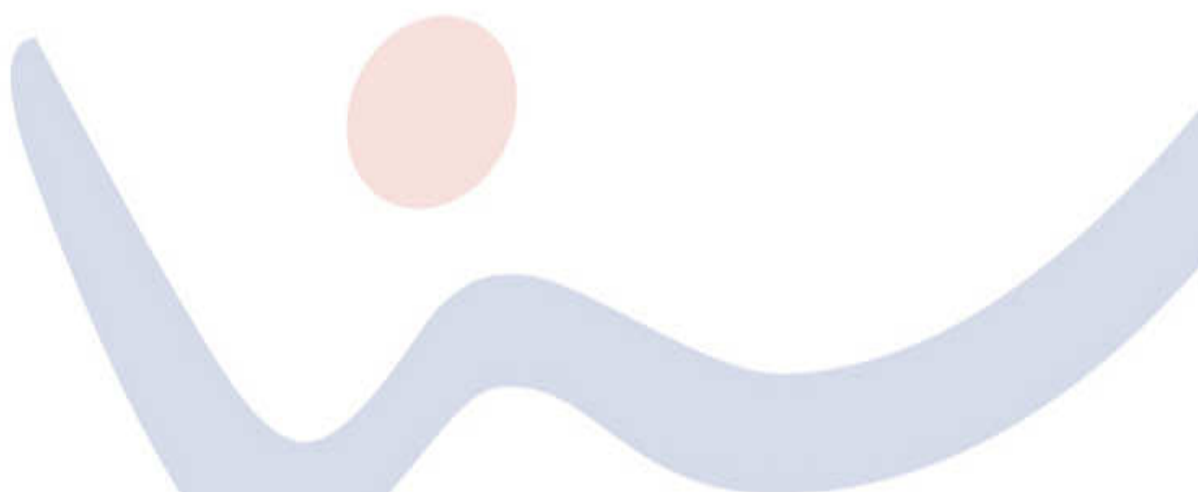


WIND TELECOMUNICAZIONI GROUP

**Consolidated interim financial statements as of and
for the three-month period ended March 31, 2016**





**REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL
STATEMENTS**

WIND TELECOMUNICAZIONI SPA

INTERIM FINANCIAL STATEMENT AL 31 MARCH 2016



REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of
Wind Telecomunicazioni SpA

Foreword

We have reviewed the consolidated interim financial statements of Wind Telecomunicazioni SpA and its subsidiaries (Wind Telecomunicazioni Group) as of 31 March 2016, which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, statement of changes in consolidated equity, consolidated cash flow statement and related explanatory notes. The directors of Wind Telecomunicazioni SpA are responsible for the preparation of the consolidated interim financial statements in accordance with International Accounting Standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers SpA

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of Wind Telecomunicazioni Group as of 31 March 2016 have not been prepared, in all material respects, in accordance with International Accounting Standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Rome, 16 May 2016

PricewaterhouseCoopers SpA

Signed by

Scott Cunningham
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

WIND TELECOMUNICAZIONI GROUP

Report on operations at March 31, 2016



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THE WIND TELECOMUNICAZIONI GROUP

The WIND Telecomunicazioni Group (hereinafter also WIND Group or the Group) is a leading Italian telecommunications operator and offers mobile, Internet, fixed-line voice and data products and services to consumer and corporate subscribers.

The Group markets its mobile services through "WIND" brand and it provides voice, network access, international roaming and value added services, or "VAS," as well as mobile Internet services, to its mobile subscribers, through (i) the Global System for Mobile Communications ("GSM") and General Packet Radio Services allowing continuous connection to the Internet ("GPRS") (which are known as "second generation" or "2G" technologies), and (ii) universal mobile telecommunications systems, which are designed to provide a wide range of voice, high speed data and multimedia services ("UMTS") and high-speed downlink packet access ("HSDPA") technology (which are known as "third generation" or "3G and 4G" technologies). In line with the Italian telecommunications market, the majority of WIND mobile subscribers are pre-paid subscribers.

WIND is the main alternative fixed-line operator in Italy based on revenue. It markets its fixed-line voice, broadband and data services primarily through "Infostrada" brand.

The following are the main offices of the Parent WIND Telecomunicazioni SpA:

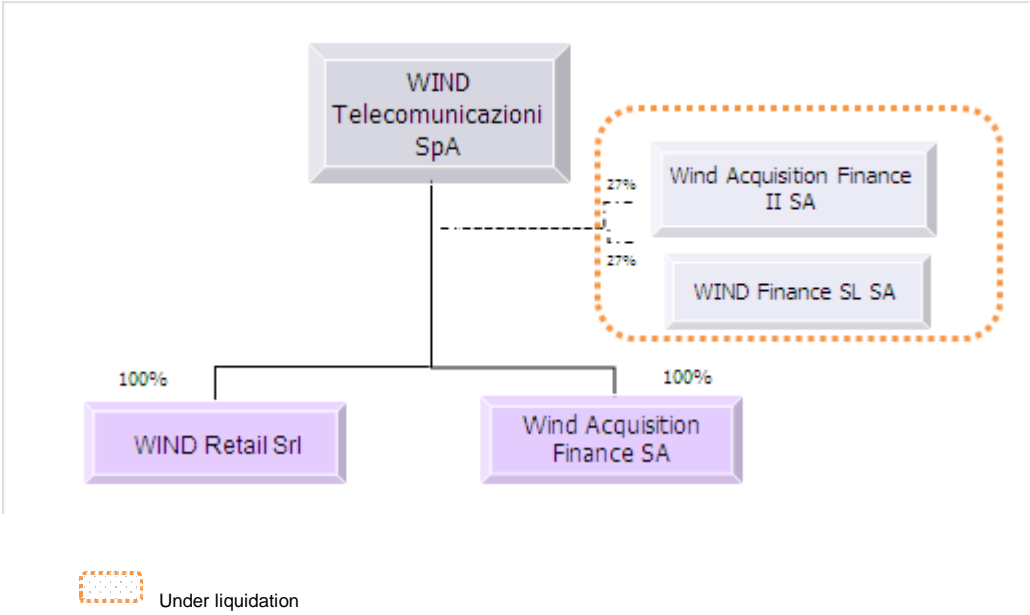
Registered office	Via Cesare Giulio Viola, 48 - 00148 Rome - Italy
Secondary office	Via Lorenteggio, 257 - 20152 Milan - Italy

The Parent WIND Telecomunicazioni SpA (hereinafter also WIND or the Parent) is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA, which wholly owns WIND Telecomunicazioni SpA.

At the present date Wind Telecom is held by VimpelCom Amsterdam BV for 92.24% which is controlled by VimpelCom, listed at Nasdaq.

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, could give rise to a leading fully integrated convergent telecommunications operator in Italy.

The following diagram outlines the structure of the WIND Group at March 31, 2016.



It should be noted that on March 10, 2016, the Extraordinary Meeting of Shareholders of Wind Acquisition Finance SA II and Wind Finance SL SA approved the opening of liquidation process of the two companies.

BOARD OF DIRECTORS AND CORPORATE BODIES OF WIND TELECOMUNICAZIONI SPA

Board of Directors ⁽¹⁾

Chairman	Andrew Mark Davies
Directors	Maximo Ibarra, CEO
	Vincenzo Nesci
	Albert Hollema
	Alexander Dean Lemke

Board of Statutory Auditors ⁽²⁾

Chairman	Giancarlo Russo Corvace
Standing auditor	Roberto Colussi
Standing auditor	Maurizio Paternò di Montecupo
Substitute auditor	Lelio Fornabaio
Substitute auditor	Stefano Zambelli

⁽¹⁾ The shareholders' meeting of WIND convened on April 5, 2016 appointed the Board of Directors for a two- year term until the date of the shareholders' meeting that will meet for the approval of the Company's financial statements as at December 31, 2017. The Board of Directors of WIND held on same date confirmed Mr. Maximo Ibarra as Chief Executive Officer of the Company.

⁽²⁾ The Shareholders' meeting held on April 5, 2016 appointed the Board of Statutory Auditors of the Company for a three-year term until the date of the shareholders' meeting convened for the approval of the Company's financial statements as at December 31,2018.

WIND GROUP HIGHLIGHTS AT MARCH 31, 2016

The operating and financial data reported below are taken from the Group's consolidated financial statements as of March 31, 2016, prepared in accordance with the IFRS endorsed by the European Union.

Below are the main indicators of the WIND's Group on March 31, 2016, with a comparison with the corresponding figures for 2015.

	At March 31, 2016	At March 31, 2015
Operational data		
Mobile customers (millions of SIM Cards)	20.9	21.4
Mobile ARPU (euro/month)	11.0	10.9
Fixed-line customers (millions of lines)	2.8	2.8
Fixed-line ARPU (euro/month)	27.3	27.9
Mobile network coverage ⁽¹⁾	99.86%	99.86%
Employees (headcount)	6,807	6,865

⁽¹⁾ As a percentage of the Italian population.

	2016	2015
Income statement figures (millions of euro)		
Revenue	1,064	1,078
EBITDA ⁽¹⁾	381	406
Operating income	101	596
Net finance expense	(64)	(64)
Loss for the year attributable to the owners of the parent	11	456

⁽¹⁾ 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

	At March 31, 2016	At December 31, 2015
Statement of financial position figures (millions of euro)		
Total assets	14,660	14,887
Equity attributable to		
owners of the parent	555	547
non-controlling interests	0,0	0,0
Total liabilities	14,105	14,340
Net financial indebtedness	8,770	8,777

Total **revenue** in the three months ended March 31, 2016, reached €1,064 million decreasing by 1%. This effect is mainly due to a decrease in revenue from telephone services.

Telephone services are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 2.6% in the first three 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.

International roaming revenue increase slightly despite the reduction in Voice and Data tariffs because of an increase in international roaming volume.

The increase in *Revenue from sales* is due to the increase in the sale of mobile telephone handsets of high-range terminals also the *Interconnection traffic* revenue increase by 3.2% mainly due to the increase in the incoming volume of mobile termination traffic, only partially offset by the general reduction of volume and unit tariffs of SMS and MMS.

EBITDA amounted to €381 million in the first three months of 2016, a decrease of €25 million compared to the corresponding period of 2015 while **Operating income** for the first three months of 2016 amounted to €101 million, a decrease of €495 million compared with the first three months of 2015.

Net finance expense for the first three months of 2016 amounted to €64 million, unchanged compared with the first three months of 2015.

Gain for the first three months of 2016 attributable to owners of the Parent closes at €11 million, compared to a gain of €456 million for the first three months of 2015. The result of 2015 was impacted by the gain arising from the sale of Galata SpA.

Net financial indebtedness totaled €8.770 million at March 31, 2016, a decrease of €7 million over December 31, 2015. The following table sets out the components of net financial indebtedness at March 31, 2016 and the changes which have occurred since December 31, 2015.

<i>(millions of euro)</i>	At March 31, 2016	At December 31, 2015	Change Amount	%
FINANCIAL LIABILITIES				
Non-current financial liabilities				
Bonds	9,946	10,135	(189)	(1.9)%
Financing from banks	672	671	1	0.1%
Financing from other lenders	128	128	0	0.0%
Derivative financial instruments	38	36	2	5.6%
Current financial liabilities				
Bonds	194	158	36	22.8%
Financing from banks	0	8	(8)	(100.0)%
Financing from other lenders	10	19	(9)	(47.4)%
Derivative financial instruments	10	18	(8)	(44.4)%
TOTAL GROSS FINANCIAL INDEBTEDNESS (A)	10,998	11,173	(175)	(1.6)%
FINANCIAL ASSETS				
Non-current financial assets				
Derivative financial instruments	851	985	(134)	(13.6)%
Financial receivables	1.118	1.109	9	0.8%
Current financial assets				
Financial receivables	44	20	24	n.m.
Cash and cash equivalents	215	282	(67)	(23.8)%
TOTAL FINANCIAL ASSETS (B)	2,228	2,396	(168)	(7.0)%
NET FINANCIAL INDEBTEDNESS (A-B)	8,770	8,777	(7)	(0.1)%

THE ITALIAN TELECOMMUNICATIONS SERVICES MARKET

Industry overview

Italy is Europe's fourth largest telecommunications services market by revenue. The estimated value of the Italian mobile market for 2016 amounts to approximately €14 billion, more than for 2015 due to a growth in services internet and contents services. The Italian fixed-line market (Voice and VAS) for 2016 is estimated to be worth approximately €5 billion, a decrease over 2015 mainly as the result of a drop in voice traffic revenues. The value of the fixed internet access industry for 2016 is estimated to be approximately €4.7 billion, with the broadband segment accounting for the whole market.

In the first quarter of 2016, Italian operators continued developing the offer of data and internet services with temporary promotions, discounts, growing data traffic thresholds and complementary services, with the aim of attracting new customers and retain those who have contracts deadline. The data traffic thresholds of bundled offerings have continued to increase, along with the number of voice minutes and SMS; new value-added services have been primarily aimed at the consumer market.

Operators continued rationalizing tariffs focusing on modular profiles with additional options of offers that include data traffic and converged plans that combine with the fixed and mobile network services, as well as addressing specific types of users and making the offer lever terminals.

Navigation in mobility on the 4G network has been confirmed as the basic component of offers. The quality and speed of navigation, as well as the coverage of the LTE networks, continue in being at the center of communications of the major operators and, in early 2016, have been announced several partnerships and experiments to improve and expand the 4G network.

In the first quarter of 2016, operators included in the product portfolio the latest models of smartphones, offering discounts on older terminals; the deals associated with the replacement of the terminal with the newer models also continued. In the first quarter of 2016 the main operators did not changed the offer addressed to the business market, mainly devoted to the development of the offer aimed at the consumer market, sometimes differentiating according to the chosen channel for activation: digital or traditional.

Value added innovative services continue to play an important role in operator strategies that came to fruition with the launch of some applications and experiments in the Internet of Things and payment services.

The most important partnerships have involved the upgrading and expansion of the 4G network, with activities of the main operators and agreements with specialist suppliers.

In the first quarter of 2016, the market for fixed network telecommunications services was characterized by the increasing focus on the convergence that integrates in bundled offerings with Internet and voice also mobile services and digital content. The selection of fixed network services has always enriched more than options that include the use of fiber and include in the bundle of video-streaming services for the consumer market and ICT services for small and medium business market.

For the consumer market traders continued to promote voice and data plans with discounts on fees and activation fee (if this is done online), including calls to mobile phones or navigation services from the mobile.

The offer for business customers saw the launch of new services for VAT and SMEs with converged fixed and mobile markets, services for document management, printing, for mobile payment services, video surveillance systems, free wi-fi to put available to customers, the premium support services.

In March 2016, the coverage of ultra broadband networks (above 30 Mbps) in Italy reached 49% of the population, with more than 1,000 urban centers enabled to new services. In addition, according to the plans of private operators, such coverage will reach 84% by 2018. The Italian strategy for ultra-wideband, published by the Government in March 2015, is to cover, by 2020, 100 % of the population with services to at least 30 Mbps download and 85% to at least 100 Mbps download.

Mobile telecommunications

The Italian mobile telephone market is the fourth largest European market by revenue after the United Kingdom, France and Germany. There are four infrastructure operators in Italy which offer mobile telephone services to the approximately 85 million SIMs registered at March 31, 2016, equal to a penetration rate of approximately 140% of the Italian population. The penetration figure is distorted by the widespread use of more than one SIM card by many customers. It is estimated that more than 78% of Italian mobile customers subscribe to prepaid mobile telephone services, which have low customer acquisition costs.

Excluding MVNOs, at March 31, 2016 WIND had an estimated market share of 24.6% while Telecom Italia, Vodafone and H3G had shares of 35.1%, 28.4% and 12% respectively.

Fixed telephone services market

Voice

The Italian fixed-line telephone services market is the fourth largest by value in Europe after Germany, the United Kingdom and France. Telecom Italia dominates this market even though it was liberalized in 1988. In addition to Telecom Italia and WIND, the main players are Fastweb, Vodafone/Teletu, Tiscali and BT Italia.

Internet

At March 31, 2016 access to broadband internet had reached a penetration of 74% of the total of fixed lines in Italy. Broadband services in Italy have grown swiftly over the past few years to reach approximately 14.3 million connections or approximately 24% of the country's population. Despite the recent considerable rise in broadband, Italy still lags behind other European countries.

COMMERCIAL AND OPERATING PERFORMANCE

Mobile Telephony

At March 31, 2016, WIND had 20.9 million mobile telephone customers, a slight decrease over March 31, 2015, thus maintaining stable its market share (calculated by excluding MVNO operators) to 24.6%.

The following table sets out the main indicators of mobile telephony services.

Mobile	2016 3 M	2015 3 M	Change
Customer base (millions of SIM Cards)	20.9	21.4	(2.34%)
Revenue (millions of euro) ⁽¹⁾	774	760	1.84%
Voice traffic (billions of minutes)	17,0	17.2	(1.16%)
ARPU (Euro/month)	11.0	10.9	0.9%
% ARPU Data/Total ARPU	43.5%	41.8%	

Consumer offer

WIND's offers embody the values of clarity, simplicity and transparency, the same as those of the Group, guaranteeing customers the freedom to communicate without a connection charge and having a "Real minute" tariff, meaning a charge based on the actual number of seconds of the conversation with no advance increments and with the additional possibility of being able to keep the available number of minutes, messages and gigabytes under control by using the MyWind App or a dedicated number.

In the first quarter of 2016, WIND renewed its product portfolio to respond to changing market conditions and new requirements of the end customer, strengthening its position as a "Smart Value for money".

This strategy resulted in actions designed to offer simplification and strengthening of caring activities, for managing and rewarding customer base. The new product portfolio consists of a solution with *All Inclusive 2 GIGA* and a only voice solution to meet clearly the different target customers.

The *All Inclusive* offer is enriched with new promotions for customers who switch to WIND while keeping their number. In February 2016 WIND launches two MNP promotions, allowing the customer to choose the preferred solution: add unlimited minutes to call all, 1 Giga or alternatively 3 Giga. Following the same logic, for the target MNP under 30, WIND provides for the free and automatic activation of 1 Giga extra, in association with the *All Inclusive* offer. In March 2016 WIND changes its promotion MNP, reopening "Bring your friends" with 2 GIGA for free for the new customers on portability and for WIND clients presenting them, using word of mouth.

WIND also renewed its data offering to navigate with Tablet and Mobile Wi-Fi, again simplifying customer choice with unique solution: *INTERNET GIGA 5*, increasing the convenience with the included Restart service.

The options portfolio has been revised to meet the new requirements and enable WIND customers the maximum flexibility.

WIND does not forget those who have already chosen it by continuing to propose initiatives aimed at existing customers to reward their loyalty and celebrate special times of the year. In January WIND launched the promotion *Giga Reload*, rewarding with 2 Giga for free for a month for all customers who make a recharge in the store. In

February WIND celebrated 10 million of *All Inclusive* customers by giving them unlimited calls to their favorite WIND number for a year while in March, to celebrate Father's Day, WIND gave 2 Giga for free for a month.

To be closer to the everyday life and the entertainment of its customers, WIND continues to offer the *WIND due per uno* offer: the existing customers paying a small contribution, in promotion for the new ones, can take advantage of a discount of 50% on hotels, restaurants, cinemas and conventional attractions through a dedicated APP.

In the pre-paid segment WIND continues with its innovations to meet all customer's requirements with their passions. *All Inclusive Music, Games All Inclusive, All Inclusive Movies* are the WIND offers that include unlimited music streaming, unlimited downloads of games, or 4 streaming movies included with each renewal, as well as having 2 GIGA, minutes and SMS towards all, thanks to prestigious commercial partners such as Napster, Gameloft and Wuaki.

In the first three months of 2016, WIND strengthened the position "closer" also for foreign customers living in Italy renewing the offering portfolio *Call Your Country* with the new *Call Your Country Super* which provides 1 Giga a week, national SMS and International to 10 euro cents, international calls from 1 cent per minute, and in Italy, unlimited calls to WIND and 50 minutes a week to all, the total cost of 2.50 euro per week.

For customers wanting to call abroad and in Italy with *Call Your Country*, WIND offers 100 megabytes a week for navigation, national and international SMSs at 10 cents, calls abroad starting from 1 cent a minute and unlimited calls towards WIND for a total cost of €2 a week.

In February 2016, the offer has been enriched with the new *Welcome Pack* addressed to customers who want to buy a Smartphone, with the formula *Telefono incluso* or *Promo device*, and switch to WIND while keeping their number. The offer includes, for 5 months, a bonus of 20 minutes for month of International traffic towards certain foreign leaders.

Continuing to meet the various needs of its customers, WIND has additionally thought of the non-Italians who "use internet a great deal" by proposing a dedicated offer in order to obtain more gigabytes: *GIGA International* that provides 4 gigabytes of internet a week for only €6.

With three different levels of customization the *NOI INTERNATIONAL* offers set out to satisfy customers' individual needs for calling their country of origin at extremely competitive prices. In addition, with the *Call Your Country WIND* and *Call Your Country Super* offers customers can subscribe to the included telephone offer to buy a smartphone at small monthly installments or purchase dedicated models at extremely advantageous prices.

In early April 2016, WIND also renewed its Subscription offers dedicated to high-spending customer segment (Consumer) and Professionals with VAT.

In March 2016, WIND launched the new *WIND Magnum*: the innovative No Tax offer on subscription with two SIMs, as unlimited minutes and SMSs and the choice between 4, 10 or 20 gigabytes to be shared across smartphones and tablets to meet the different needs of navigation.

Furthermore, *Family Magnum* is an exclusive offer for the additional SIM of the whole family that includes 500 minutes and messages to all and 2 GIGA at the promotional cost €6 per month (instead of €12). *Magnum Family* is the ideal offer to save and control in a single bill all the telephone expenses of the family.

For customers who frequently call abroad it was launched the new *Magnum Call Your Country* option with calls from 1 cent/min, at a cost of €1 per month.

The innovations have also affected the portfolio of Internet offerings, dedicated to those who want to navigate to Tablet and PC starting from €9 per month. The available amounts are: 4 GIGA for €9, 10 GIGA for €15 and 20 GIGA

€25. The Internet offers can be combined with the WIND Tab (8" Tablet with Android operating system) for €0 per month and advance for €49.90, or the WiFi modem Huawei E5330 with no advance and €0 as monthly installment. In addition, there are exclusive and beneficial offers for customers who choose *WIND Magnum*: for the home, *Powered Infostrada Magnum* offers Real ADSL at up to 20 megabytes and unlimited calls to all national fixed and mobile numbers and fixed numbers in Western Europe, the USA and Canada at a cost of €19.95 per month. Also in March 2016, WIND renewed the promotions for Professionals with VAT, making the portfolio of *All Inclusive* offers even more convenient and full of GIGA: *All Inclusive Unlimited* with unlimited minutes and messages and GIGA 5 to 24 € (excluding VAT), All Inclusive Premium with unlimited minutes and messages, 5 GIGA and International traffic in Europe and the USA for €32 (excluding VAT) and *All Inclusive Top world* with unlimited minutes and messages, 8 GIGA and International traffic in specific countries for €49 (excluding VAT). WIND has also designed for professionals who want to combine their mobile offering with a fixed line: with the new *Super All Inclusive Unlimited Affairs* for €42.95 per month (excluding VAT), in order to have unlimited minutes and messages and 5 GIGA for Mobile while for the fixed line the customer will have unlimited ADSL and unlimited calls to all fixed and mobile national and fixed Western Europe, USA and Canada.

WIND is the first telecommunications operator in Italy to launch the *Digital Home & Life* concept, opening a space in one of its stores in Rome, in Largo Apollinare, wholly dedicated to a new range of technological accessories: a sensory, welcoming and innovative environment in which the virtual experience becomes real.

The *Digital Home & Life* range is divided into four separate categories: Smartwatch, Wellness, Music and Smart Home; sixteen products are available, ranging from smartwatches to Bluetooth headphones and from smart scales to video-cameras in a mini-site wholly dedicated to the project.

WIND has long had solutions available for its customers that enable them to purchase a new smartphone and the very latest digital accessories of the *Digital Home & Life* range at exclusive prices payable by credit card or direct debit on an installment basis.

Business voice offer

WIND provides a wide range of voice services to its corporate customers, to small and medium businesses (SMEs) and to professionals (the SOHO market), with specific offers to suit each market segment.

Larger companies are increasingly gearing themselves towards offers in prepaid mode so that they can further increase control over their telecommunication expenses. WIND has an offer based on a business's budget based on "all inclusive" monthly charges: customers establish their telephone spending at a company level by identifying traffic packages shared by all of their SIMs, thus keeping control of their budget at both a global and single SIM level. Faced with the increasing interest in mobile applications (apps) designed to take certain business processes into mobility, WIND has additionally launched *Enterprise Mobility Services* through strategic partnerships and vertical system integrator agreements.

For the population of professionals, self-employed workers and small/medium businesses, through the pull sales channel (WIND Retail, Dealer, Franchising, large retail chains (GDOs)), and for small and medium businesses through the push sales channel, WIND Business is present on the market with a new positioning based on three pillars:

- *Best Assistance*, the guarantee of always having a level of assistance suitable for the needs of business customers;
- *Smart Offer*, a clear, simple and complete offer at the right price;
- *Smart Innovation*, tools for digitalization and smart working.

As regards *Best Assistance*, all WIND Business customers have the advanced technical assistance service at their disposal free of charge; this is an effective, immediate and free service for the remote configuration and handling of devices and applications.

WIND Business customers who are frequent travelers for work purposes and who select the *All Inclusive Unlimited Premium* and *All Inclusive Top Mondo* offers have 3 GB and 2 GB respectively of internet traffic included abroad in the countries included in their individual tariff plans.

Starting from March 14, to meet the ever growing need for GIGA, WIND Business offers 4 GIGA Free National Internet traffic on all Unlimited Rechargeable and Subscription plans.

As far as *Smart Innovation* is concerned, the *All Inclusive* portfolio also offers the *Mobile POS* innovative service, developed in collaboration with BNL and BNL Positivity, at advantageous and exclusive conditions; this provides professionals and SMEs with the possibility of having card payments made on national and international circuits accepted anywhere.

The new *Digitali Cre@sito*, *Pec Smart*, *Mobile POS*, *WIND Smart Control*, *Windlex* and *4Mobility* services complete the mobile offer for businesses, guaranteeing an innovative commercial proposition that stays close to the needs of WIND's business clientele. The *Cre@sito* service provides customers with the possibility of creating a website on their own through a user-friendly interface and have a level II domain and a mailbox. *Pec Smart* is a certified electronic mail service, mandatory by law for professionals and businesses, which has legal value equivalent to a registered letter with return receipt.

WIND Smart Control is an innovative Mobile Device Management solution of WIND Business created for all small and medium-sized businesses needing to make the smartphones and tablets used by their employees safe and to configure and monitor these devices in a simple, rapid and effective way. This service has a cost of only €2 a month. Thanks to the partnership with 4Mobility, new services are available to provide an optimal management of working activities in mobility: organizing the day's work in the best possible manner and recording this by way of reports, photos and videos; managing contacts and planning visits and having digital catalogues, products and documents in mobility; digitalizing and managing expense notes in the simplest way, creating them and transferring them in real time.

In order to extend its portfolio of offers and services dedicated to SMEs, WIND has signed a partnership agreement of significant importance with Microsoft in order to be able to offer its customers Office 365, the productivity suite in Microsoft's Cloud. With Office 365 businesses have at their disposal all the tools needed to work in mobility in the best way possible and everywhere on any device (smartphone, tablet, laptop, PC, Mac), so that they can handle, modify and share documents in real time while operating with the utmost safety.

WIND Business proposes the Microsoft Office 365 services in three packages: *Basic*, *Plus* and *Top* in order to respond to the various needs of businesses, starting from €4 a month per single account.

Innovative Services

WIND continued with its proposal offer of digital contents such as apps, games, music, films, e-books and digital magazines which customers can download from Google Play Store and Windows Phone Store using their telephone account as a means of payment without the need for a credit card.

There are now 40 cities where the Mobile Ticketing service is active, including Florence, Genoa, Padua and Milan. WIND promoted several initiatives to develop the service and make it known to customers receiving highly positive feedback on the social channels and was reported by the country's main local and national press. In the last year,

the Mobile Ticketing service has saved more than one ton of paper which become about three since the service starts.

Finally, WIND took action on activating value added services which customers unknowingly activated during navigation on internet by phone by introducing an additional requirement for confirmation in the activation process together with a warning message that arrives before payment.

International Roaming

WIND customers can use their mobile telephone services, including SMS, MMS and data services (GPRS, EDGE, 3G, HSDPA) where available, in other countries through roaming facilities guaranteed by agreements with 503 international operators in 220 different countries, of which 208 covered by terrestrial roaming, 12 by satellite and 28 by LTE.

All Inclusive offers have been launched for world travelers to promote the use of smartphones in roaming and to extend the concept of "roam like home" to offers for high spending customers. The roaming offer fully complies with European regulations.

Sales and distribution

As part of its strategy, which sees distribution as an increasingly crucial factor for its growth, WIND continues to improve the quality of its distribution channels and strengthen its sales network. WIND markets its mobile products and services, including SIM cards, scratch cards and handsets, through a series of exclusive sales points, which at March 31, 2016 consisted of 153 owned stores and 483 franchised sales points working exclusively with the WIND brand. The non-exclusive sales network consists of 3,224 WIND dealers spread throughout the country, 726 sales points in electronic store chains.

From the www.wind.it website, optimized for navigation from both desktops and mobiles, customers can activate offers and services, buy telephones, smartphones and tablets and opt for the exclusive "*All Digital*" offers, which are only available online and are designed precisely for people having a strong preference for using digital channels. In addition, by making a simple click, customers can make top-ups online from all mobile phones, paying by credit card or PayPal or by charging their Infostrada or WIND telephone account. In the website it is possible to view WIND coverage maps online, integrated by Google Maps, in this way local 2G, 3G and 4G local coverage can be checked. In addition, customers can make a direct request for the activation of a new fixed telephone line by accessing the www.infostrada.it website.

Fixed Telephony and Internet

WIND provides its consumer and microbusiness customers with a vast range of direct and indirect fixed network services, broadband internet and data transmission services all marketed under the Infostrada name.

WIND provides broadband services to direct customers (unbundling) by renting the "last mile" of the access network from Telecom Italia, which is disconnected from Telecom Italia equipment and connected to WIND equipment installed at the telephone exchange, and to indirect customers whereby WIND retails a service to its customers that it buys wholesale from Telecom Italia.

In response to the current trend on the market, WIND has concentrated its efforts on achieving growth in the number of subscribers to direct voice services (unbundling) and broadband internet services.

In addition, WIND sells ultra-broadband services in FTTH mode (Fiber to the Home) in the city of Milan, where it markets offers in optic fiber which allow the end user to reach download speeds of up to 100 Mega and upload speeds of up to 10 Mega and in FTTH mode (Fibre to the Cabinet) in the other main Italian municipalities with speeds up to 30 Mbps in download and 3 Mbps in upload.

The new "ADSL Vera" service has also been extended to the recently opened unbundling sites; this enables the customer's line to be stabilized at the maximum supported speed up to a peak of 20 Mega when downloading, thus providing customers with the best possible performance and ensuring a line that is always stable. The plan started up in January 2015 for expanding the Direct Access Network continues, and this will lead to the unbundled coverage of over 70% of the lines, further strengthening WIND's positioning as an alternative operator to Telecom Italia in the fixed sector.

Voice services

WIND's fixed network voice customer base could count on 2.8 million subscribers at March 31, 2016, a decrease of 2.4% over March 31, 2015; the direct customers voice component increase by 2.2% over the corresponding period of previous year. The following table sets out the key fixed-line indicators.

Fixed-line	2016 3 M	2015 3 M	Change
Customer base (thousands of lines)	2,779	2,848	(2.4%)
of which LLU (thousands) ⁽¹⁾	2,452	2,400	2.17%
Revenue (millions of euro)	264	279	(5.4%)
Voice traffic (billions of minutes)	2.6	3.1	(16.1%)
ARPU (Euro/month)	27.3	27.9	(2.15%)

⁽¹⁾ Including Virtual LLU.

Internet and data

WIND offers a vast range of internet and data transmission services to both its consumer and business customers. At March 31, 2016, the Group had 2.3 million broadband internet customers and 0.01 million narrowband subscribers.

The following table sets out the key internet access figures.

Internet and data services	2016 3 M	2015 3 M	Change
Internet Customer Base ('000)	2,302	2,231	3.2%
of which Narrowband ('000)	6	7	(14.3%)
of which Broadband ('000)	2,296	2,224	3.2%
of which LLU ('000)	2,094	1,950	7.4%
of which Shared Access ('000)	6	9	(31.8%)

Package and converging services

WIND is one of the leading suppliers in Italy of internet services, fixed-line voice services and mobile telephone services, having an integrated infrastructure and a network coverage which extends throughout the country.

In order to make WIND's positioning in the sphere of integrated services more exclusive, the push has continued on the *Powered Infostrada* offer which is addressed to all WIND's prepaid mobile customers subscribing to a WIND *All Inclusive*, *NOI* or *Call Your Country* offer, who are offered a choice of one of the fixed-line telephone products *Absolute* or *All Inclusive Unlimited* at a special price. In February 2016, the *Powered Infostrada* offer was enhanced by an exclusive promotion which guarantee an exceptionally unique and exclusive price for WIND customers subscribing to an ADSL offer or Fiber; the success of the *Internet Everywhere* promotion continues, directed at customers who want to navigate from home with ADSL or Fiber and in mobility with an internet key or a tablet, thanks to the *Super Tablet* offer under which customers can obtain a tablet at a cost starting from €3 a month with 1 gigabyte of traffic included.

The new fiber offer (FTTC) offer continues in the main Italian municipalities. The same services are also available in the "*Affari*" version on the stores sales channel for Microbusiness/SOHO customers. The drive towards acquiring both fixed and mobile customers is supported by the new commercial proposition *Powered Magnum*, which combines the fixed-line telephone and ADSL and Fiver connectivity offer with the new mobile telephone *WIND Magnum* offer.

The sale continues in WIND stores of the *SMART HOME PACK* complete solution for the safety and protection of the home: Smart Plug, Motion Sensor, Videocamera and SIM dati are included in the offer for only €3 a month.

The new Wi-Fi Hotspot Service is pushed for WIND Business customers in the value added services range, which enables VAT registered customers to provide their end customers with a free of charge Wi-Fi connection at their premises, ensuring not only customer loyalty but also more precise knowledge through the operating portal in which accesses to registered users are stored.

Voice and business data offer

WIND provides PSTN, ISDN and VoIP fixed-line network voice services, data services, VAS and connectivity services to large business users, capitalizing on the experience gained with ENEL and using a dedicated call center. In this segment WIND is also able to tailor its offer to the specific needs expressed by the customer and to the requirements set in tenders. The offers for businesses also include flat solutions with tariffs based on the number of users, which enable customers to keep complete control over their spending.

Direct access to the network is assured for large-scale businesses by radio link, by direct optic fiber connections or by LLU direct access; in areas where direct access is not available, dedicated lines leased from Telecom Italia are used.

In addition, WIND is also extending its offer for the large business market by means of Cloud services, and its commercial proposal with ICT and managed services solutions on both fixed and mobile networks. WIND has a partnership with the Enterprise division of Google which enables it to propose collaboration and communication solutions to businesses based on Google Apps Cloud. WIND has prepared an offer, *WIND Cloud per Aziende*, consisting of a rich catalog of IaaS services and, in particular for medium-sized businesses, pre-configured bundles of data center and connectivity services which are capable of satisfying the needs of these customers and are available in an extremely short period of time.

In addition, leveraging on its business assets and in particular in relation to enterprise mobility and cloud paradigms, WIND has launched *WIND Cloud Line*, an IP PBX cloud solution that combines the mobile and fixed worlds, and *Work & Life*, a solution created to provide an integrated response to the requests for smart working emerging in businesses.

The PSTN fixed network offer portfolio for sole traders, which is geared in particular towards professional firms and small companies requiring up to four lines (analogue or 2 ISDN), consists of the voice and ADSL bundle lists (*All Inclusive Business L* and *All Inclusive Business Unlimited*), which offer unlimited calls to all national fixed and mobile

numbers and unlimited ADSL, *Absolute ADSL Business* lists which offer unlimited ADSL connectivity and pay-per-use voice calls and *Noi Unlimited Affari* lists, which offer unlimited calls to all national fixed and mobile numbers, unlimited calls to all fixed and mobile numbers on the WIND-Infostrada telephone account and pay-per-use ADSL. The whole of the offering portfolio is available with WIND network coverage on lines already activated with other operators and also on new lines.

For all sole trader customers, existing and new, the possibility continues of subscribing to the new second line offer, which provides only one additional voice line that can also be used to send and receive faxes, and of using POS devices. ISDN Telecom and Fastweb or Vodafone customers with additional numbers can now finally decide to pass over to Infostrada without losing their telephone numbers.

The *Absolute ADSL Business* and *All Inclusive Business Unlimited* plans have become even more advantageous as a result of the "Super" versions: integrated solutions combining fixed-line, ADSL, mobile telephony and data.

To complete the offer, "plug&play" packs are being proposed at extremely competitive prices on an installment sale basis to respond to customers' most common needs: the Internet Pack, consisting of a Wi-Fi router and a 3G internet key, offered in combination with a data SIM having two months of completely free traffic included, enables customers to navigate on the mobile network while waiting for activation of the ADSL service and to have a back-up line on the mobile network once activation is completed; the Internet-&Video Pack on the other hand contains an IP video-camera in addition to the Wi-Fi router and an internet key to enable customers to video-control their professional environment, record images and obtain access from laptops or mobile devices.

For SMEs, WIND offers a wide range of dual-play (voice + internet) products with tariff plans based on VoIP technology having unlimited traffic to national fixed and mobile numbers and to the international fixed network and unlimited ADSL up to maximum 20 MB with a minimum guaranteed band of 300 kps and a static IP address. The offer is available in a 2 line version (*All Inclusive Aziende Smart*) and in a 3 to 8 line version (*All Inclusive Aziende*). The VoIP offer becomes even more beneficial thanks to *Super All Inclusive Aziende* if combined with the *Unlimited Subscription* and *Rechargeable* mobile plans using up to a maximum of 10 SIM cards, and with *Super Internet* if combined with the data offers. *WIND Smart Office* is also available, the offer which includes a virtual switchboard thought up for small and medium businesses and based on VoIP technology. *WIND Smart Office* is available in two profiles: Small, which enables customers to activate up to 10 fixed and mobile extensions with 3 simultaneous calls, and Large, for businesses that need to have up to 100 extensions, of which up to 25 fixed, with 6 simultaneous calls. And with Super Smart Office customers can use discounts on connectivity if they also activate mobile offers.

In addition, "*Netride Smart*" has also been available, a solution that provides considerable customization and flexibility possibilities, created to satisfy the needs of SME customers. In the portfolio offered the *WIND Impresa* offer can always be activated; this provides from a minimum of 6 up to a maximum of 60 simultaneous calls and provides customers the possibility of subscribing to a rental, management and maintenance service for telephone switchboards.

Sale and distribution of fixed network services

WIND's distribution strategy is based on the "omnichannel" concept (stores, web or telephone), following the needs of customers who automatically 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 the integrated offers continues to increase in importance. Following this are the 159 call centers and the web, while the activities of the outbound call centers are by now residual and are mostly used for acquiring customers in very specific segments.

Interconnection services

WIND offers its wholesale services to other operators, making its network capacity available through these services, and manages incoming and outgoing call termination traffic on its network for domestic and international operators. WIND is paid a fee by other operators for managing the calls which terminate on its mobile or fixed network, while in the same way it is required to pay a termination charge to other operators for calls which terminate on their mobile or fixed telephone networks. Interconnection tariffs from mobile to mobile, from mobile to fixed, from fixed to mobile and from fixed to fixed are regulated by AGCOM.

Customer care service

WIND's customer service activities are coordinated by its Customer Management Department, which is organized to support the various needs: rechargeable customers (mobile), subscription customers (fixed telephony, mobile telephony and internet) and business customers. In order to provide a tailored service for certain particularly important customer segments such as the ethnic communities, WIND also provides its customer assistance service in other languages. Call centers dedicated to residential customers are located throughout the country.

The WIND customer care service continues to develop its operational organization, focusing on the activation phase and the increasing need for mobile-fixed-internet multi-service assistance. In a high-penetrated market, retaining a vision which puts the customer as the center of his business is a necessity. It is critical to adopt optimal customer management policies which are consistent and synergic between the various sectors and in order to represent a discriminating success factor.

This vision has always been an asset for WIND and a *modus operandi* which involves and integrates all of the Group's business sectors, ranging from marketing to sales by way of customer care, the technical functions of the network and information technology.

A detailed set of activities has been set up for monitoring the various points of contact between the Customer and the Group and for assessing satisfaction with WIND and the extent to which it may be recommended to others, using NPS measurement methods. This enables customer needs to be identified and specific targeted replies to be provided, and more generally allows the main areas of development to be identified, in line with the expectations provided by the customers themselves.

WIND's Customer Relationship Management department therefore sets itself the objective of understanding, anticipating and responding to the needs of current and potential customers with the aim of increasing the value of the relationship in all the segments covered with an organizational structure focused by market.

A success factor for the initiatives carried out by CRM, which is gaining even further importance, is the ability to know how to capture customers' needs on a timely basis during their lifecycle and in particular in the presence of certain specific consumption behavior. This has been possible by making analysis and campaign management tools more sophisticated and evolved.

Consistent with the identification of customer needs, WIND CRM provides ad hoc solutions in terms of product and offer through both traditional and digital relation channels. Commercial actions involving customers is also carried out through the distribution network which has developed from being a new contract acquisition channel to a channel that also looks after customer management.

WIND places a great deal of emphasis on managing digital contact points and on online customer assistance tools, ensuring high standards of quality and encouraging their use.

The MyWind app, passed 10 million downloads, is the preferred digital point of contact with WIND customers owning a smartphone or tablet. The 4.0 version has been subjected to a detailed graphical and functional revision with a considerable improvement of the user experience, encountering particular success among customers who have confirmed MyWind as the app with the highest rating in the store market.

In addition to that for Widget Android, that for Widget iOS is also now available, which enables customers to obtain the information on the status of the customer offer directly from the Notification Center of their iPhone and the "tile" function for viewing the data on the main screen of their Windows Phone. The WIND Talk, the App WIND relating to an integrated messenger service app representing a new way of interacting with customers and proposing exclusive services to them. In addition to providing what any other messenger service app on the market has, WIND Talk also offers the possibility of contacting WIND customer care or certain WIND stores via chat. Using WIND Talk, customers can also buy public transport tickets and transfer telephone credit in a simply way to their contacts having a WIND prepaid line.

The social networks also continue to be an important point of contact, listening and customer management for WIND, with an increase of almost a million fans on Facebook but above all a rise in the number of contacts. WIND continues to maintain levels of excellence in the special social care rankings "Top Brands" of Facebook and Twitter published on a monthly basis by Blogmeter (Blogmeter.com) for the speed with which it handles contacts.

Marketing and Branding

Advertising Offline

In 2016 WIND consolidates its advertising strategy reconfirming the "movie" format with Panariello, Fiorello and Conti as testimonials. In January 2016, Giorgio Panariello continues to be the *secret agent 320* and he launches in TV the Infostrada fiber from his ultra-technological base. On Valentine's Day they are awaited by a special mission: to offer the "perfect gift" of WIND for the love day, free unlimited calls for one year towards a number of WIND.

In February WIND is celebrating the milestone of 10 million of *All Inclusive* customers with two new spots related to exclusive promotions for customers switching to WIND for the new *All Inclusive Celebration*.

After a first flight of billboards on RECHARGE GIGA, in February and March, in synergy with TV, *All Inclusive Celebration* is also the protagonist of a national campaign, boosted by a strong local planning.

In March 2016, Rosario Fiorello and Carlo Conti came back on TV, in the shoes of Agent F and Agent H, dealing with aliens and new media in a hyper-digital world. It starts with the Infostrada fiber offer at the exclusive price of €19.9 per month dedicated to all WIND customers, simultaneously in national view mode. For the Father's Day comes a very special gift: 2 GIGA for a month for all WIND customers.

The new WIND Magnum campaign ended the quarter with unlimited everything to all and 4 Giga be shared on smartphones and tablets. The Magnum with the plus of the new Samsung S7 at a special price is the protagonist in March even a campaign of National View mode.

About the ethnic target, in 2016 WIND plans print pages of newspapers dedicated with a new creativity and claim that expresses the concept of "closeness" with the country of origin: "With WIND you always feel at home".

As for the business sector, WIND to support the GIGA BOOST offers and All Inclusive Unlimited, associated with deals on Top smartphone of the moment, planned periodic posting and local press campaigns in trade magazines.

Advertising Online

The investments made in the digital media aimed at ensuring a continuous awareness of all the Group's brands and all the types of offers in its portfolio were both significant and constant throughout the first quarter of 2016. Planning

covered all the main desktop and mobile websites, communication activities with focus on maturity offers, called Orange promo days and countryside *All Inclusive Celebration* which also celebrated the 10 million All Inclusive customers. Digital campaign covered the period also with caring activities during special events such as Valentine's Day and Father's Day. In February, they highlight important online campaigns to support the sale of Infostrada fiber in areas covered by the service.

Online investments supporting the ethnic target offers also continued, as well as tactical campaigns in support of promotions reserved for customers topping up online. Although adapted to the various reference targets, the tone of voice and communication format of the online advertising activities ensured continuity with offline advertising in order to maximize business investments in communication.

Corporate Advertising and Special Projects

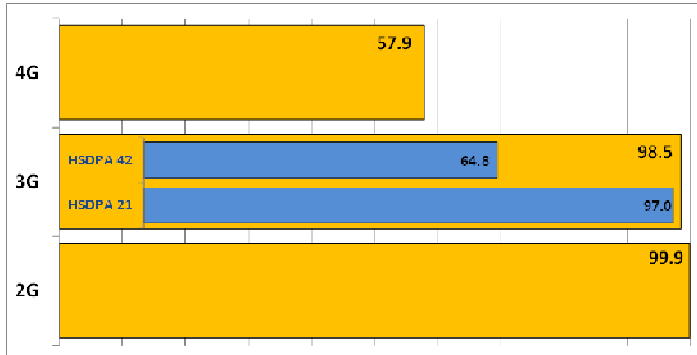
In the institutional sphere WIND's contribution to young businessmen continued through the WIND Business Factor project and in 2015 its competition culminates in March with the awarding of Friendz, the winner of the startup WIND Startup Award. The event, held at the incubator Luiss Enlabs of Termini Station in Rome as part of the Growth Festival, saw the protagonists 5 startup finalists and the introduction of a new mode of presentation, the phone pitch, launched by WIND to allow to the audience to vote for the smart startups and celebrate the occasion with a hint of irony its most important values.

On March 21, 2016, WIND is celebrating the day of forests by launching an online video service focused on Mobile Ticketing celebrating the closeness of WIND and its customer-friendly: 3 tons of paper saved in three years thanks to the use of the purchase methods online of public transport tickets.

NETWORK

WIND has developed an integrated network infrastructure providing high capacity transmission capabilities and extensive coverage throughout Italy both for fixed and mobile services. As of March 31, 2016, WIND fixed access network covered with ADSL broadband+ direct services the 64.5% of the Italian population while the mobile network population coverage reached the 99,9%; in particular WIND UMTS/HSPA and LTE are available respectively to the 98.5% and the 57.9% of the Italian population.

The chart shows Wind Mobile coverage at March 31, 2016:



WIND's mobile and fixed - line access networks are supported by 22,301 kilometers of fiber optic cables backbone in Italy and 5,091 kilometers of fiber optic cables MANs. WIND's network uses a common transport, core and system platform, which is referred to as the "intelligent 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 geographic scope of its network and the integrated nature of its operations allow WIND to offer its subscribers mobile, fixed-line and Internet product bundles and VAS. As of March 31, 2016, WIND also had 503 roaming agreements with other Italian and international telecommunications operators around the world.

Fixed-Line Network

WIND's fixed-line network consists of an extensive fiber optic transport network with over 22,301 kilometers of transmission backbone and 5,091 kilometers of fiber optic cable MANs linking all capitals of Italian provinces and other major cities in Italy and a radio transmission network with approximately 16,193 radio links in operation.

The national voice switching network consists of a NGN/IMS network composed by 4 call control nodes, 4 Media Gateway Controller and 42 Trunking Gateway. The national network is supported by NGN (Next Generation Network) dedicated to interconnection with international operators composed by 2 Media Gateway Controller and 10 Trunking Gateway. WIND is



able to handle all the traffic on proprietary backbone infrastructure, with little need to rent additional capacity from third parties.

As of March 31, 2016, WIND fixed access network has 1,698 LLU sites for direct subscriber connections with a capacity of approximately 3.398 million lines, and had interconnections with 613 SGUs, which allows it to provide carrier selection access for indirect subscribers throughout Italy, as well as WLR services.

In 2015 WIND have done investments on fiber activating the ultra-broadband services for almost the 15% of the population, using mainly Fiber to the Cabinet and Fiber to the Home technologies. In Milan FTTH service is active and it will be extended to other cities leveraging on a Metroweb agreement.

Furthermore, during the year the migration of voice traffic interconnection with other national operators in IP technology has been essentially completed.

WIND 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 network (xDSL, Fiber Optics). The IP nodes access network consist of 53 BRAS for consumer services and 75 Edge Routers for Business application, located in PoP to ensure optimal coverage of the national territory.

Mobile Network

WIND offers mobile services through its three network layers 2G, 3G and 4G. First layer developed in 1998 with GSM technology provide voice and data service with EDGE enhancement. The second layer, 3G, provide voice service and data service with HSPA+ technology.

In 2015 WIND has completed a massive roll-out of the UMTS refarming at 900MHz, changing the use of part of its spectrum previously used for the GSM service (one block of 5MHz), in order to foster and enhance the indoor coverage of the 3G services, due to the better propagation of the low spectrum frequencies.

WIND has put in place an intensive plan to deploy the latest mobile generation network based on LTE (long term evolution) named also "4G" technology to provide wideband mobile connections.



The following table provides an analysis of WIND's SM/GPRS, UMTS/HSDPA and LTE networks as of March 31, 2016.

GSM/GPRS	
Radiating sites	14,800
BSC (Base Station Controllers)	235
MSC (Mobile Switching Centers)	15
HLR/HSS (Home Location Register)*	12
SGSN (Service GPRS Support Node)	6
GGSN (Gateway GPRS Support Node)*	8
UMTS	
Node B	14,196
RNC (Radio Network Controller)	130
MSC-Server	26
MGW (mediagateway)	27
SGSN (Service GPRS Support Node)*	12 (6 dual access; 6 triple access)
LTE	
Enodeb	2,786
MME	6
HSS	2
PDN-GW	6
S-GW	6

*Shared with UMTS/LTE

HUMAN RESOURCES

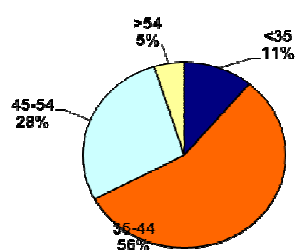
At March 31, 2016, the Group had a workforce of 6,807 employees structured as follows.

	No. of employees at		Average No. of employees in	
	03/31/2016	03/31/2015	2016	2015
Senior Managers	116	121	117	123
Middle Managers	629	613	629	622
Office Staff	6,062	6,131	6,069	6,154
Total WIND Group	6,807	6,865	6,816	6,899

During 2016, the Parent hired 29 employees while 36 left.

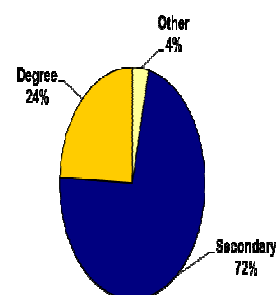
The following charts provide personnel details for WIND and its Italian subsidiaries.

Wind Group - Age Groups



Average age: **42**

Wind S.p.A. - Education



Graduates excluding call centers: **26%**

Women account for 47% of employees.

In terms of the geographical allocation of personnel, over 74% of personnel work in the offices in Milan, Rome, Naples and Ivrea.

Sites	31/03/2016	31/03/2015
Milano	13%	12%
Ivrea	9%	9%
Roma	34%	34%
Napoli	18%	18%
Altro	26%	27%
Total	100%	100%

(*)The Rho site is included in Milan and the Pozzuoli site is included in Naples.

The following table shows the personnel distribution by department

Departments	31/03/2016	31/03/2015
Network	36%	33%
Information Technology	11%	6%
Customer Care	16%	23%
Marketing & Vendite	25%	26%
Staff	12%	12%
Total	100%	100%

Organization

During the first quarter of 2016, with the aim to strengthen and develop the commercial presence on the business segments, under the Sales Department have been defined the organizational resources dedicated to the development and marketing to managing sales structures oriented to segments offers business.

Development

In February started the annual appraisal process, confirming itself as a tool geared towards individual development and performance management. At March 31, 2016, 99.17% of the Group's population had been appraised while the feedback process is still ongoing.

Training

A total of 3,395 man-days of training were given during the first quarter of 2016, mainly relating to training on WIND's new sourcing model.

In terms of the reskilling activities resulting from the agreement reached with the trade unions in July 2014 and February 2016, a total of 620 man-days of training were given in the first quarter.

79 employees were involved in total both for the completion of some training activities relating to Operations and Development of Information Technology in some locations: Ivrea, Palermo, Pozzuoli and the Network Operations in Molfetta, as well as for new activities in insourcing relating to the Large Customer Management Business Operations, located in Pozzuoli.

Relating to on-line training, are still ongoing the training activities on the Model 231 training concentrated on the new hired employees; with regard to the Code of Conduct, the 82% of employees completed the on-line training. All the above online activities will continue in 2016 through to completion.

Finally, in the first quarter, efforts were made to design activities to make available to all employees on-line courses which allow the development of skills related to the Digital Culture.

Industrial relations

At these meetings the Company provided a detailed description of the activities subject to internationalization and the training initiatives supporting the staff involved in the reskilling and occupational mobility processes.

In February 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, in accordance with the business development lines.

To improve conditions of work life balance, an agreement was signed which provides the use of innovative tools such as telework and other flexible forms of working; in this regard, it has been initiated an educational activity of the resources that will adopt telework.

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 and started the collection of declarations of interest by meeting the requirements workers.

Finally, a decision was taken, for year 2017, 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).

The meetings in the bilateral commissions for monitoring the agreements relating to the operating model of the network operations are continuing.

REGULATORY FRAMEWORK AT MARCH 31, 2016

Fixed-line market

Antitrust activity

Proceeding I761

On the basis of a report made by WIND in 2012, allocated the number I761, on April 4, 2013 the AGCM initiated an inquiry into a possible agreement on wholesale accessory technical services provided to the fixed-line telephone network, whose initial purpose was to ascertain the existence of violations of article 101 of the TFUE (an agreement between the technical companies which provide wholesale accessory technical services to Telecom Italia's fixed-line telephone network). On July 10, 2013 the proceeding was also extended by the Italian Antitrust Authority to Telecom Italia (TI) for the influence the latter exercised on the work of the technical companies. The proceeding was subsequently extended by the Antitrust Authority to December 31, 2015 to enable a series of further examinations to be carried out. The final hearing was held before the Authority on October 6, 2015.

Telecom Italia filed an appeal with the Lazio regional administrative court (TAR) against the provision of July 10, 2013 by which the AGCM extended proceeding I761 to that company. At the hearing of June 11, 2014, Telecom Italia made a request for cancellation and the adjournment of the hearing. The TAR upheld Telecom Italia's request and accordingly ordered the cancellation of the case from the roll.

On December 23, 2015 the Authority closed the proceeding, publishing the final order in its bulletin and sanctioning Telecom Italia and 6 System (Alpitel, Ceit Impianti, Sielte, Sirte, Site, Valtellina), after ascertaining the violation of article 101 of the TFUE. The total penalty amounted to approximately €28 million.

The decision of December 23, 2015 was challenged before the Lazio TAR by Telecom Italy and System cartel. The hearing is scheduled for July 20, 2016.

Proceeding A428C

On July 15, 2015, the AGCM initiated a proceeding against Telecom Italia alleging violation as per article 15, paragraph 2 of Law no. 287/90 for non-fulfilment of points a) and c) of the Authority's provision no. 24339 of May 9, 2013 (a provision issued at the end of proceeding A428). The Authority considered that the new elements acquired from reports made by certain operators imply the continuation of anti-competitive conduct towards alternative operators in the act of supplying wholesale access services and that such behavior breaches the order to refrain from carrying out conduct similar to that subject to the infringement identified for the abuse of a dominant position in the above-mentioned provision no. 24339/2013. On January 4, 2016 the AGCM published its decision to extend the deadline for completing the proceeding to July 31, 2016.

Telecom Italia's Reference Offers

In September 2014 the public consultation on the Telecom Italia Reference Offer (OR) for fixed interconnection for 2013 (Resolution 71/14/CIR) was published. AGCOM submitted its draft decision for the review of the European Commission. Subsequently, on June 26, 2015, AGCOM published its final decision (Resolution 52/15/CIR).

In February 2015, by way of Resolution 17/15/CIR, AGCOM initiated a public consultation on the approval of Telecom Italia's reference offer for 2014 for dedicated capacity transmission services (terminating circuits and interconnection flows). An assessment was also made in this consultation of all the issues of a technical and procedural nature as well as of the economic conditions of cost orientation services, such as one-off contributions and interconnection flows, on the other hand leaving the setting of the fees for terminating services to the approval of the relative market analysis in progress. The final decision of the 2014 terminating OR was adopted by AGCOM by way of Decision 167/15/CIR.

In July 2015 a public consultation was initiated on the draft provision for providing approval of the two Telecom Italia reference offers for 2014 relating to the copper network Bitstream services and the NGA (and VULA) Bitstream services. At the moment we are awaiting the publication of the final decision.

In October 2015 with Resolution 119/15/CIR, AGCOM launched a public consultation relating to the OR interconnection 2014 of Telecom Italy. In this consultation AGCOM submits to market observations also the review of the underlying timing of the procedure Number Portability of the fixed market. The consultation is ongoing.

In January 2016, AGCOM launched a public consultation on the guidelines for the evaluation of activation fees and deactivation of unbundled access services for approval of the relevant reference offers of Telecom Italy for the years 2015 and 2016. The consultation is ongoing.

In March 2014, Telecom Italia notified appeals for the cancellation of Resolutions 746/13/CONS and 747/13/CONS, for the most part disputing the approach taken by the Authority for calculating the WACC, the parameter indicating the remuneration of the capital employed on which, among other things, the LLU price is based. WIND filed an appearance in defense of AGCOM in both cases. Fastweb too, for other reasons, also appealed against said resolutions for 2013. BT on the other hand only appealed against Resolution 746/13/CONS, concerning the determination of the price for the 2013 WBA.

The BT appeal has not been notified but WIND has decided that it will intervene in this proceeding.

The substantive hearing relating to the appeals filed by Telecom Italia for the annulment of Resolutions 747/13/CONS and 746/13/CONS and the appeals filed by Fastweb to have these resolutions annulled and by BT to have Resolution 746/13/CONS partially annulled was scheduled for November 19, 2014.

By way of a sentence issued on February 18, 2015, the Lazio TAR dismissed the appeals made by Telecom Italia, Fastweb and BT to have Resolution 746/13/CONS annulled (approval of the Telecom Italia Offer for 2013 relating to Bitstream services). By way of a sentence issued on March 9, 2015, the Lazio TAR 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 Council of State for the overturning or annulment of the TAR's sentence 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 judge reserved his decision. We are therefore waiting for the ruling of the Council of State.

On June 9, 2015 and June 11, 2015 respectively Telecom Italia and Fastweb also notified WIND that they had filed an appeal with the Council of State for the overturning or annulment of the TAR's sentence dismissing the appeal filed to have Resolution 747/13/CONS (LLU 2013) annulled. WIND filed an appearance on June 24, 2015 and following the hearing held on September 24, 2015 the judge reserved his decision. We are therefore waiting for the ruling of the Council of State.

BT filed an appeal with the Council of State for the overturning or annulment of the TAR's sentence 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 judge reserved his final decision. We are therefore waiting for the ruling of the Council of State. In addition, in November 2014 Telecom Italia appealed against Resolutions 67-68-69-70/14/CIR relating to the price for WLR for 2013, NGAN access for 2013, NGA Bitstream and VULA for 2013 and dedicated capacity transmission services for 2013. WIND filed an appearance in all the cases in support of AGCOM's position. Fastweb also appealed against Resolution 67/14/CIR and WIND filed an appearance. The dates for the hearings have not yet been set.

Vacuum maintenance

On March 31, 2016 it was called the first of the technical workgroup under resolution no. 168/15/CIR inherent to the new assurance process for the vacuum interventions on the WLR lines and Bitstream Asymmetric.

The first topics discussed were: i) the main problems of the new assurance process for vacuum maintenance of WLR lines and asymmetrical Bitstream proposed by Telecom Italy; ii) the possible ways of certification of vacuum maintenance to using the IVR system proposed by Telecom Italy.

There will be other meetings of the technical committee and a public consultation before the final decision on new procedures to be used for the management of vacuum maintenance.

FTTCab and Subloop unbundling technical workgroup

AGCOM has recently set up a subloop unbundling technical workgroup having the aim of discussing technical and procedural issues relating to this service, which provides the basis for the provision of FTTCab NGA services by alternative operators.

At the first four meetings of the group (February 21, 2014 and March 7, 21 and 28, 2014) operators put forward their proposals for the technical specifications of the cabinets in which the OLOs' equipment will be held (alongside the existing Telecom Italia cabinets) and the upper cabinets (above the cabinets of both the OLOs and Telecom Italia). In addition, proposals have been issued for the tender rules for installing one or more of the OLOs' optic network units (ONUs) in these cabinets or upper cabinets.

On the basis of the matters which emerged from the workgroup the Authority published Resolution 155/14/CONS (against which appeals have been filed by Telecom Italia and Fastweb based on reasons additional to those used for the main appeals filed with the Lazio TAR for the cancellation of Resolutions 747/13/CONS and 746/13/CONS, which, as stated, were dismissed by the Lazio TAR in sentences dated February 18, 2015 and March 9, 2015), in which a modularity principle is recognized de facto for the OLOs which will only enter the infrastructurization process at a later date: the multioperator cabinet must be produced by providing for a base module for 1 OLO and additional upper cabinet modules for 1 OLO. All the modules, base and upper cabinet, will have an autonomous access door. Each operator will to be able to access its part autonomously. The OLOs which through Telecom Italia have produced an adjacent cabinet will in future have to provide access to the other OLOs interested in installing their own upper cabinet without placing any obstacles in the way, albeit within the limits of technical feasibility and network integrity. A transitional procedure was planned for 2014 alone which was applicable to the cabins for which Telecom Italia had already start up preparation work. The full operational procedure began in 2015. The matters being looked into by the workgroup are continuing with the establishment of a requisite for Multi-Operator Vectoring (MOV). A first paper containing MOV specifications has been sent to the Authority for manufacturing companies.

In July 2015, in a press release on the draft resolution on an analysis of the markets for wholesale access to Telecom Italia's fixed network, the Authority announced that it had established rules for the use of vectoring in MOV mode (Multi-Operator Vectoring) in the case of access to the cabinet. The European Commission has welcomed the Authority's intention to establish a process aiming to spread MOV in Italy, based on technical requirements approved by the Authority, and has noted that any symmetrical obligations that result from this must conform to article 5 of the access decree. The Commission has asked the Authority to comply with that provision in drawing up the future agreements for the realization of MOV in Italy, whose scope of application, according to the Commission, must be notified in accordance with article 7 of the framework directive. In Resolution 623/15/CONS, the Authority established that effective the date of publication of its technical specifications for MOV, Telecom Italia and the operators that intend to adopt vectoring transmission systems must comply with the technical and procedural requirements contained in these.

The technical working committee are continuing with the preliminary analysis of the definition of a national technical specification on the solution called "sub-band MOV", which defines the methods of spectral allocation of operators and equal and non-discriminatory distribution of the transmission capacity among them. This analysis is independent at the time, from any regulatory assessment of the possible methods of use of this standard in the access network. Other insights are scheduled on the G.FAST, with reference to the vectoring in a multi-operator environment and in the presence of VDSL2 and VDSLplus by Cabinet.

Replicability testing of Telecom Italia's offers

By way of Resolution 537/13/CONS on "*Non-discrimination requirements: revision of the methodology used for replicability testing*" - published on October 15, 2013 - AGCOM initiated an enquiry having the aim of adjusting the methods and tools underlying the price testing carried out for checking the economic replicability of Telecom Italia's retail offers. The aim of this testing is to check whether the retail prices charged by the operator are sustainable by an efficient alternative operator using regulated wholesale services, in order to ensure that the principle of equality of inside-outside treatment can be guaranteed and to avoid margin compression which would harm competition.

As part of this proceeding initiated by way of Resolution 537/13/CONS, in November 2013 AGCOM initiated a review aimed at assessing the procedures and timing of the price testing proceeding and the tools to be used for checking the economic replicability of the retail offers of the significant market power (SMP) operator, namely Telecom Italia. WIND sent AGCOM its positioning on January 20, 2014 and was subsequently heard by the Authority. Furthermore, on May 21, 2014, AGCOM asked fixed-line operators to provide the costs of certain network components as part of the process for updating the replicability models pursuant to Resolution 499/10/CONS.

On July 31, 2014, AGCOM proposed an updating of the production mix for the assessment of the replicability of the optic fiber ultra-broadband retail offers.

It should be noted that in October 2014 WIND sent a contribution to BEREC regarding a public consultation on the operating aspects of the replicability test for retail offers.

In April 2015 AGCOM published Resolution 119/15/CONS which suspends the terms of the review pursuant to Resolution 537/13/CONS until a date to be established (after the analysis of the markets for access services to the fixed market initiated with Resolution 390/12/CONS), which will be announced by way of a specific resolution published on the Authority's website. On December 24, 2015, AGCOM published Resolution 660/15/CONS for

restarting the review whose subject is the updating of the methodology for the replicability testing as per Resolution 537/13/CONS and initiating the relative public consultation.

On February 23, 2016, WIND sent its contribution to the public consultation on the subject and was heard on March 8, 2016. It is waiting for the next steps that will be taken by AGCOM based on the results of the public consultation.

Market analysis – Fixed Access

On April 4, 2013, public consultation 238/13/CONS on an analysis of markets 1-4-5 was published. WIND has provided its positioning in this respect.

On August 1, 2013, by way of Resolution 453/13/CONS, AGCOM extended the proceeding relating to the analysis of markets 1, 4 and 5 in order to take into consideration the access network separation project proposed by Telecom Italia.

On February 24, 2014, by way of Resolution 65/14/CONS, AGCOM extended the term for completing the preliminary proceeding as per Resolution 390/12/CONS by a further 90 days. Operators were granted the possibility of sending additions to the documentation already submitted in relation to highly innovative facts and elements that had occurred after the start of the second half of 2013. In addition, on March 20, 2014, AGCOM requested operators to provide a series of further details about retail and wholesale access lines relating to 2012 and 2013. During March 2015, following up Consultation 238/13/CONS and the 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.

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 decision 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 AGCOM initiated an enforcement proceeding on November 11, 2013 concerning the sentences of the Council of State on Resolutions 731/09/CONS and 578/10/CONS on prices for wholesale access services 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 sentences of the Council of State. 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 is 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 dealing 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 sentence 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 Sentences of the Council of State 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 then initiated a public consultation on the execution of sentence no. 5733/2014 of the Council of State regarding Resolution 71/09/CIR on the approval of the Telecom Italia reference offer for 2009 relating to Bitstream services. Following this consultation AGCOM then 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 to WIND the recourse to the State Council for the annulment of Resolution 579/15/CONS; on February 9, 2016 WIND was before the court. The closed session was scheduled for May 19, 2016. Fastweb has also challenged the Communications Regulatory Authority Resolution no. 578/15/CONS through appeal to the State Council. The action has not been notified to WIND which nevertheless deposited a document issued on February 10, 2016. The closed session was scheduled for April 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 sentences of the Council of State 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 Council of State maintaining that by way of Resolution 86/15/CONS, AGCOM had in substance failed to fulfil the requirements of the previous sentences. 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 as October 8, 2015, was postponed to October 22, 2015. By way of sentence no. 5708/2015 of December 17, 2015, the Council of State dismissed the appeals submitted by Fastweb and Telecom Italia (as a cross-appeal), confirming the validity of Resolution 86/15/CONS.

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.

Review process of SLAs and penalties included in the resolution 623/15/CONS

Following the resolution no. 623/15/CONS, concerning the markets for fixed access services, AGCOM initiated the review process of the current system of SLAs and penalties of Telecom Italy in order to strengthen the "Equivalence of Output " that Telecom Italy, the dominant operator, must follow in providing wholesale access services. The SLA and criminal force consist of the values presented in the reference offers of the different services involved and

approved by AGCOM, integrated from the values determined in the G and H attached to resolution no. 623/15/CONS. The process is pending and AGCOM requested primary observations to the operators.

Review process of the key performance indicators of non-discrimination set out in EU. 623/15 / CONS

Following the resolution no. 623/15 / CONS, concerning the markets for fixed access services, AGCOM started the audit of the Key Performance Indicators of non-discrimination to ensure the respect of equal treatment between Telecom Italia and alternative operators. On the topic, AGCOM requested primary observations to the operators. The process is pending.

Guidelines for the conditions of wholesale access to ultra-broadband networks receiving public grants

In October 2015, by way of Resolution 575/15/CONS, AGCOM initiated a public consultation on the guidelines for the conditions of wholesale access to ultra-broadband networks receiving public grants.

Various parties, both public and private, are involved in the implementation of the optic fiber network, and accordingly the Authority believed it essential to establish a framework of rules at a wholesale level that can ensure that everybody (operators creating the infrastructure and parties that operate in the downstream market) receives fair remuneration for their investment and is capable of fostering a rapid diffusion of the services. By way of Resolution 635/15/CONS the deadline for the submission of replies to the public consultation was set as January 7, 2016. The consultation is ongoing and the final decision is expected by the first half of 2016.

Fact-finding enquiry into digital platforms and electronic communication services

By way of Resolution 357/15/CONS, AGCOM set up a fact-finding enquiry into digital platforms addressed to all the parties operating along the value chain of the new digital services provided through the internet. The enquiry's aim is i) to understand the business models used by those parties; ii) to establish the means of protecting users and the market as a whole; iii) to assess the opportunity of establishing rules designed to create a "level playing field" between the new parties and the traditional parties; iv) to understand the way in which the platforms for the distribution of the apps and technology underlying the apps work; v) to understand the role played by the social communication apps (e.g. WhatsApp, Viber, WeChat, Facebook Messenger, Skype) in the new digital ecosystem. The enquiry is currently in progress.

Market analysis – Fixed Access: Leased lines: Terminating Segments Market 6

On November 4, 2013, by way of Resolution 603/13/CONS, AGCOM initiated a proceeding to identify and analyze the wholesale supply market for the terminating segments of leased lines, regardless of the technology used to provide the leased or reserved capacity (Market 6 of European Commission Recommendation 2007/879/EC). Public consultation 559/14/CONS was set up in November 2014 after collecting information and 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.

Fixed termination

Resolution 229/11/CONS established that from January 1, 2012 termination tariffs would be symmetric between Telecom Italia and other operators; in particular TDM termination tariffs would be symmetric at an SGU level while IP termination tariffs would be symmetric and established as the result of two proceedings for defining the BULRIC model, one technical on IP interconnection and the other economic. Subsequently, as the result of a ruling of the Council of State issued on February 15, 2013, the symmetry between Telecom Italia and the OLOs for fixed termination was annulled. Following this the termination values of the OLOs for 2012 were approved by AGCOM in March 2013 by way of Resolution 187/13/CONS. The value of fixed termination on the Telecom Italia network at the various interconnection levels was determined by way of Resolution 92/12/CIR.

Telecom Italia filed an appeal against Resolution 187/13/CONS with the Lazio regional administrative court (TAR) in the attempt to obtain an OLO termination price lower than that established by AGCOM. On the other hand Fastweb appealed against this resolution to try to obtain a higher price. At the substantive hearing on April 23, 2014 the TAR dismissed the appeals of both Telecom Italia and Fastweb. Fastweb filed an appeal against the TAR's sentence, notifying WIND of this on October 14, 2014. Telecom Italia also appealed against this sentence. WIND filed an appearance in support of AGCOM. The hearing was held before the Council of State on January 22, 2015. Both appeals were dismissed by Council of State in a ruling dated September 30, 2015.

In December 2013, by way of Resolution 668/13/CONS, AGCOM set the final prices for the wholesale interconnection services for 2013-2015, applicable to the networks of the Telecom Italia operators and alternative operators regardless of the type of underlying network (TDM or IP).

By way of Resolution 182/15/CONS, in May 2015 AGCOM restarted its new cycle of market analyses of interconnection services in the fixed public telephone network. The proceeding is in progress and at the present time the stage of providing the first set of quantitative and qualitative information requested by AGCOM has been completed. During December 2015, there was a second request for providing quantitative information. On April 4, 2016, AGCOM launched a public consultation on fixed termination values applicable by the operators until 2019. The consultation is ongoing.

Migration and pure number portability procedure

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 procedure).

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 relating to monitoring the phenomenon of 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 is in progress.

Decisions and public consultations of the European Commission and of BEREC

During 2015, WIND participated by sending its contribution to and positioning on the public consultations set up by the European Commission and BEREC. The principal consultations were as follows:

- response to the questionnaire on oligopoly analysis and regulation (BEREC – January 2015) and reply to the draft opinion on the analysis and regulation of oligopolies (BEREC – August 2015);
- response to the survey on broadband coverage in the EU (European Commission – March 2015);
- response to the Lamy Report and future use of the UHF TV frequency band (European Commission – April 2014);
- response to the consultation on the reports on virtual access products and on the analysis and regulation of oligopoly markets (BEREC – August 2015);
- response to the consultation on the reports on OTT services and IoT-M2M (BEREC – November 2015);
- response to the consultations on the review of the telecoms regulatory framework, on internet speed and quality needs after 2020 and on the legislative framework for platforms, online intermediaries, data and cloud computing and the collaborative economy as part of the digital single market strategy adopted by the European Commission (European Commission – December 2015).

Furthermore, following a legislative process lasting 18 months, the "Connected Continent" Telecom Single Market Regulation was adopted in November 2015; this has provisions on roaming (see the previous point) and net neutrality as its subject. The main provisions on net neutrality regard the principle relating to guaranteeing internet end-users' rights, which requires an equal treatment for all traffic and a network open to the protection of the citizen's rights of non-discrimination and accessibility to the network.

The provision relating to Net Neutrality will become effective April 30, 2016, but probably with no immediate effects in the Italian market because of: a) implementative guidelines still to be issued by the BEREC; b) current compliance with the principles of net neutrality in the Italian regulatory context.

Mobile market

Market Analysis - Mobile Termination

Resolution 621/11/CONS of January 4, 2012 i) identified 4 distinct markets (one for each of the networks of the 4 mobile operators), ii) noted that there are no MVNOs with infrastructural ranges of their own numbering at the time of the monitoring, iii) confirmed the notification of Significant Market Powers (SMPs) for the 4 MNOs, each on its own reference market, iv) confirmed the following requirements for the 4 SMPs: Access and use of specific network resources (public OR), Transparency (public OR), Non-discrimination (public OR), Regulatory accounting and Price control (defined on the basis of the BU LRIC cost model adopted with Resolution 60/11/CONS) and v) calculated the termination prices by using the BULRIC model adopted by way of Resolution 60/11/CONS, which includes a reasonable remuneration rate of 10.4% for the capital employed (WACC) (this was 12.4% in 667/08/CONS). On

September 30, 2015, by way of Resolution 497/15/CONS, after a review of the proposed decision by the European Commission the Authority 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.

As stated in the press release of February 5, 2015, AGCOM has also initiated a monitoring procedure to be carried out by the Authority directed towards an analysis of the conditions for the provision of wholesale access services by mobile network operators to virtual mobile operators. This procedure is still in progress.

Various operators appealed against Resolution 621/11/CONS. The main reason for the appeals filed separately by WIND, Vodafone and Telecom Italia was the asymmetry granted to AGCOM and H3G, also going beyond the end of 2012 and into the first half of 2013. In this respect partially upholding these appeals the Lazio TAR ordered AGCOM to provide suitable reasoning and partially annulled Resolution 621/11/CONS with reference to the provision on H3G's tariff asymmetry. In order to comply with the TAR's sentences, AGCOM issued Resolution 11/13/CONS confirming the contents of Resolution 621/11/CONS. WIND, Telecom Italia, Poste Mobile and Vodafone thus filed an appeal for the same reasons with the Lazio TAR to have Resolution 11/13/CONS annulled. WIND, Vodafone, Fastweb and H3G also filed an appeal with the Council of State for the reversal of the Lazio TAR's sentences on Resolution 621/11/CONS. As a result of that sentence, AGCOM adopted Resolution 259/14/CONS. WIND, Vodafone and Telecom appealed to the Council of State for implementation of sentence no. 725/2014. In addition, WIND, Vodafone and Telecom filed an appeal with the Lazio TAR for the annulment at a supreme court level of Resolution 259/14/CONS. H3G, for reasons to the contrary, has also filed similar appeals for execution with the Council of State and legitimacy with the TAR. The hearing for the appeals of WIND, Telecom, Vodafone and H3G before the Council of State for the execution of sentence no. 725/14 took place on December 17, 2014. On January 23, 2015 the Council of State dismissed all the appeals for compliance. The date of the hearing before the Lazio TAR has been set on May 18, 2016 for discussion of action of both H3G as well as Telecom and WIND. Vodafone withdrew the action.

In addition, on adjudication of sentences no. 21 of January 7, 2013 and no. 3636 of July 9, 2013 issued by the Council of State, the proceeding for the redetermination of mobile termination on the H3G network in the period between November 1, 2008 and June 30, 2009 was reinstated. The start of the proceeding was followed by a public consultation initiated by AGCOM in November 2013, in which AGCOM put out for consultation a range of possible values for termination on the H3G mobile network. WIND took part in the public consultation. By way of Resolution 365/14/CONS published in October 2014, AGCOM gave implementation to the Council of State's sentences no. 21 of January 7, 2013 and no. 3636 of July 9, 2013. An appeal against this resolution was filed by both WIND and the other operators with the Lazio regional administrative court for annulment in the supreme court and with the Council of State for execution. The hearing before the Council of State was held on April 23, 2015. With decision of July 21, 2015 the Council of State dismissed H3G's appeal and declared the appeals filed by WIND, Vodafone and Telecom inadmissible. The date of the hearing before the Lazio TAR has been set on May 18, 2016 for discussion of action of both H3G as well as Telecom and WIND. Vodafone withdrew the action.

Market Analysis: Messenger services – SMS termination

In March 2013, following the positive opinion issued by the European Commission on AGCOM's proposed decision not to regulate that market, AGCOM published its final decision (Resolution 185/13/CONS) which confirms the non-regulation of the wholesale SMS termination services market. BIP Mobile filed an appeal against Resolution

185/13/CONS with the Lazio TAR. The substantive hearing was held on March 26, 2014 and the court dismissed the appeal. AGCOM's commitment to monitor the performance of the market remains. In the recent Decision 497/15/CONS on mobile termination relating to the period 2014-2017, AGCOM reaffirmed the conclusions it had already reached in Resolution 185/13/CONS.

Roaming Regulation

On May 30, 2012, the European Council approved the text of the III Roaming Regulation providing for the inclusion of structural solutions designed to increase the level of competition in the provision of international roaming services as well as the requirement to supply a wholesale access offer for roaming services. The gradual reduction of both the wholesale and retail caps from July 1, 2012 was additionally confirmed, with the inclusion of retail caps also for the provision of data services.

The new Roaming Regulation 531/12 was published on June 30, 2012; this introduces measures for the structural separation of roaming services from the supply of domestic services (decoupling, plus Local Breakout - LBO - for data services alone). These measures became operational on July 1, 2014 with the Commission having established the principles underlying the way this was to be carried out in an Implementing Regulation published on December 14, 2012.

In July 2013, at the end of the relative public consultation, BEREC published the guidelines for the implementation of Decoupling and LBO structural solutions. The new caps for voice, SMS and data prescribed by Roaming Regulation 531/12 became effective on July 1, 2014.

In the meantime, in reply to the proposal on roaming contained in the draft regulation "Connected Continent" issued by the European Commission on September 11, 2013 and the first reading adopted by the European Parliament on April 4, 2014, BEREC has continued with its market analysis to identify fair use criteria for the possible future introduction of Roam Like at Home (RLAH) at both a retail and wholesale level. In this respect in November 2014 WIND provided its contribution to the "Preliminary Analysis of a 'Roam Like at Home' scenario based on the proposal of the European Parliament adopted on 3 April 2014". On December 17, 2014, BEREC published its paper "Analysis of the impacts of 'Roam Like at Home' (RLAH)" in which it emphasizes 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 stresses 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 (yet to be established) a surcharge may be applied. A transitional regime will begin on April 30, 2016 in which the maximum price which may be charged for regulated roaming services will be equal to the domestic charge plus a surcharge of the present wholesale cap prescribed by the Roaming III regulations.

To make the application of Roaming Like at Home possible, by June 2016 the European Commission will propose changes to the wholesale cap which will be effective from June 15, 2017. In addition, further requirements to provide information to end customers on the new pricing structure will be prescribed.

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" to which WIND attended by sending a contribution on February 17, 2016 according to the guides 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 rooms of services).

AGCOM fact-finding survey on Machine to Machine (M2M)

In April 2015, AGCOM published the results of a fact-finding survey on machine to machine (M2M) communication services by way of Resolution 120/15/CONS. Although not envisaging any provisions of a regulatory nature in that resolution, AGCOM announced that a permanent M2M committee would be set up and that supervisory activities and the monitoring of M2M services and the market would begin.

On July 28, 2015, by way of Resolution 459/15/CONS, the Authority set up the "Permanent committee for the development of machine to machine communication services", a multilateral working group with consultative functions, open to the participation of all the main (public and private) subjects interested, whose aim is to examine and identify any regulatory options, consistent with the initiatives promoted at a European and international level to foster the development of M2M services.

On November 6, 2015 WIND sent its contribution to the public consultation issued by BEREC on its draft report on Enabling the Internet of Things, shortly to be published in final version.

In addition, the first thematic session of the Permanent committee for the development of machine to machine communication services was held on December 15, 2015.

WIND was called by AGCOM for a hearing on March 24, 2016 to provide its own competitive and regulatory point of view on the nature of aspects about the provision of data generated by smart metering devices.

Audio-visual media sector

By way of Resolution 286/15/CONS of May 12, 2015, AGCOM initiated a proceeding designed to identify the relevant market, as well as ascertain dominant positions in the audio-visual media service sector. The proceeding is in progress.

Frequencies

By publishing Resolution 259/15/CONS, AGCOM brought to an end the proceeding 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 Ministry of Economic Development 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 Ministry of Economic Development.

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. 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 generation (5G) mobile. 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 Ministry of Economic Development'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 requirements 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 the 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.

Other Issues

National Numbering Plan and SMS/MMS Aliases

On February 20, 2015, following Public Consultation 62/14/CIR, AGCOM published Resolution 8/15/CIR on the adoption of the new numbering plan in the telecommunications sector and implementing discipline, which amends and supplements the previous numbering plan contained in Resolution 52/12/CIR. Following the publication of the resolution, the proceedings of the "Workgroup on numbering plan issues" picked up again.

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 fund collection services 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.

Data banks for all the internet access networks

With the aim of drawing up innovative solutions designed to bridge the digital gap between broadband and ultra-broadband and arrive at a mapping of the internet access network, in October 2015 AGCOM initiated a public consultation on the technical specifications for the creation of a data bank of all the publicly and privately owned internet access networks existing in Italy (pursuant to article 6, paragraph 5-bis of Decree Law no. 145 of December 23, 2013, known as the "Destination Italy" decree, converted with amendments by Law no. 9 of 2014). It is planned for the details of the relative technologies and the extent to which these are used to be documented.

In January 2016, by resolution 7/16/CONS, the Authority launched a pilot project that involves the construction of a scaled system with the participation of the operators which will set and test exchange formats, metrics, mode of acquisition, provision and updating of information. The pilot project will have a maximum duration of six months. At the end of the pilot project, all public and private entities holders of the network infrastructure will be required to provide information.

Universal Service

By way of Resolution 46/13/CIR AGCOM and Resolution 100/14/CIR, AGCOM established the net cost for the Universal Service for 2006 as nil, with the share of the contribution of operators for 2006 and 2007 relating solely to auditing costs. Telecom Italia appealed against this resolution. WIND filed an appearance in support of AGCOM. The dates for the hearings have not yet been set.

The results of the preliminary proceeding initiated by AGCOM in September 2014 for the identification of the criteria for the designation of one or more operators responsible for providing the Universal Service in electronic communications are not yet available.

In May 2014, the Lazio TAR upheld Vodafone's appeals concerning the revised contribution of the Universal Service for 1999/2000/2002/2003 which had been confirmed by AGCOM, with the support of an opinion provided by the AGCM; the court annulled the relative resolutions in the parts relating to Vodafone's share of the contributions for the years in question. AGCOM and Telecom Italia have filed appeals with the Council of State against the sentence issued by the TAR. In its sentence of July 7, 2015, the Council of State 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 Council of State. In October 2015, Vodafone and WIND filed its defense to the Supreme Court.

In addition, with a sentence of January 22, 2015 the Lazio TAR upheld the appeal made by Telecom Italia in April 2008 for the annulment of Resolution 1/08/CIR in which AGCOM had determined the new methodology for calculating the net cost of the Universal Service.

In March 2015, WIND, AGCOM and Vodafone filed an appeal with the Council of State requesting the annulment of the sentence issued by the Lazio TAR. With a sentence of October 2, 2015 the Council of State partially upheld the appeals filed by WIND, Vodafone and AGCOM. The Council of State confirmed the annulment of the new calculation criteria set by the resolution limited to the period 2004-2007 while recognized the validity of the resolution from 2008.

Copyright

As an access operator and as an operator providing hosting services and one that and hosts contents uploaded by third parties onto its platforms, WIND is required to comply with the copyright protection procedure and the roles of the individual parties involved, published by AGCOM in December 2013. The Regulation became effective on March 31, 2014.

Main new consumer protection regulations

By way of Resolution 602/13/CONS, AGCOM established the way in which the National Broadband Information System (SINB) is created and managed. This system was adopted in order to guarantee a minimum standard of transparency towards end users for the geographical coverage of broadband and ultra-broadband internet access services regardless of the platform used (copper, optic fiber, radiomobile, WiMax, WiFi/Hyperlan). For this purpose an interactive tool which may be deployed by users has been created which, through organic access to the information relating to fixed and mobile coverage across the country, is 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 users for other types of network (such as Wifi, WiMax, etc.). In order to make all the information on network coverage available to users in a single portal, AGCOM believes it necessary to integrate and carry out interoperability activities on the different databases of the various operators in order to create a geographical mapping of the availability of broadband and ultra-broadband service offers. To this end the resolution requires operators to provide the information necessary for feeding the information base of the SINB and allows interoperability of such through its own information services relating to broadband coverage throughout the country. In January 2015 technical discussions between the operators, AGCOM and FUB picked up again with the aim of identifying a satisfactory solution for everyone that takes into account the implementation costs of that system and the changes introduced by legislation in the meantime (RING "Registro delle Infrastrutture di Nuova Generazione" - New Generation Infrastructure Register).

By way of Resolution 276/13/CONS, the Authority approved the 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 reaffirmed the subjective and objective spheres of its application.

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.

By way of Resolution 410/14/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 dictated 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. With Resolution 265/15/CONS was issued the final ruling in order to facilitate a concrete 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 believes 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 positioning 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 on the question of 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 put out for consultation. WIND prepared its reply. In addition, a common positioning among the main operators has been submitted and presented via AsSTel.

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 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.

With regard to contracts for the provision of electronic communications services, AGCOM issued the resolution 519/15/CONS concerning the "Regulation on protecting consumers in respect of contracts for the provision of electronic communications services" and resolution 520/15/CONS in which some guidelines for the market have been approved for the conclusion of contracts by telephone for the provision of electronic communications services. AGCOM thus decided to strengthen the protections afforded to users of electronic communications by Legislative Decree no. 259/2003 and, in general, by the amended Code of consumption by intervening on information obligations imposed on the operators, particularly in the case of contracts concluded at a distance or away from business premises, on the management of tariff readjustments communication. Concerning the theme of the life of the contract (Article 5) and its entry into force, the Authority as a result of operator instances, it acknowledged the extension to July 1, 2016.

Legislative Decree no. 130 of August 6, 2015 on the implementation of Directive 2013/11/EU on alternative dispute resolution for customer disputes, amending Regulation (EC) No. 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR), requires mention. 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 the result of work carried out by the 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.

Privacy

Legislative Decree no. 69/12, through which Italy transposed European Directive 136/2009 on Telecommunications (the e-Privacy Directive) into national law, introduced significant changes in the privacy field.

By way of article 32-bis of Legislative Decree no. 196/2003 (the Privacy Code) this decree introduced the definition of "Data Breach" and an obligation to notify the Authority and subscribers in the event of a violation of the user's personal data and in any case in the event of the impairment of such data. On April 4, 2013 the Privacy Guarantor issued the provision on the implementation of the Data Breach discipline and accordingly WIND adopted the relative procedures and carried out and completed training courses for its data supervisors.

The above decree additionally amended article 122 of the Privacy Code by introducing an opt-in regime for e-cookies, separating these into "technical cookies" (e.g. session monitoring, computer authentication, etc.) which are needed to supply the service and are not subject to the regime and "non-technical cookies" (e.g. monitoring websites visited, collection of the user's data, etc.) which are used for marketing purposes and which, being especially critical as far as privacy is concerned, require the prior and informed consent of the customer/user. Through Provision no. 229/2014, the Privacy Guarantor identified simplified means for making privacy disclosures and acquiring consent for the use of cookies, following which internal and inter-operator workgroups were set up designed to satisfy the requirements of the Authority's prescriptions within the term for adaptation of one year.

The inter-operator workgroup created for setting up a data base of defaulters in the telecommunications sphere picked up activities again in 2013; this is being used to complement Creditworthiness Information Systems (SICs) as a means of combating default in the electronic communications sphere. A public consultation on a draft provision of the Privacy Guarantor was initiated in April 2014 designed to acquire contributions and suggestions on the matter, and these were provided to Asstel in May 2014. The workshop with the Guarantor started up again, also attended by the consumers' associations for personal data protection. On October 8, 2015 a provision was adopted, published in the Official Journal on November 4, 2015, for setting up a data bank for intentional default by customers in the telephone sector (S.I.Mo.I.Tel.), on which WIND is currently working.

By way of a provision published in the Official Gazette on January 3, 2014, a public consultation was initiated which is addressed to all operators working in the mobile remote payment field with the aim of collecting comments and observations on the subject. In this respect a document has been sent to the Privacy Guarantor that includes the observations agreed at the inter-operator workgroup, following which the Authority published a provision regarding the mobile remote payment service and value added services (VAS).

New internal and inter-operator workgroups were set up designed to analyze the effects and potential critical matters relating to the implementation of the Authority's requirements, following which it was agreed to send a request for interpretation and re-examination with particular reference to the security measures (cryptography/adult PIN) to be adopted and the means by which the customer's consent for promotional purposes should be acquired.

Following receipt of the Authority's reply, a request was made to extend the terms within which the provision's requirements must be satisfied. This was accepted and an extension of the deadline to March 31, 2015 was granted. By way of Provision 53/2014 of the Privacy Guarantor an update on the question of profiling requirements is planned. An internal workgroup has been set up in this respect.

By way of a provision published in the Official Journal a public consultation was initiated on May 23, 2014, addressed to all the owners of biometric treatments, on a draft provision on biometric recognition and graphometric signatures in order to obtain contributions and observations on the subject.

In this respect a document was sent to the Privacy Guarantor including the observations agreed in the inter-operator workgroup, following which the Privacy Guarantor issued an appropriate provision.

By way of a provision published in the Official Journal of May 4, 2015, the Privacy Guarantor initiated a public consultation for the purpose of collecting information and proposals on the new technologies which may be classified as the "Internet of Things". In this respect internal and an inter-operator workgroups have been set up to send a document containing the observations agreed in the inter-operator workgroup by the deadline established by the Authority.

By way of a provision published in the Official Gazette on September 30, 2015, the Privacy Guarantor initiated a public consultation for the purpose of collecting information and proposals from all parties working in the mobile ticketing field on the adequacy of the suggested measures as well as any other operational proposals. In this respect internal and inter-operator workgroups have been set up having the aim of assessing the opportunity of sending a contribution document through AssTel by the deadline established by the Authority.

In December, WIND received notification of the Privacy Guarantor's authorization provision in response to the prior checking procedure on new models for analyzing customer profiling data; this is the most innovative and important work carried out on privacy for the past few years, thereby setting a new regulatory frontier in Italy.

Disputes with operators before AGCOM

By way of Resolution 64/14/CIR, AGCOM found in WIND's favor in the dispute initiated by WIND against Telecom Italia relating to the migration of the IP interconnection and relative services, and ordered administrative migration from December 2013 to July 2014 through a predetermined shifting and technical migration of TDM traffic to the IP interconnection by June 2015. As a result of the administrative migration, from August 2014 WIND no longer incurs costs for the fees relating to the flows and to the interconnection ports to Telecom Italia's TDM network.

In July 2014, Telecom Italia initiated two disputes with AGCOM against WIND concerning alleged inadequate supply and maintenance work and the economic conditions for the collection service for calls to Telecom Italia's non-geographic numbers originating on WIND's fixed line network. As far as the allegedly inadequate supply and maintenance work is concerned, at the end of July 2015, by way of Determination 6/DRS/15, AGCOM dismissed the dispute due to its lack of jurisdiction on the matter. The dispute on the economic conditions for the collection service for calls to Telecom Italia's non-geographic numbers was the subject of a settlement agreement between the parties; the proceeding will accordingly shortly be dismissed by AGCOM due to the waiving by Telecom Italia of all the arguments and claims stated in its application to initiate the dispute.

In August 2015, Resolution 226/15/CONS on the new regulation on the settlement of disputes between operators was published on AGCOM's website, repealing the previous Resolution 352/08/CONS.

OUTLOOK

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.

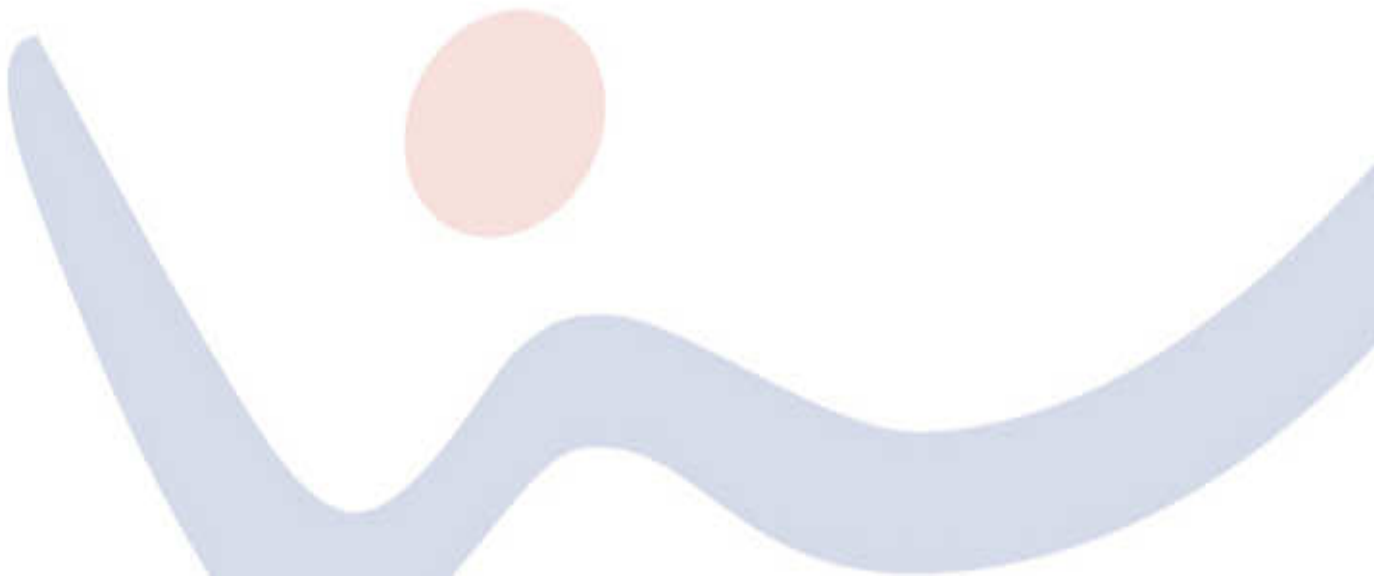
Relating to the agreement signed in 2015 between VimpelCom Ltd and CK Hutchison Holdings Ltd to create a joint venture that will control their telecommunications business in Italy, WIND and 3 Italy, it should be noted that on March 30, 2016, the European Commission, in the ordinary course of its business, started the so-called "Phase 2" of the investigation to assess whether the proposed joint venture between WIND and H3G Italy is in line with the EU Merger Regulation.

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. A focus there will be on the business 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.

WIND GROUP

**Consolidated interim financial statements as of and
for the three-month period ended March 31, 2016**

FINANCIAL STATEMENTS AND NOTES THERETO



BOARD OF DIRECTORS AND CORPORATE BODIES OF WIND TELECOMUNICAZIONI SPA

Board of Directors ⁽¹⁾

Chairman	Andrew Mark Davies
Directors	Maximo Ibarra, CEO
	Vincenzo Nesci
	Albert Hollema
	Alexander Dean Lemke

Board of Statutory Auditors ⁽²⁾

Chairman	Giancarlo Russo Corvace
Standing auditor	Roberto Colussi
Standing auditor	Maurizio Paternò di Montecupo
Substitute auditor	Lelio Fornabaio
Substitute auditor	Stefano Zambelli

⁽¹⁾ The shareholders' meeting of WIND convened on April 5, 2016 appointed the Board of Directors for a two- year term until the date of the shareholders' meeting that will meet for the approval of the Company's financial statements as at December 31, 2017. The Board of Directors of WIND held on same date confirmed Mr. Maximo Ibarra as Chief Executive Officer of the Company.

⁽²⁾ The Shareholders' meeting held on April 5 2016 appointed the Board of Statutory Auditors of the Company for a three-year term until the date of the shareholders' meeting convened for the approval of the Company's financial statements as at December 31,2018.

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CONSOLIDATED INCOME STATEMENT

<i>(millions of euro)</i>	Note	2016 3 months	2015 3 months
Revenue	5	1,038	1,040
Other revenue	6	26	38
Total revenue		1,064	1,078
Purchases and services	7	(566)	(551)
Other operating costs	8	(41)	(41)
Personnel expenses	9	(76)	(80)
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		381	406
Depreciation and amortization	10	(284)	(298)
Reversal of impairment losses/(impairment losses) on non-current assets		4	-
Gains / (Losses) on disposal of non-current assets	11	-	488
Operating income		101	596
Finance income	12	91	112
Finance expense	12	(155)	(176)
Foreign exchange gains / (losses), net		3	(13)
Profit before tax		40	519
Income taxes	13	(29)	(63)
Profit for the period		11	456
Non-controlling interests		-	-
Profit for the period attributable to the owners of the parent		11	456
Earnings per share (in euro) – basic and diluted:	20		
Earning per share from Continuing operations		0.07	3.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(millions of euro)</i>	Note	2016 3 months	2015 3 months
Profit for the period		11	456
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments		(4)	46
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss		1	(11)
Total Other comprehensive income that will be reclassified subsequently to profit or loss	19	(3)	35
Total Other comprehensive income for the period, net of tax		(3)	35
Total comprehensive income for the period	19	8	491
Total comprehensive income attributable to:			
<i>Owners of the parent</i>		8	491
<i>Non-controlling interests</i>		-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(millions of euro)</i>	Note	At March 31, 2016	At December 31, 2015
Assets			
Property, plant and equipment	14	2,802	2,855
Intangible assets	15	7,982	8,038
Financial assets	16	1,973	2,097
Investments accounted for using the equity method	17	77	77
Deferred tax assets	18	252	251
Total non-current assets		13,086	13,318
Inventories		46	30
Trade receivables		1,019	996
Financial assets	16	47	23
Current tax assets		14	18
Other receivables		233	220
Cash and cash equivalents		215	282
Total current assets		1,574	1,569
TOTAL ASSETS		14,660	14,887
Equity and Liabilities			
Equity			
Issued capital		147	147
Share premium reserve		752	752
Other reserves		13	16
Retained earnings		(357)	(368)
Equity attributable to owners of the parent	19	555	547
Non-controlling interests		-	-
Total equity	19	555	547
Liabilities			
Financial liabilities	22	10,784	10,970
Employee benefits		66	66
Provisions	21	108	118
Other non-current liabilities		131	138
Deferred tax liabilities	18	537	544
Total non-current liabilities		11,626	11,836
Financial liabilities	22	214	203
Trade payables		1,545	1,609
Other payables		672	649
Tax payables		48	43
Total current liabilities		2,479	2,504
Total liabilities		14,105	14,340
TOTAL EQUITY AND LIABILITIES		14,660	14,887

CONSOLIDATED CASH FLOW STATEMENT

<i>(millions of euro)</i>	Notes	2016 3 months	2015 3 months
Cash flows from operating activities			
Profit for the period		11	456
Adjustments to reconcile the loss for the period with the cash flows from/ (used in) operating activities			
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets		280	298
Net changes in provisions and employee benefits		(11)	(4)
Losses on disposal of non-current assets		-	6
Gain from sale of subsidiaries		-	(494)
Impairment on investments		-	13
Changes in current assets		(48)	(86)
Changes in current liabilities		(109)	(78)
Net cash flows from operating activities	25	123	111
Cash flows from investing activities			
Acquisition of property, plant and equipment		(114)	(123)
Acquisition of intangible assets		(59)	(50)
Proceeds from sale of subsidiaries		-	669
Inflows/(outflows) from loan granted		(8)	(7)
Net cash flows used in investing activities	25	(181)	489
Cash flows from financing activities			
Changes in loans		(9)	(472)
Net cash flows from / (used in) financing activities	25	(9)	(472)
Net cash flows for the period		(67)	128
Cash and cash equivalents at the beginning of the period		282	203
Cash and cash equivalents at the end of the period	25	215	331

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

<i>(millions of euro)</i>	2016 3 months	2015 3 months
Income taxes paid	(3)	(1)
Interest paid on loans/bonds	(129)	(151)
Interest (paid) / received on hedging derivative instruments	-	(1)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>(millions of euro)</i>	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)			
Balances at January 1, 2015	147	752	8	(796)	111	-	111
Total comprehensive income for period	-	-	35	456	491	-	491
- Profit for the period	-	-	-	456	456	-	456
- Cash flow hedges	-	-	35	-	35	-	35
Transactions with equity holders	-	-	-	-	-	-	-
Balances at March 31, 2015	147	752	43	(340)	602	-	602
Balances at January 1, 2016	147	752	16	(368)	547	-	547
Total comprehensive income for the period	-	-	(3)	11	8	-	8
- Loss for the period	-	-	-	11	11	-	11
- Cash flow hedges	-	-	(3)	-	(3)	-	(3)
Transactions with equity holders	-	-	-	-	-	-	-
Balances at March 31, 2016	147	752	13	(357)	555	-	555

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

1 INTRODUCTION

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".

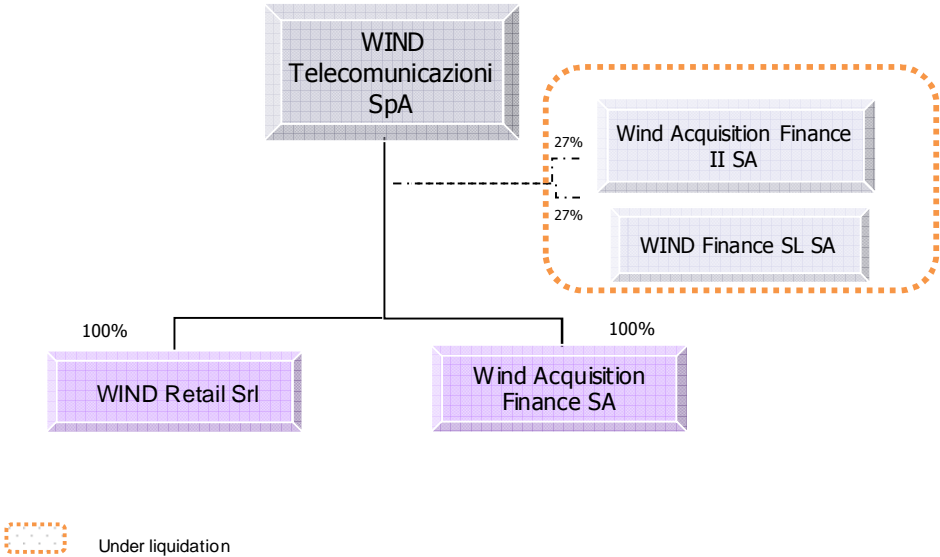
The following are the main offices of the Parent, WIND Telecomunicazioni SpA ("WIND" or the "Parent").

Registered office	Via Cesare Giulio Viola, 48 - 00148 Rome - Italy
Secondary office	Via Lorenteggio, 257 - 20152 Milan - Italy

The Parent WIND Telecomunicazioni SpA 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 period ended March 31, 2015 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.

The consolidated interim financial statements as of and for the three-month period ended March 31, 2016 include the financial statements of the Parent WIND Telecomunicazioni SpA and those of its subsidiaries.

The following diagram outlines the structure of the WIND Group at March 31, 2016.



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.

During the three-month period ended March 31, 2016 the Group produced a profit before tax of €40 million (€519 million for the three-month period ended March 31, 2015) and a profit for the period from continuing operations of €11 million (€456 million for the corresponding period). This result reflects the decrease in operating income mainly due to the gain recorded in the first quarter of 2015 on the sale of Galata SpA.

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. Relating to the agreement signed in 2015 between VimpelCom Ltd and CK Hutchison Holdings Ltd to create a joint venture that will control their telecommunications business in Italy, WIND and 3 Italy, it should be noted that on March 30, 2016, the European Commission, in the ordinary course of its business, started the so-called "Phase 2" of the investigation to assess whether the proposed joint venture between WIND and H3G Italy is in line with the EU Merger Regulation.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated interim financial statements of WIND Telecomunicazioni SpA as of and for the three-month period ended March 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.

The income statement and statement of comprehensive income figures provided relate to the three months ended March 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.

For the purposes of comparison, balances in the statement of financial position have been reclassified where necessary. These reclassifications do not affect the Group's profit for the period or equity.

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.

These consolidated financial statements were approved by the Parent's Board of Directors on May 10, 2016.

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 March 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 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 March 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 March 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 March 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 March 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 March 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 for by IFRS 7 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 March 31, 2016.

➤ *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 March 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 March 31, 2016.

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.

STANDARD/INTERPRETATION	IASB EFFECTIVE DATE
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 IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
Amendments to IAS 7: Disclosure Initiative	January 1, 2017
IFRS 16 Leases	January 1, 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 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 three-month period ended March 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.

There are no changes in the scope of consolidation compared to the consolidated interim financial statements as of and for the three-month period ended March 31, 2015.

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.

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. At March 31, 2016 the required operating procedures for the liquidation are not yet concluded. It is expected that these transaction will be finalized within the year 2016.

5 REVENUE

The following table provides an analysis of **Revenue** for the three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Revenue from sales	72	57	15	26.3%
- Telephone services	835	857	(22)	(2.6)%
- Interconnection traffic	97	94	3	3.2%
- International roaming	6	5	1	20.0%
- Judicial authority services	1	2	(1)	(50.0)%
- Other revenue from services	27	25	2	8.0%
Revenue from services	966	983	(17)	(1.7)%
Total	1.038	1.040	(2)	(0.2)%

The item shows a decrease for the three months of 2016 compared with 2014 of 0.2%. This effect is mainly due to a decrease in revenue from telephone services, only partially offset by an increase in revenue from sales and revenue from *interconnection traffic*.

The *Telephone services* show a decrease remaining at 2.6% in the first three 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.

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 period.

Revenue for interconnection traffic rose by 3.2% mainly due to increased incoming traffic volumes on mobile that were only partially offset by a decrease in both volumes and tariffs for incoming SMSs and MMSs and by the reduction of tariffs for calls to non-geographic numbers.

6 OTHER REVENUE

Other revenue amounts in total to €26 million in the three months of 2015, an increase of €12 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 three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Interconnection traffic	130	139	(9)	(6.5)%
Customer acquisition costs	42	45	(3)	(6.7)%
Lease of civil/technical sites and use of third party ssets	42	64	(22)	(34.4)%
Purchases of raw materials, consumables, supplies and goods	83	71	12	16.9%
Rental of local network and circuits	97	100	(3)	(3.0)%
Advertising and promotional services	23	24	(1)	(4.2)%
Outsourcing costs for other services	75	30	45	150.0%
Maintenance and repair	16	18	(2)	(11.1)%
Utilities	23	30	(7)	(23.3)%
National and international roaming	6	6	-	0.0%
Consultancies and professional services	10	7	3	42.9%
Change in inventories	(15)	(18)	3	(16.7)%
Other services	34	35	(1)	(2.9)%
Total purchases and services	566	551	15	2.7%

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the three-month period ended March 31, 2015:

- an increase of €45 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. This contract relates to the provision of a broad range of services mainly related hospitality on the contributed sites and sites subsequently built by Galata hosting WIND equipment;
- net increase of €15 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;

- a decrease of €22 million in *Lease of civil/technical sites and use of third party assets* and of €7 million in *Utilities* mainly due to the sale finalized on March 26, 2015 of 90% of Galata SpA;
- a decrease of €9 million in *Interconnection traffic* costs mainly due to a decrease in the volume of international termination traffic only partially offset by an increase in the corresponding tariffs and to a reduction of tariffs and volumes in SMS traffic;
- a decrease of €3 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 three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Impairment losses on trade receivables and current assets	26	26	-	0,0%
Accruals to provision for risks and charges	1	1	-	0,0%
Annual license and frequency fees	10	9	1	11,1%
Other operating costs	4	5	(1)	(20,0)%
Total other operating costs	41	41	-	0,0%

9 PERSONNEL EXPENSES

The following table provides an analysis of **Personnel expenses** for the three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Wages and salaries	69	69	-	0.0%
Social security charges	19	19	-	0.0%
Other personnel expenses	3	4	(1)	(25.0)%
Post-employment benefits	4	4	-	0.0%
(Costs capitalized for internal works)	(19)	(16)	(3)	18.8%
Total personnel expenses	76	80	(4)	(5.0)%

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 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 83 in the first three 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.

10 DEPRECIATION AND AMORTIZATION

The following table provides an analysis of *Depreciation and amortization* for the three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Depreciation of property, plant and equipment				
- Plant and machinery	166	173	(7)	(4.0)%
- Industrial and commercial equipment	3	3	-	0.0%
- Other assets	4	5	(1)	(20.0)%
Amortization of intangible assets with finite lives				
- Industrial patents and similar rights	27	28	(1)	(3.6)%
- Concessions, licenses, trademarks and similar rights	48	48	-	0.0%
- Other intangible assets	36	41	(5)	(12.2)%
Total depreciation and amortization	284	298	(14)	(4.7)%

Depreciation and amortization decrease by €14 million over the first three months of 2015 mainly due to i) lower depreciation of *Plant and machinery* 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 ii) 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 nil balance in the three months of 2016 while amounted in total to €488 million in the three months of 2015 mainly referred to the gain of €494 million 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 €64 million in the first three months of 2016 (€64 million in the first three months of 2015).

The following table provides an analysis of **Finance income** for the three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Income from derivative financial instruments no hedge accounting	66	90	(24)	(26.7)%
Other	25	22	3	13.6%
Total finance income	91	112	(21)	(18.8)%

The decrease 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 €65 million at March 31, 2016, compared to income of €90 million at March 31, 2015.

Other financial income at March 31, 2016 consists mainly of the interest of €25 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, (€22 million at March 31, 2015).

The following table provides an analysis of **Finance expense** for the three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Interest expense on:				
Bond issues	(146)	(135)	(11)	8.1%
Bank loans	(14)	(67)	53	(79.1)%
Hedge accounting effect	24	57	(33)	(57.9)%
Impairment losses on financial assets	5	(18)	23	(127.8)%
Fair value measurement of derivatives	(15)	-	(15)	n.m.
Other	(9)	(13)	4	(30.8)%
Total finance expense	(155)	(176)	21	(11.9)%

Finance expense consists mostly of accrued interest on financial liabilities outstanding at March 31, 2016, for which further details may be found in note 22 and the positive effect of hedge accounting of €24 million (€57 million at March 31, 2015) and the negative ineffectiveness recorded on hedging derivatives by €15 million.

Interest expense on Bond issues increase during the period over the three 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 March 31, 2016 also includes the positive effect arising from the release of a provision made in 2015, for which further details may be found in note 21.

13 INCOME TAX

The following table provides an analysis of *Income tax* for the three months of 2016 compared with the corresponding period of 2015.

<i>(millions of euro)</i>	2016	2015	Change	
	3 months	3 months	Amount	%
Current tax	(35)	(51)	16	(31,37)%
Previous years income taxes	-	(3)	3	(100,00)%
Deferred tax	6	(9)	15	(166,7)%
Total income taxes	(29)	(63)	34	(54,0)%

The net charge for the period is made up of the following:

- current income taxes expense of €35 million (of which €28 million for IRES tax and €7 million for IRAP tax) charged on the consolidated taxable income for the period;
- net deferred tax income of €6 million, arising from the release of deferred tax liabilities.

14 PROPERTY, PLANT AND EQUIPMENT

The following table sets out the changes in *Property, Plant and Equipment* during the first three months of 2016.

<i>(millions of euro)</i>	Carrying amount at December 31, 2015	Additions	Depreciation	(Impairment) / Reversal	Disposals	Others	Carrying amount at March 31, 2016
Land and buildings	1	-	-	-	-	-	1
Plant and machinery	2,678	62	(166)	-	(1)	53	2,626
Equipment	19	3	(3)	-	-	1	20
Other	48	-	(4)	-	-	4	48
Assets under construction	109	49	-	4	-	(55)	107
Total	2,855	114	(173)	4	(1)	3	2,802

The cost, accumulated impairment losses and accumulated depreciation at March 31, 2016 can be summarized as follows.

<i>(millions of euro)</i>	At March 31, 2016			Carrying amount
	Cost	Accumulated impairment losses	Accumulated depreciation	
Land and buildings	1	-	-	1
Plant and machinery	10,773	79	8,067	2,627
Equipment	165	-	145	20
Other	503	-	456	47
Assets under construction	127	20	-	107
Total	11,569	99	8,668	2,802

The decrease in *Property, Plant and Equipment* of €53 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 (3G and LTE technologies).

15 INTANGIBLE ASSETS

The following table sets out the changes in *Intangible assets* during the first three months of 2016.

<i>(millions of euro)</i>	Carrying amount at December 31, 2015	Additions	Amortization	Others	Carrying amount at March 31, 2016
Industrial patents and intellectual property rights	274	18	(27)	6	271
Concessions, licenses, trademarks and similar rights	3,779	-	(48)	-	3,731
Other intangible assets	347	10	(36)	18	339
Goodwill	3,604	-	-	-	3,604
Assets under development	34	31	-	(28)	37
Total	8,038	59	(111)	(4)	7,982

The cost, accumulated impairment losses and accumulated amortization at March 31, 2016 can be summarized as follows.

<i>(millions of euro)</i>	At March 31, 2016			Carrying amount
	Cost	Accumulated impairment losses	Accumulated amortization	
Industrial patents and intellectual property rights	1,872	13	1,588	271
Concessions, licenses, trademarks and similar rights	5,779	1	2,047	3,731
Other intangible assets	1,923	-	1,584	339
Goodwill	3,609	5	-	3,604
Assets under development	39	-	-	37
Total	13,222	21	5,219	7,982

The decrease in *Intangible assets* of €56 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 March 31, 2016 given the absence of impairment indicators.

16 FINANCIAL ASSETS

The following table sets out *Financial assets* at March 31, 2016 and at December 31, 2015 .

<i>(millions of euro)</i>	At March 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	852	-	852	985	-	985
Financial receivables	1.119	47	1.166	1,110	23	1,133
Total	1.973	47	2.020	2,097	23	2,120

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 €852 million for which details may be found in note 23.

The *Financial receivables*, amounting €1,166 million at March 31, 2016 mainly include:

- for €1,155 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 €43 million relating accrued interest). In particular, the first one, with a nominal value of €1,057 million including capitalized interests at March 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 €55 million at March 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 €6 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 March 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 March 31, 2016.

18 DEFERRED TAX ASSETS AND LIABILITIES

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by origin at March 31, 2016 and at December 31, 2015 .

<i>(millions of euro)</i>	At December 31, 2015	Decrease	Increase	At March 31, 2016
Allowance for doubtful accounts (taxed)	46	-	6	52
Provisions for risks and charges (taxed)	27	2	1	26
Measurement of financial assets/liabilities	130	1	-	129
Amortization and depreciation of non-current assets	47	4	1	44
Revenues	1	-	-	1
Deferred tax assets	251	7	8	252
Employee benefits	2	-	-	2
Accelerated depreciation and amortization	10	1	-	9
Fair value of Property, plant, and equipment	26	6	-	20
Depreciation of Purchase Price Allocation	505	1	1	505
Revenues	1	-	-	1
Deferred tax liabilities	544	8	1	537

Deferred tax assets at March 31, 2016 and December 31, 2015 which relate to items recognized directly in other components of profit or loss relate mainly to the transactions on derivatives hedging cash flows, as described in further detail in note 23.

The following table provides an analysis of **Deferred tax assets** and **Deferred tax liabilities** at March 31, 2016 and December 31, 2015, between those falling due within 12 months and those falling due after 12 months.

<i>(millions of euro)</i>	At March 31, 2016	At December 31, 2015
-within 12 months	60	49
-after 12 months	192	202
Total	252	251

<i>(millions of euro)</i>	At March 31, 2016	At December 31, 2015
-within 12 months	9	37
-after 12 months	528	507
Total	537	544

19 EQUITY

The following table sets out the composition of Shareholders' **Equity** at March 31, 2016 and December 31, 2015.

<i>(millions of euro)</i>	At March 31, 2016	At December 31, 2015
Issued Capital	147	147
Share premium reserve	752	752
Other reserves and retained earnings (accumulated losses), including profit for the year	(344)	(352)
- Reserve for remeasurements of employee defined benefit plans (IAS19)	(6)	(6)
- Cash flow reserve	(43)	(40)
- Legal reserve	29	29
- Sundry reserves and retained earnings (accumulated losses), including profit for the year	(324)	(335)
Equity attributable to the owners of the parent	555	547
Total Equity	555	547

On April 5, 2015, 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 increase 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.

<i>(millions of euro)</i>	Interest rate risk			Foreign currency risk			Cash Flow Hedge Reserve
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	
At December 31, 2015	(37)	-	(37)	(3)	1	(2)	(40)
Changes in fair value	6	-	6	(4)	1	(3)	3
Reverse to income statement	(5)	-	(5)	(1)	0	(1)	(6)
At March 31, 2016	(36)	-	(36)	(8)	2	(6)	(43)

The share capital of the parent WIND Telecomunicazioni SpA at March 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 March 31, 2016 or March 31, 2015.

21 PROVISIONS

The following table sets out changes in **Provisions** during the first three months of 2016.

<i>(millions of euro)</i>	At December 31, 2015	Increases	(Utilization)	(Release)	At March 31, 2016
Litigation	29	1	(1)	-	29
Personnel restructuring	10	-	(4)	-	6
Universal service contribution (Presidential Decree no. 318/1997)	5	-	-	-	5
Product assistance	1	-	-	-	1
Dismantling and removal	23	-	-	-	23
Other provisions	50	2	(3)	(5)	44
Total	118	3	(8)	(5)	108

This item decreased by €10 million at March 31, 2016, as the net of accruals made principally for certain and probable liabilities arising from the obligations undertaken by the Group and the amounts utilized/released during the period. In this respect, the 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, and

the utilization of the restructuring provision in the amount of €4 million is mainly due to the implementation of the business's restructuring and underlying reorganization plan drawn up.

22 FINANCIAL LIABILITIES

The following table sets out an analysis of *Financial liabilities* at March 31, 2016 and changes with respect to December 31, 2015 .

<i>(millions of euro)</i>	At March 31, 2016			At December 31, 2015		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	9,946	194	10,140	10,135	158	10,293
Bank loans	672	-	672	671	8	679
Loans from others	128	10	138	128	19	147
Derivative financial instruments	38	10	48	36	18	54
Total financial liabilities	10,784	214	10,998	10,970	203	11,173

The following tables provide the most important information regarding bank loans and bond issues outstanding at March 31, 2016.

<i>(millions of euro)</i>	Carrying amount at March 31, 2016	Carrying amount at December 31, 2015	Nominal amount at March 31, 2016	Residual Commitment	Currency	Due date	Interest rate
Senior Facility Agreement							
- Term Loan B1	672	679	700	700	EUR	11/26/2019	Euribor+4.25
- RCF R1	-	-	-	400	EUR	11/26/2019	Euribor+4.25
Total	672	679	700	1,100			

<i>(millions of euro)</i>	Carrying amount at March 31, 2016	Carrying amount at December 31, 2015	Nominal amount at March 31, 2016	Issue price	Currency	Due date	Interest rate	Price
Senior Secured Floating Rate Notes 2020 €	399	399	400	100%	EUR	07/15/2020	Euribor 3M+4.125%	98.0%
Senior Secured Notes tap 2020 €	379	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 \$	491	506	483	100%	USD	04/30/2020	6.50%	101.4%
Senior Notes 2021 €	1,786	1,755	1,750	100%	EUR	04/23/2021	7.00%	95.5%
Senior Notes 2021 \$	2,556	2,611	2,460	100%	USD	04/23/2021	7.38%	90.5%
Senior Secured Notes 2020 €	2,104	2,124	2,100	100%	EUR	07/15/2020	4.00%	99.0%
Senior Secured Notes 2020 \$	1,702	1,792	1,670	100%	USD	07/15/2020	4.75%	94.3%
Senior Secured Floating Rate Notes 2020 €	574	574	575	100%	EUR	07/15/2020	Euribor 3M+4%	96.5%
Totale	10,140	10,293	9,963					

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at March 31, 2016.

(millions of euro)

	At March 31, 2016					Total
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	
Euro	3,456	2,641	37	129	-	6,263
US dollars	1,677	491	2,519	-	-	4,687
Total	5,133	3,132	2,556	129	-	10,950

Changes in balances of bonds at March 31, 2016 is due mainly to the change in the period of the euro/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 March 31, 2016.

The change in the balances in other financial liabilities results essentially from the repayment during the period of €9 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 23.

23 DERIVATIVE FINANCIAL INSTRUMENTS

The following table provides details of the outstanding *Derivative financial instruments* at March 31, 2016 and changes over December 31, 2015, analyzed by the type of risk hedged.

(millions of euro)

	At March 31 2016		At December 31, 2015	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
- Exchange rate risk	524	-	682	-
- Interest rate risk	-	48	-	54
Total cash flow hedges	524	48	682	54
- Exchange rate risk	248	-	288	-
Total fair value hedges	248	-	288	-
- Embedded derivatives on Bonds	80	-	15	-
Total Derivatives Non Hedge Accounting	80	-	15	-
Total	852	48	985	54

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 March 31, 2016		At December 31, 2015	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current	-	10	-	18
Non current	852	38	985	36
Total derivatives	852	48	985	54

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.

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.

<i>(millions of euro)</i>	At March 31, 2016	At December 31, 2015
Bonds issues	9,946	10,135
Bank loans	672	671
Loans from other	128	128
Derivative financial instruments	38	36
Non-current financial liabilities	10,784	10,970
Bonds issues	194	158
Bank loans	0	8
Loans from others	10	19
Derivative financial instruments	10	18
Current financial liabilities	214	203
TOTAL GROSS FINANCIAL DEBT	10,998	11,173
Cash and cash equivalents	(215)	(282)
Derivative financial instruments	-	-
Financial receivables	(44)	(20)
Current financial assets	(44)	(20)
Derivative financial instruments	(851)	(985)
Financial receivables	(1,118)	(1,109)
Non-current financial assets	(1,969)	(2,094)
NET FINANCIAL DEBT	8,770	8,777

The net financial debt at March 31, 2016 does not include the guarantee deposits for an amount of €4 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 €123 million in the first three months of 2016, increased €12 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 €181 million during the first three months of 2016, mainly due the investments in fixed assets (3G and LTE mobile technology) that have a stable trend compared to the first three months of 2015. During the first three months of 2015 cash flow from investing activities amounted to 489 mainly due to the effect of the sale of 90% of Galata SpA.

Financing activities used cash of €9 million during the first three months of 2016, mainly as the effect of the repayment of €9 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.

During the first three months of 2015 financing activities used cash of €472 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) of the repayment of €8 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; iv) €42 million of overdraft; v) €14 million of fees, mainly related to refinancing operation finalized on March 30 2015; 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 (€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 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 March 31, 2016) and up to €75 million (which €52 million disbursed March 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 service 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 March 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.

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.

	Period ended March 31, 2016							
	Revenue	(Finance expense) / Foreign exchange gains	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
Armenija Telefon Kompani	2	-	2	1	-	-	17	-
DiGi (Malaysia)	-	-	-	6	-	-	1	-
DTAC/UCOM (Thailand)	2	-	7	2	-	-	7	-
GrameenPhone (Bangladesh)	15	-	7	21	-	-	30	-
KaR-Tel	8	-	6	7	-	-	8	-
Kievstar	406	-	5,224	-	78	-	8,272	-
Maritim Communication Partner AS	-	-	31	-	-	-	48	-
Mobitel LLC Georgia	-	-	2	-	-	-	6	-
Orascom Telecom Algeria SpA	42	-	41	339	-	-	23	-
Orascom Telecom Bangladesh Ltd.	-	-	26	507	-	-	-	-
Orascom Telecom Holding SAE	-	-	-	336	-	-	1,977	-
Pakistan Mobile Communications Ltd.	7	-	7	424	-	-	-	-
SKY MOBILE LLC	-	-	-	-	-	-	1	-
Telenor Magyarorszag KFT	18	-	5	26	-	-	12	-
Telenor Mobile Communications AS	34	-	4	-	-	-	65	-
Telenor Pakistan (Pakistan)	-	-	1	-	-	-	3	-
Telenor Serbia (Serbia)	5	-	7	52	-	-	56	-
Unitel	-	-	1	1	-	-	2	-
Vimpelcom td	194	-	-	-	5,185	-	-	-
VimpelCom LaoCo,Ltd	-	-	-	1	-	-	-	-
Vympel-Kommunikacii	277	-	2,131	162	-	-	1,403	-
Weather Capital Sarl	-	-	-	369	-	-	-	-
WIND Acquisition Holdings FinanceSpA	11	(25,133)	-	-	2,114	1,155,402	-	141,985
Wind Telecom SpA*	70	298	3,913	-	23,090	-	-	40,556
Galata SpA	46	-	46,635	-	1,479	-	26,811	90
Vimpelcom International services	-	-	2,149	-	986	-	35,684	-
Telenor Sverige AB	2	-	-	-	-	-	10	-
Weather Capital Special Purposes ISA	16	-	-	436	-	-	-	-
Klarolux Investments Sarl	4	-	-	92	-	-	-	-
Global Luxembourg SARL	4	-	-	85	-	-	-	-
Global Telecom SARL	4	-	-	85	-	-	-	-
Global Telecom Finance SCA	4	-	-	85	-	-	-	-
Global Luxembourg Finance SCA	4	-	-	85	-	-	-	-
Global Telecom Acquisition	4	-	-	71	-	-	-	-
Global Telecom One Sarl	4	-	-	71	-	-	-	-
Global Telecom Oscar	6	-	-	123	-	-	-	-
VimpelCom Amsterdam B.V.	-	-	-	-	4,656	-	-	413
Telenor Bulgaria EAD	16	-	13	24	-	-	16	-
DTAC TriNet Co., Ltd.	10	-	3	15	-	-	2	-
Total	1,215	(24,835)	60,215	3,426	37,588	1,155,402	74,454	183,044

* payables to Wind Telecom SpA relate in the amount of €21,033 thousand and of €1,790 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.

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 March 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, 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. On February 2016, AGCM opened a new proceeding, currently on-going, against WIND for alleged unfair commercial practices .

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.

During first half of 2015 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 March 31, 2016.

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.

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 the Judges have scheduled the next terms for filing the final memorandum within the end of June 2016.

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 March 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;
- 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 €108 million at March 31, 2016 includes:

- sureties totaling €21 million issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €87 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.

28 SUBSEQUENT EVENTS

No significant events took place after the closing of this consolidated interim financial statements as of and for the period ended March 31, 2016 that would require adjustments or additional disclosures in the consolidated financial statements.