



**AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

WIND TELECOMUNICAZIONI SPA

INTERIM FINANCIAL STATEMENTS AS OF 30 JUNE 2014



AUDITORS' REPORT ON THE REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of
Wind Telecomunicazioni SpA

1. We have reviewed the consolidated interim financial statements of Wind Telecomunicazioni SpA and its subsidiaries (Wind Telecomunicazioni Group) as of 30 June 2014, which comprise the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, 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.
2. 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.

The comparative data of the consolidated financial statements of the prior period, and the consolidated interim financial statements of the prior interim period, which are presented for comparative purposes, have been audited and reviewed, respectively, by other auditors and, consequently, reference is made to their reports dated 21 March 2014 and 7 August 2013.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70124 Via Don Luigi Guanella 17 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Dante 7 Tel. 01029041 - **Napoli** 80121 Piazza dei Martiri 58 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43100 Viale Tanara 20/A Tel. 0521275911 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Via Grazioli 73 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Verona** 37135 Via Francia 21/C Tel. 0458263001



3. 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 30 June 2014 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, 12 August 2014

PricewaterhouseCoopers SpA

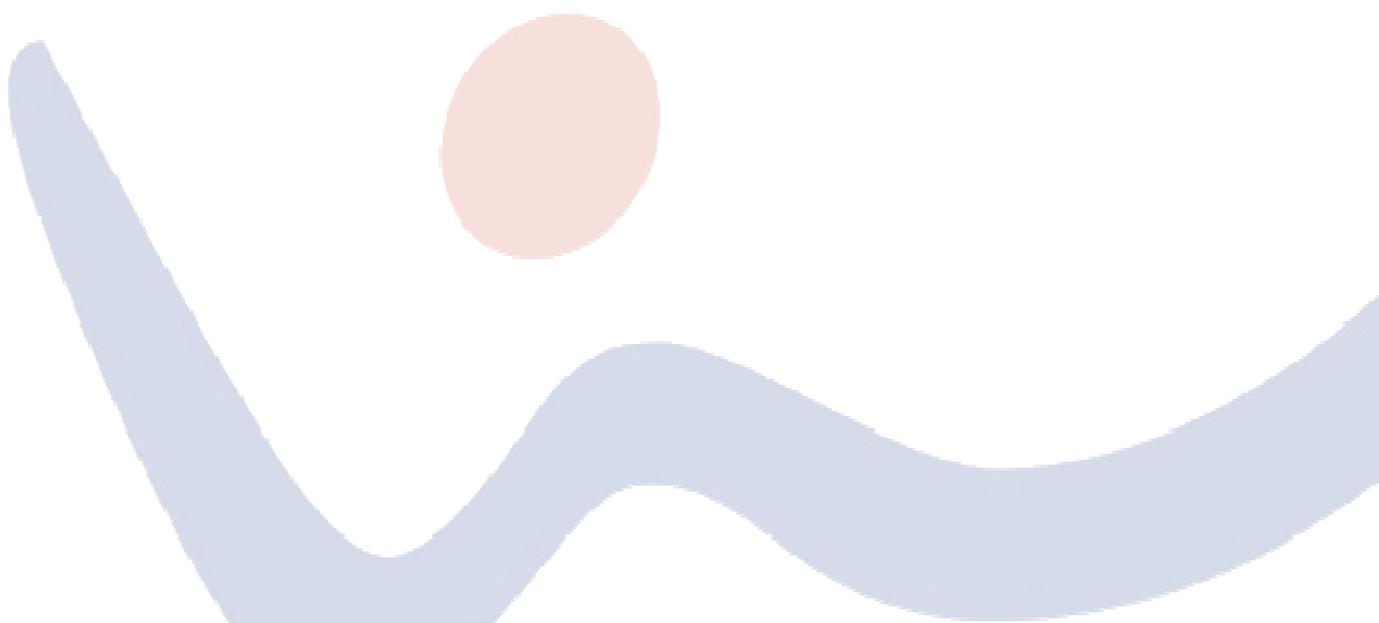
Signed by

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.

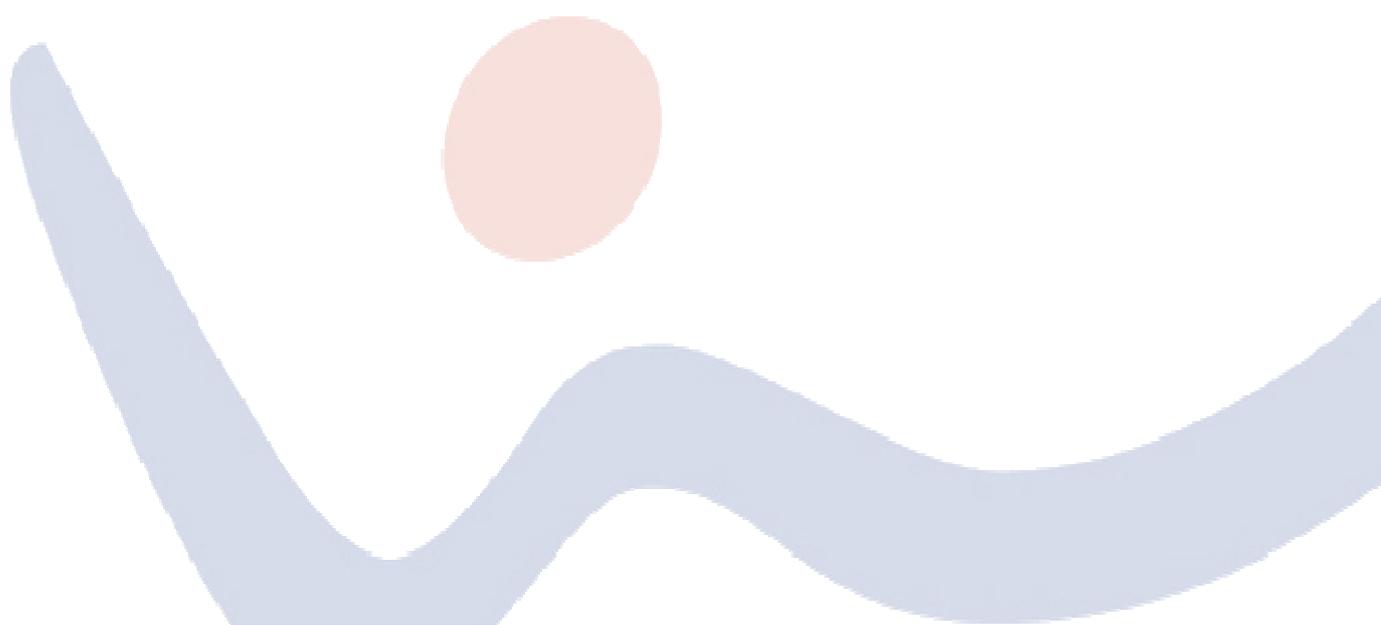
WIND TELECOMUNICAZIONI GROUP

**Consolidated interim financial statements as of and
for the six-month period ended June 30, 2014**



WIND TELECOMUNICAZIONI GROUP

Report on operations at June 30, 2014



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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" 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.

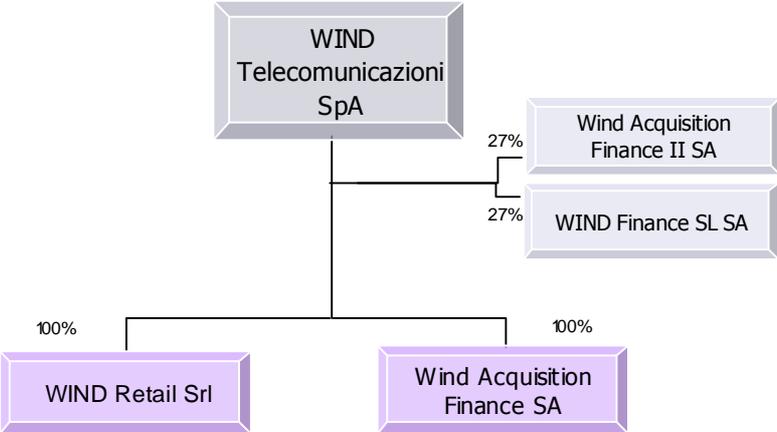
The following are the main offices of the Parent WIND Telecomunicazioni SpA:

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 Vimpelcom Amsterdam BV holds 92.24% of Wind Telecom.

The following diagram outlines the structure of the WIND Group at June 30, 2014.



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
	Felix Saratovsky

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⁾ On February 27, 2014, Mr. Jo Olav Lunder resigned from his office as Board member of WIND and Chairman of the Board of Directors of the Company. On March 5, 2014 the Board of Directors of the Company co-opted Mr. Andrew Mark Davies as a member of the Board of Directors and Chairman of the Board until the shareholders' meeting of WIND approving the financial statement as of December 31, 2013. The shareholders' meeting of WIND dated April 18, 2014, that approved the financial statement of the Company as of December 31, 2013, appointed the new Board of Directors for a two- year term until the date of the shareholders' meeting convened for the approval of the Company's financial statements as at December 31, 2015. The Shareholders' meeting further confirmed Mr. Davies as Chairman of the Board of Directors of WIND. The Board of Directors of WIND convened on April 18, 2014 confirmed Mr. Maximo Ibarra as Chief Executive Officer of the Company.

⁽²⁾ The Shareholders' meeting held on April 12, 2013 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 at December 31,2015.

WIND GROUP HIGHLIGHTS AT JUNE 30, 2014

The operating and financial data reported below are taken from the Group's consolidated financial statements as of and for the period ended June 30, 2014, prepared in accordance with the IFRS endorsed by the European Union.

Below are the main indicators of the WIND's Group on June 30, 2014, with a comparison with the corresponding figures for 2013.

Operational data

	At June 30, 2014	At June 30, 2013
Mobile customers (millions of SIM Cards)	21,9	22,3
Mobile ARPU (euro/month)	11,0	12,4
Fixed-line customers (millions of lines)	2,9	3,0
Fixed-line ARPU (euro/month)	29,8	31,2
Mobile network coverage ⁽¹⁾	99,86%	99,83%
Employees (headcount)	6.963	6.960

⁽¹⁾ As a percentage of the Italian population.

Income statement figures (millions of euro)

	2014 6 months	2013 6 months
Revenue	2.290	2.495
EBITDA ⁽¹⁾	865	936
Operating income	253	305
Net finance expense	(681)	(426)
Loss for the period attributable to the owners of the parent	(403)	(173)

⁽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

Statement of financial position figures (millions of euro)

	At June 30, 2014	At December 31, 2013
Total assets	14.590	13.956
Equity attributable to		
owners of the parent	369	787
non-controlling interests	0,0	0,1
Total liabilities	14.221	13.170
Net financial indebtedness	9.606	9.145

Total **revenue** in the six months ended June 30, 2014, reached €2,290 million decreasing by 8%. This effect is mainly due to a decrease in revenue from telephone services, revenue from sales and revenue from *Interconnection traffic*.

Telephone services are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 10.3% in the first half of 2014 compared with 2013, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The decrease in *Revenue from sales* is due to the decrease in the sale of mobile telephone handsets only partially offset by a shift in sales towards high-range terminals.

Interconnection traffic revenue decrease mainly due to the general reduction of unit tariffs, only partially offset by an increase in interconnection traffic revenue from VAS Not Voice due to an increase in traffic volumes.

EBITDA amounted to €865 million in the first six months of 2014, a decrease of €71 million compared to the corresponding period of 2013 while **Operating income** for the first six months of 2014 amounted to €253 million, a decrease of €52 million compared with the first six months of 2013.

Net finance expense for the first six months of 2014 amounted to €681 million, an increase of €255 million compared with the first six months of 2013 mainly due to the expenses arising from the refinancing that occurred in April 2014.

Loss for the first six months of 2014 attributable to owners of the Parent closes at €403 million, compared to a loss of €173 million for the first six months of 2013.

Net financial indebtedness totaled €9,606 million at June 30, 2014, an increase of €455 million over December 31, 2013. The following table sets out the components of net financial indebtedness at June 30, 2014 and the changes which have occurred since December 31, 2013.

<i>(millions of euro)</i>	At June 30, 2014	At December 31, 2013	Change amount	%
FINANCIAL LIABILITIES				
Non-current financial liabilities				
Bonds	7,398	6,281	1,117	17.8%
Financing from banks	2,273	2,291	(18)	(0.8)%
Financing from other lenders	320	330	(10)	(3.0)%
Derivative financial instruments	226	182	44	24.2%
Current financial liabilities				
Bonds	341	181	160	88.4%
Financing from banks	261	146	115	78.8%
Financing from other lenders	123	143	(20)	(14.0)%
Derivative financial instruments	2	15	(13)	(14.0)%
TOTAL GROSS FINANCIAL INDEBTEDNESS (A)	10,944	9,569	1,375	14.4%
FINANCIAL ASSETS				
Non-current financial assets				
Derivative financial instruments	23	69	(46)	(66.7)%
Financial receivables	944	40	904	n.m.
Current financial assets				
Financial receivables	23	174	(151)	(86.8)%
Cash and cash equivalents	348	141	207	n.m
TOTAL FINANCIAL ASSETS (B)	1,338	424	914	n.m.
NET FINANCIAL INDEBTEDNESS (A-B)	9,606	9,145	461	5.0%

THE ITALIAN TELECOMMUNICATIONS SERVICES MARKET

Industry overview

Italy is Europe's fourth largest telecommunications services market by revenue. The total value of the Italian mobile market for 2014 is estimated to be approximately €14 billion, a decline over 2013 due to a contraction in voice services that is only partially offset by an increase in internet services.

The Italian fixed-line market (Voice and VAS) for 2014 is estimated to be worth approximately €6.4 billion, a decrease over 2013 mainly as the result of a drop in voice traffic revenues. Value added service revenues are estimated to be 10% of this market. The value of the internet access industry for 2014 is estimated to be approximately €4.3 billion, with the broadband segment accounting for the whole market.

The mobile network telecommunications services market in the first half of 2014 saw Operators continue to compete over new customers, above all by differentiating their offer portfolios and through competition on tariff plans.

The market is increasingly dominated by bundle offers which include voice SMS and data traffic, also in "unlimited" packages. Operators continue to launch numerous initiatives to reward their more loyal customers (those who make top-ups or those who introduce new customers). The main changes in the first quarter related to fixed-mobile network convergent profiles and in the second quarter the offer of contents.

Mobile navigation continued to be sustained, also through the addition of streaming and 4G navigation services. Operators have added options in their portfolios for increased traffic in their bundles and for the supply of handsets at reduced prices.

Finally, Operators continued developing innovative services in terms of contents and security, with particular attention being placed on contactless SIM-based services, machine-to-machine services, money transfers by mobile phone, mobile POS, e-commerce, m-payment, m-ticketing, Cloud, Social and direct billing with the intention of providing a significant stimulus to data traffic usage.

The use of 4G services was promoted on the Business market and new packages containing voice, SMS and data traffic out of Italy and into Italy were introduced. Particular emphasis was given to rechargeable plans for sole traders and businesses on which the government concessionary tax is not applied and to mobile POS offers, following the introduction of the requirement for all small businesses to have available a POS device from the end of June.

Offers for the Consumer market were revised with the reshaping of certain profiles, with tariffs for calling abroad and initiatives designed to reward both new customers and those who remain loyal. The offer of contents was extended in the second quarter and, in certain cases, the possibility exists of associating a tariff plan with a number of different SIM cards.

In the first half of 2014, the fixed network telecommunications services market continued to propose bundle offers with telephone calls and ADSL navigation, to which Operators added calls to mobile numbers, calls abroad and in some cases SIMs for mobile network services. Voice and data plans were proposed with promotions discounting monthly fees and activation and hire charges for WiFi modems and including technological products (PCs, smartphones and tablets).

Convergent plans with a single bill were launched in the first quarter of the year for fixed and mobile network services, while in the second quarter the offer concentrated on Pay-TV contents, seeking to take advantage of the World Cup, thanks also to new partnerships.

Voice and data bundle offers became increasingly widespread in the Business world, enriched with additional volumes of fixed-mobile traffic, international traffic and integration with mobile network services. Cloud and Unified Communication were the subject of the offers made by the main Operators, together with a few targeted solutions for businesses having premises at several locations, and hotels.

The ultra-broadband internet offer continued to spread; in June the coverage of ultra-broadband networks (above 30 Mbps) in Italy reached 24% of the population with 69 urban centers, the majority of which in the north of Italy. In addition, according to the Operators' plans, this coverage is expected to arrive at 50% by 2016.

Mobile telecommunications

The Italian mobile telephone market is the fourth largest European market by revenue after France, the United Kingdom and Germany. There are four infrastructure operators in Italy who offer mobile telephone services to the approximately 89.4 million SIMs registered at June 30, 2014, equal to a penetration rate of approximately 147% 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 approximately 80% of Italian mobile customers subscribe to prepaid mobile telephone services, which have low customer acquisition costs and higher margins compared with other European countries.

Excluding MVNOs, at June 30, 2014 WIND had an estimated market share of 24.5%, while Telecom Italia and Vodafone had shares of 34.4% and 30.1% respectively, and H3G 11%.

Fixed telephone services market

Voice

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

Internet

By June 30, 2014, broadband internet access had reached a penetration level of 67% of the total of fixed lines in Italy. Broadband services in Italy have been rising rapidly since 2001 to reach approximately 13.8 million connections or approximately 23% of the population. Despite the recent significant growth in broadband, Italy is still behind other European countries, mainly due to the insufficient dissemination of VDSL technology.

COMMERCIAL AND OPERATING PERFORMANCE

Mobile telephony

At June 30, 2014, WIND had 21.9 million mobile telephone customers, a light decrease over June 30, 2013, thus further increasing its market share (calculated by excluding MVNO operators) by 0.4% percentage points to reach 24.5% compared to 24.1% in the first six months of 2013.

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

Mobile telephony	2014 6 M	2013 6 M	Change
Customer base (millions of SIM cards)	21.9	22.3	(2%)
Revenues (millions of euros)	1,575	1,777	(11%)
Voice traffic (billions of minutes)	34.4	29.7	16%
ARPU (euros/month)	11.0	12.4	(11%)
Data ARPU as a % of total ARPU	38.6%	33.4%	

Consumer offer

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

In June, WIND completely renewed its rechargeable offer, providing a wide range of offers to choose from: the *All Inclusive* solutions and the *Noi* solutions, which consist solely of voice traffic. WIND has additionally introduced the possibility for all customers, new and old alike, to customize their offer, thanks to a range of optional extras which allow the bundle selected to be increased by more minutes, more SMSs and more internet.

An important innovation of 2013, which WIND also confirmed as the cornerstone of its offer in the first half of 2014, is WIND Best Price, under which the *Unlimited* subscription and rechargeable offer is automatically updated, ensuring that the customer always obtains the best price.

The first six months of 2014 were characterized by promotions in "limited editions" in order to continue acquiring new customers by enhancing the *All Inclusive Offers* with one extra GB and/or unlimited minutes to WIND numbers and the introduction of the *All Inclusive Young Edition*, an offer for the under 30s; *All Inclusive WIND Unlimited*, which offers everything unlimited towards WIND numbers, has been enhanced with 100 minutes and 100 SMSs to anyone.

In the subscription world, WIND continues to propose a dedicated promotion with a discount of 150 euros to encourage potential customers to pass over from other operators.

In addition, the subscription portfolio was enriched in June with the new entry level offer *All Inclusive Kq*, which for a monthly charge of €17 provides 800 minutes, 400 SMSs and 2GB of internet. Looking on the other hand at the data portfolio, in the first half of 2014 WIND simplified its subscription offer by proposing two denominations, 3GB and 10GB. The possibility still remains for *All Inclusive* customers to add internet traffic on a secondary SIM card at a cost of only €5 a month with the *Digital Super SIM* offer.

In the rechargeable market, in June WIND launched a completely new internet portfolio, with its *Open Internet* offers having denominations of 3GB, 6GB and 12GB to respond to all needs. In addition, WIND has introduced a big innovation: the possibility of sharing the GBs in its *Open Internet* offer with other mobile devices (smartphones, tablets, internet keys) and also with family members. The new internet offers reflect WIND's values of transparency, clarity and customer care, offering customers the possibility, in the event that all the GBs included in their offer are used up, to start the option again early using the *Restart* service or to change their *Open Internet* at no cost.

WIND has long had solutions available for its rechargeable and subscription customers that allow them to purchase a new smartphone by installment at exclusive prices; the difference this half year is an exclusive offer that WIND has dedicated to its customers having a rechargeable for at least one year: a smartphone by installment at an even more advantageous price and above all with an extra 1GB free of charge for the whole of the *Telefono Incluso* contract term.

Starting June WIND has dedicated a new promotion to its existing customers: *Porta i Tuoi Amici in WIND*, which offers WIND customers who introduce friends coming from other operators, and friends passing over to WIND, 3 months of unlimited calls to everybody and 1 year of internet free of charge, with the possibility of also creating a virus effect: the more friends you bring in, the more months of promotion you obtain.

In line with its "closer" to customers positioning, WIND has introduced a product portfolio wholly dedicated to non-Italian customers with solutions tailored to their needs: advantageous tariffs for calling abroad, unlimited calls towards WIND and with *Call Your Country Super* a complete solution including minutes towards everyone and internet included.

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 tailored offers to suit each market segment.

WIND offers customized services tailored to their specific requirements for large-scale businesses, which often call for offers on a competitive basis for their mobile telephony needs. With its offer based on a business's budget, WIND has increased its package of proposed services based on "all inclusive" monthly charge solutions: 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 level and at a single SIM level. In 2014 the Large WIND market has again also been able to benefit from the *All Inclusive Business* offers in both the package and *Unlimited* version. The larger companies are increasingly gearing themselves towards offers in prepaid mode so that they can further increase control over their telecommunication expenses.

Faced with an 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 sphere of professionals, self-employed workers and small businesses, WIND Business is present in the pull channel (WIND Retail, Dealer, Franchising, large retail chains (GDOs)) with its *All Inclusive* subscription offer which includes minutes and SMSs to anyone, unlimited internet from smartphones and unlimited calls between colleagues. The top of the range offer is *All Inclusive Unlimited Premium* which includes unlimited minutes, SMSs and internet in Italy, 1000 minutes of calls to abroad and bundles of calls, SMSs and internet in roaming. The *Telefono Incluso* option can be combined with the bundles

In addition, the new *Ricarica Smart* service in the *All Inclusive Unlimited* offer was launched on the pull sales channel in November 2013. This enables customers to automatically top up their credit for an amount equal to the monthly

fee for the offer; further, an automatic account statement service is offered free of charge to customers registered for VAT, which is useful for tax purposes.

The WIND Business subscription offer *All Inclusive Business* mobile offer is available for small and medium businesses on the push sales channel; this consists of 3 tariff plans *Big*, *Unlimited* and *Unlimited Premium*, and has acquired even more value thanks to the new Cre@Sito and Pec Smart Digital Services and more internet traffic, arriving at up to 3 GB on the *Unlimited* plans.

The mobile WIND Business prepaid offer for small and medium businesses, *All Inclusive Aziende Ricaricabile*, paid for through a monthly charge on the customer's telephone account, consists of an entry level *All Inclusive Aziende Ricaricabile* tariff plan, an intermediate *All Inclusive Aziende Ricaricabile Big* tariff plan and an *All Inclusive Aziende Ricaricabile Unlimited* solution. The new rechargeable offer, which since being launched in March 2014 has encountered very positive effects on the market, provides customers with the possibility of activating the *Ricarica Automatica* service by selecting between "by Threshold" or "by Time". The rechargeable offer enables customers to keep maximum control of their telephone spending as they can decide independently whether or not to activate the automatic top-up for their employees.

The new Cre@sito and Pec Smart Digital Services complete the mobile offer for businesses, guaranteeing an innovative commercial proposition that is close to the need of WIND's business clientele. Both services are free of charge for 12 months and are included in the mobile subscription offers, while from June Cre@sito is free of charge and also included in the rechargeable tariff plans. The Cre@sito service provides customers with the possibility of creating a website on their own by using a user-friendly interface and having a level II domain and a mailbox.

Pec Smart is a certified electronic mail service that is mandatory by law for professionals and businesses, has legal value equivalent to a registered letter with return receipt and guarantees the dispatch and delivery of emails to the recipient.

The Cre@sito service was extended to the world of professionals, self-employed workers and small businesses in June and is free of charge for 12 months.

The mobile offer for professionals and self-employed workers was enhanced in June 2014 with the new *All Inclusive Ricaricabile Partita IVA* portfolio consisting of the entry level tariff plan *All Inclusive King*, the *All Inclusive Unlimited* solution and the top of the range *All Inclusive Unlimited Premium* plan. The new rechargeable offer enables customers to keep maximum control of their telephone spending, and the government concessionary tax is not payable.

Innovative Services

In the first half of 2014, WIND continued its strong focus on innovative services centered on the telephone as a means of paying for digital and non-digital contents, with the aim of making customers' lives easier by improving their user experience.

Following the success of the agreement between WIND and Google, which enables WIND customers, the only ones on the Italian market, to download apps, games, e-books, music, newspapers and films from the Google Play Store, paying through their telephone bills without the need to use a credit card, WIND has extended this possibility to users of Smartphone Windows Phone. WIND customers can therefore download the contents from the Windows Phone Store without the need to use a credit card, paying directly by telephone credit.

Pilot testing of NFC (Near Field Communication) services is in progress, in collaboration with BNL, SIA and Mastercard. The testing involves 150 WIND and BNL employees who are given the possibility of making purchases in contactless mode using a Classic Credit Card issued by BNL on the Mastercard circuit and virtualized on an NFC SIM. Besides being able to make payments, participants in the test can also use their phones to enter their offices instead of using their company pass-cards, to clock in or to buy items at automatic vending machines.

Again in the sphere of mobile phone payments, Brescia and Padua have added their names to the cities where the mobile ticketing service is active. The number of cities where this service is available has now risen to 15. Thanks to the Italian Finance Law, other useful services that can be paid by telephonic credit now accompany the mobile ticketing service, such as public parking, entry to traffic restricted areas and bike sharing.

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 486 international operators in 218 different countries, of which 205 covered by terrestrial roaming and 13 by satellite (Thuraya). *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 whole roaming offer 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 June 30, 2014 consisted of 168 WIND-owned stores and 525 franchised sales points working exclusively with the WIND brand. The non-exclusive sales network consists of 1,034 WIND dealers, 908 sales points in electronic store chains and 5,199 other sales points in the smaller Italian towns which are run by SPAL SpA, the largest WIND distributor in terms of sales points.

Customers can also activate offers and services, buy mobile telephones, smartphones and tablets and carry out top-ups through the www.wind.it website, in both desktop and mobile versions, and from the MyWIND app, paying by credit card or PayPal or by charging their Infostrada or WIND telephone account. In addition, applications for the activation of a new telephone line can be made using the www.infostrada.it website. Further, scratch cards are also distributed through small sales points such as tobacconists' shops and newsagents.

Fixed Telephony and Internet

WIND provides its consumer and microbusiness customers with a vast range of direct and indirect fixed network voice communication 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 Italian fixed communications market, which is seeing increasing fixed-mobile replacement and customers migrating from narrowband to broadband, WIND has concentrated its efforts on achieving growth in the number of subscribers to direct voice services (unbundling) and broadband internet services. In addition, during the year WIND has also sold ultra-broadband services in FTTH mode in the city of Milan, where it marketed offers in optic fiber which allow the end user to reach download speeds of up to 100 Mega and upload speeds of 10 Mega.

In the first half of 2014, in the areas of direct access, WIND continued its push of the new "ADSL Vera" service which enables it to stabilize the customer's line at the maximum speed supported, up to a peak of 20 Mega when downloading, thus providing the best performance possible and ensuring a line that is always stable.

Voice services

WIND's fixed network voice customer base amounted to 2.9 million subscribers at June 30, 2014, a decrease of 4,5% over June 30, 2013; the direct customers voice component fell by 1,4% over the previous period.

The following table sets out the main indicators of the fixed network.

Fixed line	2014 6 M	2013 6 M	Change
Customer base (thousands of lines)	2.9	3.0	(4.5%)
of which LLU (thousands) ⁽¹⁾	2,414	2,449	(1.4%)
Revenues (millions of euros)	612	667	(8%)
Voice traffic (billions of minutes)	7.0	8.5	(17%)
ARPU (euros/month)	29.8	31.2	(4%)

(1) Includes customers with virtual LLU.

Internet and data

WIND offers a vast range of internet and data transmission services to both its consumer and business customers. At June 30, 2014 WIND had 2.2 million broadband internet customers and 0.01 million narrowband subscribers.

The following table sets out the main internet access indicators.

Internet and data services	2014 6 M	2013 6 M	Change
Internet customer base ('000)	2,190	2,238	(2%)
of which narrowband ('000)	10	26	(61%)
of which broadband ('000)	2,180	2,211	(1%)
of which LLU ('000)	1,881	1,863	1%
of which shared access ('000)	11	12	(14%)

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, thus allowing it to offer integrated service packages which combine these products.

In order to make WIND's positioning in the sphere of integrated services more exclusive, a new offer has been launched, "Powered Infostrada", addressed to all of WIND's prepaid mobile customers subscribing to a WIND All

Inclusive offer, who are offered a choice of one of the fixed-line telephone products *Absolute* or *All Inclusive Unlimited* at a special price. The *Internet Everywhere* convergence promotion continues, addressed to customers who want to navigate from home with ADSL and in mobility with an internet key or a tablet; this offer is even more convenient for all new Infostrada customers: the *Internet No Stop* offer will only cost €3 a month on a permanent basis.

The same convergence services are also available in the "*Affari*" version on the Stores sales channel for Microbusiness/SOHO customers. In addition, the "*Affari*" portfolio always includes calls to fixed and mobile business phones.

The drive to acquire an increasing number of fixed and mobile customers is supported by the *Super All Inclusive* commercial proposition, which combines the fixed-line telephone and ADSL connectivity offer with the mobile telephone *All Inclusive* offer, proposing them together as a single product at a reduced price.

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 direct access via LLU; 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, broadening its commercial proposal with ICT and managed services solutions, on both fixed and mobile networks. WIND has set up a partnership with the Enterprise division of Google which enables it to propose collaboration and communication solutions to businesses based on Google Apps cloud. As the first result of this collaboration, an innovative proposal has been launched which provides voice, SMSs, navigation, Gmail and collaboration services in a single package.

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 extremely short time periods. This type of offer will be enriched even further in order to establish a portfolio of cloud services including SaaS (Software as a Service), characterized by flexibility and rapidity.

WIND, Beeline and Telefonica have set up a Temporary Grouping of Companies which has been awarded a contract for the global supply of telecommunication services for the next four years to the ENEL group, the third largest energy operator in the world by turnover and international presence. The tender, called in 2013 with a starting price of 230 million euros, regards fixed and mobile telephone services for the whole of the ENEL group for the next four years in ten countries, including Italy, Spain and a large part of Latin America.

The PSTN fixed network offer portfolio for small businesses, which is geared in particular towards professional firms and small companies requiring between one and four lines (analogue or 2 ISDN), consists of the voice and ADSL bundle list (*All Inclusive Business L* and *All Inclusive Business Unlimited*) which offers unlimited calls to all national fixed and mobile telephones and unlimited ADSL, the *All ADSL Business* lists which offer unlimited ADSL connectivity and voice calls as used and *Noi Unlimited Affari* which in addition to unlimited calls to all national fixed and mobile

numbers also offers unlimited calls to all fixed and mobile numbers on the pay-per-use WIND-Infostrada and ADSL telephone account. The whole of the offering portfolio is available with WIND network coverage on lines already activated with other operators and on new lines.

The offers available through the push sales channel (agents and agencies) are the same as those offered by the pull sales channel (sales points).

The *Absolute ADSL Business* and *All Inclusive Business Unlimited* plans have become even more advantageous as a result of the *Super Absolute Business* and *Super All Inclusive Business* integrated solutions which offer customers the possibility of choosing the combination most suited to their communication needs, combining fixed line, ADSL and mobile.

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. In particular, the *All Inclusive Aziende* offer has been available with WIND network coverage from March 2014. This provides a minimum of 3 to a maximum of 8 calls at the same time for each customer location, with unlimited traffic to national fixed and mobile numbers and to the international fixed network (Western Europe, USA and Canada) and unlimited ADSL up to 20 MB with a minimum guaranteed band of 300 kps. This offer is even more beneficial if combined with the *Subscription Unlimited* mobile plans up to a maximum of 10 SIMs, thanks to the *Super All Inclusive Aziende* package.

The WIND Impresa offer providing from a minimum of 6 to a maximum of 60 voice lines at the same time is still available in the portfolio; in addition, together with the WIND Impresa offer customers may also subscribe to a service for the leasing, management and maintenance of telephone switchboards.

"Made to measure" solutions are also available at contained prices, studied and designed on the basis of the specific needs of medium- and large-scale businesses, using highly advanced technology (ADSL, SHDSL, optic fiber, radio bridges, private data networks with the transfer of protected data, etc.) and latest generation devices that enable the performance and quality levels required by customers to be guaranteed.

Sale and distribution of fixed network services

WIND's distribution strategy is increasingly customer orientated, the ADSL and telephony service purchase channels are only "pull" sales channels meaning that it is the customer who decides spontaneously to make the purchase. The most important sales channel is the retail channel (monobrand and multibrand stores), which through the integrated offers continues to grow in weight, followed by the 159 call centers and the web; the activities of the outbound call centers are now residual and these 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 tariff to other operators for the 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 unit, which is organized by customer type: rechargeable customers (mobile), subscription customers (fixed telephony, mobile telephony and internet) and business customers. In order to provide a made-to-measure service for certain particularly important customer segments such as the ethnic communities, WIND also provides the customer assistance service in other languages.

Call centers dedicated to residential customers are located throughout the country.

The WIND customer service continues to evolve its operational organization, focusing on the activation phase and the increasing need for mobile-fixed-internet multi-service assistance. In addition, WIND continues with the integration of its customer care services and sales structures in order to provide customers with an assistance service spread throughout the country, including by means of local sales points, thus making it more direct and transparent.

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

Using the websites www.wind.it and www.infostrada.it it is possible to obtain simple access to an offer and activate the various services, or to find the WIND shop nearest to you, a functionality that was improved during the first half of 2014. Customers accessing the smartphone website arrive at the version optimized for mobile navigation, which in addition to providing a description of the main offers with the possibility of direct activation and making a top-up, makes a convenient configurator which enables new customers to find the offer most suited to their needs.

All the main information relating to a customer's active offer, bundle usage, residual credit balance and invoices is available in the Customer Area on the site, all on a single page, using a simple and intuitive graphic presentation. It is also possible to access WIND's Customer Area by means of a simple registration procedure using the same credentials as for Facebook, a functionality used for the first time in Italy by a telecommunications company.

This functionality has also been extended to the MyWIND app, which now also allows customers to proceed directly to registration in the Customer Area.

In addition, the MyWIND app has also been made available to Blackberry users as well as to Android and Apple customers having a WIND or Infostrada line. Using the app, customers always have information available on their smartphones or tablets about their voice, SMS and data usage and their credit balance, and have the possibility of changing their offer, making top-ups and/or using services such as mobile ticketing. A "widget" type interface much appreciated by customers is also available to anyone using an Android smartphone or tablet. In addition, the "Novità" channel is also active; this is a communication channel which through the application allows WIND to contact its customers directly and enables customers to gain access to WIND's social channels.

In addition, the Customer Area that is accessible from the mobile website and from the start.wind.it portal has been updated, in order to provide all customers, even those without Android, Apple or Blackberry telephones, with the same functionalities and the same user experience as the MyWIND app.

To increase the use of the digital channels, WIND continues to improve online top-up functionalities, which already allow customers to carry out a top-up with the maximum safety by making one single click in the Customer Area or on the MyWIND app or by using their credit card or PayPal account.

Further, co-marketing initiatives have been undertaken in conjunction with key partners who have made their products available for customers who carry out a top-up through these channels.

The social networks are also an important point for contact and listening and customer management. WIND continues to position itself at levels of excellence in terms of speed and response times on Facebook and Twitter, and is unique in Italy in having been on the podium of both the Facebook (first in May for response time) and Twitter "Top Brands" special league tables which are drawn up and published on a monthly basis by Blogmeter (Blogmeter.com).

Customer Relationship Management (CRM) in WIND has increasingly assumed a strategic value; in a saturated market it constitutes a genuine philosophy which involves and integrates all of the Group's business sectors, ranging from marketing to sales by way of customer care and the more technical functions such as network and information technology; this vision places the customer at the center of the Group's business, enabling it to build consistent and synergic management policies between the various sectors.

In particular, a set of monitoring activities concerning satisfaction with WIND and the extent to which the Group can be recommended (using NPS measurement methods) has been set up at the various point of contact between the customer and the Group, in order to identify customer needs, provide specific targeted replies and more generally identify the main areas of development, in line with the expectations provided by the customers themselves.

The main objective of the Customer Relationship Management department is to understand and analyze customer behavior in order to create individual relationships, in this way increasing the level of customer satisfaction and accordingly customer loyalty and the propensity to purchase other services.

A success factor for the CRM initiatives is to know how to intercept customers on a timely basis during their lifecycle and in particular in the presence of specific consumption behavior. In conjunction with these, WIND CRM provides consistent solutions in terms of product and offer through traditional and digital relation channels.

Commercial action with customers is also carried out through the Group's distribution network, which is developing from being a channel for acquiring new contacts into one that is used for managing customers.

Marketing and Branding

The current year began with a new television campaign continuing the *Vita Vera* series which began in 2013. The new TV flight envisages a "back into shape" program involving the testimonials Giorgio Panariello and Vanessa Incontrada, who after the Christmas blow-out become members of a gym as a way of returning to fitness. The creative format, common to all the Group's brands (WIND, Infostrada and WIND Business), supports television promos on *All Inclusive*, *Absolute* and smartphones for small businessmen.

The television campaign has been awarded the prestigious Conchiglia Moige prize due to the positive values expressed in the advertising spot. In particular, recognition is given to WIND for "promoting physical health, but also relaxation, through the use of humor, showing the protagonists playing the opposites game".

In January, fully consistent with the creative television subject, a radio campaign was also started up for the *All Inclusive Unlimited* offer. In addition, the investments in the digital and social media continued during the first few months of 2014 to ensure a continuous presence of WIND's brands on the online channels.

WIND confirmed its presence on the main sites using traditional formats and preroll videos, covered the main new apps on tablets and maintained a constant presence on the web in support of the *Ricarica OnLine* product.

WIND Business covered the main targeted sites with its offer dedicated to small businessmen, directing new customers to WIND stores.

Infostrada pursued its objective of maximizing the acquisition of new customers directly on the web channel with a constant presence on the main sites, and, in conjunction with campaigns on offline media, increased its presence by including preroll videos and tablets in its plans.

In February, with the *Ora o Mai più* promotion, WIND carried out its first campaign planned entirely on online media. Thanks to targeted planning on mobiles and desktops, this strikes a youth target attentive to web promotions and accustomed to taking advantage of products sold using a "last minute" formula by means of an exclusive offer limited to just three days. By means of this new strategy, WIND has achieved its objective of increasing new activations and the surface area of its sales points.

In March, WIND spots with Fiorello come back on television. For the first time WIND and Fiorello propose commercials in the telecommunications world, a campaign in which the scenes are all shot by the testimonial simply using a smartphone.

Fiorello, who directs himself "armed" with a smartphone, makes real incursions into a number of WIND stores, with the sales assistants and customers in the shop at the time caught by surprise, unaware of what is happening. He then involves all the people present in his "selfies" in order to tell them clearly, transparently and simply about the world of WIND and its offers. The return of Fiorello is also the occasion for carrying out an important online communication campaign.

Consistent with smartphone language, the ATL and BTL approach is renewed with an updated graphic format which is based on typical message and app callouts, and strategically constructs a dialogue between the brand and the end user. The radio too has followed the TV's creative approach, inaugurating the first selfie radio spot in history.

In June, Fiorello became the testimonial of WIND's summer for the first time. The brand strategy linked to *Vita Vera* was continued for this new thread too, and in the case in question WIND tells viewers about Fiorello's holidays.

Continuing in the Above The Line sphere, an ad hoc plan in the specialized press was dedicated to the ethnic target and the *Call Your Country Offer*. In this case too WIND maintains a constant presence on the web using a multi-lingual campaign to support its offers.

WIND's attention to local communication continues through the creation of specific campaigns dedicated to WIND and Infostrada, designed to strengthen links with the local territory. The focus on the business segment was increasingly strong in the second quarter - small businesses to which three local poster flights and two radio flights were dedicated. National campaigns were additionally enhanced by means of local poster plans, translated into German for the valleys of the Upper Adige. WIND's closeness to the local area was made real through its presence in important local events: the two Italian stages of the Marathone D'Europe in Trieste, the Straverona, the Alpine soldiers' reunion in Podenone, the Trade Fair in Padua and the three stages of Radio Bruno's Summer Tour. In addition, the WIND Energy Tour was organized in co-marketing with Decathlon; this involved nine stages throughout the country and confirmed the attention that WIND gives to the local area.

The *All Inclusive Solidale - più vicini all'Italia* initiative continued in 2014, in which WIND confirms its attention to social issues. This option available to customers is communicated at sales points through the distribution of dedicated flyers, and also online. Customers who join this scheme make a donation of 50 cents per month to practical social support projects, and WIND gives its backing to this by doubling the amount donated by the customer. In the first initiative WIND gave its support to the Caritas charity in Rome, and in particular the Solidarity Store network. Thanks to the support and generosity of the WIND customers who joined in with the initiative, in March the Solidarity Store was able to make the first purchase of foodstuffs to be given to the numerous families involved.

WIND continues to make a practical contribution to young businessmen through the WIND Business Factor project, which having now reached its third year of full activity has achieved its key objective of activating a community of

around 18,500 social media users and over 19,800 businessmen and innovators on the website, giving visibility to over 4,600 ideas and start-ups registered with the business community. Visitors were able to use over 525 tutorial training videos produced precisely for WIND Business Factor's online Gym with the testimonial of businessmen, investors and experts in the sector. Finally, the Group has just launched the WIND Startup Award as a means of rewarding the best ideas and start-ups - in digital innovation, Italian innovation and social innovation - with study grants in Silicon Valley and incubations and mentorship programs with the Group's partners Luiss Enlabs and Mind The Bridge.

The restyling of WIND's monobrand stores has continued in 2014. The first area fully dedicated to business customers was set up in the Milan store in Porta Vittoria in June. Signs, display windows and internal furnishing have all been designed to differentiate the store, whose specific targets are small traders and businesses.

NETWORK

WIND has developed an integrated network infrastructure providing high-capacity transmission capabilities and extensive coverage throughout Italy. As of June 30, 2014, WIND mobile network covered 99.86% of the Italian population while WIND UMTS/HSPA network covered 96.65% of the Italian population.

WIND 42 Mbps HSPA+ service covered approximately 36.47% of the Italian population, 21/5,8 Mbps HSPA service covered approximately 94.86% of the Italian population, for remaining population WIND offers 7.2/1.4 Mbps service. Fixed-line networks are supported by 21,726 kilometers of fiber optic cable backbone in Italy and 4,914 kilometers of fiber optic cable MANs as of June 30, 2014. The network uses a common system platform, WIND "intelligent network," for both mobile and fixed-line networks. Network platform has been upgraded to provide it with a uniform IP network platform, which provides additional capacity. The integrated nature of operations allows to offer subscribers mobile, fixed-line and Internet product bundles and VAS. WIND has also approximately 482 roaming agreements with other Italian and international telecommunications operators around the world.

Fixed-Line Network

WIND fixed-line network consists of an extensive fiber optic transport network with over 21,726 kilometers of transmission backbone, 4,914 kilometers of fiber optic cable MANs linking all capitals of Italian provinces and other major cities in Italy, a radio transmission network with approximately 15.860 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 operator composed by 2 Media Gateway Controller and 8 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 June 30, 2014 WIND has 1,458 LLU sites for direct subscriber connections, with a capacity of approximately 3.30 million lines. The company has interconnections with 613 SGUs, which allows to provide carrier pre-selection and carrier selection access for indirect subscribers throughout Italy, as well as WLR services. Wind Internet network access is made of 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 56-Edge Routers for Business application, located in PoP to ensure optimal coverage of the national territory. "



Mobile Network

WIND offers mobile services through dual band GSM-900 and GSM-1800 digital mobile network, which also supports GPRS, a mobile technology that provides greater bandwidth for data transmission and Internet access than GSM. GSM network also supports EDGE capabilities. EDGE is an upgraded technology that enables to offer increased data speeds and VAS over GSM network and also to reduce the cost of handling mobile data traffic. WIND also offers mobile services over UMTS network, a mobile technology that provides even greater bandwidth than GSM network, using HSDPA technology to provide enhanced speeds for data transmission and mobile Internet services. As of June 30, 2014, WIND activated 196 sites in LTE technology, this technology will provide additional bandwidth and higher transmission speed for data transmission.



The following table provides an analysis of WIND's GSM/GPRS and UMTS/HSDPA networks as of June 30, 2014.

GSM/GPRS	Units
Radiating sites	14,433
BSC (Base Station Controllers)	310
MSC (Mobile Switching Centers)	49
HLR/HSS (Home Location Register)*	12
SGSN (Service GPRS Support Node)	16
GGSN (Gateway GPRS Support Node)*	11
UMTS	
Node B	13,053
RNC (Radio Network Controller)	91
MSC-Server	24
MGW (mediagateway)	26
SGSN (Service GPRS Support Node)*	20 (16 dual access; 4 triple access)

* shared with UMTS/LTE network

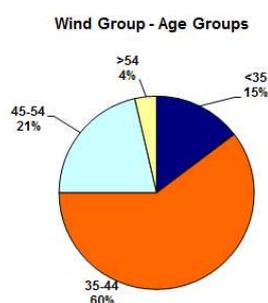
HUMAN RESOURCES

At June 30, 2014, the Group had a workforce of 6,963 employees structured as follows.

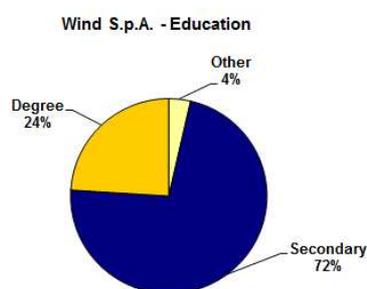
	No. of employees at		Average No. of employees in	
	06/30/2014	06/30/2013	2014 - 6M	2013 - 6M
Senior Managers	126	141	128	141
Middle Managers	624	595	624	596
Office Staff	6,213	6,224	6,219	6,211
Total WIND Group	6,963	6,960	6,971	6,948

During 2014, WIND Telecomunicazioni SpA and WIND Retail Srl have hired 109 employees while 57 employees left.

The following charts summarize personnel statistics relating to the two companies.



Average age: **40.6**



Graduated w/o Call Center: **27,5%**

Female presence is at 47%.

In terms of the geographical allocation of personnel, over 70% of personnel work in the offices in Milan, Rome, Naples and Ivrea.

Location	06/30/2014	06/30/2013
Milan*	12%	12%
Ivrea	9%	9%
Rome	34%	34%
Naples*	18%	18%
Other	27%	27%
Total	100%	100%

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

The following table sets out personnel distribution by department:

Department	06/30/2014	06/30/2013
Network	33%	32%
Information Technology	5%	6%
Customer Care	26%	27%
Marketing & Sales	24%	24%
Staff	12%	11%
Total	100%	100%

Organization

The implementation plan for the new operational model for the sales function continued in the first six months of 2014, together with the Network Transformation project which arrived at the phase of introducing new support systems for operations activities.

Development

The Development Center organized for WIND’s “Young Professionals” was set up in the first half of 2014; more specifically, 80 staff hired as new graduates over the past 5 years were involved in an assessment day having the aim of providing them with an initial professional appraisal in terms of their abilities and skills and therefore a view of their strengths and the areas in which they need to develop.

As the result of the setting up of the Development Center a group of 23 Young Professionals has been identified who are taking part in the Wind Factory initiative (involvement in 4 transversal projects strategic to the business).

Training

A total of 13,540 man-days of training were given during the first six months of 2014, relating mainly to the Institutional Training Master Plan and Technological Development.

Training activities picked up again in June 2014 for the two projects dedicated to the population of the telephonic advisors of the Customer Management department, whose objective is the consolidation of churn prevention techniques and improvement in up-selling techniques. In both cases the actions taken are connected with customer experience support processes, as they use specific methods and tools for reading customer “types” in relation to their different ways of making decisions, and communication techniques designed to shift the attention of customers “from the product to the need”. Around 220 employees will be involved in this section of the project in 2014.

In conclusion, the 231 Model online training project continued, involving a further 2,767 employees. The project will continue for the whole of the year until all of the Group’s employees have been covered; in the second half of the year, coordinators and supervisors will be involved in a second training stage, again online, in which they will go into further detail about the risk areas of the model which are specific to the Group’s business.

Industrial relations

Meetings with the trade unions continued during the first half of the year having the objective of going into the detail of certain operating aspects of the new organizational model for the management and maintenance of the network; in particular, a number of the functionalities of the new workforce management system were described which will permit further improvements in productivity to be achieved and service quality levels to be improved.

In addition, in view of the upcoming renewal of the employment contract a series of meetings were held with the industry association Asstel with the aim of agreeing a common position on the main issues which may be discussed during negotiations with the unions.

A number of local meetings between the company and the unions have been held since May with the aim of illustrating initiatives and investments designed to obtain a reduction in costs and increase business efficiency, consistent with the agreement of October 10, 2012. More specifically, the internationalization of activities compatible with the new organizational model continued, together with the implementation of new systems to support full efficiency in certain business structures. There was no strike action during the period.

REGULATORY FRAMEWORK AT JUNE 30, 2014

Fixed-line market

Antitrust activity

Proceeding A428

On May 9, 2013 the Italian antitrust authority AGCM completed proceeding A428 "WIND-Fastweb/Telecom Italia conduct", which was initiated on June 23, 2010, concluding that the conduct of Telecom Italia had been illegal and ordering the company to pay a fine of €103.8 million. On May 8, 2014, the Lazio regional administrative court rejected the appeal filed by Telecom Italia to cancel the provision assumed by the AGCM at the end of proceeding A428.

Proceeding I757

In September 2012, on the basis of a report made by the mobile service provider BIP Mobile, the AGCM initiated proceeding I757 against Telecom Italia, Vodafone and WIND relating to an alleged agreement restricting competition designed to hinder access to the BIP Mobile market. On January 23, 2013 and June 27, 2013, the AGCM sent two information requests to which WIND provided its replies. In January 2014 the proceeding was extended to Telecom Italia and WIND for an alleged vertical agreement (with the respective sales networks), opening up again the possibility for the parties to file "commitments" on this new aspect. WIND presented its commitments on April 4, 2014. The relative market test set up by the antitrust authority saw the participation of the two intervening parties. The final completion date for the proceeding, originally set for September 30, 2014, has been extended to October 30, 2014.

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 purpose is 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). WIND had access to the inquiry papers. On July 10, 2013 the proceeding, which is still in progress, was also extended to Telecom Italia. On October 4, 2013 WIND attended a hearing held by the AGCM. The planned date for the completion of the proceeding has been extended to July 31, 2014. On July 7, 2014, the AGCM published a provision in its bulletin by which it extended to July 31, 2015 the term for concluding the proceeding and at the same time broadened the subject of the proceeding to ascertaining whether article 102 of the TFUE (abuse of a dominant position) had been breached by Telecom Italia. Telecom Italia filed an appeal against the provision of July 10, 2013, by which the AGCM extended proceeding I761 to the company, with the Lazio regional administrative court (TAR). At the hearing of June 11, 2014, Telecom Italia made a request for cancellation and deferral of the hearing. The TAR upheld Telecom Italia's request and accordingly ordered the cancellation of the case from the roll.

European Commission – DG Comp

On the basis of petitions arriving from WIND, Fastweb and Vodafone, the European Commission Competition Directorate initiated a detailed investigation in July 2012 to determine whether there was an economic benefit for Telecom Italia in terms of state aid arising from the joint venture between the Province of Trento and the incumbent operator which provides for the construction of optical fiber infrastructure. If this benefit is confirmed, the measure would represent state aid pursuant to article 107 of the Treaty on the Functioning of the European Union (TFEU), and its compatibility would have to be assessed in the light of the EU's orientation on broadband. As of today this investigation is still in progress. On February 3, 2014 the Province of Trento officially announced that it would be leaving the company Trentino NGN, leading to the abandonment of the project. DG Comp has expressed its positive opinion on the decision of the Province of Trento to leave the company and is moving in the direction of closing the investigation.

Fact-finding enquiry into broadband and ultra-broadband

In January 2014 the "Autorità per le Garanzie nelle Comunicazioni" (AGCOM), in conjunction with the AGCM, initiated a fact-finding enquiry (through Resolution 1/14/CONS) into static and dynamic competition in the accessory services market and investment prospects in broadband and ultra-broadband telecommunications networks. WIND provided its observations in this respect on April 17, 2014. The enquiry is still in progress.

Telecom Italia's Reference Offers

In March 2014, Telecom Italia filed 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. The next hearing on the appeal for the cancellation of Resolution 747/13/CONS (LLU 2013) was set for July 16, 2014. The first hearing on the proceeding relating to Resolution 746/13/CONS was set for April 9, 2014. WIND filed an appearance in both cases.

Fastweb has also filed an appeal against the two resolutions for 2013 although for different reasons. WIND has appeared before the court in both proceedings.

BT on the other hand has only appealed against Resolution 746/13/CONS regarding the calculation of the WBA price for 2013. BT's appeal has not been notified but WIND has decided to intervene in that 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.

By way of Resolutions 33/13/CIR (Dedicated capacity transmission services: terminating circuits, interconnection flows), 34/13/CIR (NGA passive infrastructures: local base infrastructure, conveyance sections, primary and secondary optic fibers, termination segments in optic fiber), 35/13/CIR (end to end) and 36/13/CIR (Bitstream NGA and VULA) published in June 2013, proceedings were initiated to assess the corresponding offers of Telecom Italia for 2013.

WIND responded to the proceedings and provided its assessments in July 2013 by taking part in the hearings. Publication is awaited of the final resolutions approving the above-mentioned reference offers and the consultation of Telecom Italia's reference offer relating to fixed interconnection for 2013.

Recently, in June, AGCOM published the public consultation relating to compliance with the sentences of the Council of State for the period March/April 2013 which established the annulment and the redetermination of certain price components of the unbundling, WLR and naked Bitstream offers for 2010-2012. Proceeding 258/14/CONS is currently in progress.

Fixed-access network

NGAN

By way of Resolution 91/13/CONS, on February 13, 2013 AGCOM combined the proceedings initiated with Resolutions 41/12/CONS (for establishing a cost model for determining the price of wholesale access services to Telecom Italia's fiber network and identifying the areas where sustainable competition exists for setting the price of wholesale broadband access services) and 42/12/CONS (to assess the regulatory effect of introducing new transmission techniques such as vectoring in the development of new generation networks) with the proceeding initiated with Resolution 390/12/CONS on "the identification and analysis of the fixed network access services market".

On April 15, 2013, by way of Resolution 239/13/CONS, AGCOM initiated a 30-day public consultation on the symmetric regulation on access to physical network infrastructures as per the proceeding initiated by Resolution 43/12/CONS.

WIND took part in the consultation, providing and presenting AGCOM its positioning contribution at the hearing on May 15, 2013.

On November 14, 2013, by way of Resolution 538/13/CONS, AGCOM published its final decision, confirming the obligations proposed in the consultation: (i) Symmetric obligations for access by operators to the optic fiber termination section and to the base infrastructures in the conveyance section, (ii) Obligations of transparency and non-discrimination: to provide access to the termination segment and the conveyance section under transparent and non-discriminatory conditions, publishing an offer valid for 2014 on the website and (iii) Price obligations: application of fair and reasonable prices for providing access services to the termination segment and the conveyance section (except for Telecom Italia which instead remains subject to prices geared towards cost, which will be established by the BU-LRIC model as part of the market analysis proceeding as per Resolution 390/12/CONS) and accepting a number of amendments, in line with the positioning expressed by WIND. On the basis of the symmetric obligations as per Resolution 538/13/CONS, WIND is required to prepare an access offer for the conveyance and termination sections in fiber which are currently only available for serving certain business customers.

On December 13, 2013, by way of Resolution 713/13/CONS, AGCOM set an extension for the start-up of the matters included in the above-mentioned Resolution 538/13/CONS. In particular i) the start-up date for the Obligations has been postponed from January 1, 2014 to April 30, 2014 and ii) the deadline for the publication of the information has been postponed to April 15, 2014.

WIND has published its Offer for Access to the Physical Infrastructures to the final section of the Optic Fiber Network pursuant to Resolution 538/13/CONS.

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 (on February 21 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, in which in fact a modularity principle has been recognized 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 1 OLO upper cabinet modules. All the modules, base and upper cabinet, will have an autonomous access door. Each operator will have to be able to access its part autonomously. The OLOs which through Telecom Italia have produced an adjacent cabin 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 is planned for 2014 alone that is applicable to the cabins for which Telecom Italia has already start up preparation work. The full operational procedure will begin in 2015.

The workgroup's discussions are continuing on other matters. At the meeting of June 26, 2014 the Authority requested the OLOs to draw up proposals on the implementation of vectoring testing in a multioperator environment.

Infrastructure register

The "Destination Italy" decree law set the timing for the Authority with regard to the infrastructure register set up by the Authority by way of Resolution 622/11/CONS; in particular AGCOM must create a data bank within 12 months for all publicly and privately owned internet access networks. The decree was subsequently converted into Law no. 9 of February 21, 2014.

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 who uses 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.

In addition, on November 15, 2013 AGCOM published Resolution 604/13/CONS relating to the approval of the guidelines for assessing the replicability of the optic fiber ultra-broadband retail offer. These guidelines do not alter

the requirements of Resolution 499/10/CONS ("Adjustment and innovation of the price testing methodology currently used with respect to Resolution 152/02/CONS"), whose general criteria and methodologies are confirmed, instead they supplement it in order to make such criteria and methodologies applicable in practice to the checks carried out on the ultra-broadband offers.

As part of this proceeding, 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 on February 17, 2014. At the present date WIND is awaiting the publication of the official consultation by AGCOM.

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. WIND has provided the relative data.

Market analysis – Fixed Access Markets 1, 4 and 5

On August 1, 2013, by way of Resolution 453/13/CONS, AGCOM extended the term of the proceeding relating to the analysis of markets 1, 4 and 5 initiated by Resolution 390/12/CONS in order to take into consideration the access network separation project proposed by Telecom Italia.

On April 4, public consultation 238/13/CONS was published regarding the analysis of the 1-4-5 markets. WIND sent its positioning. The proceeding is still in progress.

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 given the possibility of sending supplements to the documentation already presented concerning significantly innovative facts and elements which had occurred since the second half of 2013. WIND sent its supplements on March 25, 2014. 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. The proceeding is expected to be concluded in the third quarter of 2014.

With respect to access services for 2010-2012, by way of Resolution 563/13/CONS on November 11, 2013 AGCOM initiated an enforcement proceeding concerning the sentences of the Council of State on Resolutions 731/09/CONS and 578/10/CONS on the prices for wholesale services for access to Telecom Italia's fixed network. On June 20, 2014, by way of Resolution 258/14/CONS AGCOM started up a public consultation containing orientations with respect to compliance with the sentences of the Council of State. This public consultation 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). The proceeding is planned to last 180 days. On November 19, 2013 AGCOM initiated the fact-finding stage with operators, which is based on a quantitative and a qualitative questionnaire. The public consultation is expected to take place in the third quarter of 2014.

Fixed termination

Resolution 229/11/CONS establishes that from January 1, 2012 termination tariffs must be symmetric between Telecom Italia and other operators, in particular TDM termination tariffs must be symmetric at an SGU level, while IP termination tariffs must be symmetric and defined as the result of two proceedings, one technical on IP interconnection and the other economic to define the BULRIC model. Subsequently, as the result of a ruling of the Council of State issued on February 15, 2013, the symmetry between Telecom Italia and the other OLOs regarding 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 the fixed termination on the Telecom Italia network at the various interconnection levels was decided by way of Resolution 92/12/CIR.

Telecom Italia filed an appeal against Resolution 187/13/CONS with the Lazio Regional Administrative Court (TAR) to endeavor to obtain an OLO termination price lower than that established by AGCOM. On the other hand Fastweb appealed against this resolution to attempt to obtain a higher price. At the substantive hearing on April 23, 2014 the TAR rejected the appeals of both Telecom Italia and Fastweb.

AGCOM has completed public consultation 349/12/CONS on the cost model (BULRIC) for the determination of the prices of the interconnection services in IP modality (preliminary inquiry initiated on December 15, 2011), and has submitted its proposal for a final decision to the European Commission. By way of a communication of February 7, 2013, the European Commission initiated a more detailed phase in conjunction with AGCOM and BEREC ("Phase II Investigation") and WIND has provided its positioning.

Following the comments received from the European Commission, by way of Resolution 668/13/CONS AGCOM has 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).

Migration and pure number portability procedure

Following technical discussions between operators at AGCOM to update the 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) which took place on November 20, 2013, by way of Resolution 611/13/CONS, AGCOM issued additions 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).

Operators had 4 months from the publication date to implement the additions.

Technical discussions will continue at a date yet to be established with an analysis of a joint WIND/Vodafone/Metroweb proposal which includes the scenario of the existence of Vertical in Fiber that is owned by any network supplier.

Public consultations of the European Commission and of BEREC

During 2014, WIND joined sending its contribution and positioning to public consultations relating to European Commission and BEREC. In particular, it should be noted the main of them.

In January 2014, WIND participated, once again through the ECTA, in the European public consultation on a revision of copyright rules.

In February 2014, WIND sent its comments to the BEREC public consultation on the geographical definition of Relevant Markets.

In March 2014, WIND sent its positioning to the European Commission on the request for contributions in advance of the BEREC Stockholm Workshop on the revision of relevant markets.

In April 2014, WIND sent its contribution to the BEREC public consultation on Monitoring the quality of internet access services in the context of Net Neutrality.

Mobile market

Market Analysis - Mobile Termination

Resolution 621/11/CONS became effective on January 4, 2012 as far as mobile termination is concerned, the outcome of the third cycle of market analyses initiated with Resolution 670/10/CONS on the basis of which i) the relevant market keeps the same perimeter (4 distinct markets: one for each of the networks of the 4 mobile operators), ii) AGCOM notes that there are no MVNOs with infrastructural ranges of their own numbering at the time of the monitoring, iii) the notification of Significant Market Powers (SMPs) for the 4 MVNOs is confirmed, each on its own reference market, iv) the 4 SMPs having the following requirements are confirmed: 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) the termination prices determined for the price cap are calculated by using the BULRIC model adopted with 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).

With Resolution 621/11/CONS, AGCOM confirmed the termination amounts determined in the previous resolution (667/08/CONS) until June 30, 2012 and established the following glide path.

<i>Eurocents/minute</i>	As from 07/01/2012	As from 01/01/2013	As from 07/01/2013
H3G	3.5	1.7	0.98
Telecom Italia	2.5	1.5	0.98
Vodafone	2.5	1.5	0.98
WIND	2.5	1.5	0.98

In order to comply with these sentences of the TAR, AGCOM issued Resolution 11/13/CONS, confirming the contents of Resolution 621/11/CONS. WIND, Telecom Italia, Poste Mobile and Vodafone accordingly filed an appeal with the Lazio TAR, for the same reasons, to have Resolution 11/13/CONS cancelled. WIND, Vodafone, Fastweb and H3G also appealed before the Council of State to have the Lazio TAR's sentences on Resolution 621/11/CONS referred to above revised. By way of sentence no. 725/2014 the Council of State upheld H3G's appeal concerning the asymmetry of H3G's mobile termination amount in the second half of 2013. As the result of that sentence AGCOM adopted Resolution 259/14/CONS, with respect to which legal analyses concerning the merits and the method are currently taking place.

In addition, following sentences no. 21 of January 7, 2013 and no. 3636 of July 9, 2013 of the Council of State, the proceeding for the recalculation of mobile termination on the H3G network in the period between November 1, 2008 and June 30, 2009 has been restarted. The beginning of the proceeding was followed by a public consultation carried out 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. The proceeding is still in progress.

A market analysis proceeding relating to mobile termination was recently initiated by way of Resolution 50/14/CONS. The proceeding is still in progress.

Market Analysis: Messenger services – SMS termination

As part of the 670/10/CONS proceeding relating to mobile network voice termination services (market 7) and with specific indication as part of Resolution 621/11/CONS, AGCOM is continuing its review of SMS services with specific Market Analyses for SMS termination services. 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 has filed an appeal against Resolution 185/13/CONS with the Lazio TAR. The substantive hearing was held on March 26, 2014. The TAR's decision is expected over the next few months. AGCOM's commitment to monitor the performance of the market remains.

A market analysis proceeding relating to mobile termination was recently initiated by way of Resolution 50/14/CONS, as part of which matters relating to SMS termination may also be treated.

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). This separation will become operational on July 1, 2014 and by way of an Implementing Regulation published on December 14, 2012 the Commission established the principles underlying the way this will be carried out.

In July 2013, at the end of the related public consultation, BEREC published the guidelines for the implementation of Decoupling and LBO structural solutions.

During September 2013, the European Commission proposed a draft single market regulation to the European Parliament and Council, providing for draft changes to the current legislative framework. The amendments to the proposal are currently being reviewed, in particular as far as the roaming aspects are concerned. The European Parliament and Council are conducting separate analyses and introducing revisions to the Commission's text. On April 3 the parliament approved its amendments to the text which in any case are not final. The proposal approval process is expected to be completed by the end of 2014 and as of today the outcome is hard to predict, other than in a general tendency towards a reduction in retail prices for roaming services offered by countries in the Union. The new caps for voice, SMS and data prescribed by Roaming Regulation 531/12 became effective on July 1, 2014.

Frequencies

Public consultation Resolution 553/12/CONS on the use of frequencies in the 3600-3800 MHz band by terrestrial systems capable of providing electronic communication services was completed in May 2013. The Authority's aim was to obtain comments, items of information and documentation concerning the use of these frequencies through this consultation. The objective of this activity is to check the effective market demand for these applications and the conditions for use in the light of evolving technological developments and changing technical legislation. The proceeding was closed without the publication by the Authority of frequency allocation procedures.

Resolution 628/12/CONS, the public consultation resolution, was published in January 2013; this regards a revision of the measures for issuing rights of use for the frequencies available for the 26 and 28 GHz broadband radio networks. The proceeding was concluded with the publication in June 2013 of Resolution 355/13/CONS. This resolution supplements and amends certain of the previously existing allocation measures included in the previous Resolution 195/04/CONS. It has been established that for a period of three years, which is considered reasonable, the Ministry for Economic Development may arrange for the publication of further notices for the allocation of rights of use for frequencies in these bands.

By way of Resolution 451/13/CONS, in July 2013 AGCOM revised the Frequency Allocation Plan for the digital terrestrial television service for the national networks, as per Resolution 300/10/CONS. The provision also contains recommendations for channel 60, adjacent to the 800 MHz LTE band: the complete replacement of channel 60 by channel 55 throughout the whole of the country will be completed no later than June 30, 2015. AGCOM has also expressed its opinion on claims for the reimbursement of costs for the replacement of channel 60, which in its view are unfounded. In October 2013, by way of Resolution 539/13/CONS, and in December 2013, by way of Resolution 631/13/CONS, AGCOM made a series of additions to Resolution 451/13/CONS.

On January 31, 2014, the Authority published Resolution 26/14/CONS: "Implementation of article 6, paragraph 8 of Decree Law no. 145 of December 23, 2013. Initiation of procedures" which initiates procedures for excluding from the planning of the frequencies for the digital terrestrial television service the frequencies recognized at an international level and used in neighboring countries, envisaged and allocated to television network operators in Italy and the subject of ascertained interference situations.

The Authority made further revisions on March 17, 2014 by way of Resolution 91 /14/CONS "Revision, limited to the Region of Sicily, of Resolution 93/12/CONS on the frequency allocation plan for the terrestrial digital service of the regions Abruzzo, Molise, Basilicata, Puglia, Calabria and Sicily (Technical Areas Nos. 11, 14 and 15)", adopted also in consideration of the fact that Malta made a formal request to Italy on December 10, 2013 to obtain coordination of UHF channel 43.

Decree no. 165 of August 9, 2013 issued by the Ministry for Economic Development was published in Official Journal no. 44 on February 22, 2014; this establishes the technical procedures for intervention by telecommunication operators to minimize interference between broadband mobile services and domestic television reception equipment. In addition, article 4, paragraph 3 of Decree no. 165/2013 sets the contribution percentages to be paid by operators to the fund.

On May 8, 2014, the Authority published Resolution 149/14/CONS which makes further changes to Resolution 451/13/CONS "Revision of the frequency allocation plan for the digital terrestrial television service for the national networks, as per Resolution 300/10/CONS" (formerly amended by Resolution 539/13/CONS and Resolution 631/13/CONS).

Recently, by way of Resolution 233/14/CONS, AGCOM initiated a public consultation on the request to extend the term of the GSM rights of use in the 900 and 1800 MHz bands for the operators Telecom Italia and Vodafone Omnitel NV. The proceeding is in progress.

Other Issues

National Numbering Plan - SMS/MMS Aliases

Following a public consultation on the regulations for testing alphanumeric aliases for identifying the calling line in SMS/MMS (Resolution 7/13/CIR), on July 17, 2013, AGCOM published Decision Resolution 42/13/CIR with which it initiated a testing period for the use of aliases on certain numbering codes also in Italy. The testing will allow the use of aliases from abroad, which was not originally provided in the public consultation. Following the publication of the resolution, AGCOM arranged a series of meetings on the subject of the Alias Data Base which it will manage. Other meetings regarded the drafting of a Code of Conduct. AGCOM has additionally asked operators for their opinions on the issue of the traceability of SMS/MMS having an alias sender. On December 24, 2013 AGCOM sent out the guidelines for the use of the Alias Register. On February 24, 2014 the Authority began the testing of the Alias Register with operators and this was completed in March.

On February 26, 2014, WIND published its code of conduct on Aliases for business messenger services on the homepage of its institutional website (www.windgroup.it).

On May 13, 2014, by way of Resolution 50/14/CIR, AGCOM updated the Rules for testing alphanumeric indicators for identifying the calling line in SMS/MMSs used for business messenger services, also allowing the use of the alias for electronic ticketing services for public transport.

On June 10, 2014, the centralized system managed by the Authority for recording and checking aliases, created as part of the testing as per Resolution 42/13/CIR as amended, became operational.

On June 13, 2014 AGCOM initiated a public consultation (65/14//CIR) with the aim of updating the current national numbering plan.

Base Tariff

On May 28, 2014, by way of Resolution 55/14/CONS, AGCOM introduced the concept of Base Tariff Electronic Communication in the National Numbering Plan implementing the requirements of Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumers' rights.

Universal Service

By way of Resolution 46/13/CIR AGCOM established the net cost for 2006 as nil, with the share of the contribution of the operators for 2006 relating solely to the cost of revision. Telecom Italia has appealed against that resolution.

In April 2014 AGCOM called a public consultation (Resolution 40/14/CIR) on the Universal Service for 2007 and Axon Partners Group has been engaged to check the net cost of this. This company has also been selected by the Authority as the independent auditor for fiscal years 2008/2009.

Despite identifying a net cost of €0.07 million, in Resolution 40/14/CIR the Authority states its belief that this is not an unfair charge for Telecom Italia. The consultation has been completed and AGCOM's final decision on the Universal Service for 2007 is currently awaited.

In May 2014, the Lazio TAR upheld Vodafone's appeals on 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 Italy have filed appeals with the Council of State against the sentence issued by the TAR: the substantive hearing has been set for December 4, 2014.

Copyright

Following a new public consultation on copyright protection, in December 2013 AGCOM published the Regulations which establish the copyright protection procedure and the roles of the individual parties involved. The Regulation became effective on March 31, 2014. WIND is mainly involved as an access operator and as an operator providing hosting services, and it hosts contents uploaded by third parties on its platforms.

Main new consumer protection regulations

In June 2013, AGCOM started up technical discussions for the purpose of reforming the way in which the quality of the customer assistance service is regulated, with specific reference to the introduction of digital customer assistance modalities.

In December 2013, 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 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.

By way of Resolution 202/13/CONS, AGCOM started up a public consultation procedure on the changes to be made to the "Regulation on provisions protecting users on the question of providing electronic communication services through distance contracts". While waiting for AGCOM's public consultation to be completed, on June 13, 2014 a

series of changes to the Consumers' Code became effective, introduced by Legislative Decree no. 21/2014 relating to distance contracts and contracts entered outside commercial premises.

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 indicated the subjective and objective spheres of its application.

By way of Resolution 712/13/CONS, AGCOM set up three research projects that will be carried out by the Ugo Bordonni Foundation, including "A price comparison between electronic communications services". The aim of the project is to create an AGCOM website comparing offers for electronic communications services which have been provided by operators, and which may be accepted by customers by entering contracts. In March 2014, AGCOM initiated technical discussions in which the operators and the Ugo Bordonni Foundation participate.

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 detriment of the 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 them 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. In this scenario the Privacy Guarantor initiated a public consultation directed towards all site managers and the most representative consumers' associations for the purpose of obtaining contributions and suggestions on the subject and, subsequently, started up an inter-operator workgroup in order to implement the cookies legislation without relinquishing the need for simplification.

In Provision 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 have been set up designed to fulfill 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 has picked up its activities again; this is being used as a means of complementing Creditworthiness Information Systems (SICs) by providing comparative information on default in the electronic communications sphere. Operators also believe it appropriate to set up a sector data bank (Telecommunications Information Systems - SITs) as this would contain the most important information for the purposes pursued. A workshop has been set up with the Privacy Guarantor which held its second meeting on July 2, 2013, having the aim of collecting the detailed arguments put forward by operators concerning their requests to set up a data base of defaulters in the sector. Further meetings

have taken place and a new request for clarifications has been made by the Privacy Guarantor, to whom replies were provided at the beginning of December 2013.

Further clarifications were provided in the last quarter and at the present moment a general provision on the matter is awaited.

Following the issue of Provision 242/2013 by the Privacy Guarantor on the subject of the processing of personal data for direct marketing purposes, talks were held both internally and with other operators with the aim of assessing the scenarios which might arise from partial opposition to processing for marketing purposes which the Guarantor would like to agree with customers. The information has been amended in implementation of the provisions.

By way of a provision published in the Official Gazette on January 3, 2014, a public consultation has been 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 has published a Provision regarding the mobile remote payment service and value added services (VAS).

New internal and inter-operator workgroups have currently been set up that are designed to analyze the effects and potential critical matters relating to the implementation of the Authority's requirements.

By way of Provision 53/2014 of the Privacy Guarantor an update has been added on the subject of profiling. An internal workgroup has been set up in this respect.

By way of a provision published in the Official Journal on May 23, 2014, a public consultation has been initiated, directed at 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 has been sent to the Privacy Guarantor which includes the observations agreed by the inter-operator workgroup and an implementation regulation is currently awaited.

Disputes with operators before AGCOM

By way of a provision notified on June 26, 2014 referring to the dispute initiated by WIND with Telecom Italia (whose subject is Telecom Italia's refusal to provide WIND with the IP interconnection service and to migrate traffic onto the IP interconnection in accordance with the obligations, timing and means established by the Authority), AGCOM found in WIND's favor and has ordered administrative migration from December 2013 to July 2014 through a predetermined shifting (as the result of this migration from August 2014 WIND will no longer incur any costs for the charges relating to the flows and interconnection gates with Telecom Italia's TDM network) and technical migration of TDM traffic to the IP interconnection by June 2015.

OUTLOOK

The solid commercial performance and ongoing cost structure optimization process has enabled the WIND Group to consolidate its competitive position in the first half of 2014, despite the market contraction and continuing challenging macroeconomic environment. The efficiency and cost optimization processes have been and will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. In addition, in the first half of the year, the Group has initiated a debt refinancing process with the issuance of a new bond in April and the launch of a further bond issuance completed in July, at interest rates materially below those applied to its debt; as a result the Group will benefit from significant interest cost savings going forward.

During the course of 2014, 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 while continuing to build upon the commercial success experienced during the course of 2013 and the first months of 2014 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model. The WIND Group will also continue to focus on the optimization of its cost structure.

WIND GROUP

**Consolidated interim financial statements as of and
for the six-month period ended June 30, 2014**

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
	Felix Saratovsky

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⁾ On February 27, 2014 Mr. Jo Olav Lunder resigned from his office as Board member of WIND and Chairman of the Board of Directors of the Company. On March 5, 2014 the Board of Directors of the Company co-opted Mr. Andrew Mark Davies as a member of the Board of Directors and Chairman of the Board until the shareholders' meeting of WIND approving the financial statements as of December 31, 2013. The shareholders' meeting of WIND dated April 18, 2014, that approved the financial statements of the Company as of December 31, 2013, appointed the new Board of Directors for a two- year term until the date of the shareholders' meeting convened for the approval of the Company's financial statements as at December 31, 2015. The Shareholders' meeting further confirmed Mr. Davies as Chairman of the Board of Directors of WIND. The Board of Directors of WIND convened on April 18, 2014 confirmed Mr. Maximo Ibarra as Chief Executive Officer of the Company.

⁽²⁾ The Shareholders' meeting held on April 12, 2013 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 at December 31, 2015.

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CONSOLIDATED INCOME STATEMENT

<i>(thousands of euro)</i>	Note	2014 6 months	2013 6 months	2014 II quarter	2013 II quarter
Revenue	4	2,186,743	2,443,905	1,106,009	1,236,460
Other revenue	5	103,725	51,518	40,711	29,471
Total revenue		2,290,468	2,495,423	1,146,720	1,265,931
Purchases and services	6	(1,171,375)	(1,299,207)	(585,920)	(660,264)
Other operating costs	7	(89,477)	(89,530)	(45,467)	(47,112)
Personnel expenses	8	(164,602)	(170,822)	(80,152)	(83,580)
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		865,014	935,864	435,181	474,975
Depreciation and amortization	9	(609,219)	(631,202)	(303,615)	(318,552)
Reversal of impairment losses/(impairment losses) on non-current assets	10	(1,195)	(45)	(94)	(411)
Gains/(losses) on disposal of non-current assets		(1,877)	163	(1,142)	7
Operating income		252,723	304,780	130,330	156,019
Finance income	11	54,766	35,963	52,432	18,790
Finance expense	11	(735,783)	(461,741)	(502,709)	(237,118)
Foreign exchange gains/(losses), net		(13,495)	(4,544)	(13,812)	(5,129)
Profit/(Loss) before tax		(441,789)	(125,542)	(333,759)	(67,438)
Income tax	12	38,908	(47,160)	50,265	(25,938)
Loss from continuing operations		(402,881)	(172,702)	(283,494)	(93,376)
Profit/(Loss) for the period		(402,881)	(172,702)	(283,494)	(93,376)
Non-controlling interests		(47)	1	(26)	25
Loss for the period attributable to the owners of the parent		(402,834)	(172,703)	(283,468)	(93,401)
Earnings per share (in euro) – basic and diluted:	18				
Earning per share from Continuing operations		(2.76)	(1.18)	(1.94)	(0.64)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands of euro)</i>	Note	2014 6 months	2013 6 months	2014 II quarter	2013 II quarter
Loss for the period		(402,881)	(172,702)	(283,494)	(93,376)
Other comprehensive income that will be reclassified subsequently to profit or loss					
Gains/(losses) on cash flow hedging instruments		(17,962)	21,434	(5,286)	(43,445)
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss		3,433	9,156	(307)	21,674
Total Other comprehensive income that will be reclassified subsequently to profit or loss	17	(14,529)	30,590	(5,593)	(21,771)
Other comprehensive income that will not be reclassified subsequently to profit or loss					
Gains/(losses) on remeasurement of defined benefit plans		167	-	83	-
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		(46)	-	(23)	-
Total Other comprehensive income that will not be reclassified subsequently to profit or loss	17	121	-	60	-
Total Other comprehensive income for the period, net of tax	17	(14,408)	30,590	(5,533)	(21,771)
Total comprehensive income for the period		(417,289)	(142,112)	(289,027)	(115,147)
Total comprehensive income attributable to:					
<i>Owners of the parent</i>		(417,242)	(142,113)	(289,001)	(115,172)
<i>Non-controlling interests</i>		(47)	1	(26)	25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands of euro)</i>	Note	At June 30, 2014	At December 31, 2013
Assets			
Property, plant and equipment	13	3,302,358	3,434,467
Intangible assets	14	8,413,515	8,575,134
Financial assets	15	984,373	126,690
Deferred tax assets	16	214,123	165,790
Total non-current assets		12,914,369	12,302,081
Inventories		54,945	27,377
Trade receivables		990,154	1,100,370
Financial assets	15	24,561	176,356
Current tax assets		19,297	19,274
Other receivables		238,195	189,899
Cash and cash equivalents		348,315	140,770
Total current assets		1,675,467	1,654,046
TOTAL ASSETS		14,589,836	13,956,127
Equity and Liabilities			
Equity			
Issued capital		147,100	147,100
Share premium reserve		751,887	751,887
Other reserves		(39,386)	(24,978)
Retained earnings		(490,318)	(87,484)
Equity attributable to owners of the parent	17	369,283	786,525
Non-controlling interests		37	84
Total equity	17	369,320	786,609
Liabilities			
Financial liabilities	20	10,216,682	9,084,017
Employee benefits		52,374	52,466
Provisions	19	176,084	274,379
Other non-current liabilities		161,445	165,388
Deferred tax liabilities	16	649,504	663,045
Total non-current liabilities		11,256,089	10,239,295
Financial liabilities	20	726,685	484,949
Trade payables		1,540,933	1,651,944
Other payables		649,406	772,108
Tax payables		47,403	21,222
Total current liabilities		2,964,427	2,930,223
Total liabilities		14,220,516	13,169,518
TOTAL EQUITY AND LIABILITIES		14,589,836	13,956,127

CONSOLIDATED CASH FLOW STATEMENT

<i>(thousands of euro)</i>	Note	2014 6 months	2013 6 months
Cash flows from operating activities			
Loss from continuing operations		(402,881)	(172,702)
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		610,414	631,242
Net changes in provisions and employee benefits		(98,266)	(16,119)
(Gains)/losses on disposal of non-current assets		1,877	(163)
Changes in current assets		9,995	45,224
Changes in current liabilities		(164,164)	(117,091)
Net cash flows from operating activities	23	(43,025)	370,391
Cash flows from investing activities			
Acquisition of property, plant and equipment		(221,769)	(216,885)
Proceeds from sale of property, plant and equipment		85	1,288
Acquisition of intangible assets		(87,723)	(128,366)
Inflows/(outflows) from loan granted		(759,512)	-
Net cash flows used in investing activities	23	(1,068,919)	(343,963)
Cash flows from financing activities			
Changes in loans		1,319,489	(84,064)
Net cash flows from/(used in) financing activities	23	1,319,489	(84,064)
Net cash flows for the period			
		207,545	(57,636)
Cash and cash equivalents at the beginning of the period		140,770	130,543
Cash and cash equivalents at the end of the period		348,315	72,907

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

<i>(thousands of euro)</i>	2014 6 months	2013 6 months
Income tax paid	(195,047)	(18,391)
Interest paid on loans/bonds	(444,656)	(369,019)
Interest paid on hedging derivative instruments	(28,829)	(31,943)
Interest received on hedging derivative instruments	2,075	5,965

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

<i>(thousands 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 December 31, 2012 (Reported amounts)	147,100	751,887	(95,861)	393,799	1,196,925	128	1,197,053
IAS 19 revised adoption effect			3,292		3,292		3,292
Balances at January 1, 2013	147,100	751,887	(92,569)	393,799	1,200,217	128	1,200,345
Total comprehensive income for period	-	-	30,590	(172,703)	(142,113)	1	(142,112)
- Loss for the period	-	-	-	(172,703)	(172,703)	1	(172,702)
- Cash flow hedges	-	-	30,590	-	30,590	-	30,590
Transactions with equity holders	-	-	-	-	-	-	-
Balances at June 30, 2013	147,100	751,887	(61,979)	221,096	1,058,104	129	1,058,233
Balances at January 1, 2014	147,100	751,887	(24,978)	(87,484)	786,525	84	786,609
Total comprehensive income for the period	-	-	(14,408)	(402,834)	(417,242)	(47)	(417,289)
- Loss for the period	-	-	-	(402,834)	(402,834)	(47)	(402,881)
- Cash flow hedges	-	-	(14,529)	-	(14,529)	-	(14,529)
- Remeasurement of defined benefit plans	-	-	121	-	121	-	121
Transactions with equity holders	-	-	-	-	-	-	-
Balances at June 30, 2014	147,100	751,887	(39,386)	(490,318)	369,283	37	369,320

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014

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").

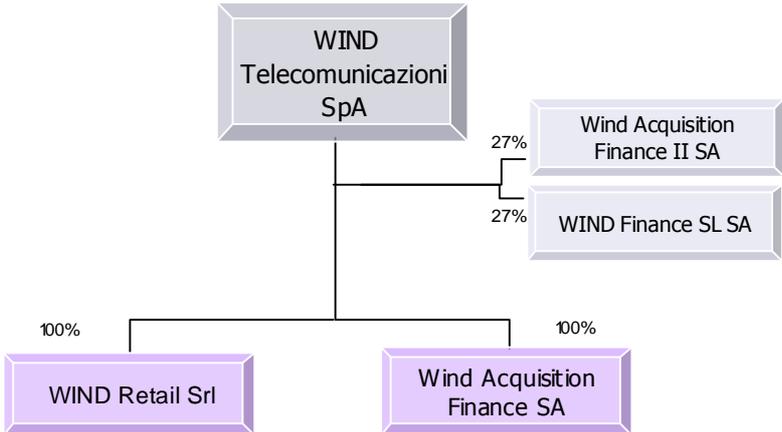
Registered office	Via Cesare Giulio Viola, 48 - 00148 Rome - Italy
Secondary office	Via Lorenteggio, 257 - 20152 Milan - Italy

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 interim financial statements Vimpelcom Ltd holds 92.24% of Wind Telecom SpA.

The consolidated interim financial statements as of and for the six-month period ended June 30, 2014 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 June 30, 2014.



During the six-month period ended June 30, 2014 the Group produced a loss before tax of €441,789 thousand (€125,542 thousand for the six-month period ended June 30, 2013) and a loss for the period from continuing operations of €402,881 thousand (€172,702 thousand for the corresponding period). This result reflects the decline in operating income due to increased competitive pressure and to higher negative net finance expense mainly due to the expenses relating the refinancing operation completed in April 2014, for which details may be found in note 11.

The solid commercial performance and ongoing cost structure optimization process has enabled the WIND Group to consolidate its competitive position in the first half of 2014, despite the market contraction and continuing challenging macroeconomic environment. The efficiency and cost optimization processes have been and will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. In addition, in the first half of the year, the Group initiated a debt refinancing process with the issuance of a new bond in April and the launch of a further bond issuance completed in July, at interest rates materially lower; as a result the Group will benefit from significant interest cost savings going forward.

During the course of 2014, 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 while continuing to build upon the commercial success experienced during the course of 2013 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model. In order to partially offset the negative macroeconomic and competitive environment, the WIND Group will continue to focus on the optimization of its cost structure.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated interim financial statements of WIND Telecomunicazioni SpA as of and for the six-month period ended June 30, 2014 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

The term IFRS includes all International Financial Reporting Standards (IFRSs), all International Accounting Standards (IASs), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC) endorsed by the European Union and contained in published EU Regulations.

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, 2013.

The consolidated financial statements as of and for the year ended December 31, 2013 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 six months ended June 30, 2014.

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, 2013.

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, 2013.

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 thousands of euro.

For the purposes of comparison, balances in the statement of financial position and income statement and the detailed tables in the notes have been reclassified where necessary. These reclassifications, for which details may be found in note 6, do not affect the Group's loss for the period or equity.

These consolidated financial statements were approved by the Parent's Board of Directors on July 30, 2014.

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, 2014 and thereafter.

Accounting standards, amendments and interpretations adopted from 1 January 2014

The following is a brief description of the new standards and interpretations applicable and adopted by the Group in the preparation of the consolidated interim financial statements at June 30, 2014.

➤ *IFRS 10 – Consolidated Financial Statements and IAS 27 – Separate Financial Statements*

IFRS 10 – Consolidated Financial Statements replaces the whole of SIC-12 - Consolidation: Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements (which has been renamed IAS 27 – Separate Financial Statements and governs the accounting treatment of investments in separate financial statements).

IFRS 10 introduces a series of changes in the definition of the concept of control, including a number of practical guidelines for identifying control in cases where it is hard to ascertain. Checks on whether control exists must be carried out on a continuous basis and not only when acquiring an investment.

IAS 27 establishes the principles to be applied in accounting for investments in subsidiaries, joint ventures and associates when a company elects, or is required by local regulations, to present separate (or unconsolidated) financial statements.

No effects arose on the interim consolidated financial statements at June 30, 2014 from adopting these principles.

➤ *IFRS 11 – Joint Arrangements*

IFRS 11 – Joint Arrangements replaces IAS 31 – Interests in Joint Ventures and SIC-13 – Jointly Controlled Entities: Non-Monetary Contributions by Venturers. The new standard establishes that the parties to a joint venture must account for the investment using the equity method. Proportionate consolidation is accordingly no longer permitted. Agreements are classified on the basis of the rights and obligations of each party to the joint arrangement rather than its legal form. The adoption of the new standard and its application had no effect on the interim consolidated financial statements at June 30, 2014.

➤ *IFRS 12 - Disclosure of Interests in Other Entities*

IFRS 12 – Disclosure of Interests in Other Entities is a new, complete standard setting out the minimum disclosure requirements to be provided by an entity in its financial statements to evaluate the nature of, and risks associated with, all types of interests in other entities including those in subsidiaries, joint arrangements, associates, special-purpose vehicles and unconsolidated vehicles.

➤ *IAS 28 – Investments in Associates and Joint Ventures*

The objective of the revised version of IAS 28 is to prescribe the accounting for investments in associates and establish the requirements for applying the equity method when accounting for investments in associates and joint entities. The application of the standard had no effect on the interim consolidated financial statements at June 30, 2014.

➤ *Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 – Financial Instruments: Presentation clarify the application of certain criteria for offsetting the financial assets and liabilities included in IAS 32. The adoption of these amendments had no significant effect.

➤ *Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*

The amendment to IFRS 10 - Consolidated Financial Statements clarifies that an investor must adjust comparative figures retrospectively if the conclusions on consolidation are not the same as those under IAS 27 / SIC 12 and IFRS

10 “at the date of initial application”. The amendments to IFRS 11 - Joint Arrangements and IFRS 12 “Disclosures of Interests in Other Entities” provide simplifications to the presentation or change of comparative information relating to periods prior to that called “the immediately preceding period”. The application of these amendments had no effect on the interim consolidated financial statements at June 30, 2014.

➤ *Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets address disclosures about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The application of the amendments could lead to additional information in the consolidated financial statements.

➤ *Amendments to IAS 39 – Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to IAS 39 - Financial Instruments: Recognition and Measurement entitled “Novation of Derivatives and Continuation of Hedge Accounting” allow hedge accounting to continue in a situation where a derivative which has been designated as a hedging instrument is novated as a result of laws or regulations to replace the original counterparty in order to ensure that the obligation assumed is successfully met, if specific conditions are met. These amendments must be applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of these amendments had no significant effect.

Accounting standards, amendments and interpretations adopted by the European Union and not early applied by the Group

At the date of these disclosures all the standards, amendments and interpretations adopted by the European Union were effective for preparing the interim consolidated financial statements at June 30, 2014.

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
Annual Improvements to IFRSs 2010 – 2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011 – 2013 Cycle	July 1, 2014
Amendments to IAS 19 – <i>Defined benefit Plans: Employee Contributions</i>	July 1, 2014
IFRS 14 – <i>Regulatory Deferral Accounts</i>	January 1, 2016
IFRS 9 – <i>Financial Instruments</i>	January 1, 2018
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
IFRS 15 – <i>Revenue from Contracts with Customers</i>	January 1, 2017

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 six-month period ended June 30, 2014 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 six-month period ended June 30, 2013.

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 REVENUE

The following table provides an analysis of **Revenue** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

<i>(thousands of euro)</i>	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%				
Revenue from sales	108,969	130,806	(21,837)	(16.7)%	64,932	73,342	(8,410)	(11.5)%				
- Telephone services	1,819,495	2,028,686	(209,191)	(10.3)%	909,815	1,016,486	(106,671)	(10.5)%				
- Interconnection traffic	189,036	200,793	(11,757)	(5.9)%	96,693	100,818	(4,125)	(4.1)%				
- International roaming	14,656	19,734	(5,078)	(25.7)%	7,942	11,723	(3,781)	(32.3)%				
- Judicial authority services	3,222	3,164	58	1.8%	1,680	1,469	211	14.4%				
- Other revenue from services	51,365	60,722	(9,357)	(15.4)%	24,947	32,622	(7,675)	(23.5)%				
Revenue from services	2,077,774	2,313,099	(235,325)	(10.2)%	1,041,077	1,163,118	(122,041)	(10.5)%				
Total	2,186,743	2,443,905	(257,162)	(10.5)%	1,106,009	1,236,460	(130,451)	(10.6)%				

The item shows a decrease for the six months of 2014 compared with 2013 of 10.5%. This effect is mainly due to a decrease in revenue from telephone services, revenue from sales and revenue from *interconnection traffic*.

Telephone services are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 10.3% in the first half of 2014 compared with 2013, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The decrease in *revenue from sales* is due to the decrease in the sale of mobile telephone handsets only partially offset by a shift in sales towards high-range terminals.

Interconnection traffic revenue decrease is mainly due to the general reduction of unit tariffs, only partially offset by an increase in mobile traffic volume and by an increase in interconnection traffic revenue from VAS Not Voice mainly due to an increase in traffic volumes.

International roaming revenue fell mainly as the effect of the reduction in Voice and Data tariffs, only partially offset by an increase in international roaming volume.

5 OTHER REVENUE

Other revenue amounts in total to €103,725 thousand in the six months of 2014 and to €40,711 thousand in the second quarter of 2014 (an increase of €52,207 thousand and of €11,240 thousand over the corresponding periods of 2013) and refers principally to the revisions of estimates of accruals made in previous years and to the effects related to the settlement of disputes with some suppliers.

6 PURCHASES AND SERVICES

The following table provides an analysis of **Purchases and services** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

<i>(thousands of euro)</i>	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%				
Interconnection traffic	308,753	329,399	(20,646)	(6.3)%	152,310	168,584	(16,274)	(9.7)%				
Customer acquisition costs	96,631	127,376	(30,745)	(24.1)%	46,561	64,945	(18,384)	(28.3)%				
Lease of civil/technical sites and use of third party assets	124,156	128,445	(4,289)	(3.3)%	61,361	62,361	(1,000)	(1.6)%				
Purchases of raw materials, consumables, supplies and goods	139,724	152,511	(12,787)	(8.4)%	86,974	79,460	7,514	9.5%				
Rental of local network and circuits	218,697	222,963	(4,266)	(1.9)%	107,925	110,339	(2,414)	(2.2)%				
Advertising and promotional services	54,218	79,625	(25,407)	(31.9)%	27,537	39,963	(12,426)	(31.1)%				
Outsourcing costs for other services	62,997	70,863	(7,866)	(11.1)%	30,599	35,295	(4,696)	(13.3)%				
Maintenance and repair	43,814	49,433	(5,619)	(11.4)%	17,809	21,026	(3,217)	(15.3)%				
Power consumption and other utilities	63,419	59,898	3,521	5.9%	32,514	29,081	3,433	11.8%				
National and international roaming	13,215	17,902	(4,687)	(26.2)%	6,530	10,295	(3,765)	(36.6)%				
Consultancies and professional services	13,233	16,563	(3,330)	(20.1)%	6,702	9,434	(2,732)	(29.0)%				
Change in inventories	(27,567)	(9,966)	(17,601)	176.6%	(19,644)	(612)	(19,032)	3109.8%				
Other services	60,085	54,195	5,890	10.9%	28,742	30,093	(1,351)	(4.5)%				
Total purchases and services	1,171,375	1,299,207	(127,832)	(9.8)%	585,920	660,264	(74,344)	(11.3)%				

In order to ensure better comparison of the items in the two periods under comparison, reclassifications have been made to the balances for the first half 2013 with the following effects: lower Interconnection traffic costs and Other services by €91 thousand and €27 thousand, respectively; and higher Rental of local network and circuits costs by €118 thousand.

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the six-month period ended June 30, 2013:

- a decrease of €30,745 thousand in the *Customer Acquisition Cost* mainly due to a decrease in the commissioning on mobile gross addition and on mobile traffic and to as well as in the sales channels' average remuneration;
- net decrease of €30,388 thousand in *Purchases of raw materials, consumables, supplies and goods and Change in inventories* mainly due to a decrease in the sale of mobile telephone handsets only partially offset by an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift of sales towards high-range terminals.
- a decrease of €25,407 thousand in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of efficiency in acquisition of advertising media such as TV, radio, billboards and decrease in sponsorship costs;
- a decrease of €20,646 thousand in *Interconnection traffic* costs mainly due to a general decline in termination tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS and MMS traffic.

7 OTHER OPERATING COSTS

The following table provides an analysis of **Other operating costs** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

(thousands of euro)	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%				
Impairment losses on trade receivables and current assets	58,041	59,138	(1,097)	(1.9)%	29,698	30,338	(640)	(2.1)%				
Accruals to provision for risks and costs	6,296	4,544	1,752	38.6%	3,594	2,964	630	21.3%				
Annual license and frequency fees	15,550	16,916	(1,366)	(8.1)%	6,858	8,769	(1,911)	(21.8)%				
Other operating costs	9,590	8,932	658	7.4%	5,317	5,041	276	5.5%				
Total other operating costs	89,477	89,530	(53)	(0.1)%	45,467	47,112	(1,645)	(3.5)%				

8 PERSONNEL EXPENSES

The following table provides an analysis of **Personnel expenses** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

(thousands of euro)	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%				
Wages and salaries	144,082	143,154	928	0.6%	73,405	70,015	3,390	4.8%				
Social security charges	38,833	40,698	(1,865)	(4.6)%	18,448	20,243	(1,795)	(8.9)%				
Other personnel expenses	6,550	6,424	126	2.0%	3,270	3,268	2	0.1%				
Post-employment benefits	10,046	9,990	56	0.6%	5,266	4,997	269	5.4%				
(Costs capitalized for internal works)	(34,909)	(29,444)	(5,465)	18.6%	(20,237)	(14,943)	(5,294)	35.4%				
Total personnel expenses	164,602	170,822	(6,220)	(3.6)%	80,152	83,580	(3,428)	(4.1)%				

The change in the period compared with 2013 is due to the combined effect of the lower estimated charge relating to the compensation plan for the long-term retention and incentive of management and the higher capitalization of personnel cost for internal works.

9 DEPRECIATION AND AMORTIZATION

The following table provides an analysis of **Depreciation and amortization** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

(thousands of euro)	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%				
Depreciation of property, plant and equipment												
- Plant and machinery	344,075	352,132	(8,057)	(2.3)%	172,638	179,045	(6,407)	(3.6)%				
- Industrial and commercial equipment	5,781	5,979	(198)	(3.3)%	2,851	3,023	(172)	(5.7)%				
- Other assets	10,790	12,528	(1,738)	(13.9)%	5,395	6,202	(807)	(13.0)%				
Amortization of intangible assets with finite lives												
- Industrial patents and similar rights	57,324	59,859	(2,535)	(4.2)%	28,236	30,159	(1,923)	(6.4)%				
- Concessions, licenses, trademarks and similar rights	95,739	95,738	1	0.0%	47,870	47,872	(2)	(0.0)%				
- Other intangible assets	95,510	104,966	(9,456)	(9.0)%	46,625	52,251	(5,626)	(10.8)%				
Total depreciation and amortization	609,219	631,202	(21,983)	(3.5)%	303,615	318,552	(14,937)	(4.7)%				

Depreciation and amortization decrease by €21,983 thousand over the first half of 2013. Of this €9,993 thousand relates to property, plant and equipment, due to the optimization in network investments made in the past year, and €11,990 thousand to intangible assets, mainly due to the decrease in the capitalization of fixed customer acquisition cost in the past year.

10 REVERSAL OF IMPAIRMENT LOSSES / (IMPAIRMENT LOSSES) ON NON-CURRENT ASSETS

The following table provides an analysis of **Reversal of impairment losses / (impairment losses) on non-current assets** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

<i>(thousands of euro)</i>	2014	2013	Change		2014	2013	Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%
Reversal of impairment losses / (Impairment losses) on property, plant and equipment	(1.195)	(45)	(1.150)	n.m.	(94)	(411)	317	(77,1)%
Total	(1.195)	(45)	(1.150)	n.m.	(94)	(411)	317	(77,1)%

The balance for the six months of 2014 includes the effects of impairment losses and reversals of property, plant and equipment and the effect of the operation to replace transmission equipment for which more details may be found in the note 13.

11 FINANCE INCOME AND EXPENSE

Financial management generated a negative net finance expense of €681,017 thousand in the first six months of 2014 (€425,778 thousand in the first six months of 2013) and net finance expense of €450,277 thousand in the second quarter of 2014 (€218,328 thousand in the second quarter of 2013)

The following table provides an analysis of **Finance income** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

<i>(thousands of euro)</i>	2014	2013	Change		2014	2013	Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%
Interest on bank deposits	172	314	(142)	(45.2)%	100	231	(131)	(56.7)%
Cash flow hedge reversed from equity	472	23	449	n.m.	(11)	(109)	98	n.m.
Fair value measurement of derivatives	5,548	33,041	(27,493)	n.m.	5,548	17,385	(11,837)	n.m.
Other	48,574	2,585	45,989	n.m.	46,795	1,283	45,512	n.m.
Total finance income	54,766	35,963	18,803	52.3%	52,432	18,790	33,642	179.0%

The increase in this item is mainly due to higher Other finance income only partially offset by lower income arising from the fair value measurement of the embedded derivatives on the bonds that led to the recognition of income of €31,441 thousand at June 30, 2013, compared to income of €5,548 thousand at June 30, 2014.

Other financial income at June 30, 2014 consists mainly of: i) the interest of €1,993 thousand (2,306 thousand at June 30, 2013) arising on the receivable from the parent Wind Telecom SpA under the intercompany agreement entered in November 2010, and repaid on April 23, 2014, for which details may be found in note 15; ii) the interest of €15,489 thousand arising on the receivable from the parent Wind Acquisitions Holdings Finance SA under the intercompany agreement entered in April 23, 2014, for which details may be found in note 15; and iii) the interest of €30,944 thousand of other financial income of previous years.

The following table provides an analysis of **Finance expense** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

<i>(thousands of euro)</i>	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	II quarter	Amount	II quarter	Amount	II quarter	Amount	II quarter	Amount	%
Interest expense on:												
Bond issues	(501,033)	(295,677)	(205,356)	69.5%	(346,683)	(150,182)	(196,501)	130.8%				
Bank loans	(78,165)	(97,501)	19,336	(19.8)%	(38,082)	(53,433)	15,351	(28.7)%				
Discounted provisions	(961)	(956)	(5)	0.5%	(480)	(478)	(2)	0.4%				
Cash flow hedges, reversed from equity	(73,667)	(35,567)	(38,100)	107.1%	(58,485)	(17,785)	(40,700)	228.8%				
Fair value measurement of derivatives	(53,443)	-	(53,443)	n.m.	(44,660)	-	(44,660)	n.m.				
Other	(28,514)	(32,040)	3,526	(11.0)%	(14,319)	(15,240)	921	(6.0)%				
Total finance expense	(735,783)	(461,741)	(274,042)	59.3%	(502,709)	(237,118)	(265,591)	112.0%				

Finance expense consists mostly of accrued interest on financial liabilities outstanding at June 30, 2014, for which further details may be found in note 20 and the effects of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement by €73,667 thousand (€35,567 thousand at June 30, 2013) and the loss of €53,444 thousand (income of €31,441 thousand at June 30, 2013) arising from the fair value measurement of the embedded derivatives on the bonds.

The decrease in *bank loan interest* is due to the early repayment of €575 million on April 29, 2013, of the Senior Facility Agreement.

Interest expense on Bond issues increase during the period over the six months of 2013, due to: i) the placement completed on April 29, 2013, of the Floating Rate Senior Secured 2019 of €150 million and the Fixed Rate Senior Secured 2020 of USD550 million; ii) the placement completed on April 23 2014, of a Senior Notes due 2021 of €1,750 million having a coupon of 7% and of a Senior Notes due 2021 of USD2,800 million having a coupon of 7.375%, and, iii) the early repayment, on April 23, 2014, of a portion of the Senior Notes 2017, for which details may be found in note 20.

The changes described include the effects of the refinancing operation completed in April 2014 which led to an increase of €288,594 thousand in financial expense relating to: i) a redemption premium of €137,899 thousand, ii) the release of the residual fees included in amortized cost of €67,564 thousand, iii) the cost resulting from the extinction of the embedded derivative of €53,444 thousand, and iv) the release of suspended fees relating hedging derivatives which have been closed of €29,687.

12 INCOME TAX

The following table provides an analysis of **Income tax** for the six months and for the second quarter of 2014 compared with the corresponding periods of 2013.

<i>(thousands of euro)</i>	2014		2013		Change		2014		2013		Change	
	6 months	6 months	Amount	%	II quarter	II quarter	Amount	%				
Current tax	(27,102)	(66,031)	38,929	(58.96)%	(12,886)	(29,705)	16,819	(56.6)%				
Previous years income taxes	(6,799)	1,612	(8,411)	n.m.	-	.	-	n.m.				
Deferred tax	72,809	17,259	55,550	321.9%	69,950	3,767	66,183	1756.9%				
Total income tax	38,908	(47,160)	86,068	(182.5)%	50,265	(25,938)	76,203	(293.8)%				

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

- current income taxes expense of €27,102 thousand (of which €5,050 thousand for IRES tax and €22,052 thousand for IRAP tax) charged on the consolidated taxable income for the period;
- previous years income taxes of €6,799 thousand;
- net deferred tax income of €72,809 thousand, arising from an increase of €58,145 thousand in deferred tax assets, positive effect of €14,795 thousand arising from tax consolidation procedure with Wind Telecom SpA and from the increase of deferred tax liabilities of €140 thousand.

13 PROPERTY, PLANT AND EQUIPMENT

The following table sets out the changes in **Property, Plant and Equipment** during the first six months of 2014.

<i>(thousands of euro)</i>	Carrying amount at December 31, 2013	Additions	Depreciation	Reversal of impairment losses/ Impairment losses	Disposals	Others	Carrying amount at June 30, 2014
Land and buildings	552	-	-	-	-	-	552
Plant and machinery	3,166,719	161.956	(344.076)	(4.361)	(1.914)	100.802	3.079.126
Equipment	22,943	3.611	(5.782)	-	(45)	762	21.489
Other	47,329	2.649	(10.788)	-	(3)	6.328	45.515
Assets under construction	196,924	65.867	-	-	-	(107.115)	155.676
Total	3,434,467	234.083	(360.646)	(4.361)	(1.962)	777	3.302.358

The cost, accumulated impairment losses and accumulated depreciation at June 30, 2014 can be summarized as follows.

<i>(thousands of euro)</i>	At June 30, 2014			Carrying amount
	Cost	Accumulated impairment losses	Accumulated depreciation	
Land and buildings	552	-	-	552
Plant and machinery	11.055.680	91.514	7.885.040	3.079.126
Equipment	154.542	31	133.022	21.489
Other	507.288	196	461.577	45.515
Assets under construction	156.318	642	-	155.676

Total	11.874.380	92.383	8.479.639	3.302.358
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The investments made in the period relate 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) and the respective transport and support networks.

In connection with an operation to replace transmission equipment being carried out to render the network more efficient and to obtain benefits from synergies, the net carrying amount of replaced equipment of €3,827 thousand was written off and investments have been recognized by €12,314 thousand resulting from the recognition as an increase in the market value of the equipment received as a replacement. In this regard, the value of equipment received as a replacement totally offsets the impairment loss on the equipment replaced, while the remaining €9,148 thousand was suspended in other non-current liabilities and will be released in profit or loss over the useful life of the assets.

14 INTANGIBLE ASSETS

The following table sets out the changes in *Intangible assets* during the first six months of 2014.

<i>(thousands of euro)</i>	Carrying amount at December 31, 2013	Additions	Amortization	Others	Carrying amount at June 30, 2014
Industrial patents and intellectual property rights	285,698	30,803	(57,324)	2,845	262,022
Concessions, licenses, trademarks and similar rights	4,161,166	6	(95,739)	-	4,065,433
Other intangible assets	497,846	39,130	(95,510)	14,206	455,672
Goodwill	3,606,241	-	-	-	3,606,241
Assets under development	24,183	17,790	-	(17,826)	24,147
Total	8,575,134	87,729	(248,573)	(775)	8,413,515

The cost, accumulated impairment losses and accumulated amortization at June 30, 2014 can be summarized as follows.

<i>(thousands of euro)</i>	At June 30, 2014			Carrying amount
	Cost	Accumulated impairment losses	Accumulated amortization	
Industrial patents and intellectual property rights	1,868,608	15,167	1,591,419	262,022
Concessions, licenses, trademarks and similar rights	5,778,478	1,026	1,712,019	4,065,433
Other intangible assets	1,756,692	3	1,301,017	455,672
Goodwill	3,609,387	3,146	-	3,606,241
Assets under development	24,147	-	-	24,147
Total	13,037,312	19,342	4,604,455	8,413,515

The investments made in the period relate mainly to capitalization of customer acquisition costs, software and other intangible assets under development.

No impairment tests were carried out on these assets at June 30, 2014 given the absence of impairment indicators.

15 FINANCIAL ASSETS

The following table sets out **Financial assets** at June 30, 2014 and at December 31, 2013.

<i>(thousands of euro)</i>	At June 30, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	15,159	-	15,159	15,159	-	15,159
Derivative financial instruments	23,386	-	23,386	68,548	-	68,548
Financial receivables	945,828	24,561	970,389	42,983	176,356	219,339
Total	984,373	24,561	1,008,934	126,690	176,356	303,046

At June 30, 2014 the item consists mainly of:

- financial assets of €15,159 thousand measured at cost which consist of investments in non-controlling interests;
- the positive fair value of derivative financial instruments of €23,386 thousand and which the composition is described in note 21;
- financial receivables of €970,389 thousand mainly including:
 - the loan of €922,500 thousand granted by WIND to the parent Wind Acquisition Holdings Finance SpA resulting from the intercompany agreement of April 23, 2014 with reimbursement on March 23, 2024 and with an annual fixed interest rate of 9%;
 - fees of €13,438 thousand (€37,358 thousand at December 31, 2013) of which €3,851 thousand in current assets, (€10,282 thousand at December 31, 2013) recognized for hedging derivatives arranged in the previous years, which are being amortized over the terms of these instruments;
 - the residual value of the transaction costs for the unused portion of bank loans equal to €6,643 thousand (€7,753 thousand at December 31, 2013) which are charged to profit and loss on a straight-line basis over the term of the agreement.

At December 31, 2013 this item also included the loan of €160,996 thousand granted by the Parent Company to the indirect parent Wind Telecom SpA based on the Intercompany Loan Agreement of November 29, 2010. On April 23, 2014 this receivable was settled by offset with a portion of the payable due to the indirect parent Wind Telecom SpA as part of the tax consolidation.

16 DEFERRED TAX ASSETS AND LIABILITIES

The following tables provide the variation of *Deferred tax assets* and *Deferred tax liabilities* by origin at June 30, 2014 and at December 31, 2013.

<i>(thousands of euro)</i>	At December 31, 2013	Decrease	Increase	At June 30, 2014
Allowance for doubtful accounts (taxed)	81,211	29,852	14,317	65,676
Provisions for risks and charges (taxed)	26,755	6,972	3,605	23,388
Measurement of financial assets/liabilities	13,969	-	64,790	78,759
Amortization and depreciation of non-current assets	43,855	1,740	4,185	46,300
Deferred tax assets	165,790	38,564	86,897	214,123
Employee benefits	3,931	1	46	3,976
Accelerated depreciation and amortization	13,031	455	-	12,576
Fair value of Property, plant, and equipment	63,325	3,417	-	59,908
Depreciation of Purchase Price Allocation	582,758	10,768	1,054	573,044
Deferred tax liabilities	663,045	14,641	1,100	649,504

Deferred tax assets at June 30, 2014 and December 31, 2013 which relate to items recognized directly in other components of profit or loss relate entirely to the transactions on derivatives hedging cash flows, as described in further detail in note 17.

17 EQUITY

The following table summarizes the main changes in *Equity* for the first six months of 2014 and for the corresponding period in 2013.

<i>(thousands 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 December 31, 2012 (Reported amounts)	147,100	751,887	(95,861)	393,799	1,196,925	128	1,197,053
IAS 19 revised adoption effect			3,292		3,292		3,292
Balances at January 1, 2013	147,100	751,887	(92,569)	393,799	1,200,217	128	1,200,345
Total comprehensive income for period	-	-	30,590	(172,703)	(142,113)	1	(142,112)
- Loss for the period	-	-	-	(172,703)	(172,703)	1	(172,702)
- Cash flow hedges	-	-	30,590	-	30,590	-	30,590
Transactions with equity holders	-	-	-	-	-	-	-
Balances at June 30, 2013	147,100	751,887	(61,979)	221,096	1,058,104	129	1,058,233
Balances at January 1, 2014	147,100	751,887	(24,978)	(87,484)	786,525	84	786,609
Total comprehensive income for the period	-	-	(14,408)	(402,834)	(417,242)	(47)	(417,289)
- Loss for the period	-	-	-	(402,834)	(402,834)	(47)	(402,881)
- Cash flow hedges	-	-	(14,529)	-	(14,529)	-	(14,529)
- Remeasurement of defined benefit plans	-	-	121	-	121	-	121
Transactions with equity holders	-	-	-	-	-	-	-
Balances at June 30, 2014	147,100	751,887	(39,386)	(490,318)	369,283	37	369,320

On April 18, 2014, the parent's shareholders resolved the approval of the annual financial statements as of and for the year ended December 31, 2013 allocating the loss for the year of €491,085 thousand to losses carried forward.

Changes in the Group's equity during the period mainly arose from the decrease in the cash flow hedge reserve, as well as the loss 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 21. The following table shows the changes in the cash flow hedge reserve.

	Interest rate risk			Foreign currency risk			Cash Flow Hedge Reserve
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	
<i>(thousands of euro)</i>							
At December 31, 2013	(62,692)	-	(62,692)	(41,553)	11,961	(29,592)	(92,284)
Changes in fair value	(4,668)	-	(4,668)	4,923	(1,417)	3,506	(1,162)
Reverse to income statement	(1,366)	-	(1,366)	(16,851)	4,850	(12,001)	(13,367)
At June 30, 2014	(68,726)	-	(68,726)	(53,481)	15,394	(38,087)	(106,813)

In addition, there is an increase of €121 thousand in the actuarial reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the remeasurements of employee defined benefit plans.

The share capital of the parent WIND Telecomunicazioni SpA at June 30, 2014 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.

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.

18 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 June 30, 2014 or June 30, 2013.

19 PROVISIONS

The following table sets out changes in **Provisions** during the first six months of 2014.

<i>(thousands of euro)</i>	At December 31, 2013	Increases	(Decreases)	At June 30, 2014
Litigation	169,981	19,347	(108,482)	80,846
Restructuring	377	-	-	377
Universal service contribution (Presidential Decree no. 318/1997)	16,683	-	-	16,683
Product assistance	1,525	509	(499)	1,535
Dismantling and removal	38,225	-	(229)	37,996
Other provisions	47,588	6,986	(15,927)	38,647
Total	274,379	26,842	(125,137)	176,084

This item decreased by €212,576 thousand at June 30, 2014, 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 including the utilization of the provision for the termination of agency relationships during the period and the payment in the period of an installment of the long-term incentive plan and the implementation of restructuring plans.

20 FINANCIAL LIABILITIES

The following table sets out an analysis of **Financial liabilities** at June 30, 2014 and changes with respect to December 31, 2013.

<i>(thousands of euro)</i>	At June 30, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	7,397,816	341,083	7,738,899	6,280,981	180,636	6,461,617
Bank loans	2,272,854	260,513	2,533,367	2,290,599	145,962	2,436,561
Loans from others	319,962	123,142	443,104	330,923	142,808	473,731
Derivative financial instruments	226,050	1,947	227,997	181,514	15,543	197,057
Total financial liabilities	10,216,682	726,685	10,943,367	9,084,017	484,949	9,568,966

The following tables provide the most important information regarding bank loans and bond issues outstanding at June 30, 2014.

<i>(thousands of euro)</i>	Carrying amount at June 30, 2014	Carrying amount at December 31, 2013	Nominal amount at June 30, 2014	Residual Commitment	Currency	Due date	Interest rate
Senior Facility Agreement							
- Tranche A1	36,758	36,966	37,281	37,281	EUR	11/26/2018	Euribor+4.25%
- Tranche A2	298,238	300,168	302,719	302,719	EUR	11/26/2018	Euribor+4.25%
- Tranche B1	1,302,996	1,312,209	1,333,882	1,333,882	EUR	11/26/2019	Euribor+4.50%
- Tranche B2	665,668	670,333	681,118	681,118	EUR	11/26/2019	Euribor+4.75%
- Revolving	199,989	99,997	200,000	400,000	EUR	11/26/2018	Euribor+4.25%
- Overdrafts	28,940	15,854	-	-			
- Other accrued interest	778	1,034	-	-			
Total	2,533,367	2,436,561	2,555,000	2,755,000			

<i>(thousands of euro)</i>	Carrying amount at June 30, 2014	Carrying amount at December 31, 2013	Nominal amount at June 30, 2014	Issue price	Currency	Due date	Interest rate	Price
Senior Notes 2017 €	173,420	1,272,519	165,509	96.3%	EUR	07/15/2014	11.75%	100.0%
Senior Notes 2017 \$	81,851	1,506,374	77,908	97.5%	USD	07/15/2014	11.75%	100.0%
Senior Secured Notes 2018 €	1,742,319	1,739,903	1,750,000	99.3%	EUR	02/15/2018	7.38%	105.8%
Senior Secured Notes 2018 \$	944,088	938,933	949,668	99.3%	USD	02/15/2018	7.25%	105.7%
Senior Secured Notes 2018 €	185,140	183,329	200,000	90.1%	EUR	02/15/2018	7.38%	105.6%
Senior Secured Notes 2018 \$	273,827	270,390	292,205	92.2%	USD	02/15/2018	7.25%	105.7%
Senior Secured Floating Rate Notes 2019 €	149,917	149,866	150,000	100.0%	EUR	05/01/2019	Euribor 3M+5.25%	101.1%
Senior Secured Fixed Rate Notes 2020 \$	402,279	400,303	401,782	100.0%	USD	05/01/2020	6.50%	108.3%
Senior Notes 2021 €	1,741,034	-	1,750,000	100.0%	EUR	04/23/2021	7.00%	107.4%
Senior Notes 2021 \$	2,045,024	-	2,045,438	100.0%	USD	04/23/2021	7.38%	107.5%
Totale	7,738,899	6,461,617	7,782,510					

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at June 30, 2014.

<i>(thousands of euro)</i>	At June 30, 2014					Total
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	
Euro	291,013	4,437,202	1,748,902	317,765	173,420	6,968,302
US dollars	-	402,279	3,262,938	-	81,851	3,747,068
Total	291,013	4,839,481	5,011,840	317,765	255,271	10,715,370

The Senior Facility Agreement ("SFA") imposes certain covenants on the Group, with which the Group, at June 30, 2014 is fully in compliance.

It should be noted that WIND Telecomunicazioni SpA and its subsidiary Wind Acquisition Finance SA obtained, on March 26, 2014, the majority lenders' consent for the proposed amendments including maturity extension to WIND's Senior Facility Agreement. Under this transaction, on April 23, 2014, the Group completed the placement of a Senior Notes due 2021 of €1,750 million having a coupon of 7% and of a Senior Notes due 2021 of USD2,800 million having a coupon of 7.375%, maturing in 2020. This issue had the objective to put in place a more stable capital structure for the Group, through: i) the launch of a tender offer for the purchase of any and all outstanding 2017 Senior Notes that completed with the early repayment, on April 23, 2014, of a portion amounting to 86.71152% of the bond in EURO and a portion amounting to 94.505% of the bond in USD while the remaining portion was repaid on July 15, 2014 and ii) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan up to €925 million (of which €922.5 million disbursed at June 30, 2014) with reimbursement on March 23, 2024 and with an annual fixed interest rate of 9%.

The change in the balances in other financial liabilities results essentially from the repayment during the period of €34,205 thousand 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 and from the effect of the change in the euro/USD exchange rate during the period on Bonds in foreign currency.

An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 21.

21 DERIVATIVE FINANCIAL INSTRUMENTS

The following table provides details of the outstanding *Derivative financial instruments* at June 30, 2014 and changes over December 31, 2013, analyzed by the type of risk hedged.

	At June 30, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
(thousands of euro)				
- Exchange rate risk	9,254	151,620	6,556	124,453
- Interest rate risk	-	76,377	1,042	72,604
Total cash flow hedges	9,254	227,997	7,598	197,057
- Embedded derivatives on Bonds	14,132	-	60,950	-
Total Derivatives Non Hedge Accounting	14,132	-	60,950	-
Total	23,386	227,997	68,548	197,057

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.

	At June 30, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
(thousands of euro)				
Current	-	1,947	-	15,543
Non current	23,386	226,050	68,548	181,514
Total derivatives	23,386	227,997	68,548	197,057

The detail of variation in the cash flow hedge reserve for the period may be found in note 17.

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. 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.

22 NET FINANCIAL DEBT

The following statement shows the Group's net financial debt broken down into its principal components, as already described in notes 15, 20 and 21 to the financial components of the statement of financial position.

<i>(thousands of euro)</i>	At June 30, 2014	At December 31, 2013
Bonds issues	7,397,816	6,280,981
Bank loans	2,272,854	2,290,599
Loans from other	319,962	330,923
Derivative financial instruments	226,050	181,514
Non-current financial liabilities	10,216,682	9,084,017
Bonds issues	341,083	180,636
Bank loans	260,513	145,962
Loans from others	123,142	142,808
Derivative financial instruments	1,947	15,543
Current financial liabilities	726,685	484,949
TOTAL GROSS FINANCIAL DEBT	10,943,367	9,568,966
Cash and cash equivalents	(348,315)	(140,770)
Derivative financial instruments	-	-
Financial receivables	(22,612)	(174,490)
Current financial assets	(22,612)	(174,490)
Derivative financial instruments	(23,386)	(68,548)
Financial receivables	(943,513)	(40,588)
Non-current financial assets	(966,899)	(109,136)
NET FINANCIAL DEBT	9,605,541	9,144,570

The net financial debt does not include the guarantee deposits for an amount of €4,264 thousand (classified both in current and non-current financial receivables) and €4,261 thousand at June 30, 2014 and at December 31, 2013, respectively.

23 CASH FLOW STATEMENT

Cash flows used in operating activities, amounting to €43,025 thousand in the first six months of 2014, increased €413,416 thousand over the previous period of 2013, mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash totalling €1,068,919 thousand during the first six months of 2014, representing an increase of €724,956 thousand over the previous period of 2013 due mainly to: i) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan of €922,500 thousand, ii) the settlement by offset of the loan of the parent to the indirect parent Wind Telecom SpA based on the Intercompany Loan Agreement of November 29, 2010 of €162,988 thousand and iii) a reduction in investments in fixed assets of €35,759 thousand mainly arising from the optimization in the developments of products, services and support processes only partially offset by higher investments in 3G and LTE mobile technology, as far as the data part is concerned, over the first six months of 2013.

Cash flows from financing activities amounted to €1,319,489 thousand during the first six months of 2014, mainly as the effect of:

- the early repayment of €2,467,610 thousand, made in April, 23 2014 of a portion of Senior Secured Notes 2017;
- the issue of a new bond Senior Notes due 2021 of € 3,804,860 thousand;
- the use of cash of €100,000 thousand in the first six months of 2014, of the revolving tranche of the Senior Facility Agreement;
- the payment of €95,613 thousand of fees, mainly related to new Senior Notes 2021;
- the repayment of €34,205 thousand, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt of November 26, 2010;
- the repayment of €1,025 thousand related to the loan against the capitalization of expenditure for the backbone rights of way.

In addition, financing activities at June 30, 2014 included the overdraft for an amount of €28,940 thousand (€15,854 thousand at December 31, 2013).

During the first six months of 2013 investing activities used cash of €84,064 thousand mainly due to the use of cash of €50 million of the revolving tranche of the Senior Facility Agreement, the early repayment of €575 million of the installments of tranches A1 and A2 of the Senior Facility Agreement falling due in 2014 and 2015, the issue of a new bond having an amount, net of fees paid, of €563 million, the early repayment of €81,011 thousand, of the second installment of the payable due to the Ministry of Economic Development and the repayment of €36,070 thousand of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt. In addition, financing activities at June 30, 2013 include the overdraft for an amount of €17,146 thousand (€21,827 thousand at December 31, 2012).

24 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, the Parent receives services relating to IT, marketing, personnel, purchasing, etc; while in reference to transactions with the parent Wind Acquisition Holdings Finance SpA, on April 23, 2014 a loan intercompany of €937,989 thousand was signed, for which details may be found in note 15.

In addition, on April 23, 2014 the receivable of €171,075 thousand for the intercompany loan based on the agreement of November 29, 2010 between the Parent Company and the indirect parent Wind Telecom SpA was used to partially offset the liability arising from the transfer by the Parent Company of IRES corporate income tax liabilities as the result of adhesion to the national tax consolidation procedure with Wind Telecom SpA, while the remaining balance of €141,712 thousand due by WIND to the indirect parent Wind Telecom SpA was transferred by the latter on the same date to the direct parent Wind Acquisition Holdings Finance SpA.

During the period ended June 30, 2014, Group companies did not hold treasury shares of the Parent WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of the parent WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.

(thousands of euro)

Period ended June 30, 2014

	Revenue	Finance income/ expense	Expenses	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
Armenija Telefon Kompani	3	-	1	-	-	-	5	-
Consorzio Wind Team	-	-	2	-	5	-	-	-
DiGi (Malaysia)	6	-	1	6	-	-	7	-
DTAC/UCOM (Thailand)	4	-	7	19	-	-	4	-
Globalive Wireless Management	805	-	-	60	4,235	-	5	375
GrameenPhone (Bangladesh)	44	-	50	146	-	-	47	-
KaR-Tel	23	-	1	3	-	-	51	-
Kievstar	243	-	10,978	-	-	-	3,426	-
Maritim Communication Partner AS (Norway)	-	-	98	-	-	-	90	-
Mobitel LLC Georgia	1	-	4	-	-	-	40	-
Summit Technology Solutions (STS)	-	-	-	-	-	-	5	-
Orascom Telecom Algeria SpA	162	-	68	110	-	-	36	-
Orascom Telecom Bangladesh Ltd. (Banglalink)	2	-	7	88	-	-	-	-
Orascom Telecom Holding SAE	-	-	-	26	-	-	1,977	-
Orascom Telecom Services Europe Company	-	-	-	183	-	-	-	-
Pakistan Mobile Communications Ltd.	22	-	-	89	-	-	9	-
Powercom (Pty) Ltd T/A leo	-	-	1	-	-	-	1	-
SKY MOBILE LLC	-	-	-	1	-	-	2	-
Telenor Magyarorszag KFT (Hungary)	62	-	55	160	-	-	121	-
Telenor Mobile Communications AS (Norway)	30	-	15	-	-	-	42	-
Telenor Pakistan (Pakistan)	1	-	2	1	-	-	12	-
Telenor Serbia (Serbia)	74	-	28	412	-	-	1,588	-
Unitel	2	-	1	1	-	-	2	-
Vimpelcom ltd	561	-	-	-	2,372	-	-	-
VimpelCom Lao Co, Ltd	-	-	-	5	-	-	-	-
Vypel-Kommunikacii	429	-	2,476	-	-	-	1,273	-
Weather Capital Sarl	80	-	-	-	422	-	-	-
WIND Acquisition Holdings Finance SpA	22	15,489	-	-	1,702	937,989	273	141,712
Wind Telecom SpA	1,163	1,993	3,156	-	34,991	-	7,002	12,696
Wind Acquisition Holdings Finance II SA	9	-	-	-	93	-	-	-
Wind Acquisition Holdings Finance SA	39	-	-	-	207	-	-	81
SPAL TLC S.p.A. *	135,615	-	13,681	8,494	-	-	5,362	-
Vimpelcom International services	-	-	2,675	-	545	-	4,255	-
Tacom LLC (Tajikistan)	2	-	-	-	-	-	-	-
Telenor Sverige AB	33	-	-	13	-	-	-	-
Weather Capital Special Purposes I SA	60	-	41	-	315	-	-	-
Klarolux Investments Sarl	9	-	-	-	46	-	-	-
Orascom Luxembourg SARL	9	-	-	-	46	-	-	-
Orascom Telecom SARL	9	-	-	-	46	-	-	-
Orascom Telecom Finance SCA	9	-	-	-	46	-	-	-
Orascom Luxembourg Finance SCA	9	-	-	-	46	-	-	-
Orascom Telecom Acquisition	7	-	-	-	38	-	-	-
Orascom Telecom One Sarl	7	-	-	-	38	-	-	-
Orascom Telecom Oscar	13	-	-	-	67	-	-	-
Cosmo Bulgaria Mobile EAD	20	-	44	41	-	-	10	-
Total	139,589	17,482	33,392	9,858	45,260	937,989	25,645	154,864

* revenue to SPAL TLC SpA include the revenue of WIND Telecomunicazioni SpA from the sale of phone cards (€123,528 thousand).

25 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 at June 30, 2014, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

Proceedings with agents

Certain proceedings are pending from time to time related to the termination of agency agreements. The agents in these proceedings typically are seeking payment from WIND of damages and indemnities, including a termination indemnity pursuant to article 1751 of the Italian Civil Code.

Proceedings concerning Misleading Advertising and Unfair Commercial Practices

Under Legislative decree no.146/2007, the Italian Antitrust Authority has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2014, AGCM initiated three proceedings against WIND for unfair commercial practices, all of which are on-going.

Audit by the Italian Tax Authority

Agenzia delle Entrate ("ADE") (Italian Tax Authority) conducted a tax audit on senior lenders under the senior facility agreement dated 24 November 2010 ("SFA") and challenged the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax challenged on its own portion of the SFA, but may claim indemnification from WIND Telecomunicazioni SpA. The indemnification right has already been exercised. It should be noted that the assessments are being appealed by the senior lenders in coordination with WIND Telecomunicazioni SpA.

In the fourth quarter of 2013 the Guardia di Finanza ("GDF") (Italian Tax Police) initiated an audit for Corporate Income Tax and withholding tax purposes on WIND Telecomunicazioni SpA. The audit ended on 18 April 2014 with a tax audit report where GDF challenged, for corporate tax purposes, the deduction of certain financial expenses incurred by Wind Acquisition Finance SpA (merged into WIND Telecomunicazioni SpA) relating to FY 2005.

Contingent assets and liabilities

The WIND Group had the following contingent liabilities at June 30, 2014.

Proceedings Concerning Electromagnetic Radiation

Certain proceedings against WIND are pending from time to time before the administrative courts 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. The court of the second instance found in favour of WIND for 1999 and

2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court. The dispute can be quantified in approximately €6 million plus penalties and interest.

WIND/Crest One SpA

Crest One SpA ("Crest One") initiated proceedings against WIND for: (i) the refund of an amount of approximately €16 million, previously paid to WIND by Crest One as value added tax under a distribution agreement entered into between Crest One and WIND, and (ii) the compensation of damages alleged to have been suffered by Crest One pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One's claims, which has challenged before the Court of Appeal. The next hearing is set for January 30, 2018.

WIND-Antitrust Authority (A/357)

On August 3, 2007, the Antitrust Authority closed proceeding no. A/357 by ruling against WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market due to the discriminatory application of economic and technical conditions for fixed-to-mobile on net (fixed-mobile calls originating and terminating on the WIND network) and intercom calls (the calls on the internal telephone lines of a business customer) in favour of their respective internal divisions and to the detriment of fixed-line competitors. WIND was fined and paid a sum of €2 million and ordered to cease the discriminatory behaviour. WIND exhausted all avenues of appeal seeking to annul the decision.

Fastweb/WIND

On January 2nd 2014, Fastweb served a claim on WIND based on the antitrust proceedings no. A/357 – which in August 2007 condemned WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to the business clients). Following a delay due to a substitution of the assigned judge, the first hearing date has been set for October 8, 2014.

WIND-Antitrust Authority (I/757)

On September 13, 2012, the AGCM opened an antitrust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND). The investigation started following a complaint by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND aiming at preventing the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting in June, 2012. AGCM extended the scope of the investigation against Telecom Italia and WIND, contesting possible vertical agreements with their respective multibrand dealers aiming at excluding the competitors. WIND filed undertakings to AGCM on April 4, 2014, which AGCM published on April 22, 2014. On June 10, 2014, WIND attended a formal hearing with AGCM's Communication Unit. The proceeding is scheduled to be completed on October 30, 2014.

Guarantees

No Group company has pledged any guarantees, either directly or indirectly, in favor of parents or companies controlled by the latter.

The collateral pledged by Group companies at June 30, 2014 as a guarantee for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent as specified in the relevant deed, in favor of the banking syndicate party to the Senior Facility Agreement and other creditors specified in the relevant deed;
- a lien exists on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the banking syndicate party to the Senior Facility Agreement and other creditors specified in the relevant deed;
- pledge of 12,006.200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA owned by WIND Telecomunicazioni SpA and in favor of a pool of banks pursuant the related share pledge agreement;
- pledge under English law over a bank account of WIND Telecomunicazioni S.p.A. in favor of the banking syndicate party to Senior Facility Agreement and the other creditors specified in the related deed of pledge;
- assignment under English law of receivables arising from contracts of hedging of WIND Telecomunicazioni S.p.A. in favor of banking syndicate to Senior Facility Agreement and the other creditors specified in the related deed of assignment;

Finally, in order to provide a guarantee for its obligations, the Parent has pledged as security its trade receivables, receivables arising from intercompany loans and receivables relating to insurance policies, present and future, as described in the specific instrument, to the banking syndicate in accordance with the Senior Facility Agreement, as amended and supplemented from time to time, and the other lending parties specified in the supplemental deed related to the respective contract of guarantee, and in favor of the subscribers of the Senior Secured Fixed Rate Notes expiring in 2020 and of Senior Secured Floating Rate notes expiring in 2019, issued by Wind Acquisition Finance SA on April 29 2013 as well as the subscribers of Senior Secured Fixed Rate Notes expiring in 2020 and Senior Secured Floating Rate Notes expiring in 2020 issued by Wind Acquisition Finance SA on July 10, 2014. Moreover, the Parent has pledged as security its receivables arising from the Put and Call option dated May 26, 2005 as described in the relevant deed, to the banking syndicate in the Senior Facility Agreement and the other lending parties specified therein as a guarantee for and in favor of the subscribers of the aforementioned secured notes expiring in 2019, 2020 and from the purchase agreement of the stake in the corporate capital of WIND Telecomunicazioni S.p.A. dated May 26, 2005 .

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €351,961 thousand at June 30, 2014 includes:

- sureties totaling €13,954 thousand issued by insurance companies, mainly relating to participation in tenders;

- sureties totaling €338,007 thousand issued by banks, relating to participation in tenders, of which €276,630 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded 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.

26 SUBSEQUENT EVENTS

On July 10, 2014, the Group completed the placement of a Senior Secured Notes due 2020 in a combination of €575 million euro-denominated Euribor 3 months plus 4.00% Floating Rate Notes and of €2,100 million 4.00% notes and of US\$1,900 million 4.75% notes. This issue aims to reduce interest costs, extend the maturity profile of the WIND group's debt and have a sustainable and manageable capital structure for the Group, through: i) refinancing the existing Senior Secured Notes due 2018 and ii) refinancing the non-extended part of the Senior Credit Facilities.

On July 15, 2014 the process of repayment of the 2017 Senior Notes in Euro and in USD not forming part of the early repayment of April 23, 2014 was completed.