WIND TELECOMUNICAZIONI GROUP

Consolidated financial statements as of and for the year ended December 31, 2014

**AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14
OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010**

**WIND TELECOMUNICAZIONI SPA AND ITS SUBSIDIARIES
("WIND GROUP")**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2014**

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Wind Telecomunicazioni SpA

1 We have audited the consolidated financial statements of Wind Telecomunicazioni SpA and its subsidiaries ("Wind Group") as of 31 December 2014 which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, statement of changes in consolidated equity and related notes. The directors of Wind Telecomunicazioni SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to the report issued by other auditors dated 21 March 2014.

3 In our opinion, the consolidated financial statements of the Wind Group as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of the Wind Group for the period then ended.

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** 70122 Via Abate Gimma 72 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 Piccapietra 9 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

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4 The directors of Wind Telecomunicazioni SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by Consob. In our opinion, the report on operations is consistent with the consolidated financial statements of Wind Group as of 31 December 2014.

Rome, 27 February 2015

PricewaterhouseCoopers SpA

Signed by

Scott Cunningham
(Partner)

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

WIND TELECOMUNICAZIONI GROUP

Report on operations at December 31, 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.

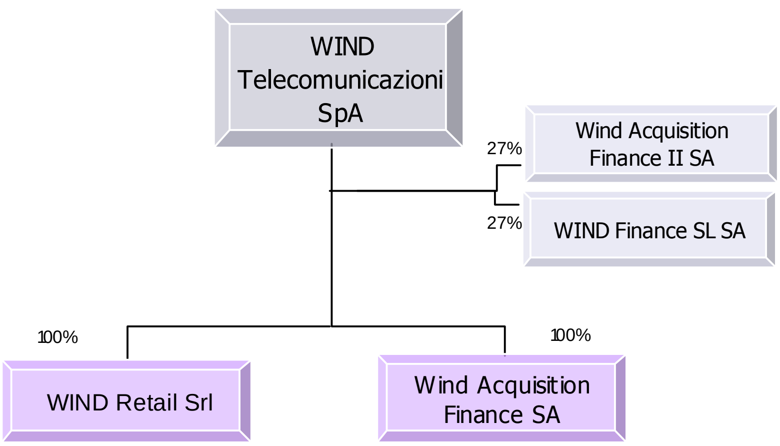
The following are the main offices of the Parent WIND Telecomunicazioni SpA:

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 SpA while WIND Acquisition Holdings Finance SpA holds 7.76%.

The following diagram outlines the structure of the WIND Group at December 31, 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 DECEMBER 31, 2014

The operating and financial data reported below are taken from the Group's consolidated financial statements as of and for the year ended December 31, 2014, prepared in accordance with the IFRS endorsed by the European Union.

Below are the main indicators of the WIND's Group on December 31, 2014, with a comparison with the corresponding figures for 2013.

Operational data	**At December 31, 2014**	**At December 31, 2013**
Mobile customers (millions of SIM Cards)	21.6	22.3
Mobile ARPU (euro/month)	11.3	12.3
Fixed-line customers (millions of lines)	2.8	3.0
Fixed-line ARPU (euro/month)	29.4	30.7
Mobile network coverage[1]	99.86%	99.83%
Employees (headcount)	6,896	6,910

[1] As a percentage of the Italian population.

Income statement figures (millions of euro)	**2014**	**2013**
Revenue	4,633	4,983
EBITDA[1]	1,804	1,944
Operating income	573	667
Net finance expense	(1,347)	(993)
Loss for the year attributable to the owners of the parent	(709)	(481)

[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 December 31, 2014**	**At December 31, 2013**
Total assets	14,759	13,956
Equity attributable to		
owners of the parent	111	787
non-controlling interests	0.0	0.1
Total liabilities	14,648	13,170
Net financial indebtedness	9,654	9,146

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 €13 billion, less than 2013 due to a contraction in voice services that was 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 billion, a decrease over 2013 mainly as the result of a drop in voice traffic revenues. Value added service revenues are estimated to represent 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.

In 2014 the mobile network telecommunications services market saw Operators compete by using differing levers over the 12 month period. The first half of the year was dominated by aggressive offers and discounts given on a change of Operator, while the second half was characterized by a phase of differentiation of the offers available and the price/traffic/contents mix in tariff plans. The market continues to be dominated by bundle offers, which in addition to voice, data and SMS traffic and devices also include options for roaming traffic and contents. Starting from the second half year Operators began promoting the offer of new services for video, sport, music and information based on broadband and the 4G network. In the final part of the year, then, "module" customizable tariffs were introduced. Traffic volumes in the bundles continued to be the main item on which the various Operators competed, rationalizing offer families by reformulating their tariffs. As a result the style of the communication of the offer changed in 2014: the focus gradually shifted from the promotion of discounts to fixed-mobile network convergent profiles and contents, offered directly or by partners, the speed and quality of the network, in particular LTE and advanced LTE, and new devices.

Navigation in mobility continued to be central to offers. All the main Operators launched options for increased bundled traffic and devices at discounted prices. The **product portfolio** also played a significant role in characterizing the offers, which throughout the year included the very latest models of the devices to be found on the market (smartphones, tablets, smartwatches).

The use of 4G services was promoted on the **Business market** and new packages containing voice, SMS and data traffic out of and into Italy were introduced, often in "unlimited" form. Particular emphasis was given to rechargeable plans for sole traders, mobile POS offers for small businesses and Cloud and M2M for large and medium-sized businesses. The offers for the **Consumer market** were revised by reformulating certain profiles, with tariffs for calling abroad and initiatives designed to reward both new customers and those remaining loyal. The offer of contents was extended in the second and third quarters, while "module" offers compatible with customer needs were launched in the fourth.

The development of value added **innovative services** continued, based on data access on the mobile network. In addition to the contents offer (games, books, music and video streaming, etc.), these also include security, assistance, contactless payment and money transfer services, as well as M2M services for Smart Cities, automotive, vending machines, m-payment and POS. Finally, leading Operators set up a joint venture for a shared platform mobile wallet in October.

The fixed network telecommunications services market continued to propose bundle offers, with telephone calls to fixed and mobile network numbers and to numbers abroad and internet navigation.
Leading Operators proposed fixed-mobile convergent offers with the addition of multi-media contents for residential users and ICT services for business users. All profiles envisage discounts on fees, activation and WiFi modem hire and include technological products (PCs, smartphones and tablets).
The offer addressed to the residential market has been rationalized: the main Operators proposed voice and broadband profiles on both ADSL and fiber, with unlimited national calls and discounts on international calls.
Convergent plans with a single bill were launched in the first quarter of the year for fixed and mobile network services, and thanks also to new partnerships these were followed by Pay-TV, Video on Demand, music and information contents.
Voice and internet 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. M2M and ICT services such as Cloud and Unified Communication, supplemented by plans for connectivity, were the subject of the offers made by the leading Operators, aimed at both private businesses and the public administration and having a Smart Cities perspective.
The ultra-broadband internet offer continued to spread; in the third quarter leading Operators announced new development plans for developing optic fiber networks.
By mid-December the coverage of ultra-broadband networks (above 30 Mbps) in Italy had reached 29% of the population and 144 urban centers, the majority of which in the north of Italy. In addition, under the plans drawn up by the private Operators this coverage is expected to arrive at 50% by 2016. In December 2014 again the government put Italy's strategy for ultra-broadband out for public consultation; the aim of this is to cover 100% of the country's population with broadband services having at least 30 Mbps in download speed and 85% having at least 100 Mbps.

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 87.5 million SIMs registered at December 31, 2014, equal to a penetration rate of approximately 144% 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 79% of Italian mobile customers subscribe to prepaid mobile telephone services, which have low customer acquisition costs and higher margins than other European countries.
Excluding MVNOs, at December 31, 2014 WIND had an estimated market share of 24.7%, while Telecom Italia and Vodafone had shares of 34.7% and 29.2% respectively, and H3G 11.5%.

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, Vodafone/Teletu, Tiscali and BT Italia.

Internet

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, Vodafone/Teletu, Tiscali and BT Italia.

Commercial and Operating Performance

Mobile Telephony

At December 31, 2014, WIND had 21.6 million mobile telephone customers, a slight decrease over December 31, 2013, thus further increasing its market share (calculated by excluding MVNO operators) by 0.4 percentage points to reach 24.7% compared to 24.3% in 2013.
The following table sets out the main indicators of mobile telephony services.

Mobile	**2014 12 M**	**2013 12 M**	**Change**
Customer base (millions of SIM Cards)	21.6	22.3	(3%)
Revenue (millions of euro)(1)	3,196	3,528	(9%)
Voice traffic (billions of minutes)	69.4	62.9	10%
ARPU (Euro/month)	11.3	12.3	(8%)
% ARPU Data/Total ARPU	39.1%	35.2%	

Consumer offer

WIND's portfolio of offers has evolved over the years to guarantee customers the flexibility needed to select the solution most in line with their needs. In order to respond to the new demands of customers to have a single solution for calling, sending messages and navigating in Internet using a smartphone, WIND launched *All Inclusive* solutions, initially in the subscription sphere and then also in the rechargeable segment.

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

A number of commercial launches followed one after the other in 2013 together with a change in the structure of the offer.

WIND completely renewed its rechargeable offer, simplifying it by using only two types of options: *Noi*, which consists solely of voice traffic, and the *All Inclusive* solutions. As far as the latter are concerned, WIND completed its rechargeable *All Inclusive* portfolio in November by introducing *All Inclusive Unlimited* at only 29 euros a month, which can be paid for not only by using the standard residual credit scheme but also by means of the innovative Smart Recharge service. Using this customers receive an automatic top-up each month equal to the monthly fee for *All Inclusive Unlimited*, which is charged to their credit cards.

WIND has additionally introduced the possibility for all customers, old and new alike, to customize their offer, thanks to a range of options which allow them to add more minutes, more SMSs and more Internet to the bundle they have selected. In addition, during the Christmas period WIND extended its range of options with the "super" solutions for *All Inclusive* customers which enable them to couple an Infostrada fixed line with their mobile line using a special promotion or buy a smartphone by installments with a reduction of up to 100 euros on the price.

All Inclusive customers also have the possibility of adding more internet traffic on their SIM or on a secondary SIM at a cost starting from €3 a month with the Digital Super SIM offer.

An important innovation in 2013 was the introduction of the concept of *WIND Best Price*, under which the *Unlimited* subscription offer is automatically updated, ensuring that the customer always obtains the best price. Staring from the summer, *WIND Best Price* has also been extended to the *Unlimited* offers in the rechargeable segment.

The portfolio is completed by a new subscription offer, *All Inclusive Unlimited Premium*, which adds calls abroad and calls, messages and internet in roaming to unlimited traffic.

The *Telefono Incluso* offer combined with subscription plans was renewed in June: customers can have a smartphone included in their subscription without an initial contribution, associating it with one of the *All Inclusive* offers and paying only a monthly fee which depends on the smartphone model and the tariff plan selected.

In line with its "closer" to customers positioning, WIND continues to follow the needs of non-Italians in Italy. In 2013 it proposed a new *Call Your Country* offer for calling abroad and in June introduced something completely new on the market: *Noi Tutti International*, an offer with 120 minutes which can be used for calling abroad without a connection charge, as always under the banner of the "Real minute", which after reaching 120 minutes includes the beneficial *Call Your Country* tariffs without the payment of additional fees. In November WIND additionally launched a new version of the *Call Your Country* offer which does not only include more convenient tariffs for calling abroad but also 1 GB of internet tariff for navigating from smartphones.

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 the specific requirements of large-scale businesses which often request 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 and single SIM level. In 2014 the Large WIND market was once again able to benefit from the *All Inclusive Business* offers in both the package and *Unlimited* version. 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 population 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.

With a view to extending all the benefits of a WIND subscription to the employees of small businesses, legal firms and self-employed professionals, the Second SIM offer was launched in November 2014 which enables customers to add up to 5 SIMs to their subscription at reduced prices. Customers are not required to pay the government concessionary tax on their additional SIMs either.

The *All Inclusive Business* mobile subscription offer provided by WIND Business for small and medium businesses on the push sales channel has been enriched by the new All Inclusive Business Top Mondo tariff plan that is ideal for customers travelling abroad on a regular basis, including to non-EU countries and the USA.
The launch of this new plan completes the WIND Business mobile offer for small and medium businesses, with the same tariff plans available in either rechargeable or subscription versions. The new rechargeable offer, which since being launched in March 2014 has encountered a very positive reaction 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 Digitali Cre@sito, Pec Smart, Mobile POS, WIND Smart Control and Windlex services complete the mobile offer for businesses, guaranteeing an innovative commercial proposition that stays close to the needs of WIND's business clientele. The Cre@sito service provides customers with the possibility of creating a website on their own through a user-friendly interface and a level II dominion and a mailbox, and in June this was extended to the world of professionals, the self-employed and small businesses, and is free of charge for 12 months. Pec Smart is a certified electronic mail service, mandatory by law for professionals and businesses, which has legal value equivalent to a registered letter with return receipt and guarantees the dispatch and delivery of emails to the recipient.
In July the All Inclusive portfolio was enriched by the new *Mobile POS* service, developed in collaboration with BNL and BNL Positivity: this provides professionals and SMEs with an innovative service for enabling card payments made on national and international circuits to be accepted anywhere. Exclusively for WIND customers, Mobile POS is included in the offer with no activation costs or monthly charges.
WIND Smart Control became available in September, an innovative Mobile Device Management solution of WIND Business created for all small and medium-sized businesses needing to make the smartphones and tablets used by their employees safe and to configure and monitor these devices in a simple, rapid and effective way. This service has a cost of only €2 a month.
Since October, the Digital Services offer has been proposing an innovative solution created for lawyers and legal firms which allows customers to combine the convenience of the WIND Business offer with the simplicity of Netlex management software with a license fee per user of only €10 a month.
The success of the mobile offer for professionals and self-employed workers continued. This offer was launched 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
During 2014, WIND enriched its offer of innovative contents by offering customers the possibility of paying for contents such as apps, games, music, films, e-books and digital magazines purchased from Google Play Store and Windows Phone Store using their telephones and telephone accounts. The offers of partners and digital contents that are usable on smartphones, tablets and PCs and may be purchased via the MobilePay platform was extended with a simple and clear user experience in common for the customers of all operators.

The use of Mobile Ticketing was extended, meaning the possibility for customers to buy local public transport tickets using their telephone credit by sending an SMS or using the MyWIND app. This service has now reached 27 towns and cities, including Genoa, Padua and all the leading centers in Tuscany, including Florence. To this should be added the first Mobile Parking service.

This was also the year of testing Near Field Communication (NFC) services, with pilot schemes being carried out in collaboration with BNL, SIA and Mastercard. These tests, which are still in progress, involve 150 WIND and BNL employees who have been given the possibility to make purchases in contactless mode using a Classic Credit Card issued by BNL on the Mastercard circuit and virtualized on a SIM card using NFC technology. Besides being able to make payments, participants in the test can also use their phones to enter their offices instead of their company pass-cards, to clock in or to buy items at automatic vending machines.

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 488 international operators in 219 different countries, of which 207 covered by terrestrial roaming and 12 by satellite.

All Inclusive offers have been launched for world travelers to promote the use of smartphones in roaming and to extend the concept of "roam like home" to offers for high spending customers. The roaming offer 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 December 31, 2014 consisted of 159 owned stores and 498 franchised sales points working exclusively with the WIND brand. The non-exclusive sales network consists of 1,015 WIND dealers, 910 sales points in electronic store chains and 4,697 other sales points in the smaller Italian towns which are run by SPAL SpA, the largest WIND distributor in terms of sales points.

The www.wind.it website, in both desktop and mobile versions, and the MyWIND app are becoming an increasingly important sales channel: it is already possible for customers to activate offers and services, buy telephones, smartphones and tablets and carry out top-ups through the dedicated "All Digital" offers, which can only be booked online through the use of a convenient and innovative configurator, designed precisely for customers having a strong preference for using digital channels.

Further improvements have been made to the interfaces for customers carrying out top-ups online on the websites and the app from either a mobile phone or a desktop, paying by credit card or PayPal or by charging their Infostrada or WIND telephone account with a simple click.

In addition, customers can make a direct request for the activation of a new telephone line by accessing the www.infostrada.it website from a desktop or, since 2014, also from a mobile phone.

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 an increasing number of 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 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 up to 10 Mega.

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

Voice services

WIND's fixed network voice customer base could count on 2.8 million subscribers at December 31, 2014, a decrease of 4.7% over December 31, 2013; the direct customers voice component fell by 1.7% over the previous period.

The following table sets out the key fixed-line indicators.

Fixed-line	**2014 12 M**	**2013 12 M**	**Change**
Customer base (thousands of lines)	2.8	3.0	(4.7%)
of which LLU (thousands)[(1)]	2,373	2,415	(1.7%)
Revenue (millions of euro)	1,197	1,301	(8%)
Voice traffic (billions of minutes)	12.9	15.6	(17%)
ARPU (Euro/month)	29.4	30.7	(4%)

[(1)] Including Virtual LLU.

Internet and data

WIND offers a vast range of internet and data transmission services to both its consumer and business customers. At December 31, 2014 the Group had 2.2 million broadband internet customers and 0.01 million narrowband subscribers.

The following table sets out the key internet access figures.

Internet and data services	**2014 12 M**	**2013 12 M**	**Change**
Internet Customer Base ('000)	2,199	2,210	(0%)
of which Narrowband ('000)	8	19	(57%)
of which Broadband ('000)	2,191	2,191	(0%)
of which LLU ('000)	1,911	1,866	2%
of which Shared Access ('000)	9	12	(21%)

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, the push has continued on the "*Powered Infostrada*" offer which is addressed to all WIND's prepaid mobile customers subscribing to a WIND *All Inclusive* 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, directed at 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 who subscribe to the Super Tablet offer, obtaining a tablet at a cost starting from €3 a month with 1 Giga of traffic included, all 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 towards acquiring an increasing number of fixed and mobile customers is supported by the *Super All Inclusive* and *Super Absolute* commercial propositions, which combine 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.

Starting from November, all VAT registered customers can subscribe to the new second line offer, directed at new and existing Infostrada customers who would like to have a second, voice-only, line, including for sending and receiving faxes, and also use a POS. ISDN Telecom and Fastweb customers or Vodafone customers with additional numeration can finally pass to Infostrada without losing their numbers. There are two offers available: Seconda Linea Italy at only €5 a month, including a modem, for which customers simply pay a call connection fee; and Seconda linea Unlimited at only €15 a month, with unlimited calls to all national fixed-line and mobile numbers.

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, G-mail 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 an extremely short period of time. 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, 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 sole traders, 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 accounts. The whole of the offering portfolio is available with WIND network coverage on lines already activated with other operators and also on new lines.

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, 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 and static IP address. The offer is available in a 2-line version (which provides two calls at the same time) thanks to the new *All Inclusive Aziende Smart* tariff plan, available from September, and in a 3 to 8 simultaneous call version with *All Inclusive Aziende*. The VoIP offer becomes even more beneficial thanks to *Super All Inclusive Aziende* if combined with the *Unlimited Subscription and Rechargeable* mobile plans using up to a maximum of 10 SIM cards.

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 and 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 and 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 increase in importance, 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 tailored service for certain particularly important customer segments such as the ethnic communities, WIND also provides its customer assistance service in other languages.

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

The WIND customer service continues to develop 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, also through the use of local sales points, thus making it more direct and transparent.

WIND has always put customer satisfaction at the center of its business and this vision enables it to remain competitive in what is by now a saturated market. This business philosophy has determined the selection of consistent and synergic management policies between the various sectors, involving and integrating all of the Group’s business sectors, ranging from marketing to sales by way of customer care and technical functions such as network and information technology, and thereby creating a discriminating success factor.

In particular, a new set of monitoring activities concerning the extent to which the Group can be recommended as an operator (using NPS measurement methods) has been set up in order to monitor 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 study customer behavior by using analytical tools and segmentation activities, in order to create individual relationships, in this way increasing the level of customer satisfaction and accordingly customer loyalty, the propensity to purchase other services and, in general, the future value the customer expects to receive.

A success factor for the CRM initiatives has been the ability to know how to capture customers on a timely basis, in real time, during their lifecycle, and in particular in the presence of specific consumption behavior, through the evolution of campaign management tools.
Consistent with the identification of customer needs, WIND CRM provides suitable 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.

WIND places a great deal of emphasis on managing digital contact points and on online customer assistance tools, ensuring high standards of quality and encouraging customers to use these facilities.
The MyWIND app, with more than 6 million downloads, was confirmed in 2014 as the preferred digital contact point with customers; after detailed graphical and functional revisions and a considerable improvement of the user experience, version 4.0 encountered immediate success with users.
The offer was completed by adding to the versions for Android and iOS also those for Blackberry and Windows Phone, while the web version, accessible from the mobile site and from the portal start.wind.it, was also renewed for all other smartphones.
The MyWIND app was also enhanced by the functionality of sending customized pushes with multi-media contents onto customers' smartphones or tablets, thus becoming an even more important instrument for communications between the Group and the customer.

The social networks were an important point of contact, listening and customer management for WIND in 2014. The Group's Facebook fan base has grown in number, now exceeding eight hundred thousand, but above all there has been an increase in the number of contacts made by customers preferring to use this channel to interact with the Group
Despite the boom in the number of contacts to be managed, WIND has been confirmed in its position among the top places in the Facebook and Twitter "Top Brands" league tables, the sign of a constant presence and continuous attention to what is happening on the social networks.

Marketing and Branding

The current year began with a new television campaign continuing the *Vita Vera* series which began in 2013. The TV flight envisaged 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), supported television promos on *All Inclusiv*e, *Absolute* and smartphones for small businessmen.
The television campaign was awarded the prestigious Conchiglia Moige prize due to the positive values expressed in the advertising spot. In particular, recognition was 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. With the aim of supporting the launch of the offers addressed to the consumer target, WIND is confirming its presence on the main websites using traditional formats and pre-roll videos, covering the main new apps on tablets and maintaining a constant presence on the web in support of the *Ricarica OnLine* product.

WIND Business covers the main targeted sites with its offer dedicated to sole traders, directing new customers to WIND stores.
Infostrada is pursuing its objective of maximizing the acquisition of new customers directly on the web channel with a constant presence on the main sites, and, at the same time as carrying out campaigns on offline media, is increasing this presence by including pre-roll 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 customer flow at its sales points.
The WIND spots with Fiorello were back on television again at the beginning of March, for the first time proposing commercials in the telecommunications world, a campaign in which the scenes are all shot by the testimonial by 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 being 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.
Giorgio Panariello was back on TV at the end of April, as always following the *Vita Vera* thread set in WIND's most important touch points: from stores to call centers. Following up reports arriving from his colleagues in the call centers, who take the leading role in the spots, Panariello goes directly to see customers to tell them all about what the offer has in the way of changes. For the whole of the month of May, WIND dominated Milan Central Station with Panariello and the Samsung S5: the offer is aimed at a business target, with the Samsung costing €9 a month for VAT registered customers transferring to WIND.
WIND sponsored Panariello's tour from July 15 to September 10, with its six stops in Italy's largest cities being the occasion to carry out one of the leading promotions this summer, *Bring Your Friends to WIND*, using a dedicated flyer.

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. Fiorello was WIND's summer testimonial in June for the first time. The brand strategy linked to the *Vita Vera* series was maintained for this thread too, and in this case WIND tells television viewers about Fiorello's holidays, promoting All Inclusive with Summer Pass, Bring Your Friends and All Inclusive. Fiorello was also the face on the June national poster campaign and on a large-space denomination at Milan central station.

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 multilingual campaign to support its offers.

From the end of July and for the whole of the summer WIND's online communication was marked by the return of Vanessa Incontrada playing the part of a testimonial for the Group's three brands; her friendly, amusing and lighthearted approach in the situations where she interacts with devices and technological solutions is an online introduction to the latest that WIND, Infostrada and WIND Business have to offer.

Since the end of August, WIND has been directly targeting the business segment, aiming at the "small businesses of the future" with an ad hoc creativity in which a number of children reply to Giorgio Panariello's off-screen questions by saying what they would like to do when they grow up. The campaign is associated with the campaign "For today's and tomorrow's small business there's WIND" and supported by the playoff "The smart choice for your business". September's new communication campaigns brought Giorgio Panariello back to the television screen and the web as a testimonial with a campaign dedicated to the *Bring Your Friends to WIND* offer. Infostrada is back in the campaign field with Panariello taking over the web channel with a constant presence on the main websites with both targeted planning and constant planning in Real-Time Bidding.

On August 25, WIND launched its fourth institutional campaign exclusively online and on the social channels, consisting of a sensitive short film which discusses the closeness between people, one of the key values on which the brand is based and a universal and highly topical issue. In the viral video, which is called "Papà" and is directed by Giuseppe Capotondi, one of the most accomplished video-directors in Italy, the main character decides to set off on a journey to meet up with his father whom he has not seen for a long time and return to the places of his childhood and adolescence. The final claim is a plea to all of us to communicate more with our hearts.

In October WIND was on television with a flight dedicated to the All Inclusive at 0 euros promotion available to anyone buying a Nokia. The star of the commercial is Giorgio Panariello, who in the company of Giovanni Esposito becomes the illustrious "bill-sticker" for the company for which he has been a testimonial for years.

On the other hand with Christmas on its way in November WIND renewed its image with Fiorello and a new television format, "Movie", inspired by the cinema and popular cinematic genres. The first spot, which went on the air on November 9, was based on the western with its cowboys, horses and saloons. The format continued until Christmas, firstly with a commercial based on the silent film genre and dedicated to the Bring Your Friends offer, and then with a third and final "action film" spot which brought the Christmas campaign to an end with the All Digital offer. A new television campaign, again in the movie format and starring Panariello, began on December 25 and continued through to the end of the year; this proposed a journey into science fiction on board the WIND space shuttle as a means of launching the All Inclusive Limited Edition at €9 a month.

In addition, the television Business campaign continued on the Calcio Digitalia campaign with the 'Bambini' format and the pay off 'The smart choice for your business". Children were the stars of this campaign together with four other subjects (a ladies' hairdressing salon, a dentist's, a shipping company and a restaurant).

In October and November the business offer was supported with a dedicated advertising page in the monthly magazine "Uomini e Business" and a series of advertising pages in co-marketing with WIND businessmen.

The campaign in the ethnic press continued on an uninterrupted basis, with new creativity and three offers, Call Your Country, Bring Your Friends and Open Internet, in November. The internet was also covered with a multilingual campaign supporting the Call Your Country offer having the aim of talking to an ethnic target.

Finally, in conjunction with Nokia and consistent with the television campaign, WIND organized a national poster campaign dedicated to the All Inclusive at 0 euros product with the Nokia Lumia 930, and Giorgio Panariello acted as a testimonial.

WIND's investments in the digital and social media were confirmed in the latter part of 2014 in order to ensure a constant presence of its brands on the online channels.
WIND is present on the main desktop and mobile websites in traditional format and using pre-roll videos in support of its leading products, and maintains a continuous presence on the web to support its Ricarica OnLine product.
Worthy of note in the mobile sphere are the campaigns carried out for All Digital, All Inclusive, All Inclusive Young and All Inclusive Music, and the All Inclusive campaigns coupled with Nokia and Samsung devices. The All Inclusive Unlimited campaign coupled with the Samsung Galaxy Note 4 device is particularly noted for the offers dedicated to sole traders.
Infostrada continues its objective of maximizing the acquisition of new customers directly from the web channel with a continuous presence on the main websites and targeted, constant planning in Real Time Bidding.
The *All Inclusive Solidale - più vicini all'Italia* initiative continued in 2014, in which WIND confirms the attention it gives to social issues. Customers who join this scheme, communicated at sales points through the distribution of dedicated online flyers, make a donation of 50 cents per month to practical social support projects, and WIND gives its backing 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 its 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, and in November launched the new version of the platform, renewing its graphical layout and enhancing it with new contents and services with the aim of further strengthening its original mission: to provide practical support and useful resources to people creating and developing entrepreneurial projects, basing themselves on internet business models. The changes do not only regard the graphic restyling but also the contents offer, which has been enriched and diversified in order to speak to three different targets now: Beginners, for people moving towards, or having to deal with, the world of new web professions for the first time; Startuppers, for people wishing to take advantage of all the ecosystem startups in Italy and abroad; and Restarters, for people who already have a business, activity or trade and would like to extend their business via the internet and digital business models. WIND Business factor ended 2014 with a community of 20,927 users, 442 startups, 2,204 businesses, 2,151 business ideas and around 580 interviews, video tutorials, news items and in-depth contents.

The restyling of WIND's monobrand stores continued. 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 sole traders and businesses.

WIND continued its emphasis on local communications by creating specific campaigns dedicated to WIND and Infostrada, designed to strengthen links with the local area. WIND's proximity to the local area materializes in its presence in important local events: the two stages of the Marathone D'Europe in Trieste, the Straverona, the Alpine Soldiers Rally in Pordenone, the Padua Fair, etc.. In addition, the WIND Energy Tour was organized in co-marketing with Decathlon; this consists of nine stages throughout the country and confirms the attention WIND gives to the local area. The tour involves the leading shopping centers in the four areas and is the occasion for promoting the new range of Digital Home & Life products. Of especial importance was the presence of WIND, with stands and dedicated offers, at the Rimini Meeting in August, the Bari Levantine Fair in September and the Milan Craft Fair at its traditional Christmas appointment.

In addition, WIND launched the WIND Transparency Forum, an editorial platform that collects and assesses projects and innovative experiences relating to transparency, in Italy and abroad. The best ideas that are reported and explained on the “WIND Transparency Forum” will receive "WIND Transparency Awards" in 2015; WIND’s aim with this initiative is to foster the value of transparency, which has characterized its approach to the market, and in particular its customer relations, for several years. WIND has created a new logo as a way of strengthening this positioning, and this celebrates this value in its graphic symbol and in the payoff that accompanies it: “Ideas for a more open world”. The initiative is supported by an online communications plan.

NETWORK

WIND has developed an integrated network infrastructure providing high-capacity transmission capabilities and extensive coverage throughout Italy. As of December 31, 2014, WIND mobile network covered 99,88% of the Italian population, WIND UMTS/HSPA network covered 97,53% while LTE covered 36,81% of the Italian population.

WIND 42 Mbps HSPA+ service covered approximately 40,52% of the Italian population, 21/5,8 Mbps HSPA service covered approximately 95,72% of the Italian population, for remaining population WIND offers 7.2/1.4 Mbps service.

Fixed-line networks are supported by 21,744 kilometers of fiber optic cable backbone in Italy and 4,995 kilometers of fiber optic cable MANs as of December 31, 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 488 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 21,744 kilometers of transmission backbone, 4,995 kilometers of fiber optic cable MANs linking all capitals of Italian provinces and other major cities in Italy, a radio transmission network with approximately 16,016 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 December 31, 2014 WIND has 1,458 LLU sites for direct subscriber connections, with a capacity of approximately 3.31 million lines. The company has interconnections with 613 SGUs, which allows to provide carrier pre-selection and carrier selection access forindirect subscribers throughout Italy, as well as WLR services.

In the second half of 2014 WIND started the migration of voice traffic interconnection with other national operators in IP technology.

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 64-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.

Furthermore, during 2014 WIND developed a significant roll out plan of 4G LTE technology.

The following table provides an analysis of WIND's GSM/GPRS, UMTS/HSDPA and LTE networks as of December 31, 2014.

GSM/GPRS	
Radiating sites	14,682
BSC (Base Station Controllers)	275
MSC (Mobile Switching Centers)	44
HLR/HSS (Home Location Register)*	12
SGSN (Service GPRS Support Node)	8
GGSN (Gateway GPRS Support Node)*	11
UMTS	
Node B	13,457
RNC (Radio Network Controller)	102
MSC-Server	25
MGW (mediagateway)	27
SGSN (Service GPRS Support Node)*	12 (8 dual access; 4 triple access)
LTE	
Enodeb	1,325
MME	4
HSS	2
PDN-GW	4
S-GW	4

*Shared with UMTS/LTE

RESEARCH AND DEVELOPMENT ACTIVITIES

In order to select the best technologies and best architectural solutions for the mobile and fixed networks, WIND has maintained an observatory to study and experiment new solutions to increase performance and the customer experience for mobile and broadband customers with a particular attention to the" green" aspects. On the mobile network, WIND has developed new technologies roll-out to enable the provision of broadband services up to 42 Mbit/s through the gradual inclusion of all the features provided by HSPA (High Speed Packet Access).

The development of mobile broadband HSPA and LTE involves the use of new generation technologies such as the Single RAN (i.e. a single infrastructure for the various 2G, 3G, LTE radio technologies) which is now the reference for the WIND network, as well as the constant expansion of fiber optic backhauling BTS and IP high-capacity radio links.

On the fixed access network, WIND has continued to maintain its leadership in the ADSL market with a plan for further strengthening national coverage with its own infrastructure whose roll-out will take place during 2015.

Commercial development of FTTH (Fiber To The Home) services of the last generation continued particularlyin the area of Milan. Throughout 2014, WIND has continued to scout and promote solutions aimed at improving the business potential of the Company and the capabilities to optimize the internal processes.

Various solutions have been studied and in some cases proven in field during the preceding year, while during 2014 solutions were implemented relating to the following technological areas:

1. Mobility: solutions for new services for mobile personal cloud, mobile commerce (e.g."Crea il tuo sito" (create your website)), people and things localization, domotics and videosurveillance (eg. Digital Home & Life), machine-to-machine, mobile device management (eg "App MyWind"), contract dematerialization;
2. Big Data: solutions for sentiment analysis, semantic analytics, social network analysis, network and service experience analytics;
3. Customer Experience Management: solutions for customer insight with enrichment of social data, interactive tables to improve sales experience, new text-to-speech solutions, mobile service experience and perceived E2E (end to end) network quality.

In 2014, WIND extended research of innovative solutions to the world of Italian start-ups, with special regard to Wind Business Factor and LuissEnLabs programs that Wind supports and promotes; Wind also participates in the VimpelCom group "Make Your Mark" program to help young people in new initiatives.

Throughout the year 2014, WIND actively participated in various research projects, thus exploiting the funding opportunities available from the European Community, as well as from local Public Administrations.

The issues of greatest attention are the following:

1. Solutions for sustainable mobility using data from mobile network and from sensors deployed on the network for applications of geo-location, security, traffic planning, applications for sustainable tourism
2. Solutions for security and privacy management for data access using mobile terminals according to the "BYOD" (Bring Your Own Device) model
3. Green ICT solutions especially for Green Data Centers realized according to the new rules geared towards energy saving both by the use of new equipment as well as the new optimized processes for the production and the management of the data center that involve the energy providers as well.

Analysis of the emerging solutions (e.g. Future Internet and Internet of Things) in line with the directions of innovation promoted at the international level.

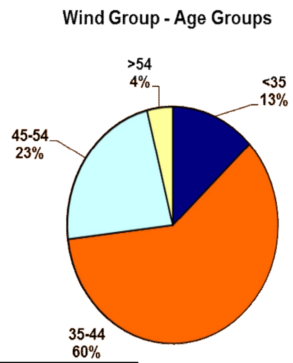
HUMAN RESOURCES

At December 31, 2014, the Group had a workforce of 6,894 employees structured as follows.

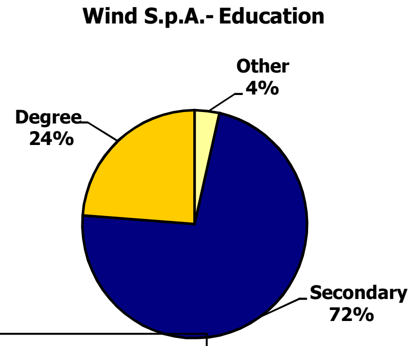
	No. of employees at		Average No. of employees in	
	12/31/2014	12/31/2013	2014	2013
Senior Managers	124	129	127	136
Middle Managers	621	599	623	598
Office Staff	6,149	6,182	6,205	6,211
Total WIND Group	**6,894**	**6,910**	**6,955**	**6,945**

During 2014, the WIND Group hired 140 employees while 156 employees left.

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



Average age: **41**



Graduates excluding call centers:
27.5%

Women account for 47% of employees.

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

Sites	31/12/2014	31/12/2013
Milano	12%	12%
Ivrea	9%	9%
Roma	34%	34%
Napoli	18%	18%
Altro	27%	27%
Totale	**100.0%**	**100.0%**

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

The following table shows the personnel distribution by department

Departments	31/12/2014	31/12/2013
Network	34%	33%
Information Technology	6%	5%
Customer Care	23%	27%
Marketing & Vendite	25%	23%
Staff	12%	12%
Totale	**100.0%**	**100.0%**

Organization

The Commercial Department was set up in July, taking over from the previous Consumer and SME Business Unit and the Large Business Unit. This operation has been carried out to enable the Group to achieve its objective of ensuring that an overall business view is taken by implementing integrated operating models which however still permit it to maintain its focus on customer segments.

Development

The Development Center for WIND's "Young Professionals" was set up in the first quarter 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.

The result of setting up the Development Center is that a group of 23 young professionals have been identified who are taking part in the WIND Factory Initiative and are involved in 4 transverse projects strategic to the Group's business, using an organizational approach under which a percentage of their working time is used in cross-business activities.

Training

A total of 18,530 man-days of training were given during 2014, relating mainly to Technological Development and the Institutional Training Master Plan, and as far as the last quarter of the year is concerned training activities on WIND's New Sourcing Model.

The two projects aimed at the population of telephonic advisors in the Customer Management department, whose objective is to consolidate churn prevention techniques and improve up-selling techniques, were completed as planned. In both cases the actions taken relate to customer experience support processes. Seventeen training sessions were held involving 200 employees in the Palermo and Pozzuoli offices.

The 231 Model online training project involved a total of 4,405 employees during the year (of whom 187 Wind Retail). The project will continue next year until all of the Group's employees have been covered, also and above all in relation to a second training stage, again online, addressed to senior managers and middle managers and concentrating on the risk areas of the model which are specific to the Group's business.

Following the agreement reached with the trade unions in July 2014, initial planning activities were carried out for preparing the training courses needed for reskilling the staff who will be involved for the whole of 2015 in the insourcing project. Training activities consist of classroom courses and the coordination of the means of providing on-the-job training. In the last quarter of 2014, 73 employees from the Ivrea office began a training path relating to their new role as part of Technical Customer Management and in Surveillance Mobile, in the Operation & Maintenance area of Network Operations. A total of 909 man-days of training relating to the above areas have already been delivered by specialist external providers and through the collaboration of internal staff, people who are experts in subjects which are highly specific to the WIND world. The training for this project, together with the on-the-job training required for the operational implementation of the new roles, will take place throughout the first half of 2015.

Industrial relations

A number of meetings with the trade unions were held during the first few months of the year with the aim of following up the agreement of October 10, 2012, at which initiatives and investments designed to obtain a reduction in costs and increase business efficiency were illustrated.

At the annual meeting held to present the Group's business plan management presented the unions with details of the results achieved in 2013 and the steps considered necessary for making the Group's business model more efficient given the particularly critical trends on the market, as required by the national collective bargaining agreement (CCNL).

At the end of a series of meetings at which these initiatives were analyzed an agreement was signed with the unions on July 29, 2014, which with the aim of achieving the indicated objectives envisages the realization of a key plan for internationalizing activities and the consequent reskilling of internal staff to manage these activities; it was agreed that solidarity contracts will be introduced for a period of 18 months as a means of supporting this process.

A specific bilateral committee was set up in October to monitor the progress of the principal internationalizing activities included in the July 29 agreement and the training planned for reskilling the staff involved.

In conclusion, in November, following the positive statement made by the privacy guarantor, an innovative agreement was signed for the use of an application installed in the smartphones of field operation engineers to track their position, thereby increasing the quality and efficiency of network maintenance.

The strikes held during the year did not regard issues of a local company nature and had no significant effect on business operations.

CORPORATE SOCIAL RESPONSIBILITY

WIND confirms its commitment to corporate social responsibility, whose aim is to take a responsible approach towards the Group's internal and external stakeholders and to achieve an increasing improvement in the way in which its business activities are integrated with social and environmental aspects.

In July 2014 the Group published its eleventh Sustainability Report as a means of reporting its economic, social and environmental performance in 2013 to stakeholders. The objective of the report was once again to be "clear, simple and transparent", with the development of a mini-website containing the main facts and figures in the report and the release of a video of a document summarizing its contents adding to the publication of the report itself.

The *All Inclusive Solidale* initiative, launched in December 2013, has enabled WIND and its customers to support 1,500 families through the Caritas Solidarity stores to be found in 7 Italian towns and cities: Ascoli Piceno, Gorizia, Lamezia Terme, Pescara, Prato, Rome and Trieste. Thanks to the contributions of the customers who joined in with the initiative, and to WIND itself, which doubled the donations they made, this initiative has enabled many of the families hit hardest by the crisis to obtain products of prime necessity free of charge.

In April the first European school of television journalism, the "ReporTeen School", was opened in Naples as part of the project to rebuild Science City after it was burnt down in an arson attack in 2013; collaboration with the Francesca Rava foundation continued throughout the year, as did that with the Italian Navy in support of Mare Nostrum, a project that enabled medical aid to be taken to over 9,000 refugees in the waters of Lampedusa.

During the year WIND further developed its commitment to supporting the growth of innovative businesses. In 2014 the partnership with Sistemi Informativi Confindustria in "Latuaidead'impresa", the initiative aimed at spreading a business culture in upper schools, was added to WIND Business Factor, the web platform created in 2011 which assists aspiring entrepreneurs in converting their ideas into real business activities, and the partnership with the LUISS Enlabs start-up factory in Rome, first set up in 2013.

In October the Group launched the WIND Transparency Forum, a web platform which collects innovative transparency initiatives and describes these in a digital magazine, and which more generally provides details of the positive things happening inside and outside Italy thanks to an open sharing of data and information and new forms of online collaboration. In addition to the work carried out by the editorial staff users too can report their most interesting and useful experiences, which will then be assessed by a scientific committee for the awarding of transparency prizes.

From an environmental protection standpoint during the year WIND started off a climate and energy partnership with the WWF, which led to an assessment being made of the Group's CO2 emissions followed by the setting of objectives by WIND to reduce those emissions, including investments in energy efficiency and a substantial increase in the use of energy from renewable sources.

There was a further increase in 2014 in the number of initiatives designed to involve employees directly in issues of social and environmental interest. In September WIND took part for the second consecutive year in the "Let's Clean the World" initiative alongside the Environmental League; under this scheme, in a number of the cities where the Group has its main offices WIND employees were involved in bringing neglected parks and gardens back to life and cleaning up the refuse found there. In the "WIND adopts a school" initiative, which was carried out in collaboration with the Sodalitas foundation, Group employees acted as "mentors" for fourth-year students of a technical college in the Milan suburbs and a technical college in the Rome suburbs, following them through that extremely important stage of their individual lives which starting from school takes them closer to the world of work or university. Blood donation sessions held at the Group's main locations confirmed the considerable success achieved in the past, as did WIND's participation in "Race for the cure", the fight against breast cancer.

Finally, WIND employees were directly involved for the first time in 2014 in the creation and realization of the Group's solidarity initiatives; this led to the launching of the ""SMS and Gigas for You" offer dedicated to the hard of hearing and the first edition of "Together We Can", an initiative through which WIND people can propose and give their vote to the solidarity initiatives funded by the Group.

REGULATORY FRAMEWORK AT DECEMBER 31, 2014

Fixed-line market

Antitrust activity

Proceeding I761

On the basis of a report made by WIND in 2012, allocated the number I761, on April 4, 2013 the AGCM initiated an inquiry into a possible agreement on wholesale accessory technical services provided to the fixed-line telephone network, whose purpose was to ascertain the existence of violations of article 101 of the TFUE (an agreement between the technical companies which provide wholesale accessory technical services to Telecom Italia's fixed-line telephone network). On July 10, 2013 the proceeding was also extended to Telecom Italia for the influence it exercised on the work of the technical companies. On July 7, 2014, the AGCM published a provision in its bulletin by which it extended the term for concluding the proceeding to July 31, 2015 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 on the market of wholesale access to the fixed network. Against this charge, on November 21, 2014 Telecom Italia presented commitments which the Authority decided to put to public consultation (market test) on December 29, 2014. WIND will provide its observations to Telecom Italia's commitments within the established deadline of January 28, 2015 and Telecom Italia in turn may make changes to the commitments it initially proposed. The above-mentioned deadline for the conclusion of the whole of proceeding I761, set as July 31, 2015, for the moment still holds.

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

Telecom Italia's Reference Offers

In March 2014, Telecom Italia lodged appeals for the cancellation of Resolutions 746/13/CONS and 747/13/CONS, for the most part disputing the approach taken by the Authority for calculating the WACC, the parameter indicating the remuneration of the capital employed on which, among other things, the LLU price is based. WIND filed an appearance in both cases.

Fastweb has also lodged an appeal against the two resolutions for 2013 although for different reasons. WIND filed an appearance before the court in both proceedings in defense of AGCOM.

BT on the other hand has only appealed again 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 was scheduled for November 19, 2014.

In addition, in November 2014 Telecom Italia appealed against Resolutions 67-68-69-70/14/CIR relating to the price for WLR for 2013, NGAN access for 2013, NGA Bitstream and VULA for 2013 and dedicated capacity transmission services for 2013. WIND filed an appearance in all the cases in support of AGCOM's position.

Public consultation on Telecom Italia's reference offer relating to fixed interconnection for 2013 (Resolution 71/14/CIR) was published in September 2014, still in progress. In June 2014, 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.

The resolutions approving Telecom Italia's reference offer for 2013 were published in September 2014 (Resolution 67/14/CIR) as well as the reference offer relating to dedicated capacity transmission services (terminating circuits and interconnection flows - Resolution 70/14/CIR).

At the end of December 2014 a public consultation was set up by way of Resolution135/14/CIR relating to Telecom Italia's LLU 2014 reference offer for all matters of a technical and procedural nature as well as the economic conditions of the cost orientation services, such as one-off contributions and co-leasing services in accordance with the contents of the draft market analysis provision.

On January 7, 2015, a public consultation was set up by way of Resolution 136/14/CIR relating to Telecom Italia's WLR 2014 reference offer for all matters of a technical and procedural nature as well as the economic conditions of the included services. These economic conditions are assessed on the basis of the cost orientation for contributions and accessory services, in line with the preliminary positions of the new market analysis which prescribes an annual assessment in the proceeding for the approval of the reference offer. The assessment will be carried out as part of the market analysis for the access fees of both WLR and LLU.

Fixed-access network

<u>NGAN</u>

On November 14, 2013, by way of Resolution 538/13/CONS, AGCOM published its final decision on "symmetrical obligations" regarding access to physical network infrastructures, 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.

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

By way of Resolutions 68/14/CIR and 69/14/CIR, AGCOM approved Telecom Italia's reference offer for 2013 for NGA and VULA Bitstream services and for access services to the NGAN passive infrastructures (local installation infrastructure, adduction sections, primary and secondary optic fibers and termination sections in optic fiber, also known as verticals in fiber).

In particular, as part of these provisions, and with regard to the sale of the copper termination section, the Authority confirmed its intention to set up a specific technical workgroup to identify suitable means and processes together with the operators concerned.

On December 23, 2014 by way of Resolution 128/14/CIR, AGCOM approved Telecom Italia's offer conditions (End to End services) for 2014.

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 (against which appeals have been made by Telecom Italia and Fastweb based on reasons additional to those used for the main appeals filed with the Lazio regional administration court for the cancellation of Resolutions 747/13/CONS and 746/13/CONS, as discussed previously, in which a modularity principle is 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 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 which is applicable to the cabins for which Telecom Italia has already start up preparation work. The full operational procedure will begin in 2015.

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 using regulated wholesale services, in order to ensure that the principle of equality of inside-outside treatment can be guaranteed and to avoid margin compression which would harm competition.

As part of this proceeding, by way of Resolution 537/13/CONS AGCOM initiated a review in November 2013 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. At the present date, the publication of the official consultation by AGCOM is awaiting.

Furthermore, on May 21, 2014, AGCOM asked fixed-line operators to provide the costs of certain network components as part of the process for updating the replicability models pursuant to Resolution 499/10/CONS.

On July 31, 2014, AGCOM proposed an updating of the production mix for the assessment of the replicability of the optic fiber ultra-broadband retail offers.
It should be noted that in October 2014, WIND sent a contribution to the BEREC regarding a public consultation on the operating aspects of the replicability test for retail offers.

Market analysis – Fixed Access

On April 4, 2013, public consultation 238/13/CONS was published regarding an analysis of markets 1-4-5. WIND has provided its positioning in this respect.
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 in order to take into consideration the access network separation project proposed by Telecom Italia.
On February 24, 2014, by way of Resolution 65/14/CONS, AGCOM extended the term for completing the preliminary proceeding as per Resolution 390/12/CONS by a further 90 days. Operators were 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. 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 still in progress and is expected to be completed by the end of the first quarter of 2015.
With respect to access services for 2010-2012, by way of Resolution 563/13/CONS AGCOM initiated an enforcement proceeding on November 11, 2013 concerning the sentences of the Council of State on Resolutions 731/09/CONS and 578/10/CONS on prices for wholesale access services to Telecom Italia's fixed network. On June 20, 2014, by way of Resolution 258/14/CONS, AGCOM started up a public consultation containing orientations with respect to compliance with the sentences of the Council of State. On December 15, 2014, AGCOM stated that at the meeting held on that date: "*The decision taken by the Board establishes that: i) the unbundling charge for 2012 is reduced to €9.05/month due to the recalculation of the corrective maintenance costs; ii) the contributions for the unbundling service are to be found in a basket different from that of the charges and subject to a different price cap. The reduction in the unbundling service charge is also reflected in the amounts relating to 2010 and 2011, which fall to €8.65/month and €8.90/month respectively. It will on the other hand be necessary to wait for the execution of another sentence of the Council of State, that dealing with the naked Bitstream service charge for 2009, to see the situation regarding the Bitstream and WLR service charges. A review of this charge has been put on the agenda of one of the next Board meetings.*"

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

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

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 fixed termination on the Telecom Italia network at the various interconnection levels was determined by way of Resolution 92/12/CIR.

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

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").

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 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).

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 owned by any network supplier.

Concerning the activation/migration procedure, AGCOM issued Resolution 309/14/CONS on July 17, 2014 in which it ordered Telecom Italia to respect the rules governing the procedures for user transfer. AGCOM is currently monitoring the implementation by Telecom Italia of the requirements of Resolution 309/14/CONS.

Decisions and public consultations of the European Commission and of BEREC

During 2014, WIND participated by sending its contribution and positioning to the public consultations set up by the European Commission and BEREC. The principal consultations were as follows:

- revision of copyright rules (European Commission – January 2014);
- geographical definition of Relevant Markets (BEREC – February 2014);

- BEREC Stockholm Workshop on the revision of relevant markets (European Commission – March 2014);
- monitoring the quality of internet access services in the context of Net Neutrality (BEREC – April 2014);
- guidance on the regulatory accounting approach to the economic replicability test (BEREC – October 2014).

Furthermore, following the opinions of BEREC and COCOM, in October 2014 the European Commission approved the revision of the relevant markets constituting the base for the market analyses required to be carried out by the National Authorities. The number of relevant markets has been reduced in the new recommendation, which now governs the following: market 1 (Fixed termination), market 2 (Mobile termination), market 3 (Wholesale mass market access at a fixed location), divided into market 3a (Wholesale local access) and market 3b (Wholesale central access), and market 4 (Wholesale high-quality access at a fixed location).

<u>Mobile market</u>

Antitrust activity

<u>Proceeding I757</u>

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 horizontal 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. The development of the proceedings showed the complete lack of grounds for the charge against WIND, a defense also put forward by the Company during the final hearing on October 8, 2014.

In January 2014, the AGCM then accused Telecom Italia and WIND alone of reaching a vertical agreement (concentrating its argument on certain clauses used in the contracts set up with the respective sales networks): this allowed the parties to present commitments relating to this latter issue. WIND therefore presented its commitments on April 4, 2014, and the subsequent public consultation (market test) – which saw the participation of two interveners – was able to confirm that the measures proposed by WIND are fully able to effectively dispel all concerns regarding competition issues.

Subsequently, on December 22, 2014, on bringing proceeding I757 to an end (the deadline had been set as December 31, 2014), on its website the AGCM published an order to dismiss the case on the alleged horizontal agreement designed to hinder access to the BIP Mobile market and an order to accept the respective commitments presented by WIND and Telecom Italia for the vertical agreement.

The proceeding has therefore come to an end for WIND, accordingly without being convicted or having to pay penalties and therefore showing the propriety and transparency of its actions.

Market Analysis - Mobile Termination

Resolution 621/11/CONS became effective on January 4, 2012 as far as mobile termination is concerned: 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.

Eurocents/min	**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

Various operators appealed against Resolution 621/11/CONS for a variety of different reasons. The main reason for these appeals filed separately by WIND, Vodafone and Telecom Italia was the asymmetry granted to AGCOM and H3G, going beyond the end of 2012 and into the first half of 2013. In this respect partially upholding these appeals the Lazio TAR ordered AGCOM to provide suitable reasoning and partially annulled Resolution 621/11/CONS with reference to the provision on H3G's asymmetric tariff (sentences no. 8381 of October 10, 2012 and nos. 10263 and 10265 of December 7, 2012). In order to comply with the TAR's sentences, AGCOM issued Resolution 11/13/CONS confirming the contents of Resolution 621/11/CONS. WIND, Telecom Italia, Poste Mobile and Vodafone filed an appeal for the same reasons with the Lazio TAR to have Resolution 11/13/CONS annulled. WIND, Vodafone, Fastweb and H3G also filed an appeal with the Council of State for the reversal of the Lazio TAR's sentences on Resolution 621/11/CONS. By way of sentence no. 725/2014 the Council of State upheld H3G's appeal on the asymmetry of H3G's mobile termination amount in the second half of 2013. As a result of that sentence AGCOM adopted Resolution 259/14/CONS. WIND, Vodafone and Telecom appealed to the Council of State for implementation of sentence no. 725/2014 and for a prior ruling of the ineffectiveness, nullity and/or illegitimacy of Resolution 259/14/CONS. In addition, WIND and Vodafone filed an appeal with the Lazio TAR for the annulment at a supreme court level of Resolution 259/14/CONS; Telecom filed an extraordinary appeal with the Head of State against the resolution. Also H3G, for reasons to the contrary, has filed similar appeals for execution with the Council of State and legitimacy with the TAR. The hearing for the appeals of WIND, Vodafone and H3G before the Council of State for the implementation of sentence no. 725/14 took place on December 17, 2014.

In addition, on adjudication of sentences no. 21 of January 7, 2013 and no. 3636 of July 9, 2013 issued by the Council of State, the proceeding for the redetermination of mobile termination on the H3G network in the period between November 1, 2008 and June 30, 2009 was reinstated. The start of the proceeding was followed by a public consultation initiated by AGCOM in November 2013, in which AGCOM put out for consultation a range of possible values for termination on the H3G mobile network. WIND took part in the public consultation. By way of Resolution 365/14/CONS published in October 2014, AGCOM gave implementation to sentences no. 21 of January 7, 2013 and no. 3636 of July 9, 2013 of the Council of State. An appeal against this resolution has been lodged by both WIND and the other operators with the Lazio regional administrative court for annulment in the supreme court and with the Council of State for implementation. The date for the hearing before the Council of State has been set as April 16, 2015.

The proceeding for a market analysis of mobile termination was recently reinstated by way of Resolution 50/14/CONS. This proceeding is still in progress and the publication of the public consultation is awaited.

Market Analysis: Messenger services – SMS termination

In March 2013, following the positive opinion issued by the European Commission on AGCOM's proposed decision not to regulate that market, AGGOM 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 and the court turned down the appeal. 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, and matters relating to SMS termination may also be treated within the sphere of this regulation.

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 became operational on July 1, 2014 with the Commission having established in an Implementing Regulation published on December 14, 2012 the principles underlying the way this was to 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.

The new caps for voice, SMS and data prescribed by Roaming Regulation 531/12 became effective on July 1, 2014.

In the meantime BEREC is continuing with its market analysis to identify fair use criteria for the possible future introduction of Roam Like at Home (RLAH), at both a retail and wholesale level. In this respect in November 2014 WIND provided its contribution to the "Preliminary Analysis of a 'Roam like at home' scenario based on the proposal of the European Parliament adopted on 3 April 2014".

On December 17, 2014, BEREC published its paper "Analysis of the impacts of 'Roam Like at Home' (RLAH)" in which it emphasizes the difficulty of introducing 'RLAH' in a fair manner in light of the significant changes in several market parameters in the various European countries and stresses that current regulations already require the rules to be reviewed in the middle of 2016.

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 use this consultation to obtain comments, items of information and documentation concerning the use of these frequencies. 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.

With the publication in June 2013 of Resolution 355/13/CONS, certain of the previously existing allocation measures for issuing rights of use for the frequencies available for the 26 and 28 GHz broadband radio networks have been supplemented and amended 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.

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 the frequencies recognized at an international level and used in neighboring countries, planned and allocated to television network operators in Italy and the subject of ascertained interference situations, from the planning of the frequencies for the digital terrestrial television service. In a press release of September 23, 2014, AGCOM announced that it has identified the interference channels, deferring the redefinition of the frequency plan to a later date.

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.

On October 8, 2014, by way of Resolution 494/14/CONS, AGCOM approved a provision on the criteria for determining the annual fees payable for the use of terrestrial television frequencies, with the fee to be calculated by the Ministry of Economic Development (MISE).

On October 10, 2014, by way of Resolution 480/14/CONS, AGCOM made changes to the national DVB-T (Digital Video Broadcasting – Terrestrial) frequency allocation plan. The aim of this provision was in certain specific areas of Italy to exclude frequencies for the digital terrestrial television service from the plan which had been allocated to television network operators in Italy and were the object of verified situations of interference with respect to the frequencies recognized at an international level and used in neighboring countries. The requirements of Resolutions 423/11/CONS, 542/11/CONS, 93/12/CONS and 265/12/CONS, which are in conflict with those of the provision, were repealed.

In addition, following the approval of the 2015 Finance Law, the communications Authority must set up procedures for allocating the rights of use of radio-electric frequencies for utilization in mobile electronic communication services for Supplemental Down Link (SDL) applications through the use of the 1452-1492 MHz band.

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, something 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 SMSs/MMSs 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 home page 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 SMSs/MMSs used for business messenger services, also allowing the use of aliases 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.

Universal Service

By way of Resolution 46/13/CIR AGCOM established the net cost for the Universal Service for 2006 as nil, with the share of the contribution of operators for 2006 relating solely to auditing costs. Telecom Italia has appealed against the resolution. WIND has filed an appearance in support of AGCOM. The date for a hearing has not yet been set.

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 audit the net cost of this. This company has also been selected by the Authority as the independent auditor for fiscal years 2008/2009.

By way of Resolution 100/14/CIR the Authority established the net cost for the Universal Service for 2007 as nil, with the share of the contribution of operators relating solely to auditing costs. Telecom Italia has appealed against the resolution. WIND will shortly be filing an appearance in support of AGCOM. The date for a hearing has not yet been set.

In September 2014, AGCOM initiated the preliminary proceeding (having a term of 90 days) for the identification of the criteria for the designation of one or more operators responsible for providing the Universal Service in electronic communications.

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 Italia have filed appeals with the Council of State against the sentence issued by the TAR. WIND filed an appearance in support of AGCOM. The substantive hearing took place on 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 hosts contents uploaded by third parties onto its platforms.

Main new consumer protection regulations

In June 2013, AGCOM initiated 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 November 2014, AGCOM sent out a further request for information on the same subject to which WIND provided its reply. The technical workgroup in Asstel was started up again at the same time with the attendance of all the operators.

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 in order to create a geographical mapping of the availability of broadband and ultra-broadband service offers. To this end the resolution requires operators to provide the information necessary for feeding the information base of the SINB and allows interoperability of such through its own information services relating to broadband coverage throughout the country.

By way of Resolution 202/13/CONS, AGCOM initiated 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 remote contracts". While waiting for AGCOM's public consultation to be completed, on June 13, 2014 the changes to the Consumers' Code became effective, introduced by Legislative Decree no. 21/2014, which relate to remote 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 Bordoni 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 may be accepted by customers by entering contracts. In March 2014, AGCOM initiated technical discussions in which the operators and the Ugo Bordoni Foundation are participating.

By way of Resolution 414/14/CONS a public consultation was initiated on changes to Resolution 244/08/CSP on "Further provisions on quality and fixed workstation internet access service charters to supplement Resolution 131/06/CSP".
By way of Resolution 410/14/CONS, AGCOM approved the new Regulation on administrative penalties and commitments governing pre-preliminary and preliminary activities designed to ascertain breaches and deal with the application of administrative penalties under the Authority's jurisdiction, as well as the establishment of commitments. In addition, by way of this resolution the Authority initiated a public consultation on the document on guidelines for the application of the criteria dictated by Law no. 689 of November 24, 1981 on administrative penalties for the correct quantification of the monetary penalties applied by AGCOM.
WIND has filed its contribution, also by way of Asstel, and attended the hearing.

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 such data. On April 4, 2013 the Privacy Guarantor issued the provision on the implementation of the Data Breach discipline and accordingly WIND adopted the relative procedures and carried out and completed training courses for its data supervisors.
The above decree additionally amended article 122 of the Privacy Code by introducing an opt-in regime for e-cookies, separating these into "technical cookies" (e.g. session monitoring, computer authentication, etc.) which are needed to supply the service and are not subject to the regime and "non-technical cookies" (e.g. monitoring websites visited, collection of the user's data, etc.) which are used for marketing purposes and which, being especially critical as far as privacy is concerned, require the prior and informed consent of the customer/user. In this scenario the Privacy Guarantor initiated a public consultation directed towards all site managers and the leading consumers' associations for the purpose of obtaining contributions and suggestions on the subject and, subsequently, set 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 were 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 picked up activities again in 2013; 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 being pursued. In this respect a workshop has been set up with the Privacy Guarantor 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.
A public consultation on a draft provision of the Privacy Guarantor was initiated in April 2014 designed to acquire contributions and suggestions on the matter which were provided to Asstel in May 2014.
In December 2014 this consultation was also opened to leading consumers' associations and at the present moment a general provision on the matter is awaited.

By way of a provision published in the Official Gazette on January 3, 2014, a public consultation was initiated which is addressed to all operators working in the Mobile Remote Payment field with the aim of collecting comments and observations on the subject.
In this respect a document was sent to the Privacy Guarantor including the observations agreed at the inter-operator workgroup, following which the Authority published a Provision regarding the mobile remote payment service and value added services (VAS).
New internal and inter-operator workgroups were set up designed to analyze the effects and potential critical matters relating to the implementation of the Authority's requirements, following which it was agreed to send a request for interpretation and re-examination with particular reference to the security measures (cryptography/adult PIN) to be adopted and the means by which the customer's consent for promotional purposes should be acquired.
Following receipt of the Authority's reply, a request was made to extend the terms within which the provision's requirements must be satisfied. This was accepted and an extension of the deadline to March 31, 2015 was granted.
By way of Provision 53/2014 of the Privacy Guarantor an update on the question of profiling was added. An internal workgroup has been set up in this respect.
By way of a provision published in the Official Journal a public consultation was initiated on May 23, 2014, addressed to all the owners of biometric treatments, on a draft provision on biometric recognition and graphometric signatures in order to obtain contributions and observations on the subject.
In this respect a document was sent to the Privacy Guarantor including the observations agreed by the inter-operator workgroup, following which the Privacy Guarantor issued an appropriate provision.

Disputes with operators before AGCOM

By way of Resolution 64/14/CIR, AGCOM found in WIND's favor in the dispute initiated by WIND with Telecom Italia relating to the migration of the IP interconnection and relative services, and ordered administrative migration from December 2013 to July 2014 through a predetermined shifting (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.
In July 2014, Telecom Italia initiated two disputes with AGCOM against WIND concerning alleged unsuccessful supply and maintenance work and the economic conditions for the collection service for calls to Telecom Italia's non-geographic numbers originating on WIND's fixed line network.

CONSOLIDATED FINANCIAL AND PERFORMANCE DATA

The following tables provide a summary of the main consolidated financial and performance data for the Group for 2014, prepared in conformity with the IFRS endorsed by the European Union, together with a comparison with the corresponding figures for 2013.

Income statement figures (millions of euro)	**2014**	**2013**
Revenue	4,633	4,983
EBITDA[1]	1,804	1,944
Operating income	573	667
Net finance expense	(1,347)	(993)
Profit/(Loss) before tax	(813)	(332)
Loss for the year attributable to owners of the Parent	(709)	(481)

[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

	2014	**2013**
Capital expenditure (millions of euro)	784	968

Statement of financial position figures (millions of euro)	**December 31, 2014**	**December 31, 2013**
Total assets	14,759	13,956
Shareholder's Equity attributable to		
owners of the parent	111	787
non-controlling interests	0.0	0.1
Total liabilities	14,648	13,170
Net financial indebtedness	9,654	9,146

Earnings Performance

The table below sets out the consolidated income statement for 2014 and a comparison with the 2013 figures.

(millions of euro)	2014	2013	Change amount	%
Revenue	4,393	4,829	(436)	(9.0)%
Other revenue	240	154	86	55.8%
Total revenue	**4,633**	**4,983**	**(350)**	**(7.0)%**
Purchases and services	(2,338)	(2,542)	204	8.0%
Other operating costs	(178)	(170)	(8)	(4.7)%
Personnel expenses	(312)	(327)	15	4.6%
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	**1,805**	**1,944**	**(139)**	**(7.2)%**
Depreciation and amortization	(1,214)	(1,264)	50	4.0%
Reversal of impairment losses/(impairment losses) on non-current assets	(13)	(7)	(6)	(85.7)%
Gains (losses) on disposal of non-current assets	(4)	(5)	1	20.0%
Operating Income	**574**	**668**	**(94)**	**(14.1)%**
Finance income	68	38	30	78.9%
Finance expense	(1,415)	(1,031)	(384)	(37.2)%
Foreign exchange gains (losses)	(39)	(6)	(33)	n.m.
Profit/(Loss) before tax	**(812)**	**(331)**	**(481)**	**n.m.**
Income tax	103	(149)	252	n.m.
Loss from continuing operations	**(709)**	**(480)**	**(229)**	**(47.7)%**
Profit from discontinued operations	0	0	0	n.m.
Loss for the year	**(709)**	**(480)**	**(229)**	**(47.7)%**
Non-controlling interests	0	0	0	n.m.
Loss for the year attributable to the owners of the parent	**(709)**	**(480)**	**(229)**	**(47.7)%**

Revenue

The Group generated total revenue of €4,633 million in 2014, a decrease of €350 million over 2013.

Revenue amounted to €4,393 million in 2013, a decrease of €436 million (9.%) over the previous year.

The following table provides details of this item and changes with respect to 2013.

(millions of euro)	2013	2012	Change Amount	%
Revenue from sales	220	239	(19)	(7.9)%
Telephony services	3,641	4,029	(388)	(9.6)%
Interconnection traffic	381	399	(18)	(4.5)%
International roaming	37	42	(5)	(11.9)%
Judicial authority services	6	6	0	0.0%
Other revenue from services	108	114	(6)	(5.3)%
Total	**4,393**	**4,829**	**(436)**	**(9.0)%**

The negative trend mainly arises from the decrease in revenue from telephony services is affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 9.6% during the twelve months of 2014 thanks to an increase in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

Furthermore, there was a decrease in revenue from interconnection traffic mainly due to the effect of the reduction of unit tariffs only partially offset 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.

.Revenue from sales decrease during 2014, mainly due to the decrease in the sale of mobile telephone handsets only partially offset by the shift of sales towards high-range terminals. International roaming revenue fell mainly as the as the effect of the reduction in Voice and Data tariffs, only partially offset by an increase in international roaming volume.

Other revenue amounted in total to €240 million for 2014 (€154 million for 2013) and refers principally to the revisions of estimates made in previous years and to the effects related to the closure of agreement with some suppliers.

Operating costs

Operating costs for 2014 amounted to €2,829 million, representing a decrease of €211 million over the previous year.

Purchases and services amounted to €2,338 million in 2014, a decrease of €205 million over 2013. The following table provides an analysis of this item for 2014 and a comparison with the figures for the previous year.

(million of euro)	2014	2013	Change Amount	%
Interconnection traffic	608	669	(61)	(9.1)%
Leases	674	687	(13)	(1.9)%
Customer acquisitions costs	193	236	(43)	(18.2)%
Cost of goods sold and consumable materials	226	264	(38)	(14.4)%
Outsourcing, consulting and professional services	160	175	(15)	(8.6)%
Advertising and promotional services	96	140	(44)	(31.4)%
Maintenance and repair	86	95	(9)	(9.5)%
Utilities	130	124	6	4.8%
National and international roaming	30	38	(8)	(21.1)%
Other	135	115	20	17.4%
Total	**2,338**	**2,543**	**(205)**	**(8.1)%**

The change in purchases and services is mainly attributable to:

- the decrease of €61 million in *Interconnection traffic* costs mainly due to the general lower termination tariffs, only partially offset by the increase in the volume of traffic;
- the decrease of €44 million in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of purchasing of advertising media such as TV, radio, billboards and decrease in sponsorship costs;
- the decrease of €43 thousand in the *Customer Acquisition Cost* mainly due to a decrease of commissions for new activations and mobile traffic and commissions for the sale of scratch cards;
- net decrease of €38 million in Cost of goods sold and consumable materials mainly due to a decrease in the sale of mobile telephone handsets only partially offset by an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift on sales towards high-range terminals.

Personnel expenses decreased by €14 million (4.3%) over 2013. The change in the period compared with the previous year 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.

It should be noted that an agreement was signed with the unions on July 29, 2014, which with the aim of achieving the indicated objectives envisages the realization of a key plan for internationalizing activities and the consequent reskilling of internal staff to manage these activities; it was agreed that solidarity contracts will be introduced for a period of 18 months (starting from September 2014) as a means of supporting this process.

EBITDA

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 (EBITDA) amounted to €1,804 million in 2014, representing a decrease of €140 million over 2013.

Operating income

Operating income for 2014 amounted to €573 million, a decrease of €94 million compared to the previous year. The mitigation of the effect on EBITDA, this is mainly due to the result of the lower depreciation both of Property, Plant and equipment (decrease of €20 million over 2013) due to the optimization in network investments made in the past year as well as of Intangible Assets (decrease by €30 million over 2013), mainly due to the decrease in the capitalization of fixed customer acquisition cost and software in the past year.

Finance income and expense

In 2014 net finance expense amounted to €1,347 million (€993 million in 2013). The increase is mainly due to the higher Interest expense following to the refinancing transactions, completed in April and July 2014.

Result for the year attributable to owners of the Parent

The year 2014 registered a loss of €709 million (loss of €481 million in 2013).

Statement of financial position highlights

The following reclassified statement of financial position represents an aggregate under operational criteria of the assets and liabilities of the statement of financial position prepared in accordance with IFRS.

(millions of euro)	As of December 31, 2013	As of December 31, 2012	Change Amount	%
Non-current assets				
Property, plant and equipment	3,273	3,434	(161)	(4.7)%
Intangible assets	8,283	8,575	(292)	(3.4)%
Financial assets measured at cost	16	15	1	6.7%
Total non-current assets	**11,572**	**12,024**	**(452)**	**(3.8)%**
Net working capital				
Inventories	23	27	(4)	(14.8)%
Trade receivables	949	1,100	(151)	(13.7)%
Trade payables	(1,661)	(1,652)	(9)	(0.5)%
Tax assets and liabilities	(342)	(499)	157	31.5%
Other assets	273	194	79	40.7%
Other liabilities	(813)	(937)	124	13.2%
Total net working capital	**(1,571)**	**(1,767)**	**196**	**11.1%**
Employee benefits	(60)	(52)	(8)	(15.4)%
Provisions	(176)	(274)	98	35.8%
Net invested capital	**9,765**	**9,931**	**(166)**	**(1.7)%**
Equity attributable to owners of the Parent	111	787	(676)	(85.9)%
Non-controlling interests	0	0	0	0.0%
Total equity	**111**	**787**	**(676)**	**(85.9)%**
Net financial indebtedness	**9,654**	**9,146**	**508**	**5.6%**
Total net financing	**9,765**	**9,932**	**(167)**	**(1.7)%**

Property, plant and equipment amounted to €3,273 million, decreased by €161 million compared to 31 December 2013, mainly as the net effect of the depreciation charge, impairment and disposals occurred during the year (€724 million, €19 million and €5 million respectively), partially offset by investments for €583 million. 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 the replaced equipment was impaired by €8 million and higher investments for €27 million resulting from the recognition at market value of the equipment received as a replacement.

Intangible assets amounted to €8,283 million, decreased by €292 million compared with 31 December 2013, mainly as the net effect of investments of the year of €201 million and the amortization charge for the year of €490 million.

Working capital, which had a negative balance of €1,571 million at December 31, 2014, decreased by €196 million mainly as the effect of the decrease in *Trade receivables*.

Shareholders' Equity amounted to €111 million at December 31, 2014. The following table sets out the main changes in the consolidated Shareholders' equity in 2014 and 2013.

(millions of euro)	**2014**	**2013**
Beginning of year	**787**	**1,200**
Consolidation reserve	0	0
Loss for the year	(709)	(481)
Dividends paid	0	0
Change in Cash Flow Hedge reserve	39	66
Actuarial reserve	(5)	1
Other changes	(1)	0
End of year	**111**	**787**

The following table sets out the composition of **net financial indebtedness** at December 31, 2014 and the changes over December 31, 2013.

(millions of euro)	December 31, 2014	December, 31 2013	Change amount	%
FINANCIAL LIABILITIES				
Non-current financial liabilities				
Bonds	8,844	6,281	2,563	40.8%
Financing from banks	1,722	2,291	(569)	(24.8)%
Financing from other lenders	228	330	(102)	(30.9)%
Derivative financial instruments	74	182	(108)	(59.3)%
Current financial liabilities				
Bonds	142	181	(39)	(21.5)%
Financing from banks	166	146	20	13.7%
Financing from other lenders	105	143	(38)	(26.6)%
Derivative financial instruments	-	15	(15)	(100.0)%
TOTAL GROSS FINANCIAL INDEBTEDNESS (A)	**11,281**	**9,569**	**1,712**	**17.9%**
FINANCIAL ASSETS				
Non-current financial assets				
Derivative financial instruments	412	69	343	n.m.
Financial receivables	991	40	951	n.m.
Current financial assets				
Financial receivables	21	173	(152)	(87.9)%
Cash and cash equivalents	203	141	62	44.0%
TOTAL FINANCIAL ASSETS (B)	**1,627**	**423**	**1,204**	**n.m.**
NET FINANCIAL INDEBTEDNESS (A-B)	**9,654**	**9,146**	**508**	**5.6%**

Net financial indebtedness increased by €508 million compared to December 31, 2013 due to changes in the composition of financial liabilities and transactions during 2014, details of which we refer to note 14 of Consolidated Financial Statements.

Cash flow statement

Consolidated cash flows for 2014 are set forth out in the following table and are compared to the corresponding figures for 2013.

(million of euro)	2014	2013	Change amount	Change %
Cash flows from/(used in) operating activities				
Loss from continuing operations	(709)	(481)	(228)	(47.4)%
Adjustments to reconcile the loss for the year with the cash flows from/ (used in) operating activities				
Depreciation, amortization and impairment losses on non-current assets	1,227	1,271	(44)	(3.5)%
Net changes in provisions and employee benefits	(98)	113	(211)	n.m.
(Gains)/losses on disposal of non-current assets	4	5	(1)	(22.6)%
Changes in current assets	(16)	193	(209)	n.m.
Changes in current liabilities	375	(119)	494	n.m.
Net cash flows from operating activities	**783**	**983**	**(200)**	**(20.4)%**
Cash flows from/(used in) investing activities				
Acquisition of property, plant and equipment	(556)	(563)	7	1.3%
Proceeds from sale of property, plant and equipment	0	1	(1)	(100.0)%
Acquisition of intangible assets	(201)	(225)	24	10.8%
Inflows/(outflows) from loan granted	(775)	0	(775)	n.m.
Net cash flows used in investing activities	**(1,532)**	**(788)**	**(744)**	**(94.5)%**
Cash flows from/(used in) financing activities				
Changes in loans and bank facilities	810	(185)	995	n.m.
Net cash flows used in financing activities	**810**	**(185)**	**995**	**n.m.**
Net cash flows for the year	**62**	**11**	**51**	**n.m.**
Cash and cash equivalents at the beginning of the year	141	131	10	7.6%
Cash and cash equivalents at the end of the year	**203**	**142**	**61**	**43.4%**

Cash flows from **operating activities**, amounting to €783 million, decreased by €200 million over the previous year.

Investing activities used cash during 2014 of a total of €1,532 million, representing an increase of €744 million over the previous year due mainly to the disbursement to the parent WIND Acquisition Holdings Finance SpA of loans of €938 million and the settlement by offset of the loan of the parent to the indirect parent Wind Telecom SpA of €163 million in addition to the reduction in investments in fixed assets 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 2014.

During 2014, **financing activities** used cash of €810 million due to the combined effect of the following operations:

- the early repayment of €2,694 million, made in April, 23 2014 and in July, 15 2014 of all of Senior Secured Notes 2017;
- the issue on April 2014 of a new bond Senior Notes due 2021 of €3,780 million;
- the issue on July 2014 of a new bond Senior Secured Notes due 2020 and 2019 of €4,059 million;

- the early repayment of €573 million of the non-extended part of the Senior Credit Facilities;
- the early repayment of €3,200 million, made in July 2014 of Senior Secured Notes 2018;
- the use of cash of €50 million of the revolving tranche of the Senior Facility Agreement;
- the payment of €366 million of fees, mainly related to new Senior Notes 2021, 2020 and 2019;
- the repayment of €50 million, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt of November 26, 2010.

SUMMARIZED FINANCIAL STATEMENTS OF THE PARENT WIND TELECOMUNICAZIONI SPA AND OF SUBSIDIARIES

The income statement and statement of financial position figures below relate to the separate financial statements of the Parent WIND Telecomunicazioni SpA at December 31, 2014, prepared in conformity with the IFRS endorsed by the European Union.

Income statement figures *(millions of euro)*	**2014**	**2013**
Revenue	4,633	4,985
EBITDA [1]	1,801	1,939
Operating income	570	664
Net finance expense	(870)	(1,012)
Loss before tax	(301)	(348)
Loss for the year	(349)	(491)

[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

Balance sheet figures *(millions of euro)*	**December 31, 2014**	**December 31, 2013**
Total assets	14,213	13,982
Equity	422	782
Total liabilities	13,791	13,200

The income statement and statement of financial position figures below relate to the separate financial statements or the reporting packages of subsidiaries of WIND Telecomunicazioni SpA prepared in accordance with the IFRS endorsed by the European Union.

WIND Retail Srl

Income statement figures *(millions of euro)*	**2014**	**2013**
Revenue	80	92
EBITDA[1]	4	4
Operating income	3	3
Net finance expense	(0)	(0)
Profit before tax	3	3
Profit/(Loss) for the year	2	0

[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)*	**December 31, 2014**	**December 31, 2013**
Total assets	68	69
Equity	34	32
Total liabilities	34	37

WIND Acquisition Finance SA

Income statement figures (millions of euro)	**2014**	**2013**
Revenue	0	1
EBITDA[1]	(1)	0
Operating income	(1)	0
Net finance expense	(477)	19
Profit/(Loss) before tax	(515)	13
Profit/(Loss) for the year	(365)	9

[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)	**December 31, 2014**	**December 31, 2013**
Total assets	8,789	6,698
Equity	(245)	76
Total liabilities	9,034	6,622

SUBSEQUENT EVENTS

For a comment of the events that took place after December 31, 2014, please refer to note 38 to the consolidated financial statements and to note 3 to the separate financial statements of WIND Telecomunicazioni SpA at December 31, 2014.

RISK MANAGEMENT

For a disclosure on the management of financial risks, please refer to note 2.5 to the consolidated financial statements at December 31, 2014 and to note 2.4 to the separate financial statements of WIND Telecomunicazioni SpA at December 31, 2014.

RELATED PARTY TRANSACTIONS

All related party transactions, including those among WAHF Group' companies, are part of ordinary operations, are carried out contractually at market rates and mainly relate to transactions with telephone operators. Then, the Group's tax position and its presentation in the financial statements reflect the effects of the election made in 2006 and renewed in 2009 and in 2012 by the Italian parent Wind Telecom SpA to take part in the national tax consolidation procedure.

The disclosure on related party transactions is presented in note 35 to the consolidated financial statements and to note 34 to the separate financial statements of WIND Telecomunicazioni SpA at December 31, 2014, to which reference is made.

During the year ended December 31, 2014, Group companies did not hold treasury shares of WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.

DISCLOSURES PURSUANT TO ARTICLE 2497-TER OF THE ITALIAN CIVIL CODE

There are no events to report under article 2497-ter Italian Civil Code, governing the management and coordination activities on WIND.

OUTLOOK

The solid commercial performance and ongoing cost structure optimization process has enabled the WIND Group to consolidate its competitive position in 2014, despite the market contraction and continuing challenging macroeconomic environment. The efficiency and cost optimization processes have been and will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. In addition, in 2014, the Group successfully completed a debt refinancing process, with two distinct bond issuances, ensuring a significant decrease in the average cost of debt; as a result the Group will benefit from material interest cost savings and a sustainable capital structure going forward.

In 2015, the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market, with a particular focus on digital channels in terms of new services, customer interaction and process efficiencies. The Group will continue to consolidate its position in the mobile, fixed-line voice and internet segments as well as developing its convergent business model, while focusing on the optimization of its cost structure.

PROPOSED ALLOCATION OF THE RESULT OF THE PARENT WIND TELECOMUNICAZIONI SPA

The Parent WIND Telcomunicazioni SpA end ends 2014 with a loss of €349 million.

The Board of Directors recommends that the shareholders approve the financial statements at December 31, 2014 and carry forward the loss for the year under the *Retained earnings reserve*.

GLOSSARY

ADSL (Asymmetric Digital Subscriber Line): a technology which via a modem uses normal twisted-pair telephone lines and converts the traditional telephone line into a high-speed digital link for transferring multimedia data into asymmetric mode.

ATM (Asynchronous Transfer Mode): a switching technology that permits the transmission of different kinds of information such as voice, data and video.

Backbone: the telecommunications network portion with the highest traffic intensity and from which the connections for services in the local areas depart.

Base Station Controller (BSC): an interface with the MSC switching exchange. It has the task of supervising and controlling radio resources, both during the phase when a call is being set up and during the maintenance phase.

Base Transceiver Station (BTS): a radio signal transmitter which sends out the GSM radio signal via antenna to cover an area (a cell).

Bitstream: a service consisting in the supply by the incumbent to the alternative operator of the transmission capacity between the final customer's workstation and the interconnection point or PoP (Point of Presence) of an alternative operator which wants to offer broadband services to its final customers.

Broadband: services characterized by a transmission speed of 2 Mbit/s or more.

Cloud Computing: represents the emerging development model, implementation of ICT infrastructures which support the provision of the services and the distribution of Cloud Services, meaning services where the "intangible" asset may be acquired and used in real time through the internet.

Crowdsourcing: a neologism which specifies a model in which a business or an institution delegates an activity which is usually assigned to employees of a group, generally containing a large number of members who have not been determined in advance, in "open call" mode using the internet (through outsourcing).

EDGE (Enhanced Data rates for GSM Evolution): an evolution of the GPRS standard that increases the data transmission rate on the GSM network.

EIR (Equipment Identity Register): a database which contains the data to validate access to the network by a mobile phone through its IMEI code.

ESP (Enhanced Service Provider): an operator which provides telecommunications services to the public availing of an agreement with a mobile network licensee.

FEMTO Cell: low power indoor cellular base station. FEMTO Cells allow mobile operators to connect standard mobile devices to their networks through the customers' home DSL or cable broadband network.

FNR: (Flexible Numbering Register): a table in which the telephone numbers of a single customer under the old and the new operator are listed.

FR (Frame Relay): a packet switching transmission technique.

Gateway: a network node which allows interfacing with another network using different protocols.

GGSN (Gateway GPRS Support Node): a node which acts as a gateway between a GPRS wireless network and an Internet or private network.

GPON (Gigabit Passive Optical Network): optical access network.

GPRS (General Packet Radio Service): a packet-switching based system of transmitting data over the GSM network at medium speed.

GSM (Global System for Mobile Communications): standard architecture for digital cellular communications working on 900MHz and 1800MHz bands. This is currently the most widespread mobile telephony standard in the world.

HLR (Home Location Register): a centralized database containing the details of each mobile telephone customer authorized to access the GSM network.

HSDPA (High Speed Downlink Packet Access): a protocol which allows UMTS networks to improve their performance by increasing capacity and band width.

Internet: a global computer network accessible to the public. The Internet is an interface for networks based on different technologies but which use the TCP/IP protocol platform.

IP (Internet Protocol): a packet-switching network protocol which enables networks with heterogeneous technologies to be inter-connected.

IPTV (Internet Protocol Television): a system which transmits digital audiovisual content via a broadband Internet connection.

ISDN (Integrated Services Digital Network): a circuit-switching technology which allows the transmission of voice and data over traditional telephone lines.

ISP (Internet Service Provider): a vendor who provides access to the Internet.

LLU (Local Loop Unbundling): it indicates unbundled access to the local network, meaning the possibility for alternative operators, on the payment of a fee, to make use of the incumbent's infrastructure to offer services to its own customers.

MAN (Metropolitan Area Network): a computer network infrastructure within a town or city.

MGW (Media Gateway): it connects different types of networks (such as PSTN, Next Generation Networks, 2G and 3G); one of its main functions is to convert between the different transmission and coding techniques.

MMS (Mobile Multimedia Services): multimedia messaging services for mobile phones.

MNP/FNR Node: (Mobile Number Portability/Flexible Numbering Register) Node - see FNR*.*

Modem: a device that modulates and demodulates signals containing the information to enable digital data to be transmitted on analog channels.

MSC (Mobile Switching Center): a part of the GSM mobile telephone network which in addition to acting as a network interface executes functions such as controlling calls, switching traffic and issuing data cards (used for tariffing traffic).

MSC-Server: a 3G core network element.

MVNO (Mobile Virtual Network Operator): a company which provides mobile phone services but which does not own a telephone network or have its own frequencies and which uses the infrastructure and frequencies of other mobile telephone operators to offer mobile telephone services.

NGN/IMS: (Next Generation Network/IP Multimedia Subsystem): these allow all types of information and services (voice, data and all sorts of media) to be transported by encapsulating them into packets: NGN type networks are based on the Internet Protocol.

Node: a topological network junction, commonly a switching center or station.

B Node: a term which in UMTS technology denotes the radio base station which creates the coverage of the cell.

Packet Switching: method of transmitting information by which each message is divided into different packets that are then sent to their specified destination, even by different routes.

PoP (Point of Presence): a point of access to the network provided by an ISP to route traffic to the final users connected to it.

RNC (Radio Network Controller): an element of the UMTS network with supervisory and control functions over the B Nodes.

Roaming: a service by which mobile telephone operators allow their customers to make connections by using a network not owned by them. This service is activated when the phone is used in a foreign country (if the operators of the other country belong to the GSM network) or when the customer is in the home country of an operator which does not have fLLU coverage in that country.

SGSN (Serving GPRS Support Node): the SGSN is responsible for the delivery of data packets from and to the mobile stations within its geographical service area.

Shared Access: indicates the sharing of access to the user's twisted-pair telephone lines by the incumbent and another LLU service provider.

Short Message Service Center: a network element in the mobile telephone network which delivers SMS messages.

SIM (Subscriber Identity Module): a chip to which a serial number is associated that enables a telephone operator to identify on its computer system a specific mobile telephone subscriber, and which enables the subscriber to gain access to its services.

SME: small and medium-sized enterprises.

SMS: short text messages that can be received and sent through GSM network connected mobile phones.

Softswitch: a central device in a telephone network which routes calls from one phone line to another entirely by means of software (instead of by physical switchboards).

Switching Center: network nodes which handle the set-up and routing of the signal towards the required destination.

TDM (Time-Division Multiplexing): a technique for sharing a communication channel in which two or more signals are apparently transferred simultaneously within the channel, but where in reality each in turn has the exclusive use of the channel for a short period of time.

Trunking Gateway: an interface between the VoIP network and the traditional telephone network.

UMTS (Universal Mobile Telecommunications System): a third generation mobile phone technology (3G), the successor to GSM, consisting of a broadband transmission system in which data travels at 2Mbit/s.

Unbundling: see LLU.

VAS: Value Added Services.

VDSL2: (Very High Digital Subscriber Loop): Transmission system at high speeds over copper wire.

Virtual Unbundling: VLLU, meaning "virtual LLU", is the complete unbundling of the old operator's line for administrative purposes only. Telephony services continue to be provided by the old operator while data and internet services are provided by the new operator.

VMS (Voicemail System): a centralized system for managing telephone messages.

VoIP: a technology which makes it possible to hold a telephone conversation over the Internet or another dedicated network using the IP protocol instead of passing through the traditional telephone network.

WAP (Wireless Application Protocol): a protocol allowing access to the Internet from a mobile phone.

Web 2.0: a general term describing an evolution of the World Wide Web and referring to the set of online applications characterized by a high level of interaction between the website and the user.

Webmail: an application which enables an electronic mail account to be managed via a web browser.

Wholesale Line Rental (WLR): a service in which a telecommunications operator other than the incumbent may set up an exclusive commercial relationship with its customers, also outside the LLU service coverage areas, leasing the customer's lines from the incumbent under wholesale terms and conditions.

WiMax (Worldwide Interoperability for Microwave Access): a technology that allows wireless access to broadband telecommunications networks.

WIND GROUP

Consolidated financial statements as of and for the year ended December 31, 2014

FINANCIAL STATEMENTS AND NOTES THERETO

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of euro)	Note	At December 31, 2014	At December 31, 2013
Assets			
Property, plant and equipment	3	3,273,111	3,434,467
Intangible assets	4	8,283,111	8,575,134
Financial assets	5	1,420,345	126,690
Deferred tax assets	6	307,697	165,790
Total non-current assets		**13,284,264**	**12,302,081**
Inventories	7	23,306	27,377
Trade receivables	8	948,694	1,100,370
Financial assets	5	22,605	176,356
Current tax assets	9	7,373	19,274
Other receivables	10	269,463	189,899
Cash and cash equivalents	11	203,012	140,770
Total current assets		**1,474,453**	**1,654,046**
TOTAL ASSETS		**14,758,717**	**13,956,127**
Equity and Liabilities			
Equity			
Issued capital		147,100	147,100
Share premium reserve		751,887	751,887
Other reserves		8,327	(24,978)
Retained earnings		(796,369)	(87,484)
Equity attributable to owners of the parent	12	**110,945**	**786,525**
Non-controlling interests		**8**	**84**
Total equity	12	**110,953**	**786,609**
Liabilities			
Financial liabilities	14	10,867,182	9,084,017
Employee benefits	16	60,006	52,466
Provisions	17	176,373	274,379
Other non-current liabilities	18	160,290	165,388
Deferred tax liabilities	6	633,792	663,045
Total non-current liabilities		**11,897,643**	**10,239,295**
Financial liabilities	14	413,306	484,949
Trade payables	19	1,660,808	1,651,944
Other payables	20	653,392	772,108
Tax payables	21	22,615	21,222
Total current liabilities		**2,750,121**	**2,930,223**
Total liabilities		**14,647,764**	**13,169,518**
TOTAL EQUITY AND LIABILITIES		**14,758,717**	**13,956,127**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)	Note	2014 12 months	2013 12 months
Revenue	22	4,393,077	4,828,927
Other revenue	23	240,354	153,984
Total revenue		**4,633,431**	**4,982,911**
Purchases and services	24	(2,338,446)	(2,541,536)
Other operating costs	25	(178,224)	(170,185)
Personnel expenses	26	(312,678)	(327,392)
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		**1,804,083**	**1,943,798**
Depreciation and amortization	27	(1,213,751)	(1,264,022)
Reversal of impairment losses/(impairment losses) on non-current assets	28	(12,762)	(7,234)
Losses on disposal of non-current assets	29	(4,400)	(5,167)
Operating income		**573,170**	**667,375**
Finance income	30	68,100	37,685
Finance expense	31	(1,414,531)	(1,031,259)
Foreign exchange losses, net	32	(39,181)	(5,867)
Profit/(Loss) before tax		**(812,442)**	**(332,066)**
Income taxes	33	103,481	(149,261)
Loss for the year		**(708,961)**	**(481,327)**
Non-controlling interests		(76)	(44)
Loss for the year attributable to the owners of the parent		**(708,885)**	**(481,283)**
Earnings per share (in euro) – basic and diluted:	13		
Earning per share from Continuing operations		(4.85)	(3.29)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)	Note	2014 12 months	2013 12 months
Loss for the year		**(708,961)**	**(481,327)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments		56,407	58,060
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss		(17,873)	8,258
Total Other comprehensive income that will be reclassified subsequently to profit or loss	12	**38,534**	**66,318**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Gains/(losses) on remeasurement of defined benefit plans		(7,213)	1,756
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		1,984	(483)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss	12	**(5,229)**	**1,273**
Total Other comprehensive income for the year, net of tax		**33,305**	**67,591**
Total comprehensive income for the year		**(675,656)**	**(413,736)**
Total comprehensive income attributable to:			
Owners of the parent		(675,580)	(413,692)
Non-controlling interests		(76)	(44)

CONSOLIDATED CASH FLOW STATEMENT

(thousands of euro)	2014 12 months	2013 12 months
Cash flows from operating activities		
Loss for the year	**(708,961)**	**(481,327)**
Adjustments to reconcile the loss for the year with the cash flows from/ (used in) operating activities		
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets	1,226,513	1,271,251
Net changes in provisions and employee benefits	(97,680)	113,113
Losses on disposal of non-current assets	4,400	5,167
Changes in current assets	(16,202)	193,499
Changes in current liabilities	374,772	(118,796)
Net cash flows from operating activities	**782,842**	**982,907**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(555,702)	(563,424)
Proceeds from sale of property, plant and equipment	452	1,124
Acquisition of intangible assets	(200,843)	(225,238)
Inflows/(outflows) from loan granted	(774,912)	-
Net cash flows used in investing activities	**(1,531,005)**	**(787,538)**
Cash flows from financing activities		
Changes in loans	810,405	(185,142)
Net cash flows used in financing activities	**810,405**	**(185,142)**
Net cash flows for the year	**62,242**	**10,227**
Cash and cash equivalents at the beginning of the year	140,770	130,543
Cash and cash equivalents at the end of the year	**203,012**	**140,770**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(thousands of euro)	2014 12 months	2013 12 months
Income taxes paid	(207,118)	(130,971)
Interest paid on loans/bonds	(755,049)	(712,491)
Interest (paid) / received on hedging derivative instruments	(21,082)	(48,532)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(thousands of euro)	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)	**Equity attributable to the owners of the parent**	**Non-controlling interests**	**Shareholders' Equity**
	Equity attributable to the owners of the parent						
Balances at December 31, 2013	**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 year	**-**	**-**	**67,591**	**(481,283)**	**(413,692)**	**(44)**	**(413,736)**
- Loss for the year	-	-	-	(481,283)	**(481,283)**	(44)	**(481,327)**
- Cash flow hedges	-	-	66,318	-	**66,318**	-	**66,318**
- Remeasurement of defined benefit plans	**-**	**-**	1,273	-	**1,273**	-	**1,273**
Transactions with equity holders	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Contribution from shareholders	-	-	-	-	**-**	-	**-**
Balances at December 31, 2014	**147,100**	**751,887**	**(24,978)**	**(87,484)**	**786,525**	**84**	**786,609**
Total comprehensive income for the year	**-**	**-**	**33,305**	**(708,885)**	**(675,580)**	**(76)**	**(675,656)**
- Loss for the year	-	-	-	(708,885)	**(708,885)**	(76)	**(708,961)**
- Cash flow hedges	-	-	38,534	-	**38,534**	-	**38,534**
- Remeasurement of defined benefit plans			(5,229)	-	**(5,229)**	-	**(5,229)**
Transactions with equity holders	-	-	**-**	**-**	**-**	-	**-**
Balances at December 31, 2014	**147,100**	**751,887**	**8,327**	**(796,369)**	**110,945**	**8**	**110,953**

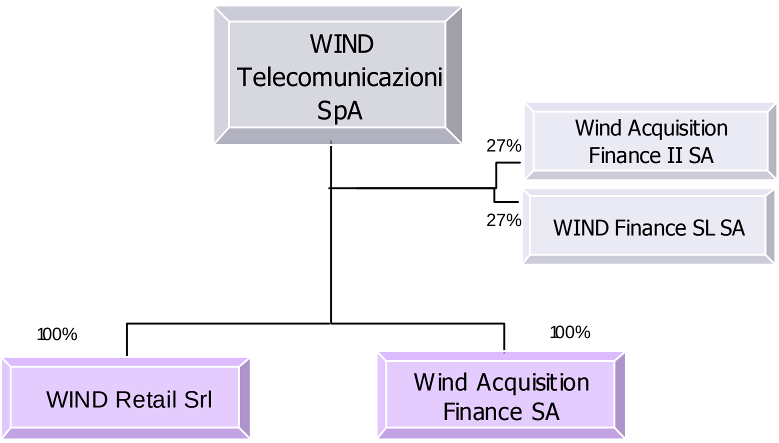
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1 INTRODUCTION

WIND Telecomunicazioni SpA ("WIND", the "Parent" or the "Company") is a joint stock company having its registered office in Via Cesare Giulio Viola, 48, Rome (Italy), and is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA which wholly owns WIND Telecomunicazioni SpA. At the date of the present consolidated financial statements as of and for the year ended December 31, 2014 Vimpelcom BV Amsterdam holds 92.24% of Wind Telecom SpA.

WIND Telecomunicazioni SpA and its subsidiaries (the "Group" or the "Wind Group") operate primarily in Italy in the fixed and mobile telecommunications sector under the brands *"Infostrada"* and "*Wind*".

The following diagram outlines the structure of the WIND Group at December 31, 2014.



The Group closed 2014 with a loss before tax of €812.442 thousand (€332.066 thousand in 2013) and a loss for the year from continuing operation of €708.961 thousand (€481.327 thousand in 2013). This result reflects the decline in operating income due to increased competitive pressure and to higher negative net finance expense mainly due to the expenses relating the refinancing operations completed in April and July 2014, for which details may be found in note 31.

The commercial performance and ongoing cost structure optimization process has enabled the WIND Group to consolidate its competitive position in 2014, despite the market contraction and continuing challenging macroeconomic environment. The efficiency and cost optimization processes have been and will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. In addition, in 2014, the Group successfully completed a debt refinancing process, with two distinct bond issuances, ensuring a significant decrease in the average cost of debt; as a result the Group will benefit from material interest cost savings and a sustainable capital structure going forward.

In 2015, the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market, with a particular focus on digital channels in terms of new services, customer interaction and process efficiencies. The Group will continue to consolidate its position in the mobile, fixed-line voice and internet segments as well as developing its convergent business model.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of WIND Telecomunicazioni SpA at December 31, 2014 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

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

During the year no exceptional events occurred such as to require the waivers provided for by IAS 1.

These consolidated financial statements are expressed in euros, the currency of the economy in which the Group operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in thousands of euro.

For presentation purposes, the current/non-current distinction has been used for the statement of financial position, while expenses are analyzed in the income statement using a classification based on their nature. The indirect method has been selected to present the cash flow statement.

These consolidated financial statements were approved by the Parent's Board of Directors on February 20, 2015.

2.2 Basis of consolidation

These consolidated financial statements include the financial statements of WIND Telecomunicazioni SpA and those entities over which the company exercises control, both directly or indirectly, from the date of acquisition to the date when such control ceases. Control may be exercised through direct or indirect ownership of shares with majority voting rights, or by exercising a dominant influence expressed as the direct or indirect power, based on contractual agreements or statutory provisions, to determine the financial and operational policies of the entity and obtain the related benefits, regardless of any equity relationships. The existence of potential voting rights that are exercisable or convertible at the reporting date is also considered when determining whether there is control or not.

The financial statements used in the consolidation process are those prepared by the individual Group entities as of and for the year ended December 31, 2014 (the reporting date for these consolidated financial statements) in accordance with the IFRS used by the Parent in drawing up these statements and approved by the respective Boards of Directors.

The consolidation procedures used are as follows:

- the assets and liabilities and income and expenses of consolidated subsidiaries are included on a line-by-line basis, allocating to non-controlling interests, where applicable, the share of equity and profit or loss for the year that is attributable to them. The resulting balances are presented separately in consolidated equity and the consolidated income statement;
- the purchase method of accounting is used to account for business combinations in which the control of an entity is acquired. The cost of an acquisition is measured as the fair value of the assets acquired, liabilities incurred or assumed and equity instruments issued at the acquisition date. Any excess of the cost of acquisition over the fair value of the assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss after first verifying that the fair values attributed to the acquired assets and liabilities and the cost of the acquisition have been measured correctly;
- business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination are considered business combinations involving entities under common control. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the carrying amounts of the transferred entity and reporting any gains arising from the transfer directly in equity;
- the purchase of investments from minority holders in entities where control is already exercised is not considered a purchase but an equity transaction. Therefore, the difference between the cost incurred for the acquisition and the respective share of the accounting equity acquired is recognized directly in equity;
- unrealized gains and losses arising from transactions carried out between companies consolidated on a line-by-line basis and the respective tax effects are eliminated if material, as are corresponding balances of receivables and payables, income and expense, and finance income and expense;
- gains and losses arising from the sale of investments in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of the consolidated equity sold.

The following table provides a summary of the Group's investments showing the criteria used for consolidation and measurement.

	Registered office	Share/quota capital	% holding		Basis of consolidation / measurement	
		Euros	12.31.2014	12.31.2013	12.31.2014	12.31.2013
Subsidiaries						
WIND Retail Srl	Italy	1,026,957	100	100	Line by line	Line by line
Wind Acquisition Finance SA	Luxembourg	60,031,000	100	100	Line by line	Line by line
WIND Finance SL SA	Luxembourg	31,000	27	27	Line by line	Line by line
Wind Acquisition Finance II SA	Luxembourg	31,000	27	27	Line by line	Line by line
Others						
Wind Team Consortium	Italy	4,500	33.33	33.33	Cost	Cost
SPAL TLC SpA	Italy	3,000,000	33	33	Cost	Cost
Mix Srl	Italy	99,000	9.75	9.75	Cost	Cost
Consel	Italy	51,000	1	1	Cost	Cost
Janna Scarl	Italy	13,717,365	17	17	Cost	Cost
QXN	Italy	500,000	10	10	Cost	Cost

There are no changes in the scope of consolidation compared to the consolidated financial statements as of and for the year ended December 31, 2013.

The investments in WIND Finance SL SA and Wind Acquisition Finance II SA, in which the Group has an interest of 27%, are considered subsidiaries and then consolidated on a line-by-line basis because they are special purpose entities.

2.3 Summary of main accounting policies

The principal accounting policies adopted in preparing these consolidated financial statements are set out below.

- ***Property, plant and equipment***

Property, plant and equipment are stated at purchase cost or production cost, net of accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for use and any dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition. Costs incurred for ordinary and cyclical repairs and maintenance are taken directly to profit or loss in the period in which they are incurred. Costs incurred for the expansion, modernization or improvement of the structural elements of owned or leased assets are capitalized to the extent that they have the requisites to be separately identified as an asset or part of an asset, in accordance with the "component approach". Under this approach each asset is treated separately if it has an autonomously determinable useful life and carrying amount. Depreciation is charged systematically, on a straight-line-basis from the date the asset is available and ready for use over its estimated useful life.

The useful lives of property, plant and equipment and their residual values are reviewed and updated, where necessary, at least at each year end. Land is not depreciated. When a depreciable asset is composed of identifiable separate components whose useful lives vary significantly from those of other components of the asset, depreciation is calculated for each component separately, applying the "component approach".

The useful lives estimated by the Group for the various categories of property, plant and equipment are as follows.

Plant and machinery	5-20 years
Planning and development costs of the fixed line and mobile telephone network	Residual term of license
Equipment	4 years
Other assets	5-10 years

Gains or losses arising from the sale or retirement of assets are determined as the difference between the selling price and the carrying amount of the asset sold or retired and are recognized in profit or loss under "Gains/(losses) on disposal of non-current assets".

Finance leases are leases that substantially transfer all the risks and rewards incidental to the ownership of assets to the Group. Property, plant and equipment acquired under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any amounts to be paid for exercising a purchase option. The corresponding liability due to the lessor is recognized as part of financial liabilities.

An asset acquired under a finance lease is depreciated over the shorter of the lease term and its useful life.

Lease arrangements in which the lessor substantially retains the risks and rewards incidental to ownership of the assets are classified as operating leases. Lease payments under operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

- ***Intangible assets***

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchase and/or production cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization in the case of assets being amortized and any impairment losses. Amortization begins when an asset becomes available for use and is charged systematically on the basis of the residual possibility of utilization of the asset, meaning on the basis of its estimated useful life.

➢ *Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights*

Costs for the purchase of industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights are capitalized. Amortization is charged on a straight-line basis such as to write off the cost incurred for the acquisition of a right over the shorter of the period of its expected use and the term of the underlying agreement, starting from the date on which the acquired right may be exercised. Trademarks are not amortized as they are considered to have an indefinite useful life.

➢ *Software*

Costs relating to the development and maintenance of software programs are expensed as incurred. Unique and identifiable costs directly related to the production of software products which are controlled by the Group and which are expected to generate future economic benefits for a period exceeding one year are accounted for as intangible assets. Direct costs – where identifiable and measurable – include the cost of employees who develop the software, together with a share of overheads as appropriate. Amortization is charged over the useful life of the software which is estimated at 5 years.

➢ *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the interest acquired in the fair value at the acquisition date of the assets and liabilities of the entity or business acquired. Goodwill relating to investments accounted for using the equity method is included in the carrying amount of the investment. Goodwill is not systematically amortized but is rather subject to periodic tests to ensure that the carrying amount in the statement of financial position is recoverable ("impairment test"). Impairment tests are carried out annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss on the cash generating units ("CGUs") to which the goodwill has been allocated. An impairment loss is recognized whenever the recoverable amount of goodwill is lower than its carrying amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use, which is represented by the present value of the cash flows expected to be derived from the CGU during operations and from its disposal at the end of its useful life. The method for calculating value in use is described in the paragraph below "Impairment losses". Once an impairment loss has been recognized on goodwill it cannot be reversed.

Whenever an impairment loss resulting from the above tests exceeds the carrying amount of the goodwill allocated to a specific CGU, the residual amount is allocated to the assets of that particular CGU in proportion to their carrying amounts. The carrying amount of an asset under this allocation is not reduced below the higher of its fair value less costs to sell and its value in use as described above.

- *Customer list*

The customer list as an intangible asset consists of the list of customers identified on allocating the goodwill arising on acquisitions carried out by the Group. Amortization is charged on the basis of the respective estimated useful lives, which range from 5 to 15 years.

- *Customer Acquisition Costs*

These consist mainly of the cost of commissions paid to the sales network, which in line with sector practice are capitalized as intangible assets from 2010, in accordance with the principles of reference, and amortized over the minimum contract term.

- ***Impairment losses***

At each reporting date, property, plant and equipment and intangible assets with finite lives are assessed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset concerned is estimated and any impairment loss is recognized in profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is represented by the present value of its estimated future cash flows. In determining an asset's value in use the estimated future cash flows are discounted using a pre-tax rate that reflects the market's current assessment of the cost of money for the investment period and the specific risk profile of the asset. If an asset does not generate independent cash flows, its recoverable amount is determined in relation to the cash-generating unit (CGU) to which it belongs. An impairment loss is recognized in the profit or loss when the carrying amount of an asset or the CGU to which it is allocated exceeds its recoverable amount. If the reasons for previously recognizing an impairment loss cease to exist, the carrying amount of an asset other than goodwill is increased to the carrying amount of the asset that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized on the asset, with the reversal being recognized in profit or loss.

- ***Investments***

Investments in non-consolidated subsidiaries are stated at cost. Investments in companies where the Group exercises a significant influence ("associates"), which is presumed to exist when the Group holds between 20% and 50%, are accounted for using the equity method.

The equity method is as follows:

- the Group's share of the profit or loss of an investee is recognized in profit or loss from the date when significant influence or control begins up to the date when that significant influence or control ceases. Where the investee accounted for using the equity method has a deficit as the result of losses, its carrying amount is reduced to zero and any excess attributable to the Group, in the event that it has legal or constructive obligations on behalf of the investee or in any case to cover the losses, is recognized in a specific provision. Equity changes in investees accounted for using the equity method that do not result from profit or loss are recognized directly in consolidated equity reserves;

- unrealized gains and losses generated from transactions between the Parent or its subsidiaries and its investees accounted for using the equity method are eliminated on consolidation for the portion pertaining to the Group; unrealized losses are eliminated unless they represent an impairment loss.

Investments in other companies are measured at fair value with any changes in fair value being recognized in profit or loss. If the fair value cannot be reliably determined an investment is measured at cost. Cost is adjusted for impairment losses if necessary, as described in the paragraph "Impairment losses". If the reasons for an impairment loss no longer exist, the carrying amount of the investment is reversed up to the extent of the loss with the related effect recognized in profit or loss. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision under liabilities to the extent of the Group's legal or constructive obligations on behalf of the investee or in any case to the extent that it is required to cover the losses. Investments held for sale or to be wound up in the short term are classified as current assets and stated at the lower of their carrying amount and fair value less costs to sell.

- ***Financial instruments***

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were purchased. Purchases and sales of financial instruments are recognized at settlement date.

- *Financial assets*

Financial assets are initially recognized at fair value and classified in one of the following four categories and subsequently measured as described below:

i) Financial assets at fair value through profit or loss: this category includes financial assets purchased primarily for sale in the short term, those designated as such upon initial recognition, provided that the assumptions exist for such classification or the fair value option may be exercised, and financial derivatives except for the effective portion of those designated as cash flow hedges. These assets are measured at fair value; any change in the period is recognized in profit or loss. Financial instruments included in this category are classified as current assets if they are held for trading or expected to be disposed of within twelve months from the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparty are offset if this is contractually provided for.

ii) Loans and receivables: these are non-derivative financial instruments, mostly relating to trade receivables, which are not quoted on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the reporting date in which case they are classified as non-current assets. These assets are measured at amortized cost using the effective interest method. If there is objective evidence of factors which indicate an impairment loss, the asset is reduced to the discounted value of future cash flows. The impairment loss is recognized in profit or loss. If in future years the factors which caused the impairment loss cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been obtained in case of application of amortized cost.

iii) Held-to-maturity investments: these are fixed maturity non-derivative financial instruments having fixed or determinable payments which the Group has the intention and ability to hold until maturity. These assets are measured at amortized cost using the effective interest method, adjusted as necessary for impairment losses. In the case of impairment the policies used for financial receivables will be applied.

iv) Available-for-sale financial assets: these are non-derivative financial instruments which are either specifically included in this category or included there because they cannot be classified in the other categories. These assets are measured at fair value and any related gain or loss is recognized directly in an equity reserve and subsequently recognized in profit or loss only when the asset is actually sold or, if there are cumulative negative changes, when it is expected that the losses recognized in equity cannot be recovered in the future. For debt securities, if in a future period the fair value increases due to the objective consequence of events occurring after the impairment loss has been recognized in profit or loss, the original value of the instrument is reinstated with the corresponding gain recognized in profit or loss. Additionally, the yields from debt securities arising from the use of the amortized cost method are recognized in profit or loss in the same manner as foreign exchange differences, whereas foreign exchange differences relating to available-for-sale equity instruments are recognized in the specific equity reserve. The classification as current or non-current assets is the consequence of strategic decisions regarding the estimated period of ownership of the asset and its effective marketability, with those which are expected to be realized within twelve months from the reporting date being classified as current assets.

Financial assets are derecognized when the right to receive cash flows from them ceases and the Group has effectively transferred all risks and rewards related to the instrument and its control.

- *Financial liabilities*

Financial liabilities consisting of loans, trade payables and other obligations are measured at amortized cost using the effective interest method. When there is a change in expected cash flows which can be reliably estimated, the value of the loans is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment until at least twelve months after the reporting date.
Financial liabilities are derecognized when settled and the Group has transferred all the related costs and risks relating to the instrument.

- *Derivative financial instruments*

At the date of signing of the contract the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where instead it has been decided to use hedge accounting, meaning in those situations in which the hedging relationship is identified, subsequent changes in fair value are accounted for in accordance with the following specific criteria. The relationship between each derivative qualifying as a hedging instrument and the hedged item is documented to include the risk management objective, the hedging strategy and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

In the case of a fair value hedge, i.e. the hedge refers to changes in the fair value of a recognized asset or liability, the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as finance income or expense for the year in the income statement.

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in a specific equity reserve (the "cash flow hedge reserve"). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to the income statement together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of the profit or loss for the year. Cash flow hedges also include hedges of the currency risk for transactions carried out in US dollars. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

When hedged forecast cash flows are no longer considered highly probable during the term of a derivative, the portion of the "cash flow hedge reserve" relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the "cash flow hedge reserve" recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction takes place.

Quotations at the reporting date are used to determine the fair value of financial instruments listed on active markets. In the absence of an active market, fair value is determined by referring to prices supplied by third-party operators and by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments.

- ***Sales of receivables***

The Group carries out sales of receivables under factoring arrangements in accordance with Law 52/1991. These sales, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, meeting IFRS requirements for derecognition. Specific servicing contracts, through which the buyer confers a mandate to WIND Telecomunicazioni SpA. for the collection and management of the receivables, leave the current Company/customer relationship unaffected.

- ***Taxation***

Income taxes are recognized on the basis of taxable profit for the year and the applicable laws and regulations, using tax rates prevailing at the reporting date.

Deferred taxes are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements at the tax rates that are expected to apply for the years when the temporary differences will be realized or settled and tax losses carried forward will be reversed, based on tax laws that have been enacted or substantively enacted by the reporting date. An exception to this rule regards the initial recognition of goodwill and temporary differences connected with investments in subsidiaries when the Group is able to control the timing of the reversal of the temporary differences or when it is probable that the differences will not reverse.

Current and deferred taxes are recognized in profit or loss, except for those arising from items taken directly to equity; in such cases the tax effect is recognized directly in the specific equity item.

Tax assets and liabilities, including those regarding deferred taxation, are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity and when the entity has a legally enforceable right to offset these balances and intends to exercise that right. In addition, current tax assets and liabilities are offset in the case that different taxable entities have the legally enforceable right to do so and when they intend to settle these balances on a net basis.

The Group's tax position and its presentation in the financial statements reflect the effects of the election made in 2006 and renewed in 2009 and in 2012 by the Italian parent Wind Telecom SpA to take part in the national tax consolidation procedure.

For the regulations on electing the tax consolidation procedure to apply, the parent that elected for consolidation is required to determine a single overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the Parent and those of its subsidiaries taking part in the procedure, and to settle a liability by making a single tax payment or to recognize a single tax credit for repayment or to be carried forward.

Therefore, it follows that a receivable or payable with the Parent is found in the financial statements on transferring a tax loss or taxable profit, respectively, in the place of the respective tax receivables or payables accrued by the Group companies taking part in the procedure.

- ***Inventories***

Inventories are stated at the lower of purchase cost or production cost and net estimated realizable value. Cost is determined using the weighted average cost method for fungible goods or goods held for resale. When necessary, provisions are made for slow-moving and obsolete inventories.

- ***Cash and cash equivalents***

Cash and cash equivalents are recognized at fair value and consist of short-term highly liquid investments (generally not exceeding three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- ***Assets held for sale and assets in disposal groups***

Assets held for sale consist of non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. No further depreciation is charged from the time that a depreciable asset is reclassified to this caption. Gains or losses arising from discontinued operations or from assets held for sale are reported as a separate item in profit or loss, net of any tax effects.

- ***Provisions***

Provisions are recognized for a loss or expense of a specific nature that is certain or probable to arise but for which the timing or amount cannot be precisely determined. Provisions are only recognized when the Group has a present legal or constructive obligation arising from past events that will result in a future outflow of resources, and when it is probable that this outflow of resources will be required to settle the obligation. The amount provided represents the best estimate of the present value of the outlay required to meet the obligation. The interest rate used in determining the present value of the liability reflects current market rates and takes into account the specific risk of each liability.

Risks, for which the likelihood of a liability arising is just possible, are disclosed in the notes under "Contingent assets and liabilities" and no provision is made.

- ***Employee benefits***

➢ *Short-term employee benefits*

Short-term employee benefits are recognized in profit or loss in the period when an employee renders the related service.

➢ *Post-employment benefits*

Post-employment benefits may be divided into two categories: 1) defined contribution plans and 2) defined benefit plans. Contributions to defined contribution plans are charged to profit or loss when incurred, based on their nominal value. For defined benefit plans, since benefits are determinable only after the termination of employment, costs are recognized in profit or loss based on actuarial calculations.

Defined benefit plans, which include the Italian post-employment benefits (TFR) which are due in accordance with the provisions of article 2120 of the Italian Civil Code and which are accrued up to December 31, 2006, are based on an employee's working life and the remuneration received during service. The related liability is projected forward to calculate the probable amount payable at the termination date and is then discounted using the Projected Unit Credit Method, taking into account time before the actual payment of the benefit. The measurement of the liability recognized in the statement of financial position is carried out by third party actuaries, based on actuarial assumptions which relate mainly to: the discount rate, which must reflect market yields on the high quality corporate bonds having a term consistent with the expected term of the obligation and employee turnover.

As a consequence of the introduction of Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations, the post-employment benefits accruing from January 1, 2007 are considered to be part of defined contribution plans and recognized in the same manner as other defined contribution plans, if the amounts are transferred to treasury funds of the national social security organization (INPS), or from June 30, 2007 or the date of employee election, if earlier, if transferred to private pension plans. The post-employment benefits accrued up to these dates remain defined benefit plans, with the related actuarial calculations.

At each reporting date, actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Group's obligation at year end, which arise from changes in the actuarial assumptions referred to above, are recognized in among other components of the Consolidate Statement of Comprehensive Income as provided in the amendment IAS 19 adopted by the Group from January 2013.

➢ *Termination benefits and redundancy incentive schemes*

Benefits due to employees on the termination of employment contracts are treated as a liability when the Group is demonstrably committed to terminating these contracts for a single employee or group of employees before the normal retirement date or to granting termination benefits in order to facilitate voluntary resignations of surplus employees following a formal proposal. These benefits do not create future economic advantages to the Group and the related costs are therefore immediately recognized in profit or loss.

- ***Translation of items in non-euro currencies***

Transactions in foreign currencies are translated into euros at the exchange rate prevailing at the date of the transaction. Exchange gains and losses arising on the settlement of transactions and those arising on the translation at year-end exchange rates of monetary assets and liabilities are recognized in profit or loss.
With reference to foreign transactions whose currency risk is covered with derivatives, further details are provided in the note *Financial instruments*.

- ***Revenue recognition***

Revenue is recognized at the fair value of the consideration received, net of rebates and discounts. Revenue from the sale of goods is recognized when the Group transfers the risks and rewards of ownership of the goods. Revenue from services is recognized in profit or loss by reference to the stage of completion and only when the outcome can be reliably estimated.

More specifically, the criteria followed by the Group in recognizing core-business revenue are as follows:

- revenue arising from post-paid traffic, interconnection and roaming is recognized on the basis of the actual usage of each subscriber and telephone operator. Such revenue includes amounts paid for access to and usage of the Group network by customers and other domestic and international telephone operators;
- revenue from the sale of prepaid cards and recharging is recognized on the basis of the prepaid traffic actually used by subscribers during the year. The unused portion of traffic at period end is recognized as "Other payables - Prepaid traffic to be used";
- revenue from the sale of mobile phones and fixed-line phones and related accessories is recognized at the time of sale;
- one-off revenue from fixed and mobile (prepaid or subscription) activation and/or substitution, activation of new services and tariff plans is recognized for the full amount at the moment of activation to the extent of the related costs, or deferred over the minimum contractual term. In the case of promotions with a cumulative plan still open at year end, the activation fee is recognized on an accrual basis so as to match the revenue with the period in which the service may be used;
- one-off fees received for the granting of rights to use owned fiber optic cables are recognized at the time of the transfer of the underlying right and, therefore, of the related risks and rewards.

- ***Grants***

Grants are recognized when a formal decision of the disbursing government institution, in case of government grants, has been taken, with recognition being matched to the costs to which they relate. Grants related to income are taken to "Other revenue" in the Consolidated Income Statement, while grants related to Property, plant and equipment are recognized as deferred income in the Consolidated Statement of Financial Position and taken to the Consolidated Income Statement on a straight-line basis over the useful life of the asset to which the grant directly relates.

- ***Finance income and expense***

Finance expense is recognized on an accruals basis using the effective interest method, meaning at the interest rate that renders all cash inflows and outflows linked to a specific transaction financially equivalent.

Finance expenses that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23 – Borrowing Costs), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

- ***Earnings per share***

➢ *Basic*

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the parent, both from continuing and discontinued operations, by the weighted average number of ordinary shares of the parent outstanding during the year.

➢ *Diluted*

Diluted earnings per share are calculated by dividing the profit or loss for the year attributable to owners of the parent by the weighted average number of ordinary shares of the parent outstanding during the year where, compared to basic earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential shares, while the profit or loss for the year is adjusted for the effects of such conversion net of taxation. Diluted earnings per share are not calculated when there are losses as any dilutive effect would improve earnings per share.

- ***New accounting standards and interpretations***

The Group has adopted all the newly issued and amended standards of the IASB and interpretations of the IFRIC, endorsed by the European Union, applicable to its transactions and effective for financial statements for years beginning January 1, 2014 and thereafter.

Accounting standards, amendments and interpretations adopted from January 1, 2014

The following is a brief description of the new standards and interpretations adopted by the Group in the preparation of the consolidated financial statements at December 31, 2014.

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

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

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

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

No effects arose on the Group's consolidated financial statements at December 31, 2014 from adopting these principles.

- *IFRS 11 – Joint Arrangements*

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

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

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

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

The objective of the revised version of IAS 28 is to prescribe the accounting for investments in associates and establish the requirements for applying the equity method when accounting for investments in associates and joint entities. The application of the standard had no effect on the Group's consolidated financial statements at December 31, 2014.

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

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

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

The amendment to IFRS 10 - Consolidated Financial Statements clarifies that an investor must adjust comparative figures retrospectively if the conclusions on consolidation are not the same as those under IAS 27 / SIC 12 and IFRS 10 "at the date of initial application". The amendments to IFRS 11 - Joint Arrangements and IFRS 12 "Disclosures of Interests in Other Entities" provide simplifications to the presentation or change of comparative information relating to periods prior to that called "the immediately preceding period". The application of these amendments had no effect on the Group's consolidated financial statements at December 31, 2014.

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

The amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets address disclosures about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The application of the standard had no effect on the Group's consolidated financial statements at December 31, 2014.

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

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

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

The following standards and interpretations had been issued at the date of these notes but were not yet effective for the preparation of these consolidated financial statements at December 31, 2014.

STANDARD/INTERPRETATION	EFFECTIVE DATE
Annual Improvements to IFRSs 2010 – 2012 Cycle	February 1, 2015
Annual Improvements to IFRSs 2011 – 2013 Cycle	February 1, 2015
Amendments to IAS 19 – *Defined benefit Plans: Employee Contributions*	February 1, 2015

Accounting standards, amendments and interpretations adopted by the European Union

At the date of these notes relevant EU bodies have not completed the process necessary for the endorsement of the following standards and interpretations.

STANDARD/INTERPRETATION	IASB EFFECTIVE DATE
Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IAS 1: *Disclosure Initiative*	January 1, 2016
IFRS 14 – *Regulatory Deferral Accounts*	January 1, 2016
IFRS 9 – *Financial Instruments*	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 – *Revenue from Contracts with Customers*	January 1, 2017
Amendments to IAS 16 and IAS 41: Bearer Plants	January 1, 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle	January 1, 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 1, 2016

The Group is currently assessing any impact the new standards and interpretations may have on the financial statements for the years in which they become effective.

2.4 Use of estimates

The preparation of these consolidated financial statements required management to apply accounting policies and methodologies based on complex, subjective judgments, estimates based on past experience and assumptions determined from time to time to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position, the income statement and the cash flow statement as well as the notes. The final amounts for items for which estimates and assumptions were made in the consolidated financial statements may differ from those reported in these financial statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

In this respect, the situation caused by the persisting difficulties of the economic and financial environment in the Eurozone led to the need to make assumptions regarding future performance which are characterised by significant levels of uncertainty; as a consequence, therefore, it cannot be excluded that results may arise in the future which differ from estimates, and which therefore might require adjustments, even significant, to be made to the carrying amount of assets and liabilities, which at the present moment can clearly neither be estimated nor predicted. The main items affected by these situations of uncertainty are non-current assets (tangible and intangible assets), deferred tax assets, provisions, contingent liabilities and impairment provisions.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items considered in this process perform differently, then the actual results could differ from the estimates, which would accordingly require adjustment. The effects of any changes in estimate are recognised in profit or loss in the period in which the adjustment is made if it only affects that period, or in the period of the adjustment and future periods if it affects both current and future periods.

The accounting principles requiring a higher degree of subjective judgment in making estimates and for which changes in the underlying conditions could significantly affect the consolidated financial statements are briefly described below.

- Goodwill: goodwill is tested for impairment at least on an annual basis to determine whether any impairment losses have arisen that should be recognized in profit or loss. More specifically, the test is performed by allocating the goodwill to a cash generating unit (CGU) and subsequently estimating the unit's fair value. Should the fair value of the net capital employed be lower than the carrying amount of the CGU, an impairment loss is recognized on the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU require estimates to be made that are based on factors that may vary over time and that could as a result have an impact on the measurements made by management which might be significant.
- Impairment losses on non-current assets: non-current assets are reviewed to determine whether there are any indications that the carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within the Group and in the market and also on past experience. When a potential impairment loss emerges it is estimated by the Group using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary over time, thereby affecting estimates and measurements.
- Depreciation of non-current assets: the cost of property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets. The useful life of property, plant and equipment is determined when the assets are purchased and is based on the past experience of similar assets, market conditions and forecasts concerning future events which may affect them, amongst which are changes in technology. The actual useful lives may therefore differ from the estimates of these. The Group regularly reviews technological and business sector changes, dismantling costs and recoverable amounts in order to update residual useful lives. Such regular updating may entail a change of the depreciation period and consequently a change in the depreciation charged in future years.
- Deferred tax assets: the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on factors which may vary over time and which may lead to significant effects on the measurement of this item.
- Contingent liabilities and provisions: the accruals related to legal, arbitration and fiscal disputes are the result of a complex estimation process based upon the probability of an unfavorable outcome. The definition of such provisions entails making estimates based on currently known factors which may vary over time and which could actually turn out to be significantly different from those referred to in preparing the notes to these financial statements.

2.5 Risk management

Credit risk

The Group's credit risk is principally associated with trade receivables which at December 31, 2014 amounted to €948,694 thousand. The Group minimizes credit risk through a preventive credit check process which ensures that all customers requesting new products and services or additions to existing services are reliable and solvent, also by using a preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This check is carried out in the customer acceptance phase through the use of internal and external information.

The Group additionally exercises timely post-customer acquisition measures for the purpose of credit collection such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles;
- measuring and monitoring the debt status through reporting tools.

As a general rule, the Group has a limited level of credit concentration as the consequence of diversifying its product and services portfolio to its customers. In particular, a small concentration of credit may be found in the business that WIND Telecomunicazioni SpA carries out with dealers and domestic and international operators.

WIND Telecomunicazioni SpA is also assisted by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables from dealers. Monthly sales without recourse of Consumer receivables began in 2014.

In relation to the exposure of financial counterparties' credit risk, Wind complies with Vimpelcom Group Treasury Policy, reviewing and amending, in accordance with the holding company, the credit limits set for each national and international banking group.

These credit limits take into consideration the sum of the following components (NFA or, Net Financial Assets): i) availability of balances in bank or postal current accounts; ii) deposits or short term financial investments; iii) positive mark to market arising on derivatives used for hedging; iv) bank guarantees issued in favour of the company.

The Group had a positive net balance in its current accounts of €160,704 thousand at December 31, 2014. The Group's credit risk exposure from derivative contracts is represented by their realizable value or fair value, if positive.

The positive fair value of the entire portfolio at December 31, 2014 was €331,324 thousand (details of this may be found in note 15).

Liquidity risk

Liquidity risk arises mostly from the cash flows generated by debt servicing, in terms of both interest and principal, and from all of the Group's payment obligations that result from business activities.

Specifically the debt managed by the Group is composed of:

- a floating rate long-term loan agreement (the Senior Facility Agreement) entered on November 24, 2010 by the Parent WIND Telecomunicazioni SpA, consisting of two tranches, both denominated in euros: tranche A, amortizing, and tranche B, bullet. The total nominal amount of this loan, net of repayments made, amounts to € 1,781,760 thousand, to which €600 million of a revolving credit facility drawn down for €100 million at December 31, 2014, should be added;

- the bonds issued by the subsidiary Wind Acquisition Finance SA follow:

(thousands of euro)	Issue date	Currency	Notional amount	Maturity	Interest rate
Senior Notes 2021 €	04/23/2014	EUR	1,750,000	04/23/2021	7.00%
Senior Notes 2021 $	04/23/2014	USD	2,800,000	04/23/2021	7.375%
Senior Secured Notes 2020 €	07/10/2014	EUR	2,100,000	07/15/2020	4.00%
Senior Secured Notes 2020 $	07/10/2014	USD	1,900,000	07/15/2020	4.75%
Senior Secured Floating Rate Notes 2020 €	07/10/2014	EUR	575,000	07/15/2020	Eur3M+4.00%
Senior Secured Floating Rate Notes 2019 €	04/29/2013	EUR	150.000	04/30/2019	Eur3M+5.25%
Senior Secured Fixed Rate Notes 2020 $	04/29/2013	USD	550,000	04/30/2020	6.50%

  The bonds are subject to mandatory repayment in the following scenario: i) in case of a change of control, all bondholders will be entitled to request the total or partial repurchase of the bonds they hold at a price equal to 101% of the notional amount plus the interest accrued at the repurchase date, and ii) in case of asset sales, any proceeds not reinvested in the form envisaged by the offering memorandum and which exceed the amount of €25,000 thousand must be used to make a *pari-passu* repurchase offer to bondholders and debtholders at a price of 100% of the notional amount plus the interest accrued at the repurchase date;

- other amortizing loans in euros of the Parent granted by: i) financial institutions, against the repayment plan of the fair value of the derivatives extinguished in 2010 since they were hedging loans repaid as part of the refinancing of the Company's debt; ii) the Ministry of Economic Development for the deferred payment of frequencies assigned to it on completion of the competitive auction for fourth generation frequencies in Italy which was completed on September 29, 2011; e iii) Terna against the capitalization of expenditure for the backbone right of way.

The repayment flows expected in accordance with the described above agreements, with exclusive reference to the amounts used, translating US dollar tranches at the hedge agreement exchange rate, where applicable, are as follows.

(millions of euro)	2015	2016	2017	2018	2019	2020	2021	2022/2035	Totale
Senior Facility Agreement									
Term Loan A1	-	-	-	3	-	-	-	-	3
Term Loan A2	-	-	-	171	-	-	-	-	171
Term Loan B1	-	-	-	-	1,114	-	-	-	1,114
Term Loan B2	-	-	-	-	494	-	-	-	494
Revolving	100	-	-	-	-	-	-	-	100
Annuity	20	17	-	-	-				37
Debt from Ministry	81	81	-	-	-				162
Terna	3	1	1	1	2	2	2	120	132
Senior Notes 2021									
Senior Notes Euro	-	-	-	-	-	-	1,750	-	1,750
Senior Notes USD	-	-	-	-	-	-	2,030	-	2,030
Senior Secured Notes 2020									
Senior Secured Notes Euro	-	-	-	-	-	2,100	-	-	2,100
Senior Secured Notes USD	-	-	-	-	-	1,413	-	-	1,413
Senior Secured Floating Rate Notes						575			575
Senior Secured Floating Rate Notes 2019	-	-	-	-	150	-	-	-	150
Senior Secured Fixed Rate Notes 2020	-	-	-	-	-	420	-	-	420
Total	**204**	**99**	**1**	**175**	**1,760**	**4,510**	**3,782**	**120**	**10,651**

The Senior Facility Agreement includes certain covenants typical for agreements of this type and size, including Financial covenants and General covenants (eg, negative pledge and pari passu). Failure to comply with these covenants, in some cases, if not properly remedied, may result in an obligation of early repayment of the outstanding loans. At December 31, 2014 the Group is in compliance with its covenants.

The tranches of bonds that are denominated in US dollars are hedged by cross currency swaps. As concerns liquidity risk, these cross currency swaps will lead to an exchange of principal on maturity.

The following tables set forth the contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement calculated as of December 31, 2014 and 2013.

(millions of euro)	**Carrying amount at December 31, 2014**	**Total Contractual cash flows**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022/ 2035**
Non-derivative financial liabilities										
Bank loans	1,888	(2,314)	(186)	(86)	(85)	(259)	(1,698)	-		
Bonds	8,986	(12,111)	(516)	(514)	(513)	(513)	(659)	(5,185)	(4,211)	
Loans from others	333	(525)	(120)	(115)	(13)	(13)	(12)	(12)	(12)	(228)
Net derivative financial liabilities	(331)									
Outflows		(5,257)	(240)	(240)	(221)	(215)	(215)	(2,034)	(2,092)	
Inflows		6,069	278	277	276	276	276	2,286	2,400	
Total	**10,876**	**(14,138)**	**(784)**	**(678)**	**(556)**	**(724)**	**(2,308)**	**(4,945)**	**(3,915)**	**(228)**

(millions of euro)	**Carrying amount at December 31, 2013**	**Total Contractual cash flows**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021/ 2035**
Non-derivative financial liabilities										
Bank loans	2,437	(2,896)	(211)	(110)	(449)	(2,126)	-	-		
Bonds	6,462	(8,922)	(586)	(586)	(586)	(3,291)	(3,280)	(180)	(413)	
Loans from others	474	(705)	(166)	(125)	(116)	(14)	(14)	(14)	(14)	(242)
Net derivative financial liabilities	189									
Outflows		(4,412)	(324)	(305)	(306)	(1,715)	(1,310)	(21)	(431)	
Inflows		4,311	285	282	282	1,735	1,300	18	409	
Total	**9,562**	**(12,624)**	**(1,002)**	**(844)**	**(1,175)**	**(5,411)**	**(3,304)**	**(197)**	**(449)**	**(242)**

Market risk

The Group's strategy for managing interest rate and currency risks is aimed at both managing and controlling such financial risks. More specifically, this strategy is aimed at eliminating currency risk and optimizing debt cost wherever possible, taking into account the interests of the Group's stakeholders.

Managing market risk for the WIND Group refers to financial liabilities from the time they actually arise or from when there is a high probability that they will arise.

More specifically, the following market risks are monitored and managed:

- Cash flow risk - this is the risk that movements in the yield curve could have an impact on the income statement in terms of greater finance expense.
- Fair value risk - this is the risk that movements in the yield curve could have an impact on the fair value of debt.
- Currency risk - this is the risk that the fair value of financial instruments in currencies other than the euro or their cash flows, or the amounts payable or receivable generated in the ordinary course of operations other than in euros, could be negatively affected by fluctuations in exchange rates.

The main objectives that the Group intends to reach are: i) to defend the strategic plan scenario from the effects of exposure to currency, interest rate and inflation risks, identifying an optimum combination of the fixed rate, floating rate and inflation components for financial liabilities; ii) to reduce the cost of debt; and iii) to manage derivatives in compliance with the Group's approved strategies, taking into consideration the different effects that derivative transactions could have on the income statement and the statement of financial position.

Following the subscription of the medium/long-term loan contract with a banking syndicate, WIND Group, regarding interest rate risk, will hedge, for the first three years, at least 50% of its exposure to the interest accruing on the total debt and 100% of its currency risk exposure on the Senior Secured Notes issued in foreign currency.
To meet these commitments the interest rate risk as of today was hedged to a level of approximately 56%, with a maximum hedge term of less than six years.
At December 31, 2014, outstanding derivative contracts hedging interest rate risk total €1,370,000 thousand.

The outstanding balance of the long-term loans (excluding Terna) at December 31, 2014 amounted to €10,518,624 thousand (liabilities in foreign currencies are translated at the rates provided in the relevant CCS) with the following fixed to floating ratio at that date.

(millions of euro)	**Outstanding at 12.31.2014**	**Rate at 12.31.2014**
At fixed rate	7,691	73.12%
At floating rate	2,827	26.88%

In compliance with the commitments undertaken, the currency risk resulting from the bonds issued by the subsidiary Wind Acquisition Finance SA has been fully hedged by cross currency swap transactions having a total notional of USD 5,250,000 thousand.

All derivative agreements were entered into at market rates, without any up-front payments or receipts (a zero cost basis) and with a credit margin being applied.

It is estimated that an increase of 100 basis points in the euro interest rate yield curve (all other variables remaining constant) would lead to an increase in borrowing costs, with regard to the unhedged portion of floating rate debt and the ineffective portion of hedging instrument, of approximately €14.331 thousand and in the cash flow reserve of approximately €208,985 thousand.

Fair value hierarchy

IFRS 13 requires financial instruments recognised in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

- Level 1 – quoted prices in active markets for the assets or liabilities being measured;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) in the market;

- Level 3 – inputs that are not based on observable market data.

The following table provides an analysis of financial assets and liabilities measured at fair value by hierarchy at December 31, 2014.

(millions of euro)	Note	Level 1	Level 2	Level 3	Total
Assets at *fair value*					
Derivative financial instruments	15	-	412	-	412
Total assets		**-**	**412**	**-**	**412**
Liabilities at *fair value*					
Derivative financial instruments	15	-	74	-	74
Total liabilities		**-**	**74**	**-**	**74**

In 2014 there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa.

3 PROPERTY, PLANT AND EQUIPMENT

The following table sets out the changes in ***Property, Plant and Equipment*** at December 31, 2014.

(thousands of euro)	Carrying amount at December 31, 2013	Additions	Depreciation	Reversal of impairment losses/ Impairment losses	Disposals	Others	Carrying amount at December 31, 2014
Land and buildings	552	-	-	-	-	-	552
Plant and machinery	3,166,719	441,728	(691,145)	(19,061)	(4,403)	129,873	3,023,711
Equipment	22,943	9,707	(11,492)	-	(443)	983	21,698
Other	47,329	8,771	(21,039)	-	(6)	13,966	49,021
Assets under construction	196,924	122,957	-	-	-	(141,752)	178,129
Total	**3,434,467**	**583,163**	**(723,676)**	**(19,061)**	**(4,852)**	**3,070**	**3,273,111**

The cost, accumulated impairment losses and accumulated depreciation at December 31, 2014 can be summarized as follows.

(thousands of euro)	At December 31, 2014			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings	552	-	-	552
Plant and machinery	11,256,641	100,853	8,132,077	3,023,711
Equipment	158,803	15	137,090	21,698
Other	519,462	155	470,286	49,021
Assets under construction	178,771	642	-	178,129
Total	**12,114,229**	**101,665**	**8,739,453**	**3,273,111**

The cost, accumulated impairment losses and accumulated depreciation at January 1, 2014 can be summarized as follows.

(thousands of euro)	At January 1, 2014			
	Cost	**Accumulated impairment losses**	**Accumulated depreciation**	**Carrying amount**
Land and buildings	552	-	-	552
Plant and machinery	10,904,600	89,743	7,648,138	3,166,719
Equipment	150,378	32	127,403	22,943
Other	500,783	164	453,290	47,329
Assets under construction	197,566	642	-	196,924
Total	**11,753,879**	**90,581**	**8,228,831**	**3,434,467**

Plant and machinery presents a net decrease by €143,008 thousand over the previous year as the result of the depreciation charge for the year only partially offset by the investments. The main investment in the year relates to the purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network and plant and machinery under construction (mostly LTE technologies).

As part of the plan for the development of the Group's production structure, disposals have been made of equipment, infrastructure and transmission systems having a carrying amount of €4,404 thousand which are no longer usable; these relate mostly to radio links and high frequency equipment (€1,756 thousand), exchanges and electronic installations (€2,162 thousand) and cable and customer premise equipment (CPE) (€486 thousand). In connection with an operation to replace transmission equipment being carried out to render the network more efficient and to obtain benefits from synergies, the net carrying amount of replaced equipment of €8,206 thousand was written off and additions have been recognized for €27,460 thousand as a consequence of the recognition of the increased market value of the equipment received as a replacement. In this regard, the value of equipment received as a replacement offsets for €6,921 thousand the impairment loss on the equipment replaced while the remaining €20,540 thousand was suspended in other non-current liabilities and will be released in the income statement over the useful life of assets.

At December 31, 2014, transmission equipment, telephone systems and commutation switchboards owned by the Parent and having a carrying amount of €121,660 thousand were held by customers for use (€128,523 thousand at December 31, 2013), while transmission equipment for direct access through "unbundling of the local loop" having a carrying amount of €8,289 thousand (€18,453 thousand at December 31, 2013) was held on deposit by Telecom Italia SpA.

Plant and machinery additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable ducts and optic fiber for a total of €78,635 thousand at December 31, 2014 (€86,562 thousand at December 31, 2013).

At December 31, 2014, *Equipment* decreased over the balance at the end of the previous year by an amount of €1,245 thousand as the result of the depreciation charge for the year only partially offset by the increased investments. Commercial equipment having a carrying amount of €14,869 thousand at December 31, 2014 was with third parties, mostly authorized dealers, for use at that date (€21,676 thousand al December 31, 2013).

The balance of *Assets under construction* at December 31, 2014 consists mainly of plant and machinery being completed and tested.

4 INTANGIBLE ASSETS

The following table sets out the changes in ***Intangible assets*** at December 31, 2014.

(thousands of euro)	Carrying amount at December 31, 2013	Additions	Amortization	Reversal of impairment losses/ Impairment losses	Others	Carrying amount at December 31, 2014
Industrial patents and intellectual property rights	285,698	81,610	(113,383)	(80)	5,540	259,385
Concessions, licenses, trademarks and similar rights	4,161,166	247	(191,487)	-	-	3,969,926
Other intangible assets	497,846	87,256	(185,205)	(7)	12,513	412,403
Goodwill	3,606,241	-	-	(535)	-	3,605,706
Assets under development	24,183	31,730	-	-	(20,222)	35,691
Total	**8,575,134**	**200,843**	**(490,075)**	**(622)**	**(2,169)**	**8,283,111**

The cost, accumulated impairment losses and accumulated amortization at December 31, 2014 can be summarized as follows.

(thousands of euro))	At December 31, 2014			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights	1,891,634	12,621	1,619,628	259,385
Concessions, licenses, trademarks and similar rights	5,778,695	1,000	1,807,769	3,969,926
Other intangible assets	1,803,100	10	1,390,687	412,403
Goodwill	3,609,387	3,681	-	3,605,706
Assets under development	35,691	-	-	35,691
Total	**13,118,507**	**17,312**	**4,818,084**	**8,283,111**

The cost, accumulated impairment losses and accumulated amortization at January 1, 2014 can be summarized as follows.

(thousands of euro))	At January 1, 2014			
	Cost	Accumulated impairment losses	Accumulated amortization	Carrying amount
Industrial patents and intellectual property rights	1,834,939	12,710	1,536,531	285,698
Concessions, licenses, trademarks and similar rights	5,790,038	1,237	1,616,280	4,172,521
Other intangible assets	1,703,357	3	1,205,508	497,846
Goodwill	3,609,387	3,146	-	3,606,241
Assets under development	12,828	-	-	12,828
Total	**12,950,549**	**17,096**	**4,358,319**	**8,575,134**

Industrial patents and intellectual property rights consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by the Parent personnel in designing, developing and implementing information systems, which at December 31, 2014 amounted to €11,531 thousand (€8,655 thousand at December 31, 2013).

Concessions, licenses, trademarks and similar rights include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted to the Group's companies by the relevant authorities, as detailed below.

Individual licenses or General Authorizations or Use of frequencies	Date of issue	Date of expiry (*)
WIND Telecomunicazioni SpA		
Installation of network and provision of voice telephony services on the Italian national territory (**)	February 1998	February 2018
Installation and provision of public telecommunications networks on the Italian national territory	April 1998	April 2018
Provision of public digital mobile communications services using DCS 1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	June 1998	June 2018
Installation and provision of public telecommunications networks on the Italian national territory issued to Infostrada SpA now merged	April 1999	April 2019
Provision of third generation mobile communications services adopting the UMTS standard (IMT-2000 family) and the installation of the related network on the Italian national territory pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	January 2001 (***)	December 2029
Use of frequencies for broadband point-multipoint radio networks in the 24.5-26.5 GHz band for the geographical area corresponding to the specified Italian region/autonomous province (****)	July 2002	July 2022
Use of frequencies for providing terrestrial publicly available broadband mobile services in the 800 and 2600 MHz bands.	February 2012 (*****)	December 2029

(*) Individual licenses are renewable in compliance with the regulations prevailing at the time of the renewal upon submission of an application at least 60 days prior to the expiry date (article 25, paragraph 6, of Decree no. 259/03)

(**) The Parent has two licenses for network installation and the provision of fixed line telephony services following the merger of Infostrada SpA

(***) The terrm of the license came into effect on January 1, 2002

(***) A total of 21 individual point-multipoint licenses have been assigned

(****) The terrm of the license came into effect on January 1, 2013

Concessions, licenses, trademarks and similar rights for €1,300,000 thousand refer to trademarks which have an indefinite useful life.

Similar rights consist of rights of way and the right to use assets owned by third parties for a predetermined period of time and are initially recognized at their one-off purchase price, including any accessory costs. This item relates for the most part to the costs incurred by Infostrada SpA, now merged, for the purchase in 1998 of the right of way on the Italian railway network and the purchase of the right to use the existing optic fiber on the network and, commencing in 2014, to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with a net value of €135,237 thousand at December 31, 2014.

Other intangible assets mainly relate to the residual value of the customer list, amounting to €319,314 thousand, identified upon allocating the goodwill at December 31, 2006 that arose from the merger of the former parent Wind Acquisition Finance SpA and to the customer acquisition costs amounting to €88,012 thousand.

Assets under development consist of the internal and external costs incurred for the purchase or development of intangible assets for which the respective ownership right has not yet been fully acquired at the end of the year or which relate to incomplete projects, and down payments made to suppliers for the purchase of intangible assets.

More specifically, intangible assets under development relate to the costs incurred for the design, development and implementation of information systems or specific modules thereof.

Goodwill pertains to the subsidiary WIND Retail Srl for €25,763 thousand and to the parent WIND Telecomunicazioni SpA for €3,579,943 thousand. The decrease of €535 thousand is due to the impairment loss during the year of the share of the goodwill allocated to the points of sales which form part of the rationalization of the subsidiary WIND Retail's commercial network approved and already partially implemented in 2014.

The carrying amount of goodwill recognized and of intangible assets with indefinite useful lives at December 31, 2014 was tested for impairment. The test was carried out by comparing the carrying amount with the recoverable amount. More specifically, the recoverable amount was calculated on the basis of the discounted cash flows resulting from the 2015-2019 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 7.8% was used to discount the cash flows, being the weighted average cost of capital, net of the tax effect, calculated using the capital asset pricing model. Sensitivity was performed simulating, compared to the base assumptions, cash flows reduction by estimating a growth rate of 0.5% for the years not covered by the plan. In all cases the recoverable amount of the net assets continue to be higher than their carrying amount.

5 FINANCIAL ASSETS

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

(thousands of euro)	At December 31, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	15,159	-	**15,159**	15,159	-	**15,159**
Derivative financial instruments	411,769	-	**411,769**	68,548	-	**68,548**
Financial receivables	993,417	22,605	**1,016,022**	42,983	176,356	**219,339**
Total	**1,420,345**	**22,605**	**1,442,950**	**126,690**	**176,356**	**303,046**

The *Financial assets measured at cost*. consist of non-controlling interests in companies and consortia as set out in the following table.

Company / consortium	% of investment	At December 31, 2014	At December 31, 2013
Wind Team Consortium	33.33%	1	1
Consel Consortium	1.00%	1	1
Janna Scarl	17.00%	2,072	2,072
Mix Srl	9.75%	10	10
QXN Scpa	10.00%	50	50
SPAL TLC	33.00%	13,000	13,000
Other consortiums	-	25	25
Total financial assets measured at cost		**15,159**	**15,159**

Investments in Consorzio Wind Team and SPAL TLC SpA are not represented as associates because the Group does not have significant influence.

The item *Derivative financial instruments* includes the positive fair value of derivative financial instruments, detailed as follows: i) embedded derivatives on Bond issues amounting to €6,390 thousand (€60,950 thousand at December 31, 2013); and ii) cross currency swap hedging derivatives on financial liabilities amounting to €405,379 thousand

(€6,556 thousand at December 31, 2013). Additional details on the composition of the item balance and respective changes are to be found in note 15.

The *Financial receivables,* amounting €1,016,022 thousand at December 31, 2014 mainly include:

- for €979,960 thousand the loans granted by WIND to the parent WIND Acquisition Holdings Finance SpA resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively. In particular, the first one with a nominal value of €925,000 thousand (an annual fixed interest rate of 9% and repayment date in April 2024) has been fully drawdown and at December 31, 2014 its book value is €967,060 thousand, including accrued and capitalized interests). The second loan with a nominal value up to €75,000 thousand (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) at December 31, 2014 was used only for €12,900 thousand, equal to the book value at such date;
- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 14) equal to €6,939 thousand (€7,753 thousand at December 31, 2013), which are charged to income statement on a straight-line basis over the term of the agreement;
- fees of €992 thousand (€37,358 thousand at December 31, 2013) of which €486 thousand in current assets (€10,282 thousand at December 31, 2013) recognized for hedging derivatives arranged in the previous years, which are being amortized over the terms of these instruments.

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

The following table sets out the due dates for financial receivables.

(thousands of euro)			At December 31, 2014				At December 31, 2013	
Financial receivables	**<1 year**	**1<x<5 years**	**>5 years**	**Total**	**<1 year**	**1<x<5 years**	**>5 years**	**Total**
Guarantee deposits	2,025	2,092	133	**4,250**	1,866	1,627	768	**4,261**
Receivables due from parents	16,940	979,960	-	**996,900**	160,996	-	-	**160,996**
Others	3,640	11,232	-	**14,872**	13,494	40,573	15	**54,082**
Total	**22,605**	**993,284**	**133**	**1,016,022**	**176,356**	**42,200**	**783**	**219,339**

6 DEFERRED TAX ASSETS AND LIABILITIES

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

(thousands of euro)	At December 31, 2013	Decrease	Increase	At December 31, 2014
Allowance for doubtful accounts (taxed)	81,211	57,656	45,643	69,198
Provisions for risks and charges (taxed)	26,755	6,001	5,517	26,271
Measurement of financial assets/liabilities	13,969	-	148,896	162,865
Amortization and depreciation of non-current assets	43,855	6,675	12,183	49,363
Deferred tax assets	**165,790**	**70,332**	**212,239**	**307,697**
Employee benefits	3,931	1,754	-	2,177
Accelerated depreciation and amortization	13,031	910	-	12,121
Fair value of Property, plant, and equipment	63,325	6,890	-	56,435
Depreciation of PPA	582,758	21,805	2,106	563,059
Deferred tax liabilities	**663,045**	**31,359**	**2,106**	**633,792**

The increase in 2014 in *deferred tax assets* is explained mainly by an increase in measurement of financial liabilities. The decrease in *deferred tax liabilities* is mainly due to a decrease in accelerated depreciation and amortization and depreciation of PPA.

Deferred tax assets have been recognized by considering the probability of their recoverability and the extent to which the directors believe there is a reasonable certainty that sufficient profits will be generated in future years against which the losses may be used within the time limits imposed by prevailing tax laws and regulations.

Deferred tax assets were not recognized in respect of temporary differences carried forward indefinitely totalling €202.172 thousand (€164,048 thousand at December 31, 2013), arising from non-deductible finance expenses within the limits imposed by law, due to the lack of reasonable certainty of their recoverability. In addition, even if transferred to the tax consolidation, consistent with the terms of the agreement, no receivables due from the indirect parent Wind Telecom SpA have been recognized. In fact, on the basis of this agreement, if the excess interest expense is transferred to the national consolidation, the transferring company obtains the right to remuneration corresponding to the theoretical tax benefit transferred, only if, and to the extent to which, the company which has transferred this excess interest expense transfers to the consolidation the excess gross operating profit (GOP) not utilized in the tax period for the deduction of interest expense pursuant to article 96, paragraphs 1, 2 and 7 of the Consolidated Income Tax Law (TUIR).

7 INVENTORIES

The following table provides an analysis of ***Inventories*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Finished goods	23,607	28,074
Write-downs	(301)	(697)
Total	**23,306**	**27,377**

"Finished goods" consist principally of mobile phone handsets, kits and the related accessories. The decrease in 2014 is essentially due to a decrease in inventories of SIM and scratch cards, mobile telephone terminals, kits and related accessories and stocks consisting of products which are technologically advanced which have a higher unit value over previous year.

8 TRADE RECEIVABLES

The following table provides an analysis of ***Trade receivables*** at December 31, 2014 and 2013.

(thousands of euro)	**At December 31, 2014**	**At December 31, 2013**
Due from final customers	927,079	1,169,082
Due from telephone operators	173,944	134,806
Due from authorized dealers	118,119	142,526
Due from related parties	3,104	9,291
Other trade receivables	33,517	45,539
(Allowance for doubtful accounts)	(307,069)	(400,874)
Total	**948,694**	**1,100,370**

The balance of net trade receivables at December 31, 2014 has decreased by a total of €151,676 thousand over that at December 31, 2013 mostly due to the decrease in receivables due from final customers (€242,200 thousand) only partially offset by a decrease in the allowance for doubtful account (€93,805 thousand). These changes are mainly due to the sale without recourse of Consumer receivables that started during the year 2014.

Receivables due from final customers arise principally from the supply of fixed and mobile telephony services to customers with subscription contracts, while *receivables due from telephone operators* mainly relate to interconnection and roaming services. *Receivables due from authorized dealers* relate to sales of radio mobile and fixed-line handsets and related accessories, as well as rechargeable telephone cards and top-ups.

Receivables due from related parties consists of the receivables due from VimpelCom Group's companies and of the receivables due from SPAL TLC SpA. Further details may be found in notes 5 and 34.

The following table provides an analysis, at December 31, 2014 and 2013 of trade receivables and the respective allowance for doubtful accounts, by due date.

(thousands of euro)		**At December 31, 2014**		**At December 31, 2013**
	Gross amount	**(Allowance for doubtful accounts)**	**Gross amount**	**(Allowance for doubtful accounts)**
unexpired	636,101	(14,346)	824,699	(11,833)
expired from:				
-0-30 days	63,286	(1,220)	55,783	(919)
-31-120 days	51,821	(2,636)	59,073	(2,589)
-121-150 days	26,070	(709)	17,036	(579)
-beyond 150 days	478,485	(288,158)	544,653	(384,954)
Total	**1,255,763**	**(307,069)**	**1,501,244**	**(400,874)**

The following table provides an analysis of trade receivables at December 31, 2014 and 2013, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	904,609	1,051,672
-after 12 months	44,085	48,698
Total	**948,694**	**1,100,370**

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilizations)	At December 31, 2014
Allowance for doubtful accounts	**400,874**	110,648	(204,453)	**307,069**

In order to guarantee the obligations assumed by the Parent as a consequence of loans disbursed under the Senior Facility Agreement on November 24, 2010, for which further details may be found in note 14, and the obligations assumed by the subsidiary Wind Acquisition Finance SA ("WAF"), the Parent established collateral by transferring trade receivables, receivables from intercompany loans and receivables relating to insurance contracts, both present and future, in favor of the lending banks pursuant to the Senior Facility Agreement and the other creditors specified in the supplemental deed related to the respective collateral contract and in favor of the subscribers to the Senior Secured Fixed Rate Notes expiring on 2020 and of the Senior Secured Floating Rate Notes expiring on 2019 issued by Wind Acquisition Finance SA on April 29, 2013 and the subscribers to the Senior Secured Fixed Rate Notes expiring on 2020 and of the Senior Secured Floating Rate Notes expiring on 2019 issued by Wind Acquisition Finance SA on July 10, 2014.

9 CURRENT TAX ASSETS

The balance on ***current tax assets*** of €7,373 thousand at December 31, 2014 (€19,274 thousand at December 31, 2013) mostly regards receivables for current tax assets arising from taxes paid in previous years. Advance payments of IRAP tax made during the year are classified as a deduction from tax payables.

10 OTHER RECEIVABLES

The following table sets out the details of ***Other receivables*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Trade prepayments	92,068	91,816
Other receivables due from third parties	98,119	47,679
Tax receivables	8,866	6,458
Advances to suppliers	41,628	22,013
Other receivables due from parents	30,509	23,020
Other receivables due from related parties	2,151	5,120
(Allowance for doubtful accounts)	(3,878)	(6,207)
Total	**269,463**	**189,899**

The following table provides an analysis, at December 31, 2014 and 2013, of other receivables and the respective allowance for doubtful accounts by due date.

(thousands of euro)	Gross balance	At December 31, 2014 (Allowance for doubtful accounts)	Gross balance	At December 31, 2013 (Allowance for doubtful accounts)
- unexpired	224,100	-	141,768	-
- expired from:				
- 0-30 days	1,068	-	1,249	-
- 31-120 days	3,570	-	4,331	-
- 121-150 days	1,972	-	1,964	-
- beyond 150 days	42,631	(3,878)	46,794	(6,207)
Total	**273,341**	**(3,878)**	**196,106**	**(6,207)**

The following table provides an analysis of other receivables at December 31, 2014 and 2013, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	239,963	135,826
-after 12 months	29,500	54,073
Total	**269,463**	**189,899**

Trade prepayments relate mainly to lease installments for civil and technical sites and lease installments for telephone network circuits.

Other receivables due from third parties relate mainly to receivables from non-commercial third parties.

Other receivables due from parents at December 31, 2014, include the amounts due from Wind Telecom SpA, Wind Acquisition Holdings Finance SpA, Vimpelcom Ltd and Vimpelcom Amsterdam BV while *Other receivables due from related parties* at December 31, 2014 mainly consist of the receivables due from VimpelCom Group's companies. Further details may be found in note 5 and 34.

The following table provides an analysis of *Tax receivables* at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
VAT	5,758	3,086
Other tax receivables	3,108	3,372
Total	**8,866**	**6,458**

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilizations)	At December 31, 2014
Allowance for doubtful accounts	**6,207**	221	(2,550)	**3,878**

11 CASH AND CASH EQUIVALENTS

The following table sets out an analysis of ***Cash and cash equivalents*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Bank deposits and checks	202,986	140,739
Cash on hand and stamps	26	31
Total	**203,012**	**140,770**

Cash and cash equivalents represent the surplus of cash generated by operations, changed mainly due to the ordinary cash inflows and outflows during the year. Further details may be found in note 36 to the cash flow statement.

12 SHAREHOLDERS' EQUITY

The following table sets out the composition of Shareholders' Equity at December 31, 2014 and 2013.

(thousand of euro)	At December 31, 2014	At December 31, 2013
Issued Capital	**147,100**	**147,100**
Share premium reserve	**751,887**	**751,887**
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	**(788,042)**	**(112,462)**
- Reserve for remeasurements of employee defined benefit plans (IAS19)	(666)	4,564
- Cash flow reserve	(53,750)	(92,284)
- Legal reserve	29,420	29,420
- Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	(763,046)	(54,162)
Equity attributable to the owners of the parent	**110,945**	**786,525**
Non-controlling interests	**8**	**84**
Total Equity	**110,953**	**786,609**

The share capital of the parent WIND Telecomunicazioni SpA at December 31, 2014 consisted of 146,100,000 ordinary shares with no nominal value, fully subscribed and paid up by the sole shareholder WIND Acquisition Holdings Finance SpA.

Despite the encumbrances on the pledged shares underlying the share capital of the Parent held by WIND Acquisition Holdings Finance SpA, the voting rights at shareholders' meetings of the Parent are retained by WIND Acquisition Holdings Finance SpA by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian Civil Code.

The following table present the reconciliation between the consolidated result of the year and the consolidated shareholders' equity and the related balances of the Parent.

(thousands of euro)	Result for the year 2014	Result for the year 2013	Equity at December, 31 2014	Equity at December, 31 2013
Equity and Result for the year of WIND Telecomunicazioni SpA	**(349,332)**	**(491,085)**	**422,467**	**781,733**
Equity and Result for the year of consolidated entities net of the shares attributable to Non-controlling interests	**(363,739)**	**9,158**	**(212,105)**	**108,468**
Consolidation adjustments:				
elimination of carryng amount of investments			(92,916)	(92,916)
other consolidation adjustments	4,186	672	(6,501)	(10,687)
Equity and Result for the year attributable to owners of the parent	**(708,885)**	**(481,254)**	**110,945**	**786,598**
Equity and Result for the year attributable to Non-controlling interests	(76)	(73)	8	11
Equity and Result for the year in the Consolidated Financial Statements	**(708,961)**	**(481,327)**	**110,953**	**786,609**

The resolution adopted by the parent's shareholders on April 18, 2014 resolving the approval of the annual financial statements as of and for the year ended December 31, 2013 allocated the loss for the year of €491,085 thousand to losses carried forward.

Changes in the Group's equity during the year, as well as the loss for the period, mainly arose from the following:

- the increase in the cash flow hedge reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the transactions on hedging derivatives on cash flows, as described in further detail in note 15. The following table shows the changes in the cash flow hedge reserve;

(thousands of euro)	Interst rate risk			Foreign currency risk			
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	Cash Flow Hedge Reserve
At December 31, 2013	**(62,692)**	**-**	**(62,692)**	**(41,553)**	**11,961**	**(29,592)**	**(92,284)**
Changes in fair value	27,921	-	27,921	(33,576)	9,811	(23,765)	4,156
Reverse to income statement	(32,682)	-	(32,682)	94,744	(27,684)	67,060	34,378
At December 31, 2014	**(67,453)**	**-**	**(67,453)**	**19,615**	**(5,912)**	**13,703**	**(53,750)**

- the decrease in the actuarial reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the remeasurements of employee defined benefit plans.

13 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to the owners of the Parent; profit refers to continuing operations and discontinued operations. Both basic and diluted earnings per share have been calculated by using as a denominator the weighted average for the year of the number of outstanding shares, since there were no diluting effects at December 31, 2014 or December 31, 2013.

The data underlying the calculation are as follows.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Loss from continuing operations	(708,961)	(481,327)
Weighted average number of shares outstanding during the year (units)	146,100,000	146,100,000
Loss per share from continuing operations – basic and diluted (in Euro)	**(4.85)**	**(3.29)**

14 FINANCIAL LIABILITIES

The following table sets out an analysis of ***Financial liabilities*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	8,843,637	142,211	8,985,848	6,280,981	180,636	6,461,617
Bank loans	1,721,836	166,100	1,887,936	2,290,599	145,962	2,436,561
Loans from others	227,654	104,995	332,649	330,923	142,808	473,731
Derivative financial instruments	74,055	-	74,055	181,514	15,543	197,057
Total financial liabilities	**10,867,182**	**413,306**	**11,280,488**	**9,084,017**	**484,949**	**9,568,966**

It should be noted that WIND Telecomunicazioni SpA and its subsidiary Wind Acquisition Finance SA obtained, on March 26, 2014, the majority lenders' consent for the proposed amendments including maturity extension to WIND's Senior Facility Agreement. Under this transaction, on April 23, 2014, the Group completed the placement of a Senior Notes due 2021 of €1,750 million having a coupon of 7% and of a Senior Notes due 2021 of USD2,800 million having a coupon of 7.375%, maturing in 2020. This issue had the objective to put in place a more stable capital structure for the Group, through: i) the launch of a tender offer for the purchase of any and all outstanding 2017 Senior Notes, completed on July 15, 2014, with the early repayment of bonds in EURO and in USD and ii) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan up to €925 million (fully disbursed at December 31, 2014) with reimbursement on March 23, 2024 and with an annual fixed interest rate of 9%.

In addition, on July 10, 2014, the Group completed the placement of a Senior Secured Notes due 2020 in a combination of €575 million euro-denominated Euribor 3 months plus 4.00% Floating Rate Notes and of €2,100 million 4.00% notes and of USD1,900 million 4.75% notes. This issue aims to reduce interest costs, extend the maturity profile of the WIND Group's debt and have a sustainable and manageable capital structure for the Group, through: i) the early repayment of Senior Secured Notes in EURO and in USD due 2018 and ii) repayment of non-extended part of the Senior Credit Facilities (€573 million).

The change in the balances in other financial liabilities results essentially from the repayment during the period of €51,950 thousand relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group's debt on November 26, 2010.

The following table sets out an analysis of *Financial liabilities* at December, 2014 and 2013 by due date.

(thousands of euro)	At December 31, 2014				At December 31, 2013			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds issues	142,211	147,455	8,696,182	**8,985,848**	180,636	5,736,563	544,418	**6,461,617**
Bank loans	166,100	1,721,836	-	**1,887,936**	145,962	2,290,599	-	**2,436,561**
Loans from others	104,995	102,981	124,673	**332,649**	142,808	204,676	126,247	**473,731**
Derivative financial instruments	-	50,178	23,877	**74,055**	15,543	134,094	47,420	**197,057**
Total financial liabilities	**413,306**	**2,022,450**	**8,844,732**	**11,280,488**	**484,949**	**8,365,932**	**718,085**	**9,568,966**

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at December 31, 2014.

(thousands of euro)	At December 31, 2014					
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	Total
Euro	782,115	5,901,206	-	131,548	-	6,814,869
US dollars	-	2,057,060	2,334,504	-	-	4,391,564
Total	**782,115**	**7,958,266**	**2,334,504**	**131,548**	**-**	**11,206,433**

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2014 and 2013. The fair value is approximately the same as the carrying amount for current *Financial liabilities*.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issues	8,843,637	8,516,070	6,280,981	6,635,972
Bank loans	1,721,836	1,758,157	2,290,599	2,325,094
Loans from others	227,654	227,654	330,923	330,923
Derivative financial instruments	74,055	74,055	181,514	181,514
Total	**10,867,182**	**10,575,936**	**9,084,017**	**9,473,503**

Current *Financial liabilities* at December 31, 2014 consist exclusively of the portions of bank loans and bonds for which payment is due by the end of the following financial year, referring to both principal and accrued interest.
An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 15.

Bonds

The following table sets out the main information relating to outstanding *Bonds* at December 31, 2014.

(thousands of euro)	**Carrying amount at December 31, 2014**	**Carrying amount at December 31, 2013**	**Nominal amount at December 31, 2014**	**Issue price**	**Currency**	**Due date**	**Interest rate**	**Price**
Senior Notes 2017 €	-	1,272,519	-	96.3%	EUR	07/15/2017	11.75%	106.5%
Senior Notes 2017 $	-	1,506,374	-	97.5%	USD	07/15/2017	11.75%	106.4%
Senior Secured Notes 2018 €	-	1,739,903	-	99.3%	EUR	02/15/2018	7.38%	105.8%
Senior Secured Notes 2018 $	-	938,933	-	99.3%	USD	02/15/2018	7.25%	105.0%
Senior Secured Notes 2018 €	-	183,329	-	90.1%	EUR	02/15/2018	7.38%	105.0%
Senior Secured Notes 2018 $	-	270,390	-	92.2%	USD	02/15/2018	7.25%	105.0%
Senior Secured Floating Rate Notes 2019 €	148,858	149,866	150,000	100.0%	EUR	04/30/2019	Euribor 3M+5.25%	100.1%
Senior Secured Fixed Rate Notes 2020 $	452,486	400,303	454,630	100.0%	USD	04/30/2020	6.50%	100.9%
Senior Notes 2021 €	1,751,727	-	1,750,000	100.0%	EUR	04/23/2021	7.00%	98.0%
Senior Notes 2021 $	2,345,415	-	2,314,480	100.0%	USD	04/23/2021	7.38%	94.4%
Senior Secured Notes 2020 €	2,121,558	-	2,100,000	100.0%	EUR	07/15/2020	4.00%	98.1%
Senior Secured Notes 2020 $	1,593,663	-	1,570,540	100.0%	USD	07/15/2020	4.75%	96.6%
Senior Secured Floating Rate Notes 2020 €	572,141	-	575,000	100.0%	EUR	07/15/2020	Euribor 3M+4%	95.3%
Totale	**8,985,848**	**6,461,617**	**8,914,650**					

The changes in balances over December 31, 2013 are mainly due to the effects of the Group's refinancing operations completed in April and July 2014, for which details may be found above.

As required by the Group's risk management policies, for which details may be found in note 2.5 in order to fully eliminate any currency risks arising from issues denominated in US dollars, the Group has entered into hedging arrangements based on cross currency swaps for a notional amount of €3,862,798 thousand, which at December 31, 2014 had a positive fair value of €405,379 thousand. In addition, the Group has entered into hedging arrangements based on *Interest rate swap plain vanilla* for a notional amount of €570,000 thousand, which at December 31, 2014 had a negative fair value of €25,853 thousand. The hedges extend to 2020.

Bank loans

The following table sets out the main information relating to outstanding *Bank loans* at December 31, 2014.

(thousands of euro)	Carrying amount at December 31, 2014	Carrying amount at December 31, 2013	Nominal amount at December 31, 2014	Usable amount	Currency	Due date	Interest rate
Senior Facility Agreement							
- Tranche A3	2,859	36,966	2,897	2,897	EUR	11/26/2018	Eur+4.25%
- Tranche A4	169,298	300,168	171,293	171,293	EUR	11/26/2018	Eur+4.25%
- Tranche B3	1,089,246	1,312,209	1,113,921	1,113,921	EUR	11/26/2019	Eur+4.50%
- Tranche B4	482,924	670,333	493,649	493,649	EUR	11/26/2019	Eur+4.75%
- Revolving	100,129	99,997	100,000	600,000	EUR	01/19/2015	Euribor+4.25
Overdrafts	42,282	15,854	-				
Other accrued interest	1,198	1,034	-				
Total	**1,887,936**	**2,436,561**	**1,881,760**	**2,381,760**			

The Senior Facility Agreement, disbursed on November 26, 2010 to the Parent WIND Telecomunicazioni SpA and denominated exclusively in euro, is made up of various tranches, each having its own specific repayment plan and interest rates which may be reviewed on the basis of the trend of specific equity ratios.

The changes in balances over December 31, 2013 are mainly due to the effects of the Group's refinancing operations completed in April and July 2014, for which details may be found above.

Details and the main features of the tranches following the refinancing operations completed in 2014 are as follows:

- tranche A3 was repayable from May 26, 2011 to November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. Interest is payable at Euribor plus a spread of 425 basis points;
- tranche A4 was repayable from May 26, 2011 to November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. Interest is payable at Euribor plus a spread of 425 basis points;
- tranche B3 was repayable in a single lump sum on November 26, 2017 and in 2014 the maturity has been extended on November 26, 2019. Interest is payable at Euribor plus a spread of 450 basis points;
- tranche B4 was repayable in a single lump sum on November 26, 2017 and in 2014 the maturity has been extended on November 26, 2019. Interest is payable at Euribor plus a spread of 475 basis points;
- a revolving tranche having final repayment on November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. This may be used either as a cash loan or a signature loan. If used as a cash loan interest is payable at Euribor plus a margin of 425 basis points and there is a non-use commission of 160 basis points. At December 31, 2014, the maximum usable amount of €600 million was drawn down for €100 million.

With the aim of reducing its bank loan exposure to fluctuations in interest rates and foreign exchange rates, the Group has entered into transactions which qualify as hedges for a notional amount of €800,000 thousand, whose fair value at December 31, 2014, including delayed hedging transactions, is negative for €48,202 thousand. The hedges extend to September 2017 and consist of plain vanilla interest rate swaps.

Loans from others

This item, having a balance of €332,649 thousand (€473,731 thousand at December 31, 2013), mainly consists of:

- payable due to the Ministry of Economic Development for an amount of €162 million, as the result of the allocation of the mobile frequency use rights (for which details may be found in note 4). This balance is repayable over a five year period from October 3, 2012 at a floating interest rate calculated by adding a spread of 1% to the average rate at which treasury bonds are issued during the previous year as published by the Ministry in the 30 days preceding the due date of each instalment. Repayment of the third instalment of €81 million was made on October 3, 2014;
- the loan of €131,548 thousand (€133,650 thousand at December 31, 2013) against the capitalization of backbone rights, details of which may be found in note 3;
- payable to banks of €37,354 thousand, of which €19,692 is the current portion, (€89,304 thousand, of which €37,354 is the current portion at December 31, 2013) against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt.

15 DERIVATIVE FINANCIAL INSTRUMENTS

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

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
- Exchange rate risk	264,808	-	6,556	124,453
- Interest rate risk	-	74,055	1,042	72,604
Total cash flow hedges	**264,808**	**74,055**	**7,598**	**197,057**
- Exchange rate risk	140,571	-	-	-
Total fair value hedges	**140,571**	-	-	-
- Embedded derivatives on Bonds	6,390	-	60,950	-
Total Derivatives Non Hedge Accounting	**6,390**	**-**	**60,950**	**-**
Total	**411,769**	**74,055**	**68,548**	**197,057**

The following table shows the detail of current and non-current derivative instruments.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current	-	-	-	15,543
Non current	411,769	74,055	68,548	181,514
Total derivatives	**411,769**	**74,055**	**68,548**	**197,057**

The fair value of financial instruments listed on active markets was determined as the market quotation at the reporting date. In the absence of an active market, fair value was determined by referring to prices provided by external operators and using valuation models based mostly on objective financial variables, as well as by taking into account, where possible, the prices used in recent transactions and the quotations of similar financial instruments.

The following were outstanding at December 31, 2014:

- cross currency swaps hedging the interest rate and currency risks relating to the tranches of bonds denominated in US dollars, for which reference should be made to note 14, having a notional amount of €3,862,799 thousand (€3,114,193 thousand at December 31, 2013) and having a positive fair value of €405,379 thousand (positive fair value of €6,556 thousand and negative fair value of €124,453 thousand at December 31, 2013);
- plain vanilla interest rate swaps hedging the interest rate risk of bank loans and of bonds, having a notional amount of €1,370,000 thousand (€2,770,000 thousand at December 31, 2013) and a negative fair value of €74,055 thousand (negative fair value of €72,604 thousand and a positive fair value of €1,042 thousand at December 31, 2013);
- embedded derivatives of €6,390 thousand (€60,950 thousand at December 31, 2013) relating to the fair value of the early repayment options provided for on issue of the bonds, for which details may be found in note 14.

16 EMPLOYEE BENEFITS

The following table sets out the changes in ***Employee benefits*** at December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilization)	Other changes	At December 31, 2014
Post-employment benefits	**52,466**	20,985	(1,360)	(12,085)	**60,006**

There is an increase during the year of €7,134 thousand (decrease of €1,780 thousand during 2013) in the Parent Company's employee benefits due to the change in the actuarial variables.

Other changes during the year consist also of the transfer of the post-employment benefits accrued during the year to supplementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€17,026 thousand).

The main actuarial assumptions underlying the calculation of the post-employment benefits are the following.

Average inflation rate	Discount rate	Increase in wages and salaries	Employee turnover rate
2.00%	3.38%	N/A	1.00%– 3.7%

The effects recognized in income statement are as follows.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Current service costs	19,396	18,739
Finance expense	1,589	1,870
Total	**20,985**	**20,609**
Actual return on plan assets	N/A	N/A

17 PROVISIONS FOR RISKS AND CHARGES

The following table sets out changes in ***Provisions for risks and charges*** during the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Increases	(Utilization)	(Release)	At December 31, 2014
Litigation	169,981	24,490	(67,201)	(43,831)	83,439
Restructuring	377	-	-	-	377
Universal service contribution (Presidential Decree no. 318/1997)	16,683	-	-	-	16,683
Product assistance	1,525	862	(1,006)	-	1,381
Dismantling and removal	38,225	-	(620)	-	37,605
Other provisions	47,588	7,091	(9,794)	(7,997)	36,888
Total	**274,379**	**32,443**	**(78,621)**	**(51,828)**	**176,373**

Litigation

The provision at the respective dates is based on estimates using the best information available of the total charge that the Group expects to incur upon settlement of all outstanding legal proceedings (for details on the main proceedings in progress, please refers to paragraph on main pending legal proceedings in note 37).

Universal service contribution

Article 3, paragraph 6, of Presidential Decree no. 318 of September 19, 1997 regarding the "Implementation of European Union Directives" establishes a mechanism designed to distribute the net cost of providing universal service throughout the country whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

Dismantling and removal

The item consists of the estimate of the dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition.

Other provisions

This item consists of the measurement of certain liabilities arising from obligations assumed by the Group for which an estimate is made at the date of these financial statements of the amount to be settled upon due date. The balance at December 31, 2014 includes €16,628 thousand for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €12,051 thousand relating to compensation plan for the long-term retention and incentive of management.

18 OTHER LIABILITIES

Other non-current liabilities at December 31, 2014 and 2013 amount to €160,290 thousand and €165,388 thousand, respectively. At December 31, 2014 this item mainly includes:

- an amount of €104,350 thousand relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus in 2014, 2013, 2012 and 2011 (for which details may be found in note 3), which will be recognized in the income statement over the useful life of the assets;
- an amount of €33,598 thousand relating to a capital contribution recognized on the allocation of the frequencies (for which details may be found in note 4) as a discount of 3% for the total amount of the tender for the commitment made to produce over 50% of the new networks using apparatus having environmental eco-sustainable features. The amount will be released to the income statement in Other Revenue when there is the reasonable certainty that the envisaged conditions will be met, and is consistent with the depreciation of the apparatus having eco-sustainable features which will be purchased and put into use for the development of the network;
- a capital grant of €10,105 thousand given to the Parent Company for its participation in certain regional projects for the realization of investments supporting local development. This amount will be released to the income statement over the useful lives of the assets involved.

19 TRADE PAYABLES

The following table provides details of ***Trade payables*** at December 31, 2014 and 2013.

(thousands of euro)	**At December 31, 2014**	**At December 31, 2013**
Due to telephone operators	456,768	366,533
Due to agents	23,871	25,102
Due to authorized dealers	30,075	44,202
Due to parents	3,388	15,346
Due to related companies	33,459	14,001
Other trade payables	1,113,247	1,186,760
Total	**1,660,808**	**1,651,944**

The change in this item over the year is principally due to the effect of normal settlements during the course of the year.

Trade payables *due to telephone operators* mainly relate to interconnection and roaming services.

Payables *due to agents* and *due to authorized dealers* relate to commissions to agents and authorized dealers.

Trade payables *due to parents* relate mainly to amounts payable by the Parent Company to the parent Wind Telecom SpA as the result of services (IT, marketing, personnel, purchasing, etc) provided in previous years, while trade payables *due to related companies* refers principally to: i) the payable due by the Parent Company to Vimpelcom International Services for trading and signature services of agreements relating to the economic conditions of international roaming provided in 2014; ii) the payable arising from transactions with telephone operators belonging to the VimpelCom group; and iii) the payable to SPAL TLC SpA. Further details may be found in notes 5 and 34.

Other trade payables mainly relate to payables to suppliers for the purchase of goods and services.

The following table provides an analysis of trade payables by due date.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	1,528,595	1,589,078
-after 12 months	132,213	62,866
Total	**1,660,808**	**1,651,944**

20 OTHER PAYABLES

The following table provides an analysis of ***Other payables*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Payables to social security organizations	23,301	27,432
Tax payables	163,992	137,755
Payables to personnel	27,786	31,566
Payables to government bodies by grants	11,607	9,475
Other amounts payable to parents	168,268	305,412
Other amounts payable to related companies	81	239
Prepaid traffic to be used	157,784	182,729
Deferred income	19,442	19,402
Other payables	81,131	58,098
Total	**653,392**	**772,108**

The following table provides an analysis by due date.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	627,320	770,773
-after 12 months	26,072	1,335
Total	**653,392**	**772,108**

Payables to social security organizations relate principally to the employer's and employees' portions of social security contributions for December and the employer's portion accrued on deferred remuneration (mostly accrued vacation and other permitted leaves that have been accrued but not yet taken). This item also includes the amounts payable to the Italian social security organization INPS for the accrued post-employment benefits (TFR) yet to be paid which employees had elected to transfer to the Treasury fund in accordance with Law no. 296 of December 27, 2006, the "2007 Finance Act", and subsequent decrees and regulations.

The following table sets out details of *Tax payables* at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Government license fee	26.485	28.711
Withholding tax	11.388	10.436
VAT	78.507	69.216
Other	47.612	29.392
Total	**163.992**	**137.755**

Other tax payables include a balance of €46,491 thousand due to the tax authorities arising from the settlement of the assessment raised by the Tax Revenue Office concerning the payment of withholding tax on the interest arising in prior years under the Senior Facility Agreement of May 26, 2005. The payment plan for this liability envisages twelve quarterly instalments due from May 22, 2014 to February 22, 2017 with interest charged at 1%. The balance of €28,242 thousand due to the tax authorities at December 31, 2013, being the amount required to discharge the liability arising from the fiscal audit into the withholding tax due on interest income paid by the Parent Company to the Group companies Wind Finance SL SA and Wind Acquisition Finance SA in prior years, has been fully settled, with the final instalment being paid in September 2014.

Payables to personnel consist mostly of liabilities for accrued vacation and other accrued leaves still to be taken at the end of the year. *Payables to personnel* decreased compared to December 31, 2013 mainly due a decrease in deferred compensations following the agreement with trade unions, reached on October 10, 2012, to revise the main economic and legislative schemes in personnel costs in the period from 2013 to 2017.

Payables to government bodies for grants represent amounts due for licenses and concessions provided by the relevant bodies.

Out of *Other payables to parents*, €11,606 thousand (€304,819 thousand at December 31, 2013) refers to a payable to the indirect parent Wind Telecom SpA following the transfer of IRES tax payables by Group companies as part of the national tax consolidation procedure.

As part of the refinancing of the group, on April 30, 2014 part of the liability due for the Parent Company's tax consolidation, amounting to €162,988 thousand, was offset against the financial receivable due to the Parent Company by Wind Telecom SpA, while the difference of €141,712 thousand was transferred by the indirect parent Wind Telecom SpA to the direct parent Wind Acquisition Holdings Finance SpA.

Prepaid traffic to be used consists of the unused portion of prepaid traffic, sold by the Parent via rechargeable telephone cards and top-ups, which had not yet been utilized at the end of the year.

Deferred income refers to income for billings made contractually in advance in prior years and in 2014 for lease and installation fees relating to the utilization of broadband capacity ('initial capacity'), which will be recognized in later periods.

Other payables mainly consist of amounts due to supplementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers, liabilities for amounts received in respect of receivables sold and other residual items.

21 TAX PAYABLES

The balances at December 31, 2014 and 2013 of €22,615 thousand and €21,222 thousand, respectively, represent the amounts due by the Group companies for income taxes for the year, net of advance payments for the corresponding tax periods.

Receivable and payable items for IRES are included in receivables and payables from and to the parent, as Group companies have elected to take part in the national tax consolidation procedure of Wind Telecom SpA.

22 REVENUE

The following table provides the breakdown of ***Revenue*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	%
Revenue from sales	**220,499**	**239,196**	**(18,697)**	**(7.8)%**
- Telephone services	3,641,297	4,029,463	(388,166)	(9.6)%
- Interconnection traffic	380,823	399,104	(18,281)	(4.6)%
- International roaming	36,261	41,394	(5,133)	(12.4)%
- Judicial authority services	5,940	6,046	(106)	(1.8)%
- Other revenue from services	108,257	113,724	(5,467)	(4.8)%
Revenue from services	**4,172,578**	**4,589,731**	**(417,153)**	**(9.1)%**
Total	**4,393,077**	**4,828,927**	**(435,850)**	**(9.0)%**

The *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 9.6% in 2014 compared with 2013, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

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

The *Interconnection traffic* revenue decrease is mainly due to the general reduction of unit tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS Not Voice traffic.
The *International roaming* revenue fell mainly as the effect of the reduction in Voice and Data tariffs, only partially offset by an increase in international roaming volume.

23 OTHER REVENUE

Other revenue amounts in total to €240,354 thousand in the year 2014 (an increase of €86,370 thousand over the year 2013) and refers principally to the revisions of estimates of accruals made in previous years and to the effects related to the settlement of disputes and related commercial agreements with some suppliers.
In particular, during the year ended December 31, 2014, the Company entered into agreements creating an immediate benefit of €105 million recorded in *other revenues* in the consolidated income statement. In connection with these agreements, the Company accepted an exposure to possible obligation. In case the Company fails to meet the obligation, it can be subject to cash penalties for an amount of up to €30 million. No provisions have been recognized with this respect because the risk of the penalty materializing was estimated not probable.

24 PURCHASES AND SERVICES

The following table provides the breakdown of ***Purchases and services*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	12 months
Interconnection traffic	608,485	669,089	(60,604)	(9.1)%
Customer acquisition costs	193,186	235,519	(42,333)	(18.0)%
Lease of civil/technical sites and use of third party ssets	247,144	246,203	941	0.4%
Purchases of raw materials, consumables, supplies and goods	221,792	266,635	(44,843)	(16.8)%
Rental of local network and circuits	427,464	441,030	(13,566)	(3.1)%
Advertising and promotional services	95,994	140,086	(44,092)	(31.5)%
Outsourcing costs for other services	122,595	137,712	(15,117)	(11.0)%
Maintenance and repair	86,438	95,088	(8,650)	(9.1)%
Utilities	130,378	124,070	6,308	5.1%
National and international roaming	29,580	38,438	(8,858)	(23.0)%
Consultancies and professional services	36,688	36,285	403	1.1%
Change in inventories	4,072	(3,257)	7,329	(225.0)%
Other services	134,630	114,638	19,992	17.4%
Total purchases and services	**2,338,446**	**2,541,536**	**(203,090)**	**(8.0)%**

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the year ended December 31, 2013:

- a decrease of €60,604 thousand in *Interconnection traffic* costs mainly due to a fall in termination tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS and MMS traffic;
- a decrease of €44,092 thousand in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of purchasing of advertising media such as TV, radio, billboards and decrease in sponsorship costs;
- a decrease of €42,333 thousand in the *Customer Acquisition Cost* mainly due to a decrease of commissions for new activations and mobile traffic and commissions for the sale of scratch cards;
- net decrease of €37,514 thousand in Purchases of raw materials, consumables, supplies and goods and change in inventories mainly due to a decrease in the sale of mobile telephone handsets only partially offset by an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift on sales towards high-range terminals.

The item *consultancies and professional services* includes remuneration for statutory auditors of Group companies, equal to €221 thousand, and the remuneration for the external audit activities on financial statements, equal to €1,078 thousand (total compensation for the audit to separate and consolidate financial statements at December 31, 2014 is equal to €999 thousand). The ordinary shareholders' meeting of April 18, 2014 did not deliberate remuneration to the Directors of the Parent.

25 OTHER OPERATING COSTS

The following table provides the breakdown of ***Other operating costs*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Impairment losses on trade receivables and current assets	110,911	113,995	(3,084)	(2.7)%
Accruals to provision for risks and charges	11,801	8,929	2,872	32.2%
Annual license and frequency fees	33,506	30,724	2,782	9.1%
Other operating costs	22,006	16,537	5,469	33.1%
Total other operating costs	**178,224**	**170,185**	**8,039**	**4.7%**

26 PERSONNEL EXPENSES

The following table provides the breakdown of ***Personnel expenses*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Wages and salaries	275,683	277,300	(1,617)	(0.6)%
Social security charges	73,452	76,152	(2,700)	(3.5)%
Other personnel expenses	13,096	12,942	154	1.2%
Post-employment benefits	18,979	19,245	(266)	(1.4)%
(Costs capitalized for internal works)	(68,532)	(58,247)	(10,285)	17.7%
Total personnel expenses	**312,678**	**327,392**	**(14,714)**	**(4.5)%**

The change in the period compared with 2013 is due to the combined effect of the lower estimated charge relating to the compensation plan for the long-term retention and incentive of management and the higher capitalization of personnel cost for internal works, only partially offset by the increase in the contractual minimum during 2014 as required by the National Labor Contract (CCNL), effective until December 31, 2014.

In 2014 *Personnel expenses* reflected in a limited way the effects of the agreement with the unions of July 29, 2014 providing for the use of solidarity contracts for a period of 18 months (starting in September 2014) as a means of supporting a plan for internalizing activities designed to achieve the efficiency objectives of the Group's business model, given the particularly critical trends in the market.

The number of employees at year end was as follows.

	At December 31, 2014	At December 31, 2013
Senior management	124	129
Middle management	621	599
Employees	6,149	6,182
Total	**6,894**	**6,910**

The average number of employees during the year was as follows.

	2014 12 months	2013 12 months
Senior management	127	136
Middle management	623	598
Employees	6,204	6,211
Total	**6,954**	**6,945**

27 DEPRECIATION AND AMORTIZATION

The following table provides the breakdown of ***Depreciation and amortization*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	 %
Depreciation of property, plant and equipment				
- Plant and machinery	691,145	708,071	(16,926)	(2.4)%
- Industrial and commercial equipment	11,492	12,034	(542)	(4.5)%
- Other assets	21,039	23,863	(2,824)	(11.8)%
Amortization of intangible assets with finite lives				
- Industrial patents and similar rights	113,383	119,693	(6,310)	(5.3)%
- Concessions, licenses, trademarks and similar rights	191,487	191,477	10	0.0%
- Other intangible assets	185,205	208,884	(23,679)	(11.3)%
Total depreciation and amortization	**1,213,751**	**1,264,022**	**(50,271)**	**(4.0)%**

Depreciation and amortization decrease by €50,271 thousand over 2013. Of this €20,292 thousand relates to property, plant and equipment, due to the optimization in network investments made in the past year, and €29,979 thousand to intangible assets, mainly due to the decreasing trend of the capitalization of fixed customer acquisition cost.

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

The following table provides the breakdown of ***Reversal of impairment losses / (impairment losses) on non-current assets*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	 %
Reversal of impairment losses / (Impairment losses) on property, plant and equipment	(12,140)	(5,270)	(6,868)	130.3%
Reversal of impairment losses / (Impairment losses) on intangible assets	(622)	(1,964)	1,342	(68.3)%
Total	**(12,762)**	**(7,234)**	**(5,528)**	**76.4%**

The item includes the effects of impairment losses and reversals of property, plant and equipment and the effect of the operation to replace transmission equipment for which more details may be found in the note 3.

29 GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS

The following table provides the breakdown of ***Gains/(losses) on disposal of non-current assets*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Gains on disposal of property, plant and equipment	454	2,415	(1,961)	(81.2)%
Losses on disposal of property, plant and equipment	(4,854)	(7,582)	2,728	(36.0)%
Total	**(4,400)**	**(5,167)**	**767**	**(14.8)%**

The change over the previous year is due to lower gains and losses recorded in 2014 on the disposal and/or sale of property, plant and equipment as part of the normal renewal process for these assets for which more details may be found in the note 3.

30 FINANCE INCOME

The following table provides the breakdown of ***Finance income*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Interest on bank deposits	338	492	(154)	(31,3)%
Cash flow hedge reversed from equity	2.803	983	1.820	185,1%
Fair value measurement of derivatives	3.589	31.030	(27.441)	(88,4)%
Other	61.370	5.180	56.190	1084,7%
Total finance income	**68.100**	**37.685**	**30.415**	**80,7%**

The increase in this item is mainly due to higher Other finance income only partially offset by lower income arising from the fair value measurement of the non-hedging derivatives that led to the recognition of income of €31,030 thousand at December 31, 2013, compared to income of €3,589 thousand at December 31, 2014.

Other financial income at December 31, 2014 consists mainly of: i) the interest of €59,000 thousand arising on the receivable from the parent Wind Acquisitions Holdings Finance SA under the intercompany agreements entered in April 23, 2014 and in August 4, 2014, for which details may be found in note 5, and ii) the interest of €1,993 thousand (4,662 thousand at December 31, 2013) arising on the receivable from the parent Wind Telecom SpA repaid on April 23, 2014, for which details may be found in note 5.

31 FINANCE EXPENSE

The following table provides the breakdown of ***Finance expense*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	%
Interest expense on:				
Bond issues	(1.014.893)	(603.631)	(411.262)	68,1%
Bank loans	(162.615)	(171.940)	9.325	(5,4)%
Discounted provisions	(1.589)	(3.689)	2.100	(56,9)%
Hedge accounting effect	(151.766)	(87.032)	(64.734)	74,4%
Fair value measurement of derivatives	(60.950)	(13.165)	(47.785)	n.m.
Other	(22.718)	(151.802)	129.084	(85,0)%
(Finance expense capitalized)	-	-	-	#DIV/0!
Total finance expense	**(1.414.531)**	**(1.031.259)**	**(383.272)**	**37,2%**

Finance expense consists mostly of accrued interest on financial liabilities outstanding at December 31, 2014, for which further details may be found in note 14 and the effects of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement for €151,766 thousand (€87,032 thousand at December 31, 2013) and the loss of €60,950 thousand (€13,165 thousand at December 31, 2013) arising from the fair value measurement of the non-hedging derivatives.

The decrease in *bank loan interest* is due to the early repayment of €575 million on April 29, 2013, of the Senior Facility Agreement and the early repayment of €573 million on July 10, 2014, of the Senior Facility Agreement.

Interest expense on Bond issues increase during the year over 2013, due to: i) the placement completed on April 29, 2013, of the Floating Rate Senior Secured 2019 of €150 million and the Fixed Rate Senior Secured 2020 of USD550 million; ii) the placement completed on April 23, 2014, of a Senior Notes due 2021 of €1,750 million having a coupon of 7% and of a Senior Notes due 2021 of USD 2,800 million having a coupon of 7.375%, and, iii) the early repayment, on July 15, 2014, of the Senior Notes 2017, for which details may be found in note 14, iv) the placement completed on July 10, 2014, of a Senior Secured Notes due 2020 in a combination of €575 million euro-denominated Euribor 3 months plus 4.00% Floating Rate Notes and of €2,100 million 4.00% notes and of USD 1,900 million 4.75% notes and, v) the early repayment, in July 2014, of the Senior Notes 2018.
The effects of the refinancing operations completed in April 2014 and July 2014 led to additional financial expense of €628,996 thousand relating to: i) a redemption premium of €331,674 thousand, ii) the release of the residual fees included in amortized cost of €162,685 thousand, iii) the cost resulting from the extinction of the embedded derivative of €54,823 thousand, and iv) the cost relating to hedging derivatives which have been closed of €79,814.

The decrease in *Other interest* is mainly due to the positive effect of €30,944 thousand at December 31, 2014 relating to the release of a financial provision of €92,703 thousand recorded in 2013.

32 FOREIGN EXCHANGE GAINS/(LOSSES), NET

The following table provides the breakdown of ***Foreign exchange gains (losses) - net*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Realized gains	14,295	16,163	(1,868)	(11.6)%
Unrealized gains	509,107	125,569	383,538	305.4%
Foreign exchange gains	**523,402**	**141,732**	**381,670**	**269.3%**
Realized losses	16,508	14,455	2,053	14.2%
Unrealized losses	546,075	133,144	412,931	310.1%
Foreign exchange losses	**562,583**	**147,599**	**414,984**	**281.2%**
Total	**(39,181)**	**(5,867)**	**(33,314)**	**567.8%**

33 INCOME TAXES

The following table provides the breakdown of ***Income taxes*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Current tax	(85.407)	(105.504)	20.097	(19,05)%
Previous years income taxes	3.812	(42.348)	46.160	(109,00)%
Deferred tax	185.076	(1.409)	186.485	(13235,3)%
Total income taxes	**103.481**	**(149.261)**	**252.742**	**(169,3)%**

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

- current income taxes expense of €85,407 thousand (of which €37,385 thousand for charge from tax consolidation procedure "IRES tax" and €48,022 thousand for IRAP tax) charged on the consolidated taxable income for 2014;
- previous years income taxes of €3,812 thousand;
- net deferred tax income of €185,076 thousand, arising from recognition of €141,525 thousand in deferred tax assets mainly relating to the changes in temporary differences arising from measurements of financial liabilities and from the release of deferred tax liabilities of €43,551 thousand, mainly relating to the changes in temporary differences arising from non-current assets.

The following table provides a reconciliation between the theoretical tax rate and the effective tax rate for 2014 and 2013.

(thousands of euro)		2014		2013
Theoretical tax rate	27.50%		27.50%	
Profit before tax	**(812,442)**		**(332,066)**	
Theoretical tax assets relating to IRES		(223,422)		(91,318)
Non-deductible costs/non-taxable revenue		(3,210)		184,584
Non-recognized deferred tax assets		82,420		-
Adjustments to previous years taxes		(7,291)		4,192
Actual IRES tax (current and deferred)		(151,503)		97,458
Effective IRES tax rate	18.65%		(29.35)%	
IRAP tax at Group level		48,022		51,803
Actual tax expense (benefit) recognized in profit or loss		**(103,481)**		**149,261**
Overall tax rate	12.74%		(44.95)%	

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income taxes) purposes. The IRAP tax charge is included to reconcile with the overall *income taxes* expense in the financial statements.

34 RELATED PARTY TRANSACTIONS

Transactions with related parties

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

In reference to transactions with the indirect parent Wind Telecom SpA, WIND Telecomunicazioni SpA receives services relating to IT, marketing, personnel, purchasing, etc; while in reference to transactions with the related company Vimpecom International Services, WIND receives trading and signature services of agreements relating to the economic conditions of international roaming.

In reference to transactions with the parent Wind Acquisition Holdings Finance SpA, on April 23, 2014 and on August 4, 2014 two intercompany loans of up to €925,000 thousand (fully disbursed at December 31, 2014) and up to €75,000 (which €12,900 thousand disbursed at December 31, 2014) were signed, for which details may be found in note 5.

In addition, on April 23, 2014 the receivable of €162,988 thousand for the intercompany loan based on the agreement of November 29, 2010 between the Parent Company and the indirect parent Wind Telecom SpA was used to partially offset the liability arising from the transfer by the Parent Company of IRES corporate income tax liabilities as the result of adhesion to the national tax consolidation procedure with Wind Telecom SpA. The remaining balance of €141,712 thousand due by WIND to the indirect parent Wind Telecom SpA was transferred by the latter on the same date to the direct parent Wind Acquisition Holdings Finance SpA.
During the year ended December 31, 2014, Group companies did not hold treasury shares of the Parent WIND Telecomunicazioni SpA, either directly or through trustees, or hold shares of the parent WIND Acquisition Holdings Finance SpA, or hold investments in the indirect parent Wind Telecom SpA.

The table below provides a summary of the main effects on the income statement and statement of financial position of related party transactions during the year.

(thousands of euro)	Year ended December 31, 2014							
	Revenue	**Finance income/ (expense) and Foreign exchange gains/(losses), net**	**Expenses**	**Trade receiv.**	**Other receiv.**	**Financial receiv.**	**Trade payables**	**Other payables**
Armenija Telefon Kompani	9	-	2	1	-	-	13	-
Consorzio Wind Team	-	-	9	-	6	-	-	-
DiGi (Malaysia)	16	-	2	9	-	-	4	-
DTAC/UCOM (Thailand)	5	-	16	2	-	-	-	-
GrameenPhone (Bangladesh)	95	-	88	33	-	-	42	-
KaR-Tel	66	-	4	-	-	-	19	-
Kievstar	556	-	23,311	-	6	-	5,177	-
Maritim Communication Partner AS (Norway)	-	-	275	-	-	-	122	-
Mobitel LLC Georgia	23	-	8	-	-	-	9	-
Summit Technology Solutions (STS)	-	-	-	-	-	-	4	-
Orascom Telecom Algeria SpA	183	-	102	22	-	-	2	-
Orascom Telecom Bangladesh Ltd. (Banglalink)	4	-	16	101	-	-	-	-
Orascom Telecom Holding SAE	309	-	-	335	-	-	1,977	-
Pakistan Mobile Communications Ltd.	59	-	10	110	-	-	-	-
Powercom (Pty) Ltd T/A leo	-	-	12	-	-	-	10	-
SKY MOBILE LLC	1	-	1	-	-	-	1	-
Telenor Magyarorszag KFT (Hungary)	152	-	137	81	-	-	88	-
Telenor Mobile Communications AS (Norway)	68	-	31	-	-	-	39	-
Telenor Pakistan (Pakistan)	13	-	3	1	-	-	3	-
Telenor Serbia (Serbia)	105	-	55	140	-	-	373	-
Unitel	5	-	2	1	-	-	-	-
Vimpelcom ltd	1,094	-	-	-	2,960	-	56	-
VimpelCom Lao Co, Ltd	-	-	2	5	-	-	-	-
Vympel-Kommunikacii	942	-	6,491	-	-	-	1,306	-
Weather Capital Sarl	1	-	-	-	344	-	-	-
WIND Acquisition Holdings Finance SpA	44	59,000	-	-	2,043	-	273	141,712
Wind Telecom SpA*	1,302	1,306	382	-	21,006	996,900	3,059	26,143
Wind Acquisition Holdings Finance II SA	17	-	-	-	102	-	-	-
Wind Acquisition Holdings Finance SA	78	-	-	-	246	-	-	81
SPAL TLC S.p.A**.	240,600	-	25,688	2,254	-	-	6,824	-
Vimpelcom International services	-	-	16,131	-	677	-	17,406	-
Tacom LLC (Tajikistan)	-	-	-	-	-	-	1	-
Telenor Sverige AB	55	-	-	9	-	-	-	-
Weather Capital Special Purposes I SA	62	-	-	-	324	-	-	-
Klarolux Investments Sarl	17	-	-	-	55	-	-	-
Orascom Luxembourg SARL	17	-	-	-	55	-	-	-
Orascom Telecom SARL	17	-	-	-	55	-	-	-
Orascom Telecom Finance SCA	18	-	-	-	55	-	-	-
Orascom Luxembourg Finance SCA	17	-	-	-	55	-	-	-
Orascom Telecom Acquisition	15	-	-	-	46	-	-	-
Orascom Telecom One Sarl	15	-	-	-	46	-	-	-
Orascom Telecom Oscar	25	-	-	-	79	-	-	-
VimpelCom Amsterdam B.V.	-	-	-	-	4,500	-	-	413
Cosmo Bulgaria Mobile EAD	36	-	133	-	-	-	39	-
Total	**246,041**	**60,306**	**72,911**	**3,104**	**32,660**	**996,900**	**36,847**	**168,349**

*payables to Wind Telecom SpA relate in the amount of €10,651 thousand and of €955 thousand to the transfer by the Parent and by the subsidiary WIND Retail Srl of its corporate income tax (IRES) payables to Wind Telecom SpA following the choice to take part in the national tax consolidation procedure with Wind Telecom SpA.

** revenue to SPAL TLC SpA include the revenue of WIND Telecomunicazioni SpA from the sale of phone cards (€220,788 thousand).

Directors

The Directors of the Parent, identified as "Key Management Personnel", did not receive compensation for 2014, as it was not deliberated by the ordinary shareholders' meeting. There were no transactions with directors in 2014.

35 NET FINANCIAL INDEBTEDNESS

The following statement shows the Group's net financial indebtedness broken down into its principal components, as already described in notes 5, 14 and 15 to the financial components of the statement of financial position.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Bonds issues	8,843,637	6,280,981
Bank loans	1,721,836	2,290,599
Loans from other	227,654	330,923
Derivative financial instruments	74,055	181,514
Non-current financial liabilities	**10,867,182**	**9,084,017**
Bonds issues	142,211	180,636
Bank loans	166,100	145,962
Loans from others	104,995	142,808
Derivative financial instruments	0	15,543
Current financial liabilities	**413,306**	**484,949**
TOTAL GROSS FINANCIAL INDEBTEDNESS	**11,280,488**	**9,568,966**
Cash and cash equivalents	**(203,012)**	**(140,770)**
Financial receivables	(20,581)	(174,490)
Current financial assets	**(20,581)**	**(174,490)**
Derivative financial instruments	(411,769)	(68,548)
Financial receivables	(991,192)	(40,588)
Non-current financial assets	**(1,402,961)**	**(109,136)**
NET FINANCIAL INDEBTEDNESS	**9,653,934**	**9,144,570**

The net financial indebtedness does not include the guarantee deposits for an amount of €4,250 thousand and €4,261 thousand at December 31, 2014 and at December 31, 2013, respectively.

36 CASH FLOW STATEMENT

Cash flows from operating activities, amounting to €782,842 thousand in 2014, decreased of €200.065 thousand over 2013 mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash during the twelve months of 2014 of a total of €1,531,005 thousand, representing an increase of €743,467 thousand over the previous year 2013 due mainly to: i) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan of €937,900 thousand, ii) the settlement of the loan of the parent to the indirect parent Wind Telecom SpA based on the Intercompany Loan Agreement of November 29, 2010 of €162,988 thousand and iii) a reduction in investments in fixed assets of €32,117 thousand mainly arising from the optimization in the developments of products, services and support processes only partially offset by higher investments in LTE mobile technology, over the twelve months of 2013.

For the year ended December 31, 2014 financing activities used cash of €810,405 thousand, while for the year ended December 31, 2013 financing activities absorbed cash of €185,142 thousand primarily as a result of the increase in proceeds from bond issue in an aggregate nominal amount of €7,845,647 thousand, partially offset by the early repayment of the non-current financial liabilities in an aggregate nominal amount of €6,466,496 thousand and in particular as a consequence of:

- the early repayment of €2,693,624 thousand, made in April, 23 2014 and in July, 15 2014 of all of Senior Secured Notes 2017;
- the issue on April 2014 of a new bond Senior Notes due 2021 of €3,773,999 thousand;
- the issue on July 2014 of a new bond Senior Secured Notes due 2020 and 2019 of €4,071,648 thousand;
- the early repayment of €573,240 thousand made on July 2014 of the non-extended part of the Senior Credit Facilities;
- the early repayment of €3,199,632 thousand, made in July 2014 of Senior Secured Notes 2018;
- the payment of €458,021 thousand of fees, mainly related to new Senior Notes 2021, 2020 and 2019;
- the repayment of €51,950 thousand, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group’s debt of November 26, 2010;
- the repayment of €2,102 thousand related to the loan against the capitalization of expenditure for the backbone rights of way;
- the repayment of €81,011 thousand, of the third installment falling due in October 2014, of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights.

In addition, financing activities at December 31, 2014 include the overdraft for an amount of €42,282 thousand (€15,854 thousand at December 31, 2013).

During 2013 financing activities used cash of €185,142 thousand mainly due to the early repayment of €575 million of the installments of tranches A1 and A2 of the Senior Facility Agreement falling due in 2014 and 2015, the issue of a new bond having an amount, net of fees paid, of €561 million, the early repayment of €81,011 thousand, of the second installment of the payable due to the Ministry of Economic Development, the repayment of €72,879 thousand of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group’s debt on November 26, 2010, the repayment of €9,675 thousand on December 27, 2013 relating to the debt with a counterparty as the result of the terminating of a derivative due to the insolvency of the counterparty and of €1,587 thousand related to the loan against the capitalization of expenditure for the backbone right of way. In addition, financing activities at December 31, 2013 included the repayment of €5,973 thousand in overdrafts.

37 OTHER INFORMATION

Main pending legal proceedings

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at December 31, 2014, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

Proceedings with agents

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

Proceedings concerning Misleading Advertising and Unfair Commercial Practices

Under Legislative decree no.146/2007, the Italian Antitrust Authority has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2014, AGCM initiated three proceedings against WIND for unfair commercial practices: one proceeding was settled (the related appeal before TAR Lazio, the Administrative Court of Lazio, is pending) and other two proceedings are on-going.

Audit by the Italian Tax Authority

Agenzia delle Entrate ("ADE") (Italian Tax Authority) conducted a tax audit on senior lenders under the senior facility agreement dated 24 November 2010 ("SFA") and challenged the non-application of substitute tax on the SFA. Each senior lender is liable for the substitute tax challenged on its own portion of the SFA, but may claim indemnification from WIND Telecomunicazioni SpA. The indemnification right has already been exercised. It should be noted that the assessments have been appealed by the senior lenders in coordination with WIND Telecomunicazioni SpA.
In the fourth quarter of 2013 the Guardia di Finanza ("GDF") (Italian Tax Police) initiated an audit for Corporate Income Tax and withholding tax purposes on WIND Telecomunicazioni SpA. The audit ended on 18 April 2014 with a tax audit report where GDF challenged, for corporate tax purposes, the deduction of certain financial expenses incurred by Wind Acquisition Finance SpA (merged into WIND Telecomunicazioni SpA) relating to FY 2005. On November 17, 2014 ADE notified a Tax Assessment challenging the tax deduction of the above mentioned items. Higher corporate taxes challenged are in the range of approximately €10.5 million plus penalties and interest.

Contingent assets and liabilities

The WIND Group had the following contingent liabilities as at December 31, 2014.

Proceedings Concerning Electromagnetic Radiation

Certain proceedings against WIND are pending from time to time regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation.

Audit on dealers' fees

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court, except for the year 2001 in relation to which the timing for appealing by tax authority is expired. The dispute can be quantified in approximately €5 million plus penalties and interest.

WIND/Crest One SpA

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

WIND-Antitrust Authority (A/357)

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

Fastweb/WIND

On January 2, 2014, Fastweb served a claim on WIND based on the antitrust proceedings no. A/357 – which in August 2007 condemned WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to the business clients). Following a delay due to a substitution of the assigned judge, the first hearing date, scheduled on October 8, 2014, has been postponed on March 4, 2015.

WIND-Antitrust Authority (I/757)

On September 13, 2012, the AGCM opened an antitrust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND). The investigation started following a complaint by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND aiming at preventing the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting in June, 2012. AGCM extended the scope of the investigation against Telecom Italia and WIND, contesting possible vertical agreements with their respective multibrand dealers aiming at excluding the competitors. WIND filed undertakings to AGCM on April 4, 2014, which AGCM published on April 22, 2014. On June 10, 2014, WIND attended a formal hearing with AGCM's Communication Unit. The proceeding initially scheduled to be completed on October 30, 2014 has been postponed on December 31, 2014.
With two decisions, published on December 29, 2014 the Italian Antitrust Authority decided to (i) close the investigation opened against Telecom Italia, WIND and Vodafone (for alleged horizontal agreement) and (ii) make mandatory the commitments proposed by WIND and Telecom Italia and close the investigation opened for alleged vertical agreements without ascertaining any violation by Telecom Italia and WIND.

Guarantees

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

The collateral pledged by Group companies at December 31,2014 as a guarantee for liabilities may be summarized as follows:

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

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

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €353,343 thousand at December 31, 2014 includes:

- sureties totaling €15,054 thousand issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €338,289 thousand issued by banks, relating to participation in tenders, of which €276,630 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded for the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

The Parent has been under the management and coordination of VimpelCom Ltd since November 2013.

38 SUBSEQUENT EVENTS

On February 18, 2015, Wind Telecomunicazioni SpA formed the wholly owned subsidiary, GALATA SpA, through the contribution of the business unit "Tower Development". The purpose of GALATA SpA is to develop network communications and market services in hospitality, sharing / maintenance and value-added services to other operators in the communication sector.

This transaction was carried out in order to strengthen a role in the tower company sector as well as to assess the opportunities for business development also through transactions with investors or partners.

WIND Telecomunicazioni SPA

Separate financial statements as of and for the year ended December 31, 2014

FINANCIAL STATEMENTS AND NOTES THERETO

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

WIND TELECOMUNICAZIONI SPA

SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the shareholders of
Wind Telecomunicazioni SpA

1 We have audited the separate financial statements of Wind Telecomunicazioni SpA as of 31 December 2014 which comprise the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and related notes. The directors of Wind Telecomunicazioni SpA are responsible for the preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these separate financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the separate financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the separate financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to the report issued by other auditors dated 21 March 2014.

3 In our opinion, the separate financial statements of Wind Telecomunicazioni SpA as of 31 December 2014 comply with International Financial Reporting Standards as adopted by the European Union; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of Wind Telecomunicazioni SpA for the period then ended.

PricewaterhouseCoopers SpA

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4 The directors of Wind Telecomunicazioni SpA are responsible for the preparation of a report on operations in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the report on operations with the financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard n° 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili and recommended by Consob. In our opinion, the report on operations is consistent with the financial statements of Wind Telecomunicazioni SpA as of 31 December 2014.

Rome, 27 February 2015

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.

CONTENTS

STATEMENT OF FINANCIAL POSITION

(thousands of euro)	Note	At December 31, 2014	At December 31, 2013
Assets			
Property, plant and equipment	3	3,270,559	3,433,119
Intangible assets	4	8,266,413	8,559,208
Financial assets	5	1,107,727	186,762
Deferred tax assets	6	141,416	151,667
Total non-current assets		**12,786,115**	**12,330,756**
Inventories	7	19,076	22,476
Trade receivables	8	969,576	1,123,915
Financial assets	5	22,520	166,837
Current tax assets	9	648	19,175
Other receivables	10	273,497	192,600
Cash and cash equivalents	11	141,466	126,097
Total current assets		**1,426,783**	**1,651,100**
TOTAL ASSETS		**14,212,898**	**13,981,856**
Equity and Liabilities			
Equity			
Issued capital		147,100	147,100
Share premium reserve		752,157	752,157
Other reserves		(2,670)	7,264
Retained earnings		(474,120)	(124,788)
Total equity	12	**422,467**	**781,733**
Liabilities			
Financial liabilities	13	9,936,524	8,990,105
Employee benefits	15	59,470	51,909
Provisions	16	175,891	273,749
Other non-current liabilities	17	160,290	165,388
Deferred tax liabilities	6	633,792	663,024
Total non-current liabilities		**10,965,967**	**10,144,175**
Financial liabilities	13	515,262	629,837
Trade payables	18	1,658,499	1,660,781
Other payables	19	650,037	765,330
Tax payables	20	666	-
Total current liabilities		**2,824,464**	**3,055,948**
Total liabilities		**13,790,431**	**13,200,123**
TOTAL EQUITY AND LIABILITIES		**14,212,898**	**13,981,856**

INCOME STATEMENT

(thousands of euro)	Note	2014 12 months	2013 12 months
Revenue	21	4,389,776	4,828,022
Other revenue	22	243,116	156,503
Total revenue		**4,632,892**	**4,984,525**
Purchases and services	23	(2,355,407)	(2,564,153)
Other operating costs	24	(177,848)	(168,516)
Personnel expenses	25	(299,074)	(312,521)
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		**1,800,563**	**1,939,335**
Depreciation and amortization	26	(1,213,778)	(1,264,158)
Reversal of impairment losses/(impairment losses) on non-current assets	27	(12,194)	(5,982)
Losses on disposal of non-current assets	28	(4,400)	(5,144)
Operating income		**570,191**	**664,051**
Finance income	29	67,982	36,761
Finance expense	30	(937,783)	(1,048,873)
Foreign exchange gains/(losses), net	31	(1,674)	363
Profit /(Loss) before tax		**(301,284)**	**(347,698)**
Income taxes	32	(48,048)	(143,387)
Loss for the year		**(349,332)**	**(491,085)**

STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)	Note	2014 12 months	2013 12 months
Loss for the year		**(349,332)**	**(491,085)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments		(4,761)	87,721
Total Other comprehensive income that will be reclassified subsequently to profit or loss	**12**	**(4,761)**	**87,721**
Total Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on remeasurement of defined benefit plans		(7,135)	1,780
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		1,962	(489)
Total Other comprehensive income that will not be reclassified subsequently to profit or loss	**12**	**(5,173)**	**1,291**
Total Other comprehensive income for the year, net of tax		**(9,934)**	**89,012**
Total comprehensive income for the year		**(359,266)**	**(402,073)**

CASH FLOW STATEMENT

(thousands of euro)	2014 12 months	2013 12 months
Cash flows from operating activities		
Loss for the year	**(349,332)**	**(491,085)**
Adjustments to reconcile the loss for the year with the cash flows from/ (used in) operating activities		
Depreciation, amortization and (reversal of impairment losses)/impairment losses on non-current assets	1,225,972	1,270,135
Net changes in provisions and employee benefits	(97,431)	113,078
Loss on disposal of non-current assets	4,400	5,144
Changes in current assets	79,392	139,722
Changes in current liabilities	(16,851)	(85,119)
Net cash flows from operating activities	**846,150**	**951,875**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(553,958)	(562,848)
Proceeds from sale of property, plant and equipment	452	1,124
Acquisition of intangible assets	(200,084)	(225,148)
Proceeds from sale of subsidiaries	-	1,200
Raccolta/(uscite) di prestiti concessi	(774,912)	-
Net cash flows used in investing activities	**(1,528,502)**	**(785,672)**
Cash flows from financing activities		
Changes in loans	698,300	(149,744)
Changes in current accounts with subsidiaries	(579)	528
Net cash flows from / (used in) financing activities	**697,721**	**(149,216)**
Net cash flows for the year	**15,369**	**16,987**
Cash and cash equivalents at the beginning of the year	126,097	109,110
Cash and cash equivalents at the end of the year	**141,466**	**126,097**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(thousands of euro)	2014 12 months	2013 12 months
Income taxes paid	(190,480)	(129,394)
Interest paid on loans/bonds	(688,434)	(722,126)
Interest (paid) / received on hedging derivative instruments	(41,022)	(57,267)

STATEMENT OF CHANGES IN EQUITY

	Equity				
(thousands of euro)	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)	**Shareholders' Equity**
Balances at December 31, 2013	**147,100**	**752,157**	**(85,026)**	**366,297**	**1,180,528**
IAS 19 revised adoption effect	**-**	**-**	3,278	**-**	
Balances at January 1, 2013	**147,100**	**752,157**	**(81,748)**	**366,297**	**1,183,806**
Total comprehensive income for the year	**-**	**-**	**89,012**	**(491,085)**	**(402,073)**
- Loss for the year	-	-	-	(491,085)	**(491,085)**
- Cash flow hedges	-	-	87,721	-	**87,721**
- Remeasurement of defined benefit plans	-	-	1,291		**1,291**
Transactions with equity holders	**-**	**-**	**-**	**-**	**-**
- Contribution from shareholders	-	-	-	-	**-**
Balances at December 31, 2014	**147,100**	**752,157**	**7,264**	**(124,788)**	**781,733**
Total comprehensive income for the year	**-**	**-**	**(9,934)**	**(349,332)**	**(359,266)**
- Loss for the year	-	-	-	(349,332)	**(349,332)**
- Cash flow hedges	-	-	(4,761)	-	**(4,761)**
- Remeasurement of defined benefit plans	-	-	(5,173)	-	**(5,173)**
Transactions with equity holders	-	-	-	-	**-**
Balances at December 31, 2014	**147,100**	**752,157**	**(2,670)**	**(474,120)**	**422,467**

NOTES TO THE FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI SPA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

1 INTRODUCTION

WIND Telecomunicazioni SpA ("WIND" or the "Company") is a joint stock company having its registered office in Via Cesare Giulio Viola, 48, Rome (Italy), and is controlled by Wind Telecom SpA through WIND Acquisition Holdings Finance SpA which wholly owns WIND Telecomunicazioni SpA. At the date of the present financial statements as of and for the year ended December 31, 2014 Vimpelcom Amsterdam BV holds 92.24% of Wind Telecom SpA.
WIND Telecomunicazioni SpA operate in Italy in the fixed and mobile telecommunications sector under the brands *"Infostrada"* and "*Wind*" respectively.

The Company closed 2014 with a loss before tax of €301.284 thousand (a profit before tax of €347,698 thousand in 2013) and a loss for the year from continuing operation of €349,332 thousand (€491,085 thousand in 2013). This result reflects the decline in operating income mainly due to increased competitive pressure on revenue only partially offset by the decrease in purchases and services cost and in net finance expense mainly due to the refinancing operations completed in April and July 2014, for which details may be found in note 30.
The commercial performance and ongoing cost structure optimization process has enabled the Company to consolidate its competitive position in 2014, despite the market contraction and continuing challenging macroeconomic environment. The efficiency and cost optimization processes have been and will be further enhanced by the integration with the VimpelCom Group, mainly through the achievement of synergies. In addition, in 2014, the Company successfully completed a debt refinancing process, with two distinct bond issuances, ensuring a significant decrease in the average cost of debt; as a result the Company will benefit from material interest cost savings and a sustainable capital structure going forward.

In 2015, WIND will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market, with a particular focus on digital channels in terms of new services, customer interaction and process efficiencies. The Company will continue to consolidate its position in the mobile, fixed-line voice and internet segments as well as developing its convergent business model.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of WIND Telecomunicazioni SpA at December 31, 2014 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.
The term IFRS includes all International Financial Reporting Standards (IFRSs), all International Accounting Standards (IASs), all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and all interpretations of the Standing Interpretations Committee (SIC) endorsed by the European Union and contained in published EU Regulations.
During the year no exceptional events occurred such as to require the waivers provided for by IAS 1.

These separate financial statements are expressed in euros, the currency of the economy in which the Company operates. Unless otherwise stated, all amounts shown in the tables and in these notes are expressed in thousands of euro.

For presentation purposes, the current/non-current distinction has been used for the statement of financial position, while expenses are analyzed in the income statement using a classification based on their nature. The indirect method has been selected to present the cash flow statement.

These financial statements were approved by the Company's Board of Directors on February 20, 2015.

2.2 Summary of main accounting policies

The principal accounting policies adopted in preparing these financial statements are set out below.

- ***Property, plant and equipment***

Property, plant and equipment are stated at purchase cost or production cost, net of accumulated depreciation and any impairment losses. Cost includes expenditure directly attributable to bringing the asset to the location and condition necessary for use and any dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition.

Costs incurred for ordinary and cyclical repairs and maintenance are taken directly to profit or loss in the period in which they are incurred. Costs incurred for the expansion, modernization or improvement of the structural elements of owned or leased assets are capitalized to the extent that they have the requisites to be separately identified as an asset or part of an asset, in accordance with the "component approach". Under this approach each asset is treated separately if it has an autonomously determinable useful life and carrying amount. Depreciation is charged systematically, on a straight-line-basis from the date the asset is available and ready for use over its estimated useful life.

The useful lives of property, plant and equipment and their residual values are reviewed and updated, where necessary, at least at each year end. Land is not depreciated. When a depreciable asset is composed of identifiable separate components whose useful lives vary significantly from those of other components of the asset, depreciation is calculated for each component separately, applying the "component approach".

The useful lives estimated by the Company for the various categories of property, plant and equipment are as follows.

Plant and machinery	5-20 years
Planning and development costs of the fixed line and mobile telephone network	Residual term of license
Equipment	4 years
Other assets	5-10 years

Gains or losses arising from the sale or retirement of assets are determined as the difference between the selling price and the carrying amount of the asset sold or retired and are recognized in profit or loss under "Gains/(losses) on disposal of non-current assets".

Finance leases are leases that substantially transfer all the risks and rewards incidental to the ownership of assets to the Company. Property, plant and equipment acquired under finance leases are recognized as assets at their fair value or, if lower, at the present value of the minimum lease payments, including any amounts to be paid for exercising a purchase option. The corresponding liability due to the lessor is recognized as part of financial liabilities.

An asset acquired under a finance lease is depreciated over the shorter of the lease term and its useful life.
Lease arrangements in which the lessor substantially retains the risks and rewards incidental to ownership of the assets are classified as operating leases. Lease payments under operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

- ***Intangible assets***

Intangible assets are identifiable non-monetary assets without physical substance which can be controlled and which are capable of generating future economic benefits. Intangible assets are stated at purchase and/or production cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization in the case of assets being amortized and any impairment losses. Amortization begins when an asset becomes available for use and is charged systematically on the basis of the residual possibility of utilization of the asset, meaning on the basis of its estimated useful life.

➢ *Industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights*

Costs for the purchase of industrial patents and intellectual property rights, concessions, licenses, trademarks and similar rights are capitalized. Amortization is charged on a straight-line basis such as to write off the cost incurred for the acquisition of a right over the shorter of the period of its expected use and the term of the underlying agreement, starting from the date on which the acquired right may be exercised. Trademarks are not amortized as they are considered to have an indefinite useful life.

➢ *Software*

Costs relating to the development and maintenance of software programs are expensed as incurred. Unique and identifiable costs directly related to the production of software products which are controlled by the Company and which are expected to generate future economic benefits for a period exceeding one year are accounted for as intangible assets. Direct costs – where identifiable and measurable – include the cost of employees who develop the software, together with a share of overheads as appropriate. Amortization is charged over the useful life of the software which is estimated at 5 years.

➢ *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the interest acquired in the fair value at the acquisition date of the assets and liabilities of the entity or business acquired and is mainly relates to Infostrada SpA (2002), Wind Acquisition Finance SpA (2006), and goodwill arised as a result of acquisition of participation in Blu SpA (2002). Goodwill relating to investments accounted for using the equity method is included in the carrying amount of the investment. Goodwill is not systematically amortized but is rather subject to periodic tests to ensure that the carrying amount in the statement of financial position is recoverable ("impairment test"). Impairment tests are carried out annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss on the cash generating units ("CGUs") to which the goodwill has been allocated. An impairment loss is recognized whenever the recoverable amount of goodwill is lower than its carrying amount. The recoverable amount is the higher of the fair value of the CGU less costs to sell and its value in use, which is represented by the present value of the cash flows expected to be derived from the CGU during operations and from its disposal at the

end of its useful life. The method for calculating value in use is described in the paragraph below "Impairment losses". Once an impairment loss has been recognized on goodwill it cannot be reversed.
Whenever an impairment loss resulting from the above tests exceeds the carrying amount of the goodwill allocated to a specific CGU, the residual amount is allocated to the assets of that particular CGU in proportion to their carrying amounts. The carrying amount of an asset under this allocation is not reduced below the higher of its fair value less costs to sell and its value in use as described above.

➢ *Customer list*

The customer list as an intangible asset consists of the list of customers identified on allocating the goodwill arising on acquisitions carried out by the Company. Amortization is charged on the basis of the respective estimated useful lives, which range from 5 to 15 years.

➢ *Customer Acquisition Costs*

These consist mainly of the cost of commissions paid to the sales network, which in line with sector practice are capitalized as intangible assets from 2010, in accordance with the principles of reference, and amortized over the minimum contract term.

▪ ***Impairment losses***

At each reporting date, property, plant and equipment and intangible assets with finite lives are assessed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset concerned is estimated and any impairment loss is recognized in profit or loss. Intangible assets with indefinite useful lives are tested for impairment annually or more frequently when events or changes in circumstances occur that could lead to an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is represented by the present value of its estimated future cash flows. In determining an asset's value in use the estimated future cash flows are discounted using a pre-tax rate that reflects the market's current assessment of the cost of money for the investment period and the specific risk profile of the asset. If an asset does not generate independent cash flows, its recoverable amount is determined in relation to the cash-generating unit (CGU) to which it belongs. An impairment loss is recognized in the profit or loss when the carrying amount of an asset or the CGU to which it is allocated exceeds its recoverable amount. If the reasons for previously recognizing an impairment loss cease to exist, the carrying amount of an asset other than goodwill is increased to the carrying amount of the asset that would have been determined (net of amortization or depreciation) if no impairment loss had been recognized on the asset, with the reversal being recognized in profit or loss.

▪ ***Investments***

Investments in subsidiaries and associates are measured at cost. Investments in other companies are measured at fair value through profit or loss. If fair value cannot be reliably determined an investment is measured at cost.

Cost is adjusted for impairment losses if necessary, as described in the paragraph "Impairment losses". If the reasons for an impairment loss no longer exist, the carrying amount of the investment is increased up to the extent of the loss with the related effect recognized in profit or loss. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision to the extent of the Company's legal or constructive obligations on behalf of the investee or in any case to the extent that it is required to cover the losses. Investments held for sale or to be wound up in the short term are classified as current assets at the lower of their carrying amount and fair value less costs to sell.

- ***Financial instruments***

Financial instruments consist of financial assets and liabilities whose classification is determined on their initial recognition and on the basis of the purpose for which they were purchased. Purchases and sales of financial instruments are recognized at settlement date.

➢ *Financial assets*

Financial assets are initially recognized at fair value and classified in one of the following four categories and subsequently measured as described below:

i) Financial assets at fair value through profit or loss: this category includes financial assets purchased primarily for sale in the short term, those designated as such upon initial recognition, provided that the assumptions exist for such classification or the fair value option may be exercised, and financial derivatives except for the effective portion of those designated as cash flow hedges. These assets are measured at fair value; any change in the period is recognized in profit or loss. Financial instruments included in this category are classified as current assets if they are held for trading or expected to be disposed of within twelve months from the reporting date. Derivatives are treated as assets or liabilities depending on whether their fair value is positive or negative; positive and negative fair values arising from transactions with the same counterparty are offset if this is contractually provided for.

ii) Loans and receivables: these are non-derivative financial instruments, mostly relating to trade receivables, which are not quoted on an active market and which are expected to generate fixed or determinable repayments. They are included as current assets unless they are contractually due over more than twelve months after the reporting date in which case they are classified as non-current assets. These assets are measured at amortized cost using the effective interest method. If there is objective evidence of factors which indicate an impairment loss, the asset is reduced to the discounted value of future cash flows. The impairment loss is recognized in profit or loss. If in future years the factors which caused the impairment loss cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been obtained in case of application of amortized cost.

iii) Held-to-maturity investments: these are fixed maturity non-derivative financial instruments having fixed or determinable payments which the Company has the intention and ability to hold until maturity. These assets are measured at amortized cost using the effective interest method, adjusted as necessary for impairment losses. In the case of impairment the policies used for financial receivables will be applied.

iv) Available-for-sale financial assets: these are non-derivative financial instruments which are either specifically included in this category or included there because they cannot be classified in the other categories. These assets are measured at fair value and any related gain or loss is recognized directly in an equity reserve and subsequently recognized in profit or loss only when the asset is actually sold or, if there are cumulative negative changes, when it is expected that the losses recognized in equity cannot be recovered in the future. For debt securities, if in a future period the fair value increases due to the objective consequence of events occurring after the impairment loss has been recognized in profit or loss, the original value of the instrument is reinstated with the corresponding gain recognized in profit or loss. Additionally, the yields from debt securities arising from the use of the amortized cost method are recognized in profit or loss in the same manner as foreign exchange differences, whereas foreign exchange differences relating to available-for-sale equity instruments are recognized in the specific equity reserve. The classification as current or non-current assets is the consequence of strategic decisions regarding the estimated period of ownership of the asset and its effective marketability, with those which are expected to be realized within twelve months from the reporting date being classified as current assets.

Financial assets are derecognized when the right to receive cash flows from them ceases and the Company has effectively transferred all risks and rewards related to the instrument and its control.

➢ *Financial liabilities*

Financial liabilities consisting of loans, trade payables and other obligations are measured at amortized cost using the effective interest method. When there is a change in expected cash flows which can be reliably estimated, the value of the loans is recalculated to reflect such change based on the present value of expected cash flows and the originally determined internal rate of return. Financial liabilities are classified as current liabilities except where the Company has an unconditional right to defer payment until at least twelve months after the reporting date.

Financial liabilities are derecognized when settled and the Company has transferred all the related costs and risks relating to the instrument.

➢ *Derivative financial instruments*

At the date of signing of the contract instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of income. Where instead it has been decided to use hedge accounting, meaning in those situations in which the hedging relationship is identified, subsequent changes in fair value are accounted for in accordance with the following specific criteria. The relationship between each derivative qualifying as a hedging instrument and the hedged item is documented to include the risk management objective, the hedging strategy and the means by which the hedging instrument's effectiveness will be assessed. An assessment of the effectiveness of each hedge is made when each derivative financial instrument becomes active and throughout the hedge term.

In the case of a fair value hedge, i.e. the hedge refers to changes in the fair value of a recognized asset or liability, the changes in the fair value of the hedging instrument and those of the hedged item are both recognized in profit or loss. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as finance income or expense for the year in the income statement.

For a cash flow hedge, the fair value changes of the derivative are subsequently recognized, limited to the effective portion, in a specific equity reserve (the "cash flow hedge reserve"). A hedge is normally considered highly effective if from the beginning and throughout its life the changes in the expected cash flows for the hedged item are substantially offset by the changes in the fair value of the hedging instrument. When the economic effects deriving from the hedged item are realized, the reserve is reclassified to the income statement together with the economic effects of the hedged item. Whenever the hedge is not highly effective, the non-effective portion of the change in fair value of the hedging instrument is immediately recognized as a financial component of the profit or loss for the year. Cash flow hedges also include hedges of the currency risk for transactions carried out in US dollars. These obligations are translated at the year-end exchange rate and any resulting exchange gains and losses are offset in the income statement against the change in the fair value of the hedging instrument.

When hedged forecast cash flows are no longer considered highly probable during the term of a derivative, the portion of the "cash flow hedge reserve" relating to that instrument is reclassified as a financial component of the profit or loss for the year. If instead the derivative is sold or no longer qualifies as an effective hedging instrument, the "cash flow hedge reserve" recognized to date remains as a component of equity and is reclassified to profit or loss for the year in accordance with the criteria of classification described above when the originally hedged transaction takes place.

Quotations at the reporting date are used to determine the fair value of financial instruments listed on active markets. In the absence of an active market, fair value is determined by referring to prices supplied by third-party operators and by using valuation models based primarily on objective financial variables and, where possible, prices in recent transactions and market prices for similar financial instruments.

- ***Sales of receivables***

The Company carries out sales of receivables under factoring arrangements in accordance with Law 52/1991. These sales, in the majority of cases, are characterized by the transfer of substantially all the risks and rewards of ownership of the receivables to third parties, meeting IFRS requirements for derecognition. Specific servicing contracts, through which the buyer confers a mandate to WIND Telecomunicazioni SpA. for the collection and management of the receivables, leave the current Company/customer relationship unaffected.

- ***Taxation***

Income taxes are recognized on the basis of taxable profit for the year and the applicable laws and regulations, using tax rates prevailing at the reporting date.

Deferred taxes are calculated on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements at the tax rates that are expected to apply for the years when the temporary differences will be realized or settled and tax losses carried forward will be reversed, based on tax laws that have been enacted or substantively enacted by the reporting date. An exception to this rule regards the initial recognition of goodwill and temporary differences connected with investments in subsidiaries when the Company is able to control the timing of the reversal of the temporary differences or when it is probable that the differences will not reverse.

Current and deferred taxes are recognized in profit or loss, except for those arising from items taken directly to equity; in such cases the tax effect is recognized directly in the specific equity item.

Tax assets and liabilities, including those regarding deferred taxation, are offset when they relate to income taxes levied by the same taxation authority on the same taxable entity and when the entity has a legally enforceable right to offset these balances and intends to exercise that right. In addition, current tax assets and liabilities are offset in

the case that different taxable entities have the legally enforceable right to do so and when they intend to settle these balances on a net basis.
The Company's tax position and its presentation in the financial statements reflect the effects of the election made in 2006 and renewed in 2009 and in 2012 by the Italian parent Wind Telecom SpA to take part in the national tax consolidation procedure.
For the regulations on electing the tax consolidation procedure to apply, the Company that elected for consolidation is required to determine a single overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the Parent and those of its subsidiaries taking part in the procedure, and to settle a liability by making a single tax payment or to recognize a single tax credit for repayment or to be carried forward.
Therefore, it follows that a receivable or payable with the Parent is found in the financial statements on transferring a tax loss or taxable profit, respectively, in the place of the respective tax receivables or payables accrued by the Company.

- ***Inventories***

Inventories are stated at the lower of purchase cost or production cost and net estimated realizable value. Cost is determined using the weighted average cost method for fungible goods or goods held for resale. When necessary, provisions are made for slow-moving and obsolete inventories.

- ***Cash and cash equivalents***

Cash and cash equivalents are recognized at fair value and consist of short-term highly liquid investments (generally not exceeding three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- ***Assets held for sale and assets in disposal groups***

Assets held for sale consist of non-current assets (or disposal groups) whose carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. No further depreciation is charged from the time that a depreciable asset is reclassified to this caption. Gains or losses arising from discontinued operations or from assets held for sale are reported as a separate item in profit or loss, net of any tax effects.

- ***Provisions***

Provisions are recognized for a loss or expense of a specific nature that is certain or probable to arise but for which the timing or amount cannot be precisely determined. Provisions are only recognized when the Company has a present legal or constructive obligation arising from past events that will result in a future outflow of resources, and when it is probable that this outflow of resources will be required to settle the obligation. The amount provided represents the best estimate of the present value of the outlay required to meet the obligation. The interest rate used in determining the present value of the liability reflects current market rates and takes into account the specific risk of each liability.
Risks, for which the likelihood of a liability arising is just possible, are disclosed in the notes under "Contingent assets and liabilities" and no provision is made.

- ***Employee benefits***

- *Short-term employee benefits*

Short-term employee benefits are recognized in profit or loss in the period when an employee renders the related service.

- *Post-employment benefits*

Post-employment benefits may be divided into two categories: 1) defined contribution plans and 2) defined benefit plans. Contributions to defined contribution plans are charged to profit or loss when incurred, based on their nominal value. For defined benefit plans, since benefits are determinable only after the termination of employment, costs are recognized in profit or loss based on actuarial calculations.

Defined benefit plans, which include the Italian post-employment benefits (TFR) which are due in accordance with the provisions of article 2120 of the Italian Civil Code and which are accrued up to December 31, 2006, are based on an employee's working life and the remuneration received during service. The related liability is projected forward to calculate the probable amount payable at the termination date and is then discounted using the Projected Unit Credit Method, taking into account time before the actual payment of the benefit. The measurement of the liability recognized in the statement of financial position is carried out by third party actuaries, based on actuarial assumptions which relate mainly to: the discount rate, which must reflect market yields on the high quality corporate bonds having a term consistent with the expected term of the obligation and employee turnover.

As a consequence of the introduction of Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations, the post-employment benefits accruing from January 1, 2007 are considered to be part of defined contribution plans and recognized in the same manner as other defined contribution plans, if the amounts are transferred to treasury funds of the national social security organization (INPS), or from June 30, 2007 or the date of employee election, if earlier, if transferred to private pension plans. The post-employment benefits accrued up to these dates remain defined benefit plans, with the related actuarial calculations.

At each reporting date, actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Company's obligation at year end, which arise from changes in the actuarial assumptions referred to above, are recognized in among other components of the Separate Statement of Comprehensive Income as provided in the amendment IAS 19 adopted by the Company from January 2013.

- *Termination benefits and redundancy incentive schemes*

Benefits due to employees on the termination of employment contracts are treated as a liability when the Company is demonstrably committed to terminating these contracts for a single employee or group of employees before the normal retirement date or to granting termination benefits in order to facilitate voluntary resignations of surplus employees following a formal proposal. These benefits do not create future economic advantages to the Company and the related costs are therefore immediately recognized in profit or loss.

- ***Translation of items in non-euro currencies***

Transactions in foreign currencies are translated into euros at the exchange rate prevailing at the date of the transaction. Exchange gains and losses arising on the settlement of transactions and those arising on the translation at year-end exchange rates of monetary assets and liabilities are recognized in profit or loss.

With reference to foreign transactions whose currency risk is covered with derivatives, further details are provided in the note *Financial instruments*.

- ***Revenue recognition***

Revenue is recognized at the fair value of the consideration received, net of rebates and discounts. Revenue from the sale of goods is recognized when the Company transfers the risks and rewards of ownership of the goods. Revenue from services is recognized in profit or loss by reference to the stage of completion and only when the outcome can be reliably estimated.

More specifically, the criteria followed by the Company in recognizing core-business revenue are as follows:

- revenue arising from post-paid traffic, interconnection and roaming is recognized on the basis of the actual usage of each subscriber and telephone operator. Such revenue includes amounts paid for access to and usage of the Company network by customers and other domestic and international telephone operators;
- revenue from the sale of prepaid cards and recharging is recognized on the basis of the prepaid traffic actually used by subscribers during the year. The unused portion of traffic at period end is recognized as "Other payables - Prepaid traffic to be used";
- revenue from the sale of mobile phones and fixed-line phones and related accessories is recognized at the time of sale;
- one-off revenue from fixed and mobile (prepaid or subscription) activation and/or substitution, activation of new services and tariff plans is recognized for the full amount at the moment of activation to the extent of the related costs, or deferred over the minimum contractual term. In the case of promotions with a cumulative plan still open at year end, the activation fee is recognized on an accrual basis so as to match the revenue with the period in which the service may be used;
- one-off fees received for the granting of rights to use owned fiber optic cables are recognized at the time of the transfer of the underlying right and, therefore, of the related risks and rewards.

- ***Grants***

Grants are recognized when a formal decision of the disbursing government institution, in case of government grants, has been taken, with recognition being matched to the costs to which they relate. Grants related to income are taken to "Other revenue" in the Separate Income Statement, while grants related to Property, plant and equipment are recognized as deferred income in the Separate Statement of Financial Position and taken to the Separate Income Statement on a straight-line basis over the useful life of the asset to which the grant directly relates.

- ***Finance income and expense***

Finance expense is recognized on an accruals basis using the effective interest method, meaning at the interest rate that renders all cash inflows and outflows linked to a specific transaction financially equivalent.

Finance expenses that are directly attributable to the acquisition, construction or production of qualifying assets (as defined under IAS 23 – Borrowing Costs), which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized and amortized over the useful life of the class of assets to which they refer.

- ***Earnings per share***

➢ *Basic*

Basic earnings per share are calculated by dividing the profit or loss for the year both from continuing and discontinued operations, by the weighted average number of ordinary shares outstanding during the year.

➢ *Diluted*

Diluted earnings per share are calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares of the outstanding during the year where, compared to basic earnings per share, the weighted average number of shares outstanding is adjusted for the effects of all dilutive potential shares, while the profit or loss for the year is adjusted for the effects of such conversion net of taxation. Diluted earnings per share are not calculated when there are losses as any dilutive effect would improve earnings per share.

▪ ***New accounting standards and interpretations***

The Company has adopted all the newly issued and amended standards of the IASB and interpretations of the IFRIC, endorsed by the European Union, applicable to its transactions and effective for financial statements for years beginning January 1, 2014 and thereafter.

Accounting standards, amendments and interpretations adopted from January 1, 2014

The following is a brief description of the new standards and interpretations adopted by the Company in the preparation of the financial statements at December 31, 2014.

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

IFRS 10 – Consolidated Financial Statements replaces the whole of SIC-12 - Consolidation: Special Purpose Entities and parts of IAS 27 – Consolidated and Separate Financial Statements (which has been 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 Separate financial statements at December 31, 2014 from adopting these principles.

➢ *IFRS 11 – Joint Arrangements*

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

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

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

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

The objective of the revised version of IAS 28 is to prescribe the accounting for investments in associates and establish the requirements for applying the equity method when accounting for investments in associates and joint entities. The application of the standard had no effect on the Separate financial statements at December 31, 2014.

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

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

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

The amendment to IFRS 10 - Consolidated Financial Statements clarifies that an investor must adjust comparative figures retrospectively if the conclusions on consolidation are not the same as those under IAS 27 / SIC 12 and IFRS 10 "at the date of initial application". The amendments to IFRS 11 - Joint Arrangements and IFRS 12 "Disclosures of Interests in Other Entities" provide simplifications to the 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 Separate financial statements at December 31, 2014.

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

The amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets address disclosures about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The application of the standard had no effect on the Separate financial statements at December 31, 2014.

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

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

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

The following standards and interpretations had been issued at the date of these notes but were not yet effective for the preparation of these financial statements at December 31, 2014.

STANDARD/INTERPRETATION	EFFECTIVE DATE
Annual Improvements to IFRSs 2010 – 2012 Cycle	February 1, 2015
Annual Improvements to IFRSs 2011 – 2013 Cycle	February 1, 2015
Amendments to IAS 19 – *Defined benefit Plans: Employee Contributions*	February 1, 2015

Accounting standards, amendments and interpretations adopted by the European Union

At the date of these notes relevant EU bodies have not completed the process necessary for the endorsement of the following standards and interpretations.

STANDARD/INTERPRETATION	IASB EFFECTIVE DATE
Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*	January 1, 2016
Amendments to IAS 1: *Disclosure Initiative*	January 1, 2016
IFRS 14 – *Regulatory Deferral Accounts*	January 1, 2016
IFRS 9 – *Financial Instruments*	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 – *Revenue from Contracts with Customers*	January 1, 2017
Amendments to IAS 16 and IAS 41: Bearer Plants	January 1, 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle	January 1, 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	January 1, 2016

The Company is currently assessing any impact the new standards and interpretations may have on the financial statements for the years in which they become effective.

2.3 Use of estimates

The preparation of these separate financial statements required management to apply accounting policies and methodologies based on complex, subjective judgments, estimates based on past experience and assumptions determined from time to time to be reasonable and realistic based on the related circumstances. The use of these estimates and assumptions affects the amounts reported in the statement of financial position, the income statement and the cash flow statement as well as the notes. The final amounts for items for which estimates and assumptions were made in the separate financial statements may differ from those reported in these financial statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

In this respect, the situation caused by the persisting difficulties of the economic and financial environment in the Eurozone led to the need to make assumptions regarding future performance which are characterised by significant levels of uncertainty; as a consequence, therefore, it cannot be excluded that results may arise in the future which differ from estimates, and which therefore might require adjustments, even significant, to be made to the carrying amount of assets and liabilities, which at the present moment can clearly neither be estimated nor predicted. The main items affected by these situations of uncertainty are non-current assets (tangible and intangible assets), deferred tax assets, provisions, contingent liabilities e impairment provisions.

The estimates and underlying assumptions are reviewed periodically and continuously by the Group. If the items considered in this process perform differently, then the actual results could differ from the estimates, which would accordingly require adjustment. The effects of any changes in estimate are recognised in profit or loss in the period in which the adjustment is made if it only affects that period, or in the period of the adjustment and future periods if it affects both current and future periods.

The accounting principles requiring a higher degree of subjective judgment in making estimates and for which changes in the underlying conditions could significantly affect the separate financial statements are briefly described below.

- Goodwill: goodwill is tested for impairment at least on an annual basis to determine whether any impairment losses have arisen that should be recognized in profit or loss. More specifically, the test is performed by allocating the goodwill to a cash generating unit (CGU) and subsequently estimating the unit’s fair value. Should the fair value of the net capital employed be lower than the carrying amount of the CGU, an impairment loss is recognized on the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU require estimates to be made that are based on factors that may vary over time and that could as a result have an impact on the measurements made by management which might be significant.
- Impairment losses on non-current assets: non-current assets are reviewed to determine whether there are any indications that the carrying amount of these assets may not be recoverable and that they have suffered an impairment loss that needs to be recognized. In order to determine whether any such elements exist it is necessary to make subjective measurements, based on information obtained within the Company and in the market and also on past experience. When a potential impairment loss emerges it is estimated by the Company using appropriate valuation techniques. The identification of the elements that may determine a potential impairment loss and the estimates used to measure such loss depend on factors which may vary

over time, thereby affecting estimates and measurements.

- Depreciation of non-current assets: the cost of property, plant and equipment is depreciated on a straight-line basis over the useful lives of the assets. The useful life of property, plant and equipment is determined when the assets are purchased and is based on the past experience of similar assets, market conditions and forecasts concerning future events which may affect them, amongst which are changes in technology. The actual useful lives may therefore differ from the estimates of these. The Company regularly reviews technological and business sector changes, dismantling costs and recoverable amounts in order to update residual useful lives. Such regular updating may entail a change of the depreciation period and consequently a change in the depreciation charged in future years.
- Deferred tax assets: the recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposes of determining whether or not to recognize deferred tax assets depends on factors which may vary over time and which may lead to significant effects on the measurement of this item.
- Contingent liabilities and provisions: the accruals related to legal, arbitration and fiscal disputes are the result of a complex estimation process based upon the probability of an unfavorable outcome. The definition of such provisions entails making estimates based on currently known factors which may vary over time and which could actually turn out to be significantly different from those referred to in preparing the notes to these financial statements.

2.4 Risk management

Credit risk

The WIND's credit risk is principally associated with trade receivables which at December 31, 2014 amounted to €969,576 thousand. The Company minimizes credit risk through a preventive credit check process which ensures that all customers requesting new products and services or additions to existing services are reliable and solvent, also by using a preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This check is carried out in the customer acceptance phase through the use of internal and external information.

The Company additionally exercises timely post-customer acquisition measures for the purpose of credit collection such as the following:

- sending reminders to customers;
- employing measures for the collection of overdue receivables, separated by strategy, portfolio and customer profiles;
- measuring and monitoring the debt status through reporting tools.

As a general rule, the Company has a limited level of credit concentration as the consequence of diversifying its product and services portfolio to its customers. In particular, a small concentration of credit may be found in the business that WIND Telecomunicazioni SpA carries out with dealers and domestic and international operators.

WIND Telecomunicazioni SpA is also assisted by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables from dealers. Monthly sales without recourse of Consumer receivables began in 2014.

In relation to the exposure of financial counterparties' credit risk, Wind complies with Vimpelcom Group Treasury Policy, reviewing and amending, in accordance with the holding company, the credit limits set for each national and international banking group.
These credit limits take into consideration the sum of the following components (NFA or, Net Financial Assets): i) availability of balances in bank or postal current accounts; ii) deposits or short term financial investments; iii) positive mark to market arising on derivatives used for hedging; and iv) bank guarantees issued in favour of the company.

The Company had a positive net balance in its current accounts of €99,176 thousand at December 31, 2014. The WIND's credit risk exposure from derivative contracts is represented by their realizable value or fair value, if positive. The negative fair value of the entire portfolio at December 31, 2014 was €74,055 thousand (details of this may be found in note 14).

Liquidity risk
Liquidity risk arises mostly from the cash flows generated by debt servicing, in terms of both interest and principal, and from all of the WIND's payment obligations that result from business activities.
Specifically the debt managed by the Group is composed of:

- a floating rate long-term loan agreement (the Senior Facility Agreement) entered on November 24, 2010 by the Parent WIND Telecomunicazioni SpA, consisting of two tranches, both denominated in euros: tranche A, amortizing, and tranche B, bullet. The total nominal amount of this loan, net of repayments made, amounts to €1,781,760 thousand, to which €600 million of a revolving credit facility drawn down for €100 million at December 31, 2014, should be added;
- the intercompany loans denominated in Euro, issued by Luxembourg-based subsidiary Wind Acquisition Finance SA to WIND follow:

(thousands of euro)	**Issue date**	**Notional amount**	**Scadenza**	**Tasso di interesse**
Loan Agreement 2021	04/23/2014	3,779,658	03/23/2021	6.85%
Loan Agreement 2020	07/10/2014	4,087,740	06/15/2020	4.40%
Loan Agreement 2019	04/29/2013	150.000	03/30/2019	5.78%
Loan Agreement 2020	04/29/2013	420.400	03/30/2020	5.883%
Loan Agreement ST	10/20/2014	40,000	01/12/2015	1.271%
Loan Agreement ST	10/24/2014	50,000	01/12/2015	1.393%
Loan Agreement ST	12/15/2014	50,000	01/12/2015	1.065%

- other amortizing loans in euros of the Company granted by: i) financial institutions, against the repayment plan of the fair value of the derivatives extinguished in 2010 since they were hedging loans repaid as part of the refinancing of the Company's debt; ii) the Ministry of Economic Development for the deferred payment of frequencies assigned to it on completion of the competitive auction for fourth generation frequencies in Italy which was completed on September 29, 2011; e iii) Terna against the capitalization of expenditure for the backbone right of way.

The repayment flows expected in accordance with the described above agreements, with exclusive reference to the amounts used, are as follows.

(millions of euro)	2015	2016	2017	2018	2019	2020	2021	2022/2035	Total
Senior Facilities Agreement									
Term Loan A1	-	-	-	3	-	-	-	-	3
Term Loan A2	-	-	-	171	-	-	-	-	171
Term Loan B1	-	-	-	-	1,114	-	-	-	1,114
Term Loan B2	-	-	-	-	494	-	-	-	494
Revolving	100	-	-	-	-	-	-	-	100
Annuity	20	17	-	-	-	-	-	-	37
Debito verso Ministero	81	81	-	-	-	-	-	-	162
Terna	3	1	1	1	2	2	2	120	132
Intercompany Loan 2021	-	-	-	-	-	-	3,780	-	3,780
Intercompany Loan June 2020	-	-	-	-	-	4,088	-	-	4,088
Intercompany Loan 2019	-	-	-	-	150	-	-	-	150
Intercompany Loan March 2020	-	-	-	-	-	420	-	-	420
Intercompany Loan ST	140	-	-	-	-	-	-	-	140
Totale	**344**	**99**	**1**	**175**	**1,760**	**4,510**	**3,782**	**120**	**10,791**

The Senior Facility Agreement includes certain covenants typical for agreements of this type and size, including Financial covenants and General covenants (eg, negative pledge and pari passu). Failure to comply with these covenants, in some cases, if not properly remedied, may result in an obligation of early repayment of the outstanding loans. At December 31, 2014 the Company is in compliance with its covenants.

The following tables set forth the contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement calculated as of December 31, 2014 and 2013.

(millions of euro)	Carrying amount at December 31, 2014	Total Contractual cash flows	2015	2016	2017	2018	2019	2020	2021	2022/2035
Non-derivative financial liabilities										
Bank loans	1,877	(2,357)	(198)	(97)	(97)	(267)	(1,698)	-	-	-
Bonds	8,168	(11,455)	(619)	(480)	(476)	(476)	(620)	(4,874)	(3,910)	-
Loans from others	333	(405)	(120)	(115)	(13)	(13)	(12)	(12)	(12)	(108)
Net derivative financial liabilities	74									
Outflows		(92)	(31)	(31)	(13)	(6)	(7)	(4)	-	-
Inflows		8	2	2	1	1	2	-	-	-
Total	**10,452**	**(14,301)**	**(966)**	**(721)**	**(598)**	**(761)**	**(2,335)**	**(4,890)**	**(3,922)**	**(108)**

(millions of euro)	Carrying amount at December 31, 2013	Total Contractual cash flows	2014	2015	2016	2017	2018	2019	2020	2021/ 2035

Non-derivative financial liabilities										
Bank loans	2,424	(2,934)	(225)	(124)	(459)	(2,126)	-	-	-	-
Bonds	6,650	(9,088)	(840)	(606)	(606)	(3,122)	(3,306)	(176)	(432)	-
Loans from others	474	(705)	(166)	(125)	(116)	(14)	(14)	(14)	(14)	(242)
Net derivative financial liabilities	72									
Outflows		(141)	(49)	(31)	(31)	(13)	(7)	(7)	(3)	-
Inflows		23	7	5	5	2	2	1	1	-
Total	**9,620**	**(12,845)**	**(1,273)**	**(881)**	**(1,207)**	**(5,273)**	**(3,325)**	**(196)**	**(448)**	**(242)**

Market risk

The Company's strategy for managing interest rate and currency risks is aimed at both managing and controlling such financial risks. More specifically, this strategy is aimed at eliminating currency risk and optimizing debt cost wherever possible, taking into account the interests of the Company's stakeholders.

Managing market risk for WIND refers to financial liabilities from the time they actually arise or from when there is a high probability that they will arise.

More specifically, the following market risks are monitored and managed:

- Cash flow risk - this is the risk that movements in the yield curve could have an impact on the income statement in terms of greater finance expense.
- Fair value risk - this is the risk that movements in the yield curve could have an impact on the fair value of debt.
- Currency risk - this is the risk that the fair value of financial instruments in currencies other than the euro or their cash flows, or the amounts payable or receivable generated in the ordinary course of operations other than in euros, could be negatively affected by fluctuations in exchange rates.

The main objectives that the Company intends to reach are: i) to defend the strategic plan scenario from the effects of exposure to currency, interest rate and inflation risks, identifying an optimum combination of the fixed rate, floating rate and inflation components for financial liabilities; ii) to reduce the cost of debt; iii) to manage derivatives in compliance with the Company's approved strategies, taking into consideration the different effects that derivative transactions could have on the income statement and the statement of financial position.

Following the subscription of the medium/long-term loan contract with a banking syndicate, WIND Telecomunicazioni SpA, regarding interest rate risk, will hedge, for the first three years, at least 50% of its exposure to the interest accruing on the total debt and 100% of its currency risk exposure on the Senior Secured Notes issued in foreign currency.

To meet these commitments the interest rate risk as of today was hedged to a level of approximately 56%, with a maximum hedge term of less than six years. At December 31, 2014, outstanding derivative contracts hedging interest rate risk total €1,370,000 thousand.

The outstanding balance of the long-term loans (excluding Terna) at December 31, 2014 amounted to €10,518,624 thousand, with the following fixed to floating ratio at that date.

(millions of euro)	**Outstanding at 12.31.2014**	**Rate at 12.31.2014**
At fixed rate	9,275	88.18%
At floating rate	1,244	11.82%

All derivative agreements were entered into at market rates, without any up-front payments or receipts (a zero cost basis) and with a credit margin being applied.

It is estimated that an increase of 100 basis points in the euro interest rate yield curve (all other variables remaining constant) would lead to an increase in borrowing costs, with regard to the unhedged portion of floating rate debt, of approximately €15,293 thousand and in the cash flow reserve of approximately €37,692 thousand.

Fair value hierarchy

IFRS 13 requires financial instruments recognised in the statement of financial position at fair value to be classified on the basis of a hierarchy that reflects the significance of the inputs used in determining fair value. The following levels are used in this hierarchy:

- Level 1 – quoted prices in active markets for the assets or liabilities being measured;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) in the market;
- Level 3 – inputs that are not based on observable market data.

The following table provides an analysis of financial assets and liabilities measured at fair value by hierarchy at December 31, 2014.

(millions of euro)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at *fair value*					
Derivative financial instruments	14	-	6	-	6
Total assets		**-**	**6**	**-**	**6**
Liabilities at *fair value*					
Derivative financial instruments	14	-	74	-	74
Total liabilities		**-**	**74**	**-**	**74**

In 2014 there were no transfers either from Level 1 to Level 2 or vice versa or from Level 3 to other levels or vice versa.

3 PROPERTY, PLANT AND EQUIPMENT

The following table sets out the changes in ***Property, Plant and Equipment*** at December 31, 2014.

(thousands of euro)	At December 31, 2013	Additions	Depreciation	Reversal of impairment losses/ Impairment losses	Disposals	Others	At December 31, 2014
Land and buildings	552	-	-	-	-	-	552
Plant and machinery	3,165,513	439,997	(690,649)	(19,035)	(4,403)	129,873	3,021,296
Equipment	22,809	9,694	(11,461)	-	(443)	983	21,582
Other	47,321	8,771	(21,034)	-	(6)	13,949	49,001
Assets under construction	196,924	122,957	-	-	-	(141,753)	178,128
Total	**3,433,119**	**581,419**	**(723,144)**	**(19,035)**	**(4,852)**	**3,052**	**3,270,559**

The cost, accumulated impairment losses and accumulated depreciation at December 31, 2014 can be summarized as follows.

(thousands of euro)	At December 31, 2014			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings	552	-	-	552
Plant and machinery	11,250,557	100,346	8,128,915	3,021,296
Equipment	158,065	3	136,480	21,582
Other	519,449	163	470,285	49,001
Assets under construction	178,128	-	-	178,128
Total	**12,106,751**	**100,512**	**8,735,680**	**3,270,559**

The cost, accumulated impairment losses and accumulated depreciation at January 1, 2014 can be summarized as follows.

(thousands of euro)	At January 1, 2014			
	Cost	Accumulated impairment losses	Accumulated depreciation	Carrying amount
Land and buildings	552	-	-	552
Plant and machinery	10,900,247	89,260	7,645,474	3,165,513
Equipment	149,653	22	126,822	22,809
Other	500,771	163	453,287	47,321
Assets under construction	196,924	-	-	196,924
Total	**11,748,147**	**89,445**	**8,225,583**	**3,433,119**

Plant and machinery decreased by €162,560 thousand over the previous year as the result of the depreciation charge for the year only partially offset by the investments. The main investment in the year relates to the purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network and plant and machinery under construction (mostly LTE technologies).

As part of the plan for the development of the Company's production structure, disposals have been made of equipment, infrastructure and transmission systems having a carrying amount of €4,404 thousand which are no longer usable; these relate mostly to radio links and high frequency equipment (€1,756 thousand) exchanges and electronic installations (€2,162 thousand) and customer premise equipment (CPE) (€486 thousand). In connection with an operation to replace transmission equipment being carried out to render the network more efficient and to obtain benefits from synergies, the net carrying amount of replaced equipment of €8,206 thousand was written off and additions have been recognized for €27,460 thousand as a consequence of the recognition of the increased market value of the equipment received as a replacement. In this regard, the value of equipment received as a replacement offsets for €6,921 thousand the impairment loss on the equipment replaced and €1,289 thousand related to the loss from disposal of the equipment replaced, while the remaining €20,540 thousand was suspended in other non-current liabilities and will be released in the income statement over the useful life of assets.

At December 31, 2014, transmission equipment, telephone systems and commutation switchboards owned by the Company and having a carrying amount of €121,660 thousand were held by customers for use (€128,523 thousand at December 31, 2013), while transmission equipment for direct access through "unbundling of the local loop" having a carrying amount of €8,289 thousand (€18,453 thousand at December 31, 2013) was held on deposit by Telecom Italia SpA.

Plant and machinery additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable ducts and optic fiber for a total of €78,635 thousand at December 31, 2014 (€86,562 thousand at December 31, 2013).

At December 31, 2014, *Equipment* decreased over the balance at the end of the previous year by an amount of €86,562 thousand mainly as the result of the depreciation charge for the year only partially offset by the increased investments. Commercial equipment having a carrying amount of €86,562 thousand at December 31, 2014 was with third parties, mostly authorized dealers, for use at that date (€86,562 thousand al December 31, 2013).

The balance of *Assets under construction* at December 31, 2014 consists mainly of plant and machinery being completed and tested.

4 INTANGIBLE ASSETS

The following table sets out the changes in ***Intangible assets*** at December 31, 2014.

(thousands of euro)	At December 31, 2013	Additions	Amortization	Reversal of impairment losses/ Impairment losses	Others	Assets sold	At December 31, 2014
Industrial patents and intellectual property rights	285,644	81,610	(113,356)	(80)	-	5,540	259,358
Concessions, licenses, trademarks and similar rights	4,171,854	247	(192,155)	-	-	-	3,979,946
Other intangible assets	497,664	87,327	(185,123)	-	-	12,520	412,388
Goodwill	3,579,943	-	-	-	-	-	3,579,943
Assets under development	24,103	30,900	-	-	-	(20,225)	34,778
Total	**8,559,208**	**200,084**	**(490,634)**	**(80)**	**-**	**(2,165)**	**8,266,413**

The cost, accumulated impairment losses and accumulated amortization at December 31, 2014 can be summarized as follows.

(thousands of euro))	At December 31, 2014			
	Cost	**Accumulated impairment losses**	**Accumulated amortization**	**Carrying amount**
Industrial patents and intellectual property rights	1,891,498	7,078	1,625,062	259,358
Concessions, licenses, trademarks and similar rights	5,790,050	1,000	1,809,104	3,979,946
Other intangible assets	1,802,682	-	1,390,294	412,388
Goodwill	3,579,943	-	-	3,579,943
Assets under development	34,778	-	-	34,778
Total	**13,098,951**	**8,078**	**4,824,460**	**8,266,413**

The cost, accumulated impairment losses and accumulated amortization at January 1, 2014 can be summarized as follows.

(thousands of euro))	At January 1, 2014			
	Cost	**Accumulated impairment losses**	**Accumulated amortization**	**Carrying amount**
Industrial patents and intellectual property rights	1,834,803	7,007	1,542,152	285,644
Concessions, licenses, trademarks and similar rights	5,790,038	1,235	1,616,949	4,171,854
Other intangible assets	1,702,860	-	1,205,196	497,664
Goodwill	3,579,943	-	-	3,579,943
Assets under development	24,103	-	-	24,103
Total	**12,931,747**	**8,242**	**4,364,297**	**8,559,208**

Industrial patents and intellectual property rights consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by the Company personnel in designing, developing and implementing information systems, which at December 31, 2014 amounted to €11,531 thousand (€8,655 thousand at December 31, 2013).

Concessions, licenses, trademarks and similar rights include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted to the company by the relevant authorities, as detailed below.

Individual licenses or General Authorizations or Use of frequencies	Date of issue	Date of expiry (*)
WIND Telecomunicazioni SpA		
Installation of network and provision of voice telephony services on the Italian national territory (**)	February 1998	February 2018
Installation and provision of public telecommunications networks on the Italian national territory	April 1998	April 2018
Provision of public digital mobile communications services using DCS 1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	June 1998	June 2018
Installation and provision of public telecommunications networks on the Italian national territory issued to Infostrada SpA now merged	April 1999	April 2019
Provision of third generation mobile communications services adopting the UMTS standard (IMT-2000 family) and the installation of the related network on the Italian national territory pursuant to article 6, paragraph 6(c) of Presidential Decree no. 318 of September 19, 1997	January 2001 (***)	December 2029
Use of frequencies for broadband point-multipoint radio networks in the 24.5-26.5 GHz band for the geographical area corresponding to the specified Italian region/autonomous province (****)	July 2002	July 2022
Use of frequencies for providing terrestrial publicly available broadband mobile services in the 800 and 2600 MHz bands.	February 2012 (*****)	December 2029

(*) Individual licenses are renewable in compliance with the regulations prevailing at the time of the renewal upon submission of an application at least 60 days prior to the expiry date (article 25, paragraph 6, of Decree no. 259/03)

(**) The Company has two licenses for network installation and the provision of fixed line telephony services following the merger of Infostrada SpA

(***) The term of the license came into effect on January 1, 2002

(***) A total of 21 individual point-multipoint licenses have been assigned

(****) The terrm of the license came into effect on January 1, 2013

Concessions, licenses, trademarks and similar rights for €1,300,000 thousand refer to trademarks which have an indefinite useful life.

Similar rights consist of rights of way and the right to use assets owned by third parties for a predetermined period of time and are initially recognized at their one-off purchase price, including any accessory costs. This item relates for the most part to the costs incurred by Infostrada SpA, now merged, for the purchase in 1998 of the right of way on the Italian railway network and the purchase of the right to use the existing optic fiber on the network and, commencing in 2014, to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with an increase in the item of €123,477 thousand.

Other intangible assets mainly relate to the residual value of the customer list, amounting to €319,314 thousand, identified upon allocating the goodwill at December 31, 2006 that arose from the merger of the former parent Wind Acquisition Finance SpA and to the customer acquisition costs amounting to €88,012 thousand.

Assets under development consist of the internal and external costs incurred for the purchase or development of intangible assets for which the respective ownership right has not yet been fully acquired at the end of the year or which relate to incomplete projects, and downpayments made to suppliers for the purchase of intangible assets. More specifically, intangible assets under development relate to the costs incurred for the design, development and implementation of information systems or specific modules thereof.

The carrying amount of goodwill recognized and of intangible assets with indefinite useful lives at December 31, 2014 was tested for impairment but no impairment losses were identified. The test was carried out by comparing the carrying amount with recoverable amount. More specifically, the recoverable amount was calculated on the basis of the discounted cash flows resulting from the 2015-2019 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 7.8% was used to discount the cash flows, being the weighted average cost of capital, net of the tax effect, calculated using the capital asset pricing model. Sensitivity was performed simulating, compared to the base assumptions, cash flows reduction by estimating a growth rate of 0.5% for the years not covered by the plan. In all cases the recoverable amount of the net assets continue to be higher than their carrying amount.

5 FINANCIAL ASSETS

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

(thousands of euro)	At December 31, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	108,050	-	**108,050**	108,050	-	**108,050**
Derivative financial instruments	6,390	-	**6,390**	61,992	-	**61,992**
Financial receivables	993,287	22,520	**1,015,807**	16,720	166,837	**183,557**
Total	**1,107,727**	**22,520**	**1,130,247**	**186,762**	**166,837**	**353,599**

Financial assets measured at cost consist of investments in subsidiaries and associates and non-controlling interests in consortia.

The following table sets out investments in subsidiaries at December 31, 2014.

(thousands of euro) Name	Registered office	Share/quota capital as of 12/31/2014	Share/quota holders' equity as of 12/31/2014(*)	Profit (loss) for the year ended 12/31/2014(*)	Holding % as of December 31, 2014	Carrying amount as of 12/31/2014
WIND Retail Srl	Roma - Via Cesare Giulio Viola, 48	1,027	33,447	1,600	100%	31,103
Wind Acquisition Finance SA	Lussemburgo - 125 Avenue du X September, L-2551	60,031	(245,554)	(365,311)	100%	61,797
Wind Acquisition Finance II SA	Lussemburgo - Boulevard Grande Duchesse Charlotte, 65	31	(131)	(50)	27.0%	8
WIND Finance SL S.A.	Lussemburgo - 125 Avenue du X September, L-2551	31	139	(54)	27.0%	8

(*) as per the financial statements prepared by the companies' directors for the approval of the Share/quotaholders meetings, changed, where needed, to be compliant with the Company's measurement criteria used for the preparation of these separate financial statements.

Investments in Wind Acquisition Finance II SA and in WIND Finance SL SA are considered subsidiaries because they are special purpose entities.

The following table sets out non-controlling interests in companies and consortia at December 31, 2014.

(thousands of euro) Name	Registered office	Share/quota capital as of 12/31/2014	Share/quota holders' equity as of 12/31/2014	Profit (loss) for the year ended 12/31/2014
Consel - Consorzio Elis per la formazione professionale superiore a r.l.	Roma - Via Sandro Sandri, 45	51	1%	1
QXN Società consortile per azioni	Roma - Via Bissolati n.76	500	10%	50
Consorzio Janna	Cagliari - Loc. Sa Illetta, Strada Statale 195 Km 2.3	13,717	17.0%	2,072
MIX srl	Milano - Via Caldera, 21	99	9.75%	10
Consorzio Wind Team	Roma - Via Cesare Giulio Viola, 48	5	33.3%	1
SPAL TLC SpA	Correggio (RE) - Via per Carpi n.26/B	3,000	33.00%	13,000

Investments in Consorzio Wind Team and SPAL TLC SpA are not represented as associates because the Company does not have significant influence.

The item *Derivative financial instruments* includes the positive fair value of embedded derivatives on Loan Agreement 2019, 2020 and 2021 amounting to €6,390 thousand (€60,950 thousand on Loan Agreement at December 31, 2013) and the negative fair value of interest risk hedging derivatives on financial liabilities amounting to €74,055 thousand (positive 1,042 at December, 31 2013).

The *Financial receivables,* amounting €1,015,797 thousand at December 31, 2014 mainly include:

- for €979,960 thousand the loans granted by WIND to the parent WIND Acquisition Holdings Finance SpA resulting from the two intercompany agreements signed on April 23, 2014 and August 4, 2014 respectively. In particular, the first one with a nominal value of €925,000 thousand (an annual fixed interest rate of 9% and repayment date in April 2024) has been fully drawdown and at December 31, 2014 its book value is €967,060 thousand, including accrued and capitalized interests). The second loan with a nominal value up to €75,000 thousand (with reimbursement in August 2024 and annual fixed interest rate of 8.5%) at December 31, 2014 was used only for €12,900 thousand, equal to the book value at such date;
- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 13) equal to €6,939 thousand (€7,753 thousand at December 31, 2013), which are charged to income statement on a straight-line basis over the term of the agreement;
- fees of €992 thousand (€1,795 thousand at December 31, 2013) of which €486 thousand in current assets (€803 thousand at December 31, 2013) recognized for hedging derivatives arranged in the current and previous years, which are being amortized over the terms of these instruments.

At December 31, 2013 this item included the loan of €160,996 thousand granted by WIND to the indirect parent Wind Telecom SpA related to 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.

The following table sets out the due dates for financial receivables.

(thousands of euro)				**At December 31, 2014**				**At December 31, 2013**
Financial receivables	**<1 year**	**1<x<5 years**	**>5 years**	**Total**	**<1 year**	**1<x<5 years**	**>5 years**	**Total**
Guarantee deposits	1,941	1,995	101	**4,037**	1,830	1,483	734	**4,047**
Receivables due from parents	16,940	979,960	-	**996,900**	160,996	-	-	**160,996**
Receivables due from related parties	-	-	-	**-**	-	-	-	**-**
Others	3,639	11,231	-	**14,870**	4,011	14,488	15	**18,514**
Total	**22,520**	**993,186**	**101**	**1,015,807**	**166,837**	**15,971**	**749**	**183,557**

6 DEFERRED TAX ASSETS AND LIABILITIES

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

(thousands of euro)	At December 31, 2013	Decrease	Increase	At December 31, 2014
Allowance for doubtful accounts (taxed)	81,210	57,656	45,643	69,196
Provisions for risks and charges (taxed)	26,633	5,867	5,334	26,100
Amortization and depreciation of non-current assets	43,824	6,675	8,971	46,120
Deferred tax assets	**151,667**	**70,198**	**59,948**	**141,416**
Employee benefits	3,910	1,733	-	2,177
Accelerated depreciation and amortization	13,030	910	-	12,120
Fair value of Property, plant, and equipment	63,326	6,890	-	56,436
Depreciation of PPA	582,758	21,805	2,106	563,059
Deferred tax liabilities	**663,024**	**31,338**	**2,106**	**633,792**

The change shown in 2014 in *deferred tax assets* and in *deferred tax liabilities* is mainly due to the decrease in *deferred tax assets* on allowance for doubtful accounts and to a decrease in deferred tax liabilities relating to depreciations and amortizations.

Deferred tax assets have been recognized by considering the probability of their recoverability and the extent to which the directors believe there is a reasonable certainty that sufficient profits will be generated in future years against which the losses may be used within the time limits imposed by prevailing tax laws and regulations.

Deferred tax assets were not recognized in respect of temporary differences carried forward indefinitely totalling €202,172 thousand (€164,048 thousand at December 31, 2013), arising from non-deductible finance expenses within the limits imposed by law, due to the lack of reasonable certainty of their recoverability. In addition, even if transferred to the tax consolidation, consistent with the terms of the agreement, no receivables due from the indirect parent Wind Telecom SpA have been recognized. In fact, on the basis of this agreement, if the excess interest expense is transferred to the national consolidation, the transferring company obtains the right to remuneration corresponding to the theoretical tax benefit transferred, only if, and to the extent to which, the company which has transferred this excess interest expense transfers to the consolidation the excess gross operating profit (GOP) not utilized in the tax period for the deduction of interest expense pursuant to article 96, paragraphs 1, 2 and 7 of the Consolidated Income Tax Law (TUIR).

7 INVENTORIES

The following table provides an analysis of ***Inventories*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Finished goods	19,284	23,165
Write-downs	(208)	(689)
Total	**19,076**	**22,476**

Finished goods consist principally of mobile phone handsets, kits and the related accessories. The decrease in 2014 is essentially due to a decrease in inventories of SIM and scratch cards, mobile telephone terminals, kits and related accessories and stocks consisting of products which are technologically advanced which have a higher unit value over previous year.

8 TRADE RECEIVABLES

The following table provides an analysis of ***Trade receivables*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Due from final customers	927,133	1,169,047
Due from telephone operators	173,944	134,792
Due from authorized dealers	118,119	142,540
Due from subsidiaries	20,942	23,729
Due from related parties	3,104	9,291
Other trade receivables	33,232	44,669
(Allowance for doubtful accounts)	(306,898)	(400,153)
Total	**969,576**	**1,123,915**

The balance of net trade receivables at December 31, 2014 has decreased by a total of €154,339 thousand over that at December 31, 2013 mostly due to the decrease in receivables due from final customers (€241,914 thousand) only partially offset by a decrease in the allowance for doubtful account (€93,255 thousand). These changes are mainly due to the sale without recourse of Consumer receivables that started during the year 2014.

Due from final customers arise principally from the supply of fixed and mobile telephony services to customers with subscription contracts, while *Due from telephone operators* mainly relate to interconnection and roaming services. *Due from authorized dealers* relate to sales of radio mobile and fixed-line handsets and related accessories, as well as rechargeable telephone cards and top-ups.

The balance at December 31, 2014 of *Receivables from subsidiaries* consists of the receivables due from WIND Retail.

The balance at December 31, 2014 of *Receivables from related parties* consists of the receivables due from VimpelCom Group's companies and of the receivables due from SPAL TLC SpA. Further details may be found in notes 5 and 33.

The following table provides an analysis, at December 31, 2014 and 2013 of trade receivables and the respective allowance for doubtful accounts, by due date.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Gross amount	(Allowance for doubtful accounts)	Gross amount	(Allowance for doubtful accounts)
unexpired	657,315	(14,346)	846,452	(11,834)
expired from:				
- 0-30 days	63,079	(1,220)	55,860	(919)
- 31-120 days	51,623	(2,636)	60,637	(2,589)
- 121-150 days	26,146	(709)	17,272	(579)
- beyond 150 days	478,311	(287,987)	543,847	(384,232)
Total	**1,276,474**	**(306,898)**	**1,524,068**	**(400,153)**

The following table provides an analysis of trade receivables at December 31, 2014 and 2013, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	925,491	1,075,217
-after 12 months	44,085	48,698
Total	**969,576**	**1,123,915**

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilizations)	At December 31, 2014
Allowance for doubtful accounts	**400,153**	110,648	(203,903)	**306,898**

In order to guarantee the obligations assumed by the Company as a consequence of loans disbursed under the Senior Facility Agreement on November 24, 2010, for which further details may be found in note 13, and the obligations assumed by the subsidiary Wind Acquisition Finance SA ("WAF"), the Company established collateral by transferring trade receivables, receivables from intercompany loans and receivables relating to insurance contracts, both present and future, in favor of the lending banks pursuant to the Senior Facility Agreement and the other creditors specified in the supplemental deed related to the respective collateral contract and in favor of the subscribers to the Senior Secured Fixed Rate Notes expiring on 2020 and of the Senior Secured Floating Rate Notes expiring on 2019 issued by Wind Acquisition Finance SA on April 29, 2013 and the subscribers of Senior Secured Fixed Rate Notes expiring on 2020 and Senior Secured Floating Rate Notes expiring on 2020, issued by Wind Acquisition Finance S.A on July 10, 2014.

9 CURRENT TAX ASSETS

The balance of ***Current tax assets*** at December 31, 2014 amounting to €648 thousand (€19,175 thousand at December 31, 2013) mostly regards receivables for current tax assets arising from taxes paid in previous years. Advance payments of IRAP tax made during the year are classified as a deduction from tax payables.

10 OTHER RECEIVABLES

The following table sets out details of ***Other receivables*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Trade prepayments	91,490	91,264
Other receivables due from third parties	97,739	47,110
Tax receivables	8,853	5,828
Advances to suppliers	41,499	21,765
Other receivables due from parents	30,509	23,020
Other receivables due from related parties	689	3,959
Other receivables due from subsidiaries	6,596	5,861
(Allowance for doubtful accounts)	(3,878)	(6,207)
Total	**273,497**	**192,600**

The following table provides an analysis, at December 31, 2014 and 2013, of other receivables and the respective allowance for doubtful accounts by due date.

(thousands of euro)	Gross amount	At December 31, 2014 (Allowance for doubtful accounts)	Gross amount	At December 31, 2013 (Allowance for doubtful accounts)
- unexpired	228,134	-	144,470	-
- expired from:				
- 0-30 days	1,068	-	1,247	-
- 31-120 days	3,570	-	4,331	-
- 121-150 days	1,972	-	1,964	-
- beyond 150 days	42,631	-	46,795	(6,207)
Total	**277,375**	**(3,878)**	**198,807**	**(6,207)**

The following table provides an analysis of other receivables at December 31, 2014 and 2013, net of the allowance for doubtful accounts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	243,997	138,527
-after 12 months	29,500	54,073
Total	**273,497**	**192,600**

Trade prepayments relate mainly to lease installments for civil and technical sites and lease installments for telephone network circuits.

Other receivables due from third parties relate mainly to receivables from non-commercial third parties.

Other receivables due from parents at December 31, 2014, include the amounts due from Wind Telecom SpA, Wind Acquisition Holdings Finance SpA, Vimpelcom Ltd and Vimpelcom Amsterdam BV while *Other receivables due from related parties* at December 31, 2014 mainly consist of the receivables due from VimpelCom Group's companies. Further details may be found in note 5 and 33.

Other receivables due from subsidiaries at December 31, 2014 also include the amounts due from WIND Retail, Wind Acquisition Finance SA and WIND Finance SL SA. Further details may be found in notes 5 and 33.

The following table provides an analysis of *Tax receivables* at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
VAT	5,758	3,086
Other tax receivables	3,095	2,742
Total	**8,853**	**5,828**

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilizations)	At December 31, 2014
Allowance for doubtful accounts	**6,207**	221	(2,550)	**3,878**

11 CASH AND CASH EQUIVALENTS

The following table sets out an analysis of ***Cash and cash equivalents*** at December 31, 2014 and 2013.

(thousands of euro)	**At December 31, 2014**	**At December 31, 2013**
Bank deposits and checks	141,458	126,084
Cash on hand and stamps	8	13
Total	**141,466**	**126,097**

Cash and cash equivalents represent the surplus of cash generated by operations, changed mainly due to the ordinary cash inflows and outflows during the year. Further details may be found in note 35 to the cash flow statement.

12 SHAREHOLDERS' EQUITY

The following table sets out the composition of Shareholders' Equity at December 31, 2014 and 2013.

(thousand of euro)	**At December 31, 2014**	**At December 31, 2013**
Issued Capital	**147,100**	**147,100**
Share premium reserve	**752,157**	**752,157**
Other reserves and retained earnings (accumulated losses), including profit (loss) for the year	**(476,790)**	**(117,524)**
- Reserve for remeasurements of employee defined benefit plans (IAS19)	(604)	4,569
- Cash flow reserve	(66,486)	(61,725)
- Legal reserve	29,420	29,420
- Sundry reserves and retained earnings (accumulated losses), including profit (loss) for the year	(439,120)	(89,788)
Total Equity	**422,467**	**781,733**

The share capital of WIND Telecomunicazioni SpA at December 31, 2014 consisted of 146,100,000 ordinary shares with no nominal value, fully subscribed and paid up by the sole shareholder WIND Acquisition Holdings Finance SpA.

Despite the encumbrances on the pledged shares underlying the share capital of the Company held by WIND Acquisition Holdings Finance SpA, the voting rights at shareholders' meetings of the Company are retained by WIND Acquisition Holdings Finance SpA by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian Civil Code.

The resolution adopted by the company's shareholders on April 18, 2014 resolving the approval of the annual financial statements as of and for the year ended December 31, 2013 allocated the loss for the year of €491,085 thousand to retained earnings

Changes in equity attributable to the owners of the Company during the year ended December 31, 2014 were due mainly to:

- the loss for the year of the Company totaled €349,332 thousand;

- the decrease in the actuarial reserves as the effect of the income and the expense recognized among other components of the Consolidated Statement of Comprehensive Income for the year that relate to the remeasurements of employee defined benefit plans;
- the decrease in the cash flow hedge reserve as the effect of the income and the expense recognized among other components of the Separate Statement of Comprehensive Income for 2014 that relate entirely to the transactions on hedging derivatives on cash flows, as described in further detail in note 14. The following table shows the changes in the cash flow hedge reserve.

(thousandsofeuro)	Interstraterisk			Foreigncurrencyrisk			
	Grossreserve	Taxeffect	Total	Grossreserve	Taxeffect	Total	CashFlowHedgeReserve
AtDecember31,2013	**(61,725)**	-	**(61,725)**	**-**	**-**	**-**	**(61,725)**
Changesinfairvalue	27,921	-	27,921	-	-	-	27,921
Reversetoincomestatement	(32,682)	-	(32,682)	-	-	-	(32,682)
AtDecember31,2014	**(66,486)**	**-**	**(66,486)**	**-**	**-**	**-**	**(66,486)**

The following statement provides additional disclosure on equity and is prepared pursuant to article 2427, number 7-bis, showing the items in equity separately according to their source, possibility of utilization and distribution, in addition to their utilization in prior years.

Nature/description	**Amount**	**Possibility of utilization**	**Amount available**	**Summary of the amounts utilized during the previous years (*)**	
(thousand of euro)				**for absorption of losses**	**for other reasons**
Share capital	**147,100**	B	**-**	**-**	**-**
Share premium	752,157	A-B-C	752,157	(752,281)	-
Reserves:					
Other reserves	63,816	A-B-C	-	-	-
Cash Flow Hedge Reserve	(66,486)	B	-	-	-
Retained earnings	(124,788)	A-B-C	(341,538)	-	-
Total	**771,799**		**410,619**		
Amount not distributable (**)			66,486 (**)		
Remaining amount distributable			**344,133**		

Key:
A: for share capital increases
B: to cover losses
C: for distribution to shareholders

* These amounts relate to utilizations made starting from 2007, after the reverse merger of the former parent Wind Acquisition Finance SpA

** Non-distributable amount relating to the negative CFH reserve (€66,486 thousand)

13 FINANCIAL LIABILITIES

The following table sets out an analysis of ***Financial liabilities*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014			At December 31, 2013		
	Non-current	Current	Total	Non-current	Current	Total
Financing from subsidiaries	7,923,762	244,167	**8,167,929**	6,323,995	325,524	**6,649,519**
Bank loans	1,711,053	166,100	**1,877,153**	2,278,125	145,962	**2,424,087**
Loans from others	227,654	104,995	**332,649**	330,923	142,808	**473,731**
Derivative financial instruments	74,055	-	**74,055**	57,062	15,543	**72,605**
Total financial liabilities	**9,936,524**	**515,262**	**10,451,786**	**8,990,105**	**629,837**	**9,619,942**

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 Company received the disbursement of a new intercompany loan from the subsidiary Wind Acquisition Finance SA (of €3,779,658 thousand) in consequence the placement by the subsidiary 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 Company, through: i) the early repayment on April 23, 2014 of intercompany loan from the subsidiary Wind Acquisition Finance SA due 2017 (of €2,678,068 thousand) in consequence the launch by the subsidiary of a tender offer for the purchase of any and all outstanding 2017 Senior Notes, completed on July 15, 2014, with the early repayment of bond in EURO and in USD and ii) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan up to €925 million (fully disbursed at December 31, 2014) with reimbursement on March 23, 2024 and with an annual fixed interest rate of 9%.

In addition, on July 10, 2014, the Company received the disbursement of a new intercompany loan from the subsidiary Wind Acquisition Finance SA (of €4,087,740 thousand) in consequence the placement by the subsidiary of a Senior Secured Notes due 2020 in a combination of €575 million euro-denominated Euribor 3 months plus 4.00% Floating Rate Notes and of €2,100 million 4.00% notes and of USD1,900 million 4.75% notes. This issue aims to reduce interest costs, extend the maturity profile of the WIND Group's debt and have a sustainable and manageable capital structure for the Company, through: i) the early repayment on July 10, 2014 of intercompany loan from the subsidiary Wind Acquisition Finance SA due 2018 (of €3,211,101 thousand) in consequence the early repayment by the subsidiary of Senior Secured Notes in EURO and in USD due 2018 and ii) repayment of non-extended part of the Senior Credit Facilities (€573 million).

The change in the balances in other financial liabilities results essentially from the repayment during the period of €51,950 thousand relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group's debt on November 26, 2010.

The following table sets out an analysis of *Financial liabilities* at December, 2014 and 2013 by due date.

(thousands of euro)	At December 31, 2014				At December 31, 2013			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Financing from subsidiaries	244,167	149,101	7,774,661	**8,167,929**	325,524	5,755,963	568,032	**6,649,519**
Bank loans	166,100	1,711,053	-	**1,877,153**	145,962	2,278,125	-	**2,424,087**
Loans from others	104,995	102,981	124,673	**332,649**	142,808	204,676	126,247	**473,731**
Derivative financial instruments	-	50,178	23,877	**74,055**	15,543	55,627	1,435	**72,605**
Total financial liabilities	**515,262**	**2,013,313**	**7,923,211**	**10,451,786**	**629,837**	**8,294,391**	**695,714**	**9,619,942**

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at December 31, 2014.

(thousands of euro)	At December 31, 2014					
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12,5%	12.5%<x<15%	Total
Euro	368,602	6,231,548	3,646,033	131,548	-	10,377,731
US dollars	-	-	-		-	-
Total	**368,602**	**6,231,548**	**3,646,033**	**131,548**	**-**	**10,377,731**

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2014 and 2013. The fair value is approximately the same as the carrying amount for current *Financial liabilities*.

(thousands of euro)	At December 31, 2014		At December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financing from subsidiaries	7,923,762	8,333,632	6,323,995	6,208,045
Bank loans	1,711,053	1,758,157	2,278,125	2,325,094
Loans from others	227,654	227,654	330,923	330,923
Derivative financial instruments	74,055	74,055	57,062	57,062
Total	**9,936,524**	**10,393,498**	**8,990,105**	**8,921,124**

Current *Financial liabilities* at December 31, 2014 consist exclusively of the portions of bank loans, financing from subsidiaries and loans from others for which payment is due by the end of the following financial year, referring to both principal and accrued interest.
An analysis of the *derivative financial instruments* balance and of the respective changes is found in note 14.

Bank loans

The following table sets out the main information relating to outstanding *Bank loans* at December 31, 2014.

(thousands of euro)	**Carrying amount at December 31, 2014**	**Carrying amount at December 31, 2013**	**Nominal amount at December 31, 2014**	**Usable amount**	**Currency**	**Due date**	**Interest rate**
Senior Facility Agreement							
- Tranche A3	2,690	36,769	2,897	2,897	EUR	11/26/2018	Euribor+4.25
- Tranche A4	167,911	298,565	171,293	171,293	EUR	11/26/2018	Euribor+4.25
- Tranche B3	1,083,138	1,305,143	1,113,921	1,113,921	EUR	11/26/2019	Euribor+4.50
- Tranche B4	479,805	666,725	493,649	493,649	EUR	11/26/2019	Euribor+4.75
- Revolving	100,129	99,997	100,000	600,000	EUR	01/19/2015	Euribor+4.25
Overdrafts	42,282	15,854					
Other accrued interest	1,198	1,034	-				
Total	**1,877,153**	**2,424,087**	**1,881,760**	**2,381,760**			

The Senior Facility Agreement, disbursed on November 26, 2010 to WIND Telecomunicazioni SpA and denominated exclusively in euros, is made up of various tranches, each having its own specific repayment plan and interest rates which may be reviewed on the basis of the trend of specific equity ratios.

The changes in balances over December 31, 2013 are mainly due to the effects of the refinancing operations completed in April and July 2014 by the Company and the subsidiary Wind Acquistion Finance SA, for which details may be found above.

Details and the main features of the tranches following the refinancing operations completed in 2014 are as follows:

- tranche A3 was repayable from May 26, 2011 to November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. Interest is payable at Euribor plus a spread of 425 basis points;
- tranche A4 was repayable from May 26, 2011 to November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. Interest is payable at Euribor plus a spread of 425 basis points;
- tranche B3 was repayable in a single lump sum on November 26, 2017 and in 2014 the maturity has been extended on November 26, 2019. Interest is payable at Euribor plus a spread of 450 basis points;
- tranche B4 was repayable in a single lump sum on November 26, 2017 and in 2014 the maturity has been extended on November 26, 2019. Interest is payable at Euribor plus a spread of 475 basis points;
- a revolving tranche having final repayment on November 26, 2016 and in 2014 the maturity has been extended until November 26, 2018. This may be used either as a cash loan or a signature loan. If used as a cash loan interest is payable at Euribor plus a margin of 425 basis points and there is a non-use commission of 160 basis points. At December 31, 2014, the maximum usable amount of €600 million was drawn down for €100 million.

With the aim of reducing its bank loan exposure to fluctuations in interest rates and foreign exchange rates, the Company has entered into transactions which qualify as hedges for a notional amount of €800,000 thousand, whose fair value at December 31, 2014, including delayed hedging transactions, is negative for €48,202 thousand. The hedges extend to September 2017 and consist of *plain vanilla interest rate swaps*.

Financing from subsidiaries

The following table sets out the main information relating to outstanding *Financing from subsidiaries* at December 31, 2014.

(thousands of euro)	Carrying amount at December 31, 2014	Carrying amount at December 31, 2013	Nominal amount at December 31, 2014	Residual Commitment	Currency	Due date	Interest rate
Loan Agreement 2020 A	534,490	-	575,000	575,000	EUR	06/15/2020	4.40%
Loan Agreement 2020 B	3,255,512	-	3,512,740	3,512,740	EUR	06/15/2020	4.40%
Loan Agreement 2017	-	2,638,512	-	-	EUR	06/15/2017	11.90%
Loan Agreement 2018	-	2,685,400	-	-	EUR	01/15/2018	7.60%
Additional Loan Agreement 2018	-	497,944	-	-	EUR	01/15/2018	9.30%
Loan Agreement 2021	3,646,032	-	3,779,658	3,779,658	EUR	03/23/2021	6.85%
ICL 2015 Depo I	40,102	-	40,000	40,000	EUR	01/12/2015	1.27%
ICL 2015 Depo II	50,132	-	50,000	50,000	EUR	01/12/2015	1.39%
ICL 2015 Depo III	50,024	-	50,000	50,000	EUR	01/12/2015	1.06%
ICL 2014 Depo I	-	60,088	-	-	EUR	01/09/2014	1.23%
ICL 2014 Depo II	-	14,015	-	-	EUR	01/09/2014	1.13%
ICL 2014 Depo III	-	160,066	-	-	EUR	01/09/2014	0.98%
Loan Agreement 2019	149,125	149,354	150,000	150,000	EUR	03/30/2019	5.78%
Loan Agreement 2020	424,140	425,188	420,400	420,400	EUR	03/30/2020	5.9%
Totale	**8,149,557**	**6,630,567**	**8,577,798**	**8,577,798**			

The changes in balances over December 31, 2013 are mainly due to the effects of the refinancing operations completed in April and July 2014 by the Company and the subsidiary Wind Acquistion Finance SA, for which details may be found above.

An amount of €18,372 thousand at December 31, 2014 refers to the sight current accounts with subsidiaries on which interest is charged on a quarterly basis at market rates.

The current portion of financing from subsidiaries at December 31, 2014 also includes €140,258 thousand related to the short-term deposits from the subsidiary Wind Acquisition Finance SA, (the short-term Loan Agreements) with maturity date January 12, 2015. The short-term deposits from the subsidiary Wind Acquisition Finance SA were repaid on January 9, 2014 and had a carrying amount at December 31, 2013 of €243,169 thousand.

With the aim of reducing its financing from subsidiaries exposure to fluctuations in interest rates and foreign exchange rates, the Company has entered transactions which qualify as hedges for a notional amount of €570,000 thousand, whose fair value at December 31, 2014, including forward start transactions, is negative for €25,853 thousand. The hedges extend to 2020 and consist of *plain vanilla interest rate swaps*.

Loans from others

This item, having a balance of €332,649 thousand (€473,731 thousand at December 31, 2013), mainly consists of:

- payable due to the Ministry of Economic Development for an amount of €162 million, as the result of the allocation of the mobile frequency use rights (for which details may be found in note 4). This balance is repayable over a five year period from October 3, 2012 at a floating interest rate calculated by adding a spread of 1% to the average rate at which treasury bonds are issued during the previous year as published by the Ministry in the 30 days preceding the due date of each instalment. Repayment of the third instalment of €81 million was made on October 3, 2014;

- the loan of €131,548 thousand (€133,650 thousand at December 31, 2013) against the capitalization of backbone rights, details of which may be found in note 3;
- payable to banks of €37,354 thousand, of which €19,692 is the current portion, (€89,304 thousand, of which €37,354 is the current portion at December 31, 2013) against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Company's debt.

14 DERIVATIVE FINANCIAL INSTRUMENTS

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

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
- Exchange rate risk	-	-	-	-
- Interest rate risk	-	74,055	1,042	72,605
Total cash flow hedges	**-**	**74,055**	**1,042**	**72,605**
- Embedded derivatives on Loan Agreement 2017 and 2018	6,390	-	60,950	-
Total Derivatives Non Hedge Accounting	**6,390**	**-**	**60,950**	**-**
Total	**6,390**	**74,055**	**61,992**	**72,605**

The following table shows the detail of current and non-current derivative instruments.

(thousands of euro)	At December 31, 2014		At December 31, 2013	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current	-	-	-	15,543
Non current	6,390	74,055	61,992	57,062
Total derivatives	**6,390**	**74,055**	**61,992**	**72,605**

The fair value of financial instruments listed on active markets was determined as the market quotation at the reporting date. In the absence of an active market, fair value was determined by referring to prices provided by external operators and using valuation models based mostly on objective financial variables, as well as by taking into account, where possible, the prices used in recent transactions and the quotations of similar financial instruments.

There were no currency risk hedges outstanding at December 31, 2014 as the Company no had any debt in currencies other than the euro at that date.

The following were outstanding at December 31, 2014:

- plain vanilla interest rate swaps hedging the interest rate risk of bank loans, having a notional amount of €1,370,000 thousand (€2,770,000 thousand at December 31, 2013) and a negative fair value of €74,055 thousand (negative fair value of €72,605 thousand and positive fair value of €1,042 thousand at December 31, 2013);

- embedded derivatives of €6,390 thousand (€60,950 thousand at December 31, 2013) relating to the fair value of the early repayment options on the Loan Agreement 2019, 2020 and 2021, for which details may be found in note 13.

15 EMPLOYEE BENEFITS

The following table sets out the changes in ***Employee benefits*** at December 31, 2014.

(thousands of euro)	At December 31, 2013	Accrual	(Utilization)	Other changes	At December 31, 2014
Post-employment benefits	**51,909**	19,918	(1,261)	(11,096)	**59,470**

There is an increase during the year of €7,134 thousand (decrease of €1,780 thousand during 2013) in the Company's employee benefits due to the change in the actuarial variables.

Other changes during the year consist mostly of the transfer of the post-employment benefits accrued during the year to supplementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€17,026 thousand).

The main actuarial assumptions underlying the calculation of the post-employment benefits are the following.

Average inflation rate	Discount rate	Increase in wages and salaries	Employee turnover rate
2.00%	3.38%	N/A	1.00%– 3.00%

The effects recognized in income statement are as follows.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Current service costs	18,345	18.939
Finance expense	1,573	1.949
Total	**19,918**	**20,888**
Actual return on plan assets	N/A	N/A

16 PROVISIONS FOR RISKS AND CHARGES

The following table sets out changes in ***Provisions for risks and charges*** during the year ended December 31, 2014.

(thousands of euro)	At December 31, 2013	Increases	(Utilization)	(Release)	At December 31, 2014
Litigation	169,720	24,450	(66,938)	(43,831)	83,401
Restructuring	376	-	-	-	376
Universal service contribution (Presidential Decree no. 318/1997)	16,682	-	-	-	16,682
Product assistance	1,521	862	(1,006)	-	1,377
Dismantling and removal	38,226	-	(620)	-	37,606
Other provisions	47,224	6,649	(9,427)	(7,997)	36,449
Total	**273,749**	**31,961**	**(77,991)**	**(51,828)**	**175,891**

Litigation

The provision at the respective dates is based on estimates using the best information available of the total charge that the Company expects to incur upon settlement of all outstanding legal proceedings (for details on the main proceedings in progress, please refers to paragraph on main pending legal proceedings in note 36).

Universal service contribution

Article 3, paragraph 6, of Presidential Decree no. 318 of September 19, 1997 regarding the "Implementation of European Union Directives" establishes a mechanism designed to distribute the net cost of providing universal service throughout the country whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

Dismantling and removal

The item consists of the estimate of the dismantling and removal costs which may be incurred as a result of contractual obligations which require the asset to be returned to its original state and condition.

Other provisions

This item consists of the measurement of certain liabilities arising from obligations assumed by the Company for which an estimate is made at the date of these financial statements of the amount to be settled upon due date. The balance at December 31, 2014 includes €16,628 thousand for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €12,051 thousand relating to compensation plan for the long-term retention and incentive of management.

17 OTHER LIABILITIES

Other non-current liabilities at December 31, 2014 and 2013 amount to €160,290 thousand and €165,388 thousand, respectively. At December 31, 2014 this item mainly includes:

- an amount of €104,350 thousand relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus in 2014, 2013, 2012 and 2011 (for which details may be found in note 3), which will be recognized in the income statement over the useful life of the assets;
- an amount of €33,598 thousand relating to a capital contribution recognized for the allocation of the frequencies (for which details may be found in note 4) as a discount of 3% on the total amount of the tender for the commitment made to produce over 50% of the new networks using apparatus having environmental eco-sustainable features. The amount will be released to the income statement in Other Revenue when there is the reasonable certainty that the envisaged conditions will be met, and is consistent with the depreciation of the apparatus having eco-sustainable features which will be purchased and put into use for the development of the network;
- a capital grant €10,105 thousand given to the Company for its participation in certain regional projects for the realization of investments supporting local development. This amount will be released to the income statement over the useful lives of the assets involved.

18 TRADE PAYABLES

The following table provides details of ***Trade payables*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Due to telephone operators	456,768	366,533
Due to agents	23,871	25,102
Due to authorized dealers	30,075	44,202
Due to parents	3,388	15,346
Due to subsidiaries	8,831	11,206
Due to related companies	33,459	14,001
Other trade payables	1,102,107	1,184,391
Total	**1,658,499**	**1,660,781**

The change in this item over the year is principally due to the effect of normal settlements during the course of the year.

Trade payables *due to telephone operators* mainly relate to interconnection and roaming services.

Payables *due to agents* and *due to authorized dealers* relate to commissions to agents and authorized dealers.

Trade payables *due to parents* relates mainly to amounts payable by the Company to the parent Wind Telecom SpA as the result of services (IT, marketing, personnel, purchasing, etc) provided in previous years, while trade payables *due to related companies* refers principally to: i) the payable due by the Company to Vimpelcom International Services for trading and signature services of agreements relating to the economic conditions of international roaming provided in 2014; ii) the payable arising from transactions with telephone operators belonging to the VimpelCom group; and iii) the payable to SPAL TLC SpA. Further details may be found in notes 5 and 33.

Trade payables *due from subsidiaries* consist of the trade payables due to WIND Retail, Wind Acquisition Finance SA and Wind Acquisition Finance II SA. Further details may be found in notes 5 and 33.

Other trade payables mainly relate to payables to suppliers for the purchase of goods and services.

The following table provides an analysis of trade payables by due date.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	1,526,286	1,597,915
-after 12 months	132,213	62,866
Total	**1,658,499**	**1,660,781**

19 OTHER PAYABLES

The following table provides an analysis of ***Other payables*** at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Payables to social security organizations	22,010	25,894
Tax payables	163,019	135,222
Payables to personnel	26,705	29,759
Payables to government bodies by grants	11,607	9,475
Other amounts payable to parents	167,313	304,379
Other amounts payable to subsidiaries	794	351
Other amounts payable to related parties	-	125
Prepaid traffic to be used	157,784	182,729
Deferred income	19,932	19,521
Other payables	80,873	57,875
Total	**650,037**	**765,330**

The following table provides an analysis by due date.

(thousands of euro)	At December 31, 2014	At December 31, 2013
-within 12 months	648,702	763,995
-after 12 months	26,072	1,335
Total	**650,037**	**765,330**

Payables to social security organizations relate principally to the employer's and employees' portions of social security contributions for December and the employer's portion accrued on deferred remuneration (mostly accrued vacation and other permitted leaves that have been accrued but not yet taken). This item also includes the amounts payable to the Italian social security organization INPS for the accrued post-employment benefits (TFR) yet to be paid which employees had elected to transfer to the Treasury fund in accordance with Law no. 296 of December 27, 2006, the "2007 Finance Act", and subsequent decrees and regulations.

The following table sets out details of *Tax payables* at December 31, 2014 and 2013.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Government license fee	26,485	28,711
Withholding tax	11,041	10,113
VAT	77,882	67,010
Other	47,611	29,388
Total	**163,019**	**135,222**

Other tax payables include a balance of €46,491 thousand due to the tax authorities arising from the settlement of the assessment raised by the Tax Revenue Office concerning the payment of withholding tax on the interest arising in prior years under the Senior Facility Agreement of May 26, 2005. The payment plan for this liability envisages twelve quarterly instalments due from May 22, 2014 to February 22, 2017 with interest charged at 1%. The balance of €28,242 thousand due to the tax authorities at December 31, 2013, being the amount required to discharge the liability arising from the fiscal audit into the withholding tax due on interest income paid by the Company to the Group companies Wind Finance SL SA and Wind Acquisition Finance SA in prior years, has been fully settled, with the final instalment being paid in September 2014.

Payables to personnel consist mostly of liabilities for accrued vacation and other accrued leaves still to be taken at the end of the year. *Payables to personnel* decreased compared to December 31, 2013 mainly due a decrease in deferred compensations following the agreement with trade unions, reached on October 10, 2012, to revise the main economic and legislative schemes in personnel costs in the period from 2013 to 2017.

Payables to government bodies for grants represent amounts due for licenses and concessions provided by the relevant bodies.

Out of *Other payables to parents*, €10,651 thousand (€303,787 thousand at December 31, 2013) refers to a payable to the indirect parent Wind Telecom SpA following the transfer of IRES tax payables by the Company as part of the national tax consolidation procedure.

As part of the refinancing of the group, on April 30, 2014 part of the liability due for the Company's tax consolidation, amounting to €162,988 thousand, was offset against the financial receivable due to the Company by Wind Telecom SpA, while the difference of €141,712 thousand was transferred by the indirect parent Wind Telecom SpA to the direct parent Wind Acquisition Holdings Finance SpA.

Prepaid traffic to be used consists of the unused portion of prepaid traffic, sold by the Company via rechargeable telephone cards and top-ups, which had not yet been utilized at the end of the year.
Deferred income refers to income for billings made contractually in advance in prior years and in 2014 for lease and installation fees relating to the utilization of broadband capacity ('initial capacity'), which will be recognized in later periods.
Other payables mainly consist of amounts due to supplementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers, liabilities for amounts received in respect of receivables sold and other residual items.

20 TAX PAYABLES

The balance at December 31, 2014 of €666 thousand, represents the amount due by the Company for income tax for the year (IRAP), net of advance payments for the corresponding tax periods while the Company had a receivable position for the income taxes for the year at December 31, 2013.
Receivable and payable items for IRES are included in receivables and payables from and to the parent, as Company have elected to take part in the national tax consolidation procedure of Wind Telecom SpA.

21 REVENUE

The following table provides the breakdown of ***Revenue*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Revenue from sales	**216,473**	**237,609**	**(21,136)**	**(8.9)%**
- Telephone services	3,642,023	4,030,145	(388,122)	(9.6)%
- Interconnection traffic	380,823	399,104	(18,281)	(4.6)%
- International roaming	36,261	41,394	(5,133)	(12.4)%
- Judicial authority services	5,940	6,046	(106)	(1.8)%
- Other revenue from services	108,256	113,724	(5,468)	(4.8)%
Revenue from services	**4,173,303**	**4,590,413**	**(417,110)**	**(9.1)%**
Total	**4,389,776**	**4,828,022**	**(438,246)**	**(9.1)%**

The *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 9.6% in 2014 compared with 2013, thanks to the substantial maintenance in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

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

The *Interconnection traffic* revenue decrease is mainly due to the general reduction of unit tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS Not Voice traffic.
The *International roaming* revenue fell mainly as the effect of the reduction in Voice and Data tariffs, only partially offset by an increase in international roaming volume.

22 OTHER REVENUE

Other revenue amounts in total to €243,116 thousand in the twelve months of 2014 (an increase of €86,613 thousand over the year 2013) and refers principally to the revisions of estimates of accruals made in previous years and to the effects related to the settlement of disputes and related commercial agreements with some suppliers.
In particular, during the year ended December 31, 2014, the Company entered into agreements creating an immediate benefit of €105 million recorded in *other revenues* in the consolidated income statement. In connection with these agreements, the Company accepted an exposure to possible obligation. In case the Company fails to meet the obligation, it can be subject to cash penalties for an amount of up to €30 million. No provisions have been recognized with this respect because the risk of the penalty materializing was estimated not probable.

23 PURCHASES AND SERVICES

The following table provides the breakdown of ***Purchases and services*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Interconnection traffic	608,485	669,089	(60,604)	(9.1)%
Customer acquisition costs	209,243	249,066	(39,823)	(16.0)%
Lease of civil/technical sites and use of third party ssets	240,287	238,886	1,401	0.6%
Purchases of raw materials, consumables, supplies and goods	221,624	266,455	(44,831)	(16.8)%
Rental of local network and circuits	427,464	441,030	(13,566)	(3.1)%
Advertising and promotional services	109,228	159,829	(50,601)	(31.7)%
Outsourcing costs for other services	122,316	137,419	(15,103)	(11.0)%
Maintenance and repair	85,443	94,117	(8,674)	(9.2)%
Utilities	129,554	123,181	6,373	5.2%
National and international roaming	29,580	38,438	(8,858)	(23.0)%
Consultancies and professional services	35,751	35,711	40	0.1%
Change in inventories	3,400	(2,165)	5,565	(257.0)%
Other services	133,032	113,097	19,935	17.6%
Total purchases and services	**2,355,407**	**2,564,153**	**(208,746)**	**(8.1)%**

The change in this item is essentially due to the combined effect of the following increases and decreases compared to the year ended December 31, 2013:

- a decrease of €60,604 thousand in *Interconnection traffic* costs mainly due to a fall in termination tariffs, only partially offset by an increase in the volume of mobile termination traffic and in VAS and MMS traffic;
- a decrease of €50,601 thousand in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of purchasing of advertising media such as TV, radio, billboards and decrease in sponsorship costs;
- a decrease of €39,823 thousand in the *Customer Acquisition Cost* mainly due to a decrease of commissions for new activations and mobile traffic and commissions for the sale of scratch cards;
- net decrease of €39,266 thousand in Purchases of raw materials, consumables, supplies and goods and change in inventories mainly due to a decrease in the sale of mobile telephone handsets only partially offset

by an increase in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift on sales towards high-range terminals.

The item *consultancies and professional services* includes remuneration for statutory auditors of Company, equal to €166 thousand, and the remuneration for the external audit activities on financial statements, equal to €907 thousand (total compensation for the audit to separate and consolidate financial statements at December 31, 2014 is equal to €845 thousand). The ordinary shareholders' meeting of April 18, 2014 did not deliberate remuneration to the Directors of the Company.

24 OTHER OPERATING COSTS

The following table provides the breakdown of ***Other operating costs*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	%
Impairment losses on trade receivables and current assets	110,911	113,992	(3,081)	(2.7)%
Accruals to provision for risks and charges	11,761	8,929	2,832	31.7%
Annual license and frequency fees	33,506	30,724	2,782	9.1%
Other operating costs	21,670	14,871	6,799	45.7%
Total other operating costs	**177,848**	**168,516**	**9,332**	**5.5%**

25 PERSONNEL EXPENSES

The following table provides the breakdown of ***Personnel expenses*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	%
Wages and salaries	258,987	260,489	(1,502)	(0.6)%
Social security charges	69,372	72,077	(2,705)	(3.8)%
Other personnel expenses	12,338	12,478	(140)	(1.1)%
Post-employment benefits	17,929	18,248	(319)	(1.7)%
(Costs capitalized for internal works)	(59,552)	(50,771)	(8,781)	17.3%
Total personnel expenses	**299,074**	**312,521**	**(13,447)**	**(4.3)%**

The change in the period compared with 2013 is due to the combined effect of the lower estimated charge relating to the compensation plan for the long-term retention and incentive of management and the higher capitalization of personnel cost for internal works, only partially offset by the increase in the contractual minimum during 2014 as required by the National Labor Contract (CCNL), effective until December 31, 2014.

In 2014 *Personnel expenses* reflected in a limited way the effects of the agreement with the unions of July 29, 2014 providing for the use of solidarity contracts for a period of 18 months (starting in September 2014) as a means of supporting a plan for internalizing activities designed to achieve the efficiency objectives of the Group's business model, given the particularly critical trends in the market.

The number of employees at year end was as follows.

	At December 31, 2014	At December 31, 2013
Senior management	123	128
Middle management	617	595
Employees	5,473	5,472
Total	**6,213**	**6,195**

The average number of employees during the year was as follows.

	2014 12 months	2013 12 months
Senior management	126	135
Middle management	619	594
Employees	5,494	5,516
Total	**6,239**	**6,245**

26 DEPRECIATION AND AMORTIZATION

The following table provides the breakdown of ***Depreciation and amortization*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Depreciation of property, plant and equipment				
- Plant and machinery	690,649	707,683	(17,034)	(2.4)%
- Industrial and commercial equipment	11,461	12,005	(544)	(4.5)%
- Other assets	21,034	23,862	(2,828)	(11.9)%
Amortization of intangible assets with finite lives				
- Industrial patents and similar rights	113,356	119,666	(6,310)	(5.3)%
- Concessions, licenses, trademarks and similar rights	192,155	192,145	10	0.0%
- Other intangible assets	185,123	208,797	(23,674)	(11.3)%
Total depreciation and amortization	**1,213,778**	**1,264,158**	**(50,380)**	**(4.0)%**

Depreciation and amortization decrease by €50,380 thousand over 2013. Of this €20,406 thousand relates to property, plant and equipment, due to the optimization in network investments made in the past year, and €29,974 thousand to intangible assets, mainly due to the decreasing trend of the capitalization of fixed customer acquisition cost.

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

The following table provides the breakdown of ***Reversal of impairment losses / (impairment losses) on non-current assets*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Reversal of impairment losses / (Impairment losses) on property, plant and equipment	(12,114)	(5,249)	(6,865)	130.8%
Reversal of impairment losses / (Impairment losses) on intangible assets	(80)	(733)	653	(89.1)%
Total	**(12,194)**	**(5,982)**	**(6,212)**	**103.8%**

The item includes the effects of impairment losses and reversals of property, plant and equipment and the effect of the operation to replace transmission equipment for which more details may be found in the note 3.

28 GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS

The following table provides the breakdown of ***Gains/(losses) on disposal of non-current assets*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Gains on disposal of property, plant and equipment	454	2,415	(1,961)	(81.2)%
Losses on disposal of property, plant and equipment	(4,854)	(7,559)	2,705	(35.8)%
Total	**(4,400)**	**(5,144)**	**744**	**(14.5)%**

The change over the previous year is due to lower gains and losses recorded in 2014 on the disposal and/or sale of property, plant and equipment as part of the normal renewal process for these assets for which more details may be found in the note 3.

29 FINANCE INCOME

The following table provides the breakdown of ***Finance income*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Interest on bank deposits	221	445	(224)	(50.3)%
Cash flow hedge reversed from equity	2,803	983	1,820	185.1%
Fair value measurement of derivatives	3,589	30,153	(26,564)	(88.1)%
Other	61,369	5,180	56,189	n.m.
Total finance income	**67,982**	**36,761**	**31,221**	**84.9%**

The increase in this item is mainly due to higher Other finance income only partially offset by lower income arising from the fair value measurement of the non-hedging derivatives that led to the recognition of income of €30,153 thousand at December 31, 2013, compared to income of €3,589 thousand at December 31, 2014.

Other financial income at December 31, 2014 consists mainly of: i) the interest of €59,000 thousand arising on the receivable from the parent Wind Acquisitions Holdings Finance SA under the intercompany agreements entered in April 23, 2014 and in August 4, 2014, for which details may be found in note 5, and ii) the interest of €1,993 thousand (4,662 thousand at December 31, 2013) arising on the receivable from the parent Wind Telecom SpA repaid on April 23, 2014, for which details may be found in note 5.

30 FINANCE EXPENSE

The following table provides the breakdown of ***Finance expense*** for 2014 and 2013.

(thousands of euro)	2014	2013	Change	
	12 months	12 months	Amount	%
Interest expense on:				
Bank loans	(176,213)	(188,319)	12,106	(6.4)%
Financing from subsidiaries	(634,002)	(622,588)	(11,414)	1.8%
Discounted provisions	(1,573)	(3,661)	2,088	(57.0)%
Hedge accounting effect	(42,360)	(82,669)	40,309	(48.8)%
Fair value measurement of derivatives	(60.950)	-	(60.950)	n.m.
Other	(22,685)	(151,636)	128,951	(85.0)%
Total finance expense	**(937,783)**	**(1,048,873)**	**111,090**	**(10.6)%**

Finance expense for 2014 consists mostly of accrued interest on financial liabilities outstanding at December 31, 2014, for which further details may be found in note 13, and the effects of the hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement for €42,360 thousand (€82,669 thousand for 2013) and the loss of €60,950 thousand (income €30,153 thousand at December 31, 2013) arising from the fair value measurement of the non-hedging derivatives.

The decrease in *bank loan interest* is due to the early repayment of €575 million on April 29, 2013, of the Senior Facility Agreement and the early repayment of €573 million on July 10, 2014, of the Senior Facility Agreement.
The decrease in *Other interest* is mainly due to the positive effect of €30,944 thousand at December 31, 2014 relating to the release of a financial provision of 92,703 thousand recorded in 2013.

31 FOREIGN EXCHANGE GAINS/(LOSSES), NET

The following table provides the breakdown of ***Foreign exchange gains (losses) - net*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	%
Realized gains	584	1,342	(758)	(56.5)%
Unrealized gains	474	69	405	587.0%
Foreign exchange gains	**1,058**	**1,411**	**(353)**	**(25.0)%**
Realized losses	2,295	923	1,372	148.6%
Unrealized losses	437	125	312	249.6%
Foreign exchange losses	**2,732**	**1,048**	**1,684**	**160.7%**
Total	**(1,674)**	**363**	**(2,037)**	**(561.2)%**

32 INCOME TAXES

The following table provides the breakdown of ***Income taxes*** for 2014 and 2013.

(thousands of euro)	2014 12 months	2013 12 months	Change Amount	%
Current tax	(68.880)	(97.263)	28.383	(29,18)%
Previous years income taxes	3.812	(42.348)	46.160	n.m.
Deferred tax	17.020	(3.776)	20.796	(550,7)%
Total income taxes	**(48.048)**	**(143.387)**	**95.339**	**(66,5)%**

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

- current income taxes expense of €68,880 thousand (of which €21,510 thousand for charge from tax consolidation procedure "IRES tax" and €47,370 thousand for IRAP tax) charged on the taxable income for 2013;
- previous years income taxes of €3,812 thousand;
- net deferred tax income of €17,020 thousand, arising from release of €26,532 thousand in deferred tax assets mainly relating to the changes in temporary differences arising from provisions and non-current assets and from the release of deferred tax liabilities of €43,552 thousand, mainly relating to the changes in temporary differences arising from non-current assets.

The following table provides a reconciliation between the theoretical tax rate and the effective tax rate for 2014 and 2013.

(thousands of euro)		**2014**		**2013**
Theoretical tax rate	27,50%		27,50%	
Profit/(Loss) before tax	**(301,284)**		**(347,698)**	
Theoretical tax assets relating to IRES		(82,853)		(95,617)
Non-deductible costs/non-taxable revenue		4,923		183,563
Non-recognized deferred tax assets		82,420		-
Adjustments to previous years taxes		(3,812)		4,348
Actual IRES tax (current and deferred)		**678**		**92,294**
Effective IRES tax rate	(0.2)%		(26.5)%	
IRAP tax		**47,370**		**51,093**
Actual tax expense recognized in profit or loss		**48,048**		**143,387**
Overall tax rate	(15.9)%		(41.2)%	

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income taxes) purposes. The IRAP tax charge is included to reconcile with the overall income taxes expense in the financial statements.

33 RELATED PARTY TRANSACTIONS

Transactions with related parties

Related party transactions are part of normal operations which are conducted on an arm's length basis from an economic standpoint and formalized in agreements, and mainly relate to transactions with telephone operators.

In reference to transactions with the indirect parent Wind Telecom SpA, WIND Telecomunicazioni SpA receives services relating to IT, marketing, personnel, purchasing, etc; while in reference to transactions with the related company Vimpecom International Services, WIND receives trading and signature services of agreements relating to the economic conditions of international roaming.

In reference to transactions with the parent Wind Acquisition Holdings Finance SpA, on April 23, 2014 and on August 4, 2014 two intercompany loans of up to €925,000 thousand (fully disbursed at December 31, 2014) and up to €75,000 (which €12,900 thousand disbursed at December 31, 2014) were signed, for which details may be found in note 5.

In addition, on April 23, 2014 the receivable of €162,988 thousand for the intercompany loan based on the agreement of November 29, 2010 between the Company and the indirect parent Wind Telecom SpA was used to partially offset the liability arising from the transfer by the Company of IRES corporate income tax liabilities as the result of adhesion to the national tax consolidation procedure with Wind Telecom SpA. The remaining balance of €141,712 thousand due by WIND to the indirect parent Wind Telecom SpA was transferred by the latter on the same date to the direct parent Wind Acquisition Holdings Finance SpA.

During the year ended December 31, 2014, the Company did not hold treasury shares or shares, either directly or through trustees, or shares of the parent WIND Acquisition Holdings Finance SpA, or of the indirect parent Wind Telecom SpA.

The table below provides a summary of the main effects on the income statement and statement of financial position of related party transactions during the year.

(thousands of euro)	Year ended December 31, 2014								
	Revenue	**Finance income/ (expense)**	**Expenses**	**Trade receiv.**	**Other receiv.es**	**Financial receiv.**	**Financial payables**	**Trade payables**	**Other payables**
Armenija Telefon Kompani	9	-	2	1	-	-	-	13	-
Consorzio Wind Team	-	-	9	-	6	-	-	-	-
DiGi (Malaysia)	16	-	2	9	-	-	-	4	-
DTAC/UCOM (Thailand)	5	-	16	2	-	-	-	-	-
GrameenPhone (Bangladesh)	95	-	88	33	-	-	-	42	-
KaR-Tel	66	-	4	-	-	-	-	19	-
Kievstar	556	-	23,311	-	6	-	-	5,177	-
Maritim Communication Partner AS (Norway)	-	-	275	-	-	-	-	122	-
Mobitel LLC Georgia	23	-	8	-	-	-	-	9	-
Summit Technology Solutions (STS)	-	-	-	-	-	-	-	4	-
Orascom Telecom Algeria SpA	183	-	102	22	-	-	-	2	-
Orascom Telecom Bangladesh Ltd. (Banglalink)	4	-	16	101	-	-	-	-	-
Orascom Telecom Holding SAE	309	-	-	335	-	-	-	1,977	-
Pakistan Mobile Communications Ltd.	59	-	10	110	-	-	-	-	-
Powercom (Pty) Ltd T/A leo	-	-	12	-	-	-	-	10	-
SKY MOBILE LLC	1	-	1	-	-	-	-	1	-
Telenor Magyarorszag KFT (Hungary)	152	-	137	81	-	-	-	88	-
Telenor Mobile Communications AS (Norway)	68	-	31	-	-	-	-	39	-
Telenor Pakistan (Pakistan)	13	-	3	1	-	-	-	3	-
Telenor Serbia (Serbia)	105	-	55	140	-	-	-	373	-
Unitel	5	-	2	1	-	-	-	-	-
Vimpelcom ltd	1,094	-	0	-	2,960	-	-	56	-
VimpelCom Lao Co, Ltd	-	-	2	5	-	-	-	-	-
Vympel-Kommunikacii	942	-	6,491	-	-	-	-	1,306	-
WIND Acquisition Holdings Finance SpA	44	59,000	-	-	2,043	996,900	-	273	141,712
Wind Telecom SpA*	1,302	1,993	382	-	21,006	-	-	3,059	25,188
Wind Acquisition Finance SA	-	(647,562)	-	-	2,619	-	8,138,772	815	-
Wind Acquisition Finance II SA	-	-	-	-	-	-	-	30	-
Wind Finance SL SA	-	-	-	-	8	-	-	-	-
WIND Retail Srl	40,237	(39)	26,176	20,942	3,969	-	18,372	7,987	1,284
SPAL TLC S.p.A.	240,600	-	25,688	2,254	-	-	-	6,824	-
Vimpelcom International services	-	-	16,131	-	677	-	-	17,406	-
Tacom LLC (Tajikistan)	-	-	-	-	-	-	-	1	-
Telenor Sverige AB	55	-	-	9	-	-	-	-	-
VimpelCom Amsterdam B.V.	-	-	-	-	4,500	-	-	-	413
Cosmo Bulgaria Mobile EAD	36	-	133	-	-	-	-	39	-
Total	**285,979**	**(586,608)**	**99,087**	**24,046**	**37,794**	**996,900**	**8,157,144**	**45,679**	**168,597**

*payables to Wind Telecom SpA relate in the amount of €10,651 thousand to the transfer by WIND Telecomunicazioni SpA of its corporate income tax (IRES) payables to Wind Telecom SpA following the choice to take part in the national tax consolidation procedure with Wind Telecom SpA.

** revenue to SPAL TLC SpA include the revenue of WIND Telecomunicazioni SpA from the sale of phone cards (€220,788 thousand).

Directors

The Directors of the Company, identified as "Key Management Personnel", did not receive compensation for 2014, as it was not deliberated by the ordinary shareholders' meeting. There were no transactions with directors in 2014.

34 NET FINANCIAL INDEBTEDNESS

The following statement shows the Company's net financial indebtedness broken down into its principal components, as already described in notes 5, 13 and 14 to the financial components of the statement of financial position.

(thousands of euro)	At December 31, 2014	At December 31, 2013
Financing from subsidiaries	7,923,762	6,323,995
Bank loans	1,711,053	2,278,125
Loans from other	227,654	330,923
Derivative financial instruments	74,055	57,062
Non-current financial liabilities	**9,936,524**	**8,990,105**
Financing from subsidiaries	244,167	325,524
Bank loans	166,100	145,962
Loans from others	104,995	142,808
Derivative financial instruments	0	15,543
Current financial liabilities	**515,262**	629,837
TOTAL GROSS FINANCIAL INDEBTEDNESS	**10,451,786**	**9,619,942**
Cash and cash equivalents	**(141,466)**	**(126,097)**
Financial receivables	(20,578)	(165,008)
Current financial assets	**(20,578)**	**(165,008)**
Derivative financial instruments	(6,390)	(61,992)
Financial receivables	(991,192)	(14,503)
Non-current financial assets	**(997,582)**	**(76,495)**
NET FINANCIAL INDEBTEDNESS	**9,292,160**	**9,252,342**

The net financial indebtedness does not include the guarantee deposits for an amount of €4,037 thousand and €4,047 thousand at December 31, 2014 and at December 31, 2013, respectively.

35 CASH FLOW STATEMENT

Cash flows from operating activities, amounting to €846,150 thousand in 2014, decreased of €105,725 thousand over 2013, mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash during 2014 of a total of €105,725 thousand representing an increase of €742,830 thousand over 2013 due mainly to: i) the disbursement to the parent Wind Acquisition Holdings Finance SpA of a loan of €937,900 thousand, ii) the settlement of the loan of the Company 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 €33,954 thousand mainly arising from the optimization in the developments of products, services and support processes only partially offset by higher investments in LTE mobile technology, over 2013.

For the year ended December 31, 2014 financing activities used cash of €697,721 thousand, while for the year ended December 31, 2013 financing activities absorbed cash of €149,216 thousand, primarily as a result of the new intercompany loans disbursed to the Company from the subsidiary Wind Acquisition Finance SA by an aggregate nominal amount of €7,867,398 and the early repayment of the non-current financial liabilities in an aggregate nominal amount of €6,462,409 thousand and in particular as a consequence of:

- the disbursement to the Company on April 23, 2014 of a new intercompany loan from the subsidiary Wind Acquisition Finance SA of €3,779,658 thousand in consequence the issue of a new bond due 2021 through the subsidiary Wind Acquisition Finance SA;
- the early repayment of €2,678,068 thousand related to the intercompany loan due 2017 to the subsidiary Wind Acquisition Finance SA, made on April 23, 2014;
- the disbursement to the Company on July 10, 2014 of a new intercompany loan from the subsidiary Wind Acquisition Finance SA of €4,087,740 thousand in consequence the issue of a new bond due 2020 through the subsidiary Wind Acquisition Finance SA;
- the early repayment of €573,240 thousand made on July 2014 of the non-extended part of the Senior Credit Facilities;
- the early repayment of €3,211,101 thousand related to the intercompany loan due 2018 to the subsidiary Wind Acquisition Finance SA, made on July 10, 2014;
- the payment of €504,052 thousand of fees, mainly related to new Senior Notes 2021, 2020 and 2019 issued through the subsidiary Wind Acquisition Finance SA;
- the repayment of €51,950 thousand, of part of the financial liability against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt of November 26, 2010;
- the repayment of €2,102 thousand related to the loan against the capitalization of expenditure for the backbone rights of way;
- the repayment of €81,011 thousand, of the third installment falling due in October 2014, of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights;
- the repayment of €234 million related to the short-term intercompany loan to the subsidiary Wind Acquisition Finance SA, made on January 9, 2014;
- the disbursement to the Company during the year of the new short-term intercompany loan from the subsidiary Wind Acquisition Finance SA of €140 million.

In addition, financing activities at December 31, 2014 include the overdraft for an amount of €42,282 thousand (€15,854 thousand at December 31, 2013).

During 2013 financing activities used cash of €149,216 thousand mainly as the effect arising from the early repayments of €575 million attributable to Senior Facility Agreement, of €205 million attributable to short-term intercompany loan, of €81 million attributable to Ministry of Economic Development, of €72.9 million payable to banks against the deferred repayment plan of the fair value of the derivative instruments hedging loans that were repaid with the refinancing of the Group's debt on November 26, 2010, of €6 million attributable to the overdraft and of €9,675 thousand relating to the debt with a counterparty as the result of the terminating of a derivative due to the insolvency of the counterparty; and also as the effect of the disbursement to the Company of a new intercompany loan in consequence the issue of a new bond of an amount, net of fees paid, of €561 million and of a new short-term intercompany loan of €234 million.

36 OTHER INFORMATION

Main pending legal proceedings

WIND is subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings as at December 31, 2014, excluding those situations in which the cost arising from a negative outcome of the proceedings cannot be estimated or for which a negative outcome is not considered probable.

Proceedings with agents

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

Proceedings concerning Misleading Advertising and Unfair Commercial Practices

Under Legislative decree no.146/2007, the Italian Antitrust Authority has the power to initiate proceedings concerning unfair commercial practices and misleading advertising and issue fines of up to €5 million for each proceeding (amount redefined by Law no. 135/12 August 2012). During 2014, AGCM initiated three proceedings against WIND for unfair commercial practices: one proceeding was settled (the related appeal before TAR Lazio, the Administrative Court of Lazio, is pending) and other two proceedings are on-going.

Audit by the Italian Tax Authority

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

In the fourth quarter of 2013 the Guardia di Finanza ("GDF") (Italian Tax Police) initiated an audit for Corporate Income Tax and withholding tax purposes on WIND Telecomunicazioni SpA. The audit ended on 18 April 2014 with a tax audit report where GDF challenged, for corporate tax purposes, the deduction of certain financial expenses incurred by Wind Acquisition Finance SpA (merged into WIND Telecomunicazioni SpA) relating to FY 2005. On November 17, 2014 ADE notified a Tax Assessment challenging the tax deduction of the above mentioned items. Higher corporate taxes challenged are in the range of approximately €10.5 million plus penalties and interest.

Contingent assets and liabilities

WIND had the following contingent liabilities at December 31, 2014.

Proceedings Concerning Electromagnetic Radiation

Certain proceedings against WIND are pending from time to time regarding the installation of base radio stations. The proceedings typically concern the emission of electromagnetic radiation.

Audit on dealers' fees

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court, except for the year 2001 in relation to which the timing for appealing by tax authority is expired. The dispute can be quantified in approximately €5 million plus penalties and interest.

WIND/Crest One SpA

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

WIND-Antitrust Authority (A/357)

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

Fastweb/WIND

On January 2, 2014, Fastweb served a claim on WIND based on the antitrust proceedings no. A/357 – which in August 2007 condemned WIND and Telecom Italia for abuse of their dominant positions in the wholesale termination market in favour of their respective internal commercial divisions and to the detriment of the competitors in the fixed market (i.e. internal-external discriminatory application of economic and technical conditions for fixed-to-mobile on net and intercom calls to the business clients). Following a delay due to a substitution of the assigned judge, the first hearing date, scheduled on October 8, 2014, has been postponed on March 4, 2015.

WIND-Antitrust Authority (I/757)

On September 13, 2012, the AGCM opened an antitrust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND). The investigation started following a complaint by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND aiming at preventing the entry of

Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting in June, 2012. AGCM extended the scope of the investigation against Telecom Italia and WIND, contesting possible vertical agreements with their respective multibrand dealers aiming at excluding the competitors. WIND filed undertakings to AGCM on April 4, 2014, which AGCM published on April 22, 2014. On June 10, 2014, WIND attended a formal hearing with AGCM's Communication Unit. The proceeding initially scheduled to be completed on October 30, 2014 has been postponed on December 31, 2014.
With two decisions, published on December 29, 2014 the Italian Antitrust Authority decided to (i) close the investigation opened against Telecom Italia, WIND and Vodafone (for alleged horizontal agreement) and (ii) make mandatory the commitments proposed by WIND and Telecom Italia and close the investigation opened for alleged vertical agreements without ascertaining any violation by Telecom Italia and WIND.

Guarantees

The company has not pledged any guarantees, either directly or indirectly, in favor of parents or companies controlled by the latter.

The collateral pledged by the Company at December 31, 2014 as a guarantee for liabilities may be summarized as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Company 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 Company'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 over 6,200 shares representing 100% of the corporate capital of the subsidiary Wind Acquisition Finance SA owned by WIND Telecomunicazioni SpA and in favor of a pool of banks pursuant to the related share pledge agreement;
- pledge under the English law over a bank account of WIND Telecomunicazioni S.p.A. in favor of the banking syndicate party to the Senior Facility Agreement and the other creditors specified in the related deed of pledge;
- assignment under the English law of receivables arising from hedging contracts of WIND Telecomunicazioni S.p.A. in favor of the 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 WIND Telecomunicazioni SpA 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 and the other lending parties specified in the and the other lending parties specified in the supplemental deed related to the respective contract as a guarantee for and in favor of the subscribers to the Senior Secured Fixed Rate Notes expiring in 2020, and Senior Secured Floating Rate Notes expiring in 2019, issued Wind Acquisition Finance SA on April 29, 2013 and in favor of the subscribers of the Senior Secured Fixed Rate Notes expiring in 2020 and the Senior Secured Floating Rate Notes expiring in 2020, issued by Wind Acquisition Finance SA on July 10, 2014.

Moreover, the WIND Telecomunicazioni SpA 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 notes above mentioned expiring in 2019, 2020.

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Company and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €349,494 thousand at December 31, 2014 includes:

- sureties totaling €15,054 thousand issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €334,440 thousand issued by banks, relating to participation in tenders, of which €276,630 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded for the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to excavation licenses, property leases, operations regarding prize competitions.

The Company has been under the management and coordination of Vimpelcom Ltd since November 2013. In this respect, a summary is provided below of the key data from the latest approved set of financial statements of Vimpelcom Ltd, being those as of and for the year ended December 31, 2014.

(millions of USD)	**At December 31, 2013**
Assets	
Tangible assets	6
Intangible assets	7
Financial assets	10,245
Total non-current assets	**10,258**
Receivables	102
Cash and cash equivalents	23
Total current assets	**125**
TOTAL ASSETS	**10,383**
Equity and Liabilities	
Equity	
Issued capital	2
Reserves	8,894
Retained earnings	3,462
Profit for the year	(2,625)
Total Equity	**9,733**
Total non-current liabilities	**561**
Total current liabilities	**89**
Total liabilities	**650**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**10,383**

(millions of USD)	2013 12 months
Other expenses after tax	(96)
Share in results of subsidiaries after tax	(2,529)
Net profit	**(2,625)**

37 SUBSEQUENT EVENTS

On February 18, 2015, Wind Telecomunicazioni SpA formed the wholly owned subsidiary, GALATA SpA, through the contribution of the business unit "Tower Development". The purpose of GALATA SpA is to develop network communications and market services in hospitality, sharing / maintenance and value-added services to other operators in the communication sector.

This transaction was carried out in order to strengthen a role in the tower company sector as well as to assess the opportunities for business development also through transactions with investors or partners.