, 2020, Wind Tre may redeem, at its option, some or all of the 2025 Fixed Rate Euro Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest,

if any, plus the applicable “make-whole” premium, as described in this Offering Memorandum. In addition, prior to November 3, 2020, Wind Tre may, at its option, redeem up to 40% of the 2025 Fixed Rate Euro Notes with the net proceeds from certain equity offerings. Further, at any time prior to November 3, 2020, Wind Tre may on one or more occasions redeem during each 12 month period commencing with the Issue Date up to 10% of the then outstanding aggregate principal amount of the 2025 Fixed Rate Euro Notes at a redemption price equal to 103% of the principal amount of the 2025 Fixed Rate Euro Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.

**Dollar Notes** . . . . . Wind Tre may redeem some or all of the Dollar Notes on or after November 3, 2020 at the redemption prices set out in this Offering Memorandum. Prior to November 3, 2020, Wind Tre may redeem, at its option, some or all of the Dollar Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus the applicable “make-whole” premium, as described in this Offering Memorandum. In addition, prior to November 3, 2020, Wind Tre may, at its option, redeem up to 40% of the Dollar Notes with the net proceeds from certain equity offerings. Further, at any time prior to November 3, 2020, Wind Tre may on one or more occasions redeem during each 12 month period commencing with the Issue Date up to 10% of the then outstanding aggregate principal amount of the Dollar Notes at a redemption price equal to 103% of the principal amount of the Dollar Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.

**Optional Redemption for Tax**

**Reasons** . . . . . In the event of certain developments affecting taxation of the Notes, or, in respect of the Dollar Notes if Wind Tre cannot maintain a tax certification agent (except due to an act or omission of Wind Tre or its Restricted Subsidiaries), Wind Tre may redeem all, but not less than all, of the Notes (or the Dollar Notes, as applicable) at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption. See “*Description of Notes—Redemption for Changes in Withholding Taxes.*”

**Change of Control** . . . . . Upon the occurrence of certain events constituting a “change of control,” Wind Tre is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. Under the Indenture, a change of control will not be deemed to have occurred if at the time Wind Tre’s consolidated net leverage ratio is less than certain specified levels. See “*Description of Notes—Repurchase at the Option of Holders—Change of Control.*”

**Optional Redemption upon  
Completion of Certain Tender**

**Offers** . . . . . In connection with any tender offer for any series of the Notes, if holders of not less than 90% of the aggregate principal amount of the applicable series of outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer, Wind Tre will have the right to redeem all Notes of such series that remain outstanding at a price equivalent to the price offered to each of the Holders of the applicable series of Notes in such tender offer (excluding any early tender or incentive fee), plus, to the extent not included in the tender offer payment, accrued and unpaid interest and additional amounts, if any, thereon, to, but not including, the redemption date.

**Certain Covenants** . . . . . The Indenture, among other things, restricts, or will restrict, the ability of Wind Tre and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of Wind Tre or its restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to Wind Tre;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interests for the benefit of the holders of the Notes.

Each of these covenants is or will be subject to significant exceptions and qualifications. See “*Description of Notes—Certain Covenants.*”

**Transfer Restrictions** . . . . . The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See “*Notice to Investors.*” Wind Tre has not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).

**Beneficial Owner Certification  
Requirements; Italian substitute  
tax .....**

Italian law requires financial institutions performing the duties of “second level bank” (as defined below) to obtain from each eligible beneficial owner (as referred to in Italian Legislative Decree No. 239 of April 1, 1996) a certification of its eligibility to receive interest, premium and other income in respect of the Notes free from Italian substitute tax upon the investor’s first purchase of a beneficial interest in the Notes, including the Dollar Rule 144A Notes represented by one or more Global Receipts (either at the time of the issuance of Notes or, if purchased thereafter, upon a purchase of Notes in the secondary market), and to make that certification available to the Italian tax authorities. In respect of the Dollar Rule 144A Notes, Wind Tre has arranged certain procedures with Acupay System LLC (“Acupay”) and Monte Titoli to facilitate the collection of certifications through the relevant participants in DTC and to submit data pertaining to such certifications to the Italian tax authorities. In connection with such procedures applicable to the Dollar Rule 144A Notes, Monte Titoli will perform the functions of “second level bank” (as defined in Italian Legislative Decree No. 239 of April 1, 1996, and herein referred to as, “**Second Level Bank**”). Investors in the Euro Rule 144A Notes and the Regulation S Notes will not be required to comply with the Tax Certification Procedures, although Euroclear or Clearstream will require such investors to comply with certain procedures to be eligible to receive interest free of Italian substitute tax in respect of both the Euro Rule 144A Notes and the Regulation S Notes. You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes.

**Italian substitute tax at the then-applicable rate, currently 26.0%, will be withheld from any payment of interest and other amounts payable in respect of the Notes to any investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of Notes (including if the certification procedures prove to be ineffective or incorrect) or in respect of any investor in the Dollar Rule 144A Notes or its DTC participant who fails to comply with the Italian tax compliance and relief procedures set forth in Appendix B hereto (the “Tax Certification Procedures”). Wind Tre will not pay any additional amounts in respect of any such withholding, except where the procedures required under Decree 239, in order to benefit from an exemption, have not been complied with due to the actions or omissions of the payor or its agents. For more information on these certification requirements and Italian substitute tax under Italian tax laws and on this restriction on transfer by certain investors, see “Important Italian Substitute Tax Requirements and Information in respect of the Tax Certification Procedures in respect of the Dollar Rule 144A Notes,” “Book-Entry, Delivery and**

***Form—Dollar Rule 144A Notes—Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures,”  
“Appendix B—Acupay Italian tax compliance and relief procedures.”***

By investing in the Dollar Rule 144A Notes, beneficial owners acknowledge and agree to become subject to the Tax Certification Procedures. The Tax Certification Procedures may be revised from time to time, among others, to reflect a change in applicable Italian law, regulation, ruling or interpretation thereof or to comply with requests of supervisory authorities, including in the event that new regulations setting forth the procedural rules for complying with the provisions of Italian Legislative Decree No. 239 of April 1, 1996, as amended, or equivalent law are promulgated (see “*Tax Considerations—Certain Italian Tax Considerations*”).

Should a beneficial owner of the Dollar Rule 144A Notes otherwise entitled to an exemption suffer the application of substitute tax as a consequence of the Tax Certification Procedures no longer being in place or because of a failure by such beneficial owner or its DTC participant to comply with such procedures, such beneficial owner may request a refund of the substitute tax so applied directly from the Italian tax authorities within 48 months from the application of the tax. Beneficial owners of the Dollar Rule 144A Notes should consult their tax advisors on the procedures required under Italian tax law to recoup the substitute tax in these circumstances. None of Wind Tre, the Initial Purchasers, Monte Titoli, the Receipt Issuer, the Receipt Paying Agent, DTC or Acupay assumes any responsibility therefor.

**Form, Clearance and Settlement . . . .** The Dollar Rule 144A Notes will be evidenced by one or more Dollar Rule 144A Global Notes in the name of Monte Titoli, as operator of the Italian central securities clearing system. Initially, all of the book-entry interests in the Dollar Rule 144A Global Notes will be credited to the third-party securities account in Monte Titoli of Wind Tre operated by the Receipt Issuer.

The Receipt Issuer will issue and deliver one or more Global Receipts evidencing the book-entry interests in the Dollar Rule 144A Global Notes to DTC, as central depository and clearing system, which in turn, will hold the Global Receipts, which will be registered in the name of Cede & Co., as DTC’s nominee, for the benefit of DTC’s participants. Transfers of beneficial interests in the Global Receipts will be shown on and will be effected only through, records maintained in book-entry form by DTC or any other securities intermediary holding an interest directly or indirectly through DTC.

Wind Tre has arranged with the Receipt Issuer, the Trustee, Acupay, and Monte Titoli that Global Receipts held by an

investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of or does not comply (either directly or through its DTC participant) with the Tax Certification Procedures (including if the procedures prove to be ineffective or incorrect) will be subject to a mandatory exchange to an N Receipt (each, an “**N Receipt**”). The aggregate principal amount of Global Receipts designated with such an N Receipt will represent the equivalent aggregate principal amount of Notes that are registered in the name of Monte Titoli and held by Monte Titoli and for which 26.0% Italian substitute tax will be collected on each relevant interest payment date. Each mandatory exchange of Global Receipts to such an N Receipt through DTC will be deemed to occur with the consent of the related beneficial owner. For more information, see “*Important Italian Substitute Tax Requirements and Information in respect of the Tax Certification Procedures in respect of the Dollar Rule 144A Notes,*” “*Book-Entry, Delivery and Form—Dollar Rule 144A Notes—Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures,*” and “*Appendix B—Acupay Italian tax compliance and relief procedures.*”

Definitive registered notes or definitive registered receipts will be issued in exchange for interests in Global Receipts only under the limited circumstances set out under “*Book-Entry, Delivery and Form.*” Any definitive registered notes issued will not be eligible for settlement through Monte Titoli or DTC.

The Euro Rule 144A Notes and the Regulation S Notes will initially be represented by one or more Euro Rule 144A Global Notes or Regulation S Global Notes, respectively, in registered form and will be deposited with and registered in the name of a nominee of the common depository for the accounts of Euroclear and Clearstream. Investors in the Euro Rule 144A Notes and the Regulation S Notes will not be required to comply with the Tax Certification Procedures, although Euroclear or Clearstream will require such investors to comply with certain procedures to be eligible to receive interest free of Italian substitute tax in respect of the Euro Rule 144A Notes and the Regulation S Notes. You are advised to consult your own attorney, accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes.

For more information on the form of the Notes, see “*Book-Entry, Delivery and Form.*”

**Listing** . . . . . Application has been made to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market.

<b>Governing Law for the Notes, the Note Guarantees, the Receipts, the Indenture and the Deposit Agreement</b> .....	New York law.
<b>Governing Law for the Intercreditor Agreement</b> .....	English law.
<b>Governing Law for the Security Documents</b> .....	English, Luxembourg or Italian law, as the case may be.
<b>Trustee</b> .....	Citibank, N.A., London Branch.
<b>Principal Paying Agent, Registrar and Transfer Agent</b> .....	Citibank, N.A., London Branch.
<b>Receipt Issuer</b> .....	Citibank, N.A.
<b>Receipt Paying Agent</b> .....	Citibank, N.A., London Branch.
<b>Security Agent</b> .....	Banca IMI.

#### **Risk Factors**

Investing in the Notes involves substantial risks. Please see the “*Risk Factors*” section for a description of certain of the risks you should carefully consider before investing in the Notes.

#### **Additional Information**

Wind Tre’s corporate seat and principal executive offices are located at Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy, and its telephone number is +39 02 30 11 4458.



### **Summary Consolidated Financial Information of Wind Tre Group**

The tables below and the accompanying notes set forth the summary historical financial information and other financial data of Wind Tre and WIND for the periods ended and as of the dates indicated below.

#### **Historical Consolidated Financial Information of Wind Tre**

The summary consolidated statement of financial position, income statement and cash flow statement for Wind Tre (formerly known as H3G S.p.A.) set forth below as of and for the years ended December 31, 2014, 2015 and 2016 were derived from the audited annual consolidated financial statements of Wind Tre, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The summary consolidated statement of financial position, income statement and cash flow statement for Wind Tre set forth below as of and for the six months ended June 30, 2016 and 2017 were derived from the unaudited interim consolidated financial statements of Wind Tre, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum.

H3G S.p.A. is Wind Tre's "Predecessor" for accounting purposes. The consolidated financial information of Wind Tre as of and for the year ended December 31, 2016 includes the results of: (i) WIND as of December 31, 2016 and for the period beginning November 1, 2016 (although the legal effective date on which the business combination between entities under common control occurred is November 5, 2016, the accounting effective date used is November 1, 2016) to December 31, 2016 and (ii) the Predecessor for the period beginning January 1, 2016 and ending December 31, 2016. The data and results of previous financial years correspond exclusively to the Predecessor, unless otherwise expressly stated, which affects the comparability of Wind Tre's results of operation between these periods.

#### **Historical Consolidated Financial Information of WIND**

The summary consolidated statement of financial position, income statement and cash flow statement for WIND set forth below as of and for the years ended December 31, 2014 and 2015 were derived from the audited annual consolidated financial statements of WIND, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The summary consolidated statement of financial position, income statement, and cash flow statement for WIND set forth below as of and for the ten months ended October 31, 2016 were derived from the unaudited interim consolidated financial statements of WIND, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum.

#### ***Pro Forma* Consolidated Financial Information**

This Offering Memorandum includes unaudited *pro forma* consolidated financial information of Wind Tre, presented to give *pro forma* effect to the Merger as if it had occurred on January 1, 2016, for the *pro forma* consolidated income statements for the six months ended June 30, 2016 and the year ended December 31, 2016. The following unaudited *pro forma* consolidated financial information has been derived from, and should be read in conjunction with the "Unaudited *Pro forma* Consolidated Financial Information" included elsewhere in this Offering Memorandum.

The unaudited *pro forma* consolidated financial information for the twelve months ended June 30, 2017 has been derived by adding the unaudited *pro forma* consolidated income statement data for the year ended December 31, 2016, to the historical consolidated income statement data of Wind Tre for the six months ended June 30, 2017, and deducting the unaudited *pro forma* consolidated income statement data for the six months ended June 30, 2016. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of Wind Tre's financial reporting, has not been audited or reviewed and is not necessarily representative of Wind Tre's results of operations for any future period.

The unaudited *pro forma* consolidated financial information is for informational purposes only and based upon available information and certain assumption, that management believe are reasonable and is not intended to represent, or be indicative of, the consolidated results of operations that Wind Tre would have reported had the Merger been completed as of the dates indicated and should not be taken as indicative of Wind Tre's future consolidated results of operations. Future results may vary significantly from the results reflected because of various factors, including those discussed in "*Risk Factors*." The historical results of Wind Tre may not be indicative of Wind Tre's future results following completion of the Offering. The unaudited *pro forma* consolidated financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting unaudited *pro forma* consolidated financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

The unaudited *pro forma* consolidated financial information should be read in conjunction with the information contained in "*Use of Proceeds*," "*Capitalization*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," and the historical financial statements of Wind Tre and WIND included elsewhere in this Offering Memorandum.

***Unaudited Pro Forma As Adjusted Consolidated Financial Information***

The Offering Memorandum includes further unaudited *pro forma* as adjusted consolidated financial information of Wind Tre that gives effect to the Transactions as if they had occurred on January 1, 2016. The unaudited *pro forma* as adjusted consolidated financial information has been presented for illustrative purposes only and does not purport to indicate the financial results of Wind Tre's business had the Transactions taken place on the date indicated, and is not intended to be a projection of future results. The unaudited *pro forma* as adjusted consolidated financial information has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting unaudited *pro forma* as adjusted consolidated financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

**Summary Consolidated Income Statement Information of Wind Tre:**

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)				
	(Unaudited)				
Revenue . . . . .	1,946	2,030	2,805	963	3,001
Other revenue . . . . .	84	68	88	22	82
<b>Total revenue . . . . .</b>	<b>2,030</b>	<b>2,098</b>	<b>2,893</b>	<b>985</b>	<b>3,083</b>
Purchases and services . . . . .	(1,461)	(1,440)	(1,754)	(663)	(1,689)
Other operating costs . . . . .	(113)	(151)	(148)	(58)	(145)
Personnel expenses . . . . .	(128)	(150)	(214)	(80)	(209)
Restructuring costs . . . . .	—	—	(60)	—	(140)
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets . . . . .</b>	<b>328</b>	<b>357</b>	<b>717</b>	<b>184</b>	<b>900</b>
Depreciation and amortization . . . . .	(327)	(378)	(653)	(201)	(1,616)
Impairment losses on non-current assets . . . . .	(9)	—	(1,685)	—	—
Losses on disposal of non-current assets . . . . .	(5)	—	(1)	—	(5)
<b>Operating income/(loss) . . . . .</b>	<b>(13)</b>	<b>(21)</b>	<b>(1,622)</b>	<b>(17)</b>	<b>(721)</b>
Finance income . . . . .	2	1	36	—	54
Finance expense . . . . .	(51)	(54)	(140)	(25)	(339)
Foreign exchange losses, net . . . . .	(1)	(2)	(1)	—	(2)
<b>Loss before tax . . . . .</b>	<b>(63)</b>	<b>(76)</b>	<b>(1,727)</b>	<b>(42)</b>	<b>(1,008)</b>
Income tax benefits/(expenses) . . . . .	—	4	47	—	(42)
<b>Loss for the period . . . . .</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>(1,050)</b>
Non-controlling interests . . . . .	—	—	—	—	—
<b>Loss for the period attributable to the owners of the parent .</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>(1,050)</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and of WIND for the two months ended December 31, 2016.

(2) Includes only results of H3G S.p.A. for the six months ended June 30, 2016.

### Summary Consolidated Statement of Financial Position Information of Wind Tre:

	As of December 31,			As of June 30,	
	2014	2015	2016	2017	
	(€ in millions)				
	(Unaudited)				
Intangible assets	3,874	3,890	10,001	9,882	
Property plant and equipment	2,981	3,041	5,618	4,518	
Trade receivables	684	528	1,287	1,138	
<b>Total assets</b>	<b>7,906</b>	<b>7,802</b>	<b>20,887</b>	<b>19,210</b>	
Trade payables	736	619	2,272	1,914	
Current financial liabilities	2,237	2,407	176	166	
Non-current financial liabilities	301	276	12,838	12,476	
<b>Total liabilities</b>	<b>3,785</b>	<b>3,753</b>	<b>16,683</b>	<b>16,045</b>	
<b>Total shareholders' equity</b>	<b>4,121</b>	<b>4,049</b>	<b>4,204</b>	<b>3,165</b>	
<b>Total liabilities and shareholders' equity</b>	<b>7,906</b>	<b>7,802</b>	<b>20,887</b>	<b>19,210</b>	

### Summary Consolidated Cash Flow Statement Information of Wind Tre:

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)				
	(Unaudited)				
Net cash flows from operating activities	389	538	810	423	415
Net cash flows used in investing activities	(407)	(653)	(407)	(288)	(441)
Net cash flows from/(used in) financing activities	(75)	105	(98)	(17)	(7)

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016, and of WIND for the two months ended December 31, 2016.

(2) Includes only results of H3G S.p.A. for the six months ended June 30, 2016.

### Other Consolidated Financial Information of Wind Tre:

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions, except percentages)				
	(Unaudited)				
EBITDA <sup>(3)</sup>	328	357	717	184	900
EBITDA margins <sup>(4)</sup>	16.1%	17.1%	24.8%	18.7%	29.2%
Capital expenditures	502	492	615	—	506
Net working capital <sup>(5)</sup>	(340)	(306)	(1,669)	—	(1,514)
Net financial indebtedness <sup>(6)</sup>	2,439	2,594	9,904	—	9,924

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016, and of WIND for the two months ended December 31, 2016.

(2) Includes only results of H3G S.p.A. for the six months ended June 30, 2016.

- (3) EBITDA consists of Wind Tre's loss for the period attributable to the owners of the parent before income tax benefits/ (expenses), non-controlling interests, finance income, finance expense, foreign exchange losses, net, depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets. EBITDA is not a measurement of performance under IFRS or U.S. GAAP and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of operating performance, (b) cash flows from operating, investing and financing activities as a measure of ability to meet cash needs or (c) any other measures of performance under generally accepted accounting principles.

Wind Tre believes that EBITDA is a useful indicator of the ability to incur and service indebtedness and can assist securities analysts, investors and other parties to evaluate Wind Tre. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by Wind Tre to EBITDA of other companies. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indenture.

The following is a reconciliation of the loss for the period attributable to the owners of the parent to EBITDA for the periods below:

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016 <sup>(a)</sup>	2016 <sup>(b)</sup>	2017
	(€ in millions)				
	(Unaudited)				
<b>Loss for the period attributable to the owners of the parent</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>(1,050)</b>
Income tax (benefits)/expenses	—	(4)	(47)	—	42
Non-controlling interest	—	—	—	—	—
Finance income	(2)	(1)	(36)	—	(54)
Finance expense	51	54	140	25	339
Foreign exchange (gains)/losses, net	1	2	1	—	2
Depreciation and amortization	327	378	653	201	1,616
Impairment losses on non-current assets	9	—	1,685	—	—
Losses on disposal of non-current assets	5	—	1	—	5
<b>EBITDA</b>	<b>328</b>	<b>357</b>	<b>717</b>	<b>184</b>	<b>900</b>

(a) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016, and of WIND for the two months ended December 31, 2016.

(b) Includes only results of H3G S.p.A. for the six months ended June 30, 2016.

- (4) EBITDA margins are defined as EBITDA divided by total revenue.

- (5) The following is the calculation of net working capital:

	As of December 31,			As of June 30,	
	2014	2015	2016	2017	
	(€ in millions)				
	(Unaudited)				
Inventories	41	61	72	110	
Trade receivables	684	528	1,287	1,138	
Trade payables	(736)	(619)	(2,272)	(1,914)	
Tax assets and liabilities <sup>(a)</sup>	(25)	(20)	(268)	(305)	
Other assets <sup>(b)</sup>	124	113	270	301	
Other liabilities <sup>(c)</sup>	(428)	(369)	(758)	(844)	
<b>Net working capital</b>	<b>(340)</b>	<b>(306)</b>	<b>(1,669)</b>	<b>(1,514)</b>	

(a) Tax assets and liabilities consist of deferred tax assets, current tax assets, deferred tax liabilities and tax payables.

(b) For each of the periods, other assets consist of guarantee deposits and other receivables.

(c) Other liabilities consist of other non-current liabilities and other payables.

- (6) Net financial indebtedness is defined as total financial liabilities net of total financial assets. The following is the calculation of net financial indebtedness.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(€ in millions)			(Unaudited)
<b>Non-current financial liabilities:</b>				
Bond issues . . . . .	—	—	10,293	9,907
Loans from shareholders . . . . .	251	267	1,717	1,740
Bank loans . . . . .	50	9	677	682
Loans from others <sup>(a)</sup> . . . . .	—	—	128	127
Derivative financial instruments . . . . .	—	—	23	20
<b>Current financial liabilities:</b>				
Bond issues . . . . .	—	—	160	154
Loans from shareholders . . . . .	2,168	2,367	—	—
Bank loans . . . . .	65	40	8	8
Loans from others <sup>(a)</sup> . . . . .	4	—	1	1
Derivative financial instruments . . . . .	—	—	7	3
<b>Total financial liabilities (A)</b> . . . . .	<b>2,538</b>	<b>2,683</b>	<b>13,014</b>	<b>12,642</b>
<b>Non-current financial assets:</b>				
Derivative financial instruments . . . . .	—	—	1,460	1,054
Financial receivables <sup>(b)</sup> . . . . .	—	—	1,026	1,074
<b>Current financial assets:</b>				
Financial receivables <sup>(c)</sup> . . . . .	—	—	21	20
Cash and cash equivalents . . . . .	99	89	603	570
<b>Total financial assets (B)</b> . . . . .	<b>99</b>	<b>89</b>	<b>3,110</b>	<b>2,718</b>
<b>Net financial indebtedness (A) less (B)</b> . . . . .	<b>2,439</b>	<b>2,594</b>	<b>9,904</b>	<b>9,924</b>

- (a) Loans from others includes the remaining backbone right of support acquisition costs. For further information, see “*Business—Network and Infrastructure.*”
- (b) Non-current financial receivables includes the loans made from WIND (now incorporated into Wind Tre) to its former parent, WAHF, following a refinancing involving WAHF in an amount of €1,024 million as of December 31, 2016. Non-current financial receivables include the loans made by Wind Tre to Wind Tre Italia following a refinancing involving WAHF in an amount of €1,070 million as of June 30, 2017. Financial receivables consist of non-current financial receivables excluding guarantee deposits amounting to €4 million as of December 31, 2014, €4 million as of December 31, 2015, €2 million as of December 31, 2016 and €3 million as of June 30, 2017.
- (c) Current financial receivables include the loans made from WIND (now incorporated into Wind Tre) to its former parent, WAHF, following a refinancing involving WAHF in an amount of €20 million as of December 31, 2016. Current financial receivables includes the loans made by Wind Tre to Wind Tre Italia following a refinancing involving WAHF in an amount of €20 million as of June 30, 2017. Financial receivables consist of current financial receivables excluding guarantee deposits amounting to nil as of December 31, 2014, nil as of December 31, 2015, €3 million as of December 31, 2016 and €4 million as of June 30, 2017.

**Summary Unaudited *Pro Forma* Consolidated Income Statement Information of Wind Tre:**

	<b>Unaudited <i>Pro Forma</i> Consolidated Income Statement Information</b>		
	<b>For the year ended December 31,</b>	<b>For the six months ended June 30,</b>	<b>For the twelve months ended June 30,</b>
	<b>2016</b>	<b>2016</b>	<b>2017</b>
	(€ in millions)		
Revenue . . . . .	6,308	3,010	6,299
Other revenue . . . . .	183	68	197
<b>Total revenue . . . . .</b>	<b>6,491</b>	<b>3,078</b>	<b>6,496</b>
Purchases and services . . . . .	(3,574)	(1,744)	(3,519)
Other operating costs . . . . .	(282)	(139)	(288)
Personnel expenses . . . . .	(451)	(231)	(429)
Restructuring costs . . . . .	(60)	—	(200)
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets . . . . .</b>	<b>2,124</b>	<b>964</b>	<b>2,060</b>
Depreciation and amortization . . . . .	(1,472)	(689)	(2,399)
Impairment losses on non-current assets . . . . .	(179)	—	(179)
Losses on disposal of non-current assets . . . . .	(2)	—	(7)
<b>Operating income/(loss) . . . . .</b>	<b>471</b>	<b>275</b>	<b>(525)</b>
Finance income . . . . .	489	147	396
Finance expense . . . . .	(619)	(323)	(635)
Foreign exchange gains/(losses), net . . . . .	(2)	2	(6)
<b>Profit/(Loss) before tax . . . . .</b>	<b>339</b>	<b>101</b>	<b>(770)</b>
Income tax benefits/(expenses) . . . . .	(86)	(78)	(50)
<b>Profit/(Loss) for the period . . . . .</b>	<b>253</b>	<b>23</b>	<b>(820)</b>
Non-controlling interests . . . . .	—	—	—
<b>Profit/(Loss) for the period attributable to the owners of the parent . . . . .</b>	<b>253</b>	<b>23</b>	<b>(820)</b>

**Summary Unaudited *Pro Forma* Adjusted Consolidated Financial Information of Wind Tre:**

	<i>Pro Forma</i> as of and for the twelve months ended June 30, 2017
	(€ in millions, except ratios and percentages)
<i>Pro Forma</i> EBITDA <sup>(1)</sup> .....	2,060
<i>Pro Forma</i> Adjusted EBITDA <sup>(1)</sup> .....	2,478
<i>Pro Forma</i> Adjusted EBITDA margin <sup>(2)</sup> .....	38.1%
Cash interest payments as adjusted for the Transactions <sup>(3)</sup> .....	323
Net financial liabilities as adjusted for the Transactions <sup>(4)</sup> .....	9,625
Ratio of net financial liabilities as adjusted for the Transactions to <i>Pro Forma</i> Adjusted EBITDA <sup>(1)(4)</sup> .....	3.9x
Ratio of <i>Pro Forma</i> Adjusted EBITDA to cash interest payments as adjusted for the Transactions <sup>(1)(3)</sup> .....	7.7x

- (1) *Pro Forma* EBITDA consists of Wind Tre's *pro forma* loss for the period attributable to the owners of the parent before income tax benefits/(expenses), non-controlling interests, finance income, finance expense, foreign exchange gains/losses, net, depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets. *Pro Forma* Adjusted EBITDA consists of *Pro Forma* EBITDA as adjusted for certain restructuring costs incurred and cost synergies related to the Merger for the relevant period.

*Pro Forma* EBITDA and *Pro Forma* Adjusted EBITDA are not a measurement of performance under IFRS or U.S. GAAP and you should not consider EBITDA, *Pro Forma* EBITDA or *Pro Forma* Adjusted EBITDA as alternatives to: (a) operating income or net income (as determined in accordance with IFRS) as a measure of operating performance, (b) cash flows from operating, investing and financing activities as a measure of ability to meet cash needs, or (c) any other measures of performance under generally accepted accounting principles.

Wind Tre believes that *Pro Forma* EBITDA and *Pro Forma* Adjusted EBITDA are useful indicators of the ability to incur and service indebtedness and can assist securities analysts, investors and other parties to evaluate Wind Tre. *Pro Forma* EBITDA, *Pro Forma* Adjusted EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing *Pro Forma* EBITDA and *Pro Forma* Adjusted EBITDA as reported by Wind Tre to *Pro Forma* EBITDA and *Pro Forma* Adjusted EBITDA of other companies. *Pro Forma* EBITDA and *Pro Forma* Adjusted EBITDA as presented here differ from the definition of "Consolidated EBITDA" contained in the Indenture.



The following is a reconciliation of the *Pro Forma* loss for the period attributable to the owners of the parent to *Pro Forma* EBITDA and from *Pro Forma* EBITDA to *Pro Forma* Adjusted EBITDA for the periods below:

	<b>Unaudited <i>pro forma</i> reconciliation of <i>Pro Forma</i> EBITDA and <i>Pro Forma</i> Adjusted EBITDA For the twelve months ended June 30, 2017</b>
	<b>(€ in millions)</b>
<b><i>Pro Forma</i> Loss for the period attributable to the owners of the parent</b> . . . . .	<b>(820)</b>
Income tax (benefits)/expenses . . . . .	50
Non-controlling interest . . . . .	—
Finance income . . . . .	(396)
Finance expense . . . . .	635
Foreign exchange rate (gains)/losses, net . . . . .	6
Depreciation and amortization . . . . .	2,399
Impairment losses on non-current assets . . . . .	179
Losses on disposal of non-current assets . . . . .	7
<b><i>Pro Forma</i> EBITDA</b> . . . . .	<b>2,060</b>
<b><i>Pro Forma</i> EBITDA margin</b> . . . . .	<b>31.7%</b>
<i>Restructuring costs</i> <sup>(a)</sup> . . . . .	200
<i>Pro forma synergies</i> <sup>(b)</sup> . . . . .	218
<b><i>Pro Forma</i> Adjusted EBITDA</b> . . . . .	<b>2,478</b>

(a) Represents an adjustment related to the costs already incurred or related to implementing Wind Tre's restructuring and reorganization plan following the Merger, which amounted to €140 million for the six months ended June 30, 2017 and €60 million for the year ended December 31, 2016. Wind Tre believes that it will incur further restructuring costs of approximately €400 million by the end of the 2018 financial year.

(b) Represents the annual estimated operating expense synergies that Wind Tre believes are achievable based on the run-rate impact of the steps and actions that have been taken to date or identified with respect to the integration of WIND and "3", which are presented net of the approximately €54 million of synergies that are estimated to have been achieved since the Merger. Such operating expense synergies include: (i) network synergies, including savings from the termination of the roaming contract between "3" and TIM, reduced rental and electricity expenses from the renegotiation and price harmonization of contracts with landlords on more favorable terms, the renegotiation of certain vendor, service and site rental contracts on more favorable terms, and the insourcing of certain network services; (ii) IT synergies, including savings from the renegotiation of certain IT service contracts on more favorable terms and from other decommissioning and modernization of sites and the insourcing of certain activities; (iii) commercial synergies, including savings from the consolidation to a single provider for logistics, billing and delivery services through a competitive bidding process, the rationalization of points of sale, the discontinuation of certain broadcasting activities, the elimination of commissions paid to dealers for mobile number portability between "3" and WIND, the alignment of policies regarding commissions on traffic as well as handset procurement, and other commercial operating expenses, partially offset by increases in customer care expenses; and (iv) general administration and human resources synergies, including savings from the insourcing of certain administrative services and the rationalization of personnel and facilities. All synergies figures exclude revenue and capital expenditure synergies. This synergy estimate is based on a number of assumptions made in reliance on the information available to Wind Tre and management's judgments based on such information. The assumptions used in estimating synergies are inherently uncertain and are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the synergies estimate. See "*Risk Factors—Risks Related to Wind Tre's Market and Business—Wind Tre may not realize the cost savings, synergies and other benefits that the parties expect to achieve from the Merger.*"

(2) *Pro Forma* Adjusted EBITDA margin is defined as *Pro Forma* Adjusted EBITDA divided by *pro forma* total revenue.

(3) *Pro forma* cash interest payments primarily reflect cash interest payments on the New Senior Credit Facilities and the Notes offered hereby as if the Transactions had occurred on July 1, 2016. For presentational purposes, the cash interest payments on the U.S. dollar denominated debt, including the Notes offered hereby, have been converted using the exchange rate of \$1.1749 to €1.00. This exchange rate may differ from the exchange rate in effect as of the date of issue of the Notes. *Pro forma* cash interest payments have been presented for illustrative purposes only and include the potential effect of hedging arrangements for foreign exchange risk in connection with interest payments and do not purport to represent what Wind

Tre's interest payments would have actually been had the issue of the Notes occurred on the date assumed, nor do they purport to project Wind Tre's interest payments for any future period or Wind Tre's financial condition at any future date.

- (4) Net financial liabilities as adjusted for the Transactions represents total financial liabilities as adjusted for the Transactions minus Cash and Cash Equivalents and Financial Receivables (each as presented in "Capitalization") and excluding certain line items set out under "Capitalization" comprising: (i) intercompany loan payable to shareholder; and (ii) other (comprising remaining backbone right of support acquisition costs and accrued interest). Represents the issuance of the Dollar Notes offered hereby as converted into euro at an exchange rate of \$1.1749 per 1.00. You should not view such translations as a representation that such euro amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate, on the Issue Date or any other date.

#### Summary Consolidated Income Statement Information of WIND:

	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
	(€ in millions)		
	(Unaudited)		
Revenue . . . . .	4,393	4,304	3,613
Other revenue . . . . .	240	124	95
<b>Total revenue . . . . .</b>	<b>4,633</b>	<b>4,428</b>	<b>3,708</b>
Purchases and services . . . . .	(2,338)	(2,290)	(1,930)
Other operating costs . . . . .	(178)	(154)	(134)
Personnel expenses . . . . .	(313)	(294)	(237)
Restructuring costs . . . . .	—	(19)	—
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>	<b>1,804</b>	<b>1,671</b>	<b>1,407</b>
Depreciation and amortization . . . . .	(1,214)	(1,177)	(963)
Impairment losses on non-current assets . . . . .	(13)	(31)	—
Gains/(Losses) on disposal of non-current assets . . . . .	(4)	482	(1)
<b>Operating income . . . . .</b>	<b>573</b>	<b>945</b>	<b>443</b>
Finance income . . . . .	68	157	453
Finance expense . . . . .	(1,414)	(667)	(479)
Foreign exchange losses, net . . . . .	(39)	(16)	(1)
<b>Profit/(Loss) before tax . . . . .</b>	<b>(812)</b>	<b>419</b>	<b>416</b>
Income tax benefits/(expenses) . . . . .	103	9	(87)
<b>Profit/(Loss) for the period . . . . .</b>	<b>(709)</b>	<b>428</b>	<b>329</b>
Non-controlling interests . . . . .	—	—	—
<b>Profit/(Loss) for the period attributable to the owners of the parent . . .</b>	<b>(709)</b>	<b>428</b>	<b>329</b>

**Summary Consolidated Statement of Financial Position Information of WIND:**

	As of December 31,		As of
	2014	2015	October 31, 2016
	(€ in millions)		
	(Unaudited)		
Intangible assets . . . . .	8,283	8,038	7,862
Property, plant and equipment . . . . .	3,273	2,855	2,642
Trade receivables . . . . .	949	996	973
<b>Total assets . . . . .</b>	<b>14,758</b>	<b>14,887</b>	<b>14,669</b>
Trade payables . . . . .	1,661	1,609	1,402
Current financial liabilities . . . . .	413	203	73
Non-current financial liabilities . . . . .	10,867	10,970	10,936
<b>Total liabilities . . . . .</b>	<b>14,647</b>	<b>14,340</b>	<b>13,791</b>
<b>Total shareholders' equity . . . . .</b>	<b>111</b>	<b>547</b>	<b>878</b>
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>14,758</b>	<b>14,887</b>	<b>14,669</b>

**Summary Consolidated Cash Flow Statement Information of WIND:**

	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
	(€ in millions)		
	(Unaudited)		
Net cash flow from operating activities . . . . .	783	875	546
Net cash flows used in investing activities . . . . .	(1,531)	(142)	(601)
Net cash flows from/(used in) financing activities . . . . .	810	(654)	(18)

**Other Consolidated Financial Information of WIND:**

	As of and for the year ended December 31,		As of and for the ten months ended October 31,
	2014	2015	2016
	(€ in millions, except percentages)		
	(Unaudited)		
EBITDA <sup>(1)</sup> . . . . .	1,804	1,671	1,407
EBITDA margins <sup>(2)</sup> . . . . .	38.9%	37.8%	38.0%
Capital expenditures . . . . .	784	787	578
Net working capital <sup>(3)</sup> . . . . .	(1,571)	(1,463)	(1,280)
Net financial indebtedness <sup>(4)</sup> . . . . .	9,654	8,777	8,271

(1) EBITDA consists of WIND's profit/(loss) attributable to the owners of the parent before income tax benefits/(expenses), non-controlling interests, finance income, finance expense, foreign exchange losses, net, depreciation and amortization, impairment losses on non-current assets and (gains)/losses on disposal of non-current assets. EBITDA is not a measurement of performance under IFRS or U.S. GAAP and you should not consider EBITDA as an alternative to: (a) operating income or net income (as determined in accordance with IFRS) as a measure of operating performance, (b) cash flows from operating, investing and financing activities as a measure of ability to meet cash needs or, (c) any other measures of performance under generally accepted accounting principles.

Wind Tre believes that EBITDA is a useful indicator of the ability to incur and service indebtedness and can assist securities analysts, investors and other parties to evaluate the historical performance of WIND. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported historically by WIND to EBITDA of other companies. EBITDA as presented here differs from the definition of “Consolidated EBITDA” contained in the Indenture.

The following is a reconciliation of the profit/(loss) for the period attributable to the owners of the parent to EBITDA for the periods below:

	For the year ended		For the ten
	December 31,		months ended
	2014	2015	October 31,
	2016		
	(€ in millions)		
	(Unaudited)		
<b>Profit/(Loss) for the period attributable to the owners of the parent</b>	<b>(709)</b>	<b>428</b>	<b>329</b>
Income tax (benefits)/expenses	(103)	(9)	87
Non-controlling interests	—	—	—
Finance income	(68)	(157)	(453)
Finance expense	1,414	667	479
Foreign exchange losses, net	39	16	1
Depreciation and amortization	1,214	1,177	963
Impairment losses on non-current assets	13	31	—
(Gains)/Losses on disposal of non-current assets	4	(482)	1
<b>EBITDA</b>	<b>1,804</b>	<b>1,671</b>	<b>1,407</b>

(2) EBITDA margins are defined as EBITDA divided by total revenue.

(3) The following is the calculation of net working capital:

	As of		As of
	December 31,		October 31,
	2014	2015	2016
	(€ in millions)		
	(Unaudited)		
Inventories	23	30	35
Trade receivables	949	996	973
Trade payables	(1,661)	(1,609)	(1,402)
Tax assets and liabilities <sup>(a)</sup>	(342)	(318)	(356)
Other assets <sup>(b)</sup>	273	225	203
Other liabilities <sup>(c)</sup>	(813)	(787)	(733)
<b>Net Working Capital</b>	<b>(1,571)</b>	<b>(1,463)</b>	<b>(1,280)</b>

(a) Tax assets and liabilities consist of deferred tax assets, current tax assets, deferred tax liabilities and tax payables.

(b) For each of the periods, other assets consist of guarantee deposits and other receivables.

(c) Other liabilities consist of other non-current liabilities and other payables.

- (4) Net financial indebtedness is defined as total financial liabilities net of total financial assets. The following is the calculation of net financial indebtedness.

	As of December 31,		As of
	2014	2015	October 31, 2016
	(€ in millions)		
	(Unaudited)		
<b>Non-current financial liabilities:</b>			
Bond issues . . . . .	8,844	10,135	10,109
Bank loans . . . . .	1,722	671	676
Loans from others <sup>(a)</sup> . . . . .	228	128	128
Derivative financial instruments . . . . .	74	36	23
<b>Current financial liabilities:</b>			
Bond issues . . . . .	142	158	61
Bank loans . . . . .	166	8	4
Loans from others <sup>(a)</sup> . . . . .	105	19	1
Derivative financial instruments . . . . .	—	18	7
<b>Total financial liabilities (A)</b> . . . . .	<b>11,281</b>	<b>11,173</b>	<b>11,009</b>
<b>Non-current financial assets</b>			
Derivative financial instruments . . . . .	412	985	1,292
Financial receivables <sup>(b)</sup> . . . . .	991	1,109	1,233
<b>Current financial assets</b>			
Financial receivables <sup>(c)</sup> . . . . .	21	20	4
Cash and cash equivalents . . . . .	203	282	209
<b>Total financial assets (B)</b> . . . . .	<b>1,627</b>	<b>2,396</b>	<b>2,738</b>
<b>Net financial indebtedness (A) – (B)</b> . . . . .	<b>9,654</b>	<b>8,777</b>	<b>8,271</b>

- (a) Loans from others includes the remaining backbone right of support acquisition costs. For further information, see “*Business—Network and Infrastructure.*”
- (b) Non-current financial receivables includes a loan made from WIND to WAHF following a refinancing involving WAHF in an amount of €1,229 million as of October 31, 2016. Financial receivables consist of non-current financial receivables excluding guarantee deposits amounting to €2 million as of December 31, 2014, €2 million as of December 31, 2015 and €2 million as of October 31, 2016.
- (c) Current financial receivables includes a loan made from WIND to WAHF following a refinancing involving WAHF in an amount of €4 million as of October 31, 2016. Financial receivables consist of current financial receivables excluding guarantee deposits amounting to €2 million as of December 31, 2014, €3 million as of December 31, 2015 and €3 million as of October 31, 2016.

### Summary Operational Data of Wind Tre and WIND:

	As of and for the year ended December 31,				As of and for the ten months ended October 31,	As of and for the year ended December 31,			As of and for the two months ended December 31,	
	2014		2015		WIND <sup>(1)</sup>	2016		2016		
	WIND	H3G S.p.A.	WIND	H3G S.p.A.		Wind Tre <sup>(2)</sup>	<i>pro forma</i> Wind Tre	WIND	H3G S.p.A.	
	(€ in millions, except percentages)									
Mobile revenues . . . . .	3,328	2,030	3,279	2,098	2,793	2,679	5,362	1,620	985	
Fixed-line revenues . . . . .	1,305	—	1,150	—	915	214	1,129	536	—	
<b>Total revenues . . . . .</b>	<b>4,633</b>	<b>2,030</b>	<b>4,428</b>	<b>2,098</b>	<b>3,708</b>	<b>2,893</b>	<b>6,491</b>	<b>2,156</b>	<b>985</b>	
Mobile EBITDA (excluding restructuring costs) . . . . .	1,388	328	1,324	357	1,157	703	1,860	641	184	
Fixed-line EBITDA (excluding restructuring costs) . . . . .	416	—	346	—	250	75	325	139	—	
Total EBITDA (excluding restructuring costs) . . . . .	1,804	328	1,671	357	1,407	777	2,184	780	184	
<i>as % of total revenues . . . . .</i>	<i>38.9%</i>	<i>16.1%</i>	<i>37.8%</i>	<i>17.1%</i>	<i>38.0%</i>	<i>26.9%</i>	<i>33.6%</i>	<i>36.2%</i>	<i>18.7%</i>	
Capital expenditures . . . . .	784	502	787	492	578	615	1,193	364	191	
Total EBITDA (excluding restructuring costs) less capital expenditures . . . . .	1,020	(174)	884	(135)	829	162	991	416	(7)	
<i>as % of total revenues . . . . .</i>	<i>22.0%</i>	<i>(8.6)%</i>	<i>20.0%</i>	<i>(6.4)%</i>	<i>22.4%</i>	<i>5.6%</i>	<i>15.3%</i>	<i>19.3%</i>	<i>(0.7)%</i>	
<b>Key performance indicators</b>										
Mobile subscribers (m) . . . . .	21.6	10.0	21.1	10.1	20.6	31.3	31.3	20.9	10.5	
Fixed-line subscribers (m) . . . . .	2.8	—	2.8	—	2.7	2.7	2.7	2.8	—	
Broadband subscribers (m) . . . . .	2.2	—	2.3	—	2.3	2.3	2.3	2.3	—	
Mobile ARPU (€/month) . . . . .	€ 11.3	€ 11.6	€ 11.3	€ 12.2	€ 11.5	—	€ 11.5	€ 11.2	€12.2	
Fixed-line ARPU (€/month) . . . . .	€ 29.4	—	€ 27.9	—	€ 27.3	—	€ 27.6	€ 27.1	—	
Broadband ARPU (€/month) . . . . .	€ 21.3	—	€ 21.1	—	€ 21.0	—	€ 21.2	€ 20.7	—	
Mobile Market share (%) . . . . .	24.7%	11.5%	24.7%	11.8%	24.5%	—	37.2%	24.6%	12.3%	
Mobile Annualized churn (%) . . . . .	31.4%	41.3%	29.2%	44.9%	30.5%	—	33.4%	30.0%	38.7%	

(1) Includes the results of for the ten months ended October 31, 2016.

(2) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and of WIND for the two months ended December 31, 2016.

## RISK FACTORS

*In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties Wind Tre describes below are not the only ones it faces. Additional risks and uncertainties of which Wind Tre is not aware or that it currently believes are immaterial may also adversely affect its business, financial condition and results of operations. If any of the possible events described below were to occur, Wind Tre's business, financial condition and results of operations could be materially and adversely affected. If that happens, Wind Tre may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.*

*This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Wind Tre's actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.*

### **Risks Related to Wind Tre's Market and Business**

***The Italian telecommunications industry is characterized by high levels of competition and Wind Tre expects the market to remain highly competitive. If Wind Tre is not able to successfully compete, Wind Tre's financial performance and business prospects may be materially adversely affected***

All of the telecommunications markets in Italy in which Wind Tre operates are characterized by high levels of competition among mobile and fixed-line telecommunications and broadband service providers. Wind Tre expects its markets to remain competitive in the near term, and competition may be exacerbated by the entrance of Iliad as a fourth market participant in Italy and/or further consolidation and globalization of the telecommunications industry.

In the Italian mobile telecommunications market, Telecom Italia, operating under the "TIM" brand name, and Vodafone Italy ("Vodafone"), are currently Wind Tre's principal competitors and have well-established positions in the Italian mobile market. As of June 30, 2017, Wind Tre had a mobile market share of 36.5% (excluding MVNOs) in the mobile segment. TIM has the advantage of long-standing relationships with Italian customers. Vodafone is perceived as having a technologically-advanced and reliable network. Certain of Wind Tre's competitors also benefit from greater levels of global advertising or stronger brand recognition than Wind Tre does. Further, Wind Tre is, and, after the issuance of the Notes, will continue to be, highly leveraged compared to certain of its competitors, which reduces its flexibility with respect to investing and competing with respect to pricing.

In connection with its approval of the Merger, the European Commission required a divestment of sufficient assets to allow a new entrant to enter the Italian market as a fourth mobile network operator. Iliad, the French telecommunications operator, entered into contractual arrangements to purchase certain divested assets from Wind Tre, and it is expected that it will commence offering services in the Italian market at the end of 2017 or the beginning of 2018. The agreed remedies package with Iliad comprise three primary components: (i) transfer and release of use of certain of WIND and "3"'s mobile radio spectrum licenses from various frequency bands (900 MHz, 1800 MHz, 2100 MHz and 2600 MHz) for a purchase price of approximately €450 million, payment of which is to occur in stages between 2017 and 2019 (and of which €50 million had been paid as of June 30, 2017); (ii) the offer transfer to, and co-locate equipment of Iliad on, several thousand Wind Tre mobile base station sites; and (iii) roaming and RAN sharing agreements (for access to 2G, 3G, 4G, and new technologies), allowing Iliad to use the Wind Tre network to offer its customers nationwide mobile services on a transitional basis while Iliad builds out its own mobile network. Iliad has publicly announced that since late 2016 and during the first half of 2017, it has (i) secured a backhaul network of some 10,000 kilometers of fiber and deployed its core network, (ii) set up roaming solutions, (iii) negotiated interconnection contracts, and (iv) recruited an Italy-based team to manage the new subsidiary's operations. The impact of the entrance of Iliad into the Italian market is difficult to predict, both in terms of the implementation of Iliad's business strategy and the

reactions to this by the other Italian operators, as discussed below, in relation to competition for subscribers.

In addition, the Italian mobile market had a penetration level of approximately 137% (excluding MVNOs), and a prepaid subscriber share of 85.4%, as of June 30, 2017. The level of penetration and the highly consolidated nature of the market could result in continued pricing pressure and churn, and Wind Tre's competitiveness will depend on its ability to introduce new technologies, convergent services and attractive bundled products at competitive prices, as further growth of Wind Tre's subscriber base in this mature market will be primarily driven by its ability to acquire other operators' subscribers and its ability to retain existing subscribers. See "*—The success of Wind Tre's mobile operations depends on its ability to attract and retain mobile subscribers. If Wind Tre is unable to successfully manage its subscriber turnover or otherwise loses mobile subscribers, Wind Tre may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows.*"

Competition for subscribers has in the past, and may in the future, in particular as Iliad seeks to establish itself as the fourth Italian mobile operator, create additional pricing pressure for operators, which could have a material adverse impact on Wind Tre's margins and profitability, as has occurred in the past at times when all operators in Italy reduced pricing in order to gain market share. In addition, while Iliad will act as a new alternative provider in Italy, the reactions of TIM and Vodafone may be to introduce offers to attract subscribers, including customers of Wind Tre. In addition, all Italian mobile operators, including Wind Tre, have commercial agreements with mobile virtual network operators, or MVNOs, providing them access to their respective networks which the MVNOs, in turn, sell to their own subscribers, which further increases competition.

In the fixed-line market, the incumbent, TIM, maintains a dominant market position with strong customer recognition and familiarity. TIM benefits from cost efficiencies inherent in its existing telecommunications infrastructure over which it provides its fixed-line coverage. In addition to TIM, Swisscom and Vodafone entered the fixed-line Internet, voice and data markets several years ago by buying out Fastweb S.p.A. and the Italian business of the Swedish carrier Tele 2 (rebranded as TeleTu), respectively. More recently, BT Italia and Tiscali also joined the fixed-line voice market. Wind Tre expects that the fixed-line telecommunications market will remain competitive as a result of the presence of international competitors, the introduction and growth of new technologies, products and services, the declining number of fixed-line subscribers due to continued fixed-to-mobile substitution, regulatory changes (for example, in relation to local loop unbundling, or "LLU" tariffs) in the Italian market, all of which may exert downward pressure on prices or otherwise cause Wind Tre's fixed-line subscriber base to contract, thereby impacting its revenues and profitability.

Additionally, increased competition in convergent offerings could erode certain of the advantages that Wind Tre enjoys over some of its competitors in the market and result in higher churn. Wind Tre's competitors may also begin deploying quad-play (*i.e.*, mobile, fixed-line voice, fixed-line Internet and entertainment content bundles) in the Italian market, which would put pressure on Wind Tre to compete with these offerings.

If Wind Tre is unable to win mobile and/or fixed-line subscribers from its competitors and/or retain its existing subscribers, or if Wind Tre fails to launch compelling and innovative products and services at competitive prices, and upon the entrance to the market of Iliad, Wind Tre could lose its subscribers and the financial performance and business prospects for its mobile and fixed-line businesses could be materially adversely affected.



***The success of Wind Tre’s mobile operations depends on its ability to attract and retain mobile subscribers. If Wind Tre is unable to successfully manage its subscriber turnover or otherwise loses mobile subscribers, Wind Tre may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows***

As a result of the historical expansion of the voice services segment of the mobile telecommunications market in Italy, it has reached a penetration rate of approximately 137% as of June 30, 2017 (based on the total number of SIM cards excluding MVNOs). The degree to which the mature Italian mobile telecommunications market may expand is uncertain and will depend on numerous factors, many of which are beyond Wind Tre’s control. Such factors include, among others, the business strategies and capabilities of Wind Tre’s competitors, prevailing market conditions, the development of new and/or alternate technologies for mobile telecommunications products and services, the development of new devices that require a mobile connection and the effect of applicable regulations.

Wind Tre’s ability to attract new subscribers or to grow its ARPU from existing subscribers despite the high market penetration and the increased competition that has resulted from this mature market will depend in large part upon its ability to offer innovative services on new devices, stimulate and increase subscriber usage, convince subscribers to switch from competing mobile operators to its services and its ability to minimize churn. Consistent with the Italian market generally, the majority of Wind Tre’s mobile subscribers are prepaid, which contributes to churn, as subscribers are not contractually bound in the long-term to use Wind Tre’s services and are free to move to other operators with more attractive pricing or other advantages. Moreover, following the merger of WIND with “3”, under request of the European Union as a mandatory condition for approving the merger, a fourth mobile operator, Iliad, expects to enter the Italian market at the end of 2017 or the beginning of 2018. If Wind Tre fails to reduce or maintain its rates of churn, or competing mobile operators improve their ability to retain subscribers and thereby lower their churn levels, Wind Tre’s cost of retaining and acquiring new subscribers could increase, which could have a material adverse effect on Wind Tre’s business, financial condition and results of operations. Additionally, while Wind Tre has sought to differentiate the offerings of the consumer brands, WIND and “3”, it is possible that there will be overlap between the two brands and that this will result in the cannibalization of the two companies’ sales.

Further, Wind Tre’s ability to attract new subscribers may also be negatively affected by a slowdown in the Italian economy and the European economy as a whole. See “*Risk Factors—Risks Related to Wind Tre’s Market and Business—Wind Tre’s business, financial condition, results of operations and liquidity may be adversely affected by disruptive geopolitical or macroeconomic events and economic uncertainty in Italy.*”

***Wind Tre’s business is capital intensive and both WIND and “3” have experienced losses in the past. It cannot be assumed that Wind Tre will have sufficient liquidity to fund its capital expenditure programs or its on-going operations in the future***

Wind Tre’s business is capital intensive and will require significant amounts of cash. Historically, start-up costs, extensive capital expenditures, operating expenditures and debt service costs have contributed to both WIND and “3” experiencing losses. Wind Tre’s extensive capital expenditure program will continue to require significant capital outlays in the foreseeable future, including the continued maintenance and optimization of Wind Tre’s GSM network and expansion of Wind Tre’s UMTS network and HSDPA coverage, participation in future spectrum auctions, the deployment of its LTE network, the improvement of Wind Tre’s LLU exchanges, the improvement of the ultra-broadband services, the development of the 5G network and maintenance of Wind Tre’s network infrastructure.

Wind Tre may also need to invest in new networks and technologies in the future, which could require significant capital expenditures and, if network usage develops faster than Wind Tre anticipates, Wind Tre may require greater capital investments in shorter time frames than it anticipates and Wind Tre may not have the resources to make such investments. In addition, costs associated with the licenses that Wind Tre needs in order to operate its existing networks and technologies (and those that Wind Tre may

develop in the future), and costs and rental expenses related to their deployment, could be significant. Wind Tre also plans to participate in future spectrum auctions as well as extend and re-farm existing spectrum. Wind Tre recently paid an extension and re-farming fee of approximately €434 million to extend some of its spectrum license until December 31, 2029. Wind Tre plans to make significant investments in its LTE, 5G and ultra-broadband networks during the next several years. In 2018 there may be an auction of spectrums in the 700 MHz, 3600-3800 MHz, 26.5-27.5 GHz ranges, among others, with the related costs to be determined by the Italian government. It has been reported that the Italian Council of Ministers approved a draft budget law for 2018 that includes €2.5 billion in total proceeds for the auctioning of spectrum licenses on frequency bands that would enable 5G services. The draft law would be submitted to the Italian Parliament for its approval within October 20, 2017, after which the Chamber of Deputies and the Senate would have until December 31, 2017 to approve the law. Meanwhile, the text would be evaluated by the European Commission, which would give its first opinion within November 30, 2017. No official text of such draft law is available as at the date of this offering memorandum.

The amount and timing of Wind Tre's future capital requirements may differ materially from Wind Tre's current estimates due to various factors, many of which are beyond Wind Tre's control. Wind Tre may also be required to raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on Wind Tre's cash needs and the prevailing conditions in the financial markets. It cannot be assured that Wind Tre would be able to accomplish any of these measures on a timely basis or on commercially reasonable terms compared to Wind Tre's competitors, if at all. It cannot be assured that Wind Tre will generate sufficient cash flows in the future to meet its capital expenditure needs, sustain its operations or meet its other capital requirements, which may have a material adverse effect on Wind Tre's business, financial condition and results of operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*"

***Wind Tre's licenses and permits to provide mobile services have finite terms, and any inability to renew any of these licenses and permits upon termination, or any inability to obtain new licenses and permits for new technologies, could adversely affect Wind Tre's business***

Wind Tre is licensed to provide mobile telecommunications services in Italy. Wind Tre's license to operate its GSM/GPRS/UMTS/LTE bands expires on December 31, 2029. For the 2100 MHz band the license also expires on December 31, 2029, but the contributions must be paid starting on January 1, 2022. However, the terms of Wind Tre's licenses and frequency allocations are subject to ongoing review by the MISE and the Italian Communications Authority ("*Autorità per le Garanzie nelle Comunicazioni*" or "*AGCOM*") and, in some cases, are subject to modification or early termination (with the confirmation of the right for the following period with the payment of the contributions due in advance). If the technology that is the subject of one of these licenses continues to be important for the provision of mobile telecommunications services, Wind Tre expects that it would seek to renew the license upon expiration. There can be no assurance, however, that any application for the renewal of one or more of these licenses upon expiration of their respective terms will be successful or would be renewed on equivalent or satisfactory terms. In addition, Wind Tre may not be successful in obtaining new licenses for the provision of mobile services using new technologies that may be developed in the future and will likely face competition for any such licenses. In the event that Wind Tre is unable to renew a license or obtain a new license for any technology that is important for the provision of its service offerings, Wind Tre could be forced to discontinue its use of that technology or Wind Tre may be unable to use an important new technology, and Wind Tre's business could be materially adversely affected.

Wind Tre's mobile network was supported by approximately 14,795 base station transmission systems, or "*BTS,*" and 14,532 UMTS Node B's, as of June 30, 2017, including the former WIND network as well as approximately 11,482 UMTS Node B's, as of June 30, 2017, from the former "*3*" network. Given the multitude of regulations that govern such equipment and the various permits required to operate Wind

Tre's BTS, Wind Tre cannot be certain that its right to use a portion of its transmission system will not be challenged. While Wind Tre does not generally believe that the loss of any single permit or approval with respect to its BTS would have a material adverse effect on its network, the loss of the right to use a material number of base station transmission systems or any strategically located base station transmission system that cannot be easily replaced could have a disruptive effect on its transmission to certain areas.

***Market demand for LTE-, UMTS- and HSDPA-based services, including mobile Internet, in Italy may not increase, limiting Wind Tre's ability to recoup the cost of its investment in its LTE, UMTS and HSDPA frequencies and network, which could adversely affect Wind Tre's business, financial condition and results of operations***

Wind Tre's UMTS license, which is valid until 2029, costs an aggregate of approximately €5.6 billion. In June 2009, WIND was awarded an additional 5 MHz block of UMTS spectrum for the assignment of rights of use for the frequencies in the 2100 MHz band for €89.0 million, which rights were assigned by the Italian Ministry of Economic Development in September 2009. The Italian Ministry of Economic Development assigned the remaining 5 MHz block in the 900 MHz band to H3G S.p.A., which became available at the end of 2013.

On October 3, 2011, WIND was awarded spectrum in both the 800 MHz and 2,600 MHz frequencies following the completion of the competitive spectrum auction initiated by the Italian Ministry for Economic Development, for a total consideration of approximately €1.1 billion. On the same date, "3" was awarded spectrum in both the 1,800 MHz and 2,600 MHz frequencies following the completion of the competitive spectrum auction initiated by the Italian Ministry for Economic Development, for a total consideration of approximately €296 million. Wind Tre recently renewed certain of its spectrum licenses at a cost of approximately €434 million. Wind Tre plans to continue to make significant investments in its LTE and fiber networks during the next several years. See "*Management's Discussion and Analysis of Results of Financial Condition and Results of Operations—Capital Expenditures and Investments.*" Wind Tre's ability to recoup its LTE-related and UMTS-related expenditures will depend largely upon continued and increasing customer demand for LTE and UMTS-based services. Although there have been signs of widespread demand for high speed data services through UMTS and LTE in recent years, the size of the market is still unknown and may fall short of industry expectations, and these technologies may not prove more attractive to subscribers than other existing technologies and services. If LTE-based and UMTS-based mobile services do not, or are slower than anticipated to, gain sufficiently broad commercial acceptance in Italy, or if Wind Tre derives a smaller percentage of its total revenues than expected from its LTE and UMTS-related services, Wind Tre may not be able to adequately recoup its investment in its LTE frequencies and UMTS license and network or profit from such investment, which could have a material adverse effect on Wind Tre's business, financial condition and results of operations. Local television broadcasters, who occupy part of the LTE frequencies auctioned, have been seeking to block and delay, including through legal actions, the freeing of spectrum by challenging the ministerial provisions related to compensation measures to broadcasters. Thus far such actions have been unsuccessful and the spectrum grant is currently effective. Furthermore, if third-party application service providers fail or are slow to develop services for LTE based mobile services, or if Wind Tre cannot obtain reasonably priced LTE handsets, technologically proven network equipment or software with sufficient functionality or speed, Wind Tre's ability to generate revenues from its LTE networks may also be adversely affected, which in turn could have a material adverse effect on Wind Tre's business, financial condition and results of operations.

In addition, Wind Tre's ability to recoup LTE and HSDPA-related expenditures will depend largely upon implementing a competitive pricing strategy that appeals to consumers while recouping an investment in LTE and HSDPA technology. Wind Tre also currently has lower LTE coverage rates than those published by its competitors, which could cause customers to perceive competitors' network offerings as more attractive. Further, Europe has not fully recovered yet from the economic slowdown occurred in recent years which could create volatility in the demand for VAS such as mobile Internet. Moreover,

pursuant to the conditions imposed by the European Commission in connection with its approval of the Merger, Wind Tre committed to sell to Iliad frequencies and sites within the years 2017 - 2019 (seven blocks of 2x5MHz each in 900MHz, 1800MHz, 2100MHz, and 2600MHz bands) as well as to enter into temporary agreements that will enable Iliad to operate in Italy. The presence of a fourth competitor, which is expected to begin operating in Italy by the end of 2017 or the beginning of 2018, could decrease Wind Tre's customer base through more competitive offers and services, thus decreasing Wind Tre's profits.

If subscribers use mobile Internet services offered by Wind Tre's competitors, reduce their usage of mobile Internet services offered by Wind Tre or cease to use mobile Internet at all, Wind Tre may not be able to profit from its build-out of LTE and HSDPA coverage at the levels it anticipates, or at all, which, in turn, could have a material adverse effect on Wind Tre's business, financial condition or results of operations.

***Market demand for fiber-based services in Italy may not increase, limiting Wind Tre's ability to recoup the cost of its investment in developing ultra-broadband technology, which could adversely affect Wind Tre's business, financial condition and results of operations***

In recent years, WIND began to provide ultra-broadband fixed-line services through its Infostrada brand. In 2016, WIND entered into an agreement with Open Fiber to further enhance its capability to offer those services.

Wind Tre's ability to recoup its fiber-related expenditures will depend largely upon the costs of developing such technology and the cooperation of its partners in rolling it out coupled with the continued and increasing customer demand for this type of services. Although there have been signs of widespread demand for high speed data services in recent years, the size of the market is still unknown and may fall short of industry expectations and these technologies may not prove more attractive to subscribers than other existing technologies and services. If fiber-based services do not, or are slower than anticipated to, gain sufficiently broad commercial acceptance in Italy, or if Wind Tre derives a smaller percentage of its total revenues than expected, Wind Tre may not be able to adequately recoup its investment or profit from such investment. Additionally, Open Fiber could experience unforeseen technical, operational or technical difficulties, which could prevent Wind Tre from realizing the benefits of its agreement with Open Fiber.

In addition, Wind Tre's ability to recoup its fiber-related expenditures will depend largely upon implementing a competitive pricing strategy that appeals to consumers. Further, Europe has not fully recovered yet from the economic slowdown occurred in recent years which could create volatility in the demand for Internet-based services. As a result, the costs to develop such technology, the failure to recoup its expenditures, or the failure to profit from its fiber-based services, could have a material adverse effect on Wind Tre's business, financial condition or results of operations.

***Wind Tre's business, financial condition, results of operations and liquidity may be adversely affected by disruptive geopolitical or macroeconomic events and economic uncertainty in Italy***

While the outlook for the global economy and Eurozone economies has improved in recent years, significant uncertainties remain in the near to medium term regarding structural challenges in the Eurozone economies. The modest GDP growth and low inflation experienced in Europe in recent years have raised concerns, as evidenced by the quantitative easing program introduced by the European Central Bank in January 2015, and the uncertainty over the stability of the Eurozone, including Greece's ability to comply with the terms of its bail-out program and remain a member of the Eurozone and European Union, has continued. Market conditions have also been, and are likely to continue to be, affected by concerns over increased geopolitical tensions, including escalating hostilities between the United States and North Korea and those related to developments in Crimea and eastern Ukraine, started in 2014. Other macro-economic concerns include the decline in global oil prices, the slowdown in China's economic growth and demand for raw materials and the United Kingdom's vote to leave the European Union. With

respect to the Italian economy, while economic indicators such as GDP growth and unemployment have improved, significant uncertainties remain regarding the health of the Italian financial system. In particular, at the end of June 2017, Monte dei Paschi di Siena, the fourth largest bank in Italy, was subject to a €6.6 billion bail-out deal from the government. In addition, at the end of June 2017, Intesa Sanpaolo approved a deal to buy the good assets of troubled competitors Banca Popolare di Vicenza and Veneto Banca. Moreover, in July 2017, the net value of the Atlante Fund, launched in 2016 for the purpose of investing in non-performing loans held by Italian banks, was subject to a significant write-down. As a result, market volatility may continue or worsen and there can be no assurance that future aid will be available or, even if provided, sufficient to assist financial institutions and bring stability to the financial markets. Reflecting these and other concerns, Standard & Poor's, Moody's and Fitch downgraded the credit ratings of several EU countries in recent years. In particular, Italy's credit rating has been severely affected. Standard & Poor's has downgraded Italy's sovereign debt rating from "A," as of 2012, to "BBB-" as of May 5, 2017. Moody's has downgraded Italy's sovereign debt rating from "A3," as of early 2012, to "Baa2," as of the end of 2016. Fitch has downgraded Italy's sovereign debt rating from "A-," as of the beginning of 2013, to "BBB," as of April 2017.

While the telecommunications sector is one of the industrial segments that has been less affected by the global financial crisis, economic slowdown and uncertainty in the macroeconomic environment may adversely impact consumer spending on telecommunications products and services. Customers may decide that they can no longer afford mobile services, especially given that Italy has high unemployment rates, particularly among young people, or that they can no longer afford the data services and VAS that are instrumental in maintaining or increasing ARPU, and, in turn, increasing revenues.

In addition, the financial crisis in Italy has created challenging credit and liquidity conditions, contributing to a reduction in liquidity, greater volatility, general widening of credit spreads and, in some instances, certain lenders have reduced or ceased to provide funding to borrowers. If these conditions, together with the sovereign debt crisis in Italy, continue or worsen, or if the global financial system experiences another severe disruption, it could negatively affect Wind Tre's ability to raise funding in the debt capital markets and/or access secured lending markets on financial terms acceptable to Wind Tre.

The continued impact of global economic and market conditions, including, among others, the events described above, could have a material adverse effect on Wind Tre's business, financial condition, results of operations or liquidity.

***Wind Tre may not realize the cost savings, synergies and other benefits that the parties expect to achieve from the Merger***

On December 31, 2016, WIND merged into "3", with the surviving entity changing its name change to Wind Tre S.p.A. Wind Tre is indirectly owned through an equal participation by VEON and CKHH through in VIP-CKH Luxembourg S.à r.l., the joint venture entity.

The combination of two independent companies is a complex, costly and time-consuming process. As a result, Wind Tre will be required to devote significant management attention and resources to integrating the business practices and operations of WIND and "3".

However, the integration process may disrupt the business of either or both of the companies and, if implemented ineffectively, could preclude realization of the full benefits expected by the parties, including both cost and capex synergies. In addition, the overall integration of the two companies may result in material unanticipated problems, expenses, liabilities, competitive responses, loss of customers and diversion of management's attention.

Further, the anticipated synergies may be delayed while Wind Tre fulfils its other contractual obligations. For instance, Wind Tre has certain obligations to Iliad under agreements entered into as party of the remedies package agreed in relation to the Merger. Wind Tre must provide certain contractual

commitments toward Iliad in relation to spectrum releases, site transfers, and transitional roaming and network sharing, while at the same time, Wind Tre is focusing on the optimization of its own network. Complying with its contractual obligations may require Wind Tre to postpone certain actions which will delay the realization of the full benefits that may be realized from the consolidation of WIND and “3”’s business.

In addition, anticipated synergies, investment savings and managerial efficiencies are based on a number of assumptions and judgments that are subject to a wide variety of business, economic, competitive and regulatory risks and uncertainties and may differ materially from the actual synergies, investment savings and managerial efficiencies realized. Many of these factors will be outside of Wind Tre’s control and any one of them could result in increased costs, decreased revenues and diversion of management’s time and energy. In addition, even if the operations of WIND and “3” are integrated successfully, Wind Tre may not realize the full benefits of the Merger, including the synergies, cost savings or sales or growth opportunities that Wind Tre expects. These benefits may not be achieved within the anticipated time frame, or at all. Any failure to realize such benefits could have a material adverse effect on Wind Tre’s business, results of operations and financial condition. Moreover, the Merger could materially impair Wind Tre’s business operation as a result of Wind Tre’s assumption of unforeseen liabilities, or the amortization of merger or acquisition expenses and merged or acquired assets.

Further, Wind Tre may incur substantial costs in connection with achieving such synergies. Restructuring costs were €60 million and €140 million for the year ended December 31, 2016, and for the six months ended June 30, 2017, respectively, and Wind Tre believes that it will incur a total of approximately €600 million in restructuring costs, including those already incurred, by the end of the 2018 financial year. Wind Tre may also experience unforeseen difficulties in integrating the two companies and realizing the synergies, which could further increase these costs.

***The telecommunications industry is significantly affected by rapid technological change, and Wind Tre may not be able to effectively anticipate or react to these changes***

The telecommunications industry is characterized by rapidly changing technology and related changes in customer demand for new products and services at competitive prices. For example, consumer demand for data services has increased rapidly, in particular as the availability of smart phones has increased while their price point has decreased. Technological developments are also shortening product life cycles and facilitating convergence of various segments in the telecommunications industry. Technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that Wind Tre provides may render its services less profitable, less viable or obsolete. At the time Wind Tre selects and advances one technology over another, it may not be possible to accurately predict which technology may prove to be the most economical, efficient or capable of attracting subscribers or stimulating usage and Wind Tre may develop or implement a technology that does not achieve widespread commercial success or that is not compatible with other newly developed technologies. Wind Tre’s competitors or new market entrants may introduce new or technologically superior mobile and fixed-line services before Wind Tre does. In addition, Wind Tre may not receive the necessary licenses to provide services based on these new technologies in Italy, or may be negatively impacted by unfavorable regulation regarding the usage of these technologies. If Wind Tre is unable to effectively anticipate or react to technological changes in the telecommunications market or to otherwise compete effectively, Wind Tre could lose subscribers, provide a diminishing portion of its subscribers’ total telecommunications usage, fail to attract new subscribers or incur substantial costs in order to maintain its subscriber base, all of which could have a material adverse effect on Wind Tre’s business, financial conditions and results of operations.

***Wind Tre's business depends on continuously upgrading its existing networks***

Wind Tre must continue to upgrade its existing mobile and fixed-line networks in a timely manner in order to retain and expand its customer base in each of its markets and to successfully implement its strategy. Among other things, the needs of Wind Tre's business could require it to:

- upgrade the functionality of Wind Tre's networks to allow for the increased customization of services;
- increase its UMTS/HSDPA coverage in some of its markets;
- rollout its LTE network based on customers' demand and on coverage requirements;
- expand and maintain customer service, network management and administrative systems; and
- upgrade older systems and networks to adapt them to new technologies (e.g., 5G).

Many of these tasks, which could create additional financial strain on Wind Tre's business and financial condition, are not entirely under Wind Tre's control and may be affected by applicable regulation. If Wind Tre fails to execute them successfully, Wind Tre services and products may be less attractive to new customers and Wind Tre may lose existing customers to Wind Tre's competitors, which would adversely affect its business, financial condition and results of operations.

***Equipment and network systems failures could result in reduced user traffic and revenue, require unanticipated capital expenditures or harm Wind Tre's reputation***

Wind Tre's technological infrastructure (including Wind Tre's network infrastructure for mobile telecommunications and fixed-line services, including Internet services) is vulnerable to damage or disruptions from numerous events, including fire, flood, windstorms or other natural disasters, power outages, terrorist acts, equipment or system failures, human errors or intentional wrongdoings, including breaches of Wind Tre's network or information technology security. Unanticipated problems at Wind Tre's facilities, network or system failures or hardware or software failures or computer viruses, or the occurrence of such unanticipated problems at the facilities, network or systems of third party-owned local and long distance networks on which Wind Tre relies for the provision of interconnection and roaming services could result in reduced user traffic and revenue as a result of subscriber dissatisfaction with poor performance and reliability, result in regulatory penalties or require unanticipated capital expenditures. Wind Tre is currently in the process of integrating the networks of WIND and "3" in selected cities, the first phase of which involves the decommissioning and consolidation of duplicative infrastructure. The process of integrating these two networks will involve a significant amount of cost and technical complexity, which in turn could result in disruptions in service on either or both networks. The occurrence of network or system failures could also harm Wind Tre's reputation or impair Wind Tre's ability to retain current subscribers or attract new subscribers, which could have a material adverse effect on Wind Tre's business, financial condition and results of operations.

***The LLU model underlying Wind Tre's direct fixed-line business may be negatively affected by the rollout of new technologies, including "next generation networks"***

The next generation network, a superior architectural telecommunications technology using fiber optic cables delivering a speed of up to 1 Gbps, is likely to replace Telecom Italia's legacy copper network with fiber. Although there is uncertainty around the strategy for implementing the rollout of such next generation network, including the players, timing, and despite the fact that much will depend on the political and legislative framework as well as the regulatory infrastructure, it is possible, that with such next generation networks, the local exchanges Wind Tre uses to provide LLU services could be closed over time. In particular, Wind Tre's agreement with Open Fiber, which is targeting the creation of a country-wide independent fiber network connecting approximately 9.5 million building units by the end of 2022, may not

meet expectations and Wind Tre may not recoup its related expenditures. As a result, Wind Tre may be forced to co-locate at a different location where the cost of unbundling is likely to be more expensive and space for co-location is likely to be more limited, or adopt a different approach to its business or build its own fiber network at a material cost, which could have a material adverse effect on Wind Tre's business or results of operations. In light of the governmental plan for ultra-broadband services in the context of fixed access, AGCOM is expected to propose light regulation by geographical segment within the relevant competitive areas, thereby initiating public proceeding regarding fixed access prices for the period 2017 to 2020.

***Wind Tre depends on third party telecommunications providers and other third parties over which it has no direct control for the provision of certain of its telecommunications and towers services***

Wind Tre's ability to provide high quality mobile and fixed-line telecommunications services depends on its ability to interconnect with the telecommunications networks and services of other mobile and fixed-line operators, particularly those of Wind Tre's competitors. Wind Tre also relies on third-party operators for the provision of international roaming services for its mobile subscribers. While Wind Tre has interconnection and roaming agreements in place with other operators, it does not have direct control over the quality of their networks and the interconnections and roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to Wind Tre on a consistent basis, could result in a loss of subscribers or a decrease in traffic for Wind Tre, which would reduce Wind Tre's revenues and adversely affect Wind Tre's business, financial condition and results of operations.

Wind Tre relies on its contract with Galata in relation to the servicing of a substantial number of towers following the sale to Galata of 7,377 tower sites. Wind Tre still utilizes equipment on many of these tower sites. This contract has a term of 15 years. To the extent Galata does not provide expected levels of service at these tower sites, Wind Tre's network may suffer a decrease in service quality, service interruptions or breakdowns. This could result in a loss of subscribers or a decrease in traffic for Wind Tre, which would reduce Wind Tre's revenues and adversely affect Wind Tre's business, financial condition and results of operations.

Wind Tre also relies on its contracts with Open Fiber in order to provide ultra-broadband to its customers. If Open Fiber is unsuccessful in future tenders to rollout fiber infrastructure, or experiences unforeseen financial or operational issues, this could have a significant impact on Wind Tre's ability to achieve its strategy, and could have a material impact on Wind Tre's business, financial condition and results of operations.

Wind Tre also relies on contracts with third-party content providers, such as Netflix and Sky, in order to promote its convergent strategy. If Wind Tre's third-party content providers experience unforeseen financial or operational issues, or if the content is not met with anticipated demand, this could have a significant impact on Wind Tre's ability to achieve its strategy, and could have a negative impact on Wind Tre's business.

***Wind Tre depends on third parties to market, sell and provide a significant portion of its mobile and fixed-line products and services. If Wind Tre fails to maintain or further develop its distribution and customer care channels, its ability to sustain and further grow its subscriber base could be materially adversely affected***

Most of Wind Tre's mobile products and services are sold to customers through retail channels. As of June 30, 2017, Wind Tre had 1,914 sales points, comprising 691 WIND brand sales points (154 owned stores and 537 exclusive franchised outlets) and 1,223 "3" brand sales points (nine owned stores and 1,214 exclusive franchised outlets). As of June 30, 2017, Wind Tre has also utilized 3,952 non-exclusive points of sale and a presence in 1,304 electronic chain store outlets. Wind Tre manages its own stores and exercises a significant degree of control over its franchisees. However, Wind Tre also sells its mobile products and



services through third-party distributors, retail outlets or sales agencies, most of which also distribute or sell products of Wind Tre's competitors. The sales agencies Wind Tre relies on attract customers through points of sale placed in malls and fairs. Most of Wind Tre's fixed-line products and services (including customer care) are sold and/or provided to customers through Wind Tre's call centers, both through outbound telephone sales and inbound calls to Wind Tre's call center and shops. The distributors, retailers and sales agencies that Wind Tre relies upon to distribute and sell its products are not under its control and may stop distributing or selling its products at any time. Should this occur with particularly important distributors, retailers or agencies, Wind Tre may face difficulty in finding new distributors, retailers or sales agencies that can generate the same level of revenues. In addition, distributors, retailers and sales agencies that also distribute or sell competing products and services may more actively promote the products and services of Wind Tre's competitors than Wind Tre's products and services. In addition, some of Wind Tre's call centers are outsourced to third parties, including the call center in Sesto S. Giovanni, which serves Wind Tre's corporate subscribers. If these contracts were terminated, Wind Tre would have to find replacement services elsewhere, and the quality of such replacements could be diminished.

Wind Tre intends to opportunistically develop its distribution channels, which may require significant capital expenditures. Wind Tre may need to establish new or expanded distribution channels for its broadband services, which may result in significant costs and/or may not be successful. If Wind Tre fails to maintain or expand its direct and indirect distribution presence, its ability to retain or further grow its market share in the Italian mobile and fixed-line telecommunications markets, including the Internet market, could be adversely affected, which in turn could have a material adverse effect on Wind Tre's business, financial condition and results of operations.

***If Wind Tre is unable to maintain its relationships with its equipment and telecommunications providers, or enter into new relationships, Wind Tre's business will be adversely affected***

Wind Tre has relationships with a number of key vendors for mobile and fixed-line network equipment, software and for the provision of content. Wind Tre's ability to grow its subscriber base depends in part on its ability to source adequate supplies of network equipment, mobile handsets, software and content in a timely manner. Wind Tre relies on ZTE, Ericsson, Nokia, Huawei and NSN for the purchase of the majority of its network equipment and software and, to a certain extent, for the construction and maintenance of its network. Suppliers of network equipment have limited resources, which may impact the speed at which Wind Tre expands its network. In addition, suppliers of handsets are at times subject to supply constraints, for example during the winter holiday season, during which there is often a shortage of components. Wind Tre does not have direct operational or financial control over its key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses. Wind Tre's reliance on these suppliers exposes it to risks related to delays in the delivery of their services, and, from time to time, Wind Tre has experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors. For example, in March 2016, the U.S. Department of Commerce's Bureau of Industry and Security imposed restrictions on exports and re-exports of U.S. products, software and technology to ZTE and three of its affiliates. These restrictions were lifted in March 2017, however, there can be no assurance that third parties suppliers will not be subject to similar programs in the future. Wind Tre's business could be materially harmed if export and re-export restrictions impact its suppliers' ability to procure products, technology, or software from the United States or other jurisdictions that are necessary for the production and timely and satisfactory delivery of the supplies and equipment that Wind Tre sources from these suppliers.

It cannot be assured that Wind Tre's suppliers will continue to provide equipment and services to Wind Tre at attractive prices or that Wind Tre will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames Wind Tre requires, if at all. If Wind Tre's key suppliers are unable to provide Wind Tre with adequate equipment and supplies, or provide them in a timely manner, Wind Tre's ability to attract subscribers or offer attractive product offerings could

be negatively affected, which in turn could materially adversely affect Wind Tre's business, financial condition and results of operations.

***Wind Tre may not be able to attract or retain key personnel***

There can be no assurance that Wind Tre will continue to attract or retain the key management, marketing, finance and operating personnel employed for the success and growth of its business. Competition for qualified senior managers in Wind Tre's industry is intense and there is limited availability of persons with the requisite knowledge of the telecommunications industry and relevant experience in Italy. Additionally, if key employees depart, achieving further integration after the Merger may be more difficult and Wind Tre's business may be harmed. Furthermore, Wind Tre may have to incur significant costs identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to its business, and its ability to further realize the anticipated benefits of the Merger may be adversely affected. The success of Wind Tre's operations following the Merger, depends to a significant degree on the continued employment of its core senior management team, which is partly made up of personnel from Wind Tre's shareholders. If either VEON or CKHH were to sell its respective holdings in the joint venture, Wind Tre may lose the benefit of that expertise. Wind Tre's failure to recruit and retain key personnel or qualified employees, could have a material adverse effect on Wind Tre's business, financial condition and results of operations.

***The adjustments to Pro Forma Adjusted EBITDA presented in this Offering Memorandum should be treated with caution when making an investment decision***

In this Offering Memorandum, Wind Tre presents *Pro Forma* Adjusted EBITDA, which is derived using various assumptions, including assumptions related to the realization of synergies, investment savings and management efficiencies. See “*Summary—Summary Consolidated Financial Information of Wind Tre Group*” for additional details regarding these adjustments to *Pro Forma* Adjusted EBITDA and their underlying assumptions.

The assumptions Wind Tre has made with respect to the *Pro Forma* Adjusted EBITDA that Wind Tre presents in this Offering Memorandum are based on its current estimates and they involve risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different from any anticipated future results, performance or achievements expressed or implied by such adjusted financial information.

Specifically, while Wind Tre's *Pro Forma* Adjusted EBITDA reflects its estimate of certain intra-Group costs that can be eliminated following the Merger, it cannot guarantee that these cost savings will materialize in the future or that unforeseen incremental costs will not impact the Group's EBITDA.

*Pro Forma* Adjusted EBITDA should not be considered as an alternative to turnover or operating profit as indicators of Wind Tre's performance, or as alternatives to net cash flows from operating activities as a measure of Wind Tre's liquidity. While Wind Tre uses *Pro Forma* Adjusted EBITDA to assess its operating performance, and it believes that these or similar measures are measures commonly used by investors, it cannot guarantee that *Pro Forma* Adjusted EBITDA, as presented in this Offering Memorandum, is comparable to similarly titled measures reported by other companies, including due to differences in the way these measures are calculated. See “*Presentation of Financial Information.*”

The unaudited financial information presented herein has been prepared by management. The independent auditors of Wind Tre have not audited, reviewed, compiled or performed any procedures with respect to such unaudited financial information for the purpose of its inclusion herein and accordingly, they have not expressed an opinion or provided any form of assurance with respect thereto for the purpose of this Offering Memorandum. Furthermore, the unaudited financial information does not take into account any circumstances or events occurring after the period to which it refers. You should therefore not place undue reliance on the information presented above.

***Wind Tre's actual financial position and results of operations may differ materially from the unaudited pro forma financial data included in this Offering Memorandum, and the historical and pro forma financial information included in this Offering Memorandum may not be representative of Wind Tre's results for the periods presented or future periods***

The unaudited *pro forma* consolidated financial information contained in this Offering Memorandum is presented for illustrative purposes only and may not be an accurate indication of Wind Tre's financial position or results of operations if the Merger was completed as of the dates indicated. The unaudited *pro forma* financial information has been derived from the audited and unaudited historical financial statements of WIND and Wind Tre and certain adjustments and assumptions have been made regarding Wind Tre after giving effect to the Merger. In addition, the assumptions used in preparing the unaudited *pro forma* consolidated financial information may not prove to be accurate, and other factors may affect Wind Tre's financial condition or results of operations following the completion of the Merger. Any potential decline in Wind Tre's financial condition or results of operations may cause significant variations in the price of its securities.

The historical data and results of previous fiscal years correspond exclusively to WIND, unless otherwise expressly stated. This affects the comparability of Wind Tre's historical data and results for the year ended December 31, 2016, the six months ended June 30, 2017 and any subsequent periods with Wind Tre's and WIND's historical data and results for any previous periods. As a result, the discussion regarding such periods is necessarily limited in scope and of a more general and descriptive nature. This lack of information may impair your ability to evaluate your investment in the Notes.

Furthermore, the historical and *pro forma* financial information included in this Offering Memorandum may not be indicative of Wind Tre's future financial performance or its ability to meet Wind Tre's obligations, including repayment of the Notes.

***The interests of Wind Tre's principal shareholders may conflict with your interests***

Wind Tre is indirectly 100.0% owned, through an equal participation in VIP-CKH Luxembourg S.à r.l., by VEON and CKHH. See "*Principal Shareholders.*" The interests of Wind Tre's principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. As a result, these shareholders have, and will continue to have, directly or indirectly, the power, among other things, to affect the legal and capital structure of Wind Tre and their day-to-day operations, as well as the ability to elect and change their management and to approve any other changes to their operations. For example, the shareholders could vote to cause Wind Tre to incur additional indebtedness or to sell certain material assets, in each case, so long as the contracts governing Wind Tre's indebtedness so permit. Incurring additional indebtedness would increase Wind Tre's debt service obligations and selling assets could reduce Wind Tre's ability to generate revenues, each of which could adversely affect holders of the Notes.

Further, VEON and CKHH's interests may differ from each other, resulting in diverging business goals and strategies for the joint venture. If disagreements develop among Wind Tre's shareholders, this could result in:

- the inability to take actions with respect to joint venture activities that are believed to be favorable to one of the parties if the other disagrees;
- business decisions or other actions or omissions of joint venture partners that may result in harm to reputation or adversely affect the value of investments; and
- actions of joint venture partners that could result in negative impacts on debt and equity.

### ***Wind Tre is subject to audits by the Italian Tax Authority***

#### *Tax Audits with respect to Interest payments under certain intercompany loans between WIND and WAF*

As a general rule, interest paid to non-resident companies including interest on loans, is subject to withholding tax levied at a domestic rate of 26%. The domestic rate may be reduced under an applicable treaty against double taxation (e.g., 10%, pursuant to article 11 of the Convention for the avoidance of double taxation between Italy and Luxembourg). No withholding tax is due on interest payments if the lender can rely on the benefit of the withholding tax exemption set forth by the Italian rules implementing the EU Directive on intra group payments of interest and royalties (see Article 26 quarter of Italian Presidential Decree No. 600/73, the “**Decree 600/73**”). Such exemption applies to interest payments made to (i) sister companies having a 25% shareholder in common with the borrower, and (ii) direct shareholders owning a minimum 25% interest in the share capital of the borrower, in each case, provided that, *inter alia*, the shareholding of the parent (in the subsidiary or in the two sister companies, as applicable) has been held for more than one year (the “**Exemption Regime**”) and the recipient is the beneficial owner of the payment.

The Italian Tax Authority conducted a tax audit with respect to certain withholding taxes on interest payments made by WIND to certain of its subsidiaries and the eligibility for the withholding tax exemption regime under the Exemption Regime and, in November 2010, notified WIND of a tax assessment. On November 30, 2011, WIND reached a settlement with the Italian Tax Authority with respect to such assessments.

On September 17, 2013, the Italian tax police (*Guardia di Finanza*) notified WIND of the commencement of a further tax audit (the “**Further Tax Audit**”) with reference to (i) the eligibility for the withholding tax exemption regime under the Exemption Regime on interest payments made by WIND to WAF in 2010 and 2011 under the certain loans between WIND and WAF and (ii) the tax deductibility of certain financial costs. The Further Tax Audit was concluded without any recommendation made with respect to withholding taxes on interest payments made by WIND to WAF in 2010 and 2011 under certain loans between WIND and WAF. On April 18, 2014, the Italian tax police (“*Guardia di Finanza*”) issued a tax report challenging the tax deduction of certain financing costs for the 2005 financial year, on the basis of certain capitalization requirements.

On November 17, 2014, the Italian Tax Authorities notified WIND of a new Tax Assessment (“*avviso di accertamento*”) challenging the tax deduction of the above mentioned financing costs and assessing higher corporate income taxes (not including penalties and interest) of approximately €10.5 million (plus penalties equal to 100% and interest). On April 4, 2015, WIND reached a settlement with the Italian Tax Authority with respect to the higher corporate income tax challenged, agreeing to pay a total amount of €17.0 million (including penalties and interest) across 12 quarterly instalments. The first instalment was paid on April 15, 2015 and the last instalment is due on January 15, 2018.

Should the Italian tax police (*Guardia di Finanza*) or the Italian Tax Authority reopen any investigations or open a new investigation and make findings that are finally accepted by the Italian Tax Authority, Wind Tre could become obliged to pay withholding taxes and/or other taxes on historical or future interest payments made with respect to these and other intercompany loans, including certain loans between WIND and WAF. Any requirement to make such past or future payments could have a material adverse effect on Wind Tre’s financial condition, cash flows and results of operations and make it more difficult for Wind Tre to service its debt as it comes due.

#### *Tax Audit on Substitute Tax*

In November 2013 and March 2014, the original lenders under former bank senior credit facilities were notified of a tax assessment (“**Substitute Tax Audit Assessment**”) in relation to substitute tax on bank financings (*imposta sostitutiva*), for an amount of approximately €25.0 million. The lenders paid such

substitute tax, appealed the assessment before the Italian Tax Court and claimed such amounts to WIND under an indemnity provided by WIND under the former bank senior credit facilities. WIND has made payment of the assessed amounts to the original lenders under the former bank senior credit facilities, who have in turn paid the assessed amounts to Italian Tax Authorities. Wind Tre is coordinating the appeal before a tax court of the Substitute Tax Assessment. The Italian Tax Authorities withdrew the assessments after concluding that no substitute tax was due. As a result, the Italian Tax Authorities filed a motion to withdraw their claims regarding such assessments before the Italian tax court. The amount of taxes paid in advance has been partially reimbursed, and a portion still needs to be reimbursed.

#### *Tax Audit on WIND for FY 2011 - 2015*

On June 28, 2016, the Italian Tax Authority conducted a tax audit on WIND in relation to the fiscal years from 2011 to 2015 corporate income tax returns. The audit was focused on (i) the guarantees provided by WIND to Wind Acquisition Finance S.A. (“WAF”), (ii) fair value movements of certain embedded derivatives, and (iii) deductions claimed for interest expenses connected to the tax settlements. The Italian Tax Authority challenged a higher taxable income of €419.4 million, based on the reports received, Italian Tax Authority could issue a number of formal tax assessments totaling up to €131.0 million of additional corporate tax (plus penalties and interest). On November 28, 2016, WIND reached a tax settlement with the Italian Tax Authority with respect to the higher corporate income tax, agreeing to pay a total amount of €26.6 million (including penalties and interests). The amount due has been paid as of November 29, 2016.

#### *Tax Audit on WAHF*

On September 17, 2013, the Italian tax police (*Guardia di Finanza*) notified WAHF of the commencement of a tax audit with reference to the eligibility for the withholding tax exemption regime under the Exemption Regime on interest payments made by WAHF to WAHF S.A. in July 2009 following the early prepayment of certain PIK loans borrowed under a PIK loan agreement entered into in 2006. On December 19, 2013, the Italian tax police (*Guardia di Finanza*) issued its findings, recommending to the Italian Tax Authorities that they issue an assessment against WAHF. Applying a withholding tax rate of 27% on the interest payments and covering the interest accrued and paid over the life of the PIK loan, the *Guardia di Finanza* recommendation amounts to a levy of a €199 million payment (not including penalties and interest).

On May 19, 2014, WAHF settled the withholding tax dispute on interest deriving from a PIK loan entered into in 2006. The settlement covered the period from 2006 to 2009 when the PIK loan was repaid. The overall sum of the settlement amounts to approximately €83.8 million, to be paid in equal quarterly instalments over three years. WAHF has paid all of these amounts.

On March 5, 2014, the Italian tax police (*Guardia di Finanza*) sent WAHF a further tax report for income tax purposes. The Italian tax police (*Guardia di Finanza*) challenged (i) the deduction of interest for fiscal year 2005 according to thin cap rules for approximately €5 million, (ii) the deduction of certain financial costs, according to inherence criteria/ transfer pricing provision, for approximately €9.4 million, and (iii) the taxation of the income arising from the value of financing derivatives for approximately €5 million. On November 17, 2014, the Italian Tax Authority notified WAHF of tax assessments (“**avvisi di accertamenti**”) for fiscal years 2005, 2009, 2010, 2011 and 2012 challenging, for corporate tax purposes (IRES and IRAP), the above mentioned items for an amount of approximately €19 million, plus penalties equal to 100% and interest.

On January 15, 2015, WAHF submitted a request for a mutual agreement procedure (*istanza di accertamento con adesione*) to the Italian Tax Authority with reference to the above mentioned Tax Assessments for corporate income taxes, and discussions with the Italian Tax Authorities are ongoing. On April 15, 2015, WAHF reached a settlement with Italian Tax Authority, with respect to the higher

corporate income tax challenged for fiscal years 2005, 2009, 2010, 2011 and 2012, agreeing to pay a total amount of €11.6 million (including penalties and interests) to be paid in equal quarterly instalments over three years. The first instalment was paid on April 15, 2015, the last instalment is due on January 15, 2018.

WIND funded by loans to WAHF the additional payment instalments in respect of the settlements, in each case made in accordance with WIND's finance documents (including pursuant to specific exemptions). WAHF is permitted to merge with WIND, subject to fulfilment of certain conditions. Following any such merger, such any tax liabilities of WAHF may become the tax liabilities of Wind Tre and any such tax liability could potentially have a material adverse effect on Wind Tre's financial condition, cash flows and results of operations and make it more difficult for Wind Tre to service its debt as it comes due. In addition, Wind Tre may make loans or other distributions to Wind Tre Italia in accordance with its finance documents (including pursuant to specific exceptions) to permit Wind Tre Italia to make payments on its settlements with the Italian Tax Authority.

#### *Tax Audit on WAHF for FY 2011 - 2014*

On September 28, 2016, the Italian Tax Authority conducted a Tax Audit on WAHF in relation to the fiscal years from 2011 to 2014 with regard to corporate income tax returns. The audit was focused on the guarantees provided by WAHF to Wind Acquisition Holding Finance S.A. (“**WAHF S.A.**”) with respect to the bond issued by the latter. The Italian Tax Authority challenged a higher taxable income of €52.4 million. Based on the reports received, the Italian Tax Authority could potentially issue a number of formal tax assessments up to €14.4 million of additional corporate tax (plus penalties and interest). On May 10, 2017, WAHF reached a tax settlement with Italian Tax Authority with respect to the higher corporate income tax challenged. The Italian Tax Authority reduced the amount of the guarantee fees assessed from €52.4 million to €13.5 million. In addition, the Italian Tax Authority allowed the company to offset additional taxable base with the available carry forward of interest expenses. As result of the compensation, no additional tax is due with respect to the tax assessment reached on FY 2011. The following years have not been settled yet. The Italian Tax Authority will issue a tax assessment similar to the one reached for fiscal year 2011 before the expiration dates.

#### *Italian CFC legislation has been extended to EU companies*

Article 167 of Italian Presidential Decree No. 917/1986 (“**Decree No. 917**”) provides for the rules of taxation of foreign companies (“**CFC**”) located in certain countries and territories with a privileged tax regime (as identified according to the criteria set forth by paragraph 4 of article 167 of the Decree No. 917) that are directly or indirectly controlled by Italian resident individuals, companies and entities (“**Italian CFC Legislation**”). Under the Italian CFC Legislation, the income of the CFC (as re-calculated pursuant to the Italian tax rules regarding business income) is attributed to, at the end of the financial year of the CFC, the Italian resident controlling entity *pro rata* to the latter's ownership in the CFC and separately taxed in Italy at the ordinary corporate income tax rate (IRES).

Currently, the Italian CFC Legislation applies also to CFCs that are located in countries and territories which do not have a privileged tax regime (on the basis of the rules set out under paragraph 4 of article 167 of the Decree No. 917) , thus including CFCs located in EU Member States, provided that certain conditions are met. Based on the above, some of the Wind Tre Group companies located within the EU, may fall within the scope of application of the Italian CFC legislation.

#### *Wind Tre is subject to extensive regulation and has recently been, and may in the future be, adversely affected by regulatory measures applicable to it*

Mobile, Internet, fixed-line voice and data operations are all subject to extensive regulatory requirements in Italy. AGCOM and the Italian Ministry of Economic Development together regulate the Italian telecommunications market pursuant to a regulatory framework adopted at European level and

implemented in Italy through Legislative Decree No 259 of August 1, 2003 and its amendments (the “**Electronic Communications Code**”).

A description of certain regulations applicable to Wind Tre’s business and the markets in which it operates is set out in “*Regulation*.” These regulations are, and any development of or modification to these regulations will be, material to the business, financial condition and results of operations of Wind Tre. Investors should read the “*Regulation*” section to understand the scope and extent of such regulations. These regulations cover, without limitation, European and domestic regulations regarding licensing, access, numbering, portability, competition, frequency allocation, license renewals and costs and arrangements pertaining to interconnection, leased lines, radio equipment, as well as consumer protection, data protection and privacy. Wind Tre must comply with an extensive range of regulatory requirements in its operations and the provision of its services.

As an example, AGCOM is considering whether billing and rate renewals for customers should be monthly, rather than on a four or eight week billing cycle. The Italian operators, including TIM, Wind Tre, Vodafone and Fastweb have, however, been billing on four and/or eight weekly cycles. AGCOM may impose certain fines in relation to this, though the AGCOM ruling has been appealed by the Italian operators. However, if AGCOM prevails, a change in billing cycles would lead to a decrease in revenue from subscribers who would receive twelve rather than thirteen bills in a twelve-month period. The impact of this change, together with any penalty sanctions imposed by AGCOM, could adversely affect Wind Tre’s business, financial condition and results of operations.

Wind Tre is unable to predict the impact of any adopted, proposed or potential changes in the regulatory environment in which Wind Tre operates, which is subject to continuous review by AGCOM, or further changes in the EU regulatory framework, or in laws, regulation or government policy or further activities of AGCOM that could adversely affect Wind Tre’s business and competitiveness. Wind Tre may be adversely affected by certain decisions of the regulators or interpretation of laws applicable to its services and offerings. In particular, Wind Tre’s ability to compete effectively in its existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which it is subject, or extend such restrictions and obligations to new services and markets, or otherwise withdraw or adopt regulations, including in respect of interconnection, access or other tariffs charged by Telecom Italia relating to services provided by it to Wind Tre or to customers of Telecom Italia, which may indirectly impact Wind Tre’s business, financial condition and results of operations. In addition, decisions by regulators and competent bodies regarding the granting, amendment or renewal of licenses, to Wind Tre or to third parties, could materially adversely affect Wind Tre’s business, financial condition and results of operations.

***Wind Tre is subject to a deferral or to a limitation of the deduction of interest expenses in Italy***

Article 96 of Presidential Decree No. 917 of December 22, 1986, as amended and restated, provides a tax threshold for deduction of interest expenses for Italian corporate income tax (“**IRES**”) purposes. Specifically, the rules allow for the full tax deductibility of interest expense incurred by an Italian tax resident company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of an Italian tax resident company. EBITDA is adjusted in relation to certain items of income/expenses (“**risultato operativo lordo della gestione caratteristica**,” or “**ROL**,” calculated on the basis of the profit and loss account scheme provided for by Article 2425 of the Italian civil code, as the difference between (a) ordinary earnings, corresponding to items A) (“**valore della produzione**”) and (b) ordinary costs, corresponding to items B) (“**costi della produzione**”), without considering intangible and fixed assets’ depreciations and leasing rents and including the amount of dividend collect by foreign subsidiaries) as recorded in such company’s profit and loss account. Starting from January 1, 2016, under certain conditions, dividends paid by non-resident companies to their Italian parent company may also be taken into account in order to determine the ROL

of the parent company. The law provides that the amount of ROL (i) produced as from fiscal year 2010 (e.g., for taxpayers having a fiscal year which coincides with the calendar year) and (ii) not used for the deduction of the amount of interest expense that exceeds interest income, can be carried forward, increasing the amount of ROL for the following fiscal years in certain cases. Interest expense not deducted in a relevant fiscal year can be carried forward to the following fiscal years, provided that, in such fiscal years, the amount of interest expense that exceeds interest income of the year is lower than 30% of ROL. Special rules apply to Italian tax resident companies participating to the same fiscal unity (tax consolidation regime), allowing, to a certain extent and with certain limitations, to offset the excess interest expenses incurred by an Italian company in the tax group with 30% of ROL of other companies in the same tax group. Based on the above rules, currently Wind Tre is able to deduct only part of its interest expenses, even if it is able to carry forward accrued and undeducted interest expenses to future fiscal years.

Furthermore, any future changes in current Italian tax laws or in their interpretation (including any future limitation on the use of the ROL of the Issuer and its subsidiaries or changes in the tax treatment of interest expenses arising from any indebtedness incurred by the Issuer and its subsidiaries, including in respect of the Notes), the failure to satisfy the applicable Italian legal requirements relating to the deductibility of interest expenses incurred in respect of the Notes or the application by the Italian Tax Authorities of certain existing interpretations of Italian tax law may result in an adverse impact on the deductibility of interest expenses for Wind Tre, especially in light of the potential increase in its liabilities as a result of the merger between WIND and “3”. Thus, Wind Tre’s reduced deductions of interest expense could adversely affect Wind Tre’s financial condition and results of operations.

***Wind Tre could experience subscriber database piracy or other database security breaches, which may materially adversely affect its reputation, lead to subscriber lawsuits, loss of subscribers or hinder Wind Tre’s ability to gain new subscribers and thereby materially adversely affect its business.***

Wind Tre may be exposed to database piracy or other database security breaches which could result in the leakage and unauthorized dissemination of information about its subscribers, including their names, addresses, home phone numbers, passport details and individual tax numbers. In addition, the breach of security of Wind Tre’s database and illegal sale or other unauthorized release of its subscribers’ personal information could materially adversely impact Wind Tre’s reputation, prompt lawsuits against Wind Tre by individual and corporate subscribers, lead to violations of data protection laws and adverse actions by the telecommunications regulators and other authorities, lead to a loss in subscribers and hinder Wind Tre’s ability to attract new subscribers. If severe customer data security breaches are detected, the regulatory authority can sanction Wind Tre, and such sanction can include suspension of operations for some time period. In addition, Wind Tre may be exposed to cyber-attacks, which could result in equipment failures or disruptions in Wind Tre’s operations. Wind Tre’s inability to operate its network as a result of such events may result in significant expense or loss of market shares. These factors, individually or in the aggregate, could have a material adverse effect on Wind Tre’s business, financial condition and results of operations.

***Actual or perceived health risks or other problems relating to mobile telecommunications transmission equipment and devices could lead to decreased mobile communications usage, litigation or stricter regulation***

Various reports have alleged that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from mobile handsets and other mobile telecommunications devices. It cannot be assured that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile telecommunications devices, press reports about risks or consumer litigation relating to such risks could adversely affect the size or growth rate of Wind Tre’s subscriber base and result in decreased mobile usage or increased litigation costs. As are the other telecommunications operators in Italy, Wind Tre is currently party to a number of pending civil suits in which plaintiffs are claiming damages of an indeterminate amount based on alleged exposure to electromagnetic radiation



based on Wind Tre's technology. See "*Business—Legal Proceedings—Proceedings Concerning Electromagnetic Radiation.*" In addition, these health concerns may cause the EU and Italian authorities to impose stricter regulations on the construction of BTSs or other telecommunications network infrastructure, which may hinder the completion or increase the cost of network deployment and the commercial availability of new services. If actual or perceived health risks were to result in decreased mobile usage, consumer litigation or stricter regulation, Wind Tre's business, financial condition and results of operations could be materially adversely affected.

***Claims of third parties that Wind Tre infringes their intellectual property could significantly harm Wind Tre's financial condition, and defending intellectual property claims may be expensive and could divert valuable company resources***

Wind Tre operates in an industry characterized by frequent disputes over intellectual property. As the number of convergent product offerings and overlapping product functions increase, the possibility of intellectual property infringement claims against Wind Tre will correspondingly increase. Any such claims or lawsuits, whether with or without merit, could be expensive and time consuming to defend, could cause Wind Tre to cease offering or licensing services and products that incorporate the challenged intellectual property, or could require Wind Tre to develop non-infringing products or services, if feasible, which could divert the attention and resources of technical and management personnel. In addition, Wind Tre cannot assure you that it would prevail in any litigation related to infringement claims against Wind Tre. A successful claim of infringement against Wind Tre could result in their being required to pay significant damages, cease the development or sale of certain products and services that incorporate the challenged intellectual property, obtain licenses from the holders of such intellectual property which may not be available on commercially reasonable terms, or otherwise redesign those products to avoid infringing upon others' intellectual property rights, any of which could materially adversely affect Wind Tre's business, financial condition and results of operations.

Moreover, although Wind Tre does not own any patents that Wind Tre considers material for its business, Wind Tre considers certain of its registered trademarks and trade names to be material to its business. See "*Business—Intellectual Property.*"

***Wind Tre is continuously involved in disputes and legal proceedings, including disputes and legal proceedings relating to the regulatory and competition authorities, competitors and other parties, which, when concluded, could have a material adverse effect on its business, financial condition and results of operations***

Wind Tre is subject to numerous risks relating to the legal, civil, tax, regulatory and competition proceedings to which it is a party or in which it is otherwise involved or which could develop in the future, and certain of these proceedings (or proceedings in which it may become involved), if adversely resolved, could have a material adverse effect on its business, financial condition or results of operations. For example, in previous years, the then-four major Italian operators, Telecom Italia, Vodafone, H3G S.p.A. and WIND, were fined for anti-competitive behavior for alleged breach of the Italian consumer code in allegedly failing to adequately inform purchasers of SIM cards of pre-activated services. More recently, in July 2017, Wind Tre was fined €2,100,000 by the Italian Competition Authority ("**AGCM**") for unfair commercial practices. Wind Tre intends to appeal the decision. Furthermore, Wind Tre's involvement in legal, regulatory and competition proceedings may harm its reputation. Wind Tre cannot assure you what the ultimate outcome of any particular legal proceeding will be. WIND was also served with a class action complaint from a consumer association, which claims that compensation is due in relation to a nationwide service interruption that lasted several hours on June 13, 2014. The proceeding was settled on April 8, 2016. On April 11, 2017, Telecom Italia served an appeal seeking the annulment of the MISE and AGCOM decisions approving the Merger. For a description of Wind Tre's existing material legal, regulatory and competition proceedings, see "*Business—Legal Proceedings.*"

***To the extent that Wind Tre experiences labor disputes or work stoppages, its business could be materially adversely affected***

The Italian constitution provides that all employees of Italian companies have the right to set up and join trade unions and to carry on union activities, including appointing workers' representatives to negotiate with their employer. The right to go on strike is provided for under Italian law.

In 2017, Wind Tre experienced a strike organized to protest against the failure to renew the national collective agreement. In June 2017, the unions organized a strike against Wind Tre to protest the spin-off of the branch "133 Call Center." To date, Wind Tre has received court claims from 12 ex-employees seeking reintegration. Another 291 ex-employees have sent a letter to Wind Tre within the prescribed 60 day period claiming that the transfer was unlawful, which can result in additional court claims. Wind Tre will file an answer. In addition, WIND has been in the past party to labor disputes with certain of its employees on an individual basis. While Wind Tre believes that none of these disputes are material individually, there can be no assurance that these claims or future claims by employees will not have a material adverse effect on its business, financial condition or results of operations.

Notwithstanding any agreements that Wind Tre may have with unions, Wind Tre cannot guarantee that its employees will not go on strike in the future. Any work stoppages resulting from employee strikes could hinder Wind Tre's ability to provide its standard level of customer service.

Wind Tre, along with the other companies engaged in the telecommunications services business, from time to time negotiates with the relevant unions the renewal of the collective labor agreements. See "*Business—Employees.*" Should the union make requests during the course of negotiations with Wind Tre that Wind Tre refuses to accept, there is a risk that the union could call on its members to strike to force Wind Tre to give in to the union's demands, which would have a material adverse effect on Wind Tre's business, financial condition and results of operations.

***Efforts to merge with or acquire other companies or product lines, or to otherwise form strategic partnerships with third parties, may divert management attention and resources away from Wind Tre's business operations***

Wind Tre is a recently formed entity following the merger of WIND and "3". There may be certain integration and performance risks related to this merger. See "*—Wind Tre may not realize the cost savings, synergies and other benefits that the parties expect to achieve from the Merger.*" Furthermore, if Wind Tre acquires, merges or forms strategic partnerships with other parties, it may not be able to accurately assess ongoing profitability and identify all actual or potential liabilities or issues prior to such acquisition, merger or strategic partnership. These efforts could also divert the attention of Wind Tre's management and key personnel from Wind Tre's business operations. In pursuing any such merger, acquisition or strategic partnerships, or due to the failure of any anticipated merger, acquisition or strategic partnership to materialize (including any such failure caused by regulatory or third-party challenges), Wind Tre may also experience:

- difficulties or delays in realizing expected synergies or integrating acquired companies, joint ventures or other forms of strategic partnerships, personnel, products, property and technologies into Wind Tre's existing business;
- increased capital expenditure costs;
- difficulties relating to the acquired or formed companies' compliance with telecommunications licenses and permissions, compliance with laws, regulations and contractual obligations, ability to obtain and maintain favorable interconnect terms, frequencies and numbering capacity and ability to protect Wind Tre's intellectual property;
- higher costs of integration than anticipated;

- difficulties in retaining key employees of the merged or acquired business or strategic partnerships who are necessary to manage Wind Tre's businesses;
- difficulties in maintaining uniform standards, controls, procedures and policies throughout Wind Tre's businesses;
- risks that different geographic regions present, such as currency exchange risks, developments in competition and regulatory, political, economic and social developments;
- adverse customer reaction to the business combination; and
- increased liability and exposure to contingencies that Wind Tre did not contemplate at the time of the acquisition or strategic partnership.

As a result, a merger, acquisition, or partnership with another company could harm Wind Tre's business, financial condition, results of operations, cash flows or prospects. Wind Tre's integration and consolidation of such businesses may also lead to changes in Wind Tre's operational efficiencies or structure.

Further, Wind Tre may not be able to divest some of its activities as planned, such as any potential towers sales (which could cause costs to be materially higher than anticipated), and the divestitures Wind Tre carries out could negatively impact its business.

***Goodwill and other non-current assets reported on Wind Tre's consolidated statement of financial position may be written down as result of impairment testing which may result in a loss in Wind Tre's income statement***

As of June 30, 2017, the non-current assets recognized on Wind Tre's consolidated statement of financial position amounted to €16,883 million which represents 87.9% of Wind Tre's total assets. Non-current assets include goodwill of €3,603 million and concessions, licenses, trademarks, and similar rights of €5,308 million, as of June 30, 2017.

Impairment losses on non-current assets are reviewed to determine whether there are any indications that the carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. To determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within Wind Tre, in the market and also on past experience. When a potential impairment loss emerges it is estimated by Wind Tre using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary over time, thereby affecting estimates and measurements.

Goodwill and licenses are tested for impairment at least on an annual basis to determine whether any impairment losses have arisen that should be recognized in the income statement. In particular, the test is performed through the allocation of the goodwill to a cash generating unit ("CGU") and the subsequent estimate of the unit's fair value. Should the fair value of the net capital employed be lower than the carrying amount of the CGU, an impairment loss is recognized on the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU require estimates to be made that are based on factors that may vary over time and that could as a result have an impact on the measurements made by management which might be significant.

For the year ended December 31, 2016, Wind Tre recognized €75 million goodwill impairment and €1,611 million impairment of concessions, licenses, trademarks and similar rights.

Further, Wind Tre has recognized and may continue to recognize significant depreciation and amortization costs associated with its arrangement with Iliad. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation of Wind Tre.*"

***Wind Tre is subject to Italian legislation related to the “corporate liability of legal persons” which could subject it to liability and sanctions for offenses (including corruption, fraud against the state, corporate offenses and market abuse) committed by persons within the Wind Tre group.***

Legislative Decree No. 231 of June 8, 2001 as amended (“**Decree 231/01**”) introduced the corporate liability of legal persons, companies and associations without legal personality which brought Italian law in line with certain international conventions to which Italy is a party. Under Decree 231/01, the Wind Tre group companies may be held responsible for certain crimes committed in Italy or abroad (including corruption, fraud against the state, corporate offenses and market abuse) in their interest or for their benefit, by individuals having a functional relationship with the Wind Tre group companies, including third party agents or intermediaries. In such circumstances, the Wind Tre group companies could be subject to economic sanctions (fines and confiscation of profits) and legal sanctions which could include: (i) prohibition from continuing the business affected by the criminal offenses; (ii) suspension and revocation of current or future authorizations, licenses or concessions; (iii) prohibition from contracting with public authorities; (iv) exclusion from subsidies, loans contributions or, where applicable, the revocation of those already granted; and (v) prohibition on publicizing goods or services. The duration of these disqualifications range from a minimum of three months to a maximum of two years (in very serious cases, however, some of these disqualifications can be applied permanently). The above-mentioned legal sanctions may also be applied as interim measures, even during the investigations phase. As an alternative to the legal sanctions, the court may appoint a judicial custodian to run the company, with the consequence that the profits gained during the receivership period are automatically confiscated. Although Wind Tre maintains internal anti-corruption controls and policies (including the internal control model pursuant to Decree 231/01, see “*Management—Legislative Decree 231/2001*”), Wind Tre may also be liable if it is not able to detect or prevent every instance of fraud, bribery and corruption involving its employees or agents in the future and it is determined that its internal anti-corruption controls and policies are inadequate or are not effectively implemented. If Wind Tre are, or one of the Wind Tre group companies is, found liable under Decree 231/01 and civil and administrative fines, operational bans are imposed, Wind Tre’s authorizations, licenses, concessions and financing agreements may be terminated (or Wind Tre’s ability to draw under financing agreements may be suspended) and Wind Tre may face temporary or permanent suspension of its operations, debarment from contracting with public authorities and debarment or cross-debarment from public funding, which could have a material adverse effect on Wind Tre’s business, financial condition and results of operations.

***Sanctions against Russia, and Russia’s response to those sanctions, could potentially impact Wind Tre***

As a result of developments in Crimea as well as subsequent events, the United States and the European Union have imposed sanctions targeting specific economic sectors, certain Russian individuals and entities. These sanctions have been extended, tightened, and are currently still effective. In 2017, the United States imposed additional sanctions targeting Russian individuals and entities for, among other things, allegedly interfering with the 2016 presidential election. Since 2014, in response, Russia has imposed entry bans on certain import products, and also certain U.S. and EU officials. Wind Tre is an indirectly wholly owned subsidiary of VIP-CKH Luxembourg S.à r.l., whose 50% equity ownership is held by VEON. VEON has significant holdings in Russia as well as operations in Ukraine. If the United States and the European Union were to impose further sanctions, including sanctions on Russian businesses or additional Russian financial institutions, or if there were an increase in hostilities in Ukraine or in the region, it could result in instability or worsening of the overall economic situation in Ukraine, Europe or in the global capital markets generally, which could adversely impact VEON’s profitability, risk profile and public perception of its operations in the region. While Wind Tre does not rely on VEON’s operations in Russia for financial, operational or any other form of support, such adverse impact could concomitantly have a negative impact on Wind Tre’s reputation. If any such risk were to materialize, it could have a material adverse effect on Wind Tre’s business, financial condition and results of operation.

## **Risks Relating to the Notes and Wind Tre's Structure**

*Wind Tre's substantial leverage and debt service and other financial obligations could adversely affect Wind Tre's business and prevent Wind Tre from fulfilling its obligations with respect to the Notes and the Note Guarantees*

Wind Tre is, and after the issuance of the Notes will continue to be, highly leveraged. As of June 30, 2017, after adjusting for the effect of the Transactions, Wind Tre would have total consolidated financial liabilities of €12,254 million. In addition to its obligations under the Notes, Wind Tre is the direct obligor under the New Senior Credit Facilities (which is senior debt of Wind Tre ranking *pari passu* with the Notes). Under certain circumstances, Wind Tre and its subsidiaries are permitted to drawdown the New Revolving Credit Facility up to €400 million which it may draw in accordance with its liquidity and working capital needs. As of June 30, 2017, Wind Tre had no amounts outstanding under its existing revolving credit facilities under the Existing Senior Credit Facilities. In the event that additional drawings are made under the existing revolving credit facilities prior to the Issue Date, Wind Tre may use cash on balance sheet or other financings to repay these additional drawings under the Existing Senior Credit Facilities. See “*Use of Proceeds*” and “*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*”

The degree to which Wind Tre will be leveraged following this Offering could have important consequences to holders of the Notes in this Offering, including, but not limited, to:

- making it difficult for Wind Tre to satisfy its obligations with respect to the Notes;
- increasing Wind Tre's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of Wind Tre's cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes;
- limiting Wind Tre's flexibility in planning for, or reacting to, changes in its business and the competitive environment and the industry in which it operates and implementing cost savings and synergy initiatives anticipated from the Merger;
- placing Wind Tre at a competitive disadvantage as compared to its competitors, to the extent that they are not as highly leveraged; and
- limiting Wind Tre's and its subsidiaries' ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on Wind Tre's ability to satisfy their debt obligations, including obligations under the Notes. Moreover, Wind Tre may incur substantial additional indebtedness in the future, including indebtedness in connection with any future acquisition or with the acquisition of spectrum which Wind Tre may utilize in its operations.

Furthermore, Wind Tre expects, to the extent permitted under its debt documents, to fund cash distributions or dividends out of distributable reserves, including the share premium reserve or otherwise distribute funds to its shareholders, including via loans.

The terms of the Indenture, as well as the terms of the New Senior Credit Facilities, will restrict, but do not prohibit, Wind Tre and its subsidiaries from incurring additional debt. Some of this additional debt could rank senior to the Notes if secured on assets that do not secure the Notes, and in certain circumstances, may rank senior with respect to the distribution of enforcement proceeds from the Collateral. If Wind Tre and its subsidiaries incur additional indebtedness, the related risks that Wind Tre now faces, as described above and elsewhere in these “*Risk Factors,*” could intensify. See “*Certain indebtedness may be designated as super senior pursuant to the Intercreditor Agreement and receive proceeds*

*from the enforcement of the Collateral in priority to holders of the Notes pursuant to the Intercreditor Agreement.”*

***Wind Tre is subject to restrictive debt covenants that may limit their ability to finance Wind Tre’s future operations and capital needs and to pursue business opportunities and activities***

The terms of the Indenture, as well as the terms of the New Senior Credit Facilities, will restrict, among other things, Wind Tre’s and its subsidiaries’ ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to such entity;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of the Notes.

In addition, Wind Tre is or will be, as applicable, subject to additional covenants with respect to its ability to engage in certain activities. All of these limitations are or will be, as applicable, subject to significant exceptions and qualifications. See “*Description of Notes—Certain Covenants.*” The covenants to which Wind Tre and its subsidiaries are subject could limit their ability to finance Wind Tre’s future operations and capital needs and Wind Tre’s ability to pursue business opportunities and activities that may be in its interest.

Wind Tre and its subsidiaries also are or will be subject to the affirmative and negative covenants and financial covenant contained in the New Senior Credit Facilities Agreement. The New Senior Credit Facilities Agreement contains a maintenance covenant which requires Wind Tre to maintain a specified Consolidated Total Net Leverage Ratio (being the ratio (x) Consolidated Total Net Debt (as defined in the New Senior Credit Facilities Agreement) at such date to (y) the amount of Consolidated *Pro Forma* EBITDA (as defined in the New Senior Credit Facilities Agreement) for the last 12 months) which is to be tested on the last day of each quarter. The ratio is set at 5.50:1, stepping down to 4.75:1 after 24 months and 4.50:1 after 36 months. A breach of the financial covenant may be prevented or cured upon the receipt of sufficient proceeds of New Shareholder Injections (as defined in the New Senior Credit Facilities Agreement) such that the proceeds, if they are, or had been, received prior to the testing date, the financial covenant would not be breached. The New Senior Credit Facilities Agreement and the Indenture will contain certain restrictions on Wind Tre’s and its subsidiaries’ business, including as to the acquisition or disposal of assets. See “*Description of Certain Financing Arrangements—New Senior Credit Facilities Agreement*” and “*Description of Notes.*”

Wind Tre’s ability to meet these covenants, including the financial covenant, can be affected by events beyond its control and it cannot assure you that it will meet them. A breach of any of those covenants (including the financial covenant) or restrictions could result in an event of default under the New Senior Credit Facilities. Upon the occurrence of any event of default under the New Senior Credit Facilities or the Notes, subject to applicable cure periods and other limitations on acceleration or

enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the New Senior Credit Facilities or the Notes, as applicable together with accrued interest, immediately due and payable. A failure to pay such amounts under the New Senior Credit Facilities would also result in an event of default under the Notes. In addition, the New Senior Credit Facilities contains cross default provisions and therefore upon an event of default under one of the instruments, subject to applicable cure periods and other limitations, an event of default would occur with respect to the other instrument. If Wind Tre's creditors, including the creditors under the New Senior Credit Facilities or the Notes accelerate the payment of those amounts, Wind Tre cannot assure you that its assets would be sufficient to repay in full its liabilities. In addition, if Wind Tre were unable to repay those amounts, Wind Tre's creditors could proceed against any collateral granted to them to secure repayment of those amounts.

***Wind Tre will require a significant amount of cash to meet its obligations under its indebtedness and to sustain its operations and to recognize synergies, which it may not be able to generate or raise***

Wind Tre's ability to make principal or interest payments when due on its indebtedness, including the New Senior Credit Facilities and the Notes, payment of costs related to any future spectrum acquisition and to fund Wind Tre's ongoing operations and to recognize synergies, will depend on Wind Tre's future performance and its ability to generate cash, which, to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "Risk Factors," many of which are beyond its control. As of June 30, 2017, after giving effect to the Transactions, Wind Tre would have total consolidated financial liabilities of €12,254 million.

Amortization payments are required under the New Senior Credit Facilities in amounts equal to 15% of the New Senior Credit Facilities on the third anniversary of the utilization date, 20% of the New Senior Credit Facilities on the fourth anniversary of the utilization date and the remaining 65% on the New Senior Credit Facilities on the fifth anniversary of the utilization date. At the time of any such amortization payment or on the maturity of the loans under the New Senior Credit Facilities, or the Notes or any other debt that Wind Tre may incur, if Wind Tre does not have sufficient cash flows from operations and other capital resources to pay its debt obligations, or to fund its other liquidity needs, it may be required to refinance its indebtedness. If Wind Tre is unable to refinance its indebtedness or obtain such refinancing on terms acceptable to it, it may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on its cash needs and the prevailing conditions in the financial markets. Wind Tre cannot assure you that it would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of the Indenture may limit Wind Tre's ability to pursue any of these measures.

***The Floating Rate Notes and the New Senior Credit Facilities will bear, interest at a floating rate that could rise significantly, increasing Wind Tre's interest cost and debt and reducing cash flow***

The Floating Rate Notes and the New Senior Credit Facilities bear an interest rate at EURIBOR (for euros) or LIBOR (for euros or U.S. dollars) plus a spread. EURIBOR or LIBOR could rise significantly in the future. Although Wind Tre may enter into and maintain certain hedging arrangements designed to fix a portion of these rates, there can be no assurances that hedging will continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that Wind Tre may need to pay a significant amount (including costs) to terminate any hedging arrangements. To the extent interest rates were to rise significantly, Wind Tre's interest expense associated with the Floating Rate Notes and the carrying cost of Wind Tre's debt load would correspondingly increase, thus reducing cash flow.

Following allegations of manipulation of LIBOR, a different measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are

conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR, or the calculation of LIBOR, may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, EURIBOR, LIBOR and other interest rates or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcement**”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark (including but not limited to the Senior Credit Facilities and the Floating Rate Notes whose interest rates are linked to LIBOR and/or EURIBOR, as applicable). Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on Wind Tre’s ability to service debt that bears interest at floating rates of interest.

***The ability of the Security Agent to enforce the Collateral may be limited***

A first priority security interest in the share capital of Wind Tre and other collateral will also be granted for the benefit of creditors under the New Senior Credit Facilities, the Notes and certain hedging counterparties. You may not be able to recover on the shares and other collateral that are pledged or assigned because any enforcement sale with respect to such collateral and the Notes will need to share any proceeds from such enforcement with the creditors under the New Senior Credit Facilities and certain secured hedging counterparties as well as any other secured creditors permitted to share in such collateral (and in certain circumstances, as described in “—*Certain indebtedness may be designated as super senior pursuant to the Intercreditor Agreement and receive proceeds from the enforcement of the Collateral in priority to holders of the Notes pursuant to the Intercreditor Agreement*” the Notes will only share in such proceeds after payment of liabilities that rank ahead of the Notes). If the proceeds realized from the enforcement of such pledges or such sale or sales do not exceed the amount owed under the New Senior Credit Facilities, the secured hedging obligations, the Notes, and such other secured debt, the creditors under such secured obligations will all share ratably with respect to such amount and the holders of the Notes may not fully recover (if at all) under such collateral.

In addition, the collateral may not be liquid and its value to other parties may be less than its value to Wind Tre. The value of the collateral and the amount to be received upon an enforcement of such collateral will depend upon many factors, including, among others, the ability to sell the collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The carrying amount of the collateral should not be relied on as a measure of realizable value for such assets. Likewise, Wind Tre cannot assure you that there will be a market for the pledged shares or other collateral or that, if such market does exist, there will not be substantial delays in their liquidation. The shares of Wind Tre may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to Wind Tre because all of the obligations of Wind Tre (subject to the release mechanism in the Intercreditor Agreement) must be satisfied prior to distribution to Wind Tre’s equity holders. As a result, the creditors (including holders of the Notes) secured by security interests over the



Collateral may not recover anything of value in the case of an enforcement sale. In addition, the value of this Collateral may decline over time.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent has the right to enforce the security documents relating to the Collateral on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture and the provisions of the Security Documents) provide instructions to the Security Agent in respect of the Collateral and in accordance with the Intercreditor Agreement. See “*Description of Notes—Security.*”

The Collateral will be created and perfected in favor of the Banca IMI as Security Agent, acting also in its capacity as representative (*rappresentante*) pursuant to Article 2414-bis, paragraph 3, of the Italian Civil Code. Under such Code provision (introduced by Law No. 164 of November 11, 2014), security interests and guarantees can be validly created in favor of an agent (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on how said newly introduced Code provision may be applied to security created in accordance therewith in connection with a bond issuances made by an Italian entity.

Furthermore, it is uncertain and untested in the Italian courts whether, under Italian law, security can be created and perfected (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents nor are specifically identified therein or in the relevant share and warrant certificates and corporate documents or public registries; and (ii) in favor of Citibank, N.A., as the Trustee of the holders of the Notes, since there is no established concept of “trust” or “trustee” under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of the Trustee as agent or trustee for holders of the Notes under security interests on Italian assets is debatable under Italian law.

Also, under Italian law, in the event that the relevant obligor enters into insolvency proceedings, the security interests created under the documents entered into to secure the collateral and the guarantees or the parallel debt obligation could be subject to potential challenges by an insolvency administrator or by other creditors of such obligor under the rules of avoidance or clawback of Italian insolvency laws and the relevant law on the non-insolvency avoidance or clawback of transactions by the debtor made during a certain legally specified period (see also “*—Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Collateral*”). To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents. Please also note that, under Italian law, claims of certain categories of creditors (referred to as *privilegiati*) are given statutory priority in relation to the proceeds of a debtor’s property in respect to the claims of other creditors. Such claims are classified either as (i) general privileges or liens (*privilegi generali*) which apply only in respect of all personal property of the debtor, or (ii) special privileges or liens (*privilegi speciali*), which apply only in respect of particular (immovable or movable) property of the debtor. Some of these claims have statutory priority and would therefore be preferred to the claims of the holders of the Notes in case of insolvency proceeding. Such claims include, for example, courts costs, mandatory social security contributions and credits of the government for taxes.

***The rights of holders of the Notes in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral***

Under Italian law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security interest. The security interests in the Collateral may not be perfected with respect to the claims of the Notes if Wind Tre fail or the Trustee or the Security Agent fails or is unable to take the actions required to be taken to perfect the security interest. Such failure may result in the invalidity of the relevant security interest in the Collateral or adversely affect the priority of such security interest in favor of the Notes against third parties, including a trustee in bankruptcy and other creditors who claim a security interest in the same Collateral, which may have a material adverse effect on the ability of the holders of Notes to receive proceeds from any enforcement of the Collateral.

The granting of new security interests in connection with the issuance of the Notes may create hardening periods for such security interests. See “*The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with Italian law*” and “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.*”

***The Notes will be secured only to the extent of the value of the assets that have been granted as security for the Notes***

The obligations of Wind Tre with respect to the Notes and the Indenture will be secured by: (i) a first priority pledge over the capital stock of Wind Tre; (ii) a first priority pledge over the capital stock of WAF; (iii) a first priority charge over any amounts standing to the credit of certain bank accounts of Wind Tre; (iv) an assignment of receivables by VIP-CKH Luxembourg S.à r.l. and Wind Tre Italia in respect of certain shareholder loans to Wind Tre.

If Wind Tre defaults on the Notes, the holders of the Notes will be secured only to the extent of the value of the Collateral underlying their security interest. Wind Tre may incur additional indebtedness in the future, which may also be secured by the Collateral. If the value of the Collateral is less than the value of the claims of the other holders of the Notes together with the claims of the other secured creditors, those claims may not be satisfied in full before the claims of Wind Tre’s unsecured creditors are paid.

No appraisal of the value of the Collateral has been prepared by Wind Tre or on its behalf in connection with the Offering. The value of the Collateral and the amount to be received upon a sale of such Collateral will depend on many factors, including the ability to sell the Collateral in an orderly sale, prevailing market and other economic conditions and the availability of suitable buyers at the time of any such sale. By its nature, the Collateral may be illiquid and have no ascertainable market value. Similarly, Wind Tre cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in the liquidation of the Collateral. The book value of the Collateral should not be relied on as a measure of the realizable value for such assets. The fair market value of the Collateral as at the date of this offering memorandum may not exceed the principal amount of the debt secured thereby. The value of the Collateral, and in particular, the pledged capital stock could be impaired in the future as a result of changing economic conditions, failure to implement Wind Tre’s business strategy, competition and other future trends and may be without any value if that entity is subject to an insolvency or bankruptcy proceeding.

***It may be difficult to realize the value of the Collateral, and an enforcement action may result in the termination of concessions***

The Collateral will be subject to limitations, exceptions, defects, encumbrances, liens and other imperfections permitted under the Indenture, whether on or after the date the Notes are first issued. The existence of such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of

factors, including the timely satisfaction of perfection requirements, statutory liens or re-characterization under Italian law.

The Collateral may be subject to practical problems generally associated with the realization of security interests in collateral. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. The Security Agent may not be able to obtain any such consents. In addition, the consents of any third parties may not be given when required to facilitate a foreclosure on such assets. Accordingly, the Security Agent may not have the ability to foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, Wind Tre's business requires a variety of concessions and licenses. The continued operation of Wind Tre, whose shares are pledged as Collateral, depends on the maintenance of such concessions and licenses. Under some of Wind Tre's concessions and licenses, public authorities impose restrictions on the transfers of the ownership of the concessionaire or license holder, including a change of control clause, which prohibits the transfer of the ownership of the concessionaire or license holder without the prior approval of the authority. In the event of an enforcement action under the terms of the Notes which resulted in the transfer of ownership of Wind Tre or its subsidiaries, or a change in the shareholding of the Group for other reasons, the authorities may attempt to cancel Wind Tre's concessions or licenses. In addition, the uncertainty concerning the transferability of such concessions or licenses themselves could significantly reduce the value placed on the concessions and licenses by third parties and ultimately reduce the amount recovered in the event of an enforcement action. The applicable governmental authorities may not consent to the transfer of any of such concessions or licenses. If the regulatory approvals required for such transfers are not obtained, are delayed or are economically prevented, the foreclosure may be delayed, a temporary or lasting shutdown of operations may result, and the value of the Collateral may be significantly decreased.

***The recovery from the enforcement of the share pledges forming part of the Collateral may be complicated, involve long recovery times and a low recovery rate***

In connection with the enforcement of share pledges over shares of entities with outstanding debt obligations, any sale of such entities is likely to involve a release of some or all of the debt of such entity, which could result in a taxable capital gain to such entities. The Indenture does not prohibit Wind Tre from incurring additional debt claims in the future. Consequently, the enforcement of the share pledges over Wind Tre's shares may result in the release of the debt obligations of Wind Tre. Such release is permitted by the Intercreditor Agreement and could result in a taxable capital gain. This taxable capital gain is likely to reduce the proceeds of any recovery from the enforcement of such share pledge. Therefore, the value of the pledge over the shares of Wind Tre is limited.

***The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability***

Enforcement of the Collateral against the grantor of such Collateral might be subject to certain limitations contained in the applicable security document designed to ensure compliance with statutory requirements applicable to such grantor. These laws and defenses include those that relate to fraudulent conveyances or transfers, insolvency, voidable preferences, financial assistance, corporate purpose or benefit, preservation of share capital, thin capitalization and defenses affecting the rights of creditors generally. As a result, the liability of Wind Tre could be materially reduced or eliminated, depending on the law applicable to it.

The grant of Collateral to secure the Notes may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may otherwise be set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to

receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified “clawback” period following the grant. To the extent that the grant of any security interest is voided, holders of the Notes would lose the benefit of the relevant security interest.

Moreover, under Italian law, claims of certain categories of creditors (*creditori privilegiati*) are given statutory priority in relation to the proceeds of a debtor’s property in respect to the claims of other creditors, even if such claims are secured claims. For a more detailed description of various limitations on the security under Italian law and certain Italian insolvency law considerations, see “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.*”

***Payments under Luxembourg insolvency laws may be more limited than under U.S. bankruptcy laws***

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Guarantor may be more limited than would be the case under U.S. bankruptcy laws. The following main types of proceedings (altogether referred to as insolvency proceedings) may be opened against a company having its or center of main interests (“*centre des intérêts principaux*”) or central administration (*administration centrale*) in Luxembourg (the “**Luxembourg Guarantor**”):

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the Luxembourg Guarantor or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (i) is unable to pay its debts as they fall due (*cessation des paiements*), and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;
- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Luxembourg Guarantor and not by its creditors; a reorganization order requires the prior approval by more than 50% in number of the creditors representing more than 50% of the company’s liabilities in order to take effect; and
- voluntary composition with creditors (*concordat préventif de la faillite*), upon request only by the Luxembourg Guarantor (subject to obtaining the consent of the majority of its unsecured creditors representing at least 75% of the company’s liabilities) and not by its creditors. The court’s decision to admit a company to a composition with participating creditors triggers a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these insolvency proceedings, your ability to receive payment under the Note Guarantees may be affected by a decision of a court to grant a suspension of payments (“*sursis de paiement*”) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial winding up proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or seriously breaching the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Generally, during the insolvency proceedings, all enforcement measures by unsecured creditors against the Luxembourg Guarantor are stayed, while certain secured creditors (pledgees or mortgagees) retain the ability to settle separately while the debtor is in bankruptcy. Collateral over which a security right has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus of enforcement proceeds is realized). During controlled management proceedings, enforcement measures are suspended until the final reorganization order from the adjudicating court, declarations of default and any subsequent acceleration upon the occurrence of an event of default may not be enforceable and participating secured creditors in composition proceedings are required to abandon their security. Under the Luxembourg Act dated August 5, 2005 concerning financial

collateral arrangements, as amended (the “**Collateral Act**”), secured creditors holding financial collateral arrangements falling within the Collateral Act may enforce their security during the insolvency proceedings without court approval outside the general body of creditors and satisfy their claim in order of their priority in the enforcement proceeds.

Liabilities of the Guarantor under the Note Guarantees will, in the event of a liquidation of such Luxembourg Guarantor following bankruptcy or judicial winding-up proceedings, rank junior to the cost of such proceedings (including any debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Luxembourg Guarantor that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- salaries, wages and indemnities owed to employees in connection with the execution or the termination of an employment contract.

Luxembourg insolvency law may also affect transactions entered into or payments made by the Luxembourg Guarantor during the hardening period (*période suspecte*) (which is a maximum of six months and ten days) preceding the judgment adjudicating the insolvency proceedings, in particular, the granting of a security right for antecedent debt, the payment of debt not due (whether or not payment is made in cash or by way of assignment, sale, set-off or by any other means) or of debt due by any means other than cash or bill of exchange or the sale of assets without consideration or with substantially inadequate consideration. These transactions must be declared null and void, in all circumstances, at the request of the competent Luxembourg insolvency official (including any *commissaire, juge-commissaire, liquidateur or curateur* or similar official). Further, if the insolvency official demonstrates that (i) an adequate payment in relation to a due debt was made during the hardening period to the detriment of the general body of creditors, and/or (ii) the party receiving such payment knew that the company had ceased payments when such payment occurred, the insolvency official has the power, among other things, to invalidate such preferential transaction. Notwithstanding the above, a financial collateral arrangement falling within the Collateral Act entered into after the opening of measures insolvency proceedings is valid and binding against third parties or insolvency officials notwithstanding the hardening period if the collateral taker proves that it was unaware of the opening of such proceedings or of the taking of such measures or that it could not reasonably have been aware of them. Generally, if the insolvency official demonstrates that the Luxembourg Guarantor has given a preference to any person by defrauding the rights of creditors generally, a competent insolvency official (acting on behalf of the creditors) has the power to challenge such preferential transaction (including the granting of security right with fraudulent intent) without limitation of time.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in an automatic termination of contracts except for personal (*intuitu personae*) contracts, that is, contracts for which the identity of the company or its solvency were crucial. However, the insolvency official may choose to terminate certain onerous contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Issuer’s business and assets and the Luxembourg Guarantor’s respective obligations under the Note Guarantees.

For a more detailed description of various limitations on the security under the laws of Luxembourg and certain Luxembourg insolvency law considerations, see “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.*”

***The granting of the security interests in the Collateral may create hardening periods for such security interests in accordance with Italian law***

The granting of new security interests in connection with the Offering may create hardening periods for such security interests in Italy. The applicable hardening period for these new security interests will run from the moment each new security interest has been granted, perfected or re-created. In each instance, if the security interest granted, perfected or re-created were to be enforced before the end of the relevant hardening period applicable in Italy, such security interest may be declared void and/or it may not be possible to enforce it. See “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.*”

The applicable hardening period for these new security interests will run as from the moment each new security interest has been granted, perfected or recreated. At each time, if the security interest granted, perfected or recreated were to be enforced before the end of the respective applicable hardening period, it may be declared void and/or it may not be possible to enforce it. In addition, the granting of a shared security interest to secure future indebtedness or the transfer or the assignment of the security interest may restart or reopen hardening periods. The applicable hardening period may run from the moment such new security is amended, transferred, assigned, granted or perfected. If the security interest granted were to be enforced before the end of the respective applicable hardening period, it may be declared void or ineffective and/or it may not be possible to enforce it. See “—*The rights of holders of the Notes in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.*”

***The insolvency laws of Italy may not be as favorable to holders of Notes as U.S. insolvency laws or those of another jurisdiction with which you may be familiar***

Wind Tre is incorporated and has its center of main interests under the laws of Italy. Accordingly, insolvency proceedings with respect to Wind Tre may proceed under, and be governed by, Italian insolvency law. The insolvency laws of Italy may not be as favorable to your interests as those of the United States or another jurisdiction with which you may be familiar, including in respect of creditors’ reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes to the extent exceeding the limitations arising under other insolvency laws. In the event that Wind Tre or any of its subsidiaries experiences financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. In particular, the insolvency and other laws of Italy may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction’s laws should apply, adversely affect your ability to enforce your rights against the Collateral in Italy and limit any amounts that you may receive. See “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.*”

***Fraudulent conveyance and similar laws may adversely affect the validity and enforceability of the Notes and the Collateral***

Under applicable fraudulent conveyance laws, a court could void the Notes or subordinate the claims thereunder to other claims against Wind Tre if it was determined that Wind Tre:

- issued the Notes (or Collateral was granted) with actual intent to hinder, delay or defraud creditors or shareholders;
- received less than reasonably equivalent value or fair consideration for issuing the Notes (or granting the Collateral), and, at the time thereof was insolvent or rendered insolvent by reason of issuing the Notes (or granting the Collateral);

- was engaged or about to engage in a business or a transaction for which remaining assets available to carry on business constituted unreasonably small capital;
- intended to incur, or believed that Wind Tre would incur, debts beyond the ability to pay the debts as they mature; or
- was a defendant in an action for money damages, or had a judgment for money damages rendered against it if, in either case, after final judgment, the judgment is unsatisfied.

The measures of insolvency for the purposes of fraudulent transfer laws vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, an entity would be considered insolvent if, at the time it incurred the debt:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

Wind Tre cannot be sure as to what standard a court would apply in making a solvency determination or that a court would conclude that Wind Tre was solvent immediately after the Offering. Regardless of the standard that the court uses, Wind Tre cannot be sure that the Offering (or grant of the Collateral) would not be voided or subordinated to Wind Tre's other debt.

Under Italian law, in the event that Wind Tre enters into insolvency proceedings, the security interests granted to secure the Notes (and any guarantees thereof, if applicable) could be subject to potential challenges by an insolvency administrator or by other creditors under the rules of avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the “**suspect period**”). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one-quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or security taken after the creation of the secured obligations, whereby the creditor must prove its lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action, (ii) security granted in order to secure a debt due and payable, whereby the creditor must prove his lack of knowledge of the state of insolvency of the relevant entity in order to rebut any clawback action during the suspect period of six months prior to the declaration of the insolvency, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, whereby the bankruptcy receiver must prove that the creditor was aware of the state of insolvency of the relevant entity in order to enforce any clawback action. See “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations.*”

Under Article 64 of the Italian Bankruptcy Law, all transactions without consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration. In addition, under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency. In addition, the EU Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

If challenged successfully, a security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, the

holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

***You may have difficulty enforcing your rights against Wind Tre and its directors and executive officers***

Wind Tre is incorporated in Italy. All of the directors and executive officers of Wind Tre are non-residents of the United States. Although Wind Tre has submitted to the jurisdiction of certain New York courts in connection with certain actions under U.S. securities laws, you may be unable to effect service of process within the United States on their directors and executive officers. In addition, as all of the assets of Wind Tre and substantially all of the assets of its directors and executive officers are located outside of the United States you may be unable to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, Wind Tre's local counsel has informed it that it is questionable whether an Italian court would accept jurisdiction and impose civil liability if proceedings were commenced in Italy predicated solely upon U.S. federal securities laws. See "*Service of Process and Enforcement of Civil Liabilities.*"

***Changes in tax laws or regulations or in positions by the relevant tax authority regarding the application, administration or interpretation of tax laws or regulations, particularly if applied retrospectively, could have negative effects on the current business model of Wind Tre and have a material adverse effect on its operating results, business and financial condition***

Tax laws are complex and subject to subjective evaluations and interpretative decisions, and Wind Tre will be periodically subject to tax audits aimed at assessing its compliance with direct and indirect taxes. Wind Tre is also subject to intercompany pricing laws and regulations, including those relating to the flow of funds pursuant to, for example, loan agreements. Adverse developments in laws or regulations, or any change in position by the tax authorities regarding the application, administration or interpretation of laws or regulations, could have a material adverse effect on Wind Tre business, financial condition and results of operations or on Wind Tre ability to service or otherwise make payments on the Notes and other indebtedness. In addition, tax authorities may not agree with the interpretations of Wind Tre, or with the positions that Wind Tre has taken or intend to take on, tax laws applicable to its ordinary activities and any extraordinary transactions, including the tax treatment or characterization of its indebtedness, existing and future intercompany loans and guarantees or the deduction of interest expenses. In case of objections by the tax authorities to its interpretations, Wind Tre could face long tax proceedings that could result in the payment of higher taxes, interest, penalties or sanctions and have a material adverse effect on its operating results, business and financial condition or on its ability to service or otherwise make payments on the Notes and its other indebtedness. Wind Tre may also inadvertently or for reasons beyond its control fail to comply with certain tax laws or regulations in connection with a particular transaction, including any of its financing arrangements, which could result in unfavorable tax treatment for such arrangements. This may have a negative tax impact and may also result in the application of higher taxes, interest, penalties or sanctions. Tax audits and investigations by the competent Tax Authorities may generate negative publicity which could harm the reputation of Wind Tre with customers, suppliers and counterparties. Wind Tre can provide no assurance that the financial impact of any adverse tax adjustment in connection with its business would not have a material adverse effect on its business, prospects, financial condition, results of operations and cash flows or on its ability to service or otherwise make payments on the Notes and its other indebtedness.

***In certain circumstances you will not be entitled to a gross-up for any Italian withholding or deduction of taxes***

Wind Tre is organized under the laws of Italy and is Italian resident for tax purposes and therefore payments of principal and interest on the Notes and, in certain circumstances, any gain on the Notes, will be subject to Italian tax laws and regulations. All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In



that event, subject to a number of exceptions, Wind Tre will pay such additional amounts as will result in the holders of the Notes receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required. Wind Tre or any Guarantor are not liable to pay any additional amounts to holders of Notes under certain circumstances, including if any withholding or deduction is required pursuant to Italian Legislative Decree No. 239 of April 1, 1996 (“**Decree 239**”) or pursuant to Legislative Decree No. 461 of November 21, 1997 (“**Decree 461**”), except, in the case of Decree 239, where the procedures required under Decree 239, in order to benefit from an exemption from *imposta sostitutiva*, have not been complied with due to the actions or omissions of Wind Tre or its agents (e.g., Acupay, Monte Titoli, Euroclear and Clearstream). In such circumstances, where no additional amounts are due, investors subject to Italian withholding tax or substitute tax will only receive the net proceeds of their investment in the Notes. Although Wind Tre believes that, under current law, Italian withholding tax will not be imposed under Decree 239 or Decree 461 where a holder of Notes is resident for tax purposes in a country or territory which allows for a satisfactory exchange of information with the Italian tax authorities as contained (I) as at the date of this Offering Memorandum in the Ministerial Decree of the Minister of Economy and Finance of September 4, 1996, as amended or supplemented from time to time and replaced, (the “**White List**”), or (II) once effective, in any other decree or regulation that will be issued in the future under the authority of Article 11(4)(c) of Decree 239 to provide the list of such countries and territories (the “**New White List**”), including any country or territory that will be deemed listed therein for the purpose of any interim rule and such holder complies with certain certification requirements, and otherwise in the circumstances as described in the “*Description of Notes—Withholding Taxes*” and “*Certain Tax Considerations—Certain Italian Tax Considerations*,” there is no assurance that this will be the case. Investors resident in such countries or investors that are resident in a country allowing for the satisfactory exchange of information with Italy but that do not satisfy the conditions set forth by Decree 239 (as amended or supplemented), as well as certain categories of holders of the Notes who are resident in Italy, will only receive the net proceeds of their investment in the Notes. The regime provided by Decree 239 and in particular the exemption from withholding tax, which is in principle granted to holders of the Notes resident in countries that allow for satisfactory exchange of information with Italy, is also subject to certain procedural requirements being met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. Should the procedural requirements not be met, Italian withholding tax may apply on the payments made on the Notes to foreign investors resident in countries that allow for satisfactory exchange of information with Italy. See “*Description of Notes—Withholding Taxes*” and “*Certain Tax Considerations—Certain Italian Tax Considerations*.” Moreover, holders of Notes will bear the risk of any change in Decree 239 after the date hereof, including any change in the White List or the New White List once effective).

***No assurance can be given that the procedural requirements to apply the Italian tax regime provided by Italian Legislative Decree No. 239 of April 1, 1996 will be met by the relevant foreign intermediaries***

The regime provided by Decree 239 and in particular the exemption from withholding tax in principle granted to holders of the Notes resident in countries included in the White List (or in the New White List once it is effective) applies if certain procedural requirements are met. It is not possible to assure that all non-Italian resident investors can claim the application of the withholding tax exemption where the relevant foreign intermediary fails to provide sufficient information to the relevant Italian tax authorities under the procedures set for applying the exemption regime. See “*Tax Considerations—Certain Italian Tax Considerations*.”

*Italian substitute tax will be deducted from any interest, premium and other income in respect of the Dollar Rule 144A Notes to any investor who does not comply with the Tax Certification Procedures (including if the procedures prove to be ineffective or incorrect). Wind Tre will not pay any additional amounts in respect of any such withholding*

Italian tax law requires Monte Titoli, as the sole holder of the Dollar Rule 144A Global Notes on behalf of the beneficial owners thereof to collect Italian substitute tax at the then-applicable rate, currently 26.0%, unless the relevant investor is eligible to receive payment gross of such tax under Italian Decree 239. See “*Tax Considerations—Certain Italian Tax Considerations.*” An eligible beneficial owner of Dollar Rule 144A Notes shall provide, via Acupay, for transmission to Monte Titoli, a certification of its eligibility to receive interest payments free from Italian substitute tax upon the investor’s first purchase of Notes (including Receipts representing Notes) either at the time of the issuance of Notes or, if purchased thereafter, upon a purchase of Notes on the secondary market, and Monte Titoli will make such certification available to the Italian tax authorities. Investors in Dollar Rule 144A Notes need only deliver such certification once, subject to compliance with the Tax Certification Procedures. Wind Tre has arranged certain procedures with Acupay and Monte Titoli to facilitate the collection and processing of these certifications through the relevant participants in DTC and the transmission of related data to the Italian tax authorities. See Appendix B for a description of the Tax Certification Procedures. Wind Tre cannot assure you that these procedures will enable Acupay, on behalf of Monte Titoli, to obtain the certifications required by the Italian tax authorities on a timely basis. In addition, a beneficial owner or a DTC participant on behalf of beneficial owners of Receipts could make errors in complying with these procedures.

Italian substitute tax at the then-applicable rate, currently 26.0%, will be deducted from any payment of interest, premium and other income in respect of the Dollar Rule 144A Notes to any investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Dollar Rule 144A Notes or does not comply (either directly or through its DTC participant) with the Tax Certification Procedures (including if the procedures prove to be ineffective or incorrect) or in the event that the procedures do not enable Acupay, on the behalf of Monte Titoli, to obtain the required certifications on a timely basis. In each such case, the Dollar Rule 144A Notes will be subject to a Mandatory Exchange and to the application of Italian substitute tax. Wind Tre will not pay any additional amounts in respect of any such deductions, except where the procedures required under Decree 239, in order to benefit from an exemption, have not been complied with due to the actions or omissions of the payor or its agents. The Tax Certification Procedures provide that beneficial owners of interests in the Dollar Rule 144A Notes: (i) who are not eligible to receive payments of interest in respect of the Dollar Rule 144A Notes free of Italian substitute tax, (ii) who fail to submit the applicable self-certification forms, (iii) for whom the applicable DTC Participant has failed to supply correct beneficial owner information regarding the positions of any of the beneficial owners holding through such DTC Participant or (iv) for whom the Tax Certification Procedures prove to be ineffective or incorrect, will in each case be subject to a mandatory exchange into beneficial interests in a Dollar Rule 144A Note paying interest net of Italian substitute tax (a “**Mandatory Exchange**”). Investors in the Notes holding through such Note that is subject to the application of Italian substitute tax will be permitted to transfer their beneficial interests in the Notes upon payment of the applicable amount of Italian substitute tax as of the applicable transfer date and satisfaction of certain other conditions as described in the Tax Certification Procedures.

In addition, an investor’s ability to benefit from these tax relief provisions may be impaired due to a failure to comply with the Tax Certification Procedures by a financial intermediary in the chain of custody between the investor and the holder of the Notes represented by the Receipts. Investors may not have knowledge of all financial intermediaries in such chain of custody and may have limited or no control over such financial intermediaries’ compliance with the Tax Certification Procedures beyond those assurances or indemnities provided pursuant to the terms of their custodial agreements with their provider of custodial services.

The Tax Certification Procedures also provide that payments of interest to any DTC Participants that fail to comply with the Tax Certification Procedures, including the failure to effect a Mandatory Exchange in respect of an investor holding beneficial interests through such DTC Participant or to submit an original paper signed self-certification form, will be paid net of Italian substitute tax in respect of such DTC Participant's entire beneficial interest in the Dollar Rule 144A Notes on all future payments to such DTC Participant. Accordingly, all beneficial owners who hold their interests in the Dollar Rule 144A Notes through such DTC Participant will receive interest net of Italian substitute tax for so long as they continue to hold such interests through such DTC Participant. Relief for beneficial owners who are otherwise eligible to receive payments of interest in respect of the Dollar Rule 144A Notes free of Italian substitute tax will thereafter need to be obtained directly from the Italian tax authorities following the direct refund procedure established by Italian law.

In addition, the operation of the procedures referred to above depend on Acupay and Monte Titoli continuing to perform their respective roles under such procedures or, if either of them ceases to do so, on a successor entity being appointed in its place. If, among others: (i) Acupay ceases to provide services under the Tax Compliance Agency Agreement and a successor service provider is not appointed within 370 days of such event, (ii) Monte Titoli notifies Wind Tre that it is unwilling or unable to continue to act with respect to the Rule 144A Global Notes and a successor entity is not appointed by Wind Tre within 370 days of such notification, or (iii) if Wind Tre determines that the procedures established to collect beneficial owner information for Italian substitute tax purposes are ineffective or Wind Tre otherwise has or will become subject to adverse tax consequences which would not be suffered were the Rule 144A Global Notes or Global Receipts in definitive form, beneficial holders of the Dollar Rule 144A Notes, instead of holding interests in the Dollar Rule 144A Notes through DTC, will receive Dollar Rule 144A Notes or receipts in registered form. See "*Book-Entry, Delivery and Form—Rule 144A Notes—Issuance of Definitive Registered 144A Notes and Definitive Registered Receipts.*" Should a beneficial holder of the Dollar Rule 144A Notes otherwise entitled to an exemption suffer the application of substitute tax as a consequence of these procedures no longer being in place (in which case, if due to the actions or omissions of Wind Tre or its agents, additional amounts may be required to be paid) or because of a failure by such beneficial holder to comply with the procedures Wind Tre has arranged, such beneficial holder may request a refund of the substitute tax so applied directly from the Italian tax authorities within 48 months from the application of the tax. Beneficial owners of the Dollar Rule 144A Notes should consult their tax advisors on the procedures required under Italian tax law to recoup the substitute tax in these circumstances. Investors should be aware that the Tax Certification Procedures may be revised from time to time in accordance with changes in the applicable Italian laws and regulations or any relevant judicial or administrative interpretation thereof. Any consequent revision to the procedures agreed by Wind Tre, Monte Titoli and Acupay will be binding on all parties.

See "*Important Italian Substitute Tax Requirements and Information in respect of the Tax Certification Procedures in respect of the Dollar Rule 144A Notes.*"

***The Dollar Rule 144A Notes will be held in book-entry only form through Monte Titoli and the Global Receipts will be held in book-entry only form through DTC. Therefore, you will have to rely on the respective procedures of these clearing systems as well as those of the Receipt Issuer for transfer, payment and to exercise any rights and remedies***

The Dollar Rule 144A Notes will be evidenced by one or more Rule 144A Global Notes and registered in the name of Monte Titoli. All of the book-entry interests in the Dollar Rule 144A Notes will be credited to a third party securities account in Monte Titoli of Wind Tre on behalf of and operated by the Receipt Issuer. Beneficial interests in the Dollar Rule 144A Notes will be represented by one or more Global Receipts in registered form, which will be issued and delivered by the Receipt Issuer to DTC, the principal U.S. securities central depository. Citibank, N.A., London Branch will hold the Global Receipts as custodian for DTC and the Global Receipts will be registered in the name of Cede & Co., DTC's nominee, for the benefit of DTC's participants. Book-entry interests in the Global Receipts will be shown

on, and transfers thereof will be effected only through, records maintained by DTC or any other securities intermediary holding an interest directly or indirectly through DTC. The Dollar Rule 144A Notes will only be available in definitive form under certain limited circumstances. See “*Book-Entry, Delivery and Form—Rule 144A Notes—Issuance of Definitive Registered 144A Notes and Definitive Registered Receipts.*” The laws of some jurisdictions, including some states in the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair a holder’s ability to own, transfer or pledge its beneficial interests in the Dollar Rule 144A Notes.

Wind Tre will discharge its obligations under the Rule 144A Global Notes by making payments to the holders, as shown on the register maintained for that purpose by the Registrar. It is expected that the holder of the Dollar Rule 144A Global Notes will (at all times when the beneficial interests in the Dollar Rule 144A Notes are represented by the Global Receipts) be Monte Titoli, which will hold the Dollar Rule 144A Global Notes for and arrange for payment of amounts thereon to the holders of beneficial interests in the Dollar Rule 144A Notes through the facilities of the Receipt Paying Agent to DTC for onward transmission to such beneficial owners through the participants of DTC. Wind Tre and the initial purchasers will not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Receipts. A holder of beneficial interests must rely on the procedures of Monte Titoli, the Receipt Issuer, the Receipt Paying Agent, DTC and DTC’s participants and indirect participants. Wind Tre cannot assure holders that the procedures of these entities will be adequate to ensure that beneficial owners receive payments in a timely manner or at all. A holder of beneficial interests in the Global Receipts will not have a direct right to act upon solicitations Wind Tre may announce with respect to the Dollar Rule 144A Notes. Instead, holders of beneficial interests will be permitted to act only to the extent they receive appropriate assignment of authority to act from upstream intermediary parties including, the Receipt Issuer, DTC and, if applicable, DTC’s participants or indirect participants and Monte Titoli. Similarly, if Wind Tre defaults on its obligations under the Dollar Rule 144A Notes, as a holder of beneficial interests in the Global Receipts, holders will be restricted to acting in accordance with the terms of the Deposit Agreement, DTC’s procedures and, if applicable, the procedures of DTC’s participants or indirect participants as well as the procedures of Monte Titoli. Wind Tre cannot assure holders of beneficial interests that the procedures of the aforesaid custodial intermediaries will be adequate to allow them to exercise their rights or receive payment under the Dollar Rule 144A Notes in a timely manner, or at all.

***There are circumstances other than repayment or discharge of the Notes under which the collateral securing the Notes and the Note Guarantees will be released automatically and under which the Note Guarantees will be released automatically, without your consent or the consent of the Trustee***

Under various circumstances, collateral securing the Notes and the Note Guarantees will be released automatically, including:

- upon release of a Notes Guarantee in accordance with the Indenture, the release of the liens over the property, assets and capital stock of such Guarantor and any non-Guarantor restricted subsidiary of such Guarantor;
- other than with respect to the liens on the capital stock of the Issuer and any receivable owed by the Issuer to any parent, in connection with any disposition of collateral that is permitted by the Indenture, directly or indirectly, to (a) any person other than the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to the merger and consolidation covenant in the Indenture) (with respect to the lien on such collateral) or (b) the Issuer or any restricted subsidiary to the extent the relevant collateral becomes subject to a substantially equivalent lien in favor of the Security Agent securing the Notes;
- in accordance with the impairment of security covenant;

- automatically without any action by the Trustee, if the lien granted in favor of any senior credit facilities, public debt or such other indebtedness that gave rise to the obligation to grant the lien over such collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by the Indenture;
- as otherwise provided in the Intercreditor Agreement or any additional intercreditor agreement;
- to the extent such collateral no longer secures any senior credit facilities (or any refinancing thereof) (in which case release will be of the security interests with respect to the relevant collateral so released), so long as no other Indebtedness is at that time secured in a manner that would require the granting of a Lien in order to comply with the Indenture (see “*Description of Certain Financing Arrangements—New Senior Credit Facilities Agreement—Covenant suspension and security and guarantee release*”);
- upon reaching investment grade status;
- as a result of a transaction permitted by the merger and consolidation covenant in the Indenture;
- as described under the amendment and waiver provisions of the Indenture;
- the implementation of a permitted reorganization (as described in the Indenture); or
- otherwise in accordance with the terms of the Indenture.

Even though the holders of the Notes share (directly or indirectly) in the Collateral ratably with the creditors under the New Senior Credit Facilities Agreement, a majority of creditors with respect to outstanding senior secured debt of Wind Tre will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree or disagree with those actions. See “*Description of Notes—Security—Administration of Security and Enforcement of Liens.*”

Any guarantee of the Notes (including the Note Guarantees) will be fully and unconditionally released:

- a sale, disposition, exchange or other transfer (including by way of consolidation, merger, amalgamation or combination) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case, otherwise permitted by the Indenture;
- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes and the Indenture;
- with respect to a Guarantor that is not a significant subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to senior credit facilities and (ii) does not guarantee any other credit facility or public debt;
- in accordance with the provisions of the Intercreditor Agreement or any additional intercreditor Agreement;
- upon the release of the Guarantor’s Notes Guarantee under any Indebtedness that triggered such Guarantor’s obligation to Guarantee the Notes under the Indenture; *provided* that no other indebtedness is at the time Guaranteed by the Guarantor that would result in the requirement that the Guarantor provide a Notes Guarantee;
- as a result of a transaction permitted by the merger and consolidation covenant in the Indenture;
- as described under the amendment and waiver provisions of the Indenture;

- other than the Note Guarantees of a significant subsidiary and so long as no Event of Default has occurred and is continuing, such Guarantor being released and discharged from its liability with respect to the any senior credit facilities *provided* that no other indebtedness is at the time Guaranteed by the Guarantor that would result in the requirement that the Guarantor provide a Notes Guarantee in order to comply with the Indenture (see “*Description of Certain Financing Arrangements—New Senior Credit Facilities Agreement—Covenant suspension and security and guarantee release.*”); or
- otherwise in accordance with the terms of the Indenture.

See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of Notes.*”

***The obligations of Wind Tre under the Notes will rank pari passu in right of payment with Wind Tre’s obligations under the New Senior Credit Facilities and have equal right to all assets of Wind Tre that do not secure the Notes and the New Senior Credit Facilities***

Subject to any preferential rights or cases of preference as provided for under applicable foreign law, the Notes will rank *pari passu* in right of payment to all Indebtedness of Wind Tre that is not subordinated to the Notes, including the New Senior Credit Facilities. The Notes are or will be secured by a pledge over certain Wind Tre bank accounts, however Wind Tre is not required to keep all cash in bank accounts pledged for the benefit of the creditors under the Notes or the New Senior Credit Facilities Agreement. Upon any distribution to the creditors of Wind Tre in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of Wind Tre, the creditors under the New Senior Credit Facilities Agreement, holders of the Notes will be entitled to be paid equally and ratably with respect to property and assets of Wind Tre that do not secure the New Senior Credit Facilities and the Notes. See “—*Certain indebtedness may be designated as super senior pursuant to the Intercreditor Agreement and receive proceeds from the enforcement of the Collateral in priority to holders of the Notes pursuant to the Intercreditor Agreement.*”

As of June 30, 2017, after adjusting for the effect of the Transactions, Wind Tre had total financial liabilities of €12,254 million.

***The Notes and the Note Guarantees will be structurally subordinated to the liabilities and preference shares (if any) of Wind Tre’s non-guarantor subsidiaries***

As of the date of issue of the Notes, other than WAF, none of Wind Tre’s other subsidiaries will guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of such subsidiary, will have priority with respect to the assets and earnings of such subsidiary over the claims of creditors of its parent entity, including claims against Wind Tre by the holders of the Notes under its Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of Wind Tre’s non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and the Note Guarantees will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of Wind Tre’s non-guarantor subsidiaries.

***Holders of the Notes do not control certain decisions regarding the collateral***

The Intercreditor Agreement provides that a common Security Agent serves as the Security Agent for the secured parties under the New Senior Credit Facilities Agreement and the Notes with respect to the shared collateral. The Security Agent will act with respect to such collateral only at the direction of a majority (more than 50%) of Wind Tre’s first-priority secured creditors (including, for this purpose, both

drawn and undrawn uncanceled commitments under Wind Tre's New Senior Credit Facilities Agreement, debt in respect of certain hedging obligations, debt under the Notes and any other senior secured obligations that are permitted to be issued under, and that the trustees in respect thereof accede to, the Intercreditor Agreement in the future).

The holders of the Notes do not have separate rights to enforce the collateral. Pursuant to the Intercreditor Agreement, and the Indenture a common security agent will serve as the Security Agent for the secured parties under the New Senior Credit Facilities, the Notes and the hedging arrangements (if any) with regard to the shared Collateral (as applicable). The Intercreditor Agreement will provide that the Security Agent will, subject to certain limited exceptions, act to enforce the security interests in the Collateral and take instructions from the relevant secured creditors in respect of the Collateral only at the direction of an "instructing group." In addition, the holders of the Notes are not able to instruct the Security Agent, force a sale of collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents unless it comprises an instructing group, which, in turn, will depend on the quantum of the creditors in respect of the drawn and undrawn uncanceled commitments under the New Senior Credit Facilities Agreement, the creditors in respect of certain hedging obligations and the creditors under the Existing Senior Secured Notes.

Disputes may occur between the holders of the Notes and creditors under the New Senior Credit Facilities Agreement, counterparties to certain hedging arrangements, if any, and/or holders of any permitted *pari passu* secured indebtedness as to the appropriate manner of pursuing enforcement remedies and strategies with respect to the collateral. In such an event, the holders of the Notes would be bound by any decisions of the relevant instructing group, which may result in enforcement action in respect of the collateral, whether or not such action is approved by the holders of the Notes or may be adverse to such holders of the Notes. The creditors under the New Senior Credit Facilities Agreement and the hedge counterparties and holders of any other senior secured debt entitled to provide instructions regarding enforcement may have interests that are different from the interests of holders of the Notes and such creditors may elect to pursue their remedies under the security documents at a time when it would otherwise be disadvantageous for the holders of the Notes to do so.

***Certain indebtedness may be designated as super senior pursuant to the Intercreditor Agreement and receive proceeds from the enforcement of the Collateral in priority to holders of the Notes pursuant to the Intercreditor Agreement***

The Collateral will also secure liabilities under the New Senior Credit Facilities Agreement, hedging agreements and any additional Notes on a *pari passu* basis to the Notes; provided that to the extent there is no term indebtedness secured by a Permitted Collateral lien (other than Public Debt or any bridging loans), a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of: (i) €400 million; and (ii) 30% of Consolidated EBITDA (measured at the time of commitment of such facility)) and certain hedging obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral. See "*Description of Certain Financing Arrangement—Intercreditor Agreement*" and "*Description of Notes.*"

As such, certain debt may be repaid before the Notes and in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the then outstanding claims on such indebtedness receive priority status pursuant to the Intercreditor Agreement are greater than the proceeds realized. Any proceeds received upon any enforcement over any Collateral, after any applicable liabilities in respect of indebtedness designated as super senior pursuant to the Intercreditor Agreement have been discharged from such recoveries, will be applied pro rata in payment of all liabilities in respect of obligations under the Indenture and the Notes and any other indebtedness of Wind Tre or its restricted subsidiaries permitted to be incurred and secured by the Collateral pursuant to the Indenture and the Intercreditor Agreement on a *pari passu* basis. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

***Wind Tre may amend the economic terms and conditions of the Notes with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes***

The Indenture contains provisions for calling meetings of the holders of the Notes to consider matters affecting their interests generally. As set forth in “*Description of Notes—Amendment, Supplement and Waiver*,” the majority required to pass an extraordinary resolution at any meeting of such holders of the Notes will be one or more persons holding or representing at least 75% of the aggregate principal amount of the outstanding Notes. These provisions permit defined majorities to bind all holders of the Notes, including holders of the Notes who did not attend and vote at the meeting, and holders of the Notes who vote in a manner contrary to the relevant majority. In particular, under the Indenture, an extraordinary resolution may include, among other things, proposals to reduce the rate or change the time for payment of principal or interest in respect of the Notes, to change the date on which any Note may be subject to redemption or to reduce the redemption price, to change the currency of payments under the relevant Notes and change the amendment provisions. These and other changes may adversely impact holders of the Notes’ rights and may have a material adverse effect on the market value of the Notes. Under Italian law, the approval of an extraordinary resolution typically requires the consent of at least one-half of the aggregate principal amount of the outstanding Notes. Wind Tre’s decision to increase the majority requirement to 75% is untested under Italian law, and may be challenged by holders of the Notes, Wind Tre and/or others, and if challenged, may not be upheld by an Italian court, with the consequence that the majority voting threshold would be reduced from 75% to 50% for each series of the Notes.

***The grant of collateral to secure the Notes might be challenged or voidable in an insolvency proceeding***

The grant of collateral in favor of the Security Agent may be voidable by the grantor or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, or be unenforceable if certain events or circumstances exist or occur, including, among others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced.

***The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability***

As of the date of issue of the Notes, WAF will guarantee the payment of the Notes on a senior basis. The Note Guarantees will provide the relevant holders of the Notes with a direct claim against WAF. However, the Indenture provides that the Note Guarantees will be limited to a maximum amount, permitted by applicable law, in order not to render the Note Guarantees voidable or otherwise ineffective pursuant to such provisions, and other applicable law and enforcement of the Note Guarantees would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Note Guarantees and, if payment had already been made under the Note Guarantees, require that the recipient return the payment to the relevant guarantor, if the court found that:

- the Note Guarantees were incurred with actual intent to hinder, delay or defraud creditors or shareholders of the guarantor or, in certain jurisdictions, even when the recipient was simply aware that the guarantor was insolvent when it granted the Note Guarantees;
- the guarantor did not receive fair consideration or reasonably equivalent value for the Note Guarantees and the guarantor was: (i) insolvent or rendered insolvent because of the Note



Guarantees; (ii) undercapitalized or became undercapitalized because of the Note Guarantees; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;

- the Note Guarantees were held to exceed the corporate objects of the guarantor or not to be in the best interests or for the corporate benefit of the guarantor; or
- the amount paid or payable under each Note Guarantee was in excess of the maximum amount permitted under applicable law.

The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. For example, generally, an Italian company would be considered insolvent if it is demonstrated that it would no longer be able to regularly meet its obligations as they become due. If a court decided either that a Note Guarantee was a fraudulent conveyance and voided such Note Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of WAF and would be a creditor solely of Wind Tre and, if applicable, of the other guarantors under any relevant Note Guarantees which have not been declared void.

#### ***Certain limitations relating to a Luxembourg Guarantee***

There is no Luxembourg legislation or published authoritative court precedent which specifically regulates the granting of a guarantee or a third party security by a Luxembourg company securing the indebtedness of a subsidiary, a parent company or an affiliated company. However, the granting of a guarantee or a third party security is subject to specific limitations and requirements relating to the corporate object (*objet social*) and the corporate benefit (*intérêt social*) of the Luxembourg Guarantor. Although no statutory definition of corporate benefit exists under Luxembourg law, corporate benefit is widely interpreted and includes any transactions from which a Luxembourg company derives a direct or indirect economic or commercial benefit. It is generally held that, within a group of affiliated companies, the corporate interest of each individual corporate entity should, to a certain extent, be subordinated to the interest of the group. As such, the granting of a guarantee or a third party security securing the indebtedness of direct or indirect subsidiaries is likely to raise no particular concerns, whereas the provision of an upstream guarantee or security right for the benefit of a parent or a sister company may be more problematic but does not necessarily conflict with the interest of the assisting company. Any assistance for the benefit of a parent or a sister company must be temporary, in proportion with the financial capacity of the assisting company or have a reciprocal character. Belgian and French court precedents have retained certain criteria on the basis of which they have held that a Belgian or French company may validly grant a guarantee or a third party security for the obligations of a group company and such findings may influence the findings of a Luxembourg court, which, placed in a similar context, may hold that a Luxembourg company may validly grant a guarantee or a third party security if certain conditions are met. The test regarding the company's corporate interest is whether it is a member of a structured group with a common economic strategy, receives some (direct or indirect) consideration in return (such as an economic or commercial benefit) and whether the (direct or indirect) benefit received from the secured indebtedness is proportionate to the burden of the assistance. A guarantee that substantially exceeds the Luxembourg Guarantor's ability to meet its commitments towards the beneficiary of the guarantee or third party security and to its other creditors would expose its directors to civil and criminal personal liability and may, *inter alia*, be declared null and void based on the concept of illegal cause (*cause illicite*). The Note Guarantees granted by the Luxembourg Guarantor include general limitation language limiting the financial exposure of the Luxembourg Guarantor to a certain percentage of, among others, the amount of the sum of the company's net assets (*capitaux propres*) and its subordinated debt (*dettes subordonnées*) as reflected in the financial information of the Luxembourg Guarantor, covering the aggregate obligations and exposure of the Luxembourg Guarantor under all finance documents.

***Wind Tre may not have the ability to raise the funds necessary to finance an offer to repurchase Notes upon the occurrence of certain events constituting a change of control as required by the Indenture***

Upon the occurrence of certain events constituting a change of control, Wind Tre would be required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. Wind Tre would also be required to repay the outstanding borrowings under the New Senior Credit Facilities. If a change of control were to occur, Wind Tre cannot assure you that it would have sufficient funds available at such time to pay the purchase price of the outstanding Notes or that the restrictions in the New Senior Credit Facilities Agreement or the Intercreditor Agreement would allow it to make such required repurchases. A change of control may result in an event of default under, or acceleration of, the New Senior Credit Facilities and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not, due to the financial effect of such repurchase on Wind Tre. In addition, on one occasion only under the Indenture, a change of control will not be deemed to have occurred if at the time of the change of control, Wind Tre's consolidated net leverage ratio is less than certain specified levels. Wind Tre may seek the consent of the creditors under such indebtedness to the purchase of Notes or may attempt to refinance the borrowings that contain such prohibition. If such consent to repay such borrowings is not obtained, Wind Tre will be effectively prohibited from repurchasing any of the Notes. The ability of Wind Tre to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by its then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. In addition, Wind Tre expects that it would require third party financing to make an offer to repurchase the Notes and to refinance the New Senior Credit Facilities upon a change of control. Wind Tre cannot assure you that it would be able to obtain such financing. Any failure by Wind Tre to offer to purchase Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the New Senior Credit Facilities Agreement and other indebtedness. See "*Description of Notes—Change of Control.*"

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving Wind Tre that may adversely affect you because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "Change of Control" as defined in the Indenture. Except as described under "*Description of Notes—Change of Control,*" the Indenture will not contain provisions that would require Wind Tre to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction. Additionally, the occurrence of certain events that might otherwise constitute a change of control will be deemed not to be a change of control if at the time Wind Tre's consolidated leverage ratio is less than certain specified levels. See "*Description of Notes—Certain Definitions—Specified Change of Control Event.*"

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of Wind Tre and its restricted subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of Wind Tre and its subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether Wind Tre is required to make an offer to repurchase the Notes.

***Wind Tre may not be able to list the Notes or maintain the listing of the Notes and the listing, once obtained, may not satisfy the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996***

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF market of the Luxembourg Stock Exchange. There can be no assurances that the Notes will be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market, that such permission to deal in the Notes will be granted or that such listing will be maintained. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Luxembourg Stock Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, may have a material effect on a holder's ability to resell the Notes in the secondary market and may give rise to withholding tax concerns.

The Italian Tax Authorities have issued an interpretive circular relating to, among other things, the listing requirement of Italian Legislative Decree No. 239 of April 1, 1996 in order for the Notes to be eligible to benefit from the exemption from withholding tax. According to a stringent interpretation of this circular, the Notes may not be eligible to benefit from such provisions if the listing of the Notes is not effective as of the Issue Date. No assurance can be given that the listing will be achieved by the Issue Date, and that the listing of the Notes on the Official List of the Luxembourg Stock Exchange will satisfy the listing requirement of Article 32 of Law Decree No. 83 of June 22, 2012 and Decree 239 in order for the Notes to be eligible to benefit from the provisions of such legislation relating to the exemption from the requirement to apply withholding tax. In the event that the Notes are not listed as of the Issue Date or that such listing requirement is not satisfied, payments of interest, premium and other income with respect to the Notes would be subject to withholding tax, currently at a rate of 26% and would also be applicable to holders resident in White List States and Wind Tre would be required to gross-up payments to the holders for any such taxes withheld.

***The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold***

The Notes and the Note Guarantees have not been registered under, and Wind Tre is not obliged to register the Notes or the Note Guarantees under the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "Notice to Investors." Wind Tre has not agreed to or otherwise undertaken to register the Notes or the Note Guarantees and Wind Tre has no intention to do so.

***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies***

Unless and until Notes in definitive registered form, or definitive registered Notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holders of the Euro Global Notes and the Regulation S Global Notes. Monte Titoli will be the sole registered holder of the Dollar Rule 144A Notes. Payments of principal, interest and other amounts owing on or in respect of the relevant Global Notes representing the Notes will be made to Citibank, N.A., London Branch, as Principal Paying Agent, which will make payments to Euroclear and Clearstream, Monte Titoli, and DTC. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the Global Notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and Clearstream and Monte Titoli, as applicable, Wind Tre will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the relevant Notes, you must rely on the procedures of DTC, Monte Titoli, Euroclear and Clearstream and, if you are not a participant in DTC,

Monte Titoli, Euroclear and/or Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Monte Titoli, Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or timely basis.

Beneficial interests in the Dollar Rule 144A Notes will be evidenced by one or more Receipts, to be issued by the Receipt Issuer, pursuant to the Deposit Agreement. All of the book-entry interests in the Dollar Rule 144A Global Notes will be initially credited to a third party securities account in Monte Titoli of Wind Tre on behalf of and operated by the Receipt Issuer. The Receipt Issuer will issue and deliver one or more global receipts evidencing the book-entry interests in the Global Receipts to DTC. Citibank, N.A., London Branch, will hold the Global Receipts as custodian for DTC, and the Global Receipts will be registered in the name of Cede & Co., as DTC's nominee, for the benefit of DTC's participants. Transfers of beneficial interests in the Global Receipts will be shown on and will be effected only through, records maintained in book-entry form by DTC or any other securities intermediary holding an interest directly or indirectly through DTC.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear and Clearstream. Wind Tre cannot assure you that the procedures to be implemented through DTC, Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

## USE OF PROCEEDS

### Use of Proceeds

The gross proceeds from the Offering of the Euro Notes will be €5,625 million and the gross proceeds from the Offering of the Dollar Notes will be \$2,000 million. Wind Tre is issuing the Notes and is entering into the New Senior Credit Facilities. Wind Tre intends to use the proceeds from the issue of the Notes, drawings under the New Senior Credit Facilities and net amounts due to Wind Tre on termination of derivative hedging instruments related to existing debt to: (i) repay certain intercompany loans to WAF, which will utilize the funds to redeem the Existing Notes; (ii) repay the Existing Senior Credit Facilities; (iii) pay call premia; and (iv) pay transaction fees and expenses.

### Sources and Uses

The following table shows the indicative sources and uses of funds related to the Transactions, assuming they had been completed on June 30, 2017. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the Offering, depending on several factors, including differences in estimates of transaction costs, net amounts due to Wind Tre on termination of derivative hedging instruments and exchange rate fluctuations.

<u>Sources of Funds</u>	<u>(€ in millions)</u>	<u>Uses of Funds</u>	<u>(€ in millions)</u>
Floating Rate Notes offered hereby	2,250	Repayment of Existing Notes <sup>(4)</sup> . . . .	9,945
2023 Fixed Rate Euro Notes offered hereby . . . . .	1,625	Repayment of the Existing Senior Credit Facilities <sup>(5)</sup> . . . . .	700
2025 Fixed Rate Euro Notes offered hereby . . . . .	1,750	Call Premia <sup>(6)</sup> . . . . .	208
Dollar Notes offered hereby (equivalent) <sup>(1)</sup> . . . . .	1,702	Transaction costs <sup>(7)</sup> . . . . .	106
Revolving Credit Facilities <sup>(2)</sup> . . . . .	—	General corporate purpose <sup>(8)</sup> . . . . .	26
Term Loan . . . . .	3,000		
Net amounts due to Wind Tre on termination of derivative hedging instruments <sup>(3)</sup> . . . . .	658		
<b>Total sources</b> . . . . .	<u>10,985</u>	<b>Total uses</b> . . . . .	<u>10,985</u>

- (1) Represents the issuance of the Dollar Notes offered hereby as converted into euro at an exchange rate of \$1.1749 per €1.00, net of estimated transaction costs. You should not view such translations as a representation that such euro amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate, on the Issue Date or any other date.
- (2) See “*Description of Certain Financing Arrangements—New Senior Credit Facilities Agreement.*” The €400.0 million Revolving Credit Facility under the New Senior Credit Facilities Agreement is expected to be undrawn as of the Issue Date.
- (3) Represents the market-to-market due to Wind Tre and WAF on the termination of derivative instruments relating to the Existing Notes and the Existing Senior Credit Facilities valued as of June 30, 2017. Positive amounts are payable under cross-currency swaps while Wind Tre has certain payables under interest-rate swaps. The termination values of the derivative instruments is based on the expected close-out amounts to be agreed with counterparties and is subject to adjustment based on the final agreed values, and in addition, the close-out amounts are subject to currency and interest rate fluctuations. Fluctuations since June 30, 2017 have impacted the current termination values of the relevant derivative instruments and will affect the termination value up to the settlement date, through a correlated (but not necessarily matching) fluctuation would also be reflected as an adjustment in the same direction to the Existing Notes outstanding value. Any potential increase in the outstanding amounts of the Existing Notes due to the fluctuations mentioned above and not offset by a corresponding change in the net amounts due to Wind Tre on terminative of the derivative instruments will be covered by cash on hand.

- (4) Represents: (i) the Existing Notes denominated in euros; and (ii) the Existing Notes denominated in U.S. dollars as converted into euro at an exchange rate of \$1.1426 per €1.00 which was the exchange rate as of June 30, 2017. You should not view such translations as a representation that such euro amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate, on the Issue Date or any other date.
- (5) The amount represents the nominal outstanding principal amount of the prepayment of the Existing Senior Credit Facilities as of June 30, 2017.
- (6) The amount represents the applicable redemption premium for the repayment of the Existing Notes and assumes that no Existing Notes are tendered in the Tender Offer. The call premium on the dollar-denominated notes has been converted into euro at an exchange rate of \$1.1749 per €1.00. You should not view such translations as a representation that such euro amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate, on the Issue Date or any other date.
- (7) The amount presented includes estimates of each of: (i) transaction costs related to entering into the New Senior Credit Facilities; and (ii) transaction costs related to the issuance of the Notes including legal and other costs. Transaction cost does not include the repayment of accrued interest on existing indebtedness which was €160.0 million as of June 30, 2017, on the call premia which are presented separately.
- (8) Available cash may be reduced to cover certain expenses incurred in relation to the termination of derivatives instruments.

## CAPITALIZATION

The following table sets forth Wind Tre’s total consolidated financial assets and its capitalization as of June 30, 2017: (i) on a historical basis; and (ii) on an as adjusted basis to give *pro forma* effect to the Transactions. The historical consolidated financial information has been derived from Wind Tre’s condensed consolidated financial statements as of June 30, 2017 included elsewhere in this Offering Memorandum. This table should be read in conjunction with “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Financing Arrangements*,” and Wind Tre’s consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Furthermore, the amounts reflected below are presented net of transaction costs and do not reflect the nominal amounts of indebtedness outstanding as at the date of this Offering Memorandum. Except as set forth below, there have been no other material changes to Wind Tre’s capitalization since June 30, 2017.

	<u>As of June 30, 2017</u>	<u>Adjustments</u>	<u>As Adjusted</u>
	(€ in millions)		
Cash and Cash Equivalents <sup>(1)</sup> . . . . .	570	26	596
Derivative Financial Instruments <sup>(2)</sup> . . . . .	1,054	(1,054)	—
Intercompany Receivable <sup>(3)</sup> . . . . .	1,090	—	1,090
Financial Receivables <sup>(4)</sup> . . . . .	4	1	5
<b>Total Financial Assets</b> . . . . .	<u>2,718</u>	<u>(1,027)</u>	<u>1,691</u>
<b>Existing Senior Credit Facilities:</b>			
Revolving Credit Facilities . . . . .	—	—	—
Term Loan . . . . .	682	(682)	—
<b>New Senior Credit Facilities:</b>			
Revolving Credit Facilities . . . . .	—	—	—
Term Loan <sup>(5)</sup> . . . . .	—	2,962	2,962
<b>Derivative Financial Instrument</b> . . . . .	23	(23)	—
<b>Existing Notes (Senior Secured Notes)</b> <sup>(6)</sup> . . . . .	5,727	(5,727)	—
<b>Existing Notes (Senior Notes)</b> <sup>(6)</sup> . . . . .	4,182	(4,182)	—
<b>Notes Offered Hereby:</b>			
Floating Rate Notes offered hereby . . . . .	—	2,231	2,231
2023 Fixed Rate Euro Notes offered hereby . . . . .	—	1,611	1,611
2025 Fixed Rate Euro Notes offered hereby . . . . .	—	1,735	1,735
Dollar Notes offered hereby (equivalent) <sup>(7)</sup> . . . . .	—	1,687	1,687
<b>Intercompany Loan Payable</b> <sup>(8)</sup> . . . . .	1,740	—	1,740
<b>Other</b> <sup>(9)</sup> . . . . .	288	—	288
<b>Total Financial Liabilities</b> . . . . .	<u>12,642</u>	<u>(388)</u>	<u>12,254</u>
<b>Equity:</b>			
Issued Capital . . . . .	474	—	474
Reserves and Retained earnings . . . . .	2,691	(639)	2,052
<b>Shareholders’ Equity Attributable to Equity Holders of the Parent</b> . . . . .	3,165	(639)	2,526
Non-controlling interests . . . . .	—	—	—
<b>Total Shareholders’ Equity</b> . . . . .	<u>3,165</u>	<u>(639)</u>	<u>2,526</u>
<b>Capitalization</b> <sup>(10)</sup> . . . . .	<u>15,807</u>	<u>(1,027)</u>	<u>14,780</u>

(1) Cash and cash equivalents does not take into account certain events post-June 30, 2017, including: (i) the payment of accrued interest on existing indebtedness being repaid, which as of June 30, 2017 totaled €160 million; (ii) the payment of

approximately €434 million in September 2017 relating to the extension of the GSM1800 and GSM900 licenses; (iii) the expected proceeds of approximately €390 million pursuant to the non-recourse assignment of Iliad receivables; (iv) the receipt of cash from the disposal of the remaining 10% of shares in Galata; and (v) operating cash flows since June 30, 2017, including any factoring of receivables.

- (2) Reflects the termination value of: (i) embedded derivatives in the existing indebtedness of Wind Tre linked to the existing indebtedness being repaid as part of the Transactions; and (ii) the market-to-market due to Wind Tre and WAF on the termination of derivative instruments relating to the Existing Notes and the Existing Senior Credit Facilities valued as of June 30, 2017. Positive amounts are payable under cross-currency swaps while Wind Tre has certain payables under interest-rate swaps. The termination values of the derivative instruments is based on the expected close-out amounts to be agreed with counterparties and is subject to adjustment based on the final agreed values, and in addition, the close-out amounts are subject to currency and interest rate fluctuations. Fluctuations since June 30, 2017, have impacted the current termination values of the relevant derivative instruments and will affect the termination value up to the settlement date, through a correlated (but not necessarily matching) fluctuation would also be reflected as an adjustment in the same direction to the Existing Notes outstanding value. Any potential increase in the outstanding amounts of the Existing Notes due to the fluctuations mentioned above and not offset by a corresponding change in the net amounts due to Wind Tre on termination of the derivative instruments will be covered by cash on hand.
- (3) This amount represents the loan granted by WIND (subsequently merged into Wind Tre) to WAHF (subsequently merged into Wind Tre Italia) following a distribution in connection with a refinancing of indebtedness of WAHF.
- (4) This amount represents amortizing fees relating to the Existing Senior Credit Facilities which will translate to amortizing fees relating to the New Senior Credit Facilities.
- (5) This amount is based on a nominal amount of €3,000 million, net of estimated transaction costs.
- (6) Represents the notional amount of the debt, net of estimated transaction costs. The U.S. dollar denominated debt has been converted into euro at an exchange rate of \$1.1426 to €1.00 which is the exchange rate as of June 30, 2017, sourced from Bloomberg, as used for purposes of the preparation of the interim condensed consolidated financial statements of Wind Tre as of and for the six months ended June 30, 2017. This exchange rate may differ from the exchange rate in effect as of the date of issue of the Notes. You should not view such translations as a representation that such U.S. dollar amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.
- (7) Represents the issuance of the Dollar Notes offered hereby as converted into euro at an exchange rate of \$1.1749 per €1.00, net of estimated transaction costs. You should not view such translations as a representation that such euro amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate, on the Issue Date or any other date.
- (8) Represents the accounting amount owed to the shareholders of Wind Tre under certain subordinated shareholder loans. See *“Description of Certain Financing Arrangements—Shareholder Loans.”*
- (9) This amount reflects: (i) the remaining amount of the original deferred acquisition cost incurred in February 2013 in relation to the extension of the contract between WIND, TERNA and TERNA Rete Italiana in relation to the right of support granted to WIND for the installation of its fiber optic backbone network on TERNA's electricity lines (€128 million); and (ii) accrued interest on existing indebtedness (€160.0 million).
- (10) Capitalization is calculated as the sum of total financial liabilities and total shareholders' equity.



## UNAUDITED *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION

The unaudited *pro forma* consolidated financial information of Wind Tre includes: (i) the unaudited *pro forma* consolidated income statement for the six months ended June 30, 2016, and (ii) the unaudited *pro forma* consolidated income statement for the year ended December 31, 2016, together with the related explanatory notes (the “**Unaudited Pro Forma Consolidated Financial Information**”) and has been prepared to give *pro forma* effect to the merger of Wind Tre and WIND (the “**Merger**”) as if the Merger had occurred on January 1, 2016.

In connection with the Merger, WIND has been merged with, and incorporated into, Wind Tre (previously H3G S.p.A.). The Merger has been accounted for as a combination of entities or businesses under common control, as Wind Tre and WIND have been controlled by the same parties, CKHH and VEON, both before and after the combination. IFRS 3 (*Business Combinations*) excludes from its scope business combinations under common control. Therefore, lacking a specific accounting treatment within the IFRS framework, Wind Tre has taken into account indications included in IAS 8 in order to identify an accounting policy to be applied to the Merger and has applied the so-called predecessor accounting method by rolling forward the historical accounting records of WIND, as included in the consolidated accounts of its parent WAF, into Wind Tre at the date of the Merger.

The approval of the Merger by the European Commission was subject to a fourth telecommunications operator entering the Italian telecommunications market. Based on this condition, Wind Tre is required to enable Iliad to set up operations in Italy and to sell frequencies and sites to the French operator, allowing it to build its own network in Italy. As a result of these requirements, Wind Tre reviewed the carrying amount of its capitalized investments and revised their useful lives.

The *pro forma* adjustments to the Unaudited *Pro Forma* Consolidated Financial Information are limited to those that are: (i) directly attributable to the Merger; (ii) factually supportable; and (iii) with respect to the income statement, expected to have a continuing impact on the results of the combined entities. The Unaudited *Pro Forma* Consolidated Financial Information does not reflect, for example:

- any integration costs that may be incurred as a result of the Merger;
- any synergies, operating efficiencies and cost savings that may result from the Merger; or
- any other long term financing arrangement that Wind Tre might be able to enter into in the future.

The unaudited *pro forma* consolidated income statements have been prepared assuming that the Merger had occurred on January 1, 2016. The Unaudited *Pro Forma* Consolidated Financial Information does not purport to represent what Wind Tre’s actual results of operations would have been if the Merger had actually occurred on the date assumed, nor is it necessarily indicative of future consolidated results of operations or financial condition. The Unaudited *Pro Forma* Consolidated Financial Information is presented for illustrative purposes only and based upon available information and certain assumptions that Wind Tre believes are reasonable, including assumptions pursuant to the terms of the Merger.

This information should be read in conjunction with: (i) the Wind Tre Annual Consolidated Financial Statements for the years ended December 31, 2014, 2015 and 2016; (ii) the Wind Tre Unaudited Consolidated Interim Financial Statements for the six months ended June 30, 2017; and (iii) the WIND Unaudited Interim Consolidated Financial Statements for the ten months ended October 31, 2016, each of which are included in this Offering Memorandum.

The Unaudited *Pro Forma* Consolidated Financial Information is presented in millions of euro and prepared, unless otherwise specified, on a basis that is consistent with the accounting policies used in the preparation of the Wind Tre Annual Consolidated Financial Statements, which have been prepared in accordance with IFRS.

**Wind Tre S.p.A.**  
**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT**  
**for the year ended December 31, 2016**  
**(€ millions, unless otherwise noted)**

	Wind Tre Historical <sup>(1)</sup>	Unaudited WIND Historical <sup>(2)</sup>	Unaudited <i>Pro Forma</i> Adjustments <sup>(3)</sup>		Unaudited Wind Tre <i>Pro Forma</i>
Revenue . . . . .	2,805	3,613	(110)	(a)	6,308
Other revenue . . . . .	88	95	—		183
<b>Total revenue . . . . .</b>	<b>2,893</b>	<b>3,708</b>	<b>(110)</b>		<b>6,491</b>
Purchases and services . . . . .	(1,754)	(1,930)	110	(a)	(3,574)
Other operating costs . . . . .	(148)	(134)	—		(282)
Personnel expenses . . . . .	(214)	(237)	—		(451)
Restructuring costs . . . . .	(60)	—	—		(60)
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets . . . . .</b>	<b>717</b>	<b>1,407</b>	<b>—</b>		<b>2,124</b>
Depreciation and amortization . . . . .	(653)	(963)	144	(b)	(1,472)
Impairment losses on non-current assets . . . . .	(1,685)	—	1,506	(c)	(179)
Losses on disposal of non-current assets . . . . .	(1)	(1)	—		(2)
<b>Operating income/(loss) . . . . .</b>	<b>(1,622)</b>	<b>443</b>	<b>1,650</b>		<b>471</b>
Finance income . . . . .	36	453	—		489
Finance expense . . . . .	(140)	(479)	—		(619)
Foreign exchange gains/(losses), net . . . . .	(1)	(1)	—		(2)
<b>Profit/(Loss) before tax . . . . .</b>	<b>(1,727)</b>	<b>416</b>	<b>1,650</b>		<b>339</b>
Income tax benefits/(expenses) . . . . .	47	(87)	(46)	(b)	(86)
<b>Profit/(Loss) for the period . . . . .</b>	<b>(1,680)</b>	<b>329</b>	<b>1,604</b>		<b>253</b>
Non-controlling interests . . . . .	—	—	—		—
<b>Profit/(Loss) for the period attributable to the owners of the parent . . . . .</b>	<b>(1,680)</b>	<b>329</b>	<b>1,604</b>		<b>253</b>

(1) Represents the Wind Tre consolidated income statement for the year ended December 31, 2016 including the historical results of Wind Tre for the twelve months ended December 31, 2016 and the historical results of WIND from November 1, 2016, to December 31, 2016, after the Merger.

(2) Represents the unaudited WIND consolidated income statement for the ten months ended October 31, 2016.

(3) The Unaudited *Pro Forma* Adjustments reflect:

- (a) the elimination of intercompany transactions between Wind Tre and WIND for the ten months ended October 31, 2016, amounting to €110 million;
- (b) the alignment of the accounting principles of WIND to those applied by Wind Tre, and specifically the reversal of the amortization of licenses amounting to €44 million and the related income tax effect of €46 million of WIND for the ten months ended October 31, 2016; and
- (c) the reversal of the impairment of capitalized frequency licenses, which had been impaired as a consequence of the conditions set by the European Commission in connection with the Merger, and particularly the sale of certain assets to Iliad.

**Wind Tre S.p.A.**  
**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT**  
**for the six months ended June 30, 2016**  
**(€ millions, unless otherwise noted)**

	Unaudited Wind Tre Historical <sup>(4)</sup>	Unaudited WIND Historical <sup>(5)</sup>	Unaudited <i>Pro Forma</i> Adjustments <sup>(6)</sup>		Unaudited Wind Tre <i>Pro Forma</i>
Revenue . . . . .	963	2,110	(63)	(a)	3,010
Other revenue . . . . .	22	46	—		68
<b>Total revenue . . . . .</b>	<b>985</b>	<b>2,156</b>	<b>(63)</b>		<b>3,078</b>
Purchases and services . . . . .	(663)	(1,144)	63	(a)	(1,744)
Other operating costs . . . . .	(58)	(81)	—		(139)
Personnel expenses . . . . .	(80)	(151)	—		(231)
Restructuring costs . . . . .	—	—	—		—
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets . . . . .</b>	<b>184</b>	<b>780</b>	<b>—</b>		<b>964</b>
Depreciation and amortization . . . . .	(201)	(574)	86	(b)	(689)
<b>Operating income/(loss) . . . . .</b>	<b>(17)</b>	<b>206</b>	<b>86</b>		<b>275</b>
Finance income . . . . .	—	147	—		147
Finance expense . . . . .	(25)	(298)	—		(323)
Foreign exchange gains/(losses), net . . . . .	—	2	—		2
<b>Profit/(Loss) before tax . . . . .</b>	<b>(42)</b>	<b>57</b>	<b>86</b>		<b>101</b>
Income tax benefits/(expenses) . . . . .	—	(50)	(28)	(b)	(78)
<b>Profit/(Loss) for the period . . . . .</b>	<b>(42)</b>	<b>7</b>	<b>58</b>		<b>23</b>
Non-controlling interests . . . . .	—	—	—		—
<b>Profit/(Loss) for the period attributable to the owners of the parent . . . . .</b>	<b>(42)</b>	<b>7</b>	<b>58</b>		<b>23</b>

(4) Represents the unaudited consolidated income statement of Wind Tre for the six months ended June 30, 2016.

(5) Represents the unaudited consolidated income statement of WIND for the six months ended June 30, 2016.

(6) The Unaudited *Pro Forma* Adjustments reflect:

- (a) the elimination of intercompany transactions between Wind Tre and WIND for the six months ended June 30, 2016, amounting to €63 million; and
- (b) the alignment of the accounting principles of WIND to those applied by Wind Tre and specifically the reversal of the amortization of licenses amounting to €86 million and the related income tax effect of €28 million for WIND for the six months ended June 30, 2016.

## SELECTED HISTORICAL FINANCIAL INFORMATION

The tables below and the accompanying notes set forth the selected historical financial information and other financial data of Wind Tre and WIND for the periods ended and as of the dates indicated below.

### Selected Consolidated Financial Information of Wind Tre

The selected consolidated statement of financial position, income statement and cash flow statement for Wind Tre (formerly known as H3G S.p.A.) set forth below as of and for the years ended December 31, 2014, 2015 and 2016 were derived from the audited annual consolidated financial statements of Wind Tre, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The selected consolidated statement of financial position, income statement, and cash flow statement for Wind Tre set forth below as of and for the six months ended June 30, 2016, and 2017, were derived from the unaudited interim consolidated financial statements of Wind Tre, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum.

H3G S.p.A. is Wind Tre's "Predecessor" for accounting purposes. The selected consolidated financial information of Wind Tre as of and for the year ended December 31, 2016 is composed of: (i) Wind Tre, including the results of WIND, as of December 31, 2016, and for the period beginning November 1, 2016 (although the legal effective date on which the business combination between entities under common control occurred is November 5, 2016, the accounting effective date used is November 1, 2016) and ended December 31, 2016 and (ii) Wind Tre for the period beginning January 1, 2016 and ending December 31, 2016. The data and results of previous financial years correspond exclusively to the Predecessor, unless otherwise expressly stated, which affects the comparability of Wind Tre's results of operation between these periods.

### Historical Selected Consolidated Financial Information of WIND

The selected consolidated statement of financial position, income statement and cash flow statement for WIND set forth below as of and for the years ended December 31, 2014 and 2015 were derived from the audited annual consolidated financial statements of WIND, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The selected consolidated statement of financial position, income statement, and cash flow statement for WIND set forth below as of and for the ten months ended October 31, 2016, were derived from the unaudited interim consolidated financial statements of WIND, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum.

**Selected Consolidated Income Statement Information of Wind Tre:**

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)				
	(Unaudited)				
Revenue . . . . .	1,946	2,030	2,805	963	3,001
Other revenue . . . . .	84	68	88	22	82
<b>Total revenue . . . . .</b>	<b>2,030</b>	<b>2,098</b>	<b>2,893</b>	<b>985</b>	<b>3,083</b>
Purchases and services . . . . .	(1,461)	(1,440)	(1,754)	(663)	(1,689)
Other operating costs . . . . .	(113)	(151)	(148)	(58)	(145)
Personnel expenses . . . . .	(128)	(150)	(214)	(80)	(209)
Restructuring costs . . . . .	—	—	(60)	—	(140)
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets . . . . .</b>	<b>328</b>	<b>357</b>	<b>717</b>	<b>184</b>	<b>900</b>
Depreciation and amortization . . . . .	(327)	(378)	(653)	(201)	(1,616)
Impairment losses on non-current assets . . . . .	(9)	—	(1,685)	—	—
Losses on disposal of non-current assets . . . . .	(5)	—	(1)	—	(5)
<b>Operating income/(loss) . . . . .</b>	<b>(13)</b>	<b>(21)</b>	<b>(1,622)</b>	<b>(17)</b>	<b>(721)</b>
Finance income . . . . .	2	1	36	—	54
Finance expense . . . . .	(51)	(54)	(140)	(25)	(339)
Foreign exchange losses, net . . . . .	(1)	(2)	(1)	—	(2)
<b>Loss before tax . . . . .</b>	<b>(63)</b>	<b>(76)</b>	<b>(1,727)</b>	<b>(42)</b>	<b>(1,008)</b>
Income tax benefits/(expenses) . . . . .	—	4	47	—	(42)
<b>Loss for the period . . . . .</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>(1,050)</b>
Non-controlling interests . . . . .	—	—	—	—	—
<b>Loss for the period attributable to the owners of the parent . . . . .</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>(1,050)</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016, and of WIND for the two months ended December 31, 2016.

(2) Includes only results of H3G S.p.A. for the six months ended June 30, 2016.

**Selected Consolidated Statement of Financial Position Information of Wind Tre:**

	As of December 31,			As of June 30,	
	2014	2015	2016	2017	
	(€ in millions)				
				(Unaudited)	
Intangible assets . . . . .	3,874	3,890	10,001	9,882	
Property plant and equipment . . . . .	2,981	3,041	5,618	4,518	
Trade receivables . . . . .	684	528	1,287	1,138	
<b>Total assets . . . . .</b>	<b>7,906</b>	<b>7,802</b>	<b>20,887</b>	<b>19,210</b>	
Trade payables . . . . .	736	619	2,272	1,914	
Current financial liabilities . . . . .	2,237	2,407	176	166	
Non-current financial liabilities . . . . .	301	276	12,838	12,476	
<b>Total liabilities . . . . .</b>	<b>3,785</b>	<b>3,753</b>	<b>16,683</b>	<b>16,045</b>	
<b>Total shareholders' equity . . . . .</b>	<b>4,121</b>	<b>4,049</b>	<b>4,204</b>	<b>3,165</b>	
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>7,906</b>	<b>7,802</b>	<b>20,887</b>	<b>19,210</b>	

**Selected Consolidated Cash Flow Statement Information of Wind Tre:**

	For the year ended			For the six	
	December 31,			months ended	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)				
				(Unaudited)	
Net cash flows from operating activities . . . . .	389	538	810	423	415
Net cash flows used in investing activities . . . . .	(407)	(653)	(407)	(288)	(441)
Net cash flows from/(used in) financing activities . . . . .	(75)	105	(98)	(17)	(7)

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016, and of WIND for the two months ended December 31, 2016.

(2) Includes only results of H3G S.p.A. for the six months ended June 30, 2016.

**Selected Consolidated Income Statement Information of WIND:**

	For the year ended December 31,		For the ten months ended of October 31,
	2014	2015	2016
	(€ in millions)		
	(Unaudited)		
Revenue . . . . .	4,393	4,304	3,613
Other revenue . . . . .	240	124	95
<b>Total revenue . . . . .</b>	<b>4,633</b>	<b>4,428</b>	<b>3,708</b>
Purchases and services . . . . .	(2,338)	(2,290)	(1,930)
Other operating costs . . . . .	(178)	(154)	(134)
Personnel expenses . . . . .	(313)	(294)	(237)
Restructuring costs . . . . .	—	(19)	—
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>	<b>1,804</b>	<b>1,671</b>	<b>1,407</b>
Depreciation and amortization . . . . .	(1,214)	(1,177)	(963)
Impairment losses on non-current assets . . . . .	(13)	(31)	—
Gains/(losses) on disposal of non-current assets . . . . .	(4)	482	(1)
<b>Operating income . . . . .</b>	<b>573</b>	<b>945</b>	<b>443</b>
Finance income . . . . .	68	157	453
Finance expense . . . . .	(1,414)	(667)	(479)
Foreign exchange losses, net . . . . .	(39)	(16)	(1)
<b>Profit/(Loss) before tax . . . . .</b>	<b>(812)</b>	<b>419</b>	<b>416</b>
Income tax benefit/(expense) . . . . .	103	9	(87)
<b>Profit/(Loss) for the period . . . . .</b>	<b>(709)</b>	<b>428</b>	<b>329</b>
Non-controlling interests . . . . .	—	—	—
<b>Profit/(Loss) for the period attributable to the owners of the parent . .</b>	<b>(709)</b>	<b>428</b>	<b>329</b>

**Selected Consolidated Statement of Financial Position Information of WIND:**

	As of December 31,		As of
	2014	2015	October 31, 2016
	(€ in millions)		
	(Unaudited)		
Intangible assets . . . . .	8,283	8,038	7,862
Property, plant and equipment . . . . .	3,273	2,855	2,642
Trade receivables . . . . .	949	996	973
<b>Total assets . . . . .</b>	<b>14,758</b>	<b>14,887</b>	<b>14,669</b>
Trade payables . . . . .	1,661	1,609	1,402
Current financial liabilities . . . . .	413	203	73
Non-current financial liabilities . . . . .	10,867	10,970	10,936
<b>Total liabilities . . . . .</b>	<b>14,647</b>	<b>14,340</b>	<b>13,791</b>
<b>Total shareholders' equity . . . . .</b>	<b>111</b>	<b>547</b>	<b>878</b>
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>14,758</b>	<b>14,887</b>	<b>14,669</b>

**Selected Consolidated Cash Flow Statement Information of WIND:**

	For the year ended December 31,		For the ten months ended
	2014	2015	October 31, 2016
	(€ in millions)		
	(Unaudited)		
Net cash flow from operating activities . . . . .	783	875	546
Net cash flows used in investing activities . . . . .	(1,531)	(142)	(601)
Net cash flows from/(used in) financing activities . . . . .	810	(654)	(18)



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Wind Tre

*The following is a discussion and analysis of the results of operations and financial condition of Wind Tre based on the audited consolidated financial statements of Wind Tre and its consolidated subsidiaries as of and for the years ended December 31, 2014, 2015 and 2016, and the unaudited consolidated financial statements of Wind Tre and its consolidated subsidiaries as of and for the six months ended June 30, 2016 and 2017, all prepared in accordance with IFRS, and the unaudited pro forma consolidated financial information of Wind Tre for the six months ended June 30, 2017.*

*H3G S.p.A. is Wind Tre's "Predecessor" for accounting purposes. The consolidated financial information of Wind Tre as of and for the year ended December 31, 2016 is composed of: (i) Wind Tre, including the results of WIND, as of December 31, 2016 and for the period beginning November 1, 2016 (although the legal effective date on which the business combination between entities under common control occurred is November 5, 2016, the accounting effective date used is November 1, 2016) and ended December 31, 2016 and (ii) H3G S.p.A. for the period beginning January 1, 2016 and ending December 31, 2016. The data and results of previous financial years correspond exclusively to H3G S.p.A., unless otherwise expressly stated, which affects the comparability of Wind Tre's results of operation between these periods. This Management's Discussion and Analysis of Financial Condition and Results of Operations also includes the unaudited pro forma consolidated financial information of Wind Tre, presented on an unaudited pro forma basis to give pro forma effect to the Merger as if it had occurred on January 1, 2016. The unaudited pro forma consolidated financial data has not been prepared in accordance with the requirements of Regulation S-X of the Securities Act, the Prospectus Directive, IFRS or any other generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting unaudited pro forma consolidated financial information has been audited or reviewed in accordance with any generally accepted auditing standards. See "Presentation of Financial Information—Pro Forma and Pro Forma As Adjusted Consolidated Financial Information."*

*In this Management's Discussion and Analysis of Financial Condition and Results of Operations, references to Mobile and Fixed-line are capitalized where, and to the extent that, the references are to the reporting units in the consolidated financial statements of Wind Tre and its consolidated subsidiaries prepared in accordance with IFRS.*

*You should read this discussion in conjunction with the consolidated financial statements of Wind Tre and the "Unaudited Pro Forma Consolidated Financial Information" and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to Wind Tre's consolidated financial statements is set forth below in "—Critical Accounting Estimates." You should also review the information in the section "—Presentation of Financial Statements." This discussion also includes forward-looking statements which, although based on assumptions that management considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing the Issuer and Wind Tre as a result of various factors, see "Forward-Looking Statements" and "Risk Factors."*

### WIND

*Following the Management's Discussion and Analysis of Financial Condition and Results of Operations for Wind Tre, contained herein, is a standalone Management's Discussion and Analysis of Financial Condition and Results of Operations for WIND. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations for WIND."*

## Overview

### *Wind Tre*

Wind Tre is a leading integrated telecommunications operator in the Italian market, offering mobile, Internet, fixed-line voice and data products and services to consumer and corporate customers. Wind Tre was formed through the combination of WIND Telecomunicazioni S.p.A. and H3G S.p.A., which was effective as of November 5, 2016. The Merger is expected to strengthen Wind Tre's credit profile and create value for stakeholders by, among other things: (i) reinforcing Wind Tre's competitive position in the Italian market by creating a leading integrated operator with an extensive network; (ii) providing operating and capital expenditure synergy potential as a result of network and commercial optimization and cost reductions; and (iii) improving cash flow generation and deleveraging potential. Wind Tre markets its mobile services through a dual brand strategy in the consumer segment, retaining both the WIND and "3" brands in order to leverage their strong and complementary positions. In the business market segment, Wind Tre is pursuing a fully integrated brand approach under the new "Wind Tre Business" brand, to leverage the scale and capacity of the combined group. As of June 30, 2017, Wind Tre's mobile business had 30.3 million subscribers, making it one of the largest in Italy based on number of subscribers. Wind Tre's fixed-line business, which includes Internet, voice and data services, is the leading alternative fixed-line operator in Italy, based on number of subscribers, with a fixed-line voice customer base of 2.7 million, of which 2.4 million are fixed-line broadband subscribers as of June 30, 2017. For the twelve months ended June 30, 2017, Wind Tre generated *pro forma* total revenue of €6,496 million and *Pro Forma* Adjusted EBITDA of €2,478 million. For the twelve months ended June 30, 2017, Wind Tre's mobile and fixed-line businesses comprised 81.9% and 18.1%, respectively, of Wind Tre's *pro forma* total revenues. For a description of the calculation of Wind Tre's *Pro Forma* Adjusted EBITDA, see "*Presentation of Financial Information*" and "*Summary—Summary Consolidated Financial Information of Wind Tre Group.*"

Wind Tre's mobile market share is approximately 36.5%, as of June 30, 2017, based on number of total mobile subscribers (excluding MVNOs). Wind Tre markets the WIND brand as its "smart, value-for-money" proposition that is oriented towards families and households, and markets the "3" brand as its "innovation and technology" proposition that is oriented towards a younger customer demographic, both of which are highly desirable and complementary segments of the market oriented towards future generations. Following the Merger, Wind Tre has positioned these brands and re-aligned their respective offerings in order to optimize their market impact. Wind Tre believes the strength of its brands, which have been developed over a long period of time and through considerable investment, are key differentiators between it and certain of its competitors in the market. Wind Tre provides a full range of voice, network access, international roaming and value added services ("VAS") as well as mobile internet services to its mobile subscribers on all available telecommunications technologies, including the most recent long-term evolution ("LTE") technologies (which are known as "**fourth generation**" or "**4G**" technologies). In line with the Italian telecommunications market, the majority of Wind Tre's mobile subscribers are prepaid subscribers.

Wind Tre is the leading alternative fixed-line operator in Italy, based on number of subscribers. Wind Tre markets its fixed-line voice, broadband and data services primarily through its "Infostrada" brand. Wind Tre believes that the Italian fixed-line market provides a favorable competitive environment due to relatively low broadband penetration rates in Italy, as compared to the rest of the EU, and because of the absence of cable television infrastructure. The Italian Ultra-Broadband Strategy, has proposed to increase fixed-line broadband penetration in Italy. Wind Tre believes that its nationwide telecommunications network, in combination with its use of local loop unbundling ("LLU"), ideally positions it to increase its share of direct voice subscribers, with approximately 70% of the Italian population already covered with Wind Tre's LLU services. As of June 30, 2017, 2.5 million of its fixed-line voice subscribers were direct voice subscribers. Furthermore, in 2016 Wind Tre entered into an agreement with Open Fiber (formerly Enel Open Fiber, Italy's state-backed utility firm) with the aim of re-enforcing its ability to offer ultra-broadband services in the fixed-line market. Open Fiber is targeting the creation of

a country-wide independent fiber network connecting approximately 9.5 million building units by the end of 2022. Open Fiber has already reached approximately 1.9 million building units as of August 2017 and intends to reach 2.7 million building units by the end of 2017. The agreement, which is already active in the first 13 cities reached by Open Fiber's infrastructure, has been extended to another 258 Italian cities (for a total of 271).

Following the Merger, Wind Tre is an indirect wholly owned subsidiary of VIP-CKH Luxembourg S.à r.l., a 50/50 joint venture entity that is owned by VEON and CKHH. VEON is headquartered in Amsterdam, The Netherlands, with publicly listed securities traded on NASDAQ and Euronext Amsterdam and with a market capitalization of approximately \$7.1 billion, as of June 30, 2017, is a global provider of telecommunications services across 12 countries with revenues of approximately \$9 billion in 2016. CKHH, headquartered in Hong Kong, with publicly listed securities traded on the Hong Kong Stock Exchange and with a market capitalization of approximately HKD 385 billion (\$49.8 billion equivalent), as of June 30, 2017, is a conglomerate with investments across a number of sectors including telecommunications with revenues in excess of \$33 billion in 2016. See "*Principal Shareholders.*"

## **Recent Developments**

### ***Recent Trading***

As of the date hereof, Wind Tre has not yet finalized its financial statements in respect of the nine months and the three months ended September 30, 2017. However, based upon preliminary non-IFRS management estimates for the nine months and three months ended September 30, 2017, Wind Tre anticipates that it will report results reflecting that the negative trend in revenue (in each case, compared to the nine months and the three months ended September 30, 2016 on a *pro forma* basis and as experienced in the six months ended June 30, 2017 (compared to the six months ended June 30, 2016 on a *pro forma* basis)) will continue, primarily due to continuing competitive pressure, mainly in the mobile market. The effect upon EBITDA of a decrease in revenue is expected to be largely offset by the continued realization of cost savings attributable to the ongoing synergy initiatives initiated in connection with the Merger. For a description of these operating expense synergies, please see "*Summary—Summary Consolidated Financial Information of Wind Tre Group.*"

*The above information is based on preliminary results and estimates and is not intended to be a comprehensive statement as to what Wind Tre's financial or operational results for the nine or three months ended September 30, 2017. Wind Tre's independent auditors have not audited, reviewed, compiled or performed any procedures with respect to the recent trading, and accordingly, the independent auditors of Wind Tre do not express an opinion or provide any form of assurance with respect thereto for the purpose of this Offering Memorandum. The preliminary results mentioned above are derived from Wind Tre's non-IFRS management accounts, rather than Wind Tre's IFRS financials. Wind Tre's preliminary estimates in relation to the nine and three months ended September 30, 2017, are based on a number of assumptions that are subject to inherent uncertainties and subject to change. In addition, while Wind Tre believes that the estimates that serve as the basis for the above statements to be reasonable, over the course of the next several weeks Wind Tre will be completing its financial statements for the three months ended September 30, 2017. Accordingly, Wind Tre's actual results for the nine and three months ended September 30, 2017, may vary from its preliminary results and estimates, and such variations could be material. As such, you should not place undue reliance on them. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect Wind Tre's future performance and results of operation.*

### ***GSM1800 and GSM900 License Extension***

Wind Tre's license to provide mobile telephone services in Italy using digital GSM1800 and GSM900 technology, which was originally due to expire on June 30, 2018, was extended until December 31,

2029, following Wind Tre's payment, from cash on hand, of the extension and re-farming fee of approximately €434 million in September 2017.

#### ***Non-Recourse Assignment of Iliad Receivables***

Wind Tre is in the process of finalizing a non-recourse assignment of the €400 million in outstanding receivables owed by Iliad to Wind Tre, payable between 2017 and 2019, for the spectrum blocks transferred, and to be released, by Wind Tre to Iliad, as discussed further under "*The Merger—Agreements with Iliad.*" Under this arrangement, the bank assignee would make a net payment to Wind Tre of approximately €390 million, with final pricing calculated based on market conditions at the time of sale. Closing and payment is expected to occur during the three months ended December 31, 2017, subject to the satisfaction of certain closing conditions. Iliad has already paid €50 million for the spectrum blocks transferred.

#### ***Initial Phase of Network Consolidation***

Starting from May 2, 2017, roaming on WIND's 2G, 3G and 4G networks was gradually opened all around Italy in areas where there was no "3" coverage, for "3" customers, who can now use WIND's network at the same prices and with the same services as on the "3" network. In August 2017, Wind Tre started its first phase of network consolidation of the historical WIND and "3" network infrastructure through the decommissioning and consolidation of duplicative infrastructure. The results of the first phase are still under review by Wind Tre, but initial results show very good network performance.

#### ***Sale of 10% Stake in Galata***

On July 4, 2017, Wind Tre sold all of its shares in Galata, which had comprised 10% of the shares of Galata. The shares were sold for a book value of €77 million to Cellnex for a total of €87 million. This followed the sale in March 2015 of 90% of its shares in Galata to a wholly owned subsidiary of Abertis Telecom Terrestre.

Galata is a company active in the towers business segment that owns approximately 7,400 tower sites acquired from WIND in 2015, together with the relevant functions, employees and related contracts. WIND entered into a tower services agreement with Galata for an initial term of 15 years for the provision of a broad range of services on Galata's sites and sites subsequently built by Galata hosting Wind Tre equipment.

### **Key Factors Affecting Results of Operations**

#### ***Overview***

Wind Tre generates most of its revenue from the provision of mobile and fixed-line telecommunication services. Wind Tre believes that its ability to provide bundled mobile services (including Internet, Voice and SMS) and bundled fixed-line services, as well as convergent services (bundling fixed and mobile services together), is, and will become, even more important as a competitive advantage in the near-to-medium term.

#### ***Mobile***

Mobile revenue is primarily driven by the average number of subscribers, churn and ARPU.

In the Italian mobile market, growth and churn of the mobile subscriber base depend on a number of factors, including pricing, quality of service, availability of new services and new technology (for example, LTE/4G technology), overall market growth, the level of competition for obtaining new subscribers, the retention of existing subscribers and general economic conditions.

ARPU is mainly driven by prices, and, in particular, prices of bundled tariffs (including Voice, SMS and Data allowances for a fixed monthly fee) paid by the customers and revenues from interconnection. Pricing, in turn, is primarily driven by the level of competition in the market. Wind Tre believes that, in the future, ARPU trends could be positively impacted by growth in data services utilization and could be negatively impacted by declining prices as a consequence of increased competition.

### **Fixed-Line**

Fixed-line revenues are primarily driven by: (i) the average number of subscribers; (ii) the mix of the subscriber base between direct subscribers (subscribers who can access Wind Tre’s network directly, either through LLU or other direct connections from customers’ sites to Wind Tre’s network, which includes both corporate and consumer subscribers) and indirect subscribers (subscribers who access Wind Tre’s network through Telecom Italia’s network but who are managed commercially by Wind Tre); (iii) the mix of the subscriber base between consumer and corporate customers; and (iv) the prices charged for activation and monthly fees.

Growth of the Fixed-line subscriber base depends on a number of factors, including pricing and the availability of new services and technologies, the ability to attract new subscribers and retain existing subscribers and general economic conditions.

Growth of the Internet subscriber base depends on a number of factors, including penetration and performance of Internet services, pricing, the availability of new services and technologies (including the expanding availability of fiber and an overall improvement in broadband quality), the ability to attract new subscribers and retain existing subscribers and general economic conditions.

### **Management View Information**

Set forth below is certain management view information presenting management’s breakdown of Wind Tre’s financial results between Wind Tre’s mobile and fixed-line businesses. See “—Principal Factors Affecting Mobile Revenues,” “—Principal Factors Affecting Internet and Fixed-Line Voice Revenues,” “—Results of Operations” and “—Presentation of Financial Statements.”

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)				
	(Pro Forma)				
<b>Management view data:</b>					
Revenues management view:					
Mobile	2,030	2,098	2,679	2,536	2,492
Fixed-line <sup>(3)</sup>	—	—	214	542	591
EBITDA (excluding restructuring costs) management view:					
Mobile	328	357	703	825	857
Fixed-line <sup>(3)</sup>	—	—	75	139	183

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

(3) Fixed-line services were historically offered by WIND, but not H3G S.p.A. Following the Merger, Wind Tre offers such fixed-line services under both brands.

## Principal Factors Affecting Mobile Revenues

### Subscriber Base

The table below sets forth selected subscriber data for the Mobile business as of and for the periods indicated.

	Mobile Subscriber Base					
	As of and for the year ended December 31,			As of and for the six months ended June 30,		
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2016 <sup>(3)</sup>	2017
	(in millions of subscribers)					
	(Pro Forma)					
<b>Total subscriber base:</b>						
Total subscribers at beginning of period . . . . .	9.7	10.0	10.1	10.1	31.2	31.3
Total disconnections during period . . . . .	(4.1)	(4.5)	(4.1)	(2.0)	(5.1)	(5.6)
Total new activations during period . . . . .	4.4	4.6	4.8	2.4	5.2	4.5
WIND Contribution . . . . .	—	—	20.6	—	—	—
<b>Total subscribers at end of period . . . . .</b>	<b>10.0</b>	<b>10.1</b>	<b>31.3</b>	<b>10.5</b>	<b>31.3</b>	<b>30.3</b>

(1) Includes the results for H3G S.p.A. for the twelve months ended December 31, 2016 and the Mobile subscriber base of WIND as of December 31, 2016.

(2) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(3) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

The Mobile subscriber base of Wind Tre as of June 30, 2017 as compared to June 30, 2016, increased from 10.5 million subscribers to 30.3 million as a consequence of the Merger. The Mobile subscriber base as of June 30, 2017, as compared to June 30, 2016, presented on a *pro forma* basis, decreased by 1.0 million subscribers, or 3.4%, from 31.3 million subscribers to 30.3 million, which was primarily attributable to a total market contraction, increased market competition and a harmonization of customer base definition rules between the “3” and WIND brands.

The Mobile subscriber base of Wind Tre as of December 31, 2016 was 31.3 million subscribers, an increase of 21.2 million subscribers, from 10.1 million subscribers as of December 31, 2015, as a consequence of the Merger. Excluding the Mobile subscriber base of WIND as of December 31, 2016, which was 20.6 million subscribers, Wind Tre’s Mobile subscriber base would have been 10.8 million subscribers, an increase of 0.7 million subscribers, or 6.8%, from 10.1 million subscribers over the prior period. Such increase was mainly attributable to (i) the decrease of 0.4 million in the number of disconnections from 4.5 million as of December 31, 2015 to 4.1 million as of December 31, 2016, which was primarily attributable to the increased success of certain commercial and retention initiatives targeting the existing customer base, and (ii) the increase of 0.2 million in the number of activations from 4.6 million as of December 31, 2015 to 4.8 million as of December 31, 2016.

The Mobile subscriber base of Wind Tre remained relatively stable over the period between December 31, 2014 and December 31, 2015, with the number of subscribers increasing by 0.1 million subscribers, or 1.0%, from 10.0 million subscribers as of December 31, 2014 to 10.1 million subscribers as of December 31, 2015.

Wind Tre has continued to focus its attention on areas of value growth, such as Mobile Internet as well as the introduction of new products to attract and retain subscribers and bundles including voice traffic, data allowance and SMS, for a fixed monthly fee. The Italian Mobile telephone market is characterized by subscribers with multiple SIM cards, and Wind Tre believes that bundle options push subscribers to migrate from using Wind Tre as their second or third service provider to using it as their

primary service provider, thus increasing subscriber traffic and value. See “*Business—Overview—Overview of Operations—Mobile Operations.*”

### Churn

Following the Merger, Wind Tre harmonized its customer churn policies between the WIND and “3” brands, adopting WIND’s historical policy. Under this policy, which became applicable to “3” customers starting in 2017, a prepaid mobile subscriber is automatically deactivated or “churned” when: (i) they have not recharged their mobile credit in the last thirteen months; (ii) the subscriber has requested to have their SIM card deactivated; (iii) the subscriber has requested and obtained through mobile number portability a switch to another telecommunications operator; or (iv) if a fraud event has occurred. A postpaid subscriber is deemed to have churned when (i) they request that their SIM card is deactivated; (ii) there is a payment default; (iii) the subscriber has requested and obtained through mobile number portability a switch to another telecommunications operator; or (iv) a fraud event has occurred. Historically, “3” customers were deactivated based on a specific analysis of, or specific actions taken by, subscribers. See “*Industry, Market and Subscriber Data of Wind Tre.*”

The table below sets forth Wind Tre’s Mobile churn rate for each of the periods indicated.

	Mobile Churn Rate					
	For the year ended December 31,			For the six months ended June 30,		
	2014	2015	2016 <sup>(1)</sup> (Pro Forma)	2016 <sup>(2)</sup>	2016 <sup>(3)</sup> (Pro Forma)	2017
Churn rate . . . . .	41.3%	44.9%	33.4%	38.7%	32.8%	36.5%

- (1) Reflects the results of Wind Tre for the year ended December 31, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.
- (2) Includes results of H3G S.p.A. for the six months ended June 30, 2016.
- (3) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Wind Tre’s Mobile churn rate decreased to 36.5% for the six months ended June 30, 2017, from 38.7% for the six months ended June 30, 2016, as a consequence of the Merger. Wind Tre’s mobile churn rate increased to 36.5% for the six months ended June 30, 2017, from 32.8% for the six months ended June 30, 2016, on a *pro forma* basis. Wind Tre attributes the increase in churn rate primarily to increased competition in the market mainly from an increase in offers and promotions on mobile number portability, which led to an increase in the number of deactivations as more subscribers changed networks.

Wind Tre’s Mobile churn rate was 33.4% for the year ended December 31, 2016, on a *pro forma* basis, compared to 44.9% for the year ended December 31, 2015, as a consequence of the Merger.

Wind Tre’s Mobile churn rate increased to 44.9% for the year ended December 31, 2015, from 41.3% for the year ended December 31, 2014. The increase in Mobile churn rate was primarily attributable to an increase in customers activating, and subsequently deactivating, a “3” SIM card, which led to an increase in both activations and disconnections, causing the increase in churn. Such activations and deactivations were primarily attributable to an increase in promotional activities and competition in the market.

## ARPU

The table below sets forth Wind Tre's Mobile voice ARPU, Mobile data ARPU and Mobile total ARPU in its Mobile business for the periods indicated.

	Mobile ARPU					
	For the year ended December 31,			For the six months ended June 30,		
	2014	2015	2016 <sup>(1)</sup> <i>(Pro Forma)</i>	2016 <sup>(2)</sup>	2016 <sup>(3)</sup> <i>(Pro Forma)</i>	2017
Voice ARPU . . . . .	€ 5.5	€ 5.2	€ 5.9	€ 5.5	€ 5.7	€ 5.3
Data ARPU . . . . .	€ 6.1	€ 7.0	€ 5.6	€ 6.8	€ 5.4	€ 5.7
<b>Total ARPU . . . . .</b>	<b>€11.6</b>	<b>€12.2</b>	<b>€11.5</b>	<b>€12.2</b>	<b>€11.1</b>	<b>€11.1</b>
Increase/(Decrease) from prior equivalent period . . . . .	—	5.2%	—	—	—	—
Data ARPU as percentage of total ARPU . . .	52.4%	57.4%	48.9%	55.4%	48.4%	51.9%

(1) Reflects the results of Wind Tre for the year ended December 31, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

(2) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(3) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Voice ARPU decreased by 3.6% to €5.3 for the six months ended June 30, 2017, from €5.5 for the six months ended June 30, 2016, as a consequence of the Merger. Voice ARPU decreased by 6.9%, to €5.3 for the for the six months ended June 30, 2017 from €5.7 for the six months ended June 30, 2016, presented on a *pro forma* basis. The decrease was primarily attributable to the general market trend of increased use of all-inclusive bundles that include increased amounts of minutes for a fixed monthly fee.

Data ARPU decreased by 15.3% to €5.7 for the six months ended June 30, 2017, from €6.8 for the six months ended June 30, 2016 as a consequence of the Merger. Data ARPU increased by €0.3, or 7.0%, to €5.7 for the for the six months ended June 30, 2017 from €5.4 for the six months ended June 30, 2016, presented on a *pro forma* basis. The increase was primarily attributable to the growth in data customers coupled with increased data usage per customer as a result of the growing success of Wind Tre's Mobile Internet offerings in addition to increased demand for data in the market.

Total ARPU decreased by 9.0% to €11.1 for the six months ended June 30, 2017 from €12.2 for six months ended June 30, 2016 as a consequence of the Merger. Total ARPU for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, presented on a *pro forma* basis, remained stable over the period at €11.1.

Voice ARPU increased to €5.9 for the year ended December 31, 2016 presented on a *pro forma* basis, compared to €5.2 for the year ended December 31, 2015, exclusively as a consequence of the Merger.

Data ARPU decreased to €5.6 for the year ended December 31, 2016 presented on a *pro forma* basis, compared to €7.0 for the year ended December 31, 2015, exclusively as a consequence of the Merger.

Total ARPU decreased to €11.5 for the year ended December 31, 2016 presented on a *pro forma* basis, compared to €12.2 for the year ended December 31, 2015, exclusively as a consequence of the Merger.

Voice ARPU decreased by 6.0% to €5.2 for the year ended December 31, 2015 from €5.5 for the year ended December 31, 2014, which was primarily attributable to an increase in competitive approach on pricing.



Data ARPU increased by 15.1% to €7.0 for the year ended December 31, 2015 from €6.1 for the year ended December 31, 2014, which was primarily due to the growing success of Wind Tre's Mobile Internet offerings coupled with increased penetration in the customer base of data users, as well as increased demand for bundles that include increased amounts of data.

Total ARPU increased by 5.2% to €12.2 for the year ended December 31, 2015 from €11.6 for the year ended December 31, 2014. Wind Tre attributes this increase to the increase in Data ARPU, which was partially offset by the decrease in Voice ARPU over the same period, each as described above.

### ***Principal Factors Affecting Internet and Fixed-Line Voice Revenues***

#### ***Subscriber Base***

The table below sets forth selected subscriber data for Wind Tre's Fixed-line business broken down by direct voice and indirect voice subscribers.

	<b>Fixed-Line Subscriber Base</b>		
	<b>As of December 31, 2016<sup>(1)</sup></b>	<b>As of June 30, 2016<sup>(2)</sup></b>	<b>As of June 30, 2017</b>
	<b>(in millions of subscribers) (Pro Forma)</b>		
Total direct voice . . . . .	2.5	2.5	2.5
Total indirect voice . . . . .	0.2	0.3	0.2
<b>Total voice . . . . .</b>	<b>2.7</b>	<b>2.8</b>	<b>2.7</b>
<b>Total internet . . . . .</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>

(1) Includes the results of WIND for only two months ended December 31, 2016 because Fixed-Line services were historically offered by WIND but not H3G S.p.A. Following the Merger, Wind Tre's business includes such Fixed-Line services for both brands.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016, after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

The total number of Wind Tre's Fixed-line voice subscribers was 2.7 million as of June 30, 2017. As of June 30, 2016, Wind Tre's Fixed-line voice subscriber base was nil due to the fact that, prior to the Merger, Wind Tre did not offer any Fixed-line services. The total number of Wind Tre's Fixed-line voice subscribers decreased by 0.1 million, or 3.6%, to 2.7 million as of June 30, 2017, from 2.8 million as of June 30, 2016, presented on a *pro forma* basis, mainly due to the reduction in indirect subscribers as a consequence of Wind Tre's strategy focusing on the direct segment.

The total number of Wind Tre's Internet access subscribers (almost completely represented by broadband) was 2.4 million as of June 30, 2017. As of June 30, 2016, Wind Tre's Internet access subscriber base was nil due to the fact that prior to the Merger, Wind Tre did not offer any Fixed-line services. The total number of Wind Tre's Internet access subscribers increased by 0.1 million, or 2.4%, to 2.4 million as of June 30, 2017 from 2.3 million as of June 30, 2016, presented on a *pro forma* basis as a consequence of increasing demand for broadband connections in the market.

## ARPU

The table below sets forth Wind Tre's voice ARPU, data ARPU and total ARPU in its Internet, Fixed-line voice and data businesses for the periods indicated.

	Fixed-Line ARPU		
	For the year ended December 31, 2016 <sup>(1)</sup>	For the six months ended June 30, 2016 <sup>(2)</sup>	For the six months ended June 30, 2017
	(Pro Forma)	(Pro Forma)	
Voice ARPU . . . . .	€ 9.8	€ 9.9	€ 9.0
Data ARPU . . . . .	€17.8	€17.2	€18.9
<b>Total ARPU . . . . .</b>	<b>€27.6</b>	<b>€27.1</b>	<b>€27.8</b>
<b>Broadband ARPU . . . . .</b>	<b>€21.2</b>	<b>€20.7</b>	<b>€21.8</b>

(1) Reflects the results of Wind Tre for the year ended December 31, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Voice ARPU was €9.0 for the six months ended June 30, 2017. For the six months ended June 30, 2016, Wind Tre's voice ARPU was nil due to the fact that, prior to the Merger, Wind Tre did not offer any Fixed-line services. Voice ARPU decreased by €0.9, or 9.1%, to €9.0 for the six months ended June 30, 2017 from €9.9 for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to fixed-to-mobile substitution in conjunction with the growing preference by customers for fixed dual-play bundles offering unlimited DSL and pay-per-use voice, for a lower monthly fee.

Data ARPU was €18.9 for the six months ended June 30, 2017. For the six months ended June 30, 2016, Wind Tre's data ARPU was nil due to the fact that, prior to the Merger, Wind Tre did not offer any Fixed-line services. Data ARPU increased by €1.7, or 9.9%, to €18.9 for the six months ended June 30, 2017 from €17.2 for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the increased demand for broadband connections in the market coupled with effective commercial initiatives undertaken in the fourth quarter of 2016.

Total ARPU was €27.8 for the six months ended June 30, 2017. For the six months ended June 30, 2016, Wind Tre's total ARPU was nil due to the fact that prior to the Merger, Wind Tre did not offer any Fixed-line services. Total ARPU increased by €0.7, or 2.6%, to €27.8 for the six months ended June 30, 2017 from €27.1 for the six months ended June 30, 2016, presented on a *pro forma* basis. Such increase was primarily attributable to the increase in Data ARPU, which was partially offset by the decline in Voice ARPU, each as described above.

Broadband ARPU was €21.8 for the six months ended June 30, 2017. For the six months ended June 30, 2016, Wind Tre's broadband ARPU was nil due to the fact that, prior to the Merger, Wind Tre did not offer any Fixed-line services. Broadband ARPU increased by €1.1, or 5.3%, to €21.8 for the six months ended June 30, 2017, from €20.7 for the six months ended June 30, 2016, presented on a *pro forma* basis, primarily due to the increased demand for broadband connections, coupled with effective commercial initiatives undertaken in the fourth quarter of 2016.

## General Economic Conditions

While general economic conditions in Italy were still affected by the global financial crisis in 2014 and the beginning of 2015, several macroeconomic conditions have since improved. For instance, period-on-period real GDP has grown consistently. Additionally, the unemployment rate has decreased from approximately 12.3% as of December 31, 2014, to approximately 11.1% as of June 30, 2017, while the year-

on-year growth in Italian industrial production has witnessed a sustained improvement over the twelve month period ended June 30, 2017.

### **Other Factors Affecting Results of Operation**

The ongoing impact of the Merger and related events is expected to continue to affect the results of the Wind Tre Group going forward. This will include the effect of:

- the ongoing identification, implementation and optimization of synergies and cost savings, of which €54 million were realized in the six months ended June 30, 2017;
- the impact of restructuring costs associated with the implementation of Wind Tre's restructuring and reorganization plan. Wind Tre believes it will incur further restructuring costs of approximately €400 million by the end of the 2018 financial year; and
- the impact of the transactions with Iliad, including: (i) the effect of the entrance of Iliad on competition in the Italian market; (ii) the receivables payable by Iliad in relation to the remedy transactions consummated by the parties, of which €50 million has been paid and €400 million is outstanding; and (iii) the accelerated depreciation and amortization expenses relating to the sale of certain network sites to Iliad.

Each of these will have an ongoing effect over the coming years in terms of impact on revenues, EBITDA, costs and key-performance indicators.

Wind Tre's license to provide mobile telephone services in Italy using digital GSM1800 and GSM900 technology, which was originally due to expire on June 30, 2018, was extended until December 31, 2029, following Wind Tre's payment, from cash on hand, of the extension and re-farming fee of approximately €434 million in September 2017. This payment will impact Wind Tre's costs and EBITDA for the third quarter of 2017.

### ***Presentation of Financial Statements***

#### ***Revenue***

Revenue includes revenues from services, revenue from sales and other revenue as discussed below:

#### ***Revenue from Services***

Revenue from services consists of revenues from:

- *telephone services*, including revenues from, among others, traffic, roaming revenues from Wind Tre's customers traveling abroad, fees and contributions from Wind Tre's Mobile and Fixed-line (including Internet) businesses;
- *interconnection traffic*, relating to incoming calls from other operators' networks to Wind Tre's Mobile and Fixed-line networks;
- *international roaming*, relating to calls made by subscribers of foreign mobile network operators while traveling in Italy;
- *judicial authority services*, which are revenues for services Wind Tre is required to provide to judicial authorities; and
- *other revenue from services*, which primarily relate to leased lines and access fees charged to telecom operators and penalties charged to its Mobile and Fixed-line customers.

### *Revenue from Sales*

Revenue from sales primarily relates to the sale of SIM cards, mobile and fixed-line phones and related accessories.

### *Other Revenue*

Other revenue primarily relates to revenue arising from the settlement of commercial disputes and penalties charged to suppliers. Other revenue also include the straight-line amortization of deferred revenue relating to asset related grants.

### *Purchases and Services*

Purchases and services primarily include:

- *interconnection traffic costs*, relating to the costs incurred to connect Wind Tre customers to other networks;
- *lease and rental costs*, which include lease of civil and technical sites, lease of telecommunication circuits and lease of local access network;
- *customer acquisition costs* mainly relating to commissions on sales of scratch cards, commissions to agents and commissions to dealers;
- *purchases of raw materials, consumables, supplies and goods* mainly relating to mobile telephone handsets and to SIM cards;
- *advertising and promotional services*; and
- *other costs incurred in the provisions of services*, including maintenance costs for network and information systems, and costs for outsourced services (e.g., call center services, invoice delivery, and credit collection), utilities and consultancies an professional services.

### *Other Operating Costs*

Other operating costs include write-downs of trade receivables and current assets, accruals to provisions for risks and charges, annual contributions for license and frequency fees, gifts and ancillary operating expenses.

### *Personnel Expenses*

Personnel expenses primarily include wages and salaries, social security charges, and post-employment benefits, net of capitalized costs for internal work.

### *Restructuring Costs*

Restructuring costs for the year ended December 31, 2016 and the six months ended June 30, 2017 are primarily attributable to the accrued costs of implementing the business' restructuring and reorganization plan drawn up in connection with the Merger.

### *Depreciation and Amortization*

Depreciation and amortization relate to plant and machinery, industrial and commercial equipment and intangible assets, respectively, including the amortization of customer acquisition costs.

#### *Impairment Losses on Non-Current Assets*

Impairment losses and reversal of such impairment on non-current assets includes impairment of property, plant and equipment and impairment of intangible assets. Impairment losses on Non-Current Assets is shown net of the effect relating to the replacement of transmission equipment.

#### *Losses on the Disposal of Non-Current Assets*

Losses on disposal of non-current assets include losses arising on disposal of property, plant and equipment and losses arising on disposal of financial assets.

#### *Finance Income and Finance Expense*

Finance income includes cash flow hedges reversed from equity, interest income from banks and from receivables classified as non-current assets, fair value measurement of non-hedging derivatives and other finance income.

Finance expense includes interest expense on bonds, shareholder loans and bank borrowings, discounting of provisions, transfer of cash flow hedge from equity, fair value losses from derivatives not classified as hedging instruments, impairment of financial assets and other finance expenses.

#### *Foreign Exchange Gains/(Losses)*

Foreign exchange gains/(losses) include realized exchange gains and exchange gains from measurement, net of realized losses on exchange and exchange losses from measurement.

#### *Income Tax Benefits/(Expenses)*

Income tax benefits/(expenses) are comprised of current income tax benefits or expense and deferred tax benefits or expenses (including carry forward tax losses).

#### *Non-Controlling Interests*

Profit/(loss) attributable to non-controlling interests reflects the results of operations attributable to non-controlling interests in subsidiaries that are consolidated in Wind Tre's financial statements.

## Results of Operations

The table below shows Wind Tre's consolidated results of operations for the years ended December 31 2014, 2015 and 2016, and for the six months ended June 30, 2016 and 2017.

	For the year ended December 31,			For the six months ended June 30,		
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2016 <sup>(3)</sup>	2017
	(€ in millions)					
				(Unaudited)	(Unaudited) (Pro Forma)	(Unaudited)
Revenue . . . . .	1,946	2,030	2,805	963	3,010	3,001
Other revenue . . . . .	84	68	88	22	68	82
<b>Total revenue . . . . .</b>	<b>2,030</b>	<b>2,098</b>	<b>2,893</b>	<b>985</b>	<b>3,078</b>	<b>3,083</b>
Purchases and services . . . . .	(1,461)	(1,440)	(1,754)	(663)	(1,744)	(1,689)
Other operating costs . . . . .	(113)	(151)	(148)	(58)	(139)	(145)
Personnel expenses . . . . .	(128)	(150)	(214)	(80)	(231)	(209)
Restructuring costs . . . . .	—	—	(60)	—	—	(140)
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and losses on disposal of non-current assets . . . . .</b>	<b>328</b>	<b>357</b>	<b>717</b>	<b>184</b>	<b>964</b>	<b>900</b>
Depreciation and amortization . . . . .	(327)	(378)	(653)	(201)	(689)	(1,616)
Impairment losses on non-current assets . . . . .	(9)	—	(1,685)	—	—	—
Losses on disposal of non-current assets	(5)	—	(1)	—	—	(5)
<b>Operating income/(loss) . . . . .</b>	<b>(13)</b>	<b>(21)</b>	<b>(1,622)</b>	<b>(17)</b>	<b>275</b>	<b>(721)</b>
Finance income . . . . .	2	1	36	—	147	54
Finance expense . . . . .	(51)	(54)	(140)	(25)	(323)	(339)
Foreign exchange gains/(losses), net . . .	(1)	(2)	(1)	—	2	(2)
<b>Profit/(Loss) before tax . . . . .</b>	<b>(63)</b>	<b>(76)</b>	<b>(1,727)</b>	<b>(42)</b>	<b>101</b>	<b>(1,008)</b>
Income tax benefits/(expenses) . . . . .	—	4	47	—	(78)	(42)
<b>Profit/(Loss) for the period . . . . .</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>23</b>	<b>(1,050)</b>
Non-controlling interests . . . . .	—	—	—	—	—	—
<b>Profit/(Loss) for the period attributable to the owners of the parent . . . . .</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>23</b>	<b>(1,050)</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016, and the results of WIND for the two months ended December 31, 2016.

(2) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(3) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

### Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

The consolidated financial statements of Wind Tre as of and for June 30, 2016, do not include the results of WIND. As a result, the historical results of operations are not directly comparable for the periods presented.

## Revenue

Wind Tre's total revenue for the six months ended June 30, 2017 amounted to €3,083 million, an increase of €2,098 million from €985 million for the six months ended June 30, 2016 mainly due to the effects of the Merger. Wind Tre's total revenue for the six months ended June 30, 2017 amounted to €3,083 million, an increase of €5 million, or 0.2%, from €3,078 million for the six months ended June 30, 2016, presented on a *pro forma* basis.

The table below sets forth Wind Tre's revenue for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 and the six months ended June 30, 2016, presented on a *pro forma* basis.

	For the six months ended June 30,		
	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)		
	(Unaudited)		
	<i>(Pro Forma)</i>		
<b>Revenue from services:</b>			
Telephone services . . . . .	624	2,300	2,264
Interconnection traffic . . . . .	108	247	249
International roaming . . . . .	18	33	31
Judicial authority services . . . . .	—	3	3
Other revenue from services . . . . .	15	64	77
<b>Total revenue from services . . . . .</b>	<b>765</b>	<b>2,647</b>	<b>2,624</b>
Revenue from sales . . . . .	198	363	377
Other revenue . . . . .	22	68	82
<b>Total revenue . . . . .</b>	<b>985</b>	<b>3,078</b>	<b>3,083</b>

(1) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Revenue from services for the six months ended June 30, 2017, amounted to €2,624 million, an increase of €1,859 million, from €765 million for the six months ended June 30, 2016, primarily due to the effects of the Merger. Revenue from services for the six months ended June 30, 2017, amounted to €2,624 million, a decrease of €23 million, or 0.9%, from €2,647 million for the six months ended June 30, 2016, presented on a *pro forma* basis.

Revenue from services consisted primarily of revenue from telephone services, which amounted to €2,264 million for the six months ended June 30, 2017, an increase of €1,640 million, from €624 million for the six months ended June 30, 2016, primarily due to the effects of the Merger. Revenue from services amounted to €2,264 million for the six months ended June 30, 2017, a decrease of €36 million, or 1.6%, from €2,300 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the renewed competitive pressure in the market, impacting the customer base and the new EU roaming regulation, which was effective with respect to the WIND brand as of April 24, 2017 and with respect to the “3” brand as of May 8, 2017, resulting in a general reduction in tariffs.

Revenue from interconnection traffic for the six months ended June 30, 2017 amounted to €249 million, an increase of €141 million from €108 million for the six months ended June 30, 2016, primarily due to the effects of the Merger. Revenue from interconnection traffic for the six months ended June 30, 2017 amounted to €249 million, an increase of €2 million, or 0.8%, from €247 million for the six months ended June 30, 2016, presented on a *pro forma* basis.

Other revenue from services for the six months ended June 30, 2017, amounted to €77 million, an increase of €62 million, from €15 million for the six months ended June 30, 2016, primarily due to the effects of the Merger. Other revenue from services for the six months ended June 30, 2017, amounted to €77 million, an increase of €13 million, or 20.3%, from €64 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to increased revenues from MVNO services provided to mobile stations.

Revenue from sales for the six months ended June 30, 2017 amounted to €377 million, an increase of €179 million, or 90.4%, from €198 million for the six months ended June 30, 2016, primarily due to the effects of the Merger. Revenue from sales for the six months ended June 30, 2017 amounted to €377 million, an increase of €14 million, or 3.9%, from €363 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the increase in the sale of mobile telephone handsets and a shift of sales towards high-end mobile devices.

Other revenue for the six months ended June 30, 2017 amounted to €82 million, an increase of €60 million, from €22 million for the six months ended June 30, 2016, primarily due to the effects of the Merger. Other revenue for the six months ended June 30, 2017 amounted to €82 million, an increase of €14 million, or 20.6%, from €68 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the changes to regulated tariffs relating to previous years and the release to income of capital grants.

The following table sets forth a breakdown of Wind Tre's revenue for the six months ended June 30, 2017 and the six months ended June 30, 2016, presented on a *pro forma* basis.

	<b>For the six months ended June 30,</b>	
	<b>2016<sup>(1)</sup></b>	<b>2017</b>
	<b>(€ in millions)</b>	
	<b>(Unaudited)</b>	
	<b>(Pro Forma)</b>	
Mobile revenue . . . . .	2,535	2,492
Fixed-line revenues . . . . .	542	591
<b>Total revenue . . . . .</b>	<b><u>3,078</u></b>	<b><u>3,083</u></b>

(1) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Mobile revenue for the six months ended June 30, 2017 amounted to €2,492 million, a decrease of €43 million, or 1.7%, from €2,535 million for the six months ended June 30, 2016, presented on a *pro forma* basis. Mobile revenue decreased primarily as a result of the renewed competitive pressure in the market which impacted the customer base.

Fixed-line revenue for the six months ended June 30, 2017 amounted to €591 million, an increase of €49 million, or 9.0%, from €542 million for the six months ended June 30, 2016, presented on a *pro forma* basis. Fixed-line revenue increased primarily due to the increase in demand for ultra-broadband connections and the adjustment of the regulated tariff allowing for an increase in tariffs.



### Purchases and Services and Other Operating Costs

The table below sets forth Wind Tre's purchases and services and other operating costs for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 and the six months ended June 30, 2016, presented on a *pro forma* basis.

	For the six months ended June 30,			For the six months ended June 30,		
	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions, except percentages)					
	(Unaudited)			(% of total revenue)		
	(Pro Forma)			(Pro Forma)		
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	112	311	280	11.5%	10.1%	9.2%
Customer acquisitions costs . . . . .	88	171	152	8.9%	5.6%	4.9%
Lease of civil/technical sites and use of third party assets . . . . .	91	174	174	9.2%	5.7%	5.6%
Purchases of raw materials, consumables, supplies and goods . . . . .	182	359	378	18.6%	11.6%	12.4%
Rental of local network and circuits . . . . .	8	196	188	0.8%	6.4%	6.1%
Advertising and promotional services . . . . .	24	70	56	2.4%	2.3%	1.8%
Outsourcing costs for other services . . . . .	27	179	189	2.7%	5.8%	6.1%
Maintenance and repair . . . . .	60	85	87	6.1%	2.8%	2.8%
Power consumption and other utilities . . . . .	24	72	69	2.4%	2.3%	2.2%
National and international roaming . . . . .	15	27	23	1.5%	0.9%	0.7%
Consultancies and professional services . . . . .	7	32	19	0.7%	1.0%	0.6%
Change in inventories . . . . .	—	(17)	(22)	—	(0.6)%	(0.7)%
Other services . . . . .	25	85	96	2.5%	2.8%	3.1%
<b>Total purchases and services . . . . .</b>	<b>663</b>	<b>1,744</b>	<b>1,689</b>	<b>67.3%</b>	<b>56.7%</b>	<b>54.8%</b>

(1) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

	For the six months ended June 30,			For the six months ended June 30,		
	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions, except percentages)					
	(Unaudited)			(% of total revenue)		
	(Pro Forma)			(Pro Forma)		
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets . . . . .	41	91	93	4.2%	2.9%	3.0%
Annual license and frequency fees . . . . .	11	14	32	1.1%	0.5%	1.0%
Accruals to provision for risks and costs . . . . .	1	22	6	0.1%	0.7%	0.2%
Ancillary operating costs . . . . .	5	12	14	0.5%	0.4%	0.5%
<b>Total other operating costs . . . . .</b>	<b>58</b>	<b>139</b>	<b>145</b>	<b>5.9%</b>	<b>4.5%</b>	<b>4.7%</b>

(1) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

### *Purchases and Services*

Purchases and services amounted to €1,689 million for the six months ended June 30, 2017, an increase of €1,026 million from €663 million for the six months ended June 30, 2016, which was primarily attributable to the Merger. Purchases and services for the six months ended June 30, 2017 amounted to €1,689 million, a decrease of €55 million, or 3.2%, from €1,744 million for the six months ended June 30, 2016, presented on a *pro forma* basis. Purchases and services as a percentage of total revenue for the six months ended June 30, 2017, decreased by 1.9% to 54.8% from 56.7% for the six months ended June 30, 2016, presented on a *pro forma* basis.

The overall decrease in purchases and services was primarily due to the following:

- the decrease in interconnection traffic costs of €31 million, or 10.0%, to €280 million for the six months ended June 30, 2017, from €311 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to a decrease in the volume and tariffs of international termination traffic and to a reduction of volumes in SMS traffic;
- the decrease in the customer acquisition cost of €19 million, or 11.1%, to €152 million for the six months ended June 30, 2017, from €171 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the decrease of the commission for new activations and the reduction in costs related to fixed-line acquisition costs;
- the decrease in advertising and promotional services of €14 million, or 20.0%, to €56 million for the six months ended June 30, 2017, from €70 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the improvement in advertising strategy in terms of purchasing of advertising media such as TV, radio, billboards and decrease in sponsorship costs; and
- the decrease in consultancies and professional services of €13 million, or 40.6%, to €19 million for the six months ended June 30, 2017, from €32 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the decrease in the management fee paid to VEON.

The above decreases were partially offset by:

- the increase in purchases of raw materials, consumables, supplies and goods costs of €19 million, or 5.3%, to €378 million for the six months ended June 30, 2017, from €359 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to an increase in the sale of mobile telephone handsets and in the unit purchase prices charged by suppliers compared to the previous period as the result of a shift of sales towards high-end range mobile devices; and
- the increase in outsourcing costs for other services of €10 million, or 5.6%, to €189 million for the six months ended June 30, 2017 from €179 million for the six months ended June 30, 2016, presented on a *pro forma* basis, which was primarily attributable to the increase in costs related to call center services and credit recovery.

### *Other Operating Costs*

Total other operating costs amounted to €145 million for the six months ended June 30, 2017, an increase of €87 million, from €58 million for the six months ended June 30, 2016, which was primarily attributable to the Merger. Total other operating costs for the six months ended June 30, 2017 increased by €6 million, or 4.3%, from €139 million for the six months ended June 30, 2016, presented on a *pro forma* basis, to €145 million. Such increase was primarily due to higher annual license and frequency fees, partially offset by the lower accruals to provisions for risks and costs. Total other operating costs as a percentage of total revenue for the six months ended June 30, 2017 increased by 0.2% to 4.7%, from, 4.5% for the six months ended June 30, 2016, presented on a *pro forma* basis.

### Personnel Expenses

Personnel expenses amounted to €209 million for the six months ended June 30, 2017, an increase of €129 million, or 161.3%, from €80 million for the six months ended June 30, 2016, which was primarily attributable to the Merger. Personnel expenses for the six months ended June 30, 2017 decreased by €22 million, or 9.5%, from €231 million for the six months ended June 30, 2016, presented on a *pro forma* basis, to €209 million. This decrease was primarily attributable to the decrease in wages and salaries of €13 million due to the harmonization of the various contractual and regulatory requirements following the Merger. Personnel expenses as a percentage of total revenue for the six months ended June 30, 2017 decreased by 0.7% to 6.8% from 7.5% for the six months ended June 30, 2016, presented on a *pro forma* basis.

### Restructuring Costs

Restructuring costs for the six months ended June 30, 2017, amounting to €140 million, were primarily attributable to accrued costs for implementing the business's restructuring and reorganization plan, drawn up following the Merger.

### EBITDA

The following table sets forth Wind Tre's EBITDA for the six months ended June 30, 2017, as compared to the six months ended June 30, 2016, and the six months ended June 30, 2016, presented on a *pro forma* basis.

	For the six months ended June 30,		
	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions except percentages) (Unaudited) (Pro Forma)		
<b>(Profit)/loss for the period attributable to the owners of the parent . . . . .</b>	<b>(42)</b>	<b>23</b>	<b>(1,050)</b>
Income tax (benefits)/expenses . . . . .	—	78	42
Finance income . . . . .	—	(147)	(54)
Finance expense . . . . .	25	323	339
Foreign exchange rate (gains)/losses, net . . . . .	—	(2)	2
Depreciation and amortization . . . . .	201	689	1,616
Losses on disposal of non-current assets . . . . .	—	—	5
<b>EBITDA . . . . .</b>	<b>184</b>	<b>964</b>	<b>900</b>
<b>EBITDA margin . . . . .</b>	<b>18.7%</b>	<b>31.3%</b>	<b>29.2%</b>

(1) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

EBITDA amounted to €900 million for the six months ended June 30, 2017, an increase of €716 million from €184 million for the six months ended June 30, 2016, which was primarily attributable to the Merger. EBITDA margin for the six months ended June 30, 2017 increased by 10.5% to 29.2% from 18.7% for the six months ended June 30, 2016. EBITDA for the six months ended June 30, 2017 decreased by €64 million, or 6.6%, from €964 million for the six months ended June 30, 2016, presented on a *pro forma* basis, to €900 million as a result of the factors described above. EBITDA margin for the six months ended June 30, 2017 decreased by 2.1% to 29.2% from 31.3% for the six months ended June 30, 2016, presented on a *pro forma* basis.

### *Depreciation and Amortization*

Depreciation and amortization amounted to €1,616 million for the six months ended June 30, 2017, an increase of €1,415 million, from €201 million for the six months ended June 30, 2016, which was primarily attributable to the Merger. Depreciation and amortization for the six months ended June 30, 2017, increased by €927 million, or 134.5%, from €689 million for the six months ended June 30, 2016, presented on a *pro forma* basis, to €1,616 million. Such increase was primarily due to the combined effect of: (i) the increase of €887 million in the depreciation of plant and machinery, mainly due to the revised useful lives of part of the network infrastructure and some IT systems in line with a plan for optimization and construction of a new generation integrated network, and (ii) as a result of agreements with Iliad to sell certain network sites. Depreciation and amortization as a percentage of total revenue for the six months ended June 30, 2017 increased by 30.0% to 52.4% from 22.4% for the six months ended June 30, 2016, presented on a *pro forma* basis.

### *Finance Income*

Finance income amounted to €54 million for the six months ended June 30, 2017, from nil for the six months ended June 30, 2016. Finance income for the six months ended June 30, 2017 decreased by €93 million, or 63.3%, from €147 million for the six months ended June 30, 2016 presented on a *pro forma* basis, primarily due to the decrease in income in fair value of derivative financial instruments on bonds of €94 million, which related to cross-currency swaps. Finance income as a percentage of total revenue for the six months ended June 30, 2017 decreased by 3.0% to 1.8% from 4.8% for the six months ended June 30, 2016, presented on a *pro forma* basis.

### *Finance Expenses*

Finance expenses amounted to €339 million for the six months ended June 30, 2017, an increase of €314 million, from €25 million for the six months ended June 30, 2016. Finance expenses for the six months ended June 30, 2017 increased by €16 million, or 5.0%, to €339 million from €323 million for the six months ended June 30, 2016, presented on a *pro forma* basis, primarily due to the following: (i) the increase of €47 million related to hedge accounting effects; (ii) the increase of €33 million related to expense from derivative instruments of which: €26 million related to the fair value measurement of the embedded derivatives on the bonds and €7 million arising from the negative ineffectiveness recorded on hedging derivatives; (iii) the increase of €5 million in impairment loss on financial assets; which was partially offset by (iv) the decrease of €62 million in cash flow hedging, reversed from equity and (v) the decrease of €15 million decrease in other expenses from derivative financial instruments. Finance expenses as a percentage of total revenue for the six months ended June 30, 2017 decreased by 0.5% from 10.5% to 11.0% for the six months ended June 30, 2016, presented on a *pro forma* basis.

### Income Tax Expenses

The following table sets forth Wind Tre's income tax expenses for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016, and the six months ended June 30, 2016, presented on a *pro forma* basis.

	For the six months ended June 30,		
	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)		
	(Unaudited)		
	(Pro Forma)		
Current tax expenses . . . . .	—	(79)	(16)
Previous years income tax expenses . . . . .	—	(1)	—
Deferred tax benefits/(expenses) . . . . .	—	2	(26)
<b>Total income tax expenses . . . . .</b>	<b>—</b>	<b>(78)</b>	<b>(42)</b>

(1) Includes only the results of H3G S.p.A. for the six months ended June 30, 2016.

(2) Reflects the results of Wind Tre for the six months ended June 30, 2016 after giving *pro forma* effect to the Merger as if it had occurred on January 1, 2016.

Income tax expenses amounted to €42 million for the six months ended June 30, 2017, and nil for the six months ended June 30, 2016. Income tax expenses amounted to €42 million for the six months ended June 30, 2017, a decrease of €36 million, or 46.2%, from €78 million for the six months ended June 30, 2016, presented on a *pro forma* basis. Income tax expense for the six months ended June 30, 2017 included: (i) current income tax expenses relating to IRAP of €10 million and current income tax due by the subsidiary WAF of €6 million; and (ii) deferred tax expenses arising from the release of deferred tax assets of €26 million.

### Group Loss

Wind Tre's loss amounted to €1,050 million for the six months ended June 30, 2017, an increase of €1,008 million, from €42 million for the six months ended June 30, 2016, which was primarily attributable to the Merger. Wind Tre's loss for the six months ended June 30, 2017 amounted to €1,050 million, an increase of €1,073 million, from €23 million profit for the six months ended June 30, 2016, presented on a *pro forma* basis. This loss is a result of the following: (i) the increase of €927 million in depreciation and amortization; (ii) the increase of €140 million in restructuring costs; and (iii) the decrease of €93 million in finance income. These movements were partially offset by the decrease of €55 million in purchases and services costs and the €36 million decrease in income tax expenses. On a *pro forma* basis, Wind Tre's loss as a percentage of total revenue for the six months ended June 30, 2017, increased by 34.9% to 34.1% from 0.8% for the six months ended June 30, 2016.

### Year Ended December 31, 2016 as Compared to Year Ended December 31, 2015

The consolidated income statement for the year ended December 31, 2016 of Wind Tre includes the results of WIND for the two months ended December 31, 2016, following the Merger. As a result, the results of operations for the years ended December 31, 2016 and 2015 are not directly comparable. Therefore, the following discussion includes an analysis that excludes the two months of WIND for the year ended December 31, 2016, derived from the consolidated financial statements as of and for the years ended December 31, 2016, 2015 and 2014 for Wind Tre, allowing for a more meaningful comparison of the results of the operations.

## Revenue

Wind Tre's total revenue amounted to €2,893 million for the year ended December 31, 2016, an increase of €795 million, or 37.9%, from €2,098 million for the year ended December 31, 2015.

The table below sets forth Wind Tre's revenue for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

	For the year ended December 31,		Change	
	2015	2016 <sup>(1)</sup>	(amount)	(%)
(€ in millions, except percentages)				
<b>Revenue from services:</b>				
Telephone services . . . . .	1,231	1,863	632	51.3%
Interconnection traffic . . . . .	202	264	62	30.7%
International roaming . . . . .	41	46	5	12.2%
Judicial authority services . . . . .	1	1	—	—
Other revenue from services . . . . .	66	82	16	24.2%
<b>Total revenue from services . . . . .</b>	<b>1,541</b>	<b>2,256</b>	<b>715</b>	<b>46.4%</b>
Revenue from sales . . . . .	489	549	60	12.3%
Other revenue . . . . .	68	88	20	29.4%
<b>Total revenue . . . . .</b>	<b>2,098</b>	<b>2,893</b>	<b>795</b>	<b>37.9%</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

Revenue from services for the year ended December 31, 2016 amounted to €2,256 million, an increase of €715 million, or 46.4%, from €1,541 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €664 million, total revenue from services increased by €51 million, or 3.3%, to €1,592 million for the year ended December 31, 2016, which was primarily attributable to growth in revenue from telephone services over the same period.

Revenue from services consisted primarily of revenue from telephone services, which amounted to €1,863 million for the year ended December 31, 2016, an increase of €632 million, or 51.3%, from €1,231 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €578 million, total revenue from telephone services increased by €54 million, or 4.4%, to €1,285 million for the year ended December 31, 2016, which was primarily attributable to an increase in the customer base, which was driven primarily by new and more attractive offers for customers.

Revenue from interconnection traffic for the year ended December 31, 2016 amounted to €264 million, an increase of €62 million, or 30.7%, from €202 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €57 million, total revenue from interconnection traffic increased by €5 million, or 2.5%, to €207 million for the year ended December 31, 2016, which was primarily attributable to the higher volumes of incoming mobile traffic and an increase in the customer base, which in turn was driven primarily by new and more attractive offers for customers.

Revenue from sales for the year ended December 31, 2016 amounted to €549 million, an increase of €60 million, or 12.3%, from €489 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €109 million, revenue from sales decreased by €49 million, or 10.0%, to €440 million for the year ended December 31, 2016,

which was primarily attributable to the combined effect of lower sales volume and a reduction in unit revenues due to the type of handsets sold focusing not only on premium class, but on a wider range of handsets.

Other revenue from services for the year ended December 31, 2016 amounted to €82 million, an increase of €16 million, or 24.2% from €66 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016 amounting to €24 million, other revenue from services decreased by €8 million, or 12.1%, to €58 million for the year ended December 31, 2016 which was primarily attributable to the increase and renegotiation of co-siting agreements with other operators and the increase in revenues from fees with MVNOs, primarily attributable to the expansion of the MVNOs market.

The following table sets forth a breakdown of Wind Tre's revenue for the years ended December 31, 2016 and 2015.

	For the year ended December 31,		Change	
	2015	2016 <sup>(1)</sup>	(amount)	(%)
	(€ in millions, except percentages)			
Mobile revenue . . . . .	2,098	2,679	581	27.7%
Fixed-line revenue . . . . .	—	214	214	—
<b>Total revenue . . . . .</b>	<b>2,098</b>	<b>2,893</b>	<b>795</b>	<b>37.9%</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

Mobile revenue for the year ended December 31, 2016 amounted to €2,679 million, an increase of €581 million, or 27.7%, from €2,098 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €600 million, mobile revenue decreased by €19 million, or 0.9%, to €2,079 million for the year ended December 31, 2016, which was primarily attributable to the combined effect of lower sales volumes of handsets, partially offset by an increase in revenue from services primarily attributable to the increase in customer base.

Fixed-line revenue (comprising Internet, Fixed-line voice and data) for the year ended December 31, 2016 amounted to €214 million (nil for the year ended December 31, 2015), which was entirely attributable to the contribution of WIND's results for the two months ended December 31, 2016.

### Purchases and Services and Other Operating Costs

The table below sets forth Wind Tre's purchases and services and other operating costs for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

	For the year ended December 31,		Change		For the year ended December 31,	
	2015	2016 <sup>(1)</sup>	(amount)	(%)	2015	2016
(€ in millions, except percentages)						
(% of total revenue)						
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	215	282	67	31.2%	10.2%	9.7%
Customer acquisitions costs . . . . .	181	204	23	12.7%	8.6%	7.1%
Lease of civil/technical sites and use of third party assets . . . . .	197	221	24	12.2%	9.4%	7.6%
Purchases of raw materials, consumables, supplies and goods . . . . .	455	503	48	10.5%	21.7%	17.4%
Rental of local network and circuits . . . . .	17	78	61	≥200.0%	0.8%	2.7%
Advertising and promotional services . . . . .	37	52	15	40.5%	1.8%	1.8%
Outsourcing costs for other services . . . . .	59	110	51	86.4%	2.8%	3.8%
Maintenance and repair . . . . .	128	139	11	8.6%	6.1%	4.8%
Power consumption and other utilities . . . . .	44	62	18	40.9%	2.1%	2.1%
National and international roaming . . . . .	43	33	(10)	(23.3)%	2.0%	1.1%
Consultancies and professional services . . . . .	12	16	4	33.3%	0.6%	0.6%
Change in inventories . . . . .	4	3	(1)	(25.0)%	0.2%	0.1%
Other services . . . . .	48	51	3	6.3%	2.3%	1.8%
<b>Total purchases and services . . . . .</b>	<b>1,440</b>	<b>1,754</b>	<b>314</b>	<b>21.8%</b>	<b>68.6%</b>	<b>60.6%</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

	For the year ended December 31,		Change		For the year ended December 31,	
	2015	2016 <sup>(1)</sup>	(amount)	(%)	2015	2016
(€ in millions, except percentages)						
(% of total revenue)						
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets . . . . .	94	91	(3)	(3.2)%	4.6%	3.1%
Accruals to provision for risks and costs . . . . .	3	9	6	≥200.0%	0.1%	0.3%
Annual license and frequency fees . . . . .	32	31	(1)	(3.1)%	1.5%	1.1%
Ancillary operating costs . . . . .	22	17	(5)	(22.7)%	1.0%	0.6%
<b>Total other operating costs . . . . .</b>	<b>151</b>	<b>148</b>	<b>(3)</b>	<b>(2.0)%</b>	<b>7.2%</b>	<b>5.1%</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.



### *Purchases and Services*

Purchases and services for the year ended December 31, 2016, amounted to €1,754 million, an increase of €314 million, or 21.8%, from €1,440 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €402 million, total purchases and services decreased by €88 million, or 6.1%, to €1,352 million for the year ended December 31, 2016.

The following comments on purchases and services exclude the contribution of WIND for the two months ended December 31, 2016.

The overall decrease in purchases and services was mainly attributable to the following:

- the decrease in purchase of raw materials, consumables, supplies and goods of €54 million, or 11.9%, to €401 million for the year ended December 31, 2016, from €455 million for the year ended December 31, 2015, which was primarily attributable to the decrease in revenue from sales over the same period;
- the decrease in other services costs of €23 million, or 47.9%, to €25 million for the year ended December 31, 2016, from €48 million for the year ended December 31, 2015, which was primarily attributable to the renegotiation of commissions on credit cards; and
- the decrease in national and international roaming charges of €14 million, or 32.6% to €29 million for the year ended December 31, 2016, from €43 million for the year ended December 31, 2015, which was primarily attributable to the decrease in the unit rate relating to the international traffic and to the effect of the lower national roaming traffic.

The above decreases were partially offset by the increase in customer acquisition costs of €7 million, or 3.9%, to €188 million for the year ended December 31, 2016, from €181 million for the year ended December 31, 2015, primarily attributable to an increase in customer base.

### *Other Operating Costs*

Total other operating costs for the year ended December 31, 2016, amounted to €148 million, a decrease of €3 million, or 2.0%, from €151 million for the year ended December 31, 2015. Excluding contribution of WIND for the two months ended December 31, 2016, amounting to €33 million, other operating costs decreased by €36 million, or 23.8%, to €115 million for the year ended December 31, 2016. Such decrease was primarily attributable to lower impairment losses on trade receivables partially offset by the increase in accruals to provisions for risk.

### *Personnel Expenses*

Personnel expenses for the year ended December 31, 2016, increased by €64 million, or 42.7%, from €150 million for the year ended December 31, 2015, to €214 million. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €50 million, personnel expenses increased by €14 million, or 9.3%, to €164 million. This increase was primarily attributable to an increase in wages and salaries.

### *Restructuring Costs*

Restructuring costs for the year ended December 31, 2016, amounting to €60 million were primarily attributable to accrued costs for implementing the business's restructuring and reorganization plan, drawn up following the Merger.

## EBITDA

The following table sets forth Wind Tre's EBITDA for the year ended December 31, 2016, as compared to the year ended December 31, 2015.

	For the year ended		Change (amount)
	December 31, 2015	2016 <sup>(1)</sup>	
	(€ in millions, except percentages)		
<b>Loss for the period attributable to the owners of the parent</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(1,608)</b>
Income tax benefits	(4)	(47)	(43)
Finance income	(1)	(36)	(35)
Finance expense	54	140	86
Foreign exchange losses, net	2	1	(1)
Depreciation and amortization	378	653	275
Impairment losses on non-current assets	—	1,685	1,685
Losses on disposal of non-current assets	—	1	1
<b>EBITDA</b>	<b>357</b>	<b>717</b>	<b>360</b>
<b>EBITDA margin</b>	<b>17.1%</b>	<b>24.8%</b>	<b>7.7%</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

EBITDA amounted to €717 million for the year ended December 31, 2016, an increase of €360 million, or 100.8%, from €357 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €298 million, EBITDA increased by €62 million, or 17.4%, to €419 million, primarily due to the effects discussed above. EBITDA margin for the year ended December 31, 2016 increased by 7.7% to 24.8% from 17.1% for the year ended December 31, 2015.

## Depreciation and Amortization

Depreciation and amortization for the year ended December 31, 2016 increased by €275 million, to €653 million from €378 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €168 million, depreciation and amortization increased by €107 million, or 28.3%, to €485 million. Such increase was primarily attributable to (i) the increase of €77 million due to the higher depreciation of plant and machinery, as a result of higher investments connected with the expansion of the mobile access network, exchanges and electronic installations; (ii) the increase of €18 million due to an increase in the amortization of the customer list and (iii) the increase of €9 million due to the higher amortization of concessions, licenses, trademarks and similar rights primarily related to a revised estimate of the residual useful life of investments, reflecting a shorter useful life of licenses based on latest and most prudent expectation of their utilization.

## Impairment Losses/Reversal of Impairment Losses on Non-current Assets

Impairment losses on non-current assets for the year ended December 31, 2016, amounted to €1,685 million, and nil for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to a net reversal of impairment losses of €1 million, impairment losses amounted to €1,686 million, which was primarily attributable to an increase in impairment losses on intangible assets for the same period. Such increase was primarily attributable to the divestment of spectrum frequencies to Iliad.

Reversals of impairment losses on property, plant and equipment for the year ended December 31, 2016, amounted to €2 million, and were nil for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to a reversal of impairment losses of €2 million, reversal of impairment losses on property, plant and equipment were nil.

Impairment losses on intangible assets for the year ended December 31, 2016, amounted to €1,687 million, and were nil for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to an impairment loss of €1 million, impairment losses on intangible assets amounted to €1,686 million. Such impairment loss was primarily related to the spectrum license to be sold to Iliad, as required by the European Commission and to the impairment of the digital television broadcasting license.

#### *Finance Income*

Finance income for the year ended December 31, 2016, increased by €35 million, to €36 million, from €1 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €35 million, finance income amounted to €1 million, and was relatively stable over the period.

#### *Finance Expenses*

Finance expenses for the year ended December 31, 2016, increased by €86 million, or 159.3%, to €140 million, from €54 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to €90 million, finance expenses decreased by €4 million, or 7.4%, to €50 million, which was primarily attributable to the decrease of €1 million in bank loan interest.

#### *Income Tax Benefits*

The following table sets forth Wind Tre's income tax benefits for the year ended December 31, 2016, as compared to the year ended December 31, 2015.

	For the year ended December 31,		Change	
	2015	2016 <sup>(1)</sup>	(amount)	(%)
	(€ in millions, except percentages)			
Current tax expenses . . . . .	—	(6)	(6)	—
Deferred tax benefits . . . . .	4	53	49	≥200.0%
<b>Total income tax benefits . . . . .</b>	<b>4</b>	<b>47</b>	<b>43</b>	<b>≥200.0%</b>

(1) Includes the results of H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

Income tax benefits for the year ended December 31, 2016, amounted to €47 million, an increase of €43 million, from income tax benefits of €4 million for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to a benefit of €24 million, income tax expenses increased by €19 million, to €23 million.

The net charge for the year ended December 31, 2016, was made up of the following:

- current tax expenses of €6 million for the year ended December 31, 2016. The increase compared to the year ended December 31, 2015 was primarily due to €3 million for IRES tax and €3 million for IRAP tax, charged on the consolidated taxable income for the year; and

- deferred tax benefit of €53 million arising from the release of deferred tax liabilities of €26 million and to the positive effect arising from deferred tax assets of €34 million, net of the positive fiscal effect of €21 million recognized in comprehensive income for items taken directly to equity.

### Group Loss

Wind Tre Group loss for the year ended December 31, 2016 amounted to €1,680 million, an increase of €1,608 million, from €72 million loss for the year ended December 31, 2015. Excluding the contribution of WIND for the two months ended December 31, 2016, amounting to a profit of €99 million, Wind Tre's loss increased by €1,707 million, to €1,779 million, mainly due to the €1,686 million increase in impairment losses for the year ended December 31, 2016 compared to the year ended December 31, 2015.

### Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014

#### Revenue

Wind Tre's total revenue for the years ended December 31, 2015 and 2014 related exclusively to mobile revenues.

Wind Tre's total revenue for the year ended December 31, 2015 amounted to €2,098 million, an increase of €68 million, or 3.3%, from €2,030 million for the year ended December 31, 2014. Total revenue of Wind Tre is entirely attributable to mobile revenue.

The table below sets forth Wind Tre's revenue for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended December 31,		Change	
	2014	2015	(amount)	(%)
	(€ in millions, except percentages)			
<b>Revenue from services:</b>				
Telephone services . . . . .	1,136	1,231	95	8.4%
Interconnection traffic . . . . .	192	202	10	5.2%
International roaming . . . . .	43	41	(2)	(4.7)%
Judicial authority services . . . . .	3	1	(2)	(66.7)%
Other revenue from services . . . . .	58	66	8	13.8%
<b>Total revenue from services . . . . .</b>	<b>1,432</b>	<b>1,541</b>	<b>109</b>	<b>7.6%</b>
Revenue from sales . . . . .	514	489	(25)	(4.9)%
Other revenue . . . . .	84	68	(16)	(19.0)%
<b>Total revenue . . . . .</b>	<b>2,030</b>	<b>2,098</b>	<b>68</b>	<b>3.3%</b>

Revenue from services for the year ended December 31, 2015, amounted to €1,541 million, an increase of €109 million, or 7.6%, from €1,432 million for the year ended December 31, 2014.

Revenue from services consisted primarily of revenue from telephone services, which amounted to €1,231 million for the year ended December 31, 2015, an increase of €95 million, or 8.4%, from €1,136 million for the year ended December 31, 2014, which was primarily attributable to an increase in the customer base.

Revenue from interconnection traffic for the year ended December 31, 2015, amounted to €202 million, an increase of €10 million, or 5.2%, from €192 million for the year ended December 31, 2014,

which was primarily attributable to higher volumes of incoming mobile traffic and to an increase in the customer base.

Other revenue from services for the year ended December 31, 2015, amounted to €66 million, an increase of €8 million, or 13.8%, from €58 million for the year ended December 31, 2014, which was primarily attributable to an increase in the customer base.

Revenue from sales for the year ended December 31, 2015, amounted to €489 million, a decrease of €25 million, or 4.9%, from €514 million for the year ended December 31, 2014, which was primarily attributable to the increased competition from non-telecom operators, such as big distribution chains who reinforced their activities in the market.

Other revenue for the year ended December 31, 2015 amounted to €68 million, a decrease of €16 million, or 19.0%, from €84 million for the year ended December 31, 2014, which was primarily attributable to the release of provisions recognized in previous years.

#### *Purchases and Services and Other Operating Costs*

The table below sets forth Wind Tre's purchases and services and other operating costs for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended December 31,		Change		For the year ended December 31,	
	2014	2015	(amount)	(%)	2014	2015
(€ in millions, except percentages)						
(% of total revenue)						
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	202	215	13	6.4%	10.0%	10.2%
Customer acquisitions costs . . . . .	181	181	—	—	8.9%	8.6%
Lease of civil/technical sites and use of third party assets . . . . .	193	197	4	2.1%	9.5%	9.4%
Purchases of raw materials, consumables, supplies and goods . . . . .	485	455	(30)	(6.2)%	24.0%	21.7%
Rental of local network and circuits . . . . .	18	17	(1)	(5.6)%	0.9%	0.8%
Advertising and promotional services . . . . .	51	37	(14)	(27.5)%	2.5%	1.8%
Outsourcing costs for other services . . . . .	78	59	(19)	(24.4)%	3.8%	2.8%
Maintenance and repair . . . . .	100	128	28	28.0%	4.9%	6.1%
Power consumption and other utilities . . . . .	44	44	—	—	2.2%	2.1%
National and international roaming . . . . .	51	43	(8)	(15.7)%	2.5%	2.0%
Consultancies and professional services . . . . .	17	12	(5)	(29.4)%	0.8%	0.6%
Change in inventories . . . . .	1	4	3	≥200.0%	—	0.2%
Other services . . . . .	40	48	8	20.0%	2.0%	2.3%
<b>Total purchases and services . . . . .</b>	<b>1,461</b>	<b>1,440</b>	<b>(21)</b>	<b>(1.4)%</b>	<b>72.0%</b>	<b>68.6%</b>

	For the year ended December 31,		Change		For the year ended December 31,	
	2014	2015	(amount)	(%)	2014	2015
	(€ in millions, except percentages)					
	(% of total revenue)					
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets . . . . .	89	94	5	5.6%	4.5%	4.6%
Accruals to provision for risks and costs . . . . .	1	3	2	≥200.0%	—	0.1%
Annual license and frequency fees . . . . .	12	32	20	166.7%	0.6%	1.5%
Ancillary operating costs . . . . .	11	22	11	100.0%	0.5%	1.0%
<b>Total other operating costs . . . . .</b>	<b>113</b>	<b>151</b>	<b>38</b>	<b>33.6%</b>	<b>5.6%</b>	<b>7.2%</b>

#### *Purchases and Services*

Purchases and services for the year ended December 31, 2015, amounted to €1,440 million, a decrease of €21 million, or 1.4%, from €1,461 million for the year ended December 31, 2014.

The overall decrease in purchases and services was primarily due to the following:

- the decrease in purchases of raw materials, consumables, supplies and goods costs of €30 million, or 6.2%, to €455 million for the year ended December 31, 2015, from €485 million for the year ended December 31, 2014, which was primarily attributable to a decrease in the volume of sales of mobile telephone handsets;
- the decrease in outsourcing costs for other services of €19 million, or 24.4%, to €59 million for the year ended December 31, 2015, from €78 million for the year ended December 31, 2014, which was primarily attributable to lower service outsourcing activity and the increasing share of such cost that is transferred directly to the customer; and
- the decrease in advertising and promotional services of €14 million, or 27.5%, to €37 million for the year ended December 31, 2015, from €51 million for the year ended December 31, 2014, which was primarily attributable to improvements in advertising strategy with respect to efficient purchasing of advertising media such as TV, radio, billboards and a decrease in sponsorship costs.

The above decreases were partially offset by:

- the increase in maintenance and repair costs of €28 million, or 28.0%, to €128 million for the year ended December 31, 2015, from €100 million for the year ended December 31, 2014, which was primarily attributable to a €20 million discount by a supplier in 2014;
- the increase in interconnection traffic costs of €13 million, or 6.4%, to €215 million for the year ended December 31, 2015, from €202 million for the year ended December 31, 2014, which was primarily attributable to the increase in volume of interconnection traffic; and
- the increase in other services of €8 million, or 20.0%, to €48 million for the year ended December 31, 2015, from €40 million for the year ended December 31, 2014, which was primarily attributable to an increase in bank commissions relating to the automatic direct debits to customer accounts.

#### *Other Operating Costs*

Total other operating costs for the year ended December 31, 2015, increased by €38 million, or 33.6%, from €113 million for the year ended December 31, 2014, to €151 million. This increase was

primarily attributable to the increase in annual license and frequency fees of €20 million, or 166.7%, from €12 million for the year ended December 31, 2014, to €32 million for the year ended December 31, 2015 and to the increase in ancillary operating costs of €11 million, or 100.0%, from €11 million for the year ended December 31, 2014, to €22 million for the year ended December 31, 2015.

#### *Personnel Expenses*

Personnel expenses for the year ended December 31, 2015, increased by €22 million, or 17.2%, from €128 million for the year ended December 31, 2014, to €150 million. This increase was primarily attributable to the increase of €17 million, or 16.7%, due to increases in wages and salaries, from €102 million for the year ended December 31, 2014, to €119 million for the year ended December 31, 2015.

#### *EBITDA*

The following table sets forth Wind Tre's EBITDA for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended December 31,		Change (amount)
	2014	2015	
	(€ in millions, except percentages)		
<b>Loss for the period attributable to the owners of the parent</b> . . . . .	<b>(63)</b>	<b>(72)</b>	<b>(9)</b>
Income tax benefits . . . . .	—	(4)	(4)
Finance income . . . . .	(2)	(1)	1
Finance expense . . . . .	51	54	3
Foreign exchange losses, net . . . . .	1	2	1
Depreciation and amortization . . . . .	327	378	51
Impairment losses on non-current assets . . . . .	9	—	(9)
Losses on disposal of non-current assets . . . . .	5	—	(5)
<b>EBITDA</b> . . . . .	<b><u>328</u></b>	<b><u>357</u></b>	<b><u>29</u></b>
<b>EBITDA margin</b> . . . . .	<b><u>16.1%</u></b>	<b><u>17.1%</u></b>	<b><u>1.0%</u></b>

EBITDA amounted to €357 million for the year ended December 31, 2015, an increase of €29 million, or 8.8%, from €328 million for the year ended December 31, 2014, which was primarily attributable to the €51 million increase in depreciation and amortization, partially offset by the €9 million increase in loss for the year and by the €9 million decrease in impairment losses on non-current assets. EBITDA margin for the year ended December 31, 2015, increased by 1.0%, from 16.1% for the year ended December 31, 2014 to 17.1%.

#### *Depreciation and Amortization*

Depreciation and amortization for the year ended December 31, 2015, increased by €51 million, or 15.6%, from €327 million for the year ended December 31, 2014, to €378 million. Such increase was primarily due to: (i) the increase of €43 million in amortization of other intangible assets; and (ii) the increase of €9 million in depreciation of property, plant and equipment.

#### *Impairment Losses on Non-current Assets*

Impairment losses on non-current assets were €9 million for the year ended December 31, 2014, which was referred to an impairment loss on property, plant and equipment.

### *Finance Income*

Finance income for the year ended December 31, 2015, decreased by €1 million to €1 million, from €2 million for the year ended December 31, 2014. This decrease was due to a decrease of €1 million in other finance income.

### *Finance Expenses*

Finance expenses for the year ended December 31, 2015, increased by €3 million, or 5.9%, to €54 million, from €51 million for the year ended December 31, 2014, primarily due to the increase of interest expense on shareholder loans of €3 million, or 7.0%, from €43 million for the year ended December 31, 2014, to €46 million for the year ended December 31, 2015, mainly attributable to costs incurred during the year for interest and fees on loans due to the parent company Wind Tre Italia and other CKHH Group companies.

### *Income Tax Benefits/(Expenses)*

The following table sets forth Wind Tre's income tax benefits/(expenses) for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended		Change	
	December 31, 2014	December 31, 2015	(amount)	(%)
		(€ in millions)		
Deferred tax benefits . . . . .	—	4	4	—
<b>Total income tax benefits . . . . .</b>	<b>—</b>	<b>4</b>	<b>4</b>	<b>—</b>

Income tax benefits for the year ended December 31, 2015, amounted to €4 million, which was primarily attributable to €4 million in net deferred tax benefits.

### *Group Loss*

Wind Tre loss for the year ended December 31, 2015, amounted to €72 million, an increase of €9 million, or 14.3%, from a loss of €63 million for the year ended December 31, 2014, as a result of the €51 million increase in depreciation and amortization, the €38 million increase in other operating costs, the €22 million increase in personnel expenses and the €16 million decrease in other revenues for the year ended December 31, 2015, as compared to the year ended December 31, 2014. The increase in Wind Tre's loss was partially offset by the €95 million increase in revenue from telephone services, the €21 million decrease in purchases and services costs and the €9 million decrease in impairment losses on non-current assets for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

### **Liquidity and Capital Resources**

Wind Tre's liquidity requirements arise primarily from the need to fund capital expenditures for the expansion and maintenance of Wind Tre's network operations, both in terms of quality of services and new technologies, for working capital and to repay debt. Wind Tre, which has historically incurred losses and generated negative cash flows, has utilized bank borrowings to supplement cash flow from operations to finance its cash needs and the growth of its business. Wind Tre draws on its revolving credit facilities as required from time to time for working capital purposes and amounts drawn may fluctuate during reporting periods. Such drawings reflect, among other things, the effect of seasonality on cash flows. Wind Tre is highly leveraged and has significant debt service obligations. Wind Tre from time to time, in particular, in connection with the "3" business, enters into non-recourse factoring of certain receivables.



Wind Tre's actual financing requirements will depend on a number of factors, many of which are beyond its control.

See *“Risk Factors—Risk Relating to the Notes and Wind Tre’s Structure—Wind Tre’s substantial leverage and debt service and other financial obligations could adversely affect Wind Tre’s business and prevent Wind Tre from fulfilling its obligations with respect to the Notes and the Note Guarantees,”* and *“Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—Wind Tre will require a significant amount of cash to meet its obligations under its indebtedness and to sustain its operations and to recognize synergies, which it may not be able to generate or raise”*.

## Cash Flow

The tables below sets out certain information related to Wind Tre's cash flows for years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017.

	For the year ended December 31,			For the six months ended June 30,	
	2014	2015	2016 <sup>(1)</sup>	2016 <sup>(2)</sup>	2017
	(€ in millions)				
	(Unaudited)				
<b>Cash flows from operating activities</b>					
<b>Loss for the period</b>	<b>(63)</b>	<b>(72)</b>	<b>(1,680)</b>	<b>(42)</b>	<b>(1,050)</b>
<b>Adjustments to reconcile the loss for the period with the cash flows from operating activities</b>					
Depreciation, amortization and impairment losses on non-current assets	336	378	2,338	201	1,616
Losses on disposal of non-current assets	5	—	1	—	—
Impairment loss on trade receivables and inventory	90	98	94	41	93
Income Tax (benefits)/expenses	—	(4)	(47)	—	42
Finance costs—net	49	53	104	25	286
Net changes in provisions and employee benefits	4	5	11	1	11
Net changes in inventory	25	(24)	26	25	(38)
Changes in current assets/liabilities	(38)	105	18	179	(250)
Taxes paid	(16)	—	(46)	(6)	(8)
Interest paid	(3)	(1)	(9)	(1)	(287)
<b>Net cash flows from operating activities</b>	<b>389</b>	<b>538</b>	<b>810</b>	<b>423</b>	<b>415</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	(245)	(266)	(322)	(150)	(268)
Acquisition of intangible assets	(162)	(386)	(292)	(138)	(238)
Assets disposal	—	—	—	—	65
Inflows/(outflows) from loan granted	—	(1)	207	—	—
<b>Net cash flows used in investing activities</b>	<b>(407)</b>	<b>(653)</b>	<b>(407)</b>	<b>(288)</b>	<b>(441)</b>
<b>Cash flows from financing activities</b>					
Bank loans repayments	(94)	(66)	(49)	(50)	(7)
Shareholders loans proceeds	72	211	50	34	—
Shareholders loans repayments	(53)	(40)	(99)	(1)	—
<b>Net cash flows from/(used in) financing activities</b>	<b>(75)</b>	<b>105</b>	<b>(98)</b>	<b>(17)</b>	<b>(7)</b>
<b>Net cash flows for the period</b>	<b>(93)</b>	<b>(10)</b>	<b>305</b>	<b>118</b>	<b>(33)</b>
Cash and cash equivalents at the beginning of the period	192	99	89	89	603
Cash and cash equivalents from merger	—	—	209	—	—
<b>Cash and cash equivalents at the end of the period</b>	<b>99</b>	<b>89</b>	<b>603</b>	<b>207</b>	<b>570</b>

(1) Includes the results for H3G S.p.A. for the twelve months ended December 31, 2016 and the results of WIND for the two months ended December 31, 2016.

(2) Includes only the results of for H3G S.p.A. for the six months ended June 30, 2016

### ***Net Cash Flows from Operating Activities***

#### *Six Months Ended June 30, 2017 as Compared to Six Months Ended June 30, 2016*

For the six months ended June 30, 2017, net cash flows from operating activities decreased by €8 million to €415 million, from €423 million for the six months ended June 30, 2016. The decrease was primarily due to the following:

- higher EBITDA, which increased by €716 million from €184 million for the six months ended June 30, 2016 to €900 million for the six months ended June 30, 2017, primarily due to the effects of the Merger. For an explanation of the increase in operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets for the period, see “—*Results of Operations*”;
- changes in current assets/liabilities that utilized cash flows of €250 million for the six months ended June 30, 2017, while generating cash flows of €179 million, for the six months ended June 30, 2016;
- interest paid of €287 million during the six months ended June 30, 2017, compared to €1 million during the six months ended June 30, 2016, which was primarily attributable to a contribution of WIND; and
- net changes in inventory that utilized cash flows of €38 million for the six months ended June 30, 2017, while generating cash flows of €25 million, for the six months ended June 30, 2016, which was primarily attributable to the increase in 2017 inventory levels in order to support consumer demand.

#### *Year Ended December 31, 2016 as Compared to Year Ended December 31, 2015*

For the year ended December 31, 2016, net cash flows from operating activities increased by €272 million to €810 million, from €538 million for the year ended December 31, 2015. The increase was primarily due to the following:

- higher EBITDA, which increased by €360 million from €357 million for the year ended December 31, 2015, to €717 million for the year ended December 31, 2016, which was primarily attributable to the contribution of WIND. For an explanation of the increase in operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets for the year, see “—*Results of Operations*”;
- changes in current assets/liabilities that generated cash flows of €18 million for the year ended December 31, 2016 while generating cash flows of €105 million for the year ended December 31, 2015, primarily attributable to changes in working capital and particularly to the settlement of current liabilities;
- taxes paid for a total amount of €46 million for the year ended December 31, 2016 (nil for the year ended December 31, 2015); and
- net changes in inventory that generated cash flows of €26 million for the year ended December 31, 2016, while utilizing cash flows of €24 million for the year ended December 31, 2015, which was primarily driven by an increase in 2015 inventory levels in order to support consumer demand.

#### *Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014*

For the year ended December 31, 2015, net cash flows from operating activities increased by €149 million to €538 million, from €389 million for the year ended December 31, 2014. The increase was primarily due to the following:

- higher EBITDA, which increased by €29 million from €328 million for the year ended December 31, 2014, to €357 million for the year ended December 31, 2015. For an explanation of the increase in operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets for the year, see “*Results of Operations*”;
- changes in current assets/liabilities that generated cash flows of €105 million for the year ended December 31, 2015, while utilizing cash flows of €38 million for the year ended December 31, 2014, which was primarily attributable to changes in working capital and particularly to the settlement of current liabilities; and
- net changes in inventory that utilized cash flows of €24 million for the year ended December 31, 2015, while generating cash flows of €25 million for the year ended December 31, 2014, which was primarily driven by an increase in 2015 inventory levels in order to support consumer demand.

#### *Net Cash Flows Used in Investing Activities*

##### *Six Months Ended June 30, 2017 as Compared to Six Months Ended June 30, 2016*

Net cash flow used in investing activities increased by €153 million to €441 million for the six months ended June 30, 2017, from €288 million for the six months ended June 30, 2016, primarily due to the higher investments in property, plant and equipment and intangible assets, partially offset by the proceeds from the asset disposal.

For the six months ended June 30, 2017, investments in property, plant and equipment mainly related to purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network, electronic installations and plant and machinery under construction (IT infrastructures and 3G and LTE technologies). The investments in intangible assets mainly related to: (i) the increase of concessions, licenses, trademarks, and similar rights due to the capitalization of expenditure for the backbone rights of way following the revision of the relative agreements; and (ii) the capitalization of customer acquisition costs.

For an explanation of the capital expenditure in property plant and equipment and intangible assets for the six months ended June 30, 2017, see “—*Capital Expenditures and Investments*.”

##### *Year Ended December 31, 2016 as Compared to Year Ended December 31, 2015*

Net cash flow used in investing activities decreased by €246 million to €407 million for the year ended December 31, 2016, from €653 million year ended December 31, 2015, primarily due to: (i) the inflow in connection with the loan granted to WAHF of €207 million for the year December 31, 2016 and (ii) lower investments in intangible assets of €94 million; partially offset by higher investments in property, plant and equipment of €56 million.

##### *Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014*

Net cash flow used in investing activities increased by €246 million to €653 million for the year ended December 31, 2015, from €407 million year ended December 31, 2014, primarily due to the higher investments in property, plant and equipment and intangible assets.

For the year ended December 31, 2015, the investments in intangible assets mainly related to: (i) the increase of concessions, licenses, trademarks, and similar rights due to the capitalization of expenditure for the backbone rights of way following the revision of the relative agreements; and (ii) the capitalization of customer acquisition costs. The investment in property plant and equipment mainly relates to purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network and plant and machinery under construction (3G mobile technologies and related transport and support networks).

For an explanation of the capital expenditure in property plant and equipment and intangible assets for the years ended December 31, 2015 and 2014, see “—*Capital Expenditures and Investments.*”

#### ***Net Cash Flows From/(Used in) Financing Activities***

##### ***Six Months Ended June 30, 2017 as Compared to Six Months Ended June 30, 2016***

For the six months ended June 30, 2017, cash used in financing activities amounted to €7 million, a decrease of €10 million compared to cash used in financing activities of €17 million for the six months ended June 30, 2016.

Such decrease was mainly due to lower bank loan repayments (€7 million made in the six months ended June 30, 2017, compared to €50 million made in the same period in 2016) and lower shareholders loans proceeds of €34 million received in the six months ended June 30, 2016 (nil in the six months ended June 30, 2017).

##### ***Year Ended December 31, 2016 as Compared to Year Ended December 31, 2015***

For the year ended December 31, 2016, cash used in financing activities amounted to €98 million, a change of €203 million compared to cash generated from financing activities of €105 million for the year ended December 31, 2015. Such change was primarily due to the following:

- lower shareholders loan proceeds of €50 million for the year ended December 31, 2016, compared to €211 million in the prior year;
- higher shareholders loan repayments of €99 million for the year ended December 31, 2016, compared to €40 million in the prior year; and
- lower bank loan repayments of €49 million for the year ended December 31, 2016, compared to €66 million in the prior year.

##### ***Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014***

For the year ended December 31, 2015, cash generated from financing activities amounted to €105 million, a change of €180 million compared to cash used in financing activities of €75 million for the year ended December 31, 2014. Such change was primarily due to the following:

- higher shareholders loan proceeds of €211 million for the year ended December 31, 2015, compared to €72 million in the prior year;
- lower shareholders loan repayments of €40 million for the year ended December 31, 2015, compared to €53 million in the prior year; and
- lower bank loan repayments of €66 million for the year ended December 31, 2015, compared to €94 million in the prior year.

### Long-Term Financing Arrangements After Giving Effect to the Transactions

The table below sets forth the principal and interest payments of Wind Tre's long term financing arrangements as of June 30, 2017, after giving *pro forma* effect to the Transactions. The amounts reflected are the nominal amounts of the indebtedness represented and not the carrying amounts as reflected in Wind Tre's financial statements prepared in accordance with IFRS.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027 and thereafter	Total
	(€ in millions)											
<b>New Senior Credit Facilities:</b>												
Revolving Credit Facilities . . . . .	—	—	—	—	—	—	—	—	—	—	—	—
Term Loan <sup>(1)</sup> . . . . .	—	—	—	450	600	1,950	—	—	—	—	—	3,000
<b>Notes Offered Hereby:</b>												
Floating Rate Notes offered hereby	—	—	—	—	—	—	—	2,250	—	—	—	2,250
2023 Fixed Rate Euro Notes offered hereby . . . . .	—	—	—	—	—	—	1,625	—	—	—	—	1,625
2025 Fixed Rate Euro Notes offered hereby . . . . .	—	—	—	—	—	—	—	—	1,750	—	—	1,750
Dollar Notes offered hereby (equivalent) <sup>(2)(3)</sup> . . . . .	—	—	—	—	—	—	—	—	—	1,702	—	1,702
<b>Remaining backbone right of support acquisition costs . . . . .</b>												
	—	1	2	2	3	3	4	4	5	5	99	128
<b>Principal payments . . . . .</b>	—	1	2	452	603	1,953	1,629	2,254	1,755	1,707	99	10,455
<b>Interest payments<sup>(4)</sup> . . . . .</b>	159	318	318	313	302	276	216	154	99	15	52	2,222
<b>Total . . . . .</b>	<u>159</u>	<u>319</u>	<u>320</u>	<u>765</u>	<u>905</u>	<u>2,229</u>	<u>1,845</u>	<u>2,408</u>	<u>1,854</u>	<u>1,722</u>	<u>151</u>	<u>12,677</u>

- (1) Amortization payments are required under the term loan of the New Senior Credit Facilities in amounts equal to 15% of the New Senior Credit Facilities on the third anniversary of the utilization date, 20% of the New Senior Credit Facilities on the fourth anniversary of the utilization date and the remaining 65% on the New Senior Credit Facilities on the fifth anniversary of the utilization date. See “Description of Certain Financing Arrangements—New Senior Credit Facilities.”
- (2) Represents the issuance of the Dollar Notes offered hereby as converted into euro at an exchange rate of \$1.1749 per €1.00, net of estimated transaction costs. You should not view such translations as a representation that such euro amounts actually represent such U.S. dollar amounts, or could be or could have been converted into U.S. dollars at the rate indicated or at any other rate, on the Issue Date or any other date.
- (3) No adjustments have been made in respect of any potential hedging arrangements for foreign exchange risk in connection with interest payments or principal payments at maturity for the U.S. dollar denominated Dollar Notes.
- (4) Reflects the *pro forma* cash interest payments on the New Senior Credit Facilities, the Notes and the remaining backbone right of support acquisition costs, as if the issue of the Notes and the Transactions had occurred on July 1, 2016. For presentational purposes, the cash interest payments on the U.S. dollar denominated debt, including the Notes offered hereby have been converted using the exchange rate of \$1.1749 to €1.00. This exchange rate may differ from the exchange rate in effect as of the date of issue of the Notes. Pro forma cash interest payments have been presented for illustrative purposes only do not include the potential effect of hedging arrangements for foreign exchange risk in connection with interest payments and do not purport to represent what Wind Tre's interest payments would have actually been had the issue of the Notes occurred on the date assumed, nor do they purport to project Wind Tre's interest payments for any future period or Wind Tre's financial condition at any future date. Interest payments thereon have been converted at the same rate.

For a description of the material terms of Wind Tre's existing long-term financing arrangements and its anticipated long-term financing arrangements, see “Description of Certain Financing Arrangements” and “Description of Notes.”

### Certain Other Obligations and Contractual Commitments

The following table summarizes Wind Tre's contractual obligations as of June 30, 2017, excluding those contractual obligations as set forth above under “—Long-Term Financing Arrangements After Giving Effect to the Transactions.” The information presented in this table reflects, in part, management's

estimates of the contractual maturities of Wind Tre's obligations, which may differ significantly from the actual maturities of these obligations:

	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years	Total
	(€ in millions)				
<b>Payments due by period:</b>					
Operating lease obligations <sup>(1)</sup> . . . . .	173	724	203	92	1,192
Purchase obligations <sup>(2)</sup> . . . . .	382	—	—	—	382
<b>Total contractual obligations</b> . . . . .	<b>555</b>	<b>724</b>	<b>203</b>	<b>92</b>	<b>1,574</b>

(1) Operating lease obligations primarily relate to the rental of sites (for Wind Tre's GSM and UMTS network assets and equipment, including base stations and other network infrastructure, and for civil sites), to leased lines and equipment housing costs.

(2) Some purchase orders have no predefined scheduling of the date of delivery and payment. Wind Tre include these commitments in the column "less than 1 year."

The above does not include the payments relating to the tower services agreement with Galata and to the network modernization agreement with ZTE Italy S.r.l.. See "*Business—Network and Infrastructure—Network Supply and Maintenance Agreements.*"

#### **Capital Expenditures and Investments**

Wind Tre's investments primarily relate to network build out and enhancement both for Fixed and for Mobile traffic and data (particularly with respect to LTE, 3G and HSDPA) and for information technology investments aimed at supporting network development, commercial products and services and overall customer management, as well as for structural support to the build out and maintenance of consumer points of sale (such as refurbishing and furniture) and for customer equipment such as handsets and modems.

The following table shows Wind Tre's capital expenditures, defined as additions of property, plant and equipment and intangible assets, for the years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017:

	For the year ended December 31,			For the six months ended June 30,
	2014	2015	2016	2017
	(€ in millions)			
	(Unaudited)			
Property, plant and equipment . . . . .	267	250	322	268
Intangible assets . . . . .	235	242	293	238
<b>Total capital expenditures</b> . . . . .	<b>502</b>	<b>492</b>	<b>615</b>	<b>506</b>

For the six months ended June 30, 2017, Wind Tre's capital expenditures amounted to €506 million, which primarily consisted of:

- €233 million of capital expenditures for mobile network, mainly related to the development of 3G and 4G networks (for new sites and capacity/coverage extension, core network and mobile services);
- €23 million of capital expenditures for investments on access, backbone and data networks that transport mobile and fixed traffic;

- €9 million of capital expenditures for investment on fixed network related to the increase of LLU/FTTX coverage;
- €85 million of capital expenditures for investment on IT;
- €111 million of capital expenditures for customer acquisition costs; and
- €44 million of capital expenditures for commercial Customer Premise Equipment (€17 million), Set-up costs (€25 million) and staff costs (€2 million).

For the year ended December 31, 2016, Wind Tre's capital expenditures amounted to €615 million, which primarily consisted of:

- €183 million of capital expenditures relating to Wind Tre's mobile network, mainly related to the development of 3G and 4G networks for new sites and capacity/coverage extension;
- €31 million of capital expenditures for common investments on access, backbone and data networks that transport mobile and fixed traffic and for other common investments (*e.g.*, technological sites, IT infrastructure and others);
- €44 million of capital expenditures for investment on IT;
- €18 million of capital expenditures for investment on improvement infrastructure network site and other investments for special projects such as coverage train;
- €160 million of capital expenditures related to customer acquisition costs; and
- €171 million of capital expenditure attributable to WIND, of which €114 million are related to technology investments and €20 million for customer acquisition costs.

For the year ended December 31, 2015, Wind Tre's capital expenditures amounted to €492 million, which primarily consisted of:

- €239 million of capital expenditures relating to Wind Tre's mobile network, mainly related to the development of 3G and 4G networks for new sites and capacity/coverage extension;
- €27 million of capital expenditures for common investments on access, backbone and data networks that transport mobile and fixed traffic and for other common investments (*e.g.*, technological sites, IT infrastructure and others);
- €160 million of capital expenditures related to customer acquisition costs; and
- €44 million of capital expenditure given to Wind Tre free of charge, which primarily related to the tenders for mobile and fixed assets.

For the year ended December 31, 2014, Wind Tre's capital expenditures amounted to €502 million, which primarily consisted of:

- €261 million of capital expenditures relating to "3"'s mobile network, mainly related to the development of 3G and 4G networks for new sites (€52 million) and capacity/coverage extension;
- €20 million of capital expenditures for investments on access, backbone and data networks that transport mobile traffic;
- €10 million of capital expenditures for investment on improvement infrastructure network site;
- €56 million of capital expenditures for investment on IT; and
- €142 million of capital expenditures for customer acquisition costs.



Consistent with historical strategy, Wind Tre's expenditures depend upon a variety of factors, including current and anticipated subscriber demand and Wind Tre's own targets relating to a desired mix of subscriber base, which is determined by its evolving business plan. Wind Tre's capital expenditure plans are also affected by, and updated to reflect, changing general economic conditions.

### ***Off Balance Sheet Arrangements***

The following table summarizes Wind Tre's off balance sheet arrangements as of December 31, 2014, 2015 and 2016 and as of June 30, 2017.

	<u>As of December 31,</u>			<u>As of June 30,</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	(€ in millions)			
Contingent obligations . . . . .	3	3	26	24

(1) Includes contingent liabilities from litigation not accounted for in the relevant financial statements due to the uncertainty surrounding the outcome (excluding those for which the charges arising from a negative outcome cannot be quantified).

### ***Quantitative and Qualitative Disclosures about Market Risk***

Wind Tre is exposed to various market risks, including credit and liquidity risks, interest rate risk, and foreign currency exchange rate risk, associated with its underlying assets, liabilities, forecast transactions and firm commitments.

The treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management.

The following sections discuss the significant exposures to market risk. The following discussions do not address other risks that Wind Tre faces in the normal course of business, including country risk and legal risk.

### ***Credit Risk***

Wind Tre's credit risk is primarily associated with trade receivables, which as of June 30, 2017, amounted to €1,138 million. Wind Tre minimizes credit risk through a preventive credit check process which ensures that all customers requesting new products and services or additions to existing services are reliable and solvent, also by using a preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This check is carried out in the customer acceptance phase through the use of internal and external information.

Wind Tre additionally exercises timely post-customer acquisition measures for the purpose of credit collection such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles; and
- measuring and monitoring the debt status through reporting tools.

As a general rule, Wind Tre has a limited level of credit concentration as a consequence of diversifying its product and services portfolio to its customers. In particular, a small concentration of credit may be found in the business that Wind Tre carries out with dealers, and domestic and international operators.

Wind Tre is also assisted by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables from dealers.

In terms of financial assets, Wind Tre has an exposure to credit risk with financial counterparties with whom it enters into derivative agreements to hedge against interest rate and currency risk, makes deposits of available cash through money market transactions and holds current accounts.

In order to manage its counterparty risk, Wind Tre carries out money market transactions and transactions involving derivatives for hedging purposes solely with parties having “Investment Grade” rating and monitors and limits the concentration of transactions with any single party.

Wind Tre had cash and cash equivalents net of overdrafts amounting to €570 million as of June 30, 2017. Wind Tre’s credit risk exposure from derivative contracts is represented by their realizable value or fair value, if positive.

The fair value of derivative instruments amounted to a net asset of €1,031 million as of June 30, 2017.

Wind Tre carries out sales of receivables due from postpaid services to consumer customers, including instalment contracts for handset purchases, under arrangements in accordance with Italian Law no. 52/1991. These sales are characterized by the transfer of the potential upside and downside related to ownership of third party receivables, meeting IFRS requirements for derecognition. Specific servicing contracts through which the buyer confers a mandate to Wind Tre for the collection and management of the receivables leave the current Wind Tre customer relationship unaffected.

#### ***Liquidity Risk***

Liquidity risk arises primarily from the cash flows generated by debt servicing, in terms of both interest and principal, and from all of Wind Tre’s payment obligations that result from business activities. See “*Description of Certain Financing Arrangements.*”

In order to address the liquidity risk arising from these commitments, Wind Tre may, in addition to cash flows from ordinary operations, rely on a revolving credit line of €400.0 million under the New Senior Credit Facilities.

#### ***Interest Rate Risk***

Wind Tre is exposed to market risks as a result of changes in interest rates, particularly in relation to its floating-rate indebtedness. Financial liabilities issued at floating rates expose Wind Tre to cash flow interest rate risk, while financial liabilities issued at fixed rates expose Wind Tre to fair value interest rate risk. Wind Tre regards fluctuations in interest rates in its indebtedness as one of the major market risk exposures.

The Floating Rate Notes and the New Senior Credit Facilities expose Wind Tre to interest rate risks relating from fluctuations in EURIBOR and LIBOR. Wind Tre will manage these risks through normal operating and financing activities and, when deemed appropriate, will consider the use of derivative financial instruments to reduce its exposure to such interest rate risks. Such instruments may not cover Wind Tre’s full exposure to interest rate risks.

As of June 30, 2017, after giving effect to the Transactions, the outstanding principal nominal amounts of Wind Tre's long-term interest bearing debt were as follows:

	<b>Adjusted as of June 30, 2017 (€ in millions)</b>
<b>New Senior Credit Facilities:</b>	
Revolving Credit Facilities . . . . .	—
Term Loan . . . . .	3,000
<b>Notes Offered Hereby:</b>	
Floating Rate Notes offered hereby . . . . .	2,250
2023 Fixed Rate Euro Notes offered hereby . . . . .	1,625
2025 Fixed Rate Euro Notes offered hereby . . . . .	1,750
Dollar Notes offered hereby (equivalent) <sup>(1)</sup> . . . . .	1,702
Remaining backbone right of support acquisition cost <sup>(2)</sup> . . . . .	<u>128</u>

(1) Represents the notional amount of the debt. The U.S. dollar denominated debt has been converted into euro at an exchange rate of \$1.1749 to €1.00. This exchange rate may differ from the exchange rate in effect as of the date of issue of the Notes. You should not view such translations as a representation that such U.S. dollar amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.

(2) This amount reflects the remaining amount of the original deferred acquisition cost incurred in February 2013 in relation to the extension of the contract between WIND, TERNÀ and TERNÀ Rete Italiana in relation to the right of support granted to WIND for the installation of its fiber optic backbone network on TERNÀ's electricity lines.

To manage the exposure to changes in interest rates and to lower the overall costs of financing, Wind Tre generally uses interest rate swaps to exchange the interest rate exposure on the underlying liabilities from a floating interest rate to a fixed interest rate.

As of June 30, 2017 (without giving effect to the Transactions), approximately 29% of floating interest rate exposure was hedged with respect to the Existing Senior Credit Facilities. On a historical basis, an estimated increase in interest rates of 25 basis points, or 0.25%, on floating rate debt as of June 30, 2017, after giving effect to the hedging agreements, would result in a maximum increase in financial expense of €7 million. Following the issue of the Notes, Wind Tre will continue to hedge exposure to interest rates.

*Foreign Currency Exchange Rate Risk*

Foreign exchange rate exposure of Wind Tre primarily relates to U.S. dollar denominated indebtedness. As of June 30, 2017 (without giving effect to the Transactions), Wind Tre had \$5,250 million in U.S. dollar denominated indebtedness. As of June 30, 2017 (after giving effect to the Transactions), Wind Tre had \$2,000 million in U.S. dollar denominated indebtedness. With respect to all Wind Tre's indebtedness denominated in a currency other than euros Wind Tre manages its foreign currency exchange rate risk by hedging 100% of the exposure through cross currency swaps. Following the issue of the Notes, Wind Tre will continue to hedge exposure to foreign exchange rates.

*Critical Accounting Estimates*

The discussion and analysis of Wind Tre's results of operations and financial condition are based on Wind Tre's consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these consolidated financial statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure

of contingent assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. Wind Tre has summarized below those accounting estimates that require the more subjective judgment of Wind Tre's management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the consolidated financial statements.

Detailed information regarding accounting policies is provided in Note 2 to Wind Tre's annual consolidated financial statements for the year ended December 31, 2014, 2015, and 2016, included elsewhere in this Offering Memorandum.

#### ***Deferred Taxes***

Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and probability of the realization of deferred income taxes and the timing of income tax payments. Deferred income taxes are provided for the effect of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes.

Wind Tre measures deferred tax assets and liabilities using enacted tax rates that, if changed, would result in either an increase or decrease in the provision for income taxes in the period of change. A valuation allowance is recorded when it is not reasonably certain that a deferred tax asset will not be realized. In assessing the likelihood of realization, management considers available prior years' results of operations, estimates of future taxable income, the character of income needed to realize future tax benefits, and all available evidence. Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, Wind Tre's ability to achieve the forecasts set out in its business plan as well as its financial condition in future periods.

#### ***Determination of Useful Lives and Recovery of Long-Lived Assets***

Wind Tre estimates the useful lives of its long-lived assets in order to determine the amount of depreciation and amortization to be charged in any reporting period. These useful lives are estimated at the time the asset is acquired, and are based on historical experience with similar assets, as well as taking into account future anticipated events affecting their lives. Changes in technology or changes in Wind Tre's intended use of these assets may cause the estimated useful lives of these assets to change. Wind Tre performs a review of the estimated useful life, residual carrying value and depreciation or amortization methods for each category of its long-lived assets at the end of every accounting period. Wind Tre's review of these assets may indicate that their estimated useful lives needs to be shortened, resulting in increased depreciation and amortization charges in future periods, or that their carrying value exceeds the estimated recoverable amount. If, at the reporting date, long-lived assets as a group show a permanent impairment in value, regardless of the depreciation and amortization already provided, they are written down accordingly. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated. In addition, Wind Tre reviews assets with indefinite useful lives at each reporting date, or whenever there are indicators of impairment, to determine whether there are any indications that they have suffered an impairment loss that needs to be recognized. In order to determine whether any indicators of impairment in relation to long-lived assets or assets with indefinite useful life, it is necessary to make subjective measurements, based on information obtained within Wind Tre and in the market and also on past experience. When a potential impairment loss emerges it is estimated by Wind Tre using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary over time, thereby affecting estimates and measurements.

### ***Contingent Liabilities and Provisions***

Wind Tre is currently involved in certain legal proceedings and has accrued amounts that represent its estimate of the probable outcome of these matters. The judgments Wind Tre makes with regard to whether to establish a reserve are based on an evaluation of all relevant factors by internal and external legal counsel, as well as subject matter experts. The relevant factors analyzed include an analysis of the complaint, documents, testimony and other materials as applicable. Claims are continually monitored and re-evaluated as new information is obtained. Wind Tre may not establish liability for a particular matter until long after the litigation is filed, once a liability becomes probable and estimable. The actual settlement of such matters could differ from the judgments made in determining how much, if any, to accrue. See “*Business—Legal Proceedings*” for a discussion of ongoing litigation.

## **Management’s Discussion and Analysis of Financial Condition and Results of Operations for WIND**

*The following is a discussion and analysis of the results of operations and financial condition of WIND based on the audited consolidated financial statements of WIND and its consolidated subsidiaries as of and for the years ended December 31, 2014 and 2015 and the unaudited financial statements of WIND and its consolidated subsidiaries as of and for the ten months ended October 31, 2016, all prepared in accordance with IFRS.*

*In this Management’s Discussion and Analysis of Financial Condition and Results of Operations, references to Mobile and Fixed-line are capitalized where, and to the extent that, the references are to the reporting units in the consolidated financial statements of WIND and its consolidated subsidiaries prepared in accordance with IFRS.*

*You should read this discussion in conjunction with the consolidated financial statements of WIND and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to WIND’s consolidated financial statements is set forth below in “—Critical Accounting Estimates.” You should also review the information in the section “Presentation of Financial Information.” This discussion also includes forward-looking statements which, although based on assumptions that management considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing the Issuer and WIND as a result of various factors, see “Forward-Looking Statements” and “Risk Factors.”*

### **Key Factors Affecting Results of Operations**

#### ***Overview***

On August 6, 2015, VEON, which indirectly owned 100% of WIND, together with its subsidiary VimpelCom Amsterdam B.V., and CKHH which indirectly owned 100% of H3G S.p.A., together with certain of its subsidiaries, entered into a contribution and framework agreement to form an equal joint venture holding company, VIP-CKH Luxembourg S.à r.l., that would own and operate their telecommunications businesses in Italy. This led to each of CKHH and VEON owning 50% of VIP-CKH Luxembourg S.à r.l., which in turn, would indirectly own 100% of the Italian operating subsidiaries WIND and “3”, of VEON and CKHH, respectively.

In connection with the Merger, WIND has been merged with, and incorporated into, Wind Tre (previously H3G S.p.A.). Although the Merger effective date is November 5, 2016, the accounting effective date, for the historical financial statements as of and for the year ended December 31, 2016 of Wind Tre, is November 1, 2016. As Wind Tre and WIND have been controlled by the same parties, CKHH and VEON, both before and after the combination, the Merger was accounted for as a combination of entities or businesses under common control.

#### ***Management View Information***

Set forth below is certain management view information presenting management’s breakdown of WIND’s financial results between WIND’s mobile and fixed-line business. See “—Principal Factors

Affecting Mobile Revenues,” “—Principal Factors Affecting Internet and Fixed-Line Voice Revenue,” “—Results of Operations” and “—Presentation of Financial Statements” below.

	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
	(€ in millions)		
<b>Management view data:</b>			
Revenues management view:			
Mobile	3,328	3,279	2,793
Fixed-line	1,305	1,150	915
EBITDA (excluding restructuring costs) management view:			
Mobile	1,388	1,324	1,157
Fixed-line	416	346	250

**Principal Factors Affecting Mobile Revenues**

WIND’s available financial statements for 2016 are only as of and for the ten months ended October 31, 2016, as the company ceased to exist after the Merger effective date on November 5, 2016. Results of operations of the previous WIND business for the period between November 1, 2016, and December 31, 2016, are included in Wind Tre’s results of operations for the year. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation.” As a result, WIND’s principal factors affecting mobile and fixed-line are not directly comparable due to the different length of the periods compared.

**Subscriber Base**

The table below sets forth selected subscriber data for the Mobile business for the periods indicated.

	Mobile Subscriber Base <sup>(1)</sup>		
	As of and for the year ended December 31,	As of and for the year ended December 31,	As of and for the ten months ended October 31,
	2014	2015	2016
	(in millions of subscribers)		
<b>Total subscriber base:</b>			
Total subscribers at beginning of period	22.3	21.6	21.1
Total disconnections during period	(6.9)	(6.2)	(5.3)
Total new activations during period	6.2	5.8	4.8
<b>Total subscribers at end of period</b>	<b>21.6</b>	<b>21.1</b>	<b>20.6</b>

(1) Based on the number of SIM cards in use and excluding SIM cards embedded in electric meters that automatically send usage information signals to a customer’s utility provider (what WIND refers to as “machine-to-machine” SIM cards).

WIND’s Mobile subscriber base as of October 31, 2016, as compared to December 31, 2015, decreased from 21.1 million subscribers to 20.6 million subscribers, respectively. The decrease was primarily attributable to a total market contraction.

As of December 31, 2015, the Mobile subscriber base decreased to 21.1 million subscribers, from 21.6 million, as of December 31, 2014. The decrease was primarily attributable to a total market

contraction as a consequence of operators focusing on more robust pricing strategies during 2014 and 2015.

### Churn

Churn activity affects various other key performance indicators, including total subscribers. See “*Industry, Market and Subscriber Data of Wind Tre.*” Subscriber disconnections or removals both for prepaid and postpaid subscribers, can occur on a voluntary basis, when subscribers switch to competing telecommunication operators for reasons such as pricing, the availability of different data and VAS offerings and quality of service. Subscriber disconnections also occur when WIND terminates a subscription or a subscriber decides that he or she no longer requires mobile telecommunication services. A prepaid mobile subscriber is deemed to have churned if (i) they have not recharged their mobile credit in the last thirteen months, (ii) they have requested to have their SIM card deactivated, (iii) they have requested and obtained through mobile number portability a switch to another telecommunication operator, or (iv) a fraud event has occurred. A postpaid subscriber is deemed to have churned if (i) they have requested that their SIM card is deactivated, (ii) a payment default has occurred, (iii) they have requested and obtained through mobile number portability a switch to another telecommunication operator or (iv) a fraud event has occurred. See “*Industry, Market and Subscriber Data of Wind Tre.*”

The table below sets forth WIND’s Mobile churn rate for each of the periods indicated.

	Mobile Churn Rate		
	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
Churn rate . . . . .	31.4%	29.2%	30.5%

WIND’s Mobile churn rate increased to 30.5% for the ten months ended October 31, 2016, from 29.2% for the year ended December 31, 2015, which was primarily attributable to an increase competition in the market that led to an increase in the number of deactivations as more subscribers changed network.

WIND’s Mobile churn rate decreased to 29.2% for the year ended December 31, 2015, from 31.4% for the year ended December 31, 2014, mainly due to the decrease of total disconnections during the period as a consequence of operators focusing on more robust pricing strategies.

### ARPU

WIND defined Mobile ARPU as the measure of the sum of the Mobile revenues in the period divided by the average number of the Mobile subscribers (the total number of Mobile subscribers at each month-end for each month in the period divided by the number of months in the period), divided by the number of months in the period.

	Mobile ARPU		
	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
Voice ARPU . . . . .	€ 6.9	€ 6.5	€ 6.4
Data ARPU . . . . .	€ 4.4	€ 4.7	€ 5.1
<b>Total ARPU . . . . .</b>	<b>€11.3</b>	<b>€11.3</b>	<b>€11.5</b>
Increase/(decrease) from prior equivalent period . . . . .	—	—	—
Data ARPU as percentage of total ARPU . . . . .	39.1%	42.0%	44.3%



Voice ARPU decreased to €6.4 for the ten months ended October 31, 2016, from €6.5 for the year ended December 31, 2015, and decreased by 5.8% to €6.5 for the year ended December 31, 2015, from €6.9 for the year ended December 31, 2014. WIND believes that the trend of declining Voice ARPU, which impacted its Total ARPU, was primarily attributable to the general market trend that has seen a wider spread of all-inclusive bundles including increased amounts of minutes for a fixed monthly fee.

Data ARPU increased to €5.1 for the ten months ended October 31, 2016, from €4.7 for the year ended December 31, 2015, and increased by 6.8% to €4.7 for the year ended December 31, 2015, from €4.4 for the year ended December 31, 2014. The growth over these periods was primarily attributable to the growth in data users customers coupled with increased data usage per customer thanks to the growing success of WIND’s Mobile Internet offerings coupled with increased demand for data in the market.

Total ARPU increased to €11.5 for the ten months ended October 31, 2016, from €11.3 for the year ended December 31, 2015. WIND attributes this increase to the increase in Data ARPU driven by the higher rate of growth of customers utilizing data and their data usage, partially offset by lower Voice ARPU. Total ARPU for the year ended December 31, 2015, remained stable at €11.3, as compared to the year ended December 31, 2014.

**Principal Factors Affecting Internet and Fixed-Line Voice Revenues**

*Subscriber Base*

The table below sets forth selected subscriber data for WIND’s Fixed-line business broken down by direct voice and indirect voice subscribers.

	<b>Fixed-Line Subscriber Base</b>		
	<b>As of and for the year ended December 31,</b>		<b>As of and for the ten months ended</b>
	<b>2014</b>	<b>2015</b>	<b>October 31, 2016</b>
	<small>(in millions of subscribers, except percentages)</small>		
Total direct voice . . . . .	2.4	2.4	2.5
Total indirect voice . . . . .	0.4	0.4	0.3
<b>Total voice . . . . .</b>	<b>2.8</b>	<b>2.8</b>	<b>2.7</b>
<b>Total internet . . . . .</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>

The total number of WIND’s Fixed-line voice subscribers remained relatively stable over the period between December 31, 2015 and October 31, 2016, with the number of Fixed-line voice subscribers decreasing to 2.7 million from 2.8 million over this period. In 2016 WIND continued to focus its Fixed-line strategy on the LLU market segment to attract subscribers and stabilize its direct subscriber base. As a consequence of this strategy, the total number of WIND’s direct Fixed-line voice subscribers remained stable at 2.5 million as of October 31, 2016, from 2.4 million as of December 31, 2015, and the total number of WIND’s indirect Fixed-line voice subscribers decreased by 25.0% to 0.3 million, as of October 31, 2016 from, 0.4 million, as of December 31, 2015. See “*Business—Overview of Operations—Fixed-Line Operations.*”

The total number of WIND’s Fixed-line voice subscribers, as well as the number of direct and indirect subscribers, remained stable over the period between December 31, 2014 and December 31, 2015 at 2.8 million, 2.4 million and 0.4 million, respectively. See “*Business—Overview of Operations—Fixed-Line Operations.*”

The total number of WIND's Internet access subscribers (completely represented by broadband) remained relatively stable over the periods presented at 2.3 million subscribers, as of October 31, 2016, and as of December 31, 2015.

The total number of WIND's Internet access subscribers was 2.3 million, as of December 31, 2015, an increase of 0.1 million, or 4.5%, from 2.2 million subscribers, as of December 31, 2014, as a consequence of the increased demand for broadband connections in the market.

#### ARPU

The table below sets forth WIND's Voice ARPU and Data ARPU in its Internet, Fixed-line voice and data businesses for the periods indicated.

	Fixed-Line ARPU		
	For the year ended December 31,		For the ten months ended October 31, 2016
	2014	2015	
Voice ARPU . . . . .	€13.3	€11.2	€ 9.8
Data ARPU . . . . .	€16.0	€16.7	€17.5
<b>Total ARPU . . . . .</b>	<b>€29.4</b>	<b>€27.9</b>	<b>€27.3</b>
Decrease from prior equivalent period . . . . .	—	(4.9)%	—
<b>Broadband ARPU . . . . .</b>	<b>€21.3</b>	<b>€21.1</b>	<b>€21.0</b>

Voice ARPU decreased to €9.8 for the ten months ended October 31, 2016, from €11.2 for the year ended December 31, 2015. Voice ARPU decreased by €2.1 million, or 15.8%, to €11.2 for the year ended December 31, 2015, from €13.3 for the year ended December 31, 2014. These decreases in Voice ARPU were primarily attributable to fixed-to-mobile substitution in conjunction with the growing preference by customers for either fixed dual-play bundles offering unlimited DSL and pay per use voice for a lower monthly fee.

Data ARPU increased to €17.5 for the ten months ended October 31, 2016, from €16.7 for the year ended December 31, 2015, and increased by 4.4% to €16.7 for the year ended December 31, 2015, from €16.0 for the year ended December 31, 2014. Both increases were primarily attributable to shifting customer preferences for offers including only broadband connection vs all-inclusive bundles together with the overall increased demand for broadband connections in the market.

Total ARPU decreased to €27.3 for the ten months ended October 31, 2016, from €27.9 for the year ended December 31, 2015. Total ARPU decreased by 5.1% to €27.9 for the year ended December 31, 2015, from €29.4 for the year ended December 31, 2014. These decreases were primarily attributable to the decrease in Voice ARPU, over these periods, which were only partially offset by the increase in Data ARPU.

Broadband ARPU for the ten months ended October 31, 2016 remained relatively stable, decreasing to €21.0, from €21.1 for the year ended December 31, 2015.

Broadband ARPU for the year ended December 31, 2015 remained relatively stable, decreasing by 0.9%, to €21.1, from €21.3 for the year ended December 31, 2014.

## **Presentation of Financial Statements**

### ***Revenue***

Revenue includes revenues from services, revenue from sales and other revenue as discussed below:

#### ***Revenue from Services***

Revenue from services consists of revenues from:

- *telephone services*, including revenues from, among others, traffic, roaming revenues from WIND's customers traveling abroad, fees and contributions from WIND's Mobile and Fixed-line (including Internet) businesses;
- *interconnection traffic*, relating to incoming calls from other operators' networks to WIND's Mobile and Fixed-line networks;
- *international roaming*, relating to calls made by subscribers of foreign mobile network operators while traveling in Italy;
- *judicial authority services*, which are revenues for services WIND is required to provide to judicial authorities; and
- *other revenue from services*, which primarily relate to leased lines and access fees charged to telecom operators and penalties charged to its Mobile and Fixed-line customers.

#### ***Revenue from Sales***

Revenue from sales primarily relates to the sale of SIM cards, mobile and fixed-line phones and related accessories.

#### ***Other Revenue***

Other revenue primarily relates to revenue arising from the settlement of commercial disputes and penalties charged to suppliers. Other revenue also includes the straight-line amortization of deferred revenue relating to asset related grants.

#### ***Purchases and Services***

Purchases and services primarily includes:

- *interconnection traffic costs*, relating to the costs incurred to connect WIND customers to other networks;
- *lease and rental costs*, which include lease of civil and technical sites, lease of telecommunication circuits and lease of local access networks;
- *advertising and promotional services*;
- *purchases of raw materials, consumables, supplies and goods* mainly relating to the cost of mobile telephone handsets and to SIM cards sold;
- *customer acquisition costs*, mainly relating to commissions on sales of scratch cards, commissions to agents and commissions to dealers; and
- *other costs incurred in the provisions of services*, including maintenance costs for network and information systems, customer acquisition costs and costs for outsourced services (*e.g.*, call center services, invoice delivery, and credit collection), utilities and consultancies and professional services.

***Other Operating Costs***

Other operating costs include write-downs of trade receivables and current assets, accruals to provisions for risks and charges, annual contributions for license and frequency fees, gifts, provision, for charges, provision, for risks and other operating expenses.

***Personnel Expenses***

Personnel expenses primarily include wages and salaries, social security charges, and post-employment benefits, net of capitalized costs for internal work.

***Restructuring Costs***

Restructuring costs include costs that WIND expects to pay for implementing the business's restructuring and reorganization plan, drawn up with the objective of optimizing the cost structure.

***Depreciation and Amortization***

Depreciation and amortization relates to property, plant and machinery, industrial and commercial equipment and intangible assets, respectively, including the amortization of customer acquisition costs.

***Impairment Losses on Non-Current Assets***

Impairment of non-current assets includes impairment of property, plant and equipment and impairment of intangible assets. Impairment losses on non-current assets is shown net of the effect relating to the replacement of transmission equipment.

***Gains/(Losses) on the Disposal of Non-Current Assets***

Gains/(losses) on the disposal of non-current assets includes the gains arising on disposal of property, plant and equipment, gains arising on disposal of financial assets and losses arising on disposal of property, plant and equipment.

***Finance Income and Finance Expense***

Finance income includes cash flow hedges reversed from equity, interest income from banks and from receivables classified as non-current assets, fair value measurement of non-hedging derivatives and other finance income.

Finance expense includes interest expense on bonds, shareholder loans and bank borrowings, discounting of provisions, transfer of cash flow hedge from equity, fair value losses from derivatives not classified as hedging instruments, impairment of financial assets and other finance expenses.

***Foreign Exchange Losses Net***

Foreign exchange losses net includes realized exchange gains and exchange gains from measurement, net of realized losses on exchange and exchange losses from measurement.

***Income Tax Benefits/(Expenses)***

Income tax benefits/(expenses) are comprised of current income tax benefits or expenses and deferred tax benefits or expenses (including carry forward tax losses).

### *Non-Controlling Interests*

Profit/(loss) attributable to non-controlling interests reflects the results of operations attributable to non-controlling interests in subsidiaries that are consolidated in WIND's financial statements.

### **Results of Operations**

The table below shows WIND's consolidated results of operations for the year ended December 31, 2014, and 2015, and for the ten months ended October 31, 2016.

	For the year ended December 31,				For the ten months ended October 31,	
	2014	% of total revenue	2015	% of total revenue	2016	% of total revenue
	(€ in millions, except percentages)					
	(Unaudited)					
Revenue . . . . .	4,393	94.8%	4,304	97.2%	3,613	97.4%
Other revenue . . . . .	240	5.2%	124	2.8%	95	2.6%
<b>Total revenue . . . . .</b>	<b>4,633</b>	<b>100.0%</b>	<b>4,428</b>	<b>100.0%</b>	<b>3,708</b>	<b>100.0%</b>
Purchases and services . . . . .	(2,338)	(50.5)%	(2,290)	(51.7)%	(1,930)	(52.0)%
Other operating costs . . . . .	(178)	(3.8)%	(154)	(3.5)%	(134)	(3.6)%
Personnel expenses . . . . .	(313)	(6.8)%	(294)	(6.6)%	(237)	(6.4)%
Restructuring costs . . . . .	—	—	(19)	(0.4)%	—	—
<b>Operating income before depreciation and amortization, impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>	<b>1,804</b>	<b>38.9%</b>	<b>1,671</b>	<b>37.8%</b>	<b>1,407</b>	<b>38.0%</b>
Depreciation and amortization . . . . .	(1,214)	(26.2)%	(1,177)	(26.6)%	(963)	(26.0)%
Impairment losses on non-current assets . . . . .	(13)	(0.3)%	(31)	(0.7)%	—	—
Gains/(losses) on disposal of non-current assets . . . . .	(4)	(0.1)%	482	10.9%	(1)	—
<b>Operating income . . . . .</b>	<b>573</b>	<b>12.3%</b>	<b>945</b>	<b>21.4%</b>	<b>443</b>	<b>12.0%</b>
Finance income . . . . .	68	1.5%	157	3.5%	453	12.2%
Finance expense . . . . .	(1,414)	(30.5)%	(667)	(15.1)%	(479)	(12.9)%
Foreign exchange losses, net . . . . .	(39)	(0.8)%	(16)	(0.4)%	(1)	—
<b>Profit/(Loss) before tax . . . . .</b>	<b>(812)</b>	<b>(17.5)%</b>	<b>419</b>	<b>9.4%</b>	<b>416</b>	<b>11.3%</b>
Income tax benefits/(expenses) . . . . .	103	2.2%	9	0.2%	(87)	(2.3)%
<b>Profit/(Loss) for the period . . . . .</b>	<b>(709)</b>	<b>(15.3)%</b>	<b>428</b>	<b>9.6%</b>	<b>329</b>	<b>9.0%</b>
Non-controlling interests . . . . .	—	—	—	—	—	—
<b>Profit/(Loss) for the period attributable to the owners of the parent . . . . .</b>	<b>(709)</b>	<b>(15.3)%</b>	<b>428</b>	<b>9.6%</b>	<b>329</b>	<b>9.0%</b>

### *Ten Months Ended October 31, 2016 as Compared to Year Ended December 31, 2015*

WIND's available financial statements for 2016 are only available for the ten months ended October 31, 2016, as the WIND legal entity ceased to exist following the Merger which was effective on November 5, 2016, however, the accounting effective date is November 1, 2016. Results of operations of the previous WIND business for the period between November 1, 2016 and December 31, 2016 are included in Wind Tre's results of operations for the year ended December 31, 2016. As a result, WIND's

principal factors affecting its mobile and fixed-line businesses are not directly comparable due to the different length of the periods compared.

### Revenue

WIND's total revenue amounted to €3,708 million for the ten months ended October 31, 2016, a decrease of €720 million, or 16.3%, from €4,428 million for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €814 million, WIND's total revenue increased by €94 million, or 2.1%, to €4,522 million, which was primarily attributable to (i) the increase of €107 million in revenue from sales; (ii) the increase of €16 million in revenue from interconnection traffic; (iii) the increase of €12 million in other revenue partially offset by the decrease of €43 million in revenue from telephone services.

The table below sets forth WIND's revenue for the ten months ended October 31, 2016 as compared to the year ended December 31, 2015.

	For the year ended December 31, 2015	For the ten months ended October 31 2016
	(€ in millions, except percentages) (Unaudited)	
<b>Revenue from services:</b>		
Telephone services . . . . .	3,465	2,844
Interconnection traffic . . . . .	380	339
International roaming . . . . .	39	32
Judicial authority services . . . . .	6	5
Other revenue from services . . . . .	118	99
<b>Total revenue from services . . . . .</b>	<b>4,008</b>	<b>3,319</b>
Revenue from sales . . . . .	296	294
Other revenue . . . . .	124	95
<b>Total revenue . . . . .</b>	<b>4,428</b>	<b>3,708</b>

Revenue from services for the ten months ended October 31, 2016 amounted to €3,319 million, a decrease of €689 million, or 17.2%, from €4,008 million for the year ended December 31, 2015. Including the results of WIND for two months ended December 31, 2016, amounting to €664 million, total revenue from services decreased by €25 million, or 0.6%, to €3,983 million which was primarily attributable to the decrease in revenue from telephone services and partially offset by the increase in revenue from interconnection traffic.

Revenue from services consisted primarily of revenue from telephone services which amounted to €2,844 million for the ten months ended October 31, 2016, a decrease of €621 million, or 17.9%, from €3,465 million for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016 amounting to €578 million, total revenue from telephone services decreased by €43 million, or 1.2%, to €3,422 million which was primarily attributable to the difficult macroeconomic environment in Italy and the contraction of the overall market during the period, partially offset by WIND's development of new offers dedicated to internet navigation on mobile phones.

Revenue from interconnection traffic for the ten months ended October 31, 2016 amounted to €339 million, a decrease of €41 million, or 10.8%, from €380 million for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €57 million, revenue from interconnection traffic increased by €16 million, or 4.2%, to €396 million which was primarily attributable to the increased incoming traffic volumes on mobile, only partially offset by a decrease in

volumes for incoming SMSs and MMSs and by the reduction in both volumes and tariffs for calls to non-geographic numbers.

Revenue from international roaming for the ten months ended October 31, 2016 amounted to €32 million, a decrease of €7 million, or 17.9%, from €39 million for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €4 million, revenue from international roaming decreased by €3 million, or 7.7%, to €36 million which was primarily attributable to the reduction in Voice and Data tariffs, only partially offset by an increase in Data volumes.

Revenue from sales for the ten months ended October 31, 2016 amounted to €294 million, a decrease of €2 million, or 0.7%, from €296 million, for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €109 million, revenue from sales increased by €107 million, or 36.1%, to €403 million, which was primarily attributable to a rise in the sale of high-range mobile telephone handsets compared to the previous year.

Other revenue for the ten months ended October 31, 2016 amounted to €95 million, a decrease of €29 million or 23.4%, from €124 million, for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €41 million, other revenue increased by €12 million, or 9.7%, to €136 million. The increase in other revenue was primarily attributable to the update of certain estimates made in previous years and the release to income of capital grants and penalties.

The following table sets forth a breakdown of WIND's revenue for the ten months ended October 31, 2016 and the year ended December 31, 2015.

	For the year ended December 31, 2015	For the ten months ended October 31 2016
	(€ in millions, except percentages)	
Mobile revenue . . . . .	3,279	2,793
Fixed-line revenue . . . . .	1,150	915
<b>Total revenue . . . . .</b>	<b>4,428</b>	<b>3,708</b>

Mobile revenue amounted to €2,793 million for the ten months ended October 31, 2016, a decrease of €486 million, or 14.8%, from €3,279 million for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €600 million, mobile revenue increased by €114 million, or 3.5%, to €3,393 million which was primarily attributable to an increase of Customer Premise Equipment revenue due to WIND's focus on all-inclusive bundles with handsets included.

Fixed-line revenue (comprising Internet, Fixed-line voice and data) amounted to €915 million for the ten months ended October 31, 2016, a decrease of €235 million, or 20.4%, from €1,150 million for the year ended December 31, 2015. Including the results of WIND for the two months ended December 31, 2016, amounting to €214 million, fixed-line revenue decreased by €21 million, or 1.8%, to €1,129 million, which was primarily attributable to a decrease in service revenues due to fixed to mobile substitution in conjunction with the growing preference by customers for fixed dual-play bundles offering unlimited DSL and pay per use voice, for a lower monthly fee.

### Purchases and Services and Other Operating Costs

The table below sets forth WIND's purchases and services and other operating costs for the ten months ended October 31, 2016, as compared to the year ended December 31, 2015.

	For the year ended December 31, 2015	For the ten months ended October 31 2016	For the year ended December 31, 2015	For the ten months ended October 31, 10M 2016
	(€ in millions, except percentages) (Unaudited)		(% of total revenues)	
<b>Purchases and services:</b>				
Interconnection traffic . . . . .	561	427	12.7%	11.5%
Customer acquisitions costs . . . . .	168	134	3.8%	3.6%
Lease of civil/technical sites and use of third party assets . . . . .	186	139	4.2%	3.7%
Purchases of raw materials, consumables, supplies and goods . . . . .	295	283	6.7%	7.6%
Rental of local network and circuits . . . . .	382	317	8.6%	8.5%
Advertising and promotional services . . . . .	84	65	1.9%	1.8%
Outsourcing costs for other services . . . . .	250	257	5.6%	6.9%
Maintenance and repair . . . . .	52	38	1.2%	1.0%
Power consumption and other utilities . . . . .	106	81	2.4%	2.2%
National and international roaming . . . . .	28	25	0.6%	0.7%
Consultancies and professional services . . . . .	43	54	1.0%	1.5%
Change in inventories . . . . .	(7)	(4)	(0.2)%	(0.1)%
Other services . . . . .	142	114	3.2%	3.1%
<b>Total purchases and services . . . . .</b>	<b><u>2,290</u></b>	<b><u>1,930</u></b>	<b><u>51.7%</u></b>	<b><u>52.0%</u></b>
	For the year ended December 31, 2015	For the ten months ended October 31, 2016	For the year ended December 31, 2015	For the ten months ended October 31, 10M 2016
	(€ in millions, except percentages) (Unaudited)		(% of total revenues)	
<b>Other operating costs:</b>				
Impairment losses on trade receivables and current assets . . . . .	102	83	2.3%	2.2%
Accruals to provision for risks and costs . . . . .	(3)	6	(0.1)%	0.2%
Annual license and frequency fees . . . . .	38	34	0.9%	0.9%
Ancillary operating costs . . . . .	17	11	0.4%	0.3%
<b>Total other operating costs . . . . .</b>	<b><u>154</u></b>	<b><u>134</u></b>	<b><u>3.5%</u></b>	<b><u>3.6%</u></b>

### Purchases and Services

Purchases and services as a percentage of total revenue for the ten months ended October 31, 2016, increased to 52.0% or 0.3%, from 51.7% for the year ended December 31, 2015. Such increase was mainly attributable to the following:

- the increase in outsourcing costs for other services as a percentage of total revenue of 1.3%, which was primarily attributable to the service contract entered on February 27, 2015 with Galata S.p.A., related to the provision of hospitality services;



- the increase in purchases of raw materials, consumables, supplies and goods as a percentage of total revenue of 0.9% which was primarily attributable to an increase in the unit cost of mobile telephone handsets sold; and
- the increase in consultancies and professional services as a percentage of total revenue of 0.5%, which was primarily attributable to corporate services received from related parties.

The above increases were partially offset by:

- the decrease in interconnection traffic costs as a percentage of total revenue of 1.2%, which was primarily attributable to a decrease in volume and tariffs of international termination traffic, only partially offset by an increase in tariffs in SMS traffic;
- the decrease in lease of civil/technical sites and use of third party assets as a percentage of total revenue of 0.5%, which was primarily attributable to the sale of 90% of WIND'S shares in Galata S.p.A. finalized on March 26, 2015;
- the decrease in customer acquisition cost as a percentage of total revenue of 0.2%, which was primarily attributable to a decrease of commissions on mobile traffic and commissions for the sale of scratch cards;
- the decrease in power consumption and other utilities as a percentage of total revenue of 0.2%, which was primarily attributable to the sale of 90% of WIND's shares in Galata S.p.A.;
- the decrease in maintenance and repair as a percentage of total revenue of 0.2%, which was primarily attributable to WIND's optimization of its network maintenance and informatics systems.
- the decrease in advertising and promotional services as a percentage of total revenue of 0.1%, which was primarily attributable to the strategic optimization of purchasing advertising media such as TV, radio and billboards; and
- the decrease in rental of local network and circuits as a percentage of total revenue of 0.1%, which was primarily attributable to a decrease in WLR and Bitstream volumes.

#### *Other Operating Costs*

Total other operating costs as a percentage of total revenue for the ten months ended October 31, 2016 increased to 3.6%, or by 0.1%, from 3.5%, for the year ended December 31, 2015. This increase was primarily attributable to the higher accruals to provisions for risks and costs.

#### *Personnel Expenses*

Personnel expenses as a percentage of total revenue for the ten months ended October 31, 2016 decreased to 6.4%, or 0.2%, from 6.6% for the year ended December 31, 2015. This decrease was primarily attributable to the higher capitalization of personnel cost for internal works.

The average number of employees decreased by 92 in the first ten months of 2016 compared with the year ended December 31, 2015, mainly due to the sale finalized on March 26, 2015, of 90% of Galata S.p.A. and following the implementation of the personnel restructuring plan drawn up at December 31, 2015, with the objective of optimizing WIND's cost structure.

## EBITDA

The table below sets forth WIND's EBITDA for the ten months ended October 31, 2016, as compared to the year ended December 31, 2015.

	For the year ended December 31,	For the ten months ended October 31,
	2015	2016
	(€ in millions, except percentages) (Unaudited)	
<b>Profit/(Loss) for the period attributable to the owners of the parent</b> . . . . .	<b>428</b>	<b>329</b>
Income tax (benefits)/expenses . . . . .	(9)	87
Finance income . . . . .	(157)	(453)
Finance expense . . . . .	667	479
Foreign exchange losses, net . . . . .	16	1
Depreciation and amortization . . . . .	1,177	963
Impairment losses on non-current assets . . . . .	31	—
(Gain)/Losses on disposal of non-current assets . . . . .	(482)	1
<b>EBITDA</b> . . . . .	<b><u>1,671</u></b>	<b><u>1,407</u></b>
<b>EBITDA margin</b> . . . . .	<b><u>37.8%</u></b>	<b><u>38.0%</u></b>

EBITDA amounted to €1,407 million for the ten months ended October 31, 2016, a decrease of €264 million, or 15.8%, from €1,671 million for the year ended December 31, 2015. EBITDA margin increased from 37.8% for the year ended December 31, 2015, to 38.0% for the ten months ended October 31, 2016, which was primarily attributable to the restructuring costs incurred in 2015 and has partially offset by higher purchases and services as a percentage of total revenue during the ten months ended October 31, 2016. For a description of how Wind Tre calculates EBITDA, see “*Summary—Summary Consolidated Financial Information of Wind Tre Group—Other Consolidated Financial Information of Wind Tre.*”

### *Depreciation and Amortization*

Depreciation and amortization as a percentage of total revenue for the ten months ended October 31, 2016 decreased to 26.0%, or 0.6%, from 26.6% for the year ended December 31, 2015. This decrease was primarily attributable to the lower amortization of intangible assets resulting from the lower capitalization of customer acquisition costs and the amortization of intangible assets, specifically the Infostrada Customer List, which was previously recognized in a purchase price allocation exercise that ended in 2015.

### *Impairment Losses on Non-current Assets*

Impairment losses on non-current assets were nil for the ten months ended October 31, 2016, compared to €31 million for the year ended December 31, 2015, this change was primarily attributable to plant and equipment under construction for which the cost was deemed not recoverable.

### *Gains/(Losses) on Disposal of Non-Current Assets*

Losses on disposal of non-current assets for the ten months ended October 31, 2016, amounted to €1 million, compared to gains of €482 million for the year ended December 31, 2015 this was primarily attributable to the sale of 90% of WIND's shares in Galata S.p.A.

### *Finance Income*

Finance income as a percentage of total revenue for the ten months ended October 31, 2016, increased to 12.2%, or 8.7%, from 3.5% for the year ended December 31, 2015. Such increase was mainly attributable to:

- the increase in income from derivative financial instruments (non-hedge accounting), as a percentage of revenue, of 8.5%; and
- the increase in other finance income as a percentage of revenue, of 0.2%, which consisted of interest income arising on the financial receivable due from WAHF (incorporated into Wind Tre afterwards) under intercompany agreements from 2014.

### *Finance Expenses*

Finance expenses as a percentage of total revenue for the ten months ended October 31, 2016 decreased to 12.9%, or 2.2%, from 15.1% for the year ended December 31, 2015. Such decrease was primarily attributable to:

- the decrease in bank loan interest, as a percentage of revenue of 1.2%, which was primarily attributable to the refinancing of the senior facilities completed on March 30, 2015; and
- the decrease in impairment losses as a percentage of revenue of 0.3% on financial assets of €23 million related to the investment in SPAL TCL S.p.A., which was one of WIND's distributors.

### *Income Tax Benefits/(Expenses)*

The following table sets forth WIND's income tax benefits/(expenses) for the ten months ended October 31, 2016, as compared to the year ended December 31, 2015.

	<u>For the year ended December 31, 2015</u>	<u>For the ten months ended October 31, 2016</u>
	(€ in millions, except percentages) (Unaudited)	
Current tax expenses . . . . .	(75)	(63)
Previous years income tax benefits/(expenses) . . . . .	48	(24)
Deferred tax benefits . . . . .	36	—
<b>Total income tax benefits/(expenses) . . . . .</b>	<u><b>9</b></u>	<u><b>(87)</b></u>

The previous year's income tax expenses for the ten months ended October 31, 2016 mainly consisted of a settlement with Italian Tax Authority on certain tax audit challenges.

### *Group Profit*

WIND's profit, as a percentage of total revenue, for the ten months ended October 31, 2016, decreased to 9.0%, or 0.6%, from 9.6% for the year ended December 31, 2015 as a result of the factors described above.

### *Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014*

#### *Revenue*

WIND's total revenue amounted to €4,428 million for the year ended December 31, 2015, a decrease of €205 million, or 4.4%, from €4,633 million for the year ended December 31, 2014.

The table below sets forth WIND's revenue for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended December 31,		Change	
	2014	2015	(amount)	(%)
(€ in millions, except percentages)				
<b>Revenue from services:</b>				
Telephone services . . . . .	3,641	3,465	(176)	(4.8)%
Interconnection traffic . . . . .	381	380	(1)	(0.3)%
International roaming . . . . .	36	39	3	8.3%
Judicial authority services . . . . .	6	6	—	—
Other revenue from services . . . . .	109	118	9	8.3%
<b>Total revenue from services . . . . .</b>	<b>4,173</b>	<b>4,008</b>	<b>(165)</b>	<b>(4.0)%</b>
Revenue from sales . . . . .	220	296	76	34.5%
Other revenue . . . . .	240	124	(116)	(48.3)%
<b>Total revenue . . . . .</b>	<b>4,633</b>	<b>4,428</b>	<b>(205)</b>	<b>(4.4)%</b>

Revenue from services for the year ended December 31, 2015, amounted to €4,008 million, a decrease of €165 million, or 4.0%, from €4,173 million for the year ended December 31, 2014. Revenue from services consisted primarily of revenue from telephone services, which was €3,465 million for the year ended December 31, 2015, a decrease of €176 million, or 4.8%, from €3,641 million for the year ended December 31, 2014. The decrease in revenue from telephone services was mainly due to the difficult macroeconomic environment in Italy and the resultant contraction in the overall telecom market size, which has partially offset by the deployment of offers and promotions aimed at improving the uptake of mobile internet. Revenue from mobile services decreased for the year ended December 31, 2015, due to a decrease in the mobile customer base and in a general market contraction. Revenues in the fixed-line business decreased, mainly due to fixed to mobile substitution in conjunction with the growing preference by customers for fixed dual-play bundles offering unlimited DSL and pay per use voice, for a lower monthly fee.

Revenue from international roaming for the year ended December 31, 2015, amounted to €39 million, an increase of €3 million, or 8.3%, from €36 million for the year ended December 31, 2014. WIND's international roaming revenue increased mainly due to an increase in international roaming volume, which was only partially offset by the reduction in tariffs.

Other revenue for the year ended December 31, 2015, amounted to €124 million, a decrease of €116 million, or 48.3%, from €240 million for the year ended December 31, 2014, primarily due to lower effects due to the settlement of disputes.

The above decrease in revenue from services and other revenue was partially offset by the increase in revenue from sales, which for the year ended December 31, 2015, amounted to €296 million, an increase of €76 million, or 34.5%, from €220 million for the year ended December 31, 2014, primarily due to WIND's focus on all-inclusive bundles with handsets included and due to a shift of sales towards high-end terminals.

The following table sets forth a breakdown of WIND's revenue for the year ended December 31, 2015, and the year ended December 31, 2014.

	For the year ended December 31,		Change	
	2014	2015	(amount)	(%)
	(€ in millions, except percentages)			
Mobile revenue . . . . .	3,328	3,279	(49)	(1.5)%
Fixed-line revenue . . . . .	1,305	1,149	(156)	(12.0)%
<b>Total revenue . . . . .</b>	<b>4,633</b>	<b>4,428</b>	<b>(205)</b>	<b>(4.4)%</b>

Mobile revenue amounted to €3,279 million for the year ended December 31, 2015, a decrease of €49 million, or 1.5%, from €3,328 million for the year ended December 31, 2014. The decrease in mobile revenue was primarily attributable to a decrease in WIND's mobile customer base and of a general market contraction.

Fixed-line revenue (comprising Internet, Fixed-line voice and data) amounted to €1,149 million for the year ended December 31, 2015, a decrease of €156 million, or 12.0%, from €1,305 million for the year ended December 31, 2014. The decrease was primarily attributable to fixed to mobile substitution in conjunction with the growing preference by customers for fixed dual-play bundles offering unlimited DSL and pay per use voice, for a lower monthly fee.

#### *Purchases and Services and Other Operating Costs*

The table below sets forth WIND's purchases and services and other operating costs for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended December 31,		Change		For the year ended December 31,	
	2014	2015	(amount)	(%)	2014	2015
	(€ in millions, except percentages)				(% of total revenue)	
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	608	561	(47)	(7.7)%	13.1%	12.7%
Customer acquisitions costs . . . . .	193	168	(25)	(13.0)%	4.2%	3.8%
Lease of civil/technical sites and use of third party assets	247	186	(61)	(24.7)%	5.3%	4.2%
Purchases of raw materials, consumables, supplies and goods . . . . .	222	295	73	32.9%	4.8%	6.7%
Rental of local network and circuits . . . . .	427	382	(45)	(10.5)%	9.2%	8.6%
Advertising and promotional services . . . . .	96	84	(12)	(12.5)%	2.1%	1.9%
Outsourcing costs for other services . . . . .	123	250	127	103.3%	2.7%	5.6%
Maintenance and repair . . . . .	86	52	(34)	(39.5)%	1.9%	1.2%
Power consumption and other utilities . . . . .	130	106	(24)	(18.5)%	2.8%	2.4%
National and international roaming . . . . .	30	28	(2)	(6.7)%	0.6%	0.6%
Consultancies and professional services . . . . .	37	43	6	16.2%	0.8%	1.0%
Change in inventories . . . . .	4	(7)	(11)	≤(200.0)%	0.1%	(0.2)%
Other services . . . . .	135	142	7	5.2%	2.9%	3.2%
<b>Total purchases and services . . . . .</b>	<b>2,338</b>	<b>2,290</b>	<b>(48)</b>	<b>(2.1)%</b>	<b>50.5%</b>	<b>51.7%</b>

	For the year ended December 31,		Change		For the year ended December 31,	
	2014	2015	(amount)	(%)	2014	2015
	(€ in millions, except percentages)					
	(% of total revenue)					
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets	111	102	(9)	(8.1)%	2.4%	2.3%
Accruals to provision for risks and costs	11	(3)	(14)	(127.3)%	0.2%	(0.1)%
Annual license and frequency fees	34	38	4	11.8%	0.7%	0.9%
Ancillary operating costs	22	17	(5)	(22.7)%	0.5%	0.4%
<b>Total other operating costs</b>	<b>178</b>	<b>154</b>	<b>(24)</b>	<b>(13.5)%</b>	<b>3.8%</b>	<b>3.5%</b>

#### *Purchases and Services*

Purchases and services amounted to €2,290 million for the year ended December 31, 2015, a decrease of €48 million, or 2.1%, from €2,338 million for the year ended December 31, 2014. The overall decrease in purchases and services was primarily due to the following:

- the decrease in leases of civil/technical sites and use of third party assets costs of €61 million, or 24.7%, to €186 million for the year ended December 31, 2015, from €247 million for the year ended December 31, 2014, which was primarily attributable to the sale finalized on March 26, 2015 of 90% of WIND's shares in Galata S.p.A., a company formed on February 18, 2015. See "Business—Network and Infrastructure—Network Supply and Maintenance Agreement";
- the decrease in interconnection traffic costs of €47 million, or 7.7%, to €561 million for the year ended December 31, 2015, from €608 million for the year ended December 31, 2014, which was primarily attributable to lower termination international tariff rates and to a decrease in the volume of SMS and MMS traffic;
- the decrease in rental of local network and circuits costs of €45 million, or 10.5%, to €382 million for the year ended December 31, 2015, from €427 million for the year ended December 31, 2014, which was primarily attributable to a decrease in WLR, ULL and Bitstream volumes;
- the decrease in maintenance and repair costs of €34 million, or 39.5%, to €52 million for the year ended December 31, 2015, from €86 million for the year ended December 31, 2014, which was primarily attributable to the optimization of network maintenance and IT systems;
- the decrease in customer acquisition cost of €25 million, or 13.0%, to €168 million for the year end December 31, 2015, from €193 million for the year ended December 31, 2014, which was primarily attributable to a decrease of commissions for new activations and commissions for the sale of scratch cards;
- the decrease in power consumption and other utilities costs of €24 million, or 18.5%, to €106 million for the year end December 31, 2015, from €130 million for the year ended December 31, 2014, which was primarily attributable to above mentioned sale of 90% of WIND's shares in Galata S.p.A.; and
- the decrease in advertising and promotional services costs of €12 million, or 12.5%, to €84 million for the year end December 31, 2015, from €96 million for the year ended December 31, 2014, which was primarily attributable to the improvement in advertising strategy in terms of purchasing of advertising media such as TV, radio, billboards and decrease in sponsorship costs.

The above decreases were partially offset by:

- the increase in the outsourcing costs for other services of €127 million, or 103.3%, to €250 million for the year ended December 31, 2015 from €123 million for the year ended December 31, 2014, which was primarily attributable to the service contract with Galata. See “*Business—Network and Infrastructure—Network Supply and Maintenance Agreement*”; and
- The net increase in the purchases of raw materials, consumables, supplies and goods and changes in inventories of €62 million, or 27.4%, to €288 million for the year ended December 31, 2015, from €226 million for the year ended December 31, 2014, which was primarily attributable to an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift of sales towards high-range terminals.

#### *Other Operating Costs*

Total other operating costs for the year ended December 31, 2015, decreased by €24 million to €154 million, or 13.5%, from €178 million for the year ended December 31, 2014. This decrease was primarily attributable to the decrease in accruals to provisions for risks and charges of €14 million primarily due to the release of €12 million from the universal service contribution and the lower impairment losses on trade receivables of €9 million essentially due to the fall in revenues, partially offset by the increase in annual license and frequency fees of €4 million.

#### *Personnel Expenses*

Personnel expenses for the year ended December 31, 2015, decreased by €19 million to €294 million, or 6.1%, from €313 million for the year ended December 31, 2014. This decrease was primarily due to (i) the effects arising from the trade union agreement of July 29, 2014, which required solidarity contracts to be introduced for a period of 18 months (starting from September 2014); and (ii) a reduction in the average number of employees during 2015, mainly as the effect of the sale of 90% of WIND’s shares in Galata S.p.A. finalized on March 26, 2015.

#### *Restructuring Costs*

WIND’s restructuring costs for the year ended December 31, 2015, amounting to €19 million, includes costs that WIND expected to pay for implementing the business’s restructuring and reorganization plan, drawn up with the objective of optimizing the cost structure and it is attributable to provision for personnel restructuring for €14 million and to another provision for onerous contracts for €5 million.

## EBITDA

The table below sets forth WIND's EBITDA for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended December 31,	
	2014	2015
	(€ in millions, except percentages)	
<b>Profit/(Loss) for the period attributable to the owners of the parent</b> . . . . .	<b>(709)</b>	<b>428</b>
Income tax (benefits)/expenses . . . . .	(103)	(9)
Finance income . . . . .	(68)	(157)
Finance expense . . . . .	1,414	667
Foreign exchange losses, net . . . . .	39	16
Depreciation and amortization . . . . .	1,214	1,177
Impairment losses on non-current assets . . . . .	13	31
(Gain)/Losses on disposal of non-current assets . . . . .	4	(482)
<b>EBITDA</b> . . . . .	<b>1,804</b>	<b>1,671</b>
<b>EBITDA margin</b> . . . . .	<b>38.9%</b>	<b>37.8%</b>

EBITDA amounted to €1,671 million for the year ended December 31, 2015, a decrease of €133 million, or 7.4%, from €1,804 million for the year ended December 31, 2014, which was primarily attributable to the decrease in revenues partially offset by the decrease of purchases and services that was less than proportionate. EBITDA margin decreased from 38.9% for the year ended December 31, 2014, to 37.8% in 2015.

### *Depreciation and Amortization*

Depreciation and amortization for the year ended December 31, 2015, decreased by €37 million to €1,177 million, or 3.0%, from €1,214 million for the year ended December 31, 2014. Such decrease was which was primarily attributable to: (i) the decrease of capitalized customer acquisition costs amounting to €27 million; and (ii) the decrease of €8 million related to property, plant and equipment, which was primarily attributable to the sale of 90% of WIND's shares in Galata S.p.A.

### *Impairment Losses on Non-Current Assets*

Impairment losses for the year ended December 31, 2015, increased by €18 million to €31 million, or 138.5%, from €13 million for the year ended December 31, 2014, which was primarily attributable to an increase in the write-down of assets under construction or development for which the cost was deemed not recoverable.

### *Gains/Losses on Disposal of Non-Current Assets*

Gains on disposal of non-current assets amounted to €482 million for the year ended December 31, 2015, compared to a loss of €4 million for the year ended December 31, 2014. The change over the previous year was due to the gain of €490 million arising from the sale to a wholly owned subsidiary of Abertis Telecom Terrestre of 90% of WIND's shares in Galata S.p.A. for a total cash consideration of €693 million, finalized on March 26, 2015. See "Business—Certain Contracts Relating to the Operations of Wind Tre's Business—Towers service contract."



### Finance Income

Finance income for the year ended December 31, 2015, increased by €89 million to €157 million, or 130.9%, from €68 million for the year ended December 31, 2014. Such increase was due to the following:

- the increase of €55 million related to income from derivative instruments of which: (i) €52 million arising from the positive ineffectiveness recorded on hedging derivatives; and (ii) €3 million related to the fair value measurement of the embedded derivatives on the bonds; and
- the increase of €34 million mainly due to the effects arising from the receivable from WAHF.

### Finance Expenses

Finance expenses for the year ended December 31, 2015, decreased by €747 million, or 52.8%, to €667 million from €1,414 million for the year ended December 31, 2014, which was primarily attributable to:

- the decrease of €440 million of interest expense on bond issues as a result of refinancing transactions of bonds during 2014 and the beginning of 2015. Particularly, the refinancing transactions completed in April 2014 and July 2014 resulted, among others, in additional finance expense relating to a redemption premium of €629 million, only partially offset by the reduced effective interest rate on the refinanced debt;
- the decrease of €58 million of bank loan interest due to the refinancing of the senior facilities agreement dated November 24, 2010, as amended, completed in March 30, 2015, and which led to: (i) a decrease in the notional amount of indebtedness to €700 million through partial repayments; (ii) the extension of the maturity from 2018 to 2019; and (iii) the release of €34 million of deferred fees relating to the tranches that were repaid; and
- the decrease of €238 million of hedge accounting effect due to the anticipated closing of derivative contracts in hedge accounting, in connection with the 2014 refinancing transactions of bonds.

The decreases were partially offset by the impairment losses on financial assets of €18 million relating to the investment in SPAL TLC S.p.A.

### Income Tax Benefits

The following table sets forth WIND's income tax benefits for the year ended December 31, 2015, as compared to the year ended December 31, 2014.

	For the year ended		Change	
	December 31, 2014	December 31, 2015	(amount)	(%)
	(€ in millions, except percentages)			
Current tax expenses . . . . .	(86)	(75)	11	(12.8)%
Previous years income tax benefits . . . . .	4	48	44	≥200.0%
Deferred tax benefits . . . . .	185	36	(149)	(80.5)%
<b>Total income tax benefits . . . . .</b>	<b>103</b>	<b>9</b>	<b>(94)</b>	<b>(91.3)%</b>

Income tax benefits for the year ended December 31, 2015, amounted to €9 million, a decrease of €94 million, or 91.3%, from €103 million for the year ended December 31, 2014, mainly due to a profit before tax during 2015 compared to a loss before tax during 2014, partially offset by the deferred tax adjustment reflecting the decrease of IRES from 27.5% to 24% for deferred tax reversals expected after December 31, 2016.

### Group Profit

WIND's profit for the year ended December 31, 2015, increased by €1,137 million to a €428 million profit, compared to a €709 million loss for the year ended December 31, 2014, as a result of: (i) the €747 million decrease in finance expense; (ii) the €486 million decrease in losses on disposal of non-current assets; (iii) the €89 million increase in finance income and (iv) the €37 million decrease in depreciation and amortization for the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in WIND's profit was partially offset by the €205 million decrease in total revenue and the increase in income taxes of €94 million.

### Cash Flow

The table below sets out certain information related to WIND's cash flows for the years ended December 31, 2014, 2015, and for the ten months ended October 31, 2016.

	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
	(€ in millions)		
	(Unaudited)		
<b>Cash flows from operating activities</b>			
<b>Profit/(Loss) for the period</b>	<b>(709)</b>	<b>428</b>	<b>329</b>
<b>Adjustments to reconcile the profit/(loss) for the period with the cash flows from operating activities</b>			
Depreciation, amortization and (reversal of impairment losses)/ impairment losses on non-current assets	1,227	1,208	963
Net changes in provisions and employee benefits	(98)	(44)	(30)
Losses on disposal of non-current assets	4	9	1
Gain from sale of subsidiaries	—	(491)	—
Impairment loss on investment	—	13	—
Changes in current assets	(16)	(68)	41
Changes in current liabilities	375	(180)	(758)
<b>Net cash flows from operating activities</b>	<b>783</b>	<b>875</b>	<b>546</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(555)	(559)	(371)
Acquisition of intangible assets	(201)	(221)	(207)
Proceeds from sale of subsidiaries	—	669	—
Outflows from loan granted	(775)	(31)	(23)
<b>Net cash flows used in investing activities</b>	<b>(1,531)</b>	<b>(142)</b>	<b>(601)</b>
<b>Cash flows from financing activities</b>			
Changes in loans	810	(654)	(18)
<b>Net cash flows from/(used in) financing activities</b>	<b>810</b>	<b>(654)</b>	<b>(18)</b>
<b>Net cash flows for the period</b>	<b>62</b>	<b>79</b>	<b>(73)</b>
Cash and cash equivalents at the beginning of the period	141	203	282
<b>Cash and cash equivalents at the end of the period</b>	<b>203</b>	<b>282</b>	<b>209</b>

### ***Net Cash Flows from Operating Activities***

#### *Ten Months Ended October 31, 2016 as Compared to Year Ended December 31, 2015*

Net cash flows from operating activities, decreased by €329 million to €546 million for the ten months ended October 31, 2016, from €875 million for the year ended December 31, 2015, primarily due to the higher profit for the period before depreciation, amortization and impairment losses on non-current assets, net changes in provisions and employee benefits, losses on disposal of non-current assets, gain from sale of subsidiaries and impairment loss on investment which increased from €1,123 million for the year ended December 31, 2015 to €1,263 million for the ten months ended October 31, 2016. For an explanation of the decrease in profit for the year, see “—*Results of Operations*” offset by changes in working capital, particularly relating to the changes of current liabilities that utilized cash flows of €758 million for the ten months ended October 31, 2016 as compared to €180 million for the year ended December 31, 2015.

#### *Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014*

Net cash flows from operating activities increased by €92 million to €875 million for the year ended December 31, 2015, from €783 million for the year ended December 31, 2014, primarily due to the higher result for the period before depreciation, amortization and impairment losses on non-current assets, net changes in provisions and employee benefits, losses on disposal of non-current assets, gain from sale of subsidiaries and impairment loss on investment, which increased from €424 million for the year ended December 31, 2014 to €1,263 million for the year December 31, 2015. For an explanation of the increase in result for the year, see “—*Results of Operations*,” partially offset by changes in working capital and particularly, changes in current liabilities that utilized cash flows of €180 million for the year December 31, 2015, as compared to cash flows generated of €375 million for the year ended December 31, 2014, primarily attributable to the settlement of current liabilities.

### ***Net Cash Flows Used in Investing Activities***

#### *Ten Months Ended October 31, 2016 as Compared to Year Ended December 31, 2015*

Net cash flows used in investing activities increased by €459 million to €601 million for the ten months ended October 31, 2016, from €142 million for the year ended December 31, 2015, primarily due to the following effects:

- the proceeds from the sale of 90% of Galata S.p.A. that generated cash of €669 million for the year ended December 31, 2015 (nil for the ten months ended October 31, 2016); and
- the lower investments in property, plant and equipment, and intangible assets, consisting in IT infrastructure and 3G and LTE mobile technology, that utilized cash of €578 million for the ten months ended October 2016, a decrease of €202 million compared to the cash utilized for the year ended December 31, 2015 amounting to €780 million.

For an explanation of the capital expenditure in property, plant and equipment, and intangible assets for the periods, see “—*Capital Expenditures and Investments*” below.

#### *Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014*

Net cash flows used in investing activities decreased by €1,389 million to €142 million for the year ended December 31, 2015, from €1,531 million for the year ended December 31, 2014 primarily due to the following effects:

- the proceeds from the sale of 90% of Galata S.p.A. that generated cash of €669 million for the year ended December 31, 2015 (nil for the year ended December 31, 2014); and

- the cash outflow in connection with the loan granted to the parent WAHF €938 million for the year ended December 31, 2014.

#### *Net Cash Flows From/(Used in) Financing Activities*

##### *Ten Months Ended October 31, 2016 as Compared to Year Ended December 31, 2015*

For the ten months ended October 31, 2016, cash used in financing activities amounted to €18 million, a decrease of €636 million, compared to cash used in financing activities of €654 million for the year ended December 31, 2015, primarily attributable to the €18 million settlement of the deferred repayment plan of negative fair value derivative instruments negotiated during the 2010 refinancing.

##### *Year Ended December 31, 2015 as Compared to Year Ended December 31, 2014*

For the year ended December 31, 2015, cash used in financing activities amounted to €654 million, an increase of €1,464 million, compared to cash generated from financing activities of €810 million for the year ended December 31, 2014. Such decrease was mainly due to the following effects:

- the issue of the senior secured floating rate notes due 2020 and the senior secured fixed rate notes due 2020 on March 30, 2015, amounting to €775 million;
- the renegotiation of the €700 million Existing Senior Credit Facilities on March 12, 2015;
- the early repayment of €1,782 million of the Existing Senior Credit Facilities agreement on March 30, 2015;
- the repayment of €100 million of the revolving tranche of the Existing Senior Credit Facilities;
- the settlement of the outstanding payable of €162 million in April 2015 due to the Ministry of Economic Development and relating to the allocation of mobile frequency use rights;
- the payment of €39 million, relating to: (i) €19 million of fees related to the refinancing on March 30, 2015, and (ii) €20 million connected with the deferred repayment plan of negative fair value derivative instruments.

Cash generated from financing activities of €810 million for the year ended December 31, 2014, was primarily the result of the increase in proceeds from bond issue in an aggregate nominal amount of €7,845 million, partially offset by the early repayment of the non-current financial liabilities in an aggregate nominal amount of €6,466 million, fees paid in connection with bond issues amounting to €458 million and the third installment of mobile frequency rights paid to the Ministry of Economic Development amounting to €81 million.

#### *Capital Expenditures and Investments*

WIND's investments primarily relate to network build out and enhancement both for Fixed and for Mobile traffic and data (particularly in respect of LTE, 3G and HSDPA) and for information technology investments aimed at supporting network development, commercial products and services and overall customer management, as well as for structural support to the build out and maintenance of consumer points of sale (such as refurbishing and furniture) and for customer equipment such as handsets and modems.

The following table shows WIND's capital expenditures defined as additions of property, plant and equipment and intangible assets for the years ended December 31, 2014, 2015 and for the ten months ended October 31, 2016:

	For the year ended December 31,		For the ten months ended October 31,
	2014	2015	2016
	(€ in millions)		
			(Unaudited)
Property, plant and equipment . . . . .	583	566	371
Intangible assets . . . . .	201	221	207
<b>Total capital expenditures . . . . .</b>	<b>784</b>	<b>787</b>	<b>578</b>

For the ten months ended October 31, 2016, WIND's capital expenditures amounted to €578 million, which primarily consisted of:

- €245 million of capital expenditures relating to WIND's mobile network, mainly related to the development of the 2G, 3G and 4G networks for new sites and capacity/coverage extension. The residual amount relates to the management of customers services and traffic (voice and data) and customer acquisition costs;
- €221 million of capital expenditures for common investments on access, backbone and data networks that transport mobile and fixed traffic and for other common investments (e.g., technological sites, IT infrastructure and others); and
- €112 million of capital expenditures relating to WIND's Fixed-line network, of which €37 million are related to customer acquisition costs and €18 million related to the increase of LLU coverage (customer base).

For the year ended December 31, 2015, WIND's capital expenditures amounted to €787 million, which primarily consisted of:

- €426 million of capital expenditures relating to WIND's mobile network, mainly related to the development of the 2G, 3G and 4G networks for new sites and capacity/coverage extension. The residual amount relates to the management of customers services and traffic (voice and data) and customer acquisition costs of €46 million;
- €234 million of capital expenditures for common investments on access, backbone and data networks that transport mobile and fixed traffic and for other common investments (e.g., technological sites, IT infrastructure and others); and
- €119 million of capital expenditures relating to WIND's Fixed-line network, of which €39 million related to customer acquisition costs and €13 million related to the increase of LLU coverage (customer base).

For the year ended December 31, 2014, WIND's capital expenditures amounted to €784 million, which primarily consisted of:

- €425 million of capital expenditures relating to WIND's mobile network, mainly related to the development of the 2G, 3G and 4G networks (for new sites and for HSDPA coverage extension). The residual amount relates to the management of customers services and traffic (voice and data) and customer acquisition costs of €45 million;
- €217 million of capital expenditures for common investments on access, backbone and data networks that transport mobile and fixed traffic and for other common investments (e.g., technological sites, IT infrastructure and others);
- €114 million of capital expenditures relating to WIND's Fixed-line network, of which €42 million related to customer acquisition costs and €16 million related to the increase of LLU coverage (customer base); and
- €28 million of capital expenditure given to WIND free of charge, which primarily related to the tenders for mobile and fixed assets.

## INDUSTRY OVERVIEW

Italy is Europe's fourth largest telecommunications services market in terms of revenues after the United Kingdom, Germany and France. The value of the Italian mobile market for 2017 is estimated to be approximately €14 billion and it is characterized by strong growth in mobile data demand. The Italian fixed-line market (voice and VAS) for 2017 is estimated to be worth approximately €5 billion. The value of the fixed Internet access industry for 2017 is estimated to be approximately €5 billion with the broadband segment accounting for the entire market.

### Mobile Telecommunications

The Italian market is served by three MNOs offering mobile telephone services to the approximately 83 million SIMs registered as of June 30, 2017, with a penetration rate of approximately 137% of the Italian population.

The penetration figure is distorted by the widespread use of holding more than one SIM card per customer. Based on data from AGCOM it is estimated that as of June 30, 2017, approximately 85.4% of the customer base uses prepaid cards. The Italian market has a lower mix of postpaid customers (14.6%) in comparison to Germany (53.3%), the United Kingdom (65.8%), Spain (82.9%) and France (92.1%), implying further upside for prepaid to postpaid migration in Italy (Source: Ampere Analysis).

As of June 30, 2017, excluding mobile virtual network operators ("MVNOs"), Wind Tre had an estimated market share of 36.5%, in terms of subscribers, while Telecom Italia and Vodafone had 36.1% and 27.4%, respectively. As of June 30, 2016, excluding MVNOs, the Wind Tre Group had an estimated *pro forma* market share of 36.9% while Telecom Italia and Vodafone had 35.0% and 28.1%, respectively.

Iliad's entry in to the Italian market, as required by the European Commission as a mandatory condition for approving the merger between WIND and "3", is expected towards the end of 2017 or the beginning of 2018. As part of the Merger remedy package required by the European Commission Wind Tre has also agreed to sell Iliad certain frequencies and offer for sale or co-location sites in the 2017 to 2019 period, as well as certain temporary agreements, including a five year national roaming agreement with a renewal option. As a result of these agreements, Iliad will be able to provide telecommunications services and national coverage despite not owning a nationwide physical network. Under these agreements, Wind Tre will receive proceeds from the sale of its assets, including approximately €450 million (€50 million of which has already been paid) for the sale of spectrum frequencies, as well as incremental revenue for the use of its network, which is expected to partially mitigate any potential market share impact from the entry of Iliad.

The Italian mobile market is characterized by low levels of ARPU relative to other major European markets. Mobile ARPU in Italy, for the three months ended June 30, 2017, was €12.4 per month, a decline of 1.4% compared to €12.6 per month for the three months ended June 30, 2016, and was broadly stable relative to the monthly average ARPU of €12.4, for the year ended December 31, 2016. This compares to a mobile ARPU, for the three months ended June 30, 2017, of €21.8, in the United Kingdom, €21.3 in France, €15.4 in Spain and €12.4 in Germany. The existing low mobile ARPU levels in Italy make it more challenging to disrupt the market using a price discount strategy (Source: Ampere Analysis).

The Italian mobile market has evolved in line with the broader industry trends of convergence and bundling. Operators continue to develop their offers of bundled voice and data services with increasingly enriched data packages, as well as the addition of multimedia streaming services and fixed network connectivity. Offers tend to be differentiated by the type of user, with tariffs including unlimited data and value added services. Certain offers also include high-range devices that are integrated into the bundle at convenient prices.

Mobile navigation on the 4G/LTE network is the cornerstone of Italian operators' offers and strategies for future growth, with Italian operators aiming to differentiate on quality, navigation speed and

4G/LTE network coverage. Towards the end of the first half of 2017, several operators launched offers including navigation on 4G+/4.5G networks.

There is significant upside potential in mobile Internet and data usage in the Italian market. As of December 31, 2016, the 4G/LTE penetration in the Italian market was 34.2%, compared to 73.1% in the United Kingdom, 49.4% in Spain, 49.4% in France and 43.7% in Germany (Source: Telegeography). By 2020, the Italian government-led digitalization strategy is expected to improve overall network quality and result in a progressive rollout of 4G/5G technologies to enhance network availability and to allow higher levels of data usage. Operators entered into network partnerships in the first quarter of 2017 with the aim of testing the 5G network by the end of the year. In the second quarter of 2017 new initiatives were launched for high quality audio streaming on the 4G network and agreements made for the transmission of the 2018 World Cup and 2020 Olympic Games.

From a regulatory perspective, all the main network and virtual operators complied with the European regulations eliminating roaming charges by June 2017. In accordance with the “Roaming Like At Home” principle, Wind Tre adapted the offers of its two brands in advance of the deadline, namely on April 24, 2017 for the WIND brand and on May 8, 2017 for the “3” brand.

In the first half of 2017 there was an increase in competitive pressure from other operators which is expected to continue for the next few quarters. TIM, in particular, launched the Kena mobile brand in the budget segment of the market. Additionally, targeted offers to the consumer market were developed with the aim of acquiring new customers, providing tariffs with enhanced voice-data traffic and triple and quadruple play services. This included new mobile offers from MVNOs such as Fastweb and Tiscali. Finally, greater importance has been placed on customer loyalty by implementing rewards initiatives including providing discounts and gifts.

## **Fixed-Line Telecommunications**

### ***Voice***

The Italian market for fixed-line voice telecommunication services is the fourth largest market in Europe in terms of revenue, with overall subscriber spending only surpassed by Germany, the United Kingdom and France. Historically, the market has been characterized by a lack of cable infrastructure. TIM still dominates the fixed-line voice market. The liberalization of the fixed-line voice market, since the privatization of TIM in 1998, has enabled operators to provide indirect voice services and, since 2003, direct fixed-line voice services via LLU. The advantage of providing direct, unbundled voice services to subscribers is that the non-incumbent service provider bills the subscriber directly for line rental and line usage fees and the relationship between the subscriber and the incumbent service provider is therefore eliminated. Historically, Infostrada (Wind Tre’s fixed-line voice and data service brand) also offered indirect access, such as bitstream and WLR services, allowing it to set up an exclusive commercial relationship with its customers located outside the direct service coverage areas. Infostrada leased the lines from TIM under wholesale terms and conditions. During 2012, WIND changed its fixed-line strategy by focusing its full commercial effort on the LLU market; as a result Wind Tre no longer actively markets its indirect service offerings. In addition to TIM and Wind Tre, the main market players are Fastweb, Vodafone, Tiscali and BT Italia.

### ***Broadband***

Broadband services have grown rapidly in Italy since 2001, reaching almost 15.3 million connections as of June 30, 2017, compared to 14.8 million and 14.2 million, as of December 31, 2016 and 2015, respectively, representing a penetration rate of approximately 25% of the Italian population, or approximately 62.2% of households as of June 30, 2017 (Source: Telegeography). Broadband ARPU levels have been relatively stable with an ARPU of €19.8 for the three months ended June 30, 2017, compared to €19.9 for the monthly average in 2016 (Source: Ampere Analysis). Four service providers: TIM, Fastweb,

Wind Tre and Vodafone, accounted for approximately 89% of the total broadband wireline services accessed in the Italian market, as of June 30, 2017 (Source: Telegeography). Despite the considerable rise in broadband accessibility and service penetration over the past few years, Italy still lags behind other European countries (Germany 77.9%, Spain 79.0%, United Kingdom 94.3% and France 96.3%) (Source: Telegeography). As of June 30, 2017, ultra-broadband networks (above 30 Mbps Internet speed) in Italy reached 65% of the population, with over 2,000 urban centers able to receive the service. As of December 31, 2016, only 15.0% of broadband subscriptions were above 30 Mbps with the majority (48.1%) still below 10 Mbps. Notwithstanding the latter, a progressive shift in the underlying access speed has been witnessed in favor of new technologies. with respect to the only 0.1% of broadband subscriptions above 30 Mbps as of December 31, 2012 and the majority (86.0%) below 10 Mbps.

In order to accelerate the pace of ultra-broadband deployment, and to meet the goals of the Digital Agenda of Europe, the Italian Government issued a white paper with regards to the Italian Ultra-Broadband Strategy which was subsequently approved by the European Commission in June 2016. The strategy aimed at bridging the digital gap between Italian regions, supporting the development of ultra-broadband infrastructures where private competition is limited and no ultra-broadband coverage is currently available. The targets defined by the Italian Government envisage providing 30 Mbps access for 100% of the population, 100 Mbps access for 85% of the population, and 100 Mbps access for public administrations, schools, health care facilities, industrial districts, and high demographic density areas, by 2020. To reach these targets, the Italian Government took actions to foster private investment, such as supporting them with public funding and stimulating synergies with utilities companies that are currently rolling out fiber.

Consequently, in March 2016, Italy's state-backed utility firm, Enel, announced an initial €2.5 billion FTTH rollout plan under the umbrella of a new entity named Open Fiber, subsequently updated to €3.9 billion in March 2017. The plan's target is to reach 9.5 million building units, and covering 271 towns and cities, by the end of 2022 via a phased FTTH rollout and the subsequent sale of wholesale capacity to local telecom operators. In July 2016, Enel agreed to acquire a stake in another fiber wholesaler, Metroweb, and merge it into Open Fiber, positioning the combined entity as one of the main providers of fiber-based connectivity in Italy. In January 2017, Open Fiber won five tenders to rollout fiber infrastructure in areas with low or no ultra-broadband coverage in six Italian regions. In April 2016, WIND and Vodafone signed a strategic and commercial partnership agreement with Open Fiber to access its FTTH infrastructure. In September 2017, Wind Tre extended the agreement to an additional 258 Italian cities (for a total of 271). As of August 2017, Open Fiber reached 1.9 million building units and intends to reach 2.7 million building units by the end of 2017. In addition, TIM is rolling out its own infrastructure, as part of its overall strategy (with a target of approximately 95% of households reached by 2019), but it has also partnered with Fastweb in a joint-venture ("**Flash Fiber**") to cover 30 Italian cities including Milan, Turin, Rome, Naples and Palermo.

In terms of fixed broadband market share, TIM still holds a significant retail market position. As of June 30, 2017, TIM had approximately 7.4 million broadband subscribers, representing a market share of approximately 48% of broadband retail connections; Fastweb had approximately 2.4 million broadband subscribers, representing a market share of approximately 16% of broadband retail connections; Wind Tre had approximately 2.4 million broadband subscribers, representing a market share of 15.6% of broadband retail connections; and Vodafone had approximately 2.3 million broadband subscribers representing a market share of approximately 15% of broadband retail connections (Source: Telegeography). The other market players had an aggregate market share of approximately 5% of broadband retail connections. As of June 30, 2016, TIM had approximately 7.1 million broadband subscribers in Italy, representing a market share of approximately 49% of broadband retail connections; Wind Tre had approximately 2.3 million broadband subscribers (on a *pro forma* basis), representing a market share of approximately 16% of broadband retail connections; Fastweb had approximately 2.3 million broadband subscribers, representing a market share of approximately 16% of broadband retail connections; and Vodafone had approximately



2.0 million broadband subscribers, representing a market share of approximately 14% of broadband retail connections (Source: Telegeography). The other market players had an aggregate market share of approximately 5% of broadband retail connections.

***Recent Commercial Developments***

In the first half of 2017, the market for fixed network telecommunication services continued to evolve with the introduction of quadruple play offers, digital video streaming content for consumers, and solutions supporting the digitalization of business processes. All operators continued to focus on fiber development, with the extension of ultra-broadband networks by way of direct investments and partnerships. The first half of 2017 was characterized by several promotional initiatives for the consumer market with bundles distinguished by discounted monthly charges and activation fees, which included increasing speed connectivity, TV content and convergence with mobile services, to which smartphones and television sets were added, payable on an instalment basis. Promotions of offers for business customers were primarily directed at sole traders and SMEs, with converging fixed and mobile network offers, assistance services, video-surveillance systems and Wi-Fi services. In addition, a number of partnerships were entered into to develop new projects in conjunction with the public administrations.

## BUSINESS

### Overview

#### *Wind Tre*

Wind Tre is a leading integrated telecommunications operator in the Italian market, offering mobile, Internet, fixed-line voice and data products and services to consumer and corporate customers. Wind Tre was formed through the combination of WIND Telecomunicazioni S.p.A. and H3G S.p.A., which was effective as of November 5, 2016. The Merger is expected to strengthen Wind Tre's credit profile and create value for stakeholders by, among other things: (i) reinforcing Wind Tre's competitive position in the Italian market by creating a leading integrated operator with an extensive network; (ii) providing operating and capital expenditure synergy potential as a result of network and commercial optimization and cost reductions; and (iii) improving cash flow generation and deleveraging potential. Wind Tre markets its mobile services through a dual brand strategy in the consumer segment, retaining both the WIND and "3" brands in order to leverage their strong and complementary positions. In the business market segment, Wind Tre is pursuing a fully integrated brand approach under the new "Wind Tre Business" brand, to leverage the scale and capacity of the combined group. As of June 30, 2017, Wind Tre's mobile business had 30.3 million subscribers, making it one of the largest in Italy based on number of subscribers. Wind Tre's fixed-line business, which includes Internet, voice and data services, is the leading alternative fixed-line operator in Italy, based on number of subscribers, with a fixed-line voice customer base of 2.7 million, of which 2.4 million are fixed-line broadband subscribers as of June 30, 2017. For the twelve months ended June 30, 2017, Wind Tre generated *pro forma* total revenue of €6,496 million and *Pro Forma* Adjusted EBITDA of €2,478 million. For the twelve months ended June 30, 2017, Wind Tre's mobile and fixed-line businesses comprised 81.9% and 18.1%, respectively, of Wind Tre's *pro forma* total revenues. For a description of the calculation of Wind Tre's *Pro Forma* Adjusted EBITDA, see "*Presentation of Financial Information*" and "*Summary—Summary Consolidated Financial Information of Wind Tre Group.*"

Wind Tre's mobile market share is approximately 36.5%, as of June 30, 2017, based on number of total mobile subscribers (excluding MVNOs). Wind Tre markets the WIND brand as its "smart, value-for-money" proposition that is oriented towards families and households, and markets the "3" brand as its "innovation and technology" proposition that is oriented towards a younger customer demographic, both of which are highly desirable and complementary segments of the market oriented towards future generations. Following the Merger, Wind Tre has positioned these brands and re-aligned their respective offerings in order to optimize their market impact. Wind Tre believes the strength of its brands, which have been developed over a long period of time and through considerable investment, are key differentiators between it and certain of its competitors in the market. Wind Tre provides a full range of voice, network access, international roaming and value added services ("VAS") as well as mobile internet services to its mobile subscribers on all available telecommunications technologies, including the most recent long-term evolution ("LTE") technologies (which are known as "fourth generation" or "4G" technologies). In line with the Italian telecommunications market, the majority of Wind Tre's mobile subscribers are prepaid subscribers.

Wind Tre is the leading alternative fixed-line operator in Italy, based on number of subscribers. Wind Tre markets its fixed-line voice, broadband and data services primarily through its "Infostrada" brand. Wind Tre believes that the Italian fixed-line market provides a favorable competitive environment due to relatively low broadband penetration rates in Italy, as compared to the rest of the EU, and because of the absence of cable television infrastructure. The Italian Ultra-Broadband Strategy, has proposed to increase fixed-line broadband penetration in Italy. Wind Tre believes that its nationwide telecommunications network, in combination with its use of local loop unbundling ("LLU"), ideally positions it to increase its share of direct voice subscribers, with approximately 70% of the Italian population already covered with Wind Tre's LLU services. As of June 30, 2017, 2.5 million of its fixed-line voice subscribers were direct voice subscribers. Furthermore, in 2016 Wind Tre entered into an agreement

with Open Fiber (formerly Enel Open Fiber, Italy's state-backed utility firm) with the aim of re-enforcing its ability to offer ultra-broadband services in the fixed-line market. Open Fiber is targeting the creation of a country-wide independent fiber network connecting approximately 9.5 million building units by the end of 2022. Open Fiber has already reached approximately 1.9 million building units as of August 2017 and intends to reach 2.7 million building units by the end of 2017. The agreement, which is already active in the first 13 cities reached by Open Fiber's infrastructure, has been extended to another 258 Italian cities (for a total of 271).

Following the Merger, Wind Tre is an indirect wholly owned subsidiary of VIP-CKH Luxembourg S.à r.l., a 50/50 joint venture entity that is owned by VEON and CKHH. VEON is headquartered in Amsterdam, The Netherlands, with publicly listed securities traded on NASDAQ and Euronext Amsterdam and with a market capitalization of approximately \$7.1 billion, as of June 30, 2017, is a global provider of telecommunications services across 12 countries with revenues of approximately \$9 billion in 2016. CKHH, headquartered in Hong Kong, with publicly listed securities traded on the Hong Kong Stock Exchange and with a market capitalization of approximately HKD 385 billion (\$49.8 billion equivalent), as of June 30, 2017, is a conglomerate with investments across a number of sectors including telecommunications with revenues in excess of \$33 billion in 2016. See "*Principal Shareholders.*"

### **Wind Tre's Strengths**

#### ***A leading integrated telecoms operator***

Following the Merger, Wind Tre has strengthened its position as a leading mobile and fixed-line Internet, voice and data services operator in Italy with one of the largest customer bases, broadest product offerings and a leading network.

In the mobile segment, the combined WIND and "3" businesses served 30.3 million subscribers as of June 30, 2017, representing a market share of approximately 36.5% (excluding MVNOs). Wind Tre is also a leader in terms of mobile broadband and mobile data usage per subscriber on its network.

In the fixed-line segment, Wind Tre served 2.7 million fixed-line voice subscribers of which 2.4 million were fixed-line broadband subscribers as of June 30, 2017.

Wind Tre also has an extensive distribution network, with approximately 10,000 points of sale nationwide (compared to approximately 6,000 to 7,000 for each of Vodafone and TIM, respectively), on a combined basis for WIND and "3", as of the end of 2016. In connection with the integration of the two businesses, certain of these points of sale have since been consolidated.

As a leading integrated telecommunications operator, Wind Tre is able to offer its customers a full range of products and services, including attractive bundle offerings, which enhance customer loyalty and reduce churn rates. Through its existing infrastructure and platforms, as well as its dual brand strategy, which focuses on specific value propositions, Wind Tre is able to address demand across most market segments.

#### ***Structurally attractive market and supportive macro-economic backdrop***

The Italian telecommunications market is structurally attractive with relatively low data penetration and monetization levels in contrast to comparable European markets.

In the mobile segment, the Italian market is characterized by relatively low 4G/LTE penetration (34.2%), low ARPU (€12.4 per month), and a low proportion of postpaid subscribers (14.6%) as compared to France, Germany, Spain and the UK (which have an aggregated average of approximately 53.9% 4G/LTE penetration, €17.7 ARPU and 73.5% proportion of postpaid subscribers, respectively), providing substantial upside potential in terms of economics and customer retention. In particular, the progressive rollout and availability of 4G/LTE is expected to drive a substantial increase in data usage, which has

already contributed to an improvement in mobile ARPU dynamics. Wind Tre, through its ongoing infrastructure investment plan, is well positioned to benefit from this trend (penetration rate source: Telegeography; ARPU and postpaid subscribers source: Ampere Analysis).

In the fixed-line segment, the “Italian Ultra-Broadband Strategy,” presented by the Italian Government in March 2015, is designed to bring fixed-line broadband penetration in Italy (approximately 62% as of June 2017) in line with France, Germany, Spain and the United Kingdom (the four of which have an average penetration of approximately 87% in June 2017) by 2020, as well as improve the availability of ultra-broadband service offerings through major fiber investments (source: Telegeography). As of December 31, 2016, only 15% of Italian fixed-line broadband subscribers had Internet packages with access to speeds in excess of 30 Mbps, implying significant up-selling potential with respect to more valuable, higher bandwidth broadband bundles.

The improving underlying Italian macroeconomic backdrop also provides support to consumer and business spending on telecom services and the ability to up-sell larger bundles. In particular, several indicators illustrate progressive improvement in macroeconomic conditions in Italy. Since the beginning of 2015 there has been a positive trajectory in year-on-year real GDP growth. The unemployment rate has decreased from approximately 12.3% as of December 31, 2014, to approximately 11.1% as of June 30, 2017, while the year-on-year growth in Italian industrial production has witnessed a significant improvement over the twelve month period ended June 30, 2017.

#### ***Well-invested network infrastructure and favorable spectrum position***

Wind Tre has the largest network among Italian mobile network operators (“MNOs”) by number of sites, with operational use of approximately 27,000 transmission sites as of June 30, 2017. Wind Tre expects to have operational use of approximately 21,000 transmission sites after the optimization of the WIND and “3” networks, after which it is still expected to be the largest mobile network in Italy by number of transmission sites.

Wind Tre also benefits from having a larger spectrum allocation relative to all other Italian mobile operators (200 MHz overall as compared to 165 MHz for each of TIM and Vodafone, respectively, and 70 MHz, which Wind Tre sold to Iliad), providing for better network capacity and availability, leading to enhanced customer experience and satisfaction.

Wind Tre benefits from an integrated network infrastructure supported by some of the most advanced standards and technologies. This infrastructure provides significant headroom to handle increases in data consumption, while preserving customer experience and satisfaction, and is expected to increasingly act as a differentiating factor going forward.

Wind Tre’s mobile network is a key asset in maintaining and consolidating its leadership in mobile broadband. Wind Tre’s mobile network is being fully modernized with 4G/LTE technology to facilitate increasing traffic demand and deliver superior quality throughout Italy.

In terms of network infrastructure, Wind Tre leverages an extensive fully-owned fiber backbone (more than 35,000 km) supporting both fixed and mobile operations. Over the past few years, Wind Tre’s fixed and mobile access networks have been extensively deployed and upgraded with some of the most advanced technologies, providing high levels of flexibility. As of June 30, 2017, Wind Tre’s fixed access network covered approximately 70% of the Italian population through 1,957 LLU sites and “Fiber To The Home” (“FTTH”) was available in 13 large Italian cities including Milan, Turin, Bologna and Perugia, in a cost efficient manner, through Wind Tre’s long-term agreement with Open Fiber. As of June 30, 2017, 3G services were available to 98.6% and 97.5% of the Italian population on WIND and “3”’s networks, respectively, while 4G coverage was available to 80.1% and 79.0% of the Italian population on WIND and “3”’s networks, respectively. Wind Tre targets 99% 4G/LTE population coverage, on a combined basis, by 2019.

### ***Convergent, complementary digital offerings providing for a defensible market position***

Wind Tre's market position is supported by its extensive and integrated infrastructure and platforms, which have been enhanced following the Merger. With regard to consumer subscriptions, Wind Tre's ability to bundle products is supported by commercial agreements with Open Fiber and premium content providers (e.g., Netflix and Sky). Further, management believes, based on experiences in other European countries, that product bundling will drive an increase in ARPU and subscriber loyalty. With regard to corporate subscriptions, Wind Tre re-vamped and expanded its product offerings in May 2017 under the new "Wind Tre Business" brand. Under this new brand, Wind Tre aims to increase its market share across the corporate, SME and SOHO segments. As digital technologies and services become increasingly prevalent, Wind Tre is expected to benefit from new top-line opportunities, in particular through the deployment of the VEON digital platform, mobile financial services, mobile advertising, new Over The Top ("OTT") services and mobile ticketing, as well as by pursuing partnerships with other players in the digital arena. In addition, Wind Tre aims to apply "big data" and data mining platforms to drive customer engagement and market non-core services to customers.

Wind Tre has invested in a new IT platform which is expected to be another pillar of Wind Tre's digital transformation. This new platform will enable faster, more effective time to market in developing new offerings as well as enlarging the scope of partnerships with service and OTT providers, outside the traditional telecoms space.

Wind Tre believes that its brand positioning and strategy give it an advantage against both existing competitors and new entrants, who would need to invest considerable resources and time in order to develop comparable brands targeted at similar segments of the market.

### ***Sizeable and tangible synergies driving cash flow growth***

Substantial potential synergies, expected to total approximately €700 million per year, have been identified with respect to the integration of WIND and "3", of which approximately €490 million relate to operating expenditures and €210 million relate to capital expenditures, and 90% of annual run-rate savings are expected to be realized by the end of 2019. Wind Tre has already taken steps in identified operational areas and has achieved synergies and cost savings in the period since the Merger. It continues to implement steps to achieve further cost savings and identify and work to realize synergies by employing a dedicated merger integration team, which is working on plans to further optimize Wind Tre's operations. Focus areas include network and IT consolidation and modernization, customer service and distribution model integration, renegotiation of contracts on more favorable terms, product portfolio simplification, reduction of customer acquisition costs, as well as optimization and integration of regional offices. Wind Tre also expects to benefit from lower costs associated with improved procurement terms for network equipment and from the increased negotiating power with respect to international roaming agreements. The realization of synergies is based on current estimates and involves risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different than current projections and there is no guarantee any or all of the synergies will be realized. See "Summary—Summary Consolidated Financial Information of Wind Tre Group" and "Risk Factors—Risks Related to Wind Tre's Market and Business—Wind Tre may not realize the cost savings, synergies and other benefits that the parties expect to achieve from the Merger."

Wind Tre's management team and shareholders have previous experience in realizing synergies and achieving the successful integration of mobile operations in other countries (e.g., Austria, Ireland and Pakistan).

### ***Attractive financial profile underpinned by improving cash flow generation***

The completion of the Merger, via the contribution of H3G S.p.A. free of third-party debt, has led to an improvement of Wind Tre's financial profile when compared to WIND Telecomunicazioni S.p.A., on

a standalone basis. This is demonstrated by EBITDA growth in recent quarters, improving EBITDA margins, more efficient capital expenditures and deleveraging of the group. For instance, between the twelve months ended December 31, 2016 and the twelve months ended June 30, 2017, Wind Tre's *pro forma* EBITDA (excluding restructuring costs) increased by approximately 3.5% from €2,184 million to €2,260 million and EBITDA margin (excluding restructuring costs), on a *pro forma* basis, improved from 33.6% to 34.8% over the same period. Over the same period, Wind Tre's *pro forma* capital expenditures have decreased from €1,193 million (18.4% of revenue) to €1,144 million (17.6% of revenue) while *pro forma* operating cash flow (defined as *pro forma* EBITDA less capital expenditures) improved from €991 million to €1,116 million. The increase in EBITDA, together with other impacts from the Merger, have contributed to a significant deleveraging. Prior to the Merger, the ratio of WIND's net financial indebtedness (excluding certain loan receivables) to EBITDA, for the year ended December 31, 2014, was 5.9x, compared to the ratio of net financial liabilities as adjusted for the Transactions to *Pro Forma* Adjusted EBITDA for the twelve months ended June 30, 2017, which was 3.9x. See "*Summary—Summary Operational Data of Wind Tre and WIND.*"

In addition, following the Merger, Wind Tre may be able to access the historical net operating losses of H3G S.p.A. and the unutilized deductible interest reserves of WIND, H3G S.p.A. and Wind Tre Italia S.p.A., which as of December 31, 2016, totaled approximately €4.9 billion and €1.4 billion, respectively. Pursuant to Italian tax laws, both net operating losses and unutilized deductible interest reserves can be carried forward indefinitely though each figure is assessed on an ongoing basis and may be subject to revisions.

Taking into account the above, Wind Tre has a long-term ambition to reduce net leverage to below 3.0x based on the realization of synergies, improving operating cash flow and savings on taxes as well as interest expenses arising from the Transactions, which in each case are subject to change and certain factors outside of Wind Tre's control. See "*Summary—Summary Consolidated Financial Information of Wind Tre Group.*"

#### ***Experienced management team and supportive long-term shareholders***

Wind Tre's management team is composed of industry professionals with significant experience in the mobile and fixed-line telecommunications markets in Italy and abroad. Wind Tre believes that its executives are able to quickly adapt to changes in the market, such as changes to the competitive landscape and technological evolution. In addition, the management team follows a prudent and consistent approach to managing all of its mobile, Internet, fixed-line voice and data businesses. Wind Tre believes that its management team is well prepared and has the relevant experience to successfully implement its growth strategy.

Wind Tre has highly supportive and well-known shareholders with significant knowledge in the sector, primarily comprised of affiliates of CKHH, a conglomerate with investments across a number of sectors and with revenue in excess of \$33 billion in 2016, and VEON, a global provider of telecommunication services across 12 countries and with revenue of approximately \$9 billion in 2016. These shareholders are committed to their investment in Wind Tre and have prepared a robust corporate governance framework in order to facilitate the implementation of its business plan.

#### **Wind Tre's Strategies**

Wind Tre's goal is to become the most innovative digital telecommunications operator in Italy with the largest and most extensive mobile broadband network in the country. It is also Wind Tre's intention to seek new growth opportunities in the business segment of the market, continue to strengthen its position in mobile, fixed-line voice and Internet segments, as well as enhance its fixed/mobile convergent business model.

In addition, considerable emphasis will be placed on increasing efficiency and further optimizing Wind Tre's cost structure as part of the integration program for the two operating companies. Wind Tre will employ the key strategic pillars set forth below to achieve its objectives.

### ***Strengthen and leverage leadership position***

#### *Pursue a brand strategy focused on specific value propositions*

Wind Tre will continue to pursue a dual brand strategy in the consumer market segment, retaining both the WIND and "3" brands. Wind Tre will enhance the positioning of both brands as two well-recognized and complementary brands, with each brand focused on a specific value proposition. The WIND brand will be focused on "smart value for money" and will be oriented towards families and households. The "3" brand will be focused on "innovation and technology" and will be oriented towards a younger customer demographic. Both will offer clarity and simplicity.

In the business market segment, Wind Tre will pursue a differentiated and fully integrated brand approach to leverage the scale and capacity of the combined group. Following the Merger, Wind Tre Business was created as a new brand dedicated to servicing the business and public administration markets. The brand is focused on three fundamental values that establish its positioning: (i) trust (clarity and simplicity in offers and customer relations); (ii) relations (customer support services and a constant presence of the salesforce); and (iii) value (top quality innovative solutions and offers).

#### *Deploy the largest and most advanced mobile broadband network*

Wind Tre aims to create the largest and most advanced 4G/LTE network in Italy to maintain its leadership position in terms of mobile data usage and users. Wind Tre will contribute to the development of Italy's digital infrastructure through its continued planned investments between 2017-2021 in its telecommunications network, innovation and new technologies. The enhanced financial and operational capabilities of Wind Tre will enable it to provide high quality and greater network speed, thus capitalizing on the growing demand for connectivity and data consumption.

Wind Tre currently utilizes both the WIND and "3" networks. Wind Tre has begun the integration process for these networks, which is expected to take two to three years to implement. In the meantime, on a standalone basis, each network provides extensive coverage. For instance, WIND has a fully developed UMTS/HSPA network with 98.6% population coverage and 4G/LTE population coverage of 80.1% as of June 30, 2017. Wind Tre continues to develop and update its network and targets 99% population coverage for 4G/LTE, on a combined basis, by 2019.

Wind Tre seeks to become a key player in the fixed next-generation fiber network supported by its agreement with Open Fiber, who is in the process of creating an ultra-broadband network in Italy. Open Fiber and Wind Tre continue to work together to develop ultra-broadband connectivity services in FTTH technology in Italy. The agreement, which is already active in the first 13 cities reached by Open Fiber's infrastructure, has been extended to another 258 Italian cities (for a total of 271). Through FTTH technology, the entire route between the telephone exchange and the customer's premises will be covered by fiber-optic cables. Almost 10 million building units, including houses and companies, will be able to obtain market leading connection speeds, reaching 1 Gbps speeds for both download and upload.

#### *Secure a leadership position in customer satisfaction*

Wind Tre strives to maintain high levels of customer satisfaction, increase customer loyalty and strengthen its customer relationships in order to reduce churn and capture a higher share of customer spend. Wind Tre intends to secure a leadership position in customer satisfaction by enhancing the overall quality of its network as well as the overall quality of its call centers, by investing in specialized call centers

to better serve specific segments and by leveraging its customer contact points, including its distribution network and digital platforms.

Wind Tre places a great deal of emphasis on managing digital contact points and online customer assistance tools, ensuring high standards of quality and encouraging their use. For the WIND brand customers, the MyWIND application had reached approximately 16 million downloads as of June 30, 2017, and remains extremely popular among customers for its simplicity of use and the completeness of its services. The new VEON app, active since November 2016, which provides customers with an integrated experience of assistance services combined with typical OTT functionalities, had reached 1.8 million downloads in Italy as of June 30, 2017. The VEON application is consistently updated and version 2.0 was launched in August 2017 with an increase in use for assistance services and entertainment activities. It will eventually replace the MyWIND application. The “3” Customer Area application remains the main contact channel for the “3” brand and has reached approximately 16 million downloads as of June 30, 2017.

The availability of self-care assistance is also being further developed through the use of dedicated areas on the website and through applications, interactive voice response and automated SMS systems. In addition, further integration between customer care and the local sales network continues to provide more direct and transparent customer service.

#### *Leverage wide and strong distribution network*

In order to drive revenue generation from new subscribers and to enhance its customer acquisition efficiency while retaining its existing subscriber bases, Wind Tre intends to continue to improve the quality of its distribution channels and strengthen its sales network through ongoing initiatives.

Wind Tre markets its products and services through the largest sales outlet network in Italy, which as of June 30, 2017, consisted of approximately 10,000 points of sale, including 1,914 exclusive points of sale, of which 691 are WIND branded and 1,223 are “3” branded. In connection with the integration of the two businesses, certain of these points of sale have since been consolidated. From May 2017, WIND made available online offers dedicated to prospective mobile prepaid customers, either for delivery by courier to the customer’s address or for collection at a sales point.

Wind Tre’s distribution strategy is based on the “omnichannel” concept (stores, online and telephone), satisfying the needs of customers who independently select the sales channel which suits them best. The most important sales channel, in terms of performance, is the retail channel (monobrand and multibrand stores), which through integrated offers continue to increase in importance. Next is call centers and digital platforms, with an ever increasing focus on the latter.

#### *Capture growth opportunities beyond mobile consumers*

##### *Capture growth in fixed/mobile convergence and fiber*

Wind Tre plans to increase its focus on cross-selling mobile and fixed-line services by encouraging customers to subscribe to both fixed-line and mobile services in order to grow its subscriber base, reduce churn and capture a higher share of the total telecommunications spend by its customers.

In order to strengthen WIND and “3”’s position in the sphere of integrated services, Wind Tre emphasizes convergent offers, not only by leveraging cross-selling with its customer base, but also by launching convergent bundles. For example, Wind Tre’s “WIND Home” and “3 Fiber” offers bundle fixed connectivity with a mobile broadband product. Furthermore, Wind Tre is building strong partnerships with top content providers, such as Netflix and Sky, to further enrich its convergent portfolio.



### *Increased focus on business segments and value added services*

Wind Tre believes that it has a significant opportunity to increase its business mobile and fixed-line subscriber base. Following the Merger, Wind Tre Business was created as a new brand dedicated to servicing the business and public administration market, leveraging the scale and capacity of the newly combined group.

Wind Tre aims to grow its share in each of the business segments in which it operates, including corporate customers, SMEs and SOHOs, with specific offers for each market segment. For larger companies Wind Tre Business offers a business budget with “all-inclusive” service charges in which customers, establish their telephone spending at a company level, identifying packages of traffic shared among the SIMs, thereby keeping control of the budget at a global level. Faced with the increasing interest in mobile applications, Wind Tre Business has also launched “Enterprise Mobility Services” through strategic partnerships and vertical system integrator agreements.

Wind Tre’s strategy also focuses on providing VAS in addition to traditional fixed and mobile services, enabling it to provide a one-stop solution to business customers.

Wind Tre provides PSTN, ISDN and VoIP fixed-line network voice services, data services, VAS and connectivity services to companies in the large business market. In this segment, Wind Tre is also able to tailor its offer to the specific needs and requirements expressed by customers. The offers for businesses also include flat solutions with tariffs based on the number of users, which enable customers to maintain full control over their spending. In addition, Wind Tre also extends its offer for the large business market through cloud services and its commercial proposal with ICT and managed services solutions, on both fixed and mobile networks. Wind Tre has an agreement with the Enterprise division of Google which enables it to propose collaboration and communication solutions to businesses based on Google Cloud Apps.

### *Develop a state of the art digital service model*

#### *Accelerate the development of digital initiatives and engagement platforms*

Wind Tre intends to explore the opportunities arising from the combination of new technologies and customer demands, in particular, strengthening digital channels for new services, customer interaction and process efficiencies.

Wind Tre also aims to continue with its strategy of introducing new offers of digital content such as applications, games, music, films, e-books and digital magazines which customers can download from the main stores using their telephone account as a means of payment without the need for a credit card. In addition to the Google Play and the Windows Phone Store, which have been active for some time and are constantly growing, 2017 has seen the extension of the use of telephone credit for Apple content (for example, iTunes, App Store, Apple Music, and iBooks). This functionality was activated in March 2017 for “3” customers and in May 2017 for WIND customers. Wind Tre was the first Italian operator to make the service available on the Apple platform. The launch of the Windows Store for “3” customers also took place in May 2017 (already active for WIND customers since August 2016). This has extended the digital contents perimeter and added the possibility for customers to make use of content downloaded from a laptop.

In November 2016, the VEON platform was released by Wind Tre on both the Android and IOS digital stores. The VEON platform transforms the customer experience for managing mobile accounts, in a significant move from the traditional brick-and-mortar service. This unique customer engagement platform will integrate powerful data analytics and artificial intelligence, with a fresh take on messaging capabilities, enabling users and communities to connect by voice, text, picture and video through its interface. VEON platform is a constantly evolving service and Wind Tre expects it to be its primary digital engagement platform going forward. With a view to fostering customers’ digital usage, Wind Tre has taken a series of initiatives, channeled through its monobrand stores, with the aim of encouraging the payment of digital

items using telephone credit. Concurrently, Wind Tre is continuing to develop its digital position by leveraging all digital touch points to market its services, to improve its customer experience and to reduce operational costs.

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*Provide innovative and tailored services leveraging data management and IT platforms*

Wind Tre expects to diversify its revenue streams by exploring new adjacent market segments, including mobile financial services, mobile advertising, OTT services and mobile ticketing, as well as pursuing partnerships with other players in the digital arena. Wind Tre aims to apply big data and data mining platforms to drive customer engagement and market non-core services to customers.

Wind Tre also intends to increasingly focus on Internet-connected devices. WIND launched its "Digital Home and Life" brand, the first retail telecommunications design concept in Italy to provide an integrated digital and physical experience by supplying high-tech devices aimed at making the everyday lives of its customers smarter and easier. Wind Tre's stores offer a vast range of smart devices, such as wearables, health and safety related devices and connected home solutions.

***Optimize efficiency to create a cost efficient company and to maintain margins***

*Improve efficiency and eliminate overlaps*

Wind Tre places considerable emphasis on increasing efficiency and further optimizing its cost structure as part of the integration program following the Merger. Wind Tre aims to achieve this through comprehensive analysis of all cost elements.

In particular, it is expected that Wind Tre will benefit from network and IT consolidation and modernization to reduce total operating and capital expenditures, renegotiation of contracts on more favorable terms, an integrated customer service and distribution model, product portfolio simplification, reducing customer acquisition costs, as well as optimization and integration of regional offices.

Wind Tre also expects to benefit from lower costs associated with improved procurement terms for network equipment and from the increased negotiating power with respect to international roaming agreements. Wind Tre plans to further increase its cost efficiency, where possible, through the use of network site sharing agreements with other operators. It will also seek to create increased internal efficiency through innovative insourcing and increased productivity. The realization of synergies is based on current estimates and involves risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to be materially different than current projections and there is no guarantee any or all of the synergies will be realized.

These efficiency and synergy initiatives will enable Wind Tre to continue to enhance its margins, generate strong cash flow growth and de-leverage its balance sheet. Wind Tre has already taken steps in identified operational areas and has achieved synergies and cost savings in the period since the Merger. It continues to implement steps to achieve further cost savings and identify and work to realize synergies by employing a dedicated merger integration team which is working on plans to further optimize Wind Tre's operations.

### *Optimize network infrastructure*

Wind Tre intends to pursue an asset light network footprint, focused on optimizing profitability and cash flow through the efficient use of technology and efficient capital allocation with regards to non-core access infrastructure.

Wind Tre's strategy will be to employ an asset light fixed access network, favoring the agreement with Open Fiber over investing in its own infrastructure, although it expects to continue to its the core backbone network.

Wind Tre also aims to take advantage of network sharing opportunities and the rationalization of its tower portfolio.

### *Continue to use cash flow generated to reduce leverage*

Wind Tre intends to continue to improve its cash flow generation by increasing its operating cash flow, improving working capital efficiencies and by continuing to realize the substantial and tangible cost synergies arising from the integration of WIND and "3". Wind Tre intends to use its cash flow to decrease its overall level of indebtedness.

## **Overview of Operations**

Wind Tre's principal business is the provision of mobile, Internet, fixed-line voice and data telecommunications services in Italy over its integrated network.

Wind Tre operates a dual brand strategy in the consumer market segment: (i) WIND, providing solutions to the whole family through a wide range of offers based on values of clarity, transparency and simplicity; and (ii) "3", with a focus on transparency, innovation and technology, and in particular the younger (30 and under) market segment, and an emphasis on value for money. In the business market segment, Wind Tre, through its Wind Tre Business brand, will pursue a differentiated and fully integrated brand approach to leverage the scale and capacity of the combined entity.

### ***Mobile Operations***

Wind Tre's mobile service offerings include a wide range of voice services, mobile Internet, data services and other VAS, including messaging services, information and entertainment multimedia services and international roaming. These services are targeted at both the consumer and corporate markets. Wind Tre offers its mobile telecommunications services over its GSM, UMTS and LTE networks.

Wind Tre offers its mobile services on both a prepaid basis and a postpaid (or contract) basis, through various tariff plans. These include tied plans, in which a customer subscribes for specified period of time, or untied plans, in which there is no commitment for a specific period of time. In line with the Italian mobile telecommunications market, the majority of Wind Tre's consumer customers are prepaid customers, while almost all of its corporate customers are postpaid customers.

### ***Consumer Offerings***

Wind Tre's consumer offerings are tailored to specific market segments, with a variety of option plans, pricing, extra telecommunications services and smart devices solutions. Wind Tre operates its mobile business under two brands, WIND and "3".

### ***WIND branded consumer offerings***

WIND customers can choose between postpaid and prepaid portfolios, according to their requirements, often driven by their mobile services needs and cost considerations. The postpaid offer is mainly focused on the "Magnum" portfolio that includes bundles of unlimited minutes/SMS and data

allowances based on customer needs. Postpaid customers are also provided with subsidies and offers to provide them with the opportunity to acquire the latest devices (smartphones, tablets, etc.) through installment payments.

WIND's prepaid range consists of three main pillars: (i) "All-inclusive" with minutes, SMS and data included within the same offer; (ii) "Noi Tutti," which is a voice only solution, and (iii) mobile broadband plans for data-heavy users. Furthermore, specific offerings are available for different demographics of customers, for example, a dedicated discount on the "All Inclusive" deal for young people (under 30 years old), a dedicated "Noi Tutti" offering with unlimited voice for senior customers (over 60 years old), and dedicated "Call Your Country" offerings for customers who wish to call specific countries on a regular basis. WIND provides users with the opportunity to manage their own account via digital channels such as the web, mobile apps and social networks.

Improvements in technology, and increasing demand for data, continue to be positive trends in the market and maintain strong demand from customers. WIND's offerings target increased data consumption by providing customers with appealing and seasonal promotions, particularly at times when customers may be inclined to increase their service usage. Moreover, WIND offers promotional activities throughout the year in order to boost data usage.

#### *"3" branded consumer offerings*

"3" offers its prepaid customers both tied and untied tariff plans, (i) untied tariffs on a weekly basis or 28-days, (ii) tied tariffs on a monthly basis (payment by credit card or bank account with a discount) that include a set amount of call minutes, SMSs and data for a fixed fee. Tied customers with an all-in discounted option can add a smartphone to their offer starting from €2/month, with a wide selection of smartphones for every budget. In the high value smartphone segment, certain "3" offers include insurance and the option to customers to change their smartphone every year. "3" also promotes offerings that target increased data consumption by providing customers with appealing and seasonal promotions during the year.

#### *Additional Consumer Options*

WIND and "3" offer a variety of add-on packages to their standard consumer offerings with a range of options, that allow customers to add more minutes, more SMS and more data to the bundle they have selected as well as other offers designed to appeal to particular customers or customer groups. For instance, the WIND "Call Your Country" offer portfolio is attractive to non-Italian customers making a higher volume of international calls.

#### *Data and Value Added Service Offerings*

Wind Tre provides a variety of mobile data services and VAS for telephones and computers to its consumer customers. Wind Tre offers bundle options, suited for both prepaid and postpaid customers, which include minutes of voice traffic, SMS and data for a fixed fee.

#### *Mobile Internet*

Wind Tre mobile customers can connect their mobile phones to the Internet using GSM, GPRS, 3G or 4G/LTE technologies. Wind Tre has renewed its data portfolio with a wide range of options from 5 GBs to 30 GBs. In addition, postpaid customers for WIND and "3" are provided unlimited data from midnight to 7:59 AM, and, in order to meet the multi-device trend, data may be shared among multiple SIMs. Meanwhile "3" has revolutionized its services portfolio in order to cover a wide range of market segments and has continued to improve its offers to offer customers greater freedom in their data usage.

In terms of mobile data offer, “3” covers a wide variety of connectivity needs with a dedicated mobile broadband offer portfolio, ranging from an entry level untied prepaid data sim (“Super Internet”), to the complete postpaid solution that includes connectivity, Wi-Fi devices and contents (“3Cube”).

All “3” mobile broadband solutions are distinctive on the market, offering competitive propositions such as a high speed connection, high-end Wi-Fi routers and high data allowances, while simultaneously maintaining an attractive pricing structure.

#### *PC Mobile Internet*

Wind Tre mobile customers can connect their mobile phones to a computer to be used as a modem to browse the Internet using GSM, GPRS, 3G or 4G/LTE technologies. In addition, Wind Tre’s customers can directly connect their PC to the Internet using a mobile Wi-Fi router with a SIM card.

#### *SMS and MMS*

SMS offerings provide users with information such as news, sports, weather forecasts, horoscopes, finance and TV programming information, as well as a selection of games, ringtones and a chat service for customers as well as services specifically targeted at students. MMS provides multimedia (photo, video and sound) content, such as sports events, news, entertainment and music.

#### *Mobile Services—Wind Tre Business*

On May 23, 2017, Wind Tre rebranded its corporate offering for new customers as Wind Tre Business, the new brand dedicated to larger corporate customers, SMEs and SOHOs. Wind Tre Business unifies the WIND and “3” brands to establish a viable alternative to Vodafone and TIM, based on the core values of WIND and “3”.

Wind Tre Business’s core principles are (i) trust (clarity and simplicity in offers and service reliability); (ii) relations (customer support services and a constant presence of the sales force) and (iii) value (top quality innovative solutions and offers).

The new Wind Tre Business brand will also benefit from a larger and optimized distribution sales force, combining WIND’s historic strength in the Northeast regions and “3”’s historic strength in the Southern regions. In addition, WIND’s nationwide network of physical agents and “3”’s telesales division provides an experienced, combined sales platform.

Wind Tre believes it can become a major competitor in the corporate offering market, to match Vodafone and TIM, based on (i) a strong service model based on unified and wide-reaching sales channels and digital touch-points, (ii) a distinctive mobile offer, relying on its strong and improved telecommunications network, (iii) the introduction of fiber products portfolio for fixed-line services and (iv) renewed and automated processes for fixed-line services.

For large corporate customers, who often solicit tenders for their mobile telephone requirements on a competitive basis, Wind Tre Business offers customized services tailored to their specific requirements. The merger has enabled Wind Tre Business to expand into multi-national accounts, leveraging the broader global and unique footprint of the VEON and CKHH corporate groups (and beyond through IP/VPN).

For SME clients, Wind Tre Business offers a new mobile portfolio “Giga Smart Share,” targeted at addressing increasing needs in terms of data traffic, efficiency and flexibility. Giga Smart Share allows users to share the Internet traffic in both multi-users and multi-device mode. The portfolio also includes different data baskets and tariff plans and additional options complete the portfolio.

For SOHO customers, Wind Tre Business’s Giga Smart Share portfolio also includes more standardized products which, according to the all-inclusive concept, provide customers with a set amount of calling minutes, SMSs and data for a fixed monthly fee. Wind Tre Business also offers a variety of

add-on options to its standard corporate voice offerings. As interest in applications is growing, with the aim of bringing greater mobility to businesses, Wind Tre Business launched the business application, Enterprise Mobility Services, through strategic partnerships and vertical system integrator agreements. The application allows Wind Tre Business to provide to user: (i) remote working tools such as virtual desktop, dual billing, agile working, (ii) device management through a dedicated mobile application suite, and (iii) security applications for cybersecurity solutions. Innovative digital services have also been developed for corporate customers allowing them to create a personalized website, a certified web mail and mobile points of sale.

Wind Tre Business offerings will also leverage on the opportunities that arise from fixed-mobile convergence, with a new portfolio of offers including bundled offers with dedicated services and special offers for those customers subscribing both fixed and mobile products.

#### *Digital Services*

Wind Tre is constantly increasing its customer offers by making available the latest content and innovations in telecommunications services. Wind Tre makes available digital content such as apps, games, music, films, e-books and digital magazines for customers to purchase and download. For instance, Wind Tre has commercial partnerships with major content providers, including Netflix and Sky.

#### *WIND branded digital offerings*

WIND has renewed its agreement with Google and Microsoft for carrier billing and enhanced rollout of mobile ticketing, pursuant to which users can download tickets (*i.e.*, bus, metro) to their mobile device. WIND is continually improving the MyWIND app, which allows for mobile device management as well as other functionality for a user's account, and launched the Wind Talk App, an instant messaging app connected to the MyWIND app with exclusive features of airtime, credit transfer, peer-to-peer, and direct chat with WIND's customer care and with its shops.

In 2014, WIND introduced a concept called Digital Home & Life in the main WIND store in Rome. In the store, as well as online, WIND's customers can choose and buy new technological devices to interact with their smartphone and, within their house, to manage aspects of their life and home, such as wellness and entertainment.

At the beginning of November 2016, WIND released on both the Android and IOS digital stores, the new VEON app. The app is an innovative engagement platform that combines traditional communication features with the most innovative OTT services. The new app is available to everyone, but WIND's customers have additional advantages in terms of free data traffic and other exclusive rewards such as one gigabyte of data as a free welcome, 100 megabytes per day, chat and calls without consuming data and a 10% discount on the current offer when registering a credit card. The VEON app has reached approximately two million downloads as of June 30, 2017.

In 2016, WIND launched "Windows Store" for its customers. The app allows WIND customers to use downloaded Windows apps on their mobile devices.

In May 2017, WIND extended its mobile telephone payment system to the Apple word (iTunes, App store, Apple music, iBooks). As a result, WIND customers are now able to use their telephone credit to purchase Apple items, in line with WIND's strategy to improve customers' experience.

In 2017, the e-commerce's integrated WIND platform has been launched, through which is possible to purchase online and/or pickup from stores, prepaid offers and devices (phones & home & life). Unlike other competing platforms e-commerce guarantees delivery on the same day for Rome, Milan and Naples and for the next day for other Italian cities.

In 2017, Wind Tre became the first Italian operator to sell WIND brand products (SIM cards, apps) through the Amazon sales channel. Wind Tre recently also released the Wind Cube management apps (with the same features as Casa3 and now 3Cube) and the fixed-line app, and Wind Tre is developing virtual touchpoint and is experimenting with virtual assistance, chatBOT and artificial intelligence.

### “3” branded digital offerings

Wind Tre is also continually improving and updating three main apps for former “3” customers under the “3” brand to offer the best user experience to its customers: Area Clienti 3, 3Mobility and MyWebFamily.

- Area Clienti 3 is a selfcare app that allows “3” customers to verify phone credit and keep thresholds for voice and data traffic under control. Customers can also use the app to configure and customize their tariff plan by activating/deactivating additional options and services. The app also has a dedicated area for the top-up feature and a control panel to manage VAS deactivation. Area Clienti 3 is also used as a main channel for upselling new offers dedicated to customers.
- The 3Mobility App offers a simplified user interface to use the Mobile Ticketing service: through the app all “3” customers can purchase tickets for public transports (Bus, Metro, etc.), parking and ZTL using their phone credit or billing account. From the app, each customer can select the city where the service is available and get their ticket with one click. The ticket purchase is then confirmed by SMS.
- MyWebFamily is an app dedicated to 3 Mobile Broadband customers that allows them to remotely manage Wi-Fi devices such as WebCube and WebPocket. Customers can keep data traffic and thresholds under control, check the Internet connection of their Wi-Fi router and manage all attached devices (tablet, PC, smartphones, etc.).

During 2017, “3” continued to invest in providing customers with the latest apps, games, music, movies, e-books and digital magazines, in line with its strategy to market the brand as the most digitally advanced. Moreover, similarly to WIND, in March 2017, “3” extended the telephone credit to the Apple platform.

In addition, “3” launched the Windows store. As a result, “3” customers are able, like WIND’s customers, to use downloaded Windows apps on their mobile devices.

### *International Roaming*

Wind Tre’s mobile customers can use mobile services, including SMS, MMS and data services where available, while roaming in other countries. Roaming coverage outside Italy is provided through WIND’s roaming agreements with approximately 509 international operators in 220 countries as of June 30, 2017, covered by terrestrial roaming, as well as “3”’s roaming agreements with approximately 415 international operators in 191 countries as of June 30, 2017.

### *Handset Offerings*

Wind Tre offers a broad selection of handsets and Internet devices to its customers through both its customer brands (WIND and “3”), which it sources from a number of suppliers, including Apple, Samsung, Huawei, Asus, LG and Motorola. Wind Tre sell the handsets through its own stores, franchises, multi-brand stores and on the wind.it and tre.it websites. The Italian market is a predominantly prepaid market and, as a result, mobile operators have generally provided limited handset subsidies.

### *Sales and Distribution*

Wind Tre sells consumer mobile products and services, including SIM cards, scratch cards and handsets through a significant number of points of sale.

As of June 30, 2017, Wind Tre had 1,914 sales points, comprising 691 WIND brand sales points (154 owned stores and 537 exclusive franchised outlets) and 1,223 “3” brand sales points (nine owned stores and 1,214 exclusive franchised outlets). As of June 30, 2017, Wind Tre has also utilized 3,952 non-exclusive points of sale and a presence in 1,304 electronic chain store outlets.

For corporate customers in Italy, Wind Tre uses different marketing strategies depending on the nature and size of a customer’s business. For large corporate customers and SMEs, Wind Tre’s marketing efforts are more customized and institutional in nature, and include one-on-one meetings and presentations, local presentations and presentations at exhibitions. For the SOHO market, Wind Tre advertises in the professional and general press and uses airport billboards.

WIND and “3” also sell some of their consumer services online through the wind.it and tre.it websites. On each, customers can also activate offers and services, buy mobile telephones, smartphones and tablets and carry out top-ups through the website and pay by credit card, PayPal or by charging their telephone account. Both WIND and “3” customers have access to online customer assistance tools for a more user friendly and simplified set of procedures which lead to a better customer experience.

### *Fixed-Line Operations*

In Italy, Wind Tre offers a wide range of fixed-line voice and Internet broadband services. Wind Tre offers these services to both consumer and corporate customers.

Wind Tre’s fixed-line voice customer base in Italy consisted of approximately 2.7 million customers as of June 30, 2017. Its direct customers mainly comprise LLU customers.

Wind Tre offers voice and broadband Internet services to direct customers by renting from Telecom Italia the “last mile” of the access network, which is disconnected from Telecom Italia equipment and connected to Wind Tre’s equipment in telephone exchanges. In April 2016, WIND signed a strategic and commercial partnership with Open Fiber for the nationwide development of the ultra-broadband fixed-line network in Italy. In May 2016, Wind Tre successfully the first customers connected in Perugia through Open Fiber’s infrastructure. The agreement with Open Fiber has been extended to additional 258 cities in September 2017, allowing Wind Tre to utilize Open Fiber infrastructure in all cities where Open Fiber intends to be present.

### *Internet and Data Services*

In the broadband access market in Italy, Wind Tre mainly offers its products directly through LLU and Fiber, mainly to direct customers.

Wind Tre also offers fixed-line voice and broadband services, both DSL and Fiber, in Italy through bundled packages, which for a fixed monthly fee, provide customers with a fixed-line voice service and unlimited connectivity to broadband or ultra-broadband. In addition, Wind Tre offers a dedicated bundle to fixed-line customers who are also mobile customers, in order to promote convergence.

For LLU customers only, Wind Tre continues to offer the “ADSL Vera” concept that allows a variable maximum download speed up to 20 Mbps, depending on the quality of the copper network utilized, with no additional charges. Fiber customers may access speeds up to 1 Gbps.

For corporate customers, Wind Tre has developed several innovative digital services such as Virtual PBX, Cloud, including IaaS (Infrastructure as a Service), Data Center, and Software as a Service, characterized as being fast, simple and flexible.



### *Fixed-line Consumer Voice Offerings*

Wind Tre provides traditional analog voice telephone service, or “PSTN access,” digital fixed-line telephone service, or “ISDN access,” and VAS, such as caller ID, voicemail, conference calls, call restriction, information services and call forwarding.

### *Fixed-line Corporate Voice Offerings*

Wind Tre provides PSTN, ISDN and VoIP fixed-line voice services, data services, VAS and connectivity services to corporate customers, including large corporate customers, SMEs and SOHOs.

For larger corporate customers, Wind Tre typically tailors its offerings to the needs of the customer and, where applicable, to competitive bidding requirements. Wind Tre offers its large corporate customers direct access to its network through microwave links, direct fiber optic connections or, where Wind Tre does not offer direct access, via LLU, dedicated lines leased from Telecom Italia. Wind Tre also offers large corporate customers national toll free and shared toll. Wind Tre typically offers SME and SOHO customers off the shelf plans rather than bespoke offerings.

Wind Tre’s offerings are tailored for SOHO customers and include the “All Inclusive Business,” providing unlimited calls to national fixed and mobile networks and unlimited Internet access and the “WIND Impresa” offer, which provides six to 60 simultaneous voice calls on VoIP technology and a combined service for renting, running, and maintaining telephone switch-boards. For SME customers, Wind Tre offers the “All Inclusive Aziende,” a VoIP and connectivity service with fiber up to 50 megabytes and the “Wind Smart Office.” The Virtual IP PBX offer provides three to 15 simultaneous calls to and from landline phones, fiber up to 50 megabytes and unlimited calls to all fixed and mobile national and international operators.

### *Fixed-line Sales and Distribution*

Wind Tre’s distribution strategy is based on the “omnichannel” concept (stores, web and telephone), satisfying the needs of customers who independently select the sales channel which suits them best.

In terms of performance, the most important sales channel is the retail channel (monobrand and multibrand stores), which through integrated offers continues to increase in importance. Following this are the 159 call centers and the Internet, while the activities of the outbound call centers are by now residual and are mostly used for acquiring customers in very specific segments.

### *Wholesale Services*

Wind Tre offers wholesale operator services, through which it sells network capacity to other operators and manages incoming and outgoing call termination traffic for other national and international operators. As consideration for managing calls terminated on its mobile or fixed-line network, Wind Tre receives revenues from other operators. Similarly, Wind Tre is required to pay termination fees to other operators for calls terminated on their mobile or fixed-line networks. Mobile-to-mobile, mobile-to-fixed, fixed-to-mobile, and fixed-to-fixed voice interconnection rates are regulated by AGCOM. As one of the structural remedies for approving the Merger, the European Commission required the entrance of a new competitor, Iliad, into the Italian market. Wind Tre has signed roaming and RAN sharing agreements with Iliad, in which Wind Tre offers Iliad’s customers nationwide mobile services. As a result, Wind Tre expects to receive interconnection traffic fees from Iliad. See “*Regulation—Mobile Regulatory Environment—Mobile Termination*,” “*Regulation—Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination*,” “*Regulation—Interconnection Rates*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Interconnection Rates*.”

## **Marketing and Customer Services**

### ***Marketing and Branding***

Wind Tre markets its WIND, “3” and Wind Tre Business brands through offline and online advertising campaigns.

#### *WIND*

WIND positions its mobile, fixed-line and Internet products to consumers as the “smart, value for money” choice, a combination of high-quality products that are convenient, easy to use and simple with transparent tariff plans and attractive prices.

WIND’s advertising campaigns use famous celebrities that emphasize a smart-fun brand. In general, WIND promotes its offers mostly on television and billboards.

In recent years, WIND has significantly increased its presence on the Internet, in social media and, more generally, on certain frequently visited websites.

As part of its general marketing efforts, WIND sponsors concerts, television programs.

#### *“3”*

In 2017, the “3” brand tailored its advertising strategy to reposition the brand. By adopting the slogan “the future you want,” “3” services and products are meant to be seen as innovative, cutting-edge and digitally advanced.

The advertising campaigns, through TV, radio, press and billboard advertisements, have targeted specific pools of customers, especially millennials. The ads aimed to cast “3” as the brand which provides high-quality services and products that are user-friendly and competitive. The online advertising campaigns were conducted in line with the messaging of the offline campaigns.

#### *Wind Tre Business*

Wind Tre Business uses different marketing strategies to reach corporate customers depending on the nature and size of a customer’s business. For large corporate customers and SMEs, Wind Tre Business’s advertising strategy focuses on television (starting from October 2017), press, radio, billboards and digital advertising. Wind Tre Business marketing efforts are also customized and institutional in nature and include one-on-one meetings and local presentations, as well as presentations at exhibitions.

## **Customer Service and Retention**

Wind Tre customer service activities are coordinated by the Customer Care Operations Department unit, which is subdivided by types of customers: rechargeable customers, subscription customers (mobile telephony, fixed telephony and Internet) and business customers. Wind Tre provides a custom service for certain sectors of particularly “high value” corporate customers and also provides customer assistance service in foreign languages. Wind Tre has enterprise call centers dedicated to its customers in Rome and Ivrea, with agents assigned to each “high value” corporate customer. The call centers dedicated to residential customers are spread throughout Italy. Starting in 2012, Infostrada began consolidating its customer service departments and focused on activating new customers by providing specialist advice and service offerings.

Wind Tre has focused on the integration between customer care (mobile and fixed) and sales structures in order to be able to offer countrywide customer assistance service through its sales points, therefore making customer support more direct and transparent. Wind Tre has also initiated work to assist

fixed and mobile broadband customers through the use of synergistic and dedicated technical assistance structures.

For the most part, the Internet has become the most popular tool for customers in seeking solutions to any issues which arise in their services. Wind Tre has strengthened its presence on the Internet, both fixed-line and mobile, enhancing its ability to reach customers across digital outlets. Wind Tre places special emphasis on its customer interface systems to make them increasingly accessible and easy to use. Wind Tre also added an offer dedicated to digital customers (All Digital) that allows customers to make online reservations through WIND's website.

In addition to the Customer Care Department, Wind Tre has set up the Customer Value Management unit. This unit considers, on a real-time basis, customers' needs to anticipate consumers' preferences with the goal of improving their experience and the value-for-money of Wind Tre products and to increase lifetime value.

Wind Tre's website allows customers to obtain information about Wind Tre's offers and their accounts and also allows them to pay their bills, top up SIM cards and activate new offers. Wind Tre offers different solutions to WIND customers and "3" customers. WIND customers can use the website service in conjunction with the "MyWIND" App and "Web" App, both for mobile phone and desktop, introduced in 2012, as part of its customer management strategy, which are aimed at providing customer care features to customers as an alternative to call centers, a traditional and more expensive channel. The "MyWIND" App was revamped in 2014 with a completely new look and feel and is now available for Windows Phone customers. Customers awarded the app with the best rating among telecommunication self-care apps. As of June 30, 2017, "MyWIND" had reached approximately 16 million downloads and remains extremely popular among customers for its simplicity and comprehensiveness. Moreover, the app "WIND Talk" provides an integrated messenger service app which allows users to contact stores through the Customer Assistance service. As of June 30, 2017, "WIND Talk" had reached approximately 1.5 million downloads. Similarly, "3" customers can use the popular "3" Customer Area app which provides interactive assistance through the "3" sales network and this had reached approximately 16 million downloads as of June 30, 2017.

During 2017, Wind Tre has also launched marketing campaigns on social networks to keep its standards of excellence in the special social care rankings.

### ***Credit Management and Billing***

Wind Tre's prepaid mobile customers purchase SIM cards, scratch cards and mobile phones directly from retailers and dealers, who in turn purchase them from Wind Tre. Wind Tre bills these retailers, dealers and distributors shortly after it delivers these products and Wind Tre generally has no direct billing relationship with its prepaid mobile customers (except for Wind Tre's online shop customers).

Wind Tre bills its postpaid mobile, fixed-line and Internet customers directly. Wind Tre performs credit evaluations on its postpaid consumer and corporate customers and monitors customer collections and payments. Wind Tre maintains a provision for estimated credit losses derived from a statistical model mainly based on payment history.

### **Network and Infrastructure**

#### ***Overview***

Wind Tre's mobile and fixed-line networks are supported by over 35,367 kilometers of fiber optic cable backbone in Italy and 6,708 kilometers of fiber optic cable MANs, as of June 30, 2017. Wind Tre operates with separate mobile networks, however, in April 2017, it began its first phase of network consolidation of the historical WIND and "3" network infrastructure through the decommissioning and consolidation of duplicative infrastructure in select locations in order to rationalize its cost structure and

offer superior service to its customers. In August 2017, Wind Tre successfully achieved integration of the WIND and “3” mobile networks in parts of Bologna and started network integration in Milan and Rome. This integration will continue to be rolled out across Italy until 2019. The results of the first phase are still under review by Wind Tre, but initial results show very good network performance.

As of June 30, 2017, Wind Tre had 1,957 LLU sites for direct customer connections (approximately 70% of the population is covered), and had interconnections with the incumbent operator in order to offer voice and data services to the rest of the population.

Wind Tre has an all IP Network, based on MPLS hierarchical backbone, which is connected to main national and international operators. Wind Tre’s IP Network is developed in all of Italy and it is able to offer fixed and mobile broadband services to consumer and corporate customers.

Wind Tre’s Internet network access is implemented by an all-IP network, with over 50 POPs, for direct (xDSL) and indirect Internet access services, as well as VPN (xDSL, Fiber Optics). The IP nodes access network consists of 61 BRAS for consumer services and 84 Edge Routers for Business application, located in POPs to ensure optimal national coverage.

Wind Tre has a commercial agreement with Open Fiber to provide customers with access to FTTH technology. WIND began to offer high-speed FTTH services in Milan in 2013 under a contract with Metroweb, where it marketed offers in fiber optic technology, which allows the end user to reach download speeds of up to 1 Gbps and upload speeds of up to 100 Mbps. During 2016, Wind Tre’s FTTH service was extended to Torino, Bologna and Perugia with the intent, in the near future, to cover other cities through leveraging on the agreement signed with Open Fiber and in September 2017 extended Open Fiber to 271 cities. In 2015, WIND also developed a commercial offer based on Fiber to the Cabinet technologies.

## ***WIND***

WIND has developed an integrated network infrastructure providing high capacity transmission capabilities and extensive coverage throughout Italy for both fixed and mobile services. As of June 30, 2017, WIND’s fixed access network covered 70% of the Italian population with ADSL broadband+ direct services while mobile network coverage has reached 99.9% of the Italian population. In particular, WIND UMTS/HSPA and LTE are available to 98.6% and 80.1% of the Italian population, respectively.

As of June 30, 2017, WIND’s mobile and fixed-line access networks are supported by 22,873 kilometers of fiber-optic cable backbone in Italy and 5,203 kilometers of fiber-optic cable MANs. WIND’s network uses a common transport, core and system platform, which is referred to as the “smart network,” for both WIND’s mobile and fixed-line access networks. WIND’s transport and routing network has been upgraded to provide a uniform and scalable IP network platform, which provides additional capacity.

The geographical scope of WIND’s network and the integrated nature of its operations allow WIND to offer its customers mobile, fixed-line and Internet product bundles and VAS. As of June 30, 2017, WIND also had 509 roaming agreements with international telecommunications operators in 220 countries.

Starting from May 2, 2017, roaming on WIND’s 2G, 3G and 4G networks was gradually opened all around Italy for “3” customers, in areas where there was no “3” coverage, who now can use WIND’s network at the same prices and with the same services of their home network.

### ***WIND Mobile network***

WIND offers mobile services through its three network layers: 2G, 3G and 4G. The first layer, developed in 1998 with GSM technology, provides voice and data services with EDGE enhancement. The second layer, 3G, provides voice service and data services with HSPA+ technology.

By 2015, WIND had already completed a large scale rollout of the UMTS re-farming at 900 MHz, changing the use of the part of its spectrum previously used for the GSM service (one block of 5 MHz) in order to foster and enhance the indoor coverage of 3G services, due to the better propagation of the low spectrum frequencies.

The following table provides an analysis of WIND's GSM/GPRS, UMTS/HSDPA and 4G/LTE networks as of June 30, 2017.

**GSM/GPRS**

Radiating sites . . . . .	14,795
BSC (Base Station Controllers) . . . . .	220
MSC (Mobile Switching Centers)* . . . . .	0
HLR (Home Location Register)* . . . . .	10
SGSN (Service GPRS Support Node)/MME* . . . . .	6
GGSN (Gateway GPRS Support Node)/PGW/SGW* . . . . .	6

**UMTS**

Node B . . . . .	14,532
RNC (Radio Network Controller) . . . . .	131
MSC-Server* . . . . .	20
MGW (Mediagateway) . . . . .	27

**LTE**

Enodeb . . . . .	5,592
HSS FE . . . . .	2
HSS CUDB . . . . .	2

\* Shared with UMTS/LTE

*WIND Fixed-line Network*

WIND's fixed-line network consists of an extensive fiber-optic transport network with over 22,873 kilometers of transmission backbone and 5,203 kilometers of fiber-optic cable MANs linking each of the capitals of Italy's provinces and other major cities in Italy and a radio transmission network with 16,736 radio links in operation.

The national voice switching network consists of an NGN/IMS network comprising four call control nodes, four media gateway controllers and 42 trunking gateways. The national network is supported by NGNs (Next Generation Networks) dedicated to interconnection with international operators consisting of four media gateway controllers and 12 trunking gateways. WIND is able to handle all the traffic on proprietary backbone infrastructure, with little need to rent additional capacity from third parties.

As of June 30, 2017, WIND's fixed-line access network had 1,957 LLU sites for direct subscriber connections and had interconnections with 32 GW IPs which allow it to provide carrier selection access for indirect subscribers throughout Italy, as well as WLR services.

During 2016, the Fiber to the Home ("FTTH") service was extended from Milan to Turin, Bologna and Perugia and, in the first half of 2016, leveraging on the agreement signed with Open Fiber, this service was further extended to an additional seven cities: Venice, Padua, Naples, Bari, Catania, Cagliari and Palermo. WIND's Internet network access is implemented by an all IP network, with over 50 PoPs (Point of Presence), for direct (xDSL) and indirect Internet access services, as well as virtual private networks (xDSL, Fiber Optics). The IP nodes access network consist of 61 BRAS for consumer services and 84 Edge Routers for business application, located in PoP to ensure optimal coverage of the national territory.

“3”

“3” has developed an integrated network infrastructure providing high capacity transmission capabilities and extensive coverage throughout Italy for mobile services. In particular, UMTS/HSPA and LTE are available to 97.5% and 79% of the Italian population, respectively.

As of June 30, 2017, mobile line access networks are supported by 12,494 kilometers of fiber optic cables backbone in Italy and 1,505 kilometers of fiber-optic cable MANs.

The transport of data traffic is carried on a BB IP/MPLS infrastructure consisting of 140 PoPs connected with 10/100Gbps links, interconnected to a larger Internet network through agreements with IP transit providers and three international peering points.

As of June 30, 2017, “3” had 415 roaming agreements with international telecommunications operators in 191 countries. Starting from May 2, 2017, the roaming services provided to “3” customers by TIM, where there was no “3” coverage available, on its 2G network began gradually transitioning across Italy onto WIND’s 2G and 3G networks, with the possibility of accessing 4G connections by September 2017. This allows “3” customers to access mobile services even if “3”’s network is not available and, as of the end of August 2017, has allowed TIM’s roaming to be switched off.

“3” offers mobile services through its two network layers 3G and 4G. The High Speed network HSPA/HSPA+ (High Speed Packet Access) of “3” allows the use of Internet services in mobile broadband on smartphones, tablets and other mobile devices, including to customers living in digital divide areas meaning areas not reached yet by fixed broadband but covered by “3”.

On January 1, 2014 the Ministry of Economic Development released the availability of one block of 5 MHz in the 900 MHz frequency band. “3” has subsequently used 900 MHz in order to strengthen indoor coverage in urban and rural areas as well as to further increase the capacity of its high-speed network.

Through 4G/LTE services, “3” subscribers can experience download speeds of up to 100 Mbps and upload speeds of up to 50 Mbps.

At the end of June, “3” released the LTE 2600 MHz frequencies in accordance with Ministerial directives; starting from this date, 4G services are provided only in the 1800 MHz frequency band.

The following table provides an analysis of “3”’s UMTS/HSDPA and LTE networks as of June 30, 2017.

**UMTS/LTE**

Node B . . . . .	11,482
Enodeb . . . . .	4,780
RNC (Radio Network Controller) . . . . .	113
MSC-Server . . . . .	11
MGW (Mediagateway) . . . . .	22
SGSN/MME . . . . .	9
GGSN/EPG . . . . .	4
HSS . . . . .	2
HLR-FE . . . . .	4
HLR-CUDB . . . . .	3

**Software**

Software is incorporated into virtually every element of Wind Tre’s network. Wind Tre purchases its software and regular upgrades from suppliers such as ZTE, Nokia, Huawei and Ericsson.

### ***Research and Development***

Wind Tre has been providing significant additional investment to drive development of Italy's digital infrastructure, increasing reliability, coverage and speed. During 2016, there was an investment in research initiatives for new technologies and broadband services in both the fixed-line and mobile sectors. Wind Tre is trying to quickly upgrade its network infrastructure in order to deliver superior performance and quality. During the first six months of 2017, Wind Tre launched new e-commerce capabilities for the WIND brand and boosted existing e-commerce on the "3" brand. In addition, WIND upgraded its VEON application, an engagement platform that combines OTT services, such as Internet messaging and calls, with telecommunications services. The VEON application is based on an advanced, data-driven paradigm that leverages the latest technology to deliver a comprehensive solution to customers. Such initiatives are part of a broader digitalization effort, consistent with a shift by customers towards online interaction. Wind Tre's "Financed Projects" team, established in 2008 by WIND, monitors, studies and tests technological and business trends from a medium/long-term perspective, in cooperation with internal business and technology divisions, to promote the innovation opportunities aligned with Wind Tre's strategy. The team has developed relationships with leading national and international universities and research institutions, co-sponsoring new ideas and participating in EU development initiatives.

### ***Network Supply and Maintenance Agreements***

Wind Tre is party to a number of supply and maintenance agreements relating to the networks of WIND and "3". These include agreements for the supply and installation of various parts of its 2G/3G/LTE networks, as well as its fixed-line network, with, among others, ZTE, Ericsson Telecomunicazioni S.p.A., Nokia S.p.A., Huawei Technologies Italia S.r.l. and Sirti S.p.A.

Wind Tre has entered into a tower services agreement with Galata for an initial term of 15 years (expiring in 2030, with a right to renewal for 15 years) for the provision of a broad range of services on its sites. As of June 30, 2017, Wind Tre owned 287 radio centers (comprised of owning all of the towers and equipment rooms, and owning the land for 120 of the 287 radio centers), 586 towers, approximately 5,500 towers on rented locations (excluding roof top sites, on which antennas for radio coverage are installed) (after giving effect to the Galata towers transaction), and approximately 1,000 other minor towers.

### ***Information Technology Systems***

Wind Tre's information technology systems cover the following functional areas:

- customer contact and interaction, including call center support systems (Computer Telephony Integration and Automatic Call Distribution), interactive voice response units, WAP and WEB portals;
- business support, including CRM, billing, collection and receivables management, fraud management, interconnection billing and reconciliation, loyalty, commissioning, trouble ticketing, Service Level Agreement management and revenue assurance systems;
- operations support and mediation, including provisioning (fixed and mobile), network inventory, network planning, network monitoring, network performance, traffic data collection and network mediation systems;
- prepaid and intelligent network, including the prepaid charging systems and related service nodes;
- decision support, including data warehousing, data mining and business reporting systems;
- VAS, including VAS service nodes (Multimedia Messaging Service Center, Short Message Service Center), service delivery platforms, voice mail, smart roaming and several service specific delivery platforms;

- enterprise resource planning, including the systems supporting Wind Tre's internal processes (general ledger, warehouse, treasury, etc.);
- infrastructure services, including systems, databases, storages, backups, desktop, intranet, internal IP networking and company mail; and
- information security, including systems to manage the compliance to Privacy Decree, Regulatory security obligations, technological security.

Wind Tre's information technology systems are undergoing a significant digital transformation process in order to efficiently support the needs of the business post-Merger. This transformation includes providing a unified ICT application stack to serve the multi-brand model and to allow new business enablement for multichannel/multimodal customer interaction and to improve automation by embedding analytics within corporate processes (and benefit from the new Big/Fast Data technology).

The long-term evolutionary path of Wind Tre's information technology systems is determined by a medium to long term plan, revised yearly, with the objective of maintaining full alignment of information technology with Wind Tre's strategy and its priorities of efficiency, effectiveness and speed of execution.

Wind Tre's information technology systems are both installed within its own data center facilities and public cloud facilities and operated by Wind Tre staff, supported by external vendors.

## **Licenses**

### *Mobile Licenses*

#### *GSM1800 and GSM900*

Wind Tre holds a license, originally due to expire on June 30, 2018, to provide mobile telephone services in Italy using digital GSM1800 and GSM900 technology. In accordance with the conditions and procedures set out by the Italian government in the Italian Budget Law 2017 for operators holding GSM spectrum rights who wished to request a license extension (which also provided for the freedom to use such spectrum under a technology neutrality regime), in February 2017, Wind Tre applied for the extension and for the re-farming of its license to 5G.

On September 28, 2017, following the approval of Wind Tre's application, Wind Tre paid the extension and re-farming fee of approximately €434 million to extend its GSM1800 and GSM900 licenses until December 31, 2029.

#### *3G License*

Both WIND and "3" (now comprising Wind Tre) acquired 3G licenses in 2001, which were initially expected to expire in 2021, but were extended to December 31, 2029 (contingent upon the payment of fees still to be determined).

#### *Iliad Transfer*

In connection with the authorization received from the MISE, for the Merger, WIND and "3" have agreed to transfer spectrum rights of use to Iliad, owned by the French operator Iliad S.A., as remedy taker (a total of seven blocks of 2x5 MHz each: one block in 900 MHz, two blocks in 1800 MHz, two blocks in 2100 MHz and two blocks in 2600 MHz bands). The transfer of the 2600 MHz block to Iliad has already taken place in June 2017, and Wind Tre anticipates the remaining transfer will be completed by 2019.

#### *4G/LTE*

WIND and "3" hold licenses for 4G/LTE spectrum rights of use in 800 MHz, 1800 MHz and 2600 MHz bands. Such spectrum rights are due to expire in December 2029.



Set out below is a list of the mobile access spectrum blocks, on a band-by-band basis, that will be held by Wind Tre once the release of spectrum to Iliad has been completed:

- 800 MHz Band—2 blocks of 2x5 MHz
- 900 MHz Band—2 blocks of 2x5 MHz
- 1800 MHz Band—4 blocks of 2x5 MHz
- 2000 MHz TDD Band 5+5 MHz
- 2100 MHz Band—4 blocks of 2x5 MHz
- 2600 MHz Band—4 blocks of 2x5 MHz
- 2600 MHz TDD Band 15+15 MHz

The transfer of the two 2600 MHz blocks to Iliad Italia has already taken place in June 2017.

## 5G

In order to implement European Commission Communication no. 2016/588, the “5G Action Plan,” by 2020, by way of a notice published on March 16, 2017, MISE initiated a procedure for acquiring planning proposals for carrying out pre-commercial testing within radio spectrum 3.6 - 3.8 GHz. Wind Tre has submitted a draft proposal for participation and, after being classified at the top of the ranking in “Area 2” (*Prato e L’Aquila*), has been called by MISE for a “negotiated procedure” in order to refine some details of the project. The procedure has concluded positively with the issue of a temporary authorization for pre-commercial 5G testing in the 3.7 - 3.8 GHz frequency band, on September 22, 2017.

### ***Fixed-line Licenses***

In Italy, fixed-line services are provided pursuant to several 20 year licenses obtained from MISE in 1998. Such licenses are due to expire in 2018 and are renewable according to Code of Communication terms. See “*Risk Factors—Risks Relating to Wind Tre’s Market and Business—Wind Tre’s licenses and permits to provide mobile services have finite terms, and any inability to renew any of these licenses and permits upon termination, or any inability to obtain new licenses and permits for new technologies, could adversely affect Wind Tre’s business.*”

### **Certain Contracts Relating to the Operation of Wind Tre’s Business**

The following is a summary of certain contracts relating to the operation of Wind Tre’s business:

#### ***Open Fiber (former Enel Open Fiber) Agreement***

In March 2016, Italy’s state-backed utility firm, Enel, announced a €2.5 billion FTTH rollout plan under the umbrella of a new entity named Enel Open Fiber (renamed as Open Fiber at a later stage). The plan targets reaching 9.5 million homes, and covering 271 towns and cities, by the end of 2022 via a phased FTTH rollout and the subsequent sale of wholesale capacity to local telecom operators. In July 2016, Enel’s board of directors approved an operation to combine Enel Open Fiber and Metroweb Italia (completed in November 2016), positioning the combined entity as one of the main providers of fiber-based connectivity in Italy.

In April 2016, WIND signed a strategic and commercial partnership agreement with Open Fiber to access its FTTH infrastructure aiming to accelerate the dissemination of the FTTH ultra-broadband technology. In September 2017, Wind Tre extended the agreement to an additional 258 Italian cities (for a total of 271).

### ***Right of Way and Right of Use Agreement with Ferrovie dello Stato (the Italian State Railways) Relating to WIND's Backbone***

In 1998, Infostrada, acquired by WIND in 2001, entered into an agreement with Ferrovie dello Stato (“**Ferrovie**”). Pursuant to this agreement, Infostrada was permitted to implement its fiber optic cable backbone along the Ferrovie railway tracks. The implementation of the fiber optic cable backbone was granted by: (i) a “Right of Way” consisting of a right to access all of the Sedime, defined as the stretch of land immediately adjacent to Ferrovie’s railway tracks, in order to install cable ducts, poles, gallery supports and antenna supports to lay cables and to perform maintenance work; and Ferrovie’s entire infrastructure, as in existence as of the date of the agreement, in order to lay cables on poles and in cable ducts, using Ferrovie’s unused fiber optic cable capacity in cooperation with Ferrovie, and to perform maintenance work; and (ii) a “Right of Use” consisting of full use of Ferrovie’s inert fibers and the ability to install and to replace fiber separators and other equipment necessary to connect Ferrovie’s inert fibers to other parts of the Infostrada network.

The terms of WIND’s agreement with Ferrovie corresponds with the duration of the telecommunications license granted by the Italian Ministry of Telecommunications to Infostrada, and renewals thereof. WIND (and now Wind Tre) and Ferrovie each have the right to terminate the agreement by giving at least five years’ prior notice. However, Wind Tre and Ferrovie have agreed that any such termination may not take effect until January 1, 2028. The right of use will expire on April 7, 2028, if the agreement is still in force as of that date.

### ***Interconnection Agreements***

Wind Tre has entered into a number of interconnection agreements with other Italian operators, in order to connect Wind Tre’s customers (fixed-line and mobile) to these operators’ customers whether they are on a fixed-line, mobile or satellite network, as applicable. The agreements usually provide for an initial term varying from one to five years and contain automatic renewal clauses and generally the obligation for each party to allow the other party to interconnect their relevant network for a given period of time (usually three to six months) following termination. Many of these agreements provide that either party may withdraw from the agreement with prior notice to the other party (usually six months), however this clause has rarely been exercised since it may result in disruption to customer services and the continuity of the service has always been ensured.

Furthermore, the agreements may usually be terminated by either party by providing notice to the other party upon the occurrence of one of a number of specific events both designated by the Italian Civil Code and covered by the contract itself (for example, license revocation, excessive payment delay, breach of confidentiality obligations and default procedures).

### ***Roaming Agreements***

Wind Tre’s mobile customers can use mobile services, including SMS, MMS and data services where available, while roaming in other countries. Roaming coverage outside Italy is provided through WIND’s roaming agreements with approximately 509 international operators in 220 countries as of June 30, 2017, covered by terrestrial roaming, 11 solely by satellite and 84 also by LTE as well as “3”’s roaming agreements with approximately 415 international operators in 191 countries as of June 30, 2017, of which four are satellite only and three also by LTE.

### ***Towers Services Agreement***

In March 2015, WIND sold 90% of its shares of Galata to a wholly owned subsidiary of Abertis Telecom Terrestre. In July 2017, Wind Tre subsequently sold its remaining 10% stake pursuant to a put option to Abertis Telecom Terrestre.

Galata is a company active in the towers business segment, whose going concern consists of 7,377 tower sites, together with the relevant functions, employees and related contracts. WIND entered into a tower services agreement with Galata for an initial term of 15 years (with a right of renewal) for the provision of a broad range of services on Galata's sites and sites subsequently built by Galata hosting Wind Tre equipment. There is a fixed fee payable in relation to each site, as well as certain additional tenant support fees. The tower services agreement defines a set of key performance indicators on which Galata's performance will be monitored and to ensure that the fees paid correspond to the required quality of service and the contract includes certain annual volumes until 2021.

### ***Iliad Structural Remedies***

As part of the structural remedies required by the European Commission in connection with the Merger, CKHH and VEON agreed to a package of remedial commitments with Iliad:

- transfer and release of use of a certain amount of WIND and "3"'s mobile radio spectrum licenses from different frequency bands (900 MHz, 1800 MHz, 2100 MHz and 2600 MHz);
- the offer to transfer to Iliad and co-locate equipment of Iliad on several thousand Wind Tre mobile base station sites; and
- roaming and RAN sharing agreements (for access to 2G, 3G and 4G, and new technologies), allowing Iliad to use the Wind Tre network to offer its customers nationwide mobile services on a transitional basis while Iliad builds out its own mobile network.

See "*—Legal Proceedings—Merger Control Proceeding M7748 HUTCHISON 3G ITALY/WIND/JV.*"

### **Legal Proceedings**

Wind Tre is subject to various legal proceedings arising in the ordinary course of business.

In addition, Wind Tre is subject from time to time to audits and investigations, some of which may in the future result in proceedings being instituted against Wind Tre. See "*Risk Factors—Risks Related to Wind Tre's Market and Business—Wind Tre is continuously involved in disputes and legal proceedings, including disputes and legal proceedings relating to the regulatory and competition authorities, competitors and other parties, which, when concluded, could have a material adverse effect on its business, financial condition and results of operations*" and "*Risk Factors—Risks Related to Wind Tre's Market and Business—Wind Tre is subject to extensive regulation and has recently been, and may in the future be, adversely affected by regulatory measures applicable to it.*"

Below is a description of Wind Tre's significant pending legal proceedings.

### ***Merger Control Proceeding M7748 HUTCHISON 3G ITALY/WIND/JV***

On September 1, 2016, the European Commission approved the creation of the CKHH/VEON joint venture (which led to constitution of Wind Tre), subject to certain conditions. The decision followed an in-depth review of the proposed transaction that would combine VEON's indirect subsidiary WIND with CKHH's indirect subsidiary "3", which were, respectively the third and fourth largest operators in the Italian retail mobile market at the time. The European Commission had concerns that the transaction as notified would have reduced competition in the market and hampered the ability of mobile virtual operators to compete. CKHH and VEON offered structural remedies, which the European Commission accepted as addressing its concerns, consisting of a package of remedial commitments undertaken with the French telecommunications company, Iliad:

- transfer and release of use of a certain amount of WIND and "3"'s mobile radio spectrum licenses from different frequency bands (900 MHz, 1800 MHz, 2100 MHz and 2600 MHz);

- the offer to transfer to Iliad and co-locate equipment of Iliad on several thousand WIND and “3” mobile base station sites; and
- roaming and RAN sharing agreements (for access to 2G, 3G and 4G, and new technologies), allowing Iliad to use WIND and “3”’s network to offer its customers nationwide mobile services on a transitional basis while Iliad builds out its own mobile network.

Compliance of the remedy commitments is subject to oversight by an independent monitoring trustee reporting to the European Commission.

On April 11, 2017, Telecom Italia served an appeal before the President of the Republic against MISE / AGCOM / AGCM seeking the annulment of the MISE decision of November 4, 2016, the AGCOM decision n. 430/16/CONS of September 30, 2016 and the AGCM opinion of September 29, 2016. Telecom Italia alleges that the aforementioned decisions concerning frequency management and its efficient allocation, uncritically accepted the arguments contained in the European Commission’s decision regarding the Merger (against which an appeal before the General Court is pending, brought by Fastweb), and therefore failed to properly and correctly use their regulatory powers. Following the acceptance of an appeal by AGCOM, the case was moved to TAR Lazio, where Wind Tre has filed an intervention in support of the decisions of the Italian institutions and against the Telecom Italia claim.

#### ***A357 Action Damages***

Various fixed-line operators have filed damages claims against WIND based on a 2007 proceeding by AGCM (A/357) concerning the alleged abuse by WIND and Telecom Italia of dominant positions in the wholesale termination market favoring their respective internal commercial divisions that resulted in WIND being fined €2 million. Of the outstanding claims, WIND has successfully overturned a €4 million award in favor of Teleunit/Eutelia, which has been remanded to a court-appointed technical expert for revaluation, while an appeal by Fastweb has been partially rejected as being time-barred, and subject to evaluation by a court-appointed technical expert for the period following that for which WIND was condemned by AGCM for anti-competitive behavior.

#### ***Proceedings Concerning Misleading Advertising and Unfair Commercial Practices***

Under Legislative Decree no. 145 and 146 of August 2, 2007 and Legislative Decree no. 206 of September 6, 2005, the AGCM has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines up to €5 million for each proceeding (amount redefined by Law N°. 135/12 dated August 2012). In 2015, four cases were closed against WIND for unfair commercial practice with the payment of fines totaling €1.59 million. In 2016, an additional three cases were closed with fines totaling €905,000. In 2017, two cases were closed against Wind Tre with fines totaling €2.6 million, and a third proceeding is pending. Wind Tre has filed or will file appeals against these fines before TAR Lazio on substantive and jurisdictional grounds. See “*Regulation—Consumer Protection.*”

#### ***Proceedings Concerning Electromagnetic Radiation***

From time to time, Wind Tre has been subject to claims by both individuals and public health organizations regarding alleged damage resulting from electromagnetic radiation released by mobile technology (as have other telecommunications operators).

Wind Tre has been subject, and is subject, to a number of claims concerning building permits, installation authorizations and removal orders relating to all radio base stations, or BTS and there are currently a number of pending suits against Wind Tre before administrative and civil courts regarding the installation of BTS. Generally, the claims do not claim a specific monetary amount of damages sought, although certain of the claims do seek the removal of the BTS.

Wind Tre is also involved in litigation challenging the regional, municipal and other local regulations enacted to govern the installation of transmission towers and other technical transmission equipment.

Wind Tre has been successful in all claims concerning electromagnetic radiation brought before the courts against it to date. However, should a finding be made that electromagnetic radiation has a deleterious effect on health, the proceedings could be decided adversely to Wind Tre's interest, which would have a negative impact on Wind Tre's business.

As of June 30, 2017, five proceedings for electromagnetic emissions were pending as a consequence of BTS installations.

### ***Consumer Complaints***

Numerous proceedings are pending against Wind Tre before chambers of commerce, administrative small claims courts, civil and, in limited instances, criminal courts regarding various types of consumer complaints (for example, erroneous billing and service related problems). Further, "class action" lawsuits are permitted in Italy under certain circumstances.

### ***Proceedings Concerning the Modification and Termination of Agency Agreements***

Certain proceedings are pending relating to the modification of terms and termination of agency agreements. The respective agents in these proceedings are seeking payment from Wind Tre of certain indemnities provided under Italian law, including a termination indemnity, a collection indemnity, an indemnity in lieu of notice and indemnities pursuant to article 1751 of the Italian Civil Code.

### ***Other Litigation***

Wind Tre is also subject to various legal proceedings arising in the ordinary course of business, none of which, if adversely decided, are likely to have a material adverse effect on its business, financial condition or results of operations.

### ***Proceedings with the Italian Tax Authority***

For a description of the audits undertaken by the Italian Tax Authority, please see "*Risk Factors—Risks Related to Wind Tre's Market and Business—Wind Tre is subject to audits by the Italian Tax Authority.*"

### ***Other Tax Litigation***

Wind Tre is also subject to various other tax proceedings arising in the ordinary course of business.

### ***Environmental Matters***

Wind Tre is subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise and historical and artistic preservation. Wind Tre could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Wind Tre's operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

Wind Tre's objective is to comply in all material respects with applicable environmental and health control laws, and all related permit requirements. Wind Tre believes that the principal environmental risks arising from its current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable

environmental laws in Italy could result in administrative sanction, suspension and even revocation of its license.

Wind Tre uses different network infrastructure strategies in order to achieve radiation emission ranges lower than the levels permitted by applicable Italian regulations. All plans for Wind Tre's base transceiver stations include a report on electromagnetic emissions that is submitted to the relevant public authorities. If the Italian government were to set limits on electromagnetic emissions that are stricter than those currently in effect, Wind Tre could be required to upgrade, move or make other changes to its mobile telephone infrastructure. For further discussion of electromagnetic radiation, see "*—Legal Proceedings—Proceedings Concerning Electromagnetic Radiation.*"

Wind Tre has obtained necessary ISO certificates to operate its network, including certificates addressing design, construction, installation, operation and maintenance of mobile and fixed-line telecommunications networks, occupational health and safety and social accountability.

### **Employees**

As of June 30, 2017, Wind Tre had 8,399 employees, comprising 183 senior managers, 816 middle managers and 7,400 office staff. As of June 30, 2016, Wind Tre had 9,625 employees, comprising 240 senior managers, 904 middle managers and 8,481 office staff.

Wind Tre believes its relations with trade unions are generally good. Following the consummation of the merger of WIND into "3", a new collective agreement was entered into in February 2017, at the Wind Tre level. The new collective agreement aims to harmonize the various contractual and legislative provisions, including, among others, the flexibility of working hours, work-life balance, bonus of productivity, welfare and remuneration. The national collective agreement for the telecommunication sector has expired but it has not yet been renewed.

In June 2017, Wind Tre implemented the labor procedures set forth by article 2112 of the Italian Civil Code as a result of the transfer of the business branch of "Call Center 133." The procedure was executed successfully and an agreement has been signed with the unions that include safeguard clauses for transferred employees. Wind Tre makes contributions to the state pension fund as required by applicable law.

### **Property and Leases**

Wind Tre leases its main offices in Rome, Milan, Naples (Pozzuoli), Palermo and Ivrea from third parties. These facilities consist of nineteen buildings with a total of 171,300 square meters, occupied pursuant to leases expiring between January 2018 (with automatic renewal clauses) and May 2022. Wind Tre does not own any real property, except for certain sites where some of its telecommunications network equipment is located.

Wind Tre leases the sites where its mobile and fixed-line telecommunications network equipment are installed, with the exception of certain locations where Enel.Net (one of its subsidiaries prior to its merger into Wind Tre), owned 287 radio centers (including towers, concrete rooms for equipment, and approximately 120 sites and the land where the radio centers are located), 586 towers (from 15 meters up to 70 meters), approximately 5,500 towers on rented locations (excluding roof top sites, on which antennas for radio coverage are installed) (after giving effect to the Galata towers transaction), and approximately 1,000 other minor towers.

As of June 30, 2017, Wind Tre leased 25,548 mobile sites (including GSM sites, UMTS sites, LTE Sites, common 2G/3G/4G sites, microcells), 219 main technological sites (convergent sites) and 118 MAN sites, which are typically leased for a term of six years, with an automatic renewal provision for the following six years, after which the lease must be renegotiated.

## **Fiber Optic Networks**

Wind Tre's fiber optic network backbone is installed on the electric lines of electricity distribution companies pursuant to contractual agreements or arrangements providing Wind Tre with "diritto di appoggio" (backbone right of support), including approximately 9,634 kilometers on the lines of TERNA Rete Elettrica Nazionale S.p.A. ("TERNA"); approximately 2,587 kilometers on the lines of TERNA Rete Italia S.r.l. (a 100% subsidiary of TERNA) ("TERNA Rete Italia"); 5 kilometers on the lines of ENEL Distribuzione S.p.A.; 105 kilometers on the lines of Acea S.p.A. ("Acea"); approximately 11 kilometers on the lines of AEM Milano S.p.A.; and approximately 10 kilometers on the lines of AEM Torino S.p.A. The contracts with TERNA and TERNA Rete Italia, as amended in February 2013, will expire on December 31, 2035, most of the other contracts and arrangements will expire on December 31, 2019 subject to renewal.

As a result of the amendments to the agreement between WIND (now Wind Tre), TERNA and TERNA Rete Italia, the right of support granted to Wind Tre under which Wind Tre pays a fixed consideration for a defined amount of kilometers of usage, was extended. In this respect, according to international accounting principles the right of support granted by TERNA and TERNA Rete Italia qualifies as an intangible asset and it was accounted for accordingly, recognizing the asset and the related financial liability at the present value of the future contractual instalments equal to €135 million.

Wind Tre has the right to support its fiber optic cables on the electricity infrastructure (including cable ducts when required) owned by the utility companies named above by paying an annual fee per kilometer. Wind Tre may lose the right of support either due to the uninstallation or moving of infrastructure by the utility companies without the possibility to install an equivalent infrastructure, or due to impositions by law or legal orders.

The infrastructure of ENEL and other electrical utility companies upon which a portion of Wind Tre's backbone lies is located on public and private properties throughout Italy, typically pursuant to easements and rights of way. In almost all the cases, telecommunications infrastructure is not expressly contemplated by these easements and rights of way.

A second fiber optic network of a total length of over 7,919 kilometers and comprised of both fiber optic cables installed by Wind Tre along the railway network (5,962 kilometers) and eight fiber cables rented from "Rete Ferroviaria Italiana" (1,957 kilometers). This network is regulated by a 30 year contractual agreement, expiring on April 7, 2028, giving Wind Tre "diritto di passaggio e d'uso" (right of way and use) for the total length of the Italian railway network (more than 16,000 km). The right of way granted under this contract is renewable for an additional 30 years.

Following the Merger, Wind Tre has three fiber optic networks. The "ex 3" optical fiber network is about 12,494 kilometers and is a single pair IRU from TIM, Fastweb and Metroweb (now Open Fiber).

## **Intellectual Property**

Wind Tre has registered some of its most important trademarks such as "WIND," "Infostrada," the "W" symbol designed in the shape of a wave that forms part of the "WIND" logo and certain of Wind Tre's other logos, in either Italy or in the EU. Wind Tre also has the right to use the "3" trademarks in Italy. Wind Tre does not own any registered patents or copyrights that it considers to be material to its business as a whole. Wind Tre grants license agreements regarding its registered trademarks, including license agreements with the various dealers, franchisees and authorized vendors in its distribution channel, with its agents, content providers for the mobile market and with its subsidiaries.

## **Insurance**

Since November 2016, Wind Tre's "property" and "liability" insurance coverage is provided through a master program centrally managed by its shareholders, VEON and CKHH.

The insurance program (that is negotiated in Hong Kong by CKHH) provides for local policy coverage in Italy and it is, indirectly, part of a wider insurance that covers other aspects of CKHH's main business.

Wind Tre maintains insurance coverage in amounts that it believes are consistent with customary industry practices, including:

- a “property” policy that covers property assets against, among other things, fire, floods, natural causes, business interruption and terrorism;
- a “liability” policy that covers Wind Tre (i) in case of material damages caused to a third party as consequence of its activities or mobile sold to customers or (ii) in case of damages caused to third parties as consequence of cyber risks such as hacking and certain other forms of cyber-crime or (iii) in case of damages caused to third parties as consequence of a professional liability; an “inland transit” policy that covers Wind Tre’s handsets during the phases of transport and delivery towards dealers;
- a “crime” policy that covers Wind Tre against dishonest employees, loss of money orders and similar risks; and
- a “credit” policy that covers Wind Tre against credit losses from dealers who fail to pay for SIM cards, scratch cards and handsets (the “credit” policy is the only insurance cover that is negotiated and managed directly by Wind Tre on a local basis).



## REGULATION

AGCOM and the Communications Department of the MISE together regulate all aspects of the telecommunications markets in Italy, comprising the mobile, fixed-line and Internet markets. Their regulatory powers mainly include licensing, authorizations, access interconnection, frequency allocation, numbering, universal service obligations, tariff regulation and the rebalancing and arbitration of disputes between operators.

AGCOM is financed by telecommunications operators through a fee based on operators' financial results. The public numbering schemes are decided by AGCOM while the MISE is responsible for numbering management and assignment.

*Autorità Garante della Concorrenza e del Mercato* (the Italian Competition Authority, "AGCM") enforces competition law rules which, among the others, prohibit anticompetitive agreements among competitors (*i.e.* cartels), and the abuse of dominant positions, as well as review: (i) possible M&A deals which may create or strengthen dominant positions detrimental to competition and (ii) consumer protection issues and misleading advertising proceedings. The AGCM also has several other competencies, including protecting consumers from misleading advertising or comparative advertising which discredits competitors' products or causes confusion, as well as protecting against unfair commercial practices.

Italian telecommunications operators are subject to the EU framework on telecommunications regulation which includes directives, recommendations and opinions. As a member of the European Union, Italy is required to implement directives issued by the European Union, which may take effect automatically. Regulations adopted at the EU level also have general application and are binding and directly applicable to EU member states. Currently, a telecommunications operator must obtain a general authorization from the MISE to start providing electronic communication services. An operator will be considered to have obtained authorization upon the operator giving notice of the start of telecommunications services, unless the MISE objects to such notice within 60 days of submission. The authorizations generally do not last more than 20 years and they are renewable. When the use of radio frequencies is not subject to the granting of individual rights of use, the right to use the frequencies arises out of the general authorization including the relevant conditions of use. Where it is necessary to grant individual rights of use for radio frequencies (including the frequencies needed to provide mobile services), the MISE shall grant such rights, upon request, to any undertaking providing or using networks or services under the general authorization. The granting of such individual rights of use shall take place according to procedures established by AGCOM including, for example, an auction or other form of tender which must be open, transparent and non-discriminatory.

In Italy, pursuant to article 14, paragraph 2-bis, of Law Decree No. 179/2012, as converted into Law No. 221/2012, the MISE has drafted a Regulation (Ministerial Decree no. 165 of August 9, 2013) defining technical procedures to be implemented by Italian operators so as to minimize interference among mobile broadband services in the 800 MHz band and devices for TV domestic services. The aforesaid law also provides for the creation of a fund with contributions of operators, assignees of 800 MHz band frequencies, managed by these operators in compliance with the Regulation. The Ministry sets contributions to this fund quarterly on the basis of costs supported by operators.

### Market Analysis

The Italian telecommunications market is regulated pursuant to a framework adopted by the European Commission in 2002 to harmonize the regulatory environment among Member States to promote convergence between telecommunications and broadcast networks and services, and to further encourage competition in the telecommunications market. This regulatory framework consists of the Framework Directive (2002/21/EC), Access and Interconnection Directive (2002/19/EC), Authorization Directive (2002/20/EC), Universal Service Directive (2002/22/EC), Directive on privacy and electronic communications (2002/58/EC), Directive on competition in the markets for electronic communications

networks and services (2002/77/EC), EC Regulation n. 2887/2000 on unbundled access to the local loop, EC Regulation n. 717/2007 on roaming on public mobile telephone networks amending 2002/21/EC (as amended by EC Regulation n. 544/2009, as amended by the Better Regulation Directive (2009/140/EC)), the Citizens' Rights Directive (2009/136/EC), and the BEREC EC Regulation n. 1211/2009. This regulatory framework is further complemented by the EU radio spectrum policy, governed by the Radio Spectrum Decision of the European Parliament and Council (2002/676/EC) as updated by Commission Decision 2009/978/EU, the Recommendation of the European Commission on relevant markets within the electronic communications sector (2003/311/EC) (the "**Initial Recommendation**") and the European Commission guidelines for market analysis and the assessment of significant market power (2002/C/165) (the "**Guidelines**").

The EU regulatory framework has been implemented in Italy through the adoption of the legislative decree No 259 of August 1, 2003 ("**Codice delle Comunicazioni Elettroniche**," or the "**Electronic Communications Code**"), which became effective on September 16, 2003. The Electronic Communications Code requires AGCOM to carry out, taking into account the Initial Recommendation and the Guidelines, a market analysis to identify operators with "significant market power," *i.e.*, operators which, either individually or jointly with others, enjoy a position equivalent to dominance, meaning a position of economic strength affording them the power to behave to an appreciable extent independently of competitors, customers and, ultimately, consumers. This analysis is performed to identify whether an undertaking has "significant market power" and, if so, to impose certain regulatory obligations on operators that hold "significant market power," or otherwise confirm, amend or withdraw the existing obligations imposed on such operators as per prior market analysis, if AGCOM decides that the market is not competitive. So far, Wind Tre has not experienced a significant increase in regulatory oversight as a result of the merger. The Electronic Communications Code was amended by legislative decree n. 70 of May 28, 2012 in order to implement the Better Regulation Directive (2009/140/EC).

The MISE and AGCOM have the following main objectives in implementing the regulatory framework:

- to promote the development of a competitive environment among network and electronic communication services (including broadband services);
- to introduce further competition into the Italian telecommunications market;
- to promote the liberalization of the broadcast and media industry;
- to ease barriers to entry;
- to foster the growth of new markets; and
- to protect consumers.

The Initial Recommendation identified eighteen "relevant product and service markets" in relation to which a market analysis should have been conducted to identify operators with "significant market power" and to assess whether any one of these markets would warrant *ex ante* regulation. As part of the ongoing review by the European Commission of the regulatory framework, on November 13, 2007 it published a proposal for the review of the new regulatory framework as described above, which was approved in November 2009 by means of the EC Directive n. 140/2009 of the European Parliament and of the Council of November 25, 2009 (amending Directives 2002/21/EC on a common regulatory framework for electronic communications networks and services, 2002/19/EC on access to, and interconnection of, electronic communications networks and associated facilities, and 2002/20/EC on the authorization of electronic communications networks and services) and was adopted at national level by May 25, 2011. Italy transposed the new regulatory framework on 2012 by means of the Legislative Decree No 70 of May 28, 2012, which amended the Electronic Communication Code.

In November 2007, the European Commission also published its revised recommendation on the “relevant product and service markets” within the electronic communications sector (2007/879/EC) (the “**Revised Recommendation**”), which reduced from eighteen to seven the relevant markets susceptible to *ex ante* regulation.

The following table sets forth the “relevant markets” identified by the European Commission in the Initial Recommendation and in the Revised Recommendation (and thus in the new European regulatory framework):

<u>Relevant Product and Services Markets in Initial Recommendation</u>	<u>Relevant Product and Services in the 2007 Markets Review</u>
Access to the public telephone network at a fixed location for residential customers (market 1)	Access to the public telephone network at a fixed location for residential and non-residential customers (market 1)
Access to the public telephone network at a fixed location for non-residential customers (market 2)	Not included
Publicly available local and/or national telephone services provided at a fixed location for residential customers (market 3)	Not included
Publicly available international telephone services provided at a fixed location for residential customers (market 4)	Not included
Publicly available local and/or national telephone services provided at a fixed location for non-residential customers (market 5)	Not included
Publicly available international telephone services provided at a fixed location for non-residential customers (market 6)	Not included
The minimum set of leased lines (market 7)	Not included
Call origination on the public telephone network provided at a fixed location (market 8)	Call origination on the public telephone network provided at a fixed location (market 2)
Call termination on individual public telephone networks provided at a fixed location (market 9)	Call termination on individual public telephone networks provided at a fixed location (market 3)
Transit services in the fixed public telephone network (market 10)	Not included
Wholesale unbundled access (including shared access) to metallic loops and sub-loops for the purpose of providing broadband and voice services (market 11)	Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location (market 4)
Wholesale broadband access (market 12)	Wholesale broadband access (market 5)
Wholesale terminating segments of leased lines (market 13)	Wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity (market 6)
Wholesale trunk segments of leased lines (market 14)	Not included
Access and call origination on public mobile telephone networks (market 15)	Not included
Voice call termination on individual mobile networks (market 16)	Voice call termination on individual mobile networks (market 7)
The wholesale national market for international roaming on public mobile networks (market 17)	Not included
Broadcasting transmission services, to deliver broadcast content to end users (market 18)	Not included

In October 2012, the European Commission started formally the process for a further review of the Revised Recommendation on the “relevant product and service markets,” by holding a public consultation. The relevant questionnaire, without specifying any orientation of the European Commission on the matter, was to be answered by the interested stakeholders by January 8, 2013 and WIND replied with comments before that time. The results of the public consultation were released on January 24, 2014 and the European Commission published a draft revised recommendation (the “**Draft Revised Recommendation**”) on relevant markets and its accompanying draft explanatory note which will serve as a basis for discussion with BEREC, the European body charged with ensuring consistent application of European telecommunications regulations and promoting an efficient market. In early June 2014, BEREC issued its opinion on the Draft Revised Recommendation on relevant markets and its accompanying draft explanatory note. After the review process described above, the European Commission on October 9, 2014, adopted a recommendation (including an explanatory note) on “*relevant product and service markets within the electronic communications sector susceptible to ex ante regulation in accordance with Directive 2002/21/EC of the European Parliament and of the Council on a common regulatory framework for electronic communications networks and services*” (the “**2014 Recommendation**”) which included the third version of the list of relevant markets, which has been taken into account by each European NRA during the next review of the Market Analysis.

The new list sets forth the five “relevant markets” that are subject to *ex ante* regulation (and thus in the new European regulatory framework):

Relevant Product and Services in the 2014 Markets Review

- Wholesale fixed call termination (unchanged) (market 1)
- Wholesale mobile call termination (unchanged) (market 2)
- Wholesale local access at a fixed location—WLA (redefined) (market 3a)
- Wholesale central access for mass-market products—WCA (redefined) (market 3b)
- Wholesale high-quality access at a fixed location (redefined) (market 4)

In September 2013, the European Commission published a recommendation about cost and non-discrimination principles (2013/466/EU). Moreover, in September 2013, the EU Commission proposed new regulation called “Telecom Single Market” concerning international roaming, consumer rights safeguard, broadband market, spectrum policy, network neutrality and authorization regimes, which the European Parliament revised and adopted its first reading in April 2014. On November 25, 2015, Regulation (EU) 2015/2120, laying down measures concerning open Internet access and amending Directive 2002/22/EC on universal service and users’ rights relating to electronic communications networks and services and Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the Union (“**Telecom Single Market Regulation**”), was adopted.

The Telecom Single Market Regulation became effective in April 2016 and set out rules concerning a new charging regime for international roaming in European Union with a view towards eliminating any retail roaming surcharges by June 2017. It also adopted Internet net neutrality rules aimed at safeguarding the freedom of the Internet and prohibiting undue traffic management techniques. This means that, if certain conditions are met and that customers have not chosen a different pricing model, European mobile operators may not apply different charges to customers travelling abroad within the European Union or the European Economic Area to those charges applied at a domestic level.

On March 21, 2017, AGCOM notified Wind Tre by way of Resolution 123/17/CONS of its concerns regarding compliance with article 3, paragraph 3 of the European Regulation 2015/2120 concerning open Internet access. AGCOM’s resolution related to “VEON” and “Music by 3” applications. On April 7, 2017, Wind Tre notified AGCOM of the measures it had taken to ensure full compliance with Resolution 123/17/CONS and the European Regulation 2015/2120. On May 10, 2017, AGCOM sent Wind Tre a further communication concerning implementation of Resolution 123/17/CONS. On July 19, 2017, Wind Tre provided additional information requested by AGCOM. On July 31, 2017, AGCOM answered asking

for additional modifications to what was proposed, and on August 9, 2017, Wind Tre confirmed to AGCOM the implementation of what was requested. On September 5, 2017, Wind Tre advised AGCOM that it would be able to implement its latest proposal by November 20, 2017. On October 10, 2017, AGCOM fined Wind Tre €20,500 for delayed implementation. It follows from AGCOM's decision of October 10, 2017, that AGCOM would consider Wind Tre to be in compliance with Resolution 123/17/CONS and with the European Regulation 2015/2120 as long as Wind Tre implements its latest proposal by November 20, 2017.

#### *AGCOM Analysis*

In 2008, AGCOM completed its first round of analysis of all of the wholesale and retail markets (comprising both fixed-line markets and mobile markets) included in the Initial Recommendation. In light of the Revised Recommendation, AGCOM completed its second round of market analysis with respect to the market of voice call termination on individual mobile networks and issued Decision 667/08/CONS, finding that all mobile operators, including WIND, held "significant market power" and would be subject to access, transparency, price control, cost accounting and non-discrimination obligations. The analyses with respect to other fixed-line markets were concluded during 2010.

During the first round of market analysis, AGCOM designated Telecom Italia as an operator with "significant market power" in all wholesale and retail fixed-line and mobile markets and thus imposed a number of regulatory constraints upon it. The only exceptions were the wholesale mobile call origination market and the wholesale international roaming market, which AGCOM confirmed were competitive and thus did not warrant *ex ante* regulation.

The only two relevant markets where operators other than Telecom Italia were found to hold "significant market power" were the wholesale termination of voice calls on individual mobile networks and wholesale termination of voice calls on individual fixed-line network, where WIND, together with other network operators, was found to hold "significant market power." As an *ex ante* regulatory measure, AGCOM adopted a "glide-path" (a gradual decline in mobile termination rates and fixed-line termination rates) for each of these markets. See "*—Mobile Regulatory Environment—Mobile Termination*" for mobile termination rates and "*—Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination*" for fixed-line termination rates applicable to WIND as a result.

AGCOM completed its analysis of the markets for wholesale access to the fixed network with Decision 731/09/CONS, confirming Telecom Italia's obligations under the regulatory framework as an operator holding "significant market power." In the same resolution, AGCOM also confirmed Telecom Italia as a "significant market power" operator in the retail market for voice access services from a landline.

AGCOM concluded the analysis of the market for terminating segments of leased lines with Decision 2/10/CONS, and determined that the market for terminating segments of the network was divided between those used for base station binding and those used for the provision of fixed network services to customers. Only the provision of fixed network services to customers was deemed worthy of *ex ante* regulation, and several obligations under the regulatory framework were imposed upon Telecom Italia. Effective as of December 31, 2010, AGCOM removed all obligations on Telecom Italia with respect to terminating segments of the network used for base station binding.

AGCOM finalized its second round of market analysis on fixed termination (wholesale and retail services for voice traffic from fixed network markets) with resolution 179/10/CONS in May 2010, confirming Telecom Italia and other network operators ("ANOs"), including WIND, as entities with "significant market power."

With Decision 180/10/CONS regarding the wholesale transit service, AGCOM only maintained Telecom Italia's obligations on transit districts and liberalized the transit service at the national level.

In terms of retail markets, with its Decision 284/10/CONS, AGCOM identified those markets that are no longer subject to *ex ante* regulation, indicating the progressive removal of all retail obligations imposed on Telecom Italia, effective as of late 2010.

In 2011, AGCOM performed its third round of market analysis on mobile termination in order to define the new “glide path” (a gradual decline in mobile termination rates) for all four designated “significant market power” operators (namely CKHH 3G, Telecom Italia, Vodafone and WIND). Decision 621/11/CONS followed the guidelines of the EC Recommendation on the regulatory treatment of fixed and mobile termination rates in the EU (2009/396/CE), and the cap values of the glide path are derived from the application of the BU-LRIC (*bottom-up long-run incremental cost*) cost model consolidated by AGCOM in 2011 with Decision 60/11/CONS. Multiple mobile and fixed-line operators, including WIND, appealed and requested that Decision 621/11/CONS be annulled (presenting different arguments for their respective appeals). WIND (and Vodafone, and Telecom Italia, separately) based their appeals on Decision 621/11/CONS on the asymmetric mobile termination rates (“MTR”) values allowed by AGCOM to H3G S.p.A. also after the end of 2012, covering the first half of 2013. TAR Lazio (the Administrative Court of the Lazio region), agreed with WIND (and Vodafone and Telecom Italia), ordered AGCOM to provide a better explanation of the grounds of its Decision and partially revoked AGCOM Decision 621/11/CONS with regard to the price asymmetry approved for the operator H3G S.p.A. until June 30, 2013 (TAR Lazio rulings n. 8381 of October 10, 2012, 10263 and 10265 of December 7, 2012). AGCOM subsequently issued the Decision 11/13/CONS in order to implement the above TAR Lazio decisions, by confirming the contents of Decision 621/11/CONS. Appeals by WIND, Telecom Italia, Poste Mobile and Vodafone before TAR Lazio for the annulment of Decision 11/13/CONS have been filed on the basis of the same above reasons (the hearing, initially set on March 26, 2014, has been postponed to June 11, 2014 and then to October 22, 2014). Appeals before *Consiglio di Stato* (the Italian supreme administrative court) by WIND, Vodafone and Fastweb against Decision 621/11/CONS have been filed as well.

On February 14, 2014, the *Consiglio di Stato* published ruling n. 725, which accepted H3G S.p.A. appeal requesting that the start date of symmetry be January 1, 2014 and not July 1, 2013. The *Consiglio di Stato* also issued the rulings on the appeals by WIND, Telecom Italia, Vodafone and Fastweb as described below.

Following the above *Consiglio di Stato* rulings, AGCOM issued the decision 259/14/CONS. WIND, Vodafone, Telecom and H3G S.p.A. filed different appeals before *Consiglio di Stato*, arguing that AGCOM had not fully complied with *Consiglio di Stato* ruling n. 725. WIND, Vodafone and Telecom also filed appeals before TAR Lazio against Decision 259/14/CONS, challenging the legitimacy of this decision and the new H3G S.p.A. MTRs for 2013. On January 23, 2015, the *Consiglio di Stato* rejected these appeals.

The hearing before the TAR Lazio for the discussion about the appeal of “3” and those of Telecom and WIND, occurred on May 18, 2016. Vodafone withdrew the action. On May 18, 2016, and July 13, 2016, the TAR Lazio dismissed the appeals of “3” and those of Telecom and WIND.

Moreover, following *Consiglio di Stato* ruling n. 21 of 2013 on an appeal by H3G S.p.A., and the subsequent clarification made by the *Consiglio di Stato* in its decision n. 3636 of 2013, AGCOM confirmed the values of mobile termination rates for H3G S.p.A. starting from January 2009 (13€/cent/min), but extended 16€/cent/min for November and December 2008. WIND, Vodafone, Telecom and H3G S.p.A. filed different appeals before the *Consiglio di Stato* and argued that AGCOM’s extension of 16€/cent/min for the months of November and December 2008 did not comply with the *Consiglio di Stato*’s ruling above. WIND, Vodafone and Telecom also appealed decision 365/14/CONS before TAR Lazio and have filed challenges to the legitimacy of the H3G S.p.A. MTR for 2008-2009.

With its ruling of July 21, 2015, the *Consiglio di Stato* dismissed “3”’s appeal for implementation and declared the appeals filed by WIND, Vodafone and Telecom inadmissible. Following the hearing before the TAR Lazio on May 18, 2016, for discussion of “3”’s appeal and the appeals of Telecom and WIND, on

September 29, 2016, the TAR dismissed the appeals of “3” and WIND. Vodafone has withdrawn its action.

See “*Mobile Regulatory Environment—Mobile Termination.*”

The fourth round of market analysis on mobile termination has been started in February 2014 with AGCOM decision 50/14/CONS. AGCOM published the public consultation on the mobile termination rate on February 9, 2015 with the decision 16/15/CONS. On September 30, 2015, by way of Resolution 497/15/CONS, AGCOM published its final decision on the analysis of mobile termination market for the period 2014-2017, initiated by way of Resolution 16/15/CONS, setting the mobile termination amount applicable to traffic originated by customers of EU/EEA operators until 2017. In February 2017, with decision n. 45/17/CONS, AGCOM started the new cycle of Mobile Termination rates market analysis. Currently the proceeding is in its first phase of information collection and a public consultation on the matter is expected during October or November 2017.

In 2012, AGCOM performed its first round of market analysis on SMS termination wholesale services. AGCOM submitted to consultation a draft decision of “no *ex-ante* regulation” for SMS termination wholesale market (AGCOM Decision 420/12/CONS). The final decision, confirming the “no *ex-ante* regulation” of this market, was adopted by AGCOM in March 2013 (AGCOM Decision 185/13/CONS) after the European Commission approval. AGCOM and AGCM will monitor the commercial effectiveness of SMS termination in the market. BIP mobile appealed before TAR Lazio AGCOM decision 185/13/CONS. The hearing was held on March 26, 2014, and in May 2014, TAR Lazio rejected the appeal.

In September 2012, AGCOM started its third round of market analysis for Fixed-line Access markets M1—Access to the public telephone network at a fixed location for residential and non-residential customers, M4—Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location, and M5—Wholesale broadband access (390/12/CONS), which was extended on August 1, 2013 (453/13/CONS). The market analysis for Fixed-line Access markets defines the new rules for the unbundling Local Loop Unbundling (or “LLU”), Wholesale Line Rental (or “WLR”) and bitstream services, starting from 2014 (for 2013 the economic condition of LLU was determined under the 2013 Rate Setting Process (as defined below)). In February 2013, AGCOM, under Decision 91/13/CONS, included in the market analysis two other older proceedings regarding the definition of a BU-LRIC (*bottom-up long-run incremental cost*) model for fiber (to be applied to Telecom Italia) and the impact of the introduction of vectoring technology which can increase broadband speeds.

In April 2013, AGCOM published the public consultation on its draft proposal (Decision 238/13/CONS). The proposal covers the new rates for wholesale copper and fiber access services for the period 2014 to 2016, therefore prolonging the validity of the market analysis launched in September 2012 by one year. The LLU prices for 2013 were approved by AGCOM in December 2013. The decision 747/13/CONS was published on January 13, 2014. With the decision 65/14/CONS published in February 2014, the conclusion of the market analysis for the three year period 2014-2016 was postponed by 90 days also, in order to permit to the operators the submission of further documents related to relevant new facts that occurred after the second half of 2013. The proceeding was postponed again with AGCOM decision 366/14/CONS, 527/14/CONS and 15/15/CONS. A new public consultation started in February 2015 with AGCOM decision 42/15/CONS and was closed on November 5, 2015, with Resolution 623/15/CONS.

During June 2016 AGCOM started (as part of proceeding 623/15/CONS) a proceeding to evaluate the Telecom Italia intention to switch off its copper network. The proceeding has the goal to define the procedure to follow in case of a switch off declared by TIM. The proceeding and the technical analysis is ongoing. During May 2017 TIM communicated to AGCOM and alternative operators its switch off plan for its copper network (more than 6500 TIM local exchange involved), and the plan is under analysis by AGCOM and alternative operators.

With the Resolution 652/16/CONS AGCOM published in January 2017 the guideline to implement the new equivalence model imposed to Telecom Italia by the AGCOM Resolution 623/15/CONS. Currently a technical analysis is ongoing among TIM and OAO, led by AGCOM, in order to test the new Telecom Italia delivery Chain (NCD) before its introduction and to assess a date for implementation. The decision foresees a complete implementation of NCD within the end of 2018.

With the Resolution 43/17/CONS AGCOM started in February 2017 the new cycle of fixed access market analysis (valid for the years 2018-2020). Currently the proceeding is in its first phase of information collection and a public consultation on the matter is expected during October or November 2017.

In September 2013, AGCOM, with Resolution 538/13/CONS, closed the proceeding 43/12/CONS regarding symmetric regulation to all the operators on specific network bottleneck segments in the fiber to the home networks. The result of this decision is that any operator that deploys fiber to the home network infrastructure, regardless of whether it is regarded as being an operator with “significant market power” in that segment, must provide access to its network facilities.

During November 2013, AGCOM, with Resolution 603/13/CONS, started the third cycle of the market analysis for market 6 (wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity). AGCOM performed the first phase of information collection (from operators) during December 2013. During November 2014, AGCOM started the public consultation 559/14/CONS on wholesale terminating segments of leased lines.

With the Resolution 412/15/CONS in July 2015 AGCOM concluded its third cycle of market analysis of wholesale terminating segments of leased lines defining the prices until 2017.

Currently with the Resolution 44/17/CONS AGCOM started in February 2017 the new cycle of terminating circuits market analysis. Currently the proceeding is in its first phase of information collection and a public consultation on the matter is expected during October or November 2017.

In January 2014, AGCOM and AGCM started a public survey on the static and dynamic competition on the access market services and on the investment perspective in the broadband and ultra-broadband telecommunication networks (Resolution 1/14/CONS). In November 2014, AGCOM published the final result of the public survey.

On March 20, 2014, AGCOM requested operators to provide further details about retail and wholesale access lines relating to 2012 and 2013. During March 2015, following up consultation 238/13/CONS and items that had emerged in the meantime, by way of Resolution 42/15/CONS AGCOM initiated another consultation regarding the market analysis of fixed access services for the period 2014-2017, which was closed on November 5, 2015, with Resolution 623/15/CONS.

In July 2015, in a press release, AGCOM announced that it had approved, for the subsequent comments of the European Commission, the draft resolution regarding an analysis of the markets for wholesale access to the Telecom Italia fixed network, valid for the period 2014-2017. By way of this decision, AGCOM intends to establish rules and prices for access to the Telecom Italia copper and fiber network by competitor operators which are uniform throughout Italy.

After receiving the European Commission’s opinion, on December 22, 2015, AGCOM published its final Resolution 623/15/CONS regarding Telecom Italia’s wholesale fixed access services for the period 2014-2017. With respect to access services for 2010-2012, by way of Resolution 563/13/CONS on November 11, 2013, AGCOM initiated an enforcement proceeding on the judgments of the *Consiglio di Stato* relating to Resolutions 731/09/CONS and 578/10/CONS on wholesale service prices for access to Telecom Italia’s fixed network. On June 20, 2014, by way of Resolution 258/14/CONS, AGCOM started up a public consultation containing orientations with respect to compliance with the judgments of the *Consiglio di Stato*. On December 15, 2014, AGCOM stated that at the meeting held on that date: “*The*



decision taken by the Council establishes that: i) the unbundling charge for 2012 shall be reduced to €9.05/month due to the recalculation of the corrective maintenance costs; ii) the contributions for the unbundling service are to be found in a basket different from that of the charges and subject to a different price cap. The reduction in the unbundling service charge is also reflected in the amounts relating to 2010 and 2011, which fall to €8.65/month and €8.90/month respectively. It will on the other hand be necessary to wait for the implementation of another sentence of the Council of State that deals with the naked Bitstream service charge for 2009, to see the situation regarding the Bitstream and WLR service charges. A review of this charge has been put on the agenda of one of the Council's next meetings." Subsequently, as stated above, following discussions with the European Commission and the additional judgment of the *Consiglio di Stato* on Bitstream Naked 2009, by way of a press release issued on February 25, 2015 AGCOM announced that "The Authority's Board ... has approved ... the proposal ... which implements the judgments of the *Consiglio di Stato* nos. 1837/13, 1645/13 and 1856/13 relating to the prices of wholesale services for access to the fixed network for 2010-2012." In particular, AGCOM noted that it had revised the tariffs for the LLU fees and LLU contributions.

In March 2015, by way of Resolution 68/15/CONS, AGCOM initiated a public consultation on the enforcement of judgment no. 5733/2014 of the *Consiglio di Stato* regarding Resolution 71/09/CIR on the approval of the Telecom Italia reference offer for 2009 relating to Bitstream services. Following this consultation AGCOM notified the European Commission of its draft final decision on the WLR and Bitstream services for 2010-2012 and the Bitstream Naked charge for 2009. The decision was reviewed by the European Commission. The final decisions on these matters were published by AGCOM on November 11, 2015, by way of Resolution 578/15/CONS (Bitstream Naked 2009) and Resolution 579/15/CONS (WLR and Bitstream 2010-2012). On January 13, 2016, Fastweb notified WIND that it had filed an appeal with the *Consiglio di Stato* for the annulment of Resolution 579/15/CONS. By way of judgment no. 4512 of September 29, 2016 the *Consiglio di Stato* dismissed Fastweb's appeal.

Fastweb has also challenged AGCOM Resolution 578/15/CONS through appeal to the *Consiglio di Stato*. The appeal has not been notified to WIND which nevertheless filed a document with the court on February 10, 2016. The court discussed the case on April 14, 2016. By way of judgment no. 2263 of May 30, 2016 the *Consiglio di Stato* declared the inadmissibility of Fastweb's appeal. Fastweb notified WIND of its application to continue its appeal before the competent court. WIND filed an appearance on July 14, 2016.

On April 9, 2015, AGCOM published Resolution 86/15/CONS on the final approval of the LLU fee tariffs and the LLU contributions for the period 2010-2012 following the above judgments of the *Consiglio di Stato* nos. 1837/13, 1645/13 and 1856/13. The operators Fastweb and Telecom Italia recently appealed against Resolution 86/15/CONS. More specifically, Fastweb notified WIND on June 5, 2015, that it had filed an appeal with the *Consiglio di Stato* maintaining that by way of Resolution 86/15/CONS, AGCOM had in substance failed to fulfil the requirements of the previous judgments. As part of the same proceeding, Telecom Italia notified WIND on August 5, 2015, of a cross appeal objecting to the Authority's failure to fulfil the requirements of the above mentioned judgements. WIND filed an appearance on June 24, 2015, and the date of the hearing, originally set for October 8, 2015, was postponed to October 22, 2015. By way of judgment no. 5708 of December 17, 2015, the *Consiglio di Stato* dismissed the appeals submitted by Fastweb and Telecom Italia (as a cross-appeal), confirming the validity of Resolution 86/15/CONS.

Fastweb filed an appeal to the Supreme Court against judgment no. 5708/15 of the *Consiglio di Stato*. In that action Fastweb appealed against the judgment of the *Consiglio di Stato* for excessive judicial power. In essence Fastweb believes that the *Consiglio di Stato* made an error in defining the limits of its judicial review. The case is pending.

Fastweb has notified an appeal with the TAR requesting the annulment of Resolution 86/15/CONS for the same defects specified in the appeal filed with the Council of State. WIND received notification of the appeal on June 8, 2015, and filed an appearance on June 26, 2015. The hearing has not been scheduled yet.

Telecom Italia has also notified an appeal with the TAR requesting the annulment of Resolution 86/15/CONS. WIND received notification of the appeal on June 8, 2015, and filed an appearance on June 26, 2015. The hearing has not been scheduled yet.

### ***Certain Other European Commission Proposals***

In September 2013, the European Commission published a recommendation (2013/466/EU) on costing and non-discrimination principles, after more than a year of negotiations with various European institutional partners. Although no public consultation on the text took place, WIND, through the European Competitive Telecommunications Association, contributed its comments to the development of this recommendation. The recommendation shall be implemented at national level during the next review of market analysis and foresees a transition period until December 31, 2016 for the implementation of the recommended costing methodology. Resolution 623/15/CONS implemented the costing methodology suggested by the recommendation.

Moreover, in September 2013, the European Commission published its proposed (draft) regulation for the creation of a single European electronic communications market and a connected continent. WIND is playing an active part in all the international discussions and forums regarding this. In December 2013, WIND responded to the public consultation initiated by the ITRE Committee of the European Parliament in this respect. After the European Parliament's adoption of a first reading of the regulation in April 2014, the European Council started discussions on a limited proposal concerning international roaming and net neutrality. In the meantime BEREC issued several comments and opinions on the Commission and Parliament proposal, and lastly on roaming in December 2014. Under the Latvian Presidency of the EU Council, a clear target of releasing the regulation by the first half of 2015 has been declared.

To achieve the Digital Agenda broadband goals for 2020, in June 2014 the European Council approved a directive on broadband cost reduction aimed at reducing the cost of deploying high speed electronic communications networks and based on the revised guidelines the European Commission will use to assess the compatibility of state aid for both traditional broadband and next generation access (NGA). In Italy, Directive 2014/61/EU of the European Parliament and of the Council of May 15, 2014, on measures to reduce the cost of deploying high-speed electronic communications networks was implemented by Legislative Decree no. 33 dated February 2, 2016.

With the establishment of the new European Commission presided by Mr. Junker in November 2014, the "Digital Single Market" package has been declared to be one of the key priorities of the new Commission. On May 10, 2017 the European Commission published the mid-term review of the Digital Single Market Strategy. It shows the progress made in implementing the strategy since 2015 and where further actions are needed. Since May 2015, the European Commission has delivered 35 legislative proposals and policy initiatives as announced in its Digital Single Market strategy, and it is now focusing on obtaining political agreement with the European Parliament and the Council on such proposals. In its mid-term review communication of May 2017, the Commission identified three main areas where further EU action is needed: (1) to develop the European Data Economy to its full potential, (2) to protect Europe's assets by tackling cybersecurity challenges, and (3) to promote the online platforms as responsible players of a fair Internet ecosystem.

### **Adoption by Telecommunications Operators of Service Charters and Regulations on Consumer Protection**

In a meeting of its Commission for Services and Products on July 24, 2003, AGCOM adopted Decision 179/03/CSP in relation to the approval of general rules on quality and telecommunications services charters.

This decision identified quality indicators and certain criteria according to which telecommunications operators were required to set quality standards and set the minimum requirements for the adoption by telecommunications operators of telecommunications services charters. It furthermore established general criteria for the quality of telecommunications services.

The decision included a directive in relation to quality and telecommunications services charters. The directive addressed the following concerns:

- equal treatment of users and avoidance of any discrimination;
- comprehensive and intelligible information for users on the legal and technical terms and on the pricing of services to be provided;
- supply of services;
- the establishment of systems that will allow customers to limit or control the level of users' consumption arising out of the use of the service covered by the contract;
- information concerning payment for services;
- claims and reporting;
- customer support;
- quality of services; and
- refunds and indemnities.

The decision further provided for certain sanctions for non-compliance, which include, among others, the duty of certain operators to refund customers in certain circumstances.

In addition, AGCOM adopted specific decisions on quality and services charters in relation to each of the main areas of electronic communications services (*i.e.*, fixed-line voice calls, mobile and personal communications, Pay TV and Internet access) setting forth the level of quality for services typically provided in each of these areas. For instance, in relation to the provision of fixed Internet access retail services, AGCOM adopted Decision 131/06/CSP. More recently, AGCOM adopted Decision 79/09/CSP, which established principles and rules related to the provision of minimum quality of service standards for call centers which provide information to customers and after-sales customer services. With Resolution 588/12/CONS, AGCOM started a public consultation for amending Decision 79/09/CSP and, in June 2013, started a technical working group in order to reform the regulation of call centers' quality related to the introduction of digital customer support. In addition, following a public consultation Resolution 656/14/CONS on "Amendments and additions to Resolution 244/08/CSP on quality and fixed workstation Internet access service charters" was published in December 2014. Moreover, as the result of work carried out by mobile operators, AGCOM and the Ugo Bordoni Foundation as part of the technical discussions, the new Resolution 580/15/CONS amending Resolution 154/12/CONS has been published on provisions on quality and mobile and personal communications services charters.

AGCOM has adopted other decisions regarding quality of fixed and mobile services. In particular, Decision 376/11/CONS provided for a process to establish a unique geographical database to be implemented in cooperation with operators active in Internet, and available on their websites in order to ensure transparency for customers on broadband coverage and commercial offer information. With a recent Directorial Decision and following Decision 602/13/CONS, AGCOM has defined guidelines to implement such data base. In addition, with Decision 154/12/CONS, AGCOM determined the quality standards and telecommunications services charter regarding mobile and personal communications. For fixed services, software to measure the actual speed of broadband connections was introduced, and users can download it free of charge to verify the quality of the line, based on a set of parameters (including minimum and maximum speed) that operators are obligated to provide for each offer.

AGCOM has proposed numerous other measures to protect customers. Among these, AGCOM's Decision 400/10/CONS introduced methods to verify Internet access speed, and AGCOM's Decision 326/10/CONS introduced specific measures to avoid unexpectedly high billing in the mobile data retail market. AGCOM's Resolution 173/07/CONS as amended by Decision 597/11/CONS, regarding user refunds related to user-operator disputes, established criteria for refunding users in disputes against operators, specific refunding cases and specific automatic refunding cases. AGCOM has also introduced Decision 602/13/CONS providing for the implementation of a database with information about broadband coverage and commercial offers available for customers. In particular, AGCOM would like to create a National Broadband Information System, granting a minimum standard of transparency towards end users for the geographical coverage of broadband and high speed broadband Internet access services regardless of the platform used (copper, fiber optic technology, radiomobile, WiMax, Wi-Fi/Hyperlan). For this purpose an interactive tool which may be deployed by users will be created and, through organic access to the information relating to fixed and mobile coverage across the country, will be able to contribute to the increase in the level of awareness of broadband service offers available in Italy. Unlike fixed and mobile networks, clear information on the coverage of the broadband network is not available for other types of network (such as Wi-Fi, WiMax etc.). In order to make all the information on network coverage available to users in a single portal, AGCOM held the need to integrate and carry out interoperability activities on the different databases of the various operators to create a geographical mapping of the availability of broadband and high speed broadband service offers. To this end the resolution requires operators to provide the information necessary for feeding the information base of the National Broadband Information System and allows interoperability of such through its own information services relating to broadband coverage throughout the country.

By way of Resolution 202/13/CONS, AGCOM started up a public consultation procedure on the changes to be made to the regulations relating to electronic communication services through distance contracts. The results of this consultation have not been published yet.

By way of Resolution 276/13/CONS, AGCOM approved guidelines for the allocation of powers to the regional communications committees (Corecoms) on the question of the settlement of disputes between users and operators. In order to ensure overall consistency in applying the settlement regulation throughout the country, AGCOM indicated the subjective and objective spheres of its application.

With Resolution 712/13/CONS AGCOM started a project regarding the creation of a new research engine managed by AGCOM for the comparison of commercial offer prices.

By way of Resolution 410/14/CONS as amended by Resolution 581/15/CONS, AGCOM approved the new Regulation on administrative penalties and commitments governing pre-enquiry and enquiry activities designed to ascertain breaches and deal with the application of administrative penalties under the Authority's jurisdiction, as well as the establishment of commitments. In addition, by way of this resolution the Authority initiated a public consultation on the document on guidelines for the application of the criteria established by Law no. 689 of November 24, 1981 on administrative penalties for the correct quantification of the monetary penalties applied by AGCOM. WIND submitted its contribution by participating at the hearing and also through AssTel. By way of Resolution 265/15/CONS a final ruling was issued having the aim of facilitating a practical quantification of the penalty to be imposed on the outcome of the disciplinary proceedings.

By way of Resolution 23/15/CONS, the Authority initiated a public consultation on the amendment of Resolution 418/07/CONS on "provisions regarding the transparency of telephone bills, selective call barring and user protection" for the purpose of adopting further contractual transparency measures for the use of the new digital services. The Authority believed it necessary to introduce updates and amendments on issues relating to the transparency of telephone bills, mobile selective barring and the activation of services with a surcharge. WIND provided its reply to the consultation in March 2015. A position common to the main operators was also submitted via AssTel.

By way of Resolution 227/15/CONS, AGCOM initiated a public consultation for modifications to the system of the compensation payable in the case of malfunctioning in the electronic communication sector. AGCOM is proposing a series of amendments and additions to the Regulation concerning the compensation applicable in settling disputes between users and operators, approved by way of Resolution 73/11/CONS of February 16, 2011. Increased compensation is prescribed for malfunctioning involving ultra-broadband network customers. In addition, it is also proposed to make the automatic compensation mechanism more operative. Finally, mechanisms designed to facilitate the identification of operator responsibilities have been released for consultation.

By way of Resolution 181/15/CONS, AGCOM initiated a public consultation for the revision of legislative provisions on the transparency and comparison of the economic conditions of the electronic communication services offer currently governed by Resolutions 96/07/CONS and 126/07/CONS. AGCOM issued Resolution 252/16/CONS “Protection measures for users to promote transparency and comparison of the economic conditions of the provision of electronic communications services.” AGCOM intends to intervene with its own calculation engine for comparing charges by proposing a new flow and a new format for providing the information to be used in the provision of the tariff comparison service.

In terms of contracts for the provision of electronic communications services, AGCOM issued Resolution 519/15/CONS on the “Regulation on protecting users in respect of contracts for the provision of electronic communications services” and Resolution 520/15/CONS in which certain market guidelines were approved regarding the stipulation of contracts for the provision of electronic communications services by telephone. AGCOM’s aim to strengthen the protections afforded to users of electronic communications by Legislative Decree no. 259/2003 and, in general, by the amended Consumers’ Code by intervening on the information required to be given by operators, particularly in the case of contracts agreed remotely or off business premises, on the way in which tariff changes are notified. Following operator requests the Authority has extended the date on which the duration of the contract term (article 5) become effective to July 1, 2016.

Legislative Decree no. 130 of August 6, 2015, on the implementation of Directive no. 2013/11/EU on alternative dispute resolution for customer disputes, which amends Regulation no. 2006/2004/EC and Directive 2009/22/EC, also applies. Directive 2013/11/EU has the scope of harmonizing the ADR procedures existing in the individual member states. Among these procedures is that on Fair Settlement between companies and consumers’ associations. In order to transpose the directive into Italian legislation the implementing decree provides for additions and changes to the Consumers’ Code.

As far as Resolution 661/15/CONS is concerned, AGCOM has ordered that ADR bodies already notified in the MISE list should be entered in the Authority’s register. The joint body WIND Telecomunicazioni was registered by way of Provision no. 2863 of January 12, 2016.

In relation to billing rate and renewal period, AGCOM has also issued Resolution 121/17/CONS amending Resolution 252/16 / CONS on “Measures to protect users to promote the transparency and comparison of the economic conditions of the provision of electronic communication services” related to billing rates and renewal periods. Resolution 121/17/CONS provides that for fixed services, billing rate and renewal period must occur at least on a monthly basis. For mobile phones the period must not be less than four weeks. In case of offers converging with the fixed telephony, the required period of time for such services prevails. Wind Tre and other operators challenged the resolution before the TAR Lazio. The hearing has been scheduled for February 7, 2018.

## Consumer Protection

Regarding the proceedings of the AGCM on consumer protection matters, in 2016, WIND was involved in 3 proceedings for unfair commercial practices:

- (PS10247) WIND-RIMODULAZIONE PIANI TARIFFARI 28 GIORNI. This proceeding was closed on July 27, 2016, with a sanction of €455,000.
- (PS10422) WIND-ALL INCLUSIVE MAXI. This proceeding was closed on September 6, 2016, with no find of infringement.
- (PS10026) WIND-INFOSTRADA PROCEDURE DI TELESELLING. This proceeding was closed on December 21, 2016, with a sanction of €450,000.

In 2017, Wind Tre was sanctioned by the AGCM for 2 unfair commercial practices:

- PS10685—WIND-CONTRATTI A DISTANZA/ESECUZIONE DURANTE PERIODO DI RECESSO. This proceeding was closed on July 5, 2017, with a sanction of €2.1 million.
- PS10571—WIND INFOSTRADA-COSTI RECESSO. This proceeding was closed on August 2, 2017, with a sanction of €500,000.

A proceeding (PS 10702) involving the “3” brand has been initiated relating to the phrase “without limits” used commercially and involving the WIND brand for alleged lack of adequate information concerning the cost of early withdrawal from fixed network offers. Recently, this proceeding has been extended to fixed WIND home offering, investigating owing to some additional retail issues.

Two consultations were initiated in 2016 on the activities carried out by AGCOM in the field of consumer protection. The first, on the subject of provisions concerning special economic conditions reserved for certain categories of customer (Resolution 378/16/CONS), was recently concluded by way of Resolution 46/17/CONS. The second on the partial modification of Resolution 252/16/CONS was concluded by way of final decision 121/17/CONS. In addition, a public consultation has been set up on measures following seismic events (Resolution 84/17/CONS).

A proceeding initiated in 2016 against the WIND brand on the provision of international roaming services in Europe (Resolution 31/17/CONS) has ended with a fine of €240,000. Likewise, a proceeding on the submission of claims by telephone (21/16/DTC) and a proceeding initiated in 2016 on migration procedures were terminated. As far as the “3” brand is concerned, the proceeding on the provision of roaming services in Europe (32/17/CONS) has been concluded with a fine of €240,000. Likewise, the activities for compliance with Decision 579/16/CONS (on the involuntary use of the answering service) were terminated.

On January 17, 2017, AGCOM initiated a proceeding against the “3” brand (1/17/DTC) regarding LTE remodulation activities carried out in 2016. The proceeding was closed on June 27, 2017, (Resolution 247/17/CONS) with a sanction of €580,000 for Wind Tre. A proceeding has been recently initiated in relation to four repricing information campaigns (3/17/CTC). The proceeding is currently in progress. On September 23, 2017, AGCOM started a new proceeding (6/DTC) in order to assess compliance with Resolution 121/17/CONS. Such proceeding is related to the above mentioned provision on fixed 30 day billing and renewal period and it is expected to close by February 23, 2018.

On January 13, 2015, the four main players (Vodafone, TIM, WIND and H3G) were fined by AGCM for mobile premium services that, according to AGCM, were accessed by customers without proper awareness. WIND (case PS9645) was fined € 800,000 and H3G (case PS9467) was fined € 1.75 million. In October 2015, the four main players were fined again for non-compliance with the previous decisions. WIND (case IP234) was fined € 350,000 and H3G (case IP236) was fined € 400,000.

Wind Tre does not expect these fines to have significant consequences. The above mentioned decision dated October 2015 regarding case IP236 confirm that the measures implemented by H3G (*i.e.*, double consent to access the premium services) ensure adequate protection of consumers' choice. Such measures are in line with the provisions of Law No. 124 of August 4, 2017 ("Annual Law for Competition"), effective from August 29, 2017, on the obligation to obtain and store the customer's prior unambiguous consent before the purchase of Premium Services.

WIND and H3G have appealed before the TAR Lazio the respective fining decisions in cases PS9465 and PS9467. On September 9, 2015, the TAR Lazio rejected H3G's appeal. On July 19, 2017, the TAR Lazio suspended the proceeding started by WIND. The suspension was declared because the European Court of Justice of the European Union has been requested to render a preliminary ruling (cases C-55/17 and C-54/17) on similar issues raised in a separate case before the *Consiglio di Stato* (order no. 167 and 168 of January 17, 2017, in the appeal proceeding against the judgment of TAR Lazio, no. 1754 of January 9, 2013).

### **Data Protection**

In Italy personal data protection is governed by Legislative Decree No 196 of June 30, 2003 (the "**Personal Data Protection Code**" or "**PDPC**"), the aim of which is to ensure that personal data are processed by respecting rights, fundamental freedoms and dignity of the individuals concerned, particularly with regard to confidentiality, personal identity and the right to protection of personal data.

The Italian Data Protection Authority (*Garante per la protezione dei dati personali*, the "**DPA**") is an independent authority set up to protect fundamental rights and freedoms in connection with the processing of personal data, and to ensure respect for individuals' dignity. The DPA was established in 1997, when the former Data Protection Act came into force. Tasks are set forth in the PDPC, which superseded the Data Protection Act 675/1996. The main activities of the DPA include: supervising compliance with the provisions protecting private life; handling claims, reports and complaints lodged by citizens; banning or blocking processing operations that are liable to cause serious harm to individuals; carrying out on-the-spot inspections to also access databases directly; reporting to judicial authorities on serious infringements; and raising public awareness of privacy legislation.

In compliance with the PDPC, WIND has updated its Privacy Responsibility and Governance Model, appointing new data processors pursuant to Section 29 of the PDPC and persons in charge of processing data pursuant to Section 30 of the PDPC.

The Decree Law No. 5 of February 9, 2012 repealed letter g) of paragraph 1 of Section 34 of the PDPC and Section 19, Annex B of the PDPC, addressing the obligation to approve the Security Policy Document (*Documento Programmatico sulla Sicurezza dei Dati—DPS*) every year. The Decree Law kept the regulations of the PDPC concerning the data protection security measures unchanged. Nevertheless, WIND decided to update its DPS, in order to control both the business processes that imply data processing activities and the security measures adopted to protect personal data in compliance with the PDPC and the applicable Data Protection Authority's provisions (*e.g.*, Traffic and Telephone Data Security, Lawful Interception, System Administrators, RAEE, etc.).

The Legislative Decree No 69, of May 28, 2012, that has ratified the European Directive No 136 of November 25, 2009, introduced into the PDPC the "Personal Data Breach" definition and several new obligations of data controllers, such as compulsory notifications, in case of a breach to data protection, to the Italian Data Protection Authority (*Garante per la Protezione dei Dati Personali*), to the subscribers whose data has been affected by the breach. On April 4, 2013, the Italian Data Protection Authority issued new provisions for telecommunication operators relating to the implementation of the law on disclosure of personal data breaches.

Moreover, according to the Italian Data Protection Authority's decision of July 26, 2012 (which provides the guidelines for the notification procedures of data breaches), WIND defined a model to assess the risk and the level of exposure to breaches of its information systems which process personal data, in order to identify the appropriate technological and organizational measures to be implemented and ensure an adequate level of security based on the detected risk. WIND, as data controller and in compliance with its duty to monitor its data processors, performs, on a regular basis, a series of checks and surveillance activities on its data processors (both internal and of third parties) in order to ensure that the data processing performed and the security measures implemented are compliant with the obligations provided by the PDPC.

In November 2012, the Data Protection Authority launched a public consultation on a draft of general provisions on the subject of processing of personal data to request contributions and suggestions on the mechanisms to implement the new provisions on cookies introduced by Directive 2009/136/EC (Italy's Official Journal of Legislation no. 295 of 19 December 2012) as transposed into Italian law. The document details the initial guidance developed by the Data Protection Authority, especially in order to ensure effective information of data subjects on the operation of cookies and the applicable requirements. ASSTEL (the not-for-profit Italian official Employers Association of the telecommunication operators) sent a document of contribution to the Data Protection Authority.

In September 2013, the Data Protection Authority started up a workshop with ASSTEL and other associations, in order to identify simplified procedures for information referred to in Section 13 of Personal Data Protection Code and the acquisition of the online consent for the use of cookies and it is currently ongoing. The Italian Data Protection Authority issued a new specific decision (Decision 229/2014) that has identified such procedures. For this purpose WIND and the other Telecommunications Operators opened a working table, to comply with the provisions of the above mentioned decision.

In January 2014, the Data Protection Authority also launched a public consultation on a draft of general decision on personal data processing in the services of mobile remote payment. ASSTEL provided its contribution and the Data Protection Authority published a specific decision for the mobile remote payment and the VAS Services (Value Added Services).

Decision 53/2014 included a review of the provisions on profiling. For this purpose WIND opened an internal working table.

In April 2014, the Data Protection Authority launched a public consultation on drafting provisions for the establishment of a bad-payers database in the field of electronic communications services and a General Provision in this respect has been issued and it is under implementation by all Italian operators.

At the end of May 2014, the Data Protection Authority launched a public consultation on a draft of guidelines in relation to biometric recognition and signature. ASSTEL is working on a document for contribution. The Data Protection Authority issued a new specific decision.

In June 2014, the Data Protection Authority published a decision on Internet "cookies."

On April 15, 2016, the European Parliament approved the Data Protection Reform Package, consisting in particular of a General Regulation which from May 25, 2018, will replace Privacy Directive 95/46/EC and as a consequence all related national legislation such as for example the Italian Data Protection Code (Legislative Decree no. 196 of June, 2003).

On March 20, 2017, a violation in the Selfcare tre.it computer system was identified by one of the Group's foreign suppliers (notified to the Data Protection Authority on March 21) with the resulting illegal viewing and acquisition of credentials included in a file containing the personal data of 5,118 customers (of whom 683 no longer active). On March 23, 2017, Wind Tre contacted the 402 customers whose personal area had been accessed. On March 26, 2017, a provision was notified under which the Data Protection



Authority required Wind Tre to advise all those concerned who had not received the March 23 communication, in writing and within 15 days of receipt of the provision. Wind Tre duly complied. On July 28, 2017, the DPA sent a new request with the aim of advising other interested parties whose numbers were included in the breached file. Wind Tre duly complied during August 2017 to such a request by advising all interested parties. The proceeding is still going on.

In August 2016, the DPA carried out an inspection concerning the WIND brand, owing to a contact campaign, whereby a number of customers were contacted in order to request their consent to process their personal data for commercial purposes. The investigation of the DPA was closed in the fourth quarter of 2016. WIND complied with the decision of the DPA. Following the above mentioned inspection, the DPA imposed a partial fine of €20,000. In principle, the DPA could impose additional fines, but their amount has not yet been defined. The fining decision of the DPA has been appealed before the competent court (*Tribunale Civile*).

Two further inspections with regard to the brand “3” occurred (one in November 2016 and another in January 2017) whose results are not yet known. As in the above mentioned case, the inspections related to teleselling activities carried out by Sales Agents or internally as SMS campaign.

Both Wind and TRE brands of Wind Tre are now acting in full compliance with the indications of the DPA.

During 2017 Wind Tre notified the DPA of a data breach event. The DPA has not yet adopted any measure concerning such event.

### **Copyright**

In December 2013, AGCOM published a regulation regarding online electronic copyright protection which establishes the procedure for the protection of copyright on the Internet and the roles of relevant parties. The regulation entered into force on March 31, 2014. This regulation applies to Wind Tre as access operator and as an operator which provides hosting services and hosts on its platforms content uploaded by third parties.

### **Universal Service Obligations**

As the incumbent telecommunication services provider, Telecom Italia is required to provide a basic level of services with a specified quality to all consumers in Italy at affordable rates regardless of the geographical location of such consumers. In connection with such “universal service obligations” or “USO,” AGCOM requires other fixed-line and mobile operators, including WIND and “3”, to compensate Telecom Italia for net costs incurred by it as universal service provider. In this regard, AGCOM required WIND to pay approximately €2.3 million for fixed-line voice and mobile services for 2001, €3.9 million for 2002, €5.9 million for 2003, €2.51 million for 2004 and €3.318 million for 2005, while AGCOM required “3” to pay approximately €557,000 for 2005. Then AGCOM decided a null net cost for years 2006 and 2007 (with the decision 46/13/CIR and 100/14/CIR). Telecom Italia appealed the AGCOM decisions on USO 2006 and USO 2007 before TAR Lazio.

Following four appeals filed by Vodafone, AGCOM reopened the proceedings for evaluation of USO contributions during the period of 1999 through 2003 to comply with the final rulings of the Supreme Administrative Court (“**Consiglio di Stato**”). Following these proceedings, AGCOM confirmed its previous decisions regarding USO contributions for 1999 through 2003 (Decisions 106/11/CIR, 107/11/CIR, 108/11/CIR, and 109/11/CIR). All of these AGCOM decisions were appealed by Vodafone before TAR Lazio, which ruled in its favor in May 2014. Telecom Italia and AGCOM filed two appeals against the TAR Lazio ruling before the *Consiglio di Stato*. In its judgment of July 7, 2015, the *Consiglio di Stato* dismissed the appeals of Telecom Italia and AGCOM and on September 25, 2015, Telecom filed an

appeal with the Supreme Court against the ruling of the *Consiglio di Stato*. In October 2015, Vodafone and WIND filed its counter-appeals with the Supreme Court.

In addition, in February 2017, Vodafone filed four appeals before TAR Lazio requesting reimbursement for contributions paid between the years 1999 - 2003.

In 2008, Telecom Italia filed an appeal before TAR Lazio asking for the annulment of AGCOM's decision which introduced a new methodology for calculating the USO net cost to be applied as of 2004. On the basis of this new AGCOM methodology, USO net cost and related contributions were null for years 2006 (AGCOM decision 46/13/CIR) and 2007 (AGCOM decision 100/14/CIR). TAR Lazio accepted Telecom Italia's appeal and annulled the AGCOM's decision. WIND and AGCOM filed an appeal before the *Consiglio di Stato* requesting the annulment of the TAR Lazio's decision. On October 2, 2015, *Consiglio di Stato* ruled that the AGCOM's decision remained valid as of 2008 (when it was introduced) and could not be applied retroactively for previous years by deferring to AGCOM's related compliance.

WIND has set aside provisions in relation to incurred but unpaid amounts for universal services based on the best information available at the date of calculation, pending determination by AGCOM of the actual amount payable for such services.

By way of Resolution 113/16/CONS of March 24, 2016 AGCOM carried out a preliminary investigation to review the sphere of application of universal service obligations regarding Internet access and the related quality objectives. While waiting for the final decision, on March 6, 2017, AGCOM initiated an investigation into the adoption rate of fixed-line broadband in Italy. On June 27, 2017, the proceeding initiated with Resolution 113/16/CONS was closed with Resolution 253/17/CONS, in which AGCOM highlighted that an ultra-broadband speed limit of 2 Mbps should be considered within the notion of universal service obligations.

### **National Numbering Plan**

Following a public consultation on regulations for testing alphanumeric aliases for identifying the calling line in SMS/MMS, on July 17, 2013, AGCOM published Decision 42/13/CIR with which it initiated a testing period for the use of aliases on certain numbering codes in Italy. The testing will allow the use of aliases from abroad, which was not originally provided for in the public consultation. Following the publication of the resolution, AGCOM arranged a series of meetings on establishing an alias database which it will manage and to discuss the terms of a code of conduct. AGCOM has additionally asked operators for their opinions on the issue of the traceability of SMS/MMS having an alias sender. On December 24, 2013 AGCOM sent out the guidelines for the use of the alias database. At the end of the testing period, based on the results of the testing period, AGCOM will adopt the final decision regarding the alphanumeric aliases.

AGCOM, with resolution n. 55/14/CIR, introduced the notion of base tariffs in the national numbering plan as required by the Consumer Rights Directive 2011/83/UE and by the Italian legislative decree n.21 of February 21, 2014. In June 2014, AGCOM started a public consultation for the review of the National Numbering Plan. In December 2014, AGCOM published decision 131/14/CIR, which extended the testing period for Alias to December 2015. With Decision 8/15/CIR published on February 20, 2015, AGCOM adopted the new National Numbering Plan.

Following the publication of the resolution:

- Resolution 56/15/CIR was published on June 26, 2015. This supplements article 22 of Resolution 8/15/CIR concerning the use of 499 codes which are associated with fundraising for campaigns promoting participation in political life.

- In December 2015, by way of Resolution 166/15/CIR, AGCOM extended to March 31, 2017 the deadline for the testing, already in progress, of alphanumeric indicators (aliases) for identifying the caller in SMSs/MMSs used for business messaging services.
- In May 2016, by way of Resolution 43/16/CIR, AGCOM launched a preliminary investigation process for changes and additions to the “National Numbering Plan” (NNP) as per Resolution 8/15/CIR, with respect to “machine to machine” services. Such preliminary investigation was closed on December 14, 2016 with AGCOM decision 639/16/CONS.
- In May 2016, following the technical committee meeting of April 28, 2016, operators concluded the process of agreeing the text of the Self-Regulation Code for the management of the numbering used for telephone fundraising in favor of political parties. The code has been agreed by the operators and submitted to AGCOM.
- On May 19, 2016, by way of Resolution 112/16/CIR, AGCOM launched a public consultation on amendments and additions to the telecommunications sector numbering plan and enforcement provisions with regard to mobile ticketing services, as per Resolution 8/15/CIR as amended. The request was made in particular for respondents to provide their opinion on the need to modify the NNP to increase the limit included in Annex 1 of Resolution 8/15/CIR from €5 to €12.5 or higher, restricted to the services in question. The proceeding was closed on November 10, 2016 with Resolution 527/16/CONS, which provided an increasing of the limit to €12.5 and transparency obligations for providers.

In July 2016, by way of Resolution 158/16/CIR, AGCOM initiated a public consultation on changes and additions to the “numbering plan in the telecommunications sector and implementation provisions” as per Resolution 8/15/CIR as amended, regarding the use of alpha-numeric identification codes.

In September 2017, with the decision 132/17/CIR, AGCOM adopted its decision on alpha-numeric identification codes without any change to the national numbering plan. It is not possible to exclude that AGCOM may adopt such changes to the national numbering plan in the future.

In December 2016, AGCOM initiated public consultation no. 561/16/CONS on modifications and additions to the National Numbering Plan for the use of the 455 codes utilized by non-profit organizations for fund raising. In May 2017 AGCOM published Resolution 17/17/CIR which updates the discipline for managing 455 numbers, requiring operators to adopt a new self-regulation code within 90 days of the publication of the provision. After this AGCOM decision, the operators agreed on a new version of the regulation code for the management of the numbering used for fundraising and during August 2017 submitted the text to AGCOM.

In April 2017, by way of Resolution 18/17/CIR, AGCOM extended the term for the alias testing in progress to March 31, 2018.

During July 2017 AGCOM started a technical analysis in order to understand the possible evolution of the rules on the E.118 Numbering about the rules of IIN codes assignment. The analysis is ongoing and public consultation is expected on the matter.

### **International Roaming**

With respect to the wholesale international roaming market, on June 30, 2007, EC Regulation n. 717/2007 of the European Parliament and of the Council on roaming on public mobile telephone networks within the Community and amending Directive 2002/21/EC (the “**EU Roaming Regulation**”) came into effect. The EU Roaming Regulation provides a steady reduction in retail and wholesale roaming charges for calls made/received from destinations within the EU and the EEA. On July 1, 2009, the EC Regulation n. 544/2009 of June 18, 2009 (the “**Roaming II Regulation**”) came into effect and, by amending the EU Roaming Regulation, accepted the European Commission proposal to

extend its scope and duration. Roaming II Regulation reduced the caps applicable to roaming voice charges, while extending the glide path for roaming voice charges until June 30, 2012 and introduced a cap on the roaming charges that operators can charge for SMSs and mobile data services. With respect to EU mobile roaming services, a communication from the European Commission to the European Parliament published in May 2010 included the objective to bring the difference between roaming and national retail tariffs near to zero by 2015. This communication led to a new regulation proposal and to the adoption, on July 1, 2012, of the EU Regulation n. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the Union (the “**Roaming III Regulation**”) which repealed and replaced the EU Roaming Regulation. The Roaming III Regulation introduces, amongst others, a glide path reduction in wholesale and retail voice services, SMS, data cap mechanisms, and obligation to publish a wholesale reference offer to provide wholesale roaming services on predefined basis. Roaming III Regulation also introduces, starting from July 2014, an obligation for domestic mobile network operators to implement structural measures through specific mechanisms for the separate sale of regulated retail roaming services in order to enable their customers to access regulated voice, SMS and data roaming services, provided as a bundle by any alternative roaming provider and a further mechanism allowing final users roaming in Europe to use only data services from a local provider, commonly referred as local break out (LBO).

In March 2013, the Body of European Regulators for Electronic Communications (“**BEREC**”) published its guidelines on the Roaming III Regulation (excluding articles 3, 4 and 5 on wholesale access and separate sale of services) which present an update of the former ERG Guidelines on the Roaming II Regulation, as the Roaming III Regulation incorporates some changes, mainly on retail and wholesale caps as well as on the application of the transparency measures outside the EU EEA area, and on inadvertent roaming.

In 2013, the European Commission began coordinating working groups held by stakeholders to define processes, interfaces and protocols to be adopted through a public consultation for the implementation of structural solutions. In July 2013, at the end of the public consultation, BEREC published the guidelines for the implementation of decoupling of roaming and domestic service offerings. During September 2013, the European Commission proposed a draft single market regulation to the European Council and Parliament, providing for draft changes to the current legislative framework. In April 2014, the European Parliament approved an amended proposal of single market regulation, aimed at introducing “*Roaming like at Home*” (RLAH) conditions for roaming services within the EU.

In January 2015, taking into account the BEREC opinion on RLAH issued in December 2014, the EU Council, under the Latvian Presidency, submitted a proposal aimed to reach RLAH. On December 17, 2014, BEREC published its paper “*Analysis of the impacts of ‘Roam Like at Home’ (RLAH)*” in which it emphasized the difficulty of introducing ‘RLAH’ in a fair manner in light of the significant changes in several market parameters in the various European countries and stressed that current regulations already require the rules to be reviewed in the middle of 2016.

On March 4, 2015, the Council of Europe issued a proposal for the gradual introduction of “Roam Like at Home” for discussion with the European Parliament and the Commission, which provides for a transitional period in which a surcharge is permitted, albeit limited, for roaming services regulated by RIII in the EU. After various meetings between the European Commission, the European Council and the European Parliament, on June 30, 2015, by way of a press release the European Commission announced that an overall agreement had been reached for the introduction of Roaming Like at Home from June 15, 2017, limited to “fair use” traffic volumes. Beyond those volumes a surcharge may be applied. A transitional regime began on April 30, 2016, in which the maximum price which may be charged for regulated roaming services is equal to the domestic charge plus a surcharge of the current wholesale cap prescribed by the Roaming III regulations.

To make the application of Roaming Like at Home possible the European Commission proposed changes to wholesale caps by the end of June 2016, which became effective from June 15, 2017. In addition further requirements to provide information to end customers on the new pricing structure are planned. On September 23, 2015, the European Council published a version of the proposed amendment to the Roaming III Regulation (no. 531/12), approved by the European Parliament without amendment on October 27, 2015. On November 26, 2015, Regulation no. 2015/2120 was published in the European Official Journal, which amends Roaming Regulation no. 531/12, thereby making the changes mentioned above official.

In addition, on December 17, 2015, the European Commission published Implementation Regulation no. 2015/2352 of December 16, 2015, which sets out the weighted average of maximum mobile termination rates across the European Union that are to be used as a maximum per minute surcharge for calls received in roaming in the EEA. The European Commission also launched a public consultation on the “Review of national wholesale roaming markets, fair use policy and the sustainability mechanism referred to in the Roaming Regulation 531/2012 as amended by Regulation 2015/2120” in which WIND took part by sending a contribution on February 17, 2016, by the means provided by the Commission (on line). On February 29, 2016, the BEREC also issued the Guidelines on Regulation (EU) No. 531/2012 as amended by Regulation (EU) No. 2120/2015 (Excluding Articles 3, 4 and 5 on wholesale access and separate sale of services).

On April 18, 2016, WIND implemented the new regulations concerning the transitional Roaming Like at Home (RLAH+), as required by Regulation 2015/2120. Supervisory activities conducted by AGCOM’s Department of Consumer Protection-DIT led to the issue by the latter of “guidance on the correct application of the Regulation ” for all Italian operators and a cautionary notice to WIND and TIM. As required, by June 30 the company reported to AGCOM the solutions it intends to take to comply with the notice and the guidance.

On June 15, 2016, the European Commission published the draft legislation required by Regulation 2015/2120 containing the new wholesale cap values to ensure that RLAH is economically sustainable. The European Commission has additionally published a draft implementation act that would establish the criteria for defining a fair use policy and assessing whether RLAH is sustainable for an operator, an assessment that is preliminary to the granting of permission by the national authorities for an operator to apply a surcharge.

In December 2016, the European Commission also published the implementing regulation (Regulation (EU) 2016/2286) designed to define criteria for the fair use policy and for the evaluation of the sustainability of RLAH and a further regulation (Regulation (EU) 2016/2292) on the maximum tariffs applicable until June 15, 2017, for voice calls received by European customers when roaming in one of the European Union countries.

Regulation 2017/920 (published in the European Official Journal on June 9, 2017), which amends rules for wholesale roaming markets, completed the regulatory framework required for the new EEA roaming regulation based on “Roaming Like At Home.” Regulation 2017/920 became effective from June 15, 2017. In accordance with that principle Wind Tre adapted the offers of the two brands in advance of the deadline, on April 24, 2017, for the WIND brand and on May 8, 2017, for the “3” brand. AGCOM has not initiated any actions on the relevant Wind Tre offers as it did on the offers of the other mobile infrastructure operators.

### **Interconnection Rates**

Telecom Italia, the incumbent and former monopoly telephone services provider, owns and operates the largest fixed-line voice telephone network in Italy. As a result, the ability of other operators, including WIND, to provide fixed-line voice and other telecommunications services is dependent on the ability of such other operators, including WIND, to interconnect with Telecom Italia’s network.

Accordingly, the wholesale interconnection rates that Telecom Italia charges other operators, including WIND (which include the fixed-line termination rates charged by Telecom Italia for calls terminating on its networks) were regulated by AGCOM through a wholesale (network) cap regime under AGCOM Decisions 33/06/CONS, 34/06/CONS, 45/06/CONS, 417/06/CONS and 4/06/CONS.

Following the second round of market analysis, the relevant AGCOM Decisions are 731/09/CONS (wholesale fixed access), 2/10/CONS (circuits), 179/10/CONS (call collection and fixed termination), 180/10/CONS (wholesale transit) and 229/11/CONS (fixed termination).

AGCOM Decision 284/10/CONS eliminated previous constraints for Telecom Italia in the retail market listed in Decision 642/06/CONS, with the exception of replicability tests. AGCOM Decision 499/10/CONS (and related explanatory note of AGCOM dated July 8, 2011) renewed retail replicability tests for Telecom Italia as an operator with “significant market power” in the fixed-line retail market (including for bundled services).

Following Decision 229/11/CONS, AGCOM issued a public consultation (349/12/CONS) regarding a BU-LRIC (*bottom-up long-run incremental cost*) model to define the IP fixed termination tariffs applicable to fixed operators. AGCOM under Decision 668/13/CONS has defined IP fixed termination rates for the July 1, 2013 to 2015 period.

On September 16, 2016, AGCOM (Resolution 425/16/CONS) extended to 2016 the prices established by Decision 668/13/CONS and identified the following collection and termination fees for the years 2016 - 2019.

<u>Collection and Termination fees (€/cent/min)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Collection .....	0.140	0.130	0.111	0.097
Termination .....	0.043	0.043	0.043	0.041

The decision applies only to fixed termination rates for calls originated from customers of EEA operators. The fixed termination rates applicable to calls originated by customers of non-EEA operators are under commercial negotiation.

See “—*Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination.*”

## **Mobile Regulatory Environment**

### ***Mobile Termination***

As a result of its third round of market analysis on wholesale termination of voice calls on individual mobile networks (starting with AGCOM Decision 670/10/CONS), AGCOM published Decision 621/11/CONS in December 2011. This decision confirmed that WIND, together with all other mobile operators in Italy (Telecom Italia, Vodafone and H3G S.p.A.), holds “significant market power” in this market. Accordingly, AGCOM imposed certain transparency, access, non-discrimination, price control

and cost accounting obligations on each operator. The resulting glide path applies from 2012 to 2013, and since July 1, 2013, all termination rates have been the same for each operator.

	<u>From July 1, 2011</u>	<u>From July 1, 2012</u>	<u>From Jan 1, 2013</u>	<u>From July 1, 2013</u>
<i>Eurocents/minute</i>				
H3G S.p.A. ....	6.3	3.5	1.7 <sup>(1)</sup>	0.98 <sup>(2)</sup>
Telecom Italia .....	5.3	2.5	1.5	0.98
Vodafone .....	5.3	2.5	1.5	0.98
WIND .....	5.3	2.5	1.5	0.98

(1) After the Resolution 259/14/CONS following the *Consiglio di Stato* ruling on the “3” appeal. WIND, Vodafone, Telecom and “3” filed different appeals before the Consiglio di Stato for AGCOM not full/correct compliance with the above *Consiglio di Stato* ruling. Appeals before TAR Lazio by WIND, Vodafone, “3” and Telecom challenging the legitimacy of the same Resolution 259/14/CONS have also been filed. On January 23 2015, *Consiglio di Stato* rejected WIND and other MNOs administrative appeals for AGCOM not full/correct compliance. On May 18, 2016, and July 13, 2016, the TAR Lazio rejected the appeals of H3G S.p.A. and those of Telecom and WIND. Vodafone withdrew the action.

(2) 1.34 until 31 December 2013 after the Resolution 259/14/CONS following the *Consiglio di Stato* ruling on the “3” appeal. From January 1, 2014, “3” has the same termination rate of the other operators. See above footnote.

The glide path values derive from the new BU-LRIC cost model implemented by AGCOM in accordance with EU regulation in 2011 and with the Resolution 60/11/CONS.

The financial impact of the regulated mobile termination rates on Wind Tre will depend on the combination of a number of factors, which include the volume of calls made by customers of other operators that terminate on Wind Tre’s network (for which Wind Tre charges termination rates, which comprise its interconnection revenues), and the volume of calls by Wind Tre customers that terminate on the network of other mobile operators (for which Wind Tre is charged termination rates, which comprise Wind Tre’s interconnection expenses).

Moreover, following an appeal about the H3G S.p.A. MTR values in the period 2013 and 2008 - 2009, AGCOM complied with the *Consiglio di Stato* decision through the Resolutions 259/14/CONS and 365/14/CONS that amended the H3G S.p.A. termination values. WIND, Vodafone, Telecom Italia and H3G S.p.A. also filed different appeals before the *Consiglio di Stato* for AGCOM’s non-compliance with the above *Consiglio di Stato* ruling. Appeals before TAR Lazio, challenging the legitimacy of the same decision (259/14/CONS), have also been filed by WIND, Vodafone, “3” and Telecom. On January 23, 2015, the *Consiglio di Stato* rejected WIND and other MNOs administrative appeals for AGCOM’s non-compliance. On May 18, 2016, and July 13, 2016, the TAR Lazio rejected the appeals of H3G S.p.A. and those of Telecom and WIND. WIND, Vodafone, Telecom and H3G S.p.A. filed different appeals before the *Consiglio di Stato* against AGCOM Resolution 365/14/CONS for AGCOM’s non-compliance of the above ruling of the *Consiglio di Stato*. Appeals before the TAR Lazio, challenging the extension of the 16€/cent/min MTR in the months of November and December 2008 set forth in Resolution 365/14/CONS, have been filed by WIND, Vodafone and Telecom Italia. The hearing before the *Consiglio di Stato* was held on April 23, 2015. On July 21, 2015, the *Consiglio di Stato* dismissed “3”’s appeal for implementation and declared the appeals filed by WIND, Vodafone and Telecom inadmissible. On September 29, 2016, following the hearing before the TAR Lazio on May 18, 2016, regarding “3”’s appeal and the appeals of Telecom and WIND, the TAR dismissed the appeals of “3” and WIND. Vodafone has withdrawn its action.

The fourth round of market analysis on mobile termination rates commenced in February 2014 (Resolution 50/14/CONS). On February 9, 2015, AGCOM published the public consultation on the MTR values for the years 2014 - 2017. On June 25, 2015, AGCOM postponed the end of the proceeding with Decision 401/15/CONS. On September 30, 2015, by way of Resolution 497/15/CONS, AGCOM published its final decision on the analysis of mobile termination market for the period 2014 - 2017, initiated by way

of Resolution 16/15/CONS, setting the mobile termination amount applicable to traffic originated by customers of EU/EEA operators until 2017.

In February 2017, with Resolution 45/17/CONS, AGCOM started the new cycle of Mobile Termination rates market analysis. Currently the proceeding is in its first phase of information collection and a public consultation on the matter is expected during October or November 2017.

### ***Mobile Access and Call Origination***

In August 2000, with Resolution 544/00/CONS, AGCOM decided as part of the UMTS license provisions not to impose a regulatory obligation upon mobile operators to provide access by Mobile Virtual Network Operators, or “MVNOs,” to their respective GSM, GPRS and UMTS networks for a period of eight years from the initial commercial launch of UMTS services.

In February 2005, the Italian Competition Authority initiated a formal investigation against Telecom Italia, Vodafone and WIND alleging abuse of dominant position by, among other things, refusing to provide access to MVNOs in 2005. In August 2007, the Italian Competition Authority fined Telecom Italia and WIND for abuse of dominant position. Notwithstanding this investigation, AGCOM, by its subsequent decisions, confirmed the introduction of MVNOs only through a commercial agreement with an operator, rather than as a legal requirement, as AGCOM did not find any mobile operator to hold “significant market power” in this market either individually or collectively.

The Revised Recommendation did not include the market on wholesale access and call origination on mobile networks among the relevant markets that required *ex ante* regulation. Accordingly, on March 16, 2009, AGCOM, through Resolution 65/09/CONS, decided that the market for the provision of wholesale access and origination service from public mobile networks was competitive and did not fulfil the criteria for the imposition of *ex ante* regulation.

In 2012, AGCOM started a monitoring activity on MVNO/MNO relationship. In January 2015, AGCOM announced specific monitoring proceedings on the technical and economic condition of the relationship between MNO and hosted MVNO.

In September 2015, AGCOM extended the validity of the mobile termination rate of €0.98 per minute established in 2011 through the conclusion of its market analysis at the end of 2017. This rate is the maximum price cap for all SMP notified operators when they provide mobile termination services to their customers, MVNOs included.

### ***Assignment of Spectrum***

In 2008, AGCOM adopted Resolution 541/08/CONS concerning the allocation of the spectrum of 900 MHz and 2100 MHz bands and established the main criteria for the allocation plan for the 1800 MHz spectrum. As per this Decision, WIND, Telecom Italia and Vodafone presented to the Ministry a technical plan for the re- allocation of the spectrum of the 900 MHz band assigned to each of these three GSM operators to increase spectrum efficiency and enable the re-farming of the 900 MHz band to provide 3G services. The reallocation process is split in two phases which includes the transitory phase and the final phase:

- The transitory phase ran from November 2009 to November 2011. During this period, out of the total 35 MHz, WIND was assigned 9.8 MHz spectrum, Telecom Italia was assigned 12.6 MHz spectrum and Vodafone was assigned 12 MHz spectrum. As a result, the spectrum assigned to WIND increased in terms of quantity (*i.e.*, MHz) and is of a better quality (*i.e.*, spectrum available is less fragmented than in the previous allocation) as compared to the spectrum initially assigned to WIND; and



- The final phase ran from December 2013 onwards and is now complete. During the final phase, WIND, Telecom Italia and Vodafone will each be assigned 10 MHz spectrum, and therefore, a spectrum parity between all three operators will be achieved. The remaining 5 MHz was assigned through a competitive bidding process among the remaining operators (see below).

In March 2009, the MISE announced a tender for the assignment of rights of use for the frequencies in the 2,100 MHz band, divided into three blocks of 5 MHz bandwidth each. The additional spectrum is subject to the terms of the original UMTS license. In June 2009 WIND was awarded a 5 MHz block for €89.0 million, which was formally assigned by the MISE in September 2009.

The MISE assigned the remaining 5 MHz block in the 900 MHz band to H3G S.p.A. It became available at the end of 2013. See “*Business—Licenses.*”

With Resolution 282/11/CONS (supplemented by Resolution 370/11/CONS), AGCOM determined rules for the assignment of the frequencies available in the 800 MHz (30 MHz paired spectrum), 1,800 MHz (25 MHz paired spectrum of which 10 MHz paired spectrum is assignable only to UMTS operators), 2,000 MHz (15 MHz unpaired spectrum assignable as a unique lot) and 2,600 MHz band (60 MHz of paired spectrum and 30 MHz of unpaired spectrum assignable as two lots of 15 MHz each).

In 2011, the MISE announced a tender for the assignment of rights of use for the frequencies in the 800, 1800, 2000 and 2,600 MHz bands. This tender for new fourth-generation mobile frequencies generated a total of €3.95 billion and Italy’s four main telecom operators (namely Telecom Italia, Vodafone, WIND and H3G S.p.A.) won the new frequencies.

During May 2017 AGCOM published a public consultation (184/17/CONS) about the extension of the right of use of the 900 MHz and 1800 MHz bands. On September 28, 2017, Wind Tre paid an approximate €434 million for spectrum renewal and re-farming for some of its spectrum holders. See “*Business—Licenses.*”

In November 2012, AGCOM started a public consultation on guidelines to assign the 700 MHz frequencies to television services. Part of the frequencies under evaluation was to be assigned for five years, in order to be freed by 2018 for broadband services in accordance with the evolution of the European and international standards framework. But in July 2013, AGCOM reviewed the plan of allocation of frequencies for digital terrestrial television network service. The lots of frequencies inside 700 MHz previously assignable for five years to TV have been cleared from the assignment procedures. Under its revised proposal, AGCOM sets out a gradual liberation of TV channel 57 - 60 (corresponding to the band 758 - 790 MHz) by 2016 and the liberation of the remaining portion of 700 MHz band by 2020. Starting in August 2013, AGCOM has approved a series of tuning on these plans, aiming to solve interference issues, through Resolution 451/13/CONS of August 2013; Resolution 539/13/CONS of October 2013 and Resolution 631/13/CONS of December 2013.

In 2013, AGCOM also started a public consultation on the use of 3.6 - 3.8 GHz frequencies in order to gauge the interest of the market on future assignment of these frequencies, as this range of frequencies could be suitable for international mobile telecommunication services. The consultation resulted in no assignment procedures being decided by AGCOM.

In 2013, AGCOM updated the assignment rules of frequencies in the band 26 - 28 GHz (suitable only for wireless local loop and short distance backhauling) in order to update the applicable assignment rules. The proceeding was concluded with the publication in June 2013 of Resolution 355/13/CONS. This resolution specified a three-year period for the MISE to arrange for the publication of further notices for the allocation of rights of use for frequencies in these bands.

Italian Budget Law n. 190 of December 23, 2014 established that a procedure for assigning the frequencies in the band 1452 - 1492 MHz should occur in 2015. AGCOM therefore published on

February 9, 2015 Resolution 18/15/CONS starting the public consultation about the procedure and rules for the assignment of the 1452 - 1492 MHz band. The consultation was closed on May 25/2015.

Moreover, in December 2014, the governmental stability law established that the Italian NRA had to launch the procedures for the planning of frequencies allocated internationally to Italy, and not assigned to the national network operators, for the digital terrestrial television service for the provision of the related transmission capacity to the local providers of audiovisual media services. In the same law, the government established the assignment of a channel adjacent to WIND LTE band, awarded in the 2011 LTE auction.

With the issue of Resolution 259/15/CONS, AGCOM ended the process initiated in February 2015 by way of Resolution 18/15/CONS, a public consultation on the procedures for assigning the rights of use of radio-electric frequencies for utilization in mobile electronic communication services for Supplemental Down Link (SDL) applications through the use of the 1452 - 1492 MHz band. By way of Determination DGSCERP of July 1, 2015, the MISE initiated a procedure for the issue of rights of use of the frequencies for electronic terrestrial communication systems in accordance with AGCOM Resolution 259/15/CONS, with a deadline of September 8, 2015, for the submission of applications. A review of the offers showed that only two applications had arrived, with the following awards being adjudicated: Telecom for lot A (frequencies 1452 - 1472 MHz) for €230 million (auction starting price); Vodafone for lot B (frequencies 1472 - 1492 MHz) for €232 million.

As a result of the Italian government's broadband plan and the European "Radio Spectrum Policy Programme," on July 1, 2015, by way of Resolution 321/15/CONS, AGCOM initiated a public consultation on the procedures for allocating the rights of use of frequencies in the 3,600 - 3,800 MHz band (also known as the 3.7 GHz band). The consultation came to an end with the publication of Resolution 659/15/CONS "Procedures and rules for the allocation and use of the frequencies available in the 3,600 - 3,800 MHz band for electronic terrestrial communications systems."

By way of that resolution, in December 2015, AGCOM published its final decision on the allocation of frequencies in the 3,600 - 3,800 MHz band. The allocation procedures have yet to be initiated by the MISE. On March 23, 2015, the International Telecommunication Union (ITU), the organization responsible for defining telecommunications standards, began a Conference Preparatory Meeting (CPM) for the upcoming World Radiocommunications Conference 2015 (WRC-15). The meeting consolidated a report that was presented to the WRC-15.

On June 19, 2015, the ITU drew up an overall timetable to determine the main requirements for the fifth mobile generation (5G). The aim is to arrive at a complete settlement of the situation by 2020, with the first field testing to be carried out in 2016. The World Radiocommunication Conference 2015 held in Geneva between November 2 and 27, 2015, revised the "Radio Regulation," the international treaty governing the use of the radio-frequency spectrum. The MISE's Decree of May 27, 2015, on the "Approval of the New National Allocation Plan for frequencies of from 0 to 3000 GHz" was published in Official Journal no. 143 of June 23, 2015.

Law no. 115 "Provisions for satisfying the obligations arising from Italy's membership of the European Union—European Law 2014," which makes changes to the Electronic Communications Code (Legislative Decree no. 70/2012) was published in Official Journal no. 178 of August 3, 2015, and in particular article 5 "Provisions on the administration costs borne by providers of electronic communications services. Infringement procedure no. 2013/4020" amends the determination of administrative fees. The MISE's General Department for Electronic Communication for Broadcasting and Postal Services, has established a "Procedure for the issue of the rights of use of radio frequencies for broadband point-to-multipoint networks bandwidth (WLL)" (published in the Official Journal—V Special Series no. 41 of April 11, 2016), as per AGCOM Resolution 195/04/CONS of June 23, 2004, as amended by Resolution 355/13/CONS published on the Authority's website on June 11, 2013. For each geographical area, corresponding to a single Italian region and the autonomous provinces of Trento and Bolzano, rights

of use may be issued for spectrum resources in the 24.5 - 26.5 GHz band, consisting of individual blocks of 56 MHz for each part of the coupled spectrum, which are usable in portions not exceeding 28 MHz.

During May 2016, AGCOM (Resolution 121/16/CONS) launched a public consultation on shared access to the spectrum in “licensed shared access” (LSA) mode for terrestrial electronic communications systems following the invitation to national authorities made by the Radio Spectrum Policy Group and the European Commission for exploring this means of sharing. The MISE and the Joint Research Centre of the European Commission have initiated a pilot project on the 2.3 - 2.4 GHz bands.

Under this solution the individual rights of use of a portion of spectrum already allocated to an incumbent user may be issued to one or more new entities (LSA licensees) for the utilization of the same spectrum resources in compliance with shared protection conditions, possibly also dynamic in their use. Resolution 237/16/CONS extended the deadline by 30 days. The public consultation was closed on November 3, 2016.

In December 2016, AGCOM announced the start of a fact-finding survey on prospects for the development of mobile and wireless systems towards the fifth generation (5G) and the utilization of new portions of the spectrum above 6GHz. In March 2017, AGCOM published a document on the fact-finding survey and the deadline for responses which was initially set as June 26, 2017, was subsequently postponed to July 5, 2017. During 2016 “3” completed the coverage obligations set for the spectrum in the 2600 MHz band in advance with respect to the deadline set at the time of the assignment of the rights of use (LTE auction).

Again during 2016 the former Wind Telecomunicazioni S.p.A. carried out a change of technology (re-farming) from GSM to UMTS (3G) on a 2x5 MHz block in the 900 MHz band on a specific portion of the national territory. Pursuant to and in accordance with article 1, paragraphs 568 - 575 of Law no. 232 of December 11, 2016 and article 25, paragraph 6 of the Electronic Communications Code, Wind Tre S.p.A. requested and obtained authorization, with effect from July 1, 2017, to change the technology on the entire allocated 900 and 1800 MHz band with expiry date June 30, 2018 and at the same time to extend the term for the above-mentioned rights of use to the new technical conditions at December 31, 2029.

In addition, the technical and financial plan for the extension to December 31, 2029, of the rights to use the frequencies in the 2100 MHz band has been filed with the MISE as required by the provision of that ministry dated October 24, 2016, and protocolled with no. 67608. In accordance with the requirements of the MISE’s provision Wind Tre notified that the initial issue of frequencies in favor of Iliad S.p.A., in the 2600 MHz band, occurred on June 30, 2017.

In conclusion, in order to implement European Commission Communication no. 2016/588, the “5G Action Plan,” by 2020, by way of a notice published on March 16, 2017, the MISE initiated a procedure for acquiring planning proposals for carrying out pre-commercial testing within radio spectrum 3.6 - 3.8 GHz. The closing date for submitting applications for participation which was originally set as May 15, 2017, was subsequently postponed to June 12, 2017.

Wind Tre has submitted a draft proposal for participation in the testing proposed by the MISE, as stated in the above-mentioned public notice. After being classified at the top of the ranking in Area 2 (Prato e L’Aquila), Wind Tre has been called by the MISE for a “negotiated procedure” in order to refine some details of the project. The procedure has been concluded positively by the issue of a temporary authorization for pre-commercial 5G testing in the 3.7 - 3.8 GHz frequency band, on September 22, 2017.

## **Fixed-Line Regulatory Environment**

### ***Fixed-Line Collection and Termination***

With the aim of maintaining, increasing and supporting investment by new operators in the fixed-line market, since 2003 alternative operators entering the fixed-line market were permitted to charge

different fixed-line termination rates for calls terminating on their fixed-line network (via either direct access or LLU) than the fixed-line termination rates that Telecom Italia was permitted to charge.

The fixed-line interconnection rates which Telecom Italia was permitted to charge for collection (*i.e.*, interconnection starting with call origination until receipt by a connection node on the network) and for calls terminating on its fixed-line network were subject to a wholesale (network) cap. The cap that was in effect until 2009 provided for a gradual reduction in such interconnection rates (determined as a factor of inflation). The new rules regarding call collection and termination were set by AGCOM Decision 179/10/CONS.

As a result of previous AGCOM market analysis, AGCOM adopted its Resolution 251/08/CONS (supplemented by Resolution 704/09/CONS), whereby certain alternative fixed-line operators, including WIND, were subjected, as an *ex ante* regulatory measure, to a four year gradual decline in fixed-line termination rates for calls terminating on their respective networks for the period from July 2007 through December 2010.

In April 2011, according to Resolution 229/11/CONS AGCOM determined that the fixed-line termination rates for calls terminating on the networks of certain alternative fixed-line operators for 2011 should be maintained at the same fixed-line termination rate as the second half of 2010. Further, AGCOM established that:

- from January 1, 2012 all operators will have the same TDM network fixed-line termination rate which will be equivalent to Telecom Italia's rates at SGU level; and
- from January 1, 2013, only the fixed-line termination rates on IP networks will be regulated symmetrically (with the TDM network being deregulated). All operators will have to offer IP interconnection. The proceeding to establish the IP fixed-line termination rates for 2012 and beyond was started by AGCOM on December 15, 2011 and has been concluded with AGCOM Decision 668/13/CONS as described below.

AGCOM Resolution 179/10/CONS identified two relevant markets, namely the collection of voice calls on the fixed-line network market and the termination of voice calls on the individual fixed-line network market. In the former Telecom Italia was found as an operator holding "significant market power," while in the latter not only Telecom Italia but also other operators, including WIND, were identified as holding "significant market power." Accordingly, AGCOM imposed certain transparency, access, non-discrimination, price control and cost accounting obligations on each of them.

Following Resolution 229/11/CONS, AGCOM issued a public consultation (349/12/CONS) regarding a BU-LRIC (*bottom-up long-run incremental cost*) model to define the IP fixed interconnection tariffs (the previous mentioned AGCOM proceeding to establish the termination rates for 2012 and beyond); after the consultation, the AGCOM draft decision on IP Fixed termination rates was sent to the European Commission, which opened a Phase II investigation. This had the result that the decision process was suspended in order to wait for the outcome of an AGCOM review to be performed based on the guidelines of the European Commission and BEREC. After the Phase II investigation and following the European Commission suggestion AGCOM published a new public consultation that was closed with the final AGCOM Decision 668/13/CONS defining the prices applicable in the period 2013 - 2015 to both Telecom Italia and ANO's.

The TDM fixed-line termination rate for 2012 was set for Telecom Italia (AGCOM Resolution 92/12/CIR) at values equal to 0.272€/cent/min at SGU level. The TDM fixed termination rate in 2012 for ANO's was set for 2012 to 0.361 €/cent/min (AGCOM Resolution 187/13/CONS). The AGCOM Resolution 187/13/CONS has been appealed by Telecom Italia before TAR Lazio, in order to obtain an OLO FTR lower than the one fixed by AGCOM. On the contrary, Fastweb appealed the same decision to obtain a higher OLO FTR. After the April 23, 2014 hearing, TAR Lazio rejected both appeals by Telecom Italia and Fastweb. Telecom Italia and Fastweb appealed TAR ruling before the *Consiglio di Stato*. The hearing was held on January 22, 2015. Both appeals were dismissed by *Consiglio di Stato* on September 30, 2015.

The fixed-line termination rates for 2013 - 2015 were established by AGCOM with Decision 668/13/CONS and these prices apply to both Telecom Italia and the other network operators, including WIND. The prices from January 1, 2013 to June 30, 2013 were the same as applied to Telecom Italia and ANOs in 2012. From July 1, 2013 to July 2015 the FTR applied to Telecom Italian and the other network operators are symmetrical and will have the following values:

- from July 1, 2013, 0.104 €/cent/min;
- from July 1, 2014, 0.075 €/cent/min; and
- from July 1, 2015, 0.043 €/cent/min.

Only Telecom Italia is regulated in terms of connection charges (*i.e.*, interconnection starting with call origination until receipt by a connection node on the network). Until June 30, 2013 the prices were the same as applied in 2012.

From July 1, 2013 to July 2015, the Telecom Italia prices for the collection services will be the following (in euro cents per minute):

- from July 1, 2013, 0.258 collection, 0.126 transit;
- from July 1, 2014, 0.0.204 collection, 0.111 transit; and
- from July 1, 2015, 0.140 collection, 0.093 transit.

On September 16, 2016, AGCOM (Resolution 425/16/CONS) extended to 2016 the prices established by Resolution 668/13/CONS and identified the following collection and termination fees for the years 2016 - 2019.

<u>Collection and Termination fees (€/cent/min)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Collection .....	0.140	0.130	0.111	0.097
Termination .....	0.043	0.043	0.043	0.041

The decision applies only to fixed termination rates for calls originated from customers of EEA operators. The fixed termination rates applicable to calls originated by customers of non-EEA operators are under commercial negotiation.

#### ***Wholesale Terminating Segments of Leased Lines and Interconnection circuits***

On January 26, 2006, pursuant to Resolution 45/06/CONS on the termination segments of leased lines market and the long distance leased lines market, AGCOM notified Telecom Italia that it had been identified as an operator with “significant market power” in both these markets. As a result, AGCOM repealed the “retail minus” pricing regime previously applied to Telecom Italia, whereby Telecom Italia was required to charge the other operators, for the provision of wholesale leased lines, wholesale rates determined as a reduced percentage of the retail rates which Telecom Italia charged its consumers.

The new rules to be applied to wholesale terminating segments of leased lines and interconnection circuits have been issued with the new market analysis in AGCOM Decision 2/10/CONS. In particular, terminating circuits are regulated by the adoption of a network cap mechanism, while the interconnection services are cost based.

The network cap mechanism finished in 2012. In June 2013, AGCOM started a public consultation for the approval of a Telecom Italia 2013 offer based on the cost orientation mechanism. The final decision for 2013 was published in September 2014 with AGCOM Resolution 70/14/CIR. In the meantime the new cycle of market analysis on market 6 has been started by AGCOM (Resolution 603/13/CONS). AGCOM started the public consultation with the Resolution 559/14/CONS. Following an information collection process, Public Consultation 559/14/CONS was set up in November 2014. WIND has sent its observations

in this respect. By way of Resolution 412/15/CONS, AGCOM published its final decision on the wholesale supply market for the terminating segments of leased lines.

In February 2017, with the Resolution 44/17/CONS, AGCOM started the new cycle of terminating circuits market analysis. Currently the proceeding is in its first phase of information collection and a public consultation on the matter is expected during October or November 2017.

### ***Fixed Voice and Broadband***

Three main regulatory provisions affect competition in the direct telephone and broadband markets, namely the obligation on Telecom Italia to provide LLU, bitstream and WLR services.

Following market analysis (AGCOM Resolution 731/09/CONS), a new cost mechanism was set by AGCOM with the introduction of BU-LRIC for all wholesale access services. A specific consultation in connection therewith was performed by AGCOM in May 2010 (AGCOM Resolution 121/10/CONS), proposing the new rates to be applied. Following the market test, AGCOM adopted Resolution 578/10/CONS setting up thirteen different network caps to be applied to all access wholesale copper services for the years 2010 to 2012.

For 2013 rates (WLR, BITSTREAM and LLU) three specific public consultations were started by AGCOM (the “**2013 Rate Setting Process**”). On July 11, 2013, AGCOM approved the rates for 2013 relating to Telecom Italia’s LLU, WLR and bitstream services. Before becoming final, the decisions on LLU and bitstream were submitted for review to the European Commission. The European Commission asked AGCOM to reconsider their decisions; however, AGCOM reaffirmed its final decisions with respect to LLU (747/13/CONS) and bitstream (746/13/CONS) on January 13, 2014.

In September 2014, AGCOM published the final Resolution 67/14/CIR on the WLR 2013 reference offer. AGCOM Resolutions 747/13/CONS and 746/13/CONS have been appealed before TAR Lazio by Telecom Italia and Fastweb (the latter arguing for a substantial reduction of LLU and WBA prices for 2013). British Telecom appealed only 746/13/CONS. WIND is also standing before TAR Lazio in such proceedings. The first preliminary hearing of Telecom Italia’s appeal against 747/13/CONS before TAR Lazio took place on March 26, 2014. WIND filed a brief memorandum in favor of AGCOM’s decision, which set the 2013 LLU price at 8.68 €/line/month. A further hearing took place on July 16, 2014.

The last hearing, which took place on November 19, 2014, was jointly related to the Telecom Italia’s claims against Resolutions 747/13/CONS and 746/13/CONS, the claims filed by Fastweb against Resolutions 747/13/CONS and 746/13/CONS and the claim filed by British Telecom against Resolution 746/13/CONS. On February 18, 2015, TAR Lazio issued rulings regarding AGCOM Resolution n. 746/13/CONS and rejected the claims filed by Telecom Italia, Fastweb and British Telecom.

By way of a judgment issued on March 9, 2015, the TAR Lazio dismissed the appeals made by Telecom Italia and Fastweb to have Resolution 747/13/CONS annulled (approval of the Telecom Italia Offer for 2013 for LLU access services).

On May 18, 2015, Telecom Italia and Fastweb notified WIND that they had filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR’s judgment dismissing the appeal filed to have Resolution 746/13/CONS (2013 WBA) annulled. WIND filed an appearance on June 5, 2015. At the hearing held on September 24, 2015, the court reserved its decision. On June 9, 2015, and June 11, 2015, respectively, Telecom Italia and Fastweb also notified WIND that they had filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR’s judgment dismissing the appeal filed to have Resolution 747/13/CONS (LLU 2013) annulled. WIND filed an appearance on June 24, 2015. At the following hearing held on September 24, 2015, the court reserved its decision.

BT filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR’s judgment dismissing the appeal filed to have Resolution 746/13/CONS (WBA 2013) annulled. On June 6, 2015,

WIND notified BT that it had filed an appearance. The hearing was held on September 24, 2015. The court reserved its decision.

In July 2016, the *Consiglio di Stato* ruled on five appeals proposed by FW, TI and BT with respect to the judgments of the TAR Lazio nos. 2769, 2772, 2775, and 3916 of 2015 regarding the AGCOM resolutions approving the reference offers establishing the technical and economic decisions for 2013 LLU/WBA/Location access services (reference is to Resolutions 747/13/CONS, 746/13/CONS and 155/14/CONS), partially upholding the complaints expressed by Telecom Italia, Fastweb and BT.

In December 2016, AGCOM initiated (Resolution 627/16/CONS of December 14, 2016) a public consultation relating to the economic and technical conditions of the 2013 Reference Offers of TIM for copper bitstream services, wholesale unbundled services for access to metal networks and sub-networks and co-location services. This proceeding was initiated in execution of judgment no. 3143/2016 of the *Consiglio di Stato* relating to AGCOM Resolutions 746/13/CONS, 747/13/CONS and 155/14/CONS. The proceeding is in progress.

On November 18, 2014, Telecom Italia served to WIND a claim before TAR Lazio requesting the annulment of AGCOM Resolution n. 67/14/CIR, related to Telecom Italia's reference offer concerning 2013 WLR price. Fastweb also filed a claim against the same AGCOM resolution. WIND filed its lawsuit before the judge with respect to both proceedings. The dates of the hearings have not been scheduled yet.

With reference to WLR prices, Telecom and Fastweb challenged, before the *Consiglio di Stato*, TAR Lazio's rulings n. 767 of 2014 and 1130 of 2014, which rejected their claims for the annulment of Resolution 643/12/CONS fixing prices for 2012. The next hearing will take place on December 14, 2017.

#### *Local Loop Unbundling*

Local loop unbundling, or LLU, is a regulatory process of allowing multiple telecommunications operators, including WIND, to use connections from Telecom Italia's central exchange to directly connect end-users to their respective networks by renting the copper loop from Telecom Italia. All licensed operators can request the provision of LLU services from Telecom Italia, which is required to provide access to LLU services on non-discriminatory, transparent and cost-based terms and conditions. Unbundling is available in two forms in Italy:

- *Full LLU*: With full LLU, the subscribers no longer have a subscription to Telecom Italia's telephone services; and
- *Shared Access*: Under shared access, the subscribers maintain a subscription to Telecom Italia's telephone services, and operators renting shared loops only provide DSL Internet access.

Both full LLU and shared access tariffs are regulated in Italy. Telecom Italia is required to include these tariffs in its reference offer.

Following the expiry of the LLU wholesale (network) cap in 2007, alternative operators, including WIND, paid a monthly fee for unbundling and shared access services to Telecom Italia at cost-oriented tariffs approved by AGCOM. Following a public consultation (AGCOM Resolution 14/09/CIR), AGCOM decided that, effective from January 1, 2009, the LLU monthly fees payable per subscriber to Telecom Italia were €8.49 per month, compared to €7.64 per month in 2008, €7.80 per month in 2007 and €8.04 per month in 2006.

WIND filed a claim before the TAR Lazio for the partial annulment of AGCOM Resolution 14/09/CIR (related to the value of monthly fees payable to Telecom Italia for the year 2009). The TAR Lazio rejected WIND's claim with a ruling issued on March 25, 2010. WIND filed an appeal before the Supreme Administrative Court ("*Consiglio di Stato*") which was rejected in April 2011.

AGCOM Resolution 578/10/CONS (supplemented by Resolution 385/11/CONS) determined the following LLU monthly rental values (in euro/month) for the years 2010 through 2012:

- 2010 (May): €8.70;
- 2011 (Jan): €9.02; and
- 2012 (Jan): €9.28.

AGCOM Resolution 578/10/CONS was appealed by WIND before the TAR Lazio as WIND believes that AGCOM overestimated maintenance costs; the appeal was rejected. WIND appealed also such TAR Lazio decision before *Consiglio di Stato*, which on March 28, 2013 ultimately embraced WIND's requests by ruling the lack of motivation/full investigation occurred during the AGCOM proceedings.

In November 2013, following *Consiglio di Stato* decision on resolution 578/10/CONS, AGCOM started, with the Resolution 563/13/CONS, a proceeding to reexamine the previous 2010 - 2012 decision.

In June 2014, AGCOM, with Resolution 258/14/CONS, started a public consultation in order to comply with the *Consiglio di Stato* decisions of March/April 2013. In December 2014, AGCOM decided the new LLU prices for the period 2010 - 2012.

AGCOM postponed a decision about WLR and Bitstream for the year 2010 - 2012 until the completion of the proceeding, concerning compliance with a new ruling issued by the *Consiglio di Stato* about the starting values of bitstream naked in 2009. In particular, on the basis of a Fastweb's appeal, the *Consiglio di Stato* partially annulled AGCOM Resolution 71/09/CIR, which approved Telecom Italia's reference offer, including 2009 Bitstream naked monthly fee, because the latter was calculated upon "retail minus 20% criteria" and did not take into account all the costs related to the wholesale services. It held that AGCOM should have taken into account such costs even though AGCOM decided to adopt a retail minus methodology of calculation.

Subsequently, following discussions with the European Commission and the additional judgments of the Council of State on Bitstream Naked 2009, by way of a press release issued on February 25, 2015, AGCOM announced that "The Authority's Board ... has approved ... the proposal ... which implements the judgments of the *Consiglio di Stato* nos. 1837/13, 1645/13 and 1856/13 relating to the prices of wholesale services for access to the fixed network for 2010 - 2012." In particular, AGCOM noted that it had revised the tariffs for the LLU fees and LLU contributions.

In March 2015, by way of Resolution 68/15/CONS, AGCOM initiated a public consultation on the enforcement of judgment no. 5733/2014 of the *Consiglio di Stato* regarding Resolution 71/09/CIR on the approval of the Telecom Italia reference offer for 2009 relating to Bitstream services. Following this consultation AGCOM notified the European Commission of its draft final decision on the WLR and Bitstream services for 2010 - 2012 and the Bitstream Naked charge for 2009. The decision was reviewed by the European Commission. The final decisions on these matters were published by AGCOM on November 11, 2015, by way of Resolution 578/15/CONS (Bitstream Naked 2009) and Resolution 579/15/CONS (WLR and Bitstream 2010 - 2012). On January 13, 2016, Fastweb notified WIND that it had filed an appeal with the *Consiglio di Stato* for the annulment of Resolution 579/15/CONS. By way of judgment no. 4512 of October 27, 2016 the *Consiglio di Stato* dismissed Fastweb's appeal.

Fastweb has also challenged AGCOM Resolution 578/15/CONS through appeal to the *Consiglio di Stato*. The appeal has not been notified to WIND which nevertheless filed a document with the court on February 10, 2016. The court discussed the case on April 14, 2016. By way of judgment no. 2263 of May 30, 2016 the *Consiglio di Stato* declared the inadmissibility of Fastweb's appeal. Fastweb recently notified WIND of its application to continue its appeal before the competent court. WIND filed an appearance on July 14, 2016.



On April 9, 2015, AGCOM published Resolution 86/15/CONS on the final approval of the LLU fee tariffs and the LLU contributions for the period 2010 - 2012 following the above judgments of the *Consiglio di Stato* nos. 1837/13, 1645/13 and 1856/13. The operators Fastweb and Telecom Italia recently appealed against Resolution 86/15/CONS. More specifically, Fastweb notified WIND on June 5, 2015, that it had filed an appeal with the *Consiglio di Stato* maintaining that by way of Resolution 86/15/CONS, AGCOM had in substance failed to fulfil the requirements of the previous judgments. As part of the same proceeding, Telecom Italia notified WIND on August 5, 2015, of a cross appeal objecting to the Authority's failure to fulfil. WIND filed an appearance on June 24, 2015, and the date of the hearing, originally set for October 8, 2015, was postponed to October 22, 2015. By way of judgment no. 5708/2015 of December 17, 2015, the *Consiglio di Stato* dismissed the appeals submitted by Fastweb and Telecom Italia (as a cross-appeal), confirming the validity of Resolution 86/15/CONS.

Fastweb filed an appeal to the Supreme Court against judgment no. 5708/15 of the *Consiglio di Stato*. In that action Fastweb appealed against the judgment of the *Consiglio di Stato* for excessive judicial power. In essence Fastweb believes that the *Consiglio di Stato* made an error in defining the limits of its judicial review. The case is pending.

Fastweb has notified an appeal with the TAR requesting the annulment of Resolution 86/15/CONS for the same defects specified in the appeal filed with the Council of State. WIND received notification of the appeal on June 8, 2015, and filed an appearance on June 26, 2015, and is currently waiting for the date of the hearing to be set.

Telecom Italia has also notified an appeal with the TAR requesting the annulment of Resolution 86/15/CONS. WIND received notification of the appeal on June 8, 2015 and filed an appearance on June 26, 2015, and is currently waiting for the date of the hearing to be set. As part of the 2013 Rate Setting Process, AGCOM started a specific public consultation on the 2013 LLU reference offer of Telecom Italia. In the public consultation 221/13/CONS the range of the LLU monthly fee under consultation is €8.62 - 9.25 line/month. In July 2013, AGCOM determined the relevant 2013 LLU fee to be €8.68 line/month. The European Commission asked AGCOM to reconsider this decision, but it was reapproved by AGCOM, who reaffirmed both their final decisions with respect to LLU (747/13/CONS) on January 13, 2014, setting the LLU monthly fee for 2013 at 8.68 €/line/month.

AGCOM Resolution 747/13/CONS was appealed before TAR Lazio by Telecom Italia and Fastweb (the latter arguing for a substantial reduction of LLU and WBA prices for 2013). WIND was also standing before TAR Lazio in such proceedings. On March 26, 2014, the first preliminary hearing of Telecom's Italia's appeal against 747/13/CONS took place before TAR Lazio. WIND filed a brief memorandum in favor of AGCOM's decision, which set the 2013 LLU price at 8.68 €/line/month. On July 16, 2014, a further hearing took place. The last hearing, which took place on November 19, 2014, was jointly related to the Telecom Italia's claims against Resolutions 747/13/CONS and 746/13/CONS, the claims filed by Fastweb against Resolutions 747/13/CONS and 746/13/CONS and the claim filed by British Telecom against Resolution 746/13/CONS. On February 18, 2015, TAR Lazio issued rulings regarding AGCOM Resolution n. 746/13/CONS and rejected the claims filed by Telecom Italia, Fastweb and British Telecom.

By way of a judgment issued on March 9, 2015, the TAR Lazio dismissed the appeals made by Telecom Italia and Fastweb to have Resolution 747/13/CONS annulled (approval of the Telecom Italia Offer for 2013 for LLU access services).

On May 18, 2015, Telecom Italia and Fastweb notified WIND that they had filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR's judgment dismissing the appeal filed to have Resolution 746/13/CONS (2013 WBA) annulled. WIND filed an appearance on June 5, 2015, and following the hearing held on September 24, 2015. The court reserved its decision. On June 9, 2015, and June 11, 2015, respectively Telecom Italia and Fastweb also notified WIND that they had filed an appeal with the *Consiglio di Stato* for the overturning or annulment of the TAR's judgment dismissing the appeal

filed to have Resolution 747/13/CONS (LLU 2013) annulled. WIND filed an appearance on June 24, 2015. At the following hearing held on September 24, 2015, the court reserved its decision.

BT filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR's judgment dismissing the appeal filed to have Resolution 746/13/CONS (WBA 2013) annulled. On June 6, 2015, WIND notified BT that it had filed an appearance. The hearing was held on September 24, 2015 and the court reserved its decision.

In July 2016, the *Consiglio di Stato* ruled on five appeals proposed by FW, TI and BT with respect to the judgments of the TAR Lazio nos. 2769, 2772, 2775, and 3916 of 2015 regarding the AGCOM resolutions approving the reference offers establishing the technical and economic decisions for 2013 LLU/WBA/Location access services (reference is to Resolutions 747/13/CONS, 746/13/CONS and 155/14/CONS), partially upholding the complaints expressed by Telecom Italia, Fastweb and BT. The process is in progress.

In April 2013, AGCOM published the public consultation on its draft proposal for LLU prices for the period 2014 to 2016.

With Resolution 65/14/CONS published in February 2014, the conclusion of the market analysis for the three year period 2014 - 2016 has been postponed by 90 days also, in order to permit to the operators the submission of further documents related to relevant new facts that occurred after the second half of 2013. The proceedings have been postponed again with AGCOM Resolution 366/14/CONS, 527/14/CONS and 15/15/CONS. A new public consultation started with Resolution 42/15/CONS published on February 13, 2015, in order to define prices for the period 2014 - 2017, and was closed on November 5, 2015, with Resolution 623/15/CONS. Currently, Resolution 43/17/CONS by AGCOM started a new cycle of market analysis on the fixed market access related to the period 2018 to 2020.

On August 2017, with Resolution 104/17/CIR, AGCOM published a public consultation about Telecom Italia's LLU 2017 reference offer. The consultation is about the technical and economic condition of the services not coming from the BULRIC model (the main monthly fees as been decided during the market analysis on fixed access 623/17/CONS). The consultation is ongoing.

In May 2016, AGCOM started a proceeding (Resolution 122/16/CONS) to assess TIM's proposal for the unbundling and outsourcing of provisioning and assurance activities for LLU and SLU services and the measures required to provide greater assurance as to equal treatment in the provision of regulated fixed wholesale access services. The proceeding was closed on July 27, 2017, with Resolution 321/17/CONS, which defined the technical and organizational conditions of the unbundling model of fixed wholesale access services for the electronic communications public network. The above mentioned model is being analyzed and it is in the implementation stage.

#### *Bitstream Offer*

As a result of the first round of market analysis, AGCOM adopted Decision 34/06/CONS, which requires Telecom Italia to offer alternative operators, Internet service providers, or ISPs, and wholesale bitstream services on a non-discriminatory and cost-based basis.

The bitstream offer provided by Telecom Italia is an unbundled offer and includes four levels of interconnection to be used by the alternative operators. The levels of interconnection include:

- (i) DSLAM node (available only out of LLU areas);
- (ii) Parent Node;
- (iii) Distant Node; and
- (iv) IP Level.

For each level of interconnection there is a different scheme. Following the market analysis (AGCOM's Decision 731/09/CONS) nearly all bitstream services will be regulated by a network cap. For cost-based services, AGCOM will adopt the consultation approach (as for LLU and WLR cost-based services).

The new pricing scheme and the network cap of bitstream prices for 2010 through 2012 was determined in AGCOM's Decision 578/10/CONS.

With Decision 578/10/CONS AGCOM established the network cap mechanism to regulate bitstream prices. (For the following developments, see "*Regulation—Fixed Voice and Broadband—Local Loop Unbundling*").

As part of the 2013 Rate Setting Process, AGCOM started a specific public consultation on a 2013 bitstream reference offer of Telecom Italia (public consultation 642/12/CONS). In July 2013, AGCOM determined the relevant 2013 bitstream reference offer of Telecom Italia to be 6.74€/line/month bitstream shared and 15.14 €/line/month for bitstream naked. The European Commission asked AGCOM to reconsider this decision, but it was reapproved by AGCOM, which reaffirmed its final decisions with respect both on Bitstream (746/13/CONS) on January 13, 2014 setting the price of Bitstream Shared monthly fee for 2013 to 6.74 €/line/month.

AGCOM decision 746/13/CONS has been appealed before TAR Lazio by Telecom Italia, Fastweb and British Telecom. On July 16, 2014, the related hearing took place. The last hearing, which took place on November 19, 2014, was jointly related to the Telecom Italia's claims against Resolution 747/13/CONS and 746/13/CONS, the claims filed by Fastweb against Resolution 747/13/CONS and 746/13/CONS and the claim filed by British Telecom against Resolution 746/13/CONS. On February 18, 2015, TAR Lazio issued rulings regarding AGCOM Resolution n. 746/13/CONS and rejected the claims filed by Telecom Italia, Fastweb and British Telecom.

By way of a judgment issued on March 9, 2015, the TAR Lazio dismissed the appeals made by Telecom Italia and Fastweb to have Resolution 747/13/CONS annulled (approval of the Telecom Italia Offer for 2013 for LLU access services).

On May 18, 2015, Telecom Italia and Fastweb notified WIND that they had filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR's judgment dismissing the appeal filed to have Resolution 746/13/CONS (2013 WBA) annulled. WIND filed an appearance on June 5, 2015, and following the hearing held on September 24, 2015. The court reserved its decision. On June 9, 2015, and June 11, 2015, respectively Telecom Italia and Fastweb also notified WIND that they had filed an appeal with the *Consiglio di Stato* for the overturning or annulment of the TAR's judgment dismissing the appeal filed to have Resolution 747/13/CONS (LLU 2013) annulled. WIND filed an appearance on June 24, 2015. At the following hearing held on September 24, 2015, the court reserved its decision.

BT filed an appeal with the *Consiglio di Stato* for the reversal or annulment of the TAR's judgment dismissing the appeal filed to have Resolution 746/13/CONS (WBA 2013) annulled. On June 6, 2015, WIND notified BT that it had filed an appearance. The hearing was held on September 24, 2015 and the court reserved its decision.

In July 2016 the *Consiglio di Stato* ruled on five appeals proposed by FW, TI and BT with respect to the judgments of the TAR Lazio nos. 2769, 2772, 2775, and 3916 of 2015 regarding the AGCOM resolutions approving the reference offers establishing the technical and economic decisions for 2013 LLU/WBA/Location access services (reference is to Resolutions 747/13/CONS, 746/13/CONS and 155/14/CONS), partially upholding the complaints expressed by Telecom Italia, Fastweb and BT. In December 2016, AGCOM initiated (Decision 627/16/CONS of December 14, 2016) a public consultation relating to the economic and technical conditions of the 2013 Reference Offers of TIM for copper bitstream services, wholesale unbundled services for access to metal networks and sub-networks and co-location services. This proceeding was initiated in execution of judgment no. 3143/2016 of the *Consiglio*

*di Stato* relating to AGCOM Resolutions 746/13/CONS, 747/13/CONS and 155/14/CONS. The proceeding is in progress.

In December 2016, AGCOM initiated (Decision 627/16/CONS of December 14, 2016) a public consultation relating to the economic and technical conditions of the 2013 Reference Offers of TIM for copper bitstream services, wholesale unbundled services for access to metal networks and sub-networks and co-location services. This proceeding was initiated in execution of judgment no. 3143/2016 of the *Consiglio di Stato* relating to AGCOM Resolutions 746/13/CONS, 747/13/CONS and 155/14/CONS. The proceeding is in progress.

With the Resolution 65/14/CONS published in February 2014, the conclusion of the market analysis for the three year period 2014 - 2016 has been postponed by 90 days also, to permit the operators to submit further documents related to relevant new facts that occurred after the second half of 2013. The proceeding has been postponed again with AGCOM Resolution 366/14/CONS, 527/14/CONS and 15/15/CONS. A new public consultation started with Resolution 42/15/CONS published on February 13, 2015, in order to define prices for the period 2014 - 2017.

AGCOM in December 2015 published its final decision 623/15/CONS regarding Telecom Italia's wholesale fixed access services for the period 2014 - 2017 (LLU, BITSTREA, WLR, BITSTREAM and VULA). In May 2016, AGCOM started a proceeding (Resolution 122/16/CONS) to assess TIM's proposal for the unbundling and outsourcing of provisioning and assurance activities for LLU and SLU services and the measures required to provide greater assurance as to equal treatment in the provision of regulated fixed wholesale access services. The proceeding was closed on July 27, 2017, with Resolution 321/17/CONS, which defined the technical and organizational conditions of the unbundling model of fixed wholesale access services for the electronic communications public network.

With Resolution 105/17/CIR AGCOM published in August 2017 a public consultation about Telecom Italia Bitstream, Bitstream NGA and VULA 2017 LLU Reference offers. The consultation is about the technical and economic condition of the services coming from the BULRIC model other than the market analysis on fixed access 623/17/CONS. The consultation is ongoing.

#### *Wholesale Line Rental*

Wholesale Line Rental (“WLR”) was introduced in Italy at the end of 2007, in areas where LLU was not available, which then corresponded to approximately 25% of the Italian population. In respect of WLR, Telecom Italia leases its subscriber lines on a wholesale basis to alternative operators, including WIND, which such operators then re-lease to their customers. AGCOM held that Telecom Italia must offer access to its network providing WLR where LLU is not currently provided. Until April 2010, Telecom Italia was obliged to offer WLR on a “retail minus” basis, with a 12.0% reduction from monthly rental fees offered by Telecom Italia. Effective February 1, 2009, Telecom Italia increased its monthly retail rental fees to €13.40.

Following the wholesale access services cost model previously described and AGCOM's Decision 578/10/CONS, the new WLR fees (residential and business) have been set following a network cap mechanism. According to AGCOM Resolution 578/10/CONS, the landing value for 2012 is €12.88 per month for both residential and business WLR basic lines. (*For the following developments, see Regulation—Fixed Voice and Broadband—Local Loop Unbundling*)

AGCOM has reviewed the 2012 WLR prices determined by Resolution 643/12/CONS, which reduced the price adopting cost orientation methodology instead of using retail minus as a starting value. Telecom Italia and Fastweb challenged such decision, but TAR Lazio rejected Telecom Italia's and Fastweb's claims. Telecom Italia and Fastweb then filed appeals against the TAR Lazio ruling before the *Consiglio di Stato*, where WIND intends to support AGCOM in favor of Resolution 643/12/CONS. The hearing was scheduled for November 20, 2014. However, the hearing was postponed due to a joint request

by Telecom and Fastweb to delay the *Consiglio di Stato* proceedings until AGCOM reaches a final decision on LLU, WLR and Bitstream for the years 2010 - 2012.

As part of the 2013 Rate Setting Process, AGCOM started a specific public consultation on a 2013 WLR reference offer of Telecom Italia. In July 2013, AGCOM determined the relevant price of WLR monthly fee in the reference offer of Telecom Italia to be 11.14 €/line/month. The final decision on the WLR Offer for 2013 was published in September 2014.

On November 18, 2014, Telecom Italia served to WIND a claim before TAR Lazio asking for the annulment of AGCOM Resolution n. 67/14/CIR, related to the reference offer for the 2013 WLR price. Fastweb also filed a claim against the same AGCOM Resolution. WIND filed its lawsuit before the judge with respect to both proceedings. The dates of the hearings have not been scheduled yet.

In April 2013, AGCOM published the public consultation on its draft proposal for WLR prices for the three-year period 2014 to 2016. The prices proposed for 2016 were set up based on BU-LRIC (*bottom-up long-run incremental cost*) model both for copper and fiber (new model defined for fiber). The proposal sets the WLR price in 2016 in the range 11.70 - 12.30 €/line/month. For 2014 and 2015 the prices were derived from the linear path connecting the 2013 value to the 2016 value that will be decided in the market analysis proceeding unless AGCOM reaches a different decision in the final decision of the market analysis.

With the decision 65/14/CONS published in February 2014, the conclusion of the market analysis for the three year period 2014 - 2016 has been postponed by 90 days also, in order to permit to the operators the submission of further documents related to relevant new facts that occurred after the second half of 2013. The proceedings have been postponed again with AGCOM Resolution 366/14/CONS, 527/14/CONS and 15/15/CONS. A new public consultation started with Resolution 42/15/CONS published on February 13, 2015 and was closed on November 5, 2015, with Resolution 623/15/CONS which established rules, obligations and fees until 2017.

In 2016, the Authority set up a number of working groups designed to address the technical issues relating to wholesale services. In particular the following matters were the subject of discussion by the working groups: a) the new assurance process for unsuccessful intervention on WLR and asymmetric bitstream lines; b) the technical specifications of street cabinets within the provision of wholesale FTTCab and subloop unbundling services; c) the technical specifications required for implementing Multi Operator Vectoring (MOV); d) procedures to be used in the case of the switch-off of the copper network by TIM. In 2017, AGCOM set up working groups relating to e) the passage to direct routing in the fixed-line sphere; f) migration to TIM's new delivery chain in the fixed-line sphere; g) the methodology for determining the overbooking factor for regulatory purposes; h) the updating of the fixed migration procedures of users utilizing TI's fiber offer or that of other operators. A new meeting of the technical table on switch off was held in October 2017.

With Resolution 103/17/CIR AGCOM published on August 2017 a public consultation about Telecom Italia WLR 2017 reference offers. The consultation is about the technical and economic condition of the services coming from models other than the BULRIC model (the main monthly fees as been decided during the market analysis on fixed access 623/17/CONS). The consultation is ongoing.

#### *Non-discrimination obligations—Price Testing*

In order to promote competition, AGCOM imposed on Telecom Italia the obligation of price testing to ensure the replicability of the retail prices set by Telecom Italia. The current price test (defined in 2010 by Resolution 499/10/CONS) is applied to Telecom Italia's new fixed retail offers (stand-alone and bundles), which include services vertically related to wholesale markets where Telecom Italian is a significant market power. The test assesses whether the retail revenues earned by Telecom Italia on the

relevant offer are above the costs of providing the associated services. The test was updated in 2010 to reflect the take-up of bundles, and, in 2013, fiber-based products were added to its scope.

In addition, on November 15, 2013, AGCOM published Resolution 604/13/CONS relating to the approval of the guidelines for assessing the replicability of the fiber optic technology high speed broadband retail offer. These guidelines do not alter the requirements of Resolution 499/10/CONS whose general criteria and methodologies are confirmed, instead they integrate it in order to make such criteria and methodologies applicable in practice to the checks carried out on high speed broadband offers.

At the end of 2013, AGCOM launched a call for inputs, requesting stakeholders' views on whether it should make further changes to the test. In the meantime AGCOM updated the mix for the different technological architecture for fiber offers increasing the weight for VULA (Virtual Unbundling Local Access) one.

With decision 584/16/CONS AGCOM defined the new price test methodology for copper and fiber fixed access to be applied to TIM fixed retail offers.

Following its approval of Resolution 623/15/CONS relating to wholesale markets for fixed access services, AGCOM has initiated a review proceeding on non-discrimination key performance indicators in order to ensure compliance with equality of treatment between TIM and alternative operators. In this respect, AGCOM requested operators to provide their observations in April and November 2016. The proceeding is still on going.

## **National Competition Authorities issues**

### ***Proceeding A 428***

In June 2010 the Italian National Competition Authority (“AGCM”) opened Proceeding A-428 “WIND-Fastweb/Telecom Italia conduct” over potential anticompetitive behavior by Telecom Italia. The investigation was concluded after more than two years, and the final public hearing held in February 2013, anticipating the outcome of the investigation proceeding that found Telecom Italia guilty. In May 2013, AGCOM concluded the investigation triggered by WIND in June 2010, fining Telecom Italia for abuse of its dominant position in the provision of wholesale access to the local network infrastructure and broadband Internet access, levying a fine of €103.794 million, accounting also as a mitigating circumstance the losses in the Telecom Italia balance sheet. These fines were based on the imposition by Telecom Italia of an unjustifiably high number of rejections on competitors for activating wholesale services and a policy of discounts to big business clients for retail access to the fixed public telephone network, which does not allow a competitor to operate profitably and on a lasting basis in the same market. Telecom Italia filed an appeal against the decision of TAR Lazio; the first hearing on the merits of the appeal was held on March 12, 2014 and TAR Lazio rejected the appeal submitted by Telecom Italia. The proceedings are now closed.

### ***Proceeding I 757***

In September 2012, AGCM opened an investigation against Telecom Italia, Vodafone and WIND (Proceeding I 757) for an alleged cartel aimed at avoiding entrance by new MVNOs into the multi brand sales network. The claim has been issued by the ESP named BIP. WIND has received two requests for information in January and July 2013 and provided AGCM with all the elements requested on its retail network and incentive clauses. AGCM has adopted two postponements of the final term of investigation. In December 2013 proceedings have also been extended to TIM and WIND for vertical agreement (with the respective retail network). Following the procedure undertakings have been proposed by parties and AGCM has concluded its relative market test on May 22, 2014. After the final hearing AGCM, on December 22, 2014, closed the proceedings and published its ruling on its website: (i) the final decision on the alleged horizontal agreement aimed at blocking BIP Mobile's entrance in the market due to the lack of

sufficient elements to prove the initial charges; and (ii) the decision of acceptance both of WIND and Telecom Italia's undertakings on the alleged vertical agreement without declaring WIND liable for any infringement and without sanctions for WIND.

In March 2017, Wind Tre submitted to the AGCM the annual compliance report on the commitments accepted by AGCM. At the meeting held on May 17, 2017, the Authority acknowledged the compliance report and agreed that it had been prepared in accordance with the commitments undertaken in provision no. 25230 of December 11, 2014. Wind Tre shall submit this report by March of each year.

#### ***Proceeding I 761***

With reference to access to fixed-line market, upon a claim filed by WIND, AGCM on April 4, 2013 opened an investigation (I 761) against certain vendors (Alpitel, Ceit, Sielte, Sirti, Site e Valtellina) for an alleged cartel in the fixed corrective maintenance market. In July 2013, the investigation was extended to Telecom Italia, as incumbent operator in the market for access to fixed network. In October 2013, WIND was heard as complainant by the Communication Unit of AGCM. On March 2014, WIND sent to AGCM the information requested on technical and economical offers submitted to WIND by two systems. During the proceedings WIND had access to the file of the case in several times. AGCM postponed the end of proceedings from July 2014 to July 2015, as the investigation was expanded in July 2014 to Telecom Italia for a potential abuse of dominant position on the wholesale access market for fixed-lines. On November 21, 2014, Telecom Italia submitted undertakings to remove the anticompetitive effects of its conducts. On December 29, 2014, AGCM decided to publish these undertakings, thus opening a public consultation phase (market test) that ended on January 28, 2015. WIND submitted its observations to the Telecom Italia's undertakings. Subsequently, Telecom Italia was allowed to make changes to the undertakings initially proposed. AGCM postponed the end of proceeding I 761 to December 31, 2015, after the decision to refuse Telecom Italia undertakings. The final hearing was held before the Authority on October 6, 2015. On December 23, 2015, the Authority closed the proceeding, publishing its final decision and sanctioning Telecom Italia and six "System" companies (Alpitel, Ceit Impianti, Sielte, Sirte, Site, Valtellina), for the violation of article 101 of the TFUE. The total penalty is approximately €28 million. Telecom Italia also appealed before TAR Lazio the AGCM decision to extend its investigation to Telecom Italia. Telecom Italia has further asked to TAR Lazio to cancel the first hearing (June 11, 2014). The TAR Lazio accepted Telecom Italia's request and decided to dismiss the litigation. Telecom Italia appealed the judgment before the *Consiglio di Stato*. The appeal is still pending.

By filing a lawsuit before the Court of Milan, WIND claimed compensation from TIM of €57 million, increased during the proceedings to approximately €58 million, for damages arising from an alleged antitrust violation established in the AGCM case I761 (on corrective maintenance) regarding the period 2012 - 2015.

#### ***Proceedings A 500A e A500B***

In November 2016, AGCM initiated investigation proceedings against TIM and Vodafone (A500B and A500A, respectively) for two separate but similar alleged violations of article 102 of the TFUE (abuse of dominant position) against the two companies operating in the national bulk SMS market. On December 19, 2016, WIND and "3" each sent a formal request to the Authority to participate in the proceedings and both requests were upheld. On April 6, 2017, AGCM notified Wind Tre that the commitments submitted separately by TIM and Vodafone had been rejected. In this case the Authority maintained that these commitments were insufficient to eliminate the charge of anti-competitive conduct. AGCM postponed the end of proceedings from November 30, 2017, to December 31, 2017, to provide TIM and Vodafone the opportunity to analyze, prior to the final hearing, the statement of objection published on July 28, 2017. AGCM will issue the final decision, after the final hearing, by December 31, 2017.

### ***Proceedings I 799***

On February 9, 2017, the AGCM started a proceeding (I799) against Telecom Italia and Fastweb for an alleged agreement to restrict competition (article 101 of the TFUE) as a result of the agreement leading to the creation of Flash Fiber for implementing FTTH solutions in certain specific cities. This proceeding, in which Wind Tre was authorized to participate, was initiated on the basis of a report made by WIND on July 29, 2016, and then subsequent reports made by Vodafone and Enel. AGCM postponed the end of its evaluation regarding the “market test” from October 3, 2017, to October 31, 2017. The proceeding is expected to be concluded by December 31, 2017.

On June 28, 2017, the Authority published TIM’s commitments (provision no. 26654) and those of Fastweb (provision no. 26655) in order to submit them to market testing. Observations on the submitted commitments have been received by the Authority until August 3, 2017. AGCM postponed the end of its evaluation about *market test* from October 3, 2017 to October 31, 2017. The proceeding is currently in progress.

### ***Proceedings A 514***

On June 28, 2017, the AGCM published the launch of A514 proceeding against Telecom Italia for a potential dominant position abuse at wholesale and retail level for ultra-broadband services. This included claims of hindering the Infratel Italia tender procedure for covering the FTTH networks in the white areas in order to preserve the monopoly position and to avoid the entry of new competing operators and claims of making customer preemption on ultra-broadband services with anti-competitive commercial policies *i.e.* lock-in. AGCM started the proceeding on the basis of complaints received by Wind Tre S.p.A., Infratel, Vodafone Italia, Enel S.p.A. and Open Fiber S.p.A.

## **New Technologies**

### ***VoIP***

Voice over Internet Protocol, or “**VoIP**,” is a general term for a set of transmission technologies for the delivery of voice communications, such as voice, facsimile, and/or voice-messaging applications over IP networks such as the Internet, rather than the PTSN. In Italy, while VoIP providers operate under the same general authorization regime as other providers of electronic communications services, AGCOM regulates the provision of VoIP services pursuant to its Decision 11/06/CIR. The rights and obligations of VoIP providers may differ depending on the type of VoIP services provided, based on the category of “electronic communications services” under which such services fall. In December 2011, AGCOM published Decision 128/11/CIR which included the main technical guidelines on IP interconnection among networks for the provision of VoIP services.

The current EU telecoms rules are under review, via the so-called “connectivity package” launched in September 2016. The Commission proposed a new European Electronic Communications Code including forward-looking and simplified rules that make it more attractive for all companies to invest in new top-quality infrastructures, everywhere in the EU, both locally and across national borders. The European Electronic Communications Code would apply to providers of both networks and services. Key measures include making regulation more proportionate in return for investment in networks, widening of the scope of the rules to new communication tools (over-the-top services such as VoIP, instant messaging apps and web-based email) and introducing new rules to support the rollout of next generation networks such as 5G.

### ***Next Generation Access Network (NGA)***

In compliance with EU Recommendation n. 572/2010 on regulated access to Next Generation Access Networks, or “**NGA**,” of September 20, 2010, AGCOM launched two public consultations in 2011



and, as result, on January 2012 published its Resolution. Resolution 1/12/CONS sets a number of obligations upon Telecom Italia as SMP (network operator with a significant market power) in granting access to wired access networks consisting (wholly or in part) of optical elements, including the obligation to offer “end-to-end” dark fiber services, bitstream NGA and Virtual Unbundled Local Access (“VULA”), but with no explicit fiber unbundling obligation.

In February 2012, AGCOM launched three consultation proceedings for the completion of the NGA Italian regulatory path and aimed at: (i) defining a cost model for pricing active and passive wholesale access services to Telecom Italia fiber network (AGCOM Resolution 41/12/CONS); (ii) identifying the existence of the conditions required for the enforcement of symmetric obligations on all operators, for the access to fiber vertical wiring and to building connection segments (AGCOM Resolution 43/12/CONS); and (iii) evaluating the regulatory impact of new copper wire sub loop unbundling services also in the light of the possible introduction of vectoring technology on FTTCab-VDSL accesses.

Moreover, AGCOM published three further public consultations on the 2012 Offer prices proposed by Telecom Italia for granting access to: (i) bitstream NGA (FTTC and FTTH), VULA and related services (AGCOM Resolution 95/12/CIR); (ii) NGA infrastructure services (AGCOM Resolution 105/12/CIR); and (iii) NGA “end-to-end” access services (AGCOM Resolution. 114/12/CIR). All three consultations are now closed, and AGCOM approved Telecom Italia’s Offers on NGA bitstream and VULA services, on infrastructure services and end-to-end services (AGCOM Resolutions 9/13/CIR, 10/13/CIR and 15/13/CIR).

During 2013, AGCOM started the proceedings for approval of prices for access to certain 2013 Telecom Italia NGA services. AGCOM approved Telecom Italia’s reference offer for Bitstream NGA and VULA with the Resolution 69/14/CIR, the Telecom Italia 2013 reference offer for end-to-end with the Resolution 128/14/CIR, and the Telecom Italia NGA passive infrastructure with the Resolution 68/14/CIR.

With the Resolution 65/14/CONS published on February 2014, the conclusion of the market analysis for the three year period 2014 - 2016 was postponed by 90 days, to permit to the operators to submit further documents related to relevant new facts that occurred after the second half of 2013. The proceedings were further postponed with AGCOM Resolutions 366/14/CONS, 527/14/CONS and 15/15/CONS. A new public consultation started with Resolution 42/15/CONS published on February 13, 2015 and was closed on November 5, 2015, with Resolution 623/15/CONS.

With Resolution 105/17/CIR AGCOM published in August 2017 a public consultation about Telecom Italia Bitstream, Bitstream NGA and VULA 2017 Reference offers. The consultation is about the technical and economic condition of the services not coming from the BULRIC model (the main monthly fees as been decided during the market analysis on fixed access 623/15/CONS). The consultation is ongoing.

#### ***Start of Customer Migration Procedures***

In August 2009, AGCOM published Resolution 41/09/CIR concerning the integration of activation, migration and deactivation procedures and fixed number portability.

Following an announcement on September 21, 2009, AGCOM began preliminary proceedings concerning “the study and analysis of monitoring data regarding the migration procedures of users among fixed network operators.”

WIND filed a claim on October 19, 2009 for the partial annulment of AGCOM’s Resolution 41/09/CIR in relation to the reduction of terms allowed for the donating operators. On April 18, 2017, the TAR Lazio dismissed the action.

In February 2011 the new procedures of fixed number portability on the basis of the rules established by AGCOM's Resolution 35/10/CIR were implemented by WIND.

In November 2013 AGCOM published Resolution 611/13/CONS enlarging the scope of the procedures of user migration to the new NGAN wholesale services offered by Telecom Italia and to the so-called "OLO retail/OLO wholesale" case (when an OLO resells to another OLO a wholesale service acquired by Telecom Italia).

Following technical discussions between operators at AGCOM to update migration procedures, taking account of LLU subloop services, the possibility of managing virtual operators in the fixed-line segment and the need to manage the migrations onto the Telecom Italia NGA offers in the fixed-line segment, and following a public consultation (31/13/CIR) on November 20, 2013, by way of Resolution 611/13/CONS, AGCOM issued supplements to the activation, migration and termination procedures in access services for Telecom Italia's NGAN services (VULA, FTTCab-FTTH, Bitstream FTTCab naked and shared, Bitstream FTTH, End to End, access to the termination segment in optic fiber) and subloop services (providing the new overwriting matrices) and for the resale of access services at a wholesale level (the OLO retail/OLO wholesale procedures).

Concerning the activation/migration procedure, AGCOM issued Resolution 309/14/CONS on July 17, 2014, in which it ordered Telecom Italia to comply with the rules governing the procedures for user transfer. AGCOM is currently monitoring the implementation by Telecom Italia of the requirements of Resolution 309/14/CONS.

During March 2015, AGCOM provided operators with preliminary information on the investigations carried out by the AGCOM workgroup in charge of monitoring fixed customer network migration. AGCOM has asked market operators to provide their observations on this information and the findings. AGCOM's assessment process is still in progress. In addition, in October 2015, by way of Resolution 119/15/CIR, AGCOM submitted for consultation a revision of the timing underlying the pure number portability procedure for fixed-lines. The consultation ended in April 2016, with Resolution 40/16/CIR providing for a technical workgroup to be launched for reviewing and supplementing the existing fixed number portability procedures. In October 2016, it was announced that AGCOM had set up a technical workgroup for reviewing and supplementing the fixed migration procedures in order to also consider the NGA to NGA offer customer switch.

In June 2017, AGCOM started a technical table to integrate and update the current fixed migration procedure available to make them adapted also in case of fiber offers. The next meeting is foreseen for November.

Mobile number portability is also regulated in Italy by AGCOM. Mobile number portability is free of charge at wholesale and donating operator levels. A charge may be applied at the retail level where the customer requests to transfer the remaining prepaid credit from an old SIM to a new SIM bought by the customer with the new carrier. The inter-operator time taken to port a number is one business day. If the time taken is longer than three days, the customer receives compensation for each day's delay after day one.

## **Licenses**

WIND's license to provide mobile telephone services in Italy using digital GSM-1800 and GSM-900 technology (issued in 1998) was extended until December 31, 2029, on September 28, 2017, and Wind Tre paid an extension and re-farming fee of approximately €434 million. The fixed-line license does not provide for the granting of scarce resources and therefore, given that the number of potential licenses is not limited, the denial of its renewal is unlikely. Please see "*Risk Factors—Risks Related to Wind Tre's Market and Business—Wind Tre's licenses and permits to provide mobile services have finite terms, and any inability to renew any of these licenses and permits upon termination, or any inability to obtain new licenses and permits for*

*new technologies, could adversely affect Wind Tre's business.*” WIND’s UMTS license became effective on January 1, 2002, and is now due to expire on December 31, 2029, and thereafter may be renewed for an additional seven years by the relevant authorities. Pursuant to the terms of the UMTS license, WIND has coverage in all Italian regional capitals.

In March 2009, the MISE announced a tender for the assignment of rights of use for the frequencies in the 2,100 MHz band, divided into three 5 MHz bandwidth blocks. WIND participated in this tender and was awarded a 5 MHz block of UMTS spectrum for €89.0 million in June 2009, for a term corresponding to the term of the original UMTS license. In September 2009, the MISE formally assigned the right of use for such frequencies. A separate assignment procedure, linked to the 2,100 MHz assignment procedure, for the assignment of a 5 MHz block in the 900 MHz band of spectrum to either new operators in the Italian market or “UMTS only” operators concluded with the assignment of such spectrum to H3G S.p.A.

In 2011, the MISE announced a tender for the assignment of rights of use for frequencies in the 800, 1800, 2000 and 2,600 MHz band, following the announcement published in “*Gazzetta Ufficiale della Repubblica Italiana n. 75, Quinta Serie Speciale*” of June 27, 2011. This tender for new fourth-generation mobile frequencies generated total proceeds of approximately €4 billion. All of Italy’s four main telecom operators, Telecom Italia, Vodafone, WIND and H3G S.p.A. were awarded the new frequencies. WIND obtained two blocks of 800 MHz and four blocks of 2,600 MHz spectrum for a total consideration of €1.1 billion, TIM and Vodafone secured two blocks of 800 MHz each, one block of 1,800 MHz each and three blocks of 2,600 MHz each, while H3G S.p.A. obtained one block of 1,800 MHz (for two other blocks H3G S.p.A. was granted an option of assignment due to its having new entrant status) and four blocks of 2,600 MHz (of which two are unpaired).

Italian Budget Law n. 190 of December 23, 2014 established that a procedure for assigning the frequencies in the band 1452 - 1492 MHz should occur in 2015. AGCOM therefore published on February 9, 2015 Resolution 18/15/CONS starting the public consultation about the procedure and rules for the assignment of the 1452 - 1492 MHz band. The consultation was closed on May 25, 2015.

Moreover the governmental stability law in December 2014, established that the Italian NRA will launch the procedures for the planning of frequencies allocated internationally to Italy, and not assigned to the national network operators, for the digital terrestrial television service for the provision of the related transmission capacity to the local providers of audiovisual media services. In the same law, the government established the assignment of a channel adjacent to WIND LTE band, awarded in the 2011 LTE auction. This assignment could determine higher costs for WIND for the elimination of interference.

Finally, Wind Tre has obtained a temporary authorization in Area 2 (Prato e L’Aquila) for pre-commercial 5G testing in the 3.7 - 3.8 GHz frequency band, on September 22, 2017.

See “*Regulation—Assignment of Spectrum.*”

## MANAGEMENT

### Wind Tre

#### *Board of Directors*

The persons set forth below are the current members of the Board of Directors of Wind Tre as appointed on November 5, 2016, except in the case of Mr. Jeffrey Alan Hedberg, who was appointed on June 22, 2017. The term of all current Board members will expire upon the approval of the financial accounts as of December 31, 2018. The Board of Directors of Wind Tre manages the business activities of Wind Tre. The address for each of the directors and executive officers of Wind Tre is Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan.

Name	Age	Position
Mr. Christian Nicolas Roger Salbaing . . . . .	67	Chairman of the Board of Directors
Mr. Jeffrey Alan Hedberg . . . . .	55	Managing Director
Mr. Kjell Morten Johnsen . . . . .	49	Director

*Christian Nicolas Roger Salbaing* was appointed Chairman of the Board of Directors of Wind Tre on November 5, 2016. Mr. Salbaing was previously a Director of 3Italia S.p.A. H3G S.p.A. His is also the Deputy Chairman of Huthison Whampoa (Europe) Limited, the European headquarters company of CK Hutchison Holdings Limited. Mr. Salbaing received an L.L.L. degree in Civil Law from the University of Montreal and a Juris Doctor degree from the University of San Francisco. He is a member of the Bars of Quebec, California (inactive status since 2006) and Paris.

*Jeffrey Alan Hedberg* has been a member of the Board of Directors of Wind Tre S.p.A. and Chief Executive Officer of Wind Tre S.p.A. since June 2017. Mr. Hedberg has been Group Chief People Officer at VEON Ltd. since November 10, 2016 and serves as a Member of its Management Board and served as its Chief Executive Officer of Mobilink for Pakistan from July 2014 until 2017. Mr. Hedberg served as the Chief Executive Officer of Deutsche Telekom USA from 2002 until 2004. He served as Acting Chief Executive Officer of Telkom South Africa and Chief Executive Officer of Telkom's Nigerian subsidiary, Multi-Links Nigeria. He also served as Chief Executive Officer of Cell C, in South Africa. From 1999 to 2002, he served as Executive Vice President and Member of the Board of Management of Deutsche Telekom AG where he developed the strategy for the International Division. He served as Executive Vice President of Swisscom International from 1997 until 1998. He served as a Senior Advisor in Boston Consulting Group's South Africa office and its Munich-based Technology, Media and Telecommunications Practice area. Mr. Hedberg holds a Master's degree in International Management from the University of Denver and a Bachelor of Business Administration Degree from Northeastern University.

*Kjell Morten Johnsen* has been VEON's Head of Major Markets and Chief Executive Officer of VEON Russia (PJSC VimpelCom), with responsibility for the VEON Group's business in Russia, and Wind Tre S.p.A as its Managing Director of the Board of Directors since November 2016. Mr. Johnsen joined VEON from Telenor, where he was head of Telenor Europe with previous roles as CEO of Telenor Serbia, as well as Senior Vice President and Head of Telenor Russia, Telenor Central & Eastern Europe. He was also a member of VEON's supervisory board from 2010 until 2015 and PJSC's Board of Directors from 2007 to 2013. Prior to entering the telecommunications industry in 2000, Mr. Johnsen worked for Norsk Hydro in France and Ukraine, and Scandsea International in Norway and Russia. Mr. Johnsen, has an MBA from the Norwegian School of Economics and Business Administration, and has attended the University of Oslo where he obtained an intermediate Economics degree, Norwegian School of Management, and Nord University Business School.

### *Executive Officers*

Set forth below is certain information concerning the individuals serving as the executive officers of Wind Tre.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Jeffrey Hedberg . . . . .	55	Chief Executive Officer
Mr. Massimo Angelini . . . . .	57	PR Internal & External Communication Director
Mr. Robert Lloveras Eckert . . . . .	56	Merger Integration Officer
Ms. Rossella Gangi . . . . .	51	Human Resources Director
Mr. Benoit Hanssen . . . . .	46	Chief Technology Officer
Mr. Stefano Invernizzi . . . . .	52	Chief Financial Officer
Mr. Valerio Marra . . . . .	48	Consumer BU Director
Mr. Paolo Nanni . . . . .	46	Business & Wholesale BU Director
Mr. Claudio Ongaro . . . . .	49	CEO Office Director
Mr. Mark Shalaby . . . . .	44	Legal Regulatory & Compliance Director
Mr. Michiel Van Eldik . . . . .	47	Digital BU Director

*Jeffrey Alan Hedberg.* For information on Mr. Hedberg, see “—Wind Tre—Board of Directors.”

*Massimo Angelini* has been Director of PR Internal & External Communication since December 31, 2016. Mr. Angelini joined Wind in 1999 as head of Total Quality, and in 2002 became ULL Project Manager. In 2003 he became Director of the Commercial Consumer Department in the North East and in 2004 became Director of Customer Operations. In July 2007 he became Sales Director of Infostrada’s Consumer Business Unit. In 2012 he became Director of Public Relations in Wind Telecomunicazioni S.p.A. Mr. Angelini holds a degree in Business and Economics from “La Spaienza” University in Rome and has a Masters in Managerial Development from the LUISS University in Rome.

*Robert Lloveras Eckert* has been the Merger & Integration Officer since September 15, 2017. Prior to his current position, Mr. Eckert was the Chief Financial Officer of Hutchison Whampoa Europe from 2010 to 2017. From 2009 to 2010 Robert was Executive Director of Nordisk Mobiltelefon (Sweden). Robert joined the CKHH Group in 2002, first as Chief Financial Officer of “3” Austria and from 2005 to 2008 as Chief Strategy, Planning and Control Officer of 3Italia. In 1995, he joined Swisscom International as Financial Director. Three years later he became Chief Financial Officer of Netsource (Norway) and then in 2000, he became Chief Financial Officer of Cybernet Internet Services (Germany). Mr. Eckert holds a bachelor’s degree in Marketing and International Business from Northeastern University and a Masters of Business Administration from Fontainebleau’s INSEAD.

*Rossella Gangi* has been the Director of Human Resources since September 15, 2017. Prior to her current position, she was the Head of Compensation & Benefit and of Management Development for Wind starting in 2001, and later became Head of Human Resources Management and then Head of HR Management, People Development and Industrial Relations. Ms. Gangi holds a law degree from *Università degli Studi di Napoli Federico II* and an MBA from Sloan School of Management (Boston).

*Benoit Hanssen* has been the Chief Technology Officer at since December 31, 2016. He joined Wind Tre at the start of the joint venture in 2016 from Vodafone Hutchison Australia where he was also the Chief Technology Officer. Prior to that he headed up the global managed services operation at Ericsson, as well as Chief Technology Officer at CKHH Indonesia from 2007. Between 2001 and 2007 Benoit played a key role in creating and developing Ericsson’s managed services business. Assignments during that period included the running of the Telfort/O2 network in the Netherlands, and the Bharti Airtel network across 15 circles in India. He joined the telecom industry in 1997 after working in the oil services industry. Mr. Hanssen studied Electrical Engineering at the University of Technology of Eindhoven and has a Master of Business Administration from Webster University in Leiden.

*Stefano Invernizzi* has been the Chief Financial Officer of Wind Tre since November 2016. Prior to that he was Chief Financial Officer and member of the Board of Directors at 3 ITALIA from October 2009 to October 2016, and prior to that was their Financial Director from 2005 to 2009. Mr. Invernizzi holds a degree in Economics from the Bocconi University of Milan.

*Valerio Marra* has been the Consumer BU Director of Wind Tre since 2017. Prior to that he was the Commercial Department Director of Wind from 2014 to 2017, and was the Business Unit Consumer and SME Director from September 2013 to June 2014 for WIND. He joined Wind Tre in January 2010 as Consumer Sales Director and is now a member of the SPAL TLC board. He began his professional experience in the telecommunications sector in 1996 working at OMNITEL/VODAFONE, where he held a number of significant roles, becoming Regional Director—South Area in 2007 and Marketing Director of “@Home” in 2008. Prior to working in the telecommunications sector, Mr. Marra worked as a consultant. Mr. Marra holds a degree in Economics from Federico II University of Naples.

*Paolo Nanni* has been the Director of Business & Wholesale at Wind Tre since December 31, 2016. Prior to that he was the Head of Strategies, Business Analysis and Planning and Control of Wind Tre since June 2011 and was Head of Strategies, Planning and Business Analysis from June 2009 to May 2011. From July 2007 to May 2009, he was responsible for Reporting & Quality, and from September 2001 to July 2007 he was responsible for Business Planning. Prior to joining Wind Tre, Mr. Nanni worked for Telecom Italia as Supervisor for TIM Brazil Branches within Planning & Control from November 1998 to April 2001, and within the strategy department from 1996 to 1997. Mr. Nanni holds a degree in Economics from the Sapienza University of Rome.

*Claudio Ongaro* has been the CEO Office Director of Wind Tre S.p.A. since May 19, 2017. He joined Wind Telecomunicazioni S.p.A. in 2010 as Head of Business Strategies, a role he held until the completion of the Merger. He was appointed to the role of Head of Wholesale & Remedy Taker. He spent his whole career in the telecommunications industry, gaining experience in South America, UK, Greece and the Middle East. In 1995 he worked for Omnitel Pronto Italia (now Vodafone Italia) participating in the start-up phase with roles of growing responsibility in network. From 2007 he worked with the Orascom Group, initially in the broadband wireless and then in Wind Hellas with the dual role of Chief Strategy Officer and Chief of Fixed Business. Mr. Ongaro graduated in Electronic Engineering at the Politecnico di Milano and holds a Master in ICT at Cefriel in Milan.

*Mark Shalaby* has been the Director of Legal, Compliance & Regulatory since December 31, 2016. Before that, he was Director of Legal Affairs of WIND Telecomunicazioni S.p.A. from June 2008 which followed a secondment starting in February 2007. Prior to which, Mr. Shalaby worked for the law firm of White & Case LLP where he specialized in privatization and infrastructure related work. Mr. Shalaby is admitted to the New York State Bar and District of Columbia Bar. Mr. Shalaby holds a bachelor's degree from Stanford University, a master's degree from the Georgetown School of Foreign Service and a Juris Doctorate degree from the Georgetown University Law Center.

*Michiel Van Eldik* has been the Digital BU Director of Wind Tre S.p.A. since December 31, 2016. Prior to joining Wind Tre, he was responsible for the VimpelCom's (now VEON) Consumer Segment. Before VEON he was at Telefonica (O2 plc.) for 12 years, where he most recently worked as CCO for Telefonica Germany. Prior to this Mr. Van Eldik worked for three years at Telefonica in Madrid, where he was the founder of Telefonica Digital, responsible for TEF investment in Telecom Italia, Synergies between China Unicom and Telefonica as well as the wider group innovation, which included TEF incubation program and private equity investment fund. Before this he was one of the founding members of O2 plc. which was the mobile arm that was de-merged of British Telekom, where he held different strategic, corporate development and operating roles. Mr. Van Eldik started his career at Siemens, after this he joined AirTouch where he was responsible for their investments in Italy (Omnitel), Spain (Airtel) and Portugal (Telecel), before he moved to O2 plc. Mr. Van Eldik holds a Bachelor degree in Marketing and an MBA from Nyenrode Business School.

### ***Board of Directors and Shareholders' Practices***

Wind Tre is a joint stock company organized as a *società per azioni* under Italian Law. Below is a summary of the general rules governing its Shareholders and Board of Directors practices.

#### *Shareholders' Meetings*

As required by the Italian Civil Code and included in the by-laws of Wind Tre, the quorum required to hold shareholder meetings is 50% of the corporate share capital for ordinary shareholder meetings and 50% of the corporate share capital plus one share for extraordinary meetings.

The quorum required to validly resolve at such meetings is set forth by the Italian Civil Code, being the absolute majority of shareholders in attendance for the ordinary meetings and 50% of the corporate share capital plus one share for extraordinary meetings.

#### *Shareholders' Reserved Matters*

Pursuant to Wind Tre's by-laws, the following matters shall be subject to the prior authorization of the Shareholders' Meeting:

- (a) issuance of financial instruments: the creation, allotment or issue of financial instruments different from shares by Wind Tre or the granting of an option or right to subscribe in respect of those financial instruments or convert any instrument into shares or other financial instruments;
- (b) security interests and guarantees: the creation of a security interest or the provision of a guarantee of indebtedness by Wind Tre in an amount greater than €40 million;
- (c) financing: the entry by Wind Tre into any debt finance arrangement or amendments to any existing debt finance arrangement which in aggregate would result in the consolidated financial indebtedness of Wind Tre increasing by an amount greater than €40 million;
- (d) related party transactions: the entry into or the variation by Wind Tre of any agreement with any director, officer or shareholder or any third party or group of third parties related to or associated with any director, officer or shareholder, and any payment in respect of any period after the date on which the current by-laws of Wind Tre have been adopted under any pre-existing agreement, commitment or arrangement with any director, officer or shareholder or any third party or group of third parties related to or associated with any director, officer or shareholder;
- (e) sales and acquisitions: the entry by Wind Tre into a transaction or series of related transactions (whether at one time or over a period of 12 months) involving the sale, lease or other disposal of any assets of Wind Tre, or the acquisition or lease of any assets of Wind Tre, for a total consideration or value greater than €40 million, unless such transactions have already been subject to a resolution of the Shareholders' Meeting of Wind Tre;
- (f) share acquisition: any acquisition or subscription by Wind Tre of shares in an entity where the transaction value is greater than €40 million, or the subscription for or acquisition for shares in a newly incorporated entity which is to be a wholly-owned subsidiary of Wind Tre;
- (g) contracts outside of the ordinary course of business: the entry into, amendment or termination by Wind Tre of any contract or arrangement (or series of contracts or arrangements with the same party or group of related parties whether at one time or over a period of six months) outside of the ordinary course of business (being the provision of connectivity and related digital/other products and services) where (i) the consideration under or the value of the contract or arrangement (or series of contracts or arrangements

- with the same party or any of its related parties) is greater than €10 million; or (ii) the contract is of a long term nature;
- (h) contracts within the ordinary course of business: the entry into, amendment or termination by Wind Tre of any contract or arrangement (or series of contracts or arrangements with the same party or group of related parties whether at one time or over a period of 6 months) within the ordinary course of business (being the provision of connectivity and related digital/other products and services) where the consideration under or the value of the contract or arrangement (or series of contracts or arrangements with the same party or any of its related parties) is greater than €40 million;
  - (i) accounting policies: any change to the accounting policies of Wind Tre, other than where required by law or the applicable accounting standards or where the continuation of the existing policy would constitute a breach of such law or accounting standards;
  - (j) changes to the management structure: any organizational or reporting changes to the management structure of Wind Tre as proposed by the Managing Director;
  - (k) joint ventures and partnerships: the entry by Wind Tre into any joint venture, trust, partnership, profit sharing arrangement or consortium arrangement (each a “**JV Arrangement**”) where the revenue potential of the JV Arrangement to Wind Tre or any of its subsidiaries over the first five years of operations is greater than €40 million;
  - (l) litigation: the commencement or settlement of any legal, arbitration or other proceedings (or series of proceedings in relation to similar facts, matters or circumstances whether at one time or over a period of 12 months) relating to Wind Tre where the amount claimed is greater than €10 million or which is expected at the time of initiation to result in counterclaims or a series of counterclaims in an amount greater than €10 million;
  - (m) appointment/removal of Merger Integration Officer: the appointment or removal of the merger integration officer, any change to the terms of his/her engagement;
  - (n) change to the form of employment agreement for the Managing Director: any change to the terms of employment agreement used for a Managing Director to the extent it departs from the form of employment executed on or about the date the current by-laws of Wind Tre have been approved;
  - (o) appointment/removal of executives: appointment (as designated by the Managing Director) or removal (as proposed by the Managing Director) of the chief financial officer and any other direct reports to the Managing Director and any amendment to the terms of their engagement;
  - (p) long-term and short-term incentives: (i) the approval of the long-term and short-term incentives, KPIs, short-term KPIs and payout levels in favor of the directors of Wind Tre; and (ii) the approval of guide lines in relation to long-term and short-term incentives, KPIs (including short-term KPIs) and payout levels in favor of the employees of Wind Tre whose annual gross remuneration exceeds € 10,000.00, all with the exception of those resolutions which require the express approval by the shareholders’ meeting of Wind Tre pursuant to the law;
  - (q) agreed Fundamental Business Objectives: any change to certain given fundamental business objectives agreed as between the ultimate shareholders of Wind Tre;
  - (r) exercise of vote in the subsidiaries: the exercise of the voting rights in the subsidiaries of Wind Tre;



- (s) union issues: the execution, amendment or termination of any material agreement with trade unions or other employee syndicates;
- (t) appointment of consultants or professional advisers: appointment or termination of appointment of consultants or professional advisers, where such appointment or termination has a value of more than €3 million;
- (u) reporting requirements: to set requirements for reporting to shareholders on the operations of Wind Tre;
- (v) suspension of activities: the approval of the suspension, cessation or abandonment of any activity having a financial impact for Wind Tre of more than €10 million; and
- (w) other matters: any other matter which requires approval of the shareholders as a matter of Italian law.

### ***Board of Directors***

Wind Tre's Board of Directors is composed by three (3) directors. It is validly constituted with the presence of both members of the Board of Directors other than the Managing Director. Save for certain exceptions, the favorable vote of both directors in attendance other than the Managing Director shall be required to adopt board resolutions.

### ***Compensation of Directors and Officers***

The aggregate compensation Wind Tre and its subsidiaries paid to their directors and executive officers holding positions comparable to those identified above under the caption “—*Executive Officers*” and their statutory auditors for the year ended December 31, 2016, excluding the Bonus Plan (as defined below), pension, retirement and similar benefits, was approximately €5 million.

### ***Incentive Plans***

#### ***Long Term Incentive Plan***

Wind Tre has introduced a long term incentive plan (the “**LTIP**”) for its employees for the years 2017 - 2019. The objectives of the LTIP are to (i) provide for fair incentives for appropriate senior employees, (ii) enhance alignment with the shareholders' interests, and (iii) promote teamwork and cooperation with the shareholders.

The LTIP is premised on the achievement of certain key performance indicators (the “**KPIs**”) and is an annual rolling plan with a KPI scheme based on the next three calendar years.

Participation in the LTIP is proposed by the Chief Executive Officer and is approved by the Remuneration Committee. This process applies for each year of the plan.

Payments under the LTIP will be made at the end of the three year period. Target Awards under the LTIP are calculated as a percentage of the relevant employee's current base salary measured at the beginning of the month in which awards letters are signed and will remain fixed for the entire period of participation.

#### ***The Short Term Incentive Plan***

Wind Tre has introduced the Short Term Incentive Plan (the “**STIP**”) for its employees for the year 2017. The objectives of the STIP are to reward employees for their efforts to enhance the business operations of Wind Tre.

The STIP is premised on the achievements of both company targets and individual quantitative KPIs. In particular, under the STIP, while most of the management team is entitled to payments under the plan depending on the full achievement of company targets, the remaining participants are entitled to payments depending on the achievement of 85% of the company's targets and 15% of the individual quantitative KPIs. Up to 516 employees are currently eligible under this plan, and the maximum target cost is expected to be approximately €19 million.

#### ***Legislative Decree 231/2001***

The Legislative Decree No. 231/2001, as amended ("Decree 231/01") provides for the administrative liability of a corporate entity for crimes committed in its interest or to its advantage by certain individuals such as its employees, directors and representatives. The Decree 231/01 applies to, among others, crimes committed in the context of dealings with the public administration (including bribery, misappropriation of public contributions, fraud against the state), corporate crimes, environmental crimes and crimes of manslaughter or serious injury in violation of provisions on health and safety at the workplace.

The Wind Tre group adopted and implemented an Organizational and Management Model ("**Model 231/01**" or "**Model**") as mandated by the Decree 231/01 to face and mitigate the different risks as a result of a violation of the Decree 231/01. Moreover, each of the Wind Tre Italian subsidiaries also adopted a Model 231/01 aligned with the Decree 231/01, while WAF adopted a specific system of procedures and a code of conduct in addition, according to the laws of Luxembourg. Wind Tre's Model is based on the provisions of the Decree 231/01 and the guidelines established by Confindustria Italian industries association.

The Model 231/01 Wind Tre devised (and has been updating regularly) is based on a structured and comprehensive system of procedures and control activities aimed at monitoring the company's activities that are most exposed, even only potentially, to the risk of crimes contemplated by the decree (areas at risk), in order to prevent them.

In order to implement the provisions of the Decree 231/01, upon approving the Model, the Wind Tre board of directors appointed a supervisory body of 4 members (2 external members and 2 internal members) with independent powers to act and perform controls and generally in charge of monitoring the functionality, effectiveness and observance of the Model itself, as well as ensuring its regular updating.

The Wind Tre's Model 231/01 comprises (i) a general part, which includes the purpose of the Model itself section, the training and disciplinary sections, the updates and periodic checks provisions section, and (ii) a second special part, which includes the description of the different risk areas.

Wind Tre believes that the adoption and updating of this Model, together with the code of ethics Wind Tre adopted, will provide an additional valid tool for raising awareness among all Wind Tre employees, as well as third parties which have business relationship with Wind Tre. This is to ensure that, in performing their own activities, third parties will adopt fair and transparent conducts that are consistent with the ethical and social values Wind Tre promotes and pursues.

## PRINCIPAL SHAREHOLDERS

### Wind Tre

As of June 30, 2017, Wind Tre had an authorized fully paid up share capital of €474,303,795.00, comprising 94,860,759 shares with a par value of €5.00 each. Wind Tre is incorporated as a joint stock company (a *società per azioni*) under Italian law. Wind Tre Italia is the sole shareholder of Wind Tre, holding 100% of Wind Tre's total share capital.

### Wind Tre Italia

As of June 30, 2017, Wind Tre Italia had a share capital of €2,346,637,037.97, comprised of 1,302,543,090 shares with no par value. Wind Tre Italia is a joint stock company (a *società per azioni*) incorporated under Italian law. VIP-CKH Luxembourg S.à r.l. owns 100% of Wind Tre Italia's total share capital.

### VIP-CKH Luxembourg S.à r.l.

VIP-CKH Luxembourg S.à r.l. (“VIP-CKH”) has a share capital of €50,000, comprised of 100,000 shares with a par value of €0.40 each, with each being fully paid up. VIP-CKH is a (*société à responsabilité limitée*) incorporated under Luxembourg law. As of June 30, 2017, the current ownership of VIP-CKH was as follows:

<u>Name of beneficial owner</u>	<u>Number of shares</u>	<u>Percentage holding</u>
VEON Luxembourg Holding <sup>(1)</sup> . . . . .	50,000	50.0%
Hutchison Europe Telecommunications S.à r.l. <sup>(2)</sup> . . . . .	48,707	48.7%
HET Investments S.A. <sup>(3)</sup> . . . . .	1,293	1.3%
<b>Total</b> . . . . .	<b>100,000</b>	<b>100%</b>

(1) VEON Luxembourg Holding is beneficially owned by a wholly owned subsidiary of VEON Ltd., headquartered in Amsterdam, the Netherlands, which has publicly listed securities traded on NASDAQ and Euronext Amsterdam (both under the symbol “VEON”).

(2) Hutchison Europe Telecommunications S.à r.l. is beneficially owned by a wholly owned subsidiary of CK Hutchison Holdings Ltd, headquartered in Hong Kong, which has publicly listed equities traded on the Hong Kong Stock Exchange under the symbol “HKG:0001.”

(3) HET Investments S.A. is 97.414% owned by Hutchison Europe Telecommunications S.à r.l. (an indirect wholly-owned subsidiary of CK Hutchison Holdings Limited) and is 2.586% owned by Private Equity International S.A. (“**PE International**,” a company belonging to the Intesa Sanpaolo group), such 2.586% represents a 1.293% indirect economic interest in VIP-CKH. CK Hutchison Holdings Limited has the right to acquire such interest of PE International under an option with a mandatory exercise date no later than July 25, 2022.

### *Shareholders Agreement of VIP-CKH*

Pursuant to the terms of a shareholders’ deed of VIP-CKH Luxembourg S.à r.l. (the “**Shareholders Deed**”), which have been incorporated into the bylaws of its subsidiaries, including Wind Tre, no party may reduce its aggregate indirect holding in VIP-CKH Luxembourg S.à r.l. below 50% for the first year following completion. After the first year, either party may sell its shares in VIP-CKH Luxembourg S.à r.l. to third parties after offering a right of first offer to the other party. Once three years following the completion have elapsed, each shareholder can invoke a buy/sell mechanism at any time.

The Shareholders Deed contains certain customary provisions, including non-compete provisions for directors and senior management of Wind Tre, confidentiality obligations and customary exit rights

such as a tag-along right in favor of the non-transferring party and a drag-along right in favor of the transferring party, in each case subject to the restrictions on transfers of shares described above.

Under the Shareholders Deed, subject to certain limitations such as applicable law, fundamental business objectives and compliance with any applicable finance documentation, distributions to the shareholders will be made when the net indebtedness to EBITDA ratio (as calculated in accordance with the terms of the Shareholders Deed) is equal to or below 4.0 to 1.0. Each of the Indenture and the New Senior Credit Facilities Agreement permit distributions when the net indebtedness to EBITDA ratio (in such case, by reference to such agreements) is equal to or below 4.0 to 1.0.

***Board of Managers of VIP-CKH***

The board of managers of VIP-CKH Luxembourg S.à r.l. consists of eight managers, four of whom are nominated by each of VEON and CKHH, respectively. The chairman of the board rotates between VEON and CKHH every 18 months and he has a casting vote on certain fundamental business matters, provided that such vote is cast in accordance with certain agreed fundamental business objectives and the business plan, which is established on a five-year rolling basis.

**Voting Rights Attached to Wind Tre Share Capital**

The rights with respect to shareholders' matters of Wind Tre are governed by the provisions of the Italian Civil Code and the by-laws, as discussed under the caption "*Management—Wind Tre—Board of Directors and Shareholders' Practices—Shareholders' Reserved Matters.*"

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Shareholder Loans

Wind Tre currently has outstanding loans from certain of its shareholders, for further information see “*Description of Certain Financing Arrangements—Shareholder loans.*”

### Loans to Wind Tre Italia

On April 23, 2014, WIND made a loan to WAHF (now Wind Tre Italia) as part of a refinancing transaction at WAHF for a nominal amount of €925 million, under which interest may be capitalized in accordance with its terms. As of June 30, 2017, an aggregate principal amount of €1,090 million was outstanding on this loan. Furthermore, on August 4, 2014, WIND made another loan to WAHF for a nominal amount up to €75.0 million, of which €67.9 million was drawn as of June 30, 2017.

### Tax Consolidation Regime and Agreement

Due to the Mergers and the merger of WAHF and 3Italia S.p.A., the tax consolidation regime of the Wind Tre Group has been amended and modified. Companies currently taking part in the tax consolidation regime are the following: Wind Tre Italia S.p.A. (consolidating entity), Wind Tre and 3lettronica Industriale S.p.A.

Each of Wind Tre Italia, Wind Tre and 3lettronica Industriale S.p.A., opted for the Italian domestic tax consolidation regime relating to the Italian corporate income tax (“IRES”) and entered into a tax consolidation agreement (the “**Tax Consolidation Agreement**”). Wind Retail S.à r.l., a subsidiary of Wind Tre, will enter into the tax consolidation regime through the submission of the next tax return, with an effective date of January 1, 2017.

Under the Italian domestic tax consolidation regime, IRES is levied on the Wind Tre Group’s aggregate taxable income, determined as the sum of the taxable profit or loss of each Italian company in the Wind Tre Group included in the tax consolidation area. In particular, each Italian company controlled by Wind Tre Italia and included in the tax consolidation area (i) determines its taxable income on a stand-alone basis and pursuant to the ordinary IRES rules, and (ii) prepares its own tax return to be filed before the Italian tax authorities and transmitted to Wind Tre Italia. In turn, Wind Tre Italia: (i) calculates the Wind Tre Group’s aggregate taxable profit or tax loss (also in light of certain tax consolidation adjustments), through the algebraic sum of the profit or loss made by each company, including itself, irrespective of its shareholding in the Italian companies contained in the tax consolidation area, (ii) calculates and pays the tax due by the Wind Tre Group and (iii) files the consolidated tax return before the Italian tax authorities.

The Tax Consolidation Agreement, renewed in October 2016, provides for the rules governing the intercompany flows between each Italian controlled company included in the tax consolidation area and Wind Tre Italia, which may derive from the transfers within the tax consolidation area of taxable profits, tax losses, tax credits, advance tax payments and other fiscal items.

### Agreements Relating to Telephone Operations with Members of the CKHH Group and VEON Group and their Affiliates

Wind Tre has entered into a number of agreements with its shareholders and their affiliates. The agreements are on arm’s length terms and their terms vary according to the duration of the agreement and

the nature of the services provided thereunder. The table below is a summary of the results of the agreements between Wind Tre and its parent companies for the six month period ending June 30, 2017:

(thousands of euro)	Revenue	Financial Income / (expenses)	Expenses	Trade receivables	Other receivables	Financial receivables	Financial payables	Trade Payables	Other payables
VEON Ltd. . . . .	3	—	—	—	115	—	—	—	—
VIP-CKH Luxembourg S.à r.l. . . . .	5	—	—	6	—	—	293,841	—	—
Wind Tre Italia S.p.A. . . . .	35	32,845	1,008	—	228	1,089,962	1,446,425	3,025	—
<b>Total . . . . .</b>	<b>43</b>	<b>32,845</b>	<b>1,008</b>	<b>6</b>	<b>343</b>	<b>1,089,962</b>	<b>1,740,266</b>	<b>3,025</b>	<b>—</b>

Wind Tre also enters in to a numbers of agreements with entities associated with its shareholders and their affiliates, from time to time, which relate to telephone operations, such as interconnection and transport agreements (relating to the costs Wind Tre charges for connecting calls and transporting data on Wind Tre’s network), agreements relating to roaming and line leases. The agreements are on arm’s length terms and their terms vary according to the duration of the agreement and the nature of the services provided thereunder. The table below is a summary of the results of the agreements Wind Tre has entered in to with the entities associated with its shareholders and their affiliates for the six month period ending June 30, 2017, which it does not believe, on a standalone basis, are material:

(thousands of euro)	Revenue	Financial Income / (expenses)	Expenses	Trade receivables	Other receivables	Financial receivables	Financial payables	Trade Payables	Other payables
<b>Total . . . . .</b>	<b>2,490</b>	<b>—</b>	<b>15,211</b>	<b>3,312</b>	<b>320</b>	<b>—</b>	<b>—</b>	<b>19,071</b>	<b>5,649</b>

For further information on the these transactions please see notes 35 and 25 of Wind Tre’s financial statements for the year ended December 31, 2016, and for the six months ended June 30, 2017, respectively.

#### Contracts with Parent Companies and Shareholders

Wind Tre (or its predecessor’s) has entered into management services with its shareholders for services including information technology, marketing and branding, commercial strategy, strategic planning, human resources, information systems, sales and distribution, procurement, international traffic, customer care and other general internal organizational matters. Wind Tre will consider whether to enter into such agreements with its shareholders from time to time subject to the requirements of any of its finance documents.

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following is a summary of certain provisions of Wind Tre's material indebtedness upon consummation of the Transactions and does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.*

### New Senior Credit Facilities Agreement

#### *Overview and Structure*

In connection with the Offering, Wind Tre will, on or prior to the Issue Date, enter into the New Senior Credit Facilities Agreement with, among others, Banca IMI S.p.A. as agent, Banca IMI S.p.A. as the security agent, and Bank of America Merrill Lynch International Limited, Deutsche Bank AG, London Branch, and HSBC Bank plc, as global coordinators. The New Senior Credit Facilities Agreement will provide for a New Revolving Credit Facility in a principal amount of €400.0 million and a New Term Loan A in a principal amount of €3,000.0 million.

Wind Tre may apply all amounts borrowed by it under the New Term Loan A in or towards: (i) refinancing or otherwise discharging the indebtedness outstanding immediately prior to the first date on which any of the New Senior Credit Facilities are drawn, and paying any related breakage costs, redemption premium, make-whole costs and other fees, costs and expenses payable in connection with such refinancing and/or discharge; (ii) directly or indirectly financing other related amounts including fees, costs and expenses; and (iii) to the extent not required to satisfy amounts under (i) and (ii) above, funding cash on the balance sheet of the SFA Group (as defined below) for general corporate purposes and/or working capital requirements of the SFA Group.

The New Revolving Credit Facility may be utilized by Wind Tre and certain other members of the SFA Group (for the purposes of the New Senior Credit Facilities Agreement, the “**SFA Group**” consists of Wind Tre and its subsidiaries from time to time, but excluding unrestricted subsidiaries (under and as defined in the New Senior Credit Facilities Agreement)) who accede as borrowers under the New Senior Credit Facilities Agreement, in euros, British pounds, or U.S. dollars and (subject to obtaining the consent of all the New Revolving Credit Facility lenders) certain other readily available currencies by the drawing of cash advances, the issue of letters of credit and ancillary facilities (on a bilateral and fronted basis). The New Revolving Credit Facility may be used, directly or indirectly, for the financing or refinancing of the SFA Group's general corporate purposes and/or working capital requirements (including, for the avoidance of doubt, capital expenditure).

In addition to the New Revolving Credit Facility and the New Term Loan A, the New Senior Credit Facilities Agreement includes the ability (without double counting against the limitation on indebtedness covenant) to incur additional indebtedness (including under one or more uncommitted additional facilities within the New Senior Credit Facilities Agreement and/or any additional Notes and/or other facilities or notes documented outside the New Senior Credit Facilities Agreement) up to an aggregate amount the greater of €2,000 million and 100% of LTM EBITDA (as defined in the New Senior Credit Facilities Agreement) (the “**free and clear basket**”) and subject to certain customary additions, plus an unlimited amount (the “**ratio amount**”), provided that, *pro forma* for the incurrence of such ratio amount and *pro forma* effect to the use of proceeds thereof, such indebtedness would not cause the ratio of consolidated total net debt to consolidated *pro forma* EBITDA (each as defined in the New Senior Credit Facilities Agreement) (the “**Consolidated Total Net Leverage Ratio**”) to exceed 3.75:1, subject to certain other conditions being met. The New Senior Credit Facilities Agreement also contains certain other permitted debt baskets, such as the ability to incur debt to finance the acquisition of spectrum, up to an aggregate amount the greater of €1,000 million and 50% of LTM EBITDA (as defined in the New Senior Credit Facilities Agreement) the incurrence of which would reduce the availability under the free and clear basket.

### ***Availability***

The New Term Loan A will be available on and from the date of the New Senior Credit Facilities Agreement up to (and including) the earliest to occur of (i) the date on which the first utilization of any of the facilities under the New Senior Credit Facilities Agreement occurs (the “Closing Date”); and (ii) December 15, 2017.

The New Revolving Credit Facility may be utilized from (and including) the Closing Date to (and including) the date which is one month prior to the maturity date of the New Revolving Credit Facility.

Any additional facility commitments will be available for the period specified in the notice delivered by Wind Tre in accordance with the New Senior Credit Facilities Agreement.

### ***Conditions Precedent***

Utilizations of the New Senior Credit Facilities are subject to customary conditions precedent.

### ***Interest and Fees***

Loans under the New Senior Credit Facilities Agreement will initially bear interest at rates per annum equal to EURIBOR or, for loans not denominated in euro, LIBOR, plus an applicable margin, which in each case will be subject to a decreasing margin ratchet based on the Consolidated Total Net Leverage Ratio.

From the first day following one complete financial quarter following the Closing Date, the margin applicable to the New Term Loan A and the New Revolving Credit Facility will be subject to adjustment by reference to the Consolidated Total Net Leverage Ratio as shown in the then most recent compliance certificate, to equal the rate per annum set out in the following table (provided that certain events of defaults have not occurred and are continuing):

<u>Consolidated Total Net Leverage Ratio</u>	<u>Term Loan A Margin (% per annum)</u>	<u>New Revolving Credit Facility Margin (% per annum)</u>
Greater than 4.50:1	2.50%	2.25%
Equal to or less than 4.50:1 but greater than 3.50:1	2.00%	1.75%
Equal to or less than 3.50:1 but greater than 3.00:1	1.75%	1.50%
Equal to or less than 3.00:1	1.50%	1.25%

If EURIBOR is less than zero, EURIBOR shall be deemed to be zero in respect of New Term Loan A. If LIBOR or EURIBOR is less than zero, LIBOR or EURIBOR (as the case may be) shall be deemed to be zero in respect of New Revolving Credit Facility Loans.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the New Revolving Credit Facility from the Closing Date to the end of the availability period applicable of the New Revolving Credit Facility at a rate of 35% of the applicable margin for the New Revolving Credit Facility. Commitment fees will be payable quarterly in arrear and on the date the New Revolving Credit Facility is canceled in full or on the date on which the relevant lender cancels its commitment.

Default interest will be calculated as an additional 1% on the defaulted amount.

### ***Repayments***

Amortization payments are required under the New Term Loan A in amounts equal to 15% of the New Term Loan A on the third anniversary of the Closing Date, 20% of the New Term Loan A on the



fourth anniversary of the Closing Date and the remaining 65% on the New Term Loan A on the fifth anniversary of the Closing Date.

In respect of the New Revolving Credit Facility, each advance will be repaid on the last day of the interest period relating thereto, subject to an ability to roll over cash drawings. All outstanding amounts under the New Revolving Credit Facility will be repaid on the date falling five years following the Closing Date. Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be reborrowed, subject to certain conditions.

#### ***Mandatory Prepayment***

The New Senior Credit Facilities Agreement will permit voluntary prepayments to be made (subject to *de minimis* amounts) and will require mandatory prepayment in full or in part in certain circumstances, including:

- on a change of control of Wind Tre or a disposal of all or substantially all the business and assets of the SFA Group (whether in a single transaction or a series of related transactions) or in the case of a listing that results in a change of control (in each case such mandatory prepayment shall only apply upon a lender exercising its individual right to be repaid within the prescribed time period);
- on an initial public offering which does not constitute a change of control (subject to the SFA Group's Consolidated Total Net Leverage Ratio) (a "**Listing Prepayment**"); and
- from certain net cash proceeds received by the SFA Group from certain asset disposals or the receipt of proceeds from certain insurance claims, in each case, to the extent required to be applied in prepayment of the New Senior Credit Facilities and subject to a *de minimis* amount.

#### ***Guarantees and Security***

The New Senior Credit Facilities are guaranteed by Wind Tre and the Guarantor and are secured by first ranking pledges over the Collateral.

Subject to certain adjustments and agreed security principles in the New Senior Credit Facilities Agreement, the New Senior Credit Facilities Agreement will require Wind Tre to ensure that members of the SFA Group that generate at least 80% of Consolidated EBITDA (as defined in the New Senior Credit Facilities Agreement) of the SFA Group (disregarding the Consolidated EBITDA of any member of the SFA Group generating negative Consolidated EBITDA which shall be deemed for these purposes to have zero Consolidated EBITDA) are guarantors under the New Senior Credit Facilities Agreement on the Closing Date and such guarantor coverage test shall be tested on the date on which annual financial statements of the SFA Group are required to be delivered to the agent in each financial year.

#### ***Representations and Warranties***

The New Senior Credit Facilities Agreement will contain certain representations and warranties (subject to certain agreed qualifications and with certain representations being repeated), including: (a) status, (b) binding obligations, (c) non-conflict with other obligations, (d) power and authority, (e) validity and admissibility in evidence, (f) insolvency, (g) filing and stamp taxes, (h) no default, (i) documents, (j) information memorandum, (k) financial statements, (l) no litigation, (m) consents, filings and laws applicable to operations, (n) environmental laws, (o) taxation, (p) no security / financial indebtedness, (q) immunity, (r) insurance, (s) no adverse consequences, (t) jurisdiction/governing law, (u) material contracts, (v) material permits, (w) no winding-up, (x) *pari passu* ranking, (y) legal and beneficial ownership, (z) intellectual property, (aa) anti-corruption law / sanctions, and (bb) center of main interests and establishments.

Certain representations and warranties will be made on the Closing Date and repeating representations shall be repeated on the date of each utilization, on the first day of each interest period (other than in respect of a rollover of the New Revolving Credit Facility) and at certain other times.

### ***Covenants***

The New Senior Credit Facilities Agreement contains certain covenants, information undertakings and related definitions (with, in each case, certain adjustments), including: (i) limitations on indebtedness; (ii) limitations on restricted payments; (iii) limitations on guarantees and security (which includes a guarantor coverage test that must be satisfied with delivery of each annual financial statements); (iv) limitations on sale of assets; and (v) limitations on mergers and consolidations.

In addition, the New Senior Credit Facilities Agreement also requires the Issuer and certain of its restricted subsidiaries to observe certain other customary positive and negative covenants, subject to certain exceptions and grace periods, including covenants relating to: (i) authorizations and consents; (ii) compliance with laws; (iii) *pari passu* ranking; (iv) insurances; (v) payment of taxes; (vi) pension schemes; (vii) intellectual property; (viii) mergers; (ix) change of business; (x) disposals; (xi) arm's length transactions; (xii) negative pledge; (xiii) indebtedness; (xiv) guarantees; (xv) loans; (xvi) joint ventures; (xvii) acquisitions and investments; (xviii) center of main interests; (xix) control and share issues; (xx) distributions out of restricted group; (xxi) guarantees and security; (xxii) further assurance; (xxiii) Intercreditor Agreement; (xxiv) tower infrastructure; (xxv) anti-corruption law and sanctions; (xxvi) rating; (xxvii) junior debt payments; (xxviii) unrestricted subsidiaries; (xxix) segregation of assets or revenues; (xxx) environmental matters (xxxi) treasury transactions; (xxxii) amendments to documents; (xxxiii) bank accounts; (xxxiv) access and (xxxv) surplus cash.

In addition, there is a financial maintenance covenant requiring Wind Tre to maintain a specified Consolidated Total Net Leverage Ratio (being the ratio (x) Consolidated Total Net Debt (as defined in the New Senior Credit Facilities Agreement) at such date to (y) the amount of Consolidated *Pro Forma* EBITDA (as defined in the New Senior Credit Facilities Agreement) for the last 12 months) which is to be tested on the last day of each quarter. The ratio is set at 5.50:1, stepping down to 4.75:1 after 24 months and 4.50:1 after 36 months. A breach of the financial covenant may be prevented or cured upon the receipt of sufficient proceeds of New Shareholder Injections (as defined in the New Senior Credit Facilities Agreement) such that the proceeds, if they are, or had been, received prior to the testing date, the financial covenant would not be breached.

### ***Covenant suspension and security and guarantee release***

It is intended that certain agreed covenants and other provisions of the New Senior Credit Facilities Agreement will be suspended and security and guarantees may be released thereunder on the satisfaction of certain release conditions, being (i) the occurrence of a listing, which does not constitute a change of control, in respect of which the SFA Group's Consolidated Total Net Leverage Ratio is equal to or less than 3.0:1, (ii) the Consolidated Total Net Leverage Ratio for the most recent quarter is equal to or less than 2.5:1, or (iii) Wind Tre having a long-term corporate credit rating equal to or better than Baa3 according to Moody's Investor Services Limited or BBB- according to Standard & Poor's Rating Services.

### ***Events of Default***

The New Senior Credit Facilities Agreement provides for substantially the same events of default as under the Notes. In addition, the New Senior Credit Facilities Agreement provides for additional events of default, subject to customary materiality qualifications and grace periods, including breach of the financial covenant.

### ***Governing Law***

The New Senior Credit Facilities Agreement and any non-contractual obligations arising out of or in connection with it, are governed by, construed in accordance with and will be enforced in accordance with English law.

### **Intercreditor Agreement**

#### ***General***

To establish the relative rights of certain of Wind Tre's creditors under its financing arrangements, the Issuer and the Guarantor will enter into an Intercreditor Agreement with, among others, the agent and lenders under the New Senior Credit Facilities Agreement, the Trustee and the Security Agent.

By accepting a Note, holders of the Notes will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement.

The Intercreditor Agreement is governed by English law and sets out various matters governing the relationship of the creditors to the Wind Tre group (comprising Wind Tre and its restricted subsidiaries, the "**Group**" and each company therein a "**Group Company**") and certain creditors of the Wind Tre Italia group (comprising (a) Wind Tre Italia and its restricted subsidiaries and (b) any person that is not Wind Tre Italia or its restricted subsidiaries that has provided Transaction Security, the "**Holdco Group**" and each company therein a "**Holdco Group Company**") including the relative ranking of certain debt of the Issuer, the Guarantor and any other person that becomes party to the Intercreditor Agreement as a Debtor, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

The following description is a summary of certain provisions contained in the Intercreditor Agreement. It does not restate the Intercreditor Agreement in its entirety and Wind Tre urges you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes and of the Trustee. Capitalized terms used but not defined herein have the meanings given to them in the Intercreditor Agreement.

For the purposes of this description:

References to the "**Senior Secured Notes**" shall include the Notes' any other high yield notes, exchange note, securities or other debt instruments issued or to be issued by a member of the Group that are permitted to be issued in accordance with, or such issuance is not prohibited by, the Senior Secured Finance Documents and, on or after the Senior Term Loan Discharge Date, any facility agreement, credit agreement or other facility that is or evidences any financial indebtedness and which is permitted under the terms of the then existing Senior Finance Documents, Senior Secured Notes Finance Documents and Senior Unsecured Finance Documents to rank *pari passu* in right of payment, security and the proceeds of Transaction Security with the then existing Senior Secured Notes.

"**Cash Management Agreement**" means any agreement or arrangement pursuant to which a Cash Management Provider provides any treasury, cash pooling and/or other cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer and the collection of cheques and direct debits, to a Debtor which is a member of the Group and which, in each case, (at the time it was entered into) does not result in a breach of any relevant debt documents.

"**Cash Management Discharge Date**" means the first date on which all Cash Management Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Cash Management Providers (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under the Cash Management Agreements.

“**Cash Management Provider**” means any bank or financial institution which is a creditor of any liabilities under Cash Management Agreements and the Security Agent claim corresponding to such Liabilities (“**Cash Management Liabilities**”) which is a party to the Intercreditor Agreement in such role.

“**Credit Representative**” means an agent or a notes trustee with respect to any Liabilities under the Intercreditor Agreement.

“**ECA**” means an export credit agency or other investment insurance agency.

“**ECA Risk Policy**” means a political, comprehensive or other insurance policy or guarantee provided to (either exclusively or among other finance parties under the relevant indebtedness) one or more of the Primary Creditors by an ECA in respect of financial indebtedness that is permitted under the Debt Documents.

“**Enforcement Action**” means:

- (a) in relation to any Liabilities:
  - (i) the acceleration of any Liabilities or the making of any declaration that any Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Primary Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, the Debt Documents);
  - (ii) the making of any declaration that any Liabilities are payable on demand;
  - (iii) the making of a demand in relation to a Liability that is payable on demand (other than the making of a demand for the payment of Liabilities of the Security Agent or any agent or trustee under the Senior Liabilities, Senior Secured Notes, each Second Lien Liabilities and Senior Unsecured Liabilities (“**Agent Liabilities**”) that are due at the time of such demand);
  - (iv) the making of any demand against any member of the Holdco Group in relation to any Liabilities of any guarantor or surety under a guarantee, indemnity, surety, parallel debt, contribution or subrogation of the Debt Documents (“**Guarantee Liabilities**”) of that member of the Holdco Group;
  - (v) the exercise of any right to require any member of the Holdco Group to acquire any Liability (including exercising any put or call option against any member of the Holdco Group for the redemption or purchase of any Liability but excluding any such right which arises as a result of the permitted debt purchase transactions provisions of any senior facilities agreement or any similar provisions in the Senior Secured Notes Finance Documents, the Second Lien Finance Documents or the Senior Unsecured Finance Documents and excluding any mandatory offer arising as a result of a change of control, asset sale or escrow special mandatory redemption (howsoever described) as set out in the Notes Finance Documents);
  - (vi) the exercise of any right of set-off, account combination or payment netting against any member of the Holdco Group in respect of any Liabilities other than the exercise of any such right in relation to certain hedging transactions; and
  - (vii) the suing for, or commencing or joining of, any legal or arbitration proceedings against any member of the Holdco Group to recover any Liabilities;
- (b) the premature termination or close-out of any hedging transaction under any Hedging Agreement save to the extent permitted by the Intercreditor Agreement;
- (c) the taking of any steps to enforce or require the enforcement of any Transaction Security or (as the case may be) the Senior Unsecured Only Security (including the crystallization of

any floating charge forming part of the Transaction Security or (as the case may be) the Senior Unsecured Only Security);

(d) the entering into of any composition, compromise, assignment or similar arrangement with any member of the Holdco Group which owes any Liabilities, or has given any security, guarantee or indemnity or other assurance against loss in respect of the Liabilities (other than any action permitted under the change of parties provisions of the Intercreditor Agreement or any debt buy-backs pursuant to open market debt repurchases, tender offers or exchange offers not undertaken as part of an announced restructuring or turnaround plan or while a default was outstanding under the relevant Senior Secured Finance Documents, Second Lien Finance Documents or Senior Unsecured Finance Documents); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator, judicial manager or similar officer) in relation to, the commencement of insolvency proceedings, the winding-up, dissolution, administration, judicial management or financial restructuring, of any member of the Holdco Group which owes any Liabilities, or has given any security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, or any assets of such member of the Holdco Group's assets or any suspension of payments or moratorium of any indebtedness of any such member of the Holdco Group, or any analogous procedure or step in any jurisdiction, except that the following shall not constitute Enforcement Action:

(i) the taking of any action falling within paragraphs (a)(vii) or (e) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

(ii) a Primary Creditor bringing legal proceedings against any person solely for the purpose of:

(A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party;

(B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages; or

(C) requesting judicial interpretation of any provision of any Debt Document to which it is party with no claim for damages; or

(iii) bringing legal proceedings against any person in connection with any securities violation, securities or listing regulations or common law fraud or to restrain any actual or putative breach of the Senior Secured Finance Documents or the Second Lien Finance Documents or the Senior Unsecured Finance Documents or for specific performance with no claims for damages; or

(iv) any exercise by a Primary Creditor of its rights under an ECA Risk Policy in accordance with the terms thereof.

**"Enforcement Instructions"** means, on or after the Senior Term Lender Discharge Date, instructions as to enforcement (including the manner and timing of such enforcement) given by the Majority Senior Creditors or the Majority Pari Passu Creditors to the Security Agent provided that instructions not to undertake an enforcement or an absence of instructions as to an enforcement shall not constitute "Enforcement Instructions."

**"Enforcement Objective"** means maximizing, to the extent consistent with a prompt and expeditious realization of value, the value realized from enforcement.

“**Enforcement Principles**” means the principles set out in the Intercreditor Agreement and which provide parameters within which to achieve the Enforcement Objective.

“**Financial Adviser**” means any:

- (a) independent internationally recognized investment bank;
- (b) independent internationally recognized accountancy firm; or
- (c) other independent internationally recognized professional services firm which is regularly engaged in providing valuations of businesses or financial assets or, where applicable, advising on competitive sales processes.

“**Hedging Liabilities**” means:

- (a) prior to the Senior Term Lender Discharge Date:
  - (i) the Liabilities owed by any Debtor to the counterparties to Hedging Agreements (as defined below) (“**Hedge Counterparties**”) under or in connection with any permitted hedging agreements (“**Hedging Agreements**”); and
  - (ii) the Security Agent claim corresponding to the Liabilities referred to in paragraph (i) above; and
- (b) on and from the Senior Term Lender Discharge Date, the Super Senior Hedging Liabilities and the Pari Passu Hedging Liabilities.

“**Majority Pari Passu Creditors**” means, on or after the Senior Term Lender Discharge Date, those Senior Secured Noteholders and Pari Passu Hedge Counterparties whose pari passu credit participations at that time aggregate more than 50% of the total pari passu credit participations at that time.

“**Majority Second Lien Creditors**” means, at any time, those Second Lien Creditors whose second lien credit participations (drawn and undrawn) at that time aggregate more than 50% of the total second lien credit participations (drawn and undrawn) at that time.

“**Majority Second Lien Lenders**” has the meaning given to the term “Majority Lenders” in (and after having given effect to the terms of) the second lien facilities agreement. If, at any time, there is more than one second lien facilities agreement, any reference in the Intercreditor Agreement to the “Majority Second Lien Lenders” shall be construed so as to refer to the Majority Second Lien Lenders under each such second lien facilities agreement (in each case, construed in accordance with the foregoing provisions of this definition, to the extent applicable).

“**Majority Senior Creditors**” means, at any time, those Senior Creditors (other than the Cash Management Providers) whose senior credit participations (drawn and undrawn) at that time aggregate 66 $\frac{2}{3}$ % or more of the total senior credit participations (drawn and undrawn) at that time.

“**Majority Senior Lenders**” has the meaning given to the term “Majority Lenders” in the senior facilities agreement after the application of certain applicable exception and disenfranchisement clauses. If, at any time, there is more than one senior facilities agreement, any reference in the Intercreditor Agreement to the “Majority Senior Lenders” shall be construed so as to refer to the “Majority Lenders” under each such senior facilities agreement (in each case, construed in accordance with the foregoing provisions of this definition, to the extent applicable).

“**Majority Senior Secured Creditors**” means, at any time, those Senior Secured Creditors whose senior secured credit participations (drawn and undrawn) at that time aggregate more than 50% of the total senior secured credit participations (drawn and undrawn) at that time.

**“Majority Senior Unsecured Creditors”** means, at any time, those Senior Unsecured Creditors whose senior unsecured credit participations (drawn and undrawn) at that time aggregate more than 50% of the total senior unsecured credit participations (drawn and undrawn) at that time.

**“Notes Finance Documents,” “Senior Unsecured Notes Finance Documents,” “Senior Unsecured Loan Finance Documents,” “Senior Unsecured Finance Documents,” “Senior Secured Notes Finance Documents,” “Senior Secured Finance Documents,” “Senior Finance Documents,” “Second Lien Notes Finance Documents,” “Second Lien Loan Finance Documents” and “Second Lien Finance Documents”** means as applicable the relevant finance documents with respect to the applicable Liabilities.

**“Parallel Debt Creditor”** means the Security Agent in its capacity as creditor of the parallel debt provisions of the Intercreditor Agreement.

**“Pari Passu Hedge Counterparty”** means, on or after the Senior Term Lender Discharge Date, each Hedge Counterparty to the extent it is owed Pari Passu Hedging Liabilities.

**“Pari Passu Hedging Liabilities”** means, on or after the Senior Term Lender Discharge Date, the Hedging Liabilities to the extent they are not Super Senior Hedging Liabilities.

**“Primary Creditors”** means:

- (a) the Senior Secured Creditors;
- (b) the Second Lien Creditors;
- (c) the Parallel Debt Creditor; and
- (d) the Senior Unsecured Creditors.

**“Second Lien Creditor”** means a second lien loan creditor or a second lien notes creditor.

**“Senior Creditors”** means:

- (a) prior to the Senior Term Lender Discharge Date, the Senior Lenders, the Cash Management Providers and the Hedge Counterparties; and
- (b) on or after the Senior Term Lender Discharge Date, the Senior Lenders, the Cash Management Providers and the Hedge Counterparties in respect of Super Senior Hedging Liabilities (**“Super Senior Hedge Counterparties”**).

**“Senior Lender Discharge Date”** means the first date on which all Senior Lender Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Senior Lenders (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents.

**“Senior Liabilities”** means:

- (a) prior to the Senior Term Lender Discharge Date, the Senior Lender Liabilities, the Cash Management Liabilities and the Hedging Liabilities; and
- (b) on and after the Senior Term Lender Discharge Date, the Senior Lender Liabilities, the Cash Management Liabilities and the Super Senior Hedging Liabilities.

**“Senior Secured Creditors”** means:

- (a) prior to the Senior Term Lender Discharge Date, the Senior Secured Notes Creditors and the Senior Creditors; and
- (b) on and from the Senior Term Lender Discharge Date, the Senior Secured Notes Creditors, the Senior Creditors and the Pari Passu Hedge Counterparties.

**“Senior Secured Liabilities”** means:

(a) prior to the Senior Term Lender Discharge Date, the Senior Secured Notes Liabilities and the Senior Liabilities; and

(b) on and from the Senior Term Lender Discharge Date, the Senior Liabilities, the Senior Secured Notes Liabilities and the Pari Passu Hedging Liabilities.

**“Senior Secured Notes Creditor”** means each noteholder or lender of the Senior Secured Notes (the **“Senior Secured Noteholders”**), the trustee(s) with respect to Senior Secured Notes (the **“Senior Secured Notes Trustee(s)”**) and (in its relevant capacity) the Security Agent.

**“Senior Secured Notes Liabilities”** means the Liabilities with respect to the Senior Secured Notes, other than Agent Liabilities (as defined below) and the Security Agent claim relating to such Liabilities.

**“Senior Term Lender Discharge Date”** means, at a time at which the Liabilities to senior lenders (**“Senior Lenders”**) under senior facilities and the Security Agent’s claim relating to such Liabilities (**“Senior Lender Liabilities”**) continue to exist with respect to any revolving facility, the date designated by the Issuer in writing to each agent falling on or after the first date on which all Senior Lender Liabilities with respect to all term facilities have been fully and finally discharged otherwise than as a result of an enforcement and the Senior Lenders (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors with respect to any such term facilities under the applicable Senior Finance Documents provided that such designation would not result, on the date of that designation, in a breach of any Debt Documents.

**“Senior Unsecured Creditors”** means:

(a) the Senior Unsecured Lenders;

(b) prior to the Senior Unsecured Notes discharge date, the Senior Unsecured Noteholders and each Senior Unsecured Notes Trustee; and

(c) (in its capacity as creditor of the Security Agent claim corresponding to the Senior Unsecured Liabilities) the Security Agent.

**“Super Senior Discharge Date”** means the later to occur of the Senior Lender Discharge Date, the Cash Management Discharge Date and the Super Senior Hedging Discharge Date.

**“Super Senior Hedging Discharge Date”** means the first date on which all Super Senior Hedging Liabilities have been fully and finally discharged, whether or not as the result of an enforcement, and the Super Senior Hedge Counterparties (in that capacity) are under no further obligation to provide financial accommodation to any of the Debtors under the Debt Documents.

**“Super Senior Hedging Liabilities”** means, on or after the Senior Term Lender Discharge Date, all Hedging Liabilities under all Hedging Agreements (except for any Hedging Liabilities which the Company and the relevant Hedge Counterparty have agreed shall not be Super Senior Hedging Liabilities and as so notified to the Security Agent).

**“Third Party Debtor”** means a Debtor which is not Wind Tre Italia or a member of the Group.



## **Ranking and Priority**

### **Priority of Debts**

The Intercreditor Agreement provides that all present and future liabilities and obligations at any time of any member of the Holdco Group to any creditor under the Debt Documents (the “**Liabilities**”) owed by:

(a) the Issuer and each other debtor under the Intercreditor Agreement (together, the “**Debtors**”) (other than a Senior Unsecured Notes Issuer or a Senior Unsecured Borrower (each as defined below)) to the Primary Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking Liabilities as follows:

(i) first, the Liabilities owed to any agent (a “**Senior Agent**”) under any senior facilities (“**Senior Agent Liabilities**”), any agent (“**Senior Unsecured Agent**”) under Senior Unsecured Liabilities (“**Senior Unsecured Agent Liabilities**”), any agent (“**Second Lien Agent**”) under Second Lien Liabilities (“**Second Lien Agent Liabilities**”), the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Hedging Liabilities, the Cash Management Liabilities, Liabilities owed to any Senior Secured Notes trustee (“**Senior Secured Notes Trustee Amounts**”), Liabilities owed to any second lien notes trustee (“**Second Lien Notes Trustee Amounts**”), Liabilities owed to any Senior Unsecured Notes trustee (“**Senior Unsecured Notes Trustee Amounts**”) and the amounts due under any proceeds loans with respect to Senior Secured Notes (“**Senior Secured Notes Proceeds Loan Liabilities**”) *pari passu* and without any preference between them;

(ii) second, the Second Lien Liabilities and the amounts due under any proceeds loans with respect to Second Lien Liabilities (the “**Second Lien Notes Proceeds Loan Liabilities**”) *pari passu* between themselves and without any preference between them; and

(iii) third, the Senior Unsecured Liabilities and the amounts due under any proceeds loans with respect to Senior Unsecured Liabilities (the “**Senior Unsecured Proceeds Loan Liabilities**”) *pari passu* between themselves and without any preference between them; and

(b) an issuer of Senior Unsecured Notes (“**Senior Unsecured Notes Issuer**”) or a borrower under Senior Unsecured Finance Documents (“**Senior Unsecured Borrower**”) to the Primary Creditors shall rank *pari passu* in right and priority of payment and without any preference between each of the Senior Agent Liabilities, the Second Lien Agent Liabilities, the Senior Unsecured Agent Liabilities, the Senior Lender Liabilities, the Senior Secured Notes Liabilities, the Second Lien Liabilities, the Hedging Liabilities, the Cash Management Liabilities, the Senior Secured Notes Trustee Amounts, the Second Lien Notes Trustee Amounts, the Senior Unsecured Notes Trustee Amounts and the Senior Unsecured Liabilities.

The Intercreditor Agreement provides that the intra-group liabilities owed by one member of the Group to another member of the Group (the “**Intra-Group Liabilities**”) and liabilities owed to any holding company (a “**Holding Companies**” or a “**Holding Company**” and as a creditor in respect of Subordinated Liabilities, a “**Subordinated Creditor**”) of the Group (“**Subordinated Liabilities**”) will be subordinated to the liabilities owed by the Debtors to the Primary Creditors.

### **Priority of Security**

For the purposes of this description only:

“**Debt Documents**” means the Intercreditor Agreement, any transaction security documents and the documents creating or evidencing the Senior Secured Liabilities, the Second Lien Liabilities, the Senior Unsecured Liabilities, the Subordinated Liabilities, the Intra-Group Liabilities (each as defined in this

description) or the Senior Secured Notes Proceeds Loan Liabilities or the Second Lien Notes Proceeds Loan Liabilities (both as defined in the Intercreditor Agreement), and any other document that has been designated as such by the Security Agent and the Issuer.

“**Transaction Security**” refers to security which is created, or expressed to be created, in favor of the Security Agent as agent or trustee for the other secured parties (each a “**Secured Party**” and together the “**Secured Parties**”) (or if such trustee arrangements are not legally possible, in favor of all the Secured Parties or in favor of the Security Agent under a parallel debt or similar structure), excluding any Senior Unsecured Only Security Documents.

“**Senior Unsecured Only Security**” means the security granted in favor, or for the benefit, of the Senior Unsecured Liabilities finance parties (“**Senior Unsecured Finance Parties**”) over shares in Holdco and debt instruments issued by Holdco to any of its Holding Companies; and shares of any other Senior Unsecured Notes Issuer or Senior Unsecured Borrower and debt instruments issued by such Senior Unsecured Notes Issuer or Senior Unsecured Borrower to any of its Holding Companies, which, in each case, is in accordance with the terms of the Intercreditor Agreement (and the security document in relation to such Senior Unsecured Only Security, “**Senior Unsecured Only Security Documents**”).

“**Senior Unsecured Shared Security**” means the security granted in favor, or for the benefit, of the Secured Parties under the Transaction Security over:

- (a) shares in the Issuer and shareholder debt instruments issued to Holdco by the Issuer;
- (b) any senior unsecured proceeds loan owed by the Issuer to Holdco; and
- (c) Liabilities owed by the Issuer to Holdco,

which, in each case, is in accordance with the terms of the Intercreditor Agreement;

The Transaction Security shall rank and secure the following liabilities in the following order:

- (a) prior to the Senior Term Lender Discharge Date:
  - (i) first, the Senior Agent Liabilities, the Second Lien Agent Liabilities, the Senior Unsecured Agent Liabilities, the Senior Lender Liabilities, the Hedging Liabilities, the Cash Management Liabilities, the Senior Secured Notes Liabilities, the Senior Secured Notes Trustee Amounts, the Second Lien Notes Trustee Amounts and the Senior Unsecured Notes Trustee Amounts *pari passu* and without any preference between them;
  - (ii) second, the Second Lien Liabilities *pari passu* and without any preference between them; and
  - (iii) third (to the extent of any Senior Unsecured Shared Security), the Senior Unsecured Liabilities *pari passu* and without any preference between them;
- (b) on and from the Senior Term Lender Discharge Date:
  - (i) first, the Senior Agent Liabilities, the Second Lien Agent Liabilities, the Senior Unsecured Agent Liabilities, the Senior Lender Liabilities, the Super Senior Hedging Liabilities, the Pari Passu Hedging Liabilities, the Cash Management Liabilities, the Senior Secured Notes Liabilities, the Senior Secured Notes Trustee Amounts, the Second Lien Notes Trustee Amounts and the Senior Unsecured Notes Trustee Amounts *pari passu* and without any preference between them;
  - (ii) second, the Second Lien Liabilities *pari passu* and without any preference between them; and
  - (iii) third (to the extent of any Senior Unsecured Shared Security only), the Senior Unsecured Liabilities *pari passu* and without any preference between them.

The Senior Unsecured Only Security created pursuant to the Senior Unsecured Only Security Documents shall rank and secure only the Senior Unsecured Liabilities *pari passu* and without preference between them (but only to the extent that such Senior Unsecured Only Security is expressed to secure these Liabilities).

On the Issue Date of the Notes, no liabilities under any Second Lien Finance Documents (“**Second Lien Lender Liabilities**”), any second lien notes documents (“**Second Lien Notes Liabilities**” and together with Second Lien Lender Liabilities, “**Second Lien Liabilities**”), any senior unsecured Finance Documents (“**Senior Unsecured Lender Liabilities**”) or any senior unsecured notes documents (“**Senior Unsecured Notes Liabilities**” and together with Senior Unsecured Lender Liabilities, “**Senior Unsecured Liabilities**”) will be outstanding. Such liabilities and liabilities in respect of other new debt financings may only be incurred and/or designated if not prohibited under the terms of the Debt Documents, including, without limitation, the covenants applicable to the Notes described under “*Description of Notes—Certain Covenants.*”

#### ***Permitted Payments***

##### ***Permitted Payments in Respect of the Senior Debt***

The Debtors may make payment in respect of the Senior Lender Liabilities and Senior Secured Notes Liabilities (together, the “**Senior Secured Creditor Liabilities**,” the creditors in respect thereof being the “**Senior Secured Creditors**”), other than Hedging Liabilities, at any time, in accordance with the provisions of the applicable Senior Finance Documents and the Senior Secured Notes Finance Documents provided that following any acceleration event of Senior Liabilities or Senior Secured Notes Liabilities or an Insolvency Event, no Debtor (other than a Third Party Debtor) may make and no Senior Secured Creditor may receive payments other than in accordance with the provisions described below under “*—Application of Proceeds.*”

##### ***Permitted Payments in Respect of Cash Management Liabilities***

Unless an acceleration event of Senior Liabilities or Senior Secured Notes Liabilities or an Insolvency Event has occurred, the Debtors may make payments to any Cash Management Provider in respect of the Cash Management Liabilities then due to that Cash Management Provider under any Cash Management Agreement in accordance with the terms of the applicable Cash Management Agreement.

##### ***Permitted Payments in Respect of the Second Lien Debt***

The Intercreditor Agreement contains customary provisions governing payment of the Second Lien Liabilities and the circumstances in which creditors in respect of the Second Lien Liabilities (the “**Second Lien Creditors**”) may take enforcement action. On the Issue Date, no Second Lien Liabilities will have been incurred by the Group.

(a) In respect of the Second Lien Lender Liabilities, the Debtors may:

(i) prior to the discharge date of the Senior Secured Liabilities (the “**Senior Secured Discharge Date**”), make payments to the second lien loan creditors in respect of the Second Lien Lender Liabilities then due in accordance with the Second Lien Loan Finance Documents if the payment is:

(A) of any of the principal amount of the Second Lien Lender Liabilities which is either (i) expressly permitted to be paid by the Senior Finance Documents or not prohibited from being paid under the Senior Secured Notes Finance Documents; (ii) paid on or after the final maturity date of Second Lien Lender Liabilities (provided that such maturity date complies with the terms of the Senior Secured Finance Documents) or (iii) is paid in accordance with the provisions of the second lien facilities agreement that are equivalent to

the following provisions of the New Senior Facilities Agreement relating to illegality, the right to cancel and repay a single lender or replacement of lenders;

(B) of any principal amount of Second Lien Lender Liabilities that constitute a scheduled nominal amortization of Second Lien Lender Liabilities (provided that such nominal amortization is permitted or not prohibited by the terms of the Senior Secured Finance Documents);

(C) of a principal amount of the Second Lien Lender Liabilities in an amount, when aggregated with the amount paid pursuant to certain other permitted payments, not exceeding the amount of a senior mandatory prepayment that is the subject of a senior mandatory prepayment waiver;

(D) of cash interest in accordance with the terms of the second lien facilities agreement;

(E) in respect of commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisers) and any fees or expenses of the Second Lien Agent not covered by paragraph (F) below in an aggregate amount not exceeding EUR 1,500,000 (or its equivalent in other currencies), but excluding any fees incurred in connection with the current, threatened or pending litigation against any Senior Secured Creditor or any affiliate of a Senior Secured Creditor;

(F) of any Second Lien Agent Liabilities or any amount due under any fee letters relating to the second lien facilities agreement;

(G) made in pursuance of a debt buy-back programme in relation to Second Lien Lender Liabilities that is not prohibited by the terms of the Senior Secured Finance Documents or was established with the approval of the Majority Senior Lenders and the Senior Secured Notes Trustees in respect of any then outstanding Senior Secured Notes;

(H) of any consent and/or waiver fee in respect of any consent granted under, or waiver or amendment of any provision of, a Second Lien Finance Document; and

(I) following the occurrence of an event of default which is continuing under the Second Lien Finance Documents and provided that the payment is of all or part of the Second Lien Liabilities as a result of those Second Lien Liabilities being released or otherwise discharged solely in consideration of the issue of shares in the Issuer or any Holding Company of the Issuer (each a “**Debt for Equity Swap**”) provided that:

(I) no cash or cash equivalent payment is made in respect of the Second Lien Liabilities;

(II) any Liabilities owed by a Group Company to another Group Company, or any Holding Company of the Issuer that arise as a result of any such Debt for Equity Swap are subordinated to the Senior Liabilities and otherwise subject to the terms of the Intercreditor Agreement on the same basis as the Intra-Group Liabilities or Subordinated Liabilities (as applicable);

(III) no Group Company becomes liable for or incurs any tax liability as a result of such Debt for Equity Swap which is materially adverse to the interests of the Senior Secured Creditors; and

(IV) (without prejudice to the provisions of the any senior facilities agreement in connection with such Change of Control) no Change of Control (as

defined in any senior facilities agreement) would arise as a result of such Debt for Equity Swap;

(J) of non-cash interest provided payment is made by means of capitalization of interest or the issue of an instrument evidencing the same and ranking with the Senior Secured Liabilities on the same terms as the Second Lien Liabilities; and

(K) made where that amount is outstanding as a result of the accrual of cash interest payable in respect of the Second Lien Lender Liabilities during a period when a Second Lien Payment Stop Notice was outstanding,

and if no Second Lien Payment Stop Notice is outstanding and no senior facilities payment default or any Senior Secured Notes default arising by reason of any non-payment under a Senior Secured Notes finance document other than in respect of an amount (i) not constituting principal, interest or fees and (ii) not exceeding EUR 1,000,000 (or its equivalent in other currencies) (a “**Senior Secured Payment Default**”) has occurred and is continuing save and except for certain entrenched second lien loan permitted payments (provided that if a payment under paragraph (G) above is prohibited due to a Second Lien Payment Stop Notice being issued or a senior facilities payment default having occurred and continuing (1) no event of default (including any cross-default or similar provision under any other Debt Document) shall arise under the Debt Documents and (2) the Second Lien Creditors agree that no breach of any documents evidencing such debt buy-back transactions would arise thereunder); and

(ii) on or after the Senior Secured Discharge Date, make payments to the Second Lien loan creditors in respect of the Second Lien Lender Liabilities in accordance with the Second Lien Loan Finance Documents.

(b) In respect of the Second Lien Notes Liabilities, the Debtors may:

(i) prior to the Senior Secured Discharge Date, make payments to the Second Lien notes creditors in respect of the Second Lien Notes Liabilities then due in accordance with the Second Lien Notes Finance Documents:

(A) if the payment is:

(I) of any of the principal amount of the Second Lien Notes Liabilities which is either: (1) not prohibited from being paid by the Senior Secured Finance Documents; or (2) paid on or after the final maturity date of the Second Lien Notes Liabilities (provided that such maturity date complies with the terms of the Senior Secured Finance Documents); or

(II) of any other amount which is not an amount of principal (including capitalized interest); or

(III) one which the Majority Senior Lenders and the Senior Secured Notes Trustee(s) give prior consent to that payment being made; or

(IV) of a Second Lien Notes Trustee Amount; or

(V) of any notes security costs; or

(VI) of costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Second Lien Notes Finance Documents (including in relation to any reporting or listing requirements under the Second Lien Notes Finance Documents); or

(VII) if the payment is of any other amount not exceeding EUR 1,500,000 (or its equivalent in other currencies) in aggregate in any 12-month period; or

(VIII) of underwriters or lead managers fees (including original issue discounts) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Second Lien Notes Liabilities in compliance with the Intercreditor Agreement and the Senior Secured Finance Documents; and

(B) (unless the payment is for certain entrenched second lien notes permitted payments) no Second Lien Payment Stop Notice is outstanding and no Senior Secured Payment Default has occurred and is continuing; and

(ii) on or after the Senior Secured Discharge Date, make payments to the Second Lien notes creditors in respect of the Second Lien Notes Liabilities in accordance with the Second Lien Notes Finance Documents.

#### ***Second Lien Liabilities Payment Block Provisions***

(a) Until the Senior Secured Discharge Date except with the prior consent of the Senior Agent under any senior facilities agreement (to the extent otherwise prohibited under any senior facilities agreement) and (to the extent otherwise prohibited under the Senior Secured Notes indenture(s) pursuant to which any Senior Secured Notes are outstanding) the consent of the Senior Secured Notes Trustee(s) under such Senior Secured Notes Finance Documents and subject to the below under “—*Effect of Insolvency Event*,” the Issuer shall not make (and shall procure that no member of the Group shall), and no Second Lien Creditor may receive from the Issuer or any of its subsidiaries, any payments permitted pursuant to “—*Permitted Payments in Respect of the Second Lien Debt*” above (“**Permitted Second Lien Payment**”) (other than certain entrenched second lien loan permitted payment or any entrenched second lien notes permitted payment) if:

(i) a Senior Secured Payment Default is continuing; or

(ii) one of a certain list of material events of default is continuing, from the date which is one business day after the date on which any Senior Agent or Senior Secured Notes Trustee delivers a notice (a “**Second Lien Payment Stop Notice**”) specifying the event or circumstance in relation to that Senior Secured Liabilities event of default to the Issuer, the Security Agent and the representative(s) of the Second Lien Creditors (the “**Second Lien Credit Representative(s)**”) until the earliest of:

(A) the date falling 120 days after delivery of that Second Lien Payment Stop Notice;

(B) if a Second Lien Standstill Period is in effect at any time after delivery of that Second Lien Payment Stop Notice, the date on which that Second Lien Standstill Period expires;

(C) the date on which the Relevant Senior Unsecured Default has been remedied or waived in accordance with the relevant Debt Documents;

(D) the date on which the relevant Senior Agent or Senior Secured Notes Trustee delivers a notice to the Issuer, the Security Agent and the Second Lien Credit Representative(s) cancelling the Second Lien Payment Stop Notice;

(E) the Senior Secured Discharge Date; and

(F) the date on which the Security Agent or a Second Lien Credit Representative(s) takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor.

(b) Unless the Second Lien Credit Representative(s) waive this requirement:

(i) a new Second Lien Payment Stop Notice may not be delivered unless and until 365 days have elapsed since the delivery of the immediately prior Second Lien Payment Stop Notice; and

(ii) no Second Lien Payment Stop Notice may be delivered in reliance on a Senior Secured Liabilities event of default more than 120 days after the date on which the relevant representative(s) of the Senior Secured Creditors (the “**Senior Secured Credit Representative(s)**”) received notice of that Senior Secured Liabilities event of default.

***Permitted Payments in Respect of Senior Unsecured Liabilities***

(a) Under the Intercreditor Agreement, prior to the later of the Senior Secured Discharge Date and the second lien debt discharge date (the “**Second Lien Discharge Date**”), the Group may make payments to the Senior Unsecured Creditors in respect of the Senior Unsecured Liabilities then due in accordance with the Senior Unsecured Finance Documents:

(i) if:

(A) the payment is of:

(I) any of the principal amount of the Senior Unsecured Liabilities which is either: (1) permitted or not prohibited to be paid by any senior facilities agreement and the second lien facilities agreement and is not prohibited from being paid by the Senior Secured Notes indenture(s) and the second lien notes indentures pursuant to which any Senior Secured Notes or second lien notes (as applicable) are outstanding or; (2) paid on or after the final maturity date of the Senior Unsecured Liabilities (provided that such maturity date complies with the terms of the Senior Secured Finance Documents and the Second Lien Finance Documents); or

(II) any other amount which is not an amount of principal (including capitalized interest) or a corresponding amount under a senior unsecured proceeds loan;

(B) no Senior Unsecured Payment Stop Notice is outstanding;

(C) no payment default (“**Second Lien Payment Default**”) under Second Lien Liabilities (in each case not (a) constituting principal, interest or fees and (b) exceeding EUR 1,000,000 (or its equivalent in other currencies)); has occurred and is continuing; and

(D) no Senior Secured Payment Default has occurred and is continuing; or

(ii) if the Majority Senior Creditors, the Majority Second Lien Creditors, the Senior Secured Notes Trustee(s) and the trustee with respect to any second lien notes (“**Second Lien Notes Trustee(s)**”) give prior consent to that payment being made; or

(iii) if the payment is of any Senior Unsecured Agent Liabilities or any Senior Unsecured Notes Trustee Amounts; or

(iv) certain permitted administrative costs and Notes security costs; or

(v) fees, costs, commissions, taxes (including gross-up amounts), consent fees and expenses incurred in respect of (or reasonably incidental to) the Senior Unsecured Finance Documents (including in relation to any reporting or listing requirements under the Senior Unsecured Notes Finance Documents); or

(vi) if the payment is of costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Unsecured Liabilities in compliance with the Intercreditor Agreement and the senior facilities agreement; or

(vii) in respect of commercially reasonable advisory and professional fees for restructuring advice and valuations (including legal advice and the advice of other appropriate financial and/or restructuring advisers) in an aggregate amount not exceeding EUR 1,500,000 (or its equivalent in other currencies), but excluding any fees incurred in connection with the current, threatened or pending litigation against any Senior Secured Creditor or Secured Lien Creditor or any affiliate of a Senior Secured Creditor or a Second Lien Creditor; or

(viii) to the extent that the Senior Unsecured Notes Issuer or the Senior Unsecured Borrower (as applicable) is not a member of the Group only, if the payment is by such Senior Unsecured Notes Issuer or such Senior Unsecured Borrower of any of its obligations under the Senior Unsecured Finance Documents from its own assets if such payment is not financed by a payment to such Senior Unsecured Notes Issuer or such Senior Unsecured Borrower from a member of the Group that was prohibited by the Intercreditor Agreement or any other Senior Secured Finance Documents at the time made; and

(b) on or after the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, make payments to the Senior Unsecured Creditors in respect of:

(i) the Liabilities under Senior Unsecured Notes in accordance with the Senior Unsecured Notes Finance Documents; and

(ii) the Senior Unsecured Lender Liabilities in accordance with the Senior Unsecured Loan Finance Documents.

#### ***Senior Unsecured Liabilities Payment Block Provisions***

(a) Until the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, except with the prior consent of the Senior Agent under any senior facilities agreement (to the extent otherwise prohibited under any senior facilities agreement), (to the extent otherwise prohibited under the Senior Secured Notes indenture(s) pursuant to which any Senior Secured Notes are outstanding) the consent of the relevant Senior Secured Notes Trustee(s) under such Senior Secured Notes Finance Documents, the Second Lien Agent under each second lien facilities agreement and (to the extent otherwise prohibited under the second lien notes indenture(s) pursuant to which any second lien notes are outstanding) the consent of the relevant Second Lien Notes Trustee(s) under such Second Lien Notes Finance Documents and subject to the below under “—*Effect of Insolvency Event*,” the Debtors (other than any Third Party Debtor) shall not make (and the Issuer shall procure that no member of the Holdco Group (other than any Third Party Debtor) shall), and no Senior Unsecured Finance Party may receive from a Debtor or any other Holdco Group Company (in each case other than any Third Party Debtor), any payments permitted under “—*Permitted Payments in Respect of Senior Unsecured Liabilities*” (each a “**Permitted Senior Unsecured Payment**”) (other than Senior Unsecured Notes Trustee Amounts and any Senior Unsecured Agent Liabilities) if:

(i) a Senior Secured Payment Default is continuing; or

(ii) a Second Lien Payment Default is continuing; or

(iii) either: (A) a Senior Secured Liabilities event of default (other than a Senior Secured Payment Default) is continuing, from the date which is one business day after the date on which a Senior Agent or a Senior Secured Notes Trustee (as the case may be) delivers a notice; or (B) a Second Lien Liabilities event of default (other than a Second Lien Payment Default) is continuing, from the date which is one business day after the date on which a Second Lien Agent or a Second



Lien Notes Trustee (as the case may be) delivers a notice (any such notice under (A) or (B) above being a “**Senior Unsecured Payment Stop Notice**”) specifying the event or circumstance in relation to that Senior Secured Liabilities event of default or Second Lien Liabilities event of default (as applicable) to the Issuer, the Security Agent and the creditor representative of any Senior Unsecured Liabilities (“**Senior Unsecured Representative(s)**”) until the earliest of:

(A) the date falling 179 days after delivery of that Senior Unsecured Payment Stop Notice;

(B) if a Senior Unsecured Standstill Period is in effect at any time after delivery of that Senior Unsecured Payment Stop Notice, the date on which that Senior Unsecured Standstill Period expires;

(C) the date on which the relevant Senior Secured Liabilities event of default or Second Lien Liabilities event of default (as applicable) has been remedied or waived in accordance with the Senior Secured Finance Documents or with the Second Lien Finance Documents (as applicable);

(D) the date on which the Senior Agent or the relevant Senior Secured Notes Trustee(s) (as applicable) or the relevant Second Lien Credit Representative (as applicable) delivers a notice to the Issuer, the Security Agent and the Senior Unsecured Representative(s) cancelling the Senior Unsecured Payment Stop Notice;

(E) the date on which the Security Agent(s) or a Senior Unsecured Representative takes Enforcement Action permitted under the Intercreditor Agreement against a Debtor; and

(F) the later of the Senior Secured Discharge Date and the Second Lien Discharge Date.

(b) Unless the Senior Unsecured Representative(s) waive this requirement:

(i) no new Senior Unsecured Payment Stop Notice may be delivered unless and until 365 days have elapsed since the delivery of the immediately prior Senior Unsecured Payment Stop Notice;

(ii) no Senior Unsecured Payment Stop Notice may be delivered in reliance on a Senior Secured Liabilities event of default more than 120 days after each Senior Agent and each Senior Secured Notes Trustee (as applicable) received notice of that Senior Secured Liabilities event of default; and

(iii) no Senior Unsecured Payment Stop Notice may be delivered in reliance on a Second Lien Liabilities event of default more than 120 days after each Second Lien Agent and each Second Lien Notes Trustee (as applicable) received notice of that Second Lien Liabilities event of default.

Any failure to make a payment due under the Senior Unsecured Finance Documents as a result of the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default or Second Lien Payment Default shall not prevent:

(a) the occurrence of an event of default as a consequence of that failure to make a payment in relation to the relevant Senior Unsecured Finance Document; or

(b) the issue of a Senior Unsecured Enforcement Notice on behalf of the Senior Unsecured Creditors.

***Payment Obligations and Capitalization of Interest Continue***

Nothing in the payment block provisions will release any Debtor from the liability to make any payment (including of default interest, which shall continue to accrue) under any Debt Documents even if its obligation to make such payment is restricted at any time by those provisions. The accrual and capitalization of interest (if any) in accordance with the any Second Lien Finance Document or Senior Unsecured Finance Document shall continue notwithstanding the issue of any payment stop notice.

***Cure of Payment Stop: Second Lien Creditors***

If:

(a) at any time following the issue of a Second Lien Payment Stop Notice or the occurrence of a Senior Secured Payment Default, that Second Lien Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default ceases to be continuing; and

(b) the relevant Debtor then promptly pays to the Second Lien Creditors an amount equal to any payments which had accrued under the Second Lien Finance Documents and which would have been Permitted Second Lien Payments but for that Second Lien Payment Stop Notice or Senior Secured Payment Default,

then any event of default (including any cross default or similar provision under any other Debt Document) which may have occurred as a result of that suspension of payments shall be waived and any Second Lien Enforcement Notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Second Lien Creditors or any other creditors party to the Intercreditor Agreement.

***Cure of Payment Stop: Senior Unsecured Liabilities***

If:

(a) at any time following the issue of a Senior Unsecured Payment Stop Notice or the occurrence of a Senior Secured Payment Default or a Second Lien Payment Default, that Senior Unsecured Payment Stop Notice ceases to be outstanding and/or (as the case may be) the Senior Secured Payment Default and/or Second Lien Payment Default (as applicable) ceases to be continuing; and

(b) the relevant Debtor then promptly pays to the Senior Unsecured Creditors an amount equal to any payments which had accrued under the Senior Unsecured Finance Documents and which would have been Permitted Senior Unsecured Payments but for that Senior Unsecured Payment Stop Notice, Senior Secured Payment Default or Second Lien Payment Default, as the case may be,

then any event of default which may have occurred as a result of that suspension of payments shall be waived and any Senior Unsecured Enforcement Notice which may have been issued as a result of that event of default shall be waived, in each case without any further action being required on the part of the Senior Unsecured Creditors.

***Turnover***

Subject to certain exceptions,

(a) if (at any time prior to the final discharge date) a Senior Unsecured Creditor or (at any time prior to the Senior Term Lender Discharge Date only) any other Primary Creditor receives or recovers from any member of the Holdco Group:

(i) any payment or distribution of, or on account of or in relation to, any of the Liabilities which is not either:

(A) a payment permitted by the Intercreditor Agreement; or

(B) made in accordance with the provisions described below under “—*Application of Proceeds*”;

(ii) other than where certain set-off rights apply, any amount by way of set-off in respect of any of the Liabilities owed to it which does not give effect to a permitted payment under the Intercreditor Agreement;

(iii) notwithstanding paragraphs (i) and (ii) above, and other than where certain set-off rights apply, any amount:

(A) on account of, or in relation to, any of the Liabilities:

(I) after the occurrence of a Distress Event; or

(II) as a result of any other litigation or proceedings against a member of the Holdco Group (other than after the occurrence of an Insolvency Event in respect of that member of the Holdco Group); or

(B) by way of set-off in respect of any of the Liabilities owed to it after the occurrence of an acceleration under the Senior Liabilities, the Senior Secured Notes Liabilities, the Second Lien Liabilities or the Senior Unsecured Liabilities or an enforcement of transaction security (a “**Distress Event**”);

(iv) any amount paid to or otherwise realized by a Secured Party under or in connection with any enforcement and, following the occurrence of a Distress Event, any other proceeds of, or arising from, any of the charged property (“**Enforcement Proceeds**”) or the proceeds of any Distressed Disposal in each case except in accordance with the provisions below under “—*Application of Proceeds*”; or

(v) other than where certain set-off rights apply or on a refinancing permitted by the terms of the Intercreditor Agreement applies, any distribution in cash or in kind or payment of, or on account of or in relation to, any of the Liabilities owed by any member of Holdco Group which is not in accordance with the provisions described below under “—*Application of Proceeds*” and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that member of Holdco Group,

other than, in each case, (A) any amount received or recovered in accordance with the provisions described below under “—*Application of Proceeds*” or (B) in the case of a payment by a Senior Unsecured Notes Issuer or a Senior Unsecured Borrower to a Senior Unsecured Creditor, any amount received that is a Permitted Senior Unsecured Payment or (C) any amount received or recovered by a Senior Unsecured Creditor in accordance with the provisions set out under “—*Treatment of Senior Unsecured Only Security*” below; or

(b) if, at any time on or after the Senior Term Lender Discharge Date but prior to the final discharge Date, any Primary Creditor receives or recovers any Enforcement Proceeds or any other amounts which should otherwise be received or recovered by the Security Agent for application in accordance with the provisions described below under “—*Application of Proceeds*” (whether before or after

an Insolvency Event) except in accordance with the provisions described below under “—Application of Proceeds,”

(c) that Primary Creditor will:

(i) in relation to receipts and recoveries not received or recovered by way of set-off:

(A) hold an amount of that receipt or recovery equal to the relevant liabilities ranking *pari passu* with or senior to such creditor (or, if less, the amount received or recovered) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(B) promptly pay an amount equal to the amount (if any) by which the receipt or recovery exceeds the relevant liabilities ranking *pari passu* with or senior to such creditor to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and

(ii) in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

#### ***Effect of Insolvency Event***

“**Insolvency Event**” means:

(a) in relation to any member of the Holdco Group (other than pursuant to certain “Permitted Transactions” (as defined in the New Senior Facilities Agreement)):

(i) any resolution is passed or order made for the winding-up, dissolution, administration, judicial management or reorganization of that member of the Holdco Group, a moratorium is declared in relation to any indebtedness of that member of the Holdco Group or an administrator is appointed to that member of the Holdco Group;

(ii) any composition, compromise, assignment or arrangement is made with its creditors generally; or

(iii) the appointment of any liquidator, receiver, administrator, judicial manager, administrative receiver, compulsory manager or other similar officer in respect of that member of the Holdco Group or any of its respective assets; or

(b) any analogous procedure or step analogous to any of those set out under paragraph (a) above is taken in respect of a member of the Holdco Group in any jurisdiction.

The Intercreditor Agreement provides that after the occurrence of an Insolvency Event in relation to any member of the Holdco Group, any party entitled to receive a distribution out of the assets of that member of Holdco Group (in the case of a Primary Creditor (other than a Senior Unsecured Creditor) on or after the Senior Term Lender Discharge Date, only to the extent that such amount constitutes Enforcement Proceeds) in respect of Liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that member of the Holdco Group to pay that distribution to the Security Agent until the Liabilities owing to the Secured Parties have been paid in full.

Subject to certain exceptions, to the extent that any member of the Holdco Group’s Liabilities are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that member of the Holdco Group, any creditor which benefited from that set-off shall (in the case of a Primary Creditor (other than a Senior Unsecured Creditor) on or after the Senior Term Lender Discharge Date, only to the extent that such amount constitutes Enforcement Proceeds), subject (in

respect of any lender of Intra-Group Liabilities (a “**Intra-Group Lender**”) to any guarantee limitations which are (or would be if such Intra-Group Lender were an Obligor (as defined in the New Senior Facilities Agreement)) applicable, pay an amount equal to the amount of the Liabilities owed to it which are discharged by that set-off to the Security Agent for application in accordance with the provisions described below under “—*Application of Proceeds*.”

If the Security Agent or any other Secured Party receives a distribution in a form other than in cash in respect of any of the Liabilities, the Liabilities will not be reduced by that distribution until and except to the extent that the realization proceeds are actually applied towards the Liabilities.

### ***Enforcement Regime***

#### *Enforcement of Security*

The Intercreditor Agreement provides that the Security Agent may not take any action to enforce the Transaction Security without the prior written consent of an Instructing Group or otherwise as specified in the provisions described below.

“**Instructing Group**” means:

- (a) if the Senior Term Lender Discharge Date has not occurred:
  - (i) prior to the Senior Secured Discharge Date, the Majority Senior Secured Creditors; and
  - (ii) on or after the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the Majority Second Lien Creditors; and
  - (iii) on or after the later of the Senior Secured Discharge Date and the Second Lien Discharge Date but prior to the Senior Unsecured Liabilities discharge date, the Majority Senior Unsecured Creditors;
- (b) at any time on or after the occurrence of the Senior Term Lender Discharge Date and:
  - (i) prior to the Senior Secured Discharge Date:
    - (A) subject to paragraph (B) below, the Majority Senior Creditors and the Majority Pari Passu Creditors; and
    - (B) in relation to instructions relating to enforcement, the group of Primary Creditors entitled to give such instructions in accordance with the below under “—*Instructions to enforce*”;
  - (ii) on or after the Senior Secured Discharge Date but prior to the Second Lien Discharge Date, the Majority Second Lien Creditors; and
  - (iii) on or after the later of the Senior Secured Discharge Date and the Second Lien Discharge Date but prior to the Senior Unsecured Liabilities discharge date, the Majority Senior Unsecured Creditors.

#### *Enforcement of Transaction Security Prior to the Senior Term Lender Discharge Date*

(a) Prior to the Senior Term Lender Discharge Date, the Security Agent may refrain from enforcing the Transaction Security or taking other Enforcement Action unless instructed otherwise by:

- (i) the Instructing Group;

(ii) if required under paragraph (c) below, the Second Lien Credit Representative(s) (acting on the instructions of the Majority Second Lien Creditors); or

(iii) if required under paragraph (d) below, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors).

(b) Subject to the Transaction Security having become enforceable in accordance with its terms:

(i) the Instructing Group;

(ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Secured Discharge Date under “—*Permitted Second Lien Enforcement*” below, the Second Lien Credit Representative(s) (acting on the instructions of the Majority Second Lien Creditors); or

(iii) to the extent permitted to enforce or to require the enforcement of the Senior Unsecured Shared Security prior to the Senior Secured Discharge Date under “—*Permitted Senior Unsecured Enforcement*” and subject to paragraph (d) below, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors),

may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security or (as applicable) the Senior Unsecured Shared Security as they see fit.

(c) Prior to the Senior Secured Discharge Date:

(i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(ii) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Second Lien Credit Representative(s) (acting on the instructions of the Majority Second Lien Creditors) are then entitled to give to the Security Agent under “—*Permitted Second Lien Enforcement*.”

(d) Prior to the later of the Senior Secured Discharge Date and the Second Lien Discharge Date:

(A) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(B) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Senior Unsecured Shared Security which the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors) are then entitled to give to the Security Agent under “—*Permitted Senior Unsecured Enforcement*”) respectively.

Notwithstanding the preceding paragraphs (c) and (d), if at any time the Second Lien Credit Representative(s) or the Senior Unsecured Representative(s) (as applicable) is then entitled to give the Security Agent instructions to enforce the Transaction Security pursuant to the preceding paragraph (c) or the Senior Unsecured Shared Security pursuant to the preceding paragraph (d) (as applicable) and the Second Lien Credit Representative(s) or the Senior Unsecured Representative(s) (as applicable) either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Transaction Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Second Lien Credit Representative(s) under “—*Permitted*

*Second Lien Enforcement*” or the Senior Unsecured Representative(s) under “—*Permitted Senior Unsecured Enforcement*” (as applicable) and the Security Agent shall act on such instructions received from the Instructing Group (and the Security Agent shall immediately cease any conflicting actions pursued or taken pursuant to the instructions of the Second Lien Credit Representative(s) or the Senior Unsecured Representative(s) (as applicable) without any liability to any Second Lien Creditors or Senior Unsecured Creditors (as applicable) for any loss, costs, damages and/or expenses that may arise as a result of it ceasing any such conflicting actions (whether or not the Security Agent is aware that such loss, costs, damages and/or expenses may arise)).

#### *Consultation Period*

(a) Subject to paragraph (b) below, before giving any instructions to the Security Agent to enforce the Transaction Security or to take any other Enforcement Action, the Credit Representative(s) of the creditors represented in the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall consult with each other Credit Representative and the Security Agent in good faith about the instructions to be given by the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors for a period of up to 5 business days (or such shorter period as each Credit Representative and the Security Agent shall agree) (the “**Consultation Period**”), and only following the expiry of a Consultation Period, the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action.

(b) No Credit Representative shall be obliged to consult in accordance with paragraph (a) above and the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of a Consultation Period if:

(i) the Transaction Security has become enforceable as a result of an Insolvency Event;  
or

(ii) the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors or any Credit Representative of the creditors represented in the Instructing Group determines in good faith (and notifies each Credit Representative and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to have a material adverse effect on:

- (A) the Security Agent’s ability to enforce any of the Transaction Security; or
- (B) the realization proceeds of any enforcement of the Transaction Security.

#### *Enforcement of Transaction Security on or after the Senior Term Lender Discharge Date*

(a) On or after the Senior Term Lender Discharge Date, the Security Agent may refrain from enforcing the Transaction Security or taking any other action as to enforcement unless instructed otherwise:

- (i) in accordance with the below under “—*Instructions to enforce*”;
- (ii) if required under paragraph (c) below, by the Second Lien Credit Representative(s) (acting on the instructions of the Majority Second Lien Creditors); or
- (iii) if required under paragraph (d) below, by the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors).

(b) Subject to the Transaction Security having become enforceable in accordance with its terms:

(i) the Instructing Group;

(ii) to the extent permitted to enforce or to require the enforcement of the Transaction Security prior to the Senior Secured Discharge Date under “—*Permitted Second Lien Enforcement*,” the Second Lien Credit Representative(s) (acting on the instructions of the Majority Second Lien Creditors); or

(iii) to the extent permitted to enforce or to require the enforcement of the Senior Unsecured Shared Security prior to the Senior Secured Discharge Date under “—*Permitted Senior Unsecured Enforcement*” and subject to paragraph (d) below, the Senior Unsecured Representative(s) (acting on the instructions of the Majority Senior Unsecured Creditors),

may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing the Transaction Security or (as applicable) the Senior Unsecured Shared Security as they see fit.

(c) Prior to the Senior Secured Discharge Date:

(i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(ii) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Second Lien Credit Representative(s) (acting on the instructions of the Majority Second Lien Creditors) are then entitled to give to the Security Agent under “—*Permitted Second Lien Enforcement*.”

(d) Prior to the later of the Senior Secured Discharge Date or the Second Lien Discharge Date:

(i) if the Instructing Group has instructed the Security Agent not to enforce or to cease enforcing the Transaction Security; or

(ii) in the absence of instructions from the Instructing Group,

and, in each case, the Instructing Group has not, and has (in case of sub-paragraph (i) above) confirmed in its instructions to the Security Agent that it has not, required any Debtor to make a Distressed Disposal, the Security Agent shall give effect to any instructions to enforce the Transaction Security which the Senior Unsecured Creditors are then entitled to give to the Security Agent under “—*Permitted Senior Unsecured Enforcement*” respectively.

(e) Notwithstanding the preceding paragraphs (c) and (d), if at any time the Second Lien Credit Representative(s) or the Senior Unsecured Representative(s) (as applicable) is then entitled to give the Security Agent instructions to enforce the Transaction Security pursuant to the preceding paragraph (c) or the Senior Unsecured Shared Security pursuant to the preceding paragraph (d) (as applicable) and the Second Lien Credit Representative(s) or the Senior Unsecured Representative(s) (as applicable) either gives such instruction or indicates any intention to give such instruction, then the Instructing Group may give instructions to the Security Agent to enforce the Transaction Security as the Instructing Group sees fit in lieu of any instructions to enforce given by the Second Lien Credit Representative(s) under “—*Permitted Second Lien Enforcement*” or the Senior Unsecured Representative(s) under “—*Permitted Senior Unsecured Enforcement*” (as applicable) and the Security Agent shall act on such instructions received from the Instructing Group (and the Security Agent shall immediately cease any conflicting actions pursued or taken pursuant to the instructions of the Second Lien Credit Representative(s) or the Senior Unsecured Representative(s) (as applicable) without any liability to any Second Lien Creditors or Senior Unsecured Creditors (as applicable) for any loss, costs, damages and/or expenses that may arise of a result of it ceasing



any such conflicting actions (whether or not the Security Agent is aware that such loss, costs, damages and/or expenses may arise)).

#### *Consultation Period*

(a) Subject to paragraph (b) below, before giving any instructions to the Security Agent to enforce the Transaction Security or to take any other Enforcement Action, the Credit Representative(s) of the creditors represented in the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall consult with each other Credit Representative and the Security Agent in good faith about the instructions to be given by the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors for a period of up to 5 business days (or such shorter period as each Credit Representative and the Security Agent shall agree) (the “**Consultation Period**”), and only following the expiry of a Consultation Period, the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action.

(b) No Credit Representative shall be obliged to consult in accordance with paragraph (a) above and the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors shall be entitled to give any instructions to the Security Agent to enforce the Transaction Security or take any other Enforcement Action prior to the end of a Consultation Period if:

(i) the Transaction Security has become enforceable as a result of an Insolvency Event;  
or

(ii) the Instructing Group or, as applicable, the Majority Second Lien Creditors or the Majority Senior Unsecured Creditors or any Credit Representative of the creditors represented in the Instructing Group determines in good faith (and notifies each Credit Representative and the Security Agent) that to enter into such consultations and thereby delay the commencement of enforcement of the Transaction Security could reasonably be expected to have a material adverse effect on:

- (A) the Security Agent’s ability to enforce any of the Transaction Security; or
- (B) the realization proceeds of any enforcement of the Transaction Security.

#### *Instructions to Enforce*

(a) If either the Majority Senior Creditors or the Majority Pari Passu Creditors wish to issue Enforcement Instructions, the Agents (and, if applicable, Hedge Counterparties) representing the Primary Creditors comprising the Majority Senior Creditors or Majority Pari Passu Creditors (as the case may be) shall deliver a copy of those proposed Enforcement Instructions (an Initial Enforcement Notice) to the Security Agent, each Agent and each Hedge Counterparty which did not deliver such Initial Enforcement Notice.

(b) Subject to paragraphs (c), (d) and (e) below, the Security Agent will act in accordance with Enforcement Instructions received from the Majority Pari Passu Creditors.

(c) If:

(i) the Majority Pari Passu Creditors have not either:

(A) made a determination as to the method of Enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing); or

(B) appointed a Financial Adviser to assist them in making such a determination,

within three months of the date of the Initial Enforcement Notice; or

(ii) the Super Senior Discharge Date has not occurred within six months of the date of the Initial Enforcement Notice,

then the Security Agent will act in accordance with Enforcement Instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

(d) If an Insolvency Event is continuing with respect to a Debtor then the Security Agent will, to the extent the Majority Senior Creditors elect to provide such Enforcement Instructions, act in accordance with Enforcement Instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

(e) If the Majority Pari Passu Creditors have not either:

(i) made a determination as to the method of Enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing); or

(ii) appointed a Financial Adviser to assist them in making such a determination,  
and the Majority Senior Creditors:

(A) determine in good faith (and notify the other Agents, the Hedge Counterparties and the Security Agent) that a delay in issuing Enforcement Instructions could reasonably be expected to have a material adverse effect on the ability to effect a Distressed Disposal or on the expected realization proceeds of any Enforcement; and

(B) deliver Enforcement Instructions which they reasonably believe to be consistent with the Enforcement Principles and necessary or advisable to enhance the prospects of achieving the Enforcement Objective before the Security Agent has received any Enforcement Instructions from the Majority Pari Passu Creditors,

then the Security Agent will act in accordance with the Enforcement Instructions received from the Majority Senior Creditors until the Super Senior Discharge Date has occurred.

#### ***Enforcement—Enforcement of Senior Unsecured Only Security***

Subject to the Senior Unsecured Only Security having become enforceable in accordance with its terms, an agent or trustee under the Senior Unsecured Liabilities documents (acting on the instructions of the Majority Senior Unsecured Creditors) may give, or refrain from giving, instructions to the Security Agent to enforce, or refrain from enforcing, the Senior Unsecured Only Security as they see fit.

#### ***Manner of Enforcement***

If the Transaction Security or Senior Unsecured Only Security is being enforced in accordance with any of the above paragraphs, the Security Agent shall enforce the relevant Transaction Security or Senior Unsecured Only Security in such manner (including, without limitation, the selection of any administrator of any Debtor to be appointed by the Security Agent) as any persons entitled at any time under the above provisions shall instruct it or, in the absence of any such instructions, as the Security Agent sees fit (which may include taking no action).

No Secured Party shall have any independent power to enforce, or to have recourse to enforce, any Transaction Security or Senior Unsecured Only Security or to exercise any rights or powers arising under the Security Documents except through the Security Agent.

### ***Restrictions on Enforcement by Second Lien Creditors***

Until the Senior Secured Discharge Date, except with the prior consent of or as required by an Instructing Group:

(a) no Second Lien Creditor shall direct the Security Agent to enforce or otherwise (to the extent applicable) require the enforcement of any security documents; and

(b) no Second Lien Creditor shall take or require the taking of any Enforcement Action in relation to the Second Lien Liabilities,

except as permitted under “—*Permitted Second Lien Enforcement*” provided, however, that no such action required by an Instructing Group need be taken except to the extent an Instructing Group otherwise is entitled under the Intercreditor Agreement to direct such action.

### ***Permitted Second Lien Enforcement***

(a) Subject to certain restrictions, including if the Security Agent is already enforcing security against a relevant Debtor, the restrictions above will not apply in respect of the Second Lien Liabilities or the security documents which secure Second Lien Liabilities, if:

(i) at the same time as, or prior to, that action, Enforcement Action has been taken in respect of the Senior Secured Liabilities, in which case the Second Lien Creditors may take the same Enforcement Action as has been taken in respect of those Senior Secured Liabilities;

(ii) (A) a default (“**Second Lien Default**”) under Second Lien Liabilities (the “**Relevant Second Lien Default**”) is continuing;

(B) each Senior Secured Credit Representative has received a notice of the Relevant Second Lien Default specifying the event or circumstance in relation to the Relevant Second Lien Default from the relevant Second Lien Credit Representative(s);

(C) a Second Lien Standstill Period has elapsed; and

(D) the Relevant Second Lien Default is continuing at the end of the relevant Second Lien Standstill Period.

(b) Promptly upon becoming aware of a Second Lien Liabilities default, the Second Lien Credit Representative(s) may by notice (a “**Second Lien Enforcement Notice**”) in writing notify each Senior Secured Credit Representative of the existence of such Second Lien Default.

(c) After the occurrence of an Insolvency Event in relation to any member of the Holdco Group, each Second Lien Creditor may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Second Lien Creditor in accordance with its right to file claims and take Enforcement Action under the Intercreditor Agreement) exercise any right it may otherwise have against that member of the Holdco Group to:

(i) accelerate any of that member of the Holdco Group’s Second Lien Liabilities or declare them prematurely due and payable or payable on demand;

(ii) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Holdco Group in respect of any Second Lien Liabilities;

(iii) exercise any right of set—off or take or receive any payment or claim in respect of any Second Lien Liabilities of that member of the Holdco Group; or

(iv) claim and prove in the liquidation of that member of the Holdco Group for the Second Lien Liabilities owing to it.

### ***Second Lien Standstill Period***

In relation to a Relevant Second Lien Default, a Second Lien Standstill Period shall mean the period beginning on the date (the “**Second Lien Standstill Start Date**”) any Second Lien Credit Representative(s) serves a Second Lien Enforcement Notice on each Senior Secured Credit Representative(s) in respect of such Relevant Second Lien Default and ending on the earliest to occur of:

- (a) the date falling:
  - (i) 90 days after the Second Lien Standstill Start Date, in the case of a Second Lien Liabilities event of default arising as a result of a failure to make any payment of any amount representing the Second Lien Liabilities;
  - (ii) 120 days after the Second Lien Standstill Start Date, in the case of a Second Lien Liabilities event of default arising as a result of a breach of any maintenance financial covenant set out in the relevant Second Lien Finance Documents; or
  - (iii) 150 days after the Second Lien Standstill Start Date (the “**Second Lien Standstill Period**”);
- (b) the date the Senior Secured Creditors take any Enforcement Action in relation to a particular Debtor provided, however, that:
  - (i) if a Second Lien Standstill Period ends pursuant to paragraph (c) below, the Second Lien Creditors may only take the same Enforcement Action in relation to the Debtor as the Enforcement Action taken by the Senior Secured Creditors against such Debtor and not against any other member of the Group; and
  - (ii) Enforcement Action for the purpose of paragraph (b) of this paragraph shall not include action taken to preserve or protect any security as opposed to realize it;
- (c) the date of an Insolvency Event in relation to a particular Debtor against whom Enforcement Action is to be taken;
- (d) the expiry of any other Second Lien Standstill Period outstanding at the date such first mentioned Second Lien Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and
- (e) the date on which the Majority Senior Lenders and the Senior Secured Notes Trustee(s) give their prior consent to the termination of the relevant Second Lien Standstill Period.

### ***Restrictions on Enforcement by Senior Unsecured Finance Party***

Until the later of the Senior Secured Discharge Date and the Second Lien Discharge Date, except with the prior consent of or as required by an Instructing Group:

- (a) no Senior Unsecured Finance Party shall direct the Security Agent to enforce or otherwise (to the extent applicable), require the enforcement of, any security documents; and
- (b) no Senior Unsecured Finance Party shall take or require the taking of any Enforcement Action in relation to a guarantee of Senior Unsecured Liabilities,

except as permitted under “—*Permitted Senior Unsecured Enforcement*” provided, however, that no such action required by the Senior Agent need be taken except to the extent the Senior Agent otherwise is entitled under the Intercreditor Agreement to direct such action.

***Permitted Senior Unsecured Enforcement***

(a) Subject to certain restrictions, including if the Security Agent is already enforcing security against a relevant Debtor, the restrictions in above will not apply in respect of the Senior Unsecured Liabilities or the security documents (if any) which secure Senior Unsecured Liabilities as permitted by the Intercreditor Agreement, if:

(i) a Senior Unsecured Liabilities default (the “**Relevant Senior Unsecured Default**”) is continuing;

(ii) the Senior Agent(s), the Senior Secured Notes Trustee(s) and the Second Lien Credit Representative(s) have received a notice of the Relevant Senior Unsecured Default specifying the event or circumstance in relation to the Relevant Senior Unsecured Default from the relevant Senior Unsecured Representative;

(iii) a Senior Unsecured Standstill Period has elapsed; and

(iv) the Relevant Senior Unsecured Default is continuing at the end of the relevant Senior Unsecured Standstill Period.

(b) Promptly upon becoming aware of a Senior Unsecured Liabilities default, the relevant Senior Unsecured Representative(s) may by notice (a “**Senior Unsecured Enforcement Notice**”) in writing notify the Senior Agent(s) and the Senior Secured Notes Trustee(s) and the Second Lien Credit Representative(s) of the existence of such Senior Unsecured Liabilities default.

(c) After the occurrence of an Insolvency Event in relation to any member of the Holdco Group, each Senior Unsecured Creditor may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Senior Unsecured Creditor in accordance with its right to file claims and take Enforcement Action under the Intercreditor Agreement) exercise any right it may otherwise have against that member of the Holdco Group to:

(i) accelerate any of that member of the Holdco Group’s Senior Unsecured Liabilities or declare them prematurely due and payable or payable on demand;

(ii) make a demand under any guarantee, indemnity or other assurance against loss given by that member of the Holdco Group in respect of any Senior Unsecured Liabilities;

(iii) exercise any right of set—off or take or receive any payment or claim in respect of any Senior Unsecured Liabilities of that member of the Holdco Group; or

(iv) claim and prove in the liquidation of that member of the Holdco Group for the Senior Unsecured Liabilities owing to it.

***Senior Unsecured Standstill Period***

In relation to an event of default with respect to Senior Liabilities or Senior Secured Notes Liabilities (“**Relevant Senior Unsecured Default**”), a Senior Unsecured Standstill Period shall mean the period beginning on the date (the “**Senior Unsecured Standstill Start Date**”) the relevant Senior Unsecured Representative(s) serves a Senior Unsecured Enforcement Notice on the Senior Agent(s), the Senior Secured Notes Trustee(s), the Second Lien Agent(s) and the Second Lien Notes Trustee(s) in respect of such Relevant Senior Unsecured Default and ending on the earliest to occur of:

(a) the date falling 179 days after the Senior Unsecured Standstill Start Date (the “**Senior Unsecured Standstill Period**”);

(b) the date the Senior Secured Creditors or the Second Lien Creditors take any Enforcement Action in relation to a particular Debtor provided, however, that:

(i) if a Senior Unsecured Standstill Period ends pursuant to this paragraph (b), the Senior Unsecured Finance Parties may only take the same Enforcement Action in relation to the Debtor as the Enforcement Action taken by the Senior Secured Creditors or Second Lien Creditors (as applicable) against such Debtor and not against any other member of the Holdco Group; and

(ii) Enforcement Action for the purpose of this paragraph (b) shall not include action taken to preserve or protect any security as opposed to realize it;

(c) the date of an Insolvency Event in relation to a particular Debtor against whom Enforcement Action is to be taken;

(d) the expiry of any other Senior Unsecured Standstill Period outstanding at the date such first mentioned Senior Unsecured Standstill Period commenced (unless that expiry occurs as a result of a cure, waiver or other permitted remedy); and

(e) the date on which the Senior Secured Creditors and Second Lien Creditors consent to an enforcement in respect of the Relevant Senior Unsecured Default by the relevant Senior Unsecured Finance Parties.

***Option to Purchase: Second Lien Creditors and Senior Unsecured Creditors***

Following acceleration of certain indebtedness under the Intercreditor Agreement or the enforcement of Transaction Security, the Second Lien Creditors and the Senior Unsecured Creditors shall have rights to repurchase other Liabilities in each case ranking ahead of them under the Intercreditor Agreement from the creditors thereof for the amount that would have been required to prepay or redeem such liabilities on such date plus certain costs and expenses. The purchasing creditors must also elect for the counterparties to hedging obligations to transfer their hedging obligations to holders in exchange for the amount that would have been payable under such hedging obligations had they been terminated on such date plus certain costs and expenses in connection with any such purchase.

***Proceeds of Non-Distressed Disposals***

If the Issuer certifies in relation to a disposal of an asset of a Debtor, or a disposal of an asset which is subject to the Transaction Security or in respect of any merger, consolidation, reorganization or transaction (including, without limitation, the resignation of a Debtor and a release of security pursuant to a release condition under the New Senior Facility Agreement) whereby a release of Transaction Security is required or, in the case of the resignation of a Debtor, desirable in connection with such transaction, that (i) it is permitted or not prohibited under the Debt Documents and (ii) the disposal is not a Distressed Disposal (as described below) (each a “**Non-Distressed Disposal**”), then the Security Agent is irrevocably authorized, instructed and obliged to:

(A) release the Transaction Security and (in respect of any Non-Distressed Disposal that consists of a disposal of an asset to a person outside the Group) any other claim (including relating to a Debt Document) over that asset;

(B) where that asset consists of shares in the capital of a Debtor, to release the Transaction Security and (in respect of any Non-Distressed Disposal that consists of a disposal of an asset to a person outside the Group) any other claim (including without limitation any Guarantee Liabilities or other Liabilities) (relating to a Debt Document) over that Debtor or its assets and (if any) the subsidiaries of that Debtor and their respective assets; and

(C) to execute and deliver or enter into any release of the Transaction Security or any claim described in paragraphs (A) and (B) above and issue any certificates of non-crystallization of any floating charge or any consent to dealing that may be reasonably requested by the Issuer.

If that Non-Distressed Disposal is not made, each release of Transaction Security or any claim described above shall have no effect and the Transaction Security or claim subject to that release shall continue in such force and effect as if that release had not been effected.

***Proceeds of Distressed Disposals***

“**Distressed Disposal**” means an appropriation or a disposal of an asset or shares of a member of the Group which is:

(a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable;

(b) being effected by enforcement of the Transaction Security (including the disposal of any property of a member of the Group, the shares in which have been subject to an appropriation); or

(c) if:

(i) the Senior Term Lender Discharge Date has not occurred, being effected after the occurrence of a Distress Event, by a Debtor to a person or persons which is not a member of the Group; and

(ii) the Senior Term Lender Discharge Date has occurred, subject to Transaction Security and which is being effected, after the occurrence of a Distress Event, by a Debtor to a person or persons which is not a member of the Group.

(a) If a Distressed Disposal of any asset is being effected, the Security Agent is irrevocably authorized and empowered (at the cost of the relevant Debtor (other than any Third Party Debtor, except to the extent received from Enforcement Proceeds with respect to Transaction Security) or the Issuer and without any consent, sanction, authority or further confirmation from any creditor under the Intercreditor Agreement or other Secured Party or Debtor):

(i) release of security/non-crystallization certificates: to release the Transaction Security and/or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) release of liabilities and security on a share sale (Debtor): if the asset which is disposed of consists of shares in the capital of a Debtor to release:

(A) that Debtor and any subsidiary of that Debtor from all or any part of:

(I) its borrowing Liabilities;

(II) its Guarantee Liabilities; and

(III) its other Liabilities;

(B) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and

(C) any other claim of an Intra-Group Lender, a Subordinated Creditor, or another Debtor over that Debtor’s assets or over the assets of any subsidiary of that Debtor,

on behalf of the relevant creditors party to the Intercreditor Agreement, Senior Agent(s), arrangers, Debtors, Senior Secured Notes Trustee(s), Second Lien Credit Representative(s) and the Senior Unsecured Representative(s);

(iii) release of liabilities and security on a share sale (Holding Company): if the asset which is disposed of consists of shares in the capital of any Holding Company of a Debtor to release:

(A) that Holding Company and any subsidiary of that Holding Company from all or any part of:

(I) its borrowing Liabilities;

(II) its Guarantee Liabilities; and

(III) its other Liabilities;

(B) any Transaction Security granted by any subsidiary of that Holding Company over any of its assets; and

(C) any other claim of an Intra-Group Lender, a Subordinated Creditor or another Debtor over the assets of that Holding Company and any subsidiary of that Holding Company,

on behalf of the relevant creditors party to the Intercreditor Agreement, Senior Agent(s), arrangers, Debtors, Senior Secured Notes Trustee(s), Second Lien Credit Representative(s) and the Senior Unsecured Representative(s);

(iv) release of liabilities and Transaction Security on the write-off of share capital (Company): if the shares representing the entire share capital of a Debtor are written off (in the context of a mandatory reduction to zero of the corporate capital of the Company under article 2482-ter or as the case may be 2447 of the Italian Civil Code), to release:

(A) that Debtor and any Subsidiary of that Debtor from all or any part of:

(I) its borrowing Liabilities;

(II) its Guarantee Liabilities; and

(III) its other Liabilities;

(B) any Transaction Security granted by that Debtor or any Subsidiary of that Debtor over any of its assets; and

(C) any other claim of an Intra-Group Lender, a Subordinated Creditor, or another Debtor over that Debtor's assets or over the assets of any Subsidiary of that Debtor,

on behalf of the relevant Creditors, Senior Agent(s), arrangers, Debtors, Senior Secured Notes Trustee(s), Second Lien Credit Representative(s) and the Senior Unsecured Representative(s);

(v) disposal of liabilities on a share sale: if the asset which is disposed of consists of shares in the capital of a Debtor or the Holding Company of a Debtor and the Security Agent decides to dispose of all or any part of:

(A) the Liabilities; or

(B) any liabilities owed to a Debtor by a member of the Holdco Group (the **“Debtor Liabilities”**)



owed by that Debtor or Holding Company or any subsidiary of that Debtor or Holding Company:

(I) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does not intend that any transferee of those Liabilities or Debtor Liabilities (the “**Transferee**”) will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities provided that notwithstanding any other provision of any Debt Document the Transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and

(II) (if the Security Agent (acting in accordance with the Intercreditor Agreement) does intend that any Transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement), to execute and deliver or enter into any agreement to dispose of:

(1) all (and not part only) of the Liabilities owed to the Primary Creditors; and

(2) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case, the relevant Creditors and Debtors; and

(vi) transfer of obligations in respect of liabilities on a share sale: if the asset which is disposed of consists of shares in the capital of a Debtor or the Holding Company of a Debtor (the “**Disposed Entity**”) and the Security Agent (acting in accordance with the Intercreditor Agreement) decides to transfer to another Debtor (the “**Receiving Entity**”) all or any part of the Disposed Entity’s obligations or any obligations of any subsidiary of that Disposed Entity in respect of:

(A) the Intra-Group Liabilities; or

(B) the Debtor Liabilities,

to execute and deliver or enter into any agreement to:

(I) agree to the transfer of all or part of the obligations in respect of those Intra- Group Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and

(II) (provided the Receiving Entity is a Holding Company of the Disposed Entity which is also a guarantor of Senior Secured Liabilities) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities or Debtor Liabilities are to be transferred.

The net proceeds of each Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities pursuant to paragraph (a)(v) above) shall be paid to the Security Agent for application in accordance with the provisions described below under “—*Application of Proceeds*” as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of Liabilities or Debtor Liabilities has occurred pursuant to paragraph (a)(v)(II) above), as if that disposal of Liabilities or Debtor Liabilities had not occurred.

Where borrowing Liabilities in respect of any Senior Secured Liabilities or any Second Lien Liabilities (as applicable) would otherwise be released pursuant to paragraph (a) above, the Senior Secured Creditor or the Second Lien Creditor (as applicable) concerned may (to the extent legally

possible) elect to have those borrowing Liabilities transferred to Holdco or the immediate Holding Company of Holdco (provided that, in the case of a transfer to Holdco it will remain a subsidiary of that Holding Company after the relevant Distressed Disposal), in which case the Security Agent is irrevocably authorized and empowered (at the cost of the relevant Debtor (other than any Third Party Debtor except to the extent recovered from Enforcement Proceeds with respect to Transaction Security) or Holdco and without any consent, sanction, authority or further confirmation from any Creditor or Debtor) to execute such documents as are required to so transfer those borrowing Liabilities.

#### ***Second Lien and Senior Unsecured Debt Protection***

(a) In the case of a Distressed Disposal (or a disposal of Liabilities pursuant to subparagraph (a)(iv) of the above under “—*Proceeds of Distressed Disposals*”) effected by, or at the request of, the Security Agent, the Security Agent shall take reasonable care to obtain a fair market value having regard to the prevailing market conditions (though the Security Agent shall have no obligation to postpone (or request the postponement of) any Distressed Disposal or disposal of Liabilities in order to achieve a higher value).

(b) If on or after the first date of incurrence of Second Lien Liabilities (but prior to the Second Lien Discharge Date) or on or after the first date of incurrence of Senior Unsecured Liabilities (but prior to the Senior Unsecured Liabilities discharge date), unless the agents of the Second Lien Creditors and/or the Senior Unsecured Creditors (as applicable) agree otherwise, any Distressed Disposal or disposal of Liabilities which results in the release of any borrowing Liabilities or Guarantee Liabilities in respect of Second Lien Liabilities or Senior Unsecured Liabilities or the release of any Transaction Security securing the Second Lien Liabilities or the Senior Unsecured Liabilities may, in each case, only be made if (and the requirement in paragraph (a) above shall be satisfied (and as between the creditors party to the Intercreditor Agreement and the Debtors shall be conclusively presumed to be satisfied) and the Security Agent will be taken to have discharged all its obligations in this respect under the Intercreditor Agreement, the other Debt Documents and generally at law only if):

(i) (A) the consideration in respect of such Distressed Disposal or disposal of Liabilities is paid or payable in cash (or substantially all in cash); or

(B) the consideration in respect of such Distressed Disposal or disposal of Liabilities does not comprise cash (or substantially all cash) in circumstances where the Security Agent (acting reasonably) determines that the cash consideration payable under the highest of the other bona fide and fully committed offers made in relation to that Distressed Disposal or disposal of Liabilities is less than the outstanding Senior Secured Liabilities, in which case the non-cash consideration can, without limitation, take the form of the Senior Secured Creditors (or any of them acting alone or together) bidding by any appropriate mechanic all or part of their Senior Secured Liabilities (such that the Senior Secured Liabilities would, on completion, be discharged to the extent of an amount equal to the amount of the offer made by the relevant Senior Secured Creditors),

and the proceeds of such Distressed Disposal or disposal of Liabilities are applied in accordance with the provisions described below under “—*Application of Proceeds*”;

(ii) (A)(I) the sale, disposal or transfer is made pursuant to a public auction or a competitive bid process (which auction or process, without prejudice to the requirements of subparagraph (b)(i) above, may be (but does not have to be) completed by a process or proceedings approved by or supervised by, or on behalf of, any court of law) or any other process agreed to by the agent(s) of the Second Lien Creditors and (to the extent that Guarantee Liabilities owed to the Senior Unsecured Creditors have been, or are proposed to be, released by the Security Agent in

connection with the relevant Distressed Disposal or disposal of Liabilities) the Senior Unsecured Creditors in each case in which:

(1) the Second Lien Creditors and the relevant Senior Unsecured Creditors (on the basis of equal information and access rights as other bidders and financiers in the process); and

(2) if such auction or process attracts, or could reasonably be expected to result in attracting, no bidders or a bona fide and fully committed cash bid the cash consideration in relation to which is determined by the Security Agent (acting reasonably) to be less than the outstanding amount of the Senior Secured Liabilities, the Senior Secured Creditors (or any of them acting alone or together),

are (subject to applicable law) entitled to participate as bidders or financiers to the potential purchaser(s) or, following the sale, disposal or transfer, the Holdco Group; and

(II) the Security Agent (or the relevant member of the Holdco Group) shall have, in respect of such auction or process, consulted with an internationally recognized investment bank or internationally recognized accounting firm selected by the Security Agent (acting reasonably) with respect to the procedures which may reasonably be expected to be used to obtain a fair market price in the then prevailing market conditions (taking into account all relevant circumstances and with a view to facilitating a prompt and expeditious sale at a fair market price in the prevailing market conditions although there shall be no obligation to postpone any such sale in order to achieve a higher price), and shall have implemented (to the extent permitted by law) in all material respects the procedures recommended by such bank or firm in relation to such auction or process, unless the Security Agent (acting in good faith) confirms that it has reasonable grounds to believe that implementation of all or part of such recommended procedures is not in the best interests of the Senior Secured Creditors; or

(B) in circumstances where the Security Agent has received an opinion (including an enterprise valuation of the Group and which can be relied upon by the Security Agent and disclosed to the agents of the Senior Secured Creditors, the Second Lien Creditors and the Senior Unsecured Creditors (but which may be given on the basis that the liability of the relevant bank or firm in giving the opinion is limited to an amount of at least the amount of its fees in respect of such engagement)) from:

(I) an internationally recognized investment bank or internationally recognized accounting firms; or

(II) if it is not practicable for the Security Agent to appoint any such bank or firm on commercially reasonable terms (including for reasons of conflicts of interest), another third party professional firm which is regularly engaged in providing valuations in respect of the relevant type of assets but which is not a Senior Secured Creditor of affiliated thereto,

(in each case not being the firm appointed as the relevant Debtor's administrator or other relevant officer holder) selected by the Security Agent confirming that the sale, disposal or transfer price is fair from a financial point of view taking into account all relevant circumstances, although there shall be no obligation to postpone any such sale, disposal or transfer in order to achieve a higher price; and

(iii) at the time of completion of the sale, disposal or transfer: (aa) the borrowing Liabilities, Guarantee Liabilities and (to the extent permitted by the Intercreditor Agreement)

other Liabilities owing to each of the Senior Secured Creditors, the Second Lien Creditors and the Senior Unsecured Creditors by the Debtors being disposed of (each a “**Relevant Claim**”) are (to the same extent) released and discharged (and are not assumed by the purchaser and/or its affiliates); and (bb) all the Transaction Security granted in favor of all the Secured Parties over the assets sold or disposed of is released and discharged unless:

(A) the agents of the Senior Secured Creditors, acting reasonably and in good faith, determine that a sale, disposal or transfer of a Relevant Claim will facilitate a recovery by the Senior Secured Creditors that is greater than the one they would achieve if such Relevant Claim was released or discharged but is nevertheless less than the outstanding Senior Secured Liabilities, which shall be deemed to be the case if there are no bidders or if the agents of the Senior Secured Creditors (acting reasonably) determines that there are no bona fide and fully committed cash bids in excess of the amount of the Senior Secured Liabilities; and

(B) the agents of the Senior Secured Creditors give notice of their determination to the Security Agent,

in which case the Security Agent shall be entitled immediately to sell and transfer the Relevant Claims to such purchaser (or an affiliate of such purchaser) (or, if subparagraph (b)(ii)(A)(I)(2) above applies and a Senior Secured Creditor is the successful bidder (or financier) or beneficiary of the relevant disposal as contemplated in such subparagraph, such Senior Secured Creditor shall be able to retain its Relevant Claim or any part thereof (which shall be valued at par)).

#### ***Application of Proceeds***

##### *Order of Application—Transaction Security*

Subject to certain provisions set out in the Intercreditor Agreement, all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document (excluding any Senior Unsecured Only Security) or in connection with the realization or enforcement of all or any part of the Transaction Security (for the purposes of this—*Order of Application—Transaction Security*, shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions below), in the following order of priority:

(a) in discharging any sums owing to any Senior Agent (in respect of the Senior Agent Liabilities), any Senior Unsecured Agent (in respect of the Senior Unsecured Agent Liabilities), the Security Agent, any receiver or any delegate and any Senior Secured Notes Trustee Amounts or Senior Unsecured Notes Trustee Amounts on a *pari passu* basis;

(b) in payment of all costs and expenses incurred by any agent or Primary Creditor in connection with any realization or enforcement of the Transaction Security taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent as required under the terms of the Intercreditor Agreement;

(c) if the Senior Term Lender Discharge Date has occurred, in payment to:

(i) each Senior Agent on its own behalf and on behalf of the senior arrangers of senior facilities (“**Senior Arrangers**”) and the Senior Lenders;

(ii) the Cash Management Providers; and

(iii) the Super Senior Hedge Counterparties,

for application towards the discharge of:

(A) the Liabilities of any senior arranger and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);

(B) the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each Cash Management Provider); and

(C) the Super Senior Hedging Liabilities (on a pro rata basis between the Super Senior Hedging Liabilities of each Super Senior Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraph (A) above, paragraph (B) above and paragraph (C) above;

(d) if the Senior Term Lender Discharge Date has occurred and the distributions have been made under paragraph (c) above, in payment to:

(i) each Senior Secured Notes Trustee on behalf of the other Senior Secured Notes Creditors; and

(ii) the *Pari Passu* Hedge Counterparties,

for the application towards the discharge of:

(A) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents); and

(B) the *Pari Passu* Hedging Liabilities (on a pro rata basis between the *Pari Passu* Hedging Liabilities of each *Pari Passu* Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraph (A) above and paragraph (B) above;

(e) if the Senior Term Lender Discharge Date has not occurred, in payment to:

(i) the Senior Agent on its own behalf and on behalf of the Senior Arrangers and the Senior Lenders;

(ii) each Senior Secured Notes Trustee on behalf of the other Senior Secured Notes Creditors;

(iii) the Cash Management Providers; and

(iv) the Hedge Counterparties,

for application towards the discharge of:

(A) the Liabilities of any senior arranger and the Senior Lender Liabilities (in accordance with the terms of the Senior Finance Documents);

(B) the Senior Secured Notes Liabilities (in accordance with the terms of the Senior Secured Notes Finance Documents);

(C) the Cash Management Liabilities (on a pro rata basis between the Cash Management Liabilities of each Cash Management Provider); and

(D) the Hedging Liabilities (on a pro rata basis between the Hedging Liabilities of each Hedge Counterparty),

on a pro rata basis and ranking *pari passu* between paragraph (A) above, paragraph (B) above, paragraph (C) above and paragraph (D) above;

(f) in payment to:

(i) the Second Lien Agent on its own behalf and on behalf of the Second Lien loan creditors for application (in accordance with the terms of the Second Lien Finance Documents) towards the discharge of the Liabilities owed to second lien lenders on a pro rata *pari passu* basis; and

(ii) the Second Lien Notes Trustee(s) on its own behalf and on behalf of the Second Lien notes creditors for application (in accordance with the terms of the Second Lien Notes Finance Documents) towards the discharge of the Second Lien Notes Liabilities on a pro rata *pari passu* basis,

on a pro rata basis and ranking *pari passu* between paragraphs (i) and (ii) above;

(g) to the extent attributable to the Senior Unsecured Shared Security or the guarantees of Senior Unsecured Liabilities, in payment to each Senior Unsecured Representative on its own behalf and on behalf of the Senior Unsecured Finance Parties and Senior Unsecured Liabilities arrangers for application (in accordance with the terms of the Senior Unsecured Finance Documents) towards the discharge of the Senior Unsecured Liabilities and the Liabilities of any Senior Unsecured Liabilities arranger; and

(h) the balance, if any, in payment to the relevant Debtor,

provided that all amounts from time to time received or recovered by the Security Agent from or in respect of a Senior Unsecured Borrower or Senior Unsecured Notes Issuer pursuant to the terms of any Debt Document (other than in connection with the realization or enforcement of all or any part of the Transaction Security or Senior Unsecured Only Security) shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fits, to the extent permitted by applicable law (and subject to the provisions described in this section—“*Order of Application—Transaction Security*”), in the following order of priority:

(i) in accordance with paragraph (a) above;

(ii) in accordance with paragraph (b) above;

(iii) those entitled to payment:

(A) in accordance with paragraphs (c) and (d) above (or as the case may be, (e) above) and (f) above; and

(B) each Senior Unsecured Representative on its own behalf and on behalf of the Senior Unsecured Finance Parties and Senior Unsecured Liabilities arrangers for application (in accordance with the terms of the Senior Unsecured Finance Documents) towards the discharge of the Senior Unsecured Liabilities and the Liabilities of any Senior Unsecured Liabilities arranger,

(in each case, only to the extent there are Liabilities due from the relevant Senior Unsecured Borrower or Senior Unsecured Notes Issuer to such creditors party to the Intercreditor Agreement), provided that payments will be made on a pro rata and *pari passu* basis across all such Liabilities; and

(iv) the balance, if any, in payment to the relevant Debtor.

#### *Treatment of Senior Unsecured Only Security*

(a) The Majority Senior Unsecured Creditors shall not be prevented by the terms of any Debt Documents from taking any Enforcement Action in respect of any Senior Unsecured Only Security which is taken in accordance with the terms set out in the Intercreditor Agreement.

(b) Subject to certain exceptions, all amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Senior Unsecured Only Security shall be held by the Security Agent on trust, to the extent legally permitted, to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of the provisions under “—*Application of Proceeds*”), in the following order of priority:

(i) first, in payment of the following amounts in the following order: (i) *pari passu* and pro rata any sums owing to the Security Agent, any receiver or any delegate and any Senior Unsecured Notes Trustee Amounts, as the case may be; and then (ii) *pari passu* and pro rata to each Senior Unsecured Representative of the costs and expenses of each such Senior Unsecured Representative and any receiver, attorney or agent appointed by such Senior Unsecured Representative under any Senior Unsecured Only Security Document or the Intercreditor Agreement;

(ii) second, *pari passu* and pro rata in or towards payment to the Senior Unsecured Agent on behalf of lenders under Senior Unsecured Liabilities (the “**Senior Unsecured Lenders**”), (as applicable) each trustee (a “**Senior Unsecured Notes Trustee**”) under notes comprising Senior Unsecured Liabilities (“**Senior Unsecured Notes**”) on behalf of the noteholders of Senior Unsecured Notes (“**Senior Unsecured Noteholders**”) or the Senior Unsecured Liabilities arrangers for application towards any unpaid costs and expenses incurred by or on behalf of any Senior Unsecured Lenders, Senior Unsecured Noteholders and Senior Unsecured Liabilities arrangers in connection with any realization or enforcement of the Senior Unsecured Only Security taken in accordance with the terms of the Senior Unsecured Only Security Documents and the Intercreditor Agreement or any action taken at the request of the Security Agent;

(iii) third, to the Senior Unsecured Agent on behalf of the Senior Unsecured Lenders, (as applicable) each Senior Unsecured Notes Trustee on behalf of the Senior Unsecured Noteholders or each Senior Unsecured Liabilities arranger for application towards the discharge of the Senior Unsecured Liabilities (in accordance with the relevant Senior Unsecured Finance Document) or Liabilities of Senior Unsecured Liabilities arrangers on a pro rata basis; and

(iv) then, after the Senior Unsecured Liabilities discharge date, in payment of the surplus (if any) to the relevant Senior Unsecured Only Security provider or other person entitled to it.

### ***Equalization***

The Intercreditor Agreement will provide that if, for any reason, any liabilities relating to certain classes of debt (depending on the time of determination) remain unpaid after the first date on which certain types of Enforcement Action are taken (the “**Enforcement Date**”) and the resulting losses are not borne by the creditors in any given class in the proportions which their respective exposures at the Enforcement Date bore to the aggregate exposures of all the creditors in that class at the Enforcement Date, the relevant class of creditors will make such payments amongst themselves as the Security Agent shall require to put the relevant creditors in such a position that (after taking into account such payments) those losses are borne in those proportions.

### ***Required Consents***

The Intercreditor Agreement will provide that, subject to certain exceptions, its terms may be amended or waived only with the consent of the Issuer, the agents and trustees for the Secured Parties, and the Security Agent.

An amendment or waiver of the Intercreditor Agreement that has the effect of changing or which relates to, among other matters, the provisions set out under “—*Application of Proceeds*” above and the

order of priority or subordination under the Intercreditor Agreement shall not be made without the consent of:

- (a) the applicable agents;
- (b) the Senior Lenders (unless a lower consent threshold is expressly provided for in the relevant Debt Document in respect of the relevant matter, in which case that lower consent threshold shall apply);
- (c) the noteholders comprising the Senior Secured Notes Creditors (unless a lower consent threshold is expressly provided for in the relevant Debt Document in respect of the relevant matter, in which case that lower consent threshold shall apply) (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (d) the second lien lenders (unless a lower consent threshold is expressly provided for in the relevant Debt Document in respect of the relevant matter, in which case that lower consent threshold shall apply);
- (e) the noteholders with respect to Second Lien Notes Liabilities (unless a lower consent threshold is expressly provided for in the relevant Debt Document in respect of the relevant matter, in which case that lower consent threshold shall apply) (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (f) the Senior Unsecured Creditors (unless a lower consent threshold is expressly provided for in the relevant Debt Document in respect of the relevant matter, in which case that lower consent threshold shall apply) (to the extent that the amendment or waiver would materially and adversely affect such creditors);
- (g) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect the Hedge Counterparty);
- (h) the Security Agent; and
- (i) the Issuer.

Each agent or trustee shall, to the extent instructed to consent by the requisite percentage of creditors it represents or as otherwise authorized by the Debt Documents to which it is party, act on such instructions or authorizations in accordance therewith (save to the extent any amendments so consented or authorized to relate to any provision affecting the personal rights and obligations of that agent or trustee in its capacity as such).

#### ***Snooze/Lose***

If in relation to a request for a consent, to participate in a vote of a class of creditors, to approve any action or to provide any confirmation or notification, in each case, under the Intercreditor Agreement, any creditor, except, for the avoidance of doubt, noteholders, fails to respond to the request within 15 business days or fails to provide details of its credit participation, such creditor will be disregarded or be deemed to have zero participation in respect of the matter or be deemed to have provided the relevant confirmation or notification, as applicable.

#### ***Notices***

The Intercreditor Agreement will either provide that where notifications are required under the Intercreditor Agreement, creditor representatives shall notify other creditor representatives directly or through the Security Agent.



### *Agreement to Override*

Unless otherwise specified therein, the Intercreditor Agreement overrides anything in the Debt Documents to the contrary, except, for the avoidance of doubt, any defaults under the Debt Documents.

### **Shareholder Loans**

As a result of the Merger, certain subordinated shareholder loans are outstanding between VIP-CKH Luxembourg S.à r.l. and Wind Tre, and Wind Tre Italia and Wind Tre.

Each of the Shareholder Loans (as defined below) will be “Subordinated Liabilities” under the Intercreditor Agreement and “Subordinated Shareholder Funding” under the Indenture and payments thereunder are deferred to payments to third party creditors in accordance with the Intercreditor Agreement and Wind Tre’s other finance documents.

### *VIP-CKH Shareholder Loans*

Outstanding shareholder loans from VIP-CKH to Wind Tre are comprised of:

- i. an up to €2 billion interest-free loan under an agreement dated December 10, 2009 (as amended from time to time) of which €2 billion was outstanding on June 30, 2017 (“**VIP-CKH Loan 1**”);
- ii. an up to €1 billion interest-free loan under an agreement dated agreement dated January 14, 2010 (as amended from time to time) of which €1 billion was outstanding on June 30, 2017 (“**VIP-CKH Loan 2**”); and
- iii. an up to €1.4 billion interest-free loan under an agreement dated agreement dated November 26, 2010 (as amended from time to time) of which €1.4 billion was outstanding on June 30, 2017 (“**VIP-CKH Loan 3**”), and together with VIP-CKH Loan 1 and VIP-CKH Loan 2, the “**VIP-CKH Loans**”). The book value of the VIP-CKH Loans, outstanding in a total amount of €4.4 billion as of June 30, 2017, on the Wind Tre balance sheet only reflect €294 million (and not the amounts set forth above), which reflects the accounting treatment under IFRS.

VIP-CKH Loan 1 matures on November 27, 2059, VIP-CKH Loan 2 matures on December 29, 2059 and VIP-CKH Loan 3 matures on November 26, 2060, but in each case any such repayment would be subject to the Intercreditor Agreement. The VIP-CKH Loans are interest free. Each of the VIP-CKH Loans is unsecured and does not benefit from a guarantee. The VIP-CKH Loans are governed by English law.

### *Wind Tre Italia Shareholder Loan*

Wind Tre Italia has made available a loan to Wind Tre under an interest-bearing cash management agreement dated March 15, 2007 of which €1.4 billion was outstanding on June 30, 2017 (the “**Wind Tre Italia Loan**,” and together with the VIP-CKH Loans, the “**Shareholder Loans**”).

The Wind Tre Italia Loan is a cash management loan. Subject to the Intercreditor Agreement and the discharge of all outstanding senior debt, each party may request the other to repay the loan on demand. Subject to the Intercreditor Agreement and the discharge of all outstanding senior debt, interest is payable quarterly on the Wind Tre Italia Loan, which prior to such date will not be paid in cash but capitalized. The Wind Tre Italia Loan is unsecured and does not benefit from a guarantee. The Wind Tre Italia Loan is governed by English law.

## DESCRIPTION OF NOTES

Wind Tre S.p.A., a joint stock company (*società per azioni*) organized under the laws of the Republic of Italy with registered office at Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy (the “Issuer”), will issue (i) €1,625 million aggregate principal amount of euro-denominated 2 $\frac{3}{8}$ % Senior Secured Notes due 2023 (the “2023 Fixed Rate Euro Notes”), (ii) €1,750 million aggregate principal amount of euro-denominated 3 $\frac{1}{8}$ % Senior Secured Notes due 2025 (the “2025 Fixed Rate Euro Notes” and, together with the 2023 Fixed Rate Euro Notes, the “Fixed Rate Euro Notes”), (iii) €2,250 million aggregate principal amount of euro-denominated Senior Secured Floating Rate Notes due 2024 (the “Floating Rate Notes” and, together with the Fixed Rate Euro Notes, the “Euro Notes”) and (iv) \$2,000 million aggregate principal amount of US dollar-denominated 5% Senior Secured Notes due 2026 (the “Dollar Notes,” together with the Euro Notes, the “Notes”). The Notes will be unconditionally guaranteed on a senior secured basis by the Issuer’s subsidiary Wind Acquisition Finance S.A. (“WAF”).

In this “*Description of Notes*,” the “Issuer” refers only to Wind Tre S.p.A., and any successor obligor to Wind Tre S.p.A. on the Notes, and not to any of its subsidiaries. The Fixed Rate Euro Notes and the Dollar Notes are together referred to as the “Fixed Rate Notes.”

The proceeds of the offering of the Notes sold on the Issue Date, together with the proceeds of the Senior Credit Facilities and net amounts due to Wind Tre on terminative of derivative hedging instruments related to existing debt, will be used by the Issuer to (i) repay certain intercompany loans with WAF, which will utilize the funds to repay the Existing Notes, (ii) repay the Existing Senior Credit Facilities, (iii) pay any call premia, and (iv) pay transaction fees and expenses, in all cases as set forth in this Offering Memorandum under the caption “*Use of Proceeds*.”

Upon the initial issuance of the Notes, the Notes will be obligations of the Issuer and will be guaranteed by the Guarantor. The Issuer will issue the Notes under an indenture, to be dated as of the Issue Date, by and among, *inter alios*, the Issuer, the Guarantor, Citibank, N.A., London Branch, as Trustee, and Banca IMI S.p.A., as security agent and as representative (*rappresentante*) pursuant to article 2414-*bis*, 3rd paragraph of the Italian Civil Code (the “Indenture”). The Notes will be issued in private transactions that are not subject to the registration requirements of the Securities Act. See “*Notice to Investors*.” The terms of the Notes include those set forth in the Indenture. The Indenture will not be qualified under, incorporate provisions by reference or be subject to any provision of the Trust Indenture Act. The Notes are subject to all such terms pursuant to the provisions of the Indenture, and Holders of the Notes are referred to the Indenture for a statement thereof.

The following is a summary of the material provisions of the Indenture and the Notes and refers to the Security Documents, the Dollar Rule 144A Notes Documents and the Intercreditor Agreement and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the Indenture, the Notes, the Security Documents, the Dollar Rule 144A Notes Documents and the Intercreditor Agreement, respectively. Because this is a summary, it may not contain all the information that is important to you. You should read the Indenture and the Security Documents in their entirety. Copies of the Indenture, the form of Notes, the Dollar Rule 144A Notes Documents and the Intercreditor Agreement are available as described under “*Available Information*.” You can find the definitions of certain terms used in this description under “*Certain Definitions*.”

### Brief Description of the Notes and the Notes Guarantee

#### *The Notes*

The Notes will upon issuance:

- be general senior obligations of the Issuer, secured by the Collateral described below under “*Security—The Collateral*” on a first-priority basis along with obligations under the Senior Credit Facilities Agreement and certain hedging agreements (except that, in the future, to the extent there is no term Indebtedness secured by a Permitted Collateral Lien (other than Public

Debt or any bridging loans), a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (measured at the time of commitment of such facility)) and certain Hedging Obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral; see “*Description of Certain Financing Arrangements—Intercreditor Agreement—Application of Proceeds*”);

- be senior in right of payment to any Subordinated Indebtedness of the Issuer, including Parent Debt;
- be effectively senior in right of payment to any existing or future unsecured obligations of the Issuer, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- be effectively subordinated to any existing and future indebtedness of the Issuer that is secured by property or assets that do not secure the Notes, to the extent of the value of the property or assets securing such indebtedness;
- be effectively subordinated to any existing and future indebtedness of the Guarantors that is secured by property or assets that do not secure the Notes or the Guarantor’s Guarantee, to the extent of the value of the property or assets securing such indebtedness;
- be effectively subordinated to any existing and future indebtedness of subsidiaries of the Issuer that do not guarantee the Notes; and
- be unconditionally guaranteed on a senior secured basis by the Guarantor, subject to the guarantee limitations described herein and in “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*”

### ***The Guarantee***

The Guarantee of the Notes by WAF and any future Guarantor will upon issuance:

- be the general senior obligation of the relevant Guarantor, secured by the Collateral described below under “*—Security—The Collateral*” on a first-priority basis along with obligations under the Senior Credit Facilities Agreement and certain hedging agreements (except that, in the future, to the extent there is no term Indebtedness secured by a Permitted Collateral Lien (other than Public Debt), a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (measured at the time of commitment of such facility)) and certain Hedging Obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral; see “*Description of Certain Financing Arrangements—Intercreditor Agreement—Application of Proceeds*”);
- be senior in right of payment to any Subordinated Indebtedness of the relevant Guarantor;
- be effectively senior in right of payment to any existing or future unsecured obligations of the Guarantor, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;
- be effectively senior in right of payment to any existing or future obligations of the relevant Guarantor secured on a basis junior to the Notes, if any, to the extent of the value of the Collateral that is available to satisfy the obligations under the Notes;

- be effectively subordinated to any existing and future indebtedness of the Guarantor that is secured by property or assets that do not secure the Notes or Guarantor's guarantee, to the extent of the value of the property or assets securing such indebtedness; and
- be subject to the guarantee limitations described herein and in "*Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability.*"

### **Principal and Maturity**

The Issuer will issue €1,625 million aggregate principal amount of 2023 Fixed Rate Euro Notes. The 2023 Fixed Rate Euro Notes will mature on January 20, 2023.

The Issuer will issue €1,750 million aggregate principal amount of 2025 Fixed Rate Euro Notes. The 2025 Fixed Rate Euro Notes will mature on January 20, 2025.

The Issuer will issue €2,250 million aggregate principal amount of Floating Rate Notes. The Floating Rate Notes will mature on January 20, 2024.

The Issuer will issue \$2,000 million aggregate principal amount of Dollar Notes. The Dollar Notes will mature on January 20, 2026.

The Euro Notes will be issued in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof and the Dollar Notes will be issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof.

The rights of holders of beneficial interests in the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and Clearstream (with respect to the Euro Notes and the Dollar Regulation S Notes in global form), DTC (with respect to the Receipts in global form) and the Note Depository (with respect to the Dollar Rule 144A Notes in global form), as applicable. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

### **Interest**

#### ***Fixed Rate Euro Notes and Dollar Notes***

Interest on the 2023 Fixed Rate Euro Notes will accrue at the rate of 2.625% per annum, interest on the 2025 Fixed Rate Euro Notes will accrue at the rate of 3.125% per annum and interest on the Dollar Notes will accrue at the rate of 5.000% per annum and, in each case, will be payable semi-annually in arrears on January 20 and July 20, commencing on July 20, 2018. The rights of holders of beneficial interests in the Fixed Rate Notes to receive the payments of interest on the Fixed Rate Notes are subject to applicable procedures of Euroclear and Clearstream (with respect to the applicable Euro Notes and the applicable Dollar Regulation S Notes in global form), DTC (with respect to the applicable Receipts in global form) and the Note Depository (with respect to the applicable Dollar Rule 144A Notes in global form), as applicable. Interest on overdue principal and interest and all Additional Amounts (if any) then due will accrue at a rate that is 1% higher than the then applicable interest rate on the Fixed Rate Notes. The Issuer will make each interest payment to the Holders of record on the immediately preceding January 5 and July 5 (or such other record date as specified in the relevant Notes and/or permitted or otherwise required by the procedures of Euroclear, Clearstream or DTC, as applicable, which, as of the Issue Date is expected to be January 16 and July 16). The Issuer has been advised by DTC that DTC will, in accordance with its customary accounting and payment procedures, credit interest payments received by DTC on any interest payment date based on DTC participant holdings of the beneficial interests in the

Notes on the close of business on the New York business day immediately preceding such interest payment date.

Interest on the Fixed Rate Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

In certain circumstances, the Issuer may be required to pay additional amounts in cash on the Fixed Rate Notes described below under the caption entitled “—*Additional Amounts.*”

#### ***Floating Rate Notes***

Interest on the Floating Rate Notes will accrue at a rate per annum (the “Applicable Rate”), reset quarterly, equal to the sum of (i) EURIBOR (subject to a 0% floor) *plus* (ii) 2.750%, as determined by the calculation agent (the “Calculation Agent”), which shall initially be Citibank, N.A., London Branch. Interest on the Floating Rate Notes will:

- accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly on January 20, April 20, July 20 and October 20, commencing on April 20, 2018; and
- be payable to the Holder of record of such Floating Rate Note on January 5, April 5, July 5 and October 5 (or such other record date as specified in the relevant Notes and/or permitted or otherwise required by the procedures of Euroclear, Clearstream or DTC, as applicable, which, as of the Issue Date, is expected to be January 16, April 16, July 16 and October 16) immediately preceding the related interest payment date. The Issuer has been advised by DTC that DTC will, in accordance with its customary accounting and payment procedures, credit interest payments received by DTC on any interest payment date based on DTC participant holdings of the beneficial interests in the Notes on the close of business on the New York business day immediately preceding such interest payment date.

Set forth below is a summary of certain of the provisions from the Indenture relating to the calculation of interest on the Floating Rate Notes.

“*Determination Date,*” with respect to an Interest Period will be the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

“*EURIBOR,*” with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Page 248 as of 11:00 a.m. Brussels time, on the Determination Date. If Reuters Page 248 does not include such a rate or is unavailable on a Determination Date, the Calculation Agent will request the principal London office of each of four major banks in the Euro-zone inter-bank market, as selected by the Issuer and disclosed to the Calculation Agent, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., Brussels time, on such Determination Date, to prime banks in the Euro-zone inter-bank market for deposits in a Representative Amount in euros for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Calculation Agent will request each of three major banks in London, as selected by the Issuer and disclosed to the Calculation Agent, to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11:00 a.m., London time, on such Determination Date, for loans in a Representative Amount in euros to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean

of such rates. If fewer than two such rates are so provided then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period. Notwithstanding the foregoing, if for any Interest Period the EURIBOR rate determined based on the procedure specified in this definition is less than 0%, EURIBOR shall mean 0% for purposes of determining the Applicable Rate for such Interest Period.

“*Euro-zone*” means the region comprised of member states of the European Union that adopt the euro.

“*Interest Period*” means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include April 20, 2018.

“*Representative Amount*” means the greater of (i) €1,000,000 and (ii) an amount that is representative for a single transaction in the relevant market at the relevant time.

“*Reuters Page 248*” means the display page so designated by Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

“*TARGET Settlement Day*” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the “Interest Amount”). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Floating Rate Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360 and all percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% being rounded to 4.87655% (or .0487655)). All euro amounts used in or resulting from such calculations will be rounded to the nearest euro cent (with one-half euro cent being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, gross negligence or manifest error, be final and binding on all parties. In no event will the rate of interest on the Floating Rate Notes be higher than the maximum rate permitted by applicable law. Interest on overdue principal and interest and all Additional Amounts (if any) then due will accrue at a rate that is 1% higher than the then applicable interest rate on the Floating Rate Notes.

#### **Additional Notes**

From time to time, subject to the Issuer’s compliance with the covenants described under the headings “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*,” the Issuer is permitted to issue additional 2023 Fixed Rate Euro Notes (“Additional 2023 Fixed Rate Euro Notes”), additional 2025 Fixed Rate Euro Notes (“Additional 2025 Fixed Rate Euro Notes”), additional Dollar Notes (“Additional Dollar Notes”), and/or additional Floating Rate Notes (“Additional Floating Rate Notes”) and, collectively, with the Additional 2023 Fixed Rate Euro Notes, Additional 2025 Fixed Rate Euro Notes, and Additional Dollar Notes, the “Additional Notes”), which shall have terms substantially identical to the respective 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes, Dollar Notes, or Floating Rate Notes, as applicable, except in respect of any of the following terms which shall be set forth in an Officer’s Certificate supplied to the Trustee:

- (1) the title of such Additional Notes;
- (2) the aggregate principal amount of such Additional Notes;
- (3) the date or dates on which such Additional Notes have been issued;

- (4) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;
- (7) if other than denominations of (x) €100,000 and in integral multiples of €1,000 in excess thereof in relation to euro-denominated Additional Notes and (y) \$200,000 and in integral multiples of \$1,000 in excess thereof in relation to dollar-denominated Additional Notes, as applicable, the denominations in which such Additional Notes shall be issued and redeemed; and
- (8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Notes; (it being understood that unless the Additional Notes are fungible with the Notes for U.S. federal income tax purposes, the Additional Notes will not be issued under the same ISIN, Common Code, CUSIP or other securities identifying number as the Notes).

The Additional Notes will constitute a separate series of Notes but will be treated as a single class of securities for all purposes of the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture. Additional Notes will be treated, along with all other series of Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series. Unless the context otherwise requires, for all purposes of the Indenture and this “*Description of Notes*,” references to “Notes” shall be deemed to include references to the Notes initially issued on the Issue Date as well as any Additional Notes.

Additional Notes may also be designated as Additional 2023 Fixed Rate Euro Notes, Additional 2025 Fixed Rate Euro Notes, Additional Dollar Notes or Additional Floating Rate Notes, as applicable, but only if having terms substantially identical in all material respects to the relevant initial notes to be issued on the Issue Date (the “Initial 2023 Fixed Rate Euro Notes,” “Initial 2025 Fixed Rate Euro Notes,” “Initial Dollar Notes,” or “Initial Floating Rate Notes,” as applicable, or collectively, the “Initial Notes”). The relevant Initial Notes and any corresponding Additional Notes of the same series shall be deemed to form one series and references to the relevant “2023 Fixed Rate Euro Notes,” “2025 Fixed Rate Euro Notes,” “Dollar Notes,” or “Floating Rate Notes,” as applicable, shall be deemed to include the 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes, Dollar Notes, or Floating Rate Notes, as applicable, initially issued on the Issue Date as well as any Additional 2023 Fixed Rate Euro Notes, Additional 2025 Fixed Rate Euro Notes, Additional Dollar Notes, or Additional Floating Rate Notes, as applicable; *provided, however*, that any Additional Notes that are not fungible for U.S. federal income tax purposes with the relevant Initial Notes will be issued with a unique ISIN, Common Code, CUSIP and/or other securities identifying number.

#### **Methods of Receiving Payments on the Notes**

Principal, premium, if any, interest and Additional Amounts (defined below), if any, on the Global Notes (as defined below) and the Global Receipts (as defined below) will be payable at the specified office

or agency of the applicable Paying Agent; *provided* that all such payments with respect to Notes and the Receipts represented by one or more Global Note or Global Receipts, as the case may be, registered in the name of or held by a nominee of Euroclear and Clearstream (with respect to the Euro Notes and the Dollar Regulation S Notes in global form), DTC (with respect to the Receipts in global form) and the Note Depository (with respect to the Dollar Rule 144A Notes in global form), as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Principal, premium, if any, interest and Additional Amounts, if any, on any certificated securities (“Definitive Registered Notes” or “Definitive Registered Receipts”, as the case may be) will be payable at the specified office or agency of the applicable Paying Agent in the City of London or the Borough of Manhattan, City of New York, as applicable, maintained for such purposes. In addition, interest on the Definitive Registered Notes or the Definitive Registered Receipts may be paid by check mailed to the person entitled thereto or by bank transfer to an account denominated in the currency of the Note or Receipt, as the case may be, as shown on the applicable register for the Definitive Registered Notes or Definitive Registered Receipts, respectively. See “—*Paying Agent and Registrar for the Notes.*”

#### **Paying Agent, Registrar, Transfer Agent and Note Depository for the Notes**

The Issuer will maintain one or more paying agents (each a “Paying Agent”) for the Notes and the Receipts in the City of London. The initial Paying Agent for the Notes will be Citibank, N.A., London Branch in London. The initial Paying Agent for the Receipts (the “Receipt Paying Agent”) will be Citibank, N.A., London Branch in London.

The Issuer shall cause to be kept at the office of the Note Registrar designated by the Issuer a register (the register maintained in such office and in any other office or agency in New York, Milan or London being herein sometimes collectively referred to as the “*Note Register*”) in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of the Notes and of transfers of Notes. The Issuer appoints the Trustee, which will initially be Citibank, N.A., London Branch as “Note Registrar” (the “*Note Registrar*” or “*Registrar*”) and as transfer agent (the “*Transfer Agent*”) for the purposes of registering Notes and transfers of Notes (as applicable) as herein provided. The Issuer may replace the Note Registrar with respect to the Notes of any series at any time by written notice delivered to such Note Registrar and the Trustee and will cause each Note Registrar other than the Trustee to execute and deliver to the Trustee an instrument in which such Note Registrar shall agree with the Trustee that such Note Registrar will comply with the provisions of this Indenture applicable to it as a Note Registrar.

The Issuer will also maintain a Note Depository for the Dollar Rule 144A Notes. The initial Note Depository for the Dollar Rule 144A Notes will be Monte Titoli.

The Issuer may change any Paying Agent, Registrar, Note Depository, Calculation Agent or Transfer Agent for the Notes without prior notice to the Holders of the Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar, Note Depository, Calculation Agent or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

#### **Transfer and Exchange**

##### *Euro Rule 144A Notes and the Regulation S Notes*

The Euro Rule 144A Notes and the Regulation S Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Euro Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the “Euro Rule 144A Global Notes”).



- The Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the “Regulation S Global Notes” and, together with the Euro Rule 144A Global Notes, the “ICSD Global Notes”).
- The ICSD Global Notes will, upon issuance, be deposited with and registered in the name of the common depository (or its nominee) for the accounts of Euroclear and Clearstream.

#### *Dollar Rule 144A Notes*

The Dollar Rule 144A Notes will initially be issued in the form of registered notes in global form without interest coupons, as follows:

- The Dollar Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by global notes in registered form without interest coupons attached (the “Dollar Rule 144A Global Notes” and, together with the ICSD Global Notes, the “Global Notes”). Beneficial interests in the Dollar Rule 144A Notes may be held through DTC in the form of one or more global receipts in registered form, which represent interests in Dollar Rule 144A Global Notes (the “Global Receipts”). The Global Receipts are issued by the Receipt Issuer pursuant to the terms of the Deposit Agreement.
- The Dollar Rule 144A Global Notes will be issued to, and registered in the name of, Monte Titoli, as operator of the Italian centralized securities clearing system. Beneficial interests in each Global Receipt will be reflected in an equivalent amount in the applicable Dollar Rule 144A Global Note.
- Upon issuance of the Dollar Rule 144A Global Notes to Monte Titoli by the Issuer, Monte Titoli will be recorded as the Holder of the Dollar Rule 144A Global Notes. All of the book-entry interests in such Dollar Rule 144A Global Notes will initially be credited by Monte Titoli to a securities account in Monte Titoli of the Issuer for the benefit of and operated by the Receipt Issuer. Citibank, N.A., acting through its New York office, as Receipt Issuer, will issue and deliver one or more Global Receipts to DTC, which in turn, will hold the Global Receipts, which will be registered in the name of Cede & Co., as DTC’s nominee, for the benefit of DTC’s participants.
- The Receipt Issuer will record Cede & Co., as nominee of DTC, on its books as the initial registered Holder of the Global Receipts that evidence the Dollar Rule 144A Global Notes and will also record any subsequent registration and transfer of the book-entry interests in the Dollar Rule 144A Notes. The Receipt Issuer may not register the transfer of the Global Receipts except as a whole by DTC or its nominee to DTC or another nominee of DTC or a successor of DTC or a nominee of that successor.

Beneficial Owners in the Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or DTC or Monte Titoli or persons that may hold interests through such participants, as applicable. The interests of Beneficial Owners in the Notes (“Book-Entry Interests”) and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Notice to Investors.*” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream or participants in DTC or participants in Monte Titoli will be effected by Euroclear or Clearstream or DTC or Monte Titoli, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream or DTC or Monte Titoli, as applicable, and their respective participants.

Book-Entry Interests in the Dollar Rule 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in Dollar Regulation S Global Notes only upon receipt by the Registrar or the Transfer Agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transfer is being made in accordance with Regulation S, as the

case may be. Any Book-Entry Interests in the Dollar Rule 144A Global Note that is transferred to a person who takes delivery in the form of Book-Entry Interests in Dollar Regulation S Global Notes, will, upon transfer, cease to be Book-Entry Interests in the Dollar Rule 144A Global Note and become Book-Entry Interests in Dollar Regulation S Global Notes and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in Dollar Regulation S Global Notes under the Securities Act.

Book-Entry Interests in the Euro Rule 144A Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Euro Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Prior to 40 days after the date of initial issuance of the Notes, ownership of Book-Entry Interests in Regulation S Global Notes will be limited to persons that have accounts with Euroclear or Clearstream or persons who hold interests through Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A under the Securities Act. Subject to the foregoing, Book-Entry Interests in the Regulation S Global Notes may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Euro Rule 144A Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Notice to Investors*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

For additional information relating to trading between DTC or Monte Titoli and Euroclear or Clearstream, see “*Notice to Investors*.”

If Definitive Registered Notes or Definitive Registered Receipts are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, with respect to the Euro Notes (or beneficial interests therein) and in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof, with respect to the Dollar Notes (or beneficial interests therein), upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream or DTC or Monte Titoli, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes or Definitive Registered Receipts issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Notice to Investors*.”

Subject to the restrictions on transfer referred to above, the Notes issued as Definitive Registered Notes or beneficial interests in the Notes issued in the form of Definitive Registered Receipts may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, with respect to the Euro Notes (or beneficial interests therein) and in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof, with respect to the Dollar Notes (or beneficial interests therein). In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at

Euroclear or Clearstream or DTC or Monte Titoli, as applicable, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer or Registrar is not required to register the transfer or exchange of any Definitive Registered Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of such Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Registrar and the Paying Agent will be entitled to treat the Holder of a Note as the owner of it for all purposes.

#### **Mandatory Exchange and Transfer Restriction in the Event of Non-Compliance with Tax Procedures**

Interests in X Receipts held by Beneficial Owners (i) who are not eligible Beneficial Owners, (ii) who fail to submit Self-Certification Forms or fail to comply with other provisions of the Tax Certification Procedures, (iii) for whom the applicable DTC participant has failed to supply correct beneficial owner information regarding the Beneficial Owners' positions or (iv) for whom the Tax Certification Procedures prove to be ineffective or incorrect, will be subject to a mandatory exchange of beneficial ownership interests from the X Receipt to a N Receipt (each as defined in the Indenture). Any interest paid in respect of N Receipts will be subject to Italian Substitute Tax on the entire amount of the next interest payment, currently at a rate of 26.0%, regardless of how long the N Receipt has been held by the Beneficial Owner during such interest period. For further information, see "*Book-Entry, Delivery and Form—Dollar Rule 144A Notes—Mandatory Exchange and Transfer Restriction in the Event of Non-Compliance with Tax Procedures.*" See also "*Important Italian Substitute Tax Requirements and Information in respect of the Tax Certification Procedures in respect of the Dollar Rule 144A Notes*" and "*Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—Italian substitute tax will be deducted from any interest, premium and other income in respect of the Dollar Rule 144A Notes to any investor who does not comply with the Tax Certification Procedures. Wind Tre will not pay any additional amounts in respect of any such withholding.*"

#### **Restricted Subsidiaries and Unrestricted Subsidiaries**

On the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. In the circumstances described below under "*Certain Definitions—Unrestricted Subsidiary,*" the Issuer will be permitted to designate Restricted Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

#### **Notes Guarantees**

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will (subject to the Agreed Security Principles) be initially guaranteed, jointly and severally on a senior basis, by WAF (the "Guarantor" and such guarantee, a "Notes Guarantee").

As of and for the six months ended June 30, 2017, Wind Tre and the Guarantor, on and unconsolidated basis, net of intercompany transactions and consolidation entries, represented 100% of the

Wind Tre Group's *pro forma* EBITDA, 99.6% of the Wind Tre Group's *pro forma* revenue and 99.3% of the Wind Tre Group's total assets.

In addition, as described below under “—*Certain Covenants—Additional Guarantees*” and subject to the Intercreditor Agreement and the Agreed Security Principles, each Restricted Subsidiary of the Issuer that guarantees the Senior Credit Facilities Agreement, Public Debt or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

The Agreed Security Principles apply to the granting of guarantees and security in favor of obligations under the Senior Credit Facilities Agreement and the Notes. The Agreed Security Principles include restrictions on the granting of guarantees where, among other things, such grant would be restricted by general statutory or other legal limitations or requirements, financial assistance, corporate benefit, fraudulent preference, “thin capitalization” rules, retention of title claims and similar matters.

To ensure compliance with Italian law and article 1938 of the Italian Civil Code, the Note Guarantee by any future Guarantor incorporated in Italy (if any) shall not in any event exceed an amount equal to 130% of the aggregate amount of the Notes in accordance with applicable Italian law.

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of national, federal, local or state law, or as otherwise required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See “*Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability,*” “*Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability,*” and “*Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The insolvency laws of Italy may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.*”

The Notes Guarantee of a Guarantor will terminate and release upon:

- a sale, disposition, exchange or other transfer (including by way of consolidation, merger, amalgamation or combination) of ownership interests in the Guarantor (directly or through a parent company) such that the Guarantor does not remain a Restricted Subsidiary or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary), in each case, otherwise permitted by the Indenture;
- the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- defeasance or discharge of the Notes and the Indenture, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Credit Facilities Agreement and (ii) does not guarantee any other Credit Facility or Public Debt;
- in accordance with the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;

- upon the release of the Guarantor’s Notes Guarantee under any Indebtedness that triggered such Guarantor’s obligation to Guarantee the Notes under the covenant described in “—*Certain Covenants—Additional Guarantees*”; *provided* that no other Indebtedness is at the time Guaranteed by the Guarantor that would result in the requirement that the Guarantor provide a Notes Guarantee;
- as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation*;”
- as described under “—*Amendments and Waivers*;”
- other than the Note Guarantees of a Significant Subsidiary and so long as no Event of Default has occurred and is continuing, such Guarantor being released and discharged from its liability with respect to the Senior Credit Facilities; *provided* that no other Indebtedness is at the time Guaranteed by the Guarantor that would result in the requirement that the Guarantor provide a Notes Guarantee in order to comply with the covenant described under the caption “—*Certain Covenants—Additional Guarantees*;” or
- otherwise in accordance with the terms of the Indenture.

Claims of creditors of non-guarantor Subsidiaries, including trade creditors, secured creditors and creditors holding debt and guarantees issued by those Subsidiaries, and claims of preferred and minority stockholders (if any) of those Subsidiaries generally will have priority with respect to the assets and earnings of those Subsidiaries over the claims of creditors of the Issuer and the Guarantor, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be effectively subordinated to creditors (including trade creditors) and preferred and minority stockholders (if any) of Subsidiaries of the Issuer. As of and for the twelve months ended June 30, 2017, after giving effect to this offering and the use of proceeds therefrom, the total liabilities of the Issuer’s Subsidiaries that will not guarantee the Notes were not material. Although the Indenture limits the incurrence of Indebtedness and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture does not impose any limitation on the incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Indenture. See “—*Certain Covenants—Limitation on Indebtedness*.”

## **Security**

### ***The Collateral***

Pursuant to the Security Documents to be entered into on or about the Issue Date, subject to certain perfection requirements, the Notes will be secured, on a first priority basis by:

- (a) a pledge over all of the shares of capital stock of the Issuer;
- (b) a pledge over all of the shares of capital stock of WAF;
- (c) a pledge over certain selected bank accounts held by the Issuer; and
- (d) an assignment of receivables of VIP-CKH Luxembourg S.à r.l. and Wind Tre Italia S.p.A. in respect of certain shareholder loans,

(together the “Initial Collateral”).

In addition, subject to the Intercreditor Agreement and subject to the Agreed Security Principles, each subsidiary of the Issuer that accedes to the Senior Credit Facilities Agreement as a guarantor after the Issue Date and grants security in connection with such accession shall also enter into a supplemental indenture as a Guarantor with respect to the Notes and accede to the Intercreditor Agreement, and security will be granted over the ownership interests in such Guarantor and certain of its material assets

(together with the Initial Collateral, the “Collateral”). All Collateral shall be subject to the operation of the Agreed Security Principles and any Permitted Collateral Liens.

In the future, to the extent there is no term Indebtedness secured by a Permitted Collateral Lien (other than Public Debt), a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (measured at the time of commitment of such facility)) and certain Hedging Obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral. See “*Description of Certain Financing Arrangements—Intercreditor Agreement—Application of Proceeds*” for additional detail.

The Collateral also secures, on an equal and ratable basis, the liabilities under the Senior Credit Facilities Agreement and certain Hedging Obligations. Subject to certain conditions, including compliance with the covenant described under “—*Certain Covenants—Impairment of Security Interest*,” the Issuer and the Guarantor are permitted to grant security over the Collateral in connection with future issuances of its Indebtedness or Indebtedness of its Restricted Subsidiaries, including any Additional Notes, in each case, as permitted under the Indenture.

### ***Security Documents***

Under the Security Documents, security will be granted over the Collateral to secure, *inter alia*, the payment when due of the Issuer’s payment obligations under the Notes and the Indenture. The Security Documents will be entered into among, *inter alios*, the relevant security provider, the Security Agent, as Security Representative and additionally as representative (*rappresentante*) pursuant to article 2414-bis, 3rd paragraph of the Italian Civil Code, and the Trustee as the Trustee under the Indenture.

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by the applicable laws, only the Security Agent (including in its role as Security Representative) will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Notes. As a consequence of such contractual provisions, holders of the Notes will not be entitled to take enforcement action in respect of the Collateral, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture and the Intercreditor Agreement) provide instructions to the Security Agent for the enforcement of security over the Collateral. Under the Intercreditor Agreement, the Security Agent will also act on behalf of the lenders under the Senior Credit Facilities Agreement and the counterparties under certain hedging agreements in relation to the Security Interests in favor of such parties.

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement, the Notes and the Indenture, as applicable, will be secured by security interests in the relevant Collateral until all obligations under the Notes and the Indenture have been discharged or until released in the circumstances provided for under “—*Release of Liens*.” However, please see the section of this Offering Memorandum entitled “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure*.” The validity and enforceability of the Collateral will be subject to, *inter alia*, the limitations described in “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability*” and “*Limitations on Validity and Enforceability of the Collateral and Certain Insolvency Law Considerations*.”

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the security interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the security interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents. See “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure*.”

### *Administration of Security and Enforcement of Liens*

The Security Documents and the Collateral will be administered by the Security Agent, in each case, pursuant to the Intercreditor Agreement for the benefit of all holders of secured obligations. The Intercreditor Agreement will restrict the ability of the Trustee or the Holders of the Notes to instruct the Security Agent to take enforcement action and, subject to certain limited exceptions, the Security Agent will act only at the direction of creditors holding more than 50% in aggregate principal amount of the Issuer's first priority secured debt (including, for this purpose, both drawn and undrawn uncanceled commitments under the Senior Credit Facilities Agreement, debt in respect of certain Hedging Obligations, the Notes and any other senior secured debt that are permitted to be issued under, and that the creditors or creditor representatives in respect thereof accede to, the Intercreditor Agreement in the future). For a description of security enforcement and other intercreditor provisions, please see *"Description of Certain Financing Arrangements—Intercreditor Agreement."* See also *"Risk Factors—Risks Relating to the Notes and the Group's Structure—Holders of the Notes do not control certain decisions regarding the collateral."*

The ability of holders of the Notes to realize upon the Collateral will be subject to various bankruptcy law limitations in the event of the Issuer's or a Guarantor's or a security provider's bankruptcy. See *"Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability,"* *"Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability,"* *"Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The insolvency laws of Italy may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes"* and *"Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—Payments under Luxembourg insolvency laws may be more limited than under U.S. bankruptcy laws."* In addition, the enforcement of the Collateral will be limited to the maximum amount required under the Agreed Security Principles to comply with corporate benefit, financial assistance and other laws. As a result of these limitations, the enforceable amounts of the Issuer's obligation under the Notes and a Guarantor's obligation under its Notes Guarantee could be significantly less than the total amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See *"Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Note Guarantees will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability"* and *"Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—The Collateral will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit their validity and enforceability."*

Subject to the terms of the Security Documents and the Intercreditor Agreement, the Issuer and the Guarantor will have the right to remain in possession and retain exclusive control of the Collateral securing the Notes (other than as set forth in the Security Documents), to freely operate the Collateral and to collect, invest and dispose of any income therefrom.

No appraisals of any of the Collateral have been prepared by or on behalf of the Issuer in connection with the issuance of the Notes. There can be no assurance that the proceeds from the sale of the Collateral would be sufficient to satisfy the obligations owed to the holders of the Notes, the payment of obligations under the Senior Credit Facilities Agreement certain Hedging Obligations. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, there can be no assurance that the Collateral can be sold in a short period of time or at all.

In addition, the Intercreditor Agreement places limitations on the ability of the Security Agent to cause the sale of some of the Collateral. These limitations may include requirements that some or all of the

Collateral be disposed of only pursuant to public auctions or only at a price confirmed by a valuation. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

The Trustee for the Notes has, and the Indenture will provide that by accepting a Note, each Holder will be deemed to have:

- irrevocably appointed Banca IMI S.p.A., as Security Agent, to act as its security agent and common representative (*mandatario con rappresentanza*) under the Intercreditor Agreement and the other relevant documents to which it is a party (including, without limitation, the Security Documents);
- irrevocably authorized the Security Agent and the Trustee to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement or other documents to which it is a party (including, without limitation, the Security Documents), together with any other incidental rights, power and discretions; and (ii) execute each document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf; and
- accepted the terms and conditions of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below) and each Holder will also be deemed to have authorized the Trustee to enter into any such Additional Intercreditor Agreement.

### ***Priority***

The relative priority with regard to the Collateral as between (a) the lenders under the Senior Credit Facilities Agreement, (b) the counterparties under certain Hedging Obligations, and (c) the Trustee and the Holders under the Indenture, is established by the terms of the Intercreditor Agreement and the Security Documents, which provide, among other things, that the obligations under the Senior Credit Facilities, certain Hedging Obligations and the Notes are secured equally and ratably by first-ranking security interests. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*” In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. In the future, to the extent there is no term Indebtedness secured by a Permitted Collateral Lien (other than Public Debt), a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (measured at the time of commitment of such facility)) and certain Hedging Obligations and certain cash management liabilities may receive priority over the Notes as to any proceeds from distressed disposals of, or enforcement over, the Collateral pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement. See “*Description of Certain Financing Arrangements—Intercreditor Agreement—Application of Proceeds,*” “*—Release of Liens,*” “*—Certain Covenants—Impairment of Security Interest*” and “*—Certain Definitions—Permitted Collateral Liens.*”

### ***Release of Liens***

The Security Agent will take any action required to effectuate any release of Liens over the property and other assets constituting Collateral required by a Security Document:

- (1) upon payment in full of principal, interest and all other obligations in respect of the Notes issued under the Indenture or discharge or defeasance thereof in accordance with the Indenture;
- (2) upon release of a Notes Guarantee in accordance with the Indenture, the release of the Liens over the property, assets and Capital Stock of such Guarantor and any non-Guarantor Restricted Subsidiary of such Guarantor;



- (3) other than with respect to the Liens on the Capital Stock of the Issuer and any receivable owed by the Issuer to any Parent, in connection with any disposition of Collateral that is permitted by the Indenture, directly or indirectly, to (a) any Person other than the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to “—*Certain Covenants—Merger and Consolidation—The Issuer*”) (with respect to the Lien on such Collateral) or (b) the Issuer or any Restricted Subsidiary to the extent the relevant Collateral becomes subject to a substantially equivalent Lien in favor of the Security Agent securing the Notes;
- (4) in accordance with the covenant described under “—*Certain Covenants—Impairment of Security Interest*”;
- (5) automatically without any action by the Trustee, if the Lien granted in favor of the Senior Credit Facilities, Public Debt or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof); *provided* that such release would otherwise be permitted by “—*Certain Covenants—Limitation on Liens*”;
- (6) as otherwise provided in the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to the extent such Collateral no longer secures the Senior Credit Facilities (or any refinancing thereof) (in which case release will be of the security interests with respect to the relevant Collateral so released), so long as no other Indebtedness is at that time secured in a manner that would require the granting of a Lien in order to comply with the covenant described under the caption “—*Certain Covenants—Limitation on Liens*”;
- (8) as described under “—*Suspension of Covenants and Release of Collateral on Achievement of Investment Grade Status*”;
- (9) as described under “—*Amendments and Waivers*”;
- (10) as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation*”;
- (11) the implementation of a Permitted Reorganization; or
- (12) otherwise in accordance with the terms of the Indenture.

Each of these releases shall be effected by the Security Agent and the Trustee without the consent of the Holders.

The Issuer and its Restricted Subsidiaries may also, among other things, without any release or consent by the Trustee or the Security Agent, conduct ordinary course activities with respect to certain of the Collateral, including, without limitation, (i) selling or otherwise disposing of, in any transaction or series of related transactions, any property subject to the Lien under the Security Documents which has become worn out, defective or obsolete or not used or useful in the business; (ii) selling, transferring or otherwise disposing of current assets in the ordinary course of business; and (iii) any other action permitted by the Security Documents or the Intercreditor Agreement.

#### **Amendments to the Intercreditor Agreement and Additional Intercreditor Agreements**

In connection with the Incurrence of any Indebtedness by the Issuer or any of its Restricted Subsidiaries that is permitted to share the Collateral, the Trustee and the Security Agent shall, at the request of the Issuer, enter into with the Issuer, the relevant Restricted Subsidiaries and the holders of such Indebtedness (or their duly authorized representatives) one or more intercreditor agreements or deeds (including a restatement, replacement, amendment or other modification of the Intercreditor Agreement) (an “Additional Intercreditor Agreement”), on substantially the same terms as the

Intercreditor Agreement (or terms that are not materially less favorable to the Holders) and substantially similar as applies to sharing of the proceeds of security and enforcement of security, priority and release of security; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or adversely affect the personal rights, duties, liabilities, indemnification or immunities of the Trustee or the Security Agent under the Indenture or the Intercreditor Agreement. In connection with the foregoing, (i) the Issuer shall furnish to the Trustee such documentation in relation thereto as it may reasonably require and (ii) if more than one Intercreditor Agreement is outstanding at any one time, the collective terms of such Intercreditor Agreements must not conflict. As used herein, a reference to the Intercreditor Agreement will also include any Additional Intercreditor Agreement.

In relation to the Intercreditor Agreement, the Trustee shall consent on behalf of the holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided, however*, that such transaction would comply with the covenant described herein under “—*Certain Covenants—Limitation on Restricted Payments*,” and no Enforcement Action (as defined in the Intercreditor Agreement) has occurred and is continuing or the transaction is otherwise permitted by the Intercreditor Agreement.

The Indenture will also provide that, at the written direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such Intercreditor Agreement that may be Incurred by the Issuer or its Restricted Subsidiaries that is subject to any such Intercreditor Agreement (provided that such Indebtedness is Incurred in compliance with the Indenture), (3) add Guarantors or other Restricted Subsidiaries to the Intercreditor Agreement, (4) further secure the Notes (including Additional Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes or to implement any Permitted Collateral Liens or (6) make any other change to any such agreement that does not adversely affect the Holders of Notes in any material respect. The Issuer shall not otherwise direct the Trustee or Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*” or as permitted by the terms of such Intercreditor Agreement, and the Issuer may only direct the Trustee or Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or any Intercreditor Agreement.

The Indenture will also provide that each Holder, by accepting a Note, shall be deemed to have:

- (1) agreed to and accepted the terms and conditions of the Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein);
- (2) appointed and authorized the Security Agent and the Trustee to enter into the Intercreditor Agreement, any amendments referenced in the preceding paragraph and any Additional Intercreditor Agreement on each Holder’s behalf and to give effect to the provisions in the Intercreditor Agreement and any Additional Intercreditor Agreements;
- (3) agreed to be bound by the provisions of the Intercreditor Agreement and the Security Documents;
- (4) agreed to, and accepted, the appointment of Banca IMI S.p.A. as representative (*rappresentante*) of the Holders for the purposes of Article 2414-*bis*, third paragraph of the Italian Civil Code;
- (5) agreed and acknowledged that the Security Agent will administer the Collateral in accordance with the Intercreditor Agreement; and

- (6) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement.

A copy of the Intercreditor Agreement or an Additional Intercreditor Agreement shall be made available to the Holders upon request and will be made available for inspection during normal business hours on any Business Day upon prior written request at the office of the Issuer and at the offices of the Paying Agent in London.

### **Optional Redemption**

Except as set forth herein and under “—*Redemption for Taxation Reasons*,” the Notes are not redeemable at the option of the Issuer.

#### **2023 Fixed Rate Euro Notes**

At any time prior to November 3, 2019, the Issuer may on one or more occasions, redeem, during each 12-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount of the 2023 Fixed Rate Euro Notes upon not less than 10 nor more than 60 days’ prior written notice to the Holders with a copy to the Trustee and Paying Agent, at a redemption price equal to 103% of the principal amount of 2023 Fixed Rate Euro Notes redeemed *plus* accrued and unpaid interest and Additional Amounts, if any, on the 2023 Fixed Rate Euro Notes redeemed to, but excluding, the applicable date of redemption, subject to the rights of holders of the 2023 Fixed Rate Euro Notes on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to November 3, 2019, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of 2023 Fixed Rate Euro Notes (including any Additional 2023 Fixed Rate Euro Notes) issued under the Indenture at a redemption price of 102.625% of the principal amount for 2023 Fixed Rate Euro Notes *plus* accrued and unpaid interest and Additional Amounts (if any) then due to, but excluding, the applicable date of redemption, with the net cash proceeds of any Equity Offering of common stock or ordinary shares of (i) the Issuer, or (ii) any Parent Holdco of the Issuer to the extent the proceeds from such Equity Offering are contributed to the Issuer’s common equity capital or are paid to the Issuer as consideration for the issuance of common stock or ordinary shares of the Issuer or as Subordinated Shareholder Funding; *provided that*:

- (1) at least 50% of the aggregate principal amount of the 2023 Fixed Rate Euro Notes, if the 2023 Fixed Rate Euro Notes are being redeemed, originally issued under the Indenture (excluding 2023 Fixed Rate Euro Notes held by the Issuer and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 180 days of the date of the closing of the relevant Equity Offering.

At any time prior to November 3, 2019, the Issuer may at its option also redeem all or a part of the 2023 Fixed Rate Euro Notes upon not less than 10 nor more than 60 days’ notice to the Holders with a copy to the Trustee and Paying Agent, at a redemption price equal to 100% of the principal amount of the 2023 Fixed Rate Euro Notes redeemed *plus* the Applicable 2023 Fixed Rate Euro Note Premium (calculated as of a date no more than three business days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the applicable date of redemption, subject to the rights of Holders of the 2023 Fixed Rate Euro Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after November 3, 2019, the Issuer may at its option redeem all or a part of the 2023 Fixed Rate Euro Notes upon not less than 10 nor more than 60 days’ notice to the Holders with a copy to the Trustee and Paying Agent, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes

redeemed, to, but excluding, the applicable date of redemption, if redeemed during the twelve-month period beginning on November 3 of the years indicated below, subject to the rights of Holders of 2023 Fixed Rate Euro Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Year</u>	<u>2023 Fixed Rate Euro Notes</u>
2019 .....	101.313%
2020 .....	100.656%
2021 and thereafter .....	100.000%

**2025 Fixed Rate Euro Notes**

At any time prior to November 3, 2020, the Issuer may on one or more occasions, redeem, during each 12-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount of the 2025 Fixed Rate Euro Notes upon not less than 10 nor more than 60 days' prior written notice to the Holders with a copy to the Trustee and Paying Agent, at a redemption price equal to 103% of the principal amount of 2025 Fixed Rate Euro Notes redeemed *plus* accrued and unpaid interest and Additional Amounts, if any, on the 2025 Fixed Rate Euro Notes redeemed to, but excluding, the applicable date of redemption, subject to the rights of holders of the 2025 Fixed Rate Euro Notes on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to November 3, 2020, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of 2025 Fixed Rate Euro Notes (including any Additional 2025 Fixed Rate Euro Notes) issued under the Indenture at a redemption price of 103.125% of the principal amount for the 2025 Fixed Rate Euro Notes *plus* accrued and unpaid interest and Additional Amounts (if any) then due to, but excluding, the applicable date of redemption, with the net cash proceeds of any Equity Offering of common stock or ordinary shares of (i) the Issuer, or (ii) any Parent Holdco of the Issuer to the extent the proceeds from such Equity Offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of common stock or ordinary shares of the Issuer or as Subordinated Shareholder Funding; *provided* that:

- (3) at least 50% of the aggregate principal amount of the 2025 Fixed Rate Euro Notes, if the 2025 Fixed Rate Euro Notes are being redeemed, originally issued under the Indenture (excluding 2025 Fixed Rate Euro Notes held by the Issuer and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and
- (4) the redemption occurs within 180 days of the date of the closing of the relevant Equity Offering.

At any time prior to November 3, 2020, the Issuer may at its option also redeem all or a part of the 2025 Fixed Rate Euro Notes upon not less than 10 nor more than 60 days' notice to the Holders with a copy to the Trustee and Paying Agent, at a redemption price equal to 100% of the principal amount of the 2025 Fixed Rate Euro Notes redeemed *plus* the Applicable 2025 Fixed Rate Euro Note Premium (calculated as of a date no more than three business days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the applicable date of redemption, subject to the rights of Holders of the 2025 Fixed Rate Euro Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after November 3, 2020, the Issuer may at its option redeem all or a part of the 2025 Fixed Rate Euro Notes upon not less than 10 nor more than 60 days' notice to the Holders with a copy to the Trustee and Paying Agent, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes redeemed, to, but excluding, the applicable date of redemption, if redeemed during the twelve-month

period beginning on November 3 of the years indicated below, subject to the rights of Holders of the 2025 Fixed Rate Euro Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Year</u>	<u>2025 Fixed Rate Euro Notes</u>
2020 .....	101.563%
2021 .....	100.781%
2022 and thereafter .....	100.000%

***Dollar Notes***

At any time prior to November 3, 2020, the Issuer may on one or more occasions, redeem, during each 12-month period commencing with the Issue Date, up to 10% of the then-outstanding aggregate principal amount of the Dollar Notes upon not less than 10 nor more than 60 days' prior written notice to the Holders with a copy to the Trustee and Paying Agent, at a redemption price equal to 103% of the principal amount of the Dollar Notes redeemed *plus* accrued and unpaid interest and Additional Amounts, if any, on the Dollar Notes redeemed to, but excluding, the applicable date of redemption, subject to the rights of holders of the Dollar Notes on the relevant record date to receive interest due on the relevant interest payment date.

At any time prior to November 3, 2020, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Dollar Notes (including any Additional Dollar Notes) issued under the Indenture at a redemption price of 105.000% of the principal amount for the Dollar Notes *plus* accrued and unpaid interest and Additional Amounts (if any) then due to, but excluding, the applicable date of redemption, with the net cash proceeds of any Equity Offering of common stock or ordinary shares of (i) the Issuer, or (ii) any Parent Holdco of the Issuer to the extent the proceeds from such Equity Offering are contributed to the Issuer's common equity capital or are paid to the Issuer as consideration for the issuance of common stock or ordinary shares of the Issuer or as Subordinated Shareholder Funding; *provided* that:

- (5) at least 50% of the aggregate principal amount of the Dollar Notes, if the Dollar Notes are being redeemed, originally issued under the Indenture (excluding Dollar Notes held by the Issuer and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and
- (6) the redemption occurs within 180 days of the date of the closing of the relevant Equity Offering.

At any time prior to November 3, 2020, the Issuer may at its option also redeem all or a part of the Dollar Notes upon not less than 10 nor more than 60 days' notice to the Holders with a copy to the Trustee and Paying Agent, at a redemption price equal to 100% of the principal amount of the Dollar Notes redeemed *plus* the Applicable Dollar Note Premium (calculated as of a date no more than three business days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the applicable date of redemption, subject to the rights of Holders of the Dollar Notes on the relevant record date to receive interest due on the relevant interest payment date.

On or after November 3, 2020, the Issuer may at its option redeem all or a part of the Dollar Notes upon not less than 10 nor more than 60 days' notice to the Holders with a copy to the Trustee and Paying Agent, at the redemption prices (expressed as percentages of principal amount) set forth below *plus* accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes redeemed, to, but excluding, the applicable date of redemption, if redeemed during the twelve-month period beginning on

November 3 of the years indicated below, subject to the rights of Holders of the Dollar Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Year</u>	<u>Fixed Rate Dollar Notes</u>
2020 .....	102.500%
2021 .....	101.250%
2022 and thereafter .....	100.000%

***Floating Rate Notes***

At any time prior to May 3, 2018, the Issuer may at its option redeem all or a part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice with a copy to the Trustee and Paying Agent, at a redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed *plus* the Applicable Floating Rate Note Premium (calculated as of a date no more than three business days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the date of redemption.

On or after May 3, 2018, the Issuer may at its option redeem all or a part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice to the Holders with a copy to the Trustee and Paying Agent, at the redemption price equal to 100% of the principal amount of the Floating Rate Notes redeemed, *provided* that, to the extent the Floating Rate Notes are redeemed during the period beginning on May 3, 2018 and ending on November 3, 2018 using the proceeds from the Incurrence of Public Debt, the redemption price will be equal to 101% of the principal amount of the Floating Rate Notes redeemed, in either case *plus* accrued and unpaid interest and all Additional Amounts (if any) then due on the Floating Rate Notes redeemed, to, but excluding, the applicable redemption date, subject to the rights of holders of the Floating Rate Notes on the relevant record date to receive interest on the relevant interest payment date.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Floating Rate Notes or portions thereof called for redemption on the applicable redemption date.

***Optional Redemption upon Completion of Certain Tender Offers***

In connection with any tender offer for any series of the Notes (including any Change of Control Offer or Asset Disposition Offer), if Holders of not less than 90% in aggregate principal amount of the applicable series of outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the applicable series of Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice to the Holders of such Notes, given not more than 30 days following such purchase date, to redeem all (but not part) of the applicable Notes of such series that remain outstanding following such purchase at a price equal to the price offered to each of the Holders of the applicable series of Notes in such tender offer (excluding any early tender or incentive fee), plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but not including, the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

***General***

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering). In addition, if such redemption or notice is subject to the satisfaction of one or more conditions precedent, such notice may state that, in the Issuer's

discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied (*provided, however*, that in any case such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. Notwithstanding anything else in the Indenture or the Notes to the contrary, redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If the Issuer effects an optional redemption of the Notes, it will, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, inform the Luxembourg Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after a record date and on or before the corresponding interest payment date, the accrued and unpaid interest up to, but excluding, the redemption date will be paid on the redemption date to the Holder in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

#### **Sinking Fund**

The Issuer will not be required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

#### **Selection and Notice**

If less than all of the 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes, the Dollar Notes or the Floating Rate Notes, as the case may be, are to be redeemed at any time, the Registrar will select the Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, as certified to the Trustee or the Registrar, as applicable, by the Issuer, and in compliance with the requirements of Euroclear or Clearstream or DTC or Monte Titoli, as applicable, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream or DTC or Monte Titoli, as applicable, or Euroclear or Clearstream or DTC or Monte Titoli, as applicable, prescribe no method of selection, on a *pro rata* basis or by use of a pool factor; *provided, however*, that no Euro Note of €100,000 in aggregate principal amount or less shall be redeemed in part and only Euro Notes in integral multiples of €1,000 will be redeemed and no Dollar Note (or beneficial interests therein) of \$200,000 in aggregate principal amount or less shall be redeemed in part and only Dollar Notes (or beneficial interests therein) in integral multiples of \$1,000 will be redeemed. Neither the Trustee nor the Registrar will be liable for any selections made by the Registrar in accordance with this paragraph.

So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, any such notice to the Holders of the relevant Notes shall to the extent and in the manner permitted by such rules be posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and in addition to such release, not less than 10 days nor more than 60 days prior to the redemption date, the Issuer will mail, or at the expense of the Issuer, cause to be mailed, such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar. Such notice of redemption may also be posted on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

If any 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes, the Dollar Note or the Floating Rate Note, as applicable, is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed, in which case a portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. In the case of a Global Note, an appropriate notation will be made on such Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice (including any conditions contained therein), Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of them called for redemption.

### **Redemption for Taxation Reasons**

The Issuer or Successor Issuer (as defined below) may redeem the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days prior written notice to the Holders of the Notes (which notice will be irrevocable), with a copy to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a “Tax Redemption Date”) (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (see “—*Withholding Taxes*”), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer, a Successor Issuer or the relevant Guarantor determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations, protocols, or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any change in, or amendment to, or the introduction of, an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) of a Relevant Taxing Jurisdiction (each of the foregoing in clauses (1) and (2), a “Change in Tax Law”),

the Issuer, a Successor Issuer or the relevant Guarantor with respect to any Note or Notes Guarantee, as the case may be (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer, Successor Issuer or another Guarantor without the obligation to pay Additional Amounts), is, or on the next interest payment date in respect of the Notes would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer, the Successor Issuer or the relevant Guarantor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and would not cause the Issuer to incur material additional out-of-pocket costs, but not including assignment of the obligation to make payment with respect to the Notes). In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date of this Offering Memorandum. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of this Offering Memorandum, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction.

In addition, the Issuer may redeem the Dollar Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days prior written notice to the Holders of the Dollar Notes (which notice will be irrevocable), with a copy to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts, if any, then due and which



will become due on such redemption date as a result of the redemption or otherwise, if any, if (1) Acupay, or any successor tax certification agent, resigns or is unable to continue to perform certain Italian tax services consistent with the terms of the Tax Certification Procedures under the TCA Agreement and (2) no tax certification successor agent has been appointed pursuant to section 4.2 (*Resignation or Removal of Tax Certification Agent and Termination*) of the TCA Agreement, in each case, through events not due to actions or omissions of the Issuer and its Restricted Subsidiaries and after the Issuer has attempted to appoint a successor tax certification agent in accordance with the TCA Agreement without success.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under “—*Selection and Notice.*” Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer, a Successor Issuer or the relevant Guarantor would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or Successor Issuer will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it would not be able to avoid the obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing to the effect that the Issuer, Successor Issuer or Guarantor has or have been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

The foregoing will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer is incorporated or organized or any political subdivision or taxing authority or agency thereof or therein.

### **Withholding Taxes**

All payments made by or on behalf of the Issuer, a Successor Issuer or any Guarantor (a “Payor”) on the Notes or the Notes Guarantees will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made by or on behalf of a Payor or its agents, or any political subdivision or Governmental Authority thereof or therein having the power to tax; or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or Governmental Authority thereof or therein having the power to tax (each of clause (1) and (2), a “Relevant Taxing Jurisdiction”),

will at any time be required from any payments made by or on behalf of a Payor with respect to any Note or Notes Guarantee, including payments of principal, redemption price, premium, if any, or interest, the Payor will pay (together with such payments) such additional amounts (the “Additional Amounts”) as may be necessary in order that the net amounts received in respect of such payments after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will equal the amounts which would have been received in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; provided, however, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner of a Note (or

between a fiduciary, settlor, beneficiary, partner, member or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment or a dependent agent in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or the enforcement or receipt of any payment in respect thereof;

- (2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Note to comply with a written request of the Payor addressed to the Holder, after reasonable notice, to provide certification, information, documents or other evidence concerning the nationality, residence or identity or connection with the Relevant Taxing Jurisdiction of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters (to the extent such Holder or beneficial owner is legally eligible to do so), which is required by applicable law, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such Taxes;
- (3) any Taxes that are payable otherwise than by deduction or withholding from a payment with respect to the Notes or the Notes Guarantee;
- (4) any estate, inheritance, gift, value added, sales, transfer, personal property or similar Taxes;
- (5) any Tax that is imposed pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any regulations or other official guidance thereunder, any intergovernmental agreement entered into in connection therewith, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to any of the foregoing or any agreements entered into pursuant to section 1471(b)(1) of the Code;
- (6) any Taxes to the extent such Taxes are on account of *imposta sostitutiva* (pursuant to Italian Legislative Decree No. 239 of April 1, 1996, as amended or supplemented from time to time (“Decree No. 239”) or pursuant to Italian Legislative Decree No. 461 of November 21, 1997) and any related implementing regulations; *provided* that:
  - (a) Additional Amounts shall be payable in circumstances where the procedures required under Decree No. 239 in order to benefit from an exemption from *imposta sostitutiva* have not been complied with due to the actions or omissions of the Payor or their agents; and
  - (b) for the avoidance of doubt, (A) no Additional Amounts shall be payable with respect to any Taxes to the extent that such Taxes result from payment to a non-Italian resident legal entity or a non-Italian resident individual which are subject to *imposta sostitutiva* by reason of not being resident in a country which allows for a satisfactory exchange of information with Italy (the “White List”) and (B) no Additional Amounts shall be payable with respect to Taxes to the extent such Taxes are on account of *imposta sostitutiva* (1) if the holder becomes subject to *imposta sostitutiva* after the Issue Date by reason of any change in Decree No. 239 or any change in the White List, or (2) in all circumstances in which the procedures to obtain an exemption from *imposta sostitutiva* set forth in Decree 239 have not been met or complied with due only to actions or omissions of entities different from the Payor or their agents, or (3) in respect of interests in the Notes held through an X Global Receipt, in the event that a DTC Participant of a Beneficial Owner does not comply with the Tax

Certification Procedures and *imposta sostitutiva* is applied in respect of the payment of interest or principal in respect of the interests in the Notes held by all Beneficial Owners through such DTC Participant on an Interest Payment Date as provided in the Tax Certification Procedures; or

- (7) any combination of the above.

Such Additional Amounts also will not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Note for payment (where presentation is required for payment) within 30 days after the relevant payment was first made available for payment to the Holder or (y) where, had the beneficial owner of the Note been the Holder, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Holder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes directly.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes, in such form as provided in the ordinary course by the Relevant Taxing Jurisdiction and as is reasonably available to the Payor and will provide such certified copies to the Trustee. Such copies shall be made available to the Holders upon request and will be made available at the offices of the Issuer.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on any Note or Notes Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises, or the Payor becomes aware of such obligation, less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable after the date that is 30 days prior to the payment date). The Trustee and the Paying Agent will be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes Guarantees or this "Description of Notes" there are mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a purchase of Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Notes,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, transfer, court or documentary taxes, or any other excise or property or similar Taxes that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Notes or any Notes Guarantee, the Indenture, the Security Documents or any other document or instrument in relation thereto (other than a transfer or exchange of the Notes), or the receipt of any payments with respect thereto, excluding (other than in the case of enforcement) any such Taxes

imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Payor agrees to indemnify the Holders and beneficial owners for any such taxes paid by such Holders or beneficial owners, as applicable. The foregoing obligations of this paragraph will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner of its Notes and will apply *mutatis mutandis* to any jurisdiction in which any successor to the Issuer or any Guarantor is incorporated, organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes or any political subdivision or Governmental Authority or agency thereof or therein.

### **Change of Control**

If a Change of Control occurs, subject to the terms hereof, each Holder will have the right to require the Issuer to repurchase all or part (in integral multiples of €1,000 for Euro Notes and \$1,000 for Dollar Notes; *provided* that Euro Notes of €100,000 or less or Dollar Notes of \$200,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes, *plus* accrued and unpaid interest to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obliged to repurchase Notes as described under this "*—Change of Control*" section in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes as described under "*—Optional Redemption*" or all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "Change of Control Offer") to each Holder of any such Notes, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of such Notes *plus* accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "Change of Control Payment");
- (2) stating the repurchase date (which shall be no earlier than 30 days from the date such notice is mailed and no later than the later of (i) 60 days from the date such notice is mailed and (ii) the date of completion of the Change of Control) (the "Change of Control Payment Date");
- (3) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (4) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased; and
- (5) if such notice is mailed prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with an agent an amount equal to the Change of Control Payment in respect of all Notes so tendered;

- (3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Notes or portions thereof that have been tendered to and purchased by the Issuer; and
- (5) in the case of Definitive Registered Notes, deliver, or cause to be delivered, to the relevant Registrar for cancellation all Definitive Registered Notes accepted for purchase by the Issuer.

If any Definitive Registered Notes have been issued, an agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee or its authenticating agent will promptly authenticate (or cause to be authenticated) and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Note equal in aggregate principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in an aggregate principal amount that is at least €100,000 and integral multiples of €1,000 in excess thereof, with respect to the Euro Notes, and \$200,000 aggregate principal amount and integral multiples of \$1,000 in excess thereof, with respect to the Dollar Notes.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer as soon as reasonably practicable after the Change of Control Payment Date in a leading newspaper of general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notices on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*).

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. The existence of a Holder's right to require the Issuer to repurchase such Holder's Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations, or require a repurchase of the Notes, under the Change of Control provisions of the Indenture by virtue of the conflict.

Under the Senior Credit Facilities Agreement, the occurrence of a change of control would require the repayment of such debt. Future debt of the Issuer or its Subsidiaries may prohibit the Issuer from purchasing Notes in the event of a Change of Control or provide that a Change of Control is a default or requires repurchase upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to purchase the Notes could cause a default under, or require a repurchase of, other debt, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer.

Finally, the Issuer's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors—Risks Relating to the Notes and Wind Tre's Structure—Wind Tre may not have the ability to raise the funds necessary to finance an offer to repurchase Notes upon the occurrence of certain events constituting a change of control as required by the Indenture.*"

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is limited case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above. In addition, you should note that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, the Issuer may nevertheless avoid triggering a change of control under a clause similar to clause (2) of the definition of "Change of Control," if the outgoing directors were to approve the new directors for the purpose of such change of control clause.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding aggregate principal amount of the Notes under the Indenture.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any of the Restricted Subsidiaries may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof):

- (1) the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been equal to or less than 5.0 to 1.0; and
- (2) if the Indebtedness to be Incurred is Secured Indebtedness, the Consolidated Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been equal to or less than 4.0 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness Incurred pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (a) €3,400 million, *plus* (b) the greater of (i) €1,250 million and (ii) 50% of Consolidated EBITDA, *plus* (c) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a

Notes Guarantee, then the guarantee must be subordinated to or *pari passu* with the Notes or such Notes Guarantee to the same extent as the Indebtedness being guaranteed; or

- (b) without limiting the covenant described under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:
- (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor, (i) such Indebtedness is unsecured, and (ii) if the aggregate principal amount of such Indebtedness of the Issuer or such Guarantor exceeds €150.0 million and is required to accede to the Intercreditor Agreement pursuant to the terms thereof (and to the extent the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness), and it is legally permitted, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Notes Guarantee, in the case of a Guarantor;
  - (b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer;

and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary of the Issuer, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

- (4) Indebtedness represented by (a) the Notes (other than any Additional Notes), and the related Note Guarantees and any “parallel debt” obligations with respect thereto under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents, (b) any Indebtedness (other than Indebtedness described in clauses (1) and (3) of this paragraph) outstanding on the Issue Date after giving *pro forma* effect to the Transactions, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4)(a), (b) and (c) or clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant and (d) Management Advances;
- (5) Indebtedness of any Person (a) Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or another Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (b) Incurred to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided, however*, with respect to each of clause (5)(a) and (5)(b), that at the time of such acquisition or other transaction (x) the Issuer would have been able to Incur €1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the

Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would not be greater than it was immediately prior to giving effect to the Incurrence of such Indebtedness;

- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for *bona fide* hedging purposes of the Issuer or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);
- (7) Indebtedness consisting of (a) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (b) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal), plant or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with any refinancing Indebtedness in respect thereof the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of (i) €400.0 million and (ii) 15.0% of Consolidated EBITDA; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;
- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion or performance or other similar guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business (including, without limitation, for asset rentals and/or purchases of goods or services) or in respect of any governmental requirement, including in relation to a governmental requirement to provide a guarantee or bond for any Spectrum Acquisition, or any other contingent or similar obligations or commitments incurred in the ordinary course of business, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, including in relation to a governmental requirement to provide a letter of credit, guarantee or similar obligation for any Spectrum Acquisition; *provided, however*, that upon the drawing of such letters of credit or similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business; and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;
- (9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;



- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished or covered within five Business Days of the Issuer or the relevant Subsidiaries obtaining knowledge of such Incurrence;
- (b) customer deposits and advance payments received in the ordinary course of business from customers for goods and services purchased in the ordinary course of business;
- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;
- (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case, incurred or undertaken in the ordinary course of business on arm's length commercial terms on a recourse basis; and
- (e) Indebtedness under daylight borrowing facilities Incurred in connection with the Transactions or any refinancing of such Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within five (5) Business Days of the date on which such Indebtedness is Incurred;
- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed at any time outstanding the greater of (i) €1,250.0 million and (ii) 50.0% of Consolidated EBITDA (*less* any Indebtedness Incurred under clause (15) of this paragraph);
- (12) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or its Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution, a Parent Debt Contributions or an Excluded Amount) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution, a Parent Debt Contribution or an Excluded Amount) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (a) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (11) of the third paragraph of the covenant described below under “—*Limitation on Restricted Payments*” to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (b) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (12) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (11) of the third paragraph of the covenant described below under “—*Limitation on Restricted Payments*” in reliance thereon;
- (13) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing;

- (14) Indebtedness owed to a vendor the proceeds of which are used to purchase products or property from such vendor (including, for the avoidance of doubt, any Indebtedness provided or guaranteed by an export credit agency) and including for the purposes of financing or refinancing expenditures, and any Indebtedness which, when taken together with any refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (14) and then outstanding, will not exceed at any time outstanding the greater of (i) €800.0 million and (ii) 30.0% of Consolidated EBITDA; and
- (15) Indebtedness Incurred for the purposes of financing a Spectrum Acquisition which, when taken together with any refinancing Indebtedness in respect thereof and the aggregate principal amount of all other Indebtedness Incurred pursuant to this clause (15) and then outstanding, will not exceed at any time outstanding the greater of (i) €1,000 million or (ii) 50% Consolidated EBITDA; *provided* that any cash and Cash Equivalents used in lieu of such Indebtedness (“Spectrum Basket Cash”) will reduce the amount of Indebtedness available to be Incurred under this clause (15); and *provided, further* that any Indebtedness Incurred under this clause (15) will reduce the amount of Indebtedness available to be Incurred under clause (11) of this paragraph.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to, and in compliance with, this covenant:

- (1) (a) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant; and (b) all Indebtedness constituting term loan debt outstanding on the Issue Date under the Senior Credit Facilities shall be deemed to have been Incurred under clause (1)(a) of the second paragraph of this covenant and may not be reclassified;
- (2) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (5), (7), (11), (12), (14) or (15) of the second paragraph above or the first paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (4) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (5) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness and, for the avoidance of doubt certain types of obligations (for example Qualified Receivables Financings) may not qualify as Indebtedness to the extent such obligations are excluded from the definition of Indebtedness;

- (6) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and
- (7) the amount of Indebtedness Incurred pursuant to clause (11) of the second paragraph above will not be deemed to exceed the amount of Indebtedness available to be Incurred under clause (11) of the second paragraph above to the extent the amount available under clause (11) is subsequently reduced as a result of Incurring Indebtedness under clause (15) of the second paragraph above to the extent such Indebtedness was outstanding at the time Indebtedness under clause (15) of the second paragraph above was Incurred.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, including a change of IFRS to U.S. GAAP, will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “—*Limitation on Indebtedness.*” The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of “Indebtedness.”

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary of the Issuer as of such date.

For purposes of determining compliance with any euro-denominated restriction on the Incurrence of Indebtedness, the Euro Equivalent of the aggregate principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Issuer, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (1) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the aggregate principal amount of such Refinancing Indebtedness does not exceed the aggregate principal amount of such Indebtedness being refinanced (together with any amounts permitted under clause (2) of the definition of Refinancing Indebtedness); (2) the Euro Equivalent of the aggregate principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (3) if any such Indebtedness that is denominated in a different currency other than euro is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in euro will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

### ***Limitation on Restricted Payments***

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary of the Issuer (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");
- (4) make any payment (other than by capitalization of interest) on, or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or
- (5) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Restricted Payment"), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) the Issuer is not able to Incur an additional €1.00 of Indebtedness pursuant to the Consolidated Net Leverage Ratio test in the first paragraph under the "*—Limitation on Indebtedness*" covenant after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (6), (11), (12), (13) and (18) of the second succeeding paragraph,

but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

- (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);
- (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clause (1), (6) or (15) of the second succeeding paragraph and (y) Excluded Contributions, Parent Debt Contributions or Excluded Amounts) and (z) Net Cash Proceeds used to Incur Indebtedness pursuant to clause (12) of the covenant described under “—*Limitation on Indebtedness*”);
- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1), (6) or (15) of the second succeeding paragraph, (y) Excluded Contributions, Parent Debt Contributions or Excluded Amounts and (z) the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities distributed or paid by the Issuer or any Restricted Subsidiary upon such conversion or exchange;

- (iv) the amount equal to the net reduction in Restricted Investments made by the Issuer or any of its Restricted Subsidiaries resulting from:
  - (A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary; or
  - (B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of “Investment”) not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Issuer or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount, in each case, under this clause (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this clause (c); *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer’s option) included under this clause (iv); and

- (v) the amount of the cash and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or of marketable securities received by the Issuer or any of its Restricted Subsidiaries in connection with:
  - (A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Issuer; and
  - (B) any dividend or distribution made by an Unrestricted Subsidiary or Affiliate to the Issuer or a Restricted Subsidiary;

in each case, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) or (12) of the definition of “Permitted Investment” and such amount received replenishes the amount available pursuant to such clause (5); *provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding sub-clause (i) to the extent that it is (at the Issuer’s option) included under this clause (v);

*provided, however*, that any amounts (such amounts, the “Excluded Amounts”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to this preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of net cash proceeds or property or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose of, or the effect of, the receipt of such net cash proceeds or property or assets or marketable securities was to reduce the Consolidated Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of the Indenture.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, “Permitted Payments”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, a Parent Debt Contribution or an Excluded Amount) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph and clause (15) of this paragraph and will not be considered Excluded Contributions, Parent Debt Contributions or Excluded Amounts or to be Net Cash Proceeds from an Equity Offering for the purposes of “*Optional Redemption*” provisions of the Notes;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Issuer or Preferred Stock of a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness (other than Subordinated Shareholder Funding):
  - (a) (i) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if the Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;
  - (b) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Issuer shall have first complied with the terms described under “—*Change of Control*” and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest; or

- (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such acquisition) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest and any premium required by the terms of any Acquired Indebtedness;
- (5) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (i) €25.0 million *plus* (ii) €15.0 million per calendar year *plus* (iii) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not an Excluded Contribution, a Parent Debt Contribution or an Excluded Amount;
- (7) (i) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*” above or (ii) the redemption of Preferred Stock of a Restricted Subsidiary out of cash or the net cash proceeds of the incurrence within 45 days prior to such redemption of Indebtedness of the Issuer or a Restricted Subsidiary of the Issuer which Indebtedness is permitted to be incurred under the Indenture;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent or Permitted Holder or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):
  - (a) the amounts required for any Parent to pay any Parent Expenses or any Related Taxes; or
  - (b) amounts constituting or to be used for purposes of making payments (i) of fees and expenses Incurred in connection with the Transactions or (ii) to the extent specified in



clauses (2), (3), (5), (7), (11) and (12) of the second paragraph under “—*Limitation on Affiliate Transactions*”;

- (10) any Restricted Payment pursuant to or in connection with the Transactions as described in this Offering Memorandum;
- (11) so long as no Default or Event of Default has occurred and is continuing (or would result from), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, Parent Debt Contribution or Excluded Amount) of the Issuer or loaned as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries shall be equal to or less than 4.25 to 1.00;
- (12) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the greater of (i) €500.0 million and (ii) 20.0% of Consolidated EBITDA;
- (13) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer);
- (14) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate amount of Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this clause (14);
- (15) (a) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (b) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent issued after the Issue Date; *provided, however*, that, in the case of clauses (a) and (b), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution, Parent Debt Contribution or Excluded Amount or, in the case of Designated Preference Shares by Parent or an Affiliate, the issuance of Designated Preference Shares) of the Issuer or loaned as Subordinated Shareholder Funding to the Issuer, from the issuance or sale of such Designated Preference Shares;
- (16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

- (17) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (18) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries on a *pro forma* basis after giving effect to any such dividend, distribution, loan or other payment does not exceed 4.00 to 1.0;
- (19) the amendment, modification or supplement, including any waiver, maturity extension, set off or discharge (including by way of exchange, sale or substitution), by the Issuer or any Restricted Subsidiary of any arrangement related to the Wind Tre Italia Loans (other than as would result in an increase in the amount of such Wind Tre Italia Loans other than as a result of the capitalization of interest at the rate specified in the Wind Tre Italia Loans on the Issue Date); and
- (20) dividends or other distributions in amounts required and used by a Parent of the Issuer to pay interest on Indebtedness the proceeds of which have been contributed as a Parent Debt Contribution to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “—*Limitation on Indebtedness*”; *provided* that any amounts payable (a) as interest on any proceeds loan or other Indebtedness of the Issuer or any Restricted Subsidiary pursuant to which the Parent Debt Contribution was made, or (b) on any Guarantee or other obligation of the Issuer or any Restricted Subsidiary on such Indebtedness will, in each case, reduce the amount available for making Restricted Payments under this clause (20).

For purposes of determining compliance with this covenant, in the event that a Restricted Payment meets the criteria of more than one of the categories described in clauses (1) through (20) above, or is permitted pursuant to the first paragraph of this covenant, the Issuer and its Restricted Subsidiaries will be entitled to (i) classify such Restricted Payment (or portion thereof) on the date of its payment in any manner that complies with this covenant or (ii) later reclassify such Restricted Payment (or portion thereof) in any manner that complies with this covenant. The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors or a responsible accounting or financial officer of the Issuer acting in good faith.

#### ***Limitation on Liens***

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien (other than Permitted Liens) upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “Initial Lien”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Notes Guarantee in the case of Liens of a Guarantor) are secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Security—Release of Liens.*”

***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer;
- (B) make any loans or advances to the Issuer; or
- (C) sell, lease or transfer any of its property or assets to the Issuer,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Credit Facilities) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Issuer, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Issuer;
- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an “Initial Agreement”) or contained in any amendment, supplement or other modification to, or extension or renewal of, an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such

refinancing or amendment, supplement or other modification relates (as determined in good faith by the Issuer);

- (4) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, pledges, charges or other security agreements permitted under the Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or
  - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction arising pursuant to (a) Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture or (b) an agreement or instrument relating to any Indebtedness Incurred pursuant to clause (7) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred after the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders than (i) the encumbrances and restrictions contained in the Senior Credit Facilities Agreement and the Intercreditor Agreement, together with the security documents associated therewith as in effect on the Issue Date or (ii) in comparable financings (as determined in good faith by the Issuer) or where the Issuer determines when such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Notes;

- (12) any encumbrance or restriction existing by reason of any Lien permitted under “—*Limitation on Liens*”; or
- (13) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or a responsible accounting or financial officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing.

***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

- (1) the Issuer or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);
- (2) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% (or, in the case of any Asset Disposition, or series of related Asset Dispositions of Tower Infrastructure, at least 50%) of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments; and
- (3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Issuer or such Restricted Subsidiary, as the case may be:
  - (a) to the extent the Issuer or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) to prepay, repay or purchase any Indebtedness of a non-Guarantor Restricted Subsidiary (in each case, other than Indebtedness owed to the Issuer or any Restricted Subsidiary) (or any Refinancing Indebtedness in respect thereof) within 395 days from the later of (A) the date of such Asset Disposition and (B) the receipt of such Net Available Cash; *provided, however*, that, in connection with any prepayment, repayment or purchase of Indebtedness pursuant to this clause (a), the Issuer or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) (except in the case of any revolving Indebtedness) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased; or (ii) to prepay, repay or purchase Pari Passu Indebtedness at a price of no more than 100% of the principal amount of such Pari Passu Indebtedness *plus* accrued and unpaid interest to the date of such prepayment, repayment or purchase (and any required break costs or other similar costs); *provided* that the Issuer shall redeem, repay or repurchase Pari Passu Indebtedness that is Public Debt pursuant to this clause (ii) only if the Issuer makes (at such time or subsequently in compliance with this covenant) an offer to the Holders of the Notes to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes at least equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum of the total aggregate

principal amount of Notes outstanding *plus* the total aggregate principal amount outstanding of such Pari Passu Indebtedness;

- (b) to (i) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) or (ii) redeem the Notes pursuant to the redemption provisions of the Indenture;
- (c) to the extent the Issuer or such Restricted Subsidiary elects, to invest in or commit to invest in Additional Assets (including by means of an investment in Additional Assets by a Restricted Subsidiary with Net Available Cash received by the Issuer or another Restricted Subsidiary) within 425 days from the later of (i) the date of such Asset Disposition and (ii) the receipt of such Net Available Cash; *provided, however*, that any such reinvestment in Additional Assets made pursuant to a definitive binding agreement or a commitment approved by the Board of Directors or a responsible accounting or financial officer of the Issuer that is executed or approved within such time will satisfy this requirement, so long as such investment is consummated within 180 days of such 425th day;
- (d) to make a capital expenditure; or
- (e) to consummate any combination of the foregoing,

*provided* that, pending the final application of any such Net Available Cash in accordance with clause (a) or clause (b) above, the Issuer and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture.

Any Net Available Cash from Asset Dispositions that is not applied or invested or committed to be applied or invested as provided in the preceding paragraph will be deemed to constitute “Excess Proceeds” under the Indenture. On the 426th day after an Asset Disposition, or at such earlier date that the Issuer elects, if the aggregate amount of Excess Proceeds under the Indenture exceeds €250 million, the Issuer will be required to make an offer (“Asset Disposition Offer”) to all Holders of Notes issued under the Indenture and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, *plus* accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof (provided that Notes of €100,000 or less may be redeemed in whole but not in part) (in the case of the Euro Notes) and in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof (provided that Notes of \$200,000 or less may be redeemed in whole but not in part) (in the case of the Dollar Notes).

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate

principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the aggregate principal amount of any such Indebtedness not denominated in euro, including the Notes, such Indebtedness shall be calculated by converting any such aggregate principal amounts into their Euro Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Issuer upon converting such portion into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "Asset Disposition Offer Period"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "Asset Disposition Purchase Date"), the Issuer will purchase the aggregate principal amount of Notes and, to the extent they elect, Pari Passu Indebtedness, required to be purchased pursuant to this covenant (the "Asset Disposition Offer Amount") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and, in minimum denominations of €100,000 and in integral multiples of €1,000 in excess thereof, with respect to the Euro Notes, and \$200,000 aggregate principal amount and integral multiples of \$1,000 in excess thereof, with respect to the Dollar Notes. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or an agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder of Notes an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the Global Note), and the Trustee or its authenticating agent, upon delivery of an Officer's Certificate from the Issuer, will authenticate (or cause to be authenticated) and mail or deliver (or cause to be transferred by book-entry) such new Note to such Holder, in an aggregate principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Euro Note will be in an aggregate principal amount with a minimum denomination of €100,000 and new Dollar Note will be in an aggregate principal amount with a minimum denomination of \$200,000. Any Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by the Issuer to the Holder thereof.

For the purposes of clause (2) of the first paragraph of this covenant, the following will be deemed to be cash:

- (1) the assumption by the transferee of Indebtedness of the Issuer or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer by a Restricted Subsidiary) and the release of the Issuer or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;
- (2) securities, notes or other obligations received by the Issuer or any Restricted Subsidiary of the Issuer from the transferee that are converted by the Issuer or such Restricted Subsidiary

into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

- (3) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;
- (4) consideration consisting of Indebtedness of the Issuer (other than Subordinated Indebtedness or Indebtedness owed to the Issuer by a Restricted Subsidiary) received after the Issue Date from Persons who are not the Issuer or any Restricted Subsidiary; and
- (5) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €250.0 million (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations (or rules of any exchange on which the Notes are then listed) in connection with the repurchase of Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations (or exchange rules) conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations (or exchange rules) and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

#### ***Limitation on Affiliate Transactions***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (an “Affiliate Transaction”) involving aggregate value in excess of €50.0 million unless:

- (1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of €100.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this covenant if the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm’s length basis.



The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*,” any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (11), (15), (17) and (19) of the definition thereof);
- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary of the Issuer or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) (a) the Transactions and (b) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect (taken as a whole) and (c) the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;
- (7) execution, delivery and performance of any Tax Sharing Agreement or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business; *provided* that payments under such Tax Sharing Agreement or arrangement shall not exceed, and shall not be duplicative of, the amounts described under clause (2) of the definition of the term “Related Taxes” and the related tax liabilities of the Issuer and its Restricted Subsidiaries are relieved thereby;
- (8) transactions with customers, clients, suppliers, contractors, lessors or purchasers or sellers of goods or services, in each case, in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or a responsible accounting or financial officer of the Issuer or the relevant

Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer (other than an Unrestricted Subsidiary) or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture;
- (11) without duplication in respect of payments made pursuant to clause (12) hereof, (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) under any services agreement with such Permitted Holder or of annual customary management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed (i) prior to a, Initial Public Offering, €25.0 million per annum and (ii) following an Initial Public Offering of an IPO Entity, €50.0 million per annum (in each case, plus reasonable costs and out-of-pocket expenses) and (b) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (b) are approved by a majority of the Board of Directors of the Issuer in good faith;
- (12) payment to any Permitted Holder of all reasonable out-of-pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Issuer and its Subsidiaries;
- (13) any transaction effected as part of a Qualified Receivables Financing;
- (14) any transactions which the Issuer or a Restricted Subsidiary delivers to the Trustee a written opinion from an Independent Financial Advisor stating that such transaction is (a) fair to the Issuer or such Restricted Subsidiary from a financial point of view and (b) on terms not less favorable that might have been obtained in a comparable transaction at such time on an arm's-length basis from a Person who is not an Affiliate;
- (15) investments by any of the Permitted Holders in securities of the Issuer or any of the Issuer's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of any Permitted Holder in connection therewith) so long as (a) the investment complies with clause (1) of the first paragraph of this covenant, (b) the investment is being offered generally to other investors on the same or more favorable terms and (c) the investment constitutes less than 5% of the proposed issue amount of such class of securities; and
- (16) any amendment, modification or supplement, including any waiver, maturity extension, set off or discharge (including by way of exchange, sale or substitution), by the Issuer or any Restricted Subsidiary of any arrangement related to the Wind Tre Italia Loans (other than as would result in an increase in the amount of such Wind Tre Italia Loans other than as a

result of the capitalization of interest at the rate specified in the Wind Tre Italia Loans on the Issue Date).

### **Reports**

For so long as any Notes are outstanding, the Issuer will provide to the Trustee the following reports:

- (1) within 120 days after the end of the Issuer's fiscal year beginning with the first fiscal year ending after the Issue Date, annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer or its predecessor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer or its predecessor for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, including a discussion of subscribers, churn, ARPU and traffic and a breakout of revenue and EBITDA between the mobile and fixed-line business, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies, with a scope that is similar in material respects to the discussion of the same items included in this Offering Memorandum; (d) description of the business, management and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments; (e) a description of material risk factors and material recent developments and (f) Consolidated EBITDA;
- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending September 30, 2017, all quarterly reports of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) unaudited *pro forma* income statement information and balance sheet information of the Issuer (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the relevant quarter; (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, including a discussion of subscribers, churn, ARPU and traffic and a breakout of revenue and EBITDA between the mobile and fixed-line business, financial condition, Consolidated EBITDA and material changes in liquidity and capital resources of the Issuer, and a discussion of material changes not in the ordinary course of business in commitments and contingencies since the most recent report; and (d) material recent developments; and
- (3) promptly after the occurrence of any material acquisition, disposition or restructuring or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

All financial statement and *pro forma* financial information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in applicable IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for any Subsidiaries of the Issuer. The filing of an annual report on Form 20-F within the time period specified in (1) will satisfy such provision.

At any time that any of the Issuer's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Issuer, then the annual and quarterly financial information required by clauses (1) and (2) of the first paragraph of this covenant shall include either (i) a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer or (ii) stand-alone audited or unaudited financial statements, as the case may be, of such Unrestricted Subsidiary or Unrestricted Subsidiaries (as a group or otherwise) together with an unaudited reconciliation to the financial information of the Issuer and its Subsidiaries, which reconciliation shall include the following items: revenues, Consolidated EBITDA, net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense.

Substantially concurrently with the issuance to the Trustee of the reports specified in clauses (1), (2) and (3) of the first paragraph of this covenant, the Issuer shall also (a) use its commercially reasonable efforts (i) to post copies of such reports on such website as may be then maintained by the Issuer and its Subsidiaries or (ii) otherwise to provide substantially comparable availability of such reports (as determined by the Issuer in good faith) or (b) to the extent the Issuer determines in good faith that it cannot make such reports available in the manner described in the preceding clause (a) owing to applicable law or after the use of its commercially reasonable efforts, furnish such reports to the Holders and, upon request, prospective purchasers of the Notes. The Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of this covenant at the offices of the Paying Agent in London or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Luxembourg Stock Exchange.

In addition, so long as the Notes remain outstanding and during any period during which the Issuer is not subject to Section 13 or 15(d) of the Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Issuer shall furnish to the Holders and, upon their request, prospective purchasers of the Notes, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

Following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on an internationally recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; *provided* that the IPO Entity shall provide financial reporting for the first three fiscal quarters in each fiscal year and an annual report; *provided further*, that if the consolidated financial statements of the IPO Entity are included in such report and the IPO Entity is not the Issuer, a reasonably detailed description of material differences between the consolidated financial statements of the IPO Entity and the Issuer shall be included for any period after the Issue Date.

## ***Merger and Consolidation***

### *The Issuer*

The Issuer will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “Successor Issuer”) will be a Person organized and existing under the laws of any member state of the European Union or the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (b) all obligations of the Issuer under the Security Documents, the Dollar Rule 144A Notes Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Successor Issuer would be able to Incur at least an additional €1.00 of Indebtedness pursuant to the Consolidated Net Leverage Ratio the in first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Consolidated Net Leverage Ratio of the Successor Issuer and its Restricted Subsidiaries would not be greater than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (in each case, reasonably satisfactory to the Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact, including as to satisfaction of clauses (1) and (2) above.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under such Indenture or the Notes.

Notwithstanding the preceding clauses (2) and (3) and the provisions described below under “—*Guarantors*” (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary of the Issuer may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Issuer, and (b) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding clauses (2) and (3) (which do not apply to the transactions

referred to in this sentence), the Issuer may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction, or changing the legal form of the Issuer and the Issuer may consolidate with, merge into or sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of its assets to Wind Tre Italia S.p.A. and Wind Tre Italia S.p.A. may consolidate with, merge into or sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of its assets to the Issuer.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this covenant) will not apply to the creation of a new subsidiary of the Issuer that becomes a parent of one or more of the Issuer’s Subsidiaries.

#### *Guarantors*

No Guarantor may:

- (1) consolidate with or merge with or into any Person;
- (2) sell, assign, convey, transfer, lease or dispose of all or substantially all its assets as an entirety, or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into such Guarantor, unless:
  - (A) the other Person is the Issuer or any Restricted Subsidiary that is Guarantor or becomes a Guarantor concurrently with the transaction; or
  - (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Notes Guarantee and the Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement; and  
(2) immediately after giving effect to the transaction, no Default has occurred and is continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger of the Guarantor or the sale or disposition of all or substantially all the assets of the Guarantor (in each case other than to the Issuer or a Restricted Subsidiary)) otherwise permitted by the Indenture.

Notwithstanding the preceding clause (3)(B)(2) and the provisions described above under “—*The Issuer*” (which do not apply to transactions referred to in this sentence), (a) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to a Guarantor, and (b) any Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Guarantor. Notwithstanding the preceding clause (3)(B)(2) (which does not apply to the transactions referred to in this sentence), a Guarantor may consolidate or otherwise combine with or merge into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Guarantor reincorporating the Guarantor in another jurisdiction, or changing the legal form of the Guarantor.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

### ***Maintenance of Listing***

The Issuer will use its reasonable best efforts to list and to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it can no longer reasonably comply with the requirements for listing the Notes on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF or if maintenance of such listing becomes unduly onerous, it will obtain prior to the delisting of the Notes from the Euro MTF, and thereafter use its reasonable best efforts to maintain, a listing of such Notes on such other stock exchange that qualifies as a regulated market or multi-lateral trading facility for the purposes of Section 1 paragraph 1 of the Legislative Decree No. 239 of Italy.

### ***Additional Guarantees***

The Issuer will not cause or permit any of its Restricted Subsidiaries that are not Guarantors, directly or indirectly, to Guarantee any Indebtedness under the Senior Credit Facilities Agreement (or other Indebtedness that is Incurred under clause (1) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) or Public Debt and any refinancing thereof in whole or in part unless such Restricted Subsidiary becomes a Guarantor on the date on which such other Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s Guarantee of such other Indebtedness.

A Restricted Subsidiary that is not a Guarantor may become a Guarantor if it executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee.

Concurrently with the provision of any additional Notes Guarantees as described above, subject to the Intercreditor Agreement and any Additional Intercreditor Agreement (if such security is being granted in respect of the other Indebtedness), and subject to the Agreed Security Principles, any such Guarantor will provide security over certain of its material bank accounts (excluding any assets of such Guarantor which are subject to a Permitted Lien at the time of the execution of such supplemental indenture if providing such security interest would not be permitted by the terms of such Permitted Lien or by the terms of any obligations secured by such Permitted Lien) to secure its Notes Guarantee on a first priority basis consistent with the Collateral.

Each additional Notes Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalization, distributable reserves, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to Guarantee the Notes to the extent and for so long as the Incurrence of such Notes Guarantee could reasonably be expected to give rise to or result in: (1) any violation of applicable law or regulation; (2) any liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such Notes Guarantee, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided

through measures reasonably available to the Issuer or a Restricted Subsidiary; or (4) an inconsistency with the Intercreditor Agreement.

### ***Impairment of Security Interest***

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents, any Lien over any of the Collateral that is prohibited by the covenant entitled “—*Limitation on Liens*”; *provided*, that the Issuer and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with the Indenture, the Intercreditor Agreement or the applicable Security Documents.

Notwithstanding the above, nothing in this covenant shall restrict the discharge and release of any Liens in accordance with the Indenture and the Intercreditor Agreement. Subject to the foregoing, the Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; (iv) undertake a Permitted Reorganization; (v) evidence the succession of another Person to the Issuer or any security provider and the assumption of such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and/or the Security Documents, in each case, including in accordance with the terms under “—*Merger and Consolidation*,” (vi) evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent, (vii) comply with the Intercreditor Agreement, (viii) provide for the release of property and assets constituting Collateral from the Lien of the Security Documents and/or the release of the Note Guarantee of a Guarantor, in each case, in accordance with (and if permitted by) the terms of the Indenture, (ix) conform the Security Documents to this “*Description of Notes*” or (x) make any other change thereto that does not adversely affect the Holders in any material respect; *provided, however*, that, except where permitted by the Indenture or the Intercreditor Agreement, no Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Issuer delivers to the Security Agent and the Trustee, either (1) a solvency opinion, reasonably satisfactory to the Security Agent and the Trustee, from an Independent Financial Advisor or appraiser or investment bank of international standing which confirms the solvency of the Issuer and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting Liens after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, or (3) an Opinion of Counsel (subject to any qualifications customary for this type of opinion of counsel), reasonably satisfactory to the Security Agent and the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Security Document, so amended, extended, renewed, restated, supplemented, modified or released and replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement,



modification or replacement and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject.

In the event that the Issuer and its Restricted Subsidiaries comply with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

#### ***Further Assurances***

The Issuer shall, and shall procure that each of its Subsidiaries shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Issuer shall, and shall procure that each of its respective Subsidiaries shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

#### ***Financial Calculations***

When calculating the availability under any basket or ratio under the Indenture, in each case, in connection with any acquisition, disposition, merger, joint venture, Investment or similar transaction where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Indebtedness, Restricted Payments, Permitted Investments and Permitted Liens), the date of determination of any such basket or ratio and of any Default or Event of Default may, at the option of the Issuer, be the date of commitment and closing or Incurrence or the date the definitive agreements for such acquisition, disposition, merger, joint venture, Investment or similar transaction are entered into, and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment or similar transaction and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof, in accordance with the definition of “Consolidated Net Leverage Ratio” or “Consolidated Secured Net Leverage Ratio”, as applicable) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such transaction (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio subsequent to such date of determination and at or prior to the consummation of the relevant transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such transaction or related transactions; *provided, further*, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such transaction.

In addition, when determining compliance with any provision based on a percentage of Consolidated EBITDA, such basket or ratio shall only be tested on the date of Incurrence, or other date as applicable pursuant to the above, and if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio subsequent to such date of determination, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the transaction is permitted hereunder.

### *Suspension of Covenants and Release of Collateral on Achievement of Investment Grade Status*

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day (the “Suspension Date”) and continuing until the Reversion Date, the provisions of the Indenture summarized under the following captions will not apply to such Notes: “—*Limitation on Restricted Payments*,” “—*Limitation on Indebtedness*,” “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” “—*Limitation on Affiliate Transactions*,” “—*Limitation on Sales of Assets and Subsidiary Stock*,” “—*Additional Guarantees*” and “—*Impairment of Security Interest*” and the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation—The Issuer*,” and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries. Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer properly taken during the continuance of the Suspension Event, and the “—*Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Issuer’s option, as having been Incurred pursuant to the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or one of the clauses set forth in the second paragraph of such covenant (to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under the first two paragraphs of the covenant described under “—*Limitation on Indebtedness*,” such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*.”

The Issuer and the Restricted Subsidiaries shall have the right from a Suspension Date to release from time to time any of the property and other assets included in the Collateral from the Liens securing the Notes upon the Issuer delivering to the Trustee an Officer’s Certificate identifying the Collateral to be released and certifying that (1) the Notes have been assigned an Investment Grade Status, (2) no Default or Event of Default under the Indenture has occurred and is continuing and (3) such Collateral has been or, simultaneously with any release relating to the Notes, will be released under the Senior Credit Facilities Agreement and any other Pari Passu Indebtedness. Upon a request from the Issuer to the Trustee to effect the release of any of the Collateral from the Liens securing the Notes pursuant to this paragraph, the Trustee may request delivery of an Officer’s Certificate and an Opinion of Counsel that any such release complies with the Indenture.

Upon the delivery of an Officer’s Certificate pursuant to the preceding paragraph, those sections of the Indenture relating to Collateral (including the security default provision and the covenant under “—*Further Assurances*”) (the “Suspended Security Sections”) shall cease to apply to the Issuer and the Restricted Subsidiaries and the covenant entitled “—*Limitation on Liens*” shall be replaced with the following:

“The Issuer will not, and will not permit any Significant Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary of the Issuer), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “Initial Lien”), except Permitted Liens or Liens on property or assets that are not Permitted Liens if the Notes and the Indenture (or a Guarantee in the case of Liens of a Guarantor) are directly secured, equally and ratably with, or prior to in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured.”

Upon the occurrence of a Reversion Date, the Issuer and the Restricted Subsidiaries shall ensure that the Collateral released from the Liens securing the Notes and the Guarantees on or following a Suspension Date is reinstated within 120 Business Days of such Reversion Date, unless not required under the covenant entitled “—*Limitation on Liens*,” at which time the Issuer and the Restricted Subsidiaries will again be subject to the Suspended Security Sections (and the covenant entitled “—*Limitation on Liens*” shall revert back to its original form).

### Events of Default

Each of the following is an “Event of Default” under the Indenture:

- (1) default in any payment of interest or Additional Amounts, if any, on any Note when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any of its Restricted Subsidiaries to comply for 60 days after written notice by the Trustee on behalf of the Holders or by the Holders of at least 30% in aggregate principal amount of the outstanding Notes with its other agreements contained in the Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries) other than Indebtedness owed to the Issuer or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at Stated Maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“*payment default provision*”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross acceleration provision*”);

and, in each case, the aggregate principal amount of any such Indebtedness, together with the aggregate principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates €100.0 million or more;

- (5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of €100.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “*judgment default provision*”);
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the

Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of €100.0 million for any reason other than the satisfaction in full of all obligations under the Indenture or the release or amendment of any such security interest in accordance with the terms of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or such Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days (the “*security default provision*”); and

- (8) any Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days (the “*guarantee provision*”).

However, a default under clauses (3), (4) or (6) of this paragraph will not constitute an Event of Default until the Trustee or the Holders of at least 30% in aggregate principal amount of the outstanding Notes notify the Issuer of the default and, with respect to clauses (3), (4) and (6), the Issuer does not cure such default within the time specified in clauses (3), (4) or (6), as applicable, of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 30% in aggregate principal amount of the outstanding Notes by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest, including Additional Amounts, if any, will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest, including Additional Amounts, if any, on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, including Additional Amounts, if any, on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

The Holders of a majority in aggregate principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium or interest, or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee, and the Trustee has received, indemnity and/or security satisfactory to the Trustee

against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Holder has previously given the Trustee written notice that an Event of Default is continuing;
- (2) Holders of at least 30% in aggregate principal amount of the outstanding Notes have requested in writing the Trustee to pursue the remedy;
- (3) such Holders have offered to the Trustee, and the Trustee has received, security and/or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the written request and the offer of security and/or indemnity; and
- (5) the Holders of a majority in aggregate principal amount of the outstanding Notes have not given the Trustee a written direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in aggregate principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it against all losses and expenses caused by taking or not taking such action.

The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as a committee of trust officers of the Trustee in good faith determines that withholding notice is in the interests of the Holders. The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Notes provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity and/or security satisfactory to it, and it will be for Holders to take action directly.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and subject to the Intercreditor Agreement and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

#### **Amendments and Waivers**

Subject to certain exceptions, the Note Documents may be amended, supplemented or otherwise modified with the consent of the Holders of a majority in aggregate principal amount of the Notes then

outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

However, without the consent of Holders holding not less than 75% of the then outstanding aggregate principal amount of Notes affected, or if any amendment, waiver or other modification will only amend, waive or modify one series of the Notes, without the consent of Holders holding not less than 75% of the then outstanding aggregate principal amount of Notes of such series amended, waived or modified, an amendment or waiver may not, with respect to any such series of the Notes held by a non-consenting Holder:

- (1) reduce the principal amount of such Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of, or extend the stated time for payment of, interest on any such Note;
- (3) reduce the principal of or extend the Stated Maturity of any such Note;
- (4) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case, as described above under “—*Optional Redemption*”;
- (5) make any such Note payable in money other than that stated in such Note;
- (6) impair the right of any Holder to institute suit for the enforcement of any payment of principal of, or premium, if any, or interest when due on, or with respect to, such Holder’s Notes;
- (7) make any change in the provision of the Indenture described under “—*Withholding Taxes*” that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Payor agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release (a) the security interest granted for the benefit of the Holders in the Collateral or (b) any Notes Guarantee, in each case, other than pursuant to the terms of the Security Document or the Indenture, as applicable, except as permitted by the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration); or
- (10) make any change in the amendment or waiver provisions which require the Holders’ consent described in this sentence.

For the avoidance of doubt, (1) no amendment to or deletion of, or actions taken in compliance with, the covenants described under “—*Certain Covenants*” shall be deemed to impair or affect any rights of holders of the Notes to (a) receive payment of principal of, or premium, if any, or interest on, the Notes when due or (b) institute suit for the enforcement of any payment of principal of, or premium, if any, or

interest when due on, or with respect to, such Holder's Notes and (2) it is understood and agreed that any amendment or waiver with respect to any matter described in clause (1), (2), (3), (4), (5), (6) and (9) in the preceding paragraph that by its terms applies to only the 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes, the Dollar Notes or the Floating Rate Notes shall require the consent of Holders holding not less than 75% of the then outstanding principal amount of the 2023 Fixed Rate Euro Notes, 2025 Fixed Rate Euro Notes, the Dollar Notes or the Floating Rate Notes, as applicable, in order for it to be binding on all holders of such series of Notes.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Note Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency, conform any provision of any Note Document to this "*Description of Notes*," or reduce the minimum denomination of the Notes;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Guarantor under any Note Document;
- (3) provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 4701(b)(1)(B) of the Code);
- (4) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (5) make any change that does not adversely affect the rights of any Holder in any material respect;
- (6) at the Issuer's election, comply with any requirement of the SEC in connection with the qualification of the Indenture under the Trust Indenture Act, if such qualification is required;
- (7) make such provisions as necessary (as determined in good faith by the Issuer) for the issuance of Additional Notes;
- (8) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the Covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Additional Guarantees*," to add Notes Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) with respect to or securing the Notes when such release, termination, discharge or retaking is provided for under the Indenture, the Intercreditor Agreement or the Security Documents;
- (9) to evidence and provide for the acceptance and appointment under the Indenture of a successor Trustee or the Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or the Security Agent to any Note Document; or
- (10) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of parties to the Senior Credit Facilities Agreement, in any property which is required by the Senior Credit Facilities Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Indenture and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with.

In addition, notwithstanding the foregoing, without the consent of any Holder, the Trustee shall consent to any modifications of the Tax Certification Procedures as set forth in the Indenture and the TCA Agreement or any waivers or amendments undertaken pursuant to the Deposit Agreement or the NMA Agreement.

In formulating its decisions on such matters, the Trustee shall be entitled to rely on such evidence as it deems appropriate including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Note Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

For purposes of voting (or any other matter requiring a determination based on a percentage of principal amount of Notes outstanding), the aggregate principal amount of outstanding Dollar Notes and any other Notes not denominated in euro will be calculated using the Euro Equivalent of such aggregate principal amount outstanding as of the Issue Date.

#### **Acts by Holders**

In determining whether the Holders of the required aggregate principal amount of the Notes have concurred in any direction, waiver or consent, any Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

#### **Meeting of Holders of Notes**

All meetings of Holders of each relevant series of the Notes will be held in accordance with Italian applicable laws and regulations.

In addition, to and without prejudice to, the provisions described above under the caption "*—Amendments and Waivers*", in accordance with the provisions set forth under the Italian Civil Code, the Indenture will include provisions for the convening of meetings of the Holders of the Notes to consider any matter affecting their interests, including, without limitation, the modification or abrogation by extraordinary resolution of any provisions of the Notes or the Indenture. A meeting may be convened either (1) by the Board of Directors of the Issuer, (2) by the Noteholders' Representative (as defined below) or (3) upon request by Holders of at least 5.0% of the aggregate principal amount of the outstanding Notes. In accordance with the Italian Civil Code, the vote required to pass a resolution by a meeting of the Holders of the Notes will be (1) in the case of the first meeting, one or more persons that hold or represent Holders of more than one half of the aggregate principal amount of the relevant series of outstanding Notes, and (2) in the case of the second and any further adjourned meeting, one or more persons that hold or represent Holders of at least two-thirds of the aggregate principal amount of the relevant series of Notes so present or represented at such meeting. Any such second or further adjourned meeting will be validly held if there are one or more persons present that hold or represent Holders of more than one-third of the aggregate principal amount of the relevant series of outstanding Notes; *provided, however*, that the Issuer's bylaws may provide for a higher quorum (to the extent permitted under Italian law). Certain proposals, as set out under Article 2415 paragraph 1, item 2, and paragraph 3 of the Italian Civil Code (namely, the amendment of the economic terms and conditions of the Notes) may only be approved by an extraordinary resolution passed at a meeting of Holders of the Notes (including any adjourned meeting) by one or more persons present that hold or represent Holders of not less than one-half of the aggregate principal amount of the relevant series of outstanding Notes.

With respect to the matters set forth in the second paragraph under "*—Amendments and Waivers*", and to the extent permitted under Italian law, the Indenture will contractually increase the percentage of



the aggregate principal amount of Notes otherwise required by Article 2415 of the Italian Civil Code to pass an extraordinary resolution with respect to such matters from 50% to 75% of the aggregate principal amount of the outstanding Notes. See “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—Wind Tre may amend the economic terms and conditions of the Notes with the vote of either 75% or 50% of the aggregate principal amount of the outstanding Notes.*” Any resolution duly passed at any such meeting shall be binding on all the Holders of the relevant series of Notes, whether or not such Holder was present at such meeting or voted to approve such resolution. To the extent provided by the Italian Civil Code, the resolutions passed by a meeting of Holders of the Notes can be challenged by Holders pursuant to Articles 2377 and 2379 of the Italian Civil Code.

The Indenture will provide that the provisions described under this “*—Meeting of Holders of Notes*” will be in addition to, and not in substitution of, the provisions described under the caption “*—Amendments and Waivers*”. As such and notwithstanding the foregoing, any amendment, supplement and/or waiver, in addition to complying with the provisions described under this “*—Meeting of Holders of Notes*” must also comply with the other provisions described under “*—Amendments and Waivers*”.

### **Security Representative and Noteholders’ Representative**

Pursuant to the terms of the Indenture, the execution of the Indenture and the issuance and purchase of the Notes on the Issue Date shall be deemed to constitute the authorization and agreement on behalf of the holders of the Notes of the initial appointment as of the Issue Date of Banca IMI S.p.A., as representative (*rappresentante*) pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code (the “Security Representative”) in order to create and grant in its favor security interests and guarantees securing and guaranteeing the Notes and entitle it to exercise in the name and on behalf of the Holders of the Notes all their rights (including any rights before any court and judicial proceedings) relating to such security interests and guarantees. Pursuant to the terms of the Indenture each Holder of the Notes from time to time, by accepting a Note, shall be deemed to have agreed to, and accepted, the appointment of Banca IMI S.p.A. as Security Representative.

Moreover, a representative of the Holders of the Notes (*rappresentante comune*) (the “Noteholders’ Representative”) may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code by the Holders of the Notes in order to represent the interests of the Holders of the Notes pursuant to Article 2418 of the Italian Civil Code as well as to give effect to resolutions passed at a meeting of the Holders of the Notes. If the Noteholders’ Representative is not appointed by a meeting of the Holders of the Notes, the Noteholders’ Representative shall be appointed by a decree of the Court where the Issuer has its registered office upon request by one or more Holders of the Notes or upon request by the directors of the Issuer. The Noteholders’ Representative remains appointed for a maximum period of three years but may be subsequently reappointed thereafter.

### **Defeasance**

The Issuer at any time may terminate all of its and each Guarantor’s obligations under the Notes and the Indenture (“*legal defeasance*”) and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registrations of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantor’s obligations under the covenants described under “*—Certain Covenants*” (other than with respect to clauses (1), (2) and (4) of the covenant described under “*—Certain Covenants—Merger and Consolidation—The Issuer*” and clauses (1) and (2) of

the covenant described under “—*Certain Covenants—Merger and Consolidation—Guarantors*”) and “—*Change of Control*” and the default provisions relating to such covenants described under “—*Events of Default*” above, the operation of the cross acceleration provision, the payment default provision, the bankruptcy provisions with respect to the Issuer’s Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under “—*Events of Default*” above (“*covenant defeasance*”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to the Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1), (2) and (4) of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Issuer*” and clauses (1) and (2) of the covenant described under “—*Certain Covenants—Merger and Consolidation—Guarantors*”), (4), (5) (with respect only to the Issuer and Significant Subsidiaries), (6), (7) or (8) under “—*Events of Default*” above.

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee (or such entity designated by the Trustee for this purpose) with respect to the Euro Notes, cash in euros or euro-denominated European Government Obligations or a combination thereof or a combination thereof for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and, with respect to the Dollar Notes, cash in US dollars or dollar-denominated US Government Obligations or a combination thereof sufficient (without reinvestment), in the opinion of the Issuer, acting in good faith, for the payment of principal, premium, if any, and interest on the Dollar Notes to redemption or maturity, as the case may be, and, in each case, must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or other change in applicable U.S. federal income tax law since the Issue Date of the Notes);
- (2) an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer and any Guarantor;
- (3) an Officer’s Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;
- (4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940, as amended; and
- (5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and Discharge**

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of

further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Trustee for cancellation; or (b) all Notes not previously delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or such entity designated by the Trustee for this purpose), with respect to the Euro Notes, euros or euro-denominated European Government Obligations or a combination thereof, as applicable, or, with respect to the Dollar Notes, dollars or dollar-denominated US Government Obligations or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered irrevocable instructions under the Indenture to apply the deposited money towards payment of the Notes at maturity or on the redemption date, as the case may be; *provided* that, if requested by the Issuer, the Trustee may distribute any amounts deposited in trust to the Holders prior to the maturity or the redemption date, as the case may be; and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested by the Issuer in writing, the Trustee may distribute any amount deposited in trust to the Holders prior to the Stated Maturity or the redemption date, as the case may be; *provided* that (i) the cash shall otherwise be distributed to Holders in accordance with the terms of any redemption notice or other applicable repayment provisions, (ii) the Notes shall be marked down on the date of repayment of the Holders, (iii) the Holders shall receive the principal, interest and premia (and any other amounts) as required in accordance with the terms of the redemption notice or other applicable repayment provisions and (iv) no Trustee, Paying Agent or other applicable party shall be required to incur any costs, fees or expenses (except as expressly agreed in writing) in relation to such distribution.

#### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or Guarantor under the Note Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

#### **Concerning the Trustee, the Receipt Issuer and Certain Agents**

Citibank, N.A., London Branch is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, (b) fails to meet certain minimum limits regarding the aggregate of its capital and surplus or (c) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a *bona fide* Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, costs, taxes (other than net income taxes with respect to its compensation) and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Citibank, N.A., acting through its New York Office, and Citibank, N.A., London Branch are to be appointed as Receipt Issuer and Receipt Paying Agent, respectively, under the Deposit Agreement. The Deposit Agreement limits the Receipt Issuer's obligations to the Issuer and to the holders of, or owners of beneficial interests in, the Dollar Rule 144A Notes. See "*Description of Book-Entry Interests and the Deposit Agreement relating to the Dollar Rule 144A Global Notes—Duties, Responsibilities and Rights of the Receipt Issuer*" for further information.

In addition, the Issuer has arranged the Tax Certification Procedures with Acupay and Monte Titoli to facilitate the collection of certifications through the relevant participants in DTC pursuant to the TCA Agreement and has further arranged certain procedures among the Transfer Agent and Monte Titoli pursuant to the NMA Agreement to facilitate transfers and exchanges of beneficial interests in the Notes. Pursuant to the Indenture, the Trustee and the Agents (as defined in the Indenture) will agree to reasonably cooperate with Acupay in its role as agent for the Issuer to provide the Italian tax services, consistent in each case with the terms of the Tax Certification Procedures. To facilitate the implementation of the Tax Certification Procedures, the Trustee and the Agents (as applicable) will be authorized pursuant to the Indenture to use any electronic system the Issuer and its agents (including Acupay) make available for such purpose. The Trustee and the Agents will be indemnified by the Issuer for any action taken in cooperating with Acupay and any other agent appointed by the Issuer in respect of the Italian tax services and procedures unless its performance of such actions constitute gross negligence or willful misconduct. Notwithstanding anything contained in the Indenture, the Trustee shall not be liable in any respect for any instruction or notice received from or by Acupay or any other agent appointed by the Issuer to provide these services.

The Trustee and the Agents (as applicable) will reasonably cooperate with each applicable depository for the Notes in its role as agent for the Issuer. The Trustee and the Agents will be indemnified by the Issuer for any action taken in cooperating with an applicable depository in respect of its procedures unless its performance of such actions constitute gross negligence or willful misconduct. Notwithstanding anything contained in the Indenture, the Trustee and the Agents will not be liable in any respect for any action, failure to act or negligence in acting by an applicable depository for the Notes.

## **Notices**

All notices to Holders of Notes will be validly given if mailed to them at their respective addresses in the register of the Holders of the Notes, if any, maintained by the Registrar. In addition, for so long as any of the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, notices with respect to the Notes will be published in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered to Euroclear and Clearstream, each of which will give such notices to the holders of Book-Entry Interests. Such notices may also be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*), to the extent and in the manner permitted by the rules of the Luxembourg Stock Exchange.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided that*, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

## **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

## **Currency Indemnity and Calculation of Euro-Denominated Restrictions**

The euro is the sole currency of account and payment for all sums payable by the Issuer and the Guarantor, if any, under or in connection with the Euro Notes and the relevant Notes Guarantees, if any, including damages and the U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer and the Guarantor, if any, under or in connection with the Dollar Notes and the relevant Notes Guarantees, if any, including damages (each, a “Required Currency”). Any amount received or recovered in a currency other than the Required Currency, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the Required Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that Required Currency amount is less than the Required Currency amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantor(s) will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantor(s) will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the

Issuer's and the Guarantor's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any euro-denominated restriction herein, the Euro Equivalent amount for purposes hereof that is denominated in a non-euro currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-euro amount is Incurred or made, as the case may be.

### **Listing**

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no guarantee that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and admit the Notes on the Euro MTF Market will be approved as of the date the Notes are issued or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

### **Enforceability of Judgments**

Since substantially all the assets of the Issuer and the Guarantor located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes or the Notes Guarantees, may not be collectable within the United States.

Recognition and enforcement in Italy of final judgments of U.S. courts, including judgments obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws, may not require retrial on the merits and will be enforceable in Italy, provided that certain conditions are met. Please see "*Service of Process and Enforcement of Civil Liabilities*" in this Offering Memorandum.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes and the Notes Guarantees, the Issuer and each Guarantor will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York.

### **Governing Law**

The Indenture and the Notes, including any Notes Guarantees, and the rights and duties of the parties thereunder will be governed by and construed in accordance with the laws of the State of New York. The Security Documents will be governed by the law of the location of the relevant asset that is part of the Collateral. The Intercreditor Agreement and Senior Credit Facilities Agreement shall be governed by and construed in accordance with English law.

### **Certain Definitions**

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with an acquisition of

assets from such Person, in each case, whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary of the Issuer or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Acupay*” refers to Acupay System LLC.

“*Additional Assets*” means:

- (1) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Issuer, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);
- (2) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Issuer or a Restricted Subsidiary of the Issuer; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary of the Issuer.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agreed Security Principles*” means the Agreed Security Principles as set out in an annex to the Indenture as in effect on the Issue Date, as applied *mutatis mutandis* with respect to the Notes in the good faith judgment of the Issuer.

“*Applicable 2023 Fixed Rate Euro Note Premium*” means with respect to any 2023 Fixed Rate Euro Note on any redemption date applicable to the redemption of such 2023 Fixed Rate Euro Note, the greater of:

- (1) 1.0% of the principal amount of the 2023 Fixed Rate Euro Note; and
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the 2023 Fixed Rate Euro Note at November 3, 2019 (such redemption price being set forth in the table appearing under the caption “*Optional Redemption—Fixed Rate Notes*” and being calculated exclusive of accrued and unpaid interest and Additional Amounts) *plus* (ii) all required interest payments due on the 2023 Fixed Rate Euro Note through November 3, 2019 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points; over
  - (b) the principal amount of the 2023 Fixed Rate Euro Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium is not an obligation of the Trustee, the Registrar, the Paying Agent or the Calculation Agent.

“*Applicable 2025 Fixed Rate Euro Note Premium*” means with respect to any 2025 Fixed Rate Euro Note on any redemption date applicable to the redemption of such 2025 Fixed Rate Euro Note, the greater of:

- (1) 1.0% of the principal amount of the 2025 Fixed Rate Euro Note; and
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the 2025 Fixed Rate Euro Note at November 3, 2020 (such redemption price being set forth in the table appearing under the caption “*Optional Redemption—Fixed Rate Notes*” and being calculated exclusive of accrued and unpaid interest and Additional Amounts) *plus* (ii) all required interest payments due on the 2025 Fixed Rate Euro Note through November 3, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points; over
  - (b) the principal amount of the 2025 Fixed Rate Euro Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium is not an obligation of the Trustee, the Registrar, the Paying Agent or the Calculation Agent.

“*Applicable Dollar Note Premium*” means with respect to any Dollar Note on any redemption date applicable to the redemption of such Dollar Note, the greater of:

- (1) 1.0% of the principal amount of the Dollar Note; or
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the Dollar Note at November 3, 2020 (such redemption price being set forth in the table appearing above under the caption “*Optional Redemption—Fixed Rate Notes*” and being calculated exclusive of accrued and unpaid interest and Additional Amounts), *plus* (ii) all required interest payments due on the Dollar Note through November 3, 2020 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date *plus* 50 basis points; over
  - (b) the principal amount of the Dollar Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium is not an obligation of the Trustee, the Registrar, the Paying Agent or the Calculation Agent.

“*Applicable Fixed Rate Note Premium*” means, with respect to a 2023 Fixed Rate Euro Note, the Applicable 2023 Fixed Rate Euro Note Premium, with respect to a 2025 Fixed Rate Euro Note, the Applicable 2025 Fixed Rate Euro Note Premium and, with respect to a Dollar Note, the Applicable Dollar Note Premium.

“*Applicable Floating Rate Note Premium*” means with respect to any Floating Rate Note on any redemption date applicable to the redemption of such Floating Rate Note, the greater of:

- (1) 1.0% of the principal amount of the Floating Rate Note; and



- (2) the excess of:
  - (a) the present value at such redemption date of (i) a redemption price of 100% and being calculated exclusive of accrued and unpaid interest and Additional Amounts) *plus* (ii) all required interest payments due on the Floating Rate Note through May 3, 2018 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date *plus* 50 basis points and assuming that the rate of interest on the Floating Rate Notes from the redemption date through May 3, 2018 will equal the rate of interest on the Floating Rate Notes in effect on the applicable redemption date; over
  - (b) the principal amount of the Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium is not an obligation of the Trustee, the Registrar, the Paying Agent or the Calculation Agent.

“*Applicable Jurisdiction*” means any member state of the European Union, Switzerland, Canada, the United States of America or any other jurisdiction in which Wind Tre or its Restricted Subsidiaries has a telecommunications business.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, consumer equipment, trading stock, communications capacity or other assets in the ordinary course of business;
- (4) a disposition of obsolete, surplus or worn out equipment or other assets or equipment or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation—The Issuer*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;
- (7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Issuer) of less than €150.0 million;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of

clause (3) of the first paragraph under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

- (9) dispositions in connection with Permitted Liens;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms and for credit management purposes) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (15) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and, in each case, comprising all or a portion of the consideration in respect of such sale or acquisition;
- (16) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;
- (17) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors or a responsible accounting or financial officer of the Issuer shall certify that in the opinion of the Board of Directors, responsible accounting or financial officer, as applicable, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided, further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (17), does not exceed €175.0 million;
- (18) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture;
- (19) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (20) any sale, assignment, amendment, novation, termination, close-out (in whole or in part) or any other disposition of any hedging contract (or rights thereunder);
- (21) any asset disposition in connection with the Iliad Disposition; and
- (22) any Tower Transaction pursuant to which the Excluded Tower Disposition Test is met.

“Associate” means (1) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (2) any joint venture entered into by the Issuer or any Restricted Subsidiary of the Issuer.

“Beneficial Owner” means any Person owning any beneficial interest in the Notes (other than the Receipt Issuer), it being understood that the term “Beneficial Owner” shall not include any agent or financial intermediary holding an interest in the Notes (or the Receipts if so indicated in context) solely to the extent such interest is held for or on behalf of any Beneficial Owner.

“Board of Directors” means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; (3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and (4) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

“Bund Rate” means, with respect to the Euro Notes, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “Comparable German Bund Issue” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 3, 2018 (with respect to the Floating Rate Notes), November 3, 2019 (with respect to the 2023 Fixed Rate Euro Notes) or November 3, 2020 (with respect to the 2025 Fixed Rate Euro Notes), and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to November 3, 2018 (with respect to the Floating Rate Notes), November 3, 2019 (with respect to the 2023 Fixed Rate Euro Notes) or November 3, 2020 (with respect to the 2025 Fixed Rate Euro Notes); *provided, however*, that, if the period from such redemption date to November 3, 2018 (with respect to the Floating Rate Notes), November 3, 2019 (with respect to the 2023 Fixed Rate Euro Notes) or November 3, 2020 (with respect to the 2025 Fixed Rate Euro Notes), is less than one year, a fixed maturity of one year shall be used;
- (2) “Comparable German Bund Price” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “Reference German Bund Dealer” means any dealer of German Bundesanleihe securities appointed by the Issuer; and
- (4) “Reference German Bund Dealer Quotations” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference

German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in Milan, Italy, London, United Kingdom or New York, United States are authorized or required by law to close; *provided, however*, that for any payments to be made under the Indenture, such day shall also be a TARGET Settlement Date or a London Business Day, as applicable.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capital lease). The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender or by any bank or trust company (a) whose commercial paper is rated at least “A-2” or the equivalent thereof by S&P or at least “P-2” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of €250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any Permissible Jurisdiction, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

- (6) Indebtedness or preferred stock issued by Persons with a rating of “BBB –” or higher from S&P or “Baa3” or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and
- (9) other instruments customarily utilized for high quality investments that can be readily monetized without material risk of loss in the good faith judgment of a responsible financial or accounting officer of the Issuer or any of its Restricted Subsidiaries.

“*Change of Control*” means:

- (1) the Issuer becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer, *provided* that for the purposes of this clause, (a) no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent and (b) any Voting Stock of which any Permitted Holder is the “beneficial owner” (as so defined) shall not be included in any Voting Stock of which any such person or group is the “beneficial owner” (as so defined), unless that person or group is not an affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders;

*provided that*, in each case, a Change of Control shall not be deemed to have occurred if such Change of Control is also a Specified Change of Control Event.

“*Clearstream*” means Clearstream Banking, a *société anonyme* as currently in effect or any successor securities clearing agency.

“*Code*” means the United States Internal Revenue Code of 1986, as amended.

“*Commodity Hedging Agreements*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), or other agreements or arrangements intended to protect such Person against operating exposures (including but not limited to hedging in respect of energy prices and inflation risk), to which such Person is a party or a beneficiary.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense and Receivables Fees;

- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization or impairment expense;
- (5) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including one-time amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; *provided* that such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Indenture (in each case whether or not successful), in each case, as determined in good faith by an Officer of the Issuer;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”; and
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) or other items classified by the Issuer as extraordinary, exceptional, unusual or nonrecurring items *less* other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortization, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

“*Consolidated Income Taxes*” means taxes or other payments, including deferred taxes or provisions, based on income, profits or capital (including without limitation withholding taxes) and franchise taxes of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, including any pension liability interest cost, *plus* or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of debt discount, debt issuance cost and premium;
- (3) non-cash interest expense;
- (4) commissions, discounts and other fees and charges owed with respect to financings not included in clause (2) above;
- (5) costs associated with Hedging Obligations;

- (6) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of the Issuer;
- (7) the interest component of any deferred payment obligations;
- (8) the consolidated interest expense that was capitalized during such period; and
- (9) interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below); *provided* that, for the purposes of sub-clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under clauses (11) or (12) of the definition of “Permitted Investments”;
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than Guarantors) if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer or a Guarantor by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture or the Senior Credit Facilities Agreement, and (c) restrictions specified in clause (11)(i) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*,” except that the Issuer’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, exceptional, unusual or nonrecurring gain, loss, expense or charge (including for the avoidance of doubt, (i) in respect of any rebranding of the business (or any part thereof), acquisition costs, disposition costs, business optimization costs, information

- technology implementation or development costs; (ii) any spectrum related or similar fees; and/or (iii) any tax referable to any payments, dividends or other distributions made or declared intra-group) or any charges or reserves in respect of any restructuring, relocation, refinancing, redundancy or severance expense or other similar post-employment arrangements, signing, retention or completion bonuses, or other costs related to the Transactions, in each case, as determined in good faith by the Issuer;
- (5) the cumulative effect of a change in accounting principles;
  - (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;
  - (7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness and the impact of the Transactions and any refinancing transactions permitted by the Indenture and the costs related thereto (including, but not limited to fees (legal, accounting, agency or otherwise), consent fees, issue discount and hedging costs) incurred in connection with the Transactions and such refinancing transactions (but, for the avoidance of doubt, excluding the nominal interest accrued or paid on the principal amount of Indebtedness raised in such Transactions or refinancing transactions);
  - (8) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value of changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
  - (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;
  - (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;
  - (11) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenues in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Issuer and the Restricted Subsidiaries), as a result of any consummated acquisition or the amortization or write-off of any amounts thereof (including any write-off of in process research and development);
  - (12) any goodwill or other intangible asset impairment charge, amortization or write-off; and
  - (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Net Leverage*” means, without duplication, (1) the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding (i) Hedging Obligations except to the extent provided in clause (3) of the penultimate paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (ii) any Indebtedness Incurred pursuant to clause (15) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”) on a consolidated basis less (2) cash, Spectrum Basket Cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries on a consolidated basis.



“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available; *provided, however*, that for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

- (1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a “Sale”) or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes “discontinued operations” in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;
- (2) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a “Purchase”), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income, (a) whenever *pro forma* effect is to be given to any transaction or calculation, the *pro forma* calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer (including without limitation in respect of anticipated expense and cost reductions or costs savings synergies, group initiatives, or operating improvements) including, without limitation, as a result of, or that would result from any actions anticipated to be taken, including, without limitation, in connection with any cost reduction synergies or cost savings plan or program or in connection with any transaction, investment, acquisition, disposition, restructuring, corporate reorganization, the Merger or otherwise (regardless of whether these anticipated expense and cost reductions or costs savings synergies, group initiatives, or operating improvements could then be reflected in *pro forma* financial statements to the extent prepared), and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period; *provided, however*, that, solely for the purpose of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*,” *pro forma* effect shall not be given to (i) any Indebtedness incurred on the date of the *pro forma* calculations pursuant to the second paragraph

of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”) and (ii) the discharge on the date of the *pro forma* calculations of any Indebtedness to the extent that such Indebtedness was Incurred pursuant to the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than clause (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”).

“*Consolidated Secured Net Leverage*” means, without duplication, (1) the aggregate outstanding Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding (i) Hedging Obligations except to the extent provided in clause (3) of the penultimate paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (ii) any Indebtedness Incurred pursuant to clause (15) of the covenant described under “—*Limitation on Indebtedness*”) on a consolidated basis *less* (2) cash, Spectrum Basket Cash and Cash Equivalents of the Issuer and its Restricted Subsidiaries on a consolidated basis.

“*Consolidated Secured Net Leverage Ratio*” means the Consolidated Net Leverage Ratio, but calculated by using Consolidated Secured Net Leverage in substitution of Consolidated Net Leverage.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“primary obligations”) of any other Person (the “primary obligor”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*continuing*” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“*Credit Facility*” means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, indentures or other instruments or arrangements (including the Senior Credit Facilities Agreement or any commercial paper facilities and/or overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Senior Credit Facilities Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any

agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*Default*” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*Deferred Spectrum Installments*” means the installments (other than the Initial Spectrum Installment) that are required to be paid by order of the Communications Department of the Italian Ministry of Economic Development and are payable by the Issuer to the Provincial Treasury of the Italian Ministry of Economy and Finance with respect to the purchase price of a Spectrum Acquisition.

“*Deposit Agreement*” means the deposit agreement, dated on or about November 3, 2017, between the Receipt Issuer, the Receipt Paying Agent, the Issuer and the holders and the beneficial owners of the Receipts issued thereunder, as amended from time to time, concerning the deposit of Dollar Rule 144A Notes and the issuance of Receipts by the Receipt Issuer representing beneficial interests in the Dollar Rule 144A Notes.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preference Shares*” means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (1) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (2) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”

“*Disinterested Director*” means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Issuer having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Issuer shall be deemed not to have such a financial interest by reason of such member’s holding Capital Stock of the Issuer or any Parent or any options, warrants or other rights in respect of such Capital Stock.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

- (2) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Issuer or a Restricted Subsidiary); or
- (3) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the Notes or (b) the date on which there are no Notes outstanding; *provided, however*, that (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”

“*Dollar Regulation S Notes*” means the Dollar Notes to be offered and sold in offshore transactions in reliance on Regulation S of the Securities Act in transactions exempt from registration under the Securities Act.

“*Dollar Rule 144A Notes*” means the Dollar Notes to be offered and sold exclusively to qualified institutional buyers, as defined under Rule 144A of the Securities Act in transactions exempt from registration under the Securities Act.

“*Dollar Rule 144A Notes Documents*” means the Deposit Agreement, NMA Agreement, the Receipts and the TCA Agreement.

“*DTC*” means The Depository Trust Company, a limited-purpose trust company under New York law.

“*DTC Participant*” means institutions that have participant accounts with DTC.

“*Equity Offering*” means (1) a sale of Capital Stock of the Issuer (other than Disqualified Stock) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (2) the sale of Capital Stock or other securities, the proceeds of which are contributed to the equity of, or as Subordinated Shareholder Funding to, the Issuer or any of its Restricted Subsidiaries (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, a Parent Debt Contribution or an Excluded Amount).

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term “Escrowed Proceeds” shall include any interest earned on the amounts held in escrow.

“*euro*” or “*€*” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Trustee, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in The Financial Times in the “Currency Rates” section (or, if The Financial Times is no longer published, or if such information is no longer

available in The Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination.

“*Euro Regulation S Notes*” means the Euro Notes to be offered and sold in offshore transactions in reliance on Regulation S of the Securities Act in transactions exempt from registration under the Securities Act.

“*Euro Rule 144A Notes*” means the Euro Notes to be offered and sold exclusively to qualified institutional buyers, as defined under Rule 144A of the Securities Act in transactions exempt from registration under the Securities Act.

“*Euroclear*” means Euroclear Bank SA/NV, or any successor securities clearing agency.

“*European Government Obligations*” means any security that is (1) a direct obligation of any Permissible Jurisdiction, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

“*European Union*” means all members of the European Union as of January 1, 2004 (including, for the avoidance of doubt, the United Kingdom).

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or Excluded Amounts or Parent Debt Contributions) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock or Subordinated Shareholder Funding (other than Disqualified Stock or Designated Preference Shares or Excluded Amounts or Parent Debt Contributions) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer.

“*Excluded Tower Disposition Test*” means, pro forma for any Towers Transaction:

- (1) no Default is outstanding at the time of or will result from the disposal;
- (2) the disposal is on arms’ length terms for fair market value;
- (3) the proposed Tower Transaction would not be reasonably likely to cause a breach of any License or any Necessary Authorization;
- (4) the Issuer and its Restricted Subsidiaries will, following completion of such Tower Transactions, continue to have all such rights to access and utilize capacity on that Tower Infrastructure which it requires to conduct the business of Wind Tre or its Restricted Subsidiaries; and
- (5) after giving *pro forma* effect to the proposed Tower Transaction, (a) the Consolidated Net Leverage Ratio does not exceed 3.75 to 1.00 or (b) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving *pro forma* effect to such Tower Transaction.

“*fair market value*” may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Governmental Authority*” means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part);

*provided, however*, that the term “*Guarantee*” will not include endorsements for collection or deposit in the ordinary course of business. The term “*Guarantee*” used as a verb has a corresponding meaning.

“*Guarantor*” means (1) WAF and (2) any other Person that Guarantees the Notes.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a “*Hedging Agreement*”).

“*Holder*” means each Person in whose name the Notes are registered on the Registrar’s books.

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) (“*IFRS*”) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that “*IFRS*” shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Issuer shall give notice of any such election to the Trustee. Notwithstanding the foregoing, the impact of IFRS 16 (*Leases*) and any successor standard thereto shall be disregarded with respect to all ratios, calculations, baskets and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS as of the Issue Date and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS as in the effect on the Issue Date.

“*Iliad Disposition*” shall mean the sale, divestment or transfer to Iliad S.p.A. or its affiliates of those certain assets as described in this Offering Memorandum under the caption “*Business—Certain Contracts Relating to the Operation of Wind Tre’s Business—Iliad Structural Remedies*.”

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “*Incurred*,” “*Incurring*” and “*Incurrence*” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “*Incurred*” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except (a) trade payables and (b) the Deferred Spectrum Installments), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Issuer) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date (which, for purposes hereof, obligations under the Terna Lease shall be deemed an operating lease and not constitute Indebtedness), any asset retirement obligations, any prepayments of deposits received from clients or customers in the ordinary course of business, or obligations under any license, permit or other approval or Deferred Spectrum Installments (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business. For the avoidance of doubt and notwithstanding the above, the term “Indebtedness” excludes any accrued expenses, trade payables and amounts payable in respect of Operating IRUs.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and

(other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto and excluding the effect of any non-cash embedded derivatives) prepared on the basis of IFRS.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business and obligations under or in respect of Qualified Receivables Financings;
- (2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter; or
- (3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes.

*“Independent Financial Advisor”* means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

*“Initial Public Offering”* means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the “IPO Entity”) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

*“Initial Shareholders”* means CK Hutchison Holdings Ltd. and VEON Ltd.

*“Initial Spectrum Installment”* means the first instalment payable by the Issuer with respect to the purchase price of a Spectrum Acquisition.

*“Intercreditor Agreement”* means the Intercreditor Agreement, dated October 24, 2017, among, *inter alios*, the Security Agent, the lenders and agent under the Senior Credit Facilities Agreement as well as certain hedging counterparties and, on or about the Issue Date, the Trustee, as amended and from time to time.

*“Interest Rate Agreement”* means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

*“Investment”* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; *provided, however*,



that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time.

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “*Investment*” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary of the Issuer at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent “*Investment*” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer’s “*Investment*” in such Subsidiary at the time of such redesignation *less* (b) the portion (proportionate to the Issuer’s equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors or a responsible accounting or financial officer of the Issuer in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or a responsible accounting or financial officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer’s option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully Guaranteed or insured by a Permissible Jurisdiction or Switzerland, Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “A-” or higher from S&P or “A3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries; and
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

“*Investment Grade Status*” shall occur when each series of Notes receive both of the following:

- (1) a rating of “BBB-” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

“*IPO Market Capitalization*” means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering *multiplied by* (2) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means November 3, 2017.

“*Italian Civil Code*” means the Italian civil code, enacted by Royal Decree No. 262 of March 16, 1942, as subsequently amended and supplemented.

“*Italian Substitute Tax*” or “*Imposta Sostitutiva*” means the *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Legislative Decree No. 239, or any related implementing regulations, or successors thereto.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*License*” means any license or authorization issued to Wind Tre or its Restricted Subsidiaries for the undertaking in any Applicable Jurisdiction of:

- (1) a universal mobile telecommunications service;
- (2) a DCS/GSM cellular mobile telecommunications service;
- (3) a UMTS cellular mobile telecommunications service;
- (4) a voice telephony service;
- (5) the construction and operation of a telecommunications network;
- (6) the provision of data services over telecommunications networks; and
- (7) the resale of capacity on telecommunications networks,

(together, the “Initial Licenses”), and any other license or authorization issued to Wind Tre or its Restricted Subsidiaries by the relevant authorities in any Applicable Jurisdiction in connection with the Initial Licenses or for cellular mobile telephony under a different technology standard to the extent that any such license or authorization is required under applicable law for the designated purpose.

“*Luxembourg*” means the Grand Duchy of Luxembourg.

“*Management Advances*” means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors of the Issuer;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) not exceeding €35.0 million in the aggregate outstanding at any time.

“*Management Investors*” means the current or former officers, directors, employees and other members of the management of or consultants to any Parent, the Issuer or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Issuer, any Restricted Subsidiary or any Parent.

“*Market Capitalization*” means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the

relevant dividend multiplied by (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Merger*” shall have the meaning ascribed to such term in this Offering Memorandum under the caption “*Summary—The Merger.*”

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

“*Necessary Authorizations*” means, on any date, all approvals, authorizations, consents, licenses and permits from, and all rights granted by and all filings, registrations and agreements with, any government or other regulatory, public or municipal authority which, in each case, are on such date necessary to enable the Issuer and its Restricted Subsidiaries to construct, maintain, plan, license, establish, distribute and operate the Services.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses (including relocation expenses) Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which by its terms or by applicable law are required to be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition.

“*Net Cash Proceeds*” means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“*Network*” means each fixed line network, high-capacity backbone network and cellular mobile networks owned or operated by Wind Tre and its Restricted Subsidiaries.

“*NMA Agreement*” means the note marking and administration agreement, dated on or about the date of this Offering Memorandum, as amended from time to time by the parties thereto, among Monte Titoli, Citibank, N.A., London Branch and the Issuer.

“*Note Depository*” means Monte Titoli unless Monte Titoli notifies the Issuer that it is unwilling or unable to continue to act as Note Depository, then an alternate Italian custody institution shall become the successor Note Depository pursuant to the applicable provisions of the Indenture, and thereafter “*Note Depository*” shall mean such successor Note Depository.

“*Note Documents*” means the Notes (including Additional Notes), the Indenture, the Security Documents, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Dollar Rule 144A Notes Documents.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts payable under the documentation governing any Indebtedness.

“*Offering Memorandum*” means this offering memorandum in relation to the Notes.

“*Officer*” means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “*Officer*” for the purposes of the Indenture by the Board of Directors of such Person.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Operating IRU*” means an indefeasible right of use of, or operating lease or payable for lit or unlit fiber optic cable or telecommunications conduit or the use of either thereof for a period constituting all or substantially all of the expected useful life thereof.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Issuer or its Subsidiaries.

“*Parent*” means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Debt*” means any Indebtedness of any Parent (1) the net cash proceeds of which have been contributed or loaned to the Issuer or any of its Restricted Subsidiaries in the form of a Parent Debt Contribution and (2) that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*.”.

“*Parent Debt Contribution*” means a contribution to the Issuer or any of its Restricted Subsidiaries in the form of equity, funding the issuance or sale of Capital Stock of the Issuer or as Subordinated Shareholder Funding or otherwise on lent as a proceeds loan, bonds or other debt financing instrument to the Issuer or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (20) of the second paragraph under “—*Certain Covenants—Limitation on Restricted Payments*.”

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to

Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

- (2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Subsidiaries;
- (4) fees and expenses payable by any Parent in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, by any Parent;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed €5.0 million in any fiscal year;
- (7) amounts payable by any Parent to any Person for withholding tax obligations arising in respect of Parent PIK Debt; *provided* that such Parent shall use its best efforts to obtain a refund of such withholding tax promptly upon becoming entitled to apply for such refund and shall ensure that if the proceeds of any such refund are received by such Parent, the proceeds are promptly contributed to the Issuer by such Parent subscribing in cash for shares in the Issuer (or otherwise by way of cash equity contribution to the Issuer); and
- (8) expenses Incurred by any Parent in connection with any Public Offering or other sale of Capital Stock or Indebtedness:
  - (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary;
  - (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or
  - (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

“*Parent PIK Debt*” means the proceeds loans related to the proceeds of, and the guarantee by Wind Acquisition Holdings Finance S.p.A. of, the PIK Notes issued by Wind Acquisition Holdings Finance S.A., issued under that certain Indenture dated as of December 15, 2009 and discharged on April 23, 2014, the proceeds of which were lent to Wind Acquisition Holdings Finance S.p.A. pursuant to a proceeds loan dated December 15, 2009.

“*Pari Passu Indebtedness*” means Indebtedness of the Issuer or any Guarantor if such Indebtedness or Guarantee ranks equally in right of payment to the Notes or the Notes Guarantees, as the case may be, and, in each case, is secured by a Lien on assets of the Issuer or a Guarantor.

“*Paying Agent*” means the Principal Paying Agent and any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note or Receipt on behalf of the Issuer.

“*Permissible Jurisdiction*” means any member state of the European Union.

“*Permitted Asset Swap*” means the substantially concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Issuer or any of its Restricted Subsidiaries and another Person; *provided* that any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*.”

“*Permitted Business*” means the business, operations or activities that are similar in nature to the business, operations or activities that of the Issuer or any of its Restricted Subsidiaries are engaged in as of the date of the Indenture (without any regard to subsequent amendments of the Indenture) or any other businesses, operations or activities in the broader telecommunications industry; *provided* that such person has engaged in substantial businesses, operations or activities in the telecommunications industry for at least twelve months prior to the date of the Specified Change of Control Event.

“*Permitted Collateral Liens*” means:

- (1) Liens on the Collateral (a) arising by operation of law that are described in one or more of clauses (3), (4), (5), (6), (9), (11), (12), (14), (17) and (22) of the definition of “Permitted Liens” and that, in each case, would not materially interfere with the ability of the Security Agent to enforce the Liens in the Collateral or (b) that are Liens in secured accounts equally and ratably granted to cash management banks securing cash management obligations;
- (2) Liens on the Collateral to secure Indebtedness of the Issuer or a Restricted Subsidiary that is permitted to be Incurred under clauses (1), (2) (in the case of (2), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (4)(a), (5)(a) (covering only the shares and assets of the acquired Person the Indebtedness of which is so secured), (5)(b) (but only if after giving *pro forma* effect to such Incurrence on that date, the Consolidated Secured Net Leverage Ratio is either (a) less than 4.0 to 1.0 or (b) not greater than prior to such Incurrence), (6), (7) (other than with respect to Capital Lease Obligations), (11), (12) or (15) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”; *provided, however*, that (a) such Lien will not give an entitlement to be repaid with proceeds of enforcement of the Collateral in a manner which is inconsistent with the Intercreditor Agreement and any Additional Intercreditor Agreement and (b) notwithstanding the terms of any Intercreditor Agreement or Additional Intercreditor Agreement, no Indebtedness shall be given super priority status, except that to the extent there is no term Indebtedness secured by a Permitted Collateral Lien (other than Public Debt or any bridging loans (whether or not extended)), (x) a revolving credit facility (limited to an aggregate amount of commitments not to exceed the greater of (i) €400 million and (ii) 30% of Consolidated EBITDA (measured at the time of commitment of such facility)), (y) certain Hedging Obligations Incurred in the ordinary course of business and not for speculative purposes and (z) Permitted Collateral Liens under clauses (1)(b) may receive priority as to any proceeds from distressed disposals of, or enforcement over, the Collateral pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement on the same basis as the “Liabilities” as described in paragraph (c) of clause 18.1 (*Order of application of Group Recoveries*)” as provided for in, and as defined in, the Intercreditor Agreement;
- (3) Liens on the Collateral securing Secured Indebtedness incurred under the first paragraph of “—*Certain Covenants—Limitation on Indebtedness*”;

- (4) Liens on the Collateral to secure Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness secured by a Lien over the Collateral pursuant to the proceeding clauses (2) (with respect to Indebtedness originally incurred pursuant to clauses (4)(b) and (5) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”), (3) or this clause (4); and
- (5) Liens on the Collateral that secure Indebtedness on a basis junior to the Notes; *provided* further that, in the case of this clause (4), the holders of such Indebtedness (or their representative) accede to the Intercreditor Agreement or an Additional Intercreditor Agreement.

“*Permitted Holders*” means, collectively, (1) the Initial Shareholders; (2) any Related Person of the Initial Shareholders; and (3) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Issuer or any parent company of the Issuer. Any person or group whose acquisition of beneficial ownership constitutes (a) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (b) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investment*” means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;
- (5) Investments in payroll, travel, relocation and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition (but excluding a Permitted Asset Swap), in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment;

- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*”;
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of €750.0 million and 30.0% of Consolidated EBITDA; *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) Investments in joint ventures and similar entities and Unrestricted Subsidiaries having an aggregate fair market value, when taken together with all other Investments made pursuant to this clause that are at the time outstanding, not to exceed the greater of €250.0 million and 10.0% of Consolidated EBITDA at the time of such Investment (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (13) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (14) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock) or Capital Stock of any Parent as consideration;
- (15) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (8), (9) and (15) of that paragraph);
- (16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Indenture;
- (17) (a) guarantees, keepwells and similar arrangements not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (b) performance guarantees that do not constitute Indebtedness entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business and consistent with past practice;
- (18) Investments in the Notes, the Guarantees and any Additional Notes and loans under the Senior Credit Facilities Agreement and any other Indebtedness of the Issuer and/or the Restricted Subsidiaries;
- (19) any Investment made as a result of the contribution of the Tower Infrastructure into a Towers Entity (including any Investment in a Towers Entity where such Investment was acquired by the Issuer or any of its Restricted Subsidiaries in exchange for the contribution



of the Tower Infrastructure into a Towers Entity) and any Investment constituting Equity Interests in a Towers Entity and, in each case, to the extent such transaction resulting in the relevant Investment would have constituted an Asset Sale but for clause (8) of the second paragraph of the definition thereof, such transaction would have complied with the covenant described under the caption “—*Certain Covenants—Asset Sales*”;

- (20) any Investments as part of the Wind Tre Italia Loans, and the amendment, modification or supplement, including any waiver, maturity extension, set off or discharge (including by way of exchange, sale or substitution), by the Issuer or any Restricted Subsidiary of any arrangement connected to such Investment;
- (21) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization, recapitalization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates or as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (22) Investments represented by bank deposits, trade credit, advances to customers, and accounts and notes receivable created or acquired in the ordinary course of business; and
- (23) Investments to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers’ compensation, performance and other similar deposits made in the ordinary course of business by the Issuer or any of its Restricted Subsidiaries.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other similar Liens, in each case, for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of the Issuer of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Hedging Obligations permitted under the Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of (a) securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business or (b) securing Indebtedness permitted under clause (14) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”; provided that (i) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the Indenture and (ii) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on the Issue Date, excluding Liens securing the Senior Credit Facilities and the Notes;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); provided, however, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); provided, further, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the

- original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of the Issuer or any Restricted Subsidiary securing Indebtedness or other obligations of the Issuer or such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Restricted Subsidiary;
  - (16) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than Liens initially Incurred pursuant to clause (24) of this definition); *provided* that any such Lien is limited to all or part of the same property or assets (*plus* improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
  - (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
  - (18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary of the Issuer has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
  - (19) any Lien, encumbrance or restriction (including put and call arrangements) with respect to Capital Stock, ownership interests in or assets of any joint venture or similar arrangement pursuant to any joint venture or similar agreement or any financing obligations owed by such joint ventures;
  - (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
  - (21) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;
  - (22) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;
  - (23) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
  - (24) Liens Incurred in the ordinary course of business with respect to obligations which do not exceed the greater of €375.0 million and 10.0% of Consolidated EBITDA at any one time outstanding;
  - (25) Permitted Collateral Liens;
  - (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

- (27) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (28) Liens over cash paid into an escrow account (a) pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Issuer or any Restricted Subsidiary; and (c) pursuant to any purchase price retention arrangement or deferred consideration in connection with any acquisition by the Issuer or any Restricted Subsidiary; and
- (29) Liens on spectrum to secure any Indebtedness used to purchase the spectrum subject to such Lien.

“*Permitted Reorganization*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries (a “*Reorganization*”) that is made on a solvent basis; *provided* that:

- (1) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries; and
- (2) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*PIK Notes*” means the €325,000,000 original issuance aggregate principal amount of the Wind Acquisition Holdings Finance S.A.’s (“*WAHF SA*”) 12¼% Senior Notes due 2017 and \$625,000,000 original issuance aggregate principal amount of WAHF SA’s 12¼% Senior Notes due 2017 issued under that certain indenture, dated as of December 10, 2009.

“*Preferred Stock*,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Market*” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of €100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“*Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

*“Purchase Money Obligations”* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*“Qualified Receivables Financing”* means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or a responsible accounting or financial officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Issuer), and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Notes shall not be deemed a Qualified Receivables Financing.

*“Receipt(s)”* means any receipts issued by the Receipt Issuer pursuant to the terms of the Deposit Agreement, whether in global or definitive form, representing the rights and beneficial interest in the Notes specified in the Deposit Agreement and in the applicable Receipt.

*“Receipt Issuer”* means Citibank, N.A., acting through its New York office or any successor entity appointed in accordance with the Deposit Agreement.

*“Receivables Assets”* means any assets that are or will be the subject of a Qualified Receivables Financing.

*“Receivables Fees”* means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

*“Receivables Financing”* means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (1) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries), or (2) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable, the bank accounts in which the proceeds of such receivable are collected (and the cash deposited therein) and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

*“Receivables Repurchase Obligation”* means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*“Receivables Subsidiary”* means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer

transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any other Restricted Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary of the Issuer, (c) is recourse to or obligates the Issuer or any other Restricted Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Issuer or any other Restricted Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and
- (3) to which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (*plus*, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by

the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

- (3) if the Indebtedness being refinanced is expressly subordinated to the Notes or the Notes Guarantees, such Refinancing Indebtedness is subordinated to the Notes or the Notes Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however*, that Refinancing Indebtedness shall not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

“*Regulation S Notes*” means, collectively, the Euro Regulation S Notes and the Dollar Regulation S Notes.

“*Related Person*” with respect to any Initial Shareholder means:

- (1) any controlling equityholder or Subsidiary of such Person; or
- (2) in the case of an individual, any spouse, civil union or similar partner, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, civil union or similar partner, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) in the case of the Initial Shareholders any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*Related Taxes*” means:

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such Taxes are in fact paid) by any Parent by virtue of its:
  - (a) being organized or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer’s Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer’s Subsidiaries; or
  - (e) having made any payment in respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to “—*Certain Covenants—Limitation on Restricted Payments*”; or

- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed the amount of any such Taxes that the Issuer and its Restricted Subsidiaries that are members of such group would have been required to pay on a separate company basis or on a consolidated basis, taking into account prior year losses, if the Issuer and such Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries, less any amounts paid directly by the Issuer and such Subsidiaries with respect to such Taxes.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*Reversion Date*” means, after the Notes have achieved Investment Grade Status, the date, if any, that such Notes shall cease to have such Investment Grade Status.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*SEC*” means the U.S. Securities and Exchange Commission or any successor thereto.

“*Secured Indebtedness*” means any Indebtedness secured by a Permitted Collateral Lien on a basis *pari passu* with or senior to the security in favor of the Notes and/or Note Guarantees.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Documents*” means the Intercreditor Agreement, any Additional Intercreditor Agreement and each collateral pledge agreement, security assignment agreement or other document under which collateral is pledged to secure the Notes.

“*Senior Credit Facilities Agreement*” means the senior credit facilities agreement, dated on or about the Issue Date, comprised of a term loan facility in an amount of up to €3,000,000,000 (“*Facility A*”) and a multicurrency revolving credit facility of up to €400,000,000 (the “*Revolving Credit Facility*” and, together with the Facility A, the “*Senior Credit Facilities*”), among, *inter alios*, Wind Tre S.p.A., certain of the Issuer’s Subsidiaries, the senior lenders (as named therein), and Banca IMI S.p.A., as facility agent and security agent, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time.

“*Services*” means the planning, licensing, establishment (whether by construction, leasing, acquisition or joint venture permitted pursuant to the terms of the Indenture) or operation of the Network and distribution of digital and analogue, voice and data services.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Issuer’s and its Restricted Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.



“*Similar Business*” means (1) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries or any Associates on the Issue Date, (2) the telecommunications business, including the distribution, sale and for provision of mobile voice and data, fixed-line voice and internet services, transit voice traffic services, and other services in relation thereto and (3) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Specified Change of Control Event*” means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been equal to or less than 3.75 to 1.0, after giving *pro forma* effect to such event. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted.

“*spectrum*” means the mobile frequencies and related assets which the Government of Italy may allocate to telecommunications operators from time to time.

“*Spectrum Acquisition*” means the acquisition by the Issuer of spectrum.

“*Standard Securitization Undertakings*” means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the payment of principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or its Notes Guarantees pursuant to a written agreement, including any Subordinated Shareholder Funding.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Parent or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);
- (2) does not require, prior to the first anniversary of the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;
- (3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Stated Maturity of the Notes;

- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Subordinated Liabilities” (as defined therein);

*provided, however*, that if any event or circumstance results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Issuer as of the date of such event or circumstance, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original Incurrence of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original Incurrence of such Subordinated Shareholder Funding.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Successor Parent*” with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that “beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “beneficially own” has the meaning correlative to the term “beneficial owner,” as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

“*Tax Certification Procedures*” means the procedures applicable to the Dollar Rule 144A Notes and the Receipts, but, for the avoidance of doubt, not applicable to the Dollar Regulation S Notes, Euro Rule 144A Notes and Euro Regulation S Notes, for Italian Substitute Tax set forth in the TCA Agreement, as amended from time to time.

“*Tax Restricted Legend*” means the legend set forth under the caption “*Notice to Investors*” in this Offering Memorandum, which is required to be placed on all N Global Notes issued under the Indenture.

“*Tax Sharing Agreement*” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

“*TCA Agreement*” means the tax compliance agency agreement, dated on or about the date of this Offering Memorandum, and as amended from time to time by the parties thereto, among Monte Titoli, Acupay and the Issuer.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in:
  - (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any Permissible Jurisdiction, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or
  - (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any institution authorized to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or
  - (b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,  
  
in each case, having capital and surplus aggregating in excess of €250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A” by S&P or “A-2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any Permissible Jurisdiction or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB–” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of €250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least “A” by S&P or “A2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and
- (9) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

“*Terna Lease*” means that certain agreement which represent the present value of the future contractual payments associated with the Right of Way “Diritto di Appoggio” of the optic fiber, owned by the Issuer, along the high-voltage power lines of TERNA and its affiliates and related persons.

“*Towers Entity*” means a Person formed for the primary purpose of operating the Tower Infrastructure.

“*Tower Infrastructure*” means assets constituting towers and other physical structures (including, without limitation, roof sites) on which telecommunications and/or other equipment is placed, but excluding, for the avoidance of doubt, any telecommunication and transmission equipment.

“*Tower Transaction*” means any transaction or other arrangement for:

- (1) the sale, transfer or other disposal of Tower Infrastructure; or
- (2) the sale, transfer or other disposal of any shares of a Guarantor to which Tower Infrastructure has been transferred or contributed,

in each case, to a person outside Wind Tre or its Restricted Subsidiaries.

“*Transactions*” shall have the meaning ascribed to such term in this Offering Memorandum under the caption “*Summary—The Transactions*”.

“*Treasury Rate*” means, with respect to the Dollar Notes, as of the applicable redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days (but not more than five business days) prior to such redemption date (or, if such Statistical Release is no longer published or otherwise available, any publicly

available source of similar market data selected by the Issuer in good faith)) most nearly equal to the period from such redemption date to November 3, 2020; *provided, however*, that if the period from the redemption date to November 3, 2020 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from such redemption date to November 3, 2020 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used; and provided further, that in no case shall the Treasury Rate be less than zero.

“*Trust Indenture Act*” means the U.S. Trust Indenture Act of 1939, as amended.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein but not including the Issuer) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments.*”

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio test in the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Consolidated Net Leverage Ratio would not be greater than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of such Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*U.S. GAAP*” means generally accepted accounting principles in the United States of America as in effect from time to time.

“*US Government Obligations*” means direct non-callable and non-redeemable obligations of, or obligations guaranteed by the United States government, and the payment for which the United States government pledges its full faith and credit.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

“*WAF*” means Wind Acquisition Finance S.A.

“*Wholly Owned Subsidiary*” means a Restricted Subsidiary of the Issuer, all of the Voting Stock of which (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another Wholly Owned Subsidiary) is owned by the Issuer or another Wholly Owned Subsidiary.

“*Wind Tre Italia Loan*” means the loans from the Issuer to Wind Acquisition Holdings Finance S.p.A. made on or about April 23, 2014 and August 4, 2014 and as described in this Offering Memorandum under “*Certain Relationships and Related Party Transactions—Loans to Wind Tre Italia*”.

“*X Note(s)*” means the Note(s) subject to any applicable legends (but not a Tax Restricted Legend).

“*X Global Receipt(s)*” means the Global Receipt(s) issued by the Receipt Issuer to evidence X Receipts and bearing any applicable legends (but not a Tax Restricted Legend), deposited with or on behalf of, and registered in the name of, DTC, or its nominee, that is maintained for the purpose of holding book- entry interests in the X Receipts, which represent beneficial interests in the X Notes.

“*X Receipt(s)*” means the Receipt(s) issued by the Receipt Issuer representing beneficial interests in the corresponding X Notes.

## **BOOK-ENTRY, DELIVERY AND FORM**

Each of the Dollar Rule 144A Notes, the Euro Rule 144A Notes and the Regulation S Notes will be issued in the form of Global Notes in registered form without interest coupons, and the Global Notes in aggregate will represent the aggregate principal amount of the outstanding Notes.

### **General**

The book-entry interests in the Euro Global Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, and the book-entry interests in the Dollar Global Notes will be issued only in denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

While the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of Notes under the Indenture for any purposes.

### **Dollar Rule 144A Notes**

Beneficial interests in the Dollar Rule 144A Notes may be held through DTC in the form of one or more Global Receipts in registered form, which represent interests in Dollar Rule 144A Global Notes. The Dollar Rule 144A Global Notes will be issued to, and registered in the name of, Monte Titoli, as operator of the Italian centralized securities clearing system. Beneficial interests in each Global Receipt will be reflected in an equivalent amount in the applicable Dollar Rule 144A Global Note.

Upon issuance of the Dollar Rule 144A Global Notes to Monte Titoli by Wind Tre, Monte Titoli will be recorded as the Holder of the Dollar Rule 144A Global Notes. All of the book-entry interests in such Dollar Rule 144A Global Notes will initially be credited by Monte Titoli to a securities account in Monte Titoli of Wind Tre for the benefit of and operated by Citibank, N.A., acting through its New York office, as Receipt Issuer. The Receipt Issuer will issue and deliver one or more Global Receipts to DTC, the United States central securities depository, which in turn, will hold the Global Receipts, which will be registered in the name of Cede & Co., as DTC’s nominee, for the benefit of DTC’s participants.

The Receipt Issuer will record Cede & Co., as nominee of DTC, on its books as the initial registered Holder of the Global Receipts that evidence the Dollar Rule 144A Global Notes and will also record any subsequent registration and transfer of the book-entry interests in the Notes. The Receipt Issuer may not register the transfer of the Global Receipts except as a whole by DTC or its nominee to DTC or another nominee of DTC or a successor of DTC or a nominee of that successor.

Holding of beneficial interests in the book-entry interests on the books of DTC is limited to persons, called participants, that have accounts with DTC or persons that may hold interests through participants in DTC.

Upon the delivery of the Global Receipts, DTC will credit on its book-entry registration and transfer system the applicable participants’ accounts with the respective principal or face amounts held by the participants. Initial Purchasers, underwriters or agents participating in the distribution of the Notes and beneficial interests therein will designate the accounts to be credited. Ownership of beneficial interests in the Notes will be shown on, and the transfer of ownership interests will be effected only through, records maintained by DTC, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

Each person owning a beneficial interest in the Notes with such beneficial interest evidenced by a Global Receipt (a “**Beneficial Owner**”) must rely on the procedures of DTC and, if that person is not a participant, on the procedures of the participant through which the person owns its beneficial interest, to exercise any rights of a Beneficial Owner of the Notes.

To facilitate subsequent transfers, the Global Receipts will be registered in the name of DTC's nominee, Cede & Co. The deposit of the Global Receipts with DTC or with a custodian for DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Receipts. DTC's records reflect only the identity of the direct participants to whose accounts beneficial interests in such Receipts are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Wind Tre will make payments due on the Dollar Rule 144A Notes to Monte Titoli as registered holder of the Dollar Rule 144A Global Notes, in immediately available funds. Monte Titoli will in turn distribute such payments to the Receipt Paying Agent, for onward transmission to DTC. DTC's practice upon timely receipt of any payment of principal, interest or other distribution in respect of the Notes is to credit participants' accounts in amounts proportionate to their respective beneficial interests in such Notes as shown on the records of DTC. Payments by participants to owners of beneficial interests in any Dollar Rule 144A Notes held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name," and be the responsibility of those participants. Payment to Monte Titoli is the responsibility of Wind Tre. Payment by Monte Titoli to the Receipt Paying Agent, on behalf of Cede & Co. is the responsibility of Monte Titoli. Disbursement of such payments to direct participants is the responsibility of Cede & Co. Disbursement of such payments to Beneficial Owners of Dollar Rule 144A Notes is the responsibility of direct and indirect participants. None of Wind Tre or any of the Initial Purchasers will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial interests in any Dollar Rule 144A Notes or for maintaining, supervising or reviewing any records relating to those beneficial interests.

Subject to compliance with the transfer restrictions applicable to the securities, transfers between participants in DTC will be reflected in accordance with DTC's procedures.

Wind Tre expects that Monte Titoli will take any action permitted to be taken by a Holder only at the direction of the Receipt Issuer which in turn is expected to take any action at the direction of one or more participants to whose account at DTC interests in any Dollar Rule 144A Notes evidenced by the applicable Global Receipt are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction.

Although Wind Tre expects that DTC will continue to perform the foregoing procedures in order to facilitate transfers of interests in the Dollar Rule 144A Notes among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of Wind Tre, Monte Titoli, the Receipt Issuer, the Trustee, Acupay, their agents or the Initial Purchasers will have any responsibility for the performance by DTC or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Beneficial interests in the Dollar Rule 144A Global Notes may be transferred to a person who takes delivery in the form of an interest in Regulation S Global Notes only upon receipt by the Registrar of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transfer is being made in accordance with Rule 144A or Regulation S, as the case may be. Any beneficial interest in the Dollar Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in the Dollar Regulation S Global Notes, will, upon transfer, cease to be an interest in the Dollar Rule 144A Global Note and become an interest in Regulation S Global Notes and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Dollar Regulation S Global Notes for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.



### ***DTC and Monte Titoli***

DTC has advised Wind Tre as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among participants in deposited securities through electronic book-entry charges to accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Certain of those participants (or other representatives), together with other entities, own DTC. The rules applicable to DTC and its participants are on file with the SEC.

Monte Titoli is the central securities clearing system of Italy and is owned by Borsa Italiana S.p.A., a member of the London Stock Exchange Group. Almost all Italian banks, and certain authorized financial intermediaries (*società d’intermediazione mobiliare*), have securities accounts with Monte Titoli and act as custodial intermediaries for investors.

The information in this section concerning DTC and Monte Titoli and their respective book-entry systems has been obtained from sources that Wind Tre believes to be reliable, but neither Wind Tre, the Receipt Issuer, the Receipt Paying Agent, nor any Initial Purchaser takes any responsibility for its accuracy or completeness. Wind Tre assumes no responsibility for the performance by DTC or Monte Titoli or their respective participants of their respective obligations, including obligations that they have under the rules and procedures that govern their operations.

### ***Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures***

Receipts held by Beneficial Owners (i) who are Non-Eligible Beneficial Owners, (ii) who fail to submit Self-Certification Forms or fail to comply with other provisions of the Tax Certification Procedures, (iii) for whom the applicable DTC participant has failed to supply correct beneficial owner information regarding the Beneficial Owners’ positions or (iv) for whom the Tax Certification Procedures prove to be ineffective or incorrect, will be subject to a mandatory exchange of beneficial ownership interests from the X Receipt to a N Receipt. Any interest paid in respect of N Receipts will be subject to Italian substitute tax on the entire amount of the next interest payment, currently at a rate of 26.0%, regardless of how long the N Receipt has been held by the Beneficial Owner during such interest period.

Upon Acupay determining that a Beneficial Owner holding X Receipts through a DTC participant is not eligible to receive interest free of Italian substitute tax in respect of or does not comply with the Tax Certification Procedures, Acupay will notify the Receipt Issuer and the Receipt Paying Agent to, and the Receipt Paying Agent will send a mandatory exchange warning notice (the “**Mandatory Exchange Warning Notice**”) to the relevant DTC participant and copies of such notice to Acupay, the Note Depository, the Trustee and Wind Tre. The Mandatory Exchange Warning Notice will reflect the information supplied by Acupay to the Receipt Issuer and the Receipt Paying Agent in the form of notice received by the Receipt Issuer and the Receipt Paying Agent from Acupay.

Upon written notice from Acupay on the third business day following the date of a Mandatory Exchange Warning Notice, (the “**Mandatory Exchange Date**”), the Receipt Paying Agent will, pursuant to the Deposit Agreement, deliver to the relevant DTC participant a Mandatory Exchange Notice (the “**Mandatory Exchange Notice**”). Such notice will direct the DTC participant to effect a DTC transaction titled a Deposit/Withdrawal at Custodian (each such event, a “**DWAC**”) effectively transferring the aggregate principal amount of X Receipts, beneficially owned by such DTC participant and referenced in the Mandatory Exchange Notice, into beneficial interests in the N Global Receipt.

Upon the completion of the required DWACs (such completion, a “**Mandatory Exchange**”) the Receipt Paying Agent will (i) provide a confirmation of the Mandatory Exchange to Acupay, the Trustee, Wind Tre and Monte Titoli, and (ii) prior to 12:00 p.m. New York City time on the date of such Mandatory Exchange, direct the Note Depository to cause the X Global Note to be reduced in an aggregate principal amount equal to the beneficial interest in the X Global Note transferred on behalf of the Non-Eligible Beneficial Owner (as defined in Appendix B, Article 1(C)(1)) in accordance with the Deposit Agreement and the N Global Note to be increased accordingly. Each Mandatory Exchange of interests in X Receipts to interests in N Receipts will be deemed to occur with the consent of the related Beneficial Owner and its financial intermediaries.

Promptly after the completion of the Mandatory Exchange, Acupay will provide to the DTC participant holding the newly deposited N Receipts: (i) a tax statement itemizing the tax credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant holder of such interests in N Receipts computed in accordance with Decree 239 (the “**Tax Credit**”), and (ii) a related request for wire transfer instructions. Such Tax Credit will be held by the Receipt Issuer for the benefit of the applicable DTC participant (for the ultimate benefit of the relevant Non-Eligible Beneficial Owner) to be employed upon a transfer of such Non-Eligible Beneficial Owner’s beneficial interests in N Receipts or on the next succeeding interest payment date, (a) as an offsetting credit against the total amount of Italian substitute tax which may become payable upon a transfer of Non-Eligible Beneficial Owner beneficial interests in N Receipts and/or (b) on the next succeeding interest payment date, to be paid by wire transfer to the relevant DTC participant, but only upon the prior payment by Wind Tre of the related Note coupon, and after the transmission by Monte Titoli to the Receipt Issuer or the Receipt Paying Agent on its behalf, of the appropriate amount of cash, net of all tax liabilities, interest, or penalties maintained in the records of Monte Titoli pursuant to the Tax Certification Procedures, with respect to the applicable Non-Eligible Beneficial Owner as of the close of business on the first calendar day prior to the interest payment date, as reported by Acupay to the Receipt Issuer and the Receipt Paying Agent in the Final Determination Report (as defined in the Tax Certification Procedures). Upon its receipt of the net cash payment of such Tax Credit amount from Monte Titoli, the Receipt Issuer or the Receipt Paying Agent on its behalf shall remit such amount by wire transfer to the applicable DTC participant acting on behalf of the Non-Eligible Beneficial Owner(s), using the wire transfer instructions provided to it by Acupay in the Final Determination Report. Interests in N Receipts may only be transferred upon the terms and in accordance with the Tax Certification Procedures and pursuant to the terms of the Deposit Agreement.

If a DWAC request from a DTC participant to reduce such DTC participant’s position in the relevant principal amount of X Receipts has not been received by the Receipt Issuer or the Receipt Paying Agent (as the case may be) through the facilities of DTC by the relevant deadline, then the Receipt Issuer or the Receipt Paying Agent (as the case may be) will send a Notice of Failure to Complete a Mandatory Exchange to such DTC participant.

A DTC participant that is the subject of a Notice of Failure to Complete a Mandatory Exchange and to which the Receipt Issuer or the Receipt Paying Agent has sent a Notice of Failure to Complete a Mandatory Exchange, and/or obtains favorable tax treatment through the Tax Certification Procedures and fails to submit the original paper signed Self-Certification Forms may be prohibited from using the Corporate Actions Web Service/Tax Relief and related procedures to obtain favorable tax treatment with respect to current and future interest payments on all X Receipts held through such DTC participant. **In this case, the DTC participant would receive all future interest payments on its entire X Receipt position net of the applicable Italian substitute tax currently at a rate of 26.0% and relief will need to be obtained directly from the Italian tax authorities by following the standard refund procedure established by Italian tax law.**

Investors in the Euro Rule 144A Notes or the Regulation S Notes will not be required to comply with the Tax Certification Procedures, although Euroclear or Clearstream will require such investors to comply with certain procedures to be eligible to receive interest free of Italian substitute tax in respect of the Euro Rule 144A Notes and Regulation S Notes. You are advised to consult your own attorney,

accountant and business adviser as to legal, tax, business, financial and related matters concerning the purchase of Notes.

***Special Procedure for Transfers of Interests in N Receipts***

Transfer of interests in N Receipts are transferable by the Non-Eligible Beneficial Owners thereof to other Non-Eligible Beneficial Owners in the form of N Receipts at any time upon satisfaction of the following conditions: (x) delivery to Acupay, prior to 12:00 p.m. New York City time on the third New York City Business Day prior to the requested transfer date (the “**Transfer Date**”) of a properly completed “**N Receipt Transfer Request**,” as described in the Deposit Agreement, (y) payment to Monte Titoli of the Italian substitute tax, net of any applicable tax credit, payable by the transferring Non-Eligible Beneficial Owner upon such transfer prior to 9:00 a.m. New York City time on the Transfer Date and (z) receipt by the Receipt Issuer or the Receipt Paying Agent on its behalf, no later than 9:30 a.m. New York City time on the Transfer Date, of written instructions from Acupay, delivered in accordance with the terms and conditions of the Deposit Agreement.

Upon receipt of an N Receipt Transfer Request, Acupay shall (i) determine the net amount of Italian substitute tax payable in cash by the transferor Non-Eligible Beneficial Owner as of the Transfer Date, after application of any available Tax Credits maintained on the books of Monte Titoli on behalf of the Receipt Issuer for the benefit of the transferor Non-Eligible Beneficial Owner, (ii) calculate the amount of the Tax Credit attributable to Italian substitute tax to be credited to the Receipt Issuer for the benefit of the transferee Non-Eligible Beneficial Owner as of the Transfer Date and to be employed only as described in the Tax Certification Procedures, and (iii) inform the Receipt Issuer, the Receipt Paying Agent and Monte Titoli, and (x) the transferor Non-Eligible Beneficial Owner (or any DTC participant as specified in the N Receipt Transfer Request) of the amount of Italian substitute tax net of any Tax Credit (if any) payable in cash by the transferor Non-Eligible Beneficial Owner upon the transfer, and (y) the transferee Non-Eligible Beneficial Owner (or any DTC participant as specified in the N Receipt Transfer Request) of the amount of the Tax Credit to be credited to or for the account of the applicable transferee Non-Eligible Beneficial Owner. No settlement of transfers of beneficial interests in N Receipts will be effectuated on any day other than the Transfer Date specified to Acupay in an N Receipt Transfer Request.

Upon confirmation of the receipt by Monte Titoli of the Italian substitute tax payable as described above, (i) the Receipt Issuer or the Receipt Paying Agent on its behalf and Acupay shall coordinate with the DTC participant holding interests in the N Receipts on behalf of the transferor Non-Eligible Beneficial Owner, the execution of a series of DWACs which result in the transfer of interests in the applicable N Receipts to the DTC participant identified as acting for the transferee Non-Eligible Beneficial Owner, and (ii) Acupay shall provide to Monte Titoli the information necessary to enable Monte Titoli to make the applicable Italian tax filings and reporting in respect of such transfer pursuant to Decree 239. Promptly after the completion of the transfer of the interests in the N Receipts, Acupay will provide to the DTC participant holding the transferred interests in the N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee of such transferred interests in the N Receipts, and computed in accordance with Decree 239. The Receipt Issuer will hold such credit entitlement for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described above in the fifth paragraph under “*Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures.*”

***Special Procedure for Exchange of N Receipts into X Receipts***

N Receipts may be exchanged by the Non-Eligible Beneficial Owner thereof for delivery as X Receipts to an Eligible Beneficial Owner (as defined in the Tax Certification Procedures) on any New York City Business Day (other than for the period between any interest payment date and 15 calendar days prior thereto) upon satisfaction of the following conditions: (x) delivery to Acupay, prior to 12:00 p.m. New York City time on the third New York City Business Day prior to the Transfer Date by the transferor

of a properly completed “**N Receipt Transfer Request**” as described in the Deposit Agreement, (y) payment, prior to 9:00 a.m. on the Transfer Date, to Monte Titoli of the Italian substitute tax net of any Tax Credit (if any) payable by the transferor Non-Eligible Beneficial Owner in connection with such exchange (upon the terms described below), and (z) receipt by the Receipt Issuer or the Receipt Paying Agent on its behalf, no later than 9:30 a.m. New York City time on the Transfer Date, of written instructions from Acupay to the Receipt Issuer or the Receipt Paying Agent on its behalf delivered in accordance with the terms and conditions of the Deposit Agreement. Acupay shall determine the amount of Italian substitute tax payable in cash as of the Transfer Date by the Non-Eligible Beneficial Owner requesting the exchange of N Receipts for X Receipts, after application of any available Tax Credits maintained on the books of Monte Titoli on behalf of such Non-Eligible Beneficial Owner, and shall inform the Receipt Issuer, the Receipt Paying Agent, Monte Titoli, and the Non-Eligible Beneficial Owner requesting the N Receipt exchange (or its designated DTC participant) of the net amount of the Italian substitute tax payable in cash by such Non-Eligible Beneficial Owner on or prior to the Transfer Date. Such instruction shall be delivered by Acupay prior to the Transfer Date. No settlement of an exchange of N Receipts for X Receipts will be effectuated if the actual settlement date for the exchange is different from the Transfer Date specified to Acupay in the N Receipt Transfer Request.

Upon confirmation of receipt by Monte Titoli of the net amount of Italian substitute tax payable in respect of a requested exchange of N Receipts for X Receipts by a Non-Eligible Beneficial Owner to an Eligible Beneficial Owner: (i) the Receipt Issuer or the Receipt Paying Agent on its behalf and Acupay shall coordinate with the Trustee and the DTC participant holding the N Receipts on behalf of the requesting Non-Eligible Beneficial Owner and the DTC participant identified as acting for the recipient Eligible Beneficial Owner, to undertake a series of DWACs and related operations resulting in a withdrawal of the N Receipts from the Non-Eligible Beneficial Owner’s DTC participant account, a reduction in value of the applicable N Global Receipt, the mark-down of the N Global Note, a mark-up of the X Global Note, the credit of an interest in X Global Notes to the Issuer’s third-party securities account in Monte Titoli, and the issuance and deposit of the applicable interest in the X Receipts to the account of the Eligible Beneficial Owner’s DTC participant and (ii) Acupay shall provide to Monte Titoli the information necessary to enable Monte Titoli to make the applicable Italian tax filings and reporting in respect of such operation pursuant to Decree 239. The applicable transferee Eligible Beneficial Owner shall be required to deliver or caused to be delivered to Acupay, prior to 8:00 p.m. New York City time on the Transfer Date, a properly completed and valid Self-Certification Form. In the event the applicable transferee fails to deliver to, or fails to have on file with, Acupay a properly completed and valid Self-Certification Form, the Receipt Issuer or the Receipt Paying Agent on its behalf will coordinate a Mandatory Exchange of the Receipts with Acupay upon the terms described herein.

#### *Issuance of Definitive Registered 144A Notes and Definitive Registered Receipts*

Under the terms of the Indenture and the Deposit Agreement, Beneficial Owners of the Dollar Rule 144A Notes will receive Dollar Rule 144A Notes in definitive form (“**Definitive Registered Dollar 144A Notes**”) or receipts in definitive form (“**Definitive Registered Receipts**”), respectively, in exchange for the Dollar Rule 144A Global Notes or Global Receipts (as the case may be, in whole but not in part) only under the following circumstances:

- (i) if Monte Titoli, or a successor Note Depository, notifies Wind Tre that they are unwilling or unable to continue to act as Dollar Rule 144A Note Depository and a successor Dollar Rule 144A Note Depository is not appointed by Wind Tre within 370 days;
- (ii) in whole, but not in part, if Wind Tre or Monte Titoli, DTC (in the case of the Dollar Rule 144A Notes) or Euroclear or Clearstream (in the case of the Euro Notes or the Regulation S Notes), so request following an Event of Default under the Indenture;

- (iii) if any Beneficial Owner of any beneficial interest in a Dollar Rule 144A Global Note requests such exchange in writing delivered through Monte Titoli, or a successor Note Depository, following an Event of Default by Wind Tre under this Indenture or the relevant Conditions;
- (iv) if Wind Tre, at its option, notifies the Trustee in writing that it elects to exchange in whole, but not in part, the Dollar Rule 144A Global Note for Definitive Registered Dollar 144A Notes, including, but not limited to, a situation where Wind Tre determines that the procedures established to collect Beneficial Owner information for Italian substitute tax purposes are ineffective; or
- (v) Acupay ceases to provide services under the Tax Compliance Agency Agreement and a successor service provider is not appointed within 370 days of such event.

In such an event, Wind Tre will issue Definitive Registered Dollar 144A Notes or the Receipt Issuer will issue Definitive Registered Receipts, as the case may be, registered in the name or names and issued in any approved denominations, requested by or on behalf of Monte Titoli (in accordance with its customary procedures and based upon directions received from participants reflecting the beneficial ownership of book-entry interests in such Notes), and such Definitive Registered Dollar 144A Notes or Definitive Registered Receipts will bear the restrictive legend referred to in the “*Notice to Investors*,” unless that legend is not required by the Indenture or by the Deposit Agreement or applicable law.

If DTC notifies the Receipt Issuer that it is unwilling or unable to continue to act as a clearing system with respect to the Receipts or ceases to be a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), the Receipt Issuer shall inform Wind Tre, and upon request from Wind Tre, the Receipt Issuer will arrange for the delivery of Definitive Registered Receipts and cooperate fully with DTC in so doing. In such an event, the Receipt Issuer agrees to take all such actions as are reasonable to effect such an exchange, including cancellation of the Global Receipts.

Any Definitive Registered Dollar 144A Notes will not be eligible for settlement through Monte Titoli or DTC.

#### **Euro Rule 144A Notes and Regulation S Notes**

The Euro Rule 144A Notes and the Regulation S Notes will be evidenced at issue by Euro Rule 144A Global Notes and Regulation S Global Notes, respectively, deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream. Beneficial interests in a Euro Rule 144A Global Note or a Regulation S Global Note may be held only through Euroclear or Clearstream any time. By acquisition of a beneficial interest in a Euro Rule 144A Global Note or a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, (x) in the case of Euro Rule 144A Global Notes that, if it determines to transfer such beneficial interest within one year, it will transfer such interest only to a person whom the seller reasonably believes to be a QIB in accordance with Rule 144A, and (y) in the case of the Regulation S Global Notes that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day distribution compliance period, it will transfer such interest only to a person whom the seller reasonably believes to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S. See “*Notice to Investors*.”

A beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Notes, and only upon receipt by the Registrar or the Transfer Agent (as the case may be) of a written certification (in the form provided in the Indenture) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note, and become a beneficial interest in a Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form. The Global Notes are not issuable in bearer form.

### ***Euroclear and Clearstream***

The Euro Rule 144A Global Notes and Regulation S Global Notes representing the Euro Rule 144A Notes and Regulation S Notes, respectively, will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream.

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Euro Rule 144A Global Notes or Regulation S Global Notes directly through Euroclear or Clearstream if they are accountholders or indirectly through organizations that are accountholders therein.

### ***Issuance of Definitive Registered Euro Rule 144A Notes and Regulation S Notes***

Each Euro Rule 144A Global Note and Regulation S Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Euro Rule 144A Notes or Regulation S Notes, as the case may be, in definitive, registered form only as described under “*Description of Notes*” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Notice to Investors.*” This will include:

- if Euroclear or Clearstream notify Wind Tre that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by Wind Tre within 120 days;
- in whole, but not in part, if Wind Tre, Euroclear or Clearstream so requests following an event of default under the Indenture, as applicable; or
- if the owner of a book-entry interest requests such exchange in writing delivered through Euroclear and/or Clearstream, as applicable, following an event of default under the Indenture.

In such an event, the Registrar will issue definitive registered notes, registered in the name or names and issued in any approved denominations in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership book-entry interests, and including any applicable legends.

#### **Trading between DTC or Monte Titoli Seller and Euroclear/Clearstream Purchaser**

When book-entry interests in Dollar Rule 144A Notes or Receipts are to be transferred from the account of a DTC or Monte Titoli participant holding a beneficial interest in the Dollar Rule 144A Global Note to the account of a Euroclear or Clearstream accountholder wishing to purchase a beneficial interest in the Dollar Regulation S Notes (subject to the certification procedures provided in the Indenture), the DTC or Monte Titoli participant will deliver instructions for delivery to the relevant Euroclear or Clearstream accountholder one business day prior to the settlement date. Separate payment arrangements are required to be made between the DTC or Monte Titoli participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the relevant Dollar Rule 144A Global Note will instruct the Registrar of the Transfer Agent as the case may be to (i) decrease the amount of Notes registered in the name of Cede & Co. or registered in the name of Monte Titoli, as the case may be, and evidenced by such Dollar Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and evidenced by the relevant Dollar Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, as the case may be, for credit to the relevant accountholder on the settlement date.

#### **Trading between Euroclear/Clearstream Seller and DTC or Monte Titoli Purchaser**

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream accountholder to the account of a DTC or Monte Titoli participant wishing to purchase a beneficial interest in a Receipt or a Dollar Rule 144A Global Note, respectively, (subject to the certification procedures provided in the Indenture), the Euroclear or Clearstream participant must send to Euroclear or Clearstream delivery free of payment instructions one business day prior to the settlement date. Euroclear or Clearstream, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream and the Registrar or the Transfer Agent (as the case may be) to arrange delivery to the DTC or Monte Titoli participant, as the case may be, on the settlement date. Separate payment arrangements are required to be made between the DTC or Monte Titoli participant and the relevant Euroclear or Clearstream accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream will

- (a) transmit appropriate instructions to the custodian of the relevant Dollar Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC or Monte Titoli participant and
- (b) instruct the Registrar or the Transfer Agent (as the case may be) to (i) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream and evidenced by the relevant Dollar Regulation S Global Note; and (ii) increase the amount of Notes and Receipts, as the case may be, registered in the name of Monte Titoli and Cede & Co. and evidenced by the relevant Dollar Rule 144A Global Note.

Although Euroclear, Clearstream, Monte Titoli and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, DTC and Monte Titoli they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of Wind Tre, the Trustee, the Receipt Issuer nor any agent will have the responsibility for the performance by Euroclear, Clearstream, or DTC, Monte Titoli or their respective direct or indirect participants of their respective obligations under the rules and procedures governing then-operations.

#### **Trading between the Floating Rate Notes, Fixed Rate Euro Notes and Dollar Notes**

No book-entry interest in any Global Notes representing the Fixed Rate Notes (the “**Global Fixed Rate Notes**”) and no Definitive Registered Note issued in exchange for a book-entry interest in the Global

Fixed Rate Notes (the “**Definitive Registered Fixed Rate Notes**”) may be transferred or exchanged for any book-entry interest in any Global Note representing the Floating Rate Notes (the “**Global Floating Rate Notes**”) or any Definitive Registered Note issued in exchange for a book-entry interest in the Global Floating Rate Notes (the “**Definitive Registered Floating Rate Notes**”). In addition no book-entry interest in the Global Floating Rate Notes and no Definitive Registered Floating Rate Note may be transferred or exchanged for any book-entry interest in any Global Fixed Rate Note or any Definitive Registered Fixed Rate Note. In addition, no book-entry interest in any Global Note representing the Dollar Notes (the “**Global Dollar Notes**”) and no Definitive Registered Note issued in exchange for a book-entry interest in the Global Dollar Notes (the “**Definitive Registered Dollar Notes**”) may be transferred or exchanged for any book-entry interest in any Global Note representing the Fixed Rate Euro Notes (the “**Global Fixed Rate Euro Notes**”) or any Definitive Registered Note issued in exchange for a book-entry interest in the Global Fixed Rate Euro Notes (the “**Definitive Registered Fixed Rate Euro Notes**”). In addition no book-entry interest in the Global Fixed Rate Euro Notes and no Definitive Registered Fixed Rate Euro Note may be transferred or exchanged for any book-entry interests in any Global Dollar Note or any Definitive Registered Dollar Note.



## **DESCRIPTION OF BOOK-ENTRY INTERESTS AND THE DEPOSIT AGREEMENT RELATING TO THE DOLLAR RULE 144A GLOBAL NOTES**

The following summary description of the material provisions of the book-entry interests in the Dollar Rule 144A Global Notes and the Deposit Agreement, pursuant to which the Receipt Issuer will issue the Global Receipts that evidence the beneficial interests in the Notes, does not purport to be complete and is subject, and qualified in its entirety by reference, to all of the provisions of the Deposit Agreement. Upon request, a copy of the Deposit Agreement may be obtained from the Receipt Issuer or the Receipt Paying Agent.

The book-entry interests in the Global Notes are referred to as “**book-entry interests**” or “**holders of beneficial interests in the Notes.**”

Citibank, N.A. has agreed to act as the Receipt Issuer for the Global Receipts representing the Dollar Rule 144A Global Notes. The Receipt Issuer’s offices are located at 388 Greenwich Street, 14th Floor, New York, NY 10013, United States and for such purposes Wind Tre has appointed Citibank, N.A. as Receipt Issuer pursuant to the terms and conditions of the Deposit Agreement.

The Notes will be issued pursuant to the terms of the Indenture dated as of the Issue Date, among Wind Tre, the Guarantor, Citibank, N.A., London Branch, as Trustee and in other capacities and the holders and beneficial owners of the Notes. Beneficial interests in the Dollar Rule 144A Notes will be evidenced by one or more Receipts, to be issued by Citibank, N.A., as Receipt Issuer, pursuant to the Deposit Agreement. The Dollar Rule 144A Notes will be evidenced by one or more Dollar Rule 144A Global Notes and registered in the name of Monte Titoli. Initially, all of the book-entry interests in the Dollar Rule 144A Notes will be credited to a securities account in Monte Titoli of Wind Tre for the benefit of, and operated by, the Receipt Issuer. The Receipt Issuer will issue Global Receipts in registered form. The Global Receipts will be issued to DTC and will be registered in the name of Cede & Co., DTC’s nominee, which will be the sole registered holder of the Global Receipts that evidence the beneficial interests in the Notes. Beneficial interests in the Notes will be shown on, and transfers of beneficial interests in the Notes will be effected only on the records maintained in book-entry form by DTC and by the securities intermediaries that hold the beneficial interests, directly or indirectly, in DTC. Euro Notes which are offered and sold in reliance on Rule 144A (the “**Euro Rule 144A Notes**”) will be represented by beneficial interests in Euro Rule 144A Global Notes, and Dollar Notes and Euro Notes which are offered and sold in offshore transactions in reliance on Regulation S will be represented by beneficial interests in Regulation S Global Notes which will each be registered in the name of a nominee of a common depository, as common depository for, and in respect of interests held through Euroclear and Clearstream. See “*Book Entry, Delivery and Form—Euro Rule 144A Notes and Regulation S Notes.*”

Beneficial interests held by a beneficial owner in the Global Receipts will represent an equivalent beneficial interest in the Dollar Rule 144A Global Notes registered in the name of Monte Titoli as the registered Holder of the Dollar Rule 144A Global Notes.

If you become a Holder or Beneficial Owner of the Dollar Rule 144A Notes through an interest in the Global Receipts, you will be deemed to be a party to the Deposit Agreement and therefore will be bound by its terms. The Deposit Agreement specifies Wind Tre’s rights and obligations as to the Receipts as well as your rights and obligations as a beneficial owner of such instruments and those of the Receipt Issuer.

### **Transfer Restrictions Applicable to Dollar Rule 144A Notes and Receipts**

The Dollar Rule 144A Notes and Receipts are being offered and sold exclusively to QIBs in transactions exempt from registration under the Securities Act, and will be subject to the transfer restrictions described in the legends below, which will be set forth on the Dollar Rule 144A Global Notes representing beneficial interests in the Dollar Rule 144A Notes, and the related Global Receipts.

(i) **Dollar Rule 144A Monte Titoli Global Note Legend.** For so long as Monte Titoli is the Note Depository, each Dollar Rule 144A Global Note and Global Receipt shall bear a legend in substantially the following form:

“UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF MONTE TITOLI S.P.A., TO WIND TRE OR THE TRUSTEE OR THEIR AGENT(S) FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY CERTIFICATE ISSUE IS REGISTERED IN THE NAME OF MONTE TITOLI S.P.A., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF MONTE TITOLI S.P.A., (AND ANY PAYMENT IS MADE TO MONTE TITOLI S.P.A., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF MONTE TITOLI S.P.A.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, MONTE TITOLI S.P.A., HAS AN INTEREST HEREIN.

THIS GLOBAL NOTE MAY BE TRANSFERRED OR EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO PARAGRAPH (a) OF CLAUSE 2.06 (*TRANSFER AND EXCHANGE*) OF THE INDENTURE AND THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO CLAUSE 2.10 OF THE INDENTURE.”

The following legend shall appear on the face of all Global Receipts and all Dollar Rule 144A Global Notes representing beneficial interests in Dollar Rule 144A Notes issued under the Indenture unless specifically stated otherwise in the applicable provisions of the Indenture.

(i) **Dollar Rule 144A Legend:** Each Dollar Rule 144A Global Note representing beneficial interests in Dollar Rule 144A Notes, (and all Dollar Rule 144A Notes issued in exchange therefor or in substitution thereof, as applicable), and the related Global Receipts shall bear the legend in substantially the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH WIND TRE OR ANY AFFILIATE OF WIND TRE WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO WIND TRE OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A** ”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATIONS UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION

FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO WIND TRE'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

TRANSFERS OF THIS NOTE IN THE REPUBLIC OF ITALY ARE ONLY PERMITTED IN COMPLIANCE WITH LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, IN PARTICULAR, WITH ARTICLE 100-BIS THEREOF, AND WITH CONSOB IMPLEMENTING REGULATION NO. 11971/1999 AND NO. 16190/2007, IN EACH CASE AS AMENDED FROM TIME TO TIME.

**Each of the Dollar Rule 144A Global Notes issued to and registered in the name of Monte Titoli shall be subject to transfer restrictions similar to those described in the legends above, which shall be set forth on the respective Dollar Rule 144A Global Notes. See “Notice to Investors.” In addition, an investor that is not, or ceases to be, eligible to receive interest free of Italian substitute tax in respect of the Notes or does not comply (either directly or through, or because of, any financial intermediary through which it holds the Receipts) with the Tax Certification Procedures will be permitted to transfer its interest in the Receipts only upon compliance with certain tax procedures. The transfer of Receipts is subject to the limitations set forth in the securities legends above, the Tax Certification Procedures set forth in Appendix B hereto and the Deposit Agreement.**

#### **Payments on Beneficial Interests in the Notes and Receipts in Respect of Note Payments**

Monte Titoli shall distribute to the Receipt Paying Agent, for onward transmission to DTC, as the registered holder of the Global Receipts evidencing the Dollar Rule 144A Global Notes outstanding at such time, any amount received from Wind Tre in respect of the Dollar Rule 144A Global Notes for distribution to the applicable Beneficial Owners of the Notes and the Receipts. None of Monte Titoli, the Receipt Issuer, the Receipt Paying Agent, Acupay or Wind Tre shall have any responsibility or liability for any aspect of the payments made by DTC to the DTC participants for the benefit of the beneficial owners of the Dollar Rule 144A Notes and the Receipts.

#### **Redemptions of Beneficial Interests in the Dollar Rule 144A Notes Upon Redemption of Dollar Rule 144A Notes**

In the event of any redemption, exchange or conversion of the Rule 144A Notes by Wind Tre, Monte Titoli shall cause the applicable Dollar Rule 144A Global Notes to be delivered to Wind Tre, as applicable, for redemption, exchange or conversion, shall accept any payment received from Wind Tre in respect of such redemption, exchange or conversion, shall coordinate with the Receipt Issuer, Receipt Paying Agent and DTC and the applicable DTC participants for the corresponding redemption or reduction of outstanding Notes and shall deliver the payment so received to the Receipt Issuer or the

Receipt Paying Agent for transmission via DTC to the applicable Beneficial Owners of the affected Dollar Rule 144A Notes.

#### **Owner Actions in Respect of Dollar Rule 144A Notes and Beneficial Interests in the Dollar Rule 144A Notes**

Whenever the Receipt Issuer shall receive notice of the solicitation of consents from, request for waivers or other actions by, any holder of beneficial interests in the Dollar Rule 144A Notes, the Receipt Issuer shall distribute to DTC, as registered Holder of the Global Receipts evidencing the outstanding Dollar Rule 144A Global Notes, a notice containing the information received by the Receipt Issuer in respect of such solicitation or request and a statement explaining the manner in which DTC (or DTC's proxies) may instruct the Receipt Issuer (through DTC's assigns) to take action in respect of the solicitation or request. Upon receipt of valid and timely instructions from DTC (or DTC's proxies), the Receipt Issuer shall endeavor, insofar as practicable and permitted under the terms of the Deposit Agreement, to take the actions so instructed. At Wind Tre's expense, the Receipt Issuer shall forward the materials relating to the solicitation or request to the beneficial owners of the Dollar Rule 144A Notes. In addition, the Receipt Issuer may accept instructions from DTC participants in respect of such solicitations or requests to the extent authorized by DTC. The Receipt Issuer shall not itself exercise any discretion in granting consents or waivers in respect of the Dollar Rule 144A Global Notes.

#### **Notices**

Monte Titoli shall send to the Receipt Issuer, for onward transmission to DTC, as the registered holder of the Global Receipts evidencing the Dollar Rule 144A Global Notes, and to the relevant DTC participants and to any holder of Definitive Receipts, as soon as practicable after receipt, any notices, reports or other communications received from Wind Tre or the Trustee in respect of the Dollar Rule 144A Global Notes held by Monte Titoli.

#### **Additional Amounts**

All payments on the Dollar Rule 144A Global Notes are to be made free and clear of, and without deduction or withholding of, any taxes or assessments not required by law. To the extent such deduction or withholding is required by the Republic of Italy, a Holder of Dollar Rule 144A Notes may be entitled to receive from Wind Tre additional amounts upon the terms contemplated in the applicable Dollar Rule 144A Notes, subject to the limitations set forth therein, including the exceptions specified in "*Description of Notes—Withholding Taxes.*" These exceptions may be significant. None of Monte Titoli, the Receipt Issuer, or Acupay shall have any responsibility for determining whether any beneficial owner of Dollar Rule 144A Notes is entitled to receive the payment of any such additional amounts.

#### **Duties, Responsibilities and Rights of the Receipt Issuer**

The Deposit Agreement limits the Receipt Issuer's obligations to Wind Tre and to the owners of holders of, or beneficial interests in, the Dollar Rule 144A Notes. Please note the following:

- The Receipt Issuer is obligated to perform only such duties as are specifically set forth in the Deposit Agreement.
- The Receipt Issuer shall be liable for its own acts or omissions that constitute gross negligence or bad faith subject to certain exceptions, and no implied covenants or obligations shall be read into the Deposit Agreement against the Receipt Issuer.
- The Receipt Issuer is not liable for any error of judgment made or with respect to any action taken by it in good faith, subject to certain qualifications.

- The Receipt Issuer is not required to expend or risk its “own funds” or otherwise incur any financial liability in the performance of any of its duties under the Deposit Agreement.
- The Receipt Issuer may conclusively rely and shall be fully protected in acting or refraining from acting upon any paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.
- The Receipt Issuer may consult with counsel of its selection and the advice of such counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it thereunder in good faith and in reliance thereon in accordance with such advice of counsel.
- The Receipt Issuer shall not be bound to make any investigation into the facts or matters stated in any paper or document, but the Receipt Issuer, in its discretion, may make reasonable further inquiry or investigation into such facts or matters related to the issuance of the Dollar Rule 144A Notes.
- The Receipt Issuer may execute any of the powers under the Deposit Agreement or perform any duties thereunder either directly or by or through agents or attorneys and the Receipt Issuer shall not be responsible for any misconduct or negligence on the part of any agent (other than an officer or employee of the Receipt Issuer) or attorney appointed with due care by it thereunder, provided that written notice of such appointment will be provided to Wind Tre.
- The Receipt Issuer shall be under no obligation to exercise any of the rights or powers vested in it by the Deposit Agreement at the request, order or direction of DTC, a DTC participant or a Beneficial Owner pursuant to the Deposit Agreement, unless DTC, such DTC participant or such Beneficial Owner shall have offered to the Receipt Issuer reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request, order or direction, provided that such request, order or direction shall not expose the Receipt Issuer to personal liability.
- The Receipt Issuer shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized or within the rights or powers conferred upon it by the Deposit Agreement.
- Whenever in the administration of its duties under the Deposit Agreement the Receipt Issuer shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed) may, in the absence of negligence, bad faith or failure to comply with its obligations thereunder on the part of the Receipt Issuer, be deemed to be conclusively proved and established by an officer’s certificate delivered by Wind Tre to the Receipt Issuer.
- The Receipt Issuer shall incur no liability to DTC, any DTC participant or any Beneficial Owner or any other Person under the Deposit Agreement or in connection therewith if, by reason of any provision of any present or future law or regulation of any governmental or regulatory authority or securities exchange, or by reason of the terms of the Indenture or the relevant Notes, or by any reason of any act of god or war or other circumstance beyond the control of the Receipt Issuer, the Receipt Issuer shall be prevented or forbidden from doing or performing any act or thing which the terms of the Deposit Agreement provide shall be done or performed.
- The Receipt Issuer shall not incur any liability to DTC, any holder of Global Receipts, any DTC participant or any Beneficial Owner or any other Person under the Deposit Agreement or in connection therewith by reason of any non-performance or delay, caused as aforesaid, in the performance of any act or thing which the terms of the Deposit Agreement provide shall or may

be done or performed by reason of any exercise of or failure to exercise in good faith any rights or powers provided for in the Deposit Agreement.

- The Receipt Issuer shall not incur any liability in respect of Wind Tre for any consequential or punitive damages for any breach of any term of the Deposit Agreement.

### **Compensation, Reimbursement and Indemnity of the Receipt Issuer**

Wind Tre undertakes to pay to the Receipt Issuer from time to time such compensation as agreed between them in writing for all services rendered by it under the Deposit Agreement and to reimburse the Receipt Issuer upon its request for all reasonable and necessary expenses, disbursements and advances incurred or made by the Receipt Issuer in accordance with any provision of the Deposit Agreement.

Wind Tre undertakes to indemnify the Receipt Issuer under certain circumstances.

### **Resignation and Removal of the Receipt Issuer**

The resignation or removal of the Receipt Issuer and the appointment of a successor Receipt Issuer pursuant to the Deposit Agreement shall become effective at the time of acceptance of appointment by the successor Receipt Issuer in accordance with the applicable requirements of the Deposit Agreement.

The Receipt Issuer may resign by giving written notice thereof to Wind Tre, 90 days prior to the effective date of such resignation. The Receipt Issuer may be removed at any time (i) upon 90 days' notice by Wind Tre, or (ii) immediately upon the occurrence of certain events relating to the Receipt Issuer's eligibility and capability of acting.

If the Receipt Issuer shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Receipt Issuer, for any cause, Wind Tre shall promptly appoint a successor Receipt Issuer (other than Wind Tre) and shall comply with the applicable requirements of the Deposit Agreement. If no successor Receipt Issuer shall have been so appointed by Wind Tre and accepted appointment, the Receipt Issuer may, on behalf of itself and all others similarly situated or petition any court of competent jurisdiction for the appointment of a successor Receipt Issuer.

Wind Tre shall give notice of each resignation and each removal of a Receipt Issuer and each appointment of a successor Receipt Issuer to the holders of Global Receipts in accordance with the Deposit Agreement.

### **Governing Law and Jurisdiction**

The Deposit Agreement shall be governed by and construed in accordance with the laws of New York.

Wind Tre agrees that the state and federal courts located in the State of New York may have jurisdiction to settle any disputes that may arise in connection with the Deposit Agreement and that accordingly any suit, action or proceeding ("**Proceedings**") arising out of or in connection with the Deposit Agreement may be brought in such courts.

Wind Tre irrevocably waives any objection which they may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and irrevocably agree that a judgment in any such Proceedings brought in any such courts shall be conclusive and binding upon and may be enforced in the courts of any other jurisdiction.

Nothing contained in the provisions described in this section shall limit any right to take Proceedings against Wind Tre in any other court of competent jurisdiction, nor shall the taking of

Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

Wind Tre will appoint an agent for service of process for Proceedings in such courts, and undertakes that, in the event of ceasing so to act, it will appoint another person as its agent for service of process for Proceedings in such courts. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

#### **Amendments to the Deposit Agreement**

Wind Tre, the Receipt Paying Agent and the Receipt Issuer may amend the Deposit Agreement without the consent of the Holders or the Beneficial Owners of the Notes:

- to cure any ambiguity, omission, defect, inconsistency or manifest error;
- to add to the covenants and agreements of the Receipt Issuer, the Receipt Paying Agent or Wind Tre;
- to evidence or effectuate the assignment of the Receipt Issuer's or the Receipt Paying Agent's rights and duties to a qualified successor;
- to comply with any requirements of the U.S. Securities Act of 1933, as amended, the U.S. Securities Exchange Act of 1934, as amended, the U.S. Investment Company Act of 1940, as amended or any other applicable law, rule or regulation; or
- to modify, alter, amend or supplement the Deposit Agreement in any other manner that is not, in the opinion of Wind Tre, materially adverse to the Holders or Beneficial Owners.

#### **Satisfaction and Discharge**

The Deposit Agreement will, at Wind Tre's request, cease to be of any effect if (i) Wind Tre has paid all sums payable by it in respect of the Notes, and (ii) Wind Tre has delivered to the Receipt Issuer the documentation contemplated by the Deposit Agreement in support of the satisfaction of all conditions relating to the satisfaction and discharge of the Deposit Agreement.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the “**Purchase Agreement**”) entered into as of October 24, 2017 by and among Wind Tre, WAF and the Initial Purchasers, Wind Tre has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from Wind Tre, together with all other Initial Purchasers, Notes in an aggregate principal amount of €7.3 billion (equivalent).

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Purchase Agreement provides that Wind Tre will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. Wind Tre has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 60 days after the date of the Purchase Agreement, they will not, and will cause Wind Tre’s subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt or convertible securities issued or guaranteed by Wind Tre or any of Wind Tre’s subsidiaries.

Wind Tre expects that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be eight business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) in New York, NY following the date of pricing of the Notes (this settlement cycle is being referred to as “**T+8**”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next five succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers have advised Wind Tre that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—There may be no active trading market for the Notes, and if one develops, it may not be liquid.*”

In connection with the Offering, the Stabilizing Managers, or persons acting on their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Managers, or persons acting on their behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Managers, or persons acting on their behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Managers, or persons acting on their behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Managers are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. See “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure—There may be no active trading market for the Notes, and if one develops, it may not be liquid*” and “*Stabilization.*”

Each Initial Purchaser has represented that it (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to



engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to Wind Tre and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has acknowledged that the offering of the Notes has not been cleared by Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (“*investitori qualificati*”), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “**Italian Financial Act**”), as implemented by Article 26, paragraph 1(d) of Consob Regulation No. 16190 of October 29, 2007, as amended (“**CONSOB Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“**CONSOB Regulation No. 11971**”); or (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB Regulations including Regulation no. 11971. Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and: (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Financial Act, Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the “**Banking Act**”) and any other applicable laws or regulation; (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Each Initial Purchaser has acknowledged that (i) the Notes and the Note Guarantees have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on the exemption from registration provided by Rule 144A, (ii) except as provided in (i), it has not offered or sold, and will not offer or sell, any Notes or Note Guarantees within the United States as part of their distribution at any time, (iii) it is not acquiring the Notes or the Note Guarantees with a view to any distribution thereof or with any present intention of offering or selling any of the Notes in a transaction, in each case, that would violate the U.S. Securities Act or the securities laws of any state of the United States or any other applicable jurisdiction, (iv) it will not offer or sell the Notes by any form of general solicitation or general advertising, including but not limited to the methods described in Rule 502(c) under the U.S. Securities Act and (v) it will not engage in any directed selling efforts with respect to the Securities and has complied and will comply with the offering restrictions requirement of Regulation S. Each Initial Purchaser agrees that it and its affiliates have not entered or will not enter into any connected arrangement with respect to the distribution of the Notes or the Note Guarantees, other than a customary agreement among the Initial Purchasers, except with Wind Tre’s prior written consent.

The Notes will initially be offered at the price indicated on the cover page hereof. After the initial Offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers.

Each Initial Purchaser has further agreed that, at or prior to the confirmation of sale of Notes sold in reliance on Regulation S, it shall send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period (within the meaning of Regulation S) a confirmation or notice that the Notes covered hereby have

not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offering and the date of closing of the Offering, except, in either case, in accordance with Regulation S or Rule 144A under the U.S. Securities Act.

Wind Tre has applied, through Banque Internationale à Luxembourg SA (the “**Luxembourg Listing Agent**”), to have the Notes listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market. Wind Tre cannot assure that the Notes will be approved for listing and admission to trading, and will remain listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market.

In addition, the Initial Purchasers and their respective affiliates have, from time to time, provided and may in the future provide, M&A advisory, investment banking, transaction banking, commercial lending, consulting and financial advisory services to CKHH Group and VEON Group companies, including Wind Tre and its subsidiaries and their affiliates, and to CKHH or VEON’s shareholders and affiliates for which they may receive customary advisory and transaction fees and expense reimbursement. In particular, certain of the Initial Purchasers or their respective affiliates provide debt capital markets products and services to, are lenders to and/or have outstanding hedging arrangements with CKHH Group and VEON Group companies other than Wind Tre and its subsidiaries.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investments and securities activities may involve securities and/or instruments of CKHH Group and VEON Group companies, including Wind Tre and its subsidiaries and their affiliates. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Certain of the Initial Purchasers or their affiliates are also lenders under the Existing Senior Credit Facilities Agreement and all of the Initial Purchasers or their affiliates will be lenders under the New Senior Credit Facilities Agreement. See also “*Use of Proceeds.*” Certain of the Initial Purchasers are lenders to and/or have outstanding hedging agreements with Wind Tre and its subsidiaries and certain of the Initial Purchasers may enter into new hedging agreements with Wind Tre and its subsidiaries in connection with the Offering. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions, which consist of either the purchase of credit default swaps or the creation of short positions in Wind Tre’s securities, including potentially the Notes. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes.

In addition Banca IMI, through its affiliate Intesa Sanpaolo group, is an indirect shareholder of the Wind Tre Group. See “*Principal Shareholders.*”

## NOTICE TO INVESTORS

The following restrictions will apply to the Notes. Prospective investors are advised to consult legal counsel prior to making any offer, sale, resale, pledge or transfer of the Notes offered hereby and beneficial interests therein.

The Rule 144A Notes and the Note Guarantees, and the Receipts have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an effective registration statement or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Rule 144A Notes are being offered and sold exclusively to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) in transactions exempt from registration under the Securities Act.

The Regulation S Notes have not been and will not be registered under the Securities Act and may not be offered and sold except to non-U.S. persons located outside of the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an effective registration statement or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Regulation S Notes are being offered and sold exclusively to non-U.S. persons in offshore transactions exempt from registration under the Securities Act.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- (1) You acknowledge that by investing in the Dollar Rule 144A Notes you become a party to the Deposit Agreement and agree to be subject to the provisions thereof.
- (2) You acknowledge that the Notes and the Receipts have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction.
- (3) You acknowledge that prior to any proposed transfer of the Notes the holder of such Notes may be required to provide certifications and other documentation relating to the transfer and submit such certifications and other documentation as provided in the Notes, the Receipts, the Deposit Agreement and the Indenture (including the tax certification procedures set forth therein).
- (4) You are not an “affiliate” (as defined in Rule 144A under the U.S. Securities Act) of Wind Tre, you are not acting on behalf of Wind Tre and you (A)(i) are a qualified institutional buyer, (ii) are aware that the sale to you is being made in reliance on Rule 144A, and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer or (B) are not a U.S. person (and are not purchasing the Notes for the account or benefit of a U.S. person) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.
- (5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the “**Resale Restriction Termination Date**”) that is one year (in the case of the Rule 144A Notes) or 40 days (in the case of the Regulation S Notes) after the later of the date of the original issue and the last date on which Wind Tre or any of its affiliates was the owner of such Notes (or any predecessor thereto) only (i) to Wind Tre or any Subsidiary thereof, (ii) pursuant to a registration statement that has been declared effective under the Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the Securities Act, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a

QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to Wind Tre's and the trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

- (6) You acknowledge that neither Wind Tre nor the Initial Purchasers or any person representing Wind Tre or the Initial Purchasers has made any representation to you with respect to Wind Tre or the offer or sale of any of the Notes, other than by Wind Tre with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning Wind Tre, the Indenture, the Notes, the Note Guarantees, the Intercreditor Agreement (including any supplement thereto), the Intercompany Loan and the security documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from Wind Tre and the Initial Purchasers.
- (7) You acknowledge and agree that (1) either (A) you are not, and are is not acting on behalf of (and for so long as you hold such Notes or any interest therein will not be, and will not be acting on behalf of), a Benefit Plan Investor (as defined below), or a governmental, church or non-U.S. plan which is subject to Similar Laws (as defined below), and no part of the assets used or to be used by you to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B)(i) your acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of Wind Tre, the Initial Purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of “**fiduciary**” under Similar Laws) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes, or as a result of any exercise by Wind Tre, the Initial Purchasers, the Trustee, the agents or any of their respective affiliates, of any rights in connection with such Notes, and no advice provided by Wind Tre, the Initial Purchasers, the Trustee, the agents or any of their respective affiliates, has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes and the transactions contemplated with respect to such Notes; and (2) you will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make the foregoing representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein;

- (8) You understand that the Global Notes will bear a legend substantially to the following effect:
- i. THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.
  - ii. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE “**RESALE RESTRICTION TERMINATION DATE**”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH WIND TRE OR ANY AFFILIATE OF WIND TRE WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) ONLY (A) TO WIND TRE OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”), TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO WIND TRE’S AND THE TRUSTEE’S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

- iii. TRANSFERS OF THIS NOTE IN THE REPUBLIC OF ITALY ARE ONLY PERMITTED IN COMPLIANCE WITH LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, IN PARTICULAR, WITH ARTICLE 100-BIS THEREOF, AND WITH CONSOB IMPLEMENTING REGULATION NO. 11971/1999 AND NO. 16190/2007, IN EACH CASE AS AMENDED FROM TIME TO TIME.
- (9) You understand that the Dollar Rule 144A Global Notes will bear a legend to the following effect (the “**MT Legend**”):
- “UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF MONTE TITOLI S.P.A., TO WIND TRE S.P.A. OR THE TRUSTEE OR THEIR AGENT(S) FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY CERTIFICATE ISSUE IS REGISTERED IN THE NAME OF MONTE TITOLI S.P.A., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF MONTE TITOLI S.P.A., (AND ANY PAYMENT IS MADE TO MONTE TITOLI S.P.A., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF MONTE TITOLI S.P.A.), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, MONTE TITOLI S.P.A., HAS AN INTEREST HEREIN.
- THIS GLOBAL NOTE MAY BE TRANSFERRED OR EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO PARAGRAPH (A) OF CLAUSE 2.06 (*TRANSFER AND EXCHANGE*) OF THE INDENTURE AND THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO CLAUSE 2.10 OF THE INDENTURE.”
- (10) You understand that each N Global Note (as such term is defined in the “*Description of Notes*”), N Global Receipt (as such term is defined in the “*Description of Notes*”), Tax Restricted Definitive Registered Note and Tax Restricted Definitive Registered Receipt will bear a legend to the following effect (the “**Tax Restricted Legend**”):
- “ANY INTEREST PAYMENTS ON THIS [NOTE/RECEIPT] ARE SUBJECT TO ITALIAN SUBSTITUTE TAX, CURRENTLY AT THE RATE OF 26.0%, UNLESS THE HOLDER IS ELIGIBLE AND COMPLIES WITH THE PROCEDURES FOR EXEMPTION FROM THE APPLICATION OF THE ITALIAN SUBSTITUTE TAX CONTEMPLATED BY ITALIAN LEGISLATIVE DECREE NO. 239 OF 1996, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME.”
- (11) You understand that each N Note or N Receipt shall be subject to a legend in substantially the following form:
- “THIS [NOTE/RECEIPT], AND ANY INTEREST THEREIN, MAY ONLY BE TRANSFERRED OR EXCHANGED UPON COMPLIANCE WITH THE TERMS AND CONDITIONS OF THIS [NOTE/RECEIPT] AND THE TAX CERTIFICATION PROCEDURES. ANY INTEREST PAYMENTS ON THIS [NOTE/ RECEIPT] WILL BE SUBJECT TO ITALIAN SUBSTITUTE TAX, CURRENTLY AT THE RATE OF 26.0%.”
- (12) You acknowledge that Wind Tre, the Initial Purchasers, the Receipt Issuer, the Trustee and agents of the foregoing and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by it by virtue of its purchase of Notes is no longer accurate, it shall promptly notify Wind Tre, the Initial Purchasers and agents of the foregoing. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with

respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to Wind Tre and the registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - a. Wind Tre, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify Wind Tre and the Initial Purchasers promptly in writing; and
  - b. if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
    - i. you have sole investment discretion; and
    - ii. you have full power to make, and make, the foregoing acknowledgments, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.
- (4) You acknowledge that prior to any proposed transfer of Notes you may be required to provide certifications and other documentation relating to the transfer and submit such certifications and other documentation as provided in the Notes, the Receipts, the Deposit Agreement and the Indenture (including the tax certification procedures set forth therein).
- (5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the U.S. Securities Act, you acknowledge that until the expiration of the “**distribution compliance period**” (as defined below), you shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The “**distribution compliance period**” means the 40 day period following the Issue Date for the Notes.
- (6) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by Wind Tre or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to Wind Tre or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under “*Plan of Distribution.*”

### **European Economic Area**

Each of the Initial Purchasers has represented and agreed that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of the Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent

authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of the Notes to the public in the Relevant Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by Wind Tre for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Notes shall require the publication by Wind Tre of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this restriction, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC as amended by Directive 2010/73/EU.

Each subscriber for or purchaser of the Notes in the offering located within a member state of the EEA will be deemed to have represented, acknowledged and agreed that it is a “*qualified investor*” within the meaning of Article 2(1)(e) of the Prospectus Directive. Wind Tre, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Notes in the offering.

#### **Notice to Italian Investors**

The Offering of the Notes has not been cleared by Commissione Nazionale per le Società e la Borsa (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “**Italian Financial Act**”), as implemented by Article 26, paragraph 1(d) of Consob Regulation No. 16190 of October 29, 2007, as amended (“**CONSOB Regulation No. 16190**”), pursuant to Article 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“**CONSOB Regulation No. 11971**”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Act and its implementing CONSOB Regulations including Regulation no. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above must and will be effected in accordance with all the relevant Italian securities, tax and exchange control and other applicable laws and regulations, and in particular will be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian



Financial Act, Regulation No. 16190, Legislative Decree No. 385 of September 1, 1993 as amended (the “**Banking Act**”) and any other applicable laws or regulation;

- (b) made in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy or by Italian persons outside of Italy; and
- (c) made in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable Italian laws and regulations.

Please note that in connection with the subsequent distribution of the Notes in Italy, in accordance with Article 100 *bis* of the Italian Financial Act where no exemption from the rules on public offers applies, the subsequent distribution of the Notes in the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Italian Financial Act and Consob Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the intermediaries transferring the Notes being liable for any damages suffered by potential purchasers in connection with such sales.

#### **ERISA Considerations**

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)) subject to the provisions of part 4 of subtitle B of Title I of ERISA, or a plan to which Section 4975 of the Internal Revenue Code of 1986, as amended (the “**Code**”) applies (each, a “**Plan**”), (ii) an entity whose underlying assets include “plan assets” by reason of a Plan’s investment in such entity (each of (i) and (ii), a “**Benefit Plan Investor**”), or (iii) a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that is substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code (“**Similar Laws**”), transferee, or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, that:

- (a) With respect to the acquisition, holding and disposition of the Notes, or any interest therein, (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B)(i) its acquisition, holding and disposition of such Notes or any interest therein does not and will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of Wind Tre, the Initial Purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of “**fiduciary**” under Similar Laws) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes, or as a result of any exercise by Wind Tre, the Initial Purchasers, the Trustee, the agents or any of their respective affiliates, of any rights in connection with such Notes, and no advice provided by Wind Tre, the Initial Purchasers, the Trustee, the agents or any of their respective affiliates, has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes and the transactions contemplated with respect to such Notes;

and (2) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make the foregoing representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein;

- (b) The acquirer and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless Wind Tre, the Initial Purchasers, the Trustee, the agents, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false; and
- (c) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of the above provisions shall be null and void *ab initio*.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering acquiring the Notes on behalf of, or with the assets of, Benefit Plan Investor, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase or holding of the Notes.

## TAX CONSIDERATIONS

The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in the European Union, Italy and the United States and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult with their own tax advisors as to the tax consequences of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium paid (if any), and the sale or redemption of the Notes or any interest therein.

The summaries set forth below are based upon, as applicable, European Union, Italian or United States law as in effect on the date of this Offering Memorandum and are subject to any change in such law that may take effect after such date. References in this section to holders of the Notes include the beneficial owners of the Notes. Terms defined under each subsection related to EU, Italian and United States tax law below only have such meanings as defined therein for such respective section. The statements regarding the Italian and United States laws and practices set forth below assume that the Notes will be issued, and the transfers thereof will be made, in accordance with the Indenture.

### **Certain Italian Tax Considerations**

The statements herein regarding Italian taxation are based on the laws in force in the Republic of Italy and on published practices of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. Wind Tre will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. The following is a summary of certain material Italian tax consequences of the purchase, ownership, redemption and disposition of Notes for Italian resident and non-Italian resident beneficial owners only and it is not intended to be, nor should it be constructed to be, legal or tax advice. This summary also assumes that Wind Tre is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Offering Memorandum. Changes in Wind Tre's organizational structure, tax residence or the manner in which it conducts its business may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length. This summary also assumes that the Notes are listed from their issue and traded on a regulated market or on a multi-lateral trading platform of EU Member States or EEA Member States which allow a satisfactory exchange of information with Italy, as identified by (i) the Italian tax authorities in Italian Ministerial Decree of September 4, 1996 as subsequently amended, supplemented and replaced or (ii) once effective, in any other decree that will be issued in the future under Art. 11(4)(c) of Italian Legislative Decree No. 239 of April 1, 1996 to provide the list of such countries. Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian law. The following summary does not purport to be a comprehensive description of all tax considerations which may be relevant to make a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to additional or special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including, in particular, the effect of any state, regional and local tax laws.

### ***Tax Treatment of Interest***

Italian Legislative Decree No. 239 of April 1, 1996, as subsequently amended (“**Decree 239**”) sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price, hereinafter collectively referred to as

“**Interest**”) deriving from securities falling within the category of bonds (*obbligazioni*) and similar securities (*titoli similari alle obbligazioni*), pursuant to Article 44 of Italian Presidential Decree No. 917 of December 22, 1986, as amended and supplemented (“**Decree 917**”), issued, *inter alia*, by:

- companies resident of Italy for tax purposes whose shares are listed on a regulated market or on a multilateral trading platform of EU Member States or States party to the EEA Agreement allowing a satisfactory exchange of information with the Italian tax authorities as included in (i) the decree of the ministry of Economy and Finance of September 4, 1996 as subsequently amended and supplemented or (ii) once effective, any other decree that will be issued in the future under Article 11 paragraph 4 letter c) of Decree 239 (any of such decrees, the “**White List**”); or
- companies resident of Italy for tax purposes whose shares are not listed, issuing bonds and similar securities traded (*negoziati*) upon their issuance in one of the regulated markets or multilateral trading platforms mentioned sub a); or
- if not traded on the aforementioned markets or multilateral trading platforms, when such bonds and similar securities are subscribed and held solely by “qualified investors” (“*investitori qualificati*”) pursuant to article 100 of the Italian Financial Act.

The provisions of Decree 239 only apply to Notes issued by Wind Tre to the extent that they qualify as bonds or debentures similar to bonds pursuant to Article 44 of Decree 917. For this purpose, pursuant to Article 44(2)(c)(2) of Decree 917, securities similar to bonds (“*titoli similari alle obbligazioni*”) are securities that incorporate an unconditional obligation of Wind Tre to pay, at maturity (or at any earlier redemption), an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) management of Wind Tre or of the business in connection with which they are issued.

Otherwise, Notes that do not qualify as debentures similar to bonds are characterized for Italian tax purposes as “atypical securities” and as such regulated by Law Decree No. 512 of 30 September 1983.

#### *Italian Resident Noteholders*

##### *Noteholders not engaged in an entrepreneurial activity*

Where an Italian resident beneficial owner of the Notes (a “**Noteholder**”) is:

- an individual not engaged in an entrepreneurial activity to which the Notes are connected;
- a non-commercial partnership (*società semplice*) or a professional association;
- a non-commercial private or public institution (other than Italian undertaking for collective investments); or
- an investor exempt from Italian corporate income taxation,

then Interest derived from the Notes, and paid during the relevant holding period, is subject to a withholding tax, referred to as “*imposta sostitutiva*,” levied at the rate of 26 percent, unless the relevant Noteholder holds the Notes in a discretionary investment portfolio managed by an authorized intermediary and has validly opted for the application of the “*risparmio gestito regime*” under Article 7 of Legislative Decree No. 461 of November 21, 1997 (“**Decree 461**”) (see also “*Tax treatment of capital gains—Discretionary investment portfolio regime (Risparmio gestito regime)*” below).

Subject to certain conditions (including a minimum holding period requirement) and several limitations, Interest on the Notes (being financial instruments issued by an Italian resident corporation) may be exempt from income taxation if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a*

lungo termine) that meets the requirements set forth in Article 1(100 - 114) of Law No. 232 of December 11, 2016 (“**Finance Act 2017**”).

#### Noteholders Engaged in an Entrepreneurial Activity

Where an Italian resident Noteholder is a company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder’s income tax return and is therefore subject to general Italian corporate taxation and, in certain circumstances, depending on the “status” of the Noteholder, also to the Italian regional tax on productive activities (“**IRAP**”). In case the Notes are held by *inter alia* an individual engaged in an entrepreneurial activity and are effectively connected with the same entrepreneurial activity, Interest will be subject to *imposta sostitutiva* and will be included in the relevant income tax return. As a consequence, Interest will be subject to the ordinary income tax and *imposta sostitutiva* may be recovered as a deduction from the income tax due.

#### Real Estate Investment Funds and Real Estate SICAFs

Interest on the Notes accrued during the relevant holding period in the hands of Italian resident real estate investment funds and real estate closed-ended investment companies (*società di investimento a capitale fisso*, or “**SICAFs**”), provided that *inter alia* the Notes, together with the coupons relating thereto, are timely deposited directly or indirectly with an Italian authorized financial intermediary (or permanent establishment in Italy of non-resident intermediary), are subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of such real estate investment funds or real estate SICAFs in the event of distributions, redemption or sale of the units or shares. Moreover, in certain circumstances, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders or shareholders irrespective of any actual distribution on a tax transparency basis.

#### Funds, SICAVs and Non-Real Estate SICAFs

Where an Italian resident Noteholder is a non-real estate open-ended or a closed-ended collective investment fund (a “**Fund**”), or an open-ended investment company (*Società di Investimento a Capitale Variabile*, or “**SICAV**”) or an a non-real estate SICAF (*Società di Investimento a Capitale Fisso non Immobiliare* or “**non-real estate SICAF**”) established in Italy and either (i) the Fund, the SICAV or the non-real estate SICAF or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorized intermediary, Interest on the Notes accrued during the relevant holding period will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAV or the non-real estate SICAF. The Fund, the SICAV or the non-real estate SICAF are subject neither to *imposta sostitutiva* nor to any other income tax at their level, but a withholding tax at a rate of 26 percent will instead apply, in certain circumstances, to distributions made in favor of unitholders or shareholders of the Fund, the SICAV or the non-real estate SICAF.

#### Pension Funds

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree of December 5, 2005, No. 252) and *inter alia* the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the relevant holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, which will be subject to a 20 percent substitute tax.

### Enforcement of Imposta Sostitutiva

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (“SIM”), fiduciary companies, *società di gestione del risparmio* (“SGR”), stockbrokers and other entities identified by decrees of the Ministry of Economy and Finance (each, an “Intermediary”).

An Intermediary must:

- be resident in Italy, or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and
- intervene, in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary or a permanent establishment in Italy of a non-Italian resident financial intermediary paying interest to a Noteholder, or absent that, by Wind Tre, and gross recipients that are Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected are entitled to deduct the *imposta sostitutiva* suffered from income taxes due.

Pursuant to article 9 of Decree 239, certain non-Italian resident entities or companies acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Economy and Finance intermediary are treated as equivalent to an Intermediary for the purposes of Decree 239 if certain specific conditions are met.

### *Non-Italian Resident Noteholders*

Where the Noteholder is a non-Italian tax resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian tax resident Noteholder is:

- a) a beneficial owner of the Interest and resident, for tax purposes, in a State or territory included in the White List; or
- b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- c) an “institutional investor,” whether or not subject to tax, which is established in a State or territory included in the White List; or
- d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes (or Receipts) without the application of 26 percent *imposta sostitutiva*, non-Italian resident investors indicated above must:

- (i) be the beneficial owners of payments of Interest on the Notes (or Receipts);
- (ii) deposit the Notes (or Receipts) in due time together with the coupons relating to such Notes (or Receipts) directly or indirectly with an Italian Intermediary, or a permanent establishment in Italy of a non-Italian Intermediary, or with a non-Italian resident operator participating in a centralized securities management system which is in contact via computer with the Ministry of Economy and Finance; and
- (iii) file with the relevant depository, prior to or concurrently with the deposit of the Notes (or Receipts) and in no event later than an Interest payment made in connection with the

holding or disposal of the Notes (or Receipts) a statement (*autocertificazione*) by or on behalf of the relevant holder of the Notes (or Receipts) in which the holder of the Notes (or the Receipts) states, inter alia, that he or she is resident, for tax purposes, in a State included in the White List. Such statement (*autocertificazione*), which must comply with the requirements set forth by the Italian Ministerial Decree of December 12, 2001 (as amended and supplemented), is valid until withdrawn or revoked (unless some information provided therein has changed) and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy referred to in point b) above or Central Banks or entities also authorized to manage the official reserves of a State referred to in point d) above. Additional requirements are provided for “institutional investors” referred to in point c) above (in this respect see Circular No. 23/E of March 1, 2002 and No. 20/E of March 27, 2003).

Failure of a non-Italian resident Noteholder to comply promptly with the mentioned procedures set forth in Decree 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest, payments to a non-resident Noteholder.

In the case of Notes evidenced by the Receipts, Wind Tre has arranged for certain procedures to facilitate the collection and processing of these certifications. See “*Important Italian Substitute Tax Requirements and information in respect of The Tax Certification Procedures in respect of the Rule 144A Notes,*” “*Risk Factors—Risks Relating to the Notes and Wind Tre’s Structure,*” “*Book-Entry, Delivery and Form—Dollar Rule 144A Notes—Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures,*” and “*Appendix B—Acupay Italian tax compliance and relief procedures.*”

Should a beneficial holder of the Notes evidenced by the Receipts otherwise be entitled to an exemption suffer the application of *imposta sostitutiva* as a consequence of these procedures no longer being in place or because of a failure by such beneficial holder to comply with the procedures Wind Tre has arranged, such beneficial holder may request a refund of the *imposta sostitutiva* so applied directly from the Italian tax authorities within 48 months from the application of the tax. Beneficial owners of the Notes should consult their tax advisors on the procedures required under Italian tax law to recoup the *imposta sostitutiva* in these circumstances.

The *imposta sostitutiva* will be applicable at the rate of 26 percent to Interest, paid to Noteholders who do not qualify for the foregoing exemption or do not timely and properly satisfy the requested conditions (including the procedures set forth under Decree 239 and in the relevant implementation rules). Non-Italian resident Noteholders who are subject to *imposta sostitutiva* might nevertheless be eligible for full or partial relief under an applicable tax treaty subject to timely filing of required documentation provided by Regulation of the Director of Italian Revenue Agency No. 2013/84404 of July 10, 2013.

#### *Payments Made by an Italian Resident Guarantor*

According to a certain interpretation, payments on the Notes made by an Italian resident Guarantor under a Guarantee should be treated, in certain circumstances, as payment by the relevant issuer and should be subject to the tax regime described above. However, there is no public guidelines issued by the Italian tax authorities dealing with the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, if any future Italian resident guarantor makes any payments in respect of interest on the Notes (or any other amounts due under the Notes other than the repayment of principal) it is possible that such payments may be subject to withholding tax at the

applicable rate of 26 percent pursuant to Presidential Decree No. 600 of September 29, 1973, subject to such relief as may be available under the provisions of any applicable double taxation treaty.

### ***Tax Treatment of Capital Gains***

#### *Italian Resident Noteholders*

##### *Noteholders Not Engaged in an Entrepreneurial Activity*

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a capital gain tax (*imposta sostitutiva*, or “CGT”) levied at the rate of 26 percent. Noteholders may set off any capital losses with their capital gains subject to certain condition. In respect of the application of *imposta sostitutiva*, taxpayers may opt, under certain conditions, for any of the three regimes described below.

##### *Tax Declaration Regime*

Under the “tax declaration regime” (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the CGT on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual holding the Notes during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss of the same nature, in their annual tax return and pay the CGT on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward and offset against capital gains realized in any of the four following tax years.

##### *Non-Discretionary Investment Portfolio Regime (Risparmio Amministrato Regime)*

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the CGT separately on capital gains realized on each sale or redemption of the Notes (*risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to:

- (i) the Notes being deposited with an Italian bank, SIM or certain authorized financial intermediaries (including permanent establishment in Italy of foreign intermediaries); and
- (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder.

The depository must account for the CGT in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized upon the revocation of its mandate), net of any incurred capital loss. The depository must also pay the CGT to the Italian tax authorities on behalf of the Noteholder, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, any possible capital loss resulting from a sale or redemption of the Notes may be deducted from capital gains subsequently realized, within the same securities management, in the same tax year or in the following tax years up and until to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.



### Discretionary Investment Portfolio Regime (Risparmio Gestito Regime)

In the *risparmio gestito* regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity and who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at tax year-end, subject to a 26 percent substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the tax year-end may be carried forward against any increase in value of the managed assets accrued in any of the four succeeding tax years. The Noteholder is not required to declare the capital gains or losses realized in its annual tax return.

Subject to certain conditions (including minimum holding period requirement) and several limitations, capital gains on the Notes may be exempt from any income taxation (including from the 26% CGT) if the Noteholder is an Italian resident individual not engaged in entrepreneurial activity and the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets all the requirements set forth in Article 1(100 - 114) of Finance Act 2017.

### Noteholders Engaged in an Entrepreneurial Activity

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable business income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of net value of the production for IRAP purposes) if realized by an Italian company, a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), a commercial partnership, or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

### Real Estate Investment Funds and Real Estate SICAFs

Any capital gains realized by a Noteholder which qualifies as an Italian real estate investment fund or an Italian real estate SICAF to which the provisions of Decree 351 as subsequently amended apply will be subject neither to CGT nor to any other income tax at the level of the real estate investment fund or real estate SICAF. However, a withholding or substitute tax of 26% will apply, in certain circumstances, to income realized by unitholders or shareholders of such real estate investment funds or real estate SICAFs in the event of distributions, redemption or sale of the units or shares. Moreover, in certain circumstances, income realized by Italian real estate investment funds or real estate SICAFs is attributed pro rata to the Italian resident unitholders irrespective of any actual distribution on a tax transparency basis.

### Funds, SICAVs and Non-Real Estate SICAFs

Any capital gains realized by a Noteholder which is an Italian Fund, an Italian SICAV or an Italian non-real estate SICAF will not be subject to CGT but will be included in the result of the relevant portfolio accrued at the end of the relevant fiscal year. Such result will not be taxed with at the level of the Fund, the SICAV or the non-real estate SICAF, but subsequent distributions in favor of unitholders or shareholders may be subject to a withholding tax at 26 percent rate.

### Pension Funds

Any capital gains realized by a Noteholder which qualifies as an Italian pension fund (subject to the regime provided for by Article 17 of Italian Legislative Decree of December 5, 2005, n. 252) will be included in the result of the relevant portfolio accrued at the end of the relevant tax period, and subject to a 20 percent substitute tax.

### *Non-Italian Resident Noteholders*

A 26% CGT on capital gains may be payable in Italy on capital gains realized on the sale or redemption of the Notes by non-Italian resident persons without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

However, under Article 23(1)(f)(2) of Decree 917, capital gains realized by non-Italian resident Noteholders from the sale or redemption of notes issued by an Italian resident issuer and traded on regulated markets in Italy or abroad are not subject to the CGT, subject to the timely filing of required documentation (in particular, a self-declaration that the Noteholder is not resident in Italy for tax purposes). As of the date of this offering memorandum, the Italian tax authorities have not officially confirmed whether a multilateral trading platform qualifies for this exemption.

Capital gains realized by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident issuer, even if the Notes are not traded on regulated markets, are not subject to the CGT, provided that the beneficial owner is:

- a) a resident, for tax purposes, of a state or territory included in the White List; or
- b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- c) an “institutional investor,” whether or not subject to tax, which is established in a State or territory included in the White List; or
- d) a central bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

In order to ensure gross payment, non-Italian resident Noteholders must satisfy conditions similar to those set forth above to benefit from the exemption from the *imposta sostitutiva* in accordance with Decree 239 (see “*Certain Italian Tax Considerations—Tax Treatment of Interest*”).

If none of the above exemptions apply, capital gains realized by non-resident Noteholders from the sale or the redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the CGT at the current rate of 26%. However, Noteholders might benefit from an applicable tax treaty with Italy, which may provide that capital gains realized upon the sale or redemption of the Notes are to be taxed only in the State where the recipient is tax resident, subject to certain conditions to be satisfied.

Under these circumstances, if non-Italian resident entities without a permanent establishment in Italy to which the Notes are effectively connected hold Notes with an Italian authorized financial intermediary and are subject to the *risparmio amministrato* regime or elect for the *risparmio gestito regime*, exemption from Italian taxation on capital gains will apply upon condition that the non-Italian resident Noteholders file in time with the authorized financial intermediary appropriate documents which include, *inter alia*, a certificate of residence from the competent tax authorities of their Country of residence.

The *risparmio amministrato* regime is the ordinary regime automatically applicable to non-Italian residents holding Notes deposited with an Intermediary, but non-Italian resident Noteholders retain the right to waive this regime.

### *Certain Reporting Obligations for Italian Resident Noteholders*

Pursuant to Italian Law Decree No. 167 of June 28, 1990, converted by Law No. 227 of August 4, 1990, as amended and supplemented (“**Decree 167**”), individuals, non-commercial institutions and non-commercial partnerships resident in Italy which, at the end of the fiscal year, hold investments abroad or have foreign financial assets (including Notes held abroad and/or Notes issued by a non-Italian resident issuer) must, in certain circumstances, disclose the aforesaid assets to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within

the same time as prescribed for the income tax return). The reporting obligation also applies where the persons above, being not the direct holder of the financial assets, are the actual economic owners thereof for the purposes of the Italian anti-money laundering legislation. This obligation does not exist if the overall value of deposits and current accounts held abroad at any time during the fiscal year does not exceed €15,000 throughout the year. No disclosure requirements exist for investment and financial assets (including the Notes) under management or administration entrusted to Italian resident intermediaries (Italian banks, SIMs, fiduciary companies or other professional intermediaries, indicated in Article 1 of Decree No. 167 of June 28, 1990) and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subjected to Italian withholding or substitute tax by the such intermediaries.

### ***Italian Inheritance Tax and Gift Tax***

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- 4 percent on the value of the inheritance or the gift for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, a threshold of €1.0 million;
- 6 percent on the value of the inheritance or the gift for transfers in favor of brothers/sisters exceeding, for each beneficiary, a threshold of €0.1 million;
- 6 percent on the value of the inheritance or the gift for transfers in favor of relatives (*parenti*) up to the fourth degree and to all relatives in law in direct line (*affini in linea retta*) and to other relatives in law (*affini in linea collaterale*) up to the third degree; and
- 8 percent on the value of the inheritance or the gift for transfers in favor of any other person or entity.

If the heir/heirress and/or the donee is a person with a severe disability pursuant to Law No. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on other certain elements as set out by the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

### ***Wealth Tax (Financial Instruments Directly Held Abroad)***

According to Article 19(18) of Decree of December 6, 2011, No. 201 (“**Decree 201**”), Italian resident individuals holding financial assets—including the Notes—outside Italy without the involvement of an Italian financial intermediary are required to pay a wealth tax at the rate of 0.20 percent (the tax being determined in proportion to the period of ownership). The wealth tax applies on the market value of the Notes at the end of the relevant year or—in the absence of a market value—on the nominal value or redemption value of such financial assets held outside Italy. Taxpayers are generally permitted to deduct from the wealth tax a tax credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

### ***Stamp Taxes and Duties (Financial Instruments Held Through Italian Financial Intermediaries)***

According to Tariff Article 13(2bis, 2ter) of Presidential Decree No. 642 of October 26, 1972, a 0.2% stamp duty generally applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such Italian resident financial intermediary. Communications and reports are deemed to be sent at least once a year even if the Italian financial intermediary is under no obligation to either draft or send such communications and reports. The Notes are included in the notion of financial products for these purposes. The stamp duty applies on a yearly basis at the rate of 0.20 percent, calculated on the market value or—in the absence of a market value—on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). The stamp duty cannot exceed €14,000 for taxpayers different from individuals. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy and Finance on May 24, 2012, the 0.2% stamp duty does not apply to communications and reports that the Italian financial intermediaries send to investors who do not qualify as “clients” according to the regulations issued by the Bank of Italy. Communications and reports sent to this type of investors should be subject to the ordinary €2.00 stamp duty for each copy. Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

### ***Registration Tax***

Contracts relating to the transfer of the Notes are subject to the Italian registration tax as follows:

- public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to a fixed registration tax of € 200.00;
- non-notarized private deeds (*scritture private non autenticate*) are subject to a fixed registration tax of €200.00 only in case of use or voluntary registration or if the so-called “*caso d’uso*” or “*enunciazione*” occurs; and

if the contracts relating to the transfer of the Notes also include other clauses or provisions with economic content, additional Italian registration tax may be due, normally ranging from €200.00 to 3%.

### ***Certain Luxembourg Tax Considerations***

The following information is of a general nature only and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell the Notes. It is based on the laws, regulations and administrative and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This information does not take into account the specific circumstances of particular investors. Prospective investors should consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used in the sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (“*impôt sur le revenu des collectivités*”), municipal business tax (“*impôt commercial communal*”), a solidarity surcharge (“*contribution au fonds pour l’emploi*”) as well as personal income tax (“*impôt sur le revenu*”). Investors may further be subject to net wealth tax (“*impôt sur la fortune*”) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax. Under certain circumstances, where an individual taxpayer acts in the

course of the management of a professional or business undertaking, municipal business tax may apply as well.

### ***Taxation of the Holders of Notes***

#### ***Withholding Tax***

All payments of interest and principal by Wind Tre in the context of the holding, disposal, redemption or repurchase of the Notes can be made free of withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein in accordance with applicable law, subject however to the application of the Luxembourg law of December 23, 2005, as amended introducing a tax on certain payments of interest made to certain Luxembourg resident individuals (the “**Relibi Law**”).

Under the Relibi Law, payments of interest or similar income on debt instruments made or deemed made by a paying agent (within the meaning of the Relibi Law) established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a tax at a rate of 20%. Such tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax lies with the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

An individual beneficial owner of interest or similar income (in the meaning of the Savings Laws) who is a resident of Luxembourg and acts in the course of the management of his private wealth may opt in accordance with the relevant law for a final tax of 20% when he receives or is deemed to receive such interest or similar income from a paying agent established in an EU Member State (other than Luxembourg) or in a Member State of the EEA which is not an EU Member State,. In such case, the 20% levy is calculated on the same amounts as for the payments made by Luxembourg resident paying agents. The option for the 20% levy must cover all interest payments made to the Luxembourg resident beneficial owner during the entire civil year. The individual resident that is the beneficial owner of interest is responsible for the declaration and the payment of the 20% final tax.

#### ***Income Taxation***

##### ***Non-Resident Holders of Notes***

Non-resident holders of Notes, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which/whom the Notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal, in any form whatsoever, or redemption of the Notes.

Non-resident corporate or individual holders of Notes acting in the course of the management of a professional or business undertaking, who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which or whom the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal in any form whatsoever of the Notes.

##### ***Resident Holders of Notes***

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

#### Luxembourg Resident Corporate Holder of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is governed by the law of May 11, 2007, on family estate management companies, as amended, or by the law of December 17, 2010, on undertakings for collective investment, as amended, or by the law of February 13, 2007, on specialized investment funds, as amended, or by the law of July 23, 2016, on reserved alternative investment funds having elected for the specialized investment funds regime as referred to in the Law of February 13, 2007, on specialized investment funds (as amended) is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

#### Luxembourg Resident Individual Holder of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law or (ii) the individual holder of the Notes has opted for the application of a 20% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than an EU Member State). A gain realized by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

#### **Net Wealth Taxation**

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

A resident corporate holder of Notes or non-resident corporate holder of Notes that maintains a permanent establishment, permanent representative or a fixed place of business in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if such holder is (i) an undertaking for collective investment governed by the law of December 17, 2010 (as amended); (ii) a securitization vehicle governed by and compliant with the law of March 22, 2004 (as amended) on securitization; (iii) a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles; (iv) a specialized investment fund governed by the law of February 13, 2007 (as amended); (v) a family estate management company ("*Société de gestion de patrimoine familial*") subject to the law of May 11, 2007 (as amended); or (vi) or a reserved alternative investment fund governed by the law of July 23, 2016 on reserved alternative investment funds.

Notwithstanding the provisions above, a securitization vehicle governed by and compliant with the law of March 22, 2004, on securitization (as amended), a company governed by and compliant with the law of June 15, 2004 (as amended) on venture capital vehicles and a reserved alternative investment funds having elected for the regime of an investment company in risk capital as referred to in the law of June 15, 2004, on venture capital vehicles (as amended) might however be subject to the minimum annual net wealth tax charge. In this respect, a flat annual minimum net wealth tax of € 4,815 (for 2017) would be due assuming the Luxembourg company's assets, transferable securities and cash deposits represent at least

(i) 90% of its total balance sheet value and (ii) € 350,000 (the “**Asset Test**”). Alternatively, should the Asset Test not be met, a progressive annual minimum net wealth tax ranging from € 535 to € 32,100 depending on the Luxembourg company’s total gross assets would be due.

#### ***VAT***

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or a transfer of the Notes.

#### ***Other Taxes***

Neither the issuance nor the transfer of Notes will give rise to any Luxembourg stamp duty, issuance tax, registration tax, transfer tax or similar taxes or duties, *provided that* the relevant issue or transfer agreement is not registered in Luxembourg.

However, a fixed or *ad valorem* registration duty may be due upon the registration of the Notes in Luxembourg if the Notes are appended to a deed which is subject to mandatory registration, or in the case of a registration of the Notes on a voluntary basis, or if the Notes are lodged with the notary for his records.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or registered in Luxembourg.

#### **Certain United States Federal Income Tax Considerations**

The following is a description of the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a holder thereof. This description only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass through entities;
- dealers or traders in securities or currencies;
- U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States; or
- holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax, alternative minimum tax or Medicare contribution tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the

Notes for cash in the Offering at their issue price (*i.e.*, the first price at which a substantial amount of the Notes is sold for money to investors) or that hold Existing Notes. Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state and local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Internal Revenue Code of 1986, as amended (the “Code”), final, temporary and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing is subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- an individual who is a citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the tax consequences of their investment in the Notes.

A Non-U.S. Holder is a beneficial owner of the Notes that is neither a U.S. Holder nor an entity or arrangement treated as a partnership for U.S. federal income tax purposes.

### ***Effect of the Mandatory Exchange***

Wind Tre believes that a Mandatory Exchange of interests in X Receipts to interests in N Receipts to satisfy Italian substitute tax requirements, as described above under “*Book-Entry, Delivery and Form-Dollar Rule 144A Notes-Mandatory exchange and transfer restrictions in the event of non-compliance with tax procedures*,” should not result in a taxable event for U.S. federal income tax purposes. It is possible, however, that the Internal Revenue Service (the “IRS”) could take a contrary view, and seek to treat the holders as exchanging the Notes for “new” Notes in a deemed taxable exchange occurring in connection with the Mandatory Exchange. Holders are urged to consult their own tax advisors regarding the potential tax consequences of a Mandatory Exchange.

### ***U.S. Holder***

#### ***Characterization of the Notes***

Wind Tre, to the extent it is required to take any position for U.S. federal income tax purposes, intends to take the position that the Notes constitute indebtedness of Wind Tre for U.S. federal income tax purposes and this summary is based on the assumption that such position will be sustained.

In certain circumstances, Wind Tre may be obligated to make contingent payments on the Notes as described, for example, under “*Description of Notes—Redemption for Changes in Withholding Taxes*” and “*Description of Notes—Repurchase at the Option of Holders—Change of Control*.” Under the contingent



payment debt instrument U.S. Treasury Regulations (“**CPDI Regulations**”), the possibility of a contingent payment on a Note may be disregarded if the likelihood of the contingent payment, as of the date the Notes are issued, is remote or incidental. Wind Tre does not intend to treat the possibility of the contingent payments on the Notes as subjecting the Notes to the CPDI Regulations. It is possible, however, that the IRS may take a different position regarding the possibility of such contingent payments, in which case, if the position of the IRS were sustained, the timing, amount and character of income recognized with respect to a Note may be different than described herein and a U.S. Holder may be required to recognize income significantly in excess of payments received and may be required to treat as interest income all or a portion of any gain recognized on the disposition of any Note. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders should consult their own tax advisors regarding the potential application of the CPDI Regulations to the Notes.

#### *Stated Interest*

It is expected, and this discussion assumes, that the Notes will be issued with no, or a *de minimis* amount of, original issue discount. Payments of stated interest on a Note, including any additional amounts with respect thereto as described under “*Description of Notes—Additional Amounts*” and without reduction for any withholding taxes, will be taxable as ordinary income when you accrue or receive those payments (in accordance with your accounting method for U.S. federal income tax purposes).

Any stated interest paid or accrued in euros with respect to the Notes will be included in your gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are ultimately converted into U.S. dollars. Generally, if you are a U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes you will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder of Notes generally will not realize foreign currency gain or loss on the receipt of the interest payment, but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, if you are a U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes, you will determine the U.S. dollar value of accrued interest income using the average spot rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within the applicable taxable year). Alternatively, an accrual basis U.S. Holder of Notes may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate interest income at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the part of the period within the applicable taxable year), or the spot rate on the date of receipt if that date is within five business days of the last day of the accrual period. If you are a U.S. Holder of Notes that uses the accrual method of accounting for U.S. federal income tax purposes, you will recognize foreign currency gain or loss on the receipt of an interest payment on the Notes if the exchange rate in effect on the date the payment is received differs from the rate applicable to the accrual of that interest. The amount of foreign currency gain or loss to be recognized by the U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income gain or loss. Foreign currency gain or loss generally will be U.S. source.

#### *Creditability of Foreign Taxes*

Interest included in your gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. Non-U.S. withholding tax paid by a U.S. holder may be eligible for foreign tax credits. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, the interest should

generally constitute “passive category income,” or, in the case of certain U.S. Holders, “general category income.” As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

#### *Sale, Exchange, Redemption or Other Taxable Disposition of Notes*

You will generally recognize U.S. source gain or loss on the sale, retirement or other taxable disposition of a Note equal to the difference between the amount you realize on the sale, retirement or other taxable disposition, excluding any amounts attributable to accrued but unpaid interest (which will be taxable as ordinary income as discussed above), and your tax basis in your Note. Your tax basis in your Note generally will be its U.S. dollar cost. If you purchase a Note with euros, the U.S. dollar cost of such Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer or an electing accrual basis taxpayer and your Note is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, the U.S. dollar cost of such Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase. You will generally recognize capital gain or loss when you sell or dispose of your Note, except to the extent attributable to changes in exchange rates as described below. Capital gain of a non-corporate U.S. Holder recognized on the sale or disposition of a Note is generally eligible for a reduced rate of taxation when the U.S. Holder has a holding period in the Note greater than one year. If a Note is sold, retired or otherwise disposed of for an amount in euros or any other foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date such Note is disposed of, except that in the case of a Note that is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the euros or such other foreign currency, as the case may be, on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. An accrual method U.S. Holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent attributable to the difference between the exchange rates on the trade date and settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss realized upon the sale or other taxable disposition of a Note that is attributable to fluctuations in foreign currency exchange rates will constitute foreign currency gain or loss with respect to the principal amount to the extent provided under special rules. This foreign currency gain or loss will be taxable as U.S. source ordinary income or loss, but generally will not be treated as interest income or expense. A U.S. Holder will recognize foreign currency gain or loss on the principal amount of the Note equal to the difference between (i) the U.S. dollar value of the U.S. Holder’s purchase price for such Note determined at the spot rate on the date of sale or other disposition; and (ii) the U.S. dollar value of the U.S. Holder’s purchase price for the Note determined at the spot rate on the date the U.S. Holder acquired the Note. However, a U.S. Holder will recognize such foreign currency gain or loss, together with any foreign currency gain or loss in respect of accrued but unpaid interest, only to the extent of the total gain or loss realized on the sale or other disposition of the Note.

#### *Exchange of Amounts in Other than U.S. Dollars*

If you receive euros as interest on a Note or on the sale or disposition of a Note, your tax basis in the euros will equal their U.S. dollar value when the interest is received or on the settlement date of the sale or disposition, as applicable. If you purchase euros, you generally will have a tax basis equal to the U.S. dollar value of the euros on the date of your purchase. If you sell or dispose of euros, including if you use them to purchase Notes or exchange them for U.S. dollars, any gain or loss recognized generally will be U.S. source ordinary income or loss.

### *Reportable Transaction Reporting*

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. A “reportable transaction” includes certain transactions involving foreign currency losses exceeding a statutory amount. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest on or as proceeds from the sale or other disposition of the Notes.

### *Foreign Asset Reporting*

Certain U.S. Holders who are individuals are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in custodial accounts maintained by certain financial institutions). U.S. Holders are urged to consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Notes.

### *Non-U.S. Holder*

Subject to the discussion below under the caption “—*U.S. Backup Withholding and Information Reporting*,” if you are a Non-U.S. Holder, payments to you of interest on a Note generally will not be subject to U.S. federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States. Subject to the discussion below under the caption “—*U.S. Backup Withholding and Information Reporting*,” if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange or other taxable disposition of a Note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or disposition, and certain other conditions are met.

### *U.S. Backup Withholding and Information Reporting*

Backup withholding and information reporting requirements apply to certain payments of principal of, and interest (including for this purpose any Additional Amounts) on, a Note and to proceeds of the sale or disposition of a Note, to certain holders of the Notes that are U.S. persons. Backup withholding may be required with respect to payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient such as a corporation, if the holder fails to furnish its correct taxpayer identification number and other required information or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest, and the payment of proceeds from the sale of a Note effected at a United States office of a broker, to a holder of a Note that is not a U.S. person will generally not be subject to backup withholding and information reporting requirements if an appropriate certification as to the holder’s non-U.S. status is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding rate is 28%.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided that the required information is furnished to the IRS in a timely manner.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

## LEGAL MATTERS

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for Wind Tre by White & Case LLP with respect to matters of U.S. federal, New York state and English law, by White & Case (Europe) LLP with respect to matters of Italian law, by Freshfields Bruckhaus Deringer LLP with respect to matters of Italian tax law and by NautaDutilh Avocats Luxembourg S.à.r.l with respect to matters of Luxembourg law. Certain legal matters will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP with respect to matters of U.S. federal and New York state law, by Latham & Watkins (London) LLP with respect to matters of Italian law, by Latham & Watkins (London) LLP with respect to matters of English law and by Allen & Overy *société en commandite simple* with respect to matters of Luxembourg law.

## INDEPENDENT AUDITORS

### Wind Tre

The consolidated financial statements of Wind Tre S.p.A. (formerly H3G S.p.A.) and its subsidiaries, as of and for the years ended December 31, 2014, 2015, and 2016 included herein, have been audited by PricewaterhouseCoopers S.p.A., independent auditors, as stated in their reports appearing herein.

PricewaterhouseCoopers S.p.A. is authorized and regulated by the MEF and registered on the special register of auditing firms held by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa 91, 20149 Milan, Italy.

### WIND

The consolidated financial statements of Wind Telecomunicazioni S.p.A. and its subsidiaries as of and for the years ended December 31, 2014 and 2015 included herein, have been audited by PricewaterhouseCoopers S.p.A., independent auditors, as stated in their reports appearing herein.

PricewaterhouseCoopers S.p.A. is authorized and regulated by the MEF and registered on the special register of auditing firms held by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is at Via Monte Rosa 91, 20149 Milan, Italy. PricewaterhouseCoopers S.p.A. was appointed as independent auditor of Wind Telecomunicazioni S.p.A. and its subsidiaries on July 11, 2014.

### WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from Wind Tre and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Note Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either Wind Tre or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, Wind Tre will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner.

Upon request, Wind Tre will provide you with copies of the Indenture and the form of the Notes. You may request copies of such document by contacting Monica Giampaolo, of Wind Tre, at +39 02 3011 3510.

Wind Tre is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, Wind Tre will agree to furnish periodic information to the holders of the Notes. See “*Description of Notes—Reports.*”

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the Luxembourg Listing Agent.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Wind Tre is a joint stock company (*società per azioni* or *S.p.A.*), organized under the laws of the Republic of Italy.

### Service of Process

Many of the directors, officers and other executives of Wind Tre are neither residents nor citizens of the United States. Furthermore, most of the assets of Wind Tre are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, Wind Tre or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, Wind Tre has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Luxembourg or Italy upon those persons or Wind Tre or over other subsidiaries of Wind Tre *provided that* The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

### Enforcement of Judgments in Italy

Wind Tre has been advised by White & Case (Europe) LLP, Italian counsel to Wind Tre, that final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, *provided that* pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale private*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction upon the matter according to Italian law principles of jurisdiction;
- the relevant summons and complaint were appropriately served on the defendants in accordance with U.S. law and during the proceeding the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal (*passata in giudicato*) in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, Wind Tre has also been advised by its Italian counsel, White & Case (Europe) LLP, that if an original action is brought before an Italian court, the court may refuse to apply the U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

In cases of non-compliance with or objection to the recognition of a U.S. judgment, or when it is necessary to proceed with forceful execution, any interested person may apply to the court of appeals of the location of implementation for a determination of the existence of the recognition prerequisites above. The U.S. judgment, jointly with the decision allowing the application referred to above, constitutes entitlement to the implementation and forceful execution. If the objection to the U.S. judgment is raised in

the context of other proceedings pending in Italy, the decision on the objection is made by the Italian judge with effects limited to those proceedings only.

Please note that Italian courts do not accept non-certified copies of a foreign decision and require the original copy of the decision or a certified copy. The decision must be translated into Italian and the translation must be sworn.

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

### **Enforcement of Judgments in Luxembourg**

The Luxembourg Guarantor has been advised by NautaDutilh Avocats Luxembourg S.à r.l., its Luxembourg counsel, that a valid judgment against a Guarantor incorporated in Luxembourg with respect to the Guarantee obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Article 678 et seq. of the Luxembourg *Nouveau Code de Procedure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the U.S. court order or judgment must not have been rendered subsequent to an evasion of Luxembourg law (“*fraude à la loi*”);
- the judgment is final and enforceable in the jurisdiction where the decision is rendered;
- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. Court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and, if appeared, to present a defense; and
- the consideration of the foreign order as well as the judgment does not contravene public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal nature.

Wind Tre and the Guarantor have also been advised by its Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if its application contravenes Luxembourg public policy. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.



## LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain limitations on the validity and enforceability of the guarantees of the notes offered hereby, and a summary of certain insolvency law considerations in each of the jurisdictions in which Wind Tre is incorporated or organized. The description below is only a summary, and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the notes offered hereby or the guarantees of the notes offered hereby. Prospective investors in the notes offered hereby should consult their own legal advisors with respect to such limitations and considerations.

Wind Tre is incorporated and organized under the laws of the Member States of the European Union.

### European Union

#### *Regime Applicable to Insolvency Proceedings Opened After June 26, 2017*

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (the “**Recast EU Insolvency Regulation**”) was published on the Official Gazette of the European Union.

The Recast EU Insolvency Regulation will be applicable to insolvency proceedings opened after June 26, 2017. Insolvency proceedings opened before June 26, 2017, will be subject to the EU Insolvency Regulation. The Recast EU Insolvency Regulation will apply to insolvency proceedings opened in respect of a company whose center of main interests is located in a Member State (other than Denmark).

#### *Main Insolvency Proceedings*

Pursuant to Article 3(1) of the Recast EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the Member State (other than Denmark) within which the center of a debtor’s main interests is situated. The “center of main interests” is defined as “the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties.” Article 3(1), paragraph 2, provides for a rebuttable presumption, whereby in the case of a company it is assumed that its center of main interests is in the jurisdiction of the place of its registered office. In order to prevent fraudulent or abusive forum shopping, such presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request of the opening of insolvency proceedings. Otherwise, the presumption shall not apply and the court which shall have jurisdiction to open insolvency proceedings in relation to a company will be the court of the Member State (other than Denmark) within which the company had its registered office before moving it.

If the “center of main interests” of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the Recast EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the Recast EU Insolvency Regulation. Pursuant to Preamble 10, Annex A has been extended to include insolvency proceedings previously not falling within the scope of the EU Insolvency Regulation (such as, with respect to Italian insolvency proceedings, *accordi di ristrutturazione*, *procedure di composizione della crisi da sovraindebitamento del consumatore* and *liquidazione dei beni*) in order to promote the rescue of economically viable but financially distressed businesses.

Furthermore, pursuant to Article 6 of the Recast EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with

Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

#### *Secondary Insolvency Proceedings*

Insolvency proceedings opened in one Member State under the recast EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the “center of main interests” of a debtor is in one Member State (other than Denmark), under Article 3(2) of the Recast EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open “secondary” or “territorial” insolvency proceedings only in the event that such debtor has an “establishment” in the territory of such other Member State. “Establishment” is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

However, under Article 36 of the Recast EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law and from which the local creditors would benefit if the insolvency proceeding was opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a majority of local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvent estate and if a court is requested to open secondary insolvency proceedings, it should refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Pursuant to Article 4 of the Recast EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

#### *Insolvency Proceedings Involving Members of a Group of Companies*

The Recast EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, *provided that* this is not incompatible with the rules applicable to them.

#### *Applicability*

In the event that Wind Tre experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of Wind Tre.

## Italy

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company entering into a transaction (including granting a guarantee or a security interest) must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation and its existence is purely a business decision to the directors and the statutory auditors, if any. As a general rule, corporate benefit is to be assessed at the level of the relevant company on a stand-alone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for downstream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of directly or indirectly subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of up-stream or cross stream security or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of an up-stream and cross-stream guarantee or security for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Italian Banking Act, whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non-compliance with the provisions of the Italian Banking Act may, among others, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of

the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby “group” includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies, which are under the control of the same entity. As a result of the above described rules, subject to the Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

### ***Financial Assistance***

In addition, the granting of a security or a guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation. Any loan, guarantee or security given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

### ***Trust***

The Collateral will be created and perfected in favor of the Trustee acting in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code. Under such provision (introduced by Law No. 164 of November 11, 2014), the security interests and guarantees assisting bond issuances can be validly created in favor of the holders of the notes or in favor of a representative (*rappresentante*) of the holders of the Notes who will then be entitled to exercise in the name and on behalf of the holders all their rights (including any rights before any court and judicial proceedings) relating to the security interests and guarantees. However, there is no guidance or available case law on the exercise of the rights and enforcement of such security interest and guarantees by a *rappresentante* pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code also in the name and on behalf the holders of the Notes which are neither directly parties to the Collateral nor are specifically identified therein or in the relevant share certificates and corporate documents or public registries.

In addition, as the holders of the Notes are not direct party to the Indenture, there is the risk that the appointment of the Trustee in its capacity as representative (*rappresentante*) of the holders of the Notes pursuant to Article 2414-*bis*, paragraph 3, of the Italian Civil Code is not upheld by an Italian court and that therefore an Italian court may determine that the holders of the Notes at the time of enforcement are not secured by the security under the Security Documents and/or that the *rappresentante* cannot exercise the rights and enforce the Collateral also in the name and on behalf of the holders of the Notes. In addition, the provisions and the subject matter of paragraph 3 of Article 2414-*bis*, paragraph 3, of the Italian Civil Code are new and, as such, untested by Italian Courts and, therefore, even if the appointment of the *rappresentante* is upheld by an Italian Court, it cannot be excluded that an Italian Court may take a different view and interpretation and determine that, where the Collateral is only granted in favor of the *rappresentante*, the holders of the Notes at the time of enforcement are not secured by the Collateral and/or cannot enforce that Collateral.

Furthermore, to date, the Italian courts have not considered whether a common representative (*rappresentante comune*) of the holders of the Notes pursuant to Articles 2417 and 2418 of the Italian Civil Code may be validly appointed by means of a contractual arrangement (such as the Indenture) and the validity and enforceability of such appointment may not be upheld by a court.

Moreover, it is uncertain and untested in the Italian courts whether, under Italian law, a security interest can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a “trustee,” since there is no established concept of “trust” or “trustee” under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a “trustee” as trustee under security interests granted over Italian assets is uncertain under Italian law.

#### ***Certain Considerations in Relation to Security Interests***

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against “undercapitalized companies” and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower’s indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan (“undercapitalization”). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders’ loans “made in any form” and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer’s relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer’s ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any Collateral created over such intercompany loans or notes or any guarantees granted by such Italian subsidiaries may be impaired or restricted.

#### ***Certain Limitations on Enforcement***

The enforcement of security interests by creditors in Italy can be time consuming in addition in a liquidation scenario. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor’s assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during a certain legally specified period (the “**suspect period**”). For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see “—*Certain Italian Insolvency Laws*” below. If challenged successfully, the guarantee or the security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interest and rights in general may be subject to, *inter alia*, the following aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed above relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;
- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;
- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets and are equally liquid and payable;
- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;
- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the fact that the relevant provisions of laws may be deemed contrary to Italian public policy principles;
- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;
- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;
- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code);
- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;
- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;
- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;
- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure/attachment or adjudication in bankruptcy falls (or, in the absence of seizure/attachment, at the date of the notification of the payment demand (*precetto*)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date of the forced sale occurred in the context of the relevant foreclosure proceeding/bankruptcy proceedings;
- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an undisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document, another way is to have each page of the document stamped by the post office;
- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and
- in case of bankruptcy of the grantor of the pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas/shares.

#### ***Certain Italian Insolvency Law Considerations***

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security

interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where public companies are involved.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reform has been approved by the Italian Government on 23 June 2015 through a law-decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the “**Decree**”). The Decree entered into force on June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by the Law No. 132/2015 (“**Law 132**”). Law 132 entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*).

The two primary aims of Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the “**Italian Bankruptcy Law**”) are to liquidate the debtor’s assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors’ claim as well as, in case of the “*Prodi-bis*” procedure or “*Marzano*” procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent rather than a temporary status of insolvency in order for a court to hold that a company is insolvent.

The following debt restructuring and bankruptcy alternatives are available under Italian law for companies in a state of crisis and for insolvent companies.

#### *Restructuring Outside of a Judicial Process (Accordi Stragiudiziali)*

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

#### *Out-of-Court Reorganization Plans (Piani di Risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law*

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirements set forth by Article 2399 of the Italian Civil Code



and may be subject to liability in case of misrepresentation or false certification. The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out for the implementation of the reorganization plan, subject to certain conditions (a) are not subject to claw-back action; and (b) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the Companies' Register are needed (although publication in the Companies' Register is possible upon a debtor's request and would allow to certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

*Debt Restructuring Agreements with Creditors Pursuant to Article 182-bis of the Italian Bankruptcy Law  
(Accordi di Ristrutturazione dei Debiti)*

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval. An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare and that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within the following terms: (a) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (b) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (*i.e.*, facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The 60-days moratorium can also be requested by the debtor while negotiations with creditors are pending (*i.e.*, prior to the above-mentioned publication of the agreement), subject to certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium. Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the

companies' register. After having settled the oppositions (if any) the court will validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Decree 83/2015, as amended by Law 132/2015 modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that an independent expert certifies the homogeneity of the classes and subject to certain conditions being met. The purpose is to prevent banks with modest credits from block restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

Such debt restructuring agreements and standstill agreements will not affect the rights of non-financial creditors (*e.g.*, trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80 percent of such financing). Financing granted "in view of" (*i.e.*, before) presentation of a petition for a debt restructuring agreement or a court-supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* security (*garanzie reali*), *provided that* the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, *provided that* the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (omologazione) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

#### *Court-Supervised Pre-Bankruptcy Composition with Creditors (Concordato Preventivo)*

A company which is insolvent or in a situation of crisis (*i.e.* financial distress which does not yet amount to insolvency) has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, among others, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Preexisting creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-bis of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Law Decree No. 69/2013 as converted into Law No. 98/2013 (“**Law Decree 69/2013**”). The debtor company may file such petition along with: (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to

the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension. In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-bis of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (e.g., concealment of part of assets, omission to report one or more claims, declaration of nonexistent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the abovementioned period.

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register. Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, ex officio, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-bis, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-bis, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *pre-deducibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the

costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its board of directors, but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business).

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a prebankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e. a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims. This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-bis of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors. After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

#### *Bankruptcy Proceedings (Fallimento)*

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. Bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding fiscal years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding fiscal years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, amongst other things:

- subject to certain exceptions, all actions of creditors, actions are stayed and creditors must file claims within a defined period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. Any outstanding balance will be considered unsecured and rank *pari passu* with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in his or her decision;
- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (*curatore fallimentare*);
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- any act (including payments) made by the debtor after the commencement of the proceedings, other than those made through the receiver, become ineffective against creditors.

- Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by Italian Bankruptcy Law.

Bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor to the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real property. In this respect, Law 132/2015 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

- *Bankruptcy composition with creditors (concordato fallimentare)*. Bankruptcy proceedings can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration but before the lapse of two years from the decree giving effectiveness to the bankruptcy's estate. The petition may provide for the division of creditors into classes (thereby proposing different treatments among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.
- *Statutory priorities*. The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different from the priorities in the United States, the United Kingdom and certain other EU jurisdictions. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priorities of claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgages (*creditori ipotecari*), pledges (*creditori pignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*). Under Italian law, the proceeds from the sale of the bankrupt's estate are distributed according to legal rules of priority. Neither the debtor nor the court can deviate from these priority rules by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles. The law creates a hierarchy of claims that must be adhered to when distributing the proceeds derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset. In particular, article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (*i.e.* claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims.
- *Avoidance powers in insolvency*. Similar to other jurisdictions, there are so-called "claw-back" or avoidance provisions under Italian law that may give rise, *inter alia*, to the revocation of payments

or to the granting of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions.

The Italian Bankruptcy Law distinguishes between acts or transactions which are ineffective by operation of law and acts or transactions which are voidable at the request of the bankruptcy receiver/court commissioner.

- Acts ineffective by operation of law.

- (i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective *vis-à-vis* creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and
- (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are deemed ineffective *vis-à-vis* creditors, if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

- Acts that may be avoided at the bankruptcy receiver's request.

- (i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) *vis-à-vis* the bankruptcy as provided for by article 67 of the above referenced Royal Decree and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:
  - onerous transactions entered into in the year before the insolvency declaration, when the value of the debt or the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;
  - payments of debts, due and payable, which were not made by the debtor in cash or by other customary means of payment in the year prior to the insolvency declaration;
  - pledges and mortgages granted by the bankrupt entity in the year prior to the insolvency declaration in order to secure pre-existing debts which not yet due at the time the new security was granted ; and
  - pledges and mortgages granted by the bankrupt entity in the six months prior to the insolvency declaration in order to secure pre-existing debts which had already fallen due at the time the new security was granted.



- (ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be avoided and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent:
- payments of debts that are immediately due and payable and any onerous transactions entered into or made within six months prior to the insolvency declaration; and
  - granting of security interest for debts incurred in the six months prior to the insolvency declaration.
- (iii) The following transactions are exempt from claw-back actions:
- payments for goods or services made in the ordinary course of business according to market practice;
  - a remittance on a bank account; provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;
  - the sale, including an agreement for sale registered pursuant to Article 2645-bis of Italian Royal Decree No. 262 of March 16, 1942 (the "Italian Civil Code"), currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;
  - transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67 of the Italian Bankruptcy Law;
  - a transaction entered into, payment made or guarantee granted in the context of "concordato preventivo" under Article 161 of the Italian Bankruptcy Law or an "accordo di ristrutturazione del debito" under Article 182-bis of the Italian Bankruptcy Law;
  - remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them;
  - payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to concordato preventivo procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary claw-back period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code. Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third person, the third person was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third person participated in the fraudulent design).

Law 132/2015 also introduced new Article 2929-bis to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (*e.g.*, gratuitous transfers, or creation of shield

instruments such as trusts or the so called *fondo patrimoniale*—“family trust”). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third party purchaser.

*Extraordinary Administration for Large Insolvent Companies (Amministrazione Straordinaria delle Grandi Imprese in Stato di Insolvenza)*

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the “*Prodi-bis procedure*.” To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors’ claims largely apply to an extraordinary administration proceeding. Extraordinary administration procedures involve two main phases—an administrative phase and a judicial phase.

In the administrative phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Productive Activities Minister (the “**Ministry**”). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry.

If the company is admitted to the extraordinary administration procedure, the judicial phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the “**Disposal Plan**”) or a reorganization leading to the company’s economic and financial recovery within two years (unless extended by the Ministry) (the “**Recovery Plan**”). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared bankrupt.

*Industrial Restructuring of Large Insolvent Companies (Ristrutturazione Industriale di Grandi Imprese in Stato di Insolvenza)*

Introduced in 2003 pursuant to Law Decree No. 347 of 23 December 2003, as converted into Law No. 39 of 2004 and subsequently amended, this procedure is also known as the “*Marzano procedure*.” It is complementary to the *Prodi-bis* procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt. The decision whether to open a Marzano procedure is taken by the Ministry following the debtor’s request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company’s insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

#### *Compulsory Administrative Winding-Up (Liquidazione Coatta Amministrativa)*

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

#### *Interim Financing*

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

#### *Hardening Period/Clawback and Fraudulent Transfer*

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can

request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant Guarantor enters into insolvency proceedings, the security interests created under the documents entered into to secure the Collateral and the Guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such Guarantor under the rules of avoidance or claw-back of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during a certain legally specified period (the “**suspect period**”). The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor’s insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor’s insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm’s length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantor’s Guarantee or the granting of security interests under the Security Documents by a Guarantor. If they are challenged successfully, the rights granted under the Italian Guarantees or in connection with security interests under the relevant Security Documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related Security Documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the E.U. Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

## **Luxembourg**

### ***Certain Insolvency Law Considerations***

The following main types of proceedings (altogether referred to as insolvency proceedings) may be opened against a company having its or center of main interests (“*centre des intérêts principaux*”) or central administration (*administration centrale*) in Luxembourg (the “**Luxembourg Guarantor**”):

- bankruptcy (*faillite*) proceedings, the opening of which may be requested by the Luxembourg Guarantor or by any of its creditors; following such a request, a competent Luxembourg court may open bankruptcy proceedings if the company (i) is unable to pay its debts as they fall due (*cessation des paiements*), and (ii) has lost its commercial creditworthiness (*ébranlement de crédit*); if a court finds that these conditions are met without any request, it may also open bankruptcy proceedings on its own motion;

- controlled management proceedings (*gestion contrôlée*), the opening of which may only be requested by the Luxembourg Guarantor and not by its creditors; a reorganization order requires the prior approval by more than 50% in number of the creditors representing more than 50% of the company's liabilities in order to take effect; and
- voluntary composition with creditors (*concordat préventif de la faillite*), upon request only by the Luxembourg Guarantor (subject to obtaining the consent of the majority of its unsecured creditors representing at least 75% of the company's liabilities) and not by its creditors. The court's decision to admit a company to a composition with participating creditors triggers a provisional stay on enforcement of claims by participating creditors while other creditors may pursue their claims individually.

In addition to these insolvency proceedings, your ability to receive payment under the Note Guarantees may be affected by a decision of a court to grant a suspension of payments (*sursis de paiement*) or to put the Issuer into judicial liquidation (*liquidation judiciaire*). Judicial winding up proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or seriously breaching the laws governing commercial companies. The management of such winding up proceedings will generally follow the rules of bankruptcy proceedings.

Generally, during the insolvency proceedings, all enforcement measures by unsecured creditors against the Luxembourg Guarantor are stayed, while certain secured creditors (pledgees or mortgagees) retain the ability to settle separately while the debtor is in bankruptcy. Collateral over which a security right has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus of enforcement proceeds is realized). During controlled management proceedings, enforcement measures are suspended until the final reorganization order from the adjudicating court, declarations of default and any subsequent acceleration upon the occurrence of an event of default may not be enforceable and participating secured creditors in composition proceedings are required to abandon their security. Under the Luxembourg Act dated August 5, 2005 concerning financial collateral arrangements, as amended (the "**Collateral Act**"), secured creditors holding financial collateral arrangements falling within the Collateral Act may enforce their security during the insolvency proceedings without court approval outside the general body of creditors and satisfy their claim in order of their priority in the enforcement proceeds.

Liabilities of the Guarantor under the Note Guarantees will, in the event of a liquidation of such Luxembourg Guarantor following bankruptcy or judicial winding-up proceedings, rank junior to the cost of such proceedings (including any debt incurred for the purpose of such bankruptcy or judicial winding-up) and those debts of the Luxembourg Guarantor that are entitled to priority under Luxembourg law. Preferential rights arising by operation of law under Luxembourg law include:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- salaries, wages and indemnities owed to employees in connection with the execution or the termination of an employment contract.

Luxembourg insolvency law may also affect transactions entered into or payments made by the Luxembourg Guarantor during the hardening period (*période suspecte*) (which is a maximum of six months and ten days) preceding the judgment adjudicating the insolvency proceedings, in particular, the granting of a security right for antecedent debt, the payment of debt not due (whether or not payment is made in cash or by way of assignment, sale, set-off or by any other means) or of debt due by any means other than cash or bill of exchange or the sale of assets without consideration or with substantially inadequate consideration. These transactions must be declared null and void, in all circumstances, at the request of the

competent Luxembourg insolvency official (including any *commissaire, juge-commissaire, liquidateur or curateur* or similar official). Further, if the insolvency official demonstrates that (i) an adequate payment in relation to a due debt was made during the hardening period to the detriment of the general body of creditors, and/or (ii) the party receiving such payment knew that the company had ceased payments when such payment occurred, the insolvency official has the power, among other things, to invalidate such preferential transaction. Notwithstanding the above, a financial collateral arrangement falling within the Collateral Act entered into after the opening of measures insolvency proceedings is valid and binding against third parties or insolvency officials notwithstanding the hardening period if the collateral taker proves that it was unaware of the opening of such proceedings or of the taking of such measures or that it could not reasonably have been aware of them. Generally, if the insolvency official demonstrates that the Luxembourg Guarantor has given a preference to any person by defrauding the rights of creditors generally, a competent insolvency official (acting on behalf of the creditors) has the power to challenge such preferential transaction (including the granting of security right with fraudulent intent) without limitation of time.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in an automatic termination of contracts except for personal (*intuitu personae*) contracts, that is, contracts for which the identity of the company or its solvency were crucial. However, the insolvency official may choose to terminate certain onerous contracts. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue *vis-à-vis* the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on the Issuer's business and assets and the Luxembourg Guarantor's respective obligations under the Note Guarantees.

#### ***Security Interests Considerations***

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or subject matter of the pledge or security interest is situated) in relation to the creation, perfection and enforcement of security interests over such assets. As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims governed by Luxembourg law and/or having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg,

If there are assets located or deemed to be located in Luxembourg, the security rights over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The Luxembourg Collateral Act governs the creation, validity, perfection and enforcement of pledges over shares, bank accounts and receivables located or deemed to be located in Luxembourg.

Under the Luxembourg Collateral Act, the perfection of security interests depends on certain registration, notification and acceptance requirements. A share pledge agreement must be (i) acknowledged and accepted by the company which has issued the shares (subject to the security interest) and (ii) registered in the shareholders' register of such company. If future shares are pledged, the perfection of such pledge will require additional acknowledgement, acceptance and/or registration in the shareholders' register of such company. A pledge over receivables becomes enforceable against the debtor of the receivables and third parties from the moment when the agreement pursuant to which the pledge was created is entered into between the pledgor and the pledgee. However, if the debtor has not been notified of the pledge or if he did not otherwise acquire knowledge of the pledge, he will be validly discharged if he pays the pledgor. A bank account pledge agreement must be notified to and accepted by the account bank. In addition, the account bank has to waive any pre-existing security interests and other rights in respect of the relevant account. If future bank accounts are pledged, the perfection of such pledge will require additional notification to, acceptance and waiver by the account bank. Until such registrations,

notifications and acceptances occur, the pledge agreements are not effective and perfected against the debtors, the account banks and other third parties.

Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Security interests/arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators might not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg Insolvency Proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if “main insolvency proceedings” (as defined in the EU Regulation) are opened under Luxembourg law and such security interests/arrangements constitute rights *in rem* over assets located in another Member State in which the EU Regulation applies, and in accordance of Article 5 of the EU Regulation.

The perfection of security rights created pursuant to a pledge agreement does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled to priority over the proceeds of such sale (subject to preferred rights by operation of law).

Under Luxembourg law, certain creditors of an insolvent party have rights to preferred payments arising by operation of law, some of which may, under certain circumstances, supersede the rights to payment of secured or unsecured creditors, and most of which are undisclosed preferences (*privilèges occultes*). This includes in particular the rights relating to fees and costs of the insolvency official as well as any legal costs, the rights of employees to certain amounts of salary, and the rights of the Treasury and certain assimilated parties (namely social security bodies), which preferences may extend to all or part of the assets of the insolvent party. This general privilege takes in principle precedence over the privilege of a pledgee in respect of pledged assets.

### ***Intra-Group Guarantees***

Entities incorporated in Luxembourg have granted security interests and guarantees in order to secure, *inter alia*, the obligations under the Additional Notes.

The granting of cross- or up-stream security interests and guarantees by a Luxembourg company in order to secure the obligations of other entities may raise some corporate benefit issues, in particular in relation to the corporate interest of the Luxembourg company having to provide such security interests/guarantees. A Luxembourg company must act for its own benefit (*spécialité légale*) and in its own corporate interest. It cannot ultimately be excluded that granting of security interest/guarantee, which would be considered by a Luxembourg court as made in the absence of corporate interest, be declared void on the ground of illegal cause (*cause illicite*). Following the French supreme court case law, to which Luxembourg courts might turn, a Luxembourg entity could find a benefit and a corporate interest in granting security interests and guarantees for the obligations of other group entities if certain conditions are met. Whether an action is in the corporate interest of a company is a matter of fact not a legal issue. The directors/managers of a company are those who are able to assess whether such company has a corporate benefit and interest in granting cross- or up-stream security interests or guarantees. It is further commonly considered that down-stream guarantees and security interests do not raise corporate benefit issues.

The cross- or up-stream guarantees granted by a Luxembourg company will be subject to contractual limitations.

### *Guarantee Limitation*

To mitigate the above risks, the aggregate payment obligations of the Luxembourg Obligor under the Notes Guarantee in respect of any Affiliate (as defined in the Indenture), which is not a direct or indirect subsidiary of the Luxembourg Obligor, will be limited to an aggregate amount not exceeding 90% of an amount equal to (i) the sum of the Luxembourg Obligor's own funds (*capitaux propres*) (as referred to in Annex I to the Grand Ducal Regulation dated 18 December 2015 setting out article 34 of the Luxembourg act dated 19 December 2002 concerning the trade and companies register and accounting and annual accounts of undertakings, as amended, and as implemented by Annex I to the Grand Ducal regulation dated 18 December 2015 setting out the form and the content of the presentation of the balance sheet and profit and loss account (the "Own Funds") and (ii) such Luxembourg Obligor's debt which is subordinated in right of payment (whether generally or specifically) to any claim of any party under the Indenture.

This limitation of guarantee, which does, among others, not apply to Luxembourg law security interests, will be included in the Indenture. The Indenture will further details the calculation mechanism of this guarantee limitation.

### *Registration in Luxembourg*

The registration of the additional Notes, the security interest agreements, the Indenture, the guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that the additional Notes, the security interest agreements, the Indenture, the guarantees and the transaction documents (and any document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an *ad valorem* duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No *ad valorem* duty is payable in respect of security interest agreements, which are subject to the Luxembourg Collateral Act.

The Luxembourg courts or the official Luxembourg authority may require that the additional Notes, the security interest agreements, the Indenture, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.



## LISTING AND GENERAL INFORMATION

### Admission to Trading and Listing

Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, in accordance with the rules and regulations of such exchange.

### Luxembourg Listing Information

For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules and regulations of that exchange require, copies of the following documents in English may be inspected and obtained free of charge at the specified office of the Luxembourg Listing Agent during normal business hours on any weekdays:

- the articles of incorporation and the documents of incorporation of Wind Tre;
- the financial statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of Wind Tre, to the extent available;
- the notations of guarantee;
- the security documents;
- the Indenture; and
- the Intercreditor Agreement.

Wind Tre has appointed Citibank, N.A., London Branch, as Registrar, Transfer Agent and Principal Paying Agent. Wind Tre reserves the right to vary such appointments in accordance with the terms of the Indenture and will publish a notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Wind Tre accepts responsibility for the information contained in this Offering Memorandum. To Wind Tre's best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

### Clearing Information

The Floating Rate Notes sold pursuant to Regulation S and Rule 144A in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 170845021 and 170849086, respectively. The ISIN for the Floating Euro Rate Notes sold pursuant to Regulation S is XS1708450215 and the ISIN for the Floating Rate Notes sold pursuant to Rule 144A is XS1708490864.

The 2023 Fixed Rate Euro Notes sold pursuant to Regulation S and Rule 144A in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 170845048 and 170849108, respectively. The ISIN for the 2023 Fixed Rate Euro Notes sold pursuant to Regulation S is XS1708450488 and the ISIN for the 2023 Fixed Rate Euro Notes sold pursuant to Rule 144A is XS1708491086.

The 2025 Fixed Rate Euro Notes sold pursuant to Regulation S and Rule 144A in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under common codes 170845056 and 170849116, respectively. The ISIN for the 2025 Fixed Rate Euro Notes sold

pursuant to Regulation S is XS1708450561 and the ISIN for the 2025 Fixed Rate Euro Notes sold pursuant to Rule 144A is XS1708491169.

The Dollar Notes sold pursuant to Regulation S in this Offering have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream, the Dollar Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance and settlement through the facilities of DTC, and the Dollar Notes sold pursuant to Rule 144A and represented by X Notes have been accepted for clearance and settlement through the facilities of Clearstream. The Dollar Notes sold pursuant to Regulation S have been assigned common code 170841743, and ISIN XS1708417438. The Dollar Notes sold pursuant to Rule 144A are represented by X Notes and N Notes. The Dollar Notes sold pursuant to Rule 144A and represented by X Notes have been assigned ISIN IT0005291163 and common code 171435722. The Dollar Notes sold pursuant to Rule 144A and represented by N Notes have been assigned ISIN IT0005291155. Beneficial interests in the Dollar Notes sold pursuant to Rule 144A are represented by X Receipts and N Receipts which have been accepted for clearance and settlement through the facilities of DTC which have been assigned ISIN US973147AD31 and US973147AB74, respectively, and CUSIP 973147 AD3 and 973147 AB7, respectively.

## **Wind Tre Legal Information**

### ***General***

Wind Tre was incorporated as a *società per azioni* under the laws of Italy on December 30, 2016. Wind Tre has an authorized share capital of €474,303,795.00 comprised of 94,860,759 ordinary registered voting shares without par value.

Wind Tre's corporate seat and its principal executive offices are located at Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy. Wind Tre is registered with the *Registro delle Imprese* of Rome with registered number and *codice fiscale* 13378520152.

The articles of incorporation of Wind Tre have been published December 31, 2017. The articles of incorporation have been amended from time to time and their latest version has been published in the Companies Register of Milan.

Pursuant to Title II, Section 4.1 of its articles of incorporation, the corporate purpose of Wind Tre is the supply of telecommunications services, in Italy and abroad, and, to this purpose, Wind Tre may carry out any activity connected, conducive, similar, complementary or however useful to the performance of these services. See also "*Principal Shareholders*" included elsewhere in this Offering Memorandum.

Wind Tre has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes will be authorized by Wind Tre's board of directors on October 16, 2017.

### ***Financial Year and Accounts***

Wind Tre's financial year begins on January 1 and ends on December 31 of each year. Wind Tre prepares and publishes audited annual accounts. Any future published annual accounts prepared by Wind Tre will be available, during normal business hours, at Wind Tre's office located at Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy.

### ***Annual General Meeting***

The annual general meeting of the shareholders of Wind Tre takes place in the commune of the registered office at the place specified in the convening notices each year.

### ***Guarantor Legal Information***

The Guarantor was incorporated on July 29, 2005 as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg and is a directly wholly owned subsidiary of Wind Tre. The Guarantor is registered with the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B109.825. The articles of incorporation of the Guarantor have been published in the Official Gazette (*Mémorial C, Recueil des Sociétés et Associations*) of the Grand Duchy of Luxembourg (number C N°1409 of December 17, 2005) on page 67602. The articles of incorporation have been amended from time to time and their latest version has been published in the Official Gazette (*Mémorial C, Recueil des Sociétés et Associations*) of the Grand Duchy of Luxembourg (number C N°383 of March February 25, 2011 on page 18364). The Guarantor has a share capital of €60,031,000.00 comprised of 12,006,200 shares with a par value of €5.00 each, each being fully paid up.

The Guarantor's registered office is located at 1, route d'Esch, L-1470, Luxembourg, Grand Duchy of Luxembourg. The Guarantor is registered with the Luxembourg trade and companies register with registered number B109.825.

The Guarantor has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Note Guarantees. The creation and issuance of the Note Guarantees were authorized by the Guarantor's board of directors on October 17, 2017.

### **General**

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in Wind Tre's financial position since the unaudited consolidated financial statements of Wind Tre and its consolidated subsidiaries as of and for the six months ended June 30, 2017, included elsewhere in this Offering Memorandum; and
- Wind Tre, nor any of its subsidiaries, has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as Wind Tre is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

**APPENDIX A  
GLOSSARY OF TECHNICAL TERMS**

The following technical terms and abbreviations when used in this Offering Memorandum have the definitions ascribed to them opposite below.

<u>Abbreviation</u>	<u>Definitions</u>
“3G” .....	Third Generation Mobile System. The generic term for the next generation of wireless mobile communications networks. 3G networks transmit data from mobile sources at 144 kilobits per second and from fixed sources at up to 2 Mbps.
“4G” .....	Fourth Generation Mobile System. The generic term for the next generation of wireless mobile communications networks. 4G networks transmit data from mobile sources at 100 megabits per second and from fixed sources at up to 1 gigabit.
“ADSL 2+” .....	A modem technology that converts existing twisted-pair telephone lines provided by Telecom Italia into access paths for multimedia and high-speed data communications at transmission speeds of up to 24 Mbps to a subscriber, more than double the speed of ADSL.
“AGCOM” .....	<i>Autorità per le Garanzie nelle Comunicazioni</i> , the Italian Communications Regulatory Authority, established on July 31, 1997.
“AMOU” .....	Average minutes of usage.
“analog” .....	The first generation of mobile telecommunications technology in which radio signals are modulated proportionally by the strength and frequency of audio sounds.
“Asymmetric Digital Subscriber Line” or “ADSL” .....	A modem technology that converts existing twisted-pair telephone lines provided by Telecom Italia into access paths for multimedia and high-speed data communications at transmission speeds of up to 6 Mbps, and as much as 832 Kbps or more in both directions. Such rates expand existing access capacity by a factor of 50 or more without requiring the installation of new telephone lines.
“ATM” .....	Asynchronous transfer mode, a digital network transport technology.
“average revenue per user” or “ARPU” .....	Average revenue per user is a telecom industry metric generally calculated by dividing recurring revenue (which includes airtime ( <i>i.e.</i> , time elapsed between the start and termination of a call) usage, monthly subscription fees and other recurring service fees) during a period by the average number of subscribers during a period. See “ <i>Industry, Market and Subscriber Data of Wind Tre</i> ” for an explanation of Wind Tre’s calculation methodology for mobile ARPU and fixed-line ARPU.
“backbone” .....	A high speed line, or a series of connections forming a major communication pathway within a network, which uses a much faster protocol than that employed by a single local area network and has the highest traffic intensity.

<u>Abbreviation</u>	<u>Definitions</u>
“band”	In wireless communication, band refers to a frequency or contiguous range of frequencies.
“base station” or “sites”	Base transceiver station. Fixed transmitter/receiver equipment in each geographic area or cell of a mobile telecommunications network that communicates by radio signal with mobile telephones in the cell.
“base station controller”	Equipment in a mobile telecommunications network for controlling call set-up, signaling and maintenance functions and the use of radio channels for one or more base stations.
“bitstream”	a service consisting of the supply by Telecom Italia to the alternative operator of the transmissions capacity between the final customers workstation and the interconnection point, or POP (as defined below) of an alternative operator which wants to offer broadband services to its final customers.
“bps”	Bits per second.
“broadband”	A connection to exchange data at higher speeds than through narrowband dial-up analog lines. The most common broadband technologies are cable modems (up to 3 Mbps), DSL (up to 8 Mbps), satellite (up to 10 Mbps), wireless (up to 1.54 Mbps) and optical fiber (up to 155 Mbps).
“broadband services”	These are services divided into two categories: (i) interactive services, including video telephone/video conferencing (both point-to-point and multipoint), video monitoring, interconnection of local networks; file transfer, computer aided design, high-speed fax, e-mail for moving images or mixed documents; broadband videotext, video-on-demand, retrieval of sound programs or fixed and moving images; and (ii) broadcast services, such as sound programs, television programs (including high definition TV and pay TV) and selective document acquisition.
“capacity”	The amount of bandwidth or throughput that can be handled by a network element.
“cellular”	Cellular refers most basically to the structure of the wireless transmission networks that are comprised of cells or transmission sites.
“channel”	A path of communication, either electrical or electromagnetic, between two or more points. Also called a circuit, facility, line, link or path.
“churn”	A telecom industry measure of the proportion of subscribers that disconnect from a telecommunication providers’ service over a period of time. See “ <i>Industry, Market and Subscriber Data of Wind Tre</i> ” for an explanation of the calculation methodology used.
“convergence”	Convergence merger of telecom, data processing and imaging technologies, where fixed, mobile, and IP service providers can offer content and media services, and equipment providers can offer services directly to the end user. It is the combination of different media into one operating platform.

<u>Abbreviation</u>	<u>Definitions</u>
“ <b>digital</b> ” . . . . .	A signaling technology in which a signal is encoded into digits for transmission.
“ <b>DSL</b> ” . . . . .	Digital Subscriber Line, a technology enabling a local loop copper pair to transport high-speed data between a central office and the subscribers’ premises.
“ <b>dual band</b> ” . . . . .	Term used for mobile phone technology that allows a mobile phone to support two frequency bands.
“ <b>EDGE</b> ” . . . . .	Enhanced Data rates for GSM Evolution; effectively, the latest stage in the evolution of the GSM standard, EDGE uses a new modulation scheme to enable theoretical data speeds of up to 384 Kbps within the existing GSM spectrum.
“ <b>fiber optic cable</b> ” . . . . .	A transmission medium comprised of extremely pure and uniform glass. Digital signals are transmitted across fiber optic cable as pulses of light. While signals transmitted over fiber optic cable travel at the same speed as those transmitted over traditional copper cable, fiber optic cable benefits from greater transmission capacity and lower distortion of signals transmitted.
“ <b>fixed-line</b> ” . . . . .	A physical line connecting the subscriber to the telephone exchange. In addition, fixed-line includes fixed wireless systems, in which the users are in fixed locations using a wireless connection ( <i>i.e.</i> , cordless telephones) to the telephone exchange.
“ <b>frequency</b> ” . . . . .	The rate at which an electrical current alternates, usually measured in Hertz (Hz). Also the way to note a description of a general location on the radio frequency spectrum such as 800 MHz, 900 MHz or 1900 MHz
“ <b>gateway</b> ” . . . . .	A facility which adapts signals and messages of one network to the protocols and conventions of other networks or services.
“ <b>GB</b> ” . . . . .	A gigabyte, equal to 1 billion bytes.
“ <b>General Packet Radio Services</b> ” or “ <b>GPRS</b> ” . . . . .	A packet-based telecommunications service designed to send and receive data at rates from 56 Kbps to 114 Kbps that allows continuous connection to the Internet for mobile phone and computer users. GPRS is a specification for data transfer over GSM networks.
“ <b>Global System for Mobile Communications</b> ” or “ <b>GSM</b> ” . . .	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
“ <b>GSM 1800</b> ” or “ <b>GSM 900</b> ” . . . . .	GSM operating at a frequency of 1800 MHz or 900 MHz. Used in Europe, the Middle East, Africa, much of Asia and certain South American countries.
“ <b>Hertz</b> ” . . . . .	A unit of frequency of one cycle per second.
“ <b>HLR</b> ” . . . . .	A central database containing details of each mobile telephone subscriber that is authorized to use the GSM network.

<u>Abbreviation</u>	<u>Definitions</u>
“ <b>HSDPA</b> ” . . . . .	High-Speed Downlink Packet Access. A 3G mobile telephone protocol which allows networks based Universal Mobile Telecommunication System to have higher data transfer speeds and capacity.
“ <b>HSDPA+</b> ” . . . . .	Evolved High-Speed Downlink Packet Access. A 3G mobile telephone protocol which allows networks based Universal Mobile Telecommunication System to have higher data transfer speeds and capacity.
“ <b>intelligent network</b> ” . . . . .	A telecommunications network in which the network intelligence is centralized and separated from switching functions. These allow more flexibility than switch-based systems.
“ <b>interconnection</b> ” . . . . .	The way in which networks are connected to each other and the charges payable by one network operation for accepting traffic from or delivering traffic to another. See “ <i>Regulation—Interconnection Rates.</i> ”
“ <b>Internet Protocol</b> ” or “ <b>IP</b> ” . . . . .	A standard procedure whereby Internet-user data is divided into packets to be sent onto the correct network pathway. In addition, IP gives each packet an assigned number so that the message completion can be verified. Before packets are delivered to their destination, the protocol carries out unifying procedures so that they are delivered in their original form.
“ <b>IPTV</b> ” . . . . .	Internet Protocol Television. IPTV delivers scheduled television programs and video-on-demand (VOD) via the IP protocol and digital streaming techniques used to watch video on the Internet.
“ <b>Kbps</b> ” . . . . .	Kilobits per second.
“ <b>leased line</b> ” . . . . .	Voice or data circuits leased to connect two or more locations for the exclusive use of the subscriber.
“ <b>local loop unbundling</b> ” or “ <b>LLU</b> ” . . . . .	Local loop unbundling, is where the incumbent (in Italy, Telecom Italia) grants access to third party operators of the part of the communications circuit between the subscriber’s equipment and the equipment of the local exchange (known as the local loop). Where such access is granted by the incumbent, the incumbent may charge the third party operator a regulated fee for the interconnection service.
“ <b>LTE</b> ” or “ <b>Long Term Evolution</b> ” . . . . .	Long Term Evolution, marketed as 4G LTE, is a standard for wireless communication of high-speed data for mobile phones and data terminals.
“ <b>MB</b> ” . . . . .	A megabit.
“ <b>Mbps</b> ” . . . . .	Megabits per second.
“ <b>Metropolitan Area Network</b> ” or “ <b>MAN</b> ” . . . . .	A metropolitan network that uses optical fiber cables to collect local traffic and distribute information backbone flows, connecting single computers or local networks.
“ <b>MHz</b> ” . . . . .	Megahertz; a unit of frequency equal to 1 million Hertz.

<u>Abbreviation</u>	<u>Definitions</u>
“ <b>microwave</b> ” .....	The main form of radio used for transmission in telecom networks as an alternative to copper or fiber cables.
“ <b>MMS</b> ” .....	Multimedia Messaging Service. An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.
“ <b>MNOs</b> ” .....	Mobile network operators.
“ <b>mobile virtual network operator</b> ” or “ <b>MVNO</b> ” .....	A mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use for sale to their own subscribers.
“ <b>MPLS</b> ” .....	Multi-Protocol Label Switching, is a method used to speed up data communication over combined IP/ATM networks.
“ <b>MSC</b> ” or “ <b>(mobile) switching center</b> ” .....	The primary service delivery node for GSM, responsible for handling voice calls and SMS. The MSC sets up and releases the end-to-end connection, handles user mobility and hand-over requirements during the call. Whereas the local exchange in a fixed network delivers calls to an assigned circuit denoted by the telephone number, mobile switching centers route calls according to location information received from the network of base stations.
“ <b>narrowband</b> ” .....	Telecommunications that carry voice information in a narrow band of frequency, also referred to as “dial-up” or analog services.
“ <b>network</b> ” .....	An interconnected collection of telecom components consisting of switches connect to each other and to customer equipment by real or virtual transmission links. Transmission links may be based on fiber optic or metallic cable or point-to-point radio connections.
“ <b>number portability</b> ” .....	A facility provided by telecommunications operators that enables customers to keep their full telephone numbers when they change operators.
“ <b>on-network</b> ” .....	Telephone calls that stay on a private network, travelling by private line from beginning to end without interconnecting with another network. In Wind Tre’s case, this means calls made from a Wind Tre subscriber using Wind Tre’s fixed-line voice or Wind Tre’s mobile voice service to another Wind Tre fixed-line voice or mobile voice service.
“ <b>operator</b> ” .....	A term for any company engaged in the business of building and running its own network facilities.
“ <b>penetration</b> ” .....	A measurement of access to telecommunications, normally calculated by dividing the number of subscribers to a particular service by the population and multiplying by 100.
“ <b>POP</b> ” .....	Point of presence. The interface point between communications entities.
“ <b>portal</b> ” .....	A website service that offers a broad array of resources, such as e-mails, forums, search engines and on-line commerce.



<u>Abbreviation</u>	<u>Definitions</u>
“ <b>RLAH</b> ” .....	Roam Like at Home; the proposal by the European Parliament for one single market regulation with respect to roaming.
“ <b>SaaS</b> ” .....	Software as a Service.
“ <b>scratch cards</b> ” .....	Cards with a scratchable opaque strip on the surface of the card covering a password, code or other type of information. The user scratches the strip to retrieve the information underneath it. Widely used in the activation of prepaid services.
“ <b>service provider</b> ” .....	A term usually employed to distinguish a company which offers telecommunications services over another company’s infrastructure from one which owns and operates its own network.
“ <b>SGU</b> ” .....	Local telephone exchanges in which customers are connected in a local loop. An SGU’s capacity can reach several thousands of users directly connected to the network, and it can cover an area of 12-24 kilometers (for example, a small Italian town).
“ <b>SMS</b> ” .....	Short Message Service; a text message service which enables users to send short messages (160 characters or less) to other users.
“ <b>spectrum</b> ” .....	A continuous range of frequencies, usually wide in extent within which waves have some certain common characteristics.
“ <b>Subscriber Identity Module cards</b> ” or “ <b>SIM cards</b> ” .....	Cards that contain a smart chip with memory that allows for data storage and software applications.
“ <b>switching center</b> ” .....	A system which directs radio signals (telephone calls) to telephone users or other networks via a “switch.” If the intended recipient is another mobile customer on the same network, the signal is directed by the message switching center to the base transceiver station serving the cell in which the recipient is located. Otherwise the signal is passed by the message switching center to another telecommunications network through an interconnection point to that network.
“ <b>termination rate</b> ” .....	The tariff chargeable by operators for terminating calls on their mobile networks as set forth by AGCOM. See “ <i>Regulation.</i> ”
“ <b>tied</b> ” .....	Offers (both prepaid and postpaid) that bind customers for a specified period and include penalties if the customer leaves during the agreed period. These offers usually include bundles of minutes, SMS and data allowance for a fixed monthly fee at a lower rate compared to the same offers that are untied.
“ <b>Universal Mobile Telecommunications System</b> ” or “ <b>UMTS</b> ” .....	A third generation (3G) network designed to provide a wide range of voice, high-speed data and multimedia services.
“ <b>untied</b> ” .....	Offers (only prepaid) which do not bind customers for a specified period but allow them to use prepaid credit they have on their SIM card.

**Abbreviation**

**Definitions**

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<b>“Value Added Services”</b> or <b>“VAS”</b> . .	VAS provide a higher level of functionality than the basic transmission services offered by a telecommunications network for the transfer of information among its terminals, which include wired or wireless switched-circuit analog voice communications; direct “unrestricted” digital point-to-point service at 9,600 bps; packet switching (virtual call); direct broadband analog transmission of TV signals, and supplementary services, such as closed user groups, a group of specified users of a data network that is assigned a facility that permits them to communicate with each other but precludes communications with other users of the service or services; call waiting; collect calls; call forwarding, and identification of number called. VAS performed by the network, the terminals or the specialized centers include message handling services (which can be used, among other things, for commercial documents in predetermined formats); electronic directories listing users, network addressees and terminals; e-mail; fax; teletex; videotex and videotelephone. VAS could also include value added voice telephone services such as Freephone or Premium Rate Services.
<b>“VoIP”</b> . . . . .	A telephone service via Internet, or via transmission control/Internet Protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
<b>“WAP”</b> . . . . .	Wireless Application Protocol; a <i>de facto</i> standard for enabling mobile phones to access the Internet and advanced services.
<b>“WiMax”</b> . . . . .	Worldwide Interoperability for Microwave Access is a telecommunications technology that provides wireless transmission of data using a variety of transmission modes.
<b>“WLR”</b> . . . . .	Wholesale line rental.

**APPENDIX B**  
**ACUPAY ITALIAN TAX COMPLIANCE AND RELIEF PROCEDURES**

**ARTICLE I—TAX CERTIFICATION PROCEDURES**

Capitalized terms used in these Tax Certification Procedures, but not defined herein, shall have the meaning specified in the Deposit Agreement, the Indenture or the Offering Memorandum.

**A. Eligible Beneficial Owner Certification and Maintenance of DTC Participant Submissions**

1. On or prior to 8:00 p.m. New York City time, on the settlement date of (x) its first purchase (“**First Purchase**”) of interests in X Receipts (at the time of the first delivery of the ownership interests), or the purchase of interests in X Receipts on the secondary market if subsequently transferred after the first delivery of the interests (“**Secondary Purchase**”), each Beneficial Owner who may be eligible to receive interest on Notes and Receipts without deduction of Italian substitute tax (each an “**Eligible Beneficial Owner**”) (or any party properly authorized by such Eligible Beneficial Owner to make such representation on its behalf) must, in order to obtain exemption from the deduction of Italian substitute tax, and to avoid having its beneficial interests in X Receipts exchanged into beneficial interests in N Receipts and thereby becoming subject to transfer restrictions related to the N Receipts:

- (a) prepare a Self-Certification Form (substantially in the form of Schedule II herein). The Self-Certification Form is valid until withdrawn or revoked. The Self-Certification Form must be prepared online through the facilities of Acupay (the “**Acupay System**”) ([www.acupaysystem.com](http://www.acupaysystem.com)) and must contain an official Acupay bar code. Once prepared via the Acupay System, the Self-Certification Form should be printed, reviewed and (if accurate and correct) signed by the Eligible Beneficial Owner, or its authorized representative expressly on behalf of the Eligible Beneficial Owner. Instructions for the preparation of the Self-Certification Form are available on the Acupay System. Additional assistance is available free of charge from the Acupay team, which can be contacted via email or telephone at the contact details provided in Schedule IV herein; and
- (b) transmit via fax or PDF email (to the email address or fax numbers indicated on the Acupay System) the completed and signed Self-Certification Form through the Acupay System to the Beneficial Owner’s financial intermediary or DTC participant. Such entity shall confirm the information contained in the form and transmit the confirmed form to Acupay for receipt no later than 8:00 p.m. New York City time on the settlement date of the Eligible Beneficial Owner’s First Purchase or Secondary Purchase of the interests in X Receipts, as applicable. Electronic copies of all Self-Certification Forms will be retained by Acupay for a period of time that is not less than ten years following the last day of the calendar year in which the underlying Dollar Rule 144A Note remains unpaid and outstanding; and
- (c) send via post or courier to Acupay the original, signed Self-Certification Form that was faxed or emailed. The original paper, signed Self-Certification Form must be received by Acupay by no later than 5:00 p.m. London time on the 10th calendar day of the month following the settlement date of the Eligible Beneficial Owner’s First Purchase or Secondary Purchase of interests in X Receipts, as applicable (or if such day is not a London business day, the first London business day immediately preceding such day) at the following address:

Acupay System LLC Certifications  
Attn: A team  
Unit 2, 242 Kingsland Road  
London E8 4DG  
United Kingdom

The Self-Certification Form will remain valid indefinitely for all Receipts that the Eligible Beneficial Owner has an interest in from time to time. However, Eligible Beneficial Owners are required to promptly update their certification should any material information which may impact their eligible status change, as explained below.

2. Each DTC participant through which an interest in the X Receipt is held must transmit, through the Acupay System, reports (or confirmations of reports submitted by financial intermediaries that are downstream correspondents of such DTC participant) of all changes in holdings with respect to the interests in X Receipts held by or through such DTC participant. Such reports must be transmitted via the Acupay System no later than 9:45 a.m. New York City time, on the first New York City Business Day following each related settlement date. Transmissions must be undertaken in accordance with Acupay's instructions which are available online on the Acupay System.

Beneficial Owner Information (as defined below) received by Acupay will be reconciled against the related Self-Certification Forms.

**B. Special Procedure for DTC Participants or Financial Intermediaries that are Italian Second Level Banks or employ an Italian Tax Representative (“Second-level Banks”)**

1. DTC participants or other financial intermediaries which are Second-level Banks can elect to be treated as such with respect to the interests in X Receipts or X Notes which they hold directly or indirectly in DTC or Monte Titoli accounts by providing to Monte Titoli via Acupay, on a one-time basis, a properly executed letter for financial institutions which are Second-level Banks (see “*Application Form for Use by Financial Institutions*” in Schedule III herein).
2. Entities for which such forms are properly on file will be solely responsible for complying with all tax exemption applications and reporting requirements imposed by the relevant tax rules on Italian Second-level Banks with respect to all interests in X Receipts or X Notes held by or through such entities as reported daily by (a) DTC to Acupay with respect to direct holdings by DTC participants, or (b) the relevant DTC participant, with respect to holdings by financial intermediaries that are downstream correspondents of such DTC participants.

**C. Special Procedure for Beneficial Owners Not Eligible for Exemption from Italian Substitute Tax—General**

1. Interests in X Receipts held by Beneficial Owners (a) who are not Eligible Beneficial Owners, or (b) who fail to submit or timely submit valid Self-Certification Forms, or (c) whose applicable DTC participant or financial intermediary has failed to supply accurate and timely trade settlement information regarding a Beneficial Owner's trade settlements (synchronized to DTC's reporting of settlement activity), or (d) who are impacted by any failure of, or non-compliance with, these Tax Certification Procedures, (“**Non-Eligible Beneficial Owners**”) will be subject to a mandatory exchange of interests in X Receipts to interests in N Receipts.
2. Interest accrued or paid in respect of N Receipts will be subject to the payment of Italian substitute tax, currently at a rate of 26.0%. The Italian substitute tax will be levied on interest paid and/or accruing during the period commencing on the settlement date of the acquisition of the interests in the related X Receipts, and continuing until the sooner to occur of (a) the settlement date of the transfer of the interests in the related N Receipts (identified as to lot, in accordance with a principle of “last-in/first-out”) and (b) the redemption of the underlying Dollar Rule 144A Notes, net of any available Tax Credits (as defined below), as applicable, as per paragraph D.(4) below.
3. In addition, in the event that (a) the Italian Tax Authority should issue (i) a demand for the payment of Italian substitute tax with respect to tax benefits improperly obtained by a Beneficial Owner during a prior payment period, or (ii) a penalty or interest associated with a failure by a

DTC participant, or any of its Beneficial Owners, to fully, accurately and timely comply with these tax certification procedures (the “**Tax Certification Procedures**”) (any such amounts described in this clause under (i) or (ii), a “**Tax Liability Amount**”), or (b) Monte Titoli or Acupay determine, in either of their sole discretion, that Italian substitute tax, penalties and interest would be payable to spontaneously cure any such tax benefit improperly obtained (under the so called *ravvedimento operoso*), then a claim for the recovery of such amount (a “**Tax Liability Amount Payment Request**”), specifying (i) the amount and (ii) the date and time prior to which such amount must be received by Monte Titoli, shall be submitted to the DTC participant by the Receipt Issuer or the Receipt Paying Agent on its behalf, following written instructions received from Monte Titoli. In case the DTC participant fails to comply with such Tax Liability Amount Payment Request, Monte Titoli, or at the option of Monte Titoli, the Receipt Issuer or the Receipt Paying Agent on its behalf, upon its receipt of written instructions from Monte Titoli, shall submit to DTC a claim for immediate payment of such amount, with a request that such amount be debited by DTC from the relevant participant’s DTC account, in accordance with the published rules and procedures of DTC’s CA Web/TaxRelief (as defined below).

4. Italian substitute tax, and any applicable penalties, interest or past due tax amounts will be transmitted by Monte Titoli to the Italian Tax Authority as required by applicable law.

**D. Special Procedure for Beneficial Owners Not Eligible for Exemption from Italian Substitute Tax—Mandatory Exchange to Interests In N Receipts**

1. Promptly upon Acupay determining that a Beneficial Owner holding interests in X Receipts through a DTC participant may be a Non-Eligible Beneficial Owner, Acupay will notify the Receipt Issuer and the Receipt Paying Agent, and the Receipt Issuer or the Receipt Paying Agent on its behalf, will: (a) on the same day if Acupay’s notification is delivered prior to 9:00 a.m. New York City time, or (b) no later than the next Business Day if Acupay’s notification is delivered after 9:00 a.m. New York City time, send (i) a Mandatory Exchange Warning Notice to the relevant DTC participant, and (ii) copies of such Mandatory Exchange Warning Notice (as transmitted to the relevant DTC participant) to Acupay, Monte Titoli, the Trustee, any Paying Agent and Wind Tre. Acupay’s notification in advance of the giving of such notice will include a form of such Mandatory Exchange Warning Notice which shall include (a) the DTC participant’s name, (b) the DTC participant’s account number, (c) the CUSIP of the Receipts, (d) the amount of interests in X Receipts which are to be the subject of the warning and (e) an exhibit laying out the defect, identified by Acupay, which caused the giving of such notice.
2. Promptly upon written notice from Acupay, to be delivered via secure electronic transmission prior to 9:00 a.m. New York City time, on or before the third New York City Business Day following the date of a Mandatory Exchange Warning Notice (the “**Mandatory Exchange Date**”), that a Beneficial Owner is a Non-Eligible Beneficial Owner, the Receipt Issuer or the Receipt Paying Agent on its behalf, will deliver (a) to the relevant DTC participant a Mandatory Exchange Notice, and (b) to Acupay, Monte Titoli, the Trustee, any Paying Agent and Wind Tre, copies of such Mandatory Exchange Notice, as transmitted to such DTC participant.

Such Mandatory Exchange Notice shall direct the relevant DTC participant to effect, by no later than 11:30 a.m. New York City time on the next New York City Business Day or, if such day is one of the New York City Business Days between the related interest payment date and 15 calendar days prior thereto, then on the applicable interest payment date (the “**Mandatory Exchange Deadline**”), a DTC transaction titled a Deposit/Withdrawal at Custodian (each such event, a “**DWAC**”), exchanging the principal amount of its interests in X Receipts referenced in the Mandatory Exchange Notice for interests in N Receipts through the facilities of DTC.

The Mandatory Exchange Notice shall include a tax statement computing the relevant Tax Liability Amount accrued by the Non-Eligible Beneficial Owner of such interests from the date of acquisition until the Mandatory Exchange Deadline, and entered in the books of Monte Titoli.

Acupay's notification to the Receipt Issuer and the Receipt Paying Agent shall include a form of such Mandatory Exchange Notice, which shall include (a) the DTC participant's name, (b) the DTC participant's account number, (c) the CUSIP of the Receipts, (d) the amount of interests in X Receipts which are to be the subject of the notice, and (e) an exhibit laying out the defect, identified by Acupay, which caused the giving of such notice and (f) a payment request in connection with the tax statement.

3. Upon the completion of the required DWACs (such completion, a "**Mandatory Exchange**"), the Receipt Issuer or the Receipt Paying Agent on its behalf, shall provide a confirmation of the Mandatory Exchange to Acupay, the Trustee, any Paying Agent, Wind Tre and Monte Titoli.
4. Promptly after the completion of the Mandatory Exchange, Acupay will provide to the DTC participant holding the newly deposited interests in N Receipts: (a) a tax statement itemizing the tax credit, if any, entered in the books of Monte Titoli for the Receipt Issuer or the Receipt Paying Agent on its behalf for the benefit of the relevant holder of such interests in N Receipts computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented (the "**Tax Credits**"), and (b) a related request for wire transfer instructions. Such Tax Credit shall be held for the benefit of the applicable DTC participant (for the ultimate benefit of the relevant Non-Eligible Beneficial Owner) to be employed upon such transfer of a Non-Eligible Beneficial Owner's beneficial interests in an N Receipt or upon the next succeeding interest payment date as follows:
  - (a) as an offsetting credit against the total amount of Italian substitute tax which may become payable upon a transfer of a Non-Eligible Beneficial Owner's beneficial interests in an N Receipt; and/or
  - (b) on the next succeeding interest payment date, to be paid by wire transfer to the relevant DTC participant, but only upon the prior payment by Wind Tre of the related N Note coupon, and after the transmission by Monte Titoli to the Receipt Issuer, of the appropriate amount of cash, net of all tax liabilities, interest, or penalties maintained in the records of Monte Titoli pursuant to C.(3), above, with respect to the applicable Non-Eligible Beneficial Owner as of the close of business on the first calendar day prior to the interest payment date, as reported by Acupay to the Receipt Issuer and the Receipt Paying Agent in the Final Determination Report (as defined below). Upon its receipt of the net cash payment of such Tax Credit amount from Monte Titoli, the Receipt Issuer or the Receipt Paying Agent on its behalf, shall remit such amount by wire transfer to the applicable DTC participant acting on behalf of the Non-Eligible Beneficial Owner(s), using the wire transfer instructions provided to it by Acupay in the Final Determination Report (as defined below).
  - (c) Each Mandatory Exchange of interests in X Receipts for interests in N Receipts will be deemed to occur with the consent of the related Beneficial Owner and its DTC participant.
  - (d) Interests in N Receipts may only be transferred upon the terms and in accordance with the procedures as described below and pursuant to the terms of the Deposit Agreement.
  - (e) In accordance with paragraphs K. and M.(2) below, if a DWAC request from a DTC participant to reduce such DTC participant's position in the relevant principal amount of X Receipts has not been received by the Receipt Issuer or the Receipt Paying Agent on its behalf, through the facilities of DTC by the Mandatory Exchange Deadline, then the Receipt Issuer or the Receipt Paying Agent on its behalf, shall promptly send to such DTC

participant (with a copy to Acupay, the Trustee, any Paying Agent, Monte Titoli and Wind Tre) a Notice of Failure to Complete a Mandatory Exchange.

**E. Special Procedure for Transfers of Interests in X Receipts to N Receipts**

1. Interests in X Receipts are transferable by an Eligible Beneficial Owner to a Non-Eligible Beneficial Owners in the form of N Receipts on any New York City Business Day except during the period between the related interest payment date and 15 calendar days prior thereto **provided that** such Eligible Beneficial Owner submits an X Receipt Transfer Request to Acupay and follows steps D(2) - D(4) above.

**F. Special Procedure for Transfers of Interests in N Receipts to N Receipts, X Receipts, X Notes, and Dollar Regulation S Notes**

1. Interests in N Receipts are transferable by the Non-Eligible Beneficial Owners thereof on any New York City Business Day upon satisfaction of the following conditions:
  - (a) delivery to Acupay, prior to 12:00 p.m. New York City time on the third New York City Business Day prior to the requested transfer date (the “**Transfer Date**”) of a properly completed N Receipt Transfer Request. In the case of a transfer to interests in X Receipts for the benefit of an Eligible Beneficial Owner, a properly completed Self-Certification Form with respect to the transferee should be on file with the Acupay System or should be provided by the applicable DTC participant on behalf of the transferee Eligible Beneficial Owner;
  - (b) payment to Monte Titoli of the Italian substitute tax payable by the transferor Non-Eligible Beneficial Owner upon such transfer prior to 9:00 a.m. New York City time on the Transfer Date (in accordance with the terms described below);
  - (c) in the case of transfer to interests in the X Notes or the Dollar Regulation S Notes, receipt by the Receipt Issuer or the Receipt Paying Agent on its behalf, via the facilities of Acupay, no later than close of business of the New York City Business Day preceding the Transfer Date, of valid delivery instructions and any required confirmation of compliance with the relevant securities laws;
  - (d) receipt by the Receipt Paying Agent, on behalf of the Receipt Issuer, no later than 9:30 a.m. New York City time on the Transfer Date, of written instructions from Acupay; and
  - (e) N Receipts shall not be transferable into X Notes, Dollar Regulation S Notes or X Receipts during the period between the related interest payment date and 15 calendar days prior thereto. In any such case, the Transfer Date shall be the applicable interest payment date.
2. Upon receipt of an N Receipt Transfer Request, Acupay shall:
  - (a) determine the net amount of Italian substitute tax payable in cash by the transferor Non-Eligible Beneficial Owner as of the Transfer Date, after application of any available Tax Credits maintained on the books of Monte Titoli for the Receipt Issuer for the benefit of the transferor Non-Eligible Beneficial Owner, and inform the Receipt Issuer and the Receipt Paying Agent, Monte Titoli and the transferor of such amount; and
  - (b) in the case of a transfer to interests in Receipts for the benefit of a Non-Eligible Beneficial Owner, calculate the amount of the Tax Credit, if any, attributable to Italian Substitute Tax to be credited to the Receipt Issuer or the Receipt Paying Agent on its behalf, for the benefit of the transferee as of the Transfer Date and to be employed only as described in these Tax Certification Procedures, and inform the Receipt Issuer and the Receipt Paying Agent, Monte Titoli and the transferee of such amount.

3. No settlement of transfers of interests in N Receipts will be effectuated on any day other than the Transfer Date specified to Acupay in an N Receipt Transfer Request.
4. Upon confirmation of the receipt by Monte Titoli of the Italian Substitute Tax payable, Acupay, the Receipt Issuer or the Receipt Paying Agent on its behalf, and the Trustee shall coordinate with the DTC participant holding the interests in N Receipts on behalf of the transferor Non-Eligible Beneficial Owner, the execution of a series of DWACs and related operations resulting in:
  - (a) the reduction of the position in N Receipts of the DTC participant acting on behalf of the transferor;
  - (b) in the case of transfer to interests in N Receipts, the increase of the position in N Receipts of the DTC participant acting on behalf of the transferee;
  - (c) in the case of transfer to interests in X Receipts, the mark-down of the N Global Receipt and of the N Global Note, the mark-up of the X Global Receipt and of the X Global Note, and the increase of the position in X Receipts of the DTC participant acting on behalf of the transferee;
  - (d) in the case of transfer to interests in X Notes, the mark-down of the N Global Receipt and the N Global Note, the mark-up of the X Global Note and the delivery by the Receipt Issuer or the Receipt Paying Agent on its behalf, of the respective interests in the X Notes in accordance with the provided delivery instructions.
  - (e) in the case of transfer to interests in a Dollar Regulation S Note, the mark-down of the N Global Receipt and the N Global Note, the mark-up of the Dollar Regulation S Global Note and the delivery by the Receipt Issuer or the Receipt Paying Agent on its behalf, of the respective interests in the Dollar Regulation S Notes in accordance with the provided delivery instructions.
5. In the case of a transfer to interests in N Receipts, Acupay, promptly after the completion of the transfer, will provide to the DTC participant holding the transferred interests in N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee, and computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented. Such credit entitlement will be held by Monte Titoli for the Receipt Issuer or the Receipt Paying Agent on its behalf for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described in paragraph D.(4).

**G. Special Procedure for Transfers of Interests in X Receipts to X Notes or Dollar Regulation S Notes**

1. Interests in X Receipts can be transferred to interests in the X Notes or Dollar Regulation S Notes at any time (except for the period between the related interest payment date and 15 calendar days prior thereto) upon the delivery no later than 5:00 p.m. on the New York City Business Day before the applicable Transfer Date to Acupay of an X Receipt Transfer Request that contains delivery instructions at the transferee's clearing system and any required confirmation of compliance with the relevant securities laws. Prior to 10:00 a.m. New York City time on the applicable Transfer Date, the DTC participant shall deliver to the DTC account of the Receipt Issuer or the Receipt Paying Agent on its behalf, the X Receipts being transferred.
2. Promptly upon receipt of (i) confirmation from Acupay of receipt of the documentation contemplated above from the transferor, and (ii) the X Receipts in its DTC account, the Receipt Issuer or the Receipt Paying Agent on its behalf, will mark-down the X Global Receipt and (a) deliver the respective interests in the X Note or (b) mark down the X Global Note, mark up the Dollar Regulation S Global Note and deliver the Dollar Regulation S Notes in accordance with the provided delivery instructions and confirm to Acupay the completion of such transfer.



3. X Receipts shall not be transferable into X Notes or Dollar Regulation S Notes during the period between the related interest payment date and 15 calendar days prior thereto. In any such case, the Transfer Date shall be the applicable interest payment date.

**H. Special Procedure for Transfers of Interests in the X Notes to Interests in Receipts**

1. Interests in the X Notes can be transferred to interests in Receipts at any time upon satisfaction of the following conditions:
  - (a) the delivery, no later than 6:00 p.m. Milan time on the Business Day preceding the Transfer Date, to Acupay of an X Note Transfer Request including instructions that contain Receipt delivery instructions at DTC and any required confirmations of compliance with relevant securities laws;
  - (b) the transfer of the X Notes to the Deposit Account by 12:00 p.m. Milan time on the Transfer Date;
  - (c) in the case of transfer to an Eligible Beneficial Owner, the delivery to Acupay, prior to 8:00 p.m. New York time on the Transfer Date, of a properly completed Self-Certification Form with respect to the transferee; and
  - (d) X Notes shall not be transferable into Receipts during the period between the related interest payment date and 15 calendar days prior thereto. In any such case, the Transfer Date shall be the applicable interest payment date.
2. Promptly upon receipt of the interests in the X Notes in its Monte Titoli account, any required securities law confirmations and a written confirmation from Acupay with respect to whether the transferee is an Eligible Beneficial Owner, the Receipt Issuer or the Receipt Paying Agent on its behalf, will:
  - (a) in the case of transfer to an Eligible Beneficial Owner, mark up the X Global Receipt and coordinate with Acupay and the DTC participant acting on behalf of the transferee the execution of a DWAC resulting in increase of such DTC participant's position in X Receipts in accordance with the provided delivery instructions;
  - (b) in the case of transfer to a Non-Eligible Beneficial Owner, mark-down the X Global Note, mark-up the N Global Note, mark-up the N Global Receipt, and coordinate with Acupay and the DTC participant acting on behalf of the transferee the execution of a DWAC resulting in increase of such DTC participant's position in N Receipts in accordance with the provided delivery instructions; and
  - (c) confirm to Acupay the completion of such transfer.
3. In the case of transfer to a Non-Eligible Beneficial Owner, Acupay, promptly after the completion of the transfer, will provide to the DTC participant holding the transferred interests in N Receipts a confirmation of the Tax Credit, if any, entered in the books of Monte Titoli for the Receipt Issuer for the benefit of the relevant transferee as of the settlement date of the transfer, and computed in accordance with Italian Legislative Decree No. 239 of 1996, as amended and supplemented. Such credit entitlement will be held by Monte Titoli for the Receipt Issuer or the Receipt Paying Agent on its behalf for the benefit of the applicable Non-Eligible Beneficial Owner to be employed as described in paragraph D.(4).

**I. Special Procedure for Transfers of Interests in the X Notes to Interests in Dollar Regulation S Notes**

1. Interests in the X Notes can be transferred to interests in Dollar Regulation S Notes at any time upon satisfaction of the following conditions:
  - (a) the delivery, no later than 6:00 p.m. Milan time on the Business Day preceding the Transfer Date, to the Trustee of an X Note Transfer Request including instructions that contain receipt delivery instructions and any required confirmations of compliance with relevant securities laws;
  - (b) the transfer of the X Notes to the Deposit Account by 12:00 p.m. Milan time on the Transfer Date;
  - (c) X Notes shall not be transferable during the period between the related interest payment date and 15 calendar days prior thereto. In any such case, the Transfer Date shall be the applicable interest payment date.
2. Promptly upon receipt of the interest in the X Notes in the Deposit Account, and any required securities law confirmations, the Trustee will:
  - (a) mark-down the X Global Note, mark-up the Dollar Regulation S Global Note and deliver the respective interests in the Dollar Regulation S Notes in accordance with the provided delivery instructions; and
  - (b) confirm to Acupay and Monte Titoli the completion of such transfer.

**J. Special Procedure for Transfers of Interests in the Dollar Regulation S Notes to Interests in X Notes or X Receipts**

1. Interests in the Dollar Regulation S Notes can be transferred to interests in X Notes or X Receipts at any time upon satisfaction of the following conditions:
  - (a) the delivery, no later than 6:00 p.m. Milan time on the Business Day preceding the Transfer Date, to the Trustee or Registrar of a Dollar Regulation S Note Transfer Request including instructions that contain delivery instructions at the relevant clearing system and any required confirmations of compliance with relevant securities laws;
  - (b) the transfer of the interests in the Dollar Regulation S Notes to the Deposit Account by 12:00 p.m. Milan time on the Transfer Date;
  - (c) in the case of transfer to an Eligible Beneficial Owner in the X Receipt, the delivery to Acupay, prior to 8:00 p.m. New York time on the Transfer Date, of a properly completed Self-Certification Form with respect to the transferee; and
  - (d) Dollar Regulation S Notes shall not be transferable during the period between the related interest payment date and 15 calendar days prior thereto. In any such case, the Transfer Date shall be the applicable interest payment date.
2. Promptly upon receipt of the interests in the Dollar Regulation S Notes in the Trustee's account at the relevant clearing system, and any required securities law confirmations the Trustee will:
  - (a) in the case of transfer to the X Receipt, mark-down the Dollar Regulation S Global Note, mark-up the X Global Note, mark-up the X Global Receipt and coordinate with Acupay and the DTC participant acting on behalf of the transferee the execution of a DWAC resulting in increase of such DTC participant's position in X Receipts in accordance with the provided delivery instructions;

- (b) in the case of transfer to the X Note, mark-down the Dollar Regulation S Global Note, mark-up the X Global Note and deliver the respective interests in X Notes in accordance with the provided delivery instructions; and
- (c) confirm to Acupay and Monte Titoli the completion of such transfer.

**K. Non-Compliance Consequences for DTC Participants**

A DTC participant that is the subject of a Mandatory Exchange Notice as provided herein, and which received from Monte Titoli or the Receipt Issuer or the Receipt Paying Agent on its behalf, as applicable, a Notice of Failure to Complete a Mandatory Exchange, and/or obtains favorable tax treatment through these Tax Certification Procedures and fails to submit the original paper signed Self-Certification Forms as described above, may be removed from these Tax Certification Procedures and prohibited from obtaining favorable tax treatment with respect to current and future interest payments on all interests in X Receipts held through such DTC participant. In such event, the DTC participant would receive the interest payment on its entire position in interests in X Receipts (as held for its Beneficial Owners) net of the applicable Italian substitute tax (currently 26.0%) and relief would need to be obtained directly from the Italian Tax Authority by following the direct refund procedure established by Italian tax law. See Article III for the description of such refund procedures.

**L. Income Processing for DTC Participants**

1. At least 20 New York City Business Days prior to each interest payment date, the Receipt Issuer or the Receipt Paying Agent on its behalf, will provide an issuer announcement to Acupay regarding the relevant interest payment and tax compliance procedures relating to the forthcoming payment on the Notes. Acupay, upon receipt of each such announcement shall promptly:
  - (a) provide DTC with a copy of such announcement which will form the basis of a DTC important notice (an “**Important Notice**”) regarding the relevant interest payment and tax relief entitlement information for the underlying Notes and the Receipts, and
  - (b) request DTC to distribute such Important Notice to its participants as a means of notifying them of the requirements described in these Tax Certification Procedures.
2. Beginning on the first New York City Business Day following each related Record Date and continuing until 8:00 p.m. New York City time on the New York City Business Day immediately preceding each interest payment date, each DTC participant must make an instruction (an “**CA Web/TaxRelief Instruction**”) via the DTC TaxRelief Service (“**CA Web/TaxRelief**”) representing the portion of X Receipts held in its DTC account for which:
  - (a) Eligible Beneficial Owners have been properly self-certified and reported via the Acupay System, in accordance with these Tax Certification Procedures, and/or
  - (b) the procedures laid out in paragraph B herein have been properly followed.
3. Each DTC participant must ensure the continuing accuracy of the settlement and position reports and other information submitted via the Acupay System regarding Eligible Beneficial Owners, and position reports submitted for Financial Intermediaries that are downstream correspondents in relation to the procedures laid out in paragraph B (collectively, all such information is referenced herein as “**Beneficial Owner Information**”) including the reconciliation of such information with CA Web/TaxRelief Instructions, notwithstanding any position changes or settlements occurring within such DTC participant’s position in the X Receipts through 8:00 p.m. New York City time on the New York City Business Day immediately preceding each interest payment date, by making any necessary adjustments through the Acupay System and CA Web/TaxRelief.

**M. Acupay Verification Procedures**

1. In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the “**Acupay Verification Procedures**”):
  - (a) collecting, maintaining and reconciling daily data with respect to the aggregate Note positions reflected as being outstanding as shown in the records of the securities registrar;
  - (b) collecting, maintaining and reconciling daily data with respect to the aggregate Note positions held at, and settlements occurring through, Monte Titoli in aggregate;
  - (c) collecting, maintaining and reconciling daily data with respect to the aggregate Note or Receipt positions held at the Receipt Issuer and DTC;
  - (d) collecting, maintaining and reconciling daily data with respect to the aggregate Receipt positions, held by each relevant DTC participant and identified Financial Intermediaries that are downstream correspondents of such DTC participants, and Italian Second-level Banks, in receipt form;
  - (e) comparing and reconciling the Beneficial Owner Information and related Self-Certification Forms provided in respect of each DTC participant’s X Receipt position with the CA Web/TaxRelief Instructions provided by that DTC participant in order to determine whether any discrepancies exist between such information, the corresponding CA Web/TaxRelief Instructions and the DTC participant’s position in the X Receipts held at DTC;
  - (f) collecting and collating all Self-Certification Forms and Application Forms for Use by Financial Institutions which are Registered with the Italian Tax Authority as Second-level Banks and which Request Recognition to Act as Second-level Banks with Respect to the Notes;
  - (g) reviewing the Beneficial Owner Information and the Self-Certification Forms using appropriate methodology in order to determine whether the requisite fields of information have been supplied and that such fields of information are responsive to the requirements of the Self-Certification Forms and these Tax Certification Procedures in order to receive interest payments without Italian substitute tax being assessed;
  - (h) determining whether the relevant DTC participant has failed to complete a Mandatory Exchange and has been the subject of a Notice of Failure to Complete a Mandatory Exchange; and
  - (i) liaising with the DTC participants in order to request that such DTC participants:
    - (i) complete any missing, or correct any erroneous, Beneficial Owner Information identified pursuant to the procedures set forth above,
    - (ii) correct any erroneous CA Web/TaxRelief Instructions identified pursuant to the procedures set forth above,
    - (iii) revise any Self-Certification Forms identified pursuant to the procedures set forth above as containing incomplete or inaccurate information, and
    - (iv) timely transmit to Monte Titoli Tax Liability Amounts in accordance with the Tax Liability Amount Payment Requests.
2. DTC participants will be required to ensure that Beneficial Owner Information entered into the Acupay System and their CA Web/TaxRelief Instructions are updated to reflect any changes in holdings or in such DTC participants’ positions in the X Receipts occurring until 8:00 p.m. New York City time, on the New York City Business Day immediately preceding each interest payment

date. For this purpose, CA Web/TaxRelief will remain accessible to DTC participants until 8:00 p.m. New York City time, on the New York City Business Day immediately preceding each interest payment date. In addition, Acupay will accept new or amended Beneficial Owner Information and Self-Certification Forms before 9:45 a.m. New York time and DTC will accept requests for changes to CA Web/TaxRelief Instructions at the request of DTC participants until 9:45 a.m. New York City time, on each interest payment date.

Beginning at 7:45 a.m. New York City time, on the interest payment date, Acupay will through the Acupay Verification Procedures (as defined above) perform the final review of each DTC participant's Beneficial Owner Information, CA Web/TaxRelief Instructions and Self-Certification Forms. Based on these Acupay Verification Procedures, Acupay will (a) seek to notify any affected DTC participant until 9:45 a.m. New York City time, on such interest payment date of any inconsistent, insufficient or inaccurate information provided by such DTC participant and (b) use its commercially reasonable efforts to obtain revised Beneficial Owner Information, Self-Certification Forms and/or CA Web/TaxRelief Instructions from any such DTC participant as necessary to correct any inconsistent or inaccurate information. The (a) failure to correct any such inconsistent, insufficient or inaccurate information (including the failure to fax or send PDF copies of new or amended Self-Certification Forms) or if Acupay, despite its commercially reasonable efforts to do so, does not confirm receipt of such correction by 9:45 a.m. New York City time, on the interest payment date; or (b) receipt by Acupay, from the Receipt Issuer or the Receipt Paying Agent on its behalf, of a Notice of Failure to Complete Mandatory Exchange (with respect to the relevant DTC participant) by 9:45 a.m. New York City time, on the interest payment date, will result in the payments in respect of the entirety of such DTC participant's position (in the X Receipts) for all Beneficial Owners being made net of Italian substitute tax.

Upon receipt of a report of CA Web/TaxRelief Instructions as of 9:45 a.m. New York City time, on the interest payment date from DTC, Acupay will then notify DTC of the final determination of which portion of each DTC participant's position in the X Receipts should be paid gross of Italian substitute tax and which portion of such position should be paid net of such tax. Based on such Acupay determination, DTC will make adjustments to CA Web/TaxRelief in order to reduce to zero the CA Web/TaxRelief Instructions received by DTC from DTC participants as of 9:45 a.m. New York City time, on the relevant interest payment date, where as a result of (a) any inconsistencies or inaccuracies between such DTC participant's Beneficial Owner Information, CA Web/TaxRelief Instruction and DTC position, and/or (b) the receipt by Acupay from the Receipt Issuer or the Receipt Paying Agent on its behalf, of a Notice of Failure to Complete Mandatory Exchange (with respect to the relevant DTC participant) by 9:45 a.m. New York City time, on the interest payment date, the entirety of such DTC participant's position in the X Receipts for all Beneficial Owners holding their X Receipts through such DTC participant (a "**Non-Compliant DTC Participant**") will be paid net of Italian substitute taxes.

3. DTC will transmit a final "Report to Receipt Paying Agent" to Acupay by 10:30 a.m. New York City time, on each interest payment date setting forth each DTC participant's position in the X Receipts as of 8:00 p.m. New York time on the New York City Business Day immediately preceding each interest payment date and the portion of each such DTC participant's position in such Receipts on which interest payments should be made net of Italian substitute tax and the portion on which interest payments should be made without Italian substitute tax being assessed, as applicable, based on the status of the CA Web/TaxRelief Instructions received by DTC for each DTC participant as of 9:45 a.m. New York City time on the interest payment date, and reflecting the adjustments, if any, to be made by DTC to CA Web/TaxRelief described above.
4. Acupay shall promptly, but no later than 11:00 a.m. New York City time, on each interest payment date, release (through a secure data upload/download facility to Wind Tre, Monte Titoli, the Paying Agent, the Receipt Issuer and the Receipt Paying Agent): (a) PDF copies of the final Report to

Receipt Paying Agent and (b) a PDF copy of a report prepared by Acupay laying out (i) the amounts (net and gross of Italian substitute tax) to be paid by, or on behalf of, Monte Titoli to each of its participants including the Receipt Issuer or the Receipt Paying Agent on its behalf with respect to the X Notes and N Notes on such interest payment date, and (ii) reports of all Tax Credits and Tax Liability Amounts maintained on the books of Monte Titoli on behalf of the Receipt Issuer for the benefit of the relevant holders of the interests in the Receipts (the “**Final Determination Report**”). The Final Determination Report will contain USD wire transfer details of Monte Titoli participants holding the X Notes, substantially in the form of Exhibit J (*Form of USD Wire Transfer Details for Receipt of Interest Payment by X Note Holders*) to the Indenture.

## ARTICLE II—PAYMENT PROCEDURES

1. On or prior to 9:00 a.m. New York City time on each interest payment date, Wind Tre will transmit to the Note Depository an amount of funds sufficient to make interest payments on the outstanding principal amount of the Notes (both the X Global Notes and the N Global Notes) without Italian substitute tax being assessed.
2. By 11:30 a.m. New York City time, on each interest payment date, the Note Depository, subject only to its prior receipt of good funds in the amount identified in paragraph G(1), will transmit to the Receipt Paying Agent such amount, minus the amount of Italian substitute tax payable and to be withheld with respect to the N Global Notes underlying the N Global Receipts and the X Global Notes underlying the X Global Receipts for which certain DTC participants have not satisfied the Tax Certification Procedures.
3. By 1:00 p.m., New York City time, on each interest payment date the Receipt Paying Agent will, subject only to its prior receipt of same day funds in the amounts identified in paragraph G(2), pay DTC for the benefit of the relevant DTC participants and for the further benefit of the relevant Beneficial Owners the applicable interest payment amount which shall be delivered by DTC as set forth in the final Report to Receipt Paying Agent.
4. The Note Depository has authorized the Receipt Paying Agent to rely on the final Report to the Receipt Paying Agent in order to make the specified payments on each interest payment date. Notwithstanding anything herein to the contrary, the Note Depository may direct the Receipt Paying Agent to make interest payments on the Receipts in a manner different from that set forth in the final Report to Receipt Paying Agent if the Note Depository (i) determines that there are any inconsistencies with the Self-Certification Forms provided via the Acupay System or any information set forth therein is, to the Note Depository's knowledge, inaccurate, and (ii) provides notice of such determination in writing to Acupay and the Receipt Paying Agent prior to 11:30 a.m., New York City time, on the relevant interest payment date along with a list of the affected DTC participants showing the amounts to be paid to each such DTC participant in writing to Acupay and the Receipt Paying Agent prior to 11:30 a.m. New York City time, on the relevant interest payment date along with a list of the affected DTC participants showing the amounts to be paid to each such DTC participant.

### **ARTICLE III—PROCEDURE FOR DIRECT REFUND FROM ITALIAN TAX AUTHORITY**

1. Beneficial Owners entitled to exemption from Italian substitute tax who have not (through their actions, or the actions of a first level bank, financial intermediary or a participant of a clearing system) timely followed the Tax Certification Procedures as described in Article I hereof, or comparable tax compliance procedures operated by a Second-level Bank pursuant to Italian Legislative Decree No. 239 of 1996, as amended and supplemented, and therefore have been subject to the imposition and collection of Italian substitute tax, may request a full refund of the amount that has been collected directly from the Italian Tax Authority.
2. Beneficial Owners have up to the time period allowed pursuant to Italian law (currently, a maximum of 48 months as of the relevant interest payment date) to claim the amount withheld and paid to the Italian treasury by filing with the competent Italian Tax Authority (a) the relevant Italian tax form, (b) proof of ownership and related withholding of Italian substitute tax and (c) a Government Tax Residency Certificate (from the IRS in the case of U.S. tax resident Beneficial Owners). **The Direct Refund procedures may be subject to extensive delays and may trigger costs.** Beneficial Owners should consult their tax advisers on the procedures required under Italian tax law to recoup the substitute tax in these circumstances.



**Schedule I**  
**Italian “White List” Countries Identified by Acupay as of October 16, 2017**

In order to qualify as eligible to receive interest free from Italian substitute tax, among other things, Beneficial Owners must be resident, for tax purposes, in, or be “institutional investors” established in, a country which the Italian government identifies as allowing for a satisfactory exchange of information with Italy (the “**White List States**”). Subject to certain limited exceptions, such as for central banks and supranational bodies established in accordance with international agreements in force in Italy, this residency requirement applies to all ultimate holders of Notes, including Beneficial Owners of interest payments under the Notes holding via sub-accounts to which interests in the Notes may be allocated upon purchase or thereafter. As of October 16, 2017, the White List includes the following states:

**White List States**

Albania	Czech Republic	Liechtenstein	Singapore
Alderney	Denmark	Lithuania	Saint Martin
Algeria	Ecuador	Luxembourg	Saint Kitts and Nevis
Andorra	Egypt	Macedonia	Saint Vincent and the Grenadines
Anguilla	Estonia	Malaysia	Slovak Republic
Argentina	Ethiopia	Malta	Slovenia
Armenia	Faroe Islands	Mauritius	South Africa
Aruba	Finland	Mexico	South Korea
Australia	France	Moldova	Spain
Austria	Georgia	Monaco	Sri Lanka
Azerbaijan	Germany	Montenegro	Sweden
Bangladesh	Ghana	Montserrat	Switzerland
Barbados	Gibraltar	Morocco	Syria
Belarus	Greece	Mozambique	Tajikistan
Belgium	Greenland	Nauru	Taiwan
Belize	Guernsey	Netherlands	Tanzania
Bermuda	Herm	New Zealand	Thailand
Bosnia and Herzegovina	Holy See	Nigeria	Trinidad and Tobago
Brazil	Hong Kong	Niue	Tunisia
British Virgin Islands	Hungary	Norway	Turkey
Bulgaria	Iceland	Oman	Turkmenistan
Cameroon	India	Pakistan	Turks and Caicos Islands
Canada	Indonesia	Philippines	Uganda
Cayman Islands	Ireland	Poland	Ukraine
Chile	Isle of Man	Portugal	United Arab Emirates
China	Israel	Qatar	United Kingdom
Colombia	Japan	Romania	United States
Congo (Republic of Congo)	Jersey	Russian Federation	Uruguay
Cook Islands	Jordan	Samoa	Uzbekistan
Costa Rica	Kazakhstan	San Marino	Venezuela
Cote d’Ivoire	Kyrgyzstan	Saudi Arabia	Vietnam
Croatia	Kuwait	Senegal	Zambia
Curacao	Latvia	Serbia	
Cyprus	Lebanon	Seychelles	

**List is as of October 16, 2017**

**Please check the Acupay website for updates to this list.**

The White List is subject to continuing changes in accordance with official actions by the government of Italy. Acupay has made arrangements to monitor these changes and will publish its findings

on its website. Acupay currently expects to update this website monthly on the first calendar day of each month, to report changes to the White List which have come to the attention of Acupay through and including the 21st calendar day of the preceding month. In the event that the list appearing on the Acupay website is different from the official list maintained by the government of Italy, the government list will naturally govern.

**Updated list available at [www.acupay.com/italy](http://www.acupay.com/italy)**

**Schedule II  
Form of Self-Certification Form**

# Self Certification Form

**LIST A**

**Investors**

Investor Code <sup>1</sup>	Name <sup>2</sup>	Date of Birth <sup>4</sup> / City of Birth <sup>5</sup> / Country of Birth <sup>6</sup>	Identification Number <sup>7</sup>	Type of ID No. <sup>8</sup>	Full Address <sup>9</sup> / Postal Code <sup>10</sup> / City <sup>11</sup>	Country <sup>12</sup> / Country Code <sup>13</sup>

**LIST B**

**Investors**

Investor Code <sup>1</sup>	Name <sup>2</sup>	Managing Company <sup>3</sup> (if relevant)	Identification Number <sup>7</sup>	Type of ID No. <sup>8</sup>	Full Address <sup>9</sup> / Postal Code <sup>10</sup> / City <sup>11</sup>	Country <sup>12</sup> / Country Code <sup>13</sup>	Acupay Codes (see below)

**(A)**

**Authorized Representative**

Name<sup>14</sup> \_\_\_\_\_

Date of Birth<sup>15</sup> \_\_\_\_\_

City of Birth<sup>16</sup> \_\_\_\_\_

Country of Birth<sup>17</sup> \_\_\_\_\_

Identification Number<sup>10</sup> \_\_\_\_\_

Type of ID No.<sup>19</sup> \_\_\_\_\_

Full Address<sup>20</sup> \_\_\_\_\_

Postal Code<sup>21</sup> \_\_\_\_\_

City<sup>22</sup> \_\_\_\_\_

Country<sup>23</sup> / Country Code<sup>24</sup> \_\_\_\_\_

**Declarations:**

I hereby declare that:

- the persons listed in LIST A and in LIST B are not tax-resident in Italy;
- the persons listed in LIST A are resident in the country indicated in field 12 for tax purposes and are the beneficial owners of the tax-exempt income;
- the persons listed in LIST B are institutional investors, not subject to tax, established in the country indicated in field 12;
- the information in this document is communicated to Monte Titoli, via Acupay System LLC ("Acupay"), based on the understanding that it is true and will be kept confidential, and will be used solely for the purpose of withholding tax certification and may be shared with the relevant tax authorities as may be required under applicable law or regulation;
- Acupay will be notified of any change affecting the accuracy of this certification and its impact on tax exemption.

**Additional Declarations:**

*(the Codes indicated for investors listed in List B above have the following meanings)*

- The person is an institutional investor, not subject to tax, and it is subject to regulatory supervision in its jurisdiction of establishment.
- The person is an institutional investor, not subject to tax nor subject to regulatory supervision in its jurisdiction of establishment, that has been set up solely for the purpose of managing investments of institutional investors subject to regulatory supervision in their jurisdiction of establishment and established in countries allowing an adequate exchange of information with Italy.
- The person is an institutional investor, not subject to tax nor subject to regulatory supervision in its jurisdiction of establishment, and that:
  - Has specific competence in making and managing of investments in financial instruments;
  - Has not been established to manage investments made by a limited number of investors; and
  - Has not been established and is not maintained to allow investors resident of Italy or of countries not allowing an adequate exchange of information with Italy to benefit from the exemption regime.

X, \_\_\_\_\_  
[Name, Position]  
[Date], with effect from the date of first deposit of the Italian securities.

**KYC Confirmation by Custodian Bank, Intermediary or 1<sup>st</sup> Level Bank**

Name First level Bank<sup>26</sup>  
\_\_\_\_\_  
Domicile (address)<sup>27</sup>  
\_\_\_\_\_  
City  
\_\_\_\_\_  
Indicative SWIFT Code for  
consistent identification purposes  
only<sup>29</sup>  
\_\_\_\_\_  
Country<sup>30</sup>  
\_\_\_\_\_  
Postal Code<sup>31</sup>  
\_\_\_\_\_

We, \_\_\_\_\_ ( Participant Number \_\_\_\_\_ ) hereby certify the following to Monte Titoli and to the Italian Tax Authorities:

We serve as a legally authorized nominee of, and representative for and on behalf of the Beneficial Owners listed below pursuant to properly executed client agreements (hereinafter “**Agreements**”). Pursuant to such Agreements we are mandated to hold such Beneficial Owners’ securities, collect and receive their income and other rights (including tax refunds), apply to the foreign tax authorities to obtain tax refunds and sign all necessary documents relating thereto, credit such income to their accounts and to report to the relevant statutory agencies the income received by such Beneficial Owners, in accord with all relevant laws, regulations and business practices so as to comply with such laws and to avert the imposition of government penalties or excessive withholding.

If we are operating in the U.S. our client records are maintained in accord with U.S. Public Law 107 - 56, United and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “**U.S Patriot Act**”) including, in the case of non-natural person clients, we maintain copies of our clients’ formative documents which we will make available upon authorized request.

We hereby certify that the Beneficial Owners listed below hold or may hold Italian securities in custody with the Second Level Bank, paying interest which the final beneficiary receives and that all the declarations contained in the present form, made by the final beneficiary / his legal representative are true, according to the best of our knowledge.

We assume the responsibility to provide the Second Level Bank with all the information, concerning all movements of the above- mentioned securities, as required to verify that the final beneficiaries listed below are the true owners of the securities.

We assume the responsibility to provide the Second Level Bank with a confirmation via the Acupay System, representing a bankers’ affidavit, for every additional intermediary present between the first level bank and the final beneficiary, and with any information required to avoid withholding tax, and in order to make every communication available to the Italian Tax Authorities.

The present form will be sent via the Acupay System to Monte Titoli in accordance with the deadlines established in the Acupay Italian Tax Certification Procedures, and in no event later than 15 days of its receipt, together with a confirmation via the Acupay System representing the banker’s affidavit and required information as mentioned above.

For the Beneficial Owners indicated below, Italian Self-Certification Forms are either on file via Acupay or are included with this document.

Notwithstanding the above, if one or more of the Beneficial Owners listed below are identified as being a “Central Bank / National Treasury” or “Supranational Organization,” (i) no Italian

Self-Certification Forms is to be produced listing such Beneficial Owner and (ii) we affirm that each such Beneficial Owner is exempt from the imposition of Italian substitute tax, as provided under Legislative Decree No 239 of 1 April 1996, as amended from time to time, on account of either its legal status or the existence of a specific Italian law ratifying an international agreement recognizing such entity as exempt from Italian substitute tax.

Name

Country    Identification Number

X, \_\_\_\_\_  
[Name, Position]  
[Date], with effect from the date of first deposit of the Italian securities.

**Schedule III**  
**Application Form for Use by Financial Institutions**

*For use by financial institutions which are Second-level Banks*

To: Monte Titoli S.p.A. c/o Acupay System LLC  
Unit 2, 242 Kingsland Road  
London E8 4DG  
United Kingdom

From: **Name of Financial Entity:**

**Address of the Entity:** \_\_\_\_\_

**Registration number, Tax ID No. or  
Fiscal Code of the entity:** \_\_\_\_\_

Dear Sir/Madam,

We, the above captioned entity may hold from time to time, directly or indirectly, at one or more clearing systems, through accounts maintained directly at such clearing system(s), or indirectly via accounts maintained at designated custodial intermediaries (the "Account(s)"), debt securities subject to Italian substitute tax, as provided under Legislative Decree No. 239 of April 1, 1996, as amended from time to time (the "Notes" or "Receipts"). The Notes or Receipts may be beneficially owned by us, or by third parties.

We represent, warrant and covenant that this entity is a Second-level Bank as contemplated by Article 1.1b) of Decree No. 632 of December 4, 1996 or is a foreign participant of Monte Titoli which employs the services of an Italian Tax Representative as contemplated by LD 239 of 1996 (collectively, such status is referenced herein as functioning as a "Second-level Bank").

We hereby undertake to function as a Second-level Bank and to carry out all duties of a Second-level Bank, as provided under Legislative Decree No. 239 of April 1, 1996 and under all other relevant legal and administrative provisions, with respect to Notes or Receipts held in the Account(s).

These duties include, but are not necessarily limited to:

the application of the substitute tax;

the payment of the positive balances of the tax account (the "conto unico") to the appropriate Italian authorities;

the collection and conservation of all relevant documents;

the reporting of all relevant data in respect of exempt beneficial owners to the Italian Tax Authority (SOGEI);

the filing of tax returns in respect of the substitute tax.

With respect to Receipts held via our financial institution, we hereby undertake to notify Monte Titoli (via the Acupay System) promptly (*i.e.* no later than 9:45 AM New York City time, on the first New York City Business Day following each related settlement date) of the following information regarding the Receipts and the Account(s) at which such Receipts are held:

If we are a clearing system holding Receipts via DTC, we will confirm to Monte Titoli via the Acupay System the aggregate daily amount of the Receipts held for all of our participants and the custody location where we hold such Receipts.

If we are a financial institution other than a clearing system:

- If the Account(s) is/are maintained directly by us at a clearing system, we will identify the relevant account number(s) at such clearing system.
- If the Account(s) is/are maintained indirectly at a clearing system through the facilities of a sub-custodian, we will identify the name(s) of such sub-custodian and the relevant Account number(s) at such sub-custodians. In addition, we will also arrange for the prompt confirmation of such Account information by each relevant sub-custodian, through the facilities of Acupay.
- We will also report via the Acupay System, or will instruct each relevant sub-custodian to report via the Acupay System, the amount of Receipts acquired or disposed of through such Account(s), in each case referencing the relevant custody location, Account number(s), ISIN codes and trade settlement dates with respect to each such acquisition or disposal.

We also hereby undertake to promptly notify Monte Titoli, via the Acupay System of any or all information that would render any statement contained herein untrue.

We hereby accept full responsibility in case of any claims, additional taxes, penalties or other charges and interest thereon levied by the Italian Tax Authority in connection with the Notes.

We hereby irrevocably authorize Acupay and Monte Titoli to provide this document, or a copy thereof, to the appropriate Italian authorities.

This document and all the representations and undertakings included therein, shall be effective as from the date communicated to Monte Titoli and Acupay.

Yours faithfully,

X (sign here):

\_\_\_\_\_

Name of Authorized Signatory:

\_\_\_\_\_

Title of Authorized Signatory:

\_\_\_\_\_

Date signed:

\_\_\_\_\_

**Schedule IV**  
**Contact Details for the Acupay Team**

Beneficial Owners, their custodians, or DTC participants with questions about the Tax Certification Procedures, may contact Acupay at one of the following locations. Please mention the ISIN for the Notes and/or CUSIP for the Receipts when contacting Acupay. There is no cost for this assistance.

By post, telephone or email:

**In London**

Acupay System LLC  
Attention: A Team  
Unit 2, 242 Kingsland Road  
London E8 4DG  
UNITED KINGDOM  
Tel. + 44 (0)-207-382-0340  
ateam@acupay.com

**In New York**

Acupay System LLC  
Attention: A Team  
30 Broad Street  
New York, New York 10004  
United States  
Tel. +1 212-422-1222  
ateam@acupay.com



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# **WIND TRE**

**Unaudited consolidated interim financial statements  
as of and for the six-month period ended  
June 30, 2017**

*FINANCIAL STATEMENTS AND NOTES THERETO*

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**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2017 AND 2016**

(millions of euro)	Note	2017 6 months	2016 6 months	2017 II quarter	2016 II quarter
Revenue . . . . .	5	3,001	963	1,491	491
Other revenue . . . . .	6	82	22	44	12
<b>Total revenue . . . . .</b>		<b>3,083</b>	<b>985</b>	<b>1,535</b>	<b>503</b>
Purchases and services . . . . .	7	(1,689)	(663)	(844)	(340)
Other operating costs . . . . .	8	(145)	(58)	(73)	(29)
Personnel expenses . . . . .	9	(209)	(80)	(95)	(39)
Restructuring costs . . . . .	10	(140)	—	(81)	—
<b>Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>900</b>	<b>184</b>	<b>442</b>	<b>95</b>
Depreciation and amortization . . . . .	11	(1,616)	(201)	(838)	(103)
Gains/(losses) on disposal of non-current assets . . . . .	12	(5)	—	(5)	—
<b>Operating income . . . . .</b>		<b>(721)</b>	<b>(17)</b>	<b>(401)</b>	<b>(8)</b>
Finance income . . . . .	13	54	—	26	—
Finance expense . . . . .	13	(339)	(25)	(167)	(12)
Foreign exchange gains/(losses), net . . . . .		(2)	—	—	—
<b>Profit/(Loss) before tax . . . . .</b>		<b>(1,008)</b>	<b>(42)</b>	<b>(542)</b>	<b>(20)</b>
Income tax . . . . .	14	(42)	—	(12)	—
<b>Profit/(Loss) for the period . . . . .</b>		<b>(1,050)</b>	<b>(42)</b>	<b>(554)</b>	<b>(20)</b>
Non-controlling interests . . . . .		—	—	—	—
<b>Loss for the year attributable to the owners of the parent</b>		<b>(1,050)</b>	<b>(42)</b>	<b>(554)</b>	<b>(20)</b>

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS AND THE THREE MONTHS ENDED JUNE 30, 2017 AND 2016**

<u>(millions of euro)</u>	<u>Note</u>	<u>2017 6 months</u>	<u>2016 6 months</u>	<u>2017 II quarter</u>	<u>2016 II quarter</u>
<b>Profit / (Loss) for the period</b> . . . . .		<u><b>(1,050)</b></u>	<u><b>(42)</b></u>	<u><b>(554)</b></u>	<u><b>(20)</b></u>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b> . . . . .				—	
Gains/(losses) on cash flow hedging instruments . . . . .		<u>11</u>	—	—	—
<b>Total Other comprehensive income that will be reclassified subsequently to profit or loss</b> . . . . .		<u><b>11</b></u>	—	—	—
<b>Total comprehensive income/(loss) for the period</b> . . . . .	<b>20</b>	<u><b>(1,039)</b></u>	<u><b>(42)</b></u>	<u><b>(554)</b></u>	<u><b>(20)</b></u>
Total comprehensive income attributable:					
Owners of the parent . . . . .		(1,039)	(42)	(554)	(20)
Non-controlling interests . . . . .		—	—	—	—

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2017 AND DECEMBER 31, 2016**

<u>(millions of euro)</u>	<u>Note</u>	<u>At June 30, 2017</u>	<u>At December 31, 2016</u>
<b>Assets</b>			
Property, plant and equipment . . . . .	15	4,518	5,618
Intangible assets . . . . .	16	9,882	10,001
Financial assets . . . . .	17	2,137	2,494
Other assets . . . . .		245	244
Investments accounted for using the equity method . . . . .	18	—	77
Deferred tax assets . . . . .	19	101	125
<b>Total non-current assets . . . . .</b>		<b><u>16,883</u></b>	<b><u>18,559</u></b>
Inventories . . . . .		110	72
Trade receivables . . . . .		1,138	1,287
Financial assets . . . . .	17	23	24
Current tax assets . . . . .		29	27
Other receivables . . . . .		294	265
Cash and cash equivalents . . . . .		570	603
Assets held for sale . . . . .		163	50
<b>Total current assets . . . . .</b>		<b><u>2,327</u></b>	<b><u>2,328</u></b>
<b>TOTAL ASSETS . . . . .</b>		<b><u>19,210</u></b>	<b><u>20,887</u></b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital . . . . .		474	474
Share premium reserve . . . . .		3,119	3,119
Other reserves . . . . .		11,307	11,650
Retained earnings . . . . .		(11,735)	(11,039)
<b>Equity attributable to owners of the parent . . . . .</b>	20	<b><u>3,165</u></b>	<b><u>4,204</u></b>
<b>Non-controlling interests . . . . .</b>		<b><u>—</u></b>	<b><u>—</u></b>
<b>Total equity . . . . .</b>	20	<b><u>3,165</u></b>	<b><u>4,204</u></b>
<b>Liabilities</b>			
Financial liabilities . . . . .	22	12,476	12,838
Employee benefits . . . . .		75	79
Provisions . . . . .	21	135	140
Other non-current liabilities . . . . .		91	110
Deferred tax liabilities . . . . .	19	371	368
<b>Total non-current liabilities . . . . .</b>		<b><u>13,148</u></b>	<b><u>13,535</u></b>
Financial liabilities . . . . .	22	166	176
Trade payables . . . . .		1,914	2,272
Other payables . . . . .		753	648
Income tax payables . . . . .		64	52
<b>Total current liabilities . . . . .</b>		<b><u>2,897</u></b>	<b><u>3,148</u></b>
<b>Total liabilities . . . . .</b>		<b><u>16,045</u></b>	<b><u>16,683</u></b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b><u>19,210</u></b>	<b><u>20,887</u></b>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

<u>(millions of euro)</u>	<u>Note</u>	<u>2017 6 months</u>	<u>2016 6 months</u>
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the period . . . . .		(1,050)	(42)
Net financial costs . . . . .		286	25
Income taxes . . . . .	14	42	—
<b>Profit/(Loss) for the period before taxes, interest and profit/losses on disposal assets . . . . .</b>		<b>(722)</b>	<b>(17)</b>
<b>Adjustments to reconcile the loss for the period with the cash flows from/ (used in) operating activities</b>			
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets . . . . .	11	1,616	201
Net changes in provisions and employee benefits . . . . .		11	1
Impairment of trade receivables . . . . .	8	93	41
Changes in inventories . . . . .		(38)	25
Changes in current assets/liabilities . . . . .		(250)	179
Interest paid . . . . .		(287)	(1)
Taxes paid . . . . .		(8)	(6)
<b>Net cash flows from operating activities . . . . .</b>		<b>415</b>	<b>423</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment . . . . .		(268)	(150)
Acquisition of intangible assets . . . . .		(238)	(138)
Assets disposal . . . . .		65	—
<b>Net cash flows used in investing activities . . . . .</b>		<b>(441)</b>	<b>(288)</b>
<b>Cash flows from financing activities</b>			
Banks financing borrowing:			
Repayments . . . . .		(7)	(50)
Parent company and fellow subsidiaries borrowings:			
Proceeds . . . . .		—	34
Repayments . . . . .		—	(1)
<b>Net cash flows from/(used in) financing activities . . . . .</b>		<b>(7)</b>	<b>(17)</b>
<b>Net cash flows for the period . . . . .</b>		<b>(33)</b>	<b>118</b>
Cash and cash equivalents at the beginning of the period . . . . .		603	89
<b>Cash and cash equivalents at the end of the period . . . . .</b>		<b>570</b>	<b>207</b>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016**

(millions of euro)	Note	Equity attributable to the owners of the parent				Equity attributable to the owners of the parent	Non-controlling interests	Equity
		Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)			
<b>Balances at January 1, 2016 . .</b>		<u>474</u>	<u>3,119</u>	<u>9,488</u>	<u>(9,032)</u>	<u>4,049</u>	<u>—</u>	<u>4,049</u>
<b>Total comprehensive income for the period</b>								
—Profit/(Loss) for the period .		—	—	—	(42)	(42)	—	(42)
<b>Transactions with equity holders</b>								
<b>Balances at June 30, 2016 . . .</b>		<u>474</u>	<u>3,119</u>	<u>9,488</u>	<u>(9,074)</u>	<u>4,007</u>	<u>—</u>	<u>4,007</u>
<b>Balances at January 1, 2017 . .</b>	20	<u>474</u>	<u>3,119</u>	<u>11,650</u>	<u>(11,039)</u>	<u>4,204</u>	<u>—</u>	<u>4,204</u>
<b>Total comprehensive income for the period</b>								
—Profit/(Loss) for the period .		—	—	—	(1,050)	(1,050)	—	(1,050)
—Cash flow hedges . . . . .		—	—	11	—	11	—	11
—Other movements . . . . .		—	—	(354)	354	—	—	—
<b>Balances at June 30, 2017 . . .</b>	20	<u>474</u>	<u>3,119</u>	<u>11,307</u>	<u>(11,735)</u>	<u>3,165</u>	<u>—</u>	<u>3,165</u>



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017**

**1 INTRODUCTION**

Wind Tre SpA (hereafter referred to as Wind Tre or the Company and together with its subsidiaries the Group or the Wind Tre Group) is a joint stock company having registered office in Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milan, Italy. Wind Tre is a leading operator in the fixed and mobile telecommunications and data services sector in Italy and is strongly oriented towards providing in mobility data communication services and internet mobile access services in broadband and wireless mode. In addition, it accompanies its offer with a wide range of content, applications and multimedia support. Wind Tre is also active on the digital TV market.

These consolidated financial statements for the half year ended June 30, 2017 were approved by the Company's Board of Directors on October 17, 2017. At the date of approval of these consolidated financial statements Wind Tre is controlled by Wind Tre Italia SpA (hereafter referred to as Wind Tre Italia) which in turn is controlled by the Luxembourg based entity VIP-CKH Luxembourg Sàrl (hereafter referred to as VIP-CKH or the Joint Venture). VIP-CKH is a joint venture whose share capital is owned as to 50% by CK Hutchison Holdings Limited (hereafter referred to as CK Hutchison) and by Veon Ltd. (formerly VimpelCom Ltd. and hereafter referred to as Veon), which jointly own and operate their respective telecommunications businesses in Italy. CK Hutchison is a limited liability company incorporated in the Cayman Islands and registered in the Register of Companies of the Cayman Islands (no. MC-294.571) whose shares are listed on the Hong Kong stock exchange and whose principal place of business is located at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. Veon is incorporated under Bermuda law, domiciled in Claude Debussylaan 88, 1082 MD Amsterdam, Netherlands and listed on NASDAQ.

The economic data for the first half of 2017 are not immediately comparable with those of the same period of the previous year because they refer only to the financial statements of the former H3G Group, which did not previously draw up interim financial statements under IAS 34; accordingly the comparative figures have not been subject to review by the audit firm.

A proforma income statement is included in the Report on operation to simulate the effects of the merger from January 1, 2016 and allow the comparative commentary of some data.

On the formation of the Joint Venture at the end of last year the respective holding and operating companies of the telecommunications businesses in Italy of CK Hutchison and VimpelCom, namely Wind Tre Italia and WIND Acquisition Holdings Finance SpA, and Wind Tre and WIND Telecomunicazioni SpA, and all their subsidiaries became subsidiaries of the Joint Venture, and the Joint Venture became the new parent company of the Group holding the telecommunications businesses in Italy of CK Hutchison and VimpelCom.

Following the above mentioned transaction WIND Acquisition Holdings Finance SpA and WIND Telecomunicazioni SpA have been merged in Wind Tre Italia and in Wind Tre respectively.

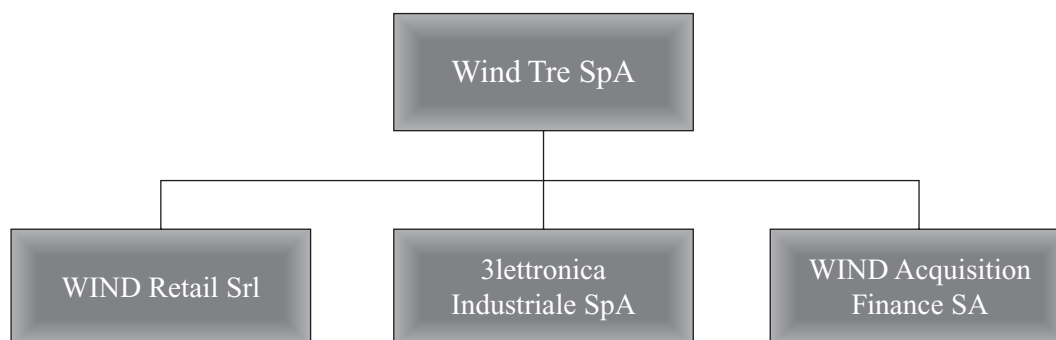
The approval of the transaction obtained from the European Commission, that led to the formation of the Joint Venture, required the implementation of a number of remedies which included the signing of certain agreements with Iliad, a French telecom operator, aiming to allow Iliad to enter the Italian market. The agreements have resulted in the commitment of the Wind Tre Group to sell to Iliad frequencies and sites in the period 2017 - 2019 as well as to sign certain temporary agreements which enable Iliad to operate telecommunications services in the Italian market while Iliad is creating its own network. As a result of these agreements the carrying amount of the assets to be sold have been reviewed in terms of impairment or by revising their useful lives. In addition, where the sale is expected to occur within

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**1 INTRODUCTION (Continued)**

12 months from the closing date the assets in question have been recognized and measured in accordance with the requirements of IFRS 5 for assets held for sale. These valuations were updated in the interim financial statements as of June 30, 2017.

The following diagram sets out the structure of the Wind Tre Group at June 30, 2017.



The entry into the market of Iliad, the fourth infrastructure mobile operator, required by the European Commission as a mandatory condition for approving the merger between Wind Telecomunicazioni SpA and H3G SpA which took place at the end of last year, is planned for the end of 2017 or the beginning of 2018.

For more information on the above transaction please refer to the Wind Tre Group Notes to the Consolidated Financial Statements as of December 31, 2016.

In the fixed-line market the progressive slowdown in value contraction continues following the dissemination of new generation ultra-fast fiber connections and the overall improvement in broadband services.

In addition emphasis continues to be given to increasing efficiency and obtaining a further optimization of the cost structure as part of the integration program that followed the merger of the two operating companies at the end of 2016.

**2 GENERAL ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The consolidated financial statements for the period ended June 30, 2017 have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with all the SIC/IFRIC interpretations, as endorsed by the European Union and pursuant to EU Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002.

The statement of financial position is prepared using an analysis of assets and liabilities into current and non-current. The income statement is prepared in accordance with IAS 1 “Presentation of Financial Statements” with a classification of expenses by nature that is believed to provide more relevant information than a classification by function.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

The structure and content of these consolidated interim financial statements comply with the disclosure requirements of IAS 34 Interim Financial Reporting. The consolidated interim financial statements have been prepared in accordance with IAS 1, while the notes thereto have been drawn up in a condensed format, as permitted by IAS 34. Accordingly, these consolidated interim financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2016.

The consolidated financial statements as of and for the year ended December 31, 2016 and for the interim financial statement as of June 30, 2017 are available on request at the registered office of the Parent and on the website [www.windtre.it](http://www.windtre.it).

The income statement and statement of comprehensive income figures provided relate to the six months ended June 30, 2017. As described in the foregoing, comparative data refer only to the H3G group and therefore the comparability of data must take into account this distinction.

The accounting standards adopted by the Group are the same as those used for the preparation of the consolidated financial statements as of and for the year ended December 31, 2016 with the exception of the calculation of income taxes that is based on the best estimate of the tax rate that will be applied for the entire period. Amounts set aside for income taxes are therefore subject to variation in the next interim periods as the annual tax rate is revised.

In preparing these consolidated financial statements the Group adopted historical cost as the basis of measurement except for certain financial instruments for which, in accordance with IAS 39, measurement at fair value has been used.

These consolidated financial statements are expressed in euros, the currency of the economy in which the Group operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in millions of euros.

The preparation of these notes required management to apply accounting policies and methodologies that are occasionally based on complex, subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances and on the available information. The application of these estimates and assumptions affects the reported amounts in the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement and the accompanying notes. The closing amounts of items in the consolidated annual financial statements that were initially determined for the purposes of the consolidated interim financial statements by using the above estimates and assumptions may differ from those based on such estimates and assumptions, given the uncertainty surrounding the assumptions and conditions upon which these estimates are based. Management's significant judgments on the application of Group accounting policies and the main causes of uncertainty of these estimates are the same as those applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2016.

For the purposes of comparison, certain balances in the statement of financial position have been reclassified where necessary. These reclassifications do not affect the Group's profit for the year or equity. In this regard in order to ensure a representation in line with sector practice management has changed the presentation in the financial statements of customer acquisition costs (mainly represented by commissions paid to the sales network) which are capitalized as intangible assets where the criteria provided by the applicable standards for recognition as fixed assets are met and amortized over the minimum contractual

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

life. In previous years these costs were deferred over the minimum contractual life and presented as “Financial assets” in the non-current section; this presentation has no effect on the opening balance of shareholders’ equity and results of prior years.

**2.2 Accounting standards and interpretations**

The Group has adopted all the newly issued and amended standards of the IASB and interpretations of the IFRIC, endorsed by the European Union, applicable to its transactions and effective for financial statements for years beginning January 1, 2017 and thereafter.

• *New accounting standards and interpretations*

Standards effective in 2017

In the first half of 2017, no standards or interpretations that have already been endorsed by the EU have become officially applicable.

Accounting standards and interpretations issued by IASB/IFRIC—not yet effective

Set out below is the information required to assess the possible impact arising from the application of new accounting standards and interpretations that have already been issued but have not yet become effective or have not been adopted by the EU and thus cannot be applied to the interim financial statements as of June 30, 2017.

Unless otherwise indicated, the Company does not believe that the application of these standards will have any significant impact on its economic results, except for the need for further possible disclosures.

<u>Standard, amendment or interpretation</u>	<u>Status</u>
Amendment to IAS 7 “Statement of Cash Flows” under the disclosure initiative	Expected endorsement in Q4 2017
Amendment to IAS 12 “Income Taxes”: Recognition of Deferred Tax Assets for Unrealised Losses	Expected endorsement in Q4 2017

Table 1—IFRSs whose effective date is expected for accounting periods beginning on or after January 1, 2017 (the effective date determined by the IASB may differ from the effective date for the EU).

*Amendment to IAS 7 “Statement of Cash flows” under the disclosure initiative*—The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, aimed at understanding how financial statement disclosures can be improved.

*Amendment to IAS 12 “Income Taxes”*—This amendment regarding the “Recognition of Deferred Tax Assets for Unrealised Losses” clarifies how to account for deferred tax assets arising from debt instruments measured at fair value.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

<u>Standard, amendment or interpretation</u>	<u>Status</u>
IFRS 15 “Revenue from Contracts with Customers” (issued on May 28, 2014) including amendments to IFRS 15. Effective date of IFRS 15 (issued on September 11, 2015)	Endorsed: September 22, 2016 Effective (EU): January 1, 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	Expected endorsement in Q4 2017 Effective (EU): 1 January 2018
IFRS 9 “Financial Instruments”	Endorsed: November 19, 2016 Effective (EU): January 1, 2018
Amendment to IAS 40 “Investment Property” relating to transfers of investment property	Expected endorsement in Q4 2017
Annual improvements 2014 - 2016 relating to: IFRS 1 “First-time Adoption of IFRS”	Expected endorsement in Q4 2017
IFRS 12 “Disclosure of Interests in Other Entities”	
IAS 28 “Investments in Associates and Joint Ventures”	
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	Expected endorsement in Q4 2017

Table 2—IFRSs whose effective date is expected for accounting periods beginning on or after January 1, 2018 (the effective date determined by the IASB may differ from the effective date for the EU).

*IFRS 15 “Revenue from Contracts with Customers”*—This replaces IAS 18 “Revenues” and IAS 11 “Construction Contracts” and the interpretations IFRIC 13 “Customer Loyalty Programs”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets from Customers” and SIC 31 “Barter Transactions Involving Advertising Services”. It applies to all contracts with customers except from those included in the scope of IAS 17 “Leases”, IFRS 4 “Insurance Contracts” or IAS 39/IFRS 9 “Financial Instruments”.

IFRS 15 paragraphs relating to the recognition and measurement of revenue introduce a 5-step model: i) identification of the contract with the customer; ii) identification of “performance obligations”, that is to say the separable components that are part of a sole contract but that have to be separated for accounting purposes; iii) determination of the selling price; iv) price allocation for the various “performance obligations” and v) revenue recognition when performance obligations are satisfied. IFRS 15 completes the financial statement disclosures to be presented with the nature, amount, timing and uncertainties of revenues and their cash flows.

The Group has started up the activities deemed necessary to assess the effect of the application of IFRS 15 and to apply the standard with effect from 2018 when the standard becomes effective, with retrospective application to all contracts not completed at January 1, 2018. The various effects on the performance obligations identification and the consequent price allocation, especially in the context of bundle deals, are currently being analyzed and quantified.

*IFRS 9 “Financial Instruments”*—This replaces IAS 39 “Financial Instruments” and contains a model to evaluate financial instruments based on three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income”. The standard envisages a new impairment model that is different from that currently included in IAS 39 and is more focused on expected credit losses. The Group has started up the activities deemed necessary to assess the effect of the application of IFRS 9.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

*Amendment to IAS 40 “Investment Property”*; this amendment clarifies that there must be a change in use to transfer assets to, or from, investment properties. To determine that an asset has changed use there should be an assessment of whether the property meets the definition. This change must be supported by suitable evidence.

Changes in annual improvements 2014-2016 possibly affecting the Group in the future are:

*IFRS 12 “Disclosure of Interests in Other Entities”*; clarification of the scope of the standard.

*IAS 28 “Investments in Associates and Joint ventures”*; clarification of measuring at fair value of an associate or joint venture.

*IFRIC 22 “Foreign Currency Transactions and Advance Consideration”*; this IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

<u>Standard, amendment or interpretation</u>	<u>Status</u>
IFRS 16 “Leases”	Expected endorsement in Q4 2017

Table 3—IFRSs whose effective date is expected for accounting periods beginning on or after January 1, 2019 (the effective date determined by the IASB may differ from the effective date for the EU).

*IFRS 16 “Leases”*—This replaces IAS 17 “Leases” and interpretations IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases—Incentives” and SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee; instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are to be recognized as right-of-use assets with the corresponding recognition of a financial liability. Partial exemptions to this rule are allowed for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets (for example, the lease of a personal computer). The Group has started up the activities deemed necessary to assess the effect of the application of IFRS 16.

*IFRIC 23 “Uncertainty over income tax treatments”*—explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment (or where there is uncertainty over whether that treatment will be accepted by the tax authority).

**3 BASIS OF CONSOLIDATION**

The companies controlled by the Group (“subsidiaries”) are consolidated on a line-by-line basis. Control exists when the Company has simultaneously:

- decisional power, that is the power to govern the financial and operating policies of the entity, meaning those activities that have a significant influence on the results of the company;
- the right to the variable results (positive or negative) arising from its investment in the entity;
- the ability to use its decision-making power to determine the amount of the results arising from its investment in the entity.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**3 BASIS OF CONSOLIDATION (Continued)**

The existence of control is checked whenever facts and circumstances indicate a change in one or more of the three qualifying elements of the control.

Subsidiaries are consolidated from the date of acquisition and deconsolidated when such control ceases.

Where there is an acquisition or loss of control of a company included in the consolidation perimeter, the consolidated financial statements include the net income of the company for the period in which the parent company has control.

The financial statements used in the consolidation process are those prepared by the individual Group entities as of and for the period ended June 30, 2017 in accordance with the IFRS adopted by the European Union (EU) in drawing up these statements and approved by the respective Boards of Directors.

The consolidation procedures used are as follows:

- the assets and liabilities and income and expenses of consolidated subsidiaries are included on a line-by-line basis, allocating to non-controlling interests, where applicable, the share of equity and profit or loss for the year that is attributable to them. The resulting balances are presented separately in consolidated equity and the consolidated income statement;
- except for business combinations under common control as noted below the purchase method of accounting is used to account for business combinations in which control of an entity is acquired. The cost of an acquisition is measured as the fair value of the assets acquired, liabilities incurred or assumed and equity instruments issued at the acquisition date. Any excess of the cost of acquisition over the fair value of the assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss after first verifying that the fair values attributed to the acquired assets and liabilities and the cost of the acquisition have been measured correctly;
- business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination are considered business combinations involving entities under common control. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the carrying amounts of the transferred entity and reporting any gains arising from the transfer directly in equity;
- the purchase of investments from minority holders in entities where control is already exercised is not considered a purchase but an equity transaction. Therefore, the difference between the cost incurred for the acquisition and the respective share of the accounting equity acquired is recognized directly in equity;
- unrealized gains and losses arising from transactions carried out between companies consolidated on a line-by-line basis and the respective tax effects are eliminated as are corresponding balances of receivables and payables, income and expense, and finance income and expense;
- gains and losses arising from the sale of investments in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of the consolidated equity sold.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**3 BASIS OF CONSOLIDATION (Continued)**

The following table provides a summary of the Group's investments showing the criteria used for consolidation and measurement.

	Registered office	Share/quota capital Euro	% holding 06.30.2017	Basis of consolidation / measurement 06.30.2017
<b>Subsidiaries</b>				
WIND Retail Srl .....	Italy	1,026,957	100	Line-by-line
WIND Acquisition Finance SA .....	Luxembourg	60,031,000	100	Line-by-line
3lettronica Industriale SpA .....	Italy	16,000,000	100	Line-by-line
<b>Associates</b>				
Galata SpA .....	Italy	1,000,000	10	Equity
<b>Others</b>				
MIX Srl .....	Italy	99,000	9.75	Cost
Consel .....	Italy	51,000	1	Cost
Janna Scarl .....	Italy	13,717,365	17	Cost
QXN .....	Italy	500,000	10	Cost
Dono per.Scarl .....	Italy	30,000	In liquidation	Cost

Participation in Galata SpA has been reclassified as "Assets held for sale" consistent with IFRS 5. For further details see note 18.

***Business combinations under common control***

A business combination involving entities or businesses "under common control" is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. These transactions are not contemplated by IFRS 3, which outlines the accounting method for business combinations, or by any other IFRS. In the absence of an accounting standard of reference, it is believed that the selection of the accounting principle most suitable is the general objective set out in IAS 8 in order to provide relevant and reliable information about a transaction. In this context, some guidance in the Italian context can be found in OPI 1 (Assirevi preliminary guidelines on IFRS) relating to accounting for business combinations under common control in "Separate and Consolidated Financial Statements". Taking into account the OPI 1 guidance, which is applicable to all reorganizational transactions (mergers) completed in Italy after the major transaction completed at a higher level which created the joint venture, the Group has decided to select the predecessor accounting method (based on continuity of values and not on IFRS 3 principles) as an accounting policy for this kind of transaction. Use of the predecessor accounting method is also in line with certain other generally accepted accounting principles that permit, or require, this accounting to be used for other common control transactions or similar circumstances.

The concept of continuing values requires the recognition in the financial statements of the acquirer of the same values as those recorded in the books of the companies / business segments acquired before the transaction or, if available, the values in the consolidated financial statements of the common parent (the "predecessor accounting" principle). Where the values transferred are higher than these historical values, both the acquirer and the seller must eliminate the excess by reducing equity.



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**3 BASIS OF CONSOLIDATION (Continued)**

In relation to the date from which a transaction under common control can be considered, OPI 1 and predecessor accounting allow the backdating of the accounting consequences if the aim of the transaction is to reorganize a Group after a major transaction has occurred at a higher level. The backdating can be applied up to the date of when the major transaction occurred.

The economic data for the first half 2017 are not immediately comparable with those of the same period of the previous year as a result of the different contribution to the consolidated income statement of the former H3G SpA and the former WIND Telecomunicazioni SpA involved in the merger that took place in 2016.

A proforma income statement is included in the Report on operations to simulate the effects of the merger since January 1, 2016.

*Segment reporting*

The Group has determined that it has one reportable segment based on the information reviewed by its Management in making decisions regarding allocation of resources and to assess performance.

**4 ACQUISITIONS AND DISPOSALS**

During the second quarter, in the context of the licensing agreement with the French operator Iliad, €50 million were collected from licenses classified as “Assets held for sale” at the end of last year as foreseen in the contractual plan.

**5 REVENUE**

The following table provides an analysis of *Revenue* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

(millions of euro)	2017 6 months	2016 6 months	Change	2017 II quarter	2016 II quarter	Change
<b>Revenue from sales</b> . . . . .	<b>377</b>	<b>198</b>	<b>179</b>	<b>181</b>	<b>106</b>	<b>75</b>
—Telephone services . . . . .	2,264	624	1,640	1,137	313	824
—Interconnection traffic . . . . .	249	108	141	114	55	59
—International roaming . . . . .	31	18	13	18	9	9
—Judicial authority services . . . . .	3	—	3	1	—	1
—Other revenue from services . . . . .	77	15	62	40	8	32
<b>Revenue from services</b> . . . . .	<b>2,624</b>	<b>765</b>	<b>1,859</b>	<b>1,310</b>	<b>385</b>	<b>925</b>
<b>Total</b> . . . . .	<b>3,001</b>	<b>963</b>	<b>2,038</b>	<b>1,491</b>	<b>491</b>	<b>1,000</b>

*Revenue from sales* mainly refers to the sale of mobile telephone handsets and accessories.

The *Telephone services* mainly refer to revenues from voice fixed and mobile services and internet services mobile data transmission.

*Interconnection traffic* includes revenue from other telecommunications operators for the termination of traffic to the Company’s customers.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**5 REVENUE (Continued)**

*Other revenue from services* mainly refer to business spaces, sites and network sublease and revenue from MVNO.

**6 OTHER REVENUE**

*Other revenue* amounts in total to €82 million in the six months of 2017 and refers principally to release to income statement of capital contribution for the period and other non recurring revenues.

**7 PURCHASES AND SERVICES**

The following table provides an analysis of *Purchases and services* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Purchases of raw materials, consumables, supplies and goods . . . . .	378	182	196	163	95	68
Interconnection traffic . . . . .	280	112	168	141	56	85
Outsourcing costs for other services . . . . .	189	27	162	96	13	83
Rental of local network and circuits . . . . .	188	8	180	90	4	86
Lease of civil/technical sites and use of third party assets . . . . .	174	91	83	88	46	42
Customer acquisition costs . . . . .	152	88	64	79	45	34
Maintenance and repair . . . . .	87	60	27	43	27	16
Power consumption and other utilities . . . . .	69	24	45	35	13	22
Advertising and promotional services . . . . .	56	24	32	22	14	8
National and international roaming . . . . .	23	15	8	12	8	4
Consultancies and professional services . . . . .	19	7	12	8	4	4
Change in inventories . . . . .	(22)	—	(22)	10	—	10
Other services . . . . .	96	25	71	57	15	42
<b>Total purchases and services . . . . .</b>	<b><u>1,689</u></b>	<b><u>663</u></b>	<b><u>1,026</u></b>	<b><u>844</u></b>	<b><u>340</u></b>	<b><u>504</u></b>

**8 OTHER OPERATING COSTS**

The following table provides an analysis of *Other operating costs* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Impairment losses on trade receivables and current assets . . . . .	93	41	52	50	21	29
Annual license and frequency fees . . . . .	32	11	21	16	6	10
Accruals to provision for risks and charges . . . . .	6	1	5	—	—	—
Other operating costs . . . . .	14	5	9	7	2	5
<b>Total other operating costs . . . . .</b>	<b><u>145</u></b>	<b><u>58</u></b>	<b><u>87</u></b>	<b><u>73</u></b>	<b><u>29</u></b>	<b><u>44</u></b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**9 PERSONNEL EXPENSES**

The following table provides an analysis of *Personnel expenses* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Wages and salaries . . . . .	189	64	125	89	32	57
Social security charges . . . . .	51	16	35	25	8	17
Post-employment benefits . . . . .	12	4	8	6	2	4
Other personnel expenses . . . . .	8	3	5	4	1	3
(Costs capitalized for internal works) . . . . .	<u>(51)</u>	<u>(7)</u>	<u>(44)</u>	<u>(29)</u>	<u>(4)</u>	<u>(25)</u>
<b>Total personnel expenses . . . . .</b>	<b><u>209</u></b>	<b><u>80</u></b>	<b><u>129</u></b>	<b><u>95</u></b>	<b><u>39</u></b>	<b><u>56</u></b>

On February 24, 2017, an agreement was reached to harmonize the various contractual and regulatory disciplines following the merger at the end of last year. For more information, see the Report on Operations.

**10 RESTRUCTURING COSTS**

The item, amounting €140 million at June 30, 2017, is mainly due to costs already incurred or related to implementing the business's restructuring and reorganization plan, drawn up with the objective of the incorporation.

**11 DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of *Depreciation and amortization* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Depreciation of property, plant and equipment						
—Plant and machinery . . . . .	1,319	96	1,223	688	49	639
—Industrial and commercial equipment . . . . .	12	1	11	7	1	6
—Other assets . . . . .	10	4	6	4	2	2
Amortization of intangible assets with finite lives						
—Industrial patents and similar rights . . . . .	67	30	37	33	15	18
—Concessions, licenses, trademarks and similar rights . . . . .	28	12	16	14	6	8
—Other intangible assets . . . . .	<u>180</u>	<u>58</u>	<u>122</u>	<u>92</u>	<u>30</u>	<u>62</u>
<b>Total depreciation and amortization . . . . .</b>	<b><u>1,616</u></b>	<b><u>201</u></b>	<b><u>1,415</u></b>	<b><u>838</u></b>	<b><u>103</u></b>	<b><u>735</u></b>

The item includes the effect of the acceleration of the amortization on part of the network infrastructure and on some IT systems in order to align the remaining useful life following an optimization plan and the construction of a new generation integrated network as well as of some sites as a result of agreements with Iliad.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**12 GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS**

The item “Gains (losses) on disposal of non-current assets” mainly refers to losses for disposal of plant and equipment for the modernization of the network

**13 FINANCE INCOME AND EXPENSE**

The following table provides an analysis of *Finance income* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Cash flow hedges reversed from equity . . . . .	3	—	3	1	—	1
Fair value measurement of non-hedging derivatives . . . . .	2	—	2	—	—	—
Other . . . . .	49	—	49	25	—	25
<b>Total finance income . . . . .</b>	<b><u>54</u></b>	<b><u>—</u></b>	<b><u>54</u></b>	<b><u>26</u></b>	<b><u>—</u></b>	<b><u>26</u></b>

Other financial income at June 30, 2017 consists mainly of the interest of €47 million arising on the receivable from the parent Wind Tre Italia SpA under the intercompany agreements entered in April 23, 2014 and in August 4, 2014, for which details may be found in note 17.

The following table provides an analysis of *Finance expense* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Interest expense on:						
Bond issues . . . . .	294	—	294	146	—	146
Shareholders loans . . . . .	23	23	—	11	11	—
Bank loans . . . . .	25	—	25	12	—	12
Cash flow hedges, reversed from equity . . . . .	(62)	—	(62)	(32)	—	(32)
Fair value measurement of derivatives . . . . .	33	—	33	16	—	16
Other . . . . .	26	2	24	14	1	13
<b>Total finance expense . . . . .</b>	<b><u>339</u></b>	<b><u>25</u></b>	<b><u>314</u></b>	<b><u>167</u></b>	<b><u>12</u></b>	<b><u>155</u></b>

Finance expense consists mostly of accrued interest on financial liabilities outstanding at June 30, 2017, for which further details may be found in note 22.

The item also includes the positive effect of hedge accounting of €62 million, the negative effects related to the fair value measurement of the embedded derivatives on bonds of €26 million and the ineffectiveness recorded on hedging derivatives of €7 million.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**14 INCOME TAX**

The following table provides an analysis of *Income tax* for the six months and for the second quarter of 2017 compared with the corresponding periods of 2016.

<u>(millions of euro)</u>	<u>2017</u> <u>6 months</u>	<u>2016</u> <u>6 months</u>	<u>Change</u>	<u>2017</u> <u>II quarter</u>	<u>2016</u> <u>II quarter</u>	<u>Change</u>
Current tax . . . . .	16	—	16	6	—	6
Deferred tax . . . . .	26	—	26	6	—	6
<b>Total income taxes . . . . .</b>	<b><u>42</u></b>	<b><u>—</u></b>	<b><u>42</u></b>	<b><u>12</u></b>	<b><u>—</u></b>	<b><u>12</u></b>

The net charge for the period is made up of the following:

- current income taxes expense of €16 million (of which €6 million for tax of the subsidiary WIND Acquisition Finance SA and €10 million for IRAP tax) charged on the consolidated taxable income for the period and estimated against the effective tax rate on the entire exercise;
- net deferred tax income of €26 million, arising from the release of deferred tax assets.

**15 PROPERTY, PLANT AND EQUIPMENT**

The following table sets out the changes in *Property, Plant and Equipment* during the first six months of 2017.

<u>(millions of euro)</u>	<u>Carrying</u> <u>amount at</u> <u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Depreciation</u>	<u>Disposals</u>	<u>Others</u>	<u>Carrying</u> <u>amount at</u> <u>June 30,</u> <u>2017</u>
Land and buildings . . . . .	1	—	—	—	—	1
Plant and machinery . . . . .	5,503	256	(1,319)	(13)	(11)	4,416
Equipment . . . . .	43	3	(12)	—	2	36
Other . . . . .	71	9	(10)	—	(5)	65
<b>Total . . . . .</b>	<b><u>5,618</u></b>	<b><u>268</u></b>	<b><u>(1,341)</u></b>	<b><u>(13)</u></b>	<b><u>(14)</u></b>	<b><u>4,518</u></b>

The cost, accumulated impairment losses and accumulated depreciation at June 30, 2017 can be summarized as follows.

<u>(millions of euro)</u>	<u>At June 30, 2017</u>			
	<u>Cost</u>	<u>Accumulated</u> <u>impairment</u> <u>losses</u>	<u>Accumulated</u> <u>depreciation</u>	<u>Carrying</u> <u>Amount</u>
Land and buildings . . . . .	1	—	—	1
Plant and machinery . . . . .	16,434	(2)	(12,016)	4,416
Equipment . . . . .	560	—	(524)	36
Other . . . . .	526	—	(461)	65
<b>Total . . . . .</b>	<b><u>17,521</u></b>	<b><u>(2)</u></b>	<b><u>(13,001)</u></b>	<b><u>4,518</u></b>

*Plant and machinery* presents a net increase of €256 million mainly due to the purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network,

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
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**15 PROPERTY, PLANT AND EQUIPMENT (Continued)**

exchanges and electronic installations and plant and machinery under construction (IT infrastructures and 3G and LTE technologies).

Disposals amounted €13 million and relate to disposals and value adjustments of equipment, infrastructure and transmission systems, which are no longer usable.

At June 30, 2017, transmission equipment, telephone systems and commutation switchboards owned by the Parent company and having a carrying amount of €101 million (€98 million at December 31, 2016) were held by customers for use. Transmission equipment for direct access through “unbundling of the local loop” having a carrying amount of €2 million at June 30, 2017 (€2 million at December 31, 2016) was held on deposit by Telecom Italia SpA.

*Plant and machinery* additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable products and optic fiber for a total of €74 million at June 30, 2017 (€78 million at December 31, 2016).

The item “Others” includes a negative amount of €14 million related to the reclassification of the assets that will be transferred to Iliad in the next twelve months, under “Assets held for sale”.

**16 INTANGIBLE ASSETS**

The following table sets out the changes in *Intangible assets* during the first six months of 2017.

(millions of euro)	Carrying amount at December 31, 2016	Additions	Amortization	Disposals	Transfer to other natural account	Carrying amount at June 30, 2017
Industrial patents and intellectual property rights . . . . .	316	53	(67)	—	—	302
Concessions, licenses, trademarks and similar rights . . . . .	5,364	45	(28)	—	(73)	5,308
Other intangible assets . . . . .	718	140	(180)	(8)	(1)	669
Goodwill . . . . .	3,603	—	—	—	—	3,603
<b>Total . . . . .</b>	<b>10,001</b>	<b>238</b>	<b>(275)</b>	<b>(8)</b>	<b>(74)</b>	<b>9,882</b>

The cost, accumulated impairment losses and accumulated amortization at June 30, 2017 can be summarized as follows.

(millions of euro)	At June 30, 2017			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights . . . . .	2,044	—	(1,742)	302
Concessions, licenses, trademarks and similar rights . . . . .	10,521	(1,518)	(3,695)	5,308
Other intangible assets . . . . .	3,655	(93)	(2,893)	669
Goodwill . . . . .	4,027	(75)	(349)	3,603
<b>Total . . . . .</b>	<b>20,247</b>	<b>(1,686)</b>	<b>(8,679)</b>	<b>9,882</b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
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**16 INTANGIBLE ASSETS (Continued)**

*Industrial patents and intellectual property rights* consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by Parent personnel in designing, developing and implementing information systems, which at June 30, 2017 amounted to €12 million.

*Concessions, licenses, trademarks and similar rights* include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted to the Group's companies by the relevant authorities, as detailed below.

<u>Individual Licenses or General Authorizations or Use of Frequencies</u>	<u>Date of issue</u>	<u>Date of expiry<sup>(1)</sup></u>
<b>Wind Tre Group</b>		
Installation of network and provision of voice telephony services on the Italian national territory <sup>(2)</sup>	February 1998	February 2018
Installation and provision of public telecommunications networks on the Italian national territory <sup>(2)</sup>	April 1998	April 2018
Provision of public digital mobile communications services using DCS 1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology on the Italian national territory	June 1998	June 2018 <sup>(3)</sup>
Provision of third generation mobile communications services adopting the UMTS standard (IMT-2000 family) and the installation of the related network on the Italian national territory <sup>(4)</sup>	January 2001	December 2029 <sup>(5)</sup>
Use of frequencies for broadband point-multipoint radio networks in the 24.5 - 26.5 GHz band for the geographical area corresponding to the specified Italian region/autonomous province <sup>(6)</sup>	July 2002	July 2022
Use of frequencies for providing terrestrial publicly available broadband mobile services in the 800, 1800 and 2600 MHz bands (LTE technology) <sup>(7)</sup>	January 2012	December 2029

(1) Under the current rules, individual licenses are subject to renewal upon request be submitted at least sixty days before the deadline (art.25 paragraph 6, of Legislative Decree no. 259/03) or application for extension.

(2) The Group is the assignee of additional licenses valid for the installation of the network and provision of fixed telephony services also following the previous merger of Infostrada SpA in WIND Telecomunicazioni SpA and the merger of WIND Telecomunicazioni SpA in H3G SpA.

(3) In accordance with art. 1, paragraphs 568 to 575, of Law no. 232 of December 11, 2016 and art. 25, paragraph 6, of Legislative Decree no. 259/03 and subsequent amendments a reforming application was submitted on February 15, 2017 to the MISE with effect from July 1, 2017 and the relative extension until 2029 of the right to use the 900 and 1800 MHz frequencies having an original expiry date of June 30, 2018.

(4) The Group is the assignee of two valid individual licenses and the related rights of use of frequencies in the 2100 MHz band, already issued to WIND Telecomunicazioni SpA and H3G SpA respectively with effect from 1 January 2002. It also holds the rights of use on a national basis of a coupled block of 2x5 MHz at 900 MHz, with the allocation decision dated May 19, 2010 having effect from June 1, 2010 and expiring on December 31, 2021.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
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**16 INTANGIBLE ASSETS (Continued)**

- (5) The extension to 2029 is subject to compliance with the provisions of Ministry of Economic Development with order issued in October 2016, and to the payment of the contributions due for the years 2022 to 2029 pursuant to art. 35 of the Electronic Communications Code pursuant to Legislative Decree no. 259/03 and subsequent amendments.
- (6) Overall 21 multiple point individual licenses have been allocated.
- (7) Following the participation respectively by WIND Telecomunicazioni SpA and H3G SpA to tender for the allocation of rights to use frequencies in the bands 800, 1800, 2000 and 2600 MHz for terrestrial services to the public at large electronic communication band, published in the OJ of the Italian Republic no. 75 of 27 June 2011, the Group holds the rights to use frequencies in the bands 800, 1800 and 2600 (FDD and TDD) MHz, respectively, issued in January and February 2012. It also holds the rights of use on a national basis of a coupled block of 2x5 MHz in the 1800 MHz band following the exercise of subscription rights on the preferential allocation of these frequencies, by order of allocation of 12 April 2012 having effect from 1 June 2012 and expiring on 31 December 2029.

Transfer to other natural account for €74 million includes the reclassification of the licenses, which will be transferred to Iliad in the next twelve months, to “Assets held for sale” for €72 million.

In addition, *Concessions, licenses, trademarks and similar rights* for €1,300 million refer to trademarks, which have an indefinite useful life.

*Similar rights* consist of rights of way and the right to use assets owned by third parties for a predetermined period of time and are initially recognized at their one-off purchase price, including any accessory costs. This item relates for the most part to the costs incurred by Infostrada SpA, now merged, for the purchase in 1998 of the right of way on the Italian railway network and the purchase of the right to use the existing optic fiber on the network and, commencing in 2013, to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with a net value of €109 million at June 30, 2017.

*Other intangible assets* mainly relate to the residual value of the customer list, amounting to €184 million, identified upon allocating the goodwill at December 31, 2006 that arose from the merger of the former parent WIND Acquisition Finance SA and to customer acquisition costs amounting to €240 million.

*Goodwill* pertains to the legal entity WIND Retail Srl for €23 million and to the parent Wind Tre SpA for €3,580 million, both of which are, however, part of a single Cash Generating Unit for the purposes of IAS 36.

**17 FINANCIAL ASSETS**

The following table sets out *Financial assets* at June 30, 2017 and at December 31, 2016.

(millions of euro)	At June 30, 2017			At December 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost . . . . .	2	—	2	2	—	2
Derivative financial instruments . . . . .	1,054	—	1,054	1,460	—	1,460
Financial receivables . . . . .	1,081	23	1,104	1,032	24	1,056
<b>Total . . . . .</b>	<b>2,137</b>	<b>23</b>	<b>2,160</b>	<b>2,494</b>	<b>24</b>	<b>2,518</b>

*Financial assets measured at cost* consist of non-controlling interests in companies and consortia for €2 million and mainly refer to an investment of 17% in Janna Scarl.



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
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**17 FINANCIAL ASSETS (Continued)**

*Derivative financial instruments* include the positive fair value of derivative financial instruments, detailed as follows: i) embedded derivatives on bond issues amounting to €373 million; and ii) cross currency swap hedging derivatives on financial liabilities amounting to €681 million. Additional details on the composition of the balance and respective changes are to be found in note 23.

*Financial receivables*, amounting to €1,104 million at June 30, 2017, mainly include the loans granted by Wind Tre to Wind Tre Italia SpA for €1,090 million (of which €47 million related to accrued interest), resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively. In particular, the first loan, with a nominal value of €925 million (with repayment date in April 2024 and an annual fixed interest rate of 9%) was fully disbursed at June 30, 2017. The second loan for up to a nominal value of €75 million (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) was drawn down in the amount of €67 million at June 30, 2017.

The increase in *Financial receivables* over December 31, 2016 is mainly due to the capitalization of accrued interest made during the first half 2017.

**18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The item at June 30, 2017 shows a balance equal to zero compared to €77 million in the previous year. On July 4, 2017, the parent company handed over n. 100,000 shares representing 10% of the holding in Galata SpA and therefore, at the date of this interim report, the reclassification of the entire amount to “Assets held for sale” was carried out.

**19 DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by origin at June 30, 2017 and at December 31, 2016.

<u>(millions of euro)</u>	<u>At December 31, 2016</u>	<u>Decrease</u>	<u>Increase</u>	<u>At June 30, 2017</u>
Measurement of financial assets/liabilities . . . . .	125	24	—	101
<b>Deferred tax assets</b> . . . . .	<b>125</b>	<b>24</b>	<b>—</b>	<b>101</b>
Employee benefits . . . . .	2	2	—	—
Accelerated depreciation and amortization . . . . .	8	1	—	7
Fair value of Property, plant, and equipment . . . . .	19	—	163	182
Depreciation of Purchase Price Allocation . . . . .	491	31	—	460
Allowance for doubtful accounts . . . . .	(53)	—	(56)	(109)
Amortization and depreciation of non-current assets . . . . .	(44)	—	(97)	(141)
Losses carryforward for offset . . . . .	(34)	(34)	—	—
Provisions for risks and charges (taxed) . . . . .	(21)	—	(7)	(28)
<b>Deferred tax liabilities</b> . . . . .	<b>368</b>	<b>—</b>	<b>3</b>	<b>371</b>

The decrease during the period of €24 million in deferred tax assets is mainly referable to change in tax rates applicable to subsidiaries. Deferred tax liabilities at June 30, 2017 are mainly due to temporary differences on Depreciation of Purchase Price Allocation.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**19 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

The following table provides an analysis of *Deferred tax assets* and *Deferred tax liabilities* at June 30, 2017 and December 31, 2016, between those falling due within 12 months and those falling due after 12 months.

<u>(millions of euro)</u>	<u>At June 30, 2017</u>	<u>At December 31, 2016</u>
—within 12 months . . . . .	—	5
—after 12 months . . . . .	<u>101</u>	<u>120</u>
<b>Total</b> . . . . .	<b><u>101</u></b>	<b><u>125</u></b>
<u>(millions of euro)</u>	<u>At June 30, 2017</u>	<u>At December 31, 2016</u>
—within 12 months . . . . .	—	25
—after 12 months . . . . .	<u>371</u>	<u>343</u>
<b>Total</b> . . . . .	<b><u>371</u></b>	<b><u>368</u></b>

Deferred tax assets of €1,376 million were not recognized on temporary differences that can be carried forward indefinitely due to the lack of reasonable certainty as to their recoverability (€1,173 million at December 31, 2016). These arise from previous years losses carried forward and from finance expenses which due to legislative limits are currently non-deductible.

**20 EQUITY**

The following table sets out the composition of Shareholders' *Equity* at June 30, 2017 and December 31, 2016.

<u>(millions of euro)</u>	<u>At June 30, 2017</u>	<u>At December 31, 2016</u>
<b>Issued capital</b> . . . . .	<b>474</b>	<b>474</b>
<b>Share premium reserve</b> . . . . .	<b>3,119</b>	<b>3,119</b>
<b>Other reserves and retained earnings (accumulated losses), including profit/</b>		
<b>(Loss) for the year</b> . . . . .	<b>(428)</b>	<b>611</b>
—Reserve for remeasurement of employee defined benefit plans (IAS19) . . . . .	(11)	(11)
—Cash flow hedge reserve . . . . .	(70)	(81)
—Parent company legal reserve . . . . .	10	10
—Sundry reserves and retained earnings (accumulated losses), including loss for the period . . . . .	<u>(357)</u>	<u>693</u>
<b>Total Equity</b> . . . . .	<b><u>3,165</u></b>	<b><u>4,204</u></b>

The Parent Company's share capital amounts to €474,303,795.00, fully paid, consisting of 94,860,759 shares each of nominal value €5.00 wholly owned by the sole shareholder Wind Tre Italia. The number of the Parent Company's shares has not changed during the year.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**20 EQUITY (Continued)**

Following the confirmation and extension of the pledge on the shares of the Parent Company it is noted that, derogating from article 2352, paragraph 1 of the Italian Civil Code and by express contractual stipulation, entitlement to vote at shareholders' meetings of the Parent Company remains with the direct parent Wind Tre Italia, despite such pledge.

Changes in equity attributable to the owners of the Company during the first half 2017 as well as the loss for the period mainly arose from the following:

- a decrease in the cash flow hedge reserve as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the period that relate entirely to the transactions on hedging derivatives on cash flows, as described in further detail in note 23.

The Company obtains the capital needed to fund its requirements for business development and operations; sources of funds are found in a balanced mix of equity and debt. Debt is structured on the basis of different maturities and currencies to ensure adequate diversification of funding sources and efficient access to external financing sources.

**21 PROVISIONS**

The following table sets out changes in *Provisions* during the first six months of 2017.

<u>(millions of euro)</u>	<u>At December 31, 2016</u>	<u>Increases</u>	<u>(Utilization)</u>	<u>(Release)</u>	<u>At June 30, 2017</u>
Litigation . . . . .	56	10	(13)	(1)	52
Universal service contribution . . . . .	5	—	—	—	5
Handset assistance . . . . .	1	—	—	—	1
Dismantling and removal . . . . .	30	—	(1)	—	29
Other provisions . . . . .	48	3	(3)	—	48
<b>Total . . . . .</b>	<b>140</b>	<b>13</b>	<b>(17)</b>	<b>(1)</b>	<b>135</b>

The timing of payments in respect of non-current provisions is, with few exceptions, not contractually fixed and cannot be estimated with certainty.

**Litigation**

The provision at the respective dates is based on estimates using the best information available of the total charge that the Group expects to incur upon settlement of all outstanding legal proceedings (for details on the main proceedings in progress, reference should be made to the paragraph on the main pending legal proceedings in note 26).

**Universal service contribution**

Article 3, paragraph 6, of Presidential Decree no. 318 of September 19, 1997 regarding the "Implementation of European Union Directives" establishes a mechanism designed to distribute the net cost of providing the universal service throughout the country whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
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**21 PROVISIONS (Continued)**

**Handset assistance**

The provision represents an estimate of the costs that the Group may incur for assistance for handsets sold under warranty.

**Dismantling and removal**

The item consists of the estimate of the dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition.

**Other provisions**

This item consists of the measurement of certain liabilities arising from obligations assumed by the Group for which an estimate is made at the date of these financial statements of the amount to be settled upon due date. The balance at June 30, 2017 includes €34 million for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €2 million relating to compensation plans for the long-term retention and incentive of management.

**22 FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* at June 30, 2017 and at December 31, 2016.

(millions of euro)	At June 30, 2017			At December 31, 2016		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues . . . . .	9,907	154	<b>10,061</b>	10,293	160	<b>10,453</b>
Loans from shareholders . . . . .	1,740	—	<b>1,740</b>	1,717	—	<b>1,717</b>
Bank loans . . . . .	682	8	<b>690</b>	677	8	<b>685</b>
Loans from others . . . . .	127	1	<b>128</b>	128	1	<b>129</b>
Derivative financial instruments . . . . .	20	3	<b>23</b>	23	7	<b>30</b>
<b>Total financial liabilities . . . . .</b>	<b>12,476</b>	<b>166</b>	<b>12,642</b>	<b>12,838</b>	<b>176</b>	<b>13,014</b>

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at June 30, 2017.

(millions of euro)	At June 30, 2017					
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	Total
Euro . . . . .	3,487	2,609	12	127	—	<b>6,235</b>
US dollars . . . . .	1,692	483	2,468	—	—	<b>4,643</b>
<b>Total . . . . .</b>	<b>5,179</b>	<b>3,092</b>	<b>2,480</b>	<b>127</b>	<b>—</b>	<b>10,878</b>

Changes in balances of bonds at June 30, 2017 is due mainly to the change in the period of the euro/USD exchange rate on financial liabilities in foreign currency.

The Senior Facility Agreement contains financial covenants which the Group must test if the amount drawn down from the Revolving Credit Facility (“RCF”) exceeds 35% of the total. No amounts had been drawn down from the RCF at June 30, 2017.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**22 FINANCIAL LIABILITIES (Continued)**

***Bonds issues and Bank loans***

The following tables provide the most important information regarding bank loans and bond issues outstanding at June 30, 2017.

(millions of euro) Bond issues	Carrying amount at June 30, 2017	Carrying amount at December 31, 2016	Nominal amount at June 30, 2017	Issue price	Currency	Due date	Interest rate	Price
Frn PURPLE III 2020 Eur . . .	400	400	400	100%	EUR	07/15/2020	Euribor 3m + 4.125%	100.3%
SSN PURPLE II 2020 B EUR .	383	383	375	100%	EUR	07/15/2020	4.00%	101.6%
Senior Secured Floating Rate Notes 2019 €(DOVE) . . . . .	150	150	150	100%	EUR	04/30/2019	Euribor 3m + 5.25%	100.8%
Senior Secured Fixed Rate Notes 2020 \$(DOVE) . . . . .	483	524	481	100%	USD	04/30/2020	6.50%	103.4%
Senior Notes 2021 €(PURPLE I) . . .	1,759	1,758	1,750	100%	EUR	04/23/2021	7.00%	103.6%
Senior Notes 2021 \$(PURPLE I) . . . . .	2,479	2,690	2,451	100%	USD	04/23/2021	7.38%	104.0%
Senior Secured Notes 2020 €(PURPLE II) . .	2,129	2,127	2,100	100%	EUR	07/15/2020	4.00%	101.6%
Senior Secured Notes 2020 \$(PURPLE II) . . . . .	1,703	1,847	1,663	100%	USD	07/15/2020	4.75%	101.5%
Senior Secured Floating Rate Notes 2020 €(PURPLE II) . .	575	574	575	100%	EUR	07/15/2020	Euribor 3m + 4.00%	100.1%
<b>Total . . . . .</b>	<b><u>10,061</u></b>	<b><u>10,453</u></b>	<b><u>9,945</u></b>					

(millions of euro) Bank loans	Carrying amount at June 30 2017	Carrying amount at December 31, 2016	Nominal amount at June 30, 2017	Residual Commitment	Currency	Due date	Interest rate
Senior Facility Agreement							
—Term Loan B1 . . . . .	690	685	700	700	EUR	11/26/2019	Euribor +4,25%
—RCF R1 . . . . .	—	—	—	400	EUR	11/26/2019	Euribor +4,25%
<b>Total . . . . .</b>	<b><u>690</u></b>	<b><u>685</u></b>	<b><u>700</u></b>	<b><u>1,100</u></b>			

***Loans from shareholders***

The *Loans from shareholders* are related to loans from the parent company Wind Tre Italia and from VIP-CKH.

The one from VIP CKH is interest free with a Fair value amount at June 30, 2017 of €294 million and a nominal amount of €4,388 million. This loan has two different due date:

- November 27, 2059 for a nominal amount of €3,000 million
- November 30, 2060 for a nominal amount of €1,388 million

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
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**22 FINANCIAL LIABILITIES (Continued)**

The one from Wind Tre Italia is interest bearing (interest rate 2.325% + Euribor 1 Month) with a Fair value at June 30, 2017 of €1,446 million and on demand later than April 23, 2021.

*Loans from others*

At June 30, 2017, the item *Loans from others* shows a Fair value amount of €128 million relating to the interest bearing loan from Terna (interest rate 0.84%) with a due date at December 31, 2035.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 23.

**23 DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides details of the outstanding *Derivative financial instruments* at June 30, 2017 and changes over December 31, 2016, analyzed by the type of risk hedged.

(millions of euro)	At June 30, 2017		At December 31, 2016	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
—Exchange rate risk . . . . .	471	—	744	—
—Interest rate risk . . . . .	—	21	—	27
<b>Total cash flow hedges . . . . .</b>	<b>471</b>	<b>21</b>	<b>744</b>	<b>27</b>
—Exchange rate risk . . . . .	210	—	317	—
<b>Total fair value hedges . . . . .</b>	<b>210</b>	<b>—</b>	<b>317</b>	<b>—</b>
Non-hedge accounting derivatives . . . . .	373	2	399	3
<b>Total non Hedge Accounting Derivatives . . . . .</b>	<b>373</b>	<b>2</b>	<b>399</b>	<b>3</b>
<b>Total . . . . .</b>	<b>1,054</b>	<b>23</b>	<b>1,460</b>	<b>30</b>

Changes in the fair value of derivatives arise mainly from variations in the interest rate curve and movements in the euro/USD exchange rate over the period.

The following table shows the detail of current and non-current derivative instruments.

(millions of euro)	At June 30, 2017		At December 31, 2016	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current . . . . .	—	3	—	7
Non current . . . . .	1,054	20	1,460	23
<b>Total derivatives . . . . .</b>	<b>1,054</b>	<b>23</b>	<b>1,460</b>	<b>30</b>

The fair value of cross currency swap and plain vanilla interest rate swaps is determined through directly observable inputs such as interest rates curves (Level 2 in the fair value hierarchy).

The fair value of embedded derivatives is determined by comparing the fair value of the total bond with the fair value of comparable bonds that do not incorporate this option.

The fair value of loans is calculated using the DCF model (Level 3 in the fair value hierarchy). With respect to the latter, the entire change in the period is due solely to movements in the fair value of the instrument as a whole and therefore not to the sale or purchase of the underlying.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**23 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The following tables provide an analysis of financial assets and liabilities measured at fair value by hierarchy at June 30, 2017 and at December 31, 2016.

<u>(millions of Euro)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Assets at fair value</i>				
Derivative financial instruments . . . . .	—	681	373	<b>1,054</b>
<b>Total assets</b> . . . . .	<u>—</u>	<u>681</u>	<u>373</u>	<u><b>1,054</b></u>
<i>Liabilities at fair value</i>				
Derivative financial instruments . . . . .	—	23	—	<b>23</b>
<b>Total liabilities</b> . . . . .	<u>—</u>	<u>23</u>	<u>—</u>	<u><b>23</b></u>
<u>(millions of Euro)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Assets at fair value</i>				
Derivative financial instruments . . . . .	—	1,061	399	<b>1,460</b>
<b>Total assets</b> . . . . .	<u>—</u>	<u>1,061</u>	<u>399</u>	<u><b>1,460</b></u>
<i>Liabilities at fair value</i>				
Derivative financial instruments . . . . .	—	30	—	<b>30</b>
<b>Total liabilities</b> . . . . .	<u>—</u>	<u>30</u>	<u>—</u>	<u><b>30</b></u>

Level 3 includes the embedded derivative fair value on loans and relates to the early repayment option while Level 2 includes the fair value of other derivatives. In 2017 and 2016 there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa.

It should also be noted that at June 30, 2017 there no additional financial instruments measured at fair value other than those indicated in the tables above.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**24 NET DEBT**

The following statement shows the Group's net financial debt analyzed into its principal components, as described in notes 17, 22 and 23 relating to financial items in the statement of financial position.

<u>(millions of euro)</u>	<u>At June 30, 2017</u>	<u>At December 31, 2016</u>
Bond issues . . . . .	9,907	10,293
Shareholders loans . . . . .	1,740	1,717
Bank loans . . . . .	682	677
Loans from others . . . . .	127	128
Derivative financial instruments . . . . .	20	23
<b>Non-current financial liabilities</b> . . . . .	<b>12,476</b>	<b>12,838</b>
Bond issues . . . . .	154	160
Bank loans . . . . .	8	8
Loans from others . . . . .	1	1
Derivative financial instruments . . . . .	3	7
<b>Current financial liabilities</b> . . . . .	<b>166</b>	<b>176</b>
<b>TOTAL GROSS FINANCIAL DEBT</b> . . . . .	<b>12,642</b>	<b>13,014</b>
<b>Cash and cash equivalents</b> . . . . .	<b>(570)</b>	<b>(603)</b>
Financial receivables . . . . .	(20)	(21)
<b>Current financial assets</b> . . . . .	<b>(20)</b>	<b>(21)</b>
Derivative financial instruments . . . . .	(1,054)	(1,460)
Financial receivables . . . . .	(1,074)	(1,026)
<b>Non-current financial assets</b> . . . . .	<b>(2,128)</b>	<b>(2,486)</b>
<b>TOTAL FINANCIAL ASSETS</b> . . . . .	<b>(2,718)</b>	<b>(3,110)</b>
<b>NET FINANCIAL DEBT</b> . . . . .	<b>9,924</b>	<b>9,904</b>

Net debt does not include guarantee deposits of €7 million at June 30, 2017 and of €5 million at December 31, 2016.

**25 RELATED PARTY TRANSACTIONS**

*Transactions with related parties*

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

Transactions with the associate Galata SpA arise from the service agreement signed with Wind Tre SpA for the provision of a wide range of services on technological sites that host Wind Tre equipment.

During the first half of 2017, Group companies did not hold treasury shares of the parent Wind Tre Italia, either directly or through trustees, or hold shares of the indirect parent VIP-CKH Luxembourg Sàrl.



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**25 RELATED PARTY TRANSACTIONS (Continued)**

The table below provides a summary of the main effects on the income statement and statement of financial position following transactions during the year with related parties, all companies of the VimpelCom and CK Hutchison groups, joint venturers at 50% in the parent company VIP-CKH.

With reference to the transactions with the parents, Wind Tre has an outstanding loan with both Wind Tre Italia and VIP-CKH, for which details may be found in notes 17 and 22.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**25 RELATED PARTY TRANSACTIONS (Continued)**

(thousands of euro)	Revenue	Financial income/ (expenses)	Expenses	Trade receivables	Other receivables	Financial receivables	Financial payables	Trade payables	Other payables
<b>Parent companies</b>									
Vimpelcom ltd	3	—	—	—	115	—	—	—	—
VIP-CKH LUXEMBOURG Sàrl	5	—	—	6	—	—	293,841	—	—
Wind Tre Italia S.p.A.	35	32,845	1,008	—	228	1,089,962	1,446,425	3,025	—
<b>Total Parent companies</b>	<b>43</b>	<b>32,845</b>	<b>1,008</b>	<b>6</b>	<b>343</b>	<b>1,089,962</b>	<b>1,740,266</b>	<b>3,025</b>	<b>—</b>
<b>Associates companies</b>									
Galata	2,631	—	95,117	2,373	1,202	—	—	60,311	—
<b>Total Associates companies</b>	<b>2,631</b>	<b>—</b>	<b>95,117</b>	<b>2,373</b>	<b>1,202</b>	<b>—</b>	<b>—</b>	<b>60,311</b>	<b>—</b>
<b>Other related companies</b>									
Armenija Telefon Kompani	3	—	—	2	—	—	—	21	—
DiGi (Malaysia)	2	—	—	8	—	—	—	2	—
DTAC/UCOM (Thailand)	—	—	3	23	—	—	—	5	—
GrameenPhone (Bangladesh)	14	—	14	—	—	—	—	74	—
KaR-Tel	7	—	1	10	—	—	—	—	—
Kievstar	382	—	9,688	4	—	—	—	6,087	—
Telenor Maritime	—	—	237	—	—	—	—	238	—
Mobitel LLC Georgia	1	—	2	—	—	—	—	8	—
Orascom Telecom Algeria SpA	17	—	53	326	—	—	—	49	—
Banglalink Digital Communications Limited	—	—	1	773	—	—	—	2	—
Pakistan Mobile Communications Ltd.	—	—	5	302	—	—	—	—	—
SKY MOBILE LLC	—	—	—	—	—	—	—	1	—
Telenor Magyarorszag KFT (Hungary)	102	—	32	70	—	—	—	226	—
Telenor Mobile Communications AS (Norway)	184	—	16	130	—	—	—	741	—
Telenor Pakistan (Pakistan)	—	—	2	—	—	—	—	4	—
Telenor Serbia (Serbia)	143	—	21	251	—	—	—	10	—
Unitel	—	—	1	4	—	—	—	—	—
VimpelCom Lao Co, Ltd	—	—	—	—	—	—	—	—	—
Vypel-Kommunikacii	541	—	1,965	14	—	—	—	1,202	—
Wind Telecom SpA	85	—	—	—	271	—	—	—	411
Vimpelcom International services	—	—	—	—	22	—	—	—	—
Tacom LLC (Tajikistan)	—	—	—	—	—	—	—	1	—
Telenor Sverige AB	3	—	—	—	—	—	—	32	—
Weather Capital Special Purposes I SA	—	—	16	—	—	—	—	10	—
Klarolux Investments Sarl	—	—	4	—	—	—	—	—	—
Global Luxembourg SARL	—	—	4	—	—	—	—	—	—
Global Telecom SARL	—	—	4	—	—	—	—	—	—
Global Telecom Finance SCA	—	—	4	—	—	—	—	—	—
Global Luxembourg Finance SCA	—	—	4	—	—	—	—	—	—
Global Telecom Acquisition	—	—	4	—	—	—	—	—	—
Global Telecom One Sarl	—	—	4	—	—	—	—	—	—
Global Telecom Oscar	—	—	6	—	—	—	—	—	—
Telenor Bulgaria EAD	33	—	6	14	—	—	—	101	—
DTAC TriNet Co., Ltd.	153	—	2	153	—	—	—	—	—
Telenor A/S	15	—	8	8	—	—	—	22	—
Telenor Montenegro	8	—	22	—	—	—	—	152	—
Vodafone Hutchison Australia Pty Ltd.	9	—	2	57	—	—	—	—	—
PT. Hutchison 3 Indonesia	—	—	—	—	—	—	—	—	—
Hutchison 3G UK Limited	41	—	23	168	—	—	—	1,315	—
Telefonica Ireland Limited	4	—	4	—	—	—	—	41	—
Hutchison Drei Austria GmbH	16	—	25	102	—	—	—	266	—
HI3G Access AB	2	—	1	84	—	—	—	13	—
Hutchison Whampoa Europe Investments S.a.r.l	—	—	—	—	—	—	—	—	164
HI3G Denmark ApS	4	—	1	—	—	—	—	51	—
Hutchison 3G Ireland Limited	—	—	2	7	—	—	—	2	—
Hutchison Global Enabling Services Limited	—	—	—	24	—	—	—	—	—
Hutchison Telephone Company Limited	112	—	11	422	—	—	—	8	—
Hutchison Telephone (Macau) Company Limited	—	—	1	8	—	—	—	3	—
Hutchison Global Communications Limited	572	—	1,385	335	—	—	—	130	—
New Millennium Corp.	—	—	—	—	—	—	—	—	—
Hutchison 3G Italy Investments S.a.r.l.	—	—	—	—	—	—	—	—	—
Hutchison Whampoa 3G Content S.a.r.l.	—	—	—	1	—	—	—	—	1
Hutchison Whampoa 3G IP S.a.r.l.	32	—	1,594	—	27	—	—	8,253	5,038
Hutchison Whampoa 3G Procurement S.a.r.l.	—	—	31	1	—	—	—	—	33
Hutchison Telecommunications (Vietnam) S.à r.l.-BCC	—	—	1	—	—	—	—	1	—
Hutchison Telecommunications Lanka (Private) Limited	—	—	1	—	—	—	—	—	—
H3G Procurement Services S.a.r.l.	—	—	—	4	—	—	—	—	—
Hutchison 3G Enterprises S.a.r.l.	—	—	—	1	—	—	—	—	2
Hutchison Digital Solution S.r.l.	5	—	—	6	—	—	—	—	—
<b>Total Other related companies</b>	<b>2,490</b>	<b>—</b>	<b>15,211</b>	<b>3,312</b>	<b>320</b>	<b>—</b>	<b>—</b>	<b>19,071</b>	<b>5,649</b>
<b>Total Related companies</b>	<b>5,164</b>	<b>32,845</b>	<b>111,336</b>	<b>5,691</b>	<b>1,865</b>	<b>1,089,962</b>	<b>1,740,266</b>	<b>82,407</b>	<b>5,649</b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**26 OTHER INFORMATION**

**Operating Leases**

The Group leases various cell sites, offices, outlets and motor vehicles under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Cell site leases are negotiated for an average term of 6 years. Offices are negotiated for an average term of 6 years and motor vehicles leases are negotiated for an average term of 2.5 years. The Group is required to give 3 months' notice for the termination of cell site leases and 6 months for the termination of offices leases.

The future aggregated minimum lease payments under operating leases with a due date of less than one year are as follows:

<u>(millions of euro)</u>	<u>At 30 June 2017</u>	<u>At 31 December 2016</u>
Cell sites . . . . .	208	149
Offices . . . . .	45	34
Outlets . . . . .	24	16
Motor vehicles . . . . .	4	2
<b>Total . . . . .</b>	<b><u>281</u></b>	<b><u>201</u></b>

**Main pending legal proceedings**

The Wind Tre Group is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at June 30, 2017, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

*Proceedings with agents and retail dealers*

At June 30, 2017, a number of proceedings relating to the termination of agency agreements were pending at different stages of judgment. The agents dealers in these proceedings are seeking typically payment from the former WIND Telecomunicazioni SpA of damages and indemnities, including a termination indemnity pursuant to article 1751 of the Italian Civil Code.

*Proceedings concerning misleading advertising and unfair commercial practices*

Under Legislative Decree No.146/2007, the Italian Antitrust Authority (AGCM) has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines up to €5 million for each proceeding (amount redefined by Law N°. 135/12 dated August 2012). During 2015, four proceedings initiated by the AGCM against Wind Tre for unfair commercial practice were closed with the payment of fines totalling €1.55 million and the order to cease the alleged unfair practices (one of these proceedings relates to Wind Tre's non-compliance with the AGCM's order to stop the alleged underlying unfair practice). The company has filed an appeal with the Lazio Administrative Court (Lazio TAR) against these fines and the related administrative litigations is pending.

In 2016 AGCM initiated four new proceedings (respectively on February, April, July and December) against Wind Tre for alleged unfair commercial practices: the first proceeding has been closed without ascertaining any unfair practice; the second and the third one have been closed with the payment respectively of a fine of €455 thousand and a fine of €450 thousand (for both fines Wind Tre has filed an

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**26 OTHER INFORMATION (Continued)**

appeal before the Lazio TAR). The Group is still waiting for the AGCM's final decision in the fourth proceedings. In 2017 AGCM initiated a new proceedings against Wind Tre for alleged unfair commercial practice which is still pending.

*Audit by the Italian tax authorities*

The Agenzia delle Entrate ("ADE") (the Italian tax authorities) conducted a tax audit on the senior lenders under the senior facility agreement of 24 November 2010 ("SFA"), raising an objection to the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax disputed on its own portion of the SFA, but may claim indemnification from Wind Tre. The indemnification right has already been exercised. It should be noted that appeals against the assessments have been filed by the senior lenders in coordination with Wind Tre. ADE has withdrawn two assessments raised with certain senior lenders concluding that no substitute tax is due. As a consequence the ADE has requested the courts to withdraw its claim in respect of these two assessments.

**Other contingent assets and liabilities**

The Wind Tre Group had the following contingent liabilities at June 30, 2017.

*Proceedings concerning electromagnetic radiation*

There are pending proceedings regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation. At June 30, 2017 five proceedings for electromagnetic emissions were pending as a consequence of BTS installations.

*Audit of dealers' fees*

In 2001 WIND Telecomunicazioni SpA, now Wind Tre, received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. With respect to the tax disputes for 1999, 2000 and 2001 Wind Tre obtained a positive outcome in the supreme court proceedings. For 2000 the Supreme Court has remitted the dispute to the Commission of Second Instance that has given a judgement in favour of Wind Tre.

*Wind Tre / Crest One SpA*

On October 9, 2009, Crest One SpA ("Crest One") initiated proceedings against Wind Tre for: (i) the refund of an amount of approximately €16 million previously paid to Wind Tre by Crest One as value added tax under a distribution agreement entered into between Crest One and Wind Tre, and (ii) the compensation of damages alleged to have been suffered by Crest One pursuant to the payment of such value added tax by Crest One to Wind Tre. The Court of Rome has rejected the claims of Crest One which has filed with the Court of Appeal. The date of the next hearing, originally scheduled for January 30, 2018, has been brought forward to July 18, 2017.

*Fastweb / Wind Tre*

On January 2, 2014, Fastweb served a claim on Wind Tre based on antitrust proceedings no. A/357, which in August 2007 convicted Wind Tre and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**26 OTHER INFORMATION (Continued)**

detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to business clients). Amongst other issues Wind Tre has argued that the claim is time barred because it was filed outside the statute of limitations. On December 10, 2015, the presiding judge decided to defer to the panel of the tribunal to deliberate on Wind Tre's time-bar argument, scheduling the next hearing for March 30, 2016 (then postponed to April 6, 2016). At this hearing the parties filed their conclusions and, at the end of June 2016, filed their final memoranda. A partial ruling on the time-bar argument was issued on November 23, 2016, rejecting Fastweb's request for damages relating to 2002 - 2007 as it is definitely time-barred. In the same ruling, the judge decided to appoint an expert asking for a technical support to verify whether damages have been suffered by Fastweb for the following claimed period or not. The technical verification is ongoing. On May 16, 2017, Fastweb challenged the ruling on time barring/ limitation 2002 - 2007 before the Court of Appeal.

*Other disputes*

During the second quarter of 2017 the Group continued with the credit collection actions started in December 2012 against a company specialising in selling prepaid traffic, VAS and broadband services. On December 22, 2014 the Court of Rome declared the company bankrupt. The Group took part in the bankruptcy procedure for credit collection, formally approved by the Judge on June 26, 2015, and is currently awaiting payment.

During 2017 credit recovery actions were also continued against a communications services company (wholesale), active in services for MVNO. Proceedings against this company have been directly handled by AGCom. On December 16, 2014, the Court declared the company bankrupt. The Group took part in the bankruptcy procedure for credit collection, formally approved by the Judge on June 9, 2015, and is currently awaiting payment.

The contingent liabilities arising from these proceedings will be recognized as provisions in the balance sheet if management believes that the risk of a loss is probable.

**Guarantees**

No Group company has granted any security or guarantee, either directly or indirectly, in favor of parent companies or companies controlled by the latter.

The collateral pledged by Group companies at June 30, 2017 as a security for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;
- a pledge on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017 (Continued)**

**26 OTHER INFORMATION (Continued)**

- a pledge on the shares representing 100% of the corporate capital of the subsidiary WIND Acquisition Finance SA owned by the Parent in favor of a pool of banks pursuant to the related share pledge agreement;
- a pledge under English law on a bank account of the Parent in favor of the lenders under the Senior Facility Agreement and the other creditors specified in the related deed of pledge;
- an assignment under English law of receivables arising from hedging contracts of the Parent in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and the other creditors specified in the related deed of assignment.

Finally, in order to provide a security for its obligations, the Parent has assigned by way of security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time, the hedge counterparties of the hedging agreements entered into by Wind Tre SpA and WIND Acquisition Finance SA and the other secured creditors specified in the confirmation deed related to the assignment of receivables, including in favor of the holders of the notes issued by WIND Acquisition Finance SA.

Moreover, Wind Tre SpA has assigned by way of security its receivables arising from the put and call option dated May 26, 2005 and from the agreement for the purchase of the interest in the corporate capital of Wind Tre SpA dated May 26, 2005, as described in the relevant deed, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time.

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €130 million at June 30, 2017 includes:

- sureties totaling €18 million issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €112 million issued by banks, relating to participation in tenders, of which €43 million in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded for the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

**27 SUBSEQUENT EVENTS**

On July 4, 2017, the sale of the whole 10% of the shares of Galata—held by the Group has been sold for a book value of €77 million—to Cellnex for a total of approximately €87 million.

On July 6, 2017 the sale contract of the branch “Call Center 133” has been signed with the Comdata company, as explained in the Human Resources section of the annual report attached to this financial statement.

# **WIND TRE**

**Consolidated financial statements as of and for the  
years ended December 31, 2016, 2015 and 2014**

*FINANCIAL STATEMENTS AND NOTES THERETO*

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## INDEPENDENT AUDITORS' REPORT

To the shareholders of  
Wind Tre SpA (previously H3G SpA)

### *Report on the consolidated financial statements*

We have audited the accompanying consolidated financial statements of Wind Tre SpA and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2016, 2015 and 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, general accounting policies and other explanatory notes (hereinafter the “**Consolidated Financial Statements**”). The Consolidated Financial Statements have been prepared for inclusion in the offering memorandum prepared in connection with the issuance of senior security notes.

### *Directors' responsibility for the consolidated financial statements*

The directors of Wind Tre SpA are responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of Wind Tre SpA as of December 31, 2016, 2015 and 2014 and of the results of its operations and cash flows for the years then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

*Emphasis of matter*

As an emphasis of matter, we draw your attention to the following:

- as described in note 1 to the Consolidated Financial Statements, the consolidated statement of financial position as of December 31, 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2016 reflect the combination of WIND Telecomunicazioni SpA and Wind Tre SpA (previously H3G SpA). The combination was accounted for using the predecessor basis of accounting for WIND Telecomunicazioni SpA, as both entities are controlled, before and after the combination, by the same parties. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of Wind Tre SpA for the year ended December 31, 2016 include WIND Telecomunicazioni SpA's results and cash flows for the 2 months period from the transaction effective date to December 31, 2016;
- the approval by the European Commission of the transaction which led to the merger between H3G SpA and WIND Telecomunicazioni SpA required the implementation of a number of remedies which included the signing of certain agreements aiming to allow Iliad SA to enter the Italian telecommunications market. As described in note 1 to the Consolidated Financial Statements, the consolidated statement of financial position as of December 31, 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2016 reflect (i) the impairment and review of useful lives and (ii) the presentation and measurement as held for sale of certain assets affected by the agreements signed with Iliad SA;
- the Consolidated Financial Statements include transactions with the direct parent company and with other entities of the CK Hutchison Holdings Ltd group and Veon Ltd (previously Vimpelcom Ltd) group. The most significant transactions are illustrated in note 35 to the Consolidated Financial Statements.

In our opinion the above emphasis of matters do not lead to a qualified audit report.

Milan, October 17, 2017  
PricewaterhouseCoopers SpA  
/s/Andrea Alessandri  
(Partner)

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

<u>(millions of Euro)</u>	<u>Note</u>	<u>2016 12 months</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Revenue . . . . .	23	2,805	2,030	1,946
Other revenue . . . . .	24	88	68	84
<b>Total revenue . . . . .</b>		<b><u>2,893</u></b>	<b><u>2,098</u></b>	<b><u>2,030</u></b>
Purchases and services . . . . .	25	(1,754)	(1,440)	(1,461)
Other operating costs . . . . .	26	(148)	(151)	(113)
Personnel expenses . . . . .	27	(214)	(150)	(128)
Restructuring costs . . . . .	28	(60)	—	—
<b>Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b><u>717</u></b>	<b><u>357</u></b>	<b><u>328</u></b>
Depreciation and amortization . . . . .	29	(653)	(378)	(327)
Reversal of impairment losses/(impairment losses) on non-current assets . . . . .	30	(1,685)	—	(9)
Gains/(Losses) on disposal of non-current assets . . . . .		(1)	—	(5)
<b>Operating income . . . . .</b>		<b><u>(1,622)</u></b>	<b><u>(21)</u></b>	<b><u>(13)</u></b>
Finance income . . . . .	31	36	1	2
Finance expense . . . . .	32	(140)	(54)	(51)
Foreign exchange losses, net . . . . .	33	(1)	(2)	(1)
<b>Profit/(Loss) before tax . . . . .</b>		<b><u>(1,727)</u></b>	<b><u>(76)</u></b>	<b><u>(63)</u></b>
Income taxes . . . . .	34	47	4	—
<b>Profit/(Loss) for the period . . . . .</b>		<b><u>(1,680)</u></b>	<b><u>(72)</u></b>	<b><u>(63)</u></b>
Non-controlling interests . . . . .		—	—	—
<b>Loss for the year attributable to the owners of the parent . . . . .</b>		<b><u>(1,680)</u></b>	<b><u>(72)</u></b>	<b><u>(63)</u></b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

<u>(millions of Euro)</u>	<u>Note</u>	<u>2016 12 months</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
<b>Profit/(Loss) for the year</b> . . . . .		<u>(1,680)</u>	<u>(72)</u>	<u>(63)</u>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>				
Gains/(Losses) on cash flow hedging instruments . . . . .		<u>(41)</u>	<u>—</u>	<u>—</u>
<b>Total Other comprehensive income that will be reclassified subsequently to profit or loss</b> . . . . .	14	<u>(41)</u>	<u>—</u>	<u>—</u>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>				
Actuarial Gains/(Losses) on defined benefit plans . . . . .		<u>—</u>	<u>—</u>	<u>(2)</u>
<b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss</b> . . . . .	14	<u>—</u>	<u>—</u>	<u>(2)</u>
<b>Total comprehensive income for the year</b> . . . . .	14	<u>(1,721)</u>	<u>(72)</u>	<u>(65)</u>
Total comprehensive income attributable:				
Owners of the parent . . . . .		<u>(1,721)</u>	<u>(72)</u>	<u>(65)</u>
Non-controlling interests . . . . .		<u>—</u>	<u>—</u>	<u>—</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2016, 2015 AND 2014**

(millions of Euro)	Note	At December 31, 2016	At December 31, 2015	At December 31, 2014
<b>Assets</b>				
Property, plant and equipment . . . . .	4	5,618	3,041	2,981
Intangible assets . . . . .	5	10,001	3,890	3,874
Financial assets . . . . .	6	2,494	10	22
Investments accounted for using the equity method . . . . .	7	77	—	—
Deferred tax assets . . . . .	8	125	—	—
Other assets . . . . .		244	69	80
<b>Total non-current assets . . . . .</b>		<b>18,559</b>	<b>7,010</b>	<b>6,957</b>
Inventories . . . . .	9	72	61	41
Trade receivables . . . . .	10	1,287	528	684
Financial assets . . . . .	6	24	—	—
Current tax assets . . . . .	11	27	6	5
Other receivables . . . . .	12	265	108	120
Cash and cash equivalents . . . . .	13	603	89	99
Assets held for sale . . . . .	5	50	—	—
<b>Total current assets . . . . .</b>		<b>2,328</b>	<b>792</b>	<b>949</b>
<b>TOTAL ASSETS . . . . .</b>		<b>20,887</b>	<b>7,802</b>	<b>7,906</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Issued capital . . . . .		474	474	474
Share premium reserve . . . . .		3,119	3,119	3,119
Other reserves . . . . .		11,650	9,488	9,488
Retained earnings . . . . .		(11,039)	(9,032)	(8,960)
<b>Equity attributable to owners of the parent . . . . .</b>	<b>14</b>	<b>4,204</b>	<b>4,049</b>	<b>4,121</b>
<b>Non-controlling interests . . . . .</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Total equity . . . . .</b>	<b>14</b>	<b>4,204</b>	<b>4,049</b>	<b>4,121</b>
<b>Liabilities</b>				
Financial liabilities . . . . .	15	12,838	276	301
Employee benefits . . . . .	17	79	17	17
Provisions . . . . .	18	140	39	36
Other non-current liabilities . . . . .	19	110	4	27
Deferred tax liabilities . . . . .	8	368	26	30
<b>Total non-current liabilities . . . . .</b>		<b>13,535</b>	<b>362</b>	<b>411</b>
Financial liabilities . . . . .	15	176	2,407	2,237
Trade payables . . . . .	20	2,272	619	736
Other payables . . . . .	21	648	365	401
Income tax payables . . . . .	22	52	—	—
<b>Total current liabilities . . . . .</b>		<b>3,148</b>	<b>3,391</b>	<b>3,374</b>
<b>Total liabilities . . . . .</b>		<b>16,683</b>	<b>3,753</b>	<b>3,785</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>20,887</b>	<b>7,802</b>	<b>7,906</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(millions of Euro)	Note	2016 12 months	2015 12 months	2014 12 months
<b>Cash flows from operating activities</b>				
Profit/(Loss) for the year . . . . .		(1,680)	(72)	(63)
Taxes . . . . .	34	(47)	(4)	—
Finance costs—net . . . . .	31, 32	104	53	49
Losses/(gains) on disposals of non-current assets . . . . .		1	—	5
<b>Loss before taxes, interest, gains/losses on disposal of assets .</b>		<b>(1,622)</b>	<b>(23)</b>	<b>(9)</b>
<b>Adjustments to reconcile the loss for the year with the cash flows from/(used in) operating activities</b>				
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets . . . . .	29, 30	2,338	378	336
Net changes in provisions and employee benefits . . . . .		11	5	4
Impairment of trade receivables . . . . .	26	91	94	89
Impairment of inventory . . . . .	25	3	4	1
Net change in inventory . . . . .		26	(24)	25
Changes in current assets/liabilities . . . . .		18	105	(38)
Taxes paid . . . . .		(46)	—	(16)
Interest paid . . . . .		(9)	(1)	(3)
<b>Net cash flows from operating activities . . . . .</b>		<b>810</b>	<b>538</b>	<b>389</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment . . . . .		(322)	(266)	(245)
Acquisition of intangible assets . . . . .		(292)	(386)	(162)
Inflows/(outflows) from loan granted . . . . .		207	(1)	—
<b>Net cash flows used in investing activities . . . . .</b>		<b>(407)</b>	<b>(653)</b>	<b>(407)</b>
<b>Cash flows from financing activities</b>				
Bank loans:				
Repayments . . . . .		(49)	(66)	(94)
Loans from shareholders:				
Receipts . . . . .		50	211	72
Repayments . . . . .		(99)	(40)	(53)
<b>Net cash flows from/(used in) financing activities . . . . .</b>		<b>(98)</b>	<b>105</b>	<b>(75)</b>
<b>Net cash flows for the year . . . . .</b>		<b>305</b>	<b>(10)</b>	<b>(93)</b>
Cash and cash equivalents at the beginning of the year . . . . .	13	89	99	192
Cash and cash equivalents from merger . . . . .	13	209	—	—
<b>Cash and cash equivalents at the end of the year . . . . .</b>	13	<b>603</b>	<b>89</b>	<b>99</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

(millions of Euro)	Note	Equity attributable to the Group				Equity attributable to the owners of the parent	Non- controlling interests	Equity
		Issued capital	Share premium reserve	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances at January 1, 2014 . . . .</b>		<b>474</b>	<b>3,119</b>	<b>9,488</b>	<b>(8,895)</b>	<b>4,186</b>	<b>—</b>	<b>4,186</b>
<b>Total comprehensive income for</b>								
<b>year . . . . .</b>		—	—	—	(63)	(63)	—	(63)
—Loss for the year . . . . .		—	—	—	(63)	(63)	—	(63)
—Cash flow hedges . . . . .		—	—	—	—	—	—	—
—Remeasurement of defined benefit plans . . . . .		—	—	—	(2)	(2)	—	(2)
<b>Transactions with equity holders</b>		—	—	—	—	—	—	—
<b>Balances at December 31, 2014 . . . .</b>	<b>14</b>	<b>474</b>	<b>3,119</b>	<b>9,488</b>	<b>(8,960)</b>	<b>4,121</b>	<b>—</b>	<b>4,121</b>
<b>Total comprehensive income for</b>								
<b>year . . . . .</b>		—	—	—	(72)	(72)	—	(72)
—Loss for the year . . . . .		—	—	—	(72)	(72)	—	(72)
—Cash flow hedges . . . . .		—	—	—	—	—	—	—
—Remeasurement of defined benefit plans . . . . .		—	—	—	—	—	—	—
<b>Transactions with equity holders</b>		—	—	—	—	—	—	—
<b>Balances at December 31, 2015 . . . .</b>	<b>14</b>	<b>474</b>	<b>3,119</b>	<b>9,488</b>	<b>(9,032)</b>	<b>4,049</b>	<b>—</b>	<b>4,049</b>
<b>Total comprehensive income for</b>								
<b>the year . . . . .</b>		—	—	(41)	(1,680)	(1,721)	—	(1,721)
—Loss for the year . . . . .		—	—	—	(1,680)	(1,680)	—	(1,680)
—Cash flow hedges . . . . .		—	—	(41)	—	(41)	—	(41)
—Remeasurement of defined benefit plans . . . . .		—	—	—	—	—	—	—
<b>Merger effect . . . . .</b>		—	—	1,203	(327)	876	—	876
<b>Transactions with equity holders</b>		—	—	1,000	—	1,000	—	1,000
<b>Balances at December 31, 2016 . . . .</b>	<b>14</b>	<b>474</b>	<b>3,119</b>	<b>11,650</b>	<b>(11,039)</b>	<b>4,204</b>	<b>—</b>	<b>4,204</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015 and 2014**

**1 INTRODUCTION**

Wind Tre SpA (formerly known as H3G SpA, hereafter referred to as Wind Tre or the Company, and together with its subsidiaries, the Group or the Wind Tre Group) is a joint stock company having its registered office in Via Leonardo da Vinci, 1, Trezzano sul Naviglio, Milano. Wind Tre is a leading operator of fixed and mobile telecommunications and data services in Italy, offering a wide range of content, applications, media, and mobile data transmission offers, including broadband and wireless internet access services. Wind Tre is also active on the digital TV market.

These consolidated financial statements for the year ended December 31, 2016, 2015 and 2014 were approved by the Wind Tre Board of Directors on October 17, 2017. At the date of approval of these consolidated financial statements, Wind Tre is controlled by Wind Tre Italia SpA (formerly known as 3 Italia SpA, hereafter referred to as Wind Tre Italia) which in turn is controlled by the Luxembourg based entity VIP-CKH Luxembourg Sàrl (formerly known as Hutchison 3G Italy Investments Sàrl, hereafter referred to as the VIP-CKH or the Joint Venture). VIP-CKH is a 50/50 joint venture owned indirectly by CK Hutchison Holdings Limited (hereafter referred to as CK Hutchison) and by Veon Ltd. (formerly VimpelCom Ltd. and hereafter referred to as Veon), which jointly own and operate their respective telecommunications businesses in Italy. CK Hutchison is a company incorporated in the Cayman Islands with limited liability and registered on the Register of Companies of the Cayman Islands (No. MC-294571), the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited and its principal place of business is located at 12th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. Veon is incorporated under Bermuda law, domiciled in Claude Debussylaan 88, 1082 MD Amsterdam, Netherlands and listed on NASDAQ.

The completion of the transaction to establish the Joint Venture took place on November 5, 2016. Upon the formation of the Joint Venture, the holding and operating companies of the telecommunications businesses in Italy of CK Hutchison and Veon, namely Wind Tre Italia and WIND Acquisition Holdings Finance SpA, and Wind Tre and WIND Telecomunicazioni SpA, respectively and all their other subsidiaries became the subsidiaries of the Joint Venture, and the Joint Venture became the new parent company of the Group holding the telecommunications businesses in Italy of CK Hutchison and Veon. As part of the transaction, WIND Acquisition Holdings Finance SpA and WIND Telecomunicazioni SpA have been merged with, and incorporated into, Wind Tre Italia and Wind Tre, respectively via legal mergers by incorporation that were completed on November 30, 2016 and December 30, 2016, respectively.

As the combining telecommunications businesses and entities are controlled by the same parties, CK Hutchison and Veon, both before and after the combination, the merger transactions are accounted for as a combination of entities or businesses under common control. IFRS 3—Business Combinations—excludes from its scope business combinations under common control; lacking a specific accounting treatment within the IFRS framework, the Group has taken into account the indications included in IAS 8 paragraphs 10 and 11 in order to identify an accounting policy to be applied to the transaction. In particular the accounting literature sees two alternative approaches: (i) applying IFRS 3 by analogy; or (ii) bringing forward the existing values of the combined entities (i.e., the so called “predecessor accounting” method). The Group applied the predecessor accounting, with a so called looking down approach; therefore, the results and balance sheet of the acquired entity, as the case may be, WIND Acquisition Holdings Finance SpA and/or its former subsidiaries, including WIND Telecomunicazioni SpA, are incorporated prospectively into the financial statements of the acquirer in continuity with the values included in the incorporated entities, as the case may be, Wind Tre Italia and/or its subsidiaries, including the Company, from November 5, 2016 which is the date on which the business combination



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015 and 2014 (Continued)**

**1 INTRODUCTION (Continued)**

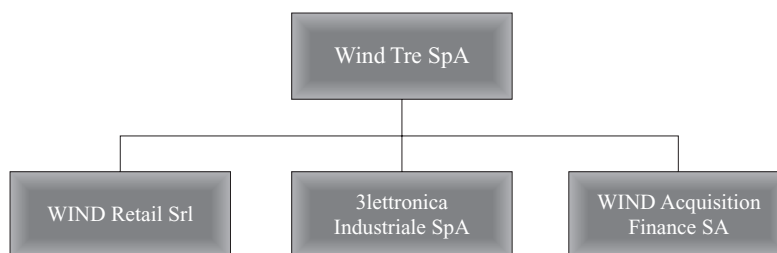
between entities under common control occurred at the Joint Venture level. For practical reasons, November 01, 2016 is taken as the accounting effective date as it approximated to November 5, 2016.

Consequently, the consolidated financial statements of the Company for the year ended December 31, 2016 reflect the full year's consolidated results of the telecommunications businesses of predecessor H3G SpA and its subsidiaries and approximately two months' consolidated results of the telecommunications businesses of predecessor WIND Telecomunicazioni SpA and its subsidiaries following the completion of the formation of the Joint Venture.

The above mentioned approach, which is also described in the following *Business combinations under common control* paragraph, has been applied consistently also in the consolidated and separate financial statements of Wind Tre Italia and the separate financial statements of Wind Tre to account for the mergers.

The approval of the significant transaction obtained from the European Commission required the implementation of a number of remedies which included the signing of certain agreements with Iliad, a French telecom operator, aiming to allow Iliad to enter the Italian market. The agreements have resulted in the commitment of the Wind Tre Group to sell to Iliad frequencies and sites in the period 2017 - 2019 as well as to sign certain temporary agreements which enable Iliad to operate telecommunications services in the Italian market while Iliad is creating its own network. As a result of these agreements the carrying amount of the assets to be sold have been reviewed in terms of impairment or by revising their useful lives. In addition, where the sale is expected to occur within 12 months from the closing date the assets in question have been recognized and measured in accordance with the requirements of IFRS 5 for assets held for sale.

The following diagram illustrates the group structure of the Wind Tre Group at December 31, 2016.



The merger creates the biggest telecom operator in Italy, serving more than 31 million mobile and 2.7 million fixed line customers. Wind Tre looks forward to delivering significant efficiencies and providing significant additional investment to drive development of Italy's digital infrastructure. The new financial and industrial capabilities will enable Wind Tre to provide innovative, high quality and greater network speed in line with the growing demand for connectivity and with the expectations of households and businesses consumption. The Group aims to become a key player in the integration and development of fixed-mobile in the next-generation fiber networks thanks to the agreement with Enel Open Fiber to create a network of ultra-broadband in Italy.

The Group closed 2016 with a loss before tax from continuing operations of €1,727 million (loss of €76 million in 2015 and loss of €63 million in 2014) and a net loss for the year from continuing operations of €1,680 million (loss of €72 million in 2015 and loss of €63 million in 2014).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015 and 2014 (Continued)**

**1 INTRODUCTION (Continued)**

After the first signs of stabilization shown in 2016, the 2017 market is expected to recover in the mobile segment, driven by more rational competitive dynamics coupled with an increased focus on customer base ARPU growth due to a further acceleration of data demand. As part of the remedy package negotiated with the European Commission in order to approve the merger between WIND Telecomunicazioni SpA and H3G SpA effective from December 30, 2016, a fourth infrastructure operator will enter the market during 2017, Iliad.

In the fixed-line market the expectation is of a progressive slowdown in the contraction rate thanks to the upcoming advent of fiber on a larger scale and an overall broadband quality improvement.

In 2017, the Group will explore and develop the more promising opportunities arising from the combination of new technologies and new demands expressed by the market, with a particular focus on digital channels in terms of new services, customer interaction and process efficiencies. The Group will contribute to the country's digitalization through an expected 7 billion euros investment in network, innovation and new technologies in the coming years with the aim of becoming the most innovative digital Telco with the largest and best mobile broadband network in Italy. Additionally the Group will have an increased focus on the business segment of the market and continue to consolidate its position in the mobile, fixed-line voice and internet segments as well as developing its convergent business model, with a further strong push on efficiency and on the optimization of its cost structure.

**2 GENERAL ACCOUNTING POLICIES**

**2.1 Basis of preparation**

These special purposes consolidated financial statements of Wind Tre Group for the years ended December 31, 2016, 2015 and 2014 have been prepared only for inclusion in the offering memorandum prepared in connection with the issuance of senior secured notes by Wind Tre S.p.A. to qualified institutional buyer (within the meaning of Rule 144A under the U.S. Securities Act). Application will be made to list the notes on the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market of the Luxembourg Stock Exchange (the "Euro MTF Market").

The consolidated financial statements for the year ended December 31, 2016, 2015 and 2014 have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and with all the SIC/IFRIC interpretations, as endorsed by the European Union and pursuant to EU Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002.

During the year no exceptional events occurred such as to require the exemptions provided by IAS 1.

The statement of financial position is prepared using an analysis of assets and liabilities into current and non-current. The income statement is prepared in accordance with IAS 1 "Presentation of Financial Statements" with a classification of expenses by nature that is believed to provide more relevant information than a classification by function.

In preparing these consolidated financial statements the Group adopted historical cost as the basis of measurement except for certain financial instruments for which, in accordance with IAS 39, measurement at fair value has been used.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015 and 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

These consolidated financial statements are expressed in euros, the currency of the economy in which the Group operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in millions of euros.

For the purposes of comparison, certain balances in the statement of financial position have been reclassified where necessary, with no effect on the Group's profit for the year or equity. In this regard in order to ensure a representation in line with sector practice management has changed the presentation in the financial statements of customer acquisition costs (mainly represented by commissions paid to the sales network) which are capitalized as intangible assets where the criteria provided by the applicable standards for recognition as fixed assets are met and amortized over the minimum contractual life. In previous years these costs were deferred over the minimum contractual life and presented as "Financial assets" in the non-current section; this presentation has no effect on the opening balance of shareholders' equity and results of prior years. For effects related to the different presentation reference should be made to notes 5, 6, 25 and 29 (intangible assets, financial assets, purchases of materials and external services, depreciation and amortization).

**2.2 Basis of consolidation**

The companies controlled by the Group ("subsidiaries") are consolidated on a line-by-line basis. Control exists when the Company has simultaneously:

- decisional power, that is the power to govern the financial and operating policies of the entity, meaning those activities that have a significant influence on the results of the company;
- the right to the variable results (positive or negative) arising from its investment in the entity;
- the ability to use its decision-making power to determine the amount of the results arising from its investment in the entity.

The existence of control is checked whenever facts and circumstances indicate a change in one or more of the three qualifying elements of the control.

Subsidiaries are consolidated from the date of acquisition and deconsolidated when such control ceases.

Where there is an acquisition or loss of control of a company included in the consolidation perimeter, the consolidated financial statements include the net income of the company for the period in which the parent company has control.

The financial statements used in the consolidation process are those prepared by the individual Group entities as of and for the years ended December 31, 2016, 2015 and 2014 in accordance with the IFRS adopted by the European Union (EU) in drawing up these statements and approved by the respective Boards of Directors.

The consolidation procedures used are as follows:

- the assets and liabilities and income and expenses of consolidated subsidiaries are included on a line-by-line basis, allocating to non-controlling interests, where applicable, the share of equity and profit or loss for the year that is attributable to them. The resulting balances are presented separately in consolidated equity and the consolidated income statement;

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

- except for business combinations under common control as noted below the purchase method of accounting is used to account for business combinations in which control of an entity is acquired. The cost of an acquisition is measured as the fair value of the assets acquired, liabilities incurred or assumed and equity instruments issued at the acquisition date. Any excess of the cost of acquisition over the fair value of the assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss after first verifying that the fair values attributed to the acquired assets and liabilities and the cost of the acquisition have been measured correctly;
- business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination are considered business combinations involving entities under common control. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the carrying amounts of the transferred entity and reporting any gains arising from the transfer directly in equity;
- the purchase of investments from minority holders in entities where control is already exercised is not considered a purchase but an equity transaction. Therefore, the difference between the cost incurred for the acquisition and the respective share of the accounting equity acquired is recognized directly in equity;
- unrealized gains and losses arising from transactions carried out between companies consolidated on a line-by-line basis and the respective tax effects are eliminated, as are corresponding balances of receivables and payables, income and expense, and finance income and expense;
- gains and losses arising from the sale of investments in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of the consolidated equity sold.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

The following table provides a summary of the Group's investments showing the criteria used for consolidation and measurement.

	Registered office	Share/quota capital Euro	% holding 31.12.2016	Basis of consolidation / measurement 31.12.2016
<b>Subsidiaries</b>				
WIND Retail Srl . . . . .	Italy	1,026,957	100	Line-by-line
WIND Acquisition Finance SA . . . . .	Luxembourg	60,031,000	100	Line-by-line
3lettronica Industriale SpA . . . . .	Italy	16,000,000	100	Line-by-line
WIND Finance SL SA . . . . .	Luxembourg	31,000	—	N/A
WIND Acquisition Finance II SA . . . . .	Luxembourg	31,000	—	N/A
<b>Associates</b>				
Galata SpA . . . . .	Italy	1,000,000	10	Equity
<b>Others</b>				
MIX Srl . . . . .	Italy	99,000	9.75	Cost
Consel . . . . .	Italy	51,000	1	Cost
Janna Scarl . . . . .	Italy	13,717,365	17	Cost
QXN . . . . .	Italy	500,000	10	Cost
Dono per.Scarl . . . . .	Italy	30,000	33.33	Cost

Participation in Galata SpA has been considered as an investment in an associate given that significant influence can be exercised under corporate agreements.

For the years 2015 and 2014 the only investment is related to 3lettronica Industriale SpA for a share capital of €16 million, held at 100% and consolidated line by line for both the years.

***Business combinations under common control***

A business combination involving entities or businesses “under common control” is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. These transactions are not contemplated by IFRS 3, which outlines the accounting method for business combinations, or by any other IFRS. In the absence of an accounting standard of reference, it is believed that the selection of the accounting principle most suitable is the general objective set out in IAS 8 in order to provide relevant and reliable information about a transaction. In this context, some guidance in the Italian context can be found in OPI 1 (Assirevi preliminary guidelines on IFRS) relating to accounting for business combinations under common control in “Separate and Consolidated Financial Statements”. Taking into account the OPI 1 guidance, which is applicable to all reorganizational transactions (mergers) completed in Italy after the major transaction completed at a higher level which created the joint venture, the Group has decided to select the predecessor accounting method (based on continuity of values and not on IFRS 3 principles) as an accounting policy for this kind of transaction. Use of the predecessor accounting method is also in line with certain other generally accepted accounting principles that permit, or require, this accounting to be used for other common control transactions or similar circumstances.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

The concept of continuing values requires the recognition in the financial statements of the acquirer of the same values as those recorded in the books of the companies / business segments acquired before the transaction or, if available, the values in the consolidated financial statements of the common parent (the “predecessor accounting” principle). Where the values transferred are higher than these historical values, both the acquirer and the seller must eliminate the excess by reducing equity.

In relation to the date from which a transaction under common control can be considered, OPI 1 and predecessor accounting allow the backdating of the accounting consequences if the aim of the transaction is to reorganize a Group after a major transaction has occurred at a higher level. The backdating can be applied up to the date of when the major transaction occurred.

**2.3 Summary of main accounting policies**

The principal accounting policies adopted in preparing these consolidated financial statements are set out below.

• *Property, plant and equipment*

Property, plant and equipment are stated at purchase cost or production cost, net of accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for use and any dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition. The present value of an estimate of dismantling, removal and restoration costs is recognized with the corresponding liability stated as a liability under “Provisions”.

Costs incurred for ordinary and cyclical repairs and maintenance are taken directly to profit or loss in the period in which they are incurred. Costs incurred for the expansion, modernization or improvement of the structural elements of owned or leased assets are capitalized to the extent that they have the requisites to be separately identified as an asset or part of an asset, in accordance with the “component approach”. Under this approach each asset is treated separately if it has an autonomously determinable useful life and carrying amount.

Tangible assets are depreciated on a straight-line basis from the date on which the asset is available for use as intended by management, over their estimated useful life. The useful lives of property, plant and equipment and their residual values are reviewed and updated, where necessary, at least at each year end. Land is not depreciated. When a depreciable asset is composed of identifiable separate components whose useful lives vary significantly from those of other components of the asset, depreciation is calculated for each component separately, applying the “component approach”.

The useful lives estimated by the Group for the various categories of property, plant and equipment are as follows.

Plant and machinery . . . . .	5 - 40 years
Planning and development costs of the fixed line and mobile telephone network . . . . .	Residual term of license
Equipment . . . . .	4 - 8 years
Other assets . . . . .	5 - 10 years

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Gains or losses arising from the sale or retirement of assets are determined as the difference between the selling price and the carrying amount of the asset sold or retired and are recognized in profit or loss under “Gains/(losses) on disposal of non-current assets”.

Finance leases are leases that substantially transfer all the risks and rewards incidental to the ownership of assets to the Group. Property, plant and equipment acquired under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any amounts to be paid for exercising a purchase option. The corresponding liability due to the lessor is recognized as part of financial liabilities. An asset acquired under a finance lease is depreciated over the shorter of the lease term and its useful life.

Lease arrangements in which the lessor substantially retains the risks and rewards incidental to ownership of the assets are classified as operating leases. Lease payments under operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

• *Intangible assets*

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchase and/or production cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization in the case of assets being amortized and any impairment losses. Amortization of intangible assets with finite useful life begins when the assets are available for use as intended by management and it is charged on a straight-line basis over the estimated life of the particular asset. Rates and amortization methods are reviewed at least annually in order to verify if they are still applicable.

Intangible assets with indefinite life or not available for use as intended by management are not subject to systematic amortization, but are assessed annually to verify if there are indications that the carrying value may not be recoverable.

Gains and losses from disposals or retirement of intangible assets are determined as the difference between sales proceeds and the net book value of assets retired or disposed of and are recognized in the income statement of the relevant financial year.

*TLC license and frequencies*

These are considered to have an indefinite useful life given that the Italian Ministry of Economic Development, together with the Italian Ministry of Economy, has confirmed that the license and frequencies can be extended for the same amount of time as they had previously been extended, thus making the license and frequencies a perpetual license, and considering the expected renewal cost in relation to the expected benefits. The indefinite useful life is reviewed at least annually to consider any legislative, regulatory and economic changes.

*Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights*

Concessions, licenses and similar rights consist of rights of transmission on digital frequencies, right of use for optic fiber and infrastructures, the fair value of the rights of use related to site sharing

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

agreements between the Group and other operators, the distribution of multimedia content and similar rights.

The Group holds a license as a national network operator for digital television broadcasting. The value of the broadcasting digital frequencies mentioned is stated at fair value at date of acquisition. The license period originally began in 2005 and was renewed and extended to 20 years in 2008 under Law no. 101/2008. The license qualifies as a “general authorization to supply electronic communication services” ex article 25.6 of the “Electronic Communications Code”, equivalent to the license for the supply of UMTS mobile services held by the Group, with the right to apply for both the extension of the term under article 1-bis of Law no. 40/07 and the renewed article 25.6 of the Electronic Communications Code. Based on this and on the conversion of the license to digital television broadcasting (DVB-T) up until 31 December 2015 the Group considered it appropriate to treat the license as having an indefinite useful life.

However following a series of new analyses of the expected cash inflows and taking into account the likelihood of the renewal of certain contracts relating specifically to this television license, the estimate of the useful life was reviewed downwards in 2016 to a shorter temporal horizon which now reflects the latest and most prudent expectation of the utilization of the rights related to the license in the current competitive scenario. Starting from 2016, therefore, the license is being amortized over 10 years.

The infeasible right of use of optic fiber and infrastructure owned by other operators is stated at cost and amortized on the basis of the duration of the underlying contract.

The benefit deriving from the Group’s right of housing its network equipment on sites made available by other operators is stated at fair value as of the date of the acquisition of the benefit and amortized on the basis of the equivalent useful life of the Group’s housed infrastructures.

Trademarks are not amortized as they are considered to have an indefinite useful life.

*Software*

Costs relating to the development and maintenance of software programs are expensed as incurred. Unique and identifiable costs directly related to the production of software products which are controlled by the Group and which are expected to generate future economic benefits for a period exceeding one year are accounted for as intangible assets. Direct costs—where identifiable and measurable—include the cost of employees who develop the software, together with a share of overheads as appropriate.

Software is amortized on a straight-line basis over its useful life estimated depending on the different business functionalities to be supported by the investment, in a range of from 3 to 8 years, starting on the date on which the software becomes available for use as intended by the management.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment and amortized on a straight-line basis over the useful life of the relevant tangible asset.

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the interest acquired in the fair value at the acquisition date of the assets and liabilities of the entity or business acquired. Goodwill



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**2 GENERAL ACCOUNTING POLICIES (Continued)**

relating to investments accounted for using the equity method is included in the carrying amount of the investment. Goodwill is subject to periodic tests to ensure that the carrying amount in the statement of financial position is recoverable (“impairment tests”). Impairment tests are carried out annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss on the cash generating units (“CGUs”) to which the goodwill has been allocated. An impairment loss is recognized whenever the recoverable amount of goodwill is lower than its carrying amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use, which is represented by the present value of the cash flows expected to be derived from the CGU during operations and from disposal at the end of its useful life. The method for calculating value in use is described in the paragraph below “Impairment losses”. Once an impairment loss has been recognized on goodwill it cannot be reversed.

Whenever an impairment loss resulting from the above tests exceeds the carrying amount of the goodwill allocated to a specific CGU, the residual amount is allocated to the assets of that particular CGU in proportion to their carrying amounts. The carrying amount of an asset under this allocation is not reduced below the higher of its fair value less costs to sell and its value in use as described above.

*Customer list*

The customer list as an intangible asset consists of the list of customers identified on allocating the goodwill arising on acquisitions carried out by the Group. Amortization is charged on the basis of the respective estimated useful lives, which range from 5 to 15 years.

*Customers acquisition costs*

These consist mainly of the cost of commissions paid to the sales network, capitalized as intangible assets in accordance with the principles of reference and amortized over the minimum contract term.

• *Impairment losses on non financial assets*

At each reporting date, property, plant and equipment and intangible assets with finite lives are assessed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset concerned is estimated and any impairment loss is recognized in profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is represented by the present value of its estimated future cash flows. In determining an asset’s value in use the estimated future cash flows are discounted using a pre-tax rate that reflects the market’s current assessment of the cost of money for the investment period and the specific risk profile of the asset. If an asset does not generate independent cash flows, its recoverable amount is determined in relation to the cash-generating unit (CGU) to which it belongs. An impairment loss is recognized in profit or loss when the carrying amount of an asset or the CGU to which it is allocated exceeds its recoverable amount. If the reasons for previously recognizing an impairment loss cease to exist, the carrying amount of an asset other than goodwill is increased to the carrying amount of the asset that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized on the asset, with the reversal being recognized in profit or loss.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Investments*

Investments in companies where the Group exercises a significant influence (“associates”), which is presumed to exist when the Group holds between 20% and 50%, are accounted for using the equity method.

The equity method is as follows:

- the Group’s share of the profit or loss of an investee is recognized in profit or loss from the date when significant influence begins up to the date when that significant influence ceases. Where the investee accounted for using the equity method has a deficit as the result of losses, its carrying amount is reduced to zero and any excess attributable to the Group, in the event that it has legal or constructive obligations on behalf of the investee or in any case to cover the losses, is recognized in a specific provision. Equity changes in investees accounted for using the equity method that do not result from profit or loss are recognized directly in consolidated equity reserves;
- unrealized gains and losses generated from transactions between the Parent or its subsidiaries and its investees accounted for using the equity method are eliminated on consolidation for the portion pertaining to the Group; unrealized losses are eliminated unless they represent an impairment loss.

Investments in other companies are measured at fair value with any changes in fair value being recognized in profit or loss. If the fair value cannot be reliably determined an investment is measured at cost. Cost is adjusted for impairment losses if necessary, as described in the paragraph “Impairment losses”. If the reasons for an impairment loss no longer exist, the carrying amount of the investment is reversed up to the extent of the loss with the related effect recognized in profit or loss. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision under liabilities to the extent of the Group’s legal or constructive obligations on behalf of the investee or in any case to the extent that it is required to cover the losses. Investments held for sale or to be wound up in the short term are classified as current assets and stated at the lower of their carrying amount and fair value less costs to sell.

• *Financial instruments*

Financial instruments consist of financial assets and liabilities whose classification is determined on initial recognition and on the basis of the purpose for which they were purchased.

• *Financial assets*

Financial assets are initially recognized at fair value and classified in one of the following four categories and subsequently measured as described below:

- i) *Financial assets at fair value through profit or loss*: this category includes financial assets purchased primarily for sale in the short term, those designated as such upon initial recognition, provided that the assumptions exist for such classification or the fair value option may be exercised, and financial derivatives except for the effective portion of those designated as cash flow hedges. These assets are measured at fair value; any change in the period is recognized in profit or loss as financial income or expense. Financial instruments

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

included in this category are classified as current assets if they are held for trading or expected to be disposed of within twelve months from the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparty are offset if this is contractually provided for.

- ii) *Loans and receivables*: these are non-derivative financial instruments, mostly relating to trade receivables, which are not quoted on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the reporting date in which case they are classified as non-current assets. These assets are measured at amortized cost using the effective interest method. If there is objective evidence of factors which indicate an impairment loss, the asset is reduced to the discounted value of future cash flows. The impairment loss is recognized in profit or loss. If in future years the factors which caused the impairment loss cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been obtained in case of application of amortized cost.
- iii) *Held-to-maturity investments*: these are fixed maturity non-derivative financial instruments having fixed or determinable payments which the Group has the intention and ability to hold until maturity. These assets are measured at amortized cost using the effective interest method, adjusted as necessary for impairment losses. In the case of impairment the policies used for financial receivables are applied.
- iv) *Available-for-sale financial assets*: these are non-derivative financial instruments which are either specifically included in this category or included there because they cannot be classified in other categories. These assets are measured at fair value and any related gain or loss is recognized directly in an equity reserve and subsequently recognized in profit or loss only when the asset is actually sold or, if there are cumulative negative changes, when it is expected that the losses recognized in equity cannot be recovered in the future. For debt securities, if in a future period the fair value increases due to the objective consequence of events occurring after the impairment loss has been recognized in profit or loss, the original value of the instrument is reinstated with the corresponding gain recognized in profit or loss. Additionally, the yields from debt securities arising from the use of the amortized cost method are recognized in profit or loss in the same manner as foreign exchange differences, whereas foreign exchange differences relating to available-for-sale equity instruments are recognized in the specific equity reserve. The classification as current or non-current assets is the consequence of strategic decisions regarding the estimated period of ownership of the asset and its effective marketability, with those which are expected to be realized within twelve months from the reporting date being classified as current assets.

Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

• *Financial liabilities*

Financial liabilities consisting of loans, trade payables and other obligations are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

effective interest method. When there is a change in expected cash flows which can be reliably estimated, the value of the loans is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the reporting date.

Financial liabilities are derecognized when settled and the Group has transferred all the related costs and risks relating to the instrument.

Hybrid instruments, partly financial liability and partly in equity are broken down into their component parts of financial liability or equity, on the base of the value that an equivalent financial liability, without the equity component, would have on the market.

• *Derivative financial instruments*

At the date of signing of the contract the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where instead it has been decided to use hedge accounting, meaning in those situations in which the hedging relationship is identified, subsequent changes in fair value are accounted for in accordance with the following specific criteria. The relationship between each derivative qualifying as a hedging instrument and the hedged item is documented to include the risk management objective, the hedging strategy and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

In the case of a fair value hedge, i.e. the hedge refers to changes in the fair value of a recognized asset or liability, the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as finance income or expense for the year in profit or loss.

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in a specific equity reserve (the "cash flow hedge reserve"). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to profit or loss together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of profit or loss for the year. Cash flow hedges also include hedges of the currency risk for transactions carried out in US dollars. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in profit or loss against the change in the fair value of the hedging instrument.

When hedged forecast cash flows are no longer considered highly probable during the term of a derivative, the portion of the "cash flow hedge reserve" relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the "cash flow hedge reserve" recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction takes place.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Derivatives embedded in hybrid instruments are separated from the host contract and accounted separately if the whole hybrid instrument is not measured at fair value with gains and losses reported in profit or loss and if the characteristics and risks of the derivative are not “closely related” to those in the main contract. Testing takes place at the inception of the contracts and afterwards if significant changes occur in the expected cash flows.

• *Determination of fair value*

Quotations at the reporting date are used to determine the fair value of financial assets and financial liabilities listed on active markets. In the absence of an active market, fair value is determined by referring to prices supplied by third-party operators and by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments. The Group uses unobservable inputs to determine the fair value of embedded derivatives.

• *Sales of receivables*

The Group carries out sales of receivables under factoring arrangements in accordance with Law no. 52/1991. These sales are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, meeting IFRS requirements for derecognition. Specific servicing contracts through which the buyer confers a mandate to the Company for the collection and management of the receivables leave the current Company/customer relationship unaffected.

• *Taxation*

Income taxes are recognized on the basis of taxable profit for the year and the applicable laws and regulations, using tax rates prevailing at the reporting date.

Deferred taxes are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the tax rates that are expected to apply for the years when the temporary differences will be realized or settled and tax losses carried forward will be reversed, based on tax laws that have been enacted or substantively enacted by the reporting date.

Current and deferred taxes are recognized in profit or loss, except for taxes arising from items taken directly to equity; in such cases the tax effect is recognized directly in the specific equity item.

Tax assets and liabilities, including those regarding deferred taxation, are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity and when the entity has a legally enforceable right to offset these balances and intends to exercise that right. In addition, current tax assets and liabilities are offset in the case that different taxable entities have the legally enforceable right to do so and when they intend to settle these balances on a net basis.

Deferred income tax assets, including those related to previous tax losses, to the extent they are not offset by deferred tax liabilities, are recognized if it is probable that future taxable profit will be available against which these can be used.

For the regulations on electing the tax consolidation procedure to apply, the Company that elected for consolidation is required to determine a single overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the parent and those of its subsidiaries

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

taking part in the procedure, and to settle a liability by making a single tax payment or to recognize a single tax credit for refund or to be carried forward.

Therefore, it follows that a receivable or payable with the Parent is recognized in the financial statements on transferring a tax loss or taxable profit, respectively, in the place of the respective tax receivables or payables accrued by the Company.

• *Inventories*

Inventories are stated at the lower of purchase cost or production cost and net estimated realizable value. Cost is determined using the weighted average cost method for fungible goods or goods held for resale. When necessary, provisions are made for slow-moving and obsolete inventories.

• *Cash and cash equivalents*

Cash and cash equivalents mainly consist of cash-in-hand, bank and postal accounts balances, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less and which are subject to an insignificant risk of changes in value.

• *Provisions*

Provisions are recognized for a loss or expense of a specific nature that is certain or probable to arise but for which the timing or amount cannot be precisely determined.

Provisions are recognized when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions represent the best estimate of liabilities at the end of the reporting period in respect of the timing and required disbursement to settle the obligation.

Risks, for which the likelihood of a liability arising is only possible, are disclosed in the notes under “Contingent assets and liabilities” and no provision is made.

• *Employee benefits*

• *Short-term employee benefits*

Short-term employee benefits are recognized in profit or loss in the period when an employee renders the related service.

• *Post-employment benefits*

Post-employment benefits can be divided into two categories: 1) defined contribution plans and 2) defined benefit plans. Contributions to defined contribution plans are charged to profit or loss when incurred, based on their nominal value. For defined benefit plans, since benefits are determinable only after the termination of employment, costs are recognized in profit or loss based on actuarial calculations.

In the Italian legislative system the employee severance indemnity (TFR), due in accordance with the provisions of article 2120 of the Italian Civil Code, accruing in companies with more than 50 employees

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

is considered to be a defined benefit plan until December 31, 2006 and a defined contribution plan after that date.

The liability recognized in the statement of financial position is the current value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The current value of the defined benefit obligation is determined by discounting estimated future cash outflows using the interest rates of high-quality corporate bonds that are denominated in the same currency in which the benefits will be paid (Euro), and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past-service costs are recognized immediately in profit or loss.

- *Termination benefits and redundancy incentive schemes*

Benefits due to employees on the termination of employment contracts are treated as a liability when the Group is demonstrably committed to terminating these contracts for a single employee or group of employees before the normal retirement date or to granting termination benefits in order to facilitate voluntary resignations of surplus employees following a formal proposal. These benefits do not create future economic advantages to the Group and the related costs are therefore immediately recognized in profit or loss.

- *Assets held for sale and discontinued operations*

Non-current assets and current and non-current assets of disposal groups whose carrying amount will mainly be recovered through sale, rather than through ongoing use, are classified as held for sale.

This condition is met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Non-current assets held for sale, current and non-current assets referring to disposal groups and liabilities directly associated with such assets are recognized in the statement of financial position separately from the other assets and liabilities of the entity.

Non-current assets held for sale are not depreciated and are measured at the lower of carrying amount and related fair value, less costs to sell.

The held-for-sale classification for investments accounted for using the equity method implies the suspension of the application of such method; therefore in this case the carrying amount is equal to the amount deriving from the application of the equity method at the date of reclassification.

Any difference between the carrying amount and the fair value less costs to sell is recognized in profit or loss as an impairment loss; any subsequent increase in value is recognized to the extent that it is not in excess of the cumulative impairment loss that has been recognized previously on the asset as held for sale.

When there is a plan to dispose of a subsidiary which results in the loss of control, the assets and liabilities of the subsidiary are all classified as held for sale regardless of whether a non-controlling interest will still be held in the former subsidiary after the sale.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

When specific conditions are met the non-current assets or group of (i) non-current assets (ii) current assets and (iii) associated liabilities constituting a disposal group as described in the preceding paragraphs satisfy the definition of discontinued operations. The results of discontinued operations are presented separately in the income statement including the results of the discontinued operations and the gain or loss, if any, realized on abandonment or disposal net of the related tax effect. Further details on the composition of this item are provided in the notes.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- (a) represents a separate major line of business or geographical area of operations;
- (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

• ***Translation of items in non-euro currencies***

The financial statements are presented in Euro, which is the functional and presentational currency of the various Group companies. Foreign currency transactions are initially recorded at the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss except when deferred in equity as qualifying cash flow hedges.

With reference to foreign transactions whose currency risk is covered with derivatives, further details are provided in the note *Financial instruments*.

• ***Leases***

Leases in which the Group is the lessee are classified as operating leases when a significant portion of the risks and rewards of ownership is retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged in profit or loss on a straight-line basis over the period of the lease.

Assets acquired pursuant to finance leases and hire purchase contracts that transfer to the Group substantially all the rewards and risks of ownership are accounted for as if purchased.

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are treated as consisting of capital and interest elements. The capital element of the leasing commitment is included as a liability and the interest element is charged to profit or loss.

• ***Revenue recognition***

Revenue is recognized at the fair value of the consideration received, net of rebates and discounts. The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.



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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Revenue from the sale of goods is recognized when the Group transfers the risks and rewards of ownership of the goods. Revenue from services is recognized in profit or loss by reference to the stage of completion and only when the outcome can be reliably estimated.

More specifically, the criteria followed by the Group in recognizing core-business revenue are as follows:

- revenue arising from post-paid traffic, interconnection and roaming is recognized on the basis of the actual usage of each subscriber and telephone operator. Such revenue includes amounts paid for access to and usage of the Group network by customers and other domestic and international telephone operators;
  - revenue from the sale of prepaid cards and recharging is recognized on the basis of the prepaid traffic actually used by subscribers during the year. The unused portion of traffic at period end is recognized as “Other payables—Prepaid traffic to be used”;
  - revenue from the sale of mobile phones and fixed-line phones and related accessories is recognized at the time of sale;
  - one-off revenue from fixed and mobile (prepaid or subscription) activation and/or substitution and the activation of new services and tariff plans is recognized for the full amount at the moment of activation to the extent of the related costs, or deferred over the minimum contractual term. In the case of promotions with a cumulative plan still open at year end, the activation fee is recognized on an accrual basis so as to match the revenue with the period in which the service may be used;
  - one-off fees received for the granting of rights to use owned fiber optic cables are recognized at the time of the transfer of the underlying right and, therefore, of the related risks and rewards.
- *Grants*

Grants are recognized when a formal decision of the disbursing government institution, in case of government grants, has been taken, with recognition being matched to the costs to which they relate. Revenue grants are taken to “Other revenue” in the Consolidated Income Statement, while grants related to Property, plant and equipment are recognized as deferred income in the Statement of Financial Position and taken to profit or loss on a straight-line basis over the useful life of the asset to which the grant directly relates.

• *Finance income and expense*

Finance income and expense is recognized on an accruals basis using the effective interest method, meaning at the interest rate that renders all cash inflows and outflows linked to a specific transaction financially equivalent.

Finance expenses that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized up to the recoverable amount of the assets and amortized over the useful life of the class of assets to which they refer.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Research and development costs and advertising expenses*

Research and development costs, as well as advertising expenses, are charged directly to profit or loss in the year in which they are incurred.

Costs incurred on development projects are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use it;
- there is an ability to use the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in the subsequent period.

Capitalized development costs are recorded as intangible asset and amortized on a straight-line basis over its useful life from the date when the asset is ready for use as intended by management.

• *Segment reporting*

The Group has determined that it has one reportable segment based on the information reviewed by its Management in making decisions regarding allocation of resources and to assess performance.

• *New accounting standards and interpretations*

*Standards effective in 2016*

The most important reporting standards that became officially effective on January 1, 2016 and their amendments are listed below, even if they do not have significant effects on the financial statement at December 31, 2016. These are applied to the Company's ordinary business and might be of importance in the future.

Amendment to IAS 1 "Disclosure Initiative"—The amendment encourages entities to apply professional judgment when determining where and in which order information is presented in the financial statements; it also gives additional guidance on what additional subtotals are acceptable and how they are presented.

Amendment to IAS 27 "Equity Method in Separate Financial Statements"—This allows entities to use, in their separate financial statements, the equity method to measure investments in subsidiaries/joint ventures and associates.

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Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”—The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. In particular the amendment states that an entity has to adopt IFRS 3 to calculate the accounting effects following a joint operation that constitutes a business.

Amendment to IAS 16 “Property, Plant and Equipment” and to IAS 38 “Intangible Assets”—Clarification of Acceptable Methods of Depreciation and Amortisation—The requirements of IAS 16 are amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Similarly, the requirements of IAS 38 are amended to introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate.

*Changes included in the annual improvements for 2012 - 2014* affecting IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Contributions to Defined Benefit Plans” and IAS 34 “Interim Financial Reporting”. The main parts of these changes applicable to the Company are as follows:

- IFRS 7 “Financial instruments”: Disclosures: “Servicing contracts”—When an entity transfers a financial asset to a third party in accordance with IAS 39 (derecognition of a financial asset) it must disclose any possible ongoing involvement in the transferred asset and define its ongoing involvement.
- IAS 19 “Employee Benefits”—This requires that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds and on market yields on government bonds in countries where a deep market of the former bonds does not exist.

The adoption of these new standards, interpretation and amendments has not had significant effects on the financial statements.

*Accounting standards and interpretations issued by IASB/IFRIC—not yet effective*

Set out below is the information required to assess the possible impact arising from the application of new accounting standards and interpretations that have already been issued but have not yet become effective or have not been adopted by the EU and thus cannot be applied to the financial statements at December 31, 2016.

Unless otherwise indicated, the Company does not believe that the application of these standards will have any significant impact on its economic results, except for the need for further possible disclosures.

<u>Standard, amendment or interpretation</u>	<u>Status</u>
Amendment to IAS 7 “Statement of Cash Flows” under the disclosure initiative	Expected endorsement in Q4 2017
Amendment to IAS 12 “Income Taxes”: Recognition of Deferred Tax Assets for Unrealised Losses	Expected endorsement in Q4 2017

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Table 1—IFRSs whose effective date is expected for accounting periods beginning on or after January 1, 2017 (the effective date determined by the IASB may differ from the effective date for the EU).

Amendment to IAS 7 “Statement of Cash flows” under the disclosure initiative—The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosures can be improved.

Amendment to IAS 12 “Income Taxes”—This amendment regarding the “Recognition of Deferred Tax Assets for Unrealised Losses” clarifies how to account for deferred tax assets arising from debt instruments measured at fair value in order to address diversity in practice.

<u>Standard, amendment or interpretation</u>	<u>Status</u>
IFRS 15 “Revenue from Contracts with Customers” (issued on May 28, 2014) including amendments to IFRS 15. Effective date of IFRS 15 (issued on September 11, 2015)	Endorsed: September 22, 2016 Effective (EU): January 1, 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016)	Expected endorsement in Q4 2017 Effective (EU): 1 January 2018
IFRS 9 “Financial Instruments”	Endorsed: November 19, 2016 Effective (EU): January 1, 2018
Amendment to IAS 40 “Investment Property” relating to transfers of investment property	Expected endorsement in Q4 2017
Annual improvements 2014 - 2016 relating to: IFRS 1 “First-time Adoption of IFRS” IFRS 12 “Disclosure of Interests in Other Entities” IAS 28 “Investments in Associates and Joint Ventures”	Expected endorsement in Q4 2017
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	Expected endorsement in Q4 2017

Table 2—IFRSs whose effective date is expected for accounting periods beginning on or after January 1, 2018 (the effective date determined by the IASB may differ from the effective date for the EU).

IFRS 15 “Revenue from Contracts with Customers”—This replaces IAS 18 “Revenues” and IAS 11 “Construction Contracts” and the interpretations IFRIC 13 “Customer Loyalty Programs”, IFRIC 15 “Agreements for the Construction of Real Estate”, IFRIC 18 “Transfer of Assets from Customers” and SIC 31 “Barter Transactions Involving Advertising Services”. It applies to all contracts with customers except from those included in the scope of IAS 17 “Leases”, IFRS 4 “Insurance Contracts” or IAS 39/IFRS 9 “Financial Instruments”.

IFRS 15 paragraphs relating to the recognition and measurement of revenue introduce a 5-step model: i) identification of the contract with the customer; ii) identification of “performance obligations”, that is to say the separable components that are part of a sole contract but that have to be separated for accounting purposes; iii) determination of the selling price; iv) price allocation for the various “performance obligations”; v) revenue recognition when performance obligations are satisfied. IFRS 15

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

completes the financial statement disclosures to be presented with the nature, amount, timing and uncertainties of revenues and their cash flows.

The Group has started up the activities deemed necessary to assess the effect of the application of IFRS 15 and to apply the standard with effect from 2018 when the standard becomes effective, with retrospective application to all contracts not completed at January 1, 2018.

IFRS 9 “Financial Instruments”—This replaces IAS 39 “Financial Instruments” and contains a model to evaluate financial instruments based on three categories: amortized cost, fair value through profit or loss and fair value through other comprehensive income”. The standard envisages a new impairment model that is different from that currently included in IAS 39 and is more focused on expected credit losses. The Group has started up the activities deemed necessary to assess the effect of the application of IFRS 9.

Amendment to IAS 40 “Investment Property”; this amendment clarifies that there must be a change in use to transfer assets to, or from, investment properties. To determine whether an asset has changed use there should be an assessment of whether the property meets the definition. This change must be supported by suitable evidence.

Changes in annual improvements 2014 - 2016 possibly affecting the Group in the future are:

IFRS 12 “Disclosure of Interests in Other Entities” regarding the clarification of the scope of the standard.

IAS 28 “Investments in Associates and Joint ventures” regarding measuring an associate or joint venture at fair value.

IFRIC 22 “Foreign Currency Transactions and Advance Consideration”; this IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

<u>Standard, amendment or interpretation</u>	<u>Status</u>
IFRS 16 “Leases”	Expected endorsement in Q4 2017

Table 3—IFRSs whose effective date is expected for accounting periods beginning on or after January 1, 2019 (the effective date determined by the IASB may differ from the effective date for the EU).

IFRS 16 “Leases”—This replaces IAS 17 “Leases” and interpretations IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases—Incentives” and SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee; instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are to be recognized as right-of-use assets with the corresponding recognition of a financial liability. Partial exemptions to this rule are allowed for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets (for example, the lease of a personal computer). The Group has started up the activities deemed necessary to assess the effect of the application of IFRS 16.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

**2.4 Use of estimates**

The preparation of these consolidated financial statements required management to apply accounting policies and methodologies based on complex, subjective judgments, estimates based on past experience and assumptions determined from time to time to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position, the income statement and the cash flow statement as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these financial statements due to the uncertainties that characterize the assumptions and conditions on which the estimates were based.

In this respect, the situation caused by the persisting difficulties of the economic and financial environment in the Eurozone led to the need to make assumptions regarding future performance which are characterized by significant levels of uncertainty; as a consequence, therefore, it cannot be excluded that results may arise in the future which differ from estimates, and which therefore might require adjustments, even significant, to be made to the carrying amount of assets and liabilities, which at the present moment can clearly neither be estimated nor predicted. The main items affected by these situations of uncertainty are non-current assets (tangible and intangible assets), deferred tax assets, provisions, contingent liabilities and impairment provisions.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items considered in this process perform differently, then the actual results could differ from the estimates, which would accordingly require adjustment. The effects of any changes in estimate are recognized in profit or loss in the period in which the adjustment is made if it only affects that period, or in the period of the adjustment and future periods if it affects both current and future periods.

The accounting principles requiring a higher degree of subjective judgment in making estimates and for which changes in the underlying conditions could significantly affect the consolidated financial statements are briefly described below.

- Goodwill: goodwill is tested for impairment at least on an annual basis to determine whether any impairment losses have arisen that should be recognized in profit or loss. More specifically, the test is performed by allocating the goodwill to a cash generating unit (CGU) and subsequently estimating the unit's fair value. Should the fair value of the net capital employed be lower than the carrying amount of the CGU, an impairment loss is recognized on the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU require estimates to be made that are based on factors that may vary over time and that could as a result have an impact on the measurements made by management which might be significant.
- Estimation of finite and indefinite useful life of non-current assets: the useful life of intangible and tangible fixed assets is reviewed on a periodic basis to verify that is representative of the related assets. Some intangible assets other than goodwill, such as TLC licenses and trademarks, are considered to have an indefinite life. These assessments are periodically updated to reflect the best and most up to date market developments in order to confirm the conditions which led to a non-finite useful life identification for such assets. Future market developments could change the conditions of these estimates and require amortization, or impairment, of such assets.

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

- Impairment losses on non-current assets: non-current assets are reviewed to determine whether there are any indications that the carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within the Group and in the market and also on past experience. When a potential impairment loss emerges it is estimated by the Group using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary over time, thereby affecting estimates and measurements.
- Depreciation of non-current assets: the cost of property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets. The useful life of property, plant and equipment is determined when the assets are purchased and is based on the past experience of similar assets, market conditions and forecasts concerning future events which may affect them, amongst which are changes in technology. The actual useful lives may therefore differ from the estimates of these. The Group regularly reviews technological and business sector changes, dismantling costs and recoverable amounts in order to update residual useful lives. Such regular updating may entail a change of the depreciation period and consequently a change in the depreciation charged in future years.
- Deferred tax assets: the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on factors which may vary over time and which may lead to significant effects on the measurement of this item.
- Contingent liabilities and provisions: the accruals related to legal, arbitration and fiscal disputes are the result of a complex estimation process based upon the probability of an unfavorable outcome. The definition of such provisions entails making estimates based on currently known factors which may vary over time and which could actually turn out to be significantly different from those referred to in preparing the notes to these financial statements.
- Fair value of financial instruments: the fair value of certain financial instruments (derivatives) is determined using valuation models that incorporate subjective measures such as estimated cash flows, price volatility, interest rate curves, etc.

**2.5 Risk management**

**Credit Risk Management**

The Group's credit risk is principally associated with trade receivables which at December 31, 2016 amounted to €1,531 million (€597 million at December 31, 2015 and €764 million at December 31, 2014) shown net of the allowance for doubtful accounts amounting to €623 million (€255 million at December 31, 2015 and €265 million at December 31, 2014). Net of allowance for doubtful accounts, €1,287 million of receivables were falling due within twelve months (€528 million at December 31, 2015 and €684 million at December 31, 2014) and €244 million of receivables were falling due after twelve months (€69 million at December 31, 2015 and €80 million at December 31, 2014) The Group minimizes credit risk through a preventive credit check process which ensures that all customers requesting new products and services or

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additions to existing services are reliable and solvent, also by using a preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This check is carried out in the customer acceptance phase through the use of internal and external information.

The Group additionally exercises timely post-customer acquisition measures for the purpose of credit collection such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles;
- measuring and monitoring the debt status through reporting tools.

As a general rule, the Group has a limited level of credit concentration as the consequence of diversifying the product and services portfolio it offers to its customers. In particular, a small concentration of credit may be found in the business that the Group carries out with dealers and domestic and international operators.

The Group is also assisted by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables from dealers.

In relation to the exposure of financial counterparties' credit risk, the Group reviews and amends the credit limits set for each national and international banking group.

These credit limits take into consideration the sum of the following components (NEA or, Net Financial Assets): i) availability of balances in bank or postal current accounts; ii) deposits or short term financial investments; iii) positive mark to market arising on derivatives used for hedging; iv) bank guarantees issued in favor of the company.

The Group had a positive net balance in its current accounts of €603 million at December 31, 2016. The Group's credit risk exposure from derivative contracts is represented by their realizable value or fair value, if positive.

The positive fair value of the entire portfolio at December 31, 2016 was €1,031 million (details of this may be found in note 16).

**Liquidity Risk Management**

Liquidity risk arises mostly from the cash flows generated by debt servicing, in terms of both interest and principal, and from all of the former WIND Group's payment obligations that result from business activities.

Specifically the debt managed by the former WIND Group is composed of:

- a floating rate long-term loan agreement (the Senior Facility Agreement) entered on November 24, 2010 by the former Parent WIND Telecomunicazioni SpA (now merged into Wind Tre) and renegotiated on March 12, 2015, denominated in euros, with full repayment at maturity in 2019 and with total nominal value of €700 million to which should be added €400 million of unused revolving credit facility at December 31, 2016;



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**2 GENERAL ACCOUNTING POLICIES (Continued)**

- the bonds issued by the subsidiary WIND Acquisition Finance SA follow:

(millions of euro)	Issue date	Currency	Notional amount	Maturity	Interest rate
Senior Notes 2021 € . . . . .	04/23/2014	EUR	1,750	04/23/2021	7.00%
Senior Notes 2021 \$ . . . . .	04/23/2014	USD	2,800	04/23/2021	7.375%
Senior Secured Notes 2020 € . . . . .	07/10/2014	EUR	2,475	07/15/2020	4.00%
Senior Secured Notes 2020 \$ . . . . .	07/10/2014	USD	1,900	07/15/2020	4.75%
Senior Secured Floating Rate Notes 2020 € . . . . .	07/10/2014	EUR	575	07/15/2020	Eur3M+4.00%
Senior Secured Floating Rate Notes 2020 € . . . . .	03/30/2015	EUR	400	07/15/2020	Eur3M+4.125%
Senior Secured Floating Rate Notes 2019 € . . . . .	04/29/2013	EUR	150	04/30/2019	Eur3M+5.25%
Senior Secured Fixed Rate Notes 2020 \$ . . . . .	04/29/2013	USD	550	04/30/2020	6.50%

The bonds are subject to mandatory repayment in the following scenario: i) in case of a change of control, all bondholders will be entitled to request the total or partial repurchase of the bonds they hold at a price equal to 101% of the notional amount plus the interest accrued at the repurchase date, and ii) in case of asset sales, any proceeds not reinvested in the form envisaged by the offering memorandum and which exceed the amount of €25 million must be used to make a *pari-passu* repurchase offer to bondholders and debtholders at a price of 100% of the notional amount plus the interest accrued at the repurchase date;

- other amortizing loans in euros granted by Terna against the capitalization of expenditure for the backbone right of way;
- loans granted by the parent Wind Tre Italia and its parent VIP-CKH.

The repayment flows expected in accordance with the described above agreements, with exclusive reference to the amounts used, translating US dollar tranches at the hedge agreement exchange rate where applicable, are as follows.

(millions of Euro)	2017	2018	2019	2020	2021	2022>2035	Total
<b>Senior Facility Agreement</b> . . . . .	—	—	700	—	—	—	700
<b>Terna</b> . . . . .	1	1	2	2	2	121	129
<b>Senior Notes 2021</b>							
Senior Notes Euro . . . . .	—	—	—	—	1,750	—	1,750
Senior Notes USD . . . . .	—	—	—	—	2,030	—	2,030
<b>Senior Secured Notes 2020</b>							
Senior Secured Notes Euro . . . . .	—	—	—	2,475	—	—	2,475
Senior Secured Notes USD . . . . .	—	—	—	1,413	—	—	1,413
Senior Secured Floating Rate Notes . . . . .	—	—	—	975	—	—	975
<b>Senior Secured Floating Rate Notes 2019</b> . . . . .	—	—	150	—	—	—	150
<b>Senior Secured Fixed Rate Notes 2020</b> . . . . .	—	—	—	420	—	—	420
<b>Total</b> . . . . .	<u>1</u>	<u>1</u>	<u>852</u>	<u>5,285</u>	<u>3,782</u>	<u>121</u>	<u>10,042</u>

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**2 GENERAL ACCOUNTING POLICIES (Continued)**

The renegotiated Senior Facility Agreement contains new financial covenants which the former WIND Group must test if the amount drawn down from the Revolving Credit Facility (“RCF”) exceeds 35% of the total. No amounts had been drawn down from the RCF at December 31, 2016.

The tranches of bonds that are denominated in US dollars are hedged by cross currency swaps. As concerns liquidity risk, these cross currency swaps will lead to an exchange of principal on maturity.

The following tables set forth the contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement calculated as of December 31, 2016 and December 31, 2015.

(millions of Euro)	Carrying amount at December 31, 2016	Total Contractual cash flows	2017	2018	2019	2020	2021	2022>2059
<b>Non-derivative financial liabilities</b>								
Bank loans . . . . .	685	(795)	(30)	(30)	(735)			
Financing from shareholders . . . . .	1,717	(5,820)	—	—	—	—	(1,432)	(4,388)
Bonds . . . . .	10,453	(12,795)	(583)	(583)	(730)	(6,328)	(4,571)	
Loans from others . . . . .	129	(170)	(13)	(13)	(12)	(12)	(12)	(108)
<b>Net derivative financial liabilities</b>								
Outflows . . . . .	(1,031)	(4,751)	(215)	(208)	(208)	(2,029)	(2,091)	—
Inflows . . . . .		6,333	315	315	315	2,628	2,760	—
<b>Total</b> . . . . .	<b>11,953</b>	<b>(17,998)</b>	<b>(526)</b>	<b>(519)</b>	<b>(1,370)</b>	<b>(5,741)</b>	<b>(5,346)</b>	<b>(4,496)</b>

(millions of Euro)	Carrying amount at December 31, 2015	Total Contractual cash flows	2016	2017	2018	2019	2020	2021/2059
<b>Non-derivative financial liabilities</b>								
Bank loans . . . . .	49	(49)	(49)	—	—	—	—	—
Financing from shareholders . . . . .	2,634	(6,755)	(2,367)	—	—	—	—	(4,388)
<b>Net derivative financial liabilities</b> . . . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b> . . . . .	<b>2,683</b>	<b>(6,804)</b>	<b>(2,416)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,388)</b>

(millions of Euro)	Carrying amount at December 31, 2014	Total Contractual cash flows	2015	2016	2017	2018	2019	2020/2059
<b>Non-derivative financial liabilities</b>								
Bank loans . . . . .	115	(115)	(66)	(49)	—	—	—	—
Financial leasing . . . . .	4	(4)	(4)	—	—	—	—	—
Financing from shareholders . . . . .	2,419	(6,556)	(2,168)	—	—	—	—	(4,388)
<b>Net derivative financial liabilities</b> . . . . .	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b> . . . . .	<b>2,538</b>	<b>(6,675)</b>	<b>(2,238)</b>	<b>(49)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(4,388)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Loans from shareholders up to the previous year did not have a specific deadline but were repayable on demand. As from 2016 following the merger by incorporation, funding from the parent company Wind Tre Italia is subject to the maturity of the bond debt.

The former WIND Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Group has access to and recent refinancing history. The former WIND Group believes that access to sources of funding and to credit lines for working capital management is sufficiently available and the Group's policy is to diversify the funding sources where possible.

**Market Risk Management**

The Group's strategy for managing interest rate and currency risks is aimed at both managing and controlling such financial risks. More specifically, this strategy is aimed at eliminating currency risk and optimizing debt cost wherever possible, taking into account the interests of the Group's stakeholders.

Managing market risk for the former WIND Group refers to financial liabilities from the time they actually arise or from when there is a high probability that they will arise.

More specifically, the following market risks are monitored and managed:

- *Cash flow risk*—this is the risk that movements in the yield curve could have an impact on the income statement in terms of greater finance expense.
- *Fair value risk*—this is the risk that movements in the yield curve could have an impact on the fair value of debt.
- *Currency risk*—this is the risk that the fair value of financial instruments in currencies other than the Euro or their cash flows, or the amounts payable or receivable generated in the ordinary course of operations other than in Euros, could be negatively affected by fluctuations in exchange rates.

The main objectives that the former WIND Group intends to reach are: i) to defend the strategic plan scenario from the effects of exposure to currency, interest rate and inflation risks, identifying an optimum combination of the fixed rate, floating rate and inflation components for financial liabilities; ii) to reduce the cost of debt; and iii) to manage derivatives in compliance with the former Group's approved strategies, taking into consideration the different effects that derivative transactions could have on the income statement and the statement of financial position.

**Cash Flow Risk and Currency Risk**

At December 31, 2016 the interest rate risk was hedged to a level of approximately 27%, with a maximum hedge term of less than five years. At December 31, 2016, outstanding derivative contracts for hedging interest rate risk amounted to €620 million (of which €100 million does not qualify for hedge accounting). At December 31, 2015 and 2014 no derivative contract are in place.

The outstanding balance of the long-term loans (excluding Terna and intercompany loans) at December 31, 2016 amounted to €9,913 million (liabilities in foreign currencies are translated at the rates

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

provided in the relevant CCS) with the following fixed to floating ratio at that date. At December 31, 2015 the bank loans amounted to €49 million (€115 million in 2014).

<u>(millions of Euro)</u>	<u>Outstanding at 12.31.2016</u>	<u>% at 12.31.2016</u>
At fixed rate . . . . .	7,279	73%
At floating rate . . . . .	2,634	27%

The currency risk resulting from the bonds issued by the subsidiary WIND Acquisition Finance SA has been fully hedged by cross currency swap transactions having a total notional of USD 5,250 million. These amounts represent only significant assets and liabilities in currency other than euros and thus that suffer a potential foreign exchange risk.

All derivative agreements were entered into at market rates, without any up-front payments or receipts (a zero cost basis) and with a credit margin being applied.

It is estimated that an increase of 100 basis points in the Euro interest rate yield curve (all other variables remaining constant) would lead to an increase in borrowing costs, with regard to the unhedged portion of floating rate debt and the ineffective portion of hedging instruments, of approximately €17 million and in the fair value derivatives of approximately €134 million.

Accordingly, the profit/loss for the year, and the net equity could be impacted by a further charge of €151 million.

**Fair value hierarchy**

IFRS 13 requires financial instruments recognized in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

- Level 1—quoted prices in active markets for the assets or liabilities being measured;
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) in the market;
- Level 3—inputs that are not based on observable market data.

The following table provides an analysis of financial assets and liabilities measured at fair value by hierarchy at December 31, 2016.

<u>(millions of Euro)</u>	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Assets at fair value</i>					
Derivative financial instruments . . . . .	16	—	1,061	399	1,460
<b>Total assets</b> . . . . .	—	—	<u>1,061</u>	<u>399</u>	<u>1,460</u>
<i>Liabilities at fair value</i>					
Derivative financial instruments . . . . .	16	—	30	—	30
<b>Total liabilities</b> . . . . .	—	—	<u>30</u>	<u>—</u>	<u>30</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Level 3 includes the embedded derivative fair value on loans and relates to the early repayment option while Level 2 includes the fair value of other derivatives. In 2016 there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa. For further details regarding the fair value calculation and the level classification reference should be made to note 16.

In the comparative period there were no derivative financial instruments or financial instruments measured at fair value.

**3 ACQUISITIONS AND DISPOSALS**

Following the finalization of the joint venture between CK Hutchison and Veon, on December 30, 2016 WIND Telecomunicazioni SpA was merged into H3G SpA with a simultaneous change of name to Wind Tre.

The merger, completed on December 30, 2016 but which for accounting, tax and profit-sharing purposes was effective from November 5, 2016, is accounted for at the carrying amount in the 2016 financial statements since the merged companies were part of the same controlling group and thus the conditions for the application of IFRS 3 do not exist.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**3 ACQUISITIONS AND DISPOSALS (Continued)**

The following table provide the merger effects on the statement of financial position at November 5, 2016 with evidence also of the balances acquired from the merged WIND Telecomunicazioni Group.

In million Euro	H3G Group	WIND Group	WIND Tre Group pre-merger	Merger	Merger effects		Wind Tre Group
					Inter-company	Adjustments	
<b>Assets</b>							
Property, plant and equipment . . . . .	2,992	2,642	5,634	—	—	(15)	5,619
Intangible assets . . . . .	3,718	7,862	11,580	—	—	15	11,595
Financial assets . . . . .	213	2,529	2,742	—	—	—	2,742
Investments accounted for using the equity method . . . . .	—	77	77	—	—	—	77
Deferred tax assets . . . . .	—	115	115	—	—	—	115
<b>Total non-current assets . . . . .</b>	<b>6,923</b>	<b>13,225</b>	<b>20,148</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20,148</b>
Inventories . . . . .	32	35	67	—	—	—	67
Trade receivables . . . . .	478	973	1,451	—	(27)	—	1,424
Financial assets . . . . .	—	7	7	—	—	—	7
Current tax assets . . . . .	2	22	24	—	—	—	24
Other receivables . . . . .	121	198	319	—	—	—	319
Cash and cash equivalents . . . . .	219	209	428	—	—	—	428
Assets held for sale . . . . .	—	—	—	—	—	—	—
<b>Total current assets . . . . .</b>	<b>852</b>	<b>1,444</b>	<b>2,296</b>	<b>—</b>	<b>(27)</b>	<b>—</b>	<b>2,269</b>
<b>Total assets . . . . .</b>	<b>7,775</b>	<b>14,669</b>	<b>22,444</b>	<b>—</b>	<b>(27)</b>	<b>—</b>	<b>22,417</b>
<b>EQUITY and LIABILITIES</b>							
<b>Equity</b>							
Issued capital . . . . .	474	147	621	(147)	—	—	474
Share premium . . . . .	3,119	752	3,871	(752)	—	—	3,119
Reserves . . . . .	9,347	16	9,363	907	—	—	10,270
Retained earnings or losses carried forward . . . . .	(8,934)	(37)	(8,971)	(8)	—	—	(8,979)
<b>Total equity . . . . .</b>	<b>4,006</b>	<b>878</b>	<b>4,884</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,884</b>
<b>Liabilities</b>							
Financial liabilities . . . . .	282	10,936	11,218	—	—	—	11,218
Employee benefits . . . . .	17	64	81	—	—	—	81
Provisions . . . . .	29	90	119	—	—	—	119
Other non-current liabilities . . . . .	6	113	119	—	—	—	119
Deferred tax liabilities . . . . .	26	402	428	—	—	—	428
<b>Total non-current liabilities . . . . .</b>	<b>360</b>	<b>11,605</b>	<b>11,965</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,965</b>
Financial liabilities . . . . .	2,438	73	2,511	—	—	—	2,511
Trade payables . . . . .	659	1,402	2,061	—	(27)	—	2,034
Other payables . . . . .	312	620	932	—	—	—	932
Tax payable . . . . .	—	91	91	—	—	—	91
Liabilities associated with assets held for sale . . . . .	—	—	—	—	—	—	—
<b>Total current liabilities . . . . .</b>	<b>3,409</b>	<b>2,186</b>	<b>5,595</b>	<b>—</b>	<b>(27)</b>	<b>—</b>	<b>5,568</b>
<b>Total liabilities . . . . .</b>	<b>3,769</b>	<b>13,791</b>	<b>17,560</b>	<b>—</b>	<b>(27)</b>	<b>—</b>	<b>17,533</b>
<b>Total Equity and Liabilities . . . . .</b>	<b>7,775</b>	<b>14,669</b>	<b>22,444</b>	<b>—</b>	<b>(27)</b>	<b>—</b>	<b>22,417</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**4 PROPERTY, PLANT AND EQUIPMENT**

The following tables set out the changes in *Property, Plant and Equipment* at December 31, 2016, 2015 and 2014.

(In million Euro)	Net book value as at December 31, 2015	Ex WIND Group merger effect	Addition	Amortizations	(Impairment losses)/Gains	Disposals	Others	Net book value as at December 31, 2016
Land and buildings . . .	—	1	—	—	—	—	—	1
Plant and machinery . .	2,997	2,557	311	(361)	1	(2)	—	5,503
Equipment . . . . .	40	17	8	(22)	—	—	—	43
Other . . . . .	4	67	3	(3)	—	—	—	71
<b>Total . . . . .</b>	<b><u>3,041</u></b>	<b><u>2,642</u></b>	<b><u>322</u></b>	<b><u>(386)</u></b>	<b><u>1</u></b>	<b><u>(2)</u></b>	<b><u>—</u></b>	<b><u>5,618</u></b>

(In million Euro)	Net book value as at December 31, 2014	Addition	Amortizations	(Impairment losses)/Gains	Disposals	Others	Net book value as at December 31, 2015
Plant and machinery . . . . .	2,923	244	(170)	—	—	—	2,997
Equipment . . . . .	53	6	(19)	—	—	—	40
Other . . . . .	5	—	—	—	(1)	—	4
<b>Total . . . . .</b>	<b><u>2,981</u></b>	<b><u>250</u></b>	<b><u>(189)</u></b>	<b><u>—</u></b>	<b><u>(1)</u></b>	<b><u>—</u></b>	<b><u>3,041</u></b>

(In million Euro)	Net book value as at December 31, 2013	Addition	Amortizations	(Impairment losses)/Gains	Disposals	Others	Net book value as at December 31, 2014
Plant and machinery . . . . .	2,860	256	(161)	(9)	(14)	(9)	2,923
Equipment . . . . .	63	11	(21)	—	—	—	53
Other . . . . .	5	—	—	—	—	—	5
<b>Total . . . . .</b>	<b><u>2,928</u></b>	<b><u>267</u></b>	<b><u>(182)</u></b>	<b><u>(9)</u></b>	<b><u>(14)</u></b>	<b><u>(9)</u></b>	<b><u>2,981</u></b>

Cost, accumulated impairment losses and accumulated depreciation at December 31, 2016 can be summarized as follows.

(In million Euro)	At December 31, 2016			Net balance
	Cost	Accumulated impairment losses	Accumulated depreciation	
Land and buildings . . . . .	1	—	—	1
Plant and machinery . . . . .	16,315	(2)	(10,810)	5,503
Equipment . . . . .	556	—	(513)	43
Other . . . . .	522	—	(451)	71
<b>Total . . . . .</b>	<b><u>17,394</u></b>	<b><u>(2)</u></b>	<b><u>(11,774)</u></b>	<b><u>5,618</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**4 PROPERTY, PLANT AND EQUIPMENT (Continued)**

Cost, accumulated impairment losses and accumulated depreciation at January 1, 2016 can be summarized as follows.

<u>(In million Euro)</u>	<u>At January 1, 2016</u>			
	<u>Cost</u>	<u>Accumulated impairment losses</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Land and buildings . . . . .	—	—	—	—
Plant and machinery . . . . .	5,096	—	(2,099)	2,997
Equipment . . . . .	323	—	(283)	40
Other . . . . .	62	—	(58)	4
<b>Total . . . . .</b>	<b><u>5,481</u></b>	<b><u>—</u></b>	<b><u>(2,440)</u></b>	<b><u>3,041</u></b>

Cost, accumulated impairment losses and accumulated depreciation at January 1, 2015 can be summarized as follows.

<u>(In million Euro)</u>	<u>At January 1, 2015</u>			
	<u>Cost</u>	<u>Accumulated impairment losses</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Plant and machinery . . . . .	4,852	(9)	(1,920)	2,923
Equipment . . . . .	375	—	(322)	53
Other . . . . .	5	—	—	5
<b>Total . . . . .</b>	<b><u>5,232</u></b>	<b><u>(9)</u></b>	<b><u>(2,242)</u></b>	<b><u>2,981</u></b>

Cost, accumulated impairment losses and accumulated depreciation at January 1, 2014 can be summarized as follows.

<u>(In million Euro)</u>	<u>At January 1, 2014</u>			
	<u>Cost</u>	<u>Accumulated impairment losses</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Plant and machinery . . . . .	4,611	—	(1,751)	2,860
Equipment . . . . .	369	—	(306)	63
Other . . . . .	5	—	—	5
<b>Total . . . . .</b>	<b><u>4,985</u></b>	<b><u>—</u></b>	<b><u>(2,057)</u></b>	<b><u>2,928</u></b>

*Plant and machinery* presents a net increase of €2,506 million mainly due to the change in scope of consolidation in relation to the aforementioned merger by incorporation. The main investments in the year relate to the purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network, exchanges and electronic installations and plant and machinery under construction (IT infrastructures and 3G and LTE technologies). The increase in *Plant and machinery* for 2015 and 2014 was mainly due to the increase in network equipment. The Company supported the business activities with investments in adequate technological infrastructures to meet the higher data transport needs. The Company also carried out technical evaluation of its network to support the new LTE technology.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**4 PROPERTY, PLANT AND EQUIPMENT (Continued)**

As part of the plan for the development of the Group's production structure, in 2016 disposals have been made of equipment, infrastructure and transmission systems having a carrying amount of €2 million, which are no longer usable; these relate mostly to radio links and high frequency equipment. For the modernization of the network, in 2014, disposals have been made for €14 million.

At December 31, 2015 plant and machinery presents a net increase of €74 million mainly due to purchase and modernization of network infrastructure. The Group supported the business activities with investments in adequate technological infrastructures to meet the higher data transport need. The Group also carried out technical evaluation of its network to support the new LTE technology.

At December 31, 2016, transmission equipment, telephone systems and commutation switchboards owned by the Parent company and having a carrying amount of €98 million were held by customers for use. Transmission equipment for direct access through "unbundling of the local loop" having a carrying amount of €2 million was held on deposit by Telecom Italia SpA.

*Plant and machinery* additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable ducts and optic fiber for a total of €78 million at December 31, 2016.

At December 31, 2016, *Equipment* increased over the balance at the end of the previous year by an amount of €3 million as the result of the change in scope of consolidation in relation to the aforementioned merger by incorporation. Commercial equipment having a carrying amount of €9 million at December 31, 2016 was with third parties, mostly authorized dealers, for use at that date.

**5 INTANGIBLE ASSETS**

The following tables set out the changes in *Intangible assets* at December 31, 2016, 2015 and 2014.

(In million Euro)	Net book value as at December 31, 2015	Ex WIND Group merger effect	Addition	Amortizations	(Impairment losses)/Gains	Others	Net book value as at December 31, 2016
Industrial patents and intellectual property rights . .	—	307	30	(21)	—	—	316
Concessions, licenses, trademarks and similar rights . . . . .	3,434	3,620	12	(41)	(1,611)	(50)	5,364
Other intangible assets . . . . .	381	332	251	(205)	—	(41)	718
Goodwill . . . . .	75	3,603	—	—	(75)	—	3,603
<b>Total . . . . .</b>	<b><u>3,890</u></b>	<b><u>7,862</u></b>	<b><u>293</u></b>	<b><u>(267)</u></b>	<b><u>(1,686)</u></b>	<b><u>(91)</u></b>	<b><u>10,001</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**5 INTANGIBLE ASSETS (Continued)**

(In million Euro)	Net book value as at December 31, 2014	Addition	Amortizations	(Impairment losses)/Gains	Disposal	Others	Net book value as at December 31, 2015
Industrial patents and intellectual property rights . .	—	—	—	—	—	—	—
Concessions, licenses, trademarks and similar rights	3,436	27	(29)	—	—	—	3,434
Other intangible assets . . . . .	363	215	(160)	—	(37)	—	381
Goodwill . . . . .	75	—	—	—	—	—	75
<b>Total . . . . .</b>	<b><u>3,874</u></b>	<b><u>242</u></b>	<b><u>(189)</u></b>	<b><u>—</u></b>	<b><u>(37)</u></b>	<b><u>—</u></b>	<b><u>3,890</u></b>

(In million Euro)	Net book value as at December 31, 2013	Addition	Amortizations	(Impairment losses)/Gains	Disposal	Others	Net book value as at December 31, 2014
Industrial patents and intellectual property rights . .	—	—	—	—	—	—	—
Concessions, licenses, trademarks and similar rights	3,442	22	(28)	—	—	—	3,436
Other intangible assets . . . . .	279	213	(117)	—	(21)	9	363
Goodwill . . . . .	75	—	—	—	—	—	75
<b>Total . . . . .</b>	<b><u>3,796</u></b>	<b><u>235</u></b>	<b><u>(145)</u></b>	<b><u>—</u></b>	<b><u>(21)</u></b>	<b><u>9</u></b>	<b><u>3,874</u></b>

Cost, accumulated impairment losses and accumulated amortization at December 31, 2016 can be summarized as follows.

(In million Euro)	At December 31, 2016			Net balance
	Cost	Accumulated impairment losses	Accumulated depreciation	
Industrial patents and intellectual property rights . .	2,004	—	(1,688)	316
Concessions, licenses, trademarks and similar rights .	10,566	(1,611)	(3,591)	5,364
Other intangible assets . . . . .	3,568	—	(2,850)	718
Goodwill . . . . .	4,027	(75)	(349)	3,603
<b>Total . . . . .</b>	<b><u>20,165</u></b>	<b><u>(1,686)</u></b>	<b><u>(8,478)</u></b>	<b><u>10,001</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**5 INTANGIBLE ASSETS (Continued)**

Cost, accumulated impairment losses and accumulated amortization at January 1, 2016 can be summarized as follows.

<u>(In million Euro)</u>	<u>At January 1, 2016</u>			
	<u>Cost</u>	<u>Accumulated impairment losses</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Concessions, licenses, trademarks and similar rights . .	5,025	—	(1,591)	3,434
Other intangible assets . . . . .	1,640	—	(1,259)	381
Goodwill . . . . .	75	—	—	75
<b>Total . . . . .</b>	<b><u>6,740</u></b>	<b><u>—</u></b>	<b><u>(2,850)</u></b>	<b><u>3,890</u></b>

Cost, accumulated impairment losses and accumulated amortization at January 1, 2015 can be summarized as follows.

<u>(In million Euro)</u>	<u>At January 1, 2015</u>			
	<u>Cost</u>	<u>Accumulated impairment losses</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Concessions, licenses, trademarks and similar rights . .	4,997	—	(1,561)	3,436
Other intangible assets . . . . .	1,516	—	(1,153)	363
Goodwill . . . . .	75	—	—	75
<b>Total . . . . .</b>	<b><u>6,588</u></b>	<b><u>—</u></b>	<b><u>(2,714)</u></b>	<b><u>3,874</u></b>

Cost, accumulated impairment losses and accumulated amortization at January 1, 2014 can be summarized as follows.

<u>(In million Euro)</u>	<u>At January 1, 2014</u>			
	<u>Cost</u>	<u>Accumulated impairment losses</u>	<u>Accumulated depreciation</u>	<u>Net balance</u>
Concessions, licenses, trademarks and similar rights . .	4,976	—	(1,534)	3,442
Other intangible assets . . . . .	1,335	—	(1,056)	279
Goodwill . . . . .	75	—	—	75
<b>Total . . . . .</b>	<b><u>6,386</u></b>	<b><u>—</u></b>	<b><u>(2,590)</u></b>	<b><u>3,796</u></b>

*Industrial patents and intellectual property rights* consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by Parent personnel in designing, developing and implementing information systems, which at December 31, 2016 amounted to €21 million.

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**5 INTANGIBLE ASSETS (Continued)**

*Concessions, licenses, trademarks and similar rights* include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted to the Group's companies by the relevant authorities, as detailed below.

<u>Individual Licenses or General Authorizations or Use of Frequencies</u>	<u>Date of issue</u>	<u>Date of expiry<sup>(1)</sup></u>
<b>Wind Tre</b>		
Installation of network and provision of voice telephony services on the Italian national territory <sup>(2)</sup>	February 1998	February 2018
Installation and provision of public telecommunications networks on the Italian national territory <sup>(2)</sup>	April 1998	April 2018
Provision of public digital mobile communications services using DCS 1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology on the Italian national territory	June 1998	June 2018 <sup>(3)</sup>
Provision of third generation mobile communications services adopting the UMTS standard (IMT-2000 family) and the installation of the related network on the Italian national territory <sup>(4)</sup>	January 2001	December 2029 <sup>(5)</sup>
Use of frequencies for broadband point-multipoint radio networks in the 24.5 - 26.5 GHz band for the geographical area corresponding to the specified Italian region/autonomous province <sup>(6)</sup>	July 2002	July 2022
Use of frequencies for providing terrestrial publicly available broadband mobile services in the 800, 1800 and 2600 MHz bands (LTE technology) <sup>(7)</sup>	January 2012	December 2029

- (1) Under the current rules, individual licenses are subject to renewal upon request be submitted at least sixty days before the deadline (art.25 paragraph 6, of Legislative Decree no. 259/03) or application for extension.
- (2) The Group is the assignee of additional licenses valid for the installation of the network and provision of fixed telephony services also following the previous merger of Infostrada SpA in WIND Telecomunicazioni SpA and the merger of WIND Telecomunicazioni SpA in H3G SpA.
- (3) In accordance with art. 1, paragraphs 568 to 575, of Law no. 232 of December 11, 2016 and art. 25, paragraph 6, of Legislative Decree no. 259/03 and subsequent amendments a re-farming application was submitted on February 15, 2017 to the MISE with effect from July 1, 2017 and the relative extension until 2029 of the right to use the 900 and 1800 MHz frequencies having an original expiry date of June 30, 2018.
- (4) The Group is the assignee of two valid individual licenses and the related rights of use of frequencies in the 2100 MHz band, already issued to WIND Telecomunicazioni SpA and H3G SpA respectively with effect from 1 January 2002. It also holds the rights of use on a national basis of a coupled block of 2x5 MHz at 900 MHz, with the allocation decision dated May 19, 2010 having effect from June 1, 2010 and expiring on December 31, 2021.
- (5) The extension to 2029 is subject to compliance with the provisions of Ministry of Economic Development with order issued in October 2016, and to the payment of the contributions due for the years 2022 to 2029 pursuant to art. 35 of the Electronic Communications Code pursuant to Legislative Decree no. 259/03 and subsequent amendments.

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**5 INTANGIBLE ASSETS (Continued)**

- (6) Overall 21 multiple point individual licenses have been allocated.
- (7) Following the participation respectively by WIND Telecomunicazioni SpA and H3G SpA to tender for the allocation of rights to use frequencies in the bands 800, 1800, 2000 and 2600 MHz for terrestrial services to the public at large electronic communication band, published in the OJ of the Italian Republic no. 75 of 27 June 2011, the Group holds the rights to use frequencies in the bands 800, 1800 and 2600 (FDD and TDD) MHz, respectively, issued in January and February 2012. It also holds the rights of use on a national basis of a coupled block of 2x5 MHz in the 1800 MHz band following the exercise of subscription rights on the preferential allocation of these frequencies, by order of allocation of 12 April 2012 having effect from 1 June 2012 and expiring on 31 December 2029.

Concessions, licenses, trademarks and similar rights includes the impairment, amounting to €1,611 million, of the licenses as a result of the “DVB” license, whose value was written down during the year by €93 million as described in the following and the agreements signed with Iliad amounting to €1,518 as described in the introduction to these notes. As the agreements with Iliad define a specific price for these licenses the impairment test was based on specific considerations connected to these instead of at the UMTS / LTE cash-generating unit level as described for the other licenses in the following paragraphs. The other movements for €50 million include the reclassification of the licenses which will be transferred to Iliad in 2017 to assets held for sale.

In addition, *Concessions, licenses, trademarks and similar rights* for €1,300 million refer to trademarks, which have an indefinite useful life. At December 31, 2015 and 2014 *Concessions, licenses, trademarks and similar rights* mainly refer to digital frequencies, right of use, optics fiber and infrastructures.

*Similar rights* consist of rights of way and the right to use assets owned by third parties for a predetermined period of time and are initially recognized at their one-off purchase price, including any accessory costs. This item relates for the most part to the costs incurred by Infostrada SpA, now merged, for the purchase in 1998 of the right of way on the Italian railway network and the purchase of the right to use the existing optic fiber on the network and, commencing in 2013, to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with a net value of €112 million at December 31, 2016.

*Other intangible assets* mainly relate to the residual value of the customer list, amounting to €211 million, identified upon allocating the goodwill at December 31, 2006 that arose from the merger of the former parent WIND Acquisition Finance SA and to customer acquisition costs amounting to €241 million. At December 31, 2015 and 2014 *Other intangible assets* mainly refer to software developments, capitalization of staff costs and capitalization of customer acquisition costs.

*Goodwill* pertains to the subsidiary WIND Retail Srl for €23 million and to the parent WIND Telecomunicazioni SpA for €3,580 million (now Wind Tre).

At December 31, 2014 and 2015 the item amounted to €75 million and represented the excess of the cost of the acquisition over the fair value of the net identifiable assets of 3Ietronica Industriale SpA, owner of the digital television broadcasting licenses, at the date of acquisition.

The carrying amount of goodwill and of intangible assets with indefinite useful lives (licenses and trademarks) at December 31, 2016 was tested for impairment.

In particular, the test was performed by comparing the carrying amount with the recoverable amount, which is calculated by estimating the value in use using discounted cash flow methods. The test was carried out at the cash-generating unit level. The Group identified two cash-generating units: (i) the

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**5 INTANGIBLE ASSETS (Continued)**

UMTS / LTE unit, which comprises the entire fixed and mobile telephone business and to which goodwill of 3,603 million euro was allocated (nil in 2015); and (ii) the DVB units, including the business connected to the broadcasting frequencies, to which goodwill of €75 million was allocated at 31 December 2015 and 2014, then written off at December 31, 2016.

Judgment is required in assessing impairment, particularly in appropriate values or ranges for the key assumptions to be applied in preparing cash flow projections, including an appropriate discount rate. Changing the assumptions used, including the discount rates or the growth rate, could materially affect the net present value used in the impairment test.

The key assumptions reflected in the cash flow projections, which are prepared based on the Group's Business Plan (from 2017 to 2021) approved by the Board of Directors, include:

- market share and the associated growth in customer numbers;
- the uptake by customers of value added 3G services, including mobile broadband;
- the cost of acquiring and / or retaining customers on appropriate tariffs;
- technological developments and the capital investment associated with these;
- the impact of competitor and regulatory activity on the sector and the Company; and
- the discount rate.

UMTS/LTE Cash Generating Unit

The future cash flow projections reflect stability or decreasing recurring revenue, also considering the impact of Iliad, while waiting for an improvement in EBITDA due to the significant synergies expected from the new Group. The projections cover a 5 year period followed by an assumption of steady growth of 1.2 percent equivalent to the expected inflation rate in the long run.

The main assumptions underlying expected cash flows in the period of five years are:

- Mobile consumer market share is penalized by fourth player entrance;
- Mobile consumer ARPU is negatively affected by the aggressive pricing policy of the new entrant;
- Fixed consumer market share grows thanks to better fiber availability;
- Fixed consumer ARPU benefits from a new technology mix, more favorable to premium fiber's product development;
- Business segment revenues grow thanks to a higher penetration in the SME segment, which has been historically under-exploited by both brands;
- Network and IT consolidation and modernization to reduce total OpEx and CapEx;
- Deep digital transformation to simplify product portfolio and to reduce the customer acquisition costs and the cost-to-serve.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**5 INTANGIBLE ASSETS (Continued)**

The Group used a post-tax risk adjusted discount rate of 6.5% (equivalent to an 8.5% pre-tax rate) for the impairment test undertaken at December 31, 2016.

The discount rate applied to future cash flows and the main variables of the plan have been subjected to sensitivity analyses in order to examine potential impacts on impairment tests.

Four breakeven sensitivity analyses were conducted, impacting four different business drivers. In particular, the subjects of the analysis were:

- Mobile ARPU B2C and B2B;
- GA Mobile B2C and B2B;
- Churn Mobile and Fixed;
- Synergies at a commercial and technical OpEx level and in terms of CapEx.

For each of these the change needed for the cash flows to reach breakeven was calculated.

The sensitivity analysis did not identify any significant risks.

A sensitivity analysis was also carried out by simulating adjusted cash flows, estimating, compared to the basic assumptions, a growth rate of 0.5% for the years not covered by the business plan. In all cases the recoverable amount of the net assets continued to be higher than their carrying amount.

*DVB Cash Generating Unit*

Cash flows were calculated on the basis of management's forecast of the future utilization of the digital television broadcasting assets, in line with current commercial agreements and based on the opportunity for future utilization of the digital television license and additional frequencies for digital terrestrial transmission (DVB-T). The authorization for DVB-T broadcasting was officially issued by Administrative Court in 2012 and confirmed by the Italian Ministry for Economic Development in 2013.

In 2016, following visibility on the market and the competitive environment, management conservatively reviewed the profitability expectations in the long term of this cash-generating unit. As a result the carrying amount of the unit was written down by €75 million (by writing off the allocated goodwill) and by an additional €93 million relating to the value of the license. The residual carrying amount of €50 million is considered recoverable on the base of the expected cash flows.

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**6 FINANCIAL ASSETS**

The following table sets out *Financial assets* at December 31, 2016, 2015 and 2014.

(millions of Euro)	At December 31, 2016			Ex WIND Group merger effect			At December 31, 2015			At December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	2	—	2	2	—	2	—	—	—	—	—	—
Derivative financial instruments	1,460	—	1,460	1,292	—	1,292	—	—	—	—	—	—
Financial receivables	1,032	24	1,056	1,235	7	1,242	10	—	10	22	—	22
<b>Total</b>	<b>2,494</b>	<b>24</b>	<b>2,518</b>	<b>2,529</b>	<b>7</b>	<b>2,536</b>	<b>10</b>	<b>—</b>	<b>10</b>	<b>22</b>	<b>—</b>	<b>22</b>

The increase in *Financial Assets* is mainly due to the change in scope of consolidation arising on the aforementioned merger by incorporation.

*Financial assets measured at cost* consist of non-controlling interests in companies and consortia for €2 million and mainly refer to an investment of 17% in Janna Scarl.

*Derivative financial instruments* include the positive fair value of derivative financial instruments, detailed as follows: i) embedded derivatives on bond issues amounting to €399 million; and ii) cross currency swap hedging derivatives on financial liabilities amounting to €1,061 million. Additional details on the composition of the balance and respective changes are to be found in note 16.

*Financial receivables*, amounting to €1,056 million at December 31, 2016, mainly include the loans granted by the former Parent WIND Telecomunicazioni SpA (now merged into Wind Tre) to the former Parent WIND Acquisition Holdings Finance SpA (now merged into Wind Tre Italia SpA) for €1,043 million (of which €21 million related to accrued interest), resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively. In particular, the first loan, with a nominal value of €925 million (with repayment date in April 2024 and an annual fixed interest rate of 9%) was fully disbursed at December 31, 2016 with capitalized interest of €231 million. The second loan for up to a nominal value of €75 million (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) was drawn down in the amount of €67 million at December 31, 2016, with accrued capitalized interest of €6 million.

The increase in *Financial receivables* over December 31, 2015 is mostly connected to the change in scope of consolidation in relation to the aforementioned merger by incorporation.

The following table sets out the due dates for financial receivables:

(millions of Euro) Financial receivables	At December 31, 2016				At December 31, 2015				At December 31, 2014			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Guarantee deposits	3	1	1	5	—	5	—	5	—	4	—	4
Receivables due from parents	20	—	1,024	1,044	—	—	—	—	—	—	—	—
Others	1	6	—	7	—	5	—	5	6	12	—	18
<b>Total</b>	<b>24</b>	<b>7</b>	<b>1,025</b>	<b>1,056</b>	<b>—</b>	<b>10</b>	<b>—</b>	<b>10</b>	<b>6</b>	<b>16</b>	<b>—</b>	<b>22</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**6 FINANCIAL ASSETS (Continued)**

The fair value is approximately the same as the carrying amount for *Financial assets* at December 31, 2016 and 2015.

**7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The balance on *investments accounted for using the equity method* of €77 million at December 31, 2016 regards the investment of 10% in Galata SpA, a company formed on February 18, 2015 with a share capital of €1 million and having its registered office in Rome, with which the former WIND Telecomunicazioni SpA entered into a tower services agreement in 2015, for an initial term of 15 years, for the provision of a broad range of services on the technologies sites hosting former WIND Telecomunicazioni SpA equipment. The net result attributable to the Group is approximately €0.2 million.

At December 31, 2014 and 2015 the item amounted to zero.

**8 DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide changes in *Deferred tax assets* and *Deferred tax liabilities* by nature for the year ended at December 31, 2016 and December 31, 2015, in 2014 there is no variation.

<u>(millions of Euro)</u>	<u>At December 31, 2015</u>	<u>Ex WIND Group merger effect</u>	<u>Decrease</u>	<u>Increase</u>	<u>At December 31, 2016</u>
Measurement of financial assets/liabilities . .	—	115	—	10	125
<b>Deferred tax assets . . . . .</b>	<b>—</b>	<b>115</b>	<b>—</b>	<b>10</b>	<b>125</b>
Employee benefits . . . . .	—	2	—	—	2
Accelerated depreciation and amortization .	—	8	—	—	8
Fair value of Property, plant, and equipment . . . . .	—	19	—	—	19
Depreciation of PPA . . . . .	—	491	—	—	491
Allowance for doubtful accounts . . . . .	—	(53)	—	—	(53)
Amortization and depreciation of non-current assets . . . . .	—	(44)	—	—	(44)
Revenues . . . . .	—	—	—	—	—
Losses carryforward for offset . . . . .	—	—	—	(34)	(34)
Provisions for risks and charges (taxed) . . .	—	(21)	—	—	(21)
Amortization DVBH Licenses . . . . .	26	—	(26)	—	—
<b>Deferred tax liabilities . . . . .</b>	<b>26</b>	<b>402</b>	<b>(26)</b>	<b>(34)</b>	<b>368</b>

<u>(millions of Euro)</u>	<u>At December 31, 2014</u>	<u>Decrease</u>	<u>Increase</u>	<u>At December 31, 2015</u>
<b>Deferred tax assets . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Amortization DVBH Licenses . . . . .	30	(4)	—	26
<b>Deferred tax liabilities . . . . .</b>	<b>30</b>	<b>(4)</b>	<b>—</b>	<b>26</b>

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**8 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

The increases in deferred taxes for the impairment of financial assets / liabilities have been recognized in other comprehensive income with the exception of a part of deferred financial assets and liabilities that has been recognized as a change in the cash flow hedge reserve for €3 million.

The change in 2016 in *deferred tax assets* is explained mainly by the merger with the former WIND.

The carrying amount of broadcasting frequencies was increased to fair value as at the acquisition date in 2005 but the tax base of assets and liabilities remains at historical costs. Therefore, a taxable temporary difference generates a deferred tax liability amounting to €26 million as at December 31, 2015 (€30 million as at December 31, 2014). The decrease is related to the recalculation using 24% as the tax rate that is expected to be within 2017.

The following table provides an analysis of *Deferred tax assets* and *Deferred tax liabilities* at December 31, 2016, 2015 and 2014 between those expected to reverse within 12 months and those expected to reverse after 12 months.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	5	—	—
—after 12 months . . . . .	<u>120</u>	<u>—</u>	<u>—</u>
<b>Total Deferred tax assets . . . . .</b>	<b><u>125</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	25	—	—
—after 12 months . . . . .	<u>343</u>	<u>26</u>	<u>30</u>
<b>Total Deferred tax liabilities . . . . .</b>	<b><u>368</u></b>	<b><u>26</u></b>	<b><u>30</u></b>

Deferred tax assets of €150 million were not recognized on temporary differences that can be carried forward indefinitely due to the lack of reasonable certainty as to their recoverability (€249 million at December 31, 2015—former WIND Group’s scope of consolidation). These arise from finance expenses which due to legislative limits are currently non-deductible.

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**8 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

Not recognized

Tax losses of €4,888 million (€4,708 million at December 31, 2015 and €4,392 million at December 31, 2014) arising from the scope of consolidation of the former H3G Group are available for use in accordance with the means and timing of fiscal legislation. These may be analyzed as follows:

<u>Year incurred</u>	<u>Expiry date</u>	<u>Status</u>	<u>In thousands Euro</u>		
			<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Before 2002 . . . . .	Indefinitely	Effective	83,191	83,191	83,191
2006 . . . . .	Indefinitely	Effective	531,472	531,472	531,472
2007 . . . . .	Indefinitely	Effective	895,380	895,380	895,380
2008 . . . . .	Indefinitely	Effective	836,934	836,934	836,934
2009 . . . . .	Indefinitely	Effective	724,187	724,187	724,187
2010 . . . . .	Indefinitely	Effective	182,200	182,200	182,200
2011 . . . . .	Indefinitely	Effective	297,600	297,600	297,600
2012 . . . . .	Indefinitely	Effective	316,827	316,827	316,827
2013 . . . . .	Indefinitely	Effective	250,745	250,745	250,745
2014 . . . . .	Indefinitely	Effective	273,863	273,863	273,863
2015 . . . . .	Indefinitely	Effective	315,146	315,146	—
2016 . . . . .	Indefinitely	Estimate	180,482	—	—
<b>Total . . . . .</b>			<u>4,888,027</u>	<u>4,707,545</u>	<u>4,392,399</u>
Deferred tax assets (calculated at an estimated tax rate of 24%) . . . . .			<u>1,173,126</u>	<u>1,129,811</u>	<u>1,054,176</u>

**9 INVENTORIES**

The following table provides an analysis of *Inventories* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>Ex WIND Group merger effect</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Finished goods . . . . .	76	36	66	44
Write-downs . . . . .	(4)	(1)	(5)	(3)
<b>Total . . . . .</b>	<u>72</u>	<u>35</u>	<u>61</u>	<u>41</u>

The increase in 2016 is mainly due to the change in scope of consolidation in relation to the aforementioned merger by incorporation. Excluding this effect, the Inventory value would have decreased. “*Finished goods*” consist principally of mobile phone handsets, kits and the related accessories.

In 2015 *Inventories*, increased by 49% from 2014, reflect a higher level of inventories for the distribution expected in the first few months network and for the demand of the 2016.

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**10 TRADE RECEIVABLES**

The following table provides an analysis of *Trade receivables* at December 31, 2016, 2015 and 2014:

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>Ex WIND Group merger effect</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Due from end customers . . . . .	1,651	1,053	619	748
Due from telephone operators . . . . .	244	183	102	119
Due from authorized dealers . . . . .	187	83	96	113
Due from related/subsidiaries parties . . . . .	3	2	2	3
Other trade receivables . . . . .	69	31	33	46
(Allowance for doubtful accounts) . . . . .	<u>(623)</u>	<u>(379)</u>	<u>(255)</u>	<u>(265)</u>
<b>Total . . . . .</b>	<b><u>1,531</u></b>	<b><u>973</u></b>	<b><u>597</u></b>	<b><u>764</u></b>

The increase in *Trade Receivables* is mainly due to the change in scope of consolidation in relation to the aforementioned merger by incorporation.

*Receivables due from end customers* arise principally from the supply of fixed and mobile telephony services to customers with subscription contracts and increase mainly due to the rise in sales relating to the offer *Telefono incluso*. *Receivables due from telephone operators* mainly relate to interconnection and roaming services and the decrease is mainly due to the elimination of intercompany balances from H3G. *Receivables due from authorized dealers* relate to sales of radio mobile and fixed-line handsets and related accessories, as well as rechargeable telephone cards and top-ups and decreased mainly due to sales of receivables under factoring arrangements carried out during 2016.

*Receivables due from related parties* consists of the receivables due from the former H3G Group's companies.

The following table provides an analysis of trade receivables at December 31, 2016, 2015 and 2014, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	1,287	528	684
—after 12 months . . . . .	<u>244</u>	<u>69</u>	<u>80</u>
<b>Total . . . . .</b>	<b><u>1,531</u></b>	<b><u>597</u></b>	<b><u>764</u></b>

Trade receivables falling due after 12 months are mainly related to receivables from customers who signed offers with installments sales of TLC products.

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**10 TRADE RECEIVABLES (Continued)**

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2015</u>	<u>Ex WIND Group merger effect</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2016</u>
<b>Allowance for doubtful accounts . . . . .</b>	<b>255</b>	379	100	(111)	<b>623</b>
		<u>At December 31, 2014</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2015</u>
<b>Allowance for doubtful accounts . . . . .</b>		<b>265</b>	94	(104)	<b>255</b>
		<u>At December 31, 2013</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2014</u>
<b>Allowance for doubtful accounts . . . . .</b>		<b>246</b>	89	(70)	<b>265</b>

**11 CURRENT TAX ASSETS**

The balance on *Current tax assets* of €27 million at December 31, 2016 (€6 million at December 31, 2015 and €5 million at December 31, 2014) mostly regards receivables for income taxes attributable to the former WIND Group.

**12 OTHER RECEIVABLES**

The following table sets out details of *Other receivables* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>Ex WIND Group merger effect</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Trade prepayments . . . . .	148	80	78	89
Other receivables due from third parties . . . . .	64	71	9	2
Advances to suppliers . . . . .	49	37	17	—
Tax receivables . . . . .	8	4	4	29
Other receivables due from parents . . . . .	—	3	—	—
Other receivables due from related parties . . . . .	—	6	—	—
(Allowance for doubtful accounts) . . . . .	<u>(4)</u>	<u>(3)</u>	<u>—</u>	<u>—</u>
<b>Total . . . . .</b>	<b><u>265</u></b>	<b><u>198</u></b>	<b><u>108</u></b>	<b><u>120</u></b>

Tax receivables decreased by €25 million in 2015, since the previous year VAT credit and the stamp duty credit have been offset against the relative debt in 2015.

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**12 OTHER RECEIVABLES (Continued)**

The following table provides an analysis of other receivables at December 31, 2016, 2015 and 2014, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	235	101	120
—after 12 months . . . . .	<u>30</u>	<u>7</u>	<u>—</u>
<b>Total</b> . . . . .	<b><u>265</u></b>	<b><u>108</u></b>	<b><u>120</u></b>

*Trade prepayments* amount to €148 million at December 31, 2016 (€78 million at December 31, 2015 and €89 million at December 31, 2014) and mainly relate to lease installments for civil and technical sites and lease installments for telephone network circuits.

*Other receivables due from third parties* total €64 million at December 31, 2016 (€9 million at December 31, 2015 and €2 million at December 31, 2014) and mostly relate to receivables from non-commercial third parties.

The following table provides an analysis of *Tax receivables* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
VAT . . . . .	6	4	19
Other tax receivables . . . . .	<u>2</u>	<u>—</u>	<u>10</u>
<b>Total</b> . . . . .	<b><u>8</u></b>	<b><u>4</u></b>	<b><u>29</u></b>

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2016. At December 31, 2015 and 2014 the allowance for doubtful accounts amounted to zero.

<u>(millions of Euro)</u>	<u>At December 31, 2015</u>	<u>Ex WIND Group merge effect</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2016</u>
<b>Allowance for doubtful accounts</b> .	<b>—</b>	<b>3</b>	<b>1</b>	<b>—</b>	<b>4</b>

**13 CASH AND CASH EQUIVALENTS**

The following table sets out an analysis of *Cash and cash equivalents* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>Ex WIND Group merger effect</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Bank deposits and checks . . . . .	603	209	89	99
<b>Total</b> . . . . .	<b><u>603</u></b>	<b><u>209</u></b>	<b><u>89</u></b>	<b><u>99</u></b>

Cash and cash equivalents represent the surplus of cash generated by operations, which has mainly risen due to ordinary cash inflows and outflows during the year.

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**14 SHAREHOLDERS' EQUITY**

The following table sets out an analysis of *Shareholders' Equity* at December 31, 2016, 2015 and 2014.

(millions of Euro)	At December 31, 2016	At December 31, 2015	At December 31, 2014
<b>Issued capital</b> . . . . .	<b>474</b>	<b>474</b>	<b>474</b>
<b>Share premium reserve</b> . . . . .	<b>3,119</b>	<b>3,119</b>	<b>3,119</b>
<b>Other reserves and retained earnings (accumulated losses), including profit (loss) for the year</b> . . . . .	<b>611</b>	<b>456</b>	<b>528</b>
—Reserve for remeasurement of employee defined benefit plans (IAS 19) . . . . .	(11)	—	(2)
—Cash flow hedge reserve . . . . .	(81)	—	—
—Parent company legal reserve . . . . .	10	8	10
—Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year . . . . .	693	448	520
<b>Total Equity</b> . . . . .	<b><u>4,204</u></b>	<b><u>4,049</u></b>	<b><u>4,121</u></b>

The Parent Company's share capital amounts to €474,303,795.00, fully paid, consisting of 94,860,759 shares each of nominal value €5.00 wholly owned by the sole shareholder Wind Tre Italia. The number of the Parent Company's shares has not changed during the year.

Following the confirmation and extension of the pledge on the shares of the Parent Company it is noted that, derogating from article 2352, paragraph 1 of the Italian Civil Code and by express contractual stipulation, entitlement to vote at shareholders' meetings of the Parent Company remains with the direct parent Wind Tre Italia, despite such pledge.

Changes in equity attributable to the owners of the Company during the year ended December 31, 2016 as well as the profit for the year mainly arose from the following:

- an increase in the reserve for future capital increase as a result of the waiver of a financial receivable by the parent Wind Tre Italia;
- an increase in the actuarial reserves as the effect of the income and the expense recognized in comprehensive income for the year arising from the remeasurement of employee defined benefit plans, in addition to the contribution deriving from the merger with WIND Telecomunicazioni SpA;
- an increase in the cash flow hedge reserve as the effect of the merger by incorporation with WIND Telecomunicazioni SpA;
- an increase in other reserves as the effect of the merger by incorporation with WIND Telecomunicazioni SpA.

The Company obtains the capital needed to fund its requirements for business development and operations; sources of funds are found in a balanced mix of equity and debt. Debt is structured on the basis of different maturities and currencies to ensure adequate diversification of funding sources and efficient access to external financing sources.

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**14 SHAREHOLDERS' EQUITY (Continued)**

The following table provides a reconciliation of consolidated net income and shareholders' equity with those in the Parent Company's financial statements.

(millions of Euro)	Profit/(loss) for the year			Equity as at 31.12		
	2016	2015	2014	2016	2015	2014
<b>Equity and Profit/(loss) for the year Wind Tre . . . . .</b>	<b>(1,549)</b>	<b>(75)</b>	<b>(61)</b>	<b>4,489</b>	<b>4,026</b>	<b>4,100</b>
<b>Equity and Profit/(loss) for the year from consolidated companies . . . . .</b>	<b>10</b>	<b>(2)</b>	<b>(2)</b>	<b>(15)</b>	<b>52</b>	<b>54</b>
Consolidation adjustments:						
—elimination of carrying amount of investments . . . . .	(141)			(264)	(29)	(33)
—other consolidation adjustments . . . . .	—	5		(6)	—	
<b>Equity and Profit/(loss) for the year as per the consolidated financial statements . . . . .</b>	<b>(1,680)</b>	<b>(72)</b>	<b>(63)</b>	<b>4,204</b>	<b>4,049</b>	<b>4,121</b>

**15 FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* at December 31, 2016, 2015 and 2014.

(millions of Euro)	At December 31, 2016			Ex WIND Group merger effects			At December 31, 2015			At December 31, 2014		
	Non- current	Current	Total	Non- current	Current	Total	Non- current	Current	Total	Non- current	Current	Total
Bond issues . .	10,293	160	<b>10,453</b>	10,109	61	<b>10,170</b>	—	—	—	—	—	—
Loans from shareholders	1,717	—	<b>1,717</b>	—	—	—	267	2,367	<b>2,634</b>	251	2,168	<b>2,419</b>
Bank loans . . .	677	8	<b>685</b>	676	4	<b>680</b>	9	40	<b>49</b>	50	65	<b>115</b>
Loans from others . . . . .	128	1	<b>129</b>	128	1	<b>129</b>	—	—	—	—	4	<b>4</b>
Derivative financial instruments .	23	7	<b>30</b>	23	7	<b>30</b>	—	—	—	—	—	—
<b>Total financial liabilities . . .</b>	<b><u>12,838</u></b>	<b><u>176</u></b>	<b><u>13,014</u></b>	<b><u>10,936</u></b>	<b><u>73</u></b>	<b><u>11,009</u></b>	<b><u>276</u></b>	<b><u>2,407</u></b>	<b><u>2,683</u></b>	<b><u>301</u></b>	<b><u>2,237</u></b>	<b><u>2,538</u></b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**15 FINANCIAL LIABILITIES (Continued)**

The following table sets out an analysis of *Financial liabilities* at December 31, 2016, 2015 and 2014 by due date.

(millions of Euro)	At December 31, 2016				At December 31, 2015				At December 31, 2014			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bond issues . . . .	160	10,273	20	10,453	—	—	—	—	—	—	—	—
Loans from shareholders . . .	—	1,717	—	1,717	2,367	—	267	2,634	2,168	—	251	2,419
Bank loans . . . .	8	677	—	685	40	9	—	49	65	50	—	115
Loans from others . . . . .	1	7	121	129	—	—	—	—	4	—	—	4
Derivative financial instruments . . .	7	23	—	30	—	—	—	—	—	—	—	—
<b>Total financial liabilities . . . .</b>	<b>176</b>	<b>12,697</b>	<b>141</b>	<b>13,014</b>	<b>2,407</b>	<b>9</b>	<b>267</b>	<b>2,683</b>	<b>2,237</b>	<b>50</b>	<b>251</b>	<b>2,538</b>

The following table provides an analysis by effective interest rate and lending currency, excluding derivative financial instruments, intercompany debt and loans at December 31, 2016.

(millions of Euro)	At December 31, 2016					Total
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	
Euro . . . . .	3,485	2,602	10	128	—	6,225
US dollars . . . . .	1,838	524	2,680	—	—	5,042
<b>Total . . . . .</b>	<b>5,323</b>	<b>3,126</b>	<b>2,690</b>	<b>128</b>	<b>—</b>	<b>11,267</b>

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2016, 2015 and 2014. The fair value of current *Financial liabilities* is approximately the same as the carrying amount.

(millions of Euro)	At December 31, 2016		At December 31, 2015		At December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bond issues . . . . .	10,293	10,473	—	—	—	—
Bank loans . . . . .	677	692	9	9	50	50
Loans from others . . . . .	128	127	—	—	—	—
Derivative financial instruments . . . . .	23	23	—	—	—	—
<b>Total . . . . .</b>	<b>11,121</b>	<b>11,315</b>	<b>9</b>	<b>9</b>	<b>50</b>	<b>50</b>

An analysis of the *derivative financial instruments* balance and the respective changes can be found in note 16.

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**15 FINANCIAL LIABILITIES (Continued)**

***Bonds***

The following table sets out the main information relating to outstanding *Bonds* issued by the subsidiary Acquisition Finance SA at December 31, 2016.

<u>(millions of Euro)</u>	<u>Carrying amount at December 31, 2016</u>	<u>Nominal amount at December 31, 2016</u>	<u>Issue price</u>	<u>Currency</u>	<u>Due date</u>	<u>Interest rate</u>	<u>Price</u>
Frn PURPLE III 2020 Eur . . . . .	400	400	100.0%	EUR	15/07/2020	Euribor 3M+4.125%	100.5%
SSN PURPLE II 2020 B EUR . . . . .	383	375	100.0%	EUR	15/07/2020	4.00%	102.0%
Senior Secured Floating Rate Notes 2019 €(DOVE) . . . . .	150	150	100.0%	EUR	30/04/2019	Euribor 3M+5.25%	100.8%
Senior Secured Fixed Rate Notes 2020 \$(DOVE)	524	523	100.0%	USD	30/04/2020	6.50%	104.1%
Senior Notes 2021 €(PURPLE I) . . . . .	1,758	1,750	100.0%	EUR	23/04/2021	7.00%	104.0%
Senior Notes 2021 \$(PURPLE I) . . . . .	2,690	2,662	100.0%	USD	23/04/2021	7.38%	104.3%
Senior Secured Notes 2020 €(PURPLE II) . . . . .	2,127	2,100	100.0%	EUR	15/07/2020	4.00%	102.0%
Senior Secured Notes 2020 \$(PURPLE II) . . . . .	1,847	1,806	100.0%	USD	15/07/2020	4.75%	100.9%
Floating Rate Senior Secured Notes 2020 €(PURPLE II) . . . . .	574	575	100.0%	EUR	15/07/2020	Euribor 3M+4%	100.0%
<b>Total . . . . .</b>	<b><u>10,453</u></b>	<b><u>10,341</u></b>					

As required by the Group's risk management policies, for which details may be found in note 2.5, in order to fully eliminate any currency risks arising from issues denominated in US dollars the Group has entered hedging arrangements based on cross currency swaps for a notional amount of €3,863 million, which at December 31, 2016 had a positive fair value of €1,061 million. In addition, the Group has entered hedging arrangements based on *plain vanilla interest rate swaps* for a notional amount of €520 million, which at December 31, 2016 had a negative fair value of €27 million. The hedges extend to 2020.

***Loans from shareholders***

The loans from shareholders are related to loans from the parent company Wind Tre Italia and from VIP-CKH.

***Bank loans***

The following table sets out the main information relating to outstanding *Bank loans* at December 31, 2016.

<u>(millions of Euro)</u>	<u>Carrying amount at December 31, 2016</u>	<u>Ex WIND Group merger effect</u>	<u>Nominal amount at December 31, 2016</u>	<u>Usable amount</u>	<u>Currency</u>	<u>Due date</u>	<u>Interest rate</u>
Term loan B1 . . . . .	685	685	700	700	EUR	11/26/2019	Euribor+4.25
RCF R1 . . . . .	—	—	—	400	EUR	11/26/2019	Euribor+4.25
<b>Total . . . . .</b>	<b><u>685</u></b>	<b><u>685</u></b>	<b><u>700</u></b>	<b><u>1,100</u></b>			

Bank loans refer to a floating rate long-term loan agreement (the Senior Facility Agreement) entered on November 24, 2010 by WIND Telecomunicazioni SpA (now Wind Tre) and renegotiated on March 12, 2015, whose effects may be found in note 15, denominated in Euros, with full repayment at

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**15 FINANCIAL LIABILITIES (Continued)**

maturity in 2019 and with a total nominal value of €700 million to which should be added €400 million of unused revolving credit facilities at December 31, 2016.

With the aim of reducing its bank loan exposure to fluctuations in interest rates the Group has entered transactions which qualify as hedges for a notional amount of €100 million (not qualifying for hedge accounting), whose fair value at December 31, 2016, is negative for €3 million. The hedges extend to September 2017 and consist of *plain vanilla interest rate swaps*.

The renegotiated Senior Facility Agreement contains new financial covenants which the Group must test if the amount drawn down from the Revolving Credit Facility (“RCF”) exceeds 35% of the total. No amounts had been drawn down from the RCF at December 31, 2016.

At December 31, 2015, the item include credit facility fully guaranteed by Hutchison Whampoa Limited Group companies. This financing is repayable in different installments until March 31, 2018. The Group has obtained this borrowing to cover the financial obligation under a contract for technology supply.

As at December 31, 2015 the balance is related to the facility conveyed by Nordea Bank with the participation of Sweden Export Credits Guarantee Board (Exportkreditnämnden, EKN) and AB Svensk Exportkredit (Swedish Export Credit Corporation). The residual amount of €49.5 million (€115.2 million as at December 31, 2014) will be repaid in semi-annually installments until March 31, 2018; the interest rate applied is Euribor + (0.65% - 1.23%). The Group has established that the remaining 5.5 million Euro that are not authorized for use yet will not be activated and has requested the deletion of 0.4 million Euro authorized but not drawn down. The facility is completely drawn down.

***Loans from others***

At December 31, 2016, only for the scope of consolidation of former WIND Group, the item Loans from others shows a balance of €128 million (€147 million at December 31, 2015) relating to the capitalization of backbone rights.

The change over 2015 is mainly due to the effect of the merger with the former WIND Group.

An analysis of the *derivative financial instruments* balance and of the respective changes can be found in note 16.

**16 DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides details of the outstanding *Derivative financial instruments* at December 31, 2016 and 2015 (the comparative data refers only to the consolidated perimeter of the former WIND Group), analyzed by the type of risk hedged.

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**16 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The former H3G Group at December 31, 2014 and 2015 didn't have any derivative financial instruments.

(millions of Euro)	At December 31, 2016		At December 31, 2015	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
—Exchange rate risk . . . . .	744	—	682	—
—Interest rate risk . . . . .	—	27	—	54
<b>Total cash flow hedges . . . . .</b>	<b>744</b>	<b>27</b>	<b>682</b>	<b>54</b>
—Exchange rate risk . . . . .	317	—	288	—
<b>Total fair value hedges . . . . .</b>	<b>317</b>	<b>—</b>	<b>288</b>	<b>—</b>
—Embedded derivatives in bonds . . . . .	399	3	15	—
<b>Total Derivatives Non Hedge Accounting . . . . .</b>	<b>399</b>	<b>3</b>	<b>15</b>	<b>—</b>
<b>Total . . . . .</b>	<b>1,460</b>	<b>30</b>	<b>985</b>	<b>54</b>

The following table shows the detail of current and non-current derivative instruments.

(millions of Euro)	At December 31, 2016		At December 31, 2015	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current . . . . .	—	7	—	18
Non current . . . . .	1,460	23	985	36
<b>Total . . . . .</b>	<b>1,460</b>	<b>30</b>	<b>985</b>	<b>54</b>

The Group used the following types of hedge accounting at December 31, 2016:

- cash flow hedge accounting used to hedge the risk on future foreign currency cash flows and floating interest rate cash flows;
- fair value hedge accounting used to hedge the exchange rate risk on the fair value of hedged financial liabilities denominated in US dollars.

The fair value of financial instruments listed on active markets was determined as the market quotation at the reporting date. In the absence of an active market, fair value was determined by referring to prices provided by external operators and using valuation models based mostly on objective financial variables, as well as by taking into account, where possible, the prices used in recent transactions and the quotations of similar financial instruments.

The following were outstanding at December 31, 2016 (the 2015 values regards only the consolidated perimeter of the former WIND Group):

- cross currency swaps hedging the interest rate and currency risks relating to the tranches of bonds denominated in US dollars, for which reference should be made to note 15, having a notional amount of €3,863 million (€3,863 million at December 31, 2015) and having a positive fair value of €1,061 million (positive fair value of €970 million at December 31, 2015);

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**16 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

- plain vanilla interest rate swaps hedging the interest rate risk of bank loans and of bonds, having a notional amount of €620 million (€1,370 million at December 31, 2015) and a negative fair value of €30 million (negative fair value of €54 million at December 31, 2015);
- embedded derivatives of €399 million (€15 million at December 31, 2015) relating to the fair value of the early repayment options provided for on issue of the bonds, for which details may be found in note 15.

The fair value of cross currency swap and plain vanilla interest rate swaps is determined through directly observable inputs such as interest rates curves (Level 2 in the fair value hierarchy).

The fair value of embedded derivatives is determined by comparing the fair value of the total bond with the fair value of comparable bonds that do not incorporate this option.

The fair value of loans is calculated using the DCF model (Level 3 in the fair value hierarchy). With respect to the latter, the entire change in the period is due solely to movements in the fair value of the instrument as a whole and therefore not to the sale or purchase of the underlying.

**17 EMPLOYEE BENEFITS**

The following table sets out the changes in *Employee benefits* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2015</u>	<u>Ex WIND Group merger effect</u>	<u>Accrual</u>	<u>(Utilization)</u>	<u>Other changes</u>	<u>At December 31, 2016</u>
Post-employment benefits . . . . .	17	64	20	(4)	(18)	79
		<u>At December 31, 2014</u>	<u>Accrual</u>	<u>(Utilization)</u>	<u>Other changes</u>	<u>At December 31, 2015</u>
Post-employment benefits . . . . .		17	8	—	(8)	17
		<u>At December 31, 2013</u>	<u>Accrual</u>	<u>(Utilization)</u>	<u>Other changes</u>	<u>At December 31, 2014</u>
Post-employment benefits . . . . .		15	7	—	(5)	17

At December 31, 2016, other changes consist of i) the decrease arising from the transfer of the post-employment benefits accruing during the year to supplementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€19 million), ii) the decrease of €0.3 million in the post-employment benefits arising from the change in actuarial variables.

At December 31, 2014 and December 31, 2015 Other changes mainly consist in transfer of the post-employment benefits accruing during the year to supplementary pension funds or to the Treasury fund.

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**17 EMPLOYEE BENEFITS (Continued)**

The effects recognized in profit or loss are as follows.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Current service costs .....	19	8	7
Finance expense .....	1	—	—
<b>Total</b> .....	<b>20</b>	<b>8</b>	<b>7</b>
Actual return on plan assets .....	N/A	N/A	N/A

Current service costs only include the expenses relating to defined contribution benefits.

The severance indemnities (“TFR”) due to employees pursuant to article 2120 of the Italian Civil Code is calculated on the basis of the service provided and the taxable remuneration of each employee and is paid when the employee leaves the company. The liability, which is revalued annually based on the official cost of living and the legal interest rate, is not associated with any condition or accrual period or any requirement to obtain funds, as a result of which there are no plan assets. The original Italian legislation was supplemented by Legislative Decree no. 252/2005 and the 2007 Finance Act (296/2006) under which for companies with at least 50 employees the employee can choose to allocate his TFR, starting from amounts accruing in 2007, either to a fund held by INPS or to a supplementary pension fund, and accordingly the scheme has the nature of a *defined contribution plan*. The portion accruing through December 31, 2006 is considered to be a *defined benefit plan* and as a result, under IAS 19, the relative liability must be projected into the future to calculate the expected amount to be paid on termination of employment; this is then discounted using the “projected unit credit method”.

Through its defined benefit obligation the Group is exposed to a number of risks, the most significant of which are detailed below.

- *Interest rate risk.* The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to actuarial calculation. A decrease in those yields will increase plan liabilities.
- *Life and employee service expectancy.* The present value of the defined benefit plan liability is calculated by reference to the best estimate of life and employee service expectancy. An increase in life or employee service expectancy of the plan’s participants will increase the plan’s liability.

The main actuarial assumptions applied in the calculation of severance pay are as follows.

Demographic assumptions:

The following annual rates for resignation or redundancy were used for each employee category:

<u>Category</u>	<u>Resignation/redundancy</u>
<b>Management</b> .....	9.2% - 17%
<b>Middle management</b> .....	3.4% - 14.5%
<b>Staff</b> .....	3.4% - 14.5%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**17 EMPLOYEE BENEFITS (Continued)**

*Economic-financial assumptions:*

<u>Average inflation rate</u>	<u>Discount rate</u>	<u>Increase in wages and salaries</u>
1.50%	1.50%	N/A

The technical bases at December 31, 2016 have been slightly modified to reflect the changed company. More precisely, in addition to the discount rate changes relate to: the percentages of early retirement, the percentages relating to advances on severance indemnities (TFR) and the mortality table.

The average duration of the financial obligation is 16.51 years.

The application of the above assumptions resulted in a TFR liability at December 31, 2016 of €79 million and an actuarial loss of €0.1 million recognized in comprehensive income.

The table below provides a sensitivity analysis based on only varying the discount rate and the “basic” inflation rate (equal to 1.50%) by +/- 0.25%:

<u>Change in discount rate</u>	<u>Change in millions of Euro</u>
+0.25%	(1.5)
-0.25%	1.5
<u>Change in inflation rate</u>	<u>Change in millions of Euro</u>
+0.25%	0.7
-0.25%	(0.7)

**18 PROVISIONS**

The following tables set out changes in *Provisions for risks and charges* for the year ended December 31, 2016 and 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2015</u>	<u>Ex WIND Group merger effect</u>	<u>Increases</u>	<u>(Utilization)</u>	<u>(Release)</u>	<u>At December 31, 2016</u>
Litigation . . . . .	16	30	14	(4)	—	<b>56</b>
Universal service contribution . . . . .	—	5	—	—	—	<b>5</b>
Handset assistance . . . . .	—	1	—	—	—	<b>1</b>
Dismantling and removal	7	23	—	—	—	<b>30</b>
Other provisions . . . . .	16	31	5	(4)	—	<b>48</b>
<b>Total . . . . .</b>	<b>39</b>	<b>90</b>	<b>19</b>	<b>(8)</b>	<b>—</b>	<b>140</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**18 PROVISIONS (Continued)**

<u>(millions of Euro)</u>	<u>At December 31, 2014</u>	<u>Increases</u>	<u>(Utilization)</u>	<u>(Release)</u>	<u>At December 31, 2015</u>
Litigation . . . . .	13	4	(1)	—	16
Universal service contribution . . . . .	—	—	—	—	—
Handset assistance . . . . .	—	—	—	—	—
Dismantling and removal . . . . .	7	—	—	—	7
Other provisions . . . . .	16	2	(2)	—	16
<b>Total . . . . .</b>	<b><u>36</u></b>	<b><u>6</u></b>	<b><u>(3)</u></b>	<b><u>—</u></b>	<b><u>39</u></b>

<u>(millions of Euro)</u>	<u>At December 31, 2013</u>	<u>Increases</u>	<u>(Utilization)</u>	<u>(Release)</u>	<u>At December 31, 2014</u>
Litigation . . . . .	11	2	—	—	13
Universal service contribution . . . . .	—	—	—	—	—
Handset assistance . . . . .	—	—	—	—	—
Dismantling and removal . . . . .	14	—	(7)	—	7
Other provisions . . . . .	11	10	(5)	—	16
<b>Total . . . . .</b>	<b><u>36</u></b>	<b><u>12</u></b>	<b><u>(12)</u></b>	<b><u>—</u></b>	<b><u>36</u></b>

The timing of payments in respect of non-current provisions is, with few exceptions, not contractually fixed and cannot be estimated with certainty.

**Litigation**

The provision at the respective dates is based on estimates using the best information available of the total charge that the Group expects to incur upon settlement of all outstanding legal proceedings (for details on the main proceedings in progress, reference should be made to the paragraph on the main pending legal proceedings in note 37).

**Universal service contribution**

Article 3, paragraph 6, of Presidential Decree no. 318 of September 19, 1997 regarding the “Implementation of European Union Directives” establishes a mechanism designed to distribute the net cost of providing the universal service throughout the country whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

**Handset assistance**

The provision represents an estimate of the costs that the Group may incur for assistance for handsets sold under warranty.

**Dismantling and removal**

The item consists of the estimate of the dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**18 PROVISIONS (Continued)**

**Other provisions**

This item consists of the measurement of certain liabilities arising from obligations assumed by the Group for which an estimate is made at the date of these financial statements of the amount to be settled upon due date. The balance at December 31, 2016 includes €16 million for liabilities for termination benefits arising from agency contracts in existence at the reporting date (€13 million as at December 31, 2014) and €4 million relating to compensation plans for the long-term retention and incentive of management.

**19 OTHER LIABILITIES**

*Other non-current liabilities* at December 31, 2016, 2015 and 2014 amount to €110 million, €4 million and €27 million, respectively.

At December 31, 2016 this item mainly includes:

- an amount of €60 million relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus from 2011 to 2015, which is recognized in income over the useful life of the assets;
- an amount of €34 million relating to a capital grant recognized on the allocation of the frequencies (for which details may be found in note 5) as a discount of 3% for the total amount of the tender for the commitment made to produce over 50% of the new networks using apparatus having environmental eco-sustainable features. The amount will be released to income as other revenue when there is the reasonable certainty that the envisaged conditions will be met, and is consistent with the depreciation of the apparatus having eco-sustainable features which will be purchased and put into use for the development of the network;
- a capital grant of €8 million given to the Parent Company for its participation in certain regional projects for the realization of investments supporting local development. This amount is released to income over the useful lives of the assets involved.

**20 TRADE PAYABLES**

The following table provides details of *Trade payables* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>Ex WIND Group merger effect</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Due to telephone operators . . . . .	480	398	118	69
Due to agents and authorized dealers . . .	130	56	68	66
Due to parents . . . . .	12	10	—	—
Due to associates . . . . .	21	21	—	—
Due to related companies . . . . .	16	8	—	—
Other trade payables . . . . .	1,613	909	433	601
<b>Total . . . . .</b>	<b><u>2,272</u></b>	<b><u>1,402</u></b>	<b><u>619</u></b>	<b><u>736</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**20 TRADE PAYABLES (Continued)**

The change in this item over the year is principally due to the merger with the former WIND and to the effect of normal settlements during the course of the year.

Trade payables *due to telephone operators* mainly relate to interconnection and roaming services.

Payables *due to agents* and *due to authorized dealers* relate to commissions to agents and authorized dealers.

Trade payables *due to related companies* refers principally to payables arising from transactions with telephone operators belonging to the Veon Group.

Amounts *due to associates* mainly refer to balances payable to Galata SpA arising from the service agreement entered into as part of the agreement with Cellnex Telecom.

*Other trade payables* mainly relate to payables to suppliers for the purchase of goods and services.

The following table provides an analysis of trade payables by due date.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	2,272	619	736
—after 12 months . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b> . . . . .	<b><u>2,272</u></b>	<b><u>619</u></b>	<b><u>736</u></b>

**21 OTHER PAYABLES**

The following table provides an analysis of *Other payables* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At 31 December 2016</u>	<u>Ex WIND Group merger effect</u>	<u>At 31 December 2015</u>	<u>At 31 December 2014</u>
Payables to social security organizations .	34	20	10	10
Tax payables . . . . .	84	170	29	63
Payables to personnel . . . . .	60	35	10	3
Payables due to other group companies .	—	143	87	87
Prepaid traffic to be used . . . . .	134	125	19	26
Deferred income . . . . .	149	21	132	178
Other payables . . . . .	<u>187</u>	<u>106</u>	<u>78</u>	<u>34</u>
<b>Total</b> . . . . .	<b><u>648</u></b>	<b><u>620</u></b>	<b><u>365</u></b>	<b><u>401</u></b>

*Payables to social security organizations* relate principally to the employer’s and employee’s portions of social security contributions for December and the employer’s portion accrued on deferred remuneration (mostly accrued vacation and other permitted leave that has accrued but has not yet been taken). This item also includes the amounts payable to the Italian social security organization INPS for the accrued post-employment benefits (TFR) yet to be paid which employees had elected to transfer to the Treasury fund in accordance with Law no. 296 of December 27, 2006, the “2007 Finance Act”, and subsequent decrees and regulations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**21 OTHER PAYABLES (Continued)**

The following table sets out details of *Tax payables* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Government license fee . . . . .	31	18	24
Withholding tax . . . . .	21	5	5
VAT . . . . .	25	6	34
Other . . . . .	7	—	—
<b>Total . . . . .</b>	<b><u>84</u></b>	<b><u>29</u></b>	<b><u>63</u></b>

*Other tax payables* amount to €7 million and mainly include a balance of this amount due to the tax authorities arising from the settlement of the assessment raised by the Tax Revenue Office concerning the payment of withholding tax on the interest arising in prior years under the Senior Facility Agreement of May 26, 2005. The payment plan for this liability envisages twelve quarterly instalments due from May 22, 2014 to February 22, 2017 with interest charged at 1%.

*Payables to personnel* amounting to €60 million (€10 million at December 31, 2015 and €3 million at December 31, 2014) mostly consist of liabilities for accrued vacation and other accrued leave still to be taken at the end of the year for which details can be found in note 28.

*Payables due to other group companies* amounts to €nil (€87 million at December 31, 2015 and €87 million at December 31, 2014). In 2015 this item related to payables for commissions on guarantees given by the Hutchison Whampoa Limited Group companies in favor of the parent company.

*Prepaid traffic to be used* amounting to €134 million (€19 million at December 31, 2015 and €26 million at December 31, 2014) consists of the unused portion of prepaid traffic, sold by the Parent via rechargeable telephone cards and top-ups, which had not yet been utilized at the end of the year.

*Deferred income* amounting to €149 million (€132 million at December 31, 2015 and €178 million at December 31, 2014) refers to income for billings made contractually in advance in prior years and in 2016 for lease and installation fees relating to the utilization of broadband capacity ('initial capacity'), which will be recognized in later years.

*Other payables* mainly amounting to €188 million (€78 million at December 31, 2015 and €34 million at December 31, 2014) consist of amounts due to supplementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers, liabilities for amounts received in respect of receivables sold and other residual items.

**22 TAX PAYABLES**

The balance of €52 million at December 31, 2016 (€nil at December 31, 2015 and 2014) represents the amount due by the former WIND Group companies for income taxes for the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**23 REVENUE**

The following table provides an analysis of *Revenue* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
<b>Revenue from sales</b> . . . . .	<b>549</b>	<b>109</b>	<b>489</b>	<b>514</b>
—Telephone services . . . . .	1,863	578	1,231	1,136
—Interconnection traffic . . . . .	264	57	202	192
—International roaming . . . . .	46	4	41	43
—Judicial authority services . . . . .	1	1	1	3
—Other revenue from services . . . . .	82	24	66	58
<b>Revenue from services</b> . . . . .	<b>2,256</b>	<b>664</b>	<b>1,541</b>	<b>1,432</b>
<b>Total</b> . . . . .	<b>2,805</b>	<b>773</b>	<b>2,030</b>	<b>1,946</b>

The item shows an increase for 2016 compared with 2015 of 38.2%. This effect is mainly due to the former WIND Group contribution in relation to the merger.

The following comments on revenue are made excluding this effect.

Excluding the “ex WIND Group merger effect”, *Revenue from sales* decreased over the previous year due to the combined effect of lower sales volumes and a reduction in unit revenues due to the type of terminals sold.

The increase in *Telephone services* is almost exclusively due to an increase in the customer base, mostly connected to the change in scope of consolidation in relation to the aforementioned merger by incorporation.

The increase in *Interconnection traffic* arises from the higher volumes of incoming mobile traffic and also an increase in the customer base. This effect is only partially offset by the elimination of revenues with the former WIND Group as the result of the merger.

*Revenue from sales* decreased over 2014 due to the increased competition from non-telecom operators, such as big distribution chains who reinforced their activities in the market.

*Revenue from services* show an increase for 2015 compared with 2014 and include all revenues from services to customers, in particular:

- voice mobile services;
- internet services mobile data transmission: messaging services (SMS and MMS), internet connections through handsets utilized as a modem, through internet keys and through tablets;
- media mobile services: multimedia contents services usable on handsets through the portal.

*Revenue from services* also includes revenues from other telecommunications operators for the termination of traffic to the Group’s customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**24 OTHER REVENUE**

*Other revenue* amounts in total to €88 million in the year 2016 (€68 million at December 31, 2015 and €84 million at December 31, 2014) of which the former WIND Group contribution amounts to €41 million. This refers principally to the release to income of capital grants and penalties.

In 2015 and 2014 *Other revenue* mainly refer to re-invoice of expenses, surplus liabilities and capital gain and contribution from network services outsourcer.

**25 PURCHASES AND SERVICES**

The following table provides an analysis of *Purchases and services* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Purchases of raw materials, consumables, supplies and goods . . . . .	503	102	455	485
Interconnection traffic . . . . .	282	69	215	202
Lease of civil/technical sites and use of third party assets . . . . .	221	24	197	193
Customer acquisition costs . . . . .	204	16	181	181
Maintenance and repair . . . . .	139	12	128	100
Outsourcing costs for other services . . . . .	110	52	59	78
Rental of local network and circuits . . . . .	78	63	17	18
Utilities . . . . .	62	13	44	44
Advertising and promotional services . . . . .	52	16	37	51
National and international roaming . . . . .	33	4	43	51
Consultancies and professional services . . . . .	16	5	12	17
Change in inventories . . . . .	3	—	4	1
Other services . . . . .	51	26	48	40
<b>Total purchases and services . . . . .</b>	<b><u>1,754</u></b>	<b><u>402</u></b>	<b><u>1,440</u></b>	<b><u>1,461</u></b>

The change in this item is essentially due to the combined effect of the former WIND Group's contribution of €402 million and a decrease in the item of €88 million. This is mainly due to:

- a decrease of €54 million in *Purchases of raw materials, consumables, supplies and goods* and *Change in inventories* mainly due to the fall in *Revenue from sales*;
- a decrease of €14 million in *National and international roaming* costs due to a decrease in the unit rate relating to the ITZ traffic and to the effect of lower national roaming traffic.

The item *consultancies and professional services* includes statutory auditors' fees of €234 thousand and fees for the external audit of the financial statements amounting to €1,127 thousand. No fees are due to the Parent Company's directors.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**26 OTHER OPERATING COSTS**

The following table provides an analysis of *Other operating costs* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Impairment losses on trade receivables and current assets . . . . .	91	19	94	89
Accruals to provision for risks and charges . . . . .	9	1	3	1
Annual license and frequency fees . . . . .	31	7	32	12
Other operating costs . . . . .	17	6	22	11
<b>Total other operating costs . . . . .</b>	<b><u>148</u></b>	<b><u>33</u></b>	<b><u>151</u></b>	<b><u>113</u></b>

The decrease of €3 million over 2015 arises from an increase of €33 million arising from the former WIND Group and a decrease of €36 million in the item.

**27 PERSONNEL EXPENSES**

The following table provides an analysis of *Personnel expenses* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Wages and salaries . . . . .	179	47	119	102
Social security charges . . . . .	45	12	32	28
Other personnel expenses . . . . .	7	2	5	4
Post-employment benefits . . . . .	12	3	8	7
(Costs capitalized for internal works) . . . . .	(29)	(14)	(14)	(13)
<b>Total personnel expenses . . . . .</b>	<b><u>214</u></b>	<b><u>50</u></b>	<b><u>150</u></b>	<b><u>128</u></b>

The change over the previous year amounting €64 million is mainly due to the contribution of the former WIND Group for €50 million, and to the increase in wages and salaries and social security charges for €14 million.

The change in 2015 is mainly due to the increase in wages, salaries and social security charges for €21 million.

On February 9, 2016 the former WIND Group's signed an agreement with the trade unions for rendering business model more efficient by completing the plan for internationalizing activities, which is already under way (under a previous trade union agreement of July 29, 2014, which introduced solidarity contracts for a period of 18 months starting from September 2014), and carrying out the resulting reskilling measures. It was agreed to support this process by continuing solidarity contracts for a further 18 months, on a restricted basis compared to previously, with the aim of completely absorbing excess staff, also through the use of innovative tools such as telework and other flexible forms of working.

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**27 PERSONNEL EXPENSES (Continued)**

Following the merger with H3G SpA, solidarity contracts were concluded in advance at December 31, 2016.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Senior management .....	232	128	132
Middle management .....	861	287	292
Employees .....	<u>8,249</u>	<u>2,442</u>	<u>2,429</u>
<b>Total</b> .....	<b><u>9,342</u></b>	<b><u>2,857</u></b>	<b><u>2,853</u></b>

The average number of employees during the year was as follows.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Senior management .....	240	130	133
Middle management .....	900	288	292
Employees .....	<u>8,452</u>	<u>2,436</u>	<u>2,419</u>
<b>Total</b> .....	<b><u>9,592</u></b>	<b><u>2,854</u></b>	<b><u>2,844</u></b>

**28 RESTRUCTURING COSTS**

This item, amounting €60 million at December 31, 2016, is mainly due to the accrued costs for implementing the business's restructuring and reorganization plan, drawn up with the objective of the merger for incorporation.

**29 DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of *Depreciation and amortization* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Depreciation of property, plant and equipment				
—Plant and machinery .....	361	114	170	161
—Industrial and commercial equipment .....	22	1	19	21
—Other assets .....	3	3	—	—
Amortization of intangible assets with finite lives				
—Industrial patents and similar rights .....	21	20	—	—
—Concessions, licenses, trademarks and similar rights .....	41	3	29	28
—Other intangible assets .....	<u>205</u>	<u>27</u>	<u>160</u>	<u>117</u>
<b>Total depreciation and amortization</b> .....	<b><u>653</u></b>	<b><u>168</u></b>	<b><u>378</u></b>	<b><u>327</u></b>

Depreciation and amortization increased by €275 million over 2015 of which the former WIND Group contribution amounts to €168 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**30 REVERSAL OF IMPAIRMENT LOSSES/(IMPAIRMENT LOSSES) ON NON-CURRENT ASSETS**

The following table provides an analysis of *Reversal of impairment losses/(impairment losses) on non-current assets* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Reversal of impairment losses/(Impairment losses) on property, plant and equipment . . . . .	2	2	—	(9)
Reversal of impairment losses/(Impairment losses) on intangible assets . . . . .	<u>(1,687)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>
<b>Total . . . . .</b>	<b><u>(1,685)</u></b>	<b><u>1</u></b>	<b><u>—</u></b>	<b><u>(9)</u></b>

The impairment loss relates to the adjustment of the license value as a consequence of the agreement for its sale to Iliad and to the impairment of the DVB license.

**31 FINANCE INCOME**

The following table provides an analysis of *Finance income* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Income from derivative financial instruments (non hedge accounting) . . . . .	18	18	—	—
Other . . . . .	<u>18</u>	<u>17</u>	<u>1</u>	<u>2</u>
<b>Total . . . . .</b>	<b><u>36</u></b>	<b><u>35</u></b>	<b><u>1</u></b>	<b><u>2</u></b>

The item shows an increase of €35 million over the prior period which is mainly attributable to the contribution of the former WIND Group.

The change in income from derivative financial instruments (non hedge accounting) is mainly due to the effects arising from the fair value measurement of embedded derivatives in bonds.

Other financial income at December 31, 2016 consists mainly of interest of €17 million arising on the receivable from the former parent WIND Acquisitions Holdings Finance SpA (now Wind Tre Italia) under the intercompany agreements entered into on April 23, 2014 and August 4, 2014, for which details can be found in note 15. On November 5, 2016, the company WIND Acquisition Holdings Finance SpA was merged by incorporation into 3 Italia SpA forming a new company called Wind Tre Italia.



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**32 FINANCE EXPENSE**

The following table provides an analysis of *Finance expense* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Interest expense on:				
Bond issues . . . . .	(99)	(99)	—	—
Shareholder loans . . . . .	(46)	—	(46)	(43)
Bank loans . . . . .	(8)	(8)	(1)	(1)
Hedge accounting effect . . . . .	24	24	—	—
Other expenses from derivative financial instruments . . . . .	1	1	—	—
Other . . . . .	<u>(12)</u>	<u>(8)</u>	<u>(7)</u>	<u>(7)</u>
<b>Total . . . . .</b>	<b><u>(140)</u></b>	<b><u>(90)</u></b>	<b><u>(54)</u></b>	<b><u>(51)</u></b>

Finance expense consists mostly of accrued interest on financial liabilities outstanding at December 31, 2016, for which further details may be found in note 15, the positive effect of hedge accounting for derivatives of €24 million and the negative effectiveness of hedging derivatives of €1 million.

Interest expense on bond issues refers to the contribution of the former WIND Group as a result of the merger. For further details on bond issues reference should be made to note 15.

The interest on shareholder loans refers to costs incurred during the year for interest and fees on loans due to the parent company Wind Tre Italia and other CK Hutchison Group companies. Reference should be made to note 15 for further details.

In 2015 and 2014 the finance expenses consist mostly of accrued interest charges on shareholders loans and notional non-cash interest accretion represents amortization of upfront facility fees and other notional adjustments to accrete the carrying amount of certain obligations.

**33 FOREIGN EXCHANGE GAINS/(LOSSES), NET**

The following table provides an analysis of *Foreign exchange Gains/(Losses)*, net at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Realized gains . . . . .	—	—	—	—
Unrealized gains . . . . .	<u>350</u>	<u>350</u>	—	—
<b>Foreign exchange gains . . . . .</b>	<b><u>350</u></b>	<b><u>350</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
Realized losses . . . . .	1	1	2	(1)
Unrealized losses . . . . .	<u>350</u>	<u>350</u>	—	—
<b>Foreign exchange losses . . . . .</b>	<b><u>351</u></b>	<b><u>351</u></b>	<b><u>2</u></b>	<b><u>—</u></b>
<b>Total . . . . .</b>	<b><u>(1)</u></b>	<b><u>(1)</u></b>	<b><u>(2)</u></b>	<b><u>(1)</u></b>

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**34 INCOME TAXES**

The following table provides an analysis of *Income taxes* at December 31, 2016, 2015 and 2014.

<u>(millions of Euro)</u>	<u>2016 12 months</u>	<u>Ex WIND Group merger effect</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Current tax . . . . .	(6)	(3)	—	—
Deferred tax . . . . .	53	27	4	—
<b>Total income taxes . . . . .</b>	<b><u>47</u></b>	<b><u>24</u></b>	<b><u>4</u></b>	<b><u>—</u></b>

The net charge for the year is made up of the following:

- current income tax expense of €6 million (of which €3 million for IRES tax and €3 million for IRAP tax), charged on the consolidated taxable income for the year;
- net deferred tax income of €53 million, arising from the release of deferred tax liabilities of €26 million and the positive effect arising from deferred tax assets of €34 million, net of the positive fiscal effect of €21 million recognized in comprehensive income for items taken directly to equity.

Current taxes refer to IRAP. The Group's effective tax rate is affected by the non-recognition of deferred tax assets on losses generated during the year, as described in note 8. The rate is therefore effectively zero.

The following table provides a reconciliation between the theoretical tax rate and the effective tax rate for 2016 and 2015.

<u>(millions of euro)</u>	<u>2016</u>	<u>2015</u>
Theoretical tax rate . . . . .	27.50%	27.50%
<b>Profit before tax . . . . .</b>	<b>(1,727)</b>	<b>(76)</b>
Theoretical tax assets relating to IRES . . . . .	(475)	(21)
Non-deductible costs/non-taxable revenue . . . . .	434	(65)
Non-recognized deferred tax assets . . . . .	9	72
Effect of change in tax rates . . . . .	8	10
Deferred tax liabilities . . . . .	(26)	—
<b>Actual IRES tax (current and deferred) . . . . .</b>	<b>(50)</b>	<b>(4)</b>
Effective IRES tax rate . . . . .	2.9%	4.6%
<b>IRAP tax at Group level . . . . .</b>	<b>3</b>	<b>—</b>
<b>Actual tax expense (benefit) recognized in profit or loss . . . . .</b>	<b>(47)</b>	<b>(4)</b>
Overall tax rate . . . . .	2.7%	4.6%

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income taxes) purposes. The IRAP tax charge is included to reconcile with the overall *income taxes* expense in the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**35 RELATED PARTY TRANSACTIONS**

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

Transactions with the associate Galata SpA arise from the service agreement signed with WIND Telecomunicazioni SpA (merged in Wind Tre) for the provision of a wide range of services on technological sites that host equipment of the former WIND.

During the year ended December 31, 2016, Group companies did not hold treasury shares of the parent Wind Tre Italia, either directly or through trustees, or hold shares of the indirect parent VIP-CKH Luxembourg Sàrl.

The table below provides a summary of the main effects on the income statement and statement of financial position following transactions during the year with related parties, all companies of the Veon and CK Hutchison groups, joint venturers at 50% in the parent company VIP-CKH.

With reference to the transactions with the parents, Wind Tre has an outstanding loan with both Wind Tre Italia and VIP-CKH, for which details may be found in notes 6 and 15.

(thousands of Euro)	Year ended December 31, 2016								
	Revenue	Finance income/ Foreign losses (exchange losses)	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Financial payables	Other payables
Wind Tre Italia SpA . . . . .	74	(11,788)	2,802	—	2,897	1,043,018	2,802	1,432,326	273
Galata . . . . .	457	—	32,021	—	6,631	—	21,126	—	90
Armenija Telefon Kompani . . . . .	—	—	1	2	—	—	33	—	—
DiGi (Malaysia) . . . . .	1	—	—	7	—	—	1	—	—
DTAC/UCOM (Thailand) . . . . .	—	—	—	19	—	—	5	—	—
GrameenPhone (Bangladesh) . . . . .	—	—	—	(3)	—	—	59	—	—
KaR-Tel . . . . .	7	—	1	17	—	—	—	—	—
Kievstar . . . . .	169	—	3,378	—	—	—	7,969	—	—
Telenor Maritime . . . . .	—	—	81	—	—	—	69	—	—
Mobitel LLC Georgia . . . . .	2	—	1	—	—	—	5	—	—
Orascom Telecom Algeria SpA . . . . .	34	—	20	865	—	—	9	—	—
Banglalink Digital Communications Limited . . . . .	3	—	(6)	696	—	—	—	—	—
Pakistan Mobile Communications Ltd. . . . .	9	—	18	559	—	—	—	—	—
SKY MOBILE LLC . . . . .	—	—	—	—	—	—	2	—	—
Telenor Magyarorszag KFT (Hungary) . . . . .	22	—	8	27	—	—	80	—	—
Telenor Mobile Communications AS (Norway) . . . . .	22	—	3	—	—	—	586	—	—
Telenor Pakistan (Pakistan) . . . . .	—	—	—	—	—	—	3	—	—
Telenor Serbia (Serbia) . . . . .	8	—	4	12	—	—	—	—	—
Unitel . . . . .	2	—	1	5	—	—	—	—	—
VimpelCom Lao Co, Ltd . . . . .	—	—	1	1	—	—	3	—	—
Vympel-Kommunikacii . . . . .	159	—	964	2	—	—	1,109	—	—
WIND Telecom SpA* . . . . .	46	—	7	—	185	—	411	—	—

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**35 RELATED PARTY TRANSACTIONS (Continued)**

Year ended December 31, 2016									
(thousands of Euro)	Revenue	Finance income/ Foreign (exchange losses)	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Financial payables	Other payables
VimpelCom International Services . . . . .	—	—	(2)	—	22	—	—	—	—
Telenor Sverige AB . . . . .	2	—	—	—	—	—	19	—	—
Telenor Bulgaria EAD . . . . .	10	—	7	—	—	—	33	—	—
DTAC TriNet Co., Ltd. . . . .	17	—	2	21	—	—	—	—	—
Telenor A/S . . . . .	3	—	1	—	—	—	55	—	—
Telenor Montenegro . . . . .	—	—	1	—	—	—	11	—	—
Veon ltd . . . . .	—	—	(27)	—	111	—	10,000	—	—
Vodafone Hutchison Australia Pty Ltd. . . . .	7	—	(4)	61	—	—	(1)	—	—
Hutchison Telecommunications Lanka (Private) Limited . . . . .	—	—	—	—	—	—	—	—	—
PT. Hutchison 3 Indonesia . . . . .	1	—	—	—	—	—	—	—	—
Hutchison 3G UK Limited . . . . .	107	—	3	389	—	—	10	—	—
Telefonica Ireland Limited . . . . .	1	—	6	1	—	—	60	—	—
Hutchison Drei Austria GmbH . . . . .	6	—	15	34	—	—	222	—	—
HI3G Access AB . . . . .	1	—	—	86	—	—	2	—	—
HI3G Denmark ApS . . . . .	1	—	—	29	—	—	2	—	—
Hutchison 3G Ireland Limited . . . . .	—	—	1	—	—	—	2	—	—
Hutchison Global Enabling Services Limited . . . . .	24	—	—	24	—	—	—	—	—
Hutchison Telephone Company Limited . . . . .	364	—	6	309	—	—	3	—	—
Hutchison Telephone (Macau) Company Limited . . . . .	1	—	6	6	—	—	2	—	—
Hutchison Global Communications Limited . . . . .	197	—	—	86	—	—	—	—	—
VIP-CKH Luxemburg Sàrl . . . . .	—	—	17,412	—	—	—	—	284,686	—
Hutchison Whampoa 3G Content Sàrl . . . . .	—	—	—	—	—	—	—	—	—
Hutchison Whampoa 3G IP Sàrl . . . . .	1,648	—	5,790	—	—	—	444	—	—
Hutchison Whampoa 3G Procurement Sàrl . . . . .	—	—	163	—	—	—	—	—	—
Hutchison Whampoa Europe Investments Sàrl . . . . .	—	—	1,341	—	—	—	183	—	—
Hutchison Whampoa (Europe) Limited Sàrl . . . . .	—	—	127	—	—	—	127	—	—
Hutchison Whampoa 3G Enterprise Sàrl . . . . .	—	—	484	—	—	—	—	—	—
Hutchison Telecommunications (Vietnam) Sàrl-BCC . . . . .	—	—	1	—	—	—	—	—	—
<b>Total . . . . .</b>	<b><u>3,405</u></b>	<b><u>(11,788)</u></b>	<b><u>64,638</u></b>	<b><u>3,255</u></b>	<b><u>9,846</u></b>	<b><u>1,043,018</u></b>	<b><u>45,446</u></b>	<b><u>1,717,012</u></b>	<b><u>363</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**35 RELATED PARTY TRANSACTIONS (Continued)**

In addition to the individual business relationships with the companies the main financial transactions above consist of financial relations (debit and credit) with the parent Wind Tre Italia and the financial payable relating to the 50-year loan with the ultimate parent company VIP-CK Luxembourg Sàrl.

In 2015 and 2014 transactions with related parties and outstanding balances with related parties were entered into at terms determined on arm-length basis.

The following table provides an analysis of *Trade transactions* at December 31, 2015 and 2014.

(millions of Euro)	Purchases of goods and services		Sales of services		Payables to related parties		Receivables from related parties	
	2015	2014	2015	2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Fellow subsidiaries CKHH . . . .	9	12	3	3	7	6	2
Parent company Wind Tre Italia S.p.A . . . . .	1	2	—	—	1	2	—	—
<b>Total . . . . .</b>	<b>10</b>	<b>14</b>	<b>3</b>	<b>3</b>	<b>8</b>	<b>8</b>	<b>2</b>	<b>3</b>

Purchases of goods and services and payables to fellow subsidiaries of CKHH mainly related to software maintenance and various advisory services and costs related to the risk transfer of handsets receivables arising from the sale by installment of handsets.

Sales of services and receivables from related parties mainly related to recharges of costs for services and for international projects and other trading agreements.

The following table provides an analysis of *Non-trade transactions* at December 31, 2015 and 2014.

(millions of Euro)	Interest expenses and finance costs		Income		Payables to related parties		Receivables from related parties	
	2015	2014	2015	2014	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Parent company Wind Tre Italia S.p.A . . . . .	30	28	—	—	2,366	2,168	—
Hutchison 3G Italy Investment . . . . .	16	15	—	—	267	251	—	—
Fellow subsidiaries CKHH . .	—	—	—	—	87	87	—	—
<b>Total . . . . .</b>	<b>46</b>	<b>43</b>	<b>—</b>	<b>—</b>	<b>2,720</b>	<b>2,506</b>	<b>—</b>	<b>—</b>

Interest expenses and finance costs are related to costs incurred during the year for commissions, interests on financial transactions agreed upon and on guarantees provided by Hutchison Whampoa Limited Group companies.

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**35 RELATED PARTY TRANSACTIONS (Continued)**

The following table provides an analysis of *Payables to related parties* at December 31, 2015 and 2014.

<u>(millions of Euro)</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Shareholder's loans from parent company . . . . .	1,366	1,168
Short-term interest free loan on demand . . . . .	1,000	1,000
Fair value of interests free loan from parent company H3G Italy investment S.à.r.l. . . . .	267	251
Guarantee fees provided to the Company by Hutchison Whampoa Limited Group companies . . . . .	<u>87</u>	<u>87</u>
<b>Total</b> . . . . .	<b><u>2,720</u></b>	<b><u>2,506</u></b>

At December 31, 2015 and 2014 *Guarantees* have been provided by Hutchison Whampoa Limited Group companies to third parties relating to certain obligations of the Company with reference to:

- Bank borrowings;
- Outsourcing contracts;
- New frequencies acquisitions;
- Other commercial agreements.

***Directors and key management personnel***

The directors of the Parent Company are not due any compensation for 2016 as no resolution to this effect was adopted by the ordinary shareholders' meeting. There were no transactions with directors in 2016.

Parent employees identified as "Key Management Personnel" received compensation of €10.3 million in 2016.

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**36 NET DEBT**

The following statement shows the Group's net debt analyzed into its principal components, as described in notes 6, 15 and 16 relating to financial items in the statement of financial position.

<u>(millions of Euro)</u>	<u>At December 31, 2016</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Bond issues . . . . .	10,293	—	—
Shareholders' loans . . . . .	1,717	267	251
Bank loans . . . . .	677	9	50
Loans from others . . . . .	128	—	—
Derivative financial instruments . . . . .	23	—	—
<b>Non-current financial liabilities . . . . .</b>	<b>12,838</b>	<b>276</b>	<b>301</b>
Bond issues . . . . .	160	—	—
Shareholders' loans . . . . .	—	2,367	2,168
Bank loans . . . . .	8	40	65
Loans from others . . . . .	1	—	4
Derivative financial instruments . . . . .	7	—	—
<b>Current financial liabilities . . . . .</b>	<b>176</b>	<b>2,407</b>	<b>2,237</b>
<b>GROSS DEBT . . . . .</b>	<b><u>13,014</u></b>	<b><u>2,683</u></b>	<b><u>2,538</u></b>
<b>Cash and cash equivalents . . . . .</b>	<b>(603)</b>	<b>(89)</b>	<b>(99)</b>
Financial receivables . . . . .	(21)	—	—
<b>Current financial assets . . . . .</b>	<b>(21)</b>	<b>—</b>	<b>—</b>
Derivative financial instruments . . . . .	(1,460)	—	—
Financial receivables . . . . .	(1,026)	—	—
<b>Non-current financial assets . . . . .</b>	<b><u>(2,486)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>NET DEBT . . . . .</b>	<b><u>9,904</u></b>	<b><u>2,594</u></b>	<b><u>2,439</u></b>

Net debt does not include guarantee deposits of €5 million at both December 31, 2016 and at December 31, 2015.

**37 OTHER INFORMATION**

**Operating Leases**

The Group leases various cell sites, offices, outlets and motor vehicles under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Cell site leases are negotiated for an average term of 6 years. Offices are negotiated for an average term of 6 years and motor vehicles leases are negotiated for an average term of 2.5 years. The Group is required to give 3 months' notice for the termination of cell site leases and 6 months for the termination of offices leases.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**37 OTHER INFORMATION (Continued)**

The future aggregated minimum lease payments under operating leases with a due date of less than one year are as follows:

<u>(millions of euro)</u>	<u>At 31 December 2016</u>	<u>At 31 December 2015</u>	<u>At 31 December 2014</u>
Cell sites . . . . .	149	80	76
Offices . . . . .	34	4	5
Outlets . . . . .	16	8	8
Motor vehicles . . . . .	<u>2</u>	<u>2</u>	<u>1</u>
<b>Total . . . . .</b>	<b><u>201</u></b>	<b><u>94</u></b>	<b><u>90</u></b>

**Main pending legal proceedings**

The Wind Tre Group is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at December 31, 2016, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

*Proceedings with agents and retail dealers*

The Group is involved in certain civil lawsuits initiated by agents and retail dealers concerning financial claims (e.g., recognition of higher agency allowances, non-fulfillment claims)

At December 31, 2016, a number of proceedings relating to the termination of agency agreements were pending at different stages of judgment. The agents in these proceedings are seeking typically payment from the former Wind Telecomunicazioni SpA of damages and indemnities, including a termination indemnity pursuant to article 1751 of the Italian Civil Code.

*Proceedings concerning misleading advertising and unfair commercial practices*

Under Legislative Decree No.146/2007, the Italian Antitrust Authority (AGCM) has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2015, four proceedings initiated by the AGCM against Wind Tre for unfair commercial practice were closed with the payment of fines totalling €1.55 million and orders to cease the alleged unfair practices (one of these proceedings relates to Wind Tre's non-compliance with the AGCM's order to stop the alleged underlying unfair practice). The company has filed an appeal with the Lazio Administrative Court (Lazio TAR) against these fines and the related administrative litigation is pending.

In 2016 AGCM initiated four new proceedings (in February, April, July and December) against Wind Tre for alleged unfair commercial practice: the first has been closed without ascertaining any unfair practice; the second has been closed with the payment of a fine of €455 thousand (for which Wind Tre has filed an appeal with the Lazio TAR). The Group is still waiting for the AGCM's final decision in the other two proceedings.



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**37 OTHER INFORMATION (Continued)**

*Audit by the Italian tax authorities*

The Agenzia delle Entrate (“ADE”) (the Italian tax authorities) conducted a tax audit on the senior lenders under the senior facility agreement of 24 November 2010 (“SFA”), raising an objection to the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax disputed on its own portion of the SFA, but may claim indemnification from Wind Tre. The indemnification right has already been exercised. It should be noted that appeals against the assessments have been filed by the senior lenders in coordination with Wind Tre. ADE has withdrawn two assessments raised with certain senior lenders concluding that no substitute tax is due. As a consequence the ADE has requested the courts to withdraw its claim in respect of these two assessments.

**Other contingent assets and liabilities**

The Wind Tre Group had the following contingent liabilities at December 31, 2016.

*Proceedings concerning electromagnetic radiation*

There are pending proceedings regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation. At December 31, 2016 five proceedings for electromagnetic emissions were pending as a consequence of BTS installations.

*Audit of dealers’ fees*

In 2001 WIND Telecomunicazioni SpA, now Wind Tre, received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. With respect to the tax disputes for 1999, 2000 and 2001 Wind Tre obtained a positive outcome in the supreme court proceedings. For 2000 the Supreme Court has remitted the dispute to the Commission of Second Instance.

*Wind Tre / Crest One SpA*

On October 9, 2009, Crest One SpA (“Crest One”) initiated proceedings against Wind Tre for: (i) the refund of an amount of approximately €16 million previously paid to Wind Tre by Crest One as value added tax under a distribution agreement entered into between Crest One and Wind Tre, and (ii) the compensation of damages alleged to have been suffered by Crest One pursuant to the payment of such value added tax by Crest One to Wind Tre. The Court of Rome has rejected the claims of Crest One which has filed with the Court of Appeal. The date of the next hearing, originally scheduled for January 30, 2018, has been brought forward to July 18, 2017.

*Fastweb/ Wind Tre*

On January 2, 2014, Fastweb served a claim on Wind Tre based on antitrust proceedings no. A/357, which in August 2007 convicted Wind Tre and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to business clients). Amongst other issues Wind Tre has argued that the claim is time barred because it was filed outside the

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**37 OTHER INFORMATION (Continued)**

statute of limitations. On December 10, 2015, the presiding judge decided to defer to the panel of the tribunal to deliberate on Wind Tre's time-bar argument, scheduling the next hearing for March 30, 2016 (then postponed to April 6, 2016). At this hearing the parties filed their conclusions and, at the end of June 2016, filed their final memoranda. A partial ruling on the time-bar argument was issued on November 23, 2016, rejecting Fastweb's request for damages relating to 2002 - 2007 as it is definitely time-barred. In the same ruling, the judge decided to appoint an expert asking for a technical support to verify whether damages have been suffered by Fastweb for the following claimed period or not.

*Other disputes*

During 2016 the Group continued with the credit collection actions started in December 2012 against a company specialising in selling prepaid traffic, VAS and broadband services. On December 22, 2014 the Court of Rome declared the company bankrupt. The Group took part in the bankruptcy procedure for credit collection, formally approved by the Judge on June 26, 2015, and is currently awaiting payment.

During 2016 credit recovery actions were also continued against a communications services company (wholesale), active in services for MVNO. Proceedings against this company have been directly handled by AGCom. On December 16, 2014, the Court declared the company bankrupt. The Group took part in the bankruptcy procedure for credit collection, formally approved by the Judge on June 9, 2015, and is currently awaiting payment.

The contingent liabilities arising from these proceedings will be recognized as provisions in the balance sheet if management believes that the risk of a loss is probable.

**Guarantees**

No Group company has granted any security or guarantee, either directly or indirectly, in favor of parent companies or companies controlled by the latter.

The collateral pledged by Group companies at December 31, 2016 as a security for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;
- a pledge on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;
- a pledge on the shares representing 100% of the corporate capital of the subsidiary WIND Acquisition Finance SA owned by the Parent in favor of a pool of banks pursuant to the related share pledge agreement;
- a pledge under English law on a bank account of the Parent in favor of the lenders under the Senior Facility Agreement and the other creditors specified in the related deed of pledge;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
WIND TRE AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2016, 2015 and 2014 (Continued)**

**37 OTHER INFORMATION (Continued)**

- an assignment under English law of receivables arising from hedging contracts of the Parent in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and the other creditors specified in the related deed of assignment.

Finally, in order to provide a security for its obligations, the Parent has assigned by way of security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time, the hedge counterparties of the hedging agreements entered into by the former WIND Telecomunicazioni SPA and WIND Acquisition Finance SA and the other secured creditors specified in the confirmation deed related to the assignment of receivables, including in favor of the holders of the notes issued by WIND Acquisition Finance SA.

Moreover, the former WIND Telecomunicazioni SpA has assigned by way of security its receivables arising from the put and call option dated May 26, 2005 and from the agreement for the purchase of the interest in the corporate capital of the former WIND Telecomunicazioni SpA dated May 26, 2005, as described in the relevant deed, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time.

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €131 million (€97 million of the former WIND Group, €34 million of the former H3G Group) at December 31, 2016 includes:

- sureties totaling €14 million (€12 million of the former WIND Group, €2 million of the former H3G Group) issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €117 million (€85 million of the former WIND Group and €32 million of the former H3G Group) issued by banks, relating to participation in tenders, of which €43 million (€34 million of the former WIND Group and €9 million of the former H3G Group) in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded for the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

**38 SUBSEQUENT EVENTS**

On July 4, 2017, the sale of the whole 10% of the shares of Galata—held by the Group has been sold for a book value of €77 million—to Cellnex for a total of approximately €87 million.

On July 6, 2017 the sale contract of the branch “Call Center 133” has been signed with the Comdata company, as provided by the latest business plan, in order to concentrate more business objectives.

Given the particular commercial and operational relevance of the contract with Comdata, a number of important occupational guarantees were agreed with the unions for the workers involved in the transfer, including the application of the clauses provided by the national collective bargaining agreement for the telecommunications sector in the case of a change in contractor.

# **WIND**

**Consolidated interim financial statements as of and for the  
ten month period ended October 31, 2016**

*FINANCIAL STATEMENTS AND NOTES THERETO*

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**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 AND 2015**

<u>(millions of euro)</u>	<u>Note</u>	<u>2016 10 months</u>	<u>2015 10 months</u>
Revenue . . . . .	5	3,613	3,556
Other revenue . . . . .	6	95	60
<b>Total revenue . . . . .</b>		<b><u>3,708</u></b>	<b><u>3,616</u></b>
Purchases and services . . . . .	7	(1,930)	(1,882)
Other operating costs . . . . .	8	(134)	(125)
Personnel expenses . . . . .	9	(237)	(248)
<b>Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b><u>1,407</u></b>	<b><u>1,361</u></b>
Depreciation and amortization . . . . .	10	(963)	(971)
Gains/(Losses) on disposal of non-current assets . . . . .	11	(1)	484
<b>Operating income . . . . .</b>		<b><u>443</u></b>	<b><u>874</u></b>
Finance income . . . . .	12	453	139
Finance expense . . . . .	12	(479)	(572)
Foreign exchange gains/(losses), net . . . . .		(1)	(17)
<b>Profit before tax . . . . .</b>		<b><u>416</u></b>	<b><u>424</u></b>
Income tax . . . . .	13	(87)	(73)
<b>Profit from continuing operations . . . . .</b>		<b><u>329</u></b>	<b><u>351</u></b>
<b>Profit for the period . . . . .</b>		<b><u>329</u></b>	<b><u>351</u></b>
Non-controlling interests . . . . .		—	—
<b>Profit for the period attributable to the owners of the parent . . . .</b>		<b><u>329</u></b>	<b><u>351</u></b>
<b>Earnings per share (in euro)—basic and diluted:</b>			
Earning per share from Continuing operations . . . . .	20	2.25	2.40

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 AND 2015**

<u>(millions of euro)</u>	<u>Note</u>	<u>2016 10 months</u>	<u>2015 10 months</u>
<b>Profit for the period</b> . . . . .		<u>329</u>	<u>351</u>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>			
Gains/(Losses) on cash flow hedging instruments . . . . .		(6)	20
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss . . . . .		6	2
Other movement . . . . .		<u>2</u>	<u>—</u>
<b>Total Other comprehensive income that will be reclassified subsequently to profit or loss</b> . . . . .		<u>2</u>	<u>22</u>
<b>Total Other comprehensive income for the period, net of tax</b> . . . . .	<b>19</b>	<u>2</u>	<u>22</u>
<b>Total comprehensive income for the period</b> . . . . .		<u>331</u>	<u>373</u>
Total comprehensive income attributable to:			
<i>Owners of the parent</i> . . . . .		331	373
<i>Non-controlling interests</i> . . . . .		<u>—</u>	<u>—</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT OCTOBER 31, 2016 AND DECEMBER 31, 2015**

<u>(millions of euro)</u>	<u>Note</u>	<u>At October 31, 2016</u>	<u>At December 31, 2015</u>
<b>Assets</b>			
Property, plant and equipment . . . . .	14	2,642	2,855
Intangible assets . . . . .	15	7,862	8,038
Financial assets . . . . .	16	2,529	2,097
Investments accounted for using the equity method . . . . .	17	77	77
Deferred tax assets . . . . .	18	115	251
<b>Total non-current assets . . . . .</b>		<b><u>13,225</u></b>	<b><u>13,318</u></b>
Inventories . . . . .		35	30
Trade receivables . . . . .		973	996
Financial assets . . . . .	16	7	23
Current tax assets . . . . .		22	18
Other receivables . . . . .		198	220
Cash and cash equivalents . . . . .		209	282
<b>Total current assets . . . . .</b>		<b><u>1,444</u></b>	<b><u>1,569</u></b>
<b>TOTAL ASSETS . . . . .</b>		<b><u>14,669</u></b>	<b><u>14,887</u></b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital . . . . .		147	147
Share premium reserve . . . . .		752	752
Other reserves . . . . .		16	16
Retained earnings . . . . .		(37)	(368)
<b>Equity attributable to owners of the parent . . . . .</b>	19	<b><u>878</u></b>	<b><u>547</u></b>
<b>Non-controlling interests . . . . .</b>		<b><u>—</u></b>	<b><u>—</u></b>
<b>Total equity . . . . .</b>	19	<b><u>878</u></b>	<b><u>547</u></b>
<b>Liabilities</b>			
Financial liabilities . . . . .	22	10,936	10,970
Employee benefits . . . . .		64	66
Provisions . . . . .	21	90	118
Other non-current liabilities . . . . .		113	138
Deferred tax liabilities . . . . .	18	402	544
<b>Total non-current liabilities . . . . .</b>		<b><u>11,605</u></b>	<b><u>11,836</u></b>
Financial liabilities . . . . .	22	73	203
Trade payables . . . . .		1,402	1,609
Other payables . . . . .		620	649
Tax payables . . . . .		91	43
<b>Total current liabilities . . . . .</b>		<b><u>2,186</u></b>	<b><u>2,504</u></b>
<b>Total liabilities . . . . .</b>		<b><u>13,791</u></b>	<b><u>14,340</u></b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b><u>14,669</u></b>	<b><u>14,887</u></b>



**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 AND 2015**

<u>(millions of euro)</u>	<u>Notes</u>	<u>2016 10 months</u>	<u>2015 10 months</u>
<b>Cash flows from operating activities</b>			
Profit for the period . . . . .		329	351
<b>Adjustments to reconcile the loss for the period with the cash flows from/ (used in) operating activities</b>			
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets . . . . .		963	971
Net changes in provisions and employee benefits . . . . .		(30)	(24)
Losses on disposal of non-current assets . . . . .		1	7
Gain from sale of subsidiaries . . . . .		—	(491)
Impairment on investments . . . . .		—	13
Changes in current assets . . . . .		41	(97)
Changes in current liabilities . . . . .		(758)	(269)
<b>Net cash flows from operating activities . . . . .</b>	<b>25</b>	<b><u>546</u></b>	<b><u>461</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment . . . . .		(371)	(425)
Acquisition of intangible assets . . . . .		(207)	(176)
Proceeds from sale of subsidiaries . . . . .		—	669
Inflows/(outflows) from loan granted . . . . .		(23)	(24)
<b>Net cash flows from / (used in) investing activities . . . . .</b>	<b>25</b>	<b><u>(601)</u></b>	<b><u>44</u></b>
<b>Cash flows from financing activities</b>			
Changes in loans . . . . .		(18)	(639)
<b>Net cash flows used in financing activities . . . . .</b>	<b>25</b>	<b><u>(18)</u></b>	<b><u>(639)</u></b>
<b>Net cash flows for the period . . . . .</b>		<b><u>(73)</u></b>	<b><u>(134)</u></b>
Cash and cash equivalents at the beginning of the period . . . . .		282	203
<b>Cash and cash equivalents at the end of the period . . . . .</b>	<b>25</b>	<b><u>209</u></b>	<b><u>69</u></b>

**ADDITIONAL INFORMATION ON THE UNAUDITED CONSOLIDATED CASH FLOW  
STATEMENT**

<u>(millions of euro)</u>	<u>2016 10 months</u>	<u>2015 10 months</u>
Income taxes paid . . . . .	(18)	(18)
Interest paid on loans/bonds . . . . .	(629)	(653)
Interest (paid) / received on hedging derivative instruments . . . . .	61	63

**UNAUDITED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 AND 2015**

(millions of euro)	Note	Equity attributable to the owners of the parent				Equity attributable to the owners of the parent	Non-controlling interests	Equity
		Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)			
<b>Balances at January 1, 2015 . . . .</b>		<u>147</u>	<u>752</u>	<u>8</u>	<u>(796)</u>	<u>111</u>	<u>—</u>	<u>111</u>
<b>Total comprehensive income for period . . . . .</b>		—	—	22	351	373	—	373
—Profit for the period . . . . .		—	—	—	351	351	—	351
—Cash flow hedges . . . . .		—	—	22	—	22	—	22
<b>Transactions with equity holders .</b>		—	—	—	—	—	—	—
<b>Balances at October 31, 2015 . . . .</b>	<b>19</b>	<u>147</u>	<u>752</u>	<u>30</u>	<u>(445)</u>	<u>484</u>	<u>—</u>	<u>484</u>
<b>Balances at January 1, 2016 . . . .</b>		<u>147</u>	<u>752</u>	<u>16</u>	<u>(368)</u>	<u>547</u>	<u>—</u>	<u>547</u>
<b>Total comprehensive income for the period . . . . .</b>		—	—	—	331	331	—	331
—Other movement . . . . .		—	—	—	2	2	—	2
—Profit for the period . . . . .		—	—	—	329	329	—	329
<b>Transactions with equity holders .</b>		—	—	—	—	—	—	—
<b>Balances at October 31, 2016 . . . .</b>		<u>147</u>	<u>752</u>	<u>16</u>	<u>(37)</u>	<u>878</u>	<u>—</u>	<u>878</u>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016**

**1 INTRODUCTION**

These consolidated financial statements were approved by the Parent’s (WIND Telecomunicazioni SpA) Board of Directors on October 17, 2017 and represent the last consolidated interim financial statements of Wind Telecomunicazioni SpA Group (the “Group” or the “WIND Group”) following the completion, on November 5, 2016, of Joint Venture agreement between the indirect parent Veon ltd (ex VimpelCom ltd) and CK Hutchison Holdings Ltd, the parent company of H3G SpA, to operate their respective telecommunications businesses in Italy.

As part of the transaction WIND Telecomunicazioni SpA have been merged with, and incorporated into, Wind Tre (ex H3G SpA), respectively via legal mergers by incorporation that were completed on December 30, 2016, but which for accounting, tax and profit-sharing purposes was effective from November 5, 2016. The merger creates the biggest telecom operator in Italy, serving more than 30 million mobile and 2.7 million fixed line customers. Wind Tre looks forward to delivering significant efficiencies and providing significant additional investment to drive development of Italy’s digital infrastructure. The new financial and industrial capabilities will enable Wind Tre to provide innovative, high quality and greater network speed in line with the growing demand for connectivity and with the expectations of households and businesses consumption. The Group aims to become a key player in the integration and development of fixed-mobile in the next-generation fiber networks thanks to the agreement with Enel Open Fiber to create a network of ultra-broadband in Italy.

Finally, it should be noted that the approval of the significant transaction obtained from the European Commission required the implementation of a number of remedies which included the signing of certain agreements with Iliad, a French telecom operator, aiming to allow Iliad to enter the Italian market. The agreements have resulted in the commitment of the Wind Tre Group to sell to Iliad frequencies and sites in the period 2017 - 2019 as well as to sign certain temporary agreements which enable Iliad to operate telecommunications services in the Italian market while Iliad is creating its own network.

At the date of approval of these consolidated financial statements, Wind Tre is controlled by Wind Tre Italia SpA (formerly known as 3 Italia SpA, hereafter referred to as Wind Tre Italia) which in turn is controlled by the Luxembourg based entity VIP-CKH Luxembourg Sàrl (formerly known as Hutchison 3G Italy Investments Sàrl, hereafter referred to as the VIP-CKH or the Joint Venture). VIP-CKH is a 50/50 joint venture owned indirectly by CK Hutchison Holdings Limited (hereafter referred to as CK Hutchison) and Veon Ltd (hereafter referred to as Veon) to jointly own and operate their respective telecommunications businesses in Italy.

At the date of these interim financial statements WIND Telecomunicazioni SpA and its subsidiaries (the “Group” or the “WIND Group”) is a primarily operator in Italy in the fixed and mobile telecommunications sector under the brands “*Infostrada*” and “*Wind*”.

The following are the main offices of the Parent, WIND Telecomunicazioni SpA (“WIND” or the “Parent”).

<b>Registered office</b> . . . . .	Via Cesare Giulio Viola, 48 - 00148 Rome—Italy
<b>Secondary office</b> . . . . .	Via Lorenteggio, 257 - 20152 Milan—Italy

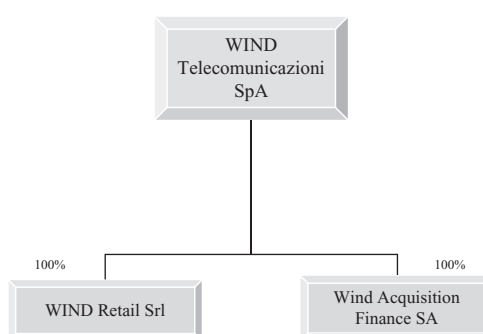
At the date of the present consolidated financial statements as of and for the period ended October 31, 2016 the parent WIND Telecomunicazioni SpA is finally controlled by Veon ltd and directly

## NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)

### 1 INTRODUCTION (Continued)

controlled by WIND Acquisition Holdings Finance SpA, which wholly owns WIND Telecomunicazioni SpA.

The consolidated interim financial statements as of and for the ten-month period ended October 31, 2016 include the financial statements of WIND Telecomunicazioni SpA and its subsidiaries as for the following structure diagram.



During the ten-month period ended October 31, 2016 the Group produced a profit before tax of €416 million (€424 million for the ten-month period ended October 31, 2015) and a profit for the period from continuing operations of €329 million (€351 million for the corresponding period). This result reflects the decrease in operating income mainly due to the gain recorded in the first half of 2015 on the sale of Galata SpA only partially offset by the increase in finance income arising from the fair value measurement of the embedded derivatives on the bonds.

### 2 GENERAL ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The consolidated interim financial statements of WIND Telecomunicazioni SpA as of and for the ten-month period ended October 31, 2016 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

The term IFRS includes all International Financial Reporting Standards (IFRSs), all International Accounting Standards (IASs), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC) endorsed by the European Union and contained in published EU Regulations.

The structure and content of these consolidated interim financial statements comply with the disclosure requirements of IAS 34 *Interim Financial Reporting*. The consolidated interim financial statements have been prepared in accordance with IAS 1, while the notes thereto have been drawn up in a condensed format, as permitted by IAS 34. Accordingly, these consolidated interim financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2015.

The consolidated financial statements as of and for the year ended December 31, 2015 are available on request at the registered office of the Parent and on the website [www.windgroup.it](http://www.windgroup.it).

## NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)

### 2 GENERAL ACCOUNTING POLICIES (Continued)

The income statement and statement of comprehensive income figures provided relate to the ten months ended October 31, 2016.

The accounting standards adopted by the Group are the same as those used for the preparation of the consolidated financial statements as of and for the year ended December 31, 2015.

The preparation of these notes required management to apply accounting policies and methodologies that are occasionally based on complex, subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances and on the available information. The application of these estimates and assumptions affects the reported amounts in the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement and the accompanying notes. The closing amounts of items in the consolidated annual financial statements that were initially determined for the purposes of the consolidated interim financial statements by using the above estimates and assumptions may differ from those based on such estimates and assumptions, given the uncertainty surrounding the assumptions and conditions upon which these estimates are based. Management's significant judgments on the application of Group accounting policies and the main causes of uncertainty of these estimates are the same as those applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2015.

Income tax is recognized on the basis of the taxable income for the period and applicable laws and regulations, using tax rates in force at the end of the reporting period.

These consolidated financial statements are expressed in euros, the currency of the economy in which the Group operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in millions of euro.

The Group has determined that it has one reportable segment based on the information reviewed by its Management in making decisions regarding allocation of resources and to assess performance.

#### 2.2 Accounting standards and interpretations

The Group has adopted all the newly issued and amended standards of the IASB and interpretations of the IFRIC, endorsed by the European Union, applicable to its transactions and effective for financial statements for years beginning January 1, 2016 and thereafter.

#### Accounting standards, amendments and interpretations adopted from 1 January 2016

The following is a brief description of the new standards and interpretations adopted by the Group in the preparation of the consolidated financial statements at October 31, 2016.

- *Annual Improvements to IFRSs 2010 - 2012 Cycle*

The main amendments included in the Annual Improvements to IFRSs—2010 - 2012 Cycle adopted by the European Union on December 17, 2014 and effective from January 1, 2016 are as follows: i) Amendments to IFRS 2—Share-based payment (that clarify the characteristics of some of the vesting conditions); ii) Amendments to IFRS 3—Business combinations (that clarify the accounting for “contingent consideration” in a business combination; iii) Amendments to IFRS 8—Operating segments (that introduce an additional disclosure to be presented in the financial statements regarding the methods of aggregating operating segments); iv) Amendments to IAS 16—Property, plant and equipment (that

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

clarify the Revaluation method and proportionate restatement of accumulated depreciation and amortization); v) Amendments to IAS 24—Related Party disclosures” (Key management personnel); vi) Amendments to IAS 38—Intangible assets (that clarify Revaluation method—proportionate restatement of accumulated amortization). The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

- *Amendments to IAS 19—Defined benefit Plans: Employee Contributions*

These amendments clarify the accounting for employee contributions under a defined benefit plan. The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

- *Amendments to IFRS 11—Accounting for Acquisitions of Interests in Joint Operations*

These amendments clarify the accounting for the acquisition of an interest in a Joint Operation that constitutes a business. The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. For intangible assets, this indication is considered as a relative assumption, that may only be overcome in one of the following circumstances: (i) the right to use an intangible asset is related to the achievement of a set revenue threshold; or (ii) when it can be demonstrated that the generation of the revenues and the use of the economic benefits of the asset are highly correlated. The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

- *Amendments to IAS 1: Disclosure Initiative*

The amendments to IAS 1—Disclosure initiative are aimed to improve the effectiveness of the information and require professional judgment to determine the information to be reported in the disclosures in the application of IAS 1. The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

- *Annual Improvements to IFRSs 2012 - 2014 Cycle*

The main amendments included in the Annual Improvements to IFRSs—2012 - 2014 Cycle adopted by the European Union on December 16, 2015 and effective from January 1, 2016 are as follows: i) Amendments to IFRS 5—Non-current assets held for sale and discontinued operations (that clarify the accounting, classification and valuation of non-current assets held for sale or distribution when there are changes in the methods of disposal); ii) Amendments to IFRS 7—Financial Instruments: supplementary disclosure (that relate to the disclosure on servicing contracts, in terms of “continuing involvement”, and the applicability of the disclosure provided concerning the offsetting of financial assets and financial liabilities in the interim financial statements; iii) Amendments to IAS 19—Employee benefits (that clarify the determination of the discount rate); iv) Amendments to IAS 34—Interim Financial Reporting (that clarify how the information included in the interim financial statements may be supplemented by other available information contained in other sections of the Interim Report (e.g., the Report on Operations) through the incorporation by cross-reference). The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Amendments to IAS 27: Equity Method in Separate Financial Statements*

Amendments to IAS 27—Equity method in the separate financial statements, allow the application of the equity method, described in IAS 28—Investments in associates and joint ventures for accounting investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of these amendments had no effect on the consolidated interim financial statements for the period ended October 31, 2016.

• *Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities—Applying the Consolidation Exception*

These amendments provide guidance on applying the investment entities exception available under IFRS 10. The amendments to IFRS 10 clarify that the exemption from preparing consolidated financial statements applies to a parent entity that is the subsidiary of an investment entity when the investment entity measures all of its subsidiaries at fair value. In addition, the amendments to IFRS 10 clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by an investment entity associate or joint venture to its interests in subsidiaries. The adoption of these amendments had no effect on the interim consolidated financial statements at October 31, 2016.

**Accounting standards, amendments and interpretations adopted by the European Union and not early applied by the Group**

All the standards and interpretations adopted by the European Union at the date of these notes are effective for the preparation of these consolidated financial statements at October 31, 2016.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

**Accounting standards, amendments and interpretations not yet adopted by the European Union**

At the date of these notes relevant EU bodies have not completed the process necessary for the endorsement of the following standards and interpretations.

<u>STANDARD/INTERPRETATION</u>	<u>IASB EFFECTIVE DATE</u>
IFRS 14— <i>Regulatory Deferral Accounts</i>	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
IFRS 9— <i>Financial Instruments</i>	January 1, 2018
IFRS 15— <i>Revenue from Contracts with Customers</i>	January 1, 2018
Amendments to IAS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	January 1, 2017
Amendments to IAS 7: <i>Disclosure Initiative</i>	January 1, 2017
IFRS 16 <i>Leases</i>	January 1, 2019
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred indefinitely
Clarifications to IFRS 15 <i>Revenue from Contracts with Customers</i> (issued on 12 April 2016)	January 1, 2018
Amendments to IFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i> (issued on 20 June 2016)	January 1, 2018
Amendments to IFRS 4: <i>Applying IFRS9 Financial instruments with IFRS 4 Insurance Contracts</i> (issued on 12 September 2016)	January 1, 2018

The Group is currently assessing any impact the new standards and interpretations may have on the financial statements for the years in which they become effective.

**3 BASIS OF CONSOLIDATION**

The consolidated interim financial statements as of and for the ten-month period ended October 31, 2016 include the financial statements of WIND Telecomunicazioni SpA and those entities over which the company exercises control, both directly or indirectly, from the date of acquisition to the date when such control ceases. Control may be exercised through direct or indirect ownership of shares with majority voting rights, or by exercising a dominant influence expressed as the direct or indirect power, based on contractual agreements or statutory provisions, to determine the financial and operational policies of the entity and obtain the related benefits, regardless of any equity relationships. The existence of potential voting rights that are exercisable or convertible at the reporting date is also considered when determining whether there is control or not.



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**3 BASIS OF CONSOLIDATION (Continued)**

There has been a change in the scope of consolidation used to prepared the interim consolidated financial statements compared to that at October 31, 2015. The companies WIND Finance SL SA and Wind Acquisition Finance II SA, in which the Parent held 27% and which as special purpose entities were previously considered subsidiaries and accordingly consolidated on a line-by-line basis, were wound up on September 1, 2016.

**4 ACQUISITIONS AND DISPOSALS**

On March 10, 2016, the shareholders' meetings of the associates companies Wind Acquisition Finance II SA and WIND Finance SL, in extraordinary session, resolved their dissolution and putting them into liquidation with immediate effect. These liquidations were completed on September 1, 2016 and had no significant impact on the interim consolidated financial statements at October 31, 2016.

**5 REVENUE**

The following table provides an analysis of *Revenue* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
<b>Revenue from sales</b> . . . . .	<b>294</b>	<b>217</b>	<b>77</b>	<b>35.5%</b>
—Telephone services . . . . .	2,844	2,892	(48)	(1.7)%
—Interconnection traffic . . . . .	339	314	25	8.0%
—International roaming . . . . .	32	34	(2)	(5.9)%
—Judicial authority services . . . . .	5	5	—	—
—Other revenue from services . . . . .	99	94	5	5.3%
<b>Revenue from services</b> . . . . .	<b>3,319</b>	<b>3,339</b>	<b>(20)</b>	<b>(0.6)%</b>
<b>Total</b> . . . . .	<b>3,613</b>	<b>3,556</b>	<b>57</b>	<b>1.6%</b>

The item shows an increase for the ten months of 2016 compared with 2015 of 1.6%. This effect is mainly due to an increase in revenue from *sales* and revenue from *interconnection traffic*, only partially offset by a decrease in revenue from *telephone services*.

The increase in *revenue from sales* is mainly due to a rise in the unit revenues of mobile telephone handsets arising from the sale of items in a higher price range than the previous period.

*Revenue for interconnection traffic* rose by 8.0% mainly due to increased incoming traffic volumes on mobile that were only partially offset by a decrease in volumes for incoming SMSs and MMSs and by the reduction in both volumes and tariffs for calls to non-geographic numbers.

The *Telephone services* show a decrease remaining at 1.7% in the first ten months of 2016 compared with 2015, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**6 OTHER REVENUE**

*Other revenue* amounts in total to €95 million in the ten months of 2016, a decrease of €35 million over the corresponding period of 2015 and refers principally to release to income statement of capital contribution and penalties.

**7 PURCHASES AND SERVICES**

The following table provides an analysis of *Purchases and services* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
Interconnection traffic . . . . .	427	472	(45)	(9.5)%
Customer acquisition costs . . . . .	134	139	(5)	(3.6)%
Lease of civil/technical sites and use of third party assets . . . . .	139	161	(22)	(13.7)%
Purchases of raw materials, consumables, supplies and goods . . . . .	283	232	51	22.0%
Rental of local network and circuits . . . . .	317	332	(15)	(4.5)%
Advertising and promotional services . . . . .	65	71	(6)	(8.5)%
Outsourcing costs for other services . . . . .	257	204	53	26.0%
Maintenance and repair . . . . .	38	47	(9)	(19.1)%
Utilities . . . . .	81	91	(10)	(11.0)%
National and international roaming . . . . .	25	24	1	4.2%
Consultancies and professional services . . . . .	54	28	26	92.9%
Change in inventories . . . . .	(4)	(25)	21	(84.0)%
Other services . . . . .	114	106	8	7.5%
<b>Total purchases and services . . . . .</b>	<b><u>1,930</u></b>	<b><u>1,882</u></b>	<b><u>48</u></b>	<b><u>2.6%</u></b>

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the ten-month period ended October 31, 2015:

- net increase of €72 million in *Purchases of raw materials, consumables, supplies and goods* and *Change in inventories* mainly due to an increase in the unit cost of mobile telephone handsets sold;
- an increase of €53 million in *Outsourcing costs for other services* mainly arising from the service contract entered on February 27, 2015 with Galata SpA, a company formed on February 18, 2015 to which the “Tower Development” business unit consisting of 7,337 towers was contributed and with the relative Lease contracts;
- an increase of €26 million in *Consultancies and professional services* mainly due to corporate services received from related parties, with details may be found in note 26;
- a decrease of €45 million in *Interconnection traffic* costs mainly due to a decrease in the volume and tariffs of international termination traffic and to a reduction of volumes only partially offset by increase in tariffs in SMS traffic;
- a decrease of €22 million in *Lease of civil/technical sites and use of third party assets* and of €10 million in *Utilities* mainly due to the sale finalized on March 26, 2015 of 90% of Galata SpA;

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**7 PURCHASES AND SERVICES (Continued)**

- a decrease of €15 million in *Rental of local network and circuits* mainly due to a decrease in WLR and Bitstream volumes.

**8 OTHER OPERATING COSTS**

The following table provides an analysis of *Other operating costs* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
Impairment losses on trade receivables and current assets . . . . .	83	86	(3)	(3.5)%
Accruals to provision for risks and charges . . . . .	6	(7)	13	n.m.
Annual license and frequency fees . . . . .	34	32	2	6.3%
Other operating costs . . . . .	11	14	(3)	(21.4)%
<b>Total other operating costs . . . . .</b>	<b>134</b>	<b>125</b>	<b>9</b>	<b>7.2%</b>

**9 PERSONNEL EXPENSES**

The following table provides an analysis of *Personnel expenses* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
Wages and salaries . . . . .	216	219	(3)	(1.4)%
Social security charges . . . . .	59	60	(1)	(1.7)%
Other personnel expenses . . . . .	12	10	2	20.0%
Post-employment benefits . . . . .	14	15	(1)	(6.7)%
(Costs capitalized for internal works) . . . . .	(64)	(56)	(8)	14.3%
<b>Total personnel expenses . . . . .</b>	<b>237</b>	<b>248</b>	<b>(11)</b>	<b>(4.4)%</b>

Personnel expenses for the first ten months of 2016 decrease of 4.4% compared with the corresponding period of 2015.

On February 9, 2016 an agreement was signed with the trade unions for rendering the Group's business model more efficient by completing the plan for internationalizing activities, which is already under way (with previously trade union agreement of July 29, 2014, which introduced solidarity contracts for a period of 18 months starting from September 2014) and carrying out the resulting reskilling measures. It was agreed to support this process by continuing solidarity contracts for a further 18 months, on a restricted basis compared to the previous, with the aim of completely absorbing excess staff, also through the use of innovative tools such as telework and other flexible forms of working.

The average number of employees fell by 92 in the first ten months of 2016 compared with the corresponding period of 2015, mainly due to the sale finalized on March 26, 2015 of 90% of Galata SpA and following the implementation of the personnel's restructuring plan drawn up at December 31, 2015 with the objective of optimizing the cost structure.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**10 DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of *Depreciation and amortization* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
Depreciation of property, plant and equipment				
—Plant and machinery . . . . .	562	561	1	0.2%
—Industrial and commercial equipment . . . . .	8	9	(1)	(11.1)%
—Other assets . . . . .	16	16	—	—
Amortization of intangible assets with finite lives				
—Industrial patents and similar rights . . . . .	92	93	(1)	(1.1)%
—Concessions, licenses, trademarks and similar rights . . . . .	159	159	—	—
—Other intangible assets . . . . .	126	133	(7)	(5.3)%
<b>Total depreciation and amortization . . . . .</b>	<b>963</b>	<b>971</b>	<b>(8)</b>	<b>(0.8)%</b>

Depreciation and amortization decrease by €8 million over the first ten months of 2015 mainly due to lower amortization of intangible assets, mainly due to the decreasing trend of the capitalization of customer acquisition cost and the amortization of the Customer list Infostrada which ended in 2015.

**11 GAINS (LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS**

*Gains (Losses) on disposal of non-current assets* show a net loss of €1 million in the ten months of 2016 while amounted to a net gains of €484 million in the ten months of 2015 mainly arising from the sale, finalized on March 26, 2015 of 90% of Galata SpA.

**12 FINANCE INCOME AND EXPENSE**

Financial management generated a negative net finance expense of €26 million in the first ten months of 2016 (€433 million in the first ten months of 2015).

The following table provides an analysis of *Finance income* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
Other income from derivative financial instruments . . . . .	366	61	305	n.m.
Other . . . . .	87	78	9	11.5%
<b>Total finance income . . . . .</b>	<b>453</b>	<b>139</b>	<b>314</b>	<b>n.m.</b>

The increase in this item is mainly due to the effects arising from the fair value measurement of the embedded derivatives on the bonds that led to the recognition of income of €366 million at October 31, 2016, compared to income of €17 million at October 31, 2015. This effect was only partially offset by the decrease in the positive effect of ineffectiveness recorded on hedging derivatives that led to recognition of income of €44 million in the first nine months of 2015 while led to recognition of expense of €8 million in the first ten months of 2016.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**12 FINANCE INCOME AND EXPENSE (Continued)**

Other financial income at October 31, 2016 consists mainly of the interest of €87 million arising on the receivable from the parent Wind Acquisitions Holdings Finance SpA under the intercompany agreements entered in April 23, 2014 and in August 4, 2014, for which details may be found in note 16, (€78 million at October 31, 2015).

The following table provides an analysis of *Finance expense* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016	2015	Change	
	10 months	10 months	Amount	%
Interest expense on:				
Bond issues . . . . .	(485)	(476)	(9)	1.9%
Bank loans . . . . .	(43)	(97)	54	(55.7)%
Discounted provisions . . . . .	(1)	(1)	—	—
Hedge accounting effect . . . . .	81	66	15	22.7%
Impairment losses on financial assets . . . . .	5	(18)	23	n.m.
Other expenses from derivative financial instruments . . . . .	(8)	(10)	2	(20.0)%
Other . . . . .	(28)	(36)	8	(22.2)%
<b>Total finance expense . . . . .</b>	<b>(479)</b>	<b>(572)</b>	<b>93</b>	<b>(16.3)%</b>

Finance expense consists mostly of accrued interest on financial liabilities outstanding at October 31, 2016, for which further details may be found in note 22 and the positive effect of hedge accounting of €81 million (€66 million in the first ten months of 2015) and the negative ineffectiveness recorded on hedging derivatives by €8 million (€10 million in the first ten months of 2015).

*Interest expense on Bond issues* increase during the period over the ten months of 2015, due to the placement completed on March 30, 2015, of a Senior Notes due 2020 totaling €775 million.

The decrease in *bank loan interest* is due to the refinancing operation of the Senior Facility Agreement completed in March 30, 2015 which led to the repayment of balance of the tranches at March 30, 2015 by an amount of €1,782 million and the release in the first three months of 2015 of suspended fees of €34 million relating the tranches reimbursed. More details may be found in note 22.

In addition finance expense for the quarter ended October 31, 2016 also includes the positive effect of €5 million arising from the release of a provision made in 2015, for which further details may be found in note 21.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**13 INCOME TAX**

The following table provides an analysis of *Income tax* for the ten months of 2016 compared with the corresponding period of 2015.

(millions of euro)	2016 10 months	2015 10 months	Change	
			Amount	%
Current tax . . . . .	(63)	(82)	19	(23.2)%
Previous years income taxes . . . . .	(24)	7	(31)	n.m.
Deferred tax . . . . .	—	2	(2)	(100.0)%
<b>Total income taxes . . . . .</b>	<b>(87)</b>	<b>(73)</b>	<b>(14)</b>	<b>19.2%</b>

The net charge for the period is made up of the following:

- current income taxes expense of €63 million (of which €35 million for IRES tax and €28 million for IRAP tax) charged on the consolidated taxable income for the period;
- previous years income taxes expense of €24 million mainly due to estimation of the effects related to the tax audit carried on financial years from 2011 to 2014 by Agenzia delle Entrate.

**14 PROPERTY, PLANT AND EQUIPMENT**

The following table sets out the changes in *Property, Plant and Equipment* during the first ten months of 2016.

(millions of euro)	Carrying amount at December 31, 2015	Additions	Depreciation	(Impairment) / Reversal	Disposals	Others	Carrying amount at October 31, 2016
Land and buildings . . . . .	1	—	—	—	—	1	2
Plant and machinery . . . . .	2,678	311	(562)	(5)	(4)	99	2,517
Equipment . . . . .	19	6	(8)	—	—	—	17
Other . . . . .	48	12	(16)	(1)	—	10	53
Assets under construction . . . . .	109	42	—	5	—	(103)	53
<b>Total . . . . .</b>	<b>2,855</b>	<b>371</b>	<b>(586)</b>	<b>(1)</b>	<b>(4)</b>	<b>7</b>	<b>2,642</b>

The cost, accumulated impairment losses and accumulated depreciation at October 31, 2016 can be summarized as follows.

(millions of euro)	At October 31, 2016			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings . . . . .	2	—	—	2
Plant and machinery . . . . .	10,969	79	8,373	2,517
Equipment . . . . .	167	—	150	17
Other . . . . .	501	1	447	53
Assets under construction . . . . .	72	19	—	53
<b>Total . . . . .</b>	<b>11,711</b>	<b>99</b>	<b>8,970</b>	<b>2,642</b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
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**14 PROPERTY, PLANT AND EQUIPMENT (Continued)**

The decrease in *Property, Plant and Equipment* of €213 million is essentially due to the depreciation made in the period of plant and machinery only partially offset by the investments made in the period related mainly to radio links and high frequency equipment for the expansion of the mobile access network and plant and machinery under construction (IT infrastructures and 3G and LTE technologies).

**15 INTANGIBLE ASSETS**

The following table sets out the changes in *Intangible assets* during the first ten months of 2016.

(millions of euro)	Carrying amount at December 31, 2015	Additions	Amortization	(Impairment) / Reversal	Others	Carrying amount at October 31, 2016
Industrial patents and intellectual property rights . . .	274	105	(92)	—	11	298
Concessions, licenses, trademarks and similar rights	3,779	—	(159)	—	—	3,620
Other intangible assets . . . . .	347	73	(126)	—	16	310
Goodwill . . . . .	3,604	—	—	(1)	—	3,603
Assets under development . . . .	34	29	—	1	(33)	31
<b>Total . . . . .</b>	<b><u>8,038</u></b>	<b><u>207</u></b>	<b><u>(377)</u></b>	<b><u>—</u></b>	<b><u>(6)</u></b>	<b><u>7,862</u></b>

The cost, accumulated impairment losses and accumulated amortization at October 31, 2016 can be summarized as follows.

(millions of euro)	At October 31, 2016			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights . . . . .	1,964	13	1,653	298
Concessions, licenses, trademarks and similar rights . . . . .	5,779	1	2,158	3,620
Other intangible assets . . . . .	1,984	—	1,674	310
Goodwill . . . . .	3,609	6	—	3,603
Assets under development . . . . .	32	1	—	31
<b>Total . . . . .</b>	<b><u>13,368</u></b>	<b><u>21</u></b>	<b><u>5,485</u></b>	<b><u>7,862</u></b>

The decrease in Intangible assets of €176 million is essentially due to the amortization made in the period only partially offset by the investments made in the period relate mainly to software, capitalization of customer acquisition costs and other intangible assets under development.

No impairment tests were carried out on these assets at October 31, 2016 given the absence of impairment indicators.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**16 FINANCIAL ASSETS**

The following table sets out *Financial assets* at October 31, 2016 and at December 31, 2015.

(millions of euro)	At October 31, 2016			At December 31, 2015		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost . . . . .	2	—	2	2	—	2
Derivative financial instruments . . . . .	1,292	—	1,292	985	—	985
Financial receivables . . . . .	1,235	7	1,242	1,110	23	1,133
<b>Total</b> . . . . .	<b>2,529</b>	<b>7</b>	<b>2,536</b>	<b>2,097</b>	<b>23</b>	<b>2,120</b>

Financial assets measured at cost, amounting to €2 million, consist of investments where the Group does not exert control.

The item *Derivative financial instruments* includes the positive fair value of derivative financial instruments of €1,292 million for which details may be found in note 23.

The *Financial receivables*, amounting €1,242 million at October 31, 2016 mainly include:

- for €1,233 million the loans granted by WIND to the parent WIND Acquisition Holdings Finance SpA resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively (of which €4 million relating accrued interest). In particular, the first one, with a nominal value of €1,156 million including capitalized interests at October 31, 2016, has an annual fixed interest rate of 9% and repayment date in April 2024. The second loan with a nominal value up to €75 million (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) was disbursed for €73 million at October 31, 2016, including capitalized interests;
- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 22) equal to €5 million (€6 million at December 31, 2015), which are charged to income statement on a straight-line basis over the term of the agreement.

**17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The balance on *investments accounted for using the equity method* of €77 million at October 31, 2016 regards the investment in Galata SpA, company formed by the Parent on February 18, 2015 through the contribution of the business unit “Tower Development” consisting of 7,377 towers together with the relevant functions, employees and related contracts and which the Parent holds 10% interest at October 31, 2016.



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
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**18 DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by origin at October 31, 2016 and at December 31, 2015.

(millions of euro)	At December 31, 2015	Decrease	Increase	Netting	At October 31, 2016
Allowance for doubtful accounts (taxed) . . . . .	46	17	24	(53)	—
Provisions for risks and charges (taxed) . . . . .	27	7	1	(21)	—
Measurement of financial assets/liabilities . . . . .	130	15	—	—	115
Amortization and depreciation of non-current assets . . . . .	47	10	7	(44)	—
Revenues . . . . .	<u>1</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>
<b>Deferred tax assets</b> . . . . .	<b><u>251</u></b>	<b><u>49</u></b>	<b><u>32</u></b>	<b><u>(119)</u></b>	<b><u>115</u></b>
Employee benefits . . . . .	2	—	—	—	2
Accelerated depreciation and amortization . . . . .	10	2	—	—	8
Fair value of Property, plant, and equipment . . . . .	26	7	—	—	19
Depreciation of Purchase Price Allocation . . . . .	505	16	2	—	491
Revenues . . . . .	1	—	—	—	1
Allowance for doubtful accounts (taxed) . . . . .	—	—	—	(53)	(53)
Provisions for risks and charges (taxed) . . . . .	—	—	—	(21)	(21)
Amortization and depreciation of non-current assets . . . . .	—	—	—	(44)	(44)
Revenues . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>
<b>Deferred tax liabilities</b> . . . . .	<b><u>544</u></b>	<b><u>25</u></b>	<b><u>2</u></b>	<b><u>(119)</u></b>	<b><u>402</u></b>

The decrease in the period in deferred tax assets is explained mainly by a decrease in provision for risk and charges and in measurement of financial assets/liabilities. The decrease in deferred tax liabilities is mainly due to a decrease in depreciation of PPA.

Changes in the item at October 31, 2016 includes, among others, the items recognized directly in Consolidated Statement of Comprehensive Income for the period relate mainly to the transactions on derivatives hedging cash flows, as described in further detail in note 23 and the reclassification, of €4 million, of deferred tax liabilities related to losses on bad debts that offset deferred tax assets for the provision on doubtful accounts.

The following table provides an analysis of *Deferred tax assets* and *Deferred tax liabilities* at October 31, 2016 and December 31, 2015, between those falling due within 12 months and those falling due after 12 months.

(millions of euro)	At October 31, 2016	At December 31, 2015
—within 12 months . . . . .	—	49
—after 12 months . . . . .	<u>115</u>	<u>202</u>
<b>Total</b> . . . . .	<b><u>115</u></b>	<b><u>251</u></b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**18 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

<u>(millions of euro)</u>	<u>At October 31, 2016</u>	<u>At December 31, 2015</u>
—within 12 months . . . . .	—	37
—after 12 months . . . . .	402	507
<b>Total . . . . .</b>	<b><u>402</u></b>	<b><u>544</u></b>

**19 EQUITY**

The following table sets out the composition of Shareholders' *Equity* at October 31, 2016 and December 31, 2015.

<u>(millions of euro)</u>	<u>At October 31, 2016</u>	<u>At December 31, 2015</u>
<b>Issued Capital . . . . .</b>	<b>147</b>	<b>147</b>
<b>Share premium reserve . . . . .</b>	<b>752</b>	<b>752</b>
<b>Other reserves and retained earnings (accumulated losses), including profit for the year . . . . .</b>	<b>(21)</b>	<b>(352)</b>
—Reserve for remeasurements of employee defined benefit plans (IAS19) . . . . .	(6)	(6)
—Cash flow reserve . . . . .	(40)	(40)
—Legal reserve . . . . .	29	29
—Sundry reserves and retained earnings (accumulated losses), including profit for the year . . . . .	(4)	(335)
<b>Equity attributable to the owners of the parent . . . . .</b>	<b><u>878</u></b>	<b><u>547</u></b>
<b>Total Equity . . . . .</b>	<b><u>878</u></b>	<b><u>547</u></b>

On April 5, 2016, the parent's shareholders resolved the approval of the annual financial statements as of and for the year ended December 31, 2015 allocating the profit for the year of €297 million to losses carried forward.

Changes in the Group's equity during the period mainly arose from the change in the cash flow hedge reserve, as well as the profit for the period, as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the period that relate entirely to the transactions on hedging derivatives on cash flows, as described in further detail in note 23. The following table shows the changes in the cash flow hedge reserve.

<u>(millions of euro)</u>	<u>Interest rate risk</u>			<u>Foreign currency risk</u>			<u>Cash Flow Hedge Reserve</u>
	<u>Gross reserve</u>	<u>Tax effect</u>	<u>Total</u>	<u>Gross reserve</u>	<u>Tax effect</u>	<u>Total</u>	
<b>At December 31, 2015 . . . . .</b>	<b>(37)</b>	<b>—</b>	<b>(37)</b>	<b>(3)</b>	<b>1</b>	<b>(2)</b>	<b>(40)</b>
Changes in fair value . . . . .	24	—	24	(19)	6	(13)	11
Reverse to income statement . . . . .	(10)	—	(10)	(1)	—	(1)	(11)
<b>At October 31, 2016 . . . . .</b>	<b><u>(23)</u></b>	<b><u>—</u></b>	<b><u>(23)</u></b>	<b><u>(23)</u></b>	<b><u>7</u></b>	<b><u>(16)</u></b>	<b><u>(40)</u></b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**19 EQUITY (Continued)**

The share capital of the parent WIND Telecomunicazioni SpA at October 31, 2016 consist of 146,100,000 ordinary shares with no nominal value, fully subscribed and paid up by the sole shareholder WIND Acquisition Holdings Finance SpA. During the period there were no changes in the number of Parent shares.

Despite the encumbrances on the pledged shares underlying the share capital of the Parent held by WIND Acquisition Holdings Finance SpA, the voting rights at shareholders' meetings of the Parent are retained by WIND Acquisition Holdings Finance SpA by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian Civil Code.

**20 EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to the owners of the Parent; profit refers to continuing operations and discontinued operations. Both basic and diluted earnings per share have been calculated by using as a denominator the weighted average for the period of the number of outstanding shares, since there were no diluting effects at October 31, 2016 or October 31, 2015.

**21 PROVISIONS**

The following table sets out changes in **Provisions** during the first ten months of 2016.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>Increases</u>	<u>Utilization</u>	<u>Release</u>	<u>At October 31, 2016</u>
Litigation . . . . .	29	5	(4)	—	30
Personnel restructuring . . . . .	10	—	(10)	—	—
Universal service contribution (Presidential Decree no. 318/1997) . . . . .	5	—	—	—	5
Product assistance . . . . .	1	1	(1)	—	1
Dismantling and removal . . . . .	23	—	—	—	23
Other provisions . . . . .	50	1	(11)	(9)	31
<b>Total . . . . .</b>	<b><u>118</u></b>	<b><u>7</u></b>	<b><u>(26)</u></b>	<b><u>(9)</u></b>	<b><u>90</u></b>

This item shows a net decrease of €28 million at October 31, 2016, as the net of accruals made principally for probable liabilities arising from the obligations undertaken by the Group and the amounts utilized/released during the period. In this respect, a release of €5 million refers to the provision made by the Parent in 2015 for the possible reinstatement of the portion of negative equity of Group's investment, for which details may be found in note 12, a release of €2 million refers to the provision made by the Parent in 2015 for compensation plan for the long-term retention and incentive of management. The utilization of the restructuring provision in the amount of €10 million is mainly due to the implementation of the business's restructuring and underlying reorganization plan drawn up. The item *Other provisions* at October 31, 2016 includes €15 million for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €7 million relating to compensation plan for the long-term retention and incentive of management (€16 million and €15 million respectively at December 31, 2015).

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**22 FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* at October 31, 2016 and at December 31, 2015.

(millions of euro)	At October 31, 2016			At December 31, 2015		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues . . . . .	10,109	61	<b>10,170</b>	10,135	158	<b>10,293</b>
Bank loans . . . . .	676	4	<b>680</b>	671	8	<b>679</b>
Loans from others . . . . .	128	1	<b>129</b>	128	19	<b>147</b>
Derivative financial instruments . . . . .	23	7	<b>30</b>	36	18	<b>54</b>
<b>Total financial liabilities . . . . .</b>	<b><u>10,936</u></b>	<b><u>73</u></b>	<b><u>11,009</u></b>	<b><u>10,970</u></b>	<b><u>203</u></b>	<b><u>11,173</u></b>

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at October 31, 2016.

(millions of euro)	At October 31, 2016					
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	Total
Euro . . . . .	3,461	2,584	28	128	—	6,201
US dollars . . . . .	1,747	496	2,535	—	—	4,778
<b>Total . . . . .</b>	<b><u>5,208</u></b>	<b><u>3,080</u></b>	<b><u>2,563</u></b>	<b><u>128</u></b>	<b><u>—</u></b>	<b><u>10,979</u></b>

The following tables provide the most important information regarding bank loans and bond issues outstanding at October 31, 2016.

(millions of euro)	Carrying amount at October 31, 2016	Carrying amount at December 31, 2015	Nominal amount at October 31, 2016	Residual Commitment	Currency	Due date	Interest rate
Senior Facility Agreement							
—Term Loan B1 . . . . .	679	679	700	700	EUR	11/26/2019	Euribor+4.25
—RCF R1 . . . . .	—	—	—	400	EUR	11/26/2019	Euribor+4.25
Other accrued interest . . . . .	1	—	—	—	—	—	—
<b>Total . . . . .</b>	<b><u>680</u></b>	<b><u>679</u></b>	<b><u>700</u></b>	<b><u>1,100</u></b>	—	—	—

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**22 FINANCIAL LIABILITIES (Continued)**

(millions of euro)	Carrying amount at October 31, 2016	Carrying amount at December 31, 2015	Nominal amount at October 31, 2016	Issue price	Currency	Due date	Interest rate	Price
Senior Secured Floating Rate Notes 2020 € . . .	397	399	400	100%	EUR	07/15/2020	Euribor 3M+4.125%	100.4%
Senior Secured Notes tap 2020 € . . . . .	380	383	375	100%	USD	07/15/2020	4.00%	101.6%
Senior Secured Floating Rate Notes 2019 € . . .	148	149	150	100%	EUR	04/30/2019	Euribor 3M+5.25%	101.3%
Senior Secured Fixed Rate Notes 2020 \$ . . .	496	506	501	100%	USD	04/30/2020	6.50%	103.3%
Senior Notes 2021 € . . .	1,737	1,755	1,750	100%	EUR	04/23/2021	7.00%	104.1%
Senior Notes 2021 \$ . . .	2,563	2,611	2,550	100%	USD	04/23/2021	7.38%	102.3%
Senior Secured Notes 2020 € . . . . .	2,113	2,124	2,100	100%	EUR	07/15/2020	4.00%	101.6%
Senior Secured Notes 2020 \$ . . . . .	1,765	1,792	1,730	100%	USD	07/15/2020	4.75%	100.5%
Senior Secured Floating Rate Notes 2020 € . . .	571	574	575	100%	EUR	07/15/2020	Euribor 3M+4%	100.1%
<b>Total . . . . .</b>	<b><u>10,170</u></b>	<b><u>10,293</u></b>	<b><u>10,131</u></b>					

Changes in balances of bonds at October 31, 2016 is due mainly to the change in the period of the EUR/USD exchange rate on financial liabilities in foreign currency.

The renegotiated Senior Facility Agreement contains new financial covenants which the Group must test if the amount drawn down from the Revolving Credit Facility (“RCF”) exceeds 35% of the total. No amounts had been drawn down from the RCF at October 31, 2016.

The change in the balances in other financial liabilities results essentially from the repayment during the period of €18 million relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group’s debt of November 26, 2010. Consequently, this loan is fully repaid at October 31, 2016.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 23.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**23 DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides details of the outstanding *Derivative financial instruments* at October 31, 2016 and changes over December 31, 2015, analyzed by the type of risk hedged.

(millions of euro)	At October 31 2016		At December 31, 2015	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
—Exchange rate risk . . . . .	633	—	682	—
—Interest rate risk . . . . .	—	30	—	54
<b>Total cash flow hedges . . . . .</b>	<b>633</b>	<b>30</b>	<b>682</b>	<b>54</b>
—Exchange rate risk . . . . .	278	—	288	—
<b>Total fair value hedges . . . . .</b>	<b>278</b>	<b>—</b>	<b>288</b>	<b>—</b>
—Embedded derivatives on Bonds . . . . .	381	—	15	—
<b>Total Derivatives Non Hedge Accounting . . . . .</b>	<b>381</b>	<b>—</b>	<b>15</b>	<b>—</b>
<b>Total . . . . .</b>	<b>1,292</b>	<b>30</b>	<b>985</b>	<b>54</b>

Changes in the fair value of derivatives arise mainly from variations in the interest rate curve and movements in the euro/USD exchange rate over the period.

The following table shows the detail of current and non-current derivative instruments.

(millions of euro)	At October 31, 2016		At December 31, 2015	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current . . . . .	—	7	—	18
Non current . . . . .	1,292	23	985	36
<b>Total derivatives . . . . .</b>	<b>1,292</b>	<b>30</b>	<b>985</b>	<b>54</b>

The detail of variation in the cash flow hedge reserve for the period may be found in note 19.

The financial instruments recognised in the statement of financial position at fair value are classified on the basis of a hierarchy required by IFRS 7 in the second level except for embedded derivatives which are classified in third level. During the period there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**24 NET FINANCIAL DEBT**

The following statement shows the Group's net financial debt broken down into its principal components, as already described in notes 16, 22 and 23 to the financial components of the statement of financial position.

<u>(millions of euro)</u>	<u>At October 31, 2016</u>	<u>At December 31, 2015</u>
Bonds issues . . . . .	10,109	10,135
Bank loans . . . . .	676	671
Loans from other . . . . .	128	128
Derivative financial instruments . . . . .	23	36
<b>Non-current financial liabilities</b> . . . . .	<b>10,936</b>	<b>10,970</b>
Bonds issues . . . . .	61	158
Bank loans . . . . .	4	8
Loans from others . . . . .	1	19
Derivative financial instruments . . . . .	7	18
<b>Current financial liabilities</b> . . . . .	<b>73</b>	<b>203</b>
<b>TOTAL GROSS FINANCIAL DEBT</b> . . . . .	<b><u>11,009</u></b>	<b><u>11,173</u></b>
<b>Cash and cash equivalents</b> . . . . .	<b>(209)</b>	<b>(282)</b>
Financial receivables . . . . .	(4)	(20)
<b>Current financial assets</b> . . . . .	<b>(4)</b>	<b>(20)</b>
Derivative financial instruments . . . . .	(1,292)	(985)
Financial receivables . . . . .	(1,233)	(1,109)
<b>Non-current financial assets</b> . . . . .	<b><u>(2,525)</u></b>	<b><u>(2,094)</u></b>
<b>NET FINANCIAL DEBT</b> . . . . .	<b><u>8,271</u></b>	<b><u>8,777</u></b>

The net financial debt at October 31, 2016 does not include the guarantee deposits for an amount of €5 million (classified both in current and non-current financial receivables). These guarantee deposits amount of €5 million at December 31, 2015.

**25 CASH FLOW STATEMENT**

Cash flows from operating activities, amounting to €546 million in the first ten months of 2016, increased €85 million over the previous period of 2015, mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash flow of €601 million during the first ten months of 2016, mainly due the investments in fixed assets (mainly IT infrastructures and 3G and LTE mobile technology). During the first ten months of 2015 cash flow from investing activities amounted to 44 mainly due to the effect of the sale of 90% of Galata SpA.

Financing activities used cash of €18 million during the first ten months of 2016, mainly as the effect of the repayment of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans repaid with the refinancing of the Group's debt of November 26, 2010.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**25 CASH FLOW STATEMENT (Continued)**

During the first ten months of 2015 financing activities used cash of €639 million mainly as the effect of the repayment of: i) €1,782 million of the tranche of the Senior Facility Agreement at March 30, 2015, ii) €100 million of the revolving tranche of the Senior Facility Agreement, iii) €162 million of the payable due to the Ministry of Economic Development, iv) €18 million, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments, v) €31 million of overdraft, and vi) €19 million of fees, mainly related to refinancing operation finalized on March 30 2015; these movements were only partially offset by the issue on March 30 2015 of a new bond Senior Secured Notes for a total amount of €775 million and maturing in 2020 and by the renegotiation on March 12, 2015 of new senior facilities maturing in 2018 of €700 million.

**26 RELATED PARTY TRANSACTIONS**

*Transactions with related parties*

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

In reference to transactions with the indirect parent Wind Telecom SpA, WIND Telecomunicazioni SpA receives services mainly relating to IT, marketing, personnel and purchasing, while in reference to transactions with the related company Vimpecom International Services, WIND receives trading and signature services of agreements relating to the economic conditions of international roaming.

In reference to transactions with the parent Wind Acquisition Holdings Finance SpA, on April 23, 2014 and on August 4, 2014 two intercompany loans of up to €925 million (fully disbursed at October 31, 2016) and up to €75 million (which €67 million disbursed October 31, 2016) were signed, for which details may be found in note 16.

In addition, on April 23, 2014 the receivable of €171 million for the intercompany loan based on the agreement of November 29, 2010 between the Parent Company and the indirect parent Wind Telecom SpA was used to partially offset the liability arising from the transfer by the Parent Company of IRES corporate income tax liabilities as the result of adhesion to the national tax consolidation procedure with Wind Telecom SpA, while the remaining balance of €142 million due by WIND to the indirect parent Wind Telecom SpA was transferred by the latter on the same date to the direct parent Wind Acquisition Holdings Finance SpA.

Transactions with the associate Galata SpA arise from the agreement signed with the Parent Company for the provision of a wide range of services on the contributed sites and sites subsequently built by Galata hosting WIND equipment.

During the period ended October 31, 2016, Group companies did not hold treasury shares of the Parent WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of the parent WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.



**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**26 RELATED PARTY TRANSACTIONS (Continued)**

The table below provides a summary of the main effects on the income statement and statement of financial position of related party transactions during the year.

(thousands of euro)	Period ended October 31, 2016							
	Revenue	Finance income /		Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
		Foreign exchange gains	Expenses					
Armenija Telefon Kompani . . . . .	17	—	4	2	—	—	26	—
DiGi (Malaysia) . . . . .	—	—	1	6	—	—	1	—
DTAC/UCOM (Thailand) . . . . .	3	—	—	18	—	—	4	—
GrameenPhone (Bangladesh) . . . . .	2	—	—	—	—	—	55	—
KaR-Tel . . . . .	70	—	21	25	—	—	—	—
Kievstar . . . . .	992	—	17,233	—	—	—	6,021	—
Telenor Maritime . . . . .	—	—	229	—	—	—	65	—
Mobitel LLC Georgia . . . . .	1	—	5	—	—	—	6	—
Orascom Telecom Algeria SpA . . . . .	190	—	200	736	—	—	—	—
Banglalink Digital Communications Ltd. . . . .	3	—	42	606	—	—	—	—
Orascom Telecom Holding SAE . . . . .	—	—	—	—	—	—	—	—
Pakistan Mobile Communications Ltd. . . . .	68	—	11	552	—	—	—	—
SKY MOBILE LLC . . . . .	1	—	1	—	—	—	1	—
Telenor Magyarorszag KFT . . . . .	89	—	39	25	—	—	74	—
Telenor Mobile Communications AS . . . . .	265	—	18	—	—	—	392	—
Telenor Pakistan (Pakistan) . . . . .	—	—	—	—	—	—	3	—
Telenor Serbia (Serbia) . . . . .	24	—	23	11	—	—	—	—
Unitel . . . . .	4	—	5	2	—	—	—	—
Vimpelcom Ltd . . . . .	7,500	—	9,223	—	84	—	10,000	—
VimpelCom LaoCo,Ltd . . . . .	—	—	—	1	—	—	—	—
Vympel-Kommunikacii . . . . .	1,390	—	6,505	—	—	—	1,313	—
Weather Capital Sarl . . . . .	1	—	—	—	—	—	—	—
WIND Acquisition Holdings FinanceSpA . . . . .	37	87,390	—	—	2,822	1,232,909	—	141,985
Wind Telecom SpA* . . . . .	232	306	25,650	—	91	—	20	734
Galata SpA . . . . .	2,521	—	157,361	—	6,243	—	21,002	90
Vimpelcom International services . . . . .	—	—	14,088	—	19	—	—	—
Telenor Sverige AB . . . . .	9	—	1	—	—	—	17	—
Weather Capital Special Purposes ISA . . . . .	52	—	—	5	—	—	—	—
Klarolux Investments Sarl . . . . .	15	—	—	2	—	—	—	—
Global Luxembourg SARL . . . . .	15	—	—	2	—	—	—	—
Global Telecom SARL . . . . .	15	—	—	2	—	—	—	—
Global Telecom Finance SCA . . . . .	15	—	—	2	—	—	—	—
Global Luxembourg Finance SCA . . . . .	15	—	—	2	—	—	—	—
Global Telecom Acquisition . . . . .	12	—	—	1	—	—	—	—
Global Telecom One Sarl . . . . .	12	—	—	1	—	—	—	—
Global Telecom Oscar . . . . .	21	—	—	2	—	—	—	—
Telenor Bulgaria EAD . . . . .	55	—	44	3	—	—	24	—
DTAC TriNet Co., Ltd. . . . .	64	—	6	13	—	—	—	—
Telenor A/S . . . . .	29	—	11	—	—	—	51	—
Telenor Montenegro . . . . .	9	—	42	1	—	—	10	—
<b>Total</b> . . . . .	<b>13,748</b>	<b>87,696</b>	<b>230,763</b>	<b>2,020</b>	<b>9,259</b>	<b>1,232,909</b>	<b>39,085</b>	<b>142,809</b>

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
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**27 OTHER INFORMATION**

**Main pending legal proceedings**

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at October 31, 2016, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

*Proceedings with agents*

Certain proceedings are pending from time to time related to the termination of agency agreements. The agents in these proceedings typically are seeking payment from WIND of damages and indemnities, including a termination indemnity pursuant to article 1751 of the Italian Civil Code.

*Proceedings concerning Misleading Advertising and Unfair Commercial Practices*

Under Legislative Decree No.146/2007, the Italian Antitrust Authority (AGCM) has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2015, four proceedings opened by AGCM against WIND for unfair commercial practices were closed with the payment of fines totalling €1.55 million and orders to cease the alleged unfair practices (one of these proceedings is related to a WIND not compliance with the AGCM's order to stop the alleged underlying unfair practice). WIND appealed before TAR Lazio, the Administrative Court of Lazio, these fines and the related administrative litigations are pending.

On 2016, AGCM opened three new proceedings (respectively on February, April and July), against WIND for alleged unfair commercial practices: the first one has been closed without ascertain any unfair practice; the second one has been closed with the payment of a fine of €455 thousand (which WIND is going to appeal before TAR Lazio) and about the third proceedings, WIND is still waiting for the final AGCM decision.

*Audit by the Italian Tax Authority*

Agenzia delle Entrate ("ADE") (Italian Tax Authority) conducted a tax audit on senior lenders under the senior facility agreement dated 24 November 2010 ("SFA") and challenged the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax challenged on its own portion of the SFA, but may claim indemnification from WIND Telecomunicazioni SpA. The indemnification right has already been exercised. It should be noted that the assessments have been appealed by the senior lenders in coordination with WIND Telecomunicazioni SpA.

ADE revoked two tax assessments issued to few Senior Lenders arguing that no substitute tax is due. As a consequence ADE required to the relevant tax court to cease the controversy regarding such two tax assessment.

**Contingent assets and liabilities**

The WIND Group had the following contingent liabilities as at October 31, 2016.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**27 OTHER INFORMATION (Continued)**

*Proceedings Concerning Electromagnetic Radiation*

Certain proceedings against WIND are pending from time to time regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation.

*Audit on dealers' fees*

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. With respect to tax disputes on year 1999, 2000 and 2001 WIND obtained a positive outcome in the supreme court proceedings. For the year 2000 the Supreme Court has remitted the dispute to the Commission of Second Instance.

*WIND/Crest One SpA*

Crest One SpA (“Crest One”) initiated proceedings against WIND for: (i) the refund of an amount of approximately €16 million, previously paid to WIND by Crest One as value added tax under a distribution agreement entered into between Crest One and WIND, and (ii) the compensation of damages alleged to have been suffered by Crest One pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One’s claims, which has challenged before the Court of Appeal. The next hearing is set for January 30, 2018.

*Fastweb/WIND*

On January 2, 2014, Fastweb served a claim on WIND based on the antitrust proceedings no. A/357—which in August 2007 condemned WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to the business clients). Amongst other issues, WIND has argued that the claim is time barred because it was filed outside of the statute of limitations. On December 10, 2015, the presiding judge decided to defer to the panel of the tribunal to deliberate on WIND’s time-bar argument scheduling the next hearing for March 30, 2016 (then postponed to April 6, 2016). During this hearing the parties have filed their conclusions and, at the end of June 2016, they have filed their final memorandum.

**Guarantees**

No Group company has granted any security or guarantee, either directly or indirectly, in favor of parent companies or companies controlled by the latter.

The collateral pledged by Group companies at October 31, 2016 as a security for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**27 OTHER INFORMATION (Continued)**

- a pledge on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;
- pledge of 12,006,200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA owned by WIND Telecomunicazioni SpA and in favor of a pool of banks pursuant to the related share pledge agreement;
- pledge under English law over a bank account of WIND Telecomunicazioni SpA in favor of the lenders under the Senior Facility Agreement and the other creditors specified in the related deed of pledge;
- assignment under English law of receivables arising from hedging contracts of WIND Telecomunicazioni SpA in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and the other creditors specified in the related deed of assignment.

Finally, in order to provide a security for its obligations, the Parent has assigned by way of security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time, the counterparties of the hedging agreements entered into by WIND Telecomunicazioni SpA e Wind Acquisition Finance SA and the other secured creditors specified in the confirmation deed related to the assignment of receivables, including in favor of the holders of the Senior Secured Fixed Rate Notes due in 2020 and of Senior Secured Floating Rate Notes due in 2019, issued by Wind Acquisition Finance SA on April 29, 2013 as well as the holders of Senior Secured Fixed Rate Notes due in 2020 and Senior Secured Floating Rate Notes due in 2020 issued by Wind Acquisition Finance SA on July 10, 2014 and finally the holders of the Senior Secured Fixed Rate Notes due in 2020 and the Senior Secured Floating Rate Notes due in 2020, issued by Wind Acquisition Finance S.A on March 30, 2015. Moreover, the Parent has assigned by way of security its receivables arising from the Put and Call option dated May 26, 2005 as described in the relevant deed, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time, the hedge counterparties of the hedging agreements entered into by WIND Telecomunicazioni SpA e Wind Acquisition Finance SA and the holders of the aforementioned Notes expiring in 2019, 2020.

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €92 million at October 31, 2016 includes:

- sureties totaling €12 million issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €80 thousand issued by banks, relating to participation in tenders, of which €34 million in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

The Parent has been under the management and coordination of VimpelCom Ltd since November 2013.

**NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE TEN MONTHS ENDED OCTOBER 31, 2016 (Continued)**

**28 SUBSEQUENT EVENTS**

On November 5, 2016 has been completed the Joint Venture agreement between the indirect parent Veon ltd (ex VimpelCom ltd) and CK Hutchison Holdings Ltd, the parent company of H3G SpA, to operate their respective telecommunications businesses in Italy. As part of the transaction, on December 30, 2016, WIND Telecomunicazioni SpA have been merged with, and incorporated into, Wind Tre (ex H3G SpA), via legal mergers by incorporation, but which for accounting, tax and profit-sharing purposes effective from November 5, 2016.

On July 4, 2017, the whole 10% of the shares of Galata for a book value of €77 million has been sold to Cellnex for a total of approximately €87 million.

On July 6, 2017 the sale contract of the branch “Call Center 133” has been signed with the Comdata company.

# **WIND**

**Consolidated financial statements as of and for the  
year ended December 31, 2015**

*FINANCIAL STATEMENTS AND NOTES THERETO*

## INDEPENDENT AUDITORS' REPORT

To the shareholders of  
WIND Telecomunicazioni S.p.A.

### *Report on the consolidated financial statements*

We have audited the accompanying consolidated financial statements of WIND Telecomunicazioni SpA and its subsidiaries (“WIND”) which comprise the consolidated statement of financial position as of December 31, 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, general accounting policies and other explanatory notes (hereinafter the “Consolidated Financial Statements”).

### *Directors' responsibility for the consolidated financial statements*

The directors of WIND Telecomunicazioni S.p.A. are responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11 of Legislative Decree n° 39 of January 27, 2010. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of WIND as of December 31, 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union.

Rome, March 9, 2016  
PricewaterhouseCoopers S.p.A.  
/s/Scott Cunningham  
(Partner)

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2015 AND 2014**

<u>(millions of euro)</u>	<u>Note</u>	<u>At December 31,</u> <u>2015</u>	<u>At December 31,</u> <u>2014</u>
<b>Assets</b>			
Property, plant and equipment . . . . .	4	2,855	3,273
Intangible assets . . . . .	5	8,038	8,283
Financial assets . . . . .	6	2,097	1,420
Investments accounted for using the equity method . . . . .	7	77	—
Deferred tax assets . . . . .	8	251	308
<b>Total non-current assets . . . . .</b>		<b><u>13,318</u></b>	<b><u>13,284</u></b>
Inventories . . . . .	9	30	23
Trade receivables . . . . .	10	996	949
Financial assets . . . . .	6	23	23
Current tax assets . . . . .	11	18	7
Other receivables . . . . .	12	220	269
Cash and cash equivalents . . . . .	13	282	203
<b>Total current assets . . . . .</b>		<b><u>1,569</u></b>	<b><u>1,474</u></b>
<b>TOTAL ASSETS . . . . .</b>		<b><u>14,887</u></b>	<b><u>14,758</u></b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital . . . . .		147	147
Share premium reserve . . . . .		752	752
Other reserves . . . . .		16	8
Retained earnings . . . . .		(368)	(796)
<b>Equity attributable to owners of the parent . . . . .</b>	14	<b><u>547</u></b>	<b><u>111</u></b>
<b>Non-controlling interests . . . . .</b>		<b><u>—</u></b>	<b><u>—</u></b>
<b>Total equity . . . . .</b>	14	<b><u>547</u></b>	<b><u>111</u></b>
<b>Liabilities</b>			
Financial liabilities . . . . .	16	10,970	10,867
Employee benefits . . . . .	18	66	60
Provisions . . . . .	19	118	176
Other non-current liabilities . . . . .	20	138	160
Deferred tax liabilities . . . . .	8	544	634
<b>Total non-current liabilities . . . . .</b>		<b><u>11,836</u></b>	<b><u>11,897</u></b>
Financial liabilities . . . . .	16	203	413
Trade payables . . . . .	21	1,609	1,661
Other payables . . . . .	22	649	653
Tax payables . . . . .	23	43	23
<b>Total current liabilities . . . . .</b>		<b><u>2,504</u></b>	<b><u>2,750</u></b>
<b>Total liabilities . . . . .</b>		<b><u>14,340</u></b>	<b><u>14,647</u></b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b><u>14,887</u></b>	<b><u>14,758</u></b>

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>(millions of euro)</u>	<u>Note</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Revenue . . . . .	24	4,304	4,393
Other revenue . . . . .	25	124	240
<b>Total revenue . . . . .</b>		<b>4,428</b>	<b>4,633</b>
Purchases and services . . . . .	26	(2,290)	(2,338)
Other operating costs . . . . .	27	(154)	(178)
Personnel expenses . . . . .	28	(294)	(313)
Restructuring costs . . . . .	29	(19)	—
<b>Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>1,671</b>	<b>1,804</b>
Depreciation and amortization . . . . .	30	(1,177)	(1,214)
Reversal of impairment losses/(impairment losses) on non-current assets . .	31	(31)	(13)
Gains /(Losses) on disposal of non-current assets . . . . .	32	482	(4)
<b>Operating income . . . . .</b>		<b>945</b>	<b>573</b>
Finance income . . . . .	33	157	68
Finance expense . . . . .	34	(667)	(1,414)
Foreign exchange losses, net . . . . .	35	(16)	(39)
<b>Profit/(Loss) before tax . . . . .</b>		<b>419</b>	<b>(812)</b>
Income taxes . . . . .	36	9	103
<b>Profit/(Loss) for the year . . . . .</b>		<b>428</b>	<b>(709)</b>
Non-controlling interests . . . . .		—	—
<b>Loss for the year attributable to the owners of the parent . . . . .</b>		<b>428</b>	<b>(709)</b>
<b>Earnings per share (in euro)—basic and diluted: . . . . .</b>	15		
Earnings per share from Continuing operations . . . . .		2.93	(4.85)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>(millions of euro)</u>	<u>Note</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
<b>Profit/(Loss) for the year</b> . . . . .		<u><b>428</b></u>	<u><b>(709)</b></u>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>			
Gains/(losses) on cash flow hedging instruments . . . . .		7	56
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss . . . . .		<u>7</u>	<u>(18)</u>
<b>Total Other comprehensive income that will be reclassified subsequently to profit or loss</b> . . . . .	14	<u><b>14</b></u>	<u><b>38</b></u>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>			
Gains/(losses) on remeasurement of defined benefit plans . . . . .		(8)	(7)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss . . . . .		<u>2</u>	<u>2</u>
<b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss</b> . . . . .	14	<u><b>(6)</b></u>	<u><b>(5)</b></u>
<b>Total Other comprehensive income for the year, net of tax</b> . . . . .		<u><b>8</b></u>	<u><b>33</b></u>
<b>Total comprehensive income for the year</b> . . . . .	14	<u><u><b>436</b></u></u>	<u><u><b>(676)</b></u></u>
Total comprehensive income attributable to:			
<i>Owners of the parent</i> . . . . .		436	(676)
<i>Non-controlling interests</i> . . . . .		<u>—</u>	<u>—</u>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>(millions of euro)</u>	<u>Notes</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
<b>Cash flows from operating activities</b>			
Profit / (Loss) for the year . . . . .		428	(709)
<b>Adjustments to reconcile the loss for the year with the cash flows from/ (used in) operating activities</b>			
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets . . . . .		1,208	1,227
Net changes in provisions and employee benefits . . . . .		(44)	(98)
Losses on disposal of non-current assets . . . . .		9	4
Gain from sale of subsidiaries . . . . .		(491)	—
Impairment on investments . . . . .		13	—
Changes in current assets . . . . .		(68)	(16)
Changes in current liabilities . . . . .		(180)	375
<b>Net cash flows from operating activities . . . . .</b>	<b>39</b>	<b><u>875</u></b>	<b><u>783</u></b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment . . . . .		(559)	(555)
Proceeds from sale of property, plant and equipment . . . . .		—	—
Acquisition of intangible assets . . . . .		(221)	(201)
Proceeds from sale of subsidiaries . . . . .		669	—
Inflows/(outflows) from loan granted . . . . .		(31)	(775)
<b>Net cash flows used in investing activities . . . . .</b>	<b>39</b>	<b><u>(142)</u></b>	<b><u>(1,531)</u></b>
<b>Cash flows from financing activities</b>			
Changes in loans . . . . .		(654)	810
<b>Net cash flows from / (used in) financing activities . . . . .</b>	<b>39</b>	<b><u>(654)</u></b>	<b><u>810</u></b>
<b>Net cash flows for the year . . . . .</b>		<b><u>79</u></b>	<b><u>62</u></b>
Cash and cash equivalents at the beginning of the year . . . . .		203	141
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>39</b>	<b><u>282</u></b>	<b><u>203</u></b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

<u>(millions of euro)</u>	<u>2015 12 months</u>	<u>2014 12 months</u>
Income taxes paid . . . . .	(78)	(207)
Interest paid on loans/bonds . . . . .	(659)	(777)
Interest (paid) / received on hedging derivative instruments . . . . .	63	(21)

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

(millions of euro)	Equity attributable to the owners of the parent				Equity attributable to the owners of the parent	Non-controlling interests	Shareholders' Equity
	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)			
<b>Balances at January 1, 2014 . .</b>	<b>147</b>	<b>752</b>	<b>(25)</b>	<b>(87)</b>	<b>787</b>	<b>—</b>	<b>787</b>
<b>Total comprehensive income</b>							
<b>for year . . . . .</b>	—	—	<b>33</b>	<b>(709)</b>	<b>(676)</b>	—	<b>(676)</b>
—Loss for the year . . . . .	—	—	—	(709)	(709)	—	(709)
—Cash flow hedges . . . . .	—	—	38	—	38	—	38
—Remeasurement of defined benefit plans . . . . .	—	—	(5)	—	(5)	—	(5)
<b>Transactions with equity holders . . . . .</b>	—	—	—	—	—	—	—
<b>Balances at December 31, 2014</b>	<b>147</b>	<b>752</b>	<b>8</b>	<b>(796)</b>	<b>111</b>	<b>—</b>	<b>111</b>
<b>Total comprehensive income</b>							
<b>for the year . . . . .</b>	—	—	<b>8</b>	<b>428</b>	<b>436</b>	—	<b>436</b>
—Profit for the year . . . . .	—	—	—	428	428	—	428
—Cash flow hedges . . . . .	—	—	14	—	14	—	14
—Remeasurement of defined benefit plans . . . . .	—	—	(6)	—	(6)	—	(6)
<b>Transactions with equity holders . . . . .</b>	—	—	—	—	—	—	—
<b>Balances at December 31, 2015</b>	<b>147</b>	<b>752</b>	<b>16</b>	<b>(368)</b>	<b>547</b>	<b>—</b>	<b>547</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015**

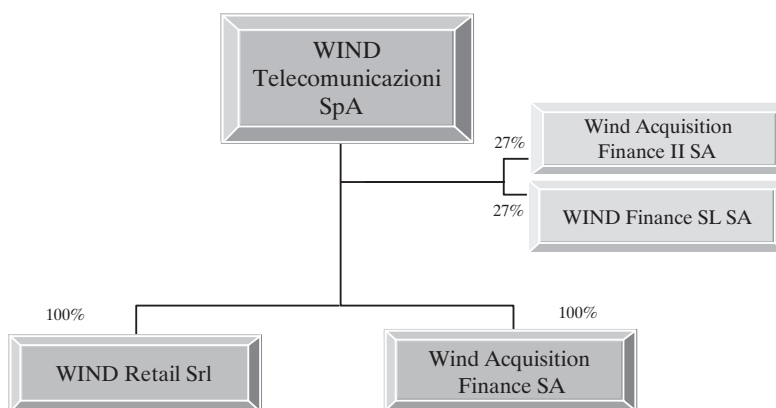
**1 INTRODUCTION**

WIND Telecomunicazioni SpA (“WIND”, the “Parent” or the “Company”) is a joint stock company having its registered office in Via Cesare Giulio Viola, 48, Rome (Italy), and is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA which wholly owns WIND Telecomunicazioni SpA. At the date of the present consolidated financial statements as of and for the year ended December 31, 2014 Vimpelcom BV Amsterdam holds 92.24% of Wind Telecom SpA. Vimpelcom BV Amsterdam is controlled by Vimpelcom Ltd which is listed on the NASDAQ market.

In August VimpelCom and CK Hutchison Holdings Ltd., the parent company of 3 Italia, entered into an agreement to form a 50/50 joint venture that will own and operate their telecommunications businesses in Italy. The joint venture is subject to regulatory and antitrust approvals by the relevant European and Italian bodies.

WIND Telecomunicazioni SpA and its subsidiaries (the “Group” or the “Wind Group”) operate primarily in Italy in the fixed and mobile telecommunications sector under the brands “Infostrada” and “Wind”.

The following diagram outlines the structure of the WIND Group at December 31, 2015.



The Group closed 2015 with a profit before tax of €419 million (loss of €812 million in 2014) and a profit for the year from continuing operation of €428 million (loss of €709 million in 2014). This result reflects the increase in operating income mainly due to the gain on the sale of Galata SpA and to lower negative net finance expense mainly due to the refinancing operations completed in 2014 and in March 2015 which offset the negative effect of the competitive pressure on revenues.

On March 26, 2015 the Parent completed the transaction for the sale to Cellnex Telecom SA (formerly named Abertis Telecom Terrestre SAU) of 90% of the shares of Galata SpA (company formed on February 18, 2015 through the contribution of the business unit “Tower Development” consisting of 7,377 towers together with the relevant functions, employees and related contracts) for a total cash consideration of 693 million euro (the proceeds of the transaction have been used to repay debt and reduce leverage) and, at the same time, WIND entered into a Tower Services Agreement for an initial term of 15 years with Galata SpA for the provision of a broad range of services on the contributed sites and sites subsequently built by Galata hosting WIND equipment. The transaction was completed on March 26, 2015.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)**

### **1 INTRODUCTION (Continued)**

On March 30, 2015, the subsidiary Wind Acquisition Finance SA issued the Senior Secured Notes for a total amount of 775 million of euro and maturing in 2020, through a combination of floating rate bonds Euribor plus 4.125% of 400 million euro (Floating Rate Notes) and a tap issue of bonds Senior Secured Notes 2020 (issued on July 2014) for €375 million with a coupon of 4%. The Group used the cash obtained from new bond issues and the renegotiation of new senior facilities maturing in 2019 (700 million euro), and a part of the consideration from the sale of Galata SpA (500 million euro), to refinance the previous Senior Facility Agreement.

The solid commercial performance and ongoing cost structure optimization process has enabled the WIND Group to maintain its competitive position during 2015, despite the weak market and the continuing challenging macroeconomic environment which, however, displays weak signals of recovery. The efficiency and cost optimization processes are further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. During the first three months of 2015, the Group completed the sale of 90% of the shares of its fully owned tower subsidiary Galata S.p.A. to Cellnex Telecom (formerly named Abertis). The proceeds of the transaction have been used to repay debt and reduce leverage. In August VimpelCom and CK Hutchison Holdings Ltd., the parent company of 3 Italia, entered into an agreement to form a 50/50 joint venture that will own and operate their telecommunications businesses in Italy. The joint venture, which is subject to regulatory and antitrust approvals by the relevant European and Italian bodies, will give rise to a leading fully integrated convergent telecommunications operator in Italy.

In 2016, the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market, with a particular focus on digital channels in terms of new services, customer interaction and process efficiencies, as well as increasing its focus on the B2B segment of the market. The Group will continue to consolidate its position in the mobile, fixed-line voice and internet segments as well as developing its convergent business model, with a further strong push on efficiency and on the optimization of its cost structure.

### **2 GENERAL ACCOUNTING POLICIES**

#### **2.1 Basis of preparation**

The consolidated financial statements of WIND Telecomunicazioni SpA at December 31, 2015 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

The term IFRS includes all International Financial Reporting Standards (IFRSs), all International Accounting Standards (IASs), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC) endorsed by the European Union and contained in published EU Regulations.

During the year no exceptional events occurred such as to require the waivers provided for by IAS 1.

These consolidated financial statements are expressed in euros, the currency of the economy in which the Group operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in millions of euro.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

For presentation purposes, the current/non-current distinction has been used for the statement of financial position, while expenses are analyzed in the income statement using a classification based on their nature. The indirect method has been selected to present the cash flow statement.

For the purposes of comparison, balances in the statement of financial position have been reclassified where necessary. These reclassifications, for which details may be found in note 39, do not affect the Group's profit for the year or equity.

These consolidated financial statements were approved by the Parent's Board of Directors on February 12, 2016.

**2.2 Basis of consolidation**

These consolidated financial statements include the financial statements of WIND Telecomunicazioni SpA and those entities over which the company exercises control, both directly or indirectly, from the date of acquisition to the date when such control ceases. Control may be exercised through direct or indirect ownership of shares with majority voting rights, or by exercising a dominant influence expressed as the direct or indirect power, based on contractual agreements or statutory provisions, to determine the financial and operational policies of the entity and obtain the related benefits, regardless of any equity relationships. The existence of potential voting rights that are exercisable or convertible at the reporting date is also considered when determining whether there is control or not.

The financial statements used in the consolidation process are those prepared by the individual Group entities as of and for the year ended December 31, 2015 (the reporting date for these consolidated financial statements) in accordance with the IFRS used by the Parent in drawing up these statements and approved by the respective Boards of Directors.

The consolidation procedures used are as follows:

- the assets and liabilities and income and expenses of consolidated subsidiaries are included on a line-by-line basis, allocating to non-controlling interests, where applicable, the share of equity and profit or loss for the year that is attributable to them. The resulting balances are presented separately in consolidated equity and the consolidated income statement;
- the purchase method of accounting is used to account for business combinations in which the control of an entity is acquired. The cost of an acquisition is measured as the fair value of the assets acquired, liabilities incurred or assumed and equity instruments issued at the acquisition date. Any excess of the cost of acquisition over the fair value of the assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss after first verifying that the fair values attributed to the acquired assets and liabilities and the cost of the acquisition have been measured correctly;
- business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination are considered business combinations involving entities under common control. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the carrying amounts of the transferred entity and reporting any gains arising from the transfer directly in equity;



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

- the purchase of investments from minority holders in entities where control is already exercised is not considered a purchase but an equity transaction. Therefore, the difference between the cost incurred for the acquisition and the respective share of the accounting equity acquired is recognized directly in equity;
- unrealized gains and losses arising from transactions carried out between companies consolidated on a line-by-line basis and the respective tax effects are eliminated if material, as are corresponding balances of receivables and payables, income and expense, and finance income and expense;
- gains and losses arising from the sale of investments in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of the consolidated equity sold.

The following table provides a summary of the Group's investments showing the criteria used for consolidation and measurement.

	Registered office	Share/quota capital Euros	% holding		Basis of consolidation / measurement	
			12.31.2015	12.31.2014	12.31.2015	12.31.2014
<b>Subsidiaries</b>						
WIND Retail Srl . . . . .	Italy	1,026,957	100	100	Line by line	Line by line
Wind Acquisition Finance SA . . .	Luxembourg	60,031,000	100	100	Line by line	Line by line
WIND Finance SL SA . . . . .	Luxembourg	31,000	27	27	Line by line	Line by line
Wind Acquisition Finance II SA . .	Luxembourg	31,000	27	27	Line by line	Line by line
<b>Associates</b>						
Galata SpA . . . . .	Italy	1,000,000	10	—	Equity	N/A
<b>Others</b>						
Wind Team Consortium . . . . .	Italy	disposal	—	33.33	N/A	Cost
SPAL TLC SpA . . . . .	Italy	disposal	—	33	N/A	Cost
Mix Srl . . . . .	Italy	99,000	9.75	9.75	Cost	Cost
Consel . . . . .	Italy	51,000	1	1	Cost	Cost
Janna Scarl . . . . .	Italy	13,717,365	17	17	Cost	Cost
QXN . . . . .	Italy	500,000	10	10	Cost	Cost
Dono per.Scarl . . . . .	Italy	30.000	33.33	—	Cost	N/A

There are no changes in the scope of consolidation compared to the consolidated financial statements as of and for the year ended December 31, 2014, except what described in note 3 relating to the constitution and sale of Galata SpA.

The investments in WIND Finance SL SA and Wind Acquisition Finance II SA, in which the Group has an interest of 27%, are considered subsidiaries and then consolidated on a line-by-line basis because they are special purpose entities.

**2.3 Summary of main accounting policies**

The principal accounting policies adopted in preparing these consolidated financial statements are set out below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Property, plant and equipment*

Property, plant and equipment are stated at purchase cost or production cost, net of accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for use and any dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition. Costs incurred for ordinary and cyclical repairs and maintenance are taken directly to profit or loss in the period in which they are incurred. Costs incurred for the expansion, modernization or improvement of the structural elements of owned or leased assets are capitalized to the extent that they have the requisites to be separately identified as an asset or part of an asset, in accordance with the “component approach”. Under this approach each asset is treated separately if it has an autonomously determinable useful life and carrying amount. Depreciation is charged systematically, on a straight-line-basis from the date the asset is available and ready for use over its estimated useful life.

The useful lives of property, plant and equipment and their residual values are reviewed and updated, where necessary, at least at each year end. Land is not depreciated. When a depreciable asset is composed of identifiable separate components whose useful lives vary significantly from those of other components of the asset, depreciation is calculated for each component separately, applying the “component approach”.

The useful lives estimated by the Group for the various categories of property, plant and equipment are as follows.

Plant and machinery . . . . .	5 - 20 years
Planning and development costs of the fixed line and mobile telephone network . . . . .	Residual term of license
Equipment . . . . .	4 years
Other assets . . . . .	5 - 10 years

Gains or losses arising from the sale or retirement of assets are determined as the difference between the selling price and the carrying amount of the asset sold or retired and are recognized in profit or loss under “Gains/(losses) on disposal of non-current assets”.

Finance leases are leases that substantially transfer all the risks and rewards incidental to the ownership of assets to the Group. Property, plant and equipment acquired under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any amounts to be paid for exercising a purchase option. The corresponding liability due to the lessor is recognized as part of financial liabilities.

An asset acquired under a finance lease is depreciated over the shorter of the lease term and its useful life.

Lease arrangements in which the lessor substantially retains the risks and rewards incidental to ownership of the assets are classified as operating leases. Lease payments under operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

• *Intangible assets*

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

purchase and/or production cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization in the case of assets being amortized and any impairment losses. Amortization begins when an asset becomes available for use and is charged systematically on the basis of the residual possibility of utilization of the asset, meaning on the basis of its estimated useful life.

- *Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights*

Costs for the purchase of industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights are capitalized. Amortization is charged on a straight-line basis such as to write off the cost incurred for the acquisition of a right over the shorter of the period of its expected use and the term of the underlying agreement, starting from the date on which the acquired right may be exercised. Trademarks are not amortized as they are considered to have an indefinite useful life.

- *Software*

Costs relating to the development and maintenance of software programs are expensed as incurred. Unique and identifiable costs directly related to the production of software products which are controlled by the Group and which are expected to generate future economic benefits for a period exceeding one year are accounted for as intangible assets. Direct costs—where identifiable and measurable—include the cost of employees who develop the software, together with a share of overheads as appropriate. Amortization is charged over the useful life of the software which is estimated at 5 years.

- *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the interest acquired in the fair value at the acquisition date of the assets and liabilities of the entity or business acquired. Goodwill relating to investments accounted for using the equity method is included in the carrying amount of the investment. Goodwill is not systematically amortized but is rather subject to periodic tests to ensure that the carrying amount in the statement of financial position is recoverable (“impairment test”). Impairment tests are carried out annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss on the cash generating units (“CGUs”) to which the goodwill has been allocated. An impairment loss is recognized whenever the recoverable amount of goodwill is lower than its carrying amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use, which is represented by the present value of the cash flows expected to be derived from the CGU during operations and from its disposal at the end of its useful life. The method for calculating value in use is described in the paragraph below “Impairment losses”. Once an impairment loss has been recognized on goodwill it cannot be reversed.

Whenever an impairment loss resulting from the above tests exceeds the carrying amount of the goodwill allocated to a specific CGU, the residual amount is allocated to the assets of that particular CGU in proportion to their carrying amounts. The carrying amount of an asset under this allocation is not reduced below the higher of its fair value less costs to sell and its value in use as described above.

- *Customer list*

The customer list as an intangible asset consists of the list of customers identified on allocating the goodwill arising on acquisitions carried out by the Group. Amortization is charged on the basis of the respective estimated useful lives, which range from 5 to 15 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Customer Acquisition Costs*

These consist mainly of the cost of commissions paid to the sales network, which in line with sector practice are capitalized as intangible assets from 2010, in accordance with the principles of reference, and amortized over the minimum contract term.

• *Impairment losses*

At each reporting date, property, plant and equipment and intangible assets with finite lives are assessed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset concerned is estimated and any impairment loss is recognized in profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is represented by the present value of its estimated future cash flows. In determining an asset's value in use the estimated future cash flows are discounted using a pre-tax rate that reflects the market's current assessment of the cost of money for the investment period and the specific risk profile of the asset. If an asset does not generate independent cash flows, its recoverable amount is determined in relation to the cash-generating unit (CGU) to which it belongs. An impairment loss is recognized in the profit or loss when the carrying amount of an asset or the CGU to which it is allocated exceeds its recoverable amount. If the reasons for previously recognizing an impairment loss cease to exist, the carrying amount of an asset other than goodwill is increased to the carrying amount of the asset that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized on the asset, with the reversal being recognized in profit or loss.

• *Investments*

Investments in non-consolidated subsidiaries are stated at cost. Investments in companies where the Group exercises a significant influence ("associates"), which is presumed to exist when the Group holds between 20% and 50%, are accounted for using the equity method.

The equity method is as follows:

- the Group's share of the profit or loss of an investee is recognized in profit or loss from the date when significant influence or control begins up to the date when that significant influence or control ceases. Where the investee accounted for using the equity method has a deficit as the result of losses, its carrying amount is reduced to zero and any excess attributable to the Group, in the event that it has legal or constructive obligations on behalf of the investee or in any case to cover the losses, is recognized in a specific provision. Equity changes in investees accounted for using the equity method that do not result from profit or loss are recognized directly in consolidated equity reserves;
- unrealized gains and losses generated from transactions between the Parent or its subsidiaries and its investees accounted for using the equity method are eliminated on consolidation for the portion pertaining to the Group; unrealized losses are eliminated unless they represent an impairment loss.

Investments in other companies are measured at fair value with any changes in fair value being recognized in profit or loss. If the fair value cannot be reliably determined an investment is measured at cost. Cost is adjusted for impairment losses if necessary, as described in the paragraph "Impairment

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

losses". If the reasons for an impairment loss no longer exist, the carrying amount of the investment is reversed up to the extent of the loss with the related effect recognized in profit or loss. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision under liabilities to the extent of the Group's legal or constructive obligations on behalf of the investee or in any case to the extent that it is required to cover the losses. Investments held for sale or to be wound up in the short term are classified as current assets and stated at the lower of their carrying amount and fair value less costs to sell.

• *Financial instruments*

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were purchased. Purchases and sales of financial instruments are recognized at settlement date.

• *Financial assets*

Financial assets are initially recognized at fair value and classified in one of the following four categories and subsequently measured as described below:

- i) *Financial assets at fair value through profit or loss:* this category includes financial assets purchased primarily for sale in the short term, those designated as such upon initial recognition, provided that the assumptions exist for such classification or the fair value option may be exercised, and financial derivatives except for the effective portion of those designated as cash flow hedges. These assets are measured at fair value; any change in the period is recognized in profit or loss as financial income or expense. Financial instruments included in this category are classified as current assets if they are held for trading or expected to be disposed of within twelve months from the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparty are offset if this is contractually provided for.
- ii) *Loans and receivables:* these are non-derivative financial instruments, mostly relating to trade receivables, which are not quoted on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the reporting date in which case they are classified as non-current assets. These assets are measured at amortized cost using the effective interest method. If there is objective evidence of factors which indicate an impairment loss, the asset is reduced to the discounted value of future cash flows. The impairment loss is recognized in profit or loss. If in future years the factors which caused the impairment loss cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been obtained in case of application of amortized cost.
- iii) *Held-to-maturity investments:* these are fixed maturity non-derivative financial instruments having fixed or determinable payments which the Group has the intention and ability to hold until maturity. These assets are measured at amortized cost using the effective interest method, adjusted as necessary for impairment losses. In the case of impairment the policies used for financial receivables will be applied.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

- iv) *Available-for-sale financial assets:* these are non-derivative financial instruments which are either specifically included in this category or included there because they cannot be classified in the other categories. These assets are measured at fair value and any related gain or loss is recognized directly in an equity reserve and subsequently recognized in profit or loss only when the asset is actually sold or, if there are cumulative negative changes, when it is expected that the losses recognized in equity cannot be recovered in the future. For debt securities, if in a future period the fair value increases due to the objective consequence of events occurring after the impairment loss has been recognized in profit or loss, the original value of the instrument is reinstated with the corresponding gain recognized in profit or loss. Additionally, the yields from debt securities arising from the use of the amortized cost method are recognized in profit or loss in the same manner as foreign exchange differences, whereas foreign exchange differences relating to available-for-sale equity instruments are recognized in the specific equity reserve. The classification as current or non-current assets is the consequence of strategic decisions regarding the estimated period of ownership of the asset and its effective marketability, with those which are expected to be realized within twelve months from the reporting date being classified as current assets.

Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

• *Financial liabilities*

Financial liabilities consisting of loans, trade payables and other obligations are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. When there is a change in expected cash flows which can be reliably estimated, the value of the loans is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the reporting date.

Financial liabilities are derecognized when settled and the Group has transferred all the related costs and risks relating to the instrument.

• *Derivative financial instruments*

At the date of signing of the contract the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where instead it has been decided to use hedge accounting, meaning in those situations in which the hedging relationship is identified, subsequent changes in fair value are accounted for in accordance with the following specific criteria. The relationship between each derivative qualifying as a hedging instrument and the hedged item is documented to include the risk management objective, the hedging strategy and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

In the case of a fair value hedge, i.e. the hedge refers to changes in the fair value of a recognized asset or liability, the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as finance income or expense for the year in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in a specific equity reserve (the “cash flow hedge reserve”). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to the income statement together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of the profit or loss for the year. Cash flow hedges also include hedges of the currency risk for transactions carried out in US dollars. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

When hedged forecast cash flows are no longer considered highly probable during the term of a derivative, the portion of the “cash flow hedge reserve” relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the “cash flow hedge reserve” recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction takes place.

• *Determination the fair value*

Quotations at the reporting date are used to determine the fair value of financial assets and financial liabilities listed on active markets. In the absence of an active market, fair value is determined by referring to prices supplied by third-party operators and by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments. The Group use unobservable inputs to determinate the fair value of embedded derivatives.

• *Sales of receivables*

The Group carries out sales of receivables under factoring arrangements in accordance with Law 52/1991. These sales are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, meeting IFRS requirements for derecognition. Specific servicing contracts, through which the buyer confers a mandate to WIND Telecomunicazioni SpA. for the collection and management of the receivables, leave the current Company/customer relationship unaffected.

• *Taxation*

Income taxes are recognized on the basis of taxable profit for the year and the applicable laws and regulations, using tax rates prevailing at the reporting date.

Deferred taxes are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the tax rates that are expected to apply for the years when the temporary differences will be realized or settled and tax losses carried forward will be reversed, based on tax laws that have been enacted or substantively enacted by the reporting date. An exception to this rule regards the initial recognition of goodwill and temporary differences connected with investments in subsidiaries when the Group is able to control the timing of the reversal of the temporary differences or when it is probable that the differences will not reverse.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

Current and deferred taxes are recognized in profit or loss, except for those arising from items taken directly to equity; in such cases the tax effect is recognized directly in the specific equity item.

Tax assets and liabilities, including those regarding deferred taxation, are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity and when the entity has a legally enforceable right to offset these balances and intends to exercise that right. In addition, current tax assets and liabilities are offset in the case that different taxable entities have the legally enforceable right to do so and when they intend to settle these balances on a net basis.

The Group's tax position and its presentation in the financial statements reflect the effects of the election made in 2006 and renewed in 2009 and in 2012 by the Italian parent Wind Telecom SpA to take part in the national tax consolidation procedure.

For the regulations on electing the tax consolidation procedure to apply, the parent that elected for consolidation is required to determine a single overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the Parent and those of its subsidiaries taking part in the procedure, and to settle a liability by making a single tax payment or to recognize a single tax credit for repayment or to be carried forward.

Therefore, it follows that a receivable or payable with the Parent is found in the financial statements on transferring a tax loss or taxable profit, respectively, in the place of the respective tax receivables or payables accrued by the Group companies taking part in the procedure.

• *Inventories*

Inventories are stated at the lower of purchase cost or production cost and net estimated realizable value. Cost is determined using the weighted average cost method for fungible goods or goods held for resale. When necessary, provisions are made for slow-moving and obsolete inventories.

• *Cash and cash equivalents*

Cash and cash equivalents are recognized at fair value and consist of short-term highly liquid investments (generally not exceeding three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

• *Provisions*

Provisions are recognized for a loss or expense of a specific nature that is certain or probable to arise but for which the timing or amount cannot be precisely determined. Provisions are only recognized when the Group has a present legal or constructive obligation arising from past events that will result in a future outflow of resources, and when it is probable that this outflow of resources will be required to settle the obligation. The amount provided represents the best estimate of the present value of the outlay required to meet the obligation. The interest rate used in determining the present value of the liability reflects current market rates and takes into account the specific risk of each liability.

Risks, for which the likelihood of a liability arising is just possible, are disclosed in the notes under "Contingent assets and liabilities" and no provision is made.

• *Employee benefits*

• *Short-term employee benefits*



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

Short-term employee benefits are recognized in profit or loss in the period when an employee renders the related service.

- *Post-employment benefits*

Post-employment benefits may be divided into two categories: 1) defined contribution plans and 2) defined benefit plans. Contributions to defined contribution plans are charged to profit or loss when incurred, based on their nominal value. For defined benefit plans, since benefits are determinable only after the termination of employment, costs are recognized in profit or loss based on actuarial calculations.

Defined benefit plans, which include the Italian post-employment benefits (TFR) which are due in accordance with the provisions of article 2120 of the Italian Civil Code and which are accrued up to December 31, 2006, are based on an employee's working life and the remuneration received during service. The related liability is projected forward to calculate the probable amount payable at the termination date and is then discounted using the Projected Unit Credit Method, taking into account time before the actual payment of the benefit. The measurement of the liability recognized in the statement of financial position is carried out by third party actuaries, based on actuarial assumptions which relate mainly to: the discount rate, which must reflect market yields on the high quality corporate bonds having a term consistent with the expected term of the obligation and employee turnover.

As a consequence of the introduction of Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations, the post-employment benefits accruing from January 1, 2007 are considered to be part of defined contribution plans and recognized in the same manner as other defined contribution plans, if the amounts are transferred to treasury funds of the national social security organization (INPS), or from June 30, 2007 or the date of employee election, if earlier, if transferred to private pension plans. The post-employment benefits accrued up to these dates remain defined benefit plans, with the related actuarial calculations.

At each reporting date, actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Group's obligation at year end, which arise from changes in the actuarial assumptions referred to above, are recognized in among other components of the Consolidate Statement of Comprehensive Income as provided in the amendment IAS 19 adopted by the Group from January 2013.

- *Termination benefits and redundancy incentive schemes*

Benefits due to employees on the termination of employment contracts are treated as a liability when the Group is demonstrably committed to terminating these contracts for a single employee or group of employees before the normal retirement date or to granting termination benefits in order to facilitate voluntary resignations of surplus employees following a formal proposal. These benefits do not create future economic advantages to the Group and the related costs are therefore immediately recognized in profit or loss.

- *Translation of items in non-euro currencies*

Transactions in foreign currencies are translated into euros at the exchange rate prevailing at the date of the transaction. Exchange gains and losses arising on the settlement of transactions and those arising on the translation at year-end exchange rates of monetary assets and liabilities are recognized in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

With reference to foreign transactions whose currency risk is covered with derivatives, further details are provided in the note *Financial instruments*.

• **Revenue recognition**

Revenue is recognized at the fair value of the consideration received, net of rebates and discounts. Revenue from the sale of goods is recognized when the Group transfers the risks and rewards of ownership of the goods. Revenue from services is recognized in profit or loss by reference to the stage of completion and only when the outcome can be reliably estimated.

More specifically, the criteria followed by the Group in recognizing core-business revenue are as follows:

- revenue arising from post-paid traffic, interconnection and roaming is recognized on the basis of the actual usage of each subscriber and telephone operator. Such revenue includes amounts paid for access to and usage of the Group network by customers and other domestic and international telephone operators;
- revenue from the sale of prepaid cards and recharging is recognized on the basis of the prepaid traffic actually used by subscribers during the year. The unused portion of traffic at period end is recognized as “Other payables—Prepaid traffic to be used”;
- revenue from the sale of mobile phones and fixed-line phones and related accessories is recognized at the time of sale;
- one-off revenue from fixed and mobile (prepaid or subscription) activation and/or substitution, activation of new services and tariff plans is recognized for the full amount at the moment of activation to the extent of the related costs, or deferred over the minimum contractual term. In the case of promotions with a cumulative plan still open at year end, the activation fee is recognized on an accrual basis so as to match the revenue with the period in which the service may be used;
- one-off fees received for the granting of rights to use owned fiber optic cables are recognized at the time of the transfer of the underlying right and, therefore, of the related risks and rewards.

• **Grants**

Grants are recognized when a formal decision of the disbursing government institution, in case of government grants, has been taken, with recognition being matched to the costs to which they relate. Grants related to income are taken to “Other revenue” in the Consolidated Income Statement, while grants related to Property, plant and equipment are recognized as deferred income in the Consolidated Statement of Financial Position and taken to the Consolidated Income Statement on a straight-line basis over the useful life of the asset to which the grant directly relates.

• **Finance income and expense**

Finance income and expense is recognized on an accruals basis using the effective interest method, meaning at the interest rate that renders all cash inflows and outflows linked to a specific transaction financially equivalent.

Finance expenses that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23—Borrowing Costs), which are assets that necessarily take a

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

Finance income and expense primarily includes:

- Income/expense on cash deposits in banks and on loans and bonds;
- the effect of change of fair value of derivatives not designated as hedges and other assets when fair value assessment is required under IFRS;
- the non-effective portion of hedges not fully effective.

• *Research and development costs and advertising expenses*

Research and development costs, as well as advertising expenses are charged directly to the consolidated income statement in the year in which they are incurred except for development costs related to intangible assets—software.

• *Earnings per share*

• *Basic*

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the parent, both from continuing and discontinued operations, by the weighted average number of ordinary shares of the parent outstanding during the year.

• *Diluted*

Diluted earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the parent by the weighted average number of ordinary shares of the parent outstanding during the year where, compared to basic earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential shares, while the profit or loss for the year is adjusted for the effects of such conversion net of taxation. Diluted earnings per share are not calculated when there are losses as any dilutive effect would improve earnings per share.

• *New accounting standards and interpretations*

The Group has adopted all the newly issued and amended standards of the IASB and interpretations of the IFRIC, endorsed by the European Union, applicable to its transactions and effective for financial statements for years beginning January 1, 2015 and thereafter.

**Accounting standards, amendments and interpretations adopted from January 1, 2015**

The following is a brief description of the new standards and interpretations adopted by the Group in the preparation of the consolidated financial statements at December 31, 2015.

• *Annual Improvements to IFRSs 2011 - 2013 Cycle*

The main amendments included in the Annual Improvements to IFRSs—2011 - 2013 Cycle adopted by the European Union on December 18, 2014 and effective from January 1, 2015 are as follows: i) the amendment to IAS 40—Investment Property; ii) the amendment to IFRS 3—Business Combinations (that clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself) and iii) the amendment to IFRS 13—Fair Value

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

Measurement (that clarifies the scope of certain exceptions to the principle of measuring financial assets and liabilities on a net portfolio exposure basis).

The adoption of these amendments had no effect on the separate financial statements for the year ended December 31, 2015.

**Accounting standards, amendments and interpretations adopted by the European Union and not early applied by the Group**

The following standards and interpretations had been issued at the date of these notes but were not yet effective for the preparation of these consolidated financial statements at December 31, 2015.

<u>STANDARD/INTERPRETATION</u>	<u>EFFECTIVE DATE</u>
Annual Improvements to IFRSs 2010 - 2012 Cycle	February 1, 2015*
Amendments to IAS 19— <i>Defined benefit Plans: Employee Contributions</i>	February 1, 2015*
Amendments to IFRS 11—Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	January 1, 2016
Amendments to IAS 1: <i>Disclosure Initiative</i>	January 1, 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 1, 2016

(\*) standard effective for the preparation of the financial statements at December 31, 2016

**Accounting standards, amendments and interpretations adopted by the European Union**

At the date of these notes relevant EU bodies have not completed the process necessary for the endorsement of the following standards and interpretations.

<u>STANDARD/INTERPRETATION</u>	<u>IASB EFFECTIVE DATE</u>
Amendments to IFRS 10, IFRS 12 and IAS 28: <i>Investment Entities: Applying the Consolidation Exception</i>	January 1, 2016
IFRS 14— <i>Regulatory Deferral Accounts</i>	January 1, 2016
IFRS 9— <i>Financial Instruments</i>	January 1, 2018
IFRS 15— <i>Revenue from Contracts with Customers</i>	January 1, 2018
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016 (to be amended)

The Group is currently assessing any impact the new standards and interpretations may have on the financial statements for the years in which they become effective.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

**2.4 Use of estimates**

The preparation of these consolidated financial statements required management to apply accounting policies and methodologies based on complex, subjective judgments, estimates based on past experience and assumptions determined from time to time to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position, the income statement and the cash flow statement as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these financial statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

In this respect, the situation caused by the persisting difficulties of the economic and financial environment in the Eurozone led to the need to make assumptions regarding future performance which are characterised by significant levels of uncertainty; as a consequence, therefore, it cannot be excluded that results may arise in the future which differ from estimates, and which therefore might require adjustments, even significant, to be made to the carrying amount of assets and liabilities, which at the present moment can clearly neither be estimated nor predicted. The main items affected by these situations of uncertainty are non-current assets (tangible and intangible assets), deferred tax assets, provisions, contingent liabilities and impairment provisions.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items considered in this process perform differently, then the actual results could differ from the estimates, which would accordingly require adjustment. The effects of any changes in estimate are recognised in profit or loss in the period in which the adjustment is made if it only affects that period, or in the period of the adjustment and future periods if it affects both current and future periods.

The accounting principles requiring a higher degree of subjective judgment in making estimates and for which changes in the underlying conditions could significantly affect the consolidated financial statements are briefly described below.

- *Goodwill*: goodwill is tested for impairment at least on an annual basis to determine whether any impairment losses have arisen that should be recognized in profit or loss. More specifically, the test is performed by allocating the goodwill to a cash generating unit (CGU) and subsequently estimating the unit's fair value. Should the fair value of the net capital employed be lower than the carrying amount of the CGU, an impairment loss is recognized on the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU require estimates to be made that are based on factors that may vary over time and that could as a result have an impact on the measurements made by management which might be significant.
- *Impairment losses on non-current assets*: non-current assets are reviewed to determine whether there are any indications that the carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within the Group and in the market and also on past experience. When a potential impairment loss emerges it is estimated by the Group using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary over time, thereby affecting estimates and measurements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015 (Continued)

### 2 GENERAL ACCOUNTING POLICIES (Continued)

- *Depreciation of non-current assets:* the cost of property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets. The useful life of property, plant and equipment is determined when the assets are purchased and is based on the past experience of similar assets, market conditions and forecasts concerning future events which may affect them, amongst which are changes in technology. The actual useful lives may therefore differ from the estimates of these. The Group regularly reviews technological and business sector changes, dismantling costs and recoverable amounts in order to update residual useful lives. Such regular updating may entail a change of the depreciation period and consequently a change in the depreciation charged in future years.
- *Deferred tax assets:* the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on factors which may vary over time and which may lead to significant effects on the measurement of this item.
- *Contingent liabilities and provisions:* the accruals related to legal, arbitration and fiscal disputes are the result of a complex estimation process based upon the probability of an unfavorable outcome. The definition of such provisions entails making estimates based on currently known factors which may vary over time and which could actually turn out to be significantly different from those referred to in preparing the notes to these financial statements.

#### 2.5 Risk management

##### Credit risk

The Group's credit risk is principally associated with trade receivables which at December 31, 2015 amounted to €996 million. The Group minimizes credit risk through a preventive credit check process which ensures that all customers requesting new products and services or additions to existing services are reliable and solvent, also by using a preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This check is carried out in the customer acceptance phase through the use of internal and external information.

The Group additionally exercises timely post-customer acquisition measures for the purpose of credit collection such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles;
- measuring and monitoring the debt status through reporting tools.

As a general rule, the Group has a limited level of credit concentration as the consequence of diversifying its product and services portfolio to its customers. In particular, a small concentration of credit may be found in the business that WIND Telecomunicazioni SpA carries out with dealers and domestic and international operators.

WIND Telecomunicazioni SpA is also assisted by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables from dealers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

In relation to the exposure of financial counterparties' credit risk, Wind complies with Vimpelcom Group Treasury Policy, reviewing and amending, in accordance with the holding company, the credit limits set for each national and international banking group.

These credit limits take into consideration the sum of the following components (NFA or, Net Financial Assets): i) availability of balances in bank or postal current accounts; ii) deposits or short term financial investments; iii) positive mark to market arising on derivatives used for hedging; iv) bank guarantees issued in favour of the company.

The Group had a positive net balance in its current accounts of €282 million at December 31, 2015. The Group's credit risk exposure from derivative contracts is represented by their realizable value or fair value, if positive.

The positive fair value of the entire portfolio at December 31, 2014 was €916 million (details of this may be found in note 17).

**Liquidity risk**

Liquidity risk arises mostly from the cash flows generated by debt servicing, in terms of both interest and principal, and from all of the Group's payment obligations that result from business activities.

Specifically the debt managed by the Group is composed of:

- a floating rate long-term loan agreement (the Senior Facility Agreement) entered on November 24, 2010 by the Parent WIND Telecomunicazioni SpA and renegotiated on March 12, 2015, for whose effects may be found in note 16, denominated in euros, with full repayment at maturity in 2019 and with total nominal value of 700 million euro to which is added €400 million of unused revolving credit facility at December 31, 2015;
- the bonds issued by the subsidiary Wind Acquisition Finance SA follow:

<u>(millions of euro)</u>	<u>Issue date</u>	<u>Currency</u>	<u>Notional amount</u>	<u>Maturity</u>	<u>Interest rate</u>
Senior Notes 2021 € . . . . .	04/23/2014	EUR	1,750	04/23/2021	7.00%
Senior Notes 2021 \$ . . . . .	04/23/2014	USD	2,800	04/23/2021	7.375%
Senior Secured Notes 2020 € . . . . .	07/10/2014	EUR	2,475	07/15/2020	4.00%
Senior Secured Notes 2020 \$ . . . . .	07/10/2014	USD	1,900	07/15/2020	4.75%
Senior Secured Floating Rate Notes 2020 € . . . . .	07/10/2014	EUR	575	07/15/2020	Eur3M+4.00%
Senior Secured Floating Rate Notes 2020 € . . . . .	03/30/2015	EUR	400	07/15/2020	Eur3M+4.125%
Senior Secured Floating Rate Notes 2019 € . . . . .	04/29/2013	EUR	150	04/30/2019	Eur3M+5.25%
Senior Secured Fixed Rate Notes 2020 \$ . . . . .	04/29/2013	USD	550	04/30/2020	6.50%

The bonds are subject to mandatory repayment in the following scenario: i) in case of a change of control, all bondholders will be entitled to request the total or partial repurchase of the bonds they hold at a price equal to 101% of the notional amount plus the interest accrued at the repurchase date, and ii) in case of asset sales, any proceeds not reinvested in the form envisaged by the offering memorandum and which exceed the amount of €25 million must be used to make a *pari-passu* repurchase offer to bondholders and debtholders at a price of 100% of the notional amount plus the interest accrued at the repurchase date;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

- other amortizing loans in euros of the Parent granted by: i) financial institutions, against the repayment plan of the fair value of the derivatives extinguished in 2010 since they were hedging loans repaid as part of the refinancing of the Company's debt; and ii) Terna against the capitalization of expenditure for the backbone right of way.

The repayment flows expected in accordance with the described above agreements, with exclusive reference to the amounts used, translating US dollar tranches at the hedge agreement exchange rate, where applicable, are as follows.

(millions of euro)	2016	2017	2018	2019	2020	2021	2022/2035	Total
<b>Senior Facility Agreement</b> . . . . .	—	—	—	700	—	—	—	700
<b>Annuity</b> . . . . .	17	—	—	—	—	—	—	17
<b>Terna</b> . . . . .	1	1	1	2	2	2	120	129
<b>Senior Notes 2021</b>								
Senior Notes Euro . . . . .	—	—	—	—	—	1,750	—	1,750
Senior Notes USD . . . . .	—	—	—	—	—	2,030	—	2,030
<b>Senior Secured Notes 2020</b>								
Senior Secured Notes Euro . . . . .	—	—	—	—	2,475	—	—	2,475
Senior Secured Notes USD . . . . .	—	—	—	—	1,413	—	—	1,413
Senior Secured Floating Rate Notes . . . . .	—	—	—	—	975	—	—	975
<b>Senior Secured Floating Rate Notes 2019</b> . . . . .	—	—	—	150	—	—	—	150
<b>Senior Secured Fixed Rate Notes 2020</b> . . . . .	—	—	—	—	420	—	—	420
<b>Total</b> . . . . .	<u>18</u>	<u>1</u>	<u>1</u>	<u>852</u>	<u>5,285</u>	<u>3,782</u>	<u>120</u>	<u>10,059</u>

The renegotiated Senior Facility Agreement contains new financial covenants which the Group must test if the amount drawn down from the Revolving Credit Facility ("RCF") exceeds 35% of the total. No amounts had been drawn down from the RCF at December 31, 2015.

The tranches of bonds that are denominated in US dollars are hedged by cross currency swaps. As concerns liquidity risk, these cross currency swaps will lead to an exchange of principal on maturity.

The following tables set forth the contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement calculated as of December 31, 2015 and 2014.

(millions of euro)	Carrying amount at December 31, 2015	Total Contractual cash flows	2016	2017	2018	2019	2020	2021	2022/ 2035
<b>Non-derivative financial liabilities</b>									
Bank loans . . . . .	679	(825)	(30)	(30)	(30)	(735)	—	—	
Bonds . . . . .	10,293	(13,178)	(575)	(575)	(575)	(721)	(6,247)	(4,485)	
Loans from others . . . . .	147	(201)	(31)	(13)	(13)	(12)	(12)	(12)	(108)
<b>Net derivative financial liabilities</b> . . . . .	(916)								
Outflows . . . . .		(5,002)	(237)	(218)	(212)	(212)	(2,031)	(2,092)	—
Inflows . . . . .		6,445	306	306	306	305	2,548	2,674	—
<b>Total</b> . . . . .	<u>10,203</u>	<u>(12,761)</u>	<u>(567)</u>	<u>(530)</u>	<u>(524)</u>	<u>(1,375)</u>	<u>(5,742)</u>	<u>(3,915)</u>	<u>(108)</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

(millions of euro)	Carrying amount at December 31, 2014	Total Contractual cash flows	2015	2016	2017	2018	2019	2020	2021	2022/ 2035
<b>Non-derivative financial liabilities</b>										
Bank loans . . . . .	1,888	(2,314)	(186)	(86)	(85)	(259)	(1,698)	—		
Bonds . . . . .	8,986	(12,111)	(516)	(514)	(513)	(513)	(659)	(5,185)	(4,211)	
Loans from others . . . . .	333	(525)	(120)	(115)	(13)	(13)	(12)	(12)	(12)	(228)
<b>Net derivative financial liabilities . . . . .</b>										
	(331)									
Outflows . . . . .		(5,257)	(240)	(240)	(221)	(215)	(215)	(2,034)	(2,092)	
Inflows . . . . .		6,069	278	277	276	276	276	2,286	2,400	
<b>Total . . . . .</b>	<b><u>10,876</u></b>	<b><u>(14,138)</u></b>	<b><u>(784)</u></b>	<b><u>(678)</u></b>	<b><u>(556)</u></b>	<b><u>(724)</u></b>	<b><u>(2,308)</u></b>	<b><u>(4,945)</u></b>	<b><u>(3,915)</u></b>	<b><u>(228)</u></b>

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low based on liquidity in the markets the Group has access to, and recent history of refinancings. The Group believes that access to sources of funding is sufficiently available and the Group's policy is to diversify the funding sources where possible.

**Market risk**

The Group's strategy for managing interest rate and currency risks is aimed at both managing and controlling such financial risks. More specifically, this strategy is aimed at eliminating currency risk and optimizing debt cost wherever possible, taking into account the interests of the Group's stakeholders.

Managing market risk for the WIND Group refers to financial liabilities from the time they actually arise or from when there is a high probability that they will arise.

More specifically, the following market risks are monitored and managed:

- Cash flow risk—this is the risk that movements in the yield curve could have an impact on the income statement in terms of greater finance expense.
- Fair value risk—this is the risk that movements in the yield curve could have an impact on the fair value of debt.
- Currency risk—this is the risk that the fair value of financial instruments in currencies other than the euro or their cash flows, or the amounts payable or receivable generated in the ordinary course of operations other than in euros, could be negatively affected by fluctuations in exchange rates.

The main objectives that the Group intends to reach are: i) to defend the strategic plan scenario from the effects of exposure to currency, interest rate and inflation risks, identifying an optimum combination of the fixed rate, floating rate and inflation components for financial liabilities; ii) to reduce the cost of debt; and iii) to manage derivatives in compliance with the Group's approved strategies, taking into consideration the different effects that derivative transactions could have on the income statement and the statement of financial position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

At December 31, 2015 the interest rate risk was hedged to a level of approximately 82%, with a maximum hedge term of less than five years. At December 31, 2015, outstanding derivative contracts hedging interest rate risk amounted to €1,370 million.

The outstanding balance of the long-term loans (excluding Terna) at December 31, 2015 amounted to €9,930 million (liabilities in foreign currencies are translated at the rates provided in the relevant CCS) with the following fixed to floating ratio at that date.

<u>(millions of euro)</u>	<u>Outstanding at 12.31.2015</u>	<u>% at 12.31.2015</u>
At fixed rate . . . . .	8,046	81%
At floating rate . . . . .	1,884	19%

The currency risk resulting from the bonds issued by the subsidiary Wind Acquisition Finance SA has been fully hedged by cross currency swap transactions having a total notional of USD 5,250 million.

All derivative agreements were entered into at market rates, without any up-front payments or receipts (a zero cost basis) and with a credit margin being applied.

It is estimated that an increase of 100 basis points in the euro interest rate yield curve (all other variables remaining constant) would lead to an increase in borrowing costs, with regard to the unhedged portion of floating rate debt and the ineffective portion of hedging instrument, of approximately €9 million and in the cash flow reserve of approximately €167 million.

**Fair value hierarchy**

IFRS 13 requires financial instruments recognised in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

- Level 1—quoted prices in active markets for the assets or liabilities being measured;
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) in the market;
- Level 3—inputs that are not based on observable market data.

The following table provides an analysis of financial assets and liabilities measured at fair value by hierarchy at December 31, 2015.

<u>(millions of euro)</u>	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Assets at fair value</i>					
Derivative financial instruments . . . . .	17	—	970	15	985
<b>Total assets</b> . . . . .		<b>—</b>	<b>970</b>	<b>15</b>	<b>985</b>
<i>Liabilities at fair value</i>					
Derivative financial instruments . . . . .	17	—	54	—	54
<b>Total liabilities</b> . . . . .		<b>—</b>	<b>54</b>	<b>—</b>	<b>54</b>

In 2015 there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**3 ACQUISITIONS AND DISPOSALS**

On March 26, 2015 the Parent completed the transaction following the agreement concluded on February 27, 2015 for the sale to Cellnex Telecom SA of 90% of the shares of Galata SpA for a total cash consideration of 693 million euro.

Galata SpA was a subsidiary company formed by the Parent on February 18, 2015 through the contribution of the business unit “Tower Development”, with the purpose to develop network communications and market services in hospitality, sharing / maintenance and value-added services to other operators in the communication sector. The “Tower Development” business unit consisting of 7,377 towers together with the relevant functions, employees and related contracts.

WIND entered into a Tower Services Agreement for an initial term of 15 years with Galata SpA for the provision of a broad range of services on the contributed sites and sites subsequently built by Galata hosting WIND equipment.

The following table provides details, at the transaction date, of the net assets sold by statement of financial position item.

<u>(millions of euro)</u>	<u>Carrying amount</u>
<b>Assets</b>	
Property, plant and equipment . . . . .	234
Deferred tax assets . . . . .	1
Trade receivables . . . . .	1
Other receivables . . . . .	50
Cash and cash equivalents . . . . .	24
<b>Liabilities</b>	
Provisions . . . . .	14
Trade payables . . . . .	19
Other payables . . . . .	5
<b>Net assets sold . . . . .</b>	<b><u>272</u></b>

The sale of the investment in Galata SpA led to the recognition of a gain of €490 million, after selling costs and the effects arising from the recognition of the residual 10% of the investment, for which details may be found in note 7.

The cash flows produced by the sale of Galata SpA were as follows.

<u>(millions of euro)</u>	
Consideration of the sale . . . . .	693
(Cash and cash equivalents of the sold assets) . . . . .	<u>(24)</u>
<b>Cash flows produced in the sale . . . . .</b>	<b><u>669</u></b>

In addition, the investment in SPAL TLC SpA was disposed on July 15, 2015; this was carried at €13 million at December 31, 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**4 PROPERTY, PLANT AND EQUIPMENT**

The following table sets out the changes in *Property, Plant and Equipment* at December 31, 2015.

(millions of euro)	Carrying amount at December 31, 2014	Additions	Depreciation	Impairment	Disposals	Change in scope of consolidation	Others	Carrying amount at December 31, 2015
Land and buildings	1	—	—	—	—	—	—	1
Plant and machinery . . . . .	3,023	454	(686)	(4)	(9)	(234)	134	2,678
Equipment . . . . .	22	7	(11)	—	—	—	1	19
Other . . . . .	49	10	(19)	—	—	—	8	48
Assets under construction . . .	178	95	—	(24)	—	—	(140)	109
<b>Total . . . . .</b>	<b><u>3,273</u></b>	<b><u>566</u></b>	<b><u>(716)</u></b>	<b><u>(28)</u></b>	<b><u>(9)</u></b>	<b><u>(234)</u></b>	<b><u>3</u></b>	<b><u>2,855</u></b>

The cost, accumulated impairment losses and accumulated depreciation at December 31, 2015 can be summarized as follows.

(millions of euro)	At December 31, 2015			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings . . . . .	1	—	—	1
Plant and machinery . . . . .	10,703	81	7,944	2,678
Equipment . . . . .	162	—	143	19
Other . . . . .	505	—	457	48
Assets under construction . . . . .	133	24	—	109
<b>Total . . . . .</b>	<b><u>11,504</u></b>	<b><u>105</u></b>	<b><u>8,544</u></b>	<b><u>2,855</u></b>

The cost, accumulated impairment losses and accumulated depreciation at January 1, 2015 can be summarized as follows.

(millions of euro)	At January 1, 2015			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings . . . . .	1	—	—	1
Plant and machinery . . . . .	11,256	101	8,132	3,023
Equipment . . . . .	159	—	137	22
Other . . . . .	519	—	470	49
Assets under construction . . . . .	179	1	—	178
<b>Total . . . . .</b>	<b><u>12,114</u></b>	<b><u>102</u></b>	<b><u>8,739</u></b>	<b><u>3,273</u></b>

*Plant and machinery* presents a net decrease by €345 million over the previous year essentially due to the sale finalized on March 26, 2015 of 90% of Galata SpA, for which further details may be found in note 3. The main investment in the year relates to the purchases and operations of radio links and high

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
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**4 PROPERTY, PLANT AND EQUIPMENT (Continued)**

frequency equipment for the expansion of the mobile access network, exchanges and electronic installations and plant and machinery under construction (mostly LTE technologies).

As part of the plan for the development of the Group's production structure, disposals have been made of equipment, infrastructure and transmission systems having a carrying amount of €9 million which are no longer usable; these relate mostly to radio links and high frequency equipment.

At December 31, 2015, transmission equipment, telephone systems and commutation switchboards owned by the Parent and having a carrying amount of €99 million were held by customers for use (€122 million at December 31, 2014), while transmission equipment for direct access through "unbundling of the local loop" having a carrying amount of €4 million (€8 million at December 31, 2014) was held on deposit by Telecom Italia SpA.

*Plant and machinery* additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable ducts and optic fiber for a total of €74 million at December 31, 2015 (€79 million at December 31, 2014).

At December 31, 2015, *Equipment* decreased over the balance at the end of the previous year by an amount of €3 million as the result of the depreciation charge for the year only partially offset by the increased investments. Commercial equipment having a carrying amount of €14 million at December 31, 2015 was with third parties, mostly authorized dealers, for use at that date (€15 million at December 31, 2014).

The balance of *Assets under construction* at December 31, 2015 consists mainly of plant and machinery being completed and tested. The balance fell during the year due to reclassifications following the finalization of construction which were only partially offset by new investments, and to the write-down by €24 million of plant and machinery under construction for which does not believe recovery is possible.

**5 INTANGIBLE ASSETS**

The following table sets out the changes in *Intangible assets* at December 31, 2015.

<u>(millions of euro)</u>	<u>Carrying amount at December 31, 2014</u>	<u>Additions</u>	<u>Amortization</u>	<u>Reversal of impairment losses/ Impairment losses</u>	<u>Others</u>	<u>Carrying amount at December 31, 2015</u>
Industrial patents and intellectual property rights . . .	260	108	(112)	—	18	274
Concessions, licenses, trademarks and similar rights .	3,970	—	(191)	—	—	3,779
Other intangible assets . . . . .	412	77	(158)	—	16	347
Goodwill . . . . .	3,605	—	—	(1)	—	3,604
Assets under development . . . . .	36	36	—	(2)	(36)	34
<b>Total . . . . .</b>	<b><u>8,283</u></b>	<b><u>221</u></b>	<b><u>(461)</u></b>	<b><u>(3)</u></b>	<b><u>(2)</u></b>	<b><u>8,038</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**5 INTANGIBLE ASSETS (Continued)**

The cost, accumulated impairment losses and accumulated amortization at December 31, 2015 can be summarized as follows.

<u>(millions of euro)</u>	At December 31, 2015			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights . . . . .	1,848	13	1,561	274
Concessions, licenses, trademarks and similar rights . . . . .	5,779	1	1,999	3,779
Other intangible assets . . . . .	1,895	—	1,548	347
Goodwill . . . . .	3,609	5	—	3,604
Assets under development . . . . .	36	—	—	34
<b>Total</b> . . . . .	<b>13,167</b>	<b>21</b>	<b>5,108</b>	<b>8,038</b>

The cost, accumulated impairment losses and accumulated amortization at January 1, 2015 can be summarized as follows.

<u>(millions of euro)</u>	At January 1, 2015			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights . . . . .	1,892	13	1,620	259
Concessions, licenses, trademarks and similar rights . . . . .	5,779	1	1,808	3,970
Other intangible assets . . . . .	1,803	—	1,391	412
Goodwill . . . . .	3,609	3	—	3,606
Assets under development . . . . .	36	—	—	36
<b>Total</b> . . . . .	<b>13,119</b>	<b>17</b>	<b>4,819</b>	<b>8,283</b>

*Industrial patents and intellectual property rights* consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by the Parent personnel in designing, developing and implementing information systems, which at December 31, 2015 amounted to €14 million (€12 million at December 31, 2014).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**5 INTANGIBLE ASSETS (Continued)**

*Concessions, licenses, trademarks and similar rights* include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted to the Group's companies by the relevant authorities, as detailed below.

<u>Individual licenses or General Authorizations or Use of frequencies</u>	<u>Date of issue</u>	<u>Date of expiry<sup>(*)</sup></u>
<b>WIND Telecomunicazioni SpA</b>		
Installation of network and provision of voice telephony services on the Italian national territory <sup>(**)</sup>	February 1998	February 2018
Installation and provision of public telecommunications networks on the Italian national territory	April 1998	April 2018
Provision of public digital mobile communications services using DCS 1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	June 1998	June 2018
Installation and provision of public telecommunications networks on the Italian national territory issued to Infostrada SpA now merged	April 1999	April 2019
Provision of third generation mobile communications services adopting the UMTS standard (IMT-2000 family) and the installation of the related network on the Italian national territory pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	January 2001 <sup>(***)</sup>	December 2029
Use of frequencies for broadband point-multipoint radio networks in the 24.5-26.5 GHz band for the geographical area corresponding to the specified Italian region/ autonomous province <sup>(****)</sup>	July 2002	July 2022
Use of frequencies for providing terrestrial publicly available broadband mobile services in the 800 and 2600 MHz bands.	February 2012 <sup>(*****)</sup>	December 2029

(\*) Individual licenses are renewable in compliance with the regulations prevailing at the time of the renewal upon submission of an application at least 60 days prior to the expiry date (article 25, paragraph 6, of Decree no. 259/03)

(\*\*) The Parent has two licenses for network installation and the provision of fixed line telephony services following the merger of Infostrada SpA

(\*\*\*) The term of the license came into effect on January 1, 2002

(\*\*\*\*) A total of 21 individual point-multipoint licenses have been assigned

(\*\*\*\*\*) The term of the license came into effect on January 1, 2013

*Concessions, licenses, trademarks and similar rights* for €1,300 million refer to trademarks which have an indefinite useful life.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**5 INTANGIBLE ASSETS (Continued)**

*Similar rights* consist of rights of way and the right to use assets owned by third parties for a predetermined period of time and are initially recognized at their one-off purchase price, including any accessory costs. This item relates for the most part to the costs incurred by Infostrada SpA, now merged, for the purchase in 1998 of the right of way on the Italian railway network and the purchase of the right to use the existing optic fiber on the network and, commencing in 2014, to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with a net value of €118 million at December 31, 2015.

*Other intangible assets* mainly relate to the residual value of the customer list, amounting to €263 million, identified upon allocating the goodwill at December 31, 2006 that arose from the merger of the former parent Wind Acquisition Finance SpA and to the customer acquisition costs amounting to €78 million.

*Assets under development* consist of the internal and external costs incurred for the purchase or development of intangible assets for which the respective ownership right has not yet been fully acquired at the end of the year or which relate to incomplete projects, and down payments made to suppliers for the purchase of intangible assets. More specifically, intangible assets under development relate to the costs incurred for the design, development and implementation of information systems or specific modules thereof.

*Goodwill* pertains to the subsidiary WIND Retail Srl for €24 million and to the parent WIND Telecomunicazioni SpA for €3,580 million. The decrease of €1 million is due to the impairment loss during the year of the share of the goodwill allocated to the points of sales which form part of the rationalization of the subsidiary WIND Retail's commercial network approved in 2014 and already partially implemented.

The carrying amount of goodwill recognized and of intangible assets with indefinite useful lives at December 31, 2015 was tested for impairment. The test was carried out by comparing the carrying amount with the recoverable amount. More specifically, the recoverable amount was calculated on the basis of the discounted cash flows resulting from the 2015-2019 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 8.24% was used to discount the cash flows, being the weighted average cost of capital, net of the tax effect, calculated using the capital asset pricing model. Sensitivity was performed simulating, compared to the base assumptions, cash flows reduction by estimating a growth rate of 0.5% for the years not covered by the plan. In all cases the recoverable amount of the net assets continue to be higher than their carrying amount.

**6 FINANCIAL ASSETS**

The following table sets out *Financial assets* at December 31, 2015 and 2014.

(millions of euro)	At December 31, 2015			At December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost .....	2	—	2	15	—	15
Derivative financial instruments .....	985	—	985	412	—	412
Financial receivables .....	1,110	23	1,133	993	23	1,016
<b>Total .....</b>	<b>2,097</b>	<b>23</b>	<b>2,120</b>	<b>1,420</b>	<b>23</b>	<b>1,443</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**6 FINANCIAL ASSETS (Continued)**

The *Financial assets measured at cost*, consist of non-controlling interests in companies and consortia as set out in the following table.

(millions of euro) Company / consortium	% of investment	At December 31, 2015	At December 31, 2014
Janna Scarl . . . . .	17.00%	2	2
SPAL TLC . . . . .	33.00%	—	13
<b>Total financial assets measured at cost . . . . .</b>		<b>2</b>	<b>15</b>

The change over December 31, 2014 is mainly due to the disposal on July 15, 2015 of the investment in SPAL TLC SpA with a carrying amount of €13 million at December 31, 2014.

The item *Derivative financial instruments* includes the positive fair value of derivative financial instruments, detailed as follows: i) embedded derivatives on Bond issues amounting to €15 million (€6 million at December 31, 2014); and ii) cross currency swap hedging derivatives on financial liabilities amounting to €970 million (€406 million at December 31, 2014). Additional details on the composition of the item balance and respective changes are to be found in note 17.

The *Financial receivables*, amounting €1,133 million at December 31, 2015 mainly include:

- for €1,122 million the loans granted by WIND to the parent WIND Acquisition Holdings Finance SpA resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively (of which €20 million relating accrued interest). In particular, the first one, with a nominal value of €1,057 million including capitalized interests at December 31, 2015 has an annual fixed interest rate of 9% and repayment date in April 2024. The second loan with a nominal value up to €75 million (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) was disbursed for €45 million at December 31, 2015, including capitalized interests;
- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 16) equal to €6 million (€7 million at December 31, 2014), which are charged to income statement on a straight-line basis over the term of the agreement.

The following table sets out the due dates for financial receivables.

(millions of euro) Financial receivables	At December 31, 2015				At December 31, 2014			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Guarantee deposits . . . . .	3	1	1	5	2	2	—	4
Receivables due from parents . . .	20	—	1,102	1,122	17	—	980	997
Others . . . . .	—	6	—	7	4	11	—	15
<b>Total . . . . .</b>	<b>23</b>	<b>7</b>	<b>1,103</b>	<b>1,133</b>	<b>23</b>	<b>13</b>	<b>980</b>	<b>1,016</b>

The fair value is approximately the same as the carrying amount for *Financial assets* at December 31, 2015 and 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The balance on *investments accounted for using the equity method* of €77 million at December 31, 2015 regards the investment in Galata SpA for which details may be found in note 3.

**8 DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by nature at December 31, 2015.

<u>(millions of euro)</u>	<u>At December 31, 2014</u>	<u>Decrease</u>	<u>Increase</u>	<u>At December 31, 2015</u>
Allowance for doubtful accounts (taxed) . . . . .	69	50	27	46
Provisions for risks and charges (taxed) . . . . .	26	12	13	27
Measurement of financial assets/liabilities . . . . .	163	33	—	130
Amortization and depreciation of non-current assets . . . . .	50	16	13	47
Revenues . . . . .	—	—	1	1
<b>Deferred tax assets</b> . . . . .	<b><u>308</u></b>	<b><u>111</u></b>	<b><u>54</u></b>	<b><u>251</u></b>
Employee benefits . . . . .	2	—	—	2
Accelerated depreciation and amortization . . . . .	12	2	—	10
Fair value of Property, plant, and equipment . . . . .	57	31	—	26
Depreciation of PPA . . . . .	563	60	2	505
Revenues . . . . .	—	—	1	1
<b>Deferred tax liabilities</b> . . . . .	<b><u>634</u></b>	<b><u>93</u></b>	<b><u>3</u></b>	<b><u>544</u></b>

The increase in 2015 in *deferred tax assets* is explained mainly by a decrease in measurement of financial liabilities and provision for doubtful accounts. The decrease in *deferred tax liabilities* is mainly due to a decrease in depreciation of PPA. The reduction of the items is partly attributable to the adjustment of the IRES from 27.5% to 24% for the temporary differences will reversed after December 31, 2016.

The following table provides an analysis of *Deferred tax assets* and *Deferred tax liabilities* at December 31, 2015 and 2014, between those falling due within 12 months and those falling due after 12 months.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	49	63
—after 12 months . . . . .	202	245
<b>Total</b> . . . . .	<b><u>251</u></b>	<b><u>308</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**8 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	37	36
—after 12 months . . . . .	507	598
<b>Total</b> . . . . .	<u><b>544</b></u>	<u><b>634</b></u>

Deferred tax assets have been recognized by considering the probability of their recoverability and the extent to which the directors believe there is a reasonable certainty that sufficient profits will be generated in future years against which the losses may be used within the time limits imposed by prevailing tax laws and regulations.

Deferred tax assets were not recognized in respect of temporary differences carried forward indefinitely totalling €249 million (€197 million at December 31, 2014), arising from non-deductible finance expenses within the limits imposed by law, due to the lack of reasonable certainty of their recoverability. In addition, even if transferred to the tax consolidation, consistent with the terms of the agreement, no receivables due from the indirect parent Wind Telecom SpA have been recognized. In fact, on the basis of this agreement, if the excess interest expense is transferred to the national consolidation, the transferring company obtains the right to remuneration corresponding to the theoretical tax benefit transferred, only if, and to the extent to which, the company which has transferred this excess interest expense transfers to the consolidation the excess gross operating profit (GOP) not utilized in the tax period for the deduction of interest expense pursuant to article 96, paragraphs 1, 2 and 7 of the Consolidated Income Tax Law (TUIR).

**9 INVENTORIES**

The following table provides an analysis of *Inventories* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Finished goods . . . . .	30	24
Write-downs . . . . .	—	(1)
<b>Total</b> . . . . .	<u><b>30</b></u>	<u><b>23</b></u>

“*Finished goods*” consist principally of mobile phone handsets, kits and the related accessories. The change in 2015 is essentially due to an increase in inventories of mobile telephone terminals, kits and related accessories and stocks consisting of products which are technologically advanced which have a higher unit value over previous year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**10 TRADE RECEIVABLES**

The following table provides an analysis of *Trade receivables* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Due from final customers . . . . .	1,036	927
Due from telephone operators . . . . .	197	174
Due from authorized dealers . . . . .	106	118
Due from related parties . . . . .	2	3
Other trade receivables . . . . .	34	34
(Allowance for doubtful accounts) . . . . .	<u>(379)</u>	<u>(307)</u>
<b>Total</b> . . . . .	<b><u>996</u></b>	<b><u>949</u></b>

The balance of net trade receivables at December 31, 2015 has increased by a total of €47 million over that at December 31, 2014 mostly due to the increase in receivables due from final customers (€109 million) only partially offset by an increase in the allowance for doubtful account (€72 million).

*Receivables due from final customers* arise principally from the supply of fixed and mobile telephony services to customers with subscription contracts and increase over 2014 mainly due to the increase in sales relating the offer *Telefono incluso*. *Receivables due from telephone operators* mainly relate to interconnection and roaming services. *Receivables due from authorized dealers* relate to sales of radio mobile and fixed-line handsets and related accessories, as well as rechargeable telephone cards and top-ups.

*Receivables due from related parties* consists of the receivables due from VimpelCom Group's companies. Further details may be found in notes 6 and 37.

The following table provides an analysis, at December 31, 2015 and 2014 of trade receivables and the respective allowance for doubtful accounts, by due date.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>		<u>At December 31, 2014</u>	
	<u>Gross amount</u>	<u>(Allowance for doubtful accounts)</u>	<u>Gross amount</u>	<u>(Allowance for doubtful accounts)</u>
unexpired . . . . .	678	(17)	636	(14)
expired from:				
—0 - 30 days . . . . .	79	(2)	63	(1)
—31 - 120 days . . . . .	41	(3)	52	(3)
—121 - 150 days . . . . .	19	(1)	26	(1)
—beyond 150 days . . . . .	<u>558</u>	<u>(356)</u>	<u>479</u>	<u>(288)</u>
<b>Total</b> . . . . .	<b><u>1,375</u></b>	<b><u>(379)</u></b>	<b><u>1,256</u></b>	<b><u>(307)</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**10 TRADE RECEIVABLES (Continued)**

The following table provides an analysis of trade receivables at December 31, 2015 and 2014, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	988	905
—after 12 months . . . . .	8	44
<b>Total</b> . . . . .	<b><u>996</u></b>	<b><u>949</u></b>

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2015.

<u>(millions of euro)</u>	<u>At December 31, 2014</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2015</u>
<b>Allowance for doubtful accounts</b> . . . . .	<b>307</b>	103	(31)	<b>379</b>

**11 CURRENT TAX ASSETS**

The balance on *current tax assets* of €18 million at December 31, 2015 (€7 million at December 31, 2014) mostly regards receivables for current tax assets arising from taxes paid in previous years to which is added the residual part of advance payments of IRAP tax made during the year.

**12 OTHER RECEIVABLES**

The following table sets out the details of *Other receivables* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Trade prepayments . . . . .	53	92
Other receivables due from third parties . . . . .	73	98
Tax receivables . . . . .	7	9
Advances to suppliers . . . . .	40	42
Other receivables due from parents . . . . .	48	30
Other receivables due from related parties . . . . .	1	2
Other receivables due from associates . . . . .	1	—
(Allowance for doubtful accounts) . . . . .	(3)	(4)
<b>Total</b> . . . . .	<b><u>220</u></b>	<b><u>269</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**12 OTHER RECEIVABLES (Continued)**

The following table provides an analysis, at December 31, 2015 and 2014, of other receivables and the respective allowance for doubtful accounts by due date.

(millions of euro)	At December 31, 2015		At December 31, 2014	
	Gross balance	(Allowance for doubtful accounts)	Gross balance	(Allowance for doubtful accounts)
—unexpired . . . . .	174	—	224	—
—expired from:				
—0 - 30 days . . . . .	2	—	1	—
—31 - 120 days . . . . .	1	—	3	—
—121 - 150 days . . . . .	—	—	2	—
—beyond 150 days . . . . .	46	(3)	43	(4)
<b>Total . . . . .</b>	<b><u>223</u></b>	<b><u>(3)</u></b>	<b><u>273</u></b>	<b><u>(4)</u></b>

The following table provides an analysis of other receivables at December 31, 2015 and 2014, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

(millions of euro)	At December 31, 2015	At December 31, 2014
	—within 12 months . . . . .	190
—after 12 months . . . . .	30	29
<b>Total . . . . .</b>	<b><u>220</u></b>	<b><u>269</u></b>

*Trade prepayments* relate mainly to lease installments for civil and technical sites and lease installments for telephone network circuits. The decrease over 2014 is mainly due to the sale finalized on March 26, 2015 of 90% of Galata SpA, for which further details may be found in note 3.

*Other receivables due from third parties* relate mainly to receivables from non-commercial third parties.

*Other receivables due from parents* at December 31, 2015, include the amounts due from Wind Telecom SpA, Wind Acquisition Holdings Finance SpA, Vimpelcom Ltd and Vimpelcom Amsterdam BV. The increase over December 31, 2014 is mainly due to the transfer by the Parent Company of a receivable of €13 million due from the indirect parent Wind Telecom SpA under the national tax consolidation procedure (a payable of approximately €12 million at December 31, 2014). *Other receivables due from related parties* at December 31, 2015 mainly consist of the receivables due from VimpelCom Group's companies. Further details may be found in note 6 and 37.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**12 OTHER RECEIVABLES (Continued)**

The following table provides an analysis of *Tax receivables* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
VAT .....	4	6
Other tax receivables .....	<u>3</u>	<u>3</u>
<b>Total</b> .....	<u><b>7</b></u>	<u><b>9</b></u>

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2015.

<u>(millions of euro)</u>	<u>At December 31, 2014</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2015</u>
<b>Allowance for doubtful accounts</b> .....	<b>4</b>	—	(1)	<b>3</b>

**13 CASH AND CASH EQUIVALENTS**

The following table sets out an analysis of *Cash and cash equivalents* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Bank deposits and checks .....	282	203
Cash on hand and stamps .....	<u>—</u>	<u>—</u>
<b>Total</b> .....	<u><b>282</b></u>	<u><b>203</b></u>

Cash and cash equivalents represent the surplus of cash generated by operations, changed mainly due to the ordinary cash inflows and outflows during the year. Further details may be found in note 39 to the cash flow statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**14 SHAREHOLDERS' EQUITY**

The following table sets out the composition of Shareholders' Equity at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
<b>Issued Capital</b> . . . . .	<b>147</b>	<b>147</b>
<b>Share premium reserve</b> . . . . .	<b>752</b>	<b>752</b>
<b>Other reserves and retained earnings (accumulated losses), including profit (loss) for the year</b> . . . . .	<b>(352)</b>	<b>(788)</b>
—Reserve for remeasurements of employee defined benefit plans (IAS19) . .	(6)	(1)
—Cash flow reserve . . . . .	(40)	(54)
—Legal reserve . . . . .	29	29
—Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year . . . . .	<u>(335)</u>	<u>(762)</u>
<b>Equity attributable to the owners of the parent</b> . . . . .	<b><u>547</u></b>	<b><u>111</u></b>
<b>Non-controlling interests</b> . . . . .	<b>—</b>	<b>—</b>
<b>Total Equity</b> . . . . .	<b><u>547</u></b>	<b><u>111</u></b>

The share capital of the parent WIND Telecomunicazioni SpA at December 31, 2015 consisted of 146,100,000 ordinary shares with no nominal value, fully subscribed and paid up by the sole shareholder WIND Acquisition Holdings Finance SpA. During the year there were no changes in the number of Parent shares.

Despite the encumbrances on the pledged shares underlying the share capital of the Parent held by WIND Acquisition Holdings Finance SpA, the voting rights at shareholders' meetings of the Parent are retained by WIND Acquisition Holdings Finance SpA by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian Civil Code.

The following table present the reconciliation between the consolidated result of the year and the consolidated shareholders' equity and the related balances of the Parent.

<u>(millions of euro)</u>	<u>Result for the year</u>		<u>Equity at December, 31</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Equity and Result for the year of WIND Telecomunicazioni SpA</b> . . . . .	<b>297</b>	<b>(349)</b>	<b>743</b>	<b>422</b>
<b>Equity and Result for the year of consolidated entities net of the shares attributable to Non-controlling interests</b> . . . . .	<b>131</b>	<b>(364)</b>	<b>(98)</b>	<b>(212)</b>
Consolidation adjustments:				
elimination of carryng amount of investments . . . . .			(93)	(93)
other consolidation adjustments . . . . .	0	4	(5)	(6)
<b>Equity and Result for the year attributable to owners of the parent</b> . . . . .	<b>428</b>	<b>(709)</b>	<b>547</b>	<b>111</b>
Equity and Result for the year attributable to Non-controlling interests . . . .	0	0	0	0
<b>Equity and Result for the year in the Consolidated Financial Statements</b> . . .	<b>428</b>	<b>(709)</b>	<b>547</b>	<b>111</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**14 SHAREHOLDERS' EQUITY (Continued)**

The resolution adopted by the parent's shareholders on March 6, 2015 resolving the approval of the annual financial statements as of and for the year ended December 31, 2014 allocated the loss for the year of €349 million to losses carried forward.

Changes in the Group's equity during the year, as well as the profit for the year, mainly arose from the following:

- the increase in the cash flow hedge reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the transactions on hedging derivatives on cash flows, as described in further detail in note 17. The following table shows the changes in the cash flow hedge reserve;

(millions of euro)	Interest rate risk			Foreign currency risk			Cash Flow Hedge Reserve
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	
<b>At December 31, 2014</b> . . . . .	(67)	—	(67)	20	(6)	14	(54)
Changes in fair value . . . . .	20	—	20	61	(18)	43	63
Reverse to income statement . . . . .	10	—	10	(84)	25	(59)	(49)
<b>At December 31, 2015</b> . . . . .	(37)	—	(37)	(3)	1	(2)	(40)

- the decrease in the actuarial reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the remeasurements of employee defined benefit plans.

WIND sources itself with the capital necessary to fund its requirements for business development and operations; the sources of funds are found in a balanced mix of equity and debt capital. Debt capital is structured according to different maturities and currencies to ensure an adequate diversification of the sources of funding and an efficient access to external sources of financing.

**15 EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to the owners of the Parent; profit refers to continuing operations and discontinued operations. Both basic and diluted earnings per share have been calculated by using as a denominator the weighted average for the year of the number of outstanding shares, since there were no diluting effects at December 31, 2015 or December 31, 2014.

The data underlying the calculation are as follows.

(millions of euro)	At December 31, 2015	At December 31, 2014
Profit / (Loss) from continuing operations . . . . .	428	(709)
Weighted average number of shares outstanding during the year (units) . . .	146,100,000	146,100,000
<b>Profit / (Loss) per share from continuing operations—basic and diluted (in Euro)</b> . . . . .	<b>2.93</b>	<b>(4.85)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**16 FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* at December 31, 2015 and 2014.

(millions of euro)	At December 31, 2015			At December 31, 2014		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues . . . . .	10,135	158	<b>10,293</b>	8,843	142	<b>8,985</b>
Bank loans . . . . .	671	8	<b>679</b>	1,722	166	<b>1,888</b>
Loans from others . . . . .	128	19	<b>147</b>	228	105	<b>333</b>
Derivative financial instruments . . . . .	36	18	<b>54</b>	74	—	<b>74</b>
<b>Total financial liabilities . . . . .</b>	<b>10,970</b>	<b>203</b>	<b>11,173</b>	<b>10,867</b>	<b>413</b>	<b>11,280</b>

On March 30, 2015, the subsidiary Wind Acquisition Finance SA issued the Senior Secured Notes for a total amount of €775 million and maturing in 2020, through a combination of floating rate bonds Euribor plus 4.125% of 400 million euro (Floating Rate Notes) and a tap issue of bonds Senior Secured Notes 2020, currently in circulation, for € 375 million with a coupon of 4%.

The Group used the cash obtained from new bond issues and the renegotiation of new senior facilities maturing in 2019 (700 million euro), and a part of the consideration from the sale of Galata SpA (500 million euro), to refinance the current Senior Facility Agreement, with the repayment of balance of the tranches at March 30, 2015 by an amount of €1,782 million.

The renegotiated Senior Facility Agreement contains new financial covenants which the Group must test if the amount drawn down from the Revolving Credit Facility (“RCF”) exceeds 35% of the total. No amounts had been drawn down from the RCF at December 31, 2015.

The change in the balances in *Loans from others* results essentially from: i) the full repayment of €162 million made by the Parent on April 29, 2015, of the payable due to the Ministry of Economic Development granted in 2011 as the result of the allocation of the mobile frequency use rights, and ii) the repayment during the period of €20 million relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group’s debt of November 26, 2010.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 17.

The following table sets out an analysis of *Financial liabilities* at December, 2015 and 2014 by due date.

(millions of euro)	At December 31, 2015				At December 31, 2014			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds issues . . . . .	158	5,814	4,321	<b>10,293</b>	142	147	8,696	<b>8,985</b>
Bank loans . . . . .	8	671	—	<b>679</b>	166	1,722	—	<b>1,888</b>
Loans from others . . . . .	19	5	123	<b>147</b>	105	103	125	<b>333</b>
Derivative financial instruments . . . . .	18	36	—	<b>54</b>	—	50	24	<b>74</b>
<b>Total financial liabilities . . . . .</b>	<b>203</b>	<b>6,526</b>	<b>4,444</b>	<b>11,173</b>	<b>413</b>	<b>2,022</b>	<b>8,845</b>	<b>11,280</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**16 FINANCIAL LIABILITIES (Continued)**

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at December 31, 2015.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>					<u>Total</u>
	<u>&lt;5%</u>	<u>5%&lt;x&lt;7.5%</u>	<u>7.5%&lt;x&lt;10%</u>	<u>10%&lt;x&lt;12.5%</u>	<u>12.5%&lt;x&lt;15%</u>	
Euro . . . . .	3,480	2,615	19	129	—	6,243
US dollars . . . . .	1,778	506	2,592	—	—	4,876
<b>Total</b> . . . . .	<b><u>5,258</u></b>	<b><u>3,121</u></b>	<b><u>2,611</u></b>	<b><u>129</u></b>	<b><u>—</u></b>	<b><u>11,119</u></b>

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2015 and 2014. The fair value is approximately the same as the carrying amount for current *Financial liabilities*.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>		<u>At December 31, 2014</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Bonds issues . . . . .	10,135	9,881	8,843	8,516
Bank loans . . . . .	671	692	1,722	1,758
Loans from others . . . . .	128	128	228	228
Derivative financial instruments . . . . .	36	36	74	74
<b>Total</b> . . . . .	<b><u>10,970</u></b>	<b><u>10,737</u></b>	<b><u>10,867</u></b>	<b><u>10,576</u></b>

Current *Financial liabilities* at December 31, 2015 consist exclusively of the portions of bank loans and bonds for which payment is due by the end of the following financial year, referring to both principal and accrued interest.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 17.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**16 FINANCIAL LIABILITIES (Continued)**

***Bonds***

The following table sets out the main information relating to outstanding *Bonds* at December 31, 2015.

<u>(millions of euro)</u>	<u>Carrying amount at December 31, 2015</u>	<u>Carrying amount at December 31, 2014</u>	<u>Nominal amount at December 31, 2015</u>	<u>Issue price</u>	<u>Currency</u>	<u>Due date</u>	<u>Interest rate</u>	<u>Price</u>
Senior Secured Floating Rate Notes 2020 € . . . . .	399	—	400	100%	EUR	07/15/2020	Euribor 3M+4.125%	99.3%
Senior Secured Notes tap 2020 € . . . . .	383	—	375	100%	USD	07/15/2020	4.00%	99.8%
Senior Secured Floating Rate Notes 2019 € . . . . .	149	149	150	100%	EUR	04/30/2019	Euribor 3M+5.25%	99.8%
Senior Secured Fixed Rate Notes 2020 \$ . . . . .	506	452	506	100%	USD	04/30/2020	6.50%	104.8%
Senior Notes 2021 € . . . . .	1,755	1,752	1,750	100%	EUR	04/23/2021	7.00%	99.1%
Senior Notes 2021 \$ . . . . .	2,611	2,333	2,579	100%	USD	04/23/2021	7.38%	94.4%
Senior Secured Notes 2020 € . . . . .	2,124	2,122	2,100	100%	EUR	07/15/2020	4.00%	99.8%
Senior Secured Notes 2020 \$ . . . . .	1,792	1,605	1,750	100%	USD	07/15/2020	4.75%	98.4%
Floating Rate Senior Secured Notes 2020 € . . . . .	574	572	575	100%	EUR	07/15/2020	Euribor 3M+4%	99.1%
<b>Total . . . . .</b>	<b><u>10,293</u></b>	<b><u>8,985</u></b>	<b><u>10,185</u></b>					

The changes in balances over December 31, 2014 are mainly due to the effects of the refinancing operation completed in March 2015, for which details may be found above.

As required by the Group's risk management policies, for which details may be found in note 2.5 in order to fully eliminate any currency risks arising from issues denominated in US dollars, the Group has entered into hedging arrangements based on cross currency swaps for a notional amount of €3,863 million, which at December 31, 2015 had a positive fair value of €970 million. In addition, the Group has entered into hedging arrangements based on *Interest rate swap plain vanilla* for a notional amount of €670 million, which at December 31, 2015 had a negative fair value of €31 million. The hedges extend to 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**16 FINANCIAL LIABILITIES (Continued)**

***Bank loans***

The following table sets out the main information relating to outstanding *Bank loans* at December 31, 2015.

(millions of euro)	Carrying amount at December 31, 2015	Carrying amount at December 31, 2014	Nominal amount at December 31, 2015	Usable amount	Currency	Due date	Interest rate
Senior Facility Agreement							
—Term Loan B1 . . . . .	679	—	700	700	EUR	11/26/2019	Euribor+4.25
—RCF R1 . . . . .	—	—	—	400	EUR	11/26/2019	Euribor+4.25
—Tranche A3 . . . . .	—	3	—		EUR	11/26/2018	Euribor+4.25
—Tranche A4 . . . . .	—	169	—		EUR	11/26/2018	Euribor+4.25
—Tranche B3 . . . . .	—	1,089	—		EUR	11/26/2019	Euribor+4.50
—Tranche B4 . . . . .	—	483	—		EUR	11/26/2019	Euribor+4.75
—Revolving . . . . .	—	100	—		EUR	01/19/2015	Euribor+4.25
Scoperti c/c bancari . . . . .	—	42	—				
Altri ratei passivi . . . . .	—	2	—				
<b>Total . . . . .</b>	<b><u>679</u></b>	<b><u>1,888</u></b>	<b><u>700</u></b>	<b><u>1,100</u></b>			

The changes in balances over December 31, 2014 are mainly due to the effects of the operation renegotiation on March 12, 2015 of new senior facilities maturing in 2019 (700 million euro) and the repayment of balance of the tranches at March 30, 2015 by an amount of €1,782 million.

With the aim of reducing its bank loan exposure to fluctuations in interest rates and foreign exchange rates, the Group has entered into transactions which qualify as hedges for a notional amount of €700 million, whose fair value at December 31, 2015, is negative for €23 million. The hedges extend to September 2017 and consist of plain vanilla interest rate swaps.

***Loans from others***

This item, having a balance of €147 million (€333 million at December 31, 2014), mainly consists of:

- the loan of €128 million (€131 million at December 31, 2014) against the capitalization of backbone rights, details of which may be found in note 5;
- payable to banks of €19 million, maturing in 2016, (€37 million, of which €20 million is the current portion at December 31, 2014) against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt.

The change in the item over 2014 is mainly due to the full repayment of €162 million made by the Parent on April 29, 2015, of the payable due to the Ministry of Economic Development granted in 2011 as the result of the allocation of the mobile frequency use right.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**17 DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides details of the outstanding *Derivative financial instruments* at December 31, 2015 and 2014, analyzed by the type of risk hedged.

(millions of euro)	At December 31, 2015		At December 31, 2014	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
—Exchange rate risk . . . . .	682	—	265	—
—Interest rate risk . . . . .	—	54	—	74
<b>Total cash flow hedges . . . . .</b>	<b>682</b>	<b>54</b>	<b>265</b>	<b>74</b>
—Exchange rate risk . . . . .	288	—	141	—
<b>Total fair value hedges . . . . .</b>	<b>288</b>	<b>—</b>	<b>141</b>	<b>—</b>
—Embedded derivatives on Bonds . . . . .	15	—	6	—
<b>Total Derivatives Non Hedge Accounting . . . . .</b>	<b>15</b>	<b>—</b>	<b>6</b>	<b>—</b>
<b>Total . . . . .</b>	<b>985</b>	<b>54</b>	<b>412</b>	<b>74</b>

The following table shows the detail of current and non-current derivative instruments.

(millions of euro)	At December 31, 2015		At December 31, 2014	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current . . . . .	—	18	—	—
Non current . . . . .	985	36	412	74
<b>Total derivatives . . . . .</b>	<b>985</b>	<b>54</b>	<b>412</b>	<b>74</b>

The Group used the following types of hedge accounting at December 31, 2015:

- cash flow hedges accounting used to hedge the risk on future foreign currency cash flows and floating interest rate cash flows;
- fair value hedge accounting used to hedge the exchange rate risk on fair value of hedged financial liabilities denominated in US dollars.

The fair value of financial instruments listed on active markets was determined as the market quotation at the reporting date. In the absence of an active market, fair value was determined by referring to prices provided by external operators and using valuation models based mostly on objective financial variables, as well as by taking into account, where possible, the prices used in recent transactions and the quotations of similar financial instruments.

The following were outstanding at December 31, 2015:

- cross currency swaps hedging the interest rate and currency risks relating to the tranches of bonds denominated in US dollars, for which reference should be made to note 16, having a notional amount of €3,863 million (€3,863 million at December 31, 2014) and having a positive fair value of €970 million (positive fair value of €405 million at December 31, 2014);
- plain vanilla interest rate swaps hedging the interest rate risk of bank loans and of bonds, having a notional amount of €1,370 million (€1,370 million at December 31, 2014) and a negative fair value of €54 million (negative fair value of €74 million at December 31, 2014);

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**17 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

- embedded derivatives of €15 million (€6 million at December 31, 2014) relating to the fair value of the early repayment options provided for on issue of the bonds, for which details may be found in note 16.

**18 EMPLOYEE BENEFITS**

The following table sets out the changes in *Employee benefits* at December 31, 2015.

<u>(millions of euro)</u>	<u>At December 31, 2014</u>	<u>Accrual</u>	<u>(Utilization)</u>	<u>Other changes</u>	<u>At December 31, 2015</u>
Post-employment benefits . . . . .	<b>60</b>	20	(3)	(11)	<b>66</b>

There is an increase during the year of €8 million (decrease of €7 million during 2014) in the Parent Company's employee benefits due to the change in the actuarial variables.

Other changes during the year consist also of the decrease arising from the sale of 90% of Galata SpA, for which further details may be found in note 3, and of the transfer of the post-employment benefits accrued during the year to supplementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€17 million).

The main actuarial assumptions underlying the calculation of the post-employment benefits are the following.

<u>Average inflation rate</u>	<u>Discount rate</u>	<u>Increase in wages and salaries</u>	<u>Employee turnover rate</u>
2,00%	2,32%	N/A	0,5%-6%

The effects recognized in income statement are as follows.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Current service costs . . . . .	19	19
Finance expense . . . . .	1	2
<b>Total</b> . . . . .	<b>20</b>	<b>21</b>
Actual return on plan assets . . . . .	N/A	N/A

Through its defined benefit obligation the Group is exposed to a number of risks, the most significant of which are detailed below.

- *Interest rate risk.* The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to actuarial calculation. A decrease in those yields will increase plan liabilities.
- *Life and employee service expectancy.* The present value of the defined benefit plan liability is calculated by reference to the best estimate of life and employee service expectancy. An increase in life or employee service expectancy of the plan participants will increase the plan's liability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**19 PROVISIONS FOR RISKS AND CHARGES**

The following table sets out changes in *Provisions for risks and charges* during the year ended December 31, 2015.

<u>(millions of euro)</u>	<u>At December 31, 2014</u>	<u>Increases</u>	<u>(Utilization)</u>	<u>(Release)</u>	<u>Scope of consolidation</u>	<u>At December 31, 2015</u>
Litigation . . . . .	83	10	(20)	(44)	—	29
Personnel restructuring . . . . .	—	14	(4)	—	—	10
Universal service contribution (Presidential Decree no. 318/1997) . . . . .	17	—	—	(12)	—	5
Product assistance . . . . .	1	1	(1)	—	—	1
Dismantling and removal . . . . .	38	—	—	—	(14)	23
Other provisions . . . . .	37	22	(9)	—	—	50
<b>Total . . . . .</b>	<b><u>176</u></b>	<b><u>47</u></b>	<b><u>(35)</u></b>	<b><u>(56)</u></b>	<b><u>(14)</u></b>	<b><u>118</u></b>

The timing of payments in respect of non-current provisions is, with few exceptions, not contractually fixed and cannot be estimated with certainty.

**Litigation**

The provision at the respective dates is based on estimates using the best information available of the total charge that the Group expects to incur upon settlement of all outstanding legal proceedings (for details on the main proceedings in progress, please refer to paragraph on main pending legal proceedings in note 40).

**Personnel restructuring**

The provision consists of the costs which the Parent expects to incur in future years as a consequence of implementing the business's restructuring and reorganization plan drawn up with the objective of optimizing the cost structure. The utilization of the restructuring provision in the amount of €4 million is mainly due to leaving incentives formalized.

**Universal service contribution**

Article 3, paragraph 6, of Presidential Decree no. 318 of September 19, 1997 regarding the "Implementation of European Union Directives" establishes a mechanism designed to distribute the net cost of providing universal service throughout the country whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service. Following the latest resolutions adopted by AGCOM and in light of the progress being made in the procedure for certain pending litigation the decision was taken to reduce the provision by €12 million.

**Dismantling and removal**

The item consists of the estimate of the dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition. The decrease over 2014 is mainly due to the sale finalized on March 26, 2015 of 90% of Galata SpA, for which further details may be found in note 3.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**19 PROVISIONS FOR RISKS AND CHARGES (Continued)**

**Other provisions**

This item consists of the measurement of certain liabilities arising from obligations assumed by the Group for which an estimate is made at the date of these financial statements of the amount to be settled upon due date. The balance at December 31, 2015 includes €16 million for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €15 million relating to compensation plan for the long-term retention and incentive of management.

**20 OTHER LIABILITIES**

*Other non-current liabilities* at December 31, 2015 and 2014 amount to €138 million and €160 million, respectively. At December 31, 2014 this item mainly includes:

- an amount of €81 million relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus from 2011 to 2015, which will be recognized in the income statement over the useful life of the assets;
- an amount of €34 million relating to a capital contribution recognized on the allocation of the frequencies (for which details may be found in note 5) as a discount of 3% for the total amount of the tender for the commitment made to produce over 50% of the new networks using apparatus having environmental eco-sustainable features. The amount will be released to the income statement in Other Revenue when there is the reasonable certainty that the envisaged conditions will be met, and is consistent with the depreciation of the apparatus having eco-sustainable features which will be purchased and put into use for the development of the network;
- a capital grant of €11 million given to the Parent Company for its participation in certain regional projects for the realization of investments supporting local development. This amount will be released to the income statement over the useful lives of the assets involved.

**21 TRADE PAYABLES**

The following table provides details of *Trade payables* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Due to telephone operators . . . . .	398	457
Due to agents and authorized dealers . . . . .	58	54
Due to parents . . . . .	—	3
Due to associates . . . . .	32	—
Due to related companies . . . . .	48	33
Other trade payables . . . . .	<u>1,073</u>	<u>1,114</u>
<b>Total . . . . .</b>	<b><u>1,609</u></b>	<b><u>1,661</u></b>

The change in this item over the year is principally due to the effect of normal settlements during the course of the year.

Trade payables *due to telephone operators* mainly relate to interconnection and roaming services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**21 TRADE PAYABLES (Continued)**

Payables *due to agents* and *due to authorized dealers* relate to commissions to agents and authorized dealers.

Trade payables *due to related companies* refers principally to: i) the payable due by the Parent Company to Vimpelcom International Services for trading and signature services of agreements relating to the economic conditions of international roaming provided in 2014 and ii) the payable arising from transactions with telephone operators belonging to the VimpelCom group. Over 2014 the payable to SPAL TLC SpA have been reclassified to payable due to agents and authorized dealers. Further details may be found in notes 6 and 37. Amounts *due to associates* mainly refer to balances payable to Galata SpA arising from the service agreement entered into as part of the agreement with Cellnex Telecom, for which details may be found in note 3.

*Other trade payables* mainly relate to payables to suppliers for the purchase of goods and services.

The following table provides an analysis of trade payables by due date.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	1,609	1,529
—after 12 months . . . . .	—	132
<b>Total . . . . .</b>	<b><u>1,609</u></b>	<b><u>1,661</u></b>

**22 OTHER PAYABLES**

The following table provides an analysis of *Other payables* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Payables to social security organizations . . . . .	21	23
Tax payables . . . . .	153	164
Payables to personnel . . . . .	22	28
Payables to government bodies by grants . . . . .	10	12
Other amounts payable to parents . . . . .	169	168
Prepaid traffic to be used . . . . .	155	158
Deferred income . . . . .	20	19
Other payables . . . . .	99	81
<b>Total . . . . .</b>	<b><u>649</u></b>	<b><u>653</u></b>

The following table provides an analysis by due date.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
—within 12 months . . . . .	643	627
—after 12 months . . . . .	6	26
<b>Total . . . . .</b>	<b><u>649</u></b>	<b><u>653</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**22 OTHER PAYABLES (Continued)**

*Payables to social security organizations* relate principally to the employer's and employees' portions of social security contributions for December and the employer's portion accrued on deferred remuneration (mostly accrued vacation and other permitted leaves that have been accrued but not yet taken). This item also includes the amounts payable to the Italian social security organization INPS for the accrued post-employment benefits (TFR) yet to be paid which employees had elected to transfer to the Treasury fund in accordance with Law no. 296 of December 27, 2006, the "2007 Finance Act", and subsequent decrees and regulations.

The following table sets out details of *Tax payables* at December 31, 2015 and 2014.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Government license fee .....	24	26
Withholding tax .....	11	11
VAT .....	91	79
Other .....	27	48
<b>Total</b> .....	<b><u>153</u></b>	<b><u>164</u></b>

*Other tax payables* include a balance of €26 million, of which €21 million in the current term and 5 million in the no current term, (€46 million at December 31 2014) due to the tax authorities arising from the settlement of the assessment raised by the Tax Revenue Office concerning the payment of withholding tax on the interest arising in prior years under the Senior Facility Agreement of May 26, 2005. The payment plan for this liability envisages twelve quarterly instalments due from May 22, 2014 to February 22, 2017 with interest charged at 1%.

*Payables to personnel* consist mostly of liabilities for accrued vacation and other accrued leaves still to be taken at the end of the year. *Payables to personnel* decreased compared to December 31, 2013 mainly due a decrease in deferred compensations following the agreement with trade unions, reached on October 10, 2012, to revise the main economic and legislative schemes in personnel costs in the period from 2013 to 2017.

*Payables to government bodies for grants* represent amounts due for licenses and concessions provided by the relevant bodies.

Amounts *due to parents* mainly relate to i): the liability to the direct parent Wind Acquisition Holdings Finance SpA which arose in 2014 as part of the refinancing of the Group (for €142 million); ii) the Parent Company's liability to the parent Wind Telecom SpA for the provision of services (IT, marketing, personnel, purchasing, etc.), for which details may be found in note 37; iii) the balance due to the indirect parent Wind Telecom SpA as the result of the transfer by Group companies of IRES corporate income tax payables of €1.7 million under the national tax consolidation procedure (€12 million at December 31, 2014).

*Prepaid traffic to be used* consists of the unused portion of prepaid traffic, sold by the Parent via rechargeable telephone cards and top-ups, which had not yet been utilized at the end of the year.

*Deferred income* refers to income for billings made contractually in advance in prior years and in 2015 for lease and installation fees relating to the utilization of broadband capacity ('initial capacity'), which will be recognized in later years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**22 OTHER PAYABLES (Continued)**

*Other payables* mainly consist of amounts due to supplementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers, liabilities for amounts received in respect of receivables sold and other residual items.

**23 TAX PAYABLES**

The balances at December 31, 2015 and 2014 of €43 million and €23 million, respectively, represent the amounts due by the Group companies for income taxes for the year, net of advance payments for the corresponding tax periods.

Receivable and payable items for IRES are included in receivables and payables from and to the parent, as Group companies have elected to take part in the national tax consolidation procedure of Wind Telecom SpA.

**24 REVENUE**

The following table provides the breakdown of *Revenue* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u> <u>12 months</u>	<u>2014</u> <u>12 months</u>	<u>Change</u> <u>Amount</u>	<u>%</u>
<b>Revenue from sales</b> . . . . .	<b>296</b>	<b>220</b>	<b>76</b>	<b>34.5%</b>
—Telephone services . . . . .	3,465	3,641	(176)	(4.8)%
—Interconnection traffic . . . . .	380	381	(1)	(0.3)%
—International roaming . . . . .	39	36	3	8.3%
—Judicial authority services . . . . .	6	6	—	0.0%
—Other revenue from services . . . . .	118	109	9	8.3%
<b>Revenue from services</b> . . . . .	<b>4,008</b>	<b>4,173</b>	<b>(165)</b>	<b>(4.0)%</b>
<b>Total</b> . . . . .	<b>4,304</b>	<b>4,393</b>	<b>(89)</b>	<b>(2.0)%</b>

The item shows a decrease in 2015 compared with 2014 of 2%. This effect is mainly due to a decrease in revenue from *Telephone services*, only partially offset by an increase in *Revenue from sales*.

The *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 4.8% in the first nine months of 2015 compared with 2014, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The increase in *revenue from sales* is mainly due to the increase in the sale of high-range mobile telephone handsets compared to the previously year.

**25 OTHER REVENUE**

*Other revenue* amounts in total to €124 million in the year 2015 (a decrease of €116 million over the year 2014) and refers principally to release to income statement of capital contribution, penalties and to the effects related to the settlement of disputes and related commercial agreements with some suppliers.

The decrease compared to 2014 is mainly due to lower effects due to the settlement of disputes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**26 PURCHASES AND SERVICES**

The following table provides the breakdown of *Purchases and services* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u> <u>12 months</u>	<u>2014</u> <u>12 months</u>	<u>Change</u> <u>Amount</u>	<u>12 months</u>
Interconnection traffic . . . . .	561	608	(47)	(7.7)%
Customer acquisition costs . . . . .	168	193	(25)	(13.0)%
Lease of civil/technical sites and use of third party assets . . .	186	247	(61)	(24.7)%
Purchases of raw materials, consumables, supplies and goods .	295	222	73	32.9%
Rental of local network and circuits . . . . .	382	427	(45)	(10.5)%
Advertising and promotional services . . . . .	84	96	(12)	(12.5)%
Outsourcing costs for other services . . . . .	250	123	127	103.3%
Maintenance and repair . . . . .	52	86	(34)	(39.5)%
Utilities . . . . .	106	130	(24)	(18.5)%
National and international roaming . . . . .	28	30	(2)	(6.7)%
Consultancies and professional services . . . . .	43	37	6	16.2%
Change in inventories . . . . .	(7)	4	(11)	(275.0)%
Other services . . . . .	142	135	7	5.2%
<b>Total purchases and services . . . . .</b>	<b><u>2,290</u></b>	<b><u>2,338</u></b>	<b><u>(48)</u></b>	<b><u>(2.1)%</u></b>

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the year ended December 31, 2014:

- a decrease of €61 million in *Lease of civil/technical sites and use of third party assets* and of €24 million in *Utilities* mainly due to the sale finalized on March 26, 2015 of 90% of Galata SpA, a company formed on February 18, 2015 to which the “Tower Development” business unit consisting of 7,337 towers was contributed and with the relative Lease contracts, for which further details may be found in note 3;
- a decrease of €47 million in *Interconnection traffic* costs mainly due to a general decline in international termination tariffs and to a decrease in the volume of SMS and MMS traffic;
- a decrease of €45 million in *Rental of local network and circuits* mainly due to a decrease in WLR, ULL and Bitstream volumes;
- a decrease of €34 million in *Maintenance and Repair* costs as the result of optimizing network maintenance and informatic systems;
- a decrease of €25 million in the *Customer Acquisition Cost* mainly due to a decrease of commissions for new activations and commissions for the sale of scratch cards;
- an increase of €127 million in Outsourcing costs for other services mainly arising from the service contract with Galata SpA entered into as part of the agreement with Cellnex Telecom, for which further details may be found in note 3;
- net increase of €62 million in Purchases of raw materials, consumables, supplies and goods and change in inventories mainly due to an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift on sales towards high-range terminals.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**26 PURCHASES AND SERVICES (Continued)**

The item *consultancies and professional services* includes remuneration for statutory auditors of Group companies, equal to €221 thousand, and the remuneration for the external audit activities on financial statements, equal to €1,820 thousand (total compensation for the audit to separate and consolidate financial statements at December 31, 2015 is equal to €1,055 thousand). The ordinary shareholders' meeting of March 6, 2015 did not deliberate remuneration to the Directors of the Parent.

**27 OTHER OPERATING COSTS**

The following table provides the breakdown of *Other operating costs* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Impairment losses on trade receivables and current assets . . . . .	102	111	(9)	(8.1)%
Accruals to provision for risks and charges . . . . .	(3)	11	(14)	(127.3)%
Annual license and frequency fees . . . . .	38	34	4	11.8%
Other operating costs . . . . .	<u>17</u>	<u>22</u>	<u>(5)</u>	<u>(22.7)%</u>
<b>Total other operating costs . . . . .</b>	<b><u>154</u></b>	<b><u>178</u></b>	<b><u>(24)</u></b>	<b><u>(13.5)%</u></b>

The decrease in the allocation for risks and charges over 2014 was affected by the release of €12 million from the universal service contribution provision, for which details may be found in note 19, while the decrease in the write-down of trade receivables during 2015 is essentially due to the fall in revenues.

**28 PERSONNEL EXPENSES**

The following table provides the breakdown of *Personnel expenses* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Wages and salaries . . . . .	262	276	(14)	(5.1)%
Social security charges . . . . .	71	73	(2)	(2.7)%
Other personnel expenses . . . . .	12	13	(1)	(7.7)%
Post-employment benefits . . . . .	19	20	(1)	(5.0)%
(Costs capitalized for internal works) . . . . .	<u>(70)</u>	<u>(69)</u>	<u>(1)</u>	<u>1.4%</u>
<b>Total personnel expenses . . . . .</b>	<b><u>294</u></b>	<b><u>313</u></b>	<b><u>(19)</u></b>	<b><u>(6.1)%</u></b>

The change over the previous year is mainly due to the effects arising from the trade union agreement of July 29, 2014, which required solidarity contracts to be introduced for a period of 18 months (starting from September 2014) as well as for a reduction of 89 in the average number of employees during 2015, mainly as the effect of the sale of 90% of Galata SpA finalized on March 26, 2015, for which details may be found in note 3. These effects were partially offset by increases in the contractual minima from April 2014, as prescribed by the National Labor Contract effective until December 31, 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**28 PERSONNEL EXPENSES (Continued)**

The number of employees at year end was as follows.

	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Senior management .....	120	124
Middle management .....	630	621
Employees .....	<u>6,064</u>	<u>6,149</u>
<b>Total</b> .....	<b><u>6,814</u></b>	<b><u>6,894</u></b>

The average number of employees during the year was as follows.

	<u>2015 12 months</u>	<u>2014 12 months</u>
Senior management .....	122	127
Middle management .....	626	623
Employees .....	<u>6,117</u>	<u>6,204</u>
<b>Total</b> .....	<b><u>6,865</u></b>	<b><u>6,954</u></b>

**29 RESTRUCTURING COSTS**

This item, which amounted to €19 million in the year ended December 31, 2015, is mainly an estimate of the costs that the Parent expects to pay for implementing the business's restructuring and reorganization plan, drawn up with the objective of optimizing the cost structure and it is attributable to provision for personnel restructuring for €14 million and to other provision for onerous contracts for €5 million.

**30 DEPRECIATION AND AMORTIZATION**

The following table provides the breakdown of *Depreciation and amortization* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015 12 months</u>	<u>2014 12 months</u>	<u>Change</u>	
			<u>Amount</u>	<u>%</u>
Depreciation of property, plant and equipment				
—Plant and machinery .....	686	692	(6)	(0.9)%
—Industrial and commercial equipment .....	11	11	—	0.0%
—Other assets .....	19	21	(2)	(9.5)%
Amortization of intangible assets with finite lives				
—Industrial patents and similar rights .....	112	114	(2)	(1.8)%
—Concessions, licenses, trademarks and similar rights .....	191	191	—	0.0%
—Other intangible assets .....	<u>158</u>	<u>185</u>	<u>(27)</u>	<u>(14.6)%</u>
<b>Total depreciation and amortization</b> .....	<b><u>1,177</u></b>	<b><u>1,214</u></b>	<b><u>(37)</u></b>	<b><u>(3.0)%</u></b>

Depreciation and amortization decrease by €37 million over 2014. Of this €8 million relates to property, plant and equipment, mainly due to the sale of 90% of Galata SpA, for which further details may

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**30 DEPRECIATION AND AMORTIZATION (Continued)**

be found in note 3; and €29 million to *Other intangible assets* mainly due to the decreasing trend of the capitalization of customer acquisition cost.

**31 REVERSAL OF IMPAIRMENT LOSSES / (IMPAIRMENT LOSSES) ON NON-CURRENT ASSETS**

The following table provides the breakdown of *Reversal of impairment losses / (impairment losses) on non-current assets* for 2015 and 2014.

(millions of euro)	2015	2014	Change	
	12 months	12 months	Amount	%
Reversal of impairment losses / (Impairment losses) on property, plant and equipment . . . . .	(28)	(12)	(16)	133.3%
Reversal of impairment losses / (Impairment losses) on intangible assets . . . . .	(3)	(1)	(2)	200.0%
<b>Total . . . . .</b>	<b><u>(31)</u></b>	<b><u>(13)</u></b>	<b><u>(18)</u></b>	<b><u>138.5%</u></b>

The item mainly relates to the write-down by €26 million of assets under construction or development for which does not believe recovery is possible; of this amount €24 million regards property, plant and equipment and €2 million intangible assets.

**32 GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS**

The following table provides the breakdown of *Gains/(losses) on disposal of non-current assets* for 2015 and 2014.

(millions of euro)	2015	2014	Change	
	12 months	12 months	Amount	%
Gains on disposal of property, plant and equipment . . . . .	491	—	491	n.m.
Losses on disposal of property, plant and equipment . . . . .	(9)	(4)	(5)	125.0%
<b>Total . . . . .</b>	<b><u>482</u></b>	<b><u>(4)</u></b>	<b><u>486</u></b>	<b><u>n.m.</u></b>

The change over the previous year is due to refers principally to the gain of €490 million arising from the sale of 90% of Galata SpA for which details may be found in note 3.

**33 FINANCE INCOME**

The following table provides the breakdown of *Finance income* for 2015 and 2014.

(millions of euro)	2015	2014	Change	
	12 months	12 months	Amount	%
Income from derivative financial instruments no hedge accounting . . . . .	62	7	55	n.m.
Other . . . . .	95	61	34	55.7%
<b>Total finance income . . . . .</b>	<b><u>157</u></b>	<b><u>68</u></b>	<b><u>89</u></b>	<b><u>130.9%</u></b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**33 FINANCE INCOME (Continued)**

The increase in this item is mainly due to the effects arising from the positive ineffectiveness recorded on hedging derivatives by €55 million and the fair value measurement of the embedded derivatives on the bonds that led to the recognition of income of €7 million in 2015, compared to the income of €4 million and loss of €61 million in 2014.

Other financial income at December 31, 2015 consists mainly of the interest of €95 million arising on the receivable from the parent Wind Acquisitions Holdings Finance SpA (€61 million at December 31, 2014) under the intercompany agreements entered in April 23, 2014 and in August 4, 2014, for which details may be found in note 6.

**34 FINANCE EXPENSE**

The following table provides the breakdown of *Finance expense* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Interest expense on:				
Bond issues . . . . .	(575)	(1,015)	440	(43.3)%
Bank loans . . . . .	(105)	(163)	58	(35.6)%
Discounted provisions . . . . .	(1)	(2)	1	(50.0)%
Hedge accounting effect . . . . .	86	(152)	238	(156.6)%
Impairment losses on financial assets . . . . .	(18)	—	(18)	n.m.
Expenses from derivative financial instruments no hedge accounting . . . . .	(13)	(61)	48	(78.7)%
Other . . . . .	(41)	(21)	(20)	95.2%
<b>Total finance expense . . . . .</b>	<b><u>(667)</u></b>	<b><u>(1,414)</u></b>	<b><u>747</u></b>	<b><u>(52.8)%</u></b>

Finance expense consists mostly of accrued interest on financial liabilities outstanding at December 31, 2015, for which further details may be found in note 16 and the positive effect of hedge accounting for derivatives by €86 million (negative effect of €152 million at December 31, 2014) and the negative ineffectiveness recorded on hedging derivatives by €13 million.

*Interest expense on bond issues* decreased in the year over 2014 as the result of operations to refinance bond arrangements set up in 2014 (details of this may be found in the notes to the consolidated financial statements for the year ended December 31, 2014). These led to a reduction in the effective interest rate on the debt and the issue on March 30, 2015 of Senior Secured Notes due 2020 for a total of €775 million through a combination of Floating Rate Notes of €400 million issued at Euribor plus a spread of 4.125% and a tap issue of Senior Secured Notes 2020 of €375 million having a coupon of 4%, already in circulation.

The change in *bank loan interest* is due to the refinancing operation of the Senior Facility Agreement completed in March 30, 2015 which led to: i) the decrease in the notional to €700 million through partial repayments, ii) the remodulation of the maturity from 2018 to 2019 and iii) the release of €34 million of suspended fees relating the tranches reimbursed. More details may be found in note 16.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**34 FINANCE EXPENSE (Continued)**

The effects of the refinancing operations completed in April 2014 and July 2014 led to additional financial expense at December 31 2014 of €629 million relating to a redemption premium, the release of the residual fees included in amortized cost, the cost resulting from the extinction of the embedded derivatives, and the cost relating to hedging derivatives which have been closed. In addition, *Other interest* at December 31, 2014 consisted also of the positive effect of €31 million relating to the release of a financial provision recorded in 2013.

**35 FOREIGN EXCHANGE GAINS/(LOSSES), NET**

The following table provides the breakdown of *Foreign exchange gains (losses)—net* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u> <u>12 months</u>	<u>2014</u> <u>12 months</u>	<u>Change</u> <u>Amount</u>	<u>%</u>
Realized gains . . . . .	53	14	39	278.6%
Unrealized gains . . . . .	1,530	509	1,021	200.6%
<b>Foreign exchange gains . . . . .</b>	<b>1,583</b>	<b>523</b>	<b>1,060</b>	<b>202.7%</b>
Realized losses . . . . .	69	17	52	305.9%
Unrealized losses . . . . .	1,530	545	985	180.7%
<b>Foreign exchange losses . . . . .</b>	<b>1,599</b>	<b>562</b>	<b>1,037</b>	<b>184.5%</b>
<b>Total . . . . .</b>	<b>(16)</b>	<b>(39)</b>	<b>23</b>	<b>(59.0)%</b>

**36 INCOME TAXES**

The following table provides the breakdown of *Income taxes* for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u> <u>12 months</u>	<u>2014</u> <u>12 months</u>	<u>Change</u> <u>Amount</u>	<u>%</u>
Current tax . . . . .	(75)	(86)	11	(12.79)%
Previous years income taxes . . . . .	48	4	44	n.m.
Deferred tax . . . . .	36	185	(149)	(80.5)%
<b>Total income taxes . . . . .</b>	<b>9</b>	<b>103</b>	<b>(94)</b>	<b>(91.3)%</b>

The net charge for the year is made up of the following:

- current income taxes expense of €75 million (of which €43 million for charge from tax consolidation procedure “IRES tax” and €32 million for IRAP tax) charged on the consolidated taxable income for 2014;
- adjustment on previous years income taxes of €48 million, of which €10 million for negative effect on deferred tax income;
- net deferred tax income of €36 million, arising from release of €44 million in deferred tax assets mainly relating to the changes in temporary differences arising from measurements of financial liabilities and from the release of deferred tax liabilities of €80 million, mainly relating to the changes in temporary differences arising from non-current assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**36 INCOME TAXES (Continued)**

The following table provides a reconciliation between the theoretical tax rate and the effective tax rate for 2015 and 2014.

<u>(millions of euro)</u>	<u>2015</u>	<u>2014</u>
Theoretical tax rate . . . . .	27.50%	27.50%
<b>Profit before tax</b> . . . . .	<b>419</b>	<b>(812)</b>
Theoretical tax assets relating to IRES . . . . .	115	(223)
Non-deductible costs/non-taxable revenue . . . . .	(55)	(3)
Non-recognized deferred tax assets . . . . .	—	82
Effect of change in tax rates . . . . .	(53)	—
Adjustments to previous years taxes . . . . .	(48)	(7)
Actual IRES tax (current and deferred) . . . . .	(41)	(151)
Effective IRES tax rate . . . . .	(9.73)%	18.65%
<b>IRAP tax at Group level</b> . . . . .	<b>32</b>	<b>48</b>
<b>Actual tax expense (benefit) recognized in profit or loss</b> . . . . .	<b>(9)</b>	<b>(103)</b>
Overall tax rate . . . . .	(2.09)%	12.74%

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income taxes) purposes. The IRAP tax charge is included to reconcile with the overall *income taxes* expense in the financial statements.

**37 RELATED PARTY TRANSACTIONS**

*Transactions with related parties*

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

In reference to transactions with the indirect parent Wind Telecom SpA, WIND Telecomunicazioni SpA receives services relating to IT, marketing, personnel, purchasing, etc; while in reference to transactions with the related company Vimpecom International Services, WIND receives trading and signature services of agreements relating to the economic conditions of international roaming.

In reference to transactions with the parent Wind Acquisition Holdings Finance SpA, on April 23, 2014 and on August 4, 2014 two intercompany loans of up to €925 million (fully disbursed at December 31, 2014) and up to €75 (which €43.7 million disbursed at December 31, 2014) were signed, for which details may be found in note 6.

Transactions with the associate Galata SpA arise from the service agreement signed with the Parent Company for the provision of a wide range of services, for which details may be found in note 3.

In addition, on April 23, 2014 the receivable of €163 million for the intercompany loan based on the agreement of November 29, 2010 between the Parent Company and the indirect parent Wind Telecom SpA was used to partially offset the liability arising from the transfer by the Parent Company of IRES corporate income tax liabilities as the result of adhesion to the national tax consolidation procedure with Wind Telecom SpA. The remaining balance of €142 million due by WIND to the indirect parent Wind Telecom

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**37 RELATED PARTY TRANSACTIONS (Continued)**

SpA was transferred by the latter on the same date to the direct parent Wind Acquisition Holdings Finance SpA.

During the year ended December 31, 2015, Group companies did not hold treasury shares of the Parent WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of the parent WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**37 RELATED PARTY TRANSACTIONS (Continued)**

The table below provides a summary of the main effects on the income statement and statement of financial position of related party transactions during the year.

		Year ended December 31, 2015						
(thousands of euro)	Revenue	Finance income/ Foreign (exchange losses)	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
ArmenijaTelefonKompani . . . . .	14	—	3	1	—	—	30	—
DiGi(Malaysia) . . . . .	9	—	2	6	—	—	4	—
DTAC/UCOM(Thailand) . . . . .	8	—	22	1	—	—	6	—
GrameenPhone(Bangladesh) . . . . .	79	—	40	29	—	—	45	—
KaR-Tel . . . . .	91	—	7	7	—	—	35	—
Kievstar . . . . .	744	—	23,202	658	78	—	9,456	—
MaritimCommunicationPartnerAS . . . . .	—	—	263	—	—	—	72	—
MobitelLLCGeorgia . . . . .	9	—	7	—	—	—	9	—
OrascomTelecomAlgeriaSpA . . . . .	160	—	259	178	—	—	17	—
OrascomTelecomBangladeshLtd. . . . .	9	—	20	402	—	—	—	—
OrascomTelecomHoldingSAE . . . . .	—	—	—	336	—	—	1,977	—
PakistanMobileCommunicationsLtd. . . . .	93	—	31	267	—	—	—	—
SKYMOBILELLC . . . . .	1	—	1	—	—	—	2	—
TelenorMagyarországKFT . . . . .	172	—	125	27	—	—	15	—
TelenorMobileCommunicationsAS . . . . .	184	—	19	—	—	—	16	—
TelenorPakistan(Pakistan) . . . . .	5	—	2	1	—	—	2	—
TelenorSerbia(Serbia) . . . . .	59	—	43	49	—	—	49	—
Unitel . . . . .	6	—	3	2	—	—	1	—
VimpelcomLtd . . . . .	2,019	—	—	—	4,979	—	—	—
VimpelComLaoCo,Ltd . . . . .	—	—	—	1	—	—	—	—
Vympel-Kommunikacii . . . . .	1,104	—	7,856	—	—	—	1,423	—
WeatherCapitalSarl . . . . .	1	—	—	369	—	—	—	—
WINDAcquisitionHoldingsFinanceSpA . . . . .	44	94,552	—	—	2,103	1,122,262	—	141,985
WindTelecomSpA* . . . . .	279	(634)	6,924	—	36,112	—	—	26,410
GalataSpA . . . . .	1,248	—	142,764	—	1,441	—	31,814	90
WindAcquisitionHoldingsFinanceIISA . . . . .	15	—	—	124	—	—	—	—
WindAcquisitionHoldingsFinanceSA . . . . .	65	—	—	—	—	—	—	53
SPAL TLC SpA** . . . . .	99,188	—	9,500	—	—	—	—	—
VimpelcomInternationalservices . . . . .	—	—	15,443	—	938	—	35,097	—
TacomLLC(Tajikistan) . . . . .	33	—	—	—	—	—	—	—
TelenorSverigeAB . . . . .	15	—	1	—	—	—	10	—
WeatherCapitalSpecialPurposesISA . . . . .	62	—	—	444	—	—	—	—
KlaroluxInvestmentsSarl . . . . .	17	—	—	88	—	—	—	—
GlobalLuxembourgSARL . . . . .	17	—	—	81	—	—	—	—
GlobalTelecomSARL . . . . .	17	—	—	81	—	—	—	—
GlobalTelecomFinanceSCA . . . . .	18	—	—	81	—	—	—	—
GlobalLuxembourgFinanceSCA . . . . .	17	—	—	81	—	—	—	—
GlobalTelecomAcquisition . . . . .	15	—	—	67	—	—	—	—
GlobalTelecomOneSarl . . . . .	15	—	—	67	—	—	—	—
GlobalTelecomOscar . . . . .	25	—	—	116	—	—	—	—
VimpelComAmsterdamB.V. . . . .	—	—	—	—	4,565	—	—	413
CosmoBulgariaMobileEAD . . . . .	74	—	74	22	—	—	—	—
<b>Total</b> . . . . .	<b>105,931</b>	<b>93,918</b>	<b>206,611</b>	<b>3,586</b>	<b>50,216</b>	<b>1,122,262</b>	<b>80,080</b>	<b>168,951</b>

\* receivables and payables to Wind Telecom SpA relate in the amount of €13,294 thousand and of €1,720 thousand respectively to the transfer by the Parent and by the subsidiary WIND Retail Srl of its corporate income tax (IRES) payables to Wind Telecom SpA following the choice to take part in the national tax consolidation procedure with Wind Telecom SpA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**37 RELATED PARTY TRANSACTIONS (Continued)**

\*\* revenue to SPAL TLC SpA include the revenue of WIND Telecomunicazioni SpA from the sale of phone cards (€90,186 thousand). On July 15, 2015 the Parent lost shareholder's role in SPAL TLC SpA and related balances of payables and receivables has been reclassified to third parties.

**Directors**

The Directors of the Parent, identified as "Key Management Personnel", did not receive compensation for 2015, as it was not deliberated by the ordinary shareholders' meeting. There were no transactions with directors in 2015.

**38 NET FINANCIAL INDEBTEDNESS**

The following statement shows the Group's net financial indebtedness broken down into its principal components, as already described in notes 6, 16 and 17 to the financial components of the statement of financial position.

<u>(millions of euro)</u>	<u>At December 31, 2015</u>	<u>At December 31, 2014</u>
Bonds issues . . . . .	10,135	8,844
Bank loans . . . . .	671	1,722
Loans from others . . . . .	128	228
Derivative financial instruments . . . . .	36	74
<b>Non-current financial liabilities . . . . .</b>	<b>10,970</b>	<b>10,868</b>
Bonds issues . . . . .	158	142
Bank loans . . . . .	8	166
Loans from others . . . . .	19	105
Derivative financial instruments . . . . .	18	0
<b>Current financial liabilities . . . . .</b>	<b>203</b>	<b>413</b>
<b>TOTAL GROSS FINANCIAL INDEBTEDNESS . . . .</b>	<b>11,173</b>	<b>11,281</b>
<b>Cash and cash equivalents . . . . .</b>	<b>(282)</b>	<b>(203)</b>
Financial receivables . . . . .	(20)	(21)
<b>Current financial assets . . . . .</b>	<b>(20)</b>	<b>(21)</b>
Derivative financial instruments . . . . .	(985)	(412)
Financial receivables . . . . .	(1,109)	(991)
<b>Non-current financial assets . . . . .</b>	<b>(2,094)</b>	<b>(1,403)</b>
<b>NET FINANCIAL INDEBTEDNESS . . . . .</b>	<b>8,777</b>	<b>9,654</b>

The net financial indebtedness does not include the guarantee deposits for an amount of €5 million and €4 million at December 31, 2015 and at December 31, 2014, respectively.

**39 CASH FLOW STATEMENT**

Cash flows from operating activities, amounting to €875 million in 2015, increased of €92 million over 2014 mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**39 CASH FLOW STATEMENT (Continued)**

Investing activities used total cash of €142 million in 2015, a decrease of €1,389 million over the previous year, mainly due to: i) the sale of Galata SpA, for which details may be found in note 3; ii) an increase of €24 million in investments in fixed assets, mainly in LTE technology; and iii) the disbursement of a loan of approximately €31 million to the parent Wind Acquisition Holdings Finance SpA (€938 million was disbursed as a loan to Wind Acquisition Holdings Finance SpA in 2014, only partially offset by the settlement of the Parent Company's loan to the indirect parent Wind Telecom SpA in the amount of €163 million).

For the year ended December 31, 2015 financing activities used cash of €654 million, mainly as a consequence of:

- the repayment of balance of the tranche at March 30, 2015 by an amount of €1,782 million;
- the issue on March 30 2015 of a new bond Senior Secured Notes for a total amount of €775 million and maturing in 2020, through a combination of floating rate bonds Euribor plus 4.125% of 400 million euro (Floating Rate Notes) and a tap issue of bonds Senior Secured Notes 2020, currently in circulation, for €375 million with a coupon of 4%;
- the renegotiation on March 12, 2015 of new senior facilities maturing in 2019 (€700 million);
- the repayment of €100 million of the revolving tranche of the Senior Facility Agreement;
- the payment of €19 million of fees, mainly related to refinancing operation finalized on March 30 2015;
- the repayment of €20 million, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt of November 26, 2010;
- the repayment of €162 million of the payable due to the Ministry of Economic Development granted in 2011 as the result of the allocation of the mobile frequency use rights.

In addition, financing activities at December 31, 2015 included the repayment of overdraft for an amount of €42 million.

During 2014 cash flow from investing activities totaling €810 million primarily as a result of the increase in proceeds from bond issue in an aggregate nominal amount of €7,845 million, partially offset by the early repayment of the non-current financial liabilities in an aggregate nominal amount of €6,466 million, the payment of €458 million of fees, mainly related to new Senior Notes 2021, 2020 and 2019, the repayment of €81 million, of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, the repayment of €52 million, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt of November 26, 2010 and the increase in overdraft of €26 million.

Moreover, in order to ensure better comparison of the items in the two periods under comparison, reclassifications have been made to the balances of Additional Information of the Cash Flow Statement for December 31, 2014 with the following effects: higher *Interest paid on loans/bonds* of €22 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**40 OTHER INFORMATION**

**Main pending legal proceedings**

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at December 31, 2015, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

*Proceedings with agents*

Certain proceedings are pending from time to time related to the termination of agency agreements. The agents in these proceedings typically are seeking payment from WIND of damages and indemnities, including a termination indemnity pursuant to article 1751 of the Italian Civil Code.

*Proceedings concerning Misleading Advertising and Unfair Commercial Practices*

Under Legislative decree no.146/2007, the Italian Antitrust Authority (AGCM) has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2015, three proceedings that were opened by AGCM against WIND for unfair commercial practices were closed with the payment of fines totalling €1.2 million and orders to cease the alleged unfair practices. WIND appealed before TAR Lazio, the Administrative Court of Lazio, the fines. In relation to one of the closed proceedings AGCM challenged WIND for non-compliance with the order to stop the alleged underlying unfair practice, and has fined WIND for a further €350 thousand. WIND appealed before TAR Lazio also this latter AGCM fine decision and the related proceedings are ongoing.

*Audit by the Italian Tax Authority*

Agenzia delle Entrate (“ADE”) (Italian Tax Authority) conducted a tax audit on senior lenders under the senior facility agreement dated 24 November 2010 (“SFA”) and challenged the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax challenged on its own portion of the SFA, but may claim indemnification from WIND. The indemnification right has already been exercised, and the assessments are being appealed by the senior lenders in coordination with WIND.

During first half of 2015 ADE revoked two tax assessments issued to certain Senior Lenders under the SFA arguing that no substitute tax is due. As a consequence ADE required to the relevant tax court to cease the controversy regarding such two tax assessment.

In the fourth quarter of 2013 the Guardia di Finanza (“GDF”) (Italian Tax Police) initiated an audit for Corporate Income Tax and withholding tax purposes on WIND. The audit ended on 18 April 2014 with a tax audit report where GDF challenged, for corporate tax purposes, the deduction of certain financial expenses incurred by Wind Acquisition Finance SpA (merged into WIND Telecomunicazioni SpA) relating to FY 2005. On November 17, 2014 ADE notified a Tax Assessment challenging the tax deduction of the above mentioned items. Higher corporate taxes challenged are in the range of approximately €10.5 million plus penalties and interest. On April 15, 2015 the Company, for the sole purpose to eliminate the uncertainty in tax disputes, signed the settlement with the ADE paying in 12 quarterly instalments corporate income tax equal to approximately €10.5 million plus penalties (equal to approximately €3.5 million) and interest (equal to approximately €117 thousands).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**40 OTHER INFORMATION (Continued)**

**Contingent assets and liabilities**

The WIND Group had the following contingent liabilities as at December 31, 2015.

*Proceedings Concerning Electromagnetic Radiation*

Certain proceedings against WIND are pending from time to time regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation.

*Audit on dealers' fees*

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. With respect to tax disputes on year 1999 and 2001 WIND obtained a positive outcome in the supreme court proceedings.. The case currently remain pending before the supreme court for the year 2000. The dispute can be quantified in approximately €4 million plus penalties and interest.

*WIND/Crest One SpA*

Crest One SpA (“Crest One”) initiated proceedings against WIND for: (i) the refund of an amount of approximately €16 million, previously paid to WIND by Crest One as value added tax under a distribution agreement entered into between Crest One and WIND, and (ii) the compensation of damages alleged to have been suffered by Crest One pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One’s claims, which has challenged before the Court of Appeal. The next hearing is set for January 30, 2018.

*WIND-Antitrust Authority (A/357)*

On August 3, 2007, the Italian Antitrust Authority closed proceeding no. A/357 by ruling against WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market due to the discriminatory application of economic and technical conditions for fixed-to-mobile on net (fixed-mobile calls originating and terminating on the WIND network) and intercom calls (the calls on the internal telephone lines of a business customer) in favour of their respective internal divisions and to the detriment of fixed-line competitors. On August 31, 2008, WIND was fined and paid a sum of €2 million and ordered to cease the discriminatory behaviour. All avenues of appeal seeking to annul the decision were exhausted on October 1, 2015, without any modification to the outcome.

*Fastweb/WIND*

On January 2, 2014, Fastweb served a claim on WIND based on the antitrust proceedings no. A/357—which in August 2007 condemned WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to the business clients). Amongst other issues, WIND has argued that the claim is time barred because it was filed outside of the statute of limitations. On December 10, 2015, the presiding judge decided to defer any deliberations on the merits of the Fastweb claim and referred to the panel of the tribunal to deliberate on WIND’s time-bar argument. The next hearing in the case is scheduled for March 30, 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**40 OTHER INFORMATION (Continued)**

**Guarantees**

No Group company has granted any security or guarantee, either directly or indirectly, in favor of parent companies or companies controlled by the latter.

The collateral pledged by Group companies at December 31, 2015 as a security for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;
- a pledge on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and other creditors specified in the relevant deed;
- pledge of 12,006.200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA owned by WIND Telecomunicazioni SpA and in favor of a pool of banks pursuant to the related share pledge agreement;
- pledge under English law over a bank account of WIND Telecomunicazioni SpA in favor of the lenders under the Senior Facility Agreement and the other creditors specified in the related deed of pledge;
- assignment under English law of receivables arising from hedging contracts of WIND Telecomunicazioni SpA in favor of the lenders under the Senior Facility Agreement, as from time to time amended and restated, and the other creditors specified in the related deed of assignment.

Finally, in order to provide a security for its obligations, the Parent has as assigned by way of security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time, the hedge counterparties of the hedging agreements entered into by WIND Telecomunicazioni SpA e Wind Acquisition Finance SA and the other secured creditors specified in the confirmation deed related to the assignment of receivables, including in favor of the holders of the Senior Secured Fixed Rate Notes due in 2020 and of Senior Secured Floating Rate Notes due in 2019, issued by Wind Acquisition Finance SA on April 29, 2013 as well as the holders of Senior Secured Fixed Rate Notes due in 2020 and Senior Secured Floating Rate Notes due in 2020 issued by Wind Acquisition Finance SA on July 10, 2014 and finally the holders of the Senior Secured Fixed Rate Notes due in 2020 and the Senior Secured Floating Rate Notes due in 2020, issued by Wind Acquisition Finance S.A on March 30, 2015. Moreover, the Parent has as assigned by way of security its receivables arising from the Put and Call option dated May 26, 2005 and from the purchase agreement of the stake in the corporate capital of WIND Telecomunicazioni SpA dated May 26, 2005, as described in the relevant deed, to the lenders under the Senior Facility Agreement, as amended and supplemented from time to time, the hedge counterparties of the hedging agreements entered into by WIND Telecomunicazioni SpA e Wind Acquisition Finance SA and the holders of the aforementioned Notes expiring in 2019, 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND AS OF AND FOR THE  
YEAR ENDED DECEMBER 31, 2015 (Continued)**

**40 OTHER INFORMATION (Continued)**

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €108 million at December 31, 2015 includes:

- sureties totaling €21 million issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €87 million issued by banks, relating to participation in tenders, of which €34 million in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded for the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

The Parent has been under the management and coordination of VimpelCom Ltd since November 2013.

**41 SUBSEQUENT EVENTS**

On February 9, 2016 an agreement was signed with the trade unions for rendering the Group's business model more efficient by completing the plan for internationalizing activities, which is already under way, and carrying out the resulting reskilling measures. It was agreed to support this process by continuing solidarity contracts for a further 18 months with the aim of completely absorbing excess staff, also through the use of innovative tools such as telework and other flexible forms of working.

In addition, it was agreed to apply the procedure prescribed by the Fornero Law to achieve a mutual termination of the employment relationship for up to 50 workers who by the end of 2016 will have four years or less to go to meet their pension requirements.

Finally, a decision was taken to set up a flexible benefit system by which employees may access a portfolio of specific goods and services, within certain spending limits, thereby benefiting from the advantages recognized by new fiscal legislation (articles 51 and 100 of the consolidated income tax law).

# **WIND**

**Consolidated financial statements as of and for the  
year ended December 31, 2014**

*FINANCIAL STATEMENTS AND NOTES THERETO*

## INDEPENDENT AUDITORS' REPORT

To the shareholders of  
WIND Telecomunicazioni S.p.A.

- (1) We have audited the consolidated financial statements of WIND Telecomunicazioni S.p.A. and its subsidiaries (“WIND”), which comprise the consolidated statement of financial position as of December 31, 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, general accounting policies and other explanatory notes (hereinafter the “Consolidated Financial Statements”). The directors of WIND Telecomunicazioni S.p.A. are responsible for the preparation of these Consolidated Financial Statements in compliance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
- (2) We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*) and recommended by CONSOB, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the Consolidated Financial Statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to the report issued by other auditors dated March 21, 2014.
- (3) In our opinion, the Consolidated Financial Statements of WIND as of and for the year ended December 31, 2014 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they give a true and fair view of the financial position of WIND as of December 31, 2014 and of the result of its operations and cash flows for the period then ended.

Rome, February 27, 2015  
PricewaterhouseCoopers S.p.A.  
/s/Scott Cunningham  
(Partner)

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT DECEMBER 31, 2014 AND 2013**

(thousands of euro)	Note	At December 31, 2014	At December 31, 2013
<b>Assets</b>			
Property, plant and equipment . . . . .	3	3,273,111	3,434,467
Intangible assets . . . . .	4	8,283,111	8,575,134
Financial assets . . . . .	5	1,420,345	126,690
Deferred tax assets . . . . .	6	307,697	165,790
<b>Total non-current assets . . . . .</b>		<b>13,284,264</b>	<b>12,302,081</b>
Inventories . . . . .	7	23,306	27,377
Trade receivables . . . . .	8	948,694	1,100,370
Financial assets . . . . .	5	22,605	176,356
Current tax assets . . . . .	9	7,373	19,274
Other receivables . . . . .	10	269,463	189,899
Cash and cash equivalents . . . . .	11	203,012	140,770
<b>Total current assets . . . . .</b>		<b>1,474,453</b>	<b>1,654,046</b>
<b>TOTAL ASSETS . . . . .</b>		<b>14,758,717</b>	<b>13,956,127</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital . . . . .		147,100	147,100
Share premium reserve . . . . .		751,887	751,887
Other reserves . . . . .		8,327	(24,978)
Retained earnings . . . . .		(796,369)	(87,484)
<b>Equity attributable to owners of the parent . . . . .</b>	12	<b>110,945</b>	<b>786,525</b>
<b>Non-controlling interests . . . . .</b>		<b>8</b>	<b>84</b>
<b>Total equity . . . . .</b>	12	<b>110,953</b>	<b>786,609</b>
<b>Liabilities</b>			
Financial liabilities . . . . .	14	10,867,182	9,084,017
Employee benefits . . . . .	16	60,006	52,466
Provisions . . . . .	17	176,373	274,379
Other non-current liabilities . . . . .	18	160,290	165,388
Deferred tax liabilities . . . . .	6	633,792	663,045
<b>Total non-current liabilities . . . . .</b>		<b>11,897,643</b>	<b>10,239,295</b>
Financial liabilities . . . . .	14	413,306	484,949
Trade payables . . . . .	19	1,660,808	1,651,944
Other payables . . . . .	20	653,392	772,108
Tax payables . . . . .	21	22,615	21,222
<b>Total current liabilities . . . . .</b>		<b>2,750,121</b>	<b>2,930,223</b>
<b>Total liabilities . . . . .</b>		<b>14,647,764</b>	<b>13,169,518</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>14,758,717</b>	<b>13,956,127</b>

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<u>(thousands of euro)</u>	<u>Note</u>	<u>2014 12 months</u>	<u>2013 12 months</u>
Revenue . . . . .	22	4,393,077	4,828,927
Other revenue . . . . .	23	240,354	153,984
<b>Total revenue . . . . .</b>		<b>4,633,431</b>	<b>4,982,911</b>
Purchases and services . . . . .	24	(2,338,446)	(2,541,536)
Other operating costs . . . . .	25	(178,224)	(170,185)
Personnel expenses . . . . .	26	(312,678)	(327,392)
<b>Operating income before depreciation and amortization, reversal of impairment losses/impairment losses on non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>1,804,083</b>	<b>1,943,798</b>
Depreciation and amortization . . . . .	27	(1,213,751)	(1,264,022)
Reversal of impairment losses/(impairment losses) on non-current assets	28	(12,762)	(7,234)
Losses on disposal of non-current assets . . . . .	29	(4,400)	(5,167)
<b>Operating income . . . . .</b>		<b>573,170</b>	<b>667,375</b>
Finance income . . . . .	30	68,100	37,685
Finance expense . . . . .	31	(1,414,531)	(1,031,259)
Foreign exchange losses, net . . . . .	32	(39,181)	(5,867)
<b>Profit/(Loss) before tax . . . . .</b>		<b>(812,442)</b>	<b>(332,066)</b>
Income taxes . . . . .	33	103,481	(149,261)
<b>Loss for the year . . . . .</b>		<b>(708,961)</b>	<b>(481,327)</b>
Non-controlling interests . . . . .		(76)	(44)
<b>Loss for the year attributable to the owners of the parent . . . . .</b>		<b>(708,885)</b>	<b>(481,283)</b>
<b>Earnings per share (in euro)—basic and diluted: . . . . .</b>	13		
Earning per share from Continuing operations . . . . .		(4.85)	(3.29)



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<u>(thousands of euro)</u>	<u>Note</u>	<u>2014 12 months</u>	<u>2013 12 months</u>
<b>Loss for the year</b> . . . . .		<u><b>(708,961)</b></u>	<u><b>(481,327)</b></u>
<b>Other comprehensive income that will be reclassified subsequently to profit or loss</b>			
Gains/(losses) on cash flow hedging instruments . . . . .		56,407	58,060
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss . . . . .		<u>(17,873)</u>	<u>8,258</u>
<b>Total Other comprehensive income that will be reclassified subsequently to profit or loss</b> . . . . .	12	<u><b>38,534</b></u>	<u><b>66,318</b></u>
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss</b>			
Gains/(losses) on remeasurement of defined benefit plans . . . . .		(7,213)	1,756
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss . . . . .		<u>1,984</u>	<u>(483)</u>
<b>Total Other comprehensive income that will not be reclassified subsequently to profit or loss</b> . . . . .	12	<u><b>(5,229)</b></u>	<u><b>1,273</b></u>
<b>Total Other comprehensive income for the year, net of tax</b> . . . . .		<u><b>33,305</b></u>	<u><b>67,591</b></u>
<b>Total comprehensive income for the year</b> . . . . .		<u><b>(675,656)</b></u>	<u><b>(413,736)</b></u>
Total comprehensive income attributable to:			
<i>Owners of the parent</i> . . . . .		(675,580)	(413,692)
<i>Non-controlling interests</i> . . . . .		<u>(76)</u>	<u>(44)</u>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<u>(thousands of euro)</u>	<u>2014</u> <u>12 months</u>	<u>2013</u> <u>12 months</u>
<b>Cash flows from operating activities</b>		
Loss for the year . . . . .	(708,961)	(481,327)
<b>Adjustments to reconcile the loss for the year with the cash flows from/ (used in) operating activities</b>		
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets . . . . .	1,226,513	1,271,251
Net changes in provisions and employee benefits . . . . .	(97,680)	113,113
Losses on disposal of non-current assets . . . . .	4,400	5,167
Changes in current assets . . . . .	(16,202)	193,499
Changes in current liabilities . . . . .	374,772	(118,796)
<b>Net cash flows from operating activities . . . . .</b>	<b>782,842</b>	<b>982,907</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment . . . . .	(555,702)	(563,424)
Proceeds from sale of property, plant and equipment . . . . .	452	1,124
Acquisition of intangible assets . . . . .	(200,843)	(225,238)
Inflows/(outflows) from loan granted . . . . .	(774,912)	—
<b>Net cash flows used in investing activities . . . . .</b>	<b>(1,531,005)</b>	<b>(787,538)</b>
<b>Cash flows from financing activities</b>		
Changes in loans . . . . .	810,405	(185,142)
<b>Net cash flows used in financing activities . . . . .</b>	<b>810,405</b>	<b>(185,142)</b>
<b>Net cash flows for the year . . . . .</b>	<b>62,242</b>	<b>10,227</b>
Cash and cash equivalents at the beginning of the year . . . . .	140,770	130,543
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>203,012</b>	<b>140,770</b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2014</u> <u>12 months</u>	<u>2013</u> <u>12 months</u>
Income taxes paid . . . . .	(207,118)	(130,971)
Interest paid on loans/bonds . . . . .	(755,049)	(712,491)
Interest (paid) / received on hedging derivative instruments . . . . .	(21,082)	(48,532)

**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

(thousands of euro)	Equity attributable to the owners of the parent				Equity attributable to the owners of the parent	Non-controlling interests	Shareholders' Equity
	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)			
<b>Balances at December 31, 2013 . . .</b>	<b>147,100</b>	<b>751,887</b>	<b>(95,861)</b>	<b>393,799</b>	<b>1,196,925</b>	<b>128</b>	<b>1,197,053</b>
IAS 19 revised adoption effect . . .	—	—	3,292	—	3,292	—	3,292
<b>Balances at January 1, 2013 . . . . .</b>	<b>147,100</b>	<b>751,887</b>	<b>(92,569)</b>	<b>393,799</b>	<b>1,200,217</b>	<b>128</b>	<b>1,200,345</b>
<b>Total comprehensive income for the year . . . . .</b>	<b>—</b>	<b>—</b>	<b>67,591</b>	<b>(481,283)</b>	<b>(413,692)</b>	<b>(44)</b>	<b>(413,736)</b>
—Loss for the year . . . . .	—	—	—	(481,283)	(481,283)	(44)	(481,327)
—Cash flow hedges . . . . .	—	—	66,318	—	66,318	—	66,318
—Remeasurement of defined benefit plans . . . . .	—	—	1,273	—	1,273	—	1,273
<b>Transactions with equity holders . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
—Contribution from shareholders . .	—	—	—	—	—	—	—
<b>Balances at December 31, 2014 . . .</b>	<b>147,100</b>	<b>751,887</b>	<b>(24,978)</b>	<b>(87,484)</b>	<b>786,525</b>	<b>84</b>	<b>786,609</b>
<b>Total comprehensive income for the year . . . . .</b>	<b>—</b>	<b>—</b>	<b>33,305</b>	<b>(708,885)</b>	<b>(675,580)</b>	<b>(76)</b>	<b>(675,656)</b>
—Loss for the year . . . . .	—	—	—	(708,885)	(708,885)	(76)	(708,961)
—Cash flow hedges . . . . .	—	—	38,534	—	38,534	—	38,534
—Remeasurement of defined benefit plans . . . . .	—	—	(5,229)	—	(5,229)	—	(5,229)
<b>Transactions with equity holders . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Balances at December 31, 2014 . . .</b>	<b>147,100</b>	<b>751,887</b>	<b>8,327</b>	<b>(796,369)</b>	<b>110,945</b>	<b>8</b>	<b>110,953</b>

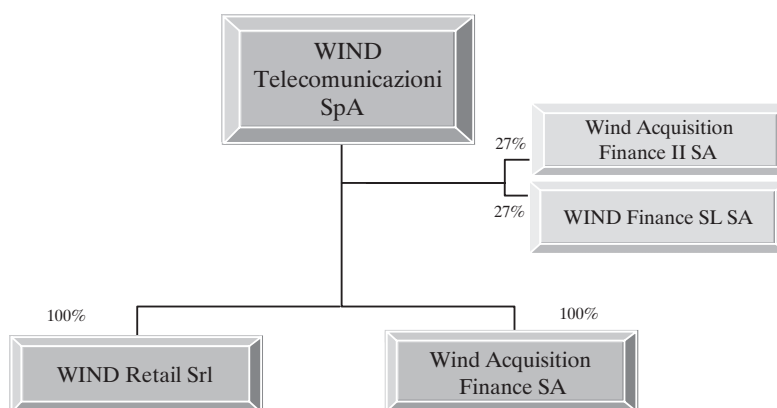
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014**

**1 INTRODUCTION**

WIND Telecomunicazioni SpA (“WIND”, the “Parent” or the “Company”) is a joint stock company having its registered office in Via Cesare Giulio Viola, 48, Rome (Italy), and is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA which wholly owns WIND Telecomunicazioni SpA. At the date of the present consolidated financial statements as of and for the year ended December 31, 2014 Vimpelcom BV Amsterdam holds 92.24% of Wind Telecom SpA.

WIND Telecomunicazioni SpA and its subsidiaries (the “Group” or the “Wind Group”) operate primarily in Italy in the fixed and mobile telecommunications sector under the brands “*Infostrada*” and “*Wind*”.

The following diagram outlines the structure of the WIND Group at December 31, 2014.



The Group closed 2014 with a loss before tax of €812.442 thousand (€332.066 thousand in 2013) and a loss for the year from continuing operation of €708.961 thousand (€481.327 thousand in 2013). This result reflects the decline in operating income due to increased competitive pressure and to higher negative net finance expense mainly due to the expenses relating the refinancing operations completed in April and July 2014, for which details may be found in note 31.

The commercial performance and ongoing cost structure optimization process has enabled the WIND Group to consolidate its competitive position in 2014, despite the market contraction and continuing challenging macroeconomic environment. The efficiency and cost optimization processes have been and will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. In addition, in 2014, the Group successfully completed a debt refinancing process, with two distinct bond issuances, ensuring a significant decrease in the average cost of debt; as a result the Group will benefit from material interest cost savings and a sustainable capital structure going forward.

In 2015, the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market, with a particular focus on digital channels in terms of new services, customer interaction and process efficiencies. The Group will continue to consolidate its position in the mobile, fixed-line voice and internet segments as well as developing its convergent business model.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The consolidated financial statements of WIND Telecomunicazioni SpA at December 31, 2014 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

The term IFRS includes all International Financial Reporting Standards (IFRSs), all International Accounting Standards (IASs), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC) endorsed by the European Union and contained in published EU Regulations.

During the year no exceptional events occurred such as to require the waivers provided for by IAS 1.

These consolidated financial statements are expressed in euros, the currency of the economy in which the Group operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in thousands of euro.

For presentation purposes, the current/non-current distinction has been used for the statement of financial position, while expenses are analyzed in the income statement using a classification based on their nature. The indirect method has been selected to present the cash flow statement.

These consolidated financial statements were approved by the Parent's Board of Directors on February 20, 2015.

**2.2 Basis of consolidation**

These consolidated financial statements include the financial statements of WIND Telecomunicazioni SpA and those entities over which the company exercises control, both directly or indirectly, from the date of acquisition to the date when such control ceases. Control may be exercised through direct or indirect ownership of shares with majority voting rights, or by exercising a dominant influence expressed as the direct or indirect power, based on contractual agreements or statutory provisions, to determine the financial and operational policies of the entity and obtain the related benefits, regardless of any equity relationships. The existence of potential voting rights that are exercisable or convertible at the reporting date is also considered when determining whether there is control or not.

The financial statements used in the consolidation process are those prepared by the individual Group entities as of and for the year ended December 31, 2014 (the reporting date for these consolidated financial statements) in accordance with the IFRS used by the Parent in drawing up these statements and approved by the respective Boards of Directors.

The consolidation procedures used are as follows:

- the assets and liabilities and income and expenses of consolidated subsidiaries are included on a line-by-line basis, allocating to non-controlling interests, where applicable, the share of equity and profit or loss for the year that is attributable to them. The resulting balances are presented separately in consolidated equity and the consolidated income statement;
- the purchase method of accounting is used to account for business combinations in which the control of an entity is acquired. The cost of an acquisition is measured as the fair value of the assets acquired, liabilities incurred or assumed and equity instruments issued at the acquisition

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

date. Any excess of the cost of acquisition over the fair value of the assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss after first verifying that the fair values attributed to the acquired assets and liabilities and the cost of the acquisition have been measured correctly;

- business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination are considered business combinations involving entities under common control. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the carrying amounts of the transferred entity and reporting any gains arising from the transfer directly in equity;
- the purchase of investments from minority holders in entities where control is already exercised is not considered a purchase but an equity transaction. Therefore, the difference between the cost incurred for the acquisition and the respective share of the accounting equity acquired is recognized directly in equity;
- unrealized gains and losses arising from transactions carried out between companies consolidated on a line-by-line basis and the respective tax effects are eliminated if material, as are corresponding balances of receivables and payables, income and expense, and finance income and expense;
- gains and losses arising from the sale of investments in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of the consolidated equity sold.

The following table provides a summary of the Group's investments showing the criteria used for consolidation and measurement.

	Registered office	Share/quota capital	% holding		Basis of consolidation / measurement	
			12.31.2014	12.31.2013	12.31.2014	12.31.2013
<b>Euros</b>						
<b>Subsidiaries</b>						
WIND Retail Srl . . . . .	Italy	1,026,957	100	100	Line by line	Line by line
Wind Acquisition Finance SA . . .	Luxembourg	60,031,000	100	100	Line by line	Line by line
WIND Finance SL SA . . . . .	Luxembourg	31,000	27	27	Line by line	Line by line
Wind Acquisition Finance II SA . .	Luxembourg	31,000	27	27	Line by line	Line by line
<b>Others</b>						
Wind Team Consortium . . . . .	Italy	4,500	33.33	33.33	Cost	Cost
SPAL TLC SpA . . . . .	Italy	3,000,000	33	33	Cost	Cost
Mix Srl . . . . .	Italy	99,000	9.75	9.75	Cost	Cost
Consel . . . . .	Italy	51,000	1	1	Cost	Cost
Janna Scarl . . . . .	Italy	13,717,365	17	17	Cost	Cost
QXN . . . . .	Italy	500,000	10	10	Cost	Cost

There are no changes in the scope of consolidation compared to the consolidated financial statements as of and for the year ended December 31, 2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

The investments in WIND Finance SL SA and Wind Acquisition Finance II SA, in which the Group has an interest of 27%, are considered subsidiaries and then consolidated on a line-by-line basis because they are special purpose entities.

**2.3 Summary of main accounting policies**

The principal accounting policies adopted in preparing these consolidated financial statements are set out below.

• *Property, plant and equipment*

Property, plant and equipment are stated at purchase cost or production cost, net of accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for use and any dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition. Costs incurred for ordinary and cyclical repairs and maintenance are taken directly to profit or loss in the period in which they are incurred. Costs incurred for the expansion, modernization or improvement of the structural elements of owned or leased assets are capitalized to the extent that they have the requisites to be separately identified as an asset or part of an asset, in accordance with the “component approach”. Under this approach each asset is treated separately if it has an autonomously determinable useful life and carrying amount. Depreciation is charged systematically, on a straight-line-basis from the date the asset is available and ready for use over its estimated useful life.

The useful lives of property, plant and equipment and their residual values are reviewed and updated, where necessary, at least at each year end. Land is not depreciated. When a depreciable asset is composed of identifiable separate components whose useful lives vary significantly from those of other components of the asset, depreciation is calculated for each component separately, applying the “component approach”.

The useful lives estimated by the Group for the various categories of property, plant and equipment are as follows.

Plant and machinery . . . . .	5-20 years
Planning and development costs of the fixed line and mobile telephone network . . . . .	Residual term of license
Equipment . . . . .	4 years
Other assets . . . . .	5-10 years

Gains or losses arising from the sale or retirement of assets are determined as the difference between the selling price and the carrying amount of the asset sold or retired and are recognized in profit or loss under “Gains/(losses) on disposal of non-current assets”.

Finance leases are leases that substantially transfer all the risks and rewards incidental to the ownership of assets to the Group. Property, plant and equipment acquired under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any amounts to be paid for exercising a purchase option. The corresponding liability due to the lessor is recognized as part of financial liabilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

An asset acquired under a finance lease is depreciated over the shorter of the lease term and its useful life.

Lease arrangements in which the lessor substantially retains the risks and rewards incidental to ownership of the assets are classified as operating leases. Lease payments under operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

• *Intangible assets*

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchase and/or production cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization in the case of assets being amortized and any impairment losses. Amortization begins when an asset becomes available for use and is charged systematically on the basis of the residual possibility of utilization of the asset, meaning on the basis of its estimated useful life.

*Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights*

Costs for the purchase of industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights are capitalized. Amortization is charged on a straight-line basis such as to write off the cost incurred for the acquisition of a right over the shorter of the period of its expected use and the term of the underlying agreement, starting from the date on which the acquired right may be exercised. Trademarks are not amortized as they are considered to have an indefinite useful life.

*Software*

Costs relating to the development and maintenance of software programs are expensed as incurred. Unique and identifiable costs directly related to the production of software products which are controlled by the Group and which are expected to generate future economic benefits for a period exceeding one year are accounted for as intangible assets. Direct costs—where identifiable and measurable—include the cost of employees who develop the software, together with a share of overheads as appropriate. Amortization is charged over the useful life of the software which is estimated at 5 years.

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the interest acquired in the fair value at the acquisition date of the assets and liabilities of the entity or business acquired. Goodwill relating to investments accounted for using the equity method is included in the carrying amount of the investment. Goodwill is not systematically amortized but is rather subject to periodic tests to ensure that the carrying amount in the statement of financial position is recoverable (“impairment test”). Impairment tests are carried out annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss on the cash generating units (“CGUs”) to which the goodwill has been allocated. An impairment loss is recognized whenever the recoverable amount of goodwill is lower than its carrying amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use, which is represented by the present value of the cash flows expected to be derived from the CGU during operations and from its disposal at the end of its useful life. The method for calculating value in use is described in the paragraph below “Impairment losses”. Once an impairment loss has been recognized on goodwill it cannot be reversed.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

Whenever an impairment loss resulting from the above tests exceeds the carrying amount of the goodwill allocated to a specific CGU, the residual amount is allocated to the assets of that particular CGU in proportion to their carrying amounts. The carrying amount of an asset under this allocation is not reduced below the higher of its fair value less costs to sell and its value in use as described above.

*Customer list*

The customer list as an intangible asset consists of the list of customers identified on allocating the goodwill arising on acquisitions carried out by the Group. Amortization is charged on the basis of the respective estimated useful lives, which range from 5 to 15 years.

*Customer Acquisition Costs*

These consist mainly of the cost of commissions paid to the sales network, which in line with sector practice are capitalized as intangible assets from 2010, in accordance with the principles of reference, and amortized over the minimum contract term.

• *Impairment losses*

At each reporting date, property, plant and equipment and intangible assets with finite lives are assessed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset concerned is estimated and any impairment loss is recognized in profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is represented by the present value of its estimated future cash flows. In determining an asset's value in use the estimated future cash flows are discounted using a pre-tax rate that reflects the market's current assessment of the cost of money for the investment period and the specific risk profile of the asset. If an asset does not generate independent cash flows, its recoverable amount is determined in relation to the cash-generating unit (CGU) to which it belongs. An impairment loss is recognized in the profit or loss when the carrying amount of an asset or the CGU to which it is allocated exceeds its recoverable amount. If the reasons for previously recognizing an impairment loss cease to exist, the carrying amount of an asset other than goodwill is increased to the carrying amount of the asset that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized on the asset, with the reversal being recognized in profit or loss.

• *Investments*

Investments in non-consolidated subsidiaries are stated at cost. Investments in companies where the Group exercises a significant influence ("associates"), which is presumed to exist when the Group holds between 20% and 50%, are accounted for using the equity method.

The equity method is as follows:

- the Group's share of the profit or loss of an investee is recognized in profit or loss from the date when significant influence or control begins up to the date when that significant influence or control ceases. Where the investee accounted for using the equity method has a deficit as the result of losses, its carrying amount is reduced to zero and any excess attributable to the Group, in the event that it has legal or constructive obligations on behalf of the investee or in any case to cover the losses, is recognized in a specific provision. Equity changes in investees accounted for

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

using the equity method that do not result from profit or loss are recognized directly in consolidated equity reserves;

- unrealized gains and losses generated from transactions between the Parent or its subsidiaries and its investees accounted for using the equity method are eliminated on consolidation for the portion pertaining to the Group; unrealized losses are eliminated unless they represent an impairment loss.

Investments in other companies are measured at fair value with any changes in fair value being recognized in profit or loss. If the fair value cannot be reliably determined an investment is measured at cost. Cost is adjusted for impairment losses if necessary, as described in the paragraph “Impairment losses”. If the reasons for an impairment loss no longer exist, the carrying amount of the investment is reversed up to the extent of the loss with the related effect recognized in profit or loss. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision under liabilities to the extent of the Group’s legal or constructive obligations on behalf of the investee or in any case to the extent that it is required to cover the losses. Investments held for sale or to be wound up in the short term are classified as current assets and stated at the lower of their carrying amount and fair value less costs to sell.

• *Financial instruments*

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were purchased. Purchases and sales of financial instruments are recognized at settlement date.

*Financial assets*

Financial assets are initially recognized at fair value and classified in one of the following four categories and subsequently measured as described below:

- i) *Financial assets at fair value through profit or loss*: this category includes financial assets purchased primarily for sale in the short term, those designated as such upon initial recognition, provided that the assumptions exist for such classification or the fair value option may be exercised, and financial derivatives except for the effective portion of those designated as cash flow hedges. These assets are measured at fair value; any change in the period is recognized in profit or loss. Financial instruments included in this category are classified as current assets if they are held for trading or expected to be disposed of within twelve months from the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparty are offset if this is contractually provided for.
- ii) *Loans and receivables*: these are non-derivative financial instruments, mostly relating to trade receivables, which are not quoted on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the reporting date in which case they are classified as non-current assets. These assets are measured at amortized cost using the effective interest method. If there is objective evidence of factors which indicate an impairment loss, the asset is reduced to the discounted value of future cash flows. The

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

impairment loss is recognized in profit or loss. If in future years the factors which caused the impairment loss cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been obtained in case of application of amortized cost.

- iii) *Held-to-maturity investments:* these are fixed maturity non-derivative financial instruments having fixed or determinable payments which the Group has the intention and ability to hold until maturity. These assets are measured at amortized cost using the effective interest method, adjusted as necessary for impairment losses. In the case of impairment the policies used for financial receivables will be applied.
- iv) *Available-for-sale financial assets:* these are non-derivative financial instruments which are either specifically included in this category or included there because they cannot be classified in the other categories. These assets are measured at fair value and any related gain or loss is recognized directly in an equity reserve and subsequently recognized in profit or loss only when the asset is actually sold or, if there are cumulative negative changes, when it is expected that the losses recognized in equity cannot be recovered in the future. For debt securities, if in a future period the fair value increases due to the objective consequence of events occurring after the impairment loss has been recognized in profit or loss, the original value of the instrument is reinstated with the corresponding gain recognized in profit or loss. Additionally, the yields from debt securities arising from the use of the amortized cost method are recognized in profit or loss in the same manner as foreign exchange differences, whereas foreign exchange differences relating to available-for-sale equity instruments are recognized in the specific equity reserve. The classification as current or non-current assets is the consequence of strategic decisions regarding the estimated period of ownership of the asset and its effective marketability, with those which are expected to be realized within twelve months from the reporting date being classified as current assets.

Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

*Financial liabilities*

Financial liabilities consisting of loans, trade payables and other obligations are measured at amortized cost using the effective interest method. When there is a change in expected cash flows which can be reliably estimated, the value of the loans is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the reporting date.

Financial liabilities are derecognized when settled and the Group has transferred all the related costs and risks relating to the instrument.

*Derivative financial instruments*

At the date of signing of the contract the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where instead it has been decided to use hedge accounting, meaning in those situations in which the hedging relationship is identified, subsequent changes in fair value are accounted for in accordance with the following specific criteria. The relationship between each derivative qualifying as a hedging instrument and the hedged item

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

is documented to include the risk management objective, the hedging strategy and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

In the case of a fair value hedge, i.e. the hedge refers to changes in the fair value of a recognized asset or liability, the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as finance income or expense for the year in the income statement.

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in a specific equity reserve (the "cash flow hedge reserve"). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to the income statement together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of the profit or loss for the year. Cash flow hedges also include hedges of the currency risk for transactions carried out in US dollars. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

When hedged forecast cash flows are no longer considered highly probable during the term of a derivative, the portion of the "cash flow hedge reserve" relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the "cash flow hedge reserve" recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction takes place.

Quotations at the reporting date are used to determine the fair value of financial instruments listed on active markets. In the absence of an active market, fair value is determined by referring to prices supplied by third-party operators and by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments.

• *Sales of receivables*

The Group carries out sales of receivables under factoring arrangements in accordance with Law 52/1991. These sales, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, meeting IFRS requirements for derecognition. Specific servicing contracts, through which the buyer confers a mandate to WIND Telecomunicazioni SpA. for the collection and management of the receivables, leave the current Company/customer relationship unaffected.

• *Taxation*

Income taxes are recognized on the basis of taxable profit for the year and the applicable laws and regulations, using tax rates prevailing at the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

Deferred taxes are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the tax rates that are expected to apply for the years when the temporary differences will be realized or settled and tax losses carried forward will be reversed, based on tax laws that have been enacted or substantively enacted by the reporting date. An exception to this rule regards the initial recognition of goodwill and temporary differences connected with investments in subsidiaries when the Group is able to control the timing of the reversal of the temporary differences or when it is probable that the differences will not reverse.

Current and deferred taxes are recognized in profit or loss, except for those arising from items taken directly to equity; in such cases the tax effect is recognized directly in the specific equity item.

Tax assets and liabilities, including those regarding deferred taxation, are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity and when the entity has a legally enforceable right to offset these balances and intends to exercise that right. In addition, current tax assets and liabilities are offset in the case that different taxable entities have the legally enforceable right to do so and when they intend to settle these balances on a net basis.

The Group's tax position and its presentation in the financial statements reflect the effects of the election made in 2006 and renewed in 2009 and in 2012 by the Italian parent Wind Telecom SpA to take part in the national tax consolidation procedure.

For the regulations on electing the tax consolidation procedure to apply, the parent that elected for consolidation is required to determine a single overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the Parent and those of its subsidiaries taking part in the procedure, and to settle a liability by making a single tax payment or to recognize a single tax credit for repayment or to be carried forward.

Therefore, it follows that a receivable or payable with the Parent is found in the financial statements on transferring a tax loss or taxable profit, respectively, in the place of the respective tax receivables or payables accrued by the Group companies taking part in the procedure.

• *Inventories*

Inventories are stated at the lower of purchase cost or production cost and net estimated realizable value. Cost is determined using the weighted average cost method for fungible goods or goods held for resale. When necessary, provisions are made for slow-moving and obsolete inventories.

• *Cash and cash equivalents*

Cash and cash equivalents are recognized at fair value and consist of short-term highly liquid investments (generally not exceeding three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

• *Assets held for sale and assets in disposal groups*

Assets held for sale consist of non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. No further depreciation is charged from the time that a depreciable asset is reclassified to this caption. Gains or losses arising from discontinued operations or from assets held for sale are reported as a separate item in profit or loss, net of any tax effects.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Provisions*

Provisions are recognized for a loss or expense of a specific nature that is certain or probable to arise but for which the timing or amount cannot be precisely determined. Provisions are only recognized when the Group has a present legal or constructive obligation arising from past events that will result in a future outflow of resources, and when it is probable that this outflow of resources will be required to settle the obligation. The amount provided represents the best estimate of the present value of the outlay required to meet the obligation. The interest rate used in determining the present value of the liability reflects current market rates and takes into account the specific risk of each liability.

Risks, for which the likelihood of a liability arising is just possible, are disclosed in the notes under “Contingent assets and liabilities” and no provision is made.

• *Employee benefits*

*Short-term employee benefits*

Short-term employee benefits are recognized in profit or loss in the period when an employee renders the related service.

*Post-employment benefits*

Post-employment benefits may be divided into two categories: 1) defined contribution plans and 2) defined benefit plans. Contributions to defined contribution plans are charged to profit or loss when incurred, based on their nominal value. For defined benefit plans, since benefits are determinable only after the termination of employment, costs are recognized in profit or loss based on actuarial calculations.

Defined benefit plans, which include the Italian post-employment benefits (TFR) which are due in accordance with the provisions of article 2120 of the Italian Civil Code and which are accrued up to December 31, 2006, are based on an employee’s working life and the remuneration received during service. The related liability is projected forward to calculate the probable amount payable at the termination date and is then discounted using the Projected Unit Credit Method, taking into account time before the actual payment of the benefit. The measurement of the liability recognized in the statement of financial position is carried out by third party actuaries, based on actuarial assumptions which relate mainly to: the discount rate, which must reflect market yields on the high quality corporate bonds having a term consistent with the expected term of the obligation and employee turnover.

As a consequence of the introduction of Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations, the post-employment benefits accruing from January 1, 2007 are considered to be part of defined contribution plans and recognized in the same manner as other defined contribution plans, if the amounts are transferred to treasury funds of the national social security organization (INPS), or from June 30, 2007 or the date of employee election, if earlier, if transferred to private pension plans. The post-employment benefits accrued up to these dates remain defined benefit plans, with the related actuarial calculations.

At each reporting date, actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Group’s obligation at year end, which arise from changes in the actuarial assumptions referred to above, are recognized in among other components of the Consolidate Statement of Comprehensive Income as provided in the amendment IAS 19 adopted by the Group from January 2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Termination benefits and redundancy incentive schemes*

Benefits due to employees on the termination of employment contracts are treated as a liability when the Group is demonstrably committed to terminating these contracts for a single employee or group of employees before the normal retirement date or to granting termination benefits in order to facilitate voluntary resignations of surplus employees following a formal proposal. These benefits do not create future economic advantages to the Group and the related costs are therefore immediately recognized in profit or loss.

• *Translation of items in non-euro currencies*

Transactions in foreign currencies are translated into euros at the exchange rate prevailing at the date of the transaction. Exchange gains and losses arising on the settlement of transactions and those arising on the translation at year-end exchange rates of monetary assets and liabilities are recognized in profit or loss.

With reference to foreign transactions whose currency risk is covered with derivatives, further details are provided in the note *Financial instruments*.

• *Revenue recognition*

Revenue is recognized at the fair value of the consideration received, net of rebates and discounts. Revenue from the sale of goods is recognized when the Group transfers the risks and rewards of ownership of the goods. Revenue from services is recognized in profit or loss by reference to the stage of completion and only when the outcome can be reliably estimated.

More specifically, the criteria followed by the Group in recognizing core-business revenue are as follows:

- revenue arising from post-paid traffic, interconnection and roaming is recognized on the basis of the actual usage of each subscriber and telephone operator. Such revenue includes amounts paid for access to and usage of the Group network by customers and other domestic and international telephone operators;
- revenue from the sale of prepaid cards and recharging is recognized on the basis of the prepaid traffic actually used by subscribers during the year. The unused portion of traffic at period end is recognized as “Other payables—Prepaid traffic to be used”;
- revenue from the sale of mobile phones and fixed-line phones and related accessories is recognized at the time of sale;
- one-off revenue from fixed and mobile (prepaid or subscription) activation and/or substitution, activation of new services and tariff plans is recognized for the full amount at the moment of activation to the extent of the related costs, or deferred over the minimum contractual term. In the case of promotions with a cumulative plan still open at year end, the activation fee is recognized on an accrual basis so as to match the revenue with the period in which the service may be used;
- one-off fees received for the granting of rights to use owned fiber optic cables are recognized at the time of the transfer of the underlying right and, therefore, of the related risks and rewards.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

• *Grants*

Grants are recognized when a formal decision of the disbursing government institution, in case of government grants, has been taken, with recognition being matched to the costs to which they relate. Grants related to income are taken to “Other revenue” in the Consolidated Income Statement, while grants related to Property, plant and equipment are recognized as deferred income in the Consolidated Statement of Financial Position and taken to the Consolidated Income Statement on a straight-line basis over the useful life of the asset to which the grant directly relates.

• *Finance income and expense*

Finance expense is recognized on an accruals basis using the effective interest method, meaning at the interest rate that renders all cash inflows and outflows linked to a specific transaction financially equivalent.

Finance expenses that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23—Borrowing Costs), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

• *Earnings per share*

*Basic*

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the parent, both from continuing and discontinued operations, by the weighted average number of ordinary shares of the parent outstanding during the year.

*Diluted*

Diluted earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the parent by the weighted average number of ordinary shares of the parent outstanding during the year where, compared to basic earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential shares, while the profit or loss for the year is adjusted for the effects of such conversion net of taxation. Diluted earnings per share are not calculated when there are losses as any dilutive effect would improve earnings per share.

• *New accounting standards and interpretations*

The Group has adopted all the newly issued and amended standards of the IASB and interpretations of the IFRIC, endorsed by the European Union, applicable to its transactions and effective for financial statements for years beginning January 1, 2014 and thereafter.

**Accounting standards, amendments and interpretations adopted from January 1, 2014**

The following is a brief description of the new standards and interpretations adopted by the Group in the preparation of the consolidated financial statements at December 31, 2014.

• *IFRS 10—Consolidated Financial Statements and IAS 27—Separate Financial Statements*

IFRS 10—Consolidated Financial Statements replaces the whole of SIC-12—Consolidation: Special Purpose Entities and parts of IAS 27—Consolidated and Separate Financial Statements (which has been



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

renamed IAS 27—Separate Financial Statements and governs the accounting treatment of investments in separate financial statements).

IFRS 10 introduces a series of changes in the definition of the concept of control, including a number of practical guidelines for identifying control in cases where it is hard to ascertain. Checks on whether control exists must be carried out on a continuous basis and not only when acquiring an investment.

IAS 27 establishes the principles to be applied in accounting for investments in subsidiaries, joint ventures and associates when a company elects, or is required by local regulations, to present separate (or unconsolidated) financial statements.

No effects arose on the Group's consolidated financial statements at December 31, 2014 from adopting these principles.

*IFRS 11—Joint Arrangements*

IFRS 11—Joint Arrangements replaces IAS 31—Interests in Joint Ventures and SIC-13—Jointly Controlled Entities: Non-Monetary Contributions by Venturers. The new standard establishes that the parties to a joint venture must account for the investment using the equity method. Proportionate consolidation is accordingly no longer permitted. Agreements are classified on the basis of the rights and obligations of each party to the joint arrangement rather than its legal form. The adoption of the new standard and its application had no effect on the Group's consolidated financial statements at December 31, 2014.

*IFRS 12—Disclosure of Interests in Other Entities*

IFRS 12—Disclosure of Interests in Other Entities is a new, complete standard setting out the minimum disclosure requirements to be provided by an entity in its financial statements to evaluate the nature of, and risks associated with, all types of interests in other entities including those in subsidiaries, joint arrangements, associates, special-purpose vehicles and unconsolidated vehicles.

*IAS 28—Investments in Associates and Joint Ventures*

The objective of the revised version of IAS 28 is to prescribe the accounting for investments in associates and establish the requirements for applying the equity method when accounting for investments in associates and joint entities. The application of the standard had no effect on the Group's consolidated financial statements at December 31, 2014.

*Amendments to IAS 32—Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32—Financial Instruments: Presentation clarify the application of certain criteria for offsetting the financial assets and liabilities included in IAS 32. The adoption of these amendments had no significant effect.

*Amendments to IFRS 10, IFRS 11 and IFRS 12—Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*

The amendment to IFRS 10—Consolidated Financial Statements clarifies that an investor must adjust comparative figures retrospectively if the conclusions on consolidation are not the same as those under IAS 27 / SIC 12 and IFRS 10 “at the date of initial application”. The amendments to IFRS 11—Joint Arrangements and IFRS 12 “Disclosures of Interests in Other Entities” provide simplifications to the

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

presentation or change of comparative information relating to periods prior to that called “the immediately preceding period”. The application of these amendments had no effect on the Group’s consolidated financial statements at December 31, 2014.

*Amendments to IAS 36—Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36—Recoverable Amount Disclosures for Non-Financial Assets address disclosures about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The application of the standard had no effect on the Group’s consolidated financial statements at December 31, 2014.

*Amendments to IAS 39—Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to IAS 39—Financial Instruments: Recognition and Measurement entitled “Novation of Derivatives and Continuation of Hedge Accounting” allow hedge accounting to continue in a situation where a derivative which has been designated as a hedging instrument is novated as a result of laws or regulations to replace the original counterparty in order to ensure that the obligation assumed is successfully met, if specific conditions are met. These amendments must be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of these amendments had no significant effect.

**Accounting standards, amendments and interpretations adopted by the European Union and not early applied by the Group**

The following standards and interpretations had been issued at the date of these notes but were not yet effective for the preparation of these consolidated financial statements at December 31, 2014.

<u>STANDARD/INTERPRETATION</u>	<u>EFFECTIVE DATE</u>
Annual Improvements to IFRSs 2010—2012 Cycle	February 1, 2015
Annual Improvements to IFRSs 2011—2013 Cycle	February 1, 2015
Amendments to IAS 19— <i>Defined benefit Plans: Employee Contributions</i>	February 1, 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

**Accounting standards, amendments and interpretations adopted by the European Union**

At the date of these notes relevant EU bodies have not completed the process necessary for the endorsement of the following standards and interpretations.

<u>STANDARD/INTERPRETATION</u>	<u>IASB EFFECTIVE DATE</u>
Amendments to IFRS 10, IFRS 12 and IAS 28: <i>Investment Entities: Applying the Consolidation Exception</i>	January 1, 2016
Amendments to IAS 1: <i>Disclosure Initiative</i>	January 1, 2016
IFRS 14— <i>Regulatory Deferral Accounts</i>	January 1, 2016
IFRS 9— <i>Financial Instruments</i>	January 1, 2018
Amendments to IFRS 11—Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IFRS 15— <i>Revenue from Contracts with Customers</i>	January 1, 2017
Amendments to IAS 16 and IAS 41: Bearer Plants	January 1, 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 1, 2016

The Group is currently assessing any impact the new standards and interpretations may have on the financial statements for the years in which they become effective.

**2.4 Use of estimates**

The preparation of these consolidated financial statements required management to apply accounting policies and methodologies based on complex, subjective judgments, estimates based on past experience and assumptions determined from time to time to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position, the income statement and the cash flow statement as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these financial statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

In this respect, the situation caused by the persisting difficulties of the economic and financial environment in the Eurozone led to the need to make assumptions regarding future performance which are characterised by significant levels of uncertainty; as a consequence, therefore, it cannot be excluded that results may arise in the future which differ from estimates, and which therefore might require adjustments, even significant, to be made to the carrying amount of assets and liabilities, which at the present moment can clearly neither be estimated nor predicted. The main items affected by these

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**2 GENERAL ACCOUNTING POLICIES (Continued)**

situations of uncertainty are non-current assets (tangible and intangible assets), deferred tax assets, provisions, contingent liabilities and impairment provisions.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items considered in this process perform differently, then the actual results could differ from the estimates, which would accordingly require adjustment. The effects of any changes in estimate are recognised in profit or loss in the period in which the adjustment is made if it only affects that period, or in the period of the adjustment and future periods if it affects both current and future periods.

The accounting principles requiring a higher degree of subjective judgment in making estimates and for which changes in the underlying conditions could significantly affect the consolidated financial statements are briefly described below.

- *Goodwill:* goodwill is tested for impairment at least on an annual basis to determine whether any impairment losses have arisen that should be recognized in profit or loss. More specifically, the test is performed by allocating the goodwill to a cash generating unit (CGU) and subsequently estimating the unit's fair value. Should the fair value of the net capital employed be lower than the carrying amount of the CGU, an impairment loss is recognized on the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU require estimates to be made that are based on factors that may vary over time and that could as a result have an impact on the measurements made by management which might be significant.
- *Impairment losses on non-current assets:* non-current assets are reviewed to determine whether there are any indications that the carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within the Group and in the market and also on past experience. When a potential impairment loss emerges it is estimated by the Group using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary over time, thereby affecting estimates and measurements.
- *Depreciation of non-current assets:* the cost of property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets. The useful life of property, plant and equipment is determined when the assets are purchased and is based on the past experience of similar assets, market conditions and forecasts concerning future events which may affect them, amongst which are changes in technology. The actual useful lives may therefore differ from the estimates of these. The Group regularly reviews technological and business sector changes, dismantling costs and recoverable amounts in order to update residual useful lives. Such regular updating may entail a change of the depreciation period and consequently a change in the depreciation charged in future years.
- *Deferred tax assets:* the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on factors which may vary over time and which may lead to significant effects on the measurement of this item.
- *Contingent liabilities and provisions:* the accruals related to legal, arbitration and fiscal disputes are the result of a complex estimation process based upon the probability of an unfavorable

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

outcome. The definition of such provisions entails making estimates based on currently known factors which may vary over time and which could actually turn out to be significantly different from those referred to in preparing the notes to these financial statements.

**2.5 Risk management**

**Credit risk**

The Group's credit risk is principally associated with trade receivables which at December 31, 2014 amounted to €948,694 thousand. The Group minimizes credit risk through a preventive credit check process which ensures that all customers requesting new products and services or additions to existing services are reliable and solvent, also by using a preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This check is carried out in the customer acceptance phase through the use of internal and external information.

The Group additionally exercises timely post-customer acquisition measures for the purpose of credit collection such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles;
- measuring and monitoring the debt status through reporting tools.

As a general rule, the Group has a limited level of credit concentration as the consequence of diversifying its product and services portfolio to its customers. In particular, a small concentration of credit may be found in the business that WIND Telecomunicazioni SpA carries out with dealers and domestic and international operators.

WIND Telecomunicazioni SpA is also assisted by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables from dealers. Monthly sales without recourse of Consumer receivables began in 2014.

In relation to the exposure of financial counterparties' credit risk, Wind complies with Vimpelcom Group Treasury Policy, reviewing and amending, in accordance with the holding company, the credit limits set for each national and international banking group.

These credit limits take into consideration the sum of the following components (NEA or, Net Financial Assets): i) availability of balances in bank or postal current accounts; ii) deposits or short term financial investments; iii) positive mark to market arising on derivatives used for hedging; iv) bank guarantees issued in favour of the company.

The Group had a positive net balance in its current accounts of €160,704 thousand at December 31, 2014. The Group's credit risk exposure from derivative contracts is represented by their realizable value or fair value, if positive.

The positive fair value of the entire portfolio at December 31, 2014 was €331,324 thousand (details of this may be found in note 15).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

**Liquidity risk**

Liquidity risk arises mostly from the cash flows generated by debt servicing, in terms of both interest and principal, and from all of the Group's payment obligations that result from business activities.

Specifically the debt managed by the Group is composed of:

- a floating rate long-term loan agreement (the Senior Facility Agreement) entered on November 24, 2010 by the Parent WIND Telecomunicazioni SpA, consisting of two tranches, both denominated in euros: tranche A, amortizing, and tranche B, bullet. The total nominal amount of this loan, net of repayments made, amounts to € 1,781,760 thousand, to which €600 million of a revolving credit facility drawn down for €100 million at December 31, 2014, should be added;
- the bonds issued by the subsidiary Wind Acquisition Finance SA follow:

<u>(thousands of euro)</u>	<u>Issue date</u>	<u>Currency</u>	<u>Notional amount</u>	<u>Maturity</u>	<u>Interest rate</u>
Senior Notes 2021 € . . . . .	04/23/2014	EUR	1,750,000	04/23/2021	7.00%
Senior Notes 2021 \$ . . . . .	04/23/2014	USD	2,800,000	04/23/2021	7.375%
Senior Secured Notes 2020 € . . . . .	07/10/2014	EUR	2,100,000	07/15/2020	4.00%
Senior Secured Notes 2020 \$ . . . . .	07/10/2014	USD	1,900,000	07/15/2020	4.75%
Senior Secured Floating Rate Notes 2020 € . . . . .	07/10/2014	EUR	575,000	07/15/2020	Eur3M+4.00%
Senior Secured Floating Rate Notes 2019 € . . . . .	04/29/2013	EUR	150,000	04/30/2019	Eur3M+5.25%
Senior Secured Fixed Rate Notes 2020 \$ . . . . .	04/29/2013	USD	550,000	04/30/2020	6.50%

The bonds are subject to mandatory repayment in the following scenario: i) in case of a change of control, all bondholders will be entitled to request the total or partial repurchase of the bonds they hold at a price equal to 101% of the notional amount plus the interest accrued at the repurchase date, and ii) in case of asset sales, any proceeds not reinvested in the form envisaged by the offering memorandum and which exceed the amount of €25,000 thousand must be used to make a *pari-passu* repurchase offer to bondholders and debtholders at a price of 100% of the notional amount plus the interest accrued at the repurchase date;

- other amortizing loans in euros of the Parent granted by: i) financial institutions, against the repayment plan of the fair value of the derivatives extinguished in 2010 since they were hedging loans repaid as part of the refinancing of the Company's debt; ii) the Ministry of Economic Development for the deferred payment of frequencies assigned to it on completion of the competitive auction for fourth generation frequencies in Italy which was completed on September 29, 2011; and iii) Terna against the capitalization of expenditure for the backbone right of way.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

The repayment flows expected in accordance with the described above agreements, with exclusive reference to the amounts used, translating US dollar tranches at the hedge agreement exchange rate, where applicable, are as follows.

(millions of euro)	2015	2016	2017	2018	2019	2020	2021	2022/2035	Total
<b>Senior Facility Agreement</b>									
Term Loan A1 . . . . .	—	—	—	3	—	—	—	—	3
Term Loan A2 . . . . .	—	—	—	171	—	—	—	—	171
Term Loan B1 . . . . .	—	—	—	—	1,114	—	—	—	1,114
Term Loan B2 . . . . .	—	—	—	—	494	—	—	—	494
Revolving . . . . .	100	—	—	—	—	—	—	—	100
<b>Annuity . . . . .</b>	<b>20</b>	<b>17</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>37</b>
<b>Debt from Ministry . . . . .</b>	<b>81</b>	<b>81</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>162</b>
<b>Terna . . . . .</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>120</b>	<b>132</b>
<b>Senior Notes 2021</b>									
Senior Notes Euro . . . . .	—	—	—	—	—	—	1,750	—	1,750
Senior Notes USD . . . . .	—	—	—	—	—	—	2,030	—	2,030
<b>Senior Secured Notes 2020</b>									
Senior Secured Notes Euro . . . . .	—	—	—	—	—	2,100	—	—	2,100
Senior Secured Notes USD . . . . .	—	—	—	—	—	1,413	—	—	1,413
Senior Secured Floating Rate Notes . . . . .	—	—	—	—	—	575	—	—	575
<b>Senior Secured Floating Rate Notes 2019 . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>150</b>
<b>Senior Secured Fixed Rate Notes 2020 . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>420</b>	<b>—</b>	<b>—</b>	<b>420</b>
<b>Total . . . . .</b>	<b><u>204</u></b>	<b><u>99</u></b>	<b><u>1</u></b>	<b><u>175</u></b>	<b><u>1,760</u></b>	<b><u>4,510</u></b>	<b><u>3,782</u></b>	<b><u>120</u></b>	<b><u>10,651</u></b>

The Senior Facility Agreement includes certain covenants typical for agreements of this type and size, including Financial covenants and General covenants (eg, negative pledge and pari passu). Failure to comply with these covenants, in some cases, if not properly remedied, may result in an obligation of early repayment of the outstanding loans. At December 31, 2014 the Group is in compliance with its covenants.

The tranches of bonds that are denominated in US dollars are hedged by cross currency swaps. As concerns liquidity risk, these cross currency swaps will lead to an exchange of principal on maturity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

The following tables set forth the contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement calculated as of December 31, 2014 and 2013.

(millions of euro)	Carrying amount at December 31, 2014	Total Contractual cash flows	2015	2016	2017	2018	2019	2020	2021	2022/ 2035
<b>Non-derivative financial liabilities</b>										
Bank loans . . . . .	1,888	(2,314)	(186)	(86)	(85)	(259)	(1,698)	—	—	—
Bonds . . . . .	8,986	(12,111)	(516)	(514)	(513)	(513)	(659)	(5,185)	(4,211)	—
Loans from others . . . . .	333	(525)	(120)	(115)	(13)	(13)	(12)	(12)	(12)	(228)
<b>Net derivative financial liabilities</b>										
Outflows . . . . .	(331)	(5,257)	(240)	(240)	(221)	(215)	(215)	(2,034)	(2,092)	—
Inflows . . . . .		6,069	278	277	276	276	276	2,286	2,400	—
<b>Total</b> . . . . .	<b>10,876</b>	<b>(14,138)</b>	<b>(784)</b>	<b>(678)</b>	<b>(556)</b>	<b>(724)</b>	<b>(2,308)</b>	<b>(4,945)</b>	<b>(3,915)</b>	<b>(228)</b>

(millions of euro)	Carrying amount at December 31, 2013	Total Contractual cash flows	2014	2015	2016	2017	2018	2019	2020	2021/ 2035
<b>Non-derivative financial liabilities</b>										
Bank loans . . . . .	2,437	(2,896)	(211)	(110)	(449)	(2,126)	—	—	—	—
Bonds . . . . .	6,462	(8,922)	(586)	(586)	(586)	(3,291)	(3,280)	(180)	(413)	—
Loans from others . . . . .	474	(705)	(166)	(125)	(116)	(14)	(14)	(14)	(14)	(242)
<b>Net derivative financial liabilities</b>										
Outflows . . . . .	189	(4,412)	(324)	(305)	(306)	(1,715)	(1,310)	(21)	(431)	—
Inflows . . . . .		4,311	285	282	282	1,735	1,300	18	409	—
<b>Total</b> . . . . .	<b>9,562</b>	<b>(12,624)</b>	<b>(1,002)</b>	<b>(844)</b>	<b>(1,175)</b>	<b>(5,411)</b>	<b>(3,304)</b>	<b>(197)</b>	<b>(449)</b>	<b>(242)</b>

**Market risk**

The Group's strategy for managing interest rate and currency risks is aimed at both managing and controlling such financial risks. More specifically, this strategy is aimed at eliminating currency risk and optimizing debt cost wherever possible, taking into account the interests of the Group's stakeholders.

Managing market risk for the WIND Group refers to financial liabilities from the time they actually arise or from when there is a high probability that they will arise.

More specifically, the following market risks are monitored and managed:

- Cash flow risk—this is the risk that movements in the yield curve could have an impact on the income statement in terms of greater finance expense.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

- Fair value risk—this is the risk that movements in the yield curve could have an impact on the fair value of debt.
- Currency risk—this is the risk that the fair value of financial instruments in currencies other than the euro or their cash flows, or the amounts payable or receivable generated in the ordinary course of operations other than in euros, could be negatively affected by fluctuations in exchange rates.

The main objectives that the Group intends to reach are: i) to defend the strategic plan scenario from the effects of exposure to currency, interest rate and inflation risks, identifying an optimum combination of the fixed rate, floating rate and inflation components for financial liabilities; ii) to reduce the cost of debt; and iii) to manage derivatives in compliance with the Group's approved strategies, taking into consideration the different effects that derivative transactions could have on the income statement and the statement of financial position.

Following the subscription of the medium/long-term loan contract with a banking syndicate, WIND Group, regarding interest rate risk, will hedge, for the first three years, at least 50% of its exposure to the interest accruing on the total debt and 100% of its currency risk exposure on the Senior Secured Notes issued in foreign currency.

To meet these commitments the interest rate risk as of today was hedged to a level of approximately 56%, with a maximum hedge term of less than six years.

At December 31, 2014, outstanding derivative contracts hedging interest rate risk total €1,370,000 thousand.

The outstanding balance of the long-term loans (excluding Terna) at December 31, 2014 amounted to €10,518,624 thousand (liabilities in foreign currencies are translated at the rates provided in the relevant CCS) with the following fixed to floating ratio at that date.

<u>(millions of euro)</u>	<u>Outstanding at 12.31.2014</u>	<u>Rate at 12.31.2014</u>
At fixed rate . . . . .	7,691	73.12%
At floating rate . . . . .	2,827	26.88%

In compliance with the commitments undertaken, the currency risk resulting from the bonds issued by the subsidiary Wind Acquisition Finance SA has been fully hedged by cross currency swap transactions having a total notional of USD 5,250,000 thousand.

All derivative agreements were entered into at market rates, without any up-front payments or receipts (a zero cost basis) and with a credit margin being applied.

It is estimated that an increase of 100 basis points in the euro interest rate yield curve (all other variables remaining constant) would lead to an increase in borrowing costs, with regard to the unhedged portion of floating rate debt and the ineffective portion of hedging instrument, of approximately €14.331 thousand and in the cash flow reserve of approximately €208,985 thousand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**2 GENERAL ACCOUNTING POLICIES (Continued)**

**Fair value hierarchy**

IFRS 13 requires financial instruments recognised in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

- Level 1—quoted prices in active markets for the assets or liabilities being measured;
- Level 2—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) in the market;
- Level 3—inputs that are not based on observable market data.

The following table provides an analysis of financial assets and liabilities measured at fair value by hierarchy at December 31, 2014.

<u>(millions of euro)</u>	<u>Note</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Assets at fair value</i>					
Derivative financial instruments . . . . .	15	—	412	—	412
<b>Total assets</b> . . . . .		<u>—</u>	<u>412</u>	<u>—</u>	<u>412</u>
<i>Liabilities at fair value</i>					
Derivative financial instruments . . . . .	15	—	74	—	74
<b>Total liabilities</b> . . . . .		<u>—</u>	<u>74</u>	<u>—</u>	<u>74</u>

In 2014 there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa.

**3 PROPERTY, PLANT AND EQUIPMENT**

The following table sets out the changes in *Property, Plant and Equipment* at December 31, 2014.

<u>(thousands of euro)</u>	<u>Carrying amount at December 31, 2013</u>	<u>Additions</u>	<u>Depreciation</u>	<u>Reversal of impairment losses/ Impairment losses</u>	<u>Disposals</u>	<u>Others</u>	<u>Carrying amount at December 31, 2014</u>
Land and buildings . . . . .	552	—	—	—	—	—	552
Plant and machinery . . . . .	3,166,719	441,728	(691,145)	(19,061)	(4,403)	129,873	3,023,711
Equipment . . . . .	22,943	9,707	(11,492)	—	(443)	983	21,698
Other . . . . .	47,329	8,771	(21,039)	—	(6)	13,966	49,021
Assets under construction . . .	196,924	122,957	—	—	—	(141,752)	178,129
<b>Total</b> . . . . .	<u>3,434,467</u>	<u>583,163</u>	<u>(723,676)</u>	<u>(19,061)</u>	<u>(4,852)</u>	<u>3,070</u>	<u>3,273,111</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**3 PROPERTY, PLANT AND EQUIPMENT (Continued)**

The cost, accumulated impairment losses and accumulated depreciation at December 31, 2014 can be summarized as follows.

(thousands of euro)	At December 31, 2014			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings . . . . .	552	—	—	552
Plant and machinery . . . . .	11,256,641	100,853	8,132,077	3,023,711
Equipment . . . . .	158,803	15	137,090	21,698
Other . . . . .	519,462	155	470,286	49,021
Assets under construction . . . . .	178,771	642	—	178,129
<b>Total . . . . .</b>	<b>12,114,229</b>	<b>101,665</b>	<b>8,739,453</b>	<b>3,273,111</b>

The cost, accumulated impairment losses and accumulated depreciation at January 1, 2014 can be summarized as follows.

(thousands of euro)	At January 1, 2014			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings . . . . .	552	—	—	552
Plant and machinery . . . . .	10,904,600	89,743	7,648,138	3,166,719
Equipment . . . . .	150,378	32	127,403	22,943
Other . . . . .	500,783	164	453,290	47,329
Assets under construction . . . . .	197,566	642	—	196,924
<b>Total . . . . .</b>	<b>11,753,879</b>	<b>90,581</b>	<b>8,228,831</b>	<b>3,434,467</b>

*Plant and machinery* presents a net decrease by €143,008 thousand over the previous year as the result of the depreciation charge for the year only partially offset by the investments. The main investment in the year relates to the purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network and plant and machinery under construction (mostly LTE technologies).

As part of the plan for the development of the Group's production structure, disposals have been made of equipment, infrastructure and transmission systems having a carrying amount of €4,404 thousand which are no longer usable; these relate mostly to radio links and high frequency equipment (€1,756 thousand), exchanges and electronic installations (€2,162 thousand) and cable and customer premise equipment (CPE) (€486 thousand). In connection with an operation to replace transmission equipment being carried out to render the network more efficient and to obtain benefits from synergies, the net carrying amount of replaced equipment of €8,206 thousand was written off and additions have been recognized for €27,460 thousand as a consequence of the recognition of the increased market value of the equipment received as a replacement. In this regard, the value of equipment received as a replacement offsets for €6,921 thousand the impairment loss on the equipment replaced while the remaining €20,540 thousand was suspended in other non-current liabilities and will be released in the income statement over the useful life of assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**3 PROPERTY, PLANT AND EQUIPMENT (Continued)**

At December 31, 2014, transmission equipment, telephone systems and commutation switchboards owned by the Parent and having a carrying amount of €121,660 thousand were held by customers for use (€128,523 thousand at December 31, 2013), while transmission equipment for direct access through “unbundling of the local loop” having a carrying amount of €8,289 thousand (€18,453 thousand at December 31, 2013) was held on deposit by Telecom Italia SpA.

*Plant and machinery* additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable ducts and optic fiber for a total of €78,635 thousand at December 31, 2014 (€86,562 thousand at December 31, 2013).

At December 31, 2014, *Equipment* decreased over the balance at the end of the previous year by an amount of €1,245 thousand as the result of the depreciation charge for the year only partially offset by the increased investments. Commercial equipment having a carrying amount of €14,869 thousand at December 31, 2014 was with third parties, mostly authorized dealers, for use at that date (€21,676 thousand at December 31, 2013).

The balance of *Assets under construction* at December 31, 2014 consists mainly of plant and machinery being completed and tested.

**4 INTANGIBLE ASSETS**

The following table sets out the changes in *Intangible assets* at December 31, 2014.

<u>(thousands of euro)</u>	<u>Carrying amount at December 31, 2013</u>	<u>Additions</u>	<u>Amortization</u>	<u>Reversal of impairment losses/ Impairment losses</u>	<u>Others</u>	<u>Carrying amount at December 31, 2014</u>
Industrial patents and intellectual property rights . .	285,698	81,610	(113,383)	(80)	5,540	259,385
Concessions, licenses, trademarks and similar rights . . . . .	4,161,166	247	(191,487)	—	—	3,969,926
Other intangible assets . . . . .	497,846	87,256	(185,205)	(7)	12,513	412,403
Goodwill . . . . .	3,606,241	—	—	(535)	—	3,605,706
Assets under development . . . .	24,183	31,730	—	—	(20,222)	35,691
<b>Total . . . . .</b>	<b><u>8,575,134</u></b>	<b><u>200,843</u></b>	<b><u>(490,075)</u></b>	<b><u>(622)</u></b>	<b><u>(2,169)</u></b>	<b><u>8,283,111</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**4 INTANGIBLE ASSETS (Continued)**

The cost, accumulated impairment losses and accumulated amortization at December 31, 2014 can be summarized as follows.

(thousands of euro)	At December 31, 2014			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights . . .	1,891,634	12,621	1,619,628	259,385
Concessions, licenses, trademarks and similar rights .	5,778,695	1,000	1,807,769	3,969,926
Other intangible assets . . . . .	1,803,100	10	1,390,687	412,403
Goodwill . . . . .	3,609,387	3,681	—	3,605,706
Assets under development . . . . .	35,691	—	—	35,691
<b>Total . . . . .</b>	<b>13,118,507</b>	<b>17,312</b>	<b>4,818,084</b>	<b>8,283,111</b>

The cost, accumulated impairment losses and accumulated amortization at January 1, 2014 can be summarized as follows.

(thousands of euro)	At January 1, 2014			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights . . .	1,834,939	12,710	1,536,531	285,698
Concessions, licenses, trademarks and similar rights .	5,790,038	1,237	1,616,280	4,172,521
Other intangible assets . . . . .	1,703,357	3	1,205,508	497,846
Goodwill . . . . .	3,609,387	3,146	—	3,606,241
Assets under development . . . . .	12,828	—	—	12,828
<b>Total . . . . .</b>	<b>12,950,549</b>	<b>17,096</b>	<b>4,358,319</b>	<b>8,575,134</b>

*Industrial patents and intellectual property rights* consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by the Parent personnel in designing, developing and implementing information systems, which at December 31, 2014 amounted to €11,531 thousand (€8,655 thousand at December 31, 2013).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**4 INTANGIBLE ASSETS (Continued)**

*Concessions, licenses, trademarks and similar rights* include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted to the Group's companies by the relevant authorities, as detailed below.

<u>Individual licenses or General Authorizations or Use of frequencies</u>	<u>Date of issue</u>	<u>Date of expiry(*)</u>
<b>WIND Telecomunicazioni SpA</b>		
Installation of network and provision of voice telephony services on the Italian national territory(**)	February 1998	February 2018
Installation and provision of public telecommunications networks on the Italian national territory	April 1998	April 2018
Provision of public digital mobile communications services using DCS 1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	June 1998	June 2018
Installation and provision of public telecommunications networks on the Italian national territory issued to Infostrada SpA now merged	April 1999	April 2019
Provision of third generation mobile communications services adopting the UMTS standard (IMT-2000 family) and the installation of the related network on the Italian national territory pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	January 2001(***)	December 2029
Use of frequencies for broadband point-multipoint radio networks in the 24.5-26.5 GHz band for the geographical area corresponding to the specified Italian region/ autonomous province(****)	July 2002	July 2022
Use of frequencies for providing terrestrial publicly available broadband mobile services in the 800 and 2600 MHz bands.	February 2012(*****)	December 2029

(\*) Individual licenses are renewable in compliance with the regulations prevailing at the time of the renewal upon submission of an application at least 60 days prior to the expiry date (article 25, paragraph 6, of Decree no. 259/03)

(\*\*) The Parent has two licenses for network installation and the provision of fixed line telephony services following the merger of Infostrada SpA

(\*\*\*) The term of the license came into effect on January 1, 2002

(\*\*\*\*) A total of 21 individual point-multipoint licenses have been assigned

(\*\*\*\*\*) The term of the license came into effect on January 1, 2013

*Concessions, licenses, trademarks and similar rights* for €1,300,000 thousand refer to trademarks which have an indefinite useful life.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**4 INTANGIBLE ASSETS (Continued)**

*Similar rights* consist of rights of way and the right to use assets owned by third parties for a predetermined period of time and are initially recognized at their one-off purchase price, including any accessory costs. This item relates for the most part to the costs incurred by Infostrada SpA, now merged, for the purchase in 1998 of the right of way on the Italian railway network and the purchase of the right to use the existing optic fiber on the network and, commencing in 2014, to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with a net value of €135,237 thousand at December 31, 2014.

*Other intangible assets* mainly relate to the residual value of the customer list, amounting to €319,314 thousand, identified upon allocating the goodwill at December 31, 2006 that arose from the merger of the former parent Wind Acquisition Finance SpA and to the customer acquisition costs amounting to €88,012 thousand.

*Assets under development* consist of the internal and external costs incurred for the purchase or development of intangible assets for which the respective ownership right has not yet been fully acquired at the end of the year or which relate to incomplete projects, and down payments made to suppliers for the purchase of intangible assets. More specifically, intangible assets under development relate to the costs incurred for the design, development and implementation of information systems or specific modules thereof.

*Goodwill* pertains to the subsidiary WIND Retail Srl for €25,763 thousand and to the parent WIND Telecomunicazioni SpA for €3,579,943 thousand. The decrease of €535 thousand is due to the impairment loss during the year of the share of the goodwill allocated to the points of sales which form part of the rationalization of the subsidiary WIND Retail's commercial network approved and already partially implemented in 2014.

The carrying amount of goodwill recognized and of intangible assets with indefinite useful lives at December 31, 2014 was tested for impairment. The test was carried out by comparing the carrying amount with the recoverable amount. More specifically, the recoverable amount was calculated on the basis of the discounted cash flows resulting from the 2015-2019 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 7.8% was used to discount the cash flows, being the weighted average cost of capital, net of the tax effect, calculated using the capital asset pricing model. Sensitivity was performed simulating, compared to the base assumptions, cash flows reduction by estimating a growth rate of 0.5% for the years not covered by the plan. In all cases the recoverable amount of the net assets continue to be higher than their carrying amount.

**5 FINANCIAL ASSETS**

The following table sets out *Financial assets* at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost . . . . .	15,159	—	<b>15,159</b>	15,159	—	<b>15,159</b>
Derivative financial instruments . . . . .	411,769	—	<b>411,769</b>	68,548	—	<b>68,548</b>
Financial receivables . . . . .	993,417	22,605	<b>1,016,022</b>	42,983	176,356	<b>219,339</b>
<b>Total . . . . .</b>	<b>1,420,345</b>	<b>22,605</b>	<b>1,442,950</b>	<b>126,690</b>	<b>176,356</b>	<b>303,046</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**5 FINANCIAL ASSETS (Continued)**

The *Financial assets measured at cost*, consist of non-controlling interests in companies and consortia as set out in the following table.

<u>Company / consortium</u>	<u>% of investment</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Wind Team Consortium .....	33.33%	1	1
Consel Consortium .....	1.00%	1	1
Janna Scarl .....	17.00%	2,072	2,072
Mix Srl .....	9.75%	10	10
QXN Scpa .....	10.00%	50	50
SPAL TLC .....	33.00%	13,000	13,000
Other consortiums .....	—	25	25
<b>Total financial assets measured at cost .....</b>		<b><u>15,159</u></b>	<b><u>15,159</u></b>

Investments in Consorzio Wind Team and SPAL TLC SpA are not represented as associates because the Group does not have significant influence.

The item *Derivative financial instruments* includes the positive fair value of derivative financial instruments, detailed as follows: i) embedded derivatives on Bond issues amounting to €6,390 thousand (€60,950 thousand at December 31, 2013); and ii) cross currency swap hedging derivatives on financial liabilities amounting to €405,379 thousand (€6,556 thousand at December 31, 2013). Additional details on the composition of the item balance and respective changes are to be found in note 15.

The *Financial receivables*, amounting €1,016,022 thousand at December 31, 2014 mainly include:

- for €979,960 thousand the loans granted by WIND to the parent WIND Acquisition Holdings Finance SpA resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively. In particular, the first one with a nominal value of €925,000 thousand (an annual fixed interest rate of 9% and repayment date in April 2024) has been fully drawdown and at December 31, 2014 its book value is €967,060 thousand, including accrued and capitalized interests). The second loan with a nominal value up to €75,000 thousand (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) at December 31, 2014 was used only for €12,900 thousand, equal to the book value at such date;
- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 14) equal to €6,939 thousand (€7,753 thousand at December 31, 2013), which are charged to income statement on a straight-line basis over the term of the agreement;
- fees of €992 thousand (€37,358 thousand at December 31, 2013) of which €486 thousand in current assets (€10,282 thousand at December 31, 2013) recognized for hedging derivatives arranged in the previous years, which are being amortized over the terms of these instruments.

At December 31, 2013 this item included the loan of €160,996 thousand granted by the Parent Company to the indirect parent Wind Telecom SpA based on the Intercompany Loan Agreement of November 29, 2010. On April 23, 2014 this receivable was settled by offset with a portion of the payable due to the indirect parent Wind Telecom SpA as part of the tax consolidation.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**5 FINANCIAL ASSETS (Continued)**

The following table sets out the due dates for financial receivables.

(thousands of euro)	At December 31, 2014				At December 31, 2013			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
<b>Financial receivables</b>								
Guarantee deposits . . . . .	2,025	2,092	133	<b>4,250</b>	1,866	1,627	768	<b>4,261</b>
Receivables due from								
parents . . . . .	16,940	979,960	—	<b>996,900</b>	160,996	—	—	<b>160,996</b>
Others . . . . .	3,640	11,232	—	<b>14,872</b>	13,494	40,573	15	<b>54,082</b>
<b>Total . . . . .</b>	<b><u>22,605</u></b>	<b><u>993,284</u></b>	<b><u>133</u></b>	<b><u>1,016,022</u></b>	<b><u>176,356</u></b>	<b><u>42,200</u></b>	<b><u>783</u></b>	<b><u>219,339</u></b>

**6 DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by nature at December 31, 2014.

(thousands of euro)	At December 31, 2013	Decrease	Increase	At December 31, 2014
Allowance for doubtful accounts (taxed) . . . . .	81,211	57,656	45,643	69,198
Provisions for risks and charges (taxed) . . . . .	26,755	6,001	5,517	26,271
Measurement of financial assets/liabilities . . . . .	13,969	—	148,896	162,865
Amortization and depreciation of non-current assets . . .	43,855	6,675	12,183	49,363
<b>Deferred tax assets . . . . .</b>	<b><u>165,790</u></b>	<b><u>70,332</u></b>	<b><u>212,239</u></b>	<b><u>307,697</u></b>
Employee benefits . . . . .	3,931	1,754	—	2,177
Accelerated depreciation and amortization . . . . .	13,031	910	—	12,121
Fair value of property, plant, and equipment . . . . .	63,325	6,890	—	56,435
Depreciation of PPA . . . . .	582,758	21,805	2,106	563,059
<b>Deferred tax liabilities . . . . .</b>	<b><u>663,045</u></b>	<b><u>31,359</u></b>	<b><u>2,106</u></b>	<b><u>633,792</u></b>

The increase in 2014 in *deferred tax assets* is explained mainly by an increase in measurement of financial liabilities. The decrease in *deferred tax liabilities* is mainly due to a decrease in accelerated depreciation and amortization and depreciation of PPA.

Deferred tax assets have been recognized by considering the probability of their recoverability and the extent to which the directors believe there is a reasonable certainty that sufficient profits will be generated in future years against which the losses may be used within the time limits imposed by prevailing tax laws and regulations.

Deferred tax assets were not recognized in respect of temporary differences carried forward indefinitely totalling €202,172 thousand (€164,048 thousand at December 31, 2013), arising from non-deductible finance expenses within the limits imposed by law, due to the lack of reasonable certainty of their recoverability. In addition, even if transferred to the tax consolidation, consistent with the terms of the agreement, no receivables due from the indirect parent Wind Telecom SpA have been recognized. In fact, on the basis of this agreement, if the excess interest expense is transferred to the national

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**6 DEFERRED TAX ASSETS AND LIABILITIES (Continued)**

consolidation, the transferring company obtains the right to remuneration corresponding to the theoretical tax benefit transferred, only if, and to the extent to which, the company which has transferred this excess interest expense transfers to the consolidation the excess gross operating profit (GOP) not utilized in the tax period for the deduction of interest expense pursuant to article 96, paragraphs 1, 2 and 7 of the Consolidated Income Tax Law (TUIR).

**7 INVENTORIES**

The following table provides an analysis of *Inventories* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Finished goods . . . . .	23,607	28,074
Write-downs . . . . .	<u>(301)</u>	<u>(697)</u>
<b>Total</b> . . . . .	<b><u>23,306</u></b>	<b><u>27,377</u></b>

“*Finished goods*” consist principally of mobile phone handsets, kits and the related accessories. The decrease in 2014 is essentially due to a decrease in inventories of SIM and scratch cards, mobile telephone terminals, kits and related accessories and stocks consisting of products which are technologically advanced which have a higher unit value over previous year.

**8 TRADE RECEIVABLES**

The following table provides an analysis of *Trade receivables* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Due from final customers . . . . .	927,079	1,169,082
Due from telephone operators . . . . .	173,944	134,806
Due from authorized dealers . . . . .	118,119	142,526
Due from related parties . . . . .	3,104	9,291
Other trade receivables . . . . .	33,517	45,539
(Allowance for doubtful accounts) . . . . .	<u>(307,069)</u>	<u>(400,874)</u>
<b>Total</b> . . . . .	<b><u>948,694</u></b>	<b><u>1,100,370</u></b>

The balance of net trade receivables at December 31, 2014 has decreased by a total of €151,676 thousand over that at December 31, 2013 mostly due to the decrease in receivables due from final customers (€242,200 thousand) only partially offset by a decrease in the allowance for doubtful account (€93,805 thousand). These changes are mainly due to the sale without recourse of Consumer receivables that started during the year 2014.

*Receivables due from final customers* arise principally from the supply of fixed and mobile telephony services to customers with subscription contracts, while *receivables due from telephone operators* mainly relate to interconnection and roaming services. *Receivables due from authorized dealers* relate to sales of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**8 TRADE RECEIVABLES (Continued)**

radio mobile and fixed-line handsets and related accessories, as well as rechargeable telephone cards and top-ups.

*Receivables due from related parties* consists of the receivables due from VimpelCom Group's companies and of the receivables due from SPAL TLC SpA. Further details may be found in notes 5 and 34.

The following table provides an analysis, at December 31, 2014 and 2013 of trade receivables and the respective allowance for doubtful accounts, by due date.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Gross amount	(Allowance for doubtful accounts)	Gross amount	(Allowance for doubtful accounts)
unexpired . . . . .	636,101	(14,346)	824,699	(11,833)
expired from:				
—0 - 30 days . . . . .	63,286	(1,220)	55,783	(919)
—31 - 120 days . . . . .	51,821	(2,636)	59,073	(2,589)
—121 - 150 days . . . . .	26,070	(709)	17,036	(579)
—beyond 150 days . . . . .	478,485	(288,158)	544,653	(384,954)
<b>Total</b> . . . . .	<b>1,255,763</b>	<b>(307,069)</b>	<b>1,501,244</b>	<b>(400,874)</b>

The following table provides an analysis of trade receivables at December 31, 2014 and 2013, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2014	At December 31, 2013
—within 12 months . . . . .	904,609	1,051,672
—after 12 months . . . . .	44,085	48,698
<b>Total</b> . . . . .	<b>948,694</b>	<b>1,100,370</b>

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilizations)	At December 31, 2014
<b>Allowance for doubtful accounts</b> . . . . .	<b>400,874</b>	110,648	(204,453)	<b>307,069</b>

In order to guarantee the obligations assumed by the Parent as a consequence of loans disbursed under the Senior Facility Agreement on November 24, 2010, for which further details may be found in note 14, and the obligations assumed by the subsidiary Wind Acquisition Finance SA ("WAF"), the Parent established collateral by transferring trade receivables, receivables from intercompany loans and receivables relating to insurance contracts, both present and future, in favor of the lending banks pursuant to the Senior Facility Agreement and the other creditors specified in the supplemental deed related to the respective collateral contract and in favor of the subscribers to the Senior Secured Fixed Rate Notes

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**8 TRADE RECEIVABLES (Continued)**

expiring on 2020 and of the Senior Secured Floating Rate Notes expiring on 2019 issued by Wind Acquisition Finance SA on April 29, 2013 and the subscribers to the Senior Secured Fixed Rate Notes expiring on 2020 and of the Senior Secured Floating Rate Notes expiring on 2019 issued by Wind Acquisition Finance SA on July 10, 2014.

**9 CURRENT TAX ASSETS**

The balance on *current tax assets* of €7,373 thousand at December 31, 2014 (€19,274 thousand at December 31, 2013) mostly regards receivables for current tax assets arising from taxes paid in previous years. Advance payments of IRAP tax made during the year are classified as a deduction from tax payables.

**10 OTHER RECEIVABLES**

The following table sets out the details of *Other receivables* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Trade prepayments . . . . .	92,068	91,816
Other receivables due from third parties . . . . .	98,119	47,679
Tax receivables . . . . .	8,866	6,458
Advances to suppliers . . . . .	41,628	22,013
Other receivables due from parents . . . . .	30,509	23,020
Other receivables due from related parties . . . . .	2,151	5,120
(Allowance for doubtful accounts) . . . . .	<u>(3,878)</u>	<u>(6,207)</u>
<b>Total</b> . . . . .	<b><u>269,463</u></b>	<b><u>189,899</u></b>

The following table provides an analysis, at December 31, 2014 and 2013, of other receivables and the respective allowance for doubtful accounts by due date.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>		<u>At December 31, 2013</u>	
	<u>Gross balance</u>	<u>(Allowance for doubtful accounts)</u>	<u>Gross balance</u>	<u>(Allowance for doubtful accounts)</u>
—unexpired . . . . .	224,100	—	141,768	—
—expired from:				
—0 - 30 days . . . . .	1,068	—	1,249	—
—31 - 120 days . . . . .	3,570	—	4,331	—
—121 - 150 days . . . . .	1,972	—	1,964	—
—beyond 150 days . . . . .	42,631	<u>(3,878)</u>	46,794	<u>(6,207)</u>
<b>Total</b> . . . . .	<b><u>273,341</u></b>	<b><u>(3,878)</u></b>	<b><u>196,106</u></b>	<b><u>(6,207)</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**10 OTHER RECEIVABLES (Continued)**

The following table provides an analysis of other receivables at December 31, 2014 and 2013, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
—within 12 months . . . . .	239,963	135,826
—after 12 months . . . . .	29,500	54,073
<b>Total</b> . . . . .	<b><u>269,463</u></b>	<b><u>189,899</u></b>

*Trade prepayments* relate mainly to lease installments for civil and technical sites and lease installments for telephone network circuits.

*Other receivables due from third parties* relate mainly to receivables from non-commercial third parties.

*Other receivables due from parents* at December 31, 2014, include the amounts due from Wind Telecom SpA, Wind Acquisition Holdings Finance SpA, Vimpelcom Ltd and Vimpelcom Amsterdam BV while *Other receivables due from related parties* at December 31, 2014 mainly consist of the receivables due from VimpelCom Group's companies. Further details may be found in note 5 and 34.

The following table provides an analysis of *Tax receivables* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
VAT . . . . .	5,758	3,086
Other tax receivables . . . . .	3,108	3,372
<b>Total</b> . . . . .	<b><u>8,866</u></b>	<b><u>6,458</u></b>

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2014.

<u>(thousands of euro)</u>	<u>At December 31, 2013</u>	<u>Accrual</u>	<u>(Utilizations)</u>	<u>At December 31, 2014</u>
<b>Allowance for doubtful accounts</b> . . . . .	<b><u>6,207</u></b>	221	(2,550)	<b><u>3,878</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**11 CASH AND CASH EQUIVALENTS**

The following table sets out an analysis of *Cash and cash equivalents* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Bank deposits and checks . . . . .	202,986	140,739
Cash on hand and stamps . . . . .	26	31
<b>Total</b> . . . . .	<b><u>203,012</u></b>	<b><u>140,770</u></b>

Cash and cash equivalents represent the surplus of cash generated by operations, changed mainly due to the ordinary cash inflows and outflows during the year. Further details may be found in note 36 to the cash flow statement.

**12 SHAREHOLDERS' EQUITY**

The following table sets out the composition of Shareholders' Equity at December 31, 2014 and 2013.

<u>(thousand of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
<b>Issued Capital</b> . . . . .	<b>147,100</b>	<b>147,100</b>
<b>Share premium reserve</b> . . . . .	<b>751,887</b>	<b>751,887</b>
<b>Other reserves and retained earnings (accumulated losses), including profit (loss) for the year</b> . . . . .	<b>(788,042)</b>	<b>(112,462)</b>
—Reserve for remeasurements of employee defined benefit plans (IAS19) . .	(666)	4,564
—Cash flow reserve . . . . .	(53,750)	(92,284)
—Legal reserve . . . . .	29,420	29,420
—Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year . . . . .	(763,046)	(54,162)
<b>Equity attributable to the owners of the parent</b> . . . . .	<b><u>110,945</u></b>	<b><u>786,525</u></b>
<b>Non-controlling interests</b> . . . . .	<b>8</b>	<b>84</b>
<b>Total Equity</b> . . . . .	<b><u>110,953</u></b>	<b><u>786,609</u></b>

The share capital of the parent WIND Telecomunicazioni SpA at December 31, 2014 consisted of 146,100,000 ordinary shares with no nominal value, fully subscribed and paid up by the sole shareholder WIND Acquisition Holdings Finance SpA.

Despite the encumbrances on the pledged shares underlying the share capital of the Parent held by WIND Acquisition Holdings Finance SpA, the voting rights at shareholders' meetings of the Parent are retained by WIND Acquisition Holdings Finance SpA by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian Civil Code.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**12 SHAREHOLDERS' EQUITY (Continued)**

The following table present the reconciliation between the consolidated result of the year and the consolidated shareholders' equity and the related balances of the Parent.

(thousands of euro)	Result for the year		Equity at December, 31	
	2014	2013	2014	2013
<b>Equity and Result for the year of WIND Telecomunicazioni SpA</b> . . . . .	<b>(349,332)</b>	<b>(491,085)</b>	<b>422,467</b>	<b>781,733</b>
<b>Equity and Result for the year of consolidated entities net of the shares attributable to Non-controlling interests</b> . .	<b>(363,739)</b>	<b>9,158</b>	<b>(212,105)</b>	<b>108,468</b>
Consolidation adjustments:				
—elimination of carrying amount of investments . . . . .	—	—	(92,916)	(92,916)
—other consolidation adjustments . . . . .	4,186	672	(6,501)	(10,687)
<b>Equity and Result for the year attributable to owners of the parent</b> . . . . .	<b>(708,885)</b>	<b>(481,254)</b>	<b>110,945</b>	<b>786,598</b>
Equity and Result for the year attributable to Non-controlling interests . . . . .	(76)	(73)	8	11
<b>Equity and Result for the year in the Consolidated Financial Statements</b> . . . . .	<b>(708,961)</b>	<b>(481,327)</b>	<b>110,953</b>	<b>786,609</b>

The resolution adopted by the parent's shareholders on April 18, 2014 resolving the approval of the annual financial statements as of and for the year ended December 31, 2013 allocated the loss for the year of €491,085 thousand to losses carried forward.

Changes in the Group's equity during the year, as well as the loss for the period, mainly arose from the following:

- the increase in the cash flow hedge reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the transactions on hedging derivatives on cash flows, as described in further detail in note 15. The following table shows the changes in the cash flow hedge reserve;

(thousands of euro)	Interest rate risk			Foreign currency risk			Cash Flow Hedge Reserve
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	
<b>At December 31, 2013</b> . . . . .	<b>(62,692)</b>	<b>—</b>	<b>(62,692)</b>	<b>(41,553)</b>	<b>11,961</b>	<b>(29,592)</b>	<b>(92,284)</b>
Changes in fair value . . . . .	27,921	—	27,921	(33,576)	9,811	(23,765)	4,156
Reverse to income statement . . . . .	(32,682)	—	(32,682)	94,744	(27,684)	67,060	34,378
<b>At December 31, 2014</b> . . . . .	<b>(67,453)</b>	<b>—</b>	<b>(67,453)</b>	<b>19,615</b>	<b>(5,912)</b>	<b>13,703</b>	<b>(53,750)</b>

- the decrease in the actuarial reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the remeasurements of employee defined benefit plans.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**13 EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to the owners of the Parent; profit refers to continuing operations and discontinued operations. Both basic and diluted earnings per share have been calculated by using as a denominator the weighted average for the year of the number of outstanding shares, since there were no diluting effects at December 31, 2014 or December 31, 2013.

The data underlying the calculation are as follows.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Loss from continuing operations . . . . .	(708,961)	(481,327)
Weighted average number of shares outstanding during the year (units) . . .	146,100,000	146,100,000
<b>Loss per share from continuing operations—basic and diluted (in Euro) . .</b>	<b>(4.85)</b>	<b>(3.29)</b>

**14 FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>			<u>At December 31, 2013</u>		
	<u>Non- current</u>	<u>Current</u>	<u>Total</u>	<u>Non- current</u>	<u>Current</u>	<u>Total</u>
Bonds issues . . . . .	8,843,637	142,211	8,985,848	6,280,981	180,636	6,461,617
Bank loans . . . . .	1,721,836	166,100	1,887,936	2,290,599	145,962	2,436,561
Loans from others . . . . .	227,654	104,995	332,649	330,923	142,808	473,731
Derivative financial instruments . .	74,055	—	74,055	181,514	15,543	197,057
<b>Total financial liabilities . . . . .</b>	<b><u>10,867,182</u></b>	<b><u>413,306</u></b>	<b><u>11,280,488</u></b>	<b><u>9,084,017</u></b>	<b><u>484,949</u></b>	<b><u>9,568,966</u></b>

It should be noted that WIND Telecomunicazioni SpA and its subsidiary Wind Acquisition Finance SA obtained, on March 26, 2014, the majority lenders' consent for the proposed amendments including maturity extension to WIND's Senior Facility Agreement. Under this transaction, on April 23, 2014, the Group completed the placement of a Senior Notes due 2021 of €1,750 million having a coupon of 7% and of a Senior Notes due 2021 of USD2,800 million having a coupon of 7.375%, maturing in 2020. This issue had the objective to put in place a more stable capital structure for the Group, through: i) the launch of a tender offer for the purchase of any and all outstanding 2017 Senior Notes, completed on July 15, 2014, with the early repayment of bonds in EURO and in USD and ii) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan up to €925 million (fully disbursed at December 31, 2014) with reimbursement on March 23, 2024 and with an annual fixed interest rate of 9%.

In addition, on July 10, 2014, the Group completed the placement of a Senior Secured Notes due 2020 in a combination of €575 million euro-denominated Euribor 3 months plus 4.00% Floating Rate Notes and of €2,100 million 4.00% notes and of USD1,900 million 4.75% notes. This issue aims to reduce interest costs, extend the maturity profile of the WIND Group's debt and have a sustainable and manageable capital structure for the Group, through: i) the early repayment of Senior Secured Notes in EURO and in USD due 2018 and ii) repayment of non-extended part of the Senior Credit Facilities (€573 million).

The change in the balances in other financial liabilities results essentially from the repayment during the period of €51,950 thousand relating to the principal of loan from other banks against the



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**14 FINANCIAL LIABILITIES (Continued)**

deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group's debt on November 26, 2010.

The following table sets out an analysis of *Financial liabilities* at December, 2014 and 2013 by due date.

(thousands of euro)	At December 31, 2014				At December 31, 2013			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds issues . . . . .	142,211	147,455	8,696,182	<b>8,985,848</b>	180,636	5,736,563	544,418	<b>6,461,617</b>
Bank loans . . . . .	166,100	1,721,836	—	<b>1,887,936</b>	145,962	2,290,599	—	<b>2,436,561</b>
Loans from others . .	104,995	102,981	124,673	<b>332,649</b>	142,808	204,676	126,247	<b>473,731</b>
Derivative financial instruments . . . . .	—	50,178	23,877	<b>74,055</b>	15,543	134,094	47,420	<b>197,057</b>
<b>Total financial liabilities . . . . .</b>	<b>413,306</b>	<b>2,022,450</b>	<b>8,844,732</b>	<b>11,280,488</b>	<b>484,949</b>	<b>8,365,932</b>	<b>718,085</b>	<b>9,568,966</b>

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at December 31, 2014.

(thousands of euro)	At December 31, 2014					
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	Total
Euro . . . . .	782,115	5,901,206	—	131,548	—	6,814,869
US dollars . . . . .	—	2,057,060	2,334,504	—	—	4,391,564
<b>Total . . . . .</b>	<b>782,115</b>	<b>7,958,266</b>	<b>2,334,504</b>	<b>131,548</b>	<b>—</b>	<b>11,206,433</b>

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2014 and 2013. The fair value is approximately the same as the carrying amount for current *Financial liabilities*.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issues . . . . .	8,843,637	8,516,070	6,280,981	6,635,972
Bank loans . . . . .	1,721,836	1,758,157	2,290,599	2,325,094
Loans from others . . . . .	227,654	227,654	330,923	330,923
Derivative financial instruments . . . . .	74,055	74,055	181,514	181,514
<b>Total . . . . .</b>	<b>10,867,182</b>	<b>10,575,936</b>	<b>9,084,017</b>	<b>9,473,503</b>

Current *Financial liabilities* at December 31, 2014 consist exclusively of the portions of bank loans and bonds for which payment is due by the end of the following financial year, referring to both principal and accrued interest.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 15.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**14 FINANCIAL LIABILITIES (Continued)**

***Bonds***

The following table sets out the main information relating to outstanding *Bonds* at December 31, 2014.

(thousands of euro)	Carrying amount at December 31, 2014	Carrying amount at December 31, 2013	Nominal amount at December 31, 2014	Issue price	Currency	Due date	Interest rate	Price
Senior Notes 2017 € . . .	—	1,272,519	—	96.3%	EUR	07/15/2017	11.75%	106.5%
Senior Notes 2017 \$ . . .	—	1,506,374	—	97.5%	USD	07/15/2017	11.75%	106.4%
Senior Secured Notes 2018 € . . . . .	—	1,739,903	—	99.3%	EUR	02/15/2018	7.38%	105.8%
Senior Secured Notes 2018 \$ . . . . .	—	938,933	—	99.3%	USD	02/15/2018	7.25%	105.0%
Senior Secured Notes 2018 € . . . . .	—	183,329	—	90.1%	EUR	02/15/2018	7.38%	105.0%
Senior Secured Notes 2018 \$ . . . . .	—	270,390	—	92.2%	USD	02/15/2018	7.25%	105.0%
Senior Secured Floating Rate Notes 2019 € . . .	148,858	149,866	150,000	100.0%	EUR	04/30/2019	Euribor 3M+5.25%	100.1%
Senior Secured Fixed Rate Notes 2020 \$ . . .	452,486	400,303	454,630	100.0%	USD	04/30/2020	6.50%	100.9%
Senior Notes 2021 € . . .	1,751,727	—	1,750,000	100.0%	EUR	04/23/2021	7.00%	98.0%
Senior Notes 2021 \$ . . .	2,345,415	—	2,314,480	100.0%	USD	04/23/2021	7.38%	94.4%
Senior Secured Notes 2020 € . . . . .	2,121,558	—	2,100,000	100.0%	EUR	07/15/2020	4.00%	98.1%
Senior Secured Notes 2020 \$ . . . . .	1,593,663	—	1,570,540	100.0%	USD	07/15/2020	4.75%	96.6%
Senior Secured Floating Rate Notes 2020 € . . .	572,141	—	575,000	100.0%	EUR	07/15/2020	Euribor 3M+4%	95.3%
<b>Total . . . . .</b>	<b><u>8,985,848</u></b>	<b><u>6,461,617</u></b>	<b><u>8,914,650</u></b>					

The changes in balances over December 31, 2013 are mainly due to the effects of the Group's refinancing operations completed in April and July 2014, for which details may be found above.

As required by the Group's risk management policies, for which details may be found in note 2.5 in order to fully eliminate any currency risks arising from issues denominated in US dollars, the Group has entered into hedging arrangements based on cross currency swaps for a notional amount of €3,862,798 thousand, which at December 31, 2014 had a positive fair value of €405,379 thousand. In addition, the Group has entered into hedging arrangements based on *Interest rate swap plain vanilla* for a notional amount of €570,000 thousand, which at December 31, 2014 had a negative fair value of €25,853 thousand. The hedges extend to 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**14 FINANCIAL LIABILITIES (Continued)**

**Bank loans**

The following table sets out the main information relating to outstanding *Bank loans* at December 31, 2014.

(thousands of euro)	Carrying amount at December 31, 2014	Carrying amount at December 31, 2013	Nominal amount at December 31, 2014	Usable amount	Currency	Due date	Interest rate
Senior Facility Agreement							
—Tranche A3 . . . . .	2,859	36,966	2,897	2,897	EUR	11/26/2018	Eur+4.25%
—Tranche A4 . . . . .	169,298	300,168	171,293	171,293	EUR	11/26/2018	Eur+4.25%
—Tranche B3 . . . . .	1,089,246	1,312,209	1,113,921	1,113,921	EUR	11/26/2019	Eur+4.50%
—Tranche B4 . . . . .	482,924	670,333	493,649	493,649	EUR	11/26/2019	Eur+4.75%
—Revolving . . . . .	100,129	99,997	100,000	600,000	EUR	01/19/2015	Euribor+4.25%
Overdrafts . . . . .	42,282	15,854	—				
Other accrued interest . . .	1,198	1,034	—				
<b>Total . . . . .</b>	<b><u>1,887,936</u></b>	<b><u>2,436,561</u></b>	<b><u>1,881,760</u></b>	<b><u>2,381,760</u></b>			

The Senior Facility Agreement, disbursed on November 26, 2010 to the Parent WIND Telecomunicazioni SpA and denominated exclusively in euro, is made up of various tranches, each having its own specific repayment plan and interest rates which may be reviewed on the basis of the trend of specific equity ratios.

The changes in balances over December 31, 2013 are mainly due to the effects of the Group's refinancing operations completed in April and July 2014, for which details may be found above.

Details and the main features of the tranches following the refinancing operations completed in 2014 are as follows:

- tranche A3 was repayable from May 26, 2011 to November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. Interest is payable at Euribor plus a spread of 425 basis points;
- tranche A4 was repayable from May 26, 2011 to November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. Interest is payable at Euribor plus a spread of 425 basis points;
- tranche B3 was repayable in a single lump sum on November 26, 2017 and in 2014 the maturity has been extended on November 26, 2019. Interest is payable at Euribor plus a spread of 450 basis points;
- tranche B4 was repayable in a single lump sum on November 26, 2017 and in 2014 the maturity has been extended on November 26, 2019. Interest is payable at Euribor plus a spread of 475 basis points;
- a revolving tranche having final repayment on November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. This may be used either as a cash loan or a signature loan. If used as a cash loan interest is payable at Euribor plus a margin of 425 basis points and there is a non-use commission of 160 basis points. At December 31, 2014, the maximum usable amount of €600 million was drawn down for €100 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**14 FINANCIAL LIABILITIES (Continued)**

With the aim of reducing its bank loan exposure to fluctuations in interest rates and foreign exchange rates, the Group has entered into transactions which qualify as hedges for a notional amount of €800,000 thousand, whose fair value at December 31, 2014, including delayed hedging transactions, is negative for €48,202 thousand. The hedges extend to September 2017 and consist of plain vanilla interest rate swaps.

*Loans from others*

This item, having a balance of €332,649 thousand (€473,731 thousand at December 31, 2013), mainly consists of:

- payable due to the Ministry of Economic Development for an amount of €162 million, as the result of the allocation of the mobile frequency use rights (for which details may be found in note 4). This balance is repayable over a five year period from October 3, 2012 at a floating interest rate calculated by adding a spread of 1% to the average rate at which treasury bonds are issued during the previous year as published by the Ministry in the 30 days preceding the due date of each instalment. Repayment of the third instalment of €81 million was made on October 3, 2014;
- the loan of €131,548 thousand (€133,650 thousand at December 31, 2013) against the capitalization of backbone rights, details of which may be found in note 3;
- payable to banks of €37,354 thousand, of which €19,692 is the current portion, (€89,304 thousand, of which €37,354 is the current portion at December 31, 2013) against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt.

**15 DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides details of the outstanding *Derivative financial instruments* at December 31, 2014 and 2013, analyzed by the type of risk hedged.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
—Exchange rate risk . . . . .	264,808	—	6,556	124,453
—Interest rate risk . . . . .	—	74,055	1,042	72,604
<b>Total cash flow hedges . . . . .</b>	<b>264,808</b>	<b>74,055</b>	<b>7,598</b>	<b>197,057</b>
—Exchange rate risk . . . . .	140,571	—	—	—
<b>Total fair value hedges . . . . .</b>	<b>140,571</b>	—	—	—
—Embedded derivatives on Bonds . . . . .	6,390	—	60,950	—
<b>Total Derivatives Non Hedge Accounting . . .</b>	<b>6,390</b>	—	<b>60,950</b>	—
<b>Total . . . . .</b>	<b>411,769</b>	<b>74,055</b>	<b>68,548</b>	<b>197,057</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**15 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**

The following table shows the detail of current and non-current derivative instruments.

<u>(thousands of euro)</u>	At December 31, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current . . . . .	—	—	—	15,543
Non current . . . . .	411,769	74,055	68,548	181,514
<b>Total derivatives . . . . .</b>	<b>411,769</b>	<b>74,055</b>	<b>68,548</b>	<b>197,057</b>

The fair value of financial instruments listed on active markets was determined as the market quotation at the reporting date. In the absence of an active market, fair value was determined by referring to prices provided by external operators and using valuation models based mostly on objective financial variables, as well as by taking into account, where possible, the prices used in recent transactions and the quotations of similar financial instruments.

The following were outstanding at December 31, 2014:

- cross currency swaps hedging the interest rate and currency risks relating to the tranches of bonds denominated in US dollars, for which reference should be made to note 14, having a notional amount of €3,862,799 thousand (€3,114,193 thousand at December 31, 2013) and having a positive fair value of €405,379 thousand (positive fair value of €6,556 thousand and negative fair value of €124,453 thousand at December 31, 2013);
- plain vanilla interest rate swaps hedging the interest rate risk of bank loans and of bonds, having a notional amount of €1,370,000 thousand (€2,770,000 thousand at December 31, 2013) and a negative fair value of €74,055 thousand (negative fair value of €72,604 thousand and a positive fair value of €1,042 thousand at December 31, 2013);
- embedded derivatives of €6,390 thousand (€60,950 thousand at December 31, 2013) relating to the fair value of the early repayment options provided for on issue of the bonds, for which details may be found in note 14.

**16 EMPLOYEE BENEFITS**

The following table sets out the changes in *Employee benefits* at December 31, 2014.

<u>(thousands of euro)</u>	At December 31, 2013	Accrual	(Utilization)	Other changes	At December 31, 2014
Post-employment benefits . . . . .	52,466	20,985	(1,360)	(12,085)	60,006

There is an increase during the year of €7,134 thousand (decrease of €1,780 thousand during 2013) in the Parent Company's employee benefits due to the change in the actuarial variables.

Other changes during the year consist also of the transfer of the post-employment benefits accrued during the year to supplementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€17,026 thousand).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**16 EMPLOYEE BENEFITS (Continued)**

The main actuarial assumptions underlying the calculation of the post-employment benefits are the following.

Average inflation rate	Discount rate	Increase in wages and salaries	Employee turnover rate
2.00%	3.38%	N/A	1.00%-3.7%

The effects recognized in income statement are as follows.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Current service costs . . . . .	19,396	18,739
Finance expense . . . . .	1,589	1,870
<b>Total</b> . . . . .	<b>20,985</b>	<b>20,609</b>
Actual return on plan assets . . . . .	N/A	N/A

**17 PROVISIONS FOR RISKS AND CHARGES**

The following table sets out changes in *Provisions for risks and charges* during the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Increases	(Utilization)	(Release)	At December 31, 2014
Litigation . . . . .	169,981	24,490	(67,201)	(43,831)	83,439
Restructuring . . . . .	377	—	—	—	377
Universal service contribution (Presidential Decree no. 318/1997) . . . . .	16,683	—	—	—	16,683
Product assistance . . . . .	1,525	862	(1,006)	—	1,381
Dismantling and removal . . . . .	38,225	—	(620)	—	37,605
Other provisions . . . . .	47,588	7,091	(9,794)	(7,997)	36,888
<b>Total</b> . . . . .	<b>274,379</b>	<b>32,443</b>	<b>(78,621)</b>	<b>(51,828)</b>	<b>176,373</b>

**Litigation**

The provision at the respective dates is based on estimates using the best information available of the total charge that the Group expects to incur upon settlement of all outstanding legal proceedings (for details on the main proceedings in progress, please refer to paragraph on main pending legal proceedings in note 37).

**Universal service contribution**

Article 3, paragraph 6, of Presidential Decree no. 318 of September 19, 1997 regarding the “Implementation of European Union Directives” establishes a mechanism designed to distribute the net cost of providing universal service throughout the country whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**17 PROVISIONS FOR RISKS AND CHARGES (Continued)**

**Dismantling and removal**

The item consists of the estimate of the dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition.

**Other provisions**

This item consists of the measurement of certain liabilities arising from obligations assumed by the Group for which an estimate is made at the date of these financial statements of the amount to be settled upon due date. The balance at December 31, 2014 includes €16,628 thousand for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €12,051 thousand relating to compensation plan for the long-term retention and incentive of management.

**18 OTHER LIABILITIES**

*Other non-current liabilities* at December 31, 2014 and 2013 amount to €160,290 thousand and €165,388 thousand, respectively. At December 31, 2014 this item mainly includes:

- an amount of €104,350 thousand relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus in 2014, 2013, 2012 and 2011 (for which details may be found in note 3), which will be recognized in the income statement over the useful life of the assets;
- an amount of €33,598 thousand relating to a capital contribution recognized on the allocation of the frequencies (for which details may be found in note 4) as a discount of 3% for the total amount of the tender for the commitment made to produce over 50% of the new networks using apparatus having environmental eco-sustainable features. The amount will be released to the income statement in Other Revenue when there is the reasonable certainty that the envisaged conditions will be met, and is consistent with the depreciation of the apparatus having eco-sustainable features which will be purchased and put into use for the development of the network;
- a capital grant of €10,105 thousand given to the Parent Company for its participation in certain regional projects for the realization of investments supporting local development. This amount will be released to the income statement over the useful lives of the assets involved.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**19 TRADE PAYABLES**

The following table provides details of *Trade payables* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Due to telephone operators . . . . .	456,768	366,533
Due to agents . . . . .	23,871	25,102
Due to authorized dealers . . . . .	30,075	44,202
Due to parents . . . . .	3,388	15,346
Due to related companies . . . . .	33,459	14,001
Other trade payables . . . . .	<u>1,113,247</u>	<u>1,186,760</u>
<b>Total</b> . . . . .	<b><u>1,660,808</u></b>	<b><u>1,651,944</u></b>

The change in this item over the year is principally due to the effect of normal settlements during the course of the year.

Trade payables *due to telephone operators* mainly relate to interconnection and roaming services.

Payables *due to agents* and *due to authorized dealers* relate to commissions to agents and authorized dealers.

Trade payables *due to parents* relate mainly to amounts payable by the Parent Company to the parent Wind Telecom SpA as the result of services (IT, marketing, personnel, purchasing, etc) provided in previous years, while trade payables *due to related companies* refers principally to: i) the payable due by the Parent Company to Vimpelcom International Services for trading and signature services of agreements relating to the economic conditions of international roaming provided in 2014; ii) the payable arising from transactions with telephone operators belonging to the VimpelCom group; and iii) the payable to SPAL TLC SpA. Further details may be found in notes 5 and 34.

*Other trade payables* mainly relate to payables to suppliers for the purchase of goods and services.

The following table provides an analysis of trade payables by due date.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
—within 12 months . . . . .	1,528,595	1,589,078
—after 12 months . . . . .	<u>132,213</u>	<u>62,866</u>
<b>Total</b> . . . . .	<b><u>1,660,808</u></b>	<b><u>1,651,944</u></b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**20 OTHER PAYABLES**

The following table provides an analysis of *Other payables* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Payables to social security organizations . . . . .	23,301	27,432
Tax payables . . . . .	163,992	137,755
Payables to personnel . . . . .	27,786	31,566
Payables to government bodies by grants . . . . .	11,607	9,475
Other amounts payable to parents . . . . .	168,268	305,412
Other amounts payable to related companies . . . . .	81	239
Prepaid traffic to be used . . . . .	157,784	182,729
Deferred income . . . . .	19,442	19,402
Other payables . . . . .	81,131	58,098
<b>Total</b> . . . . .	<b><u>653,392</u></b>	<b><u>772,108</u></b>

The following table provides an analysis by due date.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
—within 12 months . . . . .	627,320	770,773
—after 12 months . . . . .	26,072	1,335
<b>Total</b> . . . . .	<b><u>653,392</u></b>	<b><u>772,108</u></b>

*Payables to social security organizations* relate principally to the employer's and employees' portions of social security contributions for December and the employer's portion accrued on deferred remuneration (mostly accrued vacation and other permitted leaves that have been accrued but not yet taken). This item also includes the amounts payable to the Italian social security organization INPS for the accrued post-employment benefits (TFR) yet to be paid which employees had elected to transfer to the Treasury fund in accordance with Law no. 296 of December 27, 2006, the "2007 Finance Act", and subsequent decrees and regulations.

The following table sets out details of *Tax payables* at December 31, 2014 and 2013.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Government license fee . . . . .	26,485	28,711
Withholding tax . . . . .	11,388	10,436
VAT . . . . .	78,507	69,216
Other . . . . .	47,612	29,392
<b>Total</b> . . . . .	<b><u>163,992</u></b>	<b><u>137,755</u></b>

*Other tax payables* include a balance of €46,491 thousand due to the tax authorities arising from the settlement of the assessment raised by the Tax Revenue Office concerning the payment of withholding tax on the interest arising in prior years under the Senior Facility Agreement of May 26, 2005. The payment

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**20 OTHER PAYABLES (Continued)**

plan for this liability envisages twelve quarterly instalments due from May 22, 2014 to February 22, 2017 with interest charged at 1%. The balance of €28,242 thousand due to the tax authorities at December 31, 2013, being the amount required to discharge the liability arising from the fiscal audit into the withholding tax due on interest income paid by the Parent Company to the Group companies Wind Finance SL SA and Wind Acquisition Finance SA in prior years, has been fully settled, with the final instalment being paid in September 2014.

*Payables to personnel* consist mostly of liabilities for accrued vacation and other accrued leaves still to be taken at the end of the year. *Payables to personnel* decreased compared to December 31, 2013 mainly due a decrease in deferred compensations following the agreement with trade unions, reached on October 10, 2012, to revise the main economic and legislative schemes in personnel costs in the period from 2013 to 2017.

*Payables to government bodies for grants* represent amounts due for licenses and concessions provided by the relevant bodies.

Out of *Other payables to parents*, €11,606 thousand (€304,819 thousand at December 31, 2013) refers to a payable to the indirect parent Wind Telecom SpA following the transfer of IRES tax payables by Group companies as part of the national tax consolidation procedure.

As part of the refinancing of the group, on April 30, 2014 part of the liability due for the Parent Company's tax consolidation, amounting to €162,988 thousand, was offset against the financial receivable due to the Parent Company by Wind Telecom SpA, while the difference of €141,712 thousand was transferred by the indirect parent Wind Telecom SpA to the direct parent Wind Acquisition Holdings Finance SpA.

*Prepaid traffic to be used* consists of the unused portion of prepaid traffic, sold by the Parent via rechargeable telephone cards and top-ups, which had not yet been utilized at the end of the year.

*Deferred income* refers to income for billings made contractually in advance in prior years and in 2014 for lease and installation fees relating to the utilization of broadband capacity ('initial capacity'), which will be recognized in later periods.

*Other payables* mainly consist of amounts due to supplementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers, liabilities for amounts received in respect of receivables sold and other residual items.

**21 TAX PAYABLES**

The balances at December 31, 2014 and 2013 of €22,615 thousand and €21,222 thousand, respectively, represent the amounts due by the Group companies for income taxes for the year, net of advance payments for the corresponding tax periods.

Receivable and payable items for IRES are included in receivables and payables from and to the parent, as Group companies have elected to take part in the national tax consolidation procedure of Wind Telecom SpA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**22 REVENUE**

The following table provides the breakdown of *Revenue* for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
<b>Revenue from sales</b> . . . . .	<b>220,499</b>	<b>239,196</b>	<b>(18,697)</b>	<b>(7.8)%</b>
—Telephone services . . . . .	3,641,297	4,029,463	(388,166)	(9.6)%
—Interconnection traffic . . . . .	380,823	399,104	(18,281)	(4.6)%
—International roaming . . . . .	36,261	41,394	(5,133)	(12.4)%
—Judicial authority services . . . . .	5,940	6,046	(106)	(1.8)%
—Other revenue from services . . . . .	108,257	113,724	(5,467)	(4.8)%
<b>Revenue from services</b> . . . . .	<b>4,172,578</b>	<b>4,589,731</b>	<b>(417,153)</b>	<b>(9.1)%</b>
<b>Total</b> . . . . .	<b>4,393,077</b>	<b>4,828,927</b>	<b>(435,850)</b>	<b>(9.0)%</b>

The *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 9.6% in 2014 compared with 2013, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The decrease in *revenue from sales* is due to the decrease in the sale of mobile telephone handsets only partially offset by a shift in sales towards high-range terminals.

The *Interconnection traffic* revenue decrease is mainly due to the general reduction of unit tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS Not Voice traffic.

The *International roaming* revenue fell mainly as the effect of the reduction in Voice and Data tariffs, only partially offset by an increase in international roaming volume.

**23 OTHER REVENUE**

*Other revenue* amounts in total to €240,354 thousand in the year 2014 (an increase of €86,370 thousand over the year 2013) and refers principally to the revisions of estimates of accruals made in previous years and to the effects related to the settlement of disputes and related commercial agreements with some suppliers.

In particular, during the year ended December 31, 2014, the Company entered into agreements creating an immediate benefit of €105 million recorded in *other revenues* in the consolidated income statement. In connection with these agreements, the Company accepted an exposure to possible obligation. In case the Company fails to meet the obligation, it can be subject to cash penalties for an amount of up to €30 million. No provisions have been recognized with this respect because the risk of the penalty materializing was estimated not probable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**24 PURCHASES AND SERVICES**

The following table provides the breakdown of *Purchases and services* for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	12 months
Interconnection traffic . . . . .	608,485	669,089	(60,604)	(9.1)%
Customer acquisition costs . . . . .	193,186	235,519	(42,333)	(18.0)%
Lease of civil/technical sites and use of third party assets	247,144	246,203	941	0.4%
Purchases of raw materials, consumables, supplies and goods . . . . .	221,792	266,635	(44,843)	(16.8)%
Rental of local network and circuits . . . . .	427,464	441,030	(13,566)	(3.1)%
Advertising and promotional services . . . . .	95,994	140,086	(44,092)	(31.5)%
Outsourcing costs for other services . . . . .	122,595	137,712	(15,117)	(11.0)%
Maintenance and repair . . . . .	86,438	95,088	(8,650)	(9.1)%
Utilities . . . . .	130,378	124,070	6,308	5.1%
National and international roaming . . . . .	29,580	38,438	(8,858)	(23.0)%
Consultancies and professional services . . . . .	36,688	36,285	403	1.1%
Change in inventories . . . . .	4,072	(3,257)	7,329	(225.0)%
Other services . . . . .	134,630	114,638	19,992	17.4%
<b>Total purchases and services . . . . .</b>	<b><u>2,338,446</u></b>	<b><u>2,541,536</u></b>	<b><u>(203,090)</u></b>	<b><u>(8.0)%</u></b>

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the year ended December 31, 2013:

- a decrease of €60,604 thousand in *Interconnection traffic* costs mainly due to a fall in termination tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS and MMS traffic;
- a decrease of €44,092 thousand in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of purchasing of advertising media such as TV, radio, billboards and decrease in sponsorship costs;
- a decrease of €42,333 thousand in the *Customer Acquisition Cost* mainly due to a decrease of commissions for new activations and mobile traffic and commissions for the sale of scratch cards;
- net decrease of €37,514 thousand in *Purchases of raw materials, consumables, supplies and goods* and *Change in inventories* mainly due to a decrease in the sale of mobile telephone handsets only partially offset by an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift on sales towards high-range terminals.

The item *Consultancies and professional services* includes remuneration for statutory auditors of Group companies, equal to €221 thousand, and the remuneration for the external audit activities on financial statements, equal to €1,078 thousand (total compensation for the audit to separate and consolidate financial statements at December 31, 2014 is equal to €999 thousand). The ordinary shareholders' meeting of April 18, 2014 did not deliberate remuneration to the Directors of the Parent.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**25 OTHER OPERATING COSTS**

The following table provides the breakdown of *Other operating costs* for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Impairment losses on trade receivables and current assets . . . .	110,911	113,995	(3,084)	(2.7)%
Accruals to provision for risks and charges . . . . .	11,801	8,929	2,872	32.2%
Annual license and frequency fees . . . . .	33,506	30,724	2,782	9.1%
Other operating costs . . . . .	22,006	16,537	5,469	33.1%
<b>Total other operating costs . . . . .</b>	<b><u>178,224</u></b>	<b><u>170,185</u></b>	<b><u>8,039</u></b>	<b><u>4.7%</u></b>

**26 PERSONNEL EXPENSES**

The following table provides the breakdown of *Personnel expenses* for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Wages and salaries . . . . .	275,683	277,300	(1,617)	(0.6)%
Social security charges . . . . .	73,452	76,152	(2,700)	(3.5)%
Other personnel expenses . . . . .	13,096	12,942	154	1.2%
Post-employment benefits . . . . .	18,979	19,245	(266)	(1.4)%
(Costs capitalized for internal works) . . . . .	(68,532)	(58,247)	(10,285)	17.7%
<b>Total personnel expenses . . . . .</b>	<b><u>312,678</u></b>	<b><u>327,392</u></b>	<b><u>(14,714)</u></b>	<b><u>(4.5)%</u></b>

The change in the period compared with 2013 is due to the combined effect of the lower estimated charge relating to the compensation plan for the long-term retention and incentive of management and the higher capitalization of personnel cost for internal works, only partially offset by the increase in the contractual minimum during 2014 as required by the National Labor Contract (CCNL), effective until December 31, 2014.

In 2014 *Personnel expenses* reflected in a limited way the effects of the agreement with the unions of July 29, 2014 providing for the use of solidarity contracts for a period of 18 months (starting in September 2014) as a means of supporting a plan for internalizing activities designed to achieve the efficiency objectives of the Group's business model, given the particularly critical trends in the market.

The number of employees at year end was as follows.

	At December 31, 2014	At December 31, 2013
Senior management . . . . .	124	129
Middle management . . . . .	621	599
Employees . . . . .	6,149	6,182
<b>Total . . . . .</b>	<b><u>6,894</u></b>	<b><u>6,910</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**26 PERSONNEL EXPENSES (Continued)**

The average number of employees during the year was as follows.

	<u>2014</u> <u>12 months</u>	<u>2013</u> <u>12 months</u>
Senior management . . . . .	127	136
Middle management . . . . .	623	598
Employees . . . . .	6,204	6,211
<b>Total . . . . .</b>	<b><u>6,954</u></b>	<b><u>6,945</u></b>

**27 DEPRECIATION AND AMORTIZATION**

The following table provides the breakdown of *Depreciation and amortization* for 2014 and 2013.

<u>(thousands of euro)</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Depreciation of property, plant and equipment				
—Plant and machinery . . . . .	691,145	708,071	(16,926)	(2.4)%
—Industrial and commercial equipment . . . . .	11,492	12,034	(542)	(4.5)%
—Other assets . . . . .	21,039	23,863	(2,824)	(11.8)%
Amortization of intangible assets with finite lives				
—Industrial patents and similar rights . . . . .	113,383	119,693	(6,310)	(5.3)%
—Concessions, licenses, trademarks and similar rights . . . . .	191,487	191,477	10	0.0%
—Other intangible assets . . . . .	185,205	208,884	(23,679)	(11.3)%
<b>Total depreciation and amortization . . . . .</b>	<b><u>1,213,751</u></b>	<b><u>1,264,022</u></b>	<b><u>(50,271)</u></b>	<b><u>(4.0)%</u></b>

Depreciation and amortization decrease by €50,271 thousand over 2013. Of this €20,292 thousand relates to property, plant and equipment, due to the optimization in network investments made in the past year, and €29,979 thousand to intangible assets, mainly due to the decreasing trend of the capitalization of fixed customer acquisition cost.

**28 REVERSAL OF IMPAIRMENT LOSSES / (IMPAIRMENT LOSSES) ON NON-CURRENT ASSETS**

The following table provides the breakdown of *Reversal of impairment losses / (impairment losses) on non-current assets* for 2014 and 2013.

<u>(thousands of euro)</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Reversal of impairment losses / (Impairment losses) on property, plant and equipment . . . . .	(12,140)	(5,270)	(6,868)	130.3%
Reversal of impairment losses / (Impairment losses) on intangible assets . . . . .	(622)	(1,964)	1,342	(68.3)%
<b>Total . . . . .</b>	<b><u>(12,762)</u></b>	<b><u>(7,234)</u></b>	<b><u>(5,528)</u></b>	<b><u>76.4%</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**28 REVERSAL OF IMPAIRMENT LOSSES / (IMPAIRMENT LOSSES) ON NON-CURRENT ASSETS (Continued)**

The item includes the effects of impairment losses and reversals of property, plant and equipment and the effect of the operation to replace transmission equipment for which more details may be found in the note 3.

**29 GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS**

The following table provides the breakdown of *Gains/(losses) on disposal of non-current assets* for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Gains on disposal of property, plant and equipment . . . . .	454	2,415	(1,961)	(81.2)%
Losses on disposal of property, plant and equipment . . . . .	(4,854)	(7,582)	2,728	(36.0)%
<b>Total . . . . .</b>	<b>(4,400)</b>	<b>(5,167)</b>	<b>767</b>	<b>(14.8)%</b>

The change over the previous year is due to lower gains and losses recorded in 2014 on the disposal and/or sale of property, plant and equipment as part of the normal renewal process for these assets for which more details may be found in the note 3.

**30 FINANCE INCOME**

The following table provides the breakdown of *Finance income* for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Interest on bank deposits . . . . .	338	492	(154)	(31.3)%
Cash flow hedge reversed from equity . . . . .	2,803	983	1,820	185.1%
Fair value measurement of derivatives . . . . .	3,589	31,030	(27,441)	(88.4)%
Other . . . . .	61,370	5,180	56,190	1084.7%
<b>Total finance income . . . . .</b>	<b>68,100</b>	<b>37,685</b>	<b>30,415</b>	<b>80.7%</b>

The increase in this item is mainly due to higher Other finance income only partially offset by lower income arising from the fair value measurement of the non-hedging derivatives that led to the recognition of income of €31,030 thousand at December 31, 2013, compared to income of €3,589 thousand at December 31, 2014.

Other financial income at December 31, 2014 consists mainly of: i) the interest of €59,000 thousand arising on the receivable from the parent Wind Acquisitions Holdings Finance SA under the intercompany agreements entered in April 23, 2014 and in August 4, 2014, for which details may be found in note 5, and ii) the interest of €1,993 thousand (4,662 thousand at December 31, 2013) arising on the receivable from the parent Wind Telecom SpA repaid on April 23, 2014, for which details may be found in note 5.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**31 FINANCE EXPENSE**

The following table provides the breakdown of *Finance expense* for 2014 and 2013.

<u>(thousands of euro)</u>	<b>2014</b>	<b>2013</b>	<b>Change</b>	
	<b>12 months</b>	<b>12 months</b>	<b>Amount</b>	<b>%</b>
Interest expense on:				
Bond issues . . . . .	(1,014,893)	(603,631)	(411,262)	68.1%
Bank loans . . . . .	(162,615)	(171,940)	9,325	(5.4)%
Discounted provisions . . . . .	(1,589)	(3,689)	2,100	(56.9)%
Hedge accounting effect . . . . .	(151,766)	(87,032)	(64,734)	74.4%
Fair value measurement of derivatives . . . . .	(60,950)	(13,165)	(47,785)	n.m.
Other . . . . .	(22,718)	(151,802)	129,084	(85.0)%
<b>Total finance expense . . . . .</b>	<b><u>(1,414,531)</u></b>	<b><u>(1,031,259)</u></b>	<b><u>(383,272)</u></b>	<b><u>37.2%</u></b>

Finance expense consists mostly of accrued interest on financial liabilities outstanding at December 31, 2014, for which further details may be found in note 14 and the effects of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement for €151,766 thousand (€87,032 thousand at December 31, 2013) and the loss of €60,950 thousand (€13,165 thousand at December 31, 2013) arising from the fair value measurement of the non-hedging derivatives.

The decrease in *bank loan interest* is due to the early repayment of €575 million on April 29, 2013, of the Senior Facility Agreement and the early repayment of €573 million on July 10, 2014, of the Senior Facility Agreement.

*Interest expense on Bond issues* increase during the year over 2013, due to: i) the placement completed on April 29, 2013, of the Floating Rate Senior Secured 2019 of €150 million and the Fixed Rate Senior Secured 2020 of USD550 million; ii) the placement completed on April 23, 2014, of a Senior Notes due 2021 of €1,750 million having a coupon of 7% and of a Senior Notes due 2021 of USD 2,800 million having a coupon of 7.375%, iii) the early repayment, on July 15, 2014, of the Senior Notes 2017, for which details may be found in note 14, iv) the placement completed on July 10, 2014, of a Senior Secured Notes due 2020 in a combination of €575 million euro-denominated Euribor 3 months plus 4.00% Floating Rate Notes and of €2,100 million 4.00% notes and of USD 1,900 million 4.75% notes and, v) the early repayment, in July 2014, of the Senior Notes 2018.

The effects of the refinancing operations completed in April 2014 and July 2014 led to additional financial expense of €628,996 thousand relating to: i) a redemption premium of €331,674 thousand, ii) the release of the residual fees included in amortized cost of €162,685 thousand, iii) the cost resulting from the extinction of the embedded derivative of €54,823 thousand, and iv) the cost relating to hedging derivatives which have been closed of €79,814.

The decrease in *Other interest* is mainly due to the positive effect of €30,944 thousand at December 31, 2014 relating to the release of a financial provision of €92,703 thousand recorded in 2013.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**32 FOREIGN EXCHANGE GAINS/(LOSSES), NET**

The following table provides the breakdown of *Foreign exchange gains/(losses)—net* for 2014 and 2013.

<u>(thousands of euro)</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Realized gains . . . . .	14,295	16,163	(1,868)	(11.6)%
Unrealized gains . . . . .	509,107	125,569	383,538	305.4%
<b>Foreign exchange gains . . . . .</b>	<b>523,402</b>	<b>141,732</b>	<b>381,670</b>	<b>269.3%</b>
Realized losses . . . . .	16,508	14,455	2,053	14.2%
Unrealized losses . . . . .	546,075	133,144	412,931	310.1%
<b>Foreign exchange losses . . . . .</b>	<b>562,583</b>	<b>147,599</b>	<b>414,984</b>	<b>281.2%</b>
<b>Total . . . . .</b>	<b>(39,181)</b>	<b>(5,867)</b>	<b>(33,314)</b>	<b>567.8%</b>

**33 INCOME TAXES**

The following table provides the breakdown of *Income taxes* for 2014 and 2013.

<u>(thousands of euro)</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>	
	<u>12 months</u>	<u>12 months</u>	<u>Amount</u>	<u>%</u>
Current tax . . . . .	(85,407)	(105,504)	20,097	(19.1)%
Previous years income taxes . . . . .	3,812	(42,348)	46,160	(109.0)%
Deferred tax . . . . .	185,076	(1,409)	186,485	n.s
<b>Total income taxes . . . . .</b>	<b>103,481</b>	<b>(149,261)</b>	<b>252,742</b>	<b>(169.3)%</b>

The net charge for the year is made up of the following:

- current income taxes expense of €85,407 thousand (of which €37,385 thousand for charge from tax consolidation procedure “IRES tax” and €48,022 thousand for IRAP tax) charged on the consolidated taxable income for 2014;
- previous years income taxes of €3,812 thousand;
- net deferred tax income of €185,076 thousand, arising from recognition of €141,525 thousand in deferred tax assets mainly relating to the changes in temporary differences arising from measurements of financial liabilities and from the release of deferred tax liabilities of €43,551 thousand, mainly relating to the changes in temporary differences arising from non-current assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
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**33 INCOME TAXES (Continued)**

The following table provides a reconciliation between the theoretical tax rate and the effective tax rate for 2014 and 2013.

<u>(thousands of euro)</u>	<u>2014</u>	<u>2013</u>
Theoretical tax rate . . . . .	27.50%	27.50%
<b>Profit before tax</b> . . . . .	<b>(812,442)</b>	<b>(332,066)</b>
Theoretical tax assets relating to IRES . . . . .	(223,422)	(91,318)
Non-deductible costs/non-taxable revenue . . . . .	(3,210)	184,584
Non-recognized deferred tax assets . . . . .	82,420	—
Adjustments to previous years taxes . . . . .	(7,291)	4,192
<b>Actual IRES tax (current and deferred)</b> . . . . .	<b>(151,503)</b>	<b>97,458</b>
Effective IRES tax rate . . . . .	18.65%	(29.35)%
IRAP tax at Group level . . . . .	48,022	51,803
<b>Actual tax expense (benefit) recognized in profit or loss</b> . . .	<b>(103,481)</b>	<b>149,261</b>
Overall tax rate . . . . .	12.74%	(44.95)%

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income taxes) purposes. The IRAP tax charge is included to reconcile with the overall *income taxes* expense in the financial statements.

**34 RELATED PARTY TRANSACTIONS**

*Transactions with related parties*

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

In reference to transactions with the indirect parent Wind Telecom SpA, WIND Telecomunicazioni SpA receives services relating to IT, marketing, personnel, purchasing, etc; while in reference to transactions with the related company Vimpecom International Services, WIND receives trading and signature services of agreements relating to the economic conditions of international roaming.

In reference to transactions with the parent Wind Acquisition Holdings Finance SpA, on April 23, 2014 and on August 4, 2014 two intercompany loans of up to €925,000 thousand (fully disbursed at December 31, 2014) and up to €75,000 (which €12,900 thousand disbursed at December 31, 2014) were signed, for which details may be found in note 5.

In addition, on April 23, 2014 the receivable of €162,988 thousand for the intercompany loan based on the agreement of November 29, 2010 between the Parent Company and the indirect parent Wind Telecom SpA was used to partially offset the liability arising from the transfer by the Parent Company of IRES corporate income tax liabilities as the result of adhesion to the national tax consolidation procedure with Wind Telecom SpA. The remaining balance of €141,712 thousand due by WIND to the indirect parent Wind Telecom SpA was transferred by the latter on the same date to the direct parent Wind Acquisition Holdings Finance SpA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**34 RELATED PARTY TRANSACTIONS (Continued)**

During the year ended December 31, 2014, Group companies did not hold treasury shares of the Parent WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of the parent WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.

The table below provides a summary of the main effects on the income statement and statement of financial position of related party transactions during the year.

(thousands of euro)	Year ended December 31, 2014							Other payables
	Revenue	Finance income/(expense) and Foreign exchange gains/(losses), net	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	
Armenija Telefon Kompani . . . . .	9	—	2	1	—	—	13	—
Consorzio Wind Team . . . . .	—	—	9	—	6	—	—	—
DiGi (Malaysia) . . . . .	16	—	2	9	—	—	4	—
DTAC/UCOM (Thailand) . . . . .	5	—	16	2	—	—	—	—
GrameenPhone (Bangladesh) . . . . .	95	—	88	33	—	—	42	—
KaR-Tel . . . . .	66	—	4	—	—	—	19	—
Kievstar . . . . .	556	—	23,311	—	6	—	5,177	—
Maritim Communication Partner AS (Norway) . . . . .	—	—	275	—	—	—	122	—
Mobitel LLC Georgia . . . . .	23	—	8	—	—	—	9	—
Summit Technology Solutions (STS) . . . . .	—	—	—	—	—	—	4	—
Orascom Telecom Algeria SpA . . . . .	183	—	102	22	—	—	2	—
Orascom Telecom Bangladesh Ltd. (Banglalink) . . . . .	4	—	16	101	—	—	—	—
Orascom Telecom Holding SAE . . . . .	309	—	—	335	—	—	1,977	—
Pakistan Mobile Communications Ltd. . . . .	59	—	10	110	—	—	—	—
Powercom (Pty) Ltd T/A leo . . . . .	—	—	12	—	—	—	10	—
SKY MOBILE LLC . . . . .	1	—	1	—	—	—	1	—
Telenor Magyarorszag KFT (Hungary) . . . . .	152	—	137	81	—	—	88	—
Telenor Mobile Communications AS (Norway) . . . . .	68	—	31	—	—	—	39	—
Telenor Pakistan (Pakistan) . . . . .	13	—	3	1	—	—	3	—
Telenor Serbia (Serbia) . . . . .	105	—	55	140	—	—	373	—
Unitel . . . . .	5	—	2	1	—	—	—	—
Vimpelcom ltd . . . . .	1,094	—	—	—	2,960	—	56	—
VimpelCom Lao Co, Ltd . . . . .	—	—	2	5	—	—	—	—
Vympel-Kommunikacii . . . . .	942	—	6,491	—	—	—	1,306	—
Weather Capital Sarl . . . . .	1	—	—	—	344	—	—	—
WIND Acquisition Holdings Finance SpA . . . . .	44	59,000	—	—	2,043	—	273	141,712

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**34 RELATED PARTY TRANSACTIONS (Continued)**

(thousands of euro)	Year ended December 31, 2014							
	Revenue	Finance income/ (expense) and Foreign exchange gains/(losses), net	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
Wind Telecom SpA* . . . . .	1,302	1,306	382	—	21,006	996,900	3,059	26,143
Wind Acquisition Holdings								
Finance II SA . . . . .	17	—	—	—	102	—	—	—
Wind Acquisition Holdings								
Finance SA . . . . .	78	—	—	—	246	—	—	81
SPAL TLC S.p.A.**. . . . .	240,600	—	25,688	2,254	—	—	6,824	—
Vimpelcom International services	—	—	16,131	—	677	—	17,406	—
Tacom LLC (Tajikistan) . . . . .	—	—	—	—	—	—	1	—
Telenor Sverige AB . . . . .	55	—	—	9	—	—	—	—
Weather Capital Special								
Purposes I SA . . . . .	62	—	—	—	324	—	—	—
Klarolux Investments Sarl . . . . .	17	—	—	—	55	—	—	—
Orascom Luxembourg SARL . . . . .	17	—	—	—	55	—	—	—
Orascom Telecom SARL . . . . .	17	—	—	—	55	—	—	—
Orascom Telecom Finance SCA . . . . .	18	—	—	—	55	—	—	—
Orascom Luxembourg Finance								
SCA . . . . .	17	—	—	—	55	—	—	—
Orascom Telecom Acquisition . . . . .	15	—	—	—	46	—	—	—
Orascom Telecom One Sarl . . . . .	15	—	—	—	46	—	—	—
Orascom Telecom Oscar . . . . .	25	—	—	—	79	—	—	—
VimpelCom Amsterdam B.V. . . . .	—	—	—	—	4,500	—	—	413
Cosmo Bulgaria Mobile EAD . . . . .	36	—	133	—	—	—	39	—
<b>Total . . . . .</b>	<b><u>246,041</u></b>	<b><u>60,306</u></b>	<b><u>72,911</u></b>	<b><u>3,104</u></b>	<b><u>32,660</u></b>	<b><u>996,900</u></b>	<b><u>36,847</u></b>	<b><u>168,349</u></b>

\* payables to Wind Telecom SpA relate in the amount of €10,651 thousand and of €955 thousand to the transfer by the Parent and by the subsidiary WIND Retail Srl of its corporate income tax (IRES) payables to Wind Telecom SpA following the choice to take part in the national tax consolidation procedure with Wind Telecom SpA.

\*\* revenue to SPAL TLC SpA include the revenue of WIND Telecomunicazioni SpA from the sale of phone cards (€220,788 thousand).

**Directors**

The Directors of the Parent, identified as “Key Management Personnel”, did not receive compensation for 2014, as it was not deliberated by the ordinary shareholders’ meeting. There were no transactions with directors in 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**35 NET FINANCIAL INDEBTEDNESS**

The following statement shows the Group's net financial indebtedness broken down into its principal components, as already described in notes 5, 14 and 15 to the financial components of the statement of financial position.

<u>(thousands of euro)</u>	<u>At December 31, 2014</u>	<u>At December 31, 2013</u>
Bonds issues . . . . .	8,843,637	6,280,981
Bank loans . . . . .	1,721,836	2,290,599
Loans from others . . . . .	227,654	330,923
Derivative financial instruments . . . . .	74,055	181,514
<b>Non-current financial liabilities</b> . . . . .	<b>10,867,182</b>	<b>9,084,017</b>
Bonds issues . . . . .	142,211	180,636
Bank loans . . . . .	166,100	145,962
Loans from others . . . . .	104,995	142,808
Derivative financial instruments . . . . .	—	15,543
<b>Current financial liabilities</b> . . . . .	<b>413,306</b>	<b>484,949</b>
<b>TOTAL GROSS FINANCIAL INDEBTEDNESS</b> . . . . .	<b>11,280,488</b>	<b>9,568,966</b>
<b>Cash and cash equivalents</b> . . . . .	<b>(203,012)</b>	<b>(140,770)</b>
Financial receivables . . . . .	(20,581)	(174,490)
<b>Current financial assets</b> . . . . .	<b>(20,581)</b>	<b>(174,490)</b>
Derivative financial instruments . . . . .	(411,769)	(68,548)
Financial receivables . . . . .	(991,192)	(40,588)
<b>Non-current financial assets</b> . . . . .	<b>(1,402,961)</b>	<b>(109,136)</b>
<b>NET FINANCIAL INDEBTEDNESS</b> . . . . .	<b>9,653,934</b>	<b>9,144,570</b>

The net financial indebtedness does not include the guarantee deposits for an amount of €4,250 thousand and €4,261 thousand at December 31, 2014 and at December 31, 2013, respectively.

**36 CASH FLOW STATEMENT**

Cash flows from operating activities, amounting to €782,842 thousand in 2014, decreased of €200.065 thousand over 2013 mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash during the twelve months of 2014 of a total of €1,531,005 thousand, representing an increase of €743,467 thousand over the previous year 2013 due mainly to: i) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan of €937,900 thousand, ii) the settlement of the loan of the parent to the indirect parent Wind Telecom SpA based on the Intercompany Loan Agreement of November 29, 2010 of €162,988 thousand and iii) a reduction in investments in fixed assets of €32,117 thousand mainly arising from the optimization in the developments of products, services and support processes only partially offset by higher investments in LTE mobile technology, over the twelve months of 2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**36 CASH FLOW STATEMENT (Continued)**

For the year ended December 31, 2014 financing activities used cash of €810,405 thousand, while for the year ended December 31, 2013 financing activities absorbed cash of €185,142 thousand primarily as a result of the increase in proceeds from bond issue in an aggregate nominal amount of €7,845,647 thousand, partially offset by the early repayment of the non-current financial liabilities in an aggregate nominal amount of €6,466,496 thousand and in particular as a consequence of:

- the early repayment of €2,693,624 thousand, made in April, 23 2014 and in July, 15 2014 of all of Senior Secured Notes 2017;
- the issue on April 2014 of a new bond Senior Notes due 2021 of €3,773,999 thousand;
- the issue on July 2014 of a new bond Senior Secured Notes due 2020 and 2019 of €4,071,648 thousand;
- the early repayment of €573,240 thousand made on July 2014 of the non-extended part of the Senior Credit Facilities;
- the early repayment of €3,199,632 thousand, made in July 2014 of Senior Secured Notes 2018;
- the payment of €458,021 thousand of fees, mainly related to new Senior Notes 2021, 2020 and 2019;
- the repayment of €51,950 thousand, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt of November 26, 2010;
- the repayment of €2,102 thousand related to the loan against the capitalization of expenditure for the backbone rights of way;
- the repayment of €81,011 thousand, of the third installment falling due in October 2014, of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights.

In addition, financing activities at December 31, 2014 include the overdraft for an amount of €42,282 thousand (€15,854 thousand at December 31, 2013).

During 2013 financing activities used cash of €185,142 thousand mainly due to the early repayment of €575 million of the installments of tranches A1 and A2 of the Senior Facility Agreement falling due in 2014 and 2015, the issue of a new bond having an amount, net of fees paid, of €561 million, the early repayment of €81,011 thousand, of the second installment of the payable due to the Ministry of Economic Development, the repayment of €72,879 thousand of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt on November 26, 2010, the repayment of €9,675 thousand on December 27, 2013 relating to the debt with a counterparty as the result of the terminating of a derivative due to the insolvency of the counterparty and of €1,587 thousand related to the loan against the capitalization of expenditure for the backbone right of way. In addition, financing activities at December 31, 2013 included the repayment of €5,973 thousand in overdrafts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**37 OTHER INFORMATION**

**Main pending legal proceedings**

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at December 31, 2014, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

*Proceedings with agents*

Certain proceedings are pending from time to time related to the termination of agency agreements. The agents in these proceedings typically are seeking payment from WIND of damages and indemnities, including a termination indemnity pursuant to article 1751 of the Italian Civil Code.

*Proceedings concerning Misleading Advertising and Unfair Commercial Practices*

Under Legislative decree no.146/2007, the Italian Antitrust Authority has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2014, AGCM initiated three proceedings against WIND for unfair commercial practices: one proceeding was settled (the related appeal before TAR Lazio, the Administrative Court of Lazio, is pending) and other two proceedings are on-going.

*Audit by the Italian Tax Authority*

Agenzia delle Entrate (“ADE”) (Italian Tax Authority) conducted a tax audit on senior lenders under the senior facility agreement dated 24 November 2010 (“SFA”) and challenged the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax challenged on its own portion of the SFA, but may claim indemnification from WIND Telecomunicazioni SpA. The indemnification right has already been exercised. It should be noted that the assessments have been appealed by the senior lenders in coordination with WIND Telecomunicazioni SpA.

In the fourth quarter of 2013 the Guardia di Finanza (“GDF”) (Italian Tax Police) initiated an audit for Corporate Income Tax and withholding tax purposes on WIND Telecomunicazioni SpA. The audit ended on 18 April 2014 with a tax audit report where GDF challenged, for corporate tax purposes, the deduction of certain financial expenses incurred by Wind Acquisition Finance SpA (merged into WIND Telecomunicazioni SpA) relating to FY 2005. On November 17, 2014 ADE notified a Tax Assessment challenging the tax deduction of the above mentioned items. Higher corporate taxes challenged are in the range of approximately €10.5 million plus penalties and interest.

**Contingent assets and liabilities**

The WIND Group had the following contingent liabilities as at December 31, 2014.

*Proceedings Concerning Electromagnetic Radiation*

Certain proceedings against WIND are pending from time to time regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**37 OTHER INFORMATION (Continued)**

*Audit on dealers' fees*

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court, except for the year 2001 in relation to which the timing for appealing by tax authority is expired. The dispute can be quantified in approximately €5 million plus penalties and interest.

*WIND/Crest One SpA*

Crest One SpA (“Crest One”) initiated proceedings against WIND for: (i) the refund of an amount of approximately €16 million, previously paid to WIND by Crest One as value added tax under a distribution agreement entered into between Crest One and WIND, and (ii) the compensation of damages alleged to have been suffered by Crest One pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One’s claims, which has challenged before the Court of Appeal. The next hearing is set for January 30, 2018.

*WIND-Antitrust Authority (A/357)*

On August 3, 2007, the Antitrust Authority closed proceeding no. A/357 by ruling against WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market due to the discriminatory application of economic and technical conditions for fixed-to-mobile on net (fixed-mobile calls originating and terminating on the WIND network) and intercom calls (the calls on the internal telephone lines of a business customer) in favour of their respective internal divisions and to the detriment of fixed-line competitors. WIND was fined and paid a sum of €2 million and ordered to cease the discriminatory behaviour. WIND exhausted all avenues of appeal seeking to annul the decision.

*Fastweb/WIND*

On January 2, 2014, Fastweb served a claim on WIND based on the antitrust proceedings no. A/357—which in August 2007 condemned WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to the business clients). Following a delay due to a substitution of the assigned judge, the first hearing date, scheduled on October 8, 2014, has been postponed on March 4, 2015.

*WIND-Antitrust Authority (I/757)*

On September 13, 2012, the AGCM opened an antitrust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND). The investigation started following a complaint by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND aiming at preventing the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting in June, 2012. AGCM extended the scope of the investigation against Telecom Italia and WIND, contesting possible vertical agreements with their respective multibrand dealers aiming at excluding the competitors. WIND filed undertakings to AGCM on April 4, 2014, which AGCM published on April 22, 2014. On June 10, 2014, WIND attended a formal



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**37 OTHER INFORMATION (Continued)**

hearing with AGCM's Communication Unit. The proceeding initially scheduled to be completed on October 30, 2014 has been postponed on December 31, 2014.

With two decisions, published on December 29, 2014 the Italian Antitrust Authority decided to (i) close the investigation opened against Telecom Italia, WIND and Vodafone (for alleged horizontal agreement) and (ii) make mandatory the commitments proposed by WIND and Telecom Italia and close the investigation opened for alleged vertical agreements without ascertaining any violation by Telecom Italia and WIND.

**Guarantees**

No Group company has pledged any guarantees, either directly or indirectly, in favor of parents or companies controlled by the latter.

The collateral pledged by Group companies at December 31, 2014 as a guarantee for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the banking syndicate party to the Senior Facility Agreement and other creditors specified in the relevant deed;
- a lien exists on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the banking syndicate party to the Senior Facility Agreement and other creditors specified in the relevant deed;
- pledge of 12,006,200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA owned by WIND Telecomunicazioni SpA and in favor of a pool of banks pursuant to the related share pledge agreement;
- pledge under English law over a bank account of WIND Telecomunicazioni S.p.A. in favor of the banking syndicate party to the Senior Facility Agreement and the other creditors specified in the related deed of pledge;
- assignment under English law of receivables arising from hedging contracts of WIND Telecomunicazioni S.p.A. in favor of the banking syndicate to the Senior Facility Agreement and the other creditors specified in the related deed of assignment.

Finally, in order to provide a guarantee for its obligations, the Parent has pledged as security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, to the banking syndicate in accordance with the Senior Facility Agreement, as amended and supplemented from time to time, and the other lending parties specified in the supplemental deed related to the respective contract of guarantee, and in favor of the subscribers of the Senior Secured Fixed Rate Notes expiring in 2020 and of Senior Secured Floating Rate notes expiring in 2019, issued by Wind Acquisition Finance SA on April 29 2013 as well as the subscribers of Senior Secured Fixed Rate Notes expiring in 2020 and Senior Secured Floating Rate Notes expiring in 2020 issued by Wind Acquisition Finance SA on July 10, 2014. Moreover, the Parent has pledged as security its receivables arising from the Put and Call option dated May 26, 2005 as described in the relevant deed, to the banking syndicate in the Senior Facility Agreement and the other lending parties specified therein as a guarantee for and in favor of the subscribers of the aforementioned secured notes

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF WIND  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014 (Continued)**

**37 OTHER INFORMATION (Continued)**

expiring in 2019, 2020 and from the purchase agreement of the stake in the corporate capital of WIND Telecomunicazioni S.p.A. dated May 26, 2005.

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €353,343 thousand at December 31, 2014 includes:

- sureties totaling €15,054 thousand issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €338,289 thousand issued by banks, relating to participation in tenders, of which €276,630 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded for the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

The Parent has been under the management and coordination of VimpelCom Ltd since November 2013.

**38 SUBSEQUENT EVENTS**

On February 18, 2015, Wind Telecomunicazioni SpA formed the wholly owned subsidiary, GALATA SpA, through the contribution of the business unit “Tower Development”. The purpose of GALATA SpA is to develop network communications and market services in hospitality, sharing / maintenance and value-added services to other operators in the communication sector.

This transaction was carried out in order to strengthen a role in the tower company sector as well as to assess the opportunities for business development also through transactions with investors or partners.

**REGISTERED OFFICE OF WIND TRE**

**Wind Tre S.p.A.**  
Via Leonardo da Vinci, 1  
20090 Trezzano sul Naviglio  
Milan  
Italy

**LEGAL ADVISORS TO WIND TRE**

*As to U.S. Law*  
**White & Case LLP**

5 Old Broad Street  
London EC2N 1DW  
United Kingdom

*As to Italian Law*  
**White & Case  
(Europe) LLP**

Piazza Diaz 1  
20123 Milan  
Italy

*As to Italian Tax Law*  
**Freshfields Bruckhaus  
Deringer LLP**

Via dei Giardini, 7  
20121 Milan  
Italy

*As to Luxembourg Law*  
**NautaDutilh Avocats  
Luxembourg S.à r.l.**

2, rue Jean Bertholet  
L-1233 Luxembourg  
Grand Duchy of  
Luxembourg

**LEGAL ADVISORS TO THE INITIAL PURCHASERS**

*As to U.S. Law*  
**Latham & Watkins**

99 Bishopsgate  
London EC2M 3XF  
United Kingdom

*As to Italian Law*  
**Latham & Watkins**

Corso Matteotti, 22  
20121 Milan  
Italy

*As to Luxembourg Law*  
**Allen & Overy société en  
commandite simple (inscrite au  
barreau de Luxembourg)**

33 avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand Duchy of Luxembourg

**INDEPENDENT AUDITORS TO WIND TRE**

**PricewaterhouseCoopers S.p.A.**  
Via Monte Rosa 91  
20149 Milan  
Italy

**TAX COMPLIANCE AGENTS**

**Acupay System LLC**  
242 Kingsland Road—Unit 2  
London E8 4DG  
United Kingdom

**Acupay System LLC**  
30 Broad Street, 46<sup>th</sup> Floor  
New York, NY 10004  
United States of America

**Monte Titoli**  
Piazza degli Affari 6  
20123 Milan  
Italy

**PRINCIPAL PAYING AGENT,  
CALCULATION AGENT,  
REGISTRAR, TRANSFER  
AGENT AND RECEIPT**

**TRUSTEE**  
**Citibank, N.A., London Branch**  
Citigroup Centre  
25 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PAYING AGENT**  
**Citibank, N.A., London Branch**  
Citigroup Centre  
25 Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**RECEIPT ISSUER**  
**Citibank, N.A.**  
388 Greenwich Street  
14<sup>th</sup> Floor  
New York, NY 10013  
United States of America

**LUXEMBOURG LISTING AGENT**

**Banque Internationale à Luxembourg SA**  
69, route d'Esch  
L-2953 Luxembourg  
Grand Duchy of Luxembourg

**LEGAL ADVISOR TO THE TRUSTEE**

**Clifford Chance LLP**  
10 Upper Bank Street  
London E14 5JJ  
United Kingdom

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Wind Tre S.p.A.



**€2,250,000,000 Senior Secured Floating Rate Notes due 2024**

**€1,625,000,000 2½% Senior Secured Notes due 2023**

**€1,750,000,000 3¼% Senior Secured Notes due 2025**

**\$2,000,000,000 5% Senior Secured Notes due 2026**

#### *Joint Global Coordinators and Physical Bookrunners*

<i>Euro</i>	Deutsche Bank	BofA Merrill Lynch	HSBC
<i>USD</i>	BofA Merrill Lynch	Deutsche Bank	HSBC

#### *Joint Bookrunners*

Banca IMI	Barclays	BNP PARIBAS	Citigroup	Crédit Agricole	CIB	Credit Suisse
Goldman Sachs International	ING	J.P. Morgan	Mediobanca	Mizuho Securities	MUFG	
Natixis	Nomura	SMBC Nikko	Société Générale	UniCredit Bank		

The date of this Offering Memorandum is November 3, 2017