WIND TELECOMUNICAZIONI GROUP

Consolidated financial statements as of and for the year ended December 31, 2013

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Reconta Ernst & Young S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text into the English language solely for the convenience of international readers)

To the Sole Shareholder of
WIND Telecomunicazioni S.p.A.

1. We have audited the consolidated financial statements of WIND Telecomunicazioni S.p.A. and its subsidiaries (the "WIND Group") as of and for the year ended December 31, 2013, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of WIND Telecomunicazioni S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. Our audit was performed in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present the comparative financial data of the prior year, some of which, as disclosed in the explanatory notes, were restated by Management as a result of the retrospective application of the amendment to IAS 19, with respect to the data previously presented, on which we issued our auditors' report on March 21, 2013.
3. In our opinion, the consolidated financial statements of WIND Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of WIND Group for the year then ended.
4. The management of WIND Telecomunicazioni S.p.A. is responsible for the preparation of the Report on Operations in accordance 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 Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In our opinion the Report on Operations is consistent with the consolidated financial statements of WIND Group as of December 31, 2013.

Rome - March 21, 2014

Reconta Ernst & Young S.p.A.

Signed by: Luigi Facci, Partner

Reconta Ernst & Young S.p.A.
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WIND TELECOMUNICAZIONI GROUP

Report on operations at December 31, 2013

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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.

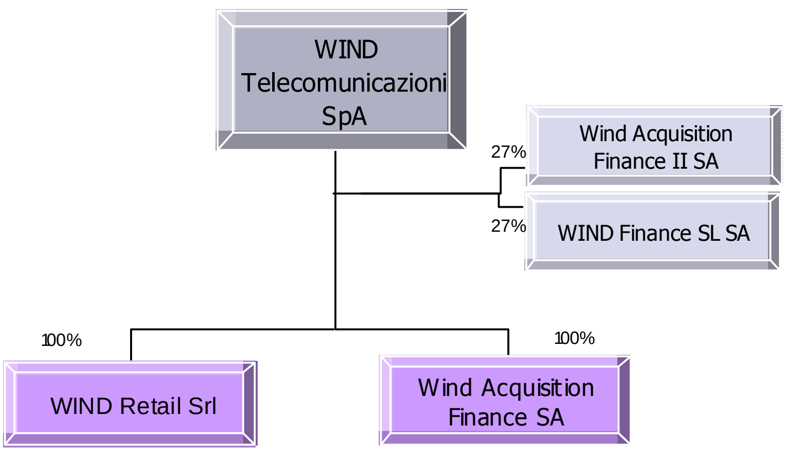
The following are the main offices of the Parent WIND Telecomunicazioni SpA:

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, 2013.



BOARD OF DIRECTORS AND CORPORATE BODIES OF WIND TELECOMUNICAZIONI SPA

Board of Directors [(1)]

Chairman	Jo Olav Lunder
Directors	Maximo Ibarra, CEO
	Vincenzo Nesci
	Jeffrey David Mc Ghie
	Colin Godfrey Delahay

Board of Statutory Auditors [(2)]

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

(1) The Shareholders' meeting held on April 12, 2013 re-appointed Mr. Maximo Ibarra, co-opted by the Board of Directors of the Company held on May 11, 2012, as a member of the Board of Directors. Mr. Ibarra will hold office until the expiry of the mandate granted to the current Board of Directors that is the date of the shareholders' meeting of the Company convened for the approval of the Company's financial statements as at December 31, 2013.
The Board of Directors meeting held on April 12, 2013 confirmed the appointment of Mr. Maximo Ibarra as Chief Executive Officer of the Company. On August 31, 2013 Mr. Cornelis Hendrik Van Dalen resigned from his office as Board member of the Company. On November 4, 2013 the Board of Directors of the Company co-opted Mr. Colin Godfrey Delahay as a member of the Board of Directors in replacement of Mr. Van Dalen. Mr. Delahay will hold office until the next shareholder's meeting 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 Board.

WIND GROUP HIGHLIGHTS AT DECEMBER 31, 2013

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, 2013, prepared in accordance with the IFRS endorsed by the European Union.

Below are the main indicators of the WIND's Group on December 31, 2013, with a comparison with the corresponding figures for 2012.

Operational data	**At December 31, 2013**	**At December 31, 2012**
Mobile customers (millions of SIM Cards)	22.3	21.6
Mobile ARPU (euro/month)	12.3	14.4
Fixed-line customers (millions of lines)	3.0	3.1
Fixed-line ARPU (euro/month)	30.7	31.2
Mobile network coverage[1]	99.85%	99.82%
Employees (headcount)	6,910	6,899

[1] As a percentage of the Italian population.

Income statement figures (millions of euro)	**2013**	**2012**
Revenue	4,983	5,427
EBITDA[1]	1,944	2,063
Operating income	667	916
Net finance expense	(994)	(875)
Loss for the year attributable to the owners of the parent	(481)	(124)

[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, 2013**	**At December 31, 2012**
Total assets	13,956	14,523
Equity attributable to		
owners of the parent	787	1,200
non-controlling interests	0.1	0.1
Total liabilities	13,170	13,323
Net financial indebtedness	9,145	9,151

THE ITALIAN TELECOMMUNICATIONS SERVICES MARKET

Industry overview

Italy is Europe's fourth largest telecommunications services market by revenue. The value of the Italian mobile market in 2013 was approximately €15.5 billion, a decline over 2012 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) was worth approximately €6.8 billion in 2013, a decrease over 2012 mainly as the result of a drop in voice traffic revenues. Value added service revenues are estimated to be 9% of this market, with a fall of 4% over the previous year. The value of the internet access industry in 2013 amounted to approximately €4.2 billion, with the broadband segment accounting for the whole market.

The mobile network telecommunications services market in 2013 was characterized by strong competition which drove operators to compete for customers using increasingly more convenient offers and promotions, with the spread of services for navigating from smartphones, tablets and internet keys. Operators concentrated on "bundles" which include voice, SMSs, data and mobile telephones by means of "flat" offers; voice/SMS traffic was offered without limits while the ceiling of the data traffic included was gradually increased. Usage profiles remained almost solely in the lists of virtual operators, who offer them as low cost solutions. Discounts on fees and the government concessionary tax for new customers continued to be the main lever for controlling the market but in the second and third quarters specific offers were developed for customers who have been loyal for more than 12 months by means of bonus mechanisms linked to top-ups. In the second half of the year operators began differentiating the offer with tariff plans that can be specifically prepared and tailored and with initiatives regarding the contents, security, 4G navigation and sharing traffic on multiple SIMs. In addition, in July, with the introduction of the new roaming regulations, the tariffs for voice, SMS and internet traffic from abroad were reduced, allowing customers to use their home country plan abroad too in certain cases.

Operators concentrated their attention on navigation devices as far as product portfolios were concerned: they promoted latest generation tablets, top of the list being Samsung and Apple, and proposed 3G internet keys and routers for navigating at up to 42.2 Mbps, also as a replacement for ADSL for the home or office.

Various offers for in-mobility navigation were launched on the Business market with large volumes of included traffic (also unlimited and the latest generation smartphones) and "advanced" services (Cloud storage, email, electronic faxes, multimedia content). New rechargeable tariffs were also introduced.

Finally, operators continued to develop innovative services in terms of contents, security, M-payment, M-ticketing, M2M, Cloud, Social and direct billing.

Various existing partnerships were renewed and new partnerships announced for the development of SIM-based contactless solutions and machine-to-machine services in order to offer cash transfers directly by mobile phone, to enable coupons to be purchased directly using SIMs on e-commerce sites and to use Facebook messenger without any usage of the available data traffic.

In 2013 the fixed network telecommunications services market continued to concentrate on the promotion of voice and ADSL profiles with reductions made in fees. Starting from the second quarter minutes for calls to mobile phones and abroad (Europe, USA, Canada) have been added to the voice+ADSL bundle.
Increasing emphasis is being placed on broadband navigation, with 20 Mbps ADSL and optic fiber. The ultra-broadband internet offer for families and businesses began to develop significantly: by the end of the year the coverage of fiber services (FttH and FttC modality) had reached 36 towns and cities and around 15% of the population.
In the residential market operators renewed their ADSL and voice options, including additional services in their offers such as contents and Cloud. Certain tariff plans envisage the possibility of adding a SIM with voice and data traffic included.
The offer made by operators for the Business market concentrated on value added services, in particular traffic and WiFi network monitoring, virtual PBX solutions (virtual switchboards), video-communication and collaboration, security and storage; certain of these services are provided using Cloud SaaS and IaaS technology.

Mobile telecommunications

The Italian mobile telephone market is the fourth largest by revenue after France, the United Kingdom and Germany. There are four infrastructure operators in Italy who offered mobile telephone services to the approximately 91.7 million SIMs registered at December 31, 2013, equal to a penetration rate of approximately 153% of the Italian population. The penetration figure is distorted by the widespread use of more than one SIM card by many customers. It is estimated that approximately 80% of Italian mobile customers subscribe to prepaid mobile telephone services, which have low customer acquisition costs and higher margins compared to other European countries.
Excluding MVNOs, at December 31, 2013 WIND had an estimated market share of 24.3%, while Telecom Italia and Vodafone had shares of 34.1% and 31.0% respectively and H3G 10.6%.

Fixed telephone services market

Voice

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

Internet

By December 31, 2013, broadband internet access had reached a penetration level of 65% of the total of fixed lines in Italy. Broadband services in Italy have been rising rapidly since 2001 to reach approximately 13.6 million connections or 23% of the Italian population. Despite the recent significant growth in broadband, Italy is still behind the other European countries, mainly due to the insufficient diffusion of VDSL technology.

COMMERCIAL AND OPERATING PERFORMANCE

Mobile Telephony

At December 31, 2013 WIND had 22.3 million mobile telephone customers, a rise of 4% over December 31, 2012, thus further increasing its market share (calculated by excluding MVNO operators) by 1.0 percentage points to reach 24.3% compared to 23.3% in 2012.

The following table sets out key figures regarding mobile operations.

Mobile	**2013 12 M**	**2012 12 M**	**Change**
Customer base (millions of SIM Cards)	22.3	21.6	3%
Revenue (millions of euro)(1)	3,528	3,870	(9%)
Voice traffic (billions of minutes)	62.9	52.8	19%
ARPU (Euro/month)	12.3	14.4	(14%)
% ARPU Data/Total ARPU	35.2%	27.5%	

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 their specific requirements for large-scale businesses, which often call for offers on a competitive basis for their mobile telephony needs. With its offer based on a business's budget, WIND has increased its package of proposed services based on "all inclusive" charge solutions: customers establish their telephone spending at a company level by identifying traffic packages shared by all of their SIMs, thus keeping control of their budget at both a global level and at a single SIM card level. Since February 2013 the large WIND market has also been able to benefit from the *All Inclusive* Business offers in both the package and Unlimited version. The larger companies are increasingly gearing themselves towards offers in prepaid mode so that they can further increase control over their telecommunication expenses.

Faced with an increasing interest in mobile applications (apps) designed to take certain business processes into mobility, WIND has additionally launched Enterprise Mobility Services through strategic partnerships and vertical system integrator agreements.

For the sphere of professionals, self-employed workers and small businesses, WIND Business is present in the pull channel (WIND Retail, Dealer, Franchising, large retail chains (GDOs)) with its *All Inclusive* subscription offer which includes minutes and SMSs to everybody, 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, 500 minutes of calls made to abroad and bundles of calls and SMSs and internet in roaming. The *Full Edition* option can be combined with the bundles to have the telephone included.

The *All Inclusive* Business mobile portfolio is also available to the small and medium business segment and consists of 3 plans: *Smart*, *Unlimited* and *Unlimited Premium*.

In addition, the new *Smart Top-up* service was launched on the *All Inclusive Unlimited* offer on the pull sales channel in November 2013; this allows customers to top up their credit automatically by an amount equal to the offer fee. In addition, all VAT-registered customers are provided with a free of charge automatic account service which is useful for fiscal purposes.

Data and VAS offers for consumer and business customers

WIND provides a complete range of in-mobility data and VAS services for smartphones, computers and tablets for both the consumer market and business customers.

- Mobile Internet: WIND has continued to grow in the smartphone segment thanks to the *All Inclusive* offers under which the data component can be customized, enabling customers to add 1, 3 or 10 GB at a special price and providing them with the possibility of activating internet on a second SIM dedicated to a tablet or an internet key. As far as the data-only segment is concerned, in 2013 WIND made it possible for both new and existing customers to activate all of its data offers at a promotional price, paying only an activation fee.
- Three tariff plans are available for navigating from laptops or tablets for the professional, self-employed and small business sector: *Mega Unlimited*, *Internet Big* and *Internet No Stop*, which enable customers to navigate on the internet with no time limit. Navigation speed is reduced to 32kbps when the traffic thresholds of 10GB/month, 3GB/month or 1GB/month respectively are exceeded. With the data offer it is additionally possible to have an internet key included or the best tablets at favorable prices.
- BlackBerry: the BlackBerry services offered by WIND are available to large companies, SMEs and consumer customers, with the possibility for new customers to include a smartphone in the fee for the pre-selected tariff plan.

Innovative Services.

In 2013 WIND continued its strategy of placing a strong focus on the telephone as a means of paying for digital and non-digital contents, with the aim of making the customer's life easier by improving the user experience.

As the result of an agreement between WIND and Google, customers owning an Android smartphone or tablet can download apps, games, e-books, music and films from the Google Play Store, paying through their telephone bills without the need to use a credit card.

WIND put a number of different initiatives into practice in 2013 for testing NFC (Near Field Communication) services. In particular, testing was introduced in collaboration with BNL, SIA and Mastercard. The testing was carried out on 150 WIND and BNL employees who were given the possibility of making purchases in contactless mode using a Classic credit card issued by BNL on the Mastercard circuit and virtualized on an NFC SIM. Besides being able to make payments, participants in the test were also able to use their phones instead of their company pass-cards to enter their offices, to clock in or to make payments at automatic vending machines.

Again in the sphere of mobile phone payments, following the success achieved in Florence in 2013 the activation roll-out of mobile ticketing services continued in 2013 in other cities, including Genoa, Pisa, Treviso, Prato, Savona and La Spezia, reaching 13 in all.

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 479 international operators in 214 different countries. *All Inclusive* offers have been launched for anyone travelling in

Europe and the United States to promote the use of smartphones in roaming and to extend the concept of "roam like home" to offers for high spending customers. The entire roaming offer complies with the rules established by 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, 2013 consisted of 167 WIND-owned stores and 532 franchised sales points working exclusively with the WIND brand. The non-exclusive sales network consists of 1,044 WIND dealers, 918 sales points in electronic store chains and 5,847 other sales points in the smaller Italian towns which are run by SPAL SpA, the largest WIND distributor in terms of sales points.

Customers can also activate offers and services, buy mobile telephones, smartphones and tablets and carry out top-ups through the www.wind.it website, paying by credit card or PayPal or by charging their Infostrada or WIND telephone account. In addition, applications for the activation of a new telephone line can be made using the www.infostrada.it website. Certain of the offers and services are additionally sold online through the www.155.it website, while scratch cards are also distributed through small sales points such as tobacconists' shops and newsagents.

WIND has decided to extend the distribution of its offers for its business customers to the internet channel, opening an online store for the direct sale of mobile products and services, WINDBusinesShop.it, which in the WINDBusiness.it portal provides both voice and internet mobile services for SOHO customers and small businesses who can make direct purchases online on their own.

Fixed Telephony and Internet

WIND provides its consumer and prosumer 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 its 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 located in the telephone exchange, and to its indirect customers, to whom it sells a service which is purchased wholesale from Telecom Italia.

In response to the current trend on the Italian fixed communications market, which is seeing increasing fixed-mobile replacement and customers migrating from narrowband to broadband, WIND has concentrated its efforts on achieving growth in the number of subscribers to direct voice services (unbundling) and broadband internet services.

In addition during the year WIND also sold ultra-broadband services in FTTH mode in the city of Milan, where it marketed offers in optic fiber which allow the end user to reach download speeds of up to 100 Mega and upload speeds of 10 Mega.

In the direct access areas WIND launched its new "Real ADSL" service in October 2013 which enables customers to stabilize a line at a maximum supported speed of up to a download maximum of 20 Mega by providing the best performance possible and guaranteeing a line that is always stable.

Voice services

WIND's fixed network voice customer base could count on 3 million subscribers at December 31, 2013, a decrease of 4% over December 31, 2012; the direct customers voice component fell by 2% over the previous period.

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

Fixed-line	**2013 12 M**	**2012 12 M**	**Change**
Customer base (thousands of lines)	3.0	3.1	(5%)
of which LLU (thousands)[1]	2,415	2,465	(2%)
Revenue (millions of euro)	1,301	1,392	(7%)
Voice traffic (billions of minutes)	15.6	18.1	(14%)
ARPU (Euro/month)	30.7	31.2	(2%)

[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, 2013 the Group had 2.2 million broadband internet customers and 0.02 million narrowband subscribers.

The following table sets out the key internet access figures.

Internet and data services	**2013 12 M**	**2012 12 M**	**Change**
Internet Customer Base ('000)	2,210	2,253	(2%)
of which Narrowband ('000)	19	43	(56%)
of which Broadband ('000)	2,191	2,210	(1%)
of which LLU ('000)	1,866	1,849	1%
of which Shared Access ('000)	12	15	(19%)

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.

To respond to the needs of customers who require a single solution for their telephonic and broadband internet connectivity requirements, in September WIND launched a new *All Inclusive Unlimited* offer running alongside its *Absolute ADSL* and *All Inclusive* offers which for a pre-determined monthly payment provides ADSL and unlimited calls to all fixed and mobile telephones. The validity of this commercial decision has been confirmed by the number of LLU direct customers who have chosen an offer including voice and broadband internet services. WIND's positioning in this market has been consolidated through the periodic launch of new promotions on these offers.

In order to make WIND's positioning in the sphere of integrated services more exclusive, a new offer was launched in November, "*Powered Infostrada*" addressed to all of WIND's prepaid mobile customers subscribing to a WIND *All Inclusive* offer, who are offered a choice of one of the fixed-line telephone products *Absolute* or *All Inclusive Unlimited* at a special price. The *Internet Everywhere* convergence promotion continues, addressed to customers who want to navigate from home with ADSL and in mobility with an internet key or a tablet; this offer is even more convenient for all new Infostrada customers: the *Internet No Stop* offer will only cost €2.50 a month on a permanent basis.

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

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

Voice and business data offer

WIND provides PSTN, ISDN and VoIP fixed-line network voice services, data services, VAS and connectivity services to large business users, capitalizing on the experience gained with ENEL and using a dedicated call center. In this segment WIND is also able to tailor its offer to the specific needs expressed by the customer and to the requirements set in tenders.

The offers for businesses also include flat solutions with tariffs based on the number of users, which enable customers to keep complete control over their spending.

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

In addition, WIND is also extending its offer for the large business market by means of Cloud services, broadening its commercial proposal with ICT and managed services solutions on both fixed and mobile networks. WIND has set up a partnership with the Enterprise division of Google which enables it to propose collaboration and communication solutions to businesses based on Google Apps Cloud. As the first result of this collaboration, an innovative proposal has been launched which provides voice, SMS, navigation, Gmail and collaboration services in a single package.

WIND has prepared an offer, WIND Cloud for Businesses, consisting of a rich catalog of IaaS services and, in particular for medium-sized businesses, pre-configured bundles of data center and connectivity services, which are capable of satisfying the needs of these customers and are available in extremely short time periods. This type of offer will be enriched even further in order to establish a portfolio of Cloud services including SaaS (Software as a Service), characterized by flexibility and rapidity.

The PSTN fixed network offer portfolio for small businesses, which is geared in particular towards professional firms and small companies requiring between one and four lines (analogue or 2 ISDN), consists of the voice and ADSL bundle lists (*All Inclusive Business L* and *All Inclusive Business Unlimited*) which offer 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 Happy No Limit Business which also offers an hourly tariff for ADSL. The whole of the offering portfolio is available to cover the WIND network on lines already activated with other operators and on new lines.

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

The *All Inclusive Business L* and *All Inclusive Business Unlimited* plans have become even more advantageous as a result of the *Super All Inclusive Business* integrated solution which offers 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 the 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 videocamera in addition to the Wi-Fi router and an internet key to enable customers to video control their professional environment, record images and obtain access from laptops or mobile devices.
For SMEs, WIND offers a wide range of dual-play (voice + internet) products with tariff plans based on VoIP technology: in particular, *WIND Impresa* offers from a minimum of 6 to a maximum of 60 voice lines at the same time; in addition, together with the *WIND Impresa* offer customers may also subscribe to a service for the leasing, management and maintenance of telephone switchboards.
“Made to measure” solutions are also available at contained prices, studied and designed on the basis of the specific needs of medium- and large-scale businesses, using highly advanced technology (ADSL, SHDSL, optic fiber, radio bridges, private data networks with the transfer of protected data, etc.) and latest generation devices that enable the performance and quality levels required by customers to be guaranteed.

Sale and distribution of fixed network services

The optimization of the distribution network was completed in 2013, now aligned to a strategy of “protecting” potential customers; the ADSL and telephony service purchase channels are "pull" sales channels, meaning that it is the customer who decides spontaneously to make the purchase. The most important in terms of weight is the retail channel (monobrand and multibrand stores) followed by the 159 call centers and the web; the activities of the outbound call centers is 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 the 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 the Customer Management unit, which is organized by type: mobile telephony, fixed telephony, the internet segment and business customers. In order to provide a made-to-measure service for certain particularly important customer segments such as the ethnic communities, WIND also provides the customer assistance service in other languages.
WIND has enterprise call centers dedicated to its customers in Rome and Ivrea, with internal agents assigned to each customer in order to provide high levels of service. Call centers dedicated to residential customers are located throughout the country.
The WIND customer service continues to evolve its operational organization, focusing on the new customer activation phase and the increasing need for mobile-fixed-internet multi-service assistance.

Besides providing assistance during the activation phase, WIND customer care service continues to develop its operational organization by concentrating on the increasing need for multi-service mobile-fixed-internet aid. In addition, WIND is continuing the integration of its customer care services and sales structures in order to provide customers with an assistance service spread throughout the country, also by means of local sales points, thus making it more direct and transparent.

Online digital points of contact and customer assistance tools underwent considerable changes during 2013 and led to an increase in penetration within the WIND customer base.

Navigation on the www.Wind.it and www.Infostrada.it websites was simplified in order for customers to be able to immediately identify the information that is the most important to them. The Customer Area access page was redesigned so that customers can immediately find all the main information relating to the offer, bundle usage, the residual credit and, as applicable, their invoices on a single page, using a simple and intuitive graphic presentation. In addition, the procedures for Customer Area registration and password recovery have been simplified, while "social" authentication has been introduced which enables customers to log on to the WIND eCare areas using the same credentials as for Facebook.

There has been significant growth in the MyWind application in terms of diffusion among WIND customers thanks to constant improvements and the addition of new functionalities. In particular, in order to meet a need expressed by customers, a data usage monitoring function has been introduced which enables customers to find out the quantity of traffic available in their bundles before the velocity was reduced. This function is in addition to that for voice and SMS usage monitoring and completes the set of control tools available to WIND customers. A "widget" type interface much appreciated by customers is also available to anyone using an Android smartphone or tablet. In addition, the "Novità" channel has been activated; this is a communication channel which through the application allows WIND to communicate directly with its customers and by means of which customers can gain access to WIND's social channels.

The MyWind application is also available for customers with Infostrada Fixed Line, enabling them to manage their line and have their invoices constantly to hand.

The online top-up function has been further improved and simplified, reducing the number of steps needed to complete the request, to the point of enabling users registered in the Customer Area to carry out a top-up with the maximum safety by making one single click. Further, to encourage the use of the digital channels, co-marketing initiatives have been taken in conjunction with key partners who have made their products available for those customers who carry out a top-up through these channels.

The offer on the www.Wind.it and Infostrada.it websites has additionally been enhanced with the use of a version optimized for mobile phones, m.wind.it, which provides a description of the main offers available to customers, with the possibility of direct activation. Also available on the mobile website is a convenient configurator which enables customers to discover which offer is most suited to their needs, and which also provides them with the possibility of topping up their telephone credit directly from the mobile website by means of a simple interface optimized for use via a mobile phone.

Access may also be obtained to the Customer Area from the mobile website, which repeats the experience of MyWind for all mobile phones.

WIND dedicated a great deal of attention to the social networks in 2013 and these have become an important point for contact and customer management, with a considerable increase in contacts being achieved on both Facebook and Twitter. In addition to the rise in the number of contacts, there was also a significant improvement in the quality of social care, which reached excellent levels in terms of speed and response times on Facebook and Twitter and which took first place in the special "Facebook Top Brands" league table which is drawn up and published on a monthly basis by Blogmeter (www.blogmeter.com).

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

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

Several means are used for customer contact and relationship channels; in additional to the classical tools (inbound and outbound telephone calls, hard-copy), WIND also uses digital means such as the customer area, the MyWind application and Facebook. WIND also conducts business with its customers through its distribution network.

The results of market research carried out by WIND in order to measure consumer customer satisfaction showed that performance levels were again above the market average in 2013, in both the mobile and fixed-line segments. The Group's loyalty programs were maintained and enhanced during the year through the introduction of new partnerships at a national level.

Marketing and Branding

The majority of 2013 saw Giorgio Panariello and Vanessa Incontrada as the star testimonials in a creative format running across all of the Group's brands (WIND, Infostrada and WIND Business) and this continued in November with three commercials dedicated to the new products and services being offered at Christmas. On the air for the first time was the *Super All Inclusive* offer which proposes mobile, fixed and ADSL in a single solution.

A radio campaign dedicated to the *All Inclusive Special* got under way on December 8, fully consistent with the TV commercials.

The ATL WIND presence predominates at Milan Central Station while a mini advertising poster stands out at Orio al Serio airport.

Simultaneously with the national campaigns, WIND also supports tailored local campaigns including WIND, Infostrada and WIND Business offers.

Both testimonials then starred in the Below The Line material used to advertize the consumer mobile offer, while Panariello took the scene alone in the material relating to the Infostrada Fixed Offer and Incontrada was the face of WIND Business.

WIND continued to invest in the digital and social media in the fourth quarter of 2013 to ensure a constant presence on the online channels.

WIND has confirmed its commitment to innovative start-ups and the businesses of the future, ranging from activities of a digital nature to those which exalt the creativity and excellence of Made in Italy products, plus emerging sectors such as the green economy, social innovation, hi-tech and the new makers.

During 2013, WIND launched *All Inclusive Solidale - più vicini all'Italia*, an initiative which confirms the emphasis the Group places on social issues. Customers who join this scheme make a donation of 50 cents per month to practical social support projects, and WIND gives its backing to this by doubling the amount donated by the customer. In the first initiative, which started in December, WIND gave its support to the Caritas charity in Rome, and in particular the

Solidarity Store network. *All Inclusive Solidale - più vicini all'Italia* is a new way of showing how close WIND is to Italy and the Italian people, an approach which was already at the heart of last summer's institutional communications.
To conclude, WIND has begun restyling its monobrand stores.

NETWORK

WIND has developed an integrated network infrastructure providing high-capacity transmission capabilities and extensive coverage throughout Italy. As of December 31, 2013, WIND mobile network covered 99.85% of the Italian population while WIND UMTS/HSPA network covered 96.34% of the Italian population.

WIND 42 Mbps HSPA+ service covered approximately 31.72% of the Italian population, 21/5,8 Mbps HSPA service covered approximately 89.97% of the Italian population, for remaining population WIND offers 7.2/1.4 Mbps service.

Fixed-line networks are supported by 21,647 kilometers of fiber optic cable backbone in Italy and 4,880 kilometers of fiber optic cable MANs as of December 31, 2013. 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 479 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 21,647 kilometers of transmission backbone, 4,880 kilometers of fiber optic cable MANs linking all capitals of Italian provinces and other major cities in Italy, a radio transmission network with approximately 15.931 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, 2013 WIND has 1,458 LLU sites for direct subscriber connections, with a capacity of approximately 3.28 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. WIND Internet network consists of an aggregated data network with more than 168 points of presence, broadband remote access servers for ADSL direct and indirect access Internet services and for virtual private network corporate services, more than 10 network access servers for dial-up access Internet services and EDGE routers for direct Internet access corporate services.

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. In 2013, WIND activated 17 sites in LTE technology, this technology will provide additional bandwidth and higher transmission speed for data transmission.

The following table provides an analysis of WIND's GSM/GPRS and UMTS/HSDPA networks as of December 31, 2013.

GSM/GPRS	**Units**
Radiating sites	14,169
BSC (Base Station Controllers)	338
MSC (Mobile Switching Centers)	51
HLR/HSS (Home Location Register)*	12
SGSN (Service GPRS Support Node)	17
GGSN (Gateway GPRS Support Node)*	11
UMTS	
Node B	12,724
RNC (Radio Network Controller)	77
MSC-Server	21
MGW (mediagateway)	23
SGSN (Service GPRS Support Node)	22 (17 dual access; 4 triple access)

* shared with UMTS core network

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). To support the development of mobile broadband WIND was granted new frequencies for LTE in 2011: 10MHz FDD (Frequency Division Duplexing) in the 800 MHz band and 20MHz FDD in the 2600MHz band. With these frequencies WIND will extend the range and capacity of mobile data services providing indoor coverage and rural area coverage with 800MHz frequencies and the maximum performance currently achievable with LTE, with 20MHz acquired in 2600Mhz band. In the course of 2013 Wind has activated the service in the first areas to allow the end users with the latest generation of LTE terminals to have a "customer experience" that allows peak rate up to 150Mbit / s which is at the top of the mobile technology that is currently available on the world market.

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 confirmed an observatory to study and test the new technologies that will allow the development of ultra high speed fiber networks (Fiber To The Home, Fiber to the Building, Fiber to the mobile). In particular after a significant FTTH trial in Milan WIND started the commercial FTTH roll-out in 2013. WIND has continued its own path in new technologies selection and network implementation in order to simplify and optimize the network architecture to a global "all-IP" paradigm which includes all levels of network (fixed, mobile, and core transport).

Throughout 2013, 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. Different solutions related to the following technological areas have been deepened and in some cases proven in field:

1. Mobility: solutions for new services for mobile personal cloud, mobile commerce, people and things localization, domotics and videosurveillance, machine-to-machine, mobile device management, contract dematerialization.
2. Big Data: solutions of 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 customer buy experience, new text-to-speech solutions, mobile service experience

In 2013, WIND enlarged the 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.

Throughout the year 2013, 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. Solutions for control and supervision of the territory
4. Green ICT solutions above all for Green Data Centers realized according to the new rules for the 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 also involving the energy providers.

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.

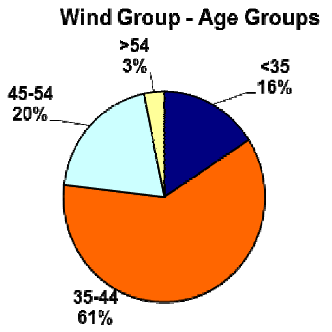
HUMAN RESOURCES

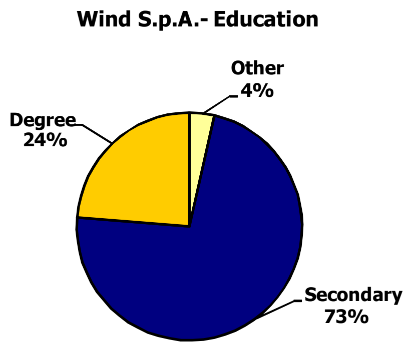
At December 31, 2013, the Group had a workforce of 6,910 employees structured as follows.

	No. of employees at		Average No. of employees in	
	12/31/2013	12/31/2012	2013	2012
Senior Managers	129	143	136	148
Middle Managers	599	598	598	588
Office Staff	6,182	6,158	6,211	6,195
Total WIND Group	**6,910**	**6,899**	**6,945**	**6,931**

During 2013, WIND Telecomunicazioni SpA and WIND Retail Srl hired 198 employees while 185 employees left.

The following charts summarize personnel statistics relating to WIND and its Italian subsidiaries.





Average age: **40**

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	31/12/2013	31/12/2012
Milano	12.4%	12.6%
Ivrea	9.3%	9.4%
Roma	34.0%	33.8%
Napoli	17.6%	17.7%
Altro	26.8%	26.6%
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	31/12/2013	31/12/2012
Network	32.7%	34.7%
Information Technology	5.3%	5.9%
Customer Care	26.7%	25.4%
Marketing & Vendite	23.2%	23.2%
Staff	12.0%	10.8%
Totale	**100.0%**	**100.0%**

Organization

The organizational structure of the Human Resources Department and the Legal Affairs Department was redefined in January 2013, with the role of Compliance Officer of the WIND Group being assigned within this framework.

Consistent with the Network Transformation project, a component of the alternative plan to outsourcing, a new operational model relating to the Network Regions and the Operations & Maintenance functions was set up in March 2013 as part of Network Operations.

The new marketing organizational model was implemented in September in order to enhance the synergies between the various customer segments.

The Customer Experience Development was set up in December with the task of improving customer service experience during the whole of the customer life cycle.

Development

The new WIND selection process for young graduates was designed and implemented during the year through the internal use of the assessment center methods which were previously managed by outside suppliers and the use of new online tools.

In June 2013, a start was made on the Individual Development project for WIND's "Young Professionals". In particular, a first professional balance in terms of the abilities and skills obtained in a person's first 3 to 5 years of experience is carried out using the assessment methodology.

An ad hoc communication campaign using the Group's intranet was carried out throughout the year following the definition of the Group's new values "Trust, Fast, Focus, Ambition, Make It Happen" by senior management in September 2012. This activity enables the Group to communicate the meaning of the new values to the whole of its population and make people aware of them. The values and the organizational conduct associated with these values were assessed as part of the annual performance appraisal, which was carried out during the last two months of the year and involved the whole of WIND's staff population.

Training

A total of 24,423 man-days of training were given during 2013, relating mainly to technical training for the Network Transformation Project, technological and product development and teaching based on the timetable of across-the-board courses.

As required by the agreement reached with the trade unions at the end of 2012, the multiskill training project for the conversion of the network has involved the technical population of Field Operations and the Operation & Maintenance and Technical Customer Management areas. Courses began in March 2013 and involved over 781 employees for a total of 4,240 man-days of training. For Field Operations the training projects for this population will cover all technological domains, while for mobile and fixed Operation & Maintenance the topics relate mainly to insourcing systems and processes.

Training relating to the Institutional Training Master Plan began at the end of May 2013, with the preparation of a timetable set up on a framework of 40 different course titles based on a training structure which has been completely redesigned in line with WIND's values of Fast, Focus, Ambition, Trust and Make It Happen. Around 1,625 employees have already been involved in these training activities (of whom 20 belonging to WIND Retail), which have been scheduled until March 2014. In addition, due to the fact that WIND operates in an international context, language training has continued: group English courses began in September 2013 and these involved 310 employees at the Group's offices in Rome, Rho, Ivrea, Pozzuoli and Venice in a first batch, which will be followed by a second batch in the first part of 2014.

To support the use of training as a strategic lever an agreement was signed in May 2013 which has enabled a request to be made to Fondimpresa, the inter-professional fund for training set up by the business association Confindustria and the CGIL-CISL-UIL unions, for funding the Institutional Master Plan training projects, designed to develop conduct and skills consistent with the new values of the business culture.

Institutional projects such as the following contunued:

- induction training in WIND: 30 newly graduated youngsters are currently involved in a training path fully dedicated to WIND's values. This course began in July 2013 and will continue for the first half of 2014, and entails examining and testing the conduct, techniques and models which can make these values daily practice and direct the attitudes of people and the business towards continuous improvement;
- the involvement of employees and managers of WIND and WIND Retail in training on the Law no. 231/01 organisational and management model; this course, which is also available in English, is given through WIND's E-learning system and involved 841 people during the year (of whom 441 working in WIND Retail), for a total of 105 man-days of training.

Industrial relations

Several meetings with the trades unions were held during 2013 to illustrate the new operating model for the management and maintenance of the network as well as the other cost containment initiatives envisaged by the agreement of October 10, 2012; a meeting of the Joint Bilateral body envisaged by the agreement was also held to monitor the initiatives undertaken and the extent to which the objectives contained in the agreement of October 10, 2012 have been achieved.

As required by the current national labor contract (CCNL), the Group held a meeting with the unions in June 2013 to present its business guidelines, during which market trends, the Group’s investment plans and the repercussions on the Group's technological and organizational structures were illustrated, together with the effects on employment levels and the Group's professionalism.

Negotiations between Asstel and the unions on the National Labor Contract (CCNL) came to an end at the beginning of February. For 2013 the agreement provides for a one-off payment in April and an increase (in two installments) in the contractual minima.

In addition to strengthening the role of local company bargaining, the regulatory section of the new CCNL introduces further elements of flexibility, with particular reference to the management of working hours (especially in the customer care structures) and the introduction of new technologies. Also worthy of note is the expectation of additional new rules for tenders which reinforce the principles of legality and ethics as a means of safeguarding the sector. The new CCNL is effective until December 31, 2014.

In August, Asstel and the unions signed a further agreement governing project-based jobs in outbound activities which also included the remuneration to be paid to these workers, thereby implementing the requirements of legislation on this subject.

As part of the initiatives undertaken to implement the agreement of October 10, 2012, the Group and the unions signed an agreement in September which provides for the use of leave to reduce working hours as a means of covering the periods of closure planned for 2013 and 2014.

Strike action taken during the year did not relate to issues of a Group nature and had no significant effect on business operations.

CORPORATE SOCIAL RESPONSIBILITY

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

In September 2013, the Group published its tenth Sustainability Report, a means of reporting its economic, social and environmental performance in 2012 to its stakeholders. On this occasion its objective was to be "clearer, simpler and more transparent", with the separate publication of an extract and a video summarizing the main facts and figures.

In December 2013, WIND launched *All Inclusive Solidale*, an innovative initiative through which the Group and its customers support practical solidarity projects as a means of fighting the crisis. Customers joining the *All Inclusive Solidale* initiative make a donation of 50 cents a month and WIND then doubles the amount donated. The first initiative supported by the Group was the Solidarity Store network promoted by the Caritas charity in a number of Italian cities as a means of enabling families in difficulty to buy first need products free of charge.

The other social initiatives supported by the Group with its donations were also related to topical issues. First among these were the reconstruction of the "City of the Sciences" in Naples following its damage by fire in March 2013 and the support given to the "Mare Nostrum" mission promoted by the F. Rava Foundation in conjunction with the Italian Navy with the aim of bringing health aid to refugees in the Lampedusa sea.

In 2013 WIND further developed its commitment to supporting the growth of innovative businesses. The partnership with LUISS and Enlabs involving the large incubator opened at the Termini railway station in Rome in April 2013 was added to WIND Business Factor, the web platform created in 2011 which assists aspiring entrepreneurs in converting their ideas into real business activities.

The "10 Decimi" project came to an end in December. This initiative, dedicated to infant children and started up by WIND on its tenth anniversary, brought together a series of not-for-profit organizations working in different fields for fundraising. In addition, the fundraising service provided through the use of solidarity numbering continued to grow in size; WIND has been providing this service to not-for-profit organizations, voluntary bodies and non-profit foundations for several years, completely free of charge, in conjunction with other telephone operators. The Group supported 116 different fundraising activities in 2013, representing an increase of 10% over the previous year.

Initiatives directly involving WIND employees in questions of social and environmental interest continued to encounter success in 2013 and these rose in number over previous years. In September the Group took part in the "Let's Clean the World" initiative together with the Environmental League; this involved WIND employees bringing neglected parks and gardens back to life and cleaning up refuse there in a number of the cities in which the Group has its main offices. In the "WIND adopts a school" initiative, on the other hand, which was carried out in conjunction with the Sodalitas foundation, Group employees acted as "mentors" for students of a technical college in the Milan suburbs, following them through that extremely important stage of their individual lives which takes them from school to the world of work or university. Blood donations achieved considerable success, and this initiative was extended to the Group's offices in Naples and Ivrea, as did WIND's participation in "Race for the cure", which acts in the fight against breast cancer. Finally, the "new life for your old mobile phone" initiative, which took place between May and December, enabled WIND employees to combine sensitivity towards the environment by recycling their old mobiles and thus support the work being carried out by Doctors Without Borders in South Sudan.

REGULATORY FRAMEWORK AT DECEMBER 31, 2013

Fixed-line market

Antitrust activity

Proceeding A428

On May 9, 2013 the Italian antitrust authority AGCM completed proceeding A428 "WIND-Fastweb/Telecom Italia conduct", which was initiated on June 23, 2010, concluding that the conduct of Telecom Italia had been illegal and ordering the company to pay a fine of €103.8 million.

Proceeding I757

In September 2012, on the basis of a report made by the mobile service provider BIP Mobile, the antitrust authority initiated proceeding I757 against TIM, Vodafone and WIND relating to an alleged agreement restricting competition designed to hinder access to the BIP Mobile market. On January 23, 2013 and June 27, 2013, the AGCM sent two information requests to which WIND provided its replies. The proceeding was originally expected to be completed by September 30, 2013 but this date has now been postponed to October 31, 2014 as the result of an objective widening of the enquiry.

Proceeding I761

On the basis of a report made by WIND in 2012, allocated the number I/761, on April 4, 2013 the antitrust authority initiated an inquiry into a possible agreement on wholesale accessory technical services provided to the fixed-line telephone network, whose purpose is to ascertain the existence of violations of article 101 of the TRUE (an agreement between the technical companies which provide wholesale accessory technical services to Telecom Italia's fixed-line telephone network). WIND had access to the inquiry papers. On July 10, 2013 the proceeding, which is still in progress, was also extended to Telecom Italia. On October 4, 2013 WIND attended a hearing being held by the AGCM. The planned date for the completion of the proceeding has been extended to July 31, 2014.

European Commission – DG Comp

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

Telecom Italia's Reference Offers

On July 11, 2013, AGCOM approved the economic conditions for 2013 relating to Telecom Italia's LLU, WLR and Bitstream services. Before becoming final, the decisions on LLU and Bitstream were submitted for review to the European Commission. On the basis of these proposed decisions, the European Commission initiated Phase 2, for which WIND has provided its comments, which envisages an exchange of views between the EU, BEREC and AGCOM lasting a maximum of 3 months before a final decision is reached. On September 20, 2013 Berec issued its opinion, broadly positive, on AGCOM's merits and method, concluding that the European Commission's observations are not justified. In December 2013, after discussions with AGCOM, the European Commission issued a recommendation which according to community law is not binding (TFUE article 288). On December 19, 2013 AGCOM confirmed its decisions on the 2013 LLU and Bitstream reference offers, already notified in commission, justifying these to the European Commission. AGCOM's final decisions on LLU (747/13/CONS) and Bitstream (746/13/CONS) were published on January 13, 2014, while publication of the final decision by AGCOM on the WLR reference offer is still awaited.
By way of Resolutions 33/13/CIR (Dedicated capacity transmission services: terminating circuits, interconnection flows), 34/13/CIR (NGA passive infrastructures, local laid infrastructure, conveyance sections, primary and secondary optic fibers, termination segments in optic fiber), 35/13/CIR (end to end) and 36/13/CIR (Bitstream NGA and VULA) published in June 2013, proceedings were initiated to assess the corresponding offers of Telecom Italia for 2013.
WIND responded to the proceedings and provided its assessments in July 2013 by taking part in the hearings. Publication is awaited of the final resolutions approving the remaining reference offers.

Fixed access network

NGAN

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

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

In the consultation proceeding framework AGCOM proposed the following:

- *Symmetric obligations for access* by operators to the optic fiber termination section and to the base infrastructures in the conveyance section.
- *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.
- *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).

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

On November 14, 2013, by way of Resolution 538/13/CONS, AGCOM published its final decision, confirming the proposed obligations 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.

Replicability testing of Telecom Italia's offers

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

As part of this proceeding, in November 2013 AGCOM initiated a review aimed at assessing the following: the procedures and timing of the price test 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. In addition, on November 15, 2013 AGCOM published Resolution 604/13/CONS relating to the approval of the guidelines for assessing the replicability of the optic fiber ultrabroadband retail offer. These guidelines do not alter the requirements of Resolution 499/10/CONS ("Adjustment and innovation of the price testing methodology currently used with respect to Resolution 152/02/CONS"), whose general criteria and methodologies are confirmed, instead they supplement it in order to make such criteria and methodologies applicable in practice to the checks carried out on the ultrabroadband offers.

Market analysis – Fixed Access Markets 1, 4 and 5

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

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

With respect to access services for 2010-2012, by way of Resolution 563/13/CONS on November 11, 2013 AGCOM initiated an executory proceeding concerning the sentences of the Council of State on Resolutions 731/09/CONS and 578/10/CONS regarding the prices for wholesale services for access to Telecom Italia's fixed network. The proceeding is still in progress.

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

On November 4, 2013, by way of Resolution 603/13/CONS AGCOM initiated a proceeding to identify and analyze the wholesale supply market for the terminating segments of leased lines, regardless of the technology used to provide the leased or reserved capacity (Market 6 of European Commission Recommendation 2007/879/EC). The proceeding is planned to last 180 days. On November 19, 2013 AGCOM initiated the fact finding stage with operators, which is based on a quantitative and qualitative questionnaire.

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.

AGCOM has completed the 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). By way of a communication of February 7, 2013, the European Commission initiated a more detailed phase together with AGCOM and BEREC ("Phase II Investigation") and WIND has provided its positioning.

The proceedings regarding the symmetric values of TDM termination (traditional interconnection) for 2012 are as follows: i) Telecom Italia Termination: the amount for fixed termination on the Telecom Italia network at the various interconnection levels was decided with Resolution 92/12/CIR; and ii) OLO TDM termination: public consultation 421/12/CONS has begun on this matter. By way of Resolution 187/13/CONS, the resolution approving 2012 fixed termination was published on March 13, 2013; this relates to the alternative operators and for 2012 confirmed an asymmetric termination for these operators with respect to Telecom Italia's values.

An appeal has been filed with the Regional Administrative Court by Telecom Italia and Fastweb against the resolution for the approval of Telecom Italia's 2012 offer (Resolution 187/12/CIR).

Following the comments received from the European Commission, by way of Resolution 668/13/CONS AGCOM has set the final prices for the interconnection wholesale services for 2013-2015.

Regulatory measures in respect of IP interconnection and interoperability for the provision of VoIP services

By way of Resolution 128/11/CIR published on December 14, 2011, the technical guidelines for IP interconnection were issued. By way of public consultation 12/13/CONS AGCOM noted that migration from TDM to IP will require for its completion an additional period to that originally assumed. WIND published its IP reference offer in October 2012.

The technical workgroup for operators set up within the interconnection committee of the Ministry for Economic Development to define detailed specifications and establish a monitoring unit (UPIM) held a meeting in May 2013 to discuss issues regarding the timing of migration to IP. A further meeting of the UPIM TP workgroup was held in November 2013. Talks are currently in progress.

Migration and pure number portability procedure

Technical discussions are taking place among operators at AGCOM to update the migration procedures, taking into account 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.

The work carried out by the technical discussion table was also useful for drawing up an outline of the provision of Consultation 31/13/CIR, which proposes additions and amendments to the procedures as per Resolution 274/07/CONS for the cases when Telecom Italia's NGAN access services are used (subloop unbundling, VULA FTTCab-FTTH, Bitstream FTTCab naked and shared, Bitstream FTTH, End to End, Access to the optic fiber termination segment) and for the case of the wholesaling of access services.

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 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).

Public consultations of the European Commission and of BEREC

During 2013, WIND took part in the public consultations carried out by the European Commission and BEREC, providing its comments and positioning. The following items are noted in particular.

In January 2013, WIND sent its comments in reply to the European public consultation on the revision of the List of Relevant Markets, while in February 2013 the company intervened by sending its comments in the Article 7 procedure of the European Commission regarding AGCOM’s decision relating to tariffs on the markets for collection, termination and call transit on single public telephone networks at a fixed location in Italy.

In March 2013, the EU Commission initiated a consultation having the objective of receiving input from all the stakeholders involved as preparation for the next opinion of the Radio Spectrum Policy Group (RSPG) entitled "Strategic Challenges facing Europe in addressing the Growing Spectrum Demand for Wireless Broadband", on the policies for managing and harmonizing the radio spectrum until 2020.

In June 2013, the company provided a contribution on the draft guidelines on the separate sale of regulated roaming services, emphasizing the peculiarity of the first implementation of such a potentially radical change to the roaming services market.

Again in June 2013, the RSPG published a new text on Licensed Shared Access which was submitted for a public consultation open to all stakeholders. WIND also took part in the RSPG’s public consultation "Strategic Challenges facing Europe in addressing the Growing Spectrum Demand for Wireless Broadband", providing its positioning.

In September 2013, the European Commission published its recommendation on the method of calculating the costs and non-discrimination principles after more than a year of negotiations with the various international institutional interlocutors. Although a public consultation on the text was not envisaged, WIND took part in all the international discussions and forums, also by way of the ECTA, the "European Competitive Telecommunications Association", whose members are alternative operators.

In September 2013, the European Commission published its proposed regulation for the creation of a single European electronic communications market and a connected continent, which has been sent to the European Council and Parliament for the co-legislation procedure. WIND is playing an active part in all the international discussions and forums, including through the international association ECTA, and in addition in December 2013 responded to the public consultation in this respect initiated by the ITRE Committee of the European Parliament. Work continues on monitoring the parliamentary path of the European Commission's proposal.

In November 2013, WIND sent its comments on BEREC's public consultation on its 2014 work-program through the ECTA.

Again through the ECTA, WIND took part in the European Commission's Phase 2 of AGCOM's decisions on wholesale access prices for markets 4 and 5, sending its comments. In December 2013 the European Commission issued a non-binding recommendation. On December 19, 2013, AGCOM confirmed its decision on the 2013 reference offers.

Mobile market

Market Analysis - Mobile Termination

Resolution 621/11/CONS is effective from January 4, 2012 as far as mobile termination is concerned, the outcome of the third cycle of market analyses initiated with Resolution 670/10/CONS on the basis of which i) the relevant market keeps the same perimeter (4 distinct markets: one for each of the networks of the 4 mobile operators), ii) at the time of the monitoring AGCOM highlights that there are no MVNOs with infrastructural ranges of their own numbering, 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 set up the following glide path.

Eurocents/minute	**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

Despite the fact that the Lazio Regional Administrative Court upheld the appeals filed by operators against the extension of the asymmetry period for H3G established by Resolution 621/11/CONS, with respect to the compliance statement issued by AGCOM with Resolution 11/13/CONS, the economic mobile termination values established in the glide path of Resolution 621/11/CONS remain confirmed.

H3G Mobile Termination

As a result of the Council of State's sentences no. 21 of January 7, 2013 and no. 3636 of July 9, 2013, the proceeding for the redetermination of mobile termination on the H3G network for the period from November 1, 2008 to June 30, 2009 has begun again. After the restart a public consultation followed in November 2013 arranged by AGCOM, in which AGCOM put out for consultation a range of possible amounts for termination on the H3G mobile network. WIND took part in the public consultation. The proceeding is still in progress.

Market Analysis: Messenger services – SMS termination

As part of the 670/10/CONS proceeding relating to mobile network voice termination services (market 7) and with specific indication as part of Resolution 621/11/CONS, AGCOM is continuing its review of SMS services with specific Market Analyses for SMS termination services. In March 2013, following the positive opinion issued by the European Commission on AGCOM's proposed decision not to regulate that market, AGGOM published its final decision (Resolution 185/13/CONS) which confirms the non-regulation of the wholesale SMS termination services market. AGCOM's commitment to monitor the performance of the market remains.

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 was published on June 30, 2012; this introduces measures for the structural separation of roaming services from the supply of domestic services (decoupling, plus Local Breakout - LBO - for data). This separation will become operational on July 1, 2014 and by way of an Implementing Regulation published on December 14, 2012 the Commission establishes the principles underlying the way it will be carried out.

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

During September 2013, the European Commission proposed a draft single market regulation to the European Council and Parliament, providing for draft changes to the current legislative framework. The amendments to the proposal are currently being reviewed, in particular as far as the roaming aspects are concerned.

Frequencies

Public consultation Resolution 553/12/CONS on the use of frequencies in the 3600-3800 MHz band by terrestrial systems capable of providing electronic communication services was completed in May 2013. The Authority's aim was to obtain comments, items of information and documentation concerning the use of these frequencies through this consultation. The objective of this activity is to check the effective market demand for these applications and the conditions for use in the light of evolving technological developments and changing technical legislation. WIND sent its comments in February 2013.

The proceeding was closed without the publication by the Authority of the allocation of the frequencies as WIND had requested.

Resolution 628/12/CONS, the public consultation resolution, was published in January 2013; this regards a revision of the measures for issuing rights of use for the frequencies available for the 26 and 28 GHz broadband radio networks.

The proceeding was concluded with the publication in June 2013 of Resolution 355/13/CONS. This resolution supplements and amends certain of the previously existing allocation measures included in the previous Resolution 195/04/CONS. It has been established that for a period of three years, which is considered reasonable, the Ministry for Economic Development may arrange for the publication of further notices for the allocation of rights of use for frequencies in these bands.

By way of Resolution 451/13/CONS, in July 2013 AGCOM revised the Frequency Allocation Plan for the digital terrestrial television service for the national networks, as per Resolution 300/10/CONS. The provision also contains recommendations for channel 60, adjacent to the 800 MHz LTE band: the complete replacement of channel 60 by channel 55 throughout the whole of the country will be completed by no later than June 30, 2015; this migration may proceed, on a priority basis, from the areas initially affected by the deployment throughout the country of the transmission systems for fourth generation mobile networks, in the 800 MHz band, so as to reduce to a minimum of interference to the reception of the Multiplex in question. AGCOM has also expressed its opinion on claims for the reimbursement of costs for the replacement of channel 60, which in its view are unfounded. In October 2013, by way of Resolution 539/13/CONS, and in December 2013 by way of Resolution 631/13/CONS, AGCOM made a series of additions to Resolution 451/13/CONS.

Other Issues

National Numbering Plan

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

Universal Service

By way of Resolution 46/13/CIR AGCOM established the net cost for 2006 as nil, with the share of the contribution of the operators for 2006 relating solely to the cost of revision.

On December 16, 2013 an enquiry began into the Universal Service for 2007: Axon Partners Group has been engaged to check the net cost of the universal service for 2007; this company has been selected by the Authority as the independent auditor for fiscal years 2007/2009.

Unless there are any delays for suspension, the proceeding will end within 180 days of the publication date.

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 will be effective from March 31, 2014. WIND is mainly involved as an access operator and as an operator providing hosting services, and it hosts contents uploaded by third parties on its platforms.

Main new consumer protection regulations

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

In December 2013, AGCOM adopted a resolution governing 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 ultrabroadband 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 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 held the need to integrate and carry out interoperability activities on the different databases of the various operators to create a geographical mapping of the availability of broadband and ultrabroadband service offers.

To this end the resolution requires operators to provide the information necessary for feeding the information base of the SINB and allows interoperability of such through its own information services relating to broadband coverage throughout the country.

By way of Resolution 202/13/CONS, AGCOM started up a public consultation procedure on the changes to be made to the "Regulation on provisions protecting users on the question of providing electronic communication services through distance contracts". The results of this consultation are not yet known.

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.

Privacy

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

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

The above decree additionally amended article 122 of the Privacy Code by introducing an opt-in regime for e-cookies, separating them into "technical cookies" (e.g. session monitoring, computer authentication, etc.) which are needed to supply the service and are not subject to the regime, and "non-technical cookies" (e.g. monitoring websites visited, collection of the user's data, etc.) which are used for marketing purposes and which, being especially critical as far as privacy is concerned, require the prior and informed consent of the customer/user. In this scenario the Privacy Guarantor has initiated a public consultation directed towards all site managers and the most representative consumers' associations for the purpose of obtaining contributions and suggestions on the subject in order for an implementing regulation to be subsequently finalized.

The inter-operator working table created for setting up a data base of defaulters in the telecommunications sphere has picked up its activities again; this is being used as a means of complementing Creditworthiness Information Systems (SICs) by providing comparative information on default in the electronic communications sphere. Operators also believe it appropriate to set up a sector data bank (Telecommunications Information Systems - SITs) as this would contain the most important information for the purposes pursued. A workshop has been set up with the Privacy Guarantor which held its second meeting on July 2, 2013 having the aim of collecting the detailed arguments put forward by operators concerning their requests to set up a data base of defaulters in the sector. Further meetings have taken place and a new request for clarifications has been made by the Privacy Guarantor, to whom replies were provided at the start of December 2013.

A general provision for access to the SICs and SITs is currently awaited.

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

By way of a provision published in the Official Gazette on January 3, 2014, a public consultation has been started up which is addressed to all operators working in the Mobile Remote Payment field with the aim of collecting comments and observations on the subject for the subsequent drafting of an implementation regulation.

In this respect an inter-operator discussion table has been set up with the purpose of assessing the measures which the categories of operators involved should adopt.

CONSOLIDATED FINANCIAL AND PERFORMANCE DATA

The following tables provide a summary of the main consolidated financial and performance data for the Group for 2013, prepared in conformity with the IFRS endorsed by the European Union, together with a comparison with the corresponding figures for 2012.

Income statement figures (millions of euro)	**2013**	**2012**
Revenue	4,983	5,427
EBITDA[1]	1,944	2,063
Operating income	667	916
Net finance expense	(993)	(875)
Profit/(Loss) before tax	(332)	40
Loss for the year attributable to owners of the Parent	(481)	(124)

[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

	2013	**2012**
Capital expenditure (millions of euro)	968	1,085

Statement of financial position figures (millions of euro)	**December 31, 2013**	**December 31, 2012**
Total assets	13,956	14,523
Shareholder's Equity attributable to		
owners of the parent	787	1,200
non-controlling interests	0.1	0.1
Total liabilities	13,170	13,323
Net financial indebtedness	9,145	9,151

Earnings Performance

The table below sets out the consolidated income statement for 2013 and a comparison with the 2012 figures.

(millions of euro)	2013	2012	Change amount	%
Revenue	4,829	5,262	(433)	(8.2)%
Other revenue	154	165	(11)	(6.7)%
Total revenue	**4,983**	**5,427**	**(444)**	**(8.2)%**
Purchases and services	(2,542)	(2,848)	306	10.7%
Other operating costs	(170)	(173)	3	1.7%
Personnel expenses	(327)	(343)	16	4.7%
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	**1,944**	**2,063**	**(119)**	**(5.8)%**
Depreciation and amortization	(1,264)	(1,146)	(118)	(10.3)%
Reversal of impairment losses/(impairment losses) on non-current assets	(7)	4	(11)	n.m.
Gains (losses) on disposal of non-current assets	(5)	(5)	0	n.m.
Operating Income	**667**	**916**	**(249)**	**(27.2)%**
Finance income	38	18	20	111.1%
Finance expense	(1,031)	(893)	(138)	(15.5)%
Foreign exchange gains (losses)	(6)	(1)	(5)	n.m.
Profit/(Loss) before tax	**(332)**	**40**	**(372)**	**n.m.**
Income tax	(149)	(164)	15	9.1%
Loss from continuing operations	**(481)**	**(124)**	**(357)**	**n.m**
Profit from discontinued operations	0	0	0	n.m.
Loss for the year	**(481)**	**(124)**	**(357)**	**n.m**
Non-controlling interests	0	0	0	n.m.
Loss for the year attributable to the owners of the parent	**(481)**	**(124)**	**(357)**	**n.m**

Revenue

The Group generated total revenue of €4,983 million in 2013, a decrease of €444 million over 2012.

Revenue amounted to €4,829 million in 2013, a decrease of 433 million (-8.2%) over the previous year.

The following table provides details of this item and changes with respect to 2012.

(millions of euro)	2013	2012	Change Amount	%
Revenue from sales	239	198	41	20.7%
Telephony services	4,029	4,280	(251)	(5.9)%
Interconnection traffic	399	611	(212)	(34.7)%
International roaming	42	46	(4)	(8.7)%
Judicial authority services	6	6	0	0.0%
Other revenue from services	114	121	(7)	(5.8)%
Total	**4,829**	**5,262**	**(433)**	**(8.2)%**

The negative trend mainly arises from the decrease in revenue from interconnection traffic mainly due to the effect of the reduction of unit tariffs set by AGCOM and the decrease in revenue from telephony services.

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 5.9% thanks to an increase in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

Revenue from sales rose during 2013, mainly due to the increase in the sale of mobile telephone handsets UMTS and to a shift of sales towards high-range terminals.

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

Other revenue amounted in total to €154 million for 2013 (€165 million for 2012) 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 2013 amounted to €3,039 million, representing a decrease of €325 million over the previous year.

Purchases and services amounted to €2,542 million in 2013, a decrease of €306 million over 2012. The following table provides an analysis of this item for 2013 and a comparison with the figures for the previous year.

(million of euro)	2013	2012	Change Amount	%
Interconnection traffic	669	842	(173)	(20.5)%
Leases	687	765	(78)	(10.2)%
Customer acquisitions costs	236	254	(18)	(7.1)%
Cost of goods sold and consumable materials	264	232	32	13.8%
Outsourcing, consulting and professional services	174	182	(8)	(4.4)%
Advertising and promotional services	140	184	(44)	(23.9)%
Maintenance and repair	95	112	(17)	(15.2)%
Utilities	124	119	5	4.2%
National and international roaming	38	35	3	8.6%
Other	115	123	(8)	(6.5)%
Total	**2,542**	**2,848**	**(306)**	**(10.7)%**

The change in purchases and services is mainly attributable to:

- the decrease of €173 million in *Interconnection traffic* costs mainly due to the lower termination tariffs, only partially offset by the increase in the volume of traffic;
- the decrease of €78 million in *Leases*, of whose €50 million due to lease of local access and circuit costs as a conseguent a price effect on lease of local access network;
- the decrease of €44 million in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of efficiency acquisition of advertising media such as TV, radio, billboards and internet and to the reduction of costs of image rights;
- net increase of €32 million in Cost of goods sold and consumable materials mainly due to increase of the volume of mobile telephone handsets sales and to the unit purchase prices charged by suppliers compared to the previous period as the result of a shift of sales towards high-range terminals.

Personnel expenses decreased by €16 million (4.7%) over 2012. The change is mainly due to the effects arising from the new 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.

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 €1,944 million in 2013, representing a decrease of €119 million over 2012.

Operating income

Operating income for 2013 amounted to €667 million, a decrease of €249 million compared to 2012. Other than the effect of change in EBITDA, this is mainly due to the result of the higher depreciation and amortization (increased by €118 million over 2012), as a consequence of the investments for the expansion of the access networks made in the last years and the amortization of the enter in use of the rights for the frequencies in the 800 and 2600 MHz bands starting from 2013.

Finance income and expense

In 2013 net finance expense amounted to €999 million (€876 million in 2012). The increase is mainly due to the higher Interest expense on Bond following to the additional placement, completed on April 29, 2013 as well as the decrease of Capitalized borrowing costs which at December 31, 2012 were related to the interest incurred on specific loans used by the Group for the purchase of the frequencies in the 800 MHz and 2600 MHz band, occurred in 2011.

Result for the year attributable to owners of the Parent

The year 2013 registered a loss of €481 million (loss of €124 million in 2012).

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	3,434	3,599	(165)	(4.6)%
Intangible assets	8,575	8,740	(165)	(1.9)%
Financial assets measured at cost	16	16	0	n.m.
Total non-current assets	**12,025**	**12,355**	**(330)**	**(2.7)%**
Net working capital				
Inventories	27	24	3	12.5%
Trade receivables	1,100	1,196	(96)	(8.0)%
Trade payables	(1,652)	(1,790)	138	7.7%
Tax assets and liabilities	(499)	(491)	(8)	(1.6)%
Other assets	194	249	(55)	(22.0)%
Other liabilities	(937)	(989)	52	5.3%
Total net working capital	**(1,767)**	**(1,801)**	**34**	**1.9%**
Employee benefits	(52)	(54)	2	3.7%
Provisions	(274)	(149)	(125)	(83.9)%
Net invested capital	**9,932**	**10,351**	**(419)**	**(4.0)%**
Equity attributable to owners of the Parent	787	1,200	(413)	(34.4)%
Non-controlling interests	0	0	0	0.0%
Total equity	**787**	**1,200**	**(413)**	**(34.4)%**
Net financial indebtedness	**9,145**	**9,151**	**(6)**	**(0.1)%**
Total net financing	**9,932**	**10,351**	**(419)**	**(4.0)%**

Property, plant and equipment amounted to €3,434 million, decreased by €165 million compared to 31 December 2012, mainly as the net effect of the depreciation charge, impairment and disposals occurred during the year (€744 million, €21 million and €8 million respectively), partially offset by investments for €607 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 €18 million and higher investments for €44 million resulting from the recognition at market value of the equipment received as a replacement.

Intangible assets amounted to €8,575 million, decreased by €165 million compared with 31 December 2012, mainly as the net effect of investments of €360 million and the amortization charge for the year of €520 million.

Working capital, which had a negative balance of €1,767 million at December 31, 2013, decreased by €34 million mainly as the effect of the decrease in *Trade payables* and in *Trade receivables*.

Shareholders' Equity amounted to €787 million at December 31, 2013. The following table sets out the main changes in the consolidated Shareholders' equity in 2013 and 2012.

(million of euro)	2013	2012
Beginning of year	**1,200**	**1,291**
Consolidation reserve	0	0
Loss for the year	(481)	(124)
Dividends paid	0	0
Change in Cash Flow Hedge reserve	66	(1)
Remeasurement of defined benefict plans reserve	1	(0)
Other changes	1	(0)
End of year	**787**	**1,200**

The following table sets out the composition of **net financial indebtedness** at December 31, 2013 and the changes over December 31, 2012.

(millions of euro)	December 31, 2013	December, 31 2012	Change amount	%
FINANCIAL LIABILITIES				
Non-current financial liabilities				
Bonds	6,281	5,818	463	8.0%
Financing from banks	2,291	2,836	(545)	(19.2)%
Financing from other lenders	330	342	(12)	(3.5)%
Derivative financial instruments	182	160	22	13.8%
Current financial liabilities				
Bonds	181	179	2	1.1%
Financing from banks	146	124	22	17.7%
Financing from other lenders	143	159	(16)	(10.1)%
Derivative financial instruments	15	4	11	n.m.
TOTAL GROSS FINANCIAL INDEBTEDNESS (A)	**9,569**	**9,622**	**(53)**	**(0.6)%**
FINANCIAL ASSETS				
Non-current financial assets				
Derivative financial instruments	69	113	(44)	(38.9)%
Financial receivables	40	55	(15)	(26.5)%
Current financial assets				
Financial receivables	174	172	2	1.2%
Cash and cash equivalents	141	131	10	7.6%
TOTAL FINANCIAL ASSETS (B)	**424**	**471**	**(47)**	**(9.9)%**
NET FINANCIAL INDEBTEDNESS (A-B)	**9,145**	**9,151**	**(6)**	**(0.1)%**

Net financial indebtedness decreased by €6 million compared to December 31, 2012 due to changes in the composition of financial liabilities and transactions during 2013, details of which we refer to note 14 of Consolidated Financial Statements.

Cash flow statement

Consolidated cash flows for 2013 are set forth out in the following table and are compared to the corresponding figures for 2012.

(million of euro)	2013	2012	Change amount	%
Cash flows from/(used in) operating activities				
Loss from continuing operations	(481)	(124)	(357)	n.m.
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	1,271	1,142	129	11.3%
Net changes in provisions and employee benefits	113	(13)	126	n.m.
(Gains)/losses on disposal of non-current assets	5	5	0	n.m.
Changes in current assets	193	87	106	n.m.
Changes in current liabilities	(119)	214	(333)	n.m.
Net cash flows from operating activities	**982**	**1,312**	**(330)**	**(25.1)%**
Cash flows from/(used in) investing activities				
Acquisition of property, plant and equipment	(563)	(631)	68	10.8%
Proceeds from sale of property, plant and equipment	1	9	(8)	n.m.
Acquisition of intangible assets	(225)	(369)	144	39.0%
Net cash flows used in investing activities	**(787)**	**(991)**	**204**	**20.6%**
Cash flows from/(used in) financing activities				
Changes in loans and bank facilities	(185)	(585)	400	n.m.
Net cash flows used in financing activities	**(185)**	**(585)**	**400**	**n.m.**
Net cash flows for the year	**9**	**(265)**	**274**	**n.m.**
Cash and cash equivalents at the beginning of the year	131	395	(264)	(66.8)%
Cash and cash equivalents at the end of the year	**140**	**130**	**10**	**7.6%**

Cash flows from **operating activities**, amounting to €982 million, decreased by €330 million over the previous year.

Investing activities used cash during 2013 of a total of €787 million, representing a decrease of €204 million over 2012.

During 2013, **financing activities** used cash of €185 million due to the combined effect of the following operations:

- 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, occurred on April 29, 2013;
- the placement completed on April 29, 2013 of a Floating Rate Senior Secured Notes Euro-denominated of €150 million having a coupon of Euribor + 525 bps, maturing in 2019 and a Fixed Rate Senior Secured Notes US Dollar-denominated of USD550 million having a coupon of 6.5%, maturing in 2020;
- the early repayment on May 3, 2013 of €89 million, of the second installment and related interest of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, falling due in October 2013;
- the recognition of debt of €134 million against the capitalization of expenditure for the backbone rights of way, for which details may be found in note 14 of Consolidation Financial Statements;

- the repayment during the year of €73 million relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group’s debt of November 26, 2010.

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, 2013, prepared in conformity with the IFRS endorsed by the European Union.

Income statement figures (million of euro)	**2013**	**2012**
Revenue	4,985	5,428
EBITDA [(1)]	1,939	2,055
Operating income	664	910
Net finance expense	(919)	(905)
Loss before tax	(348)	4
Loss for the year	(491)	(145)

[(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 (million of euro)	**December 31, 2013**	**December 31, 2012**
Total assets	13,982	14,468
Equity	782	1,184
Total liabilities	13,200	13,284

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)	**2013**	**2012**
Revenue	92	85
EBITDA[(1)]	4	8
Operating income	3	7
Net finance expense	(0)	(0)
Profit before tax	3	7
Profit/(Loss) for the year	0	4

[(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, 2013**	**December 31, 2012**
Total assets	69	68
Equity	32	31
Total liabilities	38	37

WIND Acquisition Finance SA

Income statement figures (millions of euro)	**2013**	**2012**
Revenue	1	0
EBITDA[1]	0	(1)
Operating income	0	(1)
Net finance expense	19	40
Profit/(Loss) before tax	13	38
Profit/(Loss) for the year	9	27

[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, 2013**	**December 31, 2012**
Total assets	6,698	6,147
Equity	76	89
Total liabilities	6,622	6,058

SUBSEQUENT EVENTS

For a comment of the events that took place after December 31, 2013, 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, 2013.

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, 2013 and to note 2.4 to the separate financial statements of WIND Telecomunicazioni SpA at December 31, 2013.

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, 2012, to which reference is made.

During the year ended December 31, 2012, 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 constant cost structure optimization process has enabled the WIND Group to further consolidate its performance and its competitive position in 2013, despite the intense competitive pressure, continuing challenging macroeconomic environment and the unfavourable regulatory developments. 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.

During the course of 2014, the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market while continuing to build upon the commercial success experienced during the course of 2013 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model. In order to partially offset the negative macroeconomic and competitive environment the WIND Group will continue to focus on the optimization of its cost structure.

PROPOSED ALLOCATION OF THE RESULT OF THE PARENT WIND TELECOMUNICAZIONI SPA

The Parent WIND Telcomunicazioni SpA end ends 2013 with a loss of €491 million.

The Board of Directors recommends that the shareholders approve the financial statements at December 31, 2013 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, 2013

FINANCIAL STATEMENTS AND NOTES THERETO

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of euro)	Note	At December 31, 2013	At December 31, 2012*
Assets			
Property, plant and equipment	3	3,434,467	3,599,279
Intangible assets	4	8,575,134	8,740,122
Financial assets	5	126,690	187,615
Deferred tax assets	6	165,790	219,647
Total non-current assets		**12,302,081**	**12,746,663**
Inventories	7	27,377	24,118
Trade receivables	8	1,100,370	1,195,981
Financial assets	5	176,356	173,322
Current tax assets	9	19,274	8,070
Other receivables	10	189,899	244,511
Cash and cash equivalents	11	140,770	130,543
Total current assets		**1,654,046**	**1,776,545**
TOTAL ASSETS		**13,956,127**	**14,523,208**
Equity and Liabilities			
Equity			
Issued capital		147,100	147,100
Share premium reserve		751,887	751,887
Other reserves		(24,978)	(92,569)
Retained earnings		(87,484)	393,799
Equity attributable to owners of the parent	12	**786,525**	**1,200,217**
Non-controlling interests		**84**	**128**
Total equity	12	**786,609**	**1,200,345**
Liabilities			
Financial liabilities	14	9,084,017	9,155,589
Employee benefits	16	52,466	53,764
Provisions	17	274,379	149,048
Other non-current liabilities	18	165,388	142,800
Deferred tax liabilities	6	663,045	703,251
Total non-current liabilities		**10,239,295**	**10,204,452**
Financial liabilities	14	484,949	466,524
Trade payables	19	1,651,944	1,789,616
Other payables	20	772,108	845,944
Tax payables	21	21,222	16,327
Total current liabilities		**2,930,223**	**3,118,411**
Total liabilities		**13,169,518**	**13,322,863**
TOTAL EQUITY AND LIABILITIES		**13,956,127**	**14,523,208**

* Following the application of Amendments to IAS 19, from January 1, 2013 (retrospectively), the data, reported on December 31, 2012 for comparative purposes, have been restated; further details may be found in paragraph "Amendments to IAS 19 - Employee Benefits" in section 2.3 "Summary of main accounting policies".

CONSOLIDATED INCOME STATEMENT

(thousands of euro)	Note	2013 12 months	2012 12 months
Revenue	22	4,828,927	5,261,742
Other revenue	23	153,984	165,258
Total revenue		**4,982,911**	**5,427,000**
Purchases and services	24	(2,541,536)	(2,847,794)
Other operating costs	25	(170,185)	(172,833)
Personnel expenses	26	(327,392)	(343,549)
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		**1,943,798**	**2,062,824**
Depreciation and amortization	27	(1,264,022)	(1,146,531)
Reversal of impairment losses/(impairment losses) on non-current assets	28	(7,234)	4,129
Losses on disposal of non-current assets	29	(5,167)	(4,819)
Operating income		**667,375**	**915,603**
Finance income	30	37,685	18,648
Finance expense	31	(1,031,259)	(893,207)
Foreign exchange losses, net	32	(5,867)	(934)
Profit/(Loss) before tax		**(332,066)**	**40,110**
Income tax	33	(149,261)	(163,996)
Loss from continuing operations		**(481,327)**	**(123,886)**
Profit from discontinued operations	34	-	-
Loss for the year		**(481,327)**	**(123,886)**
Non-controlling interests		(44)	(90)
Loss for the year attributable to the owners of the parent		**(481,283)**	**(123,796)**
Earnings per share (in euro) – basic and diluted:	13		
Earning per share from Continuing operations		(3.29)	(0.85)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)	Note	2013 12 months	2012 12 months*
Loss for the year		**(481,327)**	**(123,886)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments		58,060	(17,474)
Income tax relating to components of Other comprehensive income that will be reclassified subsequently to profit or loss		8,258	16,189
Total Other comprehensive income that will be reclassified subsequently to profit or loss	12	**66,318**	**(1,285)**
Other comprehensive income that will not be reclassified subsequently to profit or loss			
Gains/(losses) on remeasurement of defined benefit plans		1,756	(136)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		(483)	37
Total Other comprehensive income that will not be reclassified subsequently to profit or loss	12	**1,273**	**(99)**
Total Other comprehensive income for the year, net of tax		**67,591**	**(1,384)**
Total comprehensive income for the year		**(413,736)**	**(125,270)**
Total comprehensive income attributable to:			
Owners of the parent		(413,692)	(125,180)
Non-controlling interests		(44)	(90)

* Following the application of Amendments to IAS 19, from January 1, 2013 (retrospectively), the data, reported on December 31, 2012 for comparative purposes, have been restated; further details may be found in paragraph "Amendments to IAS 19 - Employee Benefits" in section 2.3 "Summary of main accounting policies".

CONSOLIDATED CASH FLOW STATEMENT

(thousands of euro)	**2013 12 months**	**2012 12 months**
Cash flows from operating activities		
Loss from continuing operations	**(481.327)**	**(123,886)**
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	1,271,251	1,142,402
Net changes in provisions and employee benefits	113,113	(12,549)
(Gains)/losses on disposal of non-current assets	5,167	4,819
Changes in current assets	193,499	86,899
Changes in current liabilities	(118,796)	214,385
Net cash flows from operating activities	**982,907**	**1,312,070**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(563,424)	(631,433)
Proceeds from sale of property, plant and equipment	1,124	8,729
Acquisition of intangible assets	(225,238)	(368,634)
Net cash flows used in investing activities	**(787,538)**	**(991,338)**
Cash flows from financing activities		
Changes in loans	(185,142)	(585,465)
Net cash flows used in financing activities	**(185,142)**	**(585,465)**
Net cash flows for the year	**10,227**	**(264,733)**
Cash and cash equivalents at the beginning of the year	130,543	395,276
Cash and cash equivalents at the end of the year	**140,770**	**130,543**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(thousands of euro)	**2013 12 months**	**2012 12 months**
Income tax paid	(130,971)	(127,988)
Interest paid on loans/bonds	(712,491)	(783,041)
Interest paid on hedging derivative instruments	(59,055)	(61,924)
Interest received on hedging derivative instruments	10,523	30,858

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

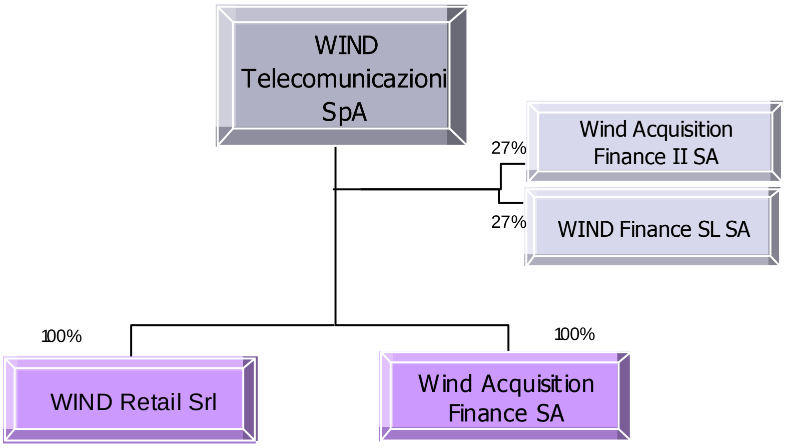
(thousands of euro)	Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)	**Equity attributable to the owners of the parent**	**Non-controlling interests**	**Shareholders' Equity**
	Equity attributable to the owners of the parent						
Balances at December 31, 2011	**147,100**	**751,887**	**(129,576)**	**517,595**	**1,287,006**	**218**	**1,287,224**
IAS 19 revised adoption effect	**-**	**-**	3,391	**-**	**3,391**	**-**	**3,391**
Balances at January 1, 2012	**147,100**	**751,887**	**(126,185)**	**517,595**	**1,290,397**	**218**	**1,290,615**
Total comprehensive income for year	**-**	**-**	**(1,384)**	**(123,796)**	**(125,180)**	**(90)**	**(125,270)**
- Loss for the year	-	-	-	(123,796)	**(123,796)**	(90)	**(123,886)**
- Cash flow hedges	-	-	(1,285)	-	**(1,285)**	-	**(1,285)**
- Remeasurement of defined benefit plans	**-**	**-**	(99)	-	**(99)**	-	**(99)**
Transactions with equity holders	**-**	**-**	**35,000**	**-**	**35,000**	**-**	**35,000**
- Contribution from shareholders	-	-	35,000	-	**35,000**	-	**35,000**
Balances at December 31, 2012	**147,100**	**751,887**	**(92,569)**	**393,799**	**1,200,217**	**128**	**1,200,345**
Total comprehensive income for the 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	-	-	**-**	**-**	**-**	-	**-**
Balances at December 31, 2013	**147,100**	**751,887**	**(24,978)**	**(87,484)**	**786,525**	**84**	**786,609**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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.
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, 2013.



At the date of the present consolidated financial statements as of and for the year ended December 31, 2013 Vimpelcom Ltd holds 92.24% of Wind Telecom SpA while WIND Acquisition Holdings Finance SpA holds 7.76%.

The Group closed 2013 with a loss before tax of €332,066 thousand (a profit before tax of €40,110 thousand in 2012) and a loss for the year from continuing operation of €481,327 thousand (€123,886 thousand in 2012). This result reflects the decline in operating income mainly due to increased competitive pressure on revenue and residually to higher depreciation and amortization.
The solid commercial performance and constant cost structure optimization process has enabled the WIND Group to further consolidate its performance and its competitive position in 2013, despite the intense competitive pressure, continuing challenging macroeconomic environment and the unfavourable regulatory developments. 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.

During the course of 2014 the Group will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market while continuing to build upon the commercial success experienced during the course of 2013 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model. In order to partially offset the negative macroeconomic and competitive environment the WIND Group will continue to focus on the optimization of its cost structure.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of WIND Telecomunicazioni SpA at December 31, 2013 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.

For the purposes of comparison, balances in the statement of financial position and income statement and the detailed tables in the notes have been reclassified where necessary. These reclassifications, for which details may be found in notes 8, 10, 19 and 24, do not affect the Group's loss for the year or equity.

These consolidated financial statements were approved by the Parent's Board of Directors on March 3, 2014.

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, 2013 (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	12.31.2013	12.31.2012	12.31.2013	12.31.2012
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						
Fibra per l'Italia Consortium	Italy	n/a	disposal	33.33	n/a	Cost
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, 2012.

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 adequate ("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 an 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 strategy for covering the hedge 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.

- ***Taxation***

Income tax is 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, increases in salaries 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 excluding any assumptions regarding increases in salaries as had been previously made. The difference arising from this change was recognized in the consolidated profit or loss for the year ended December 31, 2007.

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.

➢ *Share-based payments*

The Group recognizes additional benefits to certain managers and other members of personnel through stock option plans. IFRS 2 - Share-based Payments considers these plans to represent a component of employee remuneration; the cost of these plans therefore consists of the fair value of the option at the grant date and is recognized in profit or loss on a straight-line basis over the period between the grant date and the vesting date, with the corresponding entry recognized directly in equity. Changes in the fair value of the option subsequent to the grant date have no effect on the original measurement.

▪ ***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 profit or loss, while grants related to assets are recognized as deferred revenue and taken to income 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 expense 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, 2013 and thereafter.

Accounting standards, amendments and interpretations adopted from January 1, 2013

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, 2013.

- *Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income*

The amendment requiring companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The application of this amendment did not have any significant effects on the measurement of items in the Group's financial statements.

- *IFRS 13 – Fair Value Measurement*

The accounting standard clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The application of this new standard did not have any significant effects on the Group's financial statement.

- *Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities*

The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The application of these amendments had no significant effect on the disclosures presented in this Interim report nor on the measurement of the related items.

- *Amendments to IAS 19 - Employee Benefits*

The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expense and the classification of net interest expense arising from defined benefit plans.

In accordance with the transitional rules included in paragraph 173 of IAS 19, the Group applied this amendment to IAS 19 retrospectively from 1 January 2013, adjusting the opening balance sheet at 1 January 2012 and 31 December 2012 as well as the income statement for 2012 as if the amendment had always been applied.

In more detail the Group has calculated the following retrospective effects resulting from the adoption of the amendment to IAS 19:

(thousands of euro)	At January 31, 2012		
Effects on the Balance Sheet	**Published values**	**Effects resulting from the application of IAS 19**	**Restated values**
Employee benefits	58,108	(4,677)	53,431
Deferred tax liabilities	739,404	1,286	740,690
Total equity	1,287,224	3,391	1,290,615

(thousands of euro)	At December 31, 2012		
Effects on the Balance Sheet	**Published values**	**Effects resulting from the application of IAS 19**	**Restated values**
Employee benefits	58,305	(4,541)	53,764
Deferred tax liabilities	702,002	1,249	703,251
Total equity	1,197,053	3,292	1,200,345

- *Annual Improvements to IFRSs – 2009-2011 Cycle*

The changes affected the IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 in this regard it should be noted that the adoption of the related amendments did not have any effect in presentation, recognition and measurement of items of the Group's financial statement.

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, 2013.

STANDARD/INTERPRETATION	EFFECTIVE DATE
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	January 1, 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39 – Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014

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
IFRS 9 – *Financial Instruments*	N/A
IFRIC 21 – Levies	January 1, 2014
Amendments to IAS 19 – Employee Benefits entitled Defined Benefit Plans: Employee Contributions	July 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011–2013 Cycle	July 1, 2014
IFRS 14 Regulatory Deferral Accounts	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, 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 connected with legal, arbitration and fiscal disputes are the result of a complex estimate 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, 2013 amounted to €1,100,370 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 more detail, 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.

In relation to the management of the financial flows, related 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 on its current accounts of €124,885 thousand at December 31, 2013. The Group'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, 2013 was €189,459 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: tranche A, amortizing, and tranche B, bullet, denominated in euros. The total nominal amount of this agreement, net of repayments made, amounts to €2,355,000 thousand, to which €400 million of a revolving credit facility drawn down for €100 million at December 31, 2013, should be added;

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

(thousands of euro)	Issue date	Currency	Notional amount	Maturity	Interest rate
Senior Notes 2017 €	07/13/2009	EUR	1,250,000	07/15/2017	11.75%
Senior Notes 2017 $	07/13/2009	USD	2,000,000	07/15/2017	11.75%
Senior Secured Notes 2018 €	11/26/2010	EUR	1,750,000	02/15/2018	7.38%
Senior Secured Notes 2018 $	11/26/2010	USD	1,300,000	02/15/2018	7.25%
Senior Secured Notes 2018 €	04/13/2012	EUR	200,000	02/15/2018	7.38%
Senior Secured Notes 2018 $	04/13/2012	USD	400,000	02/15/2018	7.25%
Senior Secured Floating Rate Notes 2019 €	04/29/2013	EUR	150,000	05/01/2019	Eur3M+5.25%
Senior Secured Fixed Rate Notes 2020 $	04/29/2013	USD	550,000	05/01/2020	6.50%

The "Senior Notes", "Senior Secured Notes", "Senior Secured Fixed Rate Notes" and "Senior Secured Floating Rate Notes" 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 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 rights of way, for which details may be found in note 14.

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)	2014	2015	2016	2017	2018	2019	2020	2021/2035	Totale
Senior Facility Agreement									
Term Loan A1	-	-	37	-	-	-	-	-	37
Term Loan A2	-	-	303	-	-	-	-	-	303
Term Loan B1	-	-	-	1,334	-	-	-	-	1,334
Term Loan B2	-	-	-	681	-	-	-	-	681
Revolving	100							-	100
Annuity	52	20	17	-	-	-	-	-	89
Debt from Ministry	81	81	81	-	-	-	-	-	243
Terna	2	3	1	1	1	2	2	122	134
Senior Notes 2017									
Senior Notes Euro	-	-	-	1,250	-	-	-	-	1,250
Senior Notes USD	-	-	-	1,428	-	-	-	-	1,428
Senior Secured Notes 2018									
Senior Notes Euro	-	-	-	-	1,750	-	-	-	1,750
Senior Notes USD	-	-	-	-	961	-	-	-	961
Senior Secured Notes 2018 TAP									
Senior Secured Notes Euro	-	-	-	-	200	-	-	-	200
Senior Secured Notes USD	-	-	-	-	305	-	-	-	305
Senior Secured Floating Rate Notes 2019	-	-	-	-	-	150	-	-	150
Senior Secured Fixed Rate Notes 2020	-	-	-	-	-	-	420	-	420
Total	**235**	**104**	**439**	**4,694**	**3,217**	**152**	**422**	**122**	**9,385**

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, 2013 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 get 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, 2013 and 2012.

(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)**

(millions of euro)	**Carrying amount at December 31, 2012**	**Total Contractual cash flows**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Non-derivative financial liabilities								
Bank loans	2,960	(3,581)	(218)	(401)	(414)	(442)	(2,106)	-
Bonds	5,996	(8,874)	(562)	(562)	(562)	(562)	(3,328)	(3,298)
Loans from others	501	(547)	(176)	(148)	(110)	(103)	-	(10)
Net derivative financial liabilities	81							
Outflows		(4,184)	(324)	(306)	(283)	(283)	(1,694)	(1,294)
Inflows		4,224	276	277	274	274	1,788	1,335
Total	**9,538**	**(12,962)**	**(1,004)**	**(1,140)**	**(1,095)**	**(1,116)**	**(5,340)**	**(3,267)**

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 95%, with a maximum hedge term of less than seven years.
At December 31, 2013, outstanding derivative contracts hedging interest rate risk total €2,770,000 thousand.

As the total of long-term loans from banks and bonds outstanding at December 31, 2013 amounted to €9,151,141 thousand (liabilities in foreign currencies are translated at the rates provided in the relevant CCS), the fixed to floating ratio was as follows at that date.

(millions of euro)	**Outstanding at 12.31.2013**	**Rate at 12.31.2013**
At fixed rate	8,753	95.65%
At floating rate	398	4.35%

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 USD4,250,000 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 €3,544 thousand and in the cash flow reserve of approximately €11,419 thousand.

Fair value hierarchy

IFRS 7 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) on 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, 2013.

(millions of euro)	Note	Level 1	Level 2	Level 3	Total
Assets at *fair value*					
Derivative financial instruments	15	-	69	-	69
Total assets		**-**	**69**	**-**	**69**
Liabilities at *fair value*					
Derivative financial instruments	15	-	197	-	197
Total liabilities		**-**	**197**	**-**	**197**

In 2013 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, 2013.

(thousands of euro)	At December 31, 2012	Additions	Depreciation	Reversal of impairment losses/ Impairment losses	Disposals	Others	At December 31, 2013
Land and buildings	552	-	-	-	-	-	552
Plant and machinery	3,250,717	469,460	(708,071)	(21,162)	(7,473)	183,248	3,166,719
Equipment	25,860	8,029	(12,034)	(3)	(106)	1,197	22,943
Other	60,505	4,787	(23,863)	-	(1)	5,901	47,329
Assets under construction	261,645	124,954	-	-	-	(189,675)	196,924
Total	**3,599,279**	**607,230**	**(743,968)**	**(21,165)**	**(7,580)**	**671**	**3,434,467**

The cost, accumulated impairment losses and accumulated depreciation at December 31, 2013 can be summarized as follows.

(thousands of euro)	At December 31, 2013			
	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 €83,998 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 (3G mobile technologies and the respective transport and support networks).

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 €5,641 thousand which are no longer usable; these relate mostly to radio links and high frequency equipment (€2,071 thousand), exchanges and electronic installations (€1,628 thousand) and customer premise equipment (CPE) (€1,437 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 €18,700 thousand was written off, a loss from disposal of the equipment of €1,808 thousand was recognized and additions have been recognized by €43,806 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 by €15,888 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 €26,630 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, 2013, transmission equipment, telephone systems and commutation switchboards owned by the Parent and having a carrying amount of €128,523 thousand were with customers for use (€140,552 thousand at December 31, 2012), while transmission equipment for direct access through "unbundling of the local loop" having a carrying amount of €18,453 thousand (€39,651 thousand at December 31, 2012) 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 €86,562 thousand at December 31, 2013 (€90,800 thousand at December 31, 2012).

At December 31, 2013, *Equipment* decreased over the balance at the end of the previous year by an amount of €2,917 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 €21,676 thousand at December 31, 2013, was with third parties, mostly authorized dealers, for use at that date (€23,158 thousand al December 31, 2012).

The net balance of *Other* decreased over the balance at the end of the previous year by an amount of €13,176 thousand mainly as the result of the depreciation charge for the year only partially offset by the increased investments and of the entry into use during the year of office machines and electronic equipment.

The balance of *Assets under construction* at December 31, 2013 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, 2013.

(thousands of euro)	At December 31, 2012	Additions	Amortization	Reversal of impairment losses/ Impairment losses	Others	At December 31, 2013
Industrial patents and intellectual property rights	299,043	93,495	(119,693)	(485)	13,338	285,698
Concessions, licenses, trademarks and similar rights	2,979,072	135,273	(191,477)	(235)	1,249,888	4,172,521
Other intangible assets	566,180	111,400	(208,884)	(3)	29,153	497,846
Goodwill	3,607,469	-	-	(1,228)	-	3,606,241
Assets under development	1,288,358	20,343	-	-	(1,295,873)	12,828
Total	**8,740,122**	**360,511**	**(520,054)**	**(1,951)**	**(3,494)**	**8,575,134**

The cost, accumulated impairment losses and accumulated amortization at December 31, 2013 can be summarized as follows.

(thousands of euro))	At December 31, 2013			
	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**

"Others" mainly includes the frequencies in the 800 and 2600 MHz bands which entered into use during the year with the corresponding reclassification of an amount of €1,249,923 thousand (including the capitalization of borrowing costs relating to the purchase of frequencies).

The increase in Concessions, licenses, trademarks, and similar rights arisies from the capitalization of expenditure for the backbone rights of way following the revision of the relative agreements with TERNA/TELAT, which defers the expiry date to 2035. This expenditure has been calculated by discounting the non-cancelable cash flows specified in the agreements. The investments in Other intangibles assets manly include the capitalization of customer acquisition costs.

Industrial patents and intellectual property rights consist of the cost for the outright purchase of application software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by Parent personnel in designing, developing and implementing information systems, which at December 31, 2013 amounted to €8,655 thousand (€7,203 thousand at December 31, 2012).

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 from this year to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with an increase in the item of €135,237 thousand.

Other intangible assets mainly relate to the fair value of the customer list, amounting to €378,527 thousand, identified on allocating the goodwill at December 31, 2006 arised from the merger of the former parent Wind Acquisition Finance SpA and to the customer acquisition costs amounting to €109,265 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. The decrease in the item is mainly due to the frequencies in the 800 and 2600 MHz bands which entered into use during the year with the corresponding reclassification of an amount of €1,249,923 thousand.

Goodwill pertains to the subsidiary WIND Retail Srl for €26,298 thousand and to the parent WIND Telecomunicazioni SpA for €3,579,943 thousand.

The change in the goodwill attributable to WIND Retail Srl is due to the decrease of €1,228 thousand resulting from the recognition of an impairment loss during the year relating to the share of the goodwill allocated to the points of sales which form part of the expected rationalization of the subsidiary's commercial network approved in 2013 and to be carried out in 2014.

The carrying amount of goodwill recognized and of intangible assets with indefinite useful lives at December 31, 2013 was tested for impairment. The test was carried out by comparing the carrying amount with the value in use and recoverable amount. More specifically, the value in use was calculated on the basis of the discounted cash flows resulting from the 2014-2018 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 8.4% 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, 2013 and 2012.

(thousands of euro)	At December 31, 2013			At December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	15,159	-	**15,159**	16,359	-	**16,359**
Derivative financial instruments	68,548	-	**68,548**	113,212	-	**113,212**
Financial receivables	42,983	176,356	**219,339**	58,044	173,322	**231,366**
Total	**126,690**	**176,356**	**303,046**	**187,615**	**173,322**	**360,937**

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, 2013	At December 31, 2012
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
Fibra per l'Italia Consortium	n/a	-	1,200
Other consortiums	-	25	25
Total financial assets measured at cost		**15,159**	**16,359**

In this respect the investment in Consorzio Fibra per l'Italia has been written off due to the winding up of the consortium on September 15, 2013, as unanimously approved by the assembly of consortium members held on September 13, 2013.

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 €60,950 thousand (€29,634 thousand at December 31, 2012); ii) cross currency swap hedging derivatives on financial liabilities amounting to €6,556 thousand (€83,578 thousand at December 31, 2012); and iii) interest risk hedging derivatives on financial liabilities amounting to €1,042 thousand (zero at December, 31 2012). Additional details on the composition of the item balance and respective changes are to be found in note 15.

The *Financial receivables,* amounting €219,339 thousand at December 31, 2013 mainly include:

- the loan of €156,333 thousand granted by WIND to the indirect parent Wind Telecom SpA (Intercompany Loan Agreement). As contractually provided, in the absence of the repayment initially scheduled for December 30, 2013 the balance of the receivable has been increased by the interest accrued through that date and the previous annual interest rate of Euribor + 2.625%, increased by one percentage point, will then be charged on the new notional amount;
- fees of €37,358 thousand (€48,624 thousand at December 31, 2012) of which €10,282 thousand in current assets (€11,266 thousand at December 31, 2012) recognized for hedging derivatives arranged in the previous years, which are being amortized over the terms of these instruments;
- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 14) equal to €7,753 thousand (€10,436 thousand at December 31, 2012), which are charged to income statement on a straight-line basis over the term of the agreement.

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

(thousands of euro)	At December 31, 2013				At December 31, 2012			
Financial receivables	**<1 year**	**1<x<5 years**	**>5 years**	**Total**	**<1 year**	**1<x<5 years**	**>5 years**	**Total**
Guarantee deposits	1,866	1,627	768	**4,261**	714	2,568	887	**4,169**
Receivables due from parents	160,996	-	-	**160,996**	156,333	-	-	**156,333**
Others	13,494	40,573	15	**54,082**	16,275	54,166	423	**70,864**
Total	**176,356**	**42,200**	**783**	**219,339**	**173,322**	**56,734**	**1,310**	**231,366**

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, 2013.

(thousands of euro)	At December 31, 2012	Decrease	Increase	At December 31, 2013
Allowance for doubtful accounts (taxed)	141,636	90,105	29,680	81,211
Provisions for risks and charges (taxed)	29,558	9,912	7,109	26,755
Measurement of financial assets/liabilities	3,375	-	10,594	13,969
Amortization and depreciation of non-current assets	45,078	11,724	10,501	43,855
Deferred tax assets	**219,647**	**111,741**	**57,884**	**165,790**
Employee benefits	3,449	8	490	3,931
Accelerated depreciation and amortization	13,523	496	4	13,031
Fair value of Property, plant, and equipment	84,060	20,735	-	63,325
Depreciation of PPA	602,218	21,571	2,111	582,758
Measurement of financial assets/liabilities	1	1	-	-
Deferred tax liabilities	**703,251**	**42,811**	**2,605**	**663,045**

The decrease in 2013 in *deferred tax assets* is explained mainly by a decrease in allowance for doubtful accounts. The decrease in *deferred tax liabilities* is mainly due to decrease in accelerated depreciation and amortization and depreciation of PPA.

Deferred tax have been recognized by considering the probability of their utilization 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 €164,048 thousand (€118,717 thousand at December 31, 2012), 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, consistently 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, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Finished goods	28,074	24,548
Write-downs	(697)	(430)
Total	**27,377**	**24,118**

"Finished goods" consist principally of mobile phone handsets and the related accessories. The change taking place during the year is essentially due to an increase in the value of inventory of mobile telephone terminals, kits and related accessories, stocks consisting of products which are technologically advanced and higher unit value over previous year.

8 TRADE RECEIVABLES

The following table provides an analysis of ***Trade receivables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Due from final customers	1,169,082	1,086,249
Due from telephone operators	134,806	169,375
Due from authorized dealers	142,526	192,946
Due from related parties	9,291	35,813
Other trade receivables	45,539	50,446
(Allowance for doubtful accounts)	(400,874)	(338,848)
Total	**1,100,370**	**1,195,981**

The balance of net trade receivables at December 31, 2013 has decreased by a total of €95,611 thousand over that at December 31, 2012. This is mostly due to i) the decrease in receivables due from authorized dealers (€50,420 thousands); ii) the decrease in receivables due from telephone operators (€34,569 thousand); iii) the allowance for doubtful accounts (€62,026 thousand); and iv) the increase in receivables due from final customers (€82,833 thousands).

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 Orascom Group's companies and VimpelCom Group's companies and of the receivables due from SPAL TLC SpA. For the purposes of comparison, the receivables due from SPAL TLC SpA at December 31, 2012 have been reclassified from *Receivables due from associates* to *Receivables due from related parties*. Further details may be found in notes 5 and 34.

The following table provides an analysis, at December 31, 2013 and 2012 of trade receivables and the respective allowance for doubtful accounts, by due date.

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Gross amount	(Allowance for doubtful accounts)	Gross amount	(Allowance for doubtful accounts)
- unexpired	824,699	(11,833)	888,564	(12,092)
- expired from:				
- 0-30 days	55,783	(919)	72,380	(699)
- 31-120 days	59,073	(2,589)	43,180	(2,022)
- 121-150 days	17,036	(579)	20,171	(1,499)
- beyond 150 days	544,653	(384,954)	510,534	(322,536)
Total	**1,501,244**	**(400,874)**	**1,534,829**	**(338,848)**

The following table provides an analysis of trade receivables at December 31, 2013 and 2012, 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, 2013**	**At December 31, 2012**
-within 12 months	1,051,672	1,146,252
-after 12 months	48,698	49,729
Total	**1,100,370**	**1,195,981**

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2013.

(thousands of euro)	**At December 31, 2012**	**Accrual**	**(Utilizations)**	**At December 31, 2013**
Allowance for doubtful accounts	**338,848**	118,545	(56,519)	**400,874**

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"), as a consequence of the Senior Notes, expiring in 2017, issued on July 13, 2009, the Senior Secured Notes, expiring in 2018, issued on November 26, 2010, the Senior Secured Notes expiring in 2018, issued on April 13, 2012, and the Senior Secured Fixed Rate Notes expiring in 2020 and the Senior Secured Floating Rate Notes expiring in 2019, issued on April 29, 2013, 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 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 Notes and the subscribers of the Senior Secured Fixed Rate Notes and of the Senior Secured Floating Rate Notes.

9 CURRENT TAX ASSETS

The balance on ***current tax assets*** of €19,274 thousand at December 31, 2013 (€8,070 thousand at December 31, 2012) refer for €12,736 thousand to the advance payments of IRAP tax made during the year by the Parent (€6,071 thousand at December 31, 2012). The IRAP payable balance is classified as a deduction from advance payments of IRAP tax made during the year.

10 OTHER RECEIVABLES

The following table sets out the details of ***Other receivables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Trade prepayments	91,816	124,082
Other receivables due from third parties	47,679	84,874
Tax receivables	6,458	5,999
Advances to suppliers	22,013	19,384
Other receivables due from parents	23,020	20,541
Other receivables due from related parties	5,120	2,478
(Allowance for doubtful accounts)	(6,207)	(12,847)
Total	**189,899**	**244,511**

The following table provides an analysis, at December 31, 2013 and 2012, of other receivables and the respective allowance for doubtful accounts by due date.

(thousands of euro)	Gross balance	At December 31, 2013 (Allowance for doubtful accounts)	Gross balance	At December 31, 2012 (Allowance for doubtful accounts)
- unexpired	141,768	-	210,010	(7,159)
- expired from:				
- 0-30 days	1,249	-	8,275	-
- 31-120 days	4,331	-	3,145	-
- 121-150 days	1,964	-	19,453	-
- beyond 150 days	46,794	(6,207)	16,475	(5,688)
Total	**196,106**	**(6,207)**	**257,358**	**(12,847)**

The following table provides an analysis of other receivables at December 31, 2013 and 2012, 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, 2013	At December 31, 2012
-within 12 months	135,826	183,338
-after 12 months	54,073	61,173
Total	**189,899**	**244,511**

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. The change over December 31, 2012 is mainly due to the settlement at December 31, 2012 of disputes with suppliers for an outflow of €30 million in 2013.

Other receivables due from related parties at December 31, 2013 also include the amounts due from SPAL TLC and from the Wind Team Consortium, and accordingly the relative comparative balances have been reclassified from *Other receivables due from associates* to *Other receivables due from related parties*. Further details may be found in notes 5 and 34.

The following table provides an analysis of *Tax receivables* at December 31, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
VAT	3,086	3,550
Other tax receivables	3,372	2,449
Total	**6,458**	**5,999**

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2013. This table refers solely to receivables which are due for payment after 12 months.

(thousands of euro)	**At December 31, 2012**	**Accrual**	**(Utilizations)**	**At December 31, 2013**
Allowance for doubtful accounts	**12,847**	395	(7,035)	**6,207**

11 CASH AND CASH EQUIVALENTS

The following table sets out an analysis of ***Cash and cash equivalents*** at December 31, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
Bank deposits and checks	140,739	130,512
Cash on hand and stamps	31	31
Total	**140,770**	**130,543**

The cash and cash equivalents represent the surplus of cash generated by operations, changed mainly due to the ordinary cash inflows and outflows occurred during the year. Further details may be found in note 37 to the cash flow statement.

12 SHAREHOLDERS' EQUITY

The following table provides details of the changes in Shareholders' ***Equity*** during the years ended December 31, 2013 and 2012.

(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	**Sharehoders 'Equity**
	Equity attributable to the owners of the parent						
Balances at December 31, 2011	**147,100**	**751,887**	**(129,576)**	**517,595**	**1,287,006**	**218**	**1,287,224**
IAS 19 revised adoption effect	**-**	**-**	3,391	**-**	**3,391**	**-**	**3,391**
Balances at January 1, 2012	**147,100**	**751,887**	**(126,185)**	**517,595**	**1,290,397**	**218**	**1,290,615**
Total comprehensive income for year	**-**	**-**	**(1,384)**	**(123,796)**	**(125,180)**	**(90)**	**(125,270)**
- Loss for the year	-	-	-	(123,796)	**(123,796)**	(90)	**(123,886)**
- Cash flow hedges	-	-	(1,285)	-	**(1,285)**	-	**(1,285)**
- Remeasurement of defined benefit plans	**-**	**-**	(99)	-	**(99)**	-	**(99)**
Transactions with equity holders	**-**	**-**	**35,000**	**-**	**35,000**	**-**	**35,000**
- Contribution from shareholders	-	-	35,000	-	**35,000**	-	**35,000**
Balances at December 31, 2012	**147,100**	**751,887**	**(92,569)**	**393,799**	**1,200,217**	**128**	**1,200,345**
Total comprehensive income for the 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	-	-	**-**	**-**	**-**	-	**-**
Balances at December 31, 2013	**147,100**	**751,887**	**(24,978)**	**(87,484)**	**786,525**	**84**	**786,609**

The share capital of the parent WIND Telecomunicazioni SpA at December 31, 2013 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 2013	Result for the year 2012	Equity at December, 31 2013	Equity at December, 31 2012
Equity and Result for the year of WIND Telecomunicazioni SpA	**(491,085)**	**(145,320)**	**781,733**	**1,180,528**
Equity and Result for the year of consolidated entities net of the shares attributable to Non-controlling interests	**9,130**	**31,100**	**108,395**	**120,673**
Consolidation adjustments:				
elimination of carryng amount of investments			(92,916)	(92,916)
other consolidation adjustments	672	(9,576)	(10,687)	(11,360)
Equity and Result for the year attributable to owners of the parent	**(481,283)**	**(123,796)**	**786,525**	**1,196,925**
Equity and Result for the year attributable to Non-controlling interests	(44)	(90)	84	128
Equity and Result for the year in the Consolidated Financial Statements	**(481,327)**	**(123,886)**	**786,609**	**1,197,053**

The resolution adopted by the parent's shareholders on April 12, 2013 resolving the approval of the annual financial statements as of and for the year ended December 31, 2012 allocating the loss for the year of €145,320 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 21. 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, 2012	**(149,446)**	**-**	**(149,446)**	**(12,859)**	**3,703**	**(9,156)**	**(158,602)**
Changes in fair value	33,477	-	33,477	(41,263)	11,875	(29,388)	4,089
Reverse to income statement	53,277	-	53,277	12,569	(3,617)	8,952	62,229
At December 31, 2013	**(62,692)**	**-**	**(62,692)**	**(41,553)**	**11,961**	**(29,592)**	**(92,284)**

- the increase 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 as a result of Amendment of IAS 19, as described in further detail in note 2.3.

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, 2013 or December 31, 2012.

The data underlying the calculation are as follows.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Loss from continuing operations	(481,327)	(123,886)
Weighted average number of shares (units)	146,100,000	146,100,000
Loss per share from continuing operations – basic and diluted (in Euro)	**(3.29)**	**(0.85)**

14 FINANCIAL LIABILITIES

The following table sets out an analysis of ***Financial liabilities*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013			At December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Bonds issues	6,280,981	180,636	**6,461,617**	5,817,668	178,612	**5,996,280**
Bank loans	2,290,599	145,962	**2,436,561**	2,835,522	124,271	**2,959,793**
Loans from others	330,923	142,808	**473,731**	342,010	159,444	**501,454**
Derivative financial instruments	181,514	15,543	**197,057**	160,389	4,197	**164,586**
Total financial liabilities	**9,084,017**	**484,949**	**9,568,966**	**9,155,589**	**466,524**	**9,622,113**

The change in financial liabilities is mainly due to the effect of the following transactions, net of exchange rate effects:

- 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, made on April 29, 2013;
- the placement completed on April 29, 2013 of a Floating Rate Senior Secured Notes Euro-denominated of €150 million having a coupon of Euribor + 525 bps, maturing in 2019 and a Fixed Rate Senior Secured Notes US Dollar-denominated of USD550 million having a coupon of 6.5%, maturing in 2020;
- the early repayment on May 3, 2013 of €88,780 thousand, of the second installment and related interest of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, falling due in October 2013;
- the recognition of debt of €133,650 thousand against the capitalization of expenditure for the backbone rights of way, for which details may be found in note 14;
- the repayment during the year of €72,879 thousand relating to the principal of loan from other banks against the deferred repayment plan of the fair value of the derivative instruments that were repaid with the refinancing of the Group’s debt of November 26, 2010.

The following table sets out an analysis of *Financial liabilities* at December, 2013 and 2012 by due date.

(thousands of euro)	At December 31, 2013				At December 31, 2012			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds issues	180,636	5,736,563	544,418	**6,461,617**	178,612	2,678,444	3,139,224	**5,996,280**
Bank loans	145,962	2,290,599	-	**2,436,561**	124,271	2,835,522	-	**2,959,793**
Loans from others	142,808	204,676	126,247	**473,731**	159,444	332,335	9,675	**501,454**
Derivative financial instruments	15,543	134,094	47,420	**197,057**	4,197	132,736	27,653	**164,586**
Total financial liabilities	**484,949**	**8,365,932**	**718,085**	**9,568,966**	**466,524**	**5,979,037**	**3,176,552**	**9,622,113**

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at December 31, 2013.

(thousands of euro)	At December 31, 2013					
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	Total
Euro	293,754	2,619,936	1,752,721	316,979	1,272,519	6,255,909
US dollars	-	400,303	1,209,323	-	1,506,374	3,116,000
Total	**293,754**	**3,020,239**	**2,962,044**	**316,979**	**2,778,893**	**9,371,909**

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2013 and 2012. The fair value is approximately the same as the carrying amount for current *Financial liabilities*.

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds issues	6,280,981	6,635,972	5,817,668	5,984,303
Bank loans	2,290,599	2,325,094	2,835,522	2,927,700
Loans from others	330,923	330,923	342,010	342,010
Derivative financial instruments	181,514	181,514	160,389	160,389
Total	**9,084,017**	**9,473,503**	**9,155,589**	**9,414,402**

Current *Financial liabilities* at December 31, 2013 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, 2013.

(thousands of euro)	Carrying amount at December 31, 2013	Carrying amount at December 31, 2012	Nominal amount at December 31, 2013	Issue price	Currency	Due date	Interest rate	Price
Senior Notes 2017 €	1,272,519	1,263,071	1,250,000	96.3%	EUR	07/15/2017	11.75%	106.5%
Senior Notes 2017 $	1,506,374	1,564,331	1,455,392	97.5%	USD	07/15/2017	11.75%	106.4%
Senior Secured Notes 2018 €	1,739,903	1,734,800	1,750,000	99.3%	EUR	02/15/2018	7.38%	105.8%
Senior Secured Notes 2018 $	938,933	975,601	946,005	99.3%	USD	02/15/2018	7.25%	105.0%
Senior Secured Notes 2018 €	183,329	180,042	200,000	90.1%	EUR	02/15/2018	7.38%	105.0%
Senior Secured Notes 2018 $	270,390	278,435	291,078	92.2%	USD	02/15/2018	7.25%	105.0%
Senior Secured Floating Rate Notes 2019 €	149,866	-	150,000	100.0%	EUR	05/01/2019	Eur 3M+5.25%	102.3%
Senior Secured Fixed Rate Notes 2020 $	400,303	-	400,233	100.0%	USD	05/01/2020	6.50%	106.0%
Totale	**6,461,617**	**5,996,280**	**6,442,708**					

On April 29, 2013 the Group completed the placement of a Floating Rate Senior Secured Notes Euro-denominated of €150 million having a coupon of Euribor + 525 bps, maturing in 2019 and of a Fixed Rate Senior Secured Notes US Dollar-denominated of USD550 million having a coupon of 6.5%, maturing in 2020.

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 €3,114,193 thousand, which at December 31, 2013 had a positive fair value of €6,556 thousand and a negative fair value of €124,453 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, 2013 had a negative fair value of €2,175 thousand and a positive fair value of €1,042 thousand. The hedges extend to 2020.

Bank loans

The following table sets out the main information relating to outstanding *Bank loans* at December 31, 2013.

(thousands of euro)	Carrying amount at December 31, 2013	Carrying amount at December 31, 2012	Nominal amount at December 31, 2013	Usable amount	Currency	Due date	Interest rate
Senior Facility Agreement							
- Tranche A1	36,966	97,634	37,281	37,281	EUR	11/26/2016	Eur+4.00%
- Tranche A2	300,168	792,785	302,719	302,719	EUR	11/26/2016	Eur+4.00%
- Tranche B1	1,312,209	1,288,668	1,333,882	1,333,882	EUR	11/26/2017	Eur+4.25%
- Tranche B2	670,333	657,900	681,118	681,118	EUR	11/26/2017	Eur+4.50%
- Revolving	99,997	99,994	100,000	400,000	EUR	11/26/2016	Eur+4.00%
- Overdrafts	15,854	21,827	-				
- Other accrued interest	1,034	985	-				
Total	**2,436,561**	**2,959,793**	**2,455,000**	**2,755,000**			

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.

Details and the main features of the tranches are as follows:

- tranche A1 is repayable from May 26, 2011 to November 26, 2016. Interest is payable at Euribor plus a spread of 400 basis points. The maximum amount of the facility of €166 million was fully drawdown;
- tranche A2 is repayable from May 26, 2011 to November 26, 2016. Interest is payable at Euribor plus a spread of 400 basis points. The maximum amount of the facility of €1,349 million was fully drawdown;
- tranche B1 is repayable in a single lump sum on November 26, 2017. Interest is payable at Euribor plus a spread of 425 basis points. The maximum amount of the facility of €1,334 million was fully drawdown;
- tranche B2 is repayable in a single lump sum on November 26, 2017. Interest is payable at Euribor plus a spread of 450 basis points. The maximum amount of the facility of €681 million was fully drawdown;
- a revolving tranche having final repayment on November 26, 2016. 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 400 basis points and there is a non-use commission of 160 basis points. At December 31, 2013, the maximum usable amount of €400 million, was drawdown 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 transactions which qualify as hedges for a notional amount of €2,200,000 thousand, whose fair value at December 31, 2013, including forward start transactions, is negative for €70,430 thousand. The hedges extend to September 2017 and consist of plain vanilla interest rate swaps.

Loans from others

This item, having a balance of €473,731 thousand (€501,454 thousand at December 31, 2012), mainly consists of:

- payable due to the Ministry of Economic Development for an amount of €243 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. Early repayment was made on May 3, 2013 of the second instalment of € 81 million due on October 3, 2013;
- the loan of €133,650 thousand against the capitalization of the right of support of the backbone, details of which may be found in note 5;
- payable to banks of €89,304 thousand (of which €37,354 is the current portion) 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, 2013 and 2012, analyzed by the type of risk hedged.

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
- Exchange rate risk	6,556	124,453	83,578	27,653
- Interest rate risk	1,042	72,604	-	136,933
Total cash flow hedges	**7,598**	**197,057**	**83,578**	**164,586**
- Embedded derivatives on Bonds	60,950	-	29,634	-
Total Derivatives Non Hedge Accounting	**60,950**	**-**	**29,634**	**-**
Total	**68,548**	**197,057**	**113,212**	**164,586**

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

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current	-	15,543	-	4,197
Non current	68,548	181,514	113,212	160,389
Total derivatives	**68,548**	**197,057**	**113,212**	**164,586**

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, 2013:

- 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 € 3,114,193 thousand (€2,693,792 thousand at December 31, 2012) and having a positive fair value of € 6,556 thousand and a negative fair value of € 124,453 thousand (positive fair value of 83,578 thousand and negative fair value of €27.653 thousand at December 31, 2012);
- plain vanilla interest rate swaps hedging the interest rate risk of bank loans and of bonds, having a notional amount of € 2,770,000 thousand (€2,915,000 thousand at December 31, 2012) and a negative fair value of € 72,604 thousand and a positive fair value of €1,042 thousand (negative fair value of €136,993 thousand and a positive fair value of €0 thousand at December 31, 2012);
- embedded derivatives of € 60,950 thousand (€29,634 thousand at December 31, 2012) relating to the fair value of the early repayment options provided for on issue of the Senior Secured Notes and the Additional Senior Secured Notes, 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, 2013.

(thousands of euro)	At December 31, 2012	Accrual	(Utilization)	Other changes	At December 31, 2013
Post-employment benefits	**53,764**	20,609	(1,518)	(20,389)	**52,466**

As the result of the retrospective application of the amendments to IAS 19, the opening balance of this item has been restated and details of this may be found in note 2.3, while applying the amendment has led to an increase of €1,780 thousand in the Parent Company's employee benefits during the year.

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 (€17,494 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%	4.60%	N/A	1.00%– 3.00%

The effects recognized in income statement are as follows.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Current service costs	18,739	19,855
Finance expense	1,870	1,970
Total	**20,609**	21,825
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, 2013.

(thousands of euro)	At December 31, 2012	Increases	(Decreases)	At December 31, 2013
Litigation	34,740	149,541	(14,300)	169,981
Restructuring	4,102	-	(3,725)	377
Universal service contribution (Presidential Decree no. 318/1997)	16,683	-	-	16,683
Product assistance	2,072	1,035	(1,582)	1,525
Dismantling and removal	37,984	1,818	(1,577)	38,225
Other provisions	53,467	16,347	(22,226)	47,588
Total	**149,048**	**168,741**	**(43,410)**	**274,379**

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 38).

Restructuring

The provision consists of the costs which the Parent expects to incur in future years as a consequence of implementing restructuring and reorganization plans resulting from the identification of areas of efficiency in certain business areas. The utilization of the restructuring provision in the amount of €3,725 thousand is mainly due to leaving incentives.

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, 2013 includes €25,536 thousand for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €14,538 thousand relating to compensation plan for the long-term retention and incentive of management.

18 OTHER LIABILITIES

Other non-current liabilities at December 31, 2013 and 2012 amount to €165,388 thousand and €142,800 thousand, respectively. At December 31, 2013 this item mainly includes:

- an amount of €107,382 thousand relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus in 2013, 2012 and 2011 (for which details may be found in note 3), which will be recognized in 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 3) 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 income statement 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 €12,427 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 income statement over the useful lives of the assets involved.

19 TRADE PAYABLES

The following table provides details of ***Trade payables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Due to telephone operators	366,533	418,195
Due to agents	25,102	41,586
Due to authorized dealers	44,202	47,571
Due to parents	15,346	6,172
Due to related companies	14,001	11,917
Other trade payables	1,186,760	1,264,175
Total	**1,651,944**	**1,789,616**

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* are the consequence of the agreement between the indirect parent Wind Telecom SpA and the WIND Telecomunicazioni SpA relating to the provision of services for which further details may be found in note 35.

Trade payables *due to related companies* mainly relate to transactions with telephone operators belonging to the Orascom Group and to the Vimpelcom Group and of the payables due to SPAL TLC SpA. For the purposes of comparison, the payables due to SPAL TLC SpA at December 31, 2012 have been reclassified from *Trade Payables due to associates* to *Trade payables due to related parties*. 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, 2013	At December 31, 2012
-within 12 months	1,589,078	1,726,534
-after 12 months	62,866	63,082
Total	**1,651,944**	**1,789,616**

20 OTHER PAYABLES

The following table provides an analysis of ***Other payables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Payables to social security organizations	27,432	29,837
Tax payables	137,755	171,441
Payables to personnel	31,566	35,433
Payables to government bodies by grants	9,475	9,475
Other amounts payable to parents	305,412	316,442
Other amounts payable to related companies	239	339
Prepaid traffic to be used	182,729	208,262
Deferred income	19,402	25,482
Other payables	58,098	49,233
Total	**772,108**	**845,944**

The following table provides an analysis by due date.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
-within 12 months	770,773	818,144
-after 12 months	1,335	27,800
Total	**772,108**	**845,944**

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, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
Government license fee	28,711	25,298
Withholding tax	10,436	10,200
VAT	69,216	69,865
Other	29,392	66,078
Total	**137,755**	**171,441**

Other Tax payables consists mostly of the tax payable of €28,242 thousand at December 31, 2013 (€64,982 thousand at December 31, 2012) relating the closing of the audit on withholdings on the interest paid by the Parent to Wind Finance SL SA and Wind Acquisition Finance SA in prior years. This tax debt is payable in twelve quarterly installments from December 2, 2011 to September 2, 2014, with interest charged at a rate of 1.5%.

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, 2012 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*, €304,819 thousand (€315,929 thousands at December 31, 2012) 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.

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 2013 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 an advance received from the Region of Puglia as part of the Company's participation in the Region of Puglia's project to carry out investments supporting local development by an amount of €3,597 thousand at December 31, 2013.

21 TAX PAYABLES

The balances at December 31, 2013 and 2012 of €21,222 thousand and €16,327 thousand, respectively, represent the amounts due by the Group companies for income tax 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 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Revenue from sales	**239,196**	**198,447**	**40,749**	**20.5%**
- Telephone services	4,029,463	4,280,264	(250,801)	(5.9)%
- Interconnection traffic	399,104	611,356	(212,252)	(34.7)%
- International roaming	41,394	44,699	(3,305)	(7.4)%
- Judicial authority services	6,046	6,392	(346)	(5.4)%
- Other revenue from services	113,724	120,584	(6,860)	(5.7)%
Revenue from services	**4,589,731**	**5,063,295**	**(473,564)**	**(9.4)%**
Total	**4,828,927**	**5,261,742**	**(432,815)**	**(8.2)%**

The item shows a decrease of 8.2% for the year 2013 compared to the year 2012. This effect is mainly due to the decrease in revenue from *interconnection traffic*, and the decrease in *telephone services* which the effect was partially offset by the increase in the *revenue from sales* r for the twelve months of 2013.

The revenue from *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 5.9% thanks to an increase in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The revenue from *interconnection traffic* decrease mainly due to the effect of the reduction of unit tariffs set by AGCOM.

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

The increase in the *revenue from sales* is due to the increase in the sale of mobile telephone handsets and to a shift of sales towards high-range terminals.

23 OTHER REVENUE

Other revenue amounts in total to €153,984 thousand in the twelve months of 2013 (a decrease of €11,274 thousand over the year 2012) and refers principally to the revisions of estimates made in previous years and to the effects related to the settlement of disputes with some suppliers.

24 PURCHASES AND SERVICES

The following table provides the breakdown of ***Purchases and services*** for 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	12 months
Interconnection traffic	669,089	842,298	(173,209)	(20.6)%
Customer acquisition costs	235,519	253,666	(18,147)	(7.2)%
Lease of civil/technical sites and use of third party ssets	246,203	273,205	(27,002)	(9.9)%
Purchases of raw materials, consumables, supplies and goods	266,635	235,668	30,967	13.1%
Rental of local network and circuits	441,030	491,889	(50,859)	(10.3)%
Advertising and promotional services	140,086	183,634	(43,548)	(23.7)%
Outsourcing costs for other services	137,712	139,317	(1,605)	(1.2)%
Maintenance and repair	95,088	112,452	(17,364)	(15.4)%
Power consumption and other utilities	124,070	118,666	5,404	4.6%
National and international roaming	38,438	35,089	3,349	9.5%
Consultancies and professional services	36,285	42,334	(6,049)	(14.3)%
Change in inventories	(3,257)	(3,807)	550	(14.4)%
Other services	114,638	123,383	(8,745)	(7.1)%
Total purchases and services	**2,541,536**	**2,847,794**	**(306,258)**	**(10.8)%**

In order to simplify the structure of the information reported in the notes to a minimum, have been identified in the table ***Purchases and services*** some items that, given the nature and the amount have been grouped. In particular "Lease of local access network" and "Lease of telecommunication circuits" have been grouped in *Rental of local network and circuits*; "Lease of civil and technical sites" and "Other leases and use of third party assets" have been grouped in *Lease of civil/technical sites and use of third party assets;* "Other services", "Transport and logistics" and "Bank and postal charges" have been grouped in *Other services*.

Moreover, in order to ensure better comparison of the items in the two periods under comparison, reclassifications have been made to the balances for the year 2012 with the following effects: lower Power consumption and other utilities, Maintenance and repair, Advertising and promotional services and Lease of civil/technical sites and use of third party assets by €3,085 thousand, €5,306 thousand, €5,734 thousand and €14,579 thousand, respectively; and higher Consultancies and professional services, Interconnection traffic, Customer acquisitions costs, Purchases of raw materials, consumables, supplies and goods, Other services, and Rental of local network and circuits by €304 thousand €338 thousand, €2,750 thousand, €3,386 thousand, €7,442 thousand and €14,484 thousand, respectively.

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, 2012:

- a decrease of €173.209 thousand in *Interconnection traffic* costs mainly due to a fall in termination tariffs, only partially offset by an increase in the volume of traffic;
- a decrease of €50.859 thousand in *Lease of local access network and circuits* costs mainly as the result of a price effect on lease of local access network;

- a decrease of €43.548 thousand in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of efficiency acquisition of advertising media such as TV, radio, billboards and internet and to the reduction of costs of image rights;
- net increase of €31,517 thousand in Purchases of raw materials, consumables, supplies and goods and Change in inventories mainly due to an increase in the sale of mobile telephone handsets and in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift of sales towards high-range terminals.

The item *consultancies and professional services* includes remuneration for statutory auditors of Group companies, equal to €224 thousand, and the remuneration for the external audit activities on financial statements, equal to €1,592 thousand (total compensation for the audit to separate and consolidate financial statements at December 31, 2013 is equal to €635 thousand). The ordinary shareholders' meeting of April 12, 2013 did not resolve compensations to the Directors of the Parent.

25 OTHER OPERATING COSTS

The following table provides the breakdown of ***Other operating costs*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Impairment losses on trade receivables and current assets	113,995	111,858	2,137	1.9%
Accruals to provision for risks and charges	8,929	12,352	(3,423)	(27.7)%
Annual license and frequency fees	30,724	31,225	(501)	(1.6)%
Other operating costs	16,537	17,398	(861)	(4.9)%
Total other operating costs	**170,185**	**172,833**	**(2,648)**	**(1.5)%**

It should be noted that in order to simplify the structure of the information reported in the notes to a minimum, have been identified in the table ***Other Operating costs*** some items that, given the nature and the amount can be grouped. In particular: "Gifts" have been included in *Other operating costs*; " Accruals for risks " and " Accruals for charges " have been grouped in *Accruals to provision for risks and charges*.

26 PERSONNEL EXPENSES

The following table provides the breakdown of ***Personnel expenses*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Wages and salaries	277,300	283,568	(6,268)	(2.2)%
Social security charges	76,152	77,363	(1,211)	(1.6)%
Other personnel expenses	12,942	17,957	(5,015)	(27.9)%
Post-employment benefits	19,245	20,201	(956)	(4.7)%
(Costs capitalized for internal works)	(58,247)	(55,540)	(2,707)	4.9%
Total personnel expenses	**327,392**	**343,549**	**(16,157)**	**(4.7)%**

The decrease over the twelve months of 2012 is essentially due to the effect of 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. This decrease has been partially offset by the increase in the contractual minima from April due to the agreement for the renewal of the National Labor Contract (CCNL) reached at the beginning of February 2013 (effective to December 31, 2014).

Other personnel expenses included at December 31, 2012 the provision for restructuring for €4,101 thousand.

The number of employees at year end was as follows.

	At December 31, 2013	At December 31, 2012
Senior management	129	143
Middle management	599	598
Employees	6,182	6,158
Total	**6,910**	**6,899**

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

	2013 12 months	2012 12 months
Senior management	136	148
Middle management	598	588
Employees	6,211	6,195
Total	**6,945**	**6,931**

27 DEPRECIATION AND AMORTIZATION

The following table provides the breakdown of ***Depreciation and amortization*** for 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Depreciation of property, plant and equipment				
- Plant and machinery	708,071	681,687	26,384	3.9%
- Industrial and commercial equipment	12,034	10,550	1,484	14.1%
- Other assets	23,863	23,900	(37)	(0.2)%
Amortization of intangible assets with finite lives				
- Industrial patents and similar rights	119,693	112,914	6,779	6.0%
- Concessions, licenses, trademarks and similar rights	191,477	112,811	78,666	69.7%
- Other intangible assets	208,884	204,669	4,215	2.1%
Total depreciation and amortization	**1,264,022**	**1,146,531**	**117,491**	**10.2%**

Depreciation and amortization rose by €117,491 thousand over the first twelve months of 2012. Of this €27,831 thousand relates to property, plant and equipment, due to the additional investments made in network development over the past few years, and €89,660 thousand to intangible assets, mainly as the rights of use for the frequencies in the 800 and 2600 MHz bands were exercised from the start of the quarter.

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 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Reversal of impairment losses / (Impairment losses) on property, plant and equipment	(5,270)	4,786	(10,056)	(210.1)%
Reversal of impairment losses / (Impairment losses) on intangible assets	(1,964)	(657)	(1,307)	198.9%
Total	**(7,234)**	**4,129**	**(11,363)**	**(275.2)%**

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 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Gains on disposal of property, plant and equipment	2,415	5,970	(3,555)	(59.5)%
Losses on disposal of property, plant and equipment	(7,582)	(10,789)	3,207	(29.7)%
Total	**(5,167)**	**(4,819)**	**(348)**	**7.2%**

The change over the previous year is due to higher gains and losses recorded in 2013 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 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Interest on bank deposits	492	1,652	(1,160)	(70.2)%
Cash flow hedge reversed from equity	983	239	744	311.3%
Fair value measurement of derivatives	31,030	9,169	21,861	238.4%
Other	5,180	7,588	(2,408)	(31.7)%
Total finance income	**37,685**	**18,648**	**19,037**	**102.1%**

The increase in this item is mainly due to a rise in the income arising from the fair value measurement of the embedded derivatives on the bonds amounting to €30,747 thousand at December 31, 2013 (€9,169 thousand at December 31, 2012). This effect was only partially offset by the decrease in interest income on the average cash balance and in other interest due to the performance in the market interest rates.

Other financial income include €4,662 thousand for the twelve months of 2013 and €6,604 thousand for the twelve months of 2012, related to the interest arising on the receivable from the parent Wind Telecom SpA under the agreement entered in November 2010, for which details may be found in note 5.

31 FINANCE EXPENSE

The following table provides the breakdown of ***Finance expense*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Interest expense on:				
Bond issues	(603,631)	(575,339)	(28,292)	4.9%
Bank loans	(171,940)	(241,007)	69,067	(28.7)%
Discounted provisions	(3,689)	(3,671)	(18)	0.5%
Cash flow hedges, reversed from equity	(87,032)	(109,682)	22,650	(20.7)%
Fair value measurement of derivatives	(13,165)	-	(13,165)	n.m.
Other	(151,802)	(58,122)	(93,680)	161.2%
(Finance expense capitalized)	-	94,614	(94,614)	(100.0)%
Total finance expense	**(1,031,259)**	**(893,207)**	**(138,052)**	**15.5%**

Finance expense for 2013 consists mostly of accrued interest on financial liabilities outstanding at December 31, 2013, for which further details may be found in note 14, the effects of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement by €87,032 thousand (€109,682 thousand for 2012) and the effects of the fair value measurement of derivatives by €13,165 thousand that refers to trading effect on hedging derivatives.

The decrease in the *bank loan interest* is due to the early repayment of €500 million on April 13, 2012 and of €575 million on April 29, 2013, of the Senior Facility Agreement.

Interest expense on Bond issues increase during the year over the twelve months of 2012, due to the additional placement completed on April 13, 2012, of the Senior Secured Notes 2018 of €200 million and USD400 million and further issue, 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.

The change in the item *Other* of Finance expense relates to finance expenses on Loans from others, for which details can be found in note 14 and by €92,703 thousand to previous years finance expenses.

Capitalized borrowing costs at December 31, 2012 related to the interest incurred on loans used by the Group specifically for the purchase of the frequencies in the 800 MHz and 2600 MHz band, occurred in 2011. As the frequencies entered use during the year 2013 the related borrowing costs can no longer be capitalized. More details may be found in note 4.

32 FOREIGN EXCHANGE GAINS/(LOSSES), NET

The following table provides the breakdown of ***Foreign exchange gains (losses) - net*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Realized gains	16,163	853	15,310	1794.8%
Unrealized gains	125,569	56,741	68,828	121.3%
Foreign exchange gains	**141,732**	**57,594**	**84,138**	**146.1%**
Realized losses	14,455	1,637	12,818	783.0%
Unrealized losses	133,144	56,891	76,253	134.0%
Foreign exchange losses	**147,599**	**58,528**	**89,071**	**152.2%**
Total	**(5,867)**	**(934)**	**(4,933)**	**528.2%**

33 INCOME TAX

The following table provides the breakdown of ***Income tax*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Current tax	(105,504)	(204,884)	99,380	(48.51)%
Previous years income taxes	(42,348)	10,825	(53,173)	(491.21)%
Deferred tax	(1,409)	30,063	(31,472)	(104.7)%
Total income tax	**(149,261)**	**(163,996)**	**14,735**	**(9.0)%**

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

- current income taxes expense of €105,504 thousand (of which € 53,701 thousand for IRES tax and €51,803 thousand for IRAP tax) charged on the consolidated taxable income for 2013. The decrease compared to 2012 is due to the lower result before tax;
- previous years income taxes of €42,348 thousands;
- net deferred tax income of €1,409 thousand, arising from changes of €3,349 thousand in deferred tax assets mainly relating to the changes in temporary differences arising from provisions for bad debts and non-current assets and from the release of deferred tax liabilities of €4,758 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 2013 and 2012.

(thousands of euro)		2013		2012
Theoretical tax rate	27.50%		27.50%	
Profit before tax	**(332,066)**		**40,110**	
Theoretical tax assets relating to IRES		(91,318)		11,030
Non-deductible costs/non-taxable revenue		184,584		96,867
Non-recognized deferred tax assets		-		-
Adjustments to previous years taxes		4,192		(11,104)
Actual IRES tax (current and deferred)		97,458		96,793
Effective IRES tax rate	(29.35)%		241.32%	
IRAP tax at Group level		51,803		67,203
Actual tax expense recognized in profit or loss		149,261		163,996
Overall tax rate	(44.95)%		408.87%	

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income tax) purposes. The IRAP tax charge is included to reconcile with the overall *income tax* 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 refer to transactions with the indirect parent Wind Telecom SpA, the Parent receives services relating to IT, marketing, personnel, purchasing, etc; moreover, on November 29, 2010 the Parent granted Wind Telecom SpA a loan of €160,966, for which details may be found in note 5.

During the period ended December 31, 2013, 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, 2013							
	Revenue	Finance income/ expense	Expense s	Trade receiv.	Other receiv.	Financial receiv.	Trade payables	Other payables
Armenija Telefon Kompani	9	-	3	-	-		3	-
Consorzio Wind Team	-	-	2	-	4		-	-
DiGi (Malaysia)	27	-	10	7	-		6	-
DTAC/UCOM (Thailand)	6	-	32	3	-		2	-
Globalive Wireless Management	1,517	-	-	75	3,526		5	125
GrameenPhone (Bangladesh)	122	-	62	110	-		110	-
KaR-Tel	65	-	3	2	-		27	-
Kievstar	425	-	13,681	-	-		2,275	-
Maritim Communication Partner AS (Norway)	-	-	272	-	-		73	-
Mobitel LLC Georgia	1	-	12	-	-		34	-
Summit Technology Solutions (STS)	-	-	12	-	-		6	-
Orascom Telecom Algeria SpA	426	-	154	286	-		45	-
Orascom Telecom Bangladesh Ltd. (Banglalink)	4	-	13	68	-		-	-
Orascom Telecom Holding SAE	-	-	242	25	1		1,976	-
Orascom Telecom Services Europe Company	-	-	-	183	-		-	-
Pakistan Mobile Communications Ltd.	64	-	-	35	-		10	-
Powercom (Pty) Ltd T/A leo	-	-	2	-	-		1	-
SKY MOBILE LLC	-	-	1	1	-		2	-
Telenor Magyarorszag KFT (Hungary)	215	-	180	126	-		110	-
Telenor Mobile Communications AS (Norway)	81	-	31	-	-		43	-
Telenor Pakistan (Pakistan)	4	-	8	-	-		10	-
Telenor Serbia (Serbia)	222	-	124	258	-		1,171	-
Unitel	7	-	2	2	-		-	-
Vimpelcom ltd	942	-	-	-	1,828		-	-
VimpelCom Lao Co, Ltd	-	-	2	1	-		-	-
Vympel-Kommunikacii	930	-	131	-	-		72	-
Weather Capital Sarl	319	-	-	-	342		-	34
WIND Acquisition Holdings Finance SpA	44	-	-	-	1,661		273	-
Wind Telecom SpA*	283	4,662	10,412	-	19,531	160,996	15,073	305,412
Wind Acquisition Holdings Finance II SA	35	-	-	-	84		-	-
Wind Acquisition Holdings Finance SA	156	-	-	-	168		-	80
SPAL TLC S.p.A.	343,777	-	36,935	8,292	-		6,749	-
Vimpelcom International services	-	-	1,419	-	428		1,454	-
Weather Capital Special Purposes I SA	241	-	-	-	262		-	-
Klarolux Investments Sarl	35	-	-	-	38		-	-
Orascom Luxembourg SARL	35	-	-	-	37		-	-
Orascom Telecom SARL	35	-	-	-	38		-	-
Orascom Telecom Finance SCA	35	-	-	-	38		-	-
Orascom Luxembourg Finance SCA	35	-	-	-	38		-	-
Orascom Telecom Acquisition	29	-	-	-	31		-	-
Orascom Telecom One Sarl	29	-	-	-	31		-	-
Orascom Telecom Oscar	50	-	-	-	54		-	-
Total	**350,205**	**4,662**	**63,745**	**9,474**	**28,140**	**160,996**	**29,530**	**305,651**

*payables to Wind Telecom SpA relate in the amount of €303,787 thousand and of €1,032 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 (€315,264 thousand).

Directors

The Directors of the Parent, identified as "Key Management Personnel", did not receive compensations for 2013, as it was not resolved by the ordinary shareholders' meeting. There were no transactions with directors in 2013.

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, 2013	At December 31, 2012
Bonds issues	6,280,981	5,817,668
Bank loans	2,290,599	2,835,522
Loans from other	330,923	342,010
Derivative financial instruments	181,514	160,389
Non-current financial liabilities	**9,084,017**	**9,155,589**
Bonds issues	180,636	178,612
Bank loans	145,962	124,271
Loans from others	142,808	159,444
Derivative financial instruments	15,543	4,197
Current financial liabilities	**484,949**	**466,524**
TOTAL GROSS FINANCIAL INDEBTEDNESS	**9,568,966**	**9,622,113**
Cash and cash equivalents	**(140,770)**	**(130,543)**
Financial receivables	(174,490)	(172,608)
Current financial assets	**(174,490)**	**(172,608)**
Derivative financial instruments	(68,548)	(113,212)
Financial receivables	(40,588)	(54,589)
Non-current financial assets	**(109,136)**	**(167,801)**
NET FINANCIAL INDEBTEDNESS	**9,144,570**	**9,151,161**

The net financial indebtedness does not include the guarantee deposits for an amount of €4,261 thousand and €4,169 thousand at December 31, 2013 and at December 31, 2012, respectively.

36 CASH FLOW STATEMENT

Cash flows from operating activities, amounting to €982,907 thousand in 2013, decreased of €329,163 thousand over 2012 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 2013 of a total of €787,538 thousand, mainly due to the spending on 3G mobile technologies and to the capitalization of customer acquisition costs. The cash flow from investing activities decrease of €203,800 thousand over the previous year as the effect of the decrease of investment in property plant and equipment and intangible assets of €211,405 thousand mainly due to the rationalization in spending on 2G mobile technology and as well as in the fixed network with focus investment in 3G mobile technology.

During the year 2013, financing activities used cash of €185,142 thousand as the effect of:

- 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, occurred in April 29, 2013 by the Parent;

- the issue of a new bond on April 29, 2013 through the subsidiary Wind Acquisition Finance SA having an amount, net of fees paid, of €561 million (nominal amount of €150 million and USD550 million);
- the early repayment of €81,011 thousand, of the second installment of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, falling due in October 2013;
- 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 of November 26, 2010;
- the repayment of €1.587 thousand related to the loan against the capitalization of expenditure for the backbone rights of way;
- the repayment of €9,675 thousand on December 27, 2013 relating to the debt with a counterparty as the result of the closing out of a derivative due to the insolvency of the counterparty.

In addition, financing activities at December 31, 2013 include the overdraft for an amount of €15,854 thousand (€21,827 thousand at December 31, 2012).

During the year 2012 financing activities used cash of €585,465 thousand as the effect arising from the early repayments of €500 million attributable to Senior Facility Agreement, of €500 million attributable to Bridge Facility Agreement, of €81 million attributable to Ministry of Economic Development and of €76.7 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, and also as the effect of the issue of a new bond of an amount, net of fees paid, of €451 million and the use of cash of €100 million of part of the revolving tranche of the Senior Facility Agreement.

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 at December 31, 2013, 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 still pending at different judicial stages relating to the termination of agency agreements, in which the agents seek payment from WIND of certain indemnities provided for by Italian legislation; these include the termination indemnity, the collection indemnity, the indemnity in lieu of notice and the indemnities pursuant to article 1751 of the Italian Civil Code.

WIND/ITALGO SPA

Italgo SpA (formerly Delta SpA), initiated proceedings against WIND based upon an alleged breach by WIND of certain provisions of an agreement signed with Delta SpA for the provision of goods and services (the "Commercial Agreement"). Italgo SpA sought the termination of the Commercial Agreement and other related agreements, as well as the payment by WIND of a penalty of €3.3 million, a refund of €23 million (the price paid for Delta SpA shares) and additional damages (to be quantified during the proceedings) for the costs which Italgo SpA alleges to have incurred as a result of WIND's alleged breach of contract. Italgo SpA alternatively sought a reduction in the purchase price agreed by the parties to be settled by offsetting this amount against an amount of €9 million payable by Italgo SpA to WIND. On March 19, 2010, an injunction was issued by the Court in Rome ordering WIND to pay a total of €3 million. WIND has appealed this decision. On April 18, 2013 the Court of Rome issued a sentence ordering the payment in favour of WIND of €5.2 million as result of the off-setting of the amounts reciprocally claimed by the parties. On August 5, 2013 WIND and Italgo S.p.A. entered into a settlement in which renounced their reciprocal claims referred to the commercial agreement as object of the suit. Italgo S.p.A. also paid to WIND the amount of € 70.000,00 as a contribution for legal costs.

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). To date, in 2011 received a single fine of €90 thousand connected to a case initiated in 2009; during 2011, AGCM initiated other five actions against WIND in this regard (three of which already have been settled through agreed non-monetary undertakings, one has been closed with a fine of €200 thousand and one closed without any fine). In 2012 AGCM initiated three new proceedings (one settled with a fine of €70 thousand, currently suspended being pending the relative appeal before the Administrative Court of second instance (Consiglio di Stato), and two closed without any fine). On April 18, 2013 AGCM initiated "*ex officio"* a proceeding against WIND for alleged unfair commercial practices regarding lack of information on limits and conditions of usage of the commercial offers named "*All inclusive*" and "*Unlimited*". In the final defensive memory filed WIND confirmed to have adopted a conduct in line with the applicable law on commercial practices nevertheless undertaking to implement certain measures aimed at improving the transparency of information on such matter.

Audit by the Italian Tax Authority

In the fourth quarter of 2013, the Agenzia delle Entrate ("ADE") initiated an audit on WIND Telecomunicazioni SpA relating to withholding tax in connection with the senior credit agreement dated 26 May 2005. As a result, in December 2013, the ADE issued a tax assessment for the year 2008.

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

Contingent assets and liabilities

The WIND Group had the following contingent liabilities at December 31, 2013.

Proceedings Concerning Electromagnetic Radiation

Proceedings are still pending, in particular before the administrative courts, regarding the installation of base radio stations. These are mainly the result of current concerns about electromagnetic radiation. The claims are of an undeterminable monetary amount.

Audit on dealers' fees

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court. The dispute can be quantified in approximately €6 million plus penalties and interest.

WIND/Crest One SpA

Crest One SpA ("Crest One") has 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 (the amount of which damages is to be determined following the trial) pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One's claims.

On March 22, 2012 the Court of Rome declared Crest One' bankruptcy. WIND has claims before the bankruptcy Court against Crest One for contractual breach for non-payment and incorrect application of the VAT regime by Crest One. Crest One appealed the payment and on June 12, 2013 the Court of Appeal of Rome rejected such application confirming Crest One's bankruptcy. The bankruptcy trustee has accepted WIND's for admission of €7.7 million as part of liabilities to be examined during bankruptcy. On July 15, 2013 Crest One challenged the decision of the Court of Appeal of Rome initiating a proceeding in front of the Supreme Court for the revocation of the bankruptcy declaration. WIND has filed its counter-appeal in front of the Supreme Court and in the hearing held on January 28, 2014 the Court has reserved the decision.

WIND-Antitrust Authority (Proceeding no. A/357)

With a decision dated August 3, 2007, the Antitrust Authority closed proceeding no. A/357 by condemning 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 favor of their respective internal divisions and to the detriment of fixed-line competitors. WIND was fined a sum of €2 million and ordered to cease the discriminatory behaviour. WIND appealed against the decision by seeking the annulment before the Administrative Court of Lazio (the Lazio TAR). The Lazio TAR rejected WIND's appeal on January 29, 2008 and the related decision was published on April 7, 2008. On September 17, 2008, WIND filed an appeal before the State Council, seeking the annulment of the above Lazio TAR's decision, the hearing for which, following various delays, occurred on March 15, 2011.

On April 20, 2011, the State Council published the final ruling by rejecting the WIND's appeal. On June 4, 2012, WIND filed an appeal before the Court of Cassazione for the annulment of the above State Council's ruling. After the merit discussion hearing occurred on May 14, 2013, the Court of Cassazione issued the final ruling rejecting WIND's appeal.

WIND-Antitrust Authority (Proceeding no. I/757)

On September 13, 2012, the AGCM opened an anti-trust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND) and carried out dawn raids on their premises. The investigation was started following a claim by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND which was aimed to prevent the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting as of June, 2012. WIND is currently defending its conduct against Bip's Mobile's allegations and cooperating with ICA in accordance with usual legal and procedural steps. The deadline of the investigation, initially set for September 30, 2013, has been postponed, pursuant to the AGCM decision of September 23, 2013, to March 30, 2014. With a further decision of December 20, 2013, AGCM has extended the investigation to a possible vertical agreements, beetwen Telecom Italia and WIND respectively with their multibrand dealers, aimed at excluding the competitors. Pursuant to this decision the deadline has been further postponed to October 30, 2014.
Pursuant to Section 15 of Italian Law no. 287 of October 10, 1990, as amended, in the most serious cases, depending on the gravity and the duration of the infringement assessed, the ICA may decide to impose a fine up to 10% of the turnover of each undertaking over the previous fiscal year.

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, 2013 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 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 the related share pledge agreement.

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 and the other lending parties specified in the supplemental deed related to the respective contract of guarantee; to the subscribers to the Senior Notes, expiring in 2017, issued on July 13, 2009 by Wind Acquisition Finance SA; to the subscribers to the Senior Secured Notes, expiring in 2018, issued on November 26, 2010 by Wind Acquisition Finance SA and to the lending parties specified in the deed of confirmation and extension of the deed of assignment of receivables by way of security; to the subscribers to the Additional Senior Secured Notes expiring in 2018 issued on April 13, 2012 by Wind Acquisition Finance SA and to the subscribers to the Senior Secured Fixed Rate Notes expiring on 2020 and the Senior Secured Floating Rate Notes expiring on 2019, issued by Wind Acquisition Finance S.A. on April 29 2013 as well as the lending parties specified in the deed of confirmation and extension of the deed of assignment of receivables by way of security. 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 2017, 2018, 2019, 2020.

A description is provided below of personal guarantees (sureties) issued mainly by banks and insurance companies on behalf of the Group and in favor of third parties in respect of commitments of various kinds. The total of these, amounting to €344,041 thousand at December 31, 2012 includes:

- sureties totaling €9,705 thousand issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €334,336 thousand issued by banks, relating to participation in tenders, of which €276,630 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to sponsorships, property leases, operations regarding prize competitions, events and excavation licenses.

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

38 SUBSEQUENT EVENTS

As a result of the competitive pressure and weak macroeconomic scenario witnessed during the year, on February 20, 2014 the Board of Directors has given mandate to management to initiate a consent process with its senior creditors in order to obtain a more flexible financial structure focused on long-term.

WIND Telecomunicazioni SPA

Separate financial statements as of and for the year ended December 31, 2013

FINANCIAL STATEMENTS AND NOTES THERETO

Building a better working world

Reconta Ernst & Young S.p.A.
Via Po, 32
00198 Roma

Tel: +39 06 324751
Fax: +39 06 32475504
ey.com

Independent auditors' report
pursuant to art. 14 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text into the English language solely for the convenience of international readers)

To the Sole Shareholder of
WIND Telecomunicazioni S.p.A.

1. We have audited the financial statements of WIND Telecomunicazioni S.p.A. as of and for the year ended December 31, 2013, comprising the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union is the responsibility of WIND Telecomunicazioni S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with auditing standards issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present the comparative financial data of the prior year, some of which, as disclosed in the explanatory notes, were restated by Management as a result of the retrospective application of the amendment to IAS 19, with respect to the data previously presented, on which we issued our auditors' report on March 21, 2013.

3. In our opinion, the financial statements of WIND Telecomunicazioni S.p.A. at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of WIND Telecomunicazioni S.p.A. for the year then ended.

4. The management of WIND Telecomunicazioni S.p.A. is responsible for the preparation of the Report on Operations in accordance 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 Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by the Italian Stock Exchange Regulatory Agency (CONSOB). In our opinion the Report on Operations is consistent with the financial statements of WIND Telecomunicazioni S.p.A. as of December 31, 2013.

   Rome - March 21, 2014

   Reconta Ernst & Young S.p.A.

   Signed by: Luigi Facci, Partner

CONTENTS

STATEMENT OF FINANCIAL POSITION

(thousands of euro)	Note	At December 31, 2013	At December 31, 2012*
Assets			
Property, plant and equipment	3	3,433,119	3,598,046
Intangible assets	4	8,559,208	8,723,610
Financial assets	5	186,762	161,270
Deferred tax assets	6	151,667	216,157
Total non-current assets		**12,330,756**	**12,699,083**
Inventories	7	22,476	20,312
Trade receivables	8	1,123,915	1,216,565
Financial assets	5	166,837	163,791
Current tax assets	9	19,175	8,031
Other receivables	10	192,600	251,308
Cash and cash equivalents	11	126,097	109,110
Total current assets		**1,651,100**	**1,769,117**
TOTAL ASSETS		**13,981,856**	**14,468,200**
Equity and Liabilities			
Equity			
Issued capital		147,100	147,100
Share premium reserve		752,157	752,157
Other reserves		7,264	(81,748)
Retained earnings		(124,788)	366,297
Total equity	12	**781,733**	**1,183,806**
Liabilities			
Financial liabilities	13	8,990,105	9,023,876
Employee benefits	15	51,909	53,259
Provisions	16	273,749	148,425
Other non-current liabilities	17	165,388	142,800
Deferred tax liabilities	6	663,024	703,222
Total non-current liabilities		**10,144,175**	**10,071,582**
Financial liabilities	13	629,837	577,527
Trade payables	18	1,660,781	1,796,612
Other payables	19	765,330	838,673
Tax payables	20	-	-
Total current liabilities		**3,055,948**	**3,212,812**
Total liabilities		**13,200,123**	**13,284,394**
TOTAL EQUITY AND LIABILITIES		**13,981,856**	**14,468,200**

* Following the application of Amendments to IAS 19, from January 1, 2013 (retrospectively), the data, reported on December 31, 2012 for comparative purposes, have been restated; further details may be found in paragraph "Amendments to IAS 19 - Employee Benefits" in section 2.3 "Summary of main accounting policies".

INCOME STATEMENT

(thousands of euro)	Note	2013 12 months	2012 12 months
Revenue	21	4,828,022	5,260,862
Other revenue	22	156,503	167,218
Total revenue		**4,984,525**	**5,428,080**
Purchases and services	23	(2,564,153)	(2,869,378)
Other operating costs	24	(168,516)	(172,531)
Personnel expenses	25	(312,521)	(331,017)
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		**1,939,335**	**2,055,154**
Depreciation and amortization	26	(1,264,158)	(1,146,035)
Reversal of impairment losses/(impairment losses) on non-current assets	27	(5,982)	4,777
Losses on disposal of non-current assets	28	(5,144)	(3,983)
Operating income		**664,051**	**909,913**
Finance income	29	36,761	18,399
Finance expense	30	(1,048,873)	(923,316)
Foreign exchange gains/(losses), net	31	363	(514)
Profit /(Loss) before tax		**(347,698)**	**4,482**
Income tax	32	(143,387)	(149,802)
Loss from continuing operations		**(491,085)**	**(145,320)**
Loss for the year		**(491,085)**	**(145,320)**

STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)	Note	2013 12 months	2012 12 months*
Loss for the year		**(491,085)**	**(145,320)**
Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on cash flow hedging instruments		87,721	38,740
Total Other comprehensive income that will be reclassified subsequently to profit or loss	**12**	**87,721**	**38,740**
Total Other comprehensive income that will be reclassified subsequently to profit or loss			
Gains/(losses) on remeasurement of defined benefit plans		1,780	(142)
Income tax relating to components of Other comprehensive income that will not be reclassified subsequently to profit or loss		(489)	39
Total Other comprehensive income that will not be reclassified subsequently to profit or loss	**12**	**1,291**	**(103)**
Total Other comprehensive income for the year, net of tax		**89,012**	**38,637**
Total comprehensive income for the year		**(402,073)**	**(106,683)**

* Following the application of Amendments to IAS 19, from January 1, 2013 (retrospectively), the data, reported on December 31, 2012 for comparative purposes, have been restated; further details may be found in paragraph "Amendments to IAS 19 - Employee Benefits" in section 2.3 "Summary of main accounting policies".

CASH FLOW STATEMENT

(thousands of euro)	2013 12 months	2012 12 months
Cash flows from operating activities		
Loss from continuing operations	**(491,085)**	**(145,320)**
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	1,270,135	1,141,258
Net changes in provisions and employee benefits	113,078	(12,724)
Gains on disposal of non-current assets	5,144	3,983
Changes in current assets	139,722	240,108
Changes in current liabilities	(85,119)	27,819
Net cash flows from operating activities	**951,875**	**1,255,124**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(562,848)	(630,720)
Proceeds from sale of property, plant and equipment	1,124	9,359
Acquisition of intangible assets	(225,148)	(378,155)
Proceeds from sale of subsidiaries	1,200	-
Net cash flows used in investing activities	**(785,672)**	**(999,516)**
Cash flows from financing activities		
Changes in loans	(149,744)	(330,927)
Changes in current accounts with subsidiaries	528	7,013
Net cash flows used in financing activities	**(149,216)**	**(323,914)**
Net cash flows for the year	**16,987**	**(68,306)**
Cash and cash equivalents at the beginning of the year	109,110	177,416
Cash and cash equivalents at the end of the year	**126,097**	**109,110**

ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

(thousands of euro)	2013 12 months	2012 12 months
Income tax paid	(129,394)	(127,081)
Interest paid on loans/bonds	(722,126)	(789,719)
Interest paid on hedging derivative instruments	(57,267)	(61,912)
Interest received on hedging derivative instruments	-	12,601

STATEMENT OF CHANGES IN EQUITY

(thousands of euro)	Equity Issued capital	 Share premium reserve	 Other reserves	 Retained earnings/(losses carried forward)	**Shareholders' Equity**
Balances at December 31, 2011	**147,100**	**752,157**	**(158,766)**	**511,617**	**1,252,108**
IAS 19 revised adoption effect	**-**	**-**	3,381	**-**	3,381
Balances at January 1, 2012	**147,100**	**752,157**	**(155,385)**	**511,617**	**1,255,489**
Total comprehensive income for the year	**-**	**-**	**38,637**	**(145,320)**	**(106,683)**
- Loss for the year	-	-	-	(145,320)	**(145,320)**
- Cash flow hedges	-	-	38,740	-	**38,740**
- Remeasurement of defined benefit plans	-	-	(103)		**(103)**
Transactions with equity holders	**-**	**-**	**35,000**	**-**	**35,000**
- Contribution from shareholders	-	-	35,000	-	**35,000**
Balances at December 31, 2012	**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	-	-	-	-	**-**
Balances at December 31, 2013	**147,100**	**752,157**	**7,264**	**(124,788)**	**781,733**

NOTES TO THE FINANCIAL STATEMENTS OF THE WIND TELECOMUNICAZIONI SPA AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013

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.
WIND Telecomunicazioni SpA operate in Italy in the fixed and mobile telecommunications sector under the brands *"Infostrada"* and "*Wind*" respectively.

At the date of the present financial statements as of and for the year ended December 31, 2013 Vimpelcom Ltd holds 92.24% of Wind Telecom SpA while WIND Acquisition Holdings Finance SpA holds 7.76%.

The Company closed 2013 with a loss before tax of €347,698 thousand (a profit before tax of €4,482 thousand in 2012) and a loss for the year from continuing operation of €491,085 thousand (€145,320 thousand in 2012). This result reflects the decline in operating income mainly due to increased competitive pressure on revenue and residually to higher depreciation and amortization.
The solid commercial performance and constant cost structure optimization process has enabled the Company to further consolidate its performance and its competitive position in 2013, despite the intense competitive pressure, continuing challenging macroeconomic environment and the unfavourable regulatory developments. 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.

During the course of 2014 the Company will continue to explore and develop the most promising opportunities arising from the combination of new technologies and new needs expressed by the market while continuing to build upon the commercial success experienced during the course of 2013 in the mobile, fixed-line voice and internet segments as well as continuing to develop its convergent business model. In order to partially offset the negative macroeconomic and competitive environment WIND will continue to focus on the optimization of its cost structure.

2 GENERAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of WIND Telecomunicazioni SpA at December 31, 2013 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.
For the purposes of comparison, balances in the statement of financial position and income statement and the detailed tables in the notes have been reclassified where necessary. These reclassifications, for which details may be found in notes 8, 10, 19, and 24, do not affect the Company's loss for the year or equity.

These financial statements were approved by the Company's Board of Directors on March 5, 2014.

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 adequate ("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 an 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 strategy for covering the hedge 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.

- ***Taxation***

Income tax is 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, increases in salaries 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 excluding any assumptions regarding increases in salaries as had been previously made. The difference arising from this change was recognized in the profit or loss for the year ended December 31, 2007.

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.

- *Share-based payments*

The Company recognizes additional benefits to certain managers and other members of personnel through stock option plans. IFRS 2 - Share-based Payments considers these plans to represent a component of employee remuneration; the cost of these plans therefore consists of the fair value of the option at the grant date and is recognized in profit or loss on a straight-line basis over the period between the grant date and the vesting date, with the corresponding entry recognized directly in equity. Changes in the fair value of the option subsequent to the grant date have no effect on the original measurement.

- ***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 profit or loss, while grants related to assets are recognized as deferred revenue and taken to income 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 expense 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, 2013 and thereafter.

Accounting standards, amendments and interpretations adopted from January 1, 2013

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, 2013.

➢ *Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income*

The amendment requiring companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The application of this amendment did not have any significant effects on the measurement of items in the Separate financial statements at December 31, 2013.

➢ *IFRS 13 – Fair Value Measurement*

The accounting standard clarifying the determination of the fair value for the purpose of the financial statements and applying to all IFRSs permitting or requiring a fair value measurement or the presentation of disclosures based on fair value. The application of this new standard did not have any significant effects on the Separate financial statements at December 31, 2013.

➢ *Amendments to IFRS 7 – Offsetting Financial Assets and Financial Liabilities*

The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The application of these amendments had no significant effect on the disclosures presented in this Separate report nor on the measurement of the related items.

➢ *Amendments to IAS 19 - Employee Benefits*

The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expense and the classification of net interest expense arising from defined benefit plans.

In accordance with the transitional rules included in paragraph 173 of IAS 19, the Company applied this amendment to IAS 19 retrospectively from 1 January 2013, adjusting the opening balance sheet at 1 January 2012 and 31 December 2012 as well as the income statement for 2012 as if the amendment had always been applied.

In more detail the Company has calculated the following retrospective effects resulting from the adoption of the amendment to IAS 19:

(thousands of euro)		**At January 31, 2012**	
Effects on the Balance Sheet	**Published values**	**Effects resulting from the application of IAS 19**	**Restated values**
Employee benefits	57,598	(4,664)	52,934
Deferred tax liabilities	726,809	1,283	728,092
Total equity	1,252,108	3,381	1,255,489

(thousands of euro)		**At December 31, 2012**	
Effects on the Balance Sheet	**Published values**	**Effects resulting from the application of IAS 19**	**Restated values**
Employee benefits	57,780	(4,521)	53,259
Deferred tax liabilities	701,979	1,243	703,222
Total equity	1,180,528	3,278	1,183,806

➢ *Annual Improvements to IFRSs – 2009-2011 Cycle*

The changes affected the IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34 in this regard it should be noted that the adoption of the related amendments did not have any effect in presentation, recognition and measurement of items of the Separate financial statements at December 31, 2013.

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, 2013.

STANDARD/INTERPRETATION	EFFECTIVE DATE
IFRS 10 – Consolidated Financial Statements	January 1, 2014
IFRS 11 – Joint Arrangements	January 1, 2014
IFRS 12 - Disclosure of Interests in Other Entities	January 1, 2014
IAS 27 – Separate Financial Statements	January 1, 2014
IAS 28 – Investments in Associates and Joint Ventures	January 1, 2014
Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	January 1, 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 - Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	January 1, 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	January 1, 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39 – Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014

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
IFRS 9 – *Financial Instruments*	N/A
IFRIC 21 – Levies	January 1, 2014
Amendments to IAS 19 – Employee Benefits entitled Defined Benefit Plans: Employee Contributions	July 1, 2014
Annual Improvements to IFRSs 2010–2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011–2013 Cycle	July 1, 2014
IFRS 14 Regulatory Deferral Accounts	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, 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 connected with legal, arbitration and fiscal disputes are the result of a complex estimate 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, 2013 amounted to €1,123,915 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 more detail, 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.

In relation to the management of the financial flows, related 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 on its current accounts of €110,230 thousand at December 31, 2013. 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, 2013 was €71,563 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: tranche A, amortizing, and tranche B, bullet, denominated in euros. The total nominal amount of this agreement, net of repayments made, amounts to €2,355,000 thousand, to which €400 million of a revolving credit facility drawn down for €100 million at December 31, 2013, should be added;
- the intercompany loans denominated in Euro, issued by Luxembourg-based subsidiary Wind Acquisition Finance SA to WIND bellow:

(thousands of euro)	Issue date	Notional amount	Scadenza	Tasso di interesse
Loan Agreement 2017	07/13/2009	2,678,068	06/15/2017	11.90%
Loan Agreement 2018	11/26/2010	2,711,101	01/15/2018	7.60%
Loan Agreement 2018	04/13/2012	500,000	01/15/2018	9.30%
Loan Agreement 2019	04/29/2013	150,000	03/30/2019	5.99%
Loan Agreement 2020	04/29/2013	420,400	03/30/2020	6.0%
Loan Agreement ST 2014	11/18/2013	60,000	01/09/2014	1.23%
Loan Agreement ST 2014	11/26/2013	14,000	01/09/2014	1.13%
Loan Agreement ST 2014	12/16/2013	160,000	01/09/2014	0.98%

- 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 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 rights of way, for which details may be found in note 14.

The repayment flows expected in accordance with the described above agreements, with exclusive reference to the amounts used, are as follows.

(millions of euro)	2014	2015	2016	2017	2018	2019	2020	2021/2035	Total
Senior Facilities Agreement									
Term Loan A1	-	-	37	-	-	-	-	-	37
Term Loan A2	-	-	303	-	-	-	-	-	303
Term Loan B1	-	-	-	1,334	-	-	-	-	1,334
Term Loan B2	-	-	-	681	-	-	-	-	681
Revolving	100	-	-	-	-	-	-	-	100
Annuity	52	20	17	-	-	-	-	-	89
Debt from Ministry	81	81	81	-	-	-	-	-	243
Terna	2	3	1	1	1	2	2	122	134
Loan agreement 2017	-	-	-	2,678	-	-	-	-	2,678
Loan agreement 2018	-	-	-	-	2,711	-	-	-	2,711
Intercompany Loan 2018 TAP	-	-	-	-	500	-	-	-	500
Intercompany Loan 2019	-	-	-	-	-	150	-	-	150
Intercompany Loan 2020	-	-	-	-	-	-	420	-	420
Intercompany Loan ST	234	-	-	-	-	-	-	-	234
Total	**469**	**104**	**439**	**4,694**	**3,212**	**152**	**422**	**122**	**9,614**

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, 2013 the Company is in compliance with its covenants.

The following tables get 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, 2013 and 2012.

(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)**

(millions of euro)	Carrying amount at December 31, 2012	Total Contractual cash flows	2013	2014	2015	2016	2017	2018
Non-derivative financial liabilities								
Bank loans	2,945	(3,639)	(235)	(416)	(428)	(454)	(2,106)	-
Bonds	6,018	(8,872)	(795)	(571)	(571)	(571)	(3,090)	(3,274)
Loans from others	501	(547)	(176)	(148)	(110)	(103)	-	(10)
Net derivative financial liabilities	137							
Outflows		(162)	(64)	(46)	(23)	(23)	(6)	-
Inflows		16	4	5	3	3	1	-
Total	**9,601**	**(13,204)**	**(1,266)**	**(1,176)**	**(1,129)**	**(1,148)**	**(5,201)**	**(3,284)**

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 95%, with a maximum hedge term of less than five years. At December 31, 2013, outstanding derivative contracts hedging interest rate risk total €2,770,000 thousand.

As the total of long-term loans and bonds outstanding at December 31, 2013 amounted to €9,146,518 thousand, the fixed to floating ratio was as follows at that date.

(millions of euro)	**Outstanding at 12.31.2013**	**Rate at 12.31.2013**
At fixed rate	8,748	95.65%
At floating rate	398	4.35%

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 €4,940 thousand and in the cash flow reserve of approximately €55,026 thousand.

Fair value hierarchy

IFRS 7 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) on 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, 2013.

(millions of euro)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets at *fair value*					
Derivative financial instruments	14	-	62	-	62
Total assets		**-**	**62**	**-**	**62**
Liabilities at *fair value*					
Derivative financial instruments	14	-	73	-	73
Total liabilities		**-**	**73**	**-**	**73**

In 2013 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, 2013.

(thousands of euro)	At December 31, 2012	Additions	Depreciation	Reversal of impairment losses/ Impairment losses	Disposals	Others	At December 31, 2013
Land and buildings	552	-	-	-	-	-	552
Plant and machinery	3,249,629	468,915	(707,683)	(21,145)	(7,451)	183,248	3,165,513
Equipment	25,719	8,003	(12,005)	-	(105)	1,197	22,809
Other	60,501	4,782	(23,862)	-	(1)	5,901	47,321
Assets under construction	261,645	124,954	-	-	-	(189,675)	196,924
Total	**3,598,046**	**606,654**	**(743,550)**	**(21,145)**	**(7,557)**	**671**	**3,433,119**

The cost, accumulated impairment losses and accumulated depreciation at December 31, 2013 can be summarized as follows.

(thousands of euro)	At December 31, 2013			
	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 €84,116 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 (3G mobile technologies and ULL fixed technologies and the respective transport and support networks).

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 €5,619 thousand which are no longer usable; these relate mostly to radio links and high frequency equipment (€2,071 thousand) exchanges and electronic installations (€1,628 thousand) and customer premise equipment (CPE) (€1,437 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 €18,700 thousand was written off, a loss from disposal of the equipment of €1,808 thousand was recognized and additions have been recognized by €43,806 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 by €15,888 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 €26,630 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, 2013, transmission equipment, telephone systems and commutation switchboards owned by the

Company and having a carrying amount of €128,523 thousand were with customers for use (€140,552 thousand at December 31, 2012), while transmission equipment for direct access through "unbundling of the local loop" having a carrying amount of €18,453 thousand (€39,651 thousand at December 31, 2012) 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 €86,562 thousand at December 31, 2013 (€90,800 thousand at December 31, 2012).

At December 31, 2013, *Equipment* decreased over the balance at the end of the previous year by an amount of €2,910 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 €21,676 thousand at December 31, 2013, was with third parties, mostly authorized dealers, for use at that date (€23,158 thousand al December 31, 2012)..

The net balance of *Other* decreased over the balance at the end of the previous year by an amount of €13.180 thousand mainly as the result of the of the depreciation charge for the year only partially offset by the increased investments and the entry into use during the year of office machines and electronic equipment.

The balance of *Assets under construction* at December 31, 2013 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, 2013.

(thousands of euro)	At December 31, 2012	Additions	Amortization	Reversal of impairment losses/ Impairment losses	Others	Assets sold	At December 31, 2013
Industrial patents and intellectual property rights	298,962	93,495	(119,666)	(485)	-	13,338	285,644
Concessions, licenses, trademarks and similar rights	2,979,073	135,273	(192,145)	(235)	-	1,249,888	4,171,854
Other intangible assets	565,920	111,389	(208,797)	-	-	29,152	497,664
Goodwill	3,579,943	-	-	-	-	-	3,579,943
Assets under development	1,299,712	20,264	-	-	-	(1,295,873)	24,103
Total	**8,723,610**	**360,421**	**(520,608)**	**(720)**	**-**	**(3,495)**	**8,559,208**

The cost, accumulated impairment losses and accumulated amortization at December 31, 2013 can be summarized as follows.

(thousands of euro))	At December 31, 2013			
	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**

"Others" mainly includes the frequencies in the 800 and 2600 MHz bands which entered into use during the year with the corresponding reclassification of an amount of €1,249,923 thousand (including the capitalization of borrowing costs relating to the purchase of frequencies).

The increase in Concessions, licenses, trademarks, and similar rights arisies from the capitalization of expenditure for the backbone rights of way following the revision of the relative agreements with TERNA/TELAT, which defers the expiry date to 2035. This expenditure has been calculated by discounting the non-cancelable cash flows specified in the agreements.

The investments in Other intangibles assets manly include the capitalization of customer acquisition costs.

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 Company personnel in designing, developing and implementing information systems, which at December 31, 2013 amounted to €8,655 thousand (€7,203 thousand at December 31, 2012).

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 from this year to the capitalization of expenditure for the backbone rights of way of TERNA/TELAT, with an increase in the item of €135,237 thousand.

Other intangible assets mainly relate to the fair value of the customer list, amounting to €378,527 thousand, identified on allocating the goodwill at December 31, 2006 arised from the merger of the former parent Wind Acquisition Finance SpA and to the customer acquisition costs amounting to €109,265 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 decrease in the item is mainly due to the frequencies in the 800 and 2600 MHz bands which entered into use during the year with the corresponding reclassification of an amount of €1,249,923 thousand..

The carrying amount of goodwill recognized and of intangible assets with indefinite useful lives at December 31, 2013 was tested for impairment but no impairment losses were identified. The test was carried out by comparing the carrying amount with the value in use and recoverable amount. More specifically, the value in use was calculated on the basis of the discounted cash flows resulting from the 2014-2018 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 8.4% 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, 2013 and 2012.

(thousands of euro)	At December 31, 2013			At December 31, 2012		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost	108,050	-	**108,050**	109,250	-	**109,250**
Derivative financial instruments	61,992	-	**61,992**	29,634	-	**29,634**
Financial receivables	16,720	166,837	**183,557**	22,386	163,791	**186,177**
Total	**186,762**	**166,837**	**353,599**	**161,270**	**163,791**	**325,061**

Financial assets measured at cost consist of investments in subsidiaries and associates and non-controlling interests in consortia. The decrease in the item during the year 2013 is due to decrease in the investment in Consorzio Fibra per l'Italia, which has been written off due to the winding up of the consortium on September 15, 2013, as unanimously approved by the assembly of consortium members held on September 13, 2013 there are not changes in investments.

The following table sets out investments in subsidiaries at December 31, 2013.

(thousands of euro) Name	Registered office	Share/quota capital as of 12/31/2013	Share/quota holders' equity as of 12/31/2013(*)	Profit (loss) for the year ended 12/31/2013(*)	Holding % as of December 31, 2013	Carrying amount as of 12/31/2013
WIND Retail Srl	Roma - Via Cesare Giulio Viola, 48	1,027	31,905	476	100%	31,103
Wind Acquisition Finance SA	Lussemburgo - 125 Avenue du X September, L-2551	60,031	76,461	8,670	100%	61,797
Wind Acquisition Finance II SA	Lussemburgo - Boulevard Grande Duchesse Charlotte, 65	31	(81)	(27)	27.0%	8
WIND Finance SL S.A.	Lussemburgo - 125 Avenue du X September, L-2551	31	194	(34)	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 are considered subsidiaries because they are special purpose entities.

The following table sets out non-controling interests in companies and consortia at December 31, 2013.

(thousands of euro) Name	Registered office	Share/quota capital as of 12/31/2013	Share/quota holders' equity as of 12/31/2013	Profit (loss) for the year ended 12/31/2013
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 2017, 2018, 2019 and 2020 amounting to €60,950 thousand (€29,634 thousand at December 31, 2012) and of interest risk hedging derivatives on financial liabilities amounting to €1,042 thousand (zero at December, 31 2012)

The *Financial receivables,* amounting €183,557 thousand at December 31, 2013 mainly include:

- the loan of €160,996 thousand from Wind Telecom SpA as per the Intercompany Loan Agreement signed on November 29, 2010 following the exercising of the options on the shares in Hellas Telecommunications I Sàrl. As contractually provided, in the absence of the repayment initially scheduled for December 30, 2013 the balance of the receivable has been increased by the interest accrued through that date and the previous annual interest rate of Euribor + 2.625%, increased by one percentage point, will then be charged on the new notional amount;
- fees of €1,795 thousand (€3,582 thousand at December 31, 2012) of which €803 thousand in current assets (€1,787 thousand at December 31, 2012) recognized for hedging derivatives arranged in the current and previous years, which are being amortized over the terms of these instruments;

- the residual value of the transaction costs for the unused portion of bank loans (revolving tranches for which further details may be found in note 13) equal to €7,753 thousand (€10,436 thousand at December 31, 2012), which are charged to income statement on a straight-line basis over the term of the agreement.

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

(thousands of euro)	At December 31, 2013				At December 31, 2012			
Financial receivables	**<1 year**	**1<x<5 years**	**>5 years**	**Total**	**<1 year**	**1<x<5 years**	**>5 years**	**Total**
Guarantee deposits	1,830	1,483	734	**4,047**	677	2,514	845	**4,036**
Receivables due from parents	160,996	-	-	**160,996**	156,333	-	-	**156,333**
Receivables due from related parties	-	-	-	**-**	-	-	-	**-**
Others	4,011	14,488	15	**18,514**	6,781	19,027	-	**25,808**
Total	**166,837**	**15,971**	**749**	**183,557**	**163,791**	**21,541**	**845**	**186,177**

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, 2013.

(thousands of euro)	At December 31, 2012	Decrease	Increase	At December 31, 2013
Allowance for doubtful accounts (taxed)	141,635	90,105	29,680	81,210
Provisions for risks and charges (taxed)	29,445	9,879	7,067	26,633
Amortization and depreciation of non-current assets	45,077	11,722	10,469	43,824
Deferred tax assets	**216,157**	**111,706**	**47,216**	**151,667**
Employee benefits	3,420	-	490	3,910
Accelerated depreciation and amortization	13,522	496	4	13,030
Fair value of Property, plant, and equipment	84,061	20,735	-	63,326
Depreciation of PPA	602,219	21,572	2,111	582,758
Deferred tax liabilities	**703,222**	**42,803**	**2,605**	**663,024**

The change shown in 2013 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 in Amortization and depreciation of non-current assets and to the decrease in deferred tax liabilities relating to depreciations and amortizations.

Deferred tax have been recognized by considering the probability of their utilization 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 €164,048 thousand (€118,717 thousand at December 31, 2012), 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, consistently 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, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
Finished goods	23,165	20,732
Write-downs	(689)	(420)
Total	**22,476**	**20,312**

Finished goods consist principally of mobile phone handsets and the related accessories. The change taking place during the year is essentially due to an increase in the value of inventory of mobile telephone terminals, kits and related accessories, stocks consisting of products which are technologically advanced and higher unit value over previous year.

8 TRADE RECEIVABLES

The following table provides an analysis of ***Trade receivables*** at December 31, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
Due from final customers	1,169,047	1,086,249
Due from telephone operators	134,792	169,375
Due from authorized dealers	142,540	192,946
Due from subsidiaries	23,729	20,644
Due from related parties	9,291	35,813
Other trade receivables	44,669	49,659
(Allowance for doubtful accounts)	(400,153)	(338,121)
Total	**1,123,915**	**1,216,565**

The balance of net trade receivables at December 31, 2013 over December 31, 2012 has decreased by a total of €92,650. This decrease is mainly due to i) the decrease in receivables due from authorized dealers (€50,406 thousands); ii) the decrease in receivables due from telephone operators (€34,583 thousand); iii) the allowance for doubtful accounts (€62,032 thousand); and iv) the increase in receivables due from final customers (€82,798 thousands).

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, 2013 of *Receivables from subsidiaries* consists of the receivables due from WIND Retail.

The balance at December 31, 2013 of *Receivables from related parties* consists of the receivables due from Orascom Group's companies and VimpelCom Group's companies and of the receivables due from SPAL TLC SpA. For the purposes of comparison, the receivables due from SPAL TLC SpA at December 31, 2012 have been reclassified from *Receivables due from associates* to *Receivables due from related parties*. Further details may be found in notes 5 and 33.

The following table provides an analysis, at December 31, 2013 and 2012 of trade receivables and the respective allowance for doubtful accounts, by due date.

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Gross amount	**(Allowance for doubtful accounts)**	**Gross amount**	**(Allowance for doubtful accounts)**
- unexpired	846,452	(11,834)	909,218	(12,091)
- expired from:				
- 0-30 days	55,860	(919)	72,210	(699)
- 31-120 days	60,637	(2,589)	43,159	(2,022)
- 121-150 days	17,272	(579)	20,297	(1,499)
- beyond 150 days	543,847	(384,232)	509,802	(321,810)
Total	**1,524,068**	**(400,153)**	**1,554,686**	**(338,121)**

The following table provides an analysis of trade receivables at December 31, 2013 and 2012, 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, 2013**	**At December 31, 2012**
-within 12 months	1,075,217	1,166,836
-after 12 months	48,698	49,729
Total	**1,123,915**	**1,216,565**

The following table sets out changes in the allowance for doubtful accounts during the year ended December 31, 2012.

(thousands of euro)	**At December 31, 2012**	**Accrual**	**(Utilizations)**	**At December 31, 2013**
Allowance for doubtful accounts	**338,121**	118,545	(56,513)	**400,153**

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"), as a consequence of the Senior Notes, expiring in 2017, issued on July 13, 2009, the Senior Secured Notes, expiring in 2018, issued on November 26, 2010, the Additional Senior Secured Notes expiring in 2018 issued on April 13, 2012, and the Senior Secured Fixed Rate Notes expiring in 2020 and the Senior Secured Floating Rate Notes expiring in 2019, issued on April 29, 2013, 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 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 Notes, the subscribers of the Additional Senior Secured Notes and the subscribers of the Senior Secured Fixed Rate Notes and of the Senior Secured Floating Rate Notes.

9 CURRENT TAX ASSETS

The balance of ***Income tax receivables*** at December 31, 2013 amounting to €19,175 thousand (€8,031 thousand at December 31, 2012) includes a receivable of €12,736 thousand arising from the IRAP tax advances paid by the Company during the year (€6,071 thousand at December 31, 2012). It should be noted that the IRAP payable balance is classified as a deduction from advance payments of IRAP tax made during the year.

10 OTHER RECEIVABLES

The following table sets out details of ***Other receivables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Trade prepayments	91,264	123,647
Other receivables due from third parties	47,110	84,017
Tax receivables	5,828	5,999
Advances to suppliers	21,765	19,145
Other receivables due from parents	23,020	20,541
Other receivables due from related parties	3,959	2,431
Other receivables due from subsidiaries	5,861	8,375
(Allowance for doubtful accounts)	(6,207)	(12,847)
Total	**192,600**	**251,308**

The following table provides an analysis, at December 31, 2013 and 2012, of other receivables and the respective allowance for doubtful accounts by due date.

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Gross amount	(Allowance for doubtful accounts)	Gross amount	(Allowance for doubtful accounts)
- unexpired	144,470	-	216,807	(7,159)
- expired from:				
- 0-30 days	1,247	-	8,275	-
- 31-120 days	4,331	-	3,145	-
- 121-150 days	1,964	-	19,453	-
- beyond 150 days	46,795	(6,207)	16,475	(5,688)
Total	**198,807**	**(6,207)**	**264,155**	**(12,847)**

The following table provides an analysis of other receivables at December 31, 2013 and 2012, 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, 2013	At December 31, 2012
-within 12 months	138,527	190,135
-after 12 months	54,073	61,173
Total	**192,600**	**251,308**

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. The change over December 31, 2012 is mainly due to the settlement at December 31, 2012 of disputes with suppliers for an outflow of €30 million in 2013.

Other receivables due from related parties at December 31, 2013 also include the amounts due from SPAL TLC and from the Wind Team Consortium, and accordingly the relative comparative balances have been reclassified from *Other receivables due from associates* to *Other receivables due from related parties*. Further details may be found in notes 5 and 33.

Other receivables due from subsidiaries at December 31, 2013 also include the amounts due from Wind Acquisition Finance II SA and WIND Finance SL SA, and accordingly the relative comparative balances have been reclassified from *Other receivables due from associates* to *Other receivables due from subsidiaries*. Further details may be found in notes 5 and 34.

The following table provides an analysis of *Tax receivables* at December 31, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
VAT	3,086	3,550
Other tax receivables	2,742	2,449
Total	**5,828**	**5,999**

The following table sets out changes in the allowance for doubtful accounts for other receivables for the year ended December 31, 2013. This table refers solely to receivables which are due for payment after 12 months.

(thousands of euro)	**At December 31, 2012**	**Accrual**	**(Utilizations)**	**At December 31, 2013**
Allowance for doubtful accounts	**12,847**	395	(7,035)	**6,207**

11 CASH AND CASH EQUIVALENTS

The following table sets out an analysis of ***Cash and cash equivalents*** at December 31, 2013 and 2012.

(thousands of euro)	**At December 31, 2013**	**At December 31, 2012**
Bank deposits and checks	126,084	109,097
Cash on hand and stamps	13	13
Total	**126,097**	**109,110**

The cash and cash equivalents represent the surplus of cash generated by operations, changed mainly due to the ordinary cash inflows and outflows occurred during the year. Further details may be found in note 35 to the cash flow statement.

12 SHAREHOLDERS' EQUITY

The following table provides details of the changes in Shareholders' ***Equity*** during the years ended December 31, 2013 and 2012.

(thousands of euro)	Equity Issued capital	Share premium reserve	Other reserves	Retained earnings/(losses carried forward)	**Shareholders' Equity**
Balances at December 31, 2011	**147,100**	**752,157**	**(158,766)**	**511,617**	**1,252,108**
IAS 19 revised adoption effect	**-**	**-**	3,381	**-**	3,381
Balances at January 1, 2012	**147,100**	**752,157**	**(155,385)**	**511,617**	**1,255,489**
Total comprehensive income for the year	**-**	**-**	**38,637**	**(145,320)**	**(106,683)**
- Loss for the year	-	-	-	(145,320)	**(145,320)**
- Cash flow hedges	-	-	38,740	-	**38,740**
- Remeasurement of defined benefit plans	-	-	(103)		**(103)**
Transactions with equity holders	**-**	**-**	**35,000**	**-**	**35,000**
- Contribution from shareholders	-	-	35,000	-	**35,000**
Balances at December 31, 2012	**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	-	-	-	-	**-**
Balances at December 31, 2013	**147,100**	**752,157**	**7,264**	**(124,788)**	**781,733**

The share capital of WIND Telecomunicazioni SpA at December 31, 2013 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 12, 2013 resolving the approval of the annual financial statements as of and for the year ended December 31, 2012 allocating the loss for the year of €145,320 thousand to retained earnings

Changes in equity attributable to the owners of the Company during the year ended December 31, 2013 were due mainly to:

- the loss for the year of the Company totaled €491,085 thousand;
- the increase 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 as a result of Amendment of IAS 19, as described in further detail in note 2.3;

- the increase 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 2012 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.

(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, 2012	**(149,446)**	-	**(149,446)**	**-**	**-**	**-**	**(149,446)**
Changes in fair value	34,444	-	34,444	-	-	-	34,444
Reverse to income statement	53,277	-	53,277	-	-	-	53,277
At December 31, 2013	**(61,725)**	**-**	**(61,725)**	**-**	**-**	**-**	**(61,725)**

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 *(thousand of euro)*	**Amount**	**Possibility of utilization**	**Amount available**	**Summary of the amounts utilized during the previous years (*)**	
				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	68,989	A-B-C	-	-	-
Cash Flow Hedge Reserve	(61,725)	B	-	-	-
Retained earnings	366,297	A-B-C	(140,455)	-	-
Total	**1,272,818**		**611,702**		
Amount not distributable (**)			61,725 (**)		
Remaining amount distributable			**549,977**		

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 (€61,725 thousand)

13 FINANCIAL LIABILITIES

The following table sets out an analysis of ***Financial liabilities*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013			At December 31, 2012		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Financing from subsidiaries	6,323,995	325,524	**6,649,519**	5,728,685	289,615	**6,018,300**
Bank loans	2,278,125	145,962	**2,424,087**	2,820,444	124,271	**2,944,715**
Loans from others	330,923	142,808	**473,731**	342,011	159,444	**501,455**
Derivative financial instruments	57,062	15,543	**72,605**	132,736	4,197	**136,933**
Total financial liabilities	**8,990,105**	**629,837**	**9,619,942**	**9,023,876**	**577,527**	**9,601,403**

The change in the composition of the balances in financial liabilities results from the effect of the following transactions:

i) 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, made on April 29, 2013;

ii) the disbursement to the Company of a new intercompany loan from the subsidiary Wind Acquisition Finance SA of €570,400 thousand in consequence the additional placement completed April 29, 2013 of a Floating Rate Senior Secured Notes Euro-denominated of €150 million having a coupon of Euribor + 525 bps, maturing in 2019 and a Fixed Rate Senior Secured Notes US Dollar-denominated of USD550 million having a coupon of 6.5%, maturing in 2020;

iii) the disbursement to the Company of the new short-term intercompany loan from the subsidiary Wind Acquisition Finance SA of €234 million. The short-term Loan Agreements, dated November 18, 2013, November 26, 2013 and December 16, 2013 and maturity date January 9, 2013, have a nominal amount of €60,000 thousand, €14,000 thousand and €160,000 thousand respectively;

iv) the early repayment on May 3, 2013 of €88,780 thousand, of the second installment and related interest of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, falling due in October 2013;

v) the recognition of debt of €133,650 thousand against the capitalization of expenditure for the backbone rights of way, for which details may be found in note 14;

vi) the repayment during the year of €72,879 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 Company's debt of November 26, 2010.

The following table sets out an analysis of *Financial liabilities* at December, 2013 and 2012 by due date.

(thousands of euro)	At December 31, 2013				At December 31, 2012			
	<1 year	**1<x<5 years**	**>5 years**	**Total**	**<1 year**	**1<x<5 years**	**>5 years**	**Total**
Financing from subsidiaries	325,524	5,755,963	568,032	**6,649,519**	289,615	2,613,809	3,114,876	**6,018,300**
Bank loans	145,962	2,278,125	-	**2,424,087**	124,271	2,820,444	-	**2,944,715**
Loans from others	142,808	204,676	126,247	**473,731**	159,444	332,336	9,675	**501,455**
Derivative financial instruments	15,543	55,627	1,435	**72,605**	4,197	132,736	-	**136,933**
Total financial liabilities	**629,837**	**8,294,391**	**695,714**	**9,619,942**	**577,527**	**5,899,325**	**3,124,551**	**9,601,403**

The following table provides the breakdown of effective interest rates and lending currency, net of derivative financial instruments, of loans at December 31, 2013.

(thousands of euro)	<5%	5%<x<7.5%	7.5%<x<10%	At December 31, 2013 10%<x<12,5%	12.5%<x<15%	Total
Euro	546,874	2,457,597	2,847,572	558,838	3,136,456	9,547,337
US dollars	-	-	-		-	-
Total	**546,874**	**2,457,597**	**2,847,572**	**558,838**	**3,136,456**	**9,547,337**

The following table provides a comparison between the carrying amount and fair value of non-current *Financial liabilities* at December 31, 2013 and 2012. The fair value is approximately the same as the carrying amount for current *Financial liabilities*.

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financing from subsidiaries	6,323,995	6,208,045	5,728,685	5,822,978
Bank loans	2,278,125	2,325,094	2,820,444	2,927,700
Loans from others	330,923	330,923	342,011	342,011
Derivative financial instruments	57,062	57,062	132,736	132,736
Total	**8,990,105**	**8,921,124**	**9,023,876**	**9,225,425**

Current *Financial liabilities* at December 31, 2013 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, 2013.

(thousands of euro)	Carrying amount at December 31, 2012	Carrying amount at December 31, 2011	Nominal amount at December 31, 2012	Usable amount	Currency	Due date	Interest rate
Senior Facility Agreement							
- Tranche A1	36,769	97,118	37,281	37,281	EUR	11/26/2016	Euribor+4.00%
- Tranche A2	298,565	788,592	302,719	302,719	EUR	11/26/2016	Euribor+4.00%
- Tranche B1	1,305,143	1,281,804	1,333,882	1,333,882	EUR	11/26/2017	Euribor+4.25%
- Tranche B2	666,725	654,395	681,118	681,118	EUR	11/26/2017	Euribor+4.50%
- Revolving	99,997	99,994	100,000	400,000	EUR	11/26/2016	Euribor+4.00%
- Overdrafts	15,854	21,827					
- Other accrued interest	1,034	985	-				
Total	**2,424,087**	**2,944,715**	**2,455,000**	**2,755,000**			

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.

Details and the main features of the tranches are as follows:

- tranche A1 is repayable from May 26, 2011 to November 26, 2016. Interest is payable at Euribor plus a spread of 400 basis points. The maximum amount of the facility of €166 million was fully drawdown;
- tranche A2 is repayable from May 26, 2011 to November 26, 2016. Interest is payable at Euribor plus a spread of 400 basis points. The maximum amount of the facility of €1,349 million was fully drawdown;
- tranche B1 is repayable in a single lump sum on November 26, 2017. Interest is payable at Euribor plus a spread of 425 basis points. The maximum amount of the facility of €1,334 million was fully drawdown;

- tranche B2 is repayable in a single lump sum on November 26, 2017. Interest is payable at Euribor plus a spread of 450 basis points. The maximum amount of the facility of €681 million was fully drawdown;
- a revolving tranche having final repayment on November 26, 2016. 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 400 basis points and there is a non-use commission of 160 basis points. At December 31, 2013, the maximum usable amount of €400 million, was drawdown 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 transactions which qualify as hedges for a notional amount of €2,200,000 thousand, whose fair value at December 31, 2013, including forward start transactions, is negative for € 70,430 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, 2013.

(thousands of euro)	**Carrying amount at December 31, 2013**	**Carrying amount at December 31, 2012**	**Nominal amount at December 31, 2013**	**Residual Commitment**	**Currency**	**Due date**	**Interest rate**
Loan Agreement 2017	2,638,512	2,627,088	2,678,068	2,678,068	EUR	06/15/2017	11.90%
Loan Agreement 2018	2,685,400	2,671,777	2,711,101	2,711,101	EUR	01/15/2018	7.60%
Additional Loan Agreement 2018	497,944	495,713	500,000	500,000	EUR	01/15/2018	9.30%
ICL 2013 Depo I	-	35,150	-	-	EUR	01/10/2013	3.42%
ICL 2013 Depo II	-	170,150	-	-	EUR	01/10/2013	2.27%
ICL 2014 Depo I	60,088	-	60,000	60,000	EUR	01/09/2014	1.23%
ICL 2014 Depo II	14,015	-	14,000	14,000	EUR	01/09/2014	1.13%
ICL 2014 Depo III	160,066	-	160,000	160,000	EUR	01/09/2014	0.98%
Loan Agreement 2019	149,354	-	150,000	150,000	EUR	03/30/2019	5.99%
Loan Agreement 2020	425,188	-	420,400	420,400	EUR	03/30/2020	6.0%
Totale	**6,630,567**	**5,999,878**	**6,693,569**	**6,693,569**			

On April 29, 2013 was disbursed to the Company from the subsidiary Wind Acquisition Finance SA a new intercompany loan of €570,400 thousand in consequence the additional placement completed on April 29, 2013 of a Floating Rate Senior Secured Notes Euro-denominated of €150 million having a coupon of Euribor + 525 bps, maturing in 2019 and a Fixed Rate Senior Secured Notes US Dollar-denominated of USD550 million having a coupon of 6.5%, maturing in 2020.

An amount of €18,944 thousand at December 31, 2012 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, 2013 also includes €243,169 thousand related to the short-term deposits from the subsidiary Wind Acquisition Finance SA, (The short-term Loan Agreements, dated November 18, 2013, November 26, 2013 and December 16, 2013 and maturity date January 9, 2014. The short-term deposits from the subsidiary Wind Acquisition Finance SA were repaid on January 10, 2013 and had a carrying amount at December 31, 2012 of €205,300 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, 2013, including forward start transactions, is negative for € 2,175 thousand and positive for €1,042 thousand. The hedges extend to 2020 and consist of *plain vanilla interest rate swaps*.

Loans from others

This item, having a balance at December 31, 2013 of €473,731 thousand (€501,455 thousand at December 31, 2012), mainly consists of:

- payable due to the Ministry of Economic Development for an amount of €243 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 installment. Early repayment was made on May 3, 2013 of the second instalment of € 81 million due on October 3, 2013;
- the loan of €133,650 thousand against the capitalization of the right of support of the backbone, details of which may be found in note 5;
- payable to banks of €89,304 thousand (of which €37,354 is the current portion) 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, 2013 and 2012, analyzed by the type of risk hedged .

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
- Exchange rate risk	-	-	-	-
- Interest rate risk	1,042	72,605	-	136,933
Total cash flow hedges	**1,042**	**72,605**	**-**	**136,933**
- Embedded derivatives on Loan Agreement 2017 and 2018	60,950	-	29,634	-
Total Derivatives Non Hedge Accounting	**60,950**	**-**	**29,634**	**-**
Total	**61,992**	**72,605**	**29,634**	**136,933**

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

(thousands of euro)	At December 31, 2013		At December 31, 2012	
	Fair Value (+)	Fair Value (-)	Fair Value (+)	Fair Value (-)
Current	-	15,543	-	4,197
Non current	61,992	57,062	29,634	132,736
Total derivatives	**61,992**	**72,605**	**29,634**	**136,933**

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, 2012 as the Company no had any debt in currencies other than the euro at that date.
The following were outstanding at December 31, 2013:

- plain vanilla interest rate swaps hedging the interest rate risk of bank loans, having a notional amount of €2,770,000 thousand (€2,915,000 thousand at December 31, 2012) and a negative fair value of €72,605 thousand and positive fair value of €1,042 thousand (negative fair value of €136,933 thousand and nil positive fair value at December 31, 2012);
- embedded derivatives of €60,950 thousand (€29,634 thousand at December 31, 2012) relating to the fair value of the early repayment options on the Loan Agreement 2017, 2018, 2019 and 2020, 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, 2013.

(thousands of euro)	At December 31, 2012	Accrual	(Utilization)	Other changes	At December 31, 2013
Post-employment benefits	**53,259**	19,583	(1,503)	(19,430)	**51,909**

As the result of the retrospective application of the amendments to IAS 19, the opening balance of this item has been restated and details of this may be found in note 2.3, while applying the amendment has led to an increase of €1,780 thousand in the Company's employee benefits during the year.
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 (€16,516 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%	4.56%	N/A	1.00%– 3.00%

The effects recognized in income statement are as follows.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Current service costs	17,740	18,939
Finance expense	1,843	1,949
Total	**19,583**	**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, 2013.

(thousands of euro)	At December 31, 2012	Increases	(Decreases)	At December 31, 2013
Litigation	34,479	149,541	(14,300)	169,720
Restructuring	4,101	-	(3,725)	376
Universal service contribution (Presidential Decree no. 318/1997)	16,682	-	-	16,682
Product assistance	2,068	1,035	(1,582)	1,521
Dismantling and removal	37,985	1,818	(1,577)	38,226
Other provisions	53,110	16,230	(22,116)	47,224
Total	**148,425**	**168,624**	**(43,300)**	**273,749**

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).

Restructuring

The provision consists of the costs which the Company expects to incur in future years as a consequence of implementing restructuring and reorganization plans resulting from the identification of areas of efficiency in certain business areas. The utilization of the restructuring provision in the amount of €3,725 thousand is mainly due to leaving incentives.

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, 2013 includes €25,536 thousand for liabilities for termination benefits arising from agency contracts in existence at the reporting date and €14,538 thousand relating to compensation plan for the long-term retention and incentive of management.

17 OTHER LIABILITIES

Other non-current liabilities at December 31, 2013 and 2012 amount to €165,388 thousand and €142,800 thousand, respectively. At December 31, 2013 this item mainly includes:

- an amount of €107,382 thousand relating to the deferral of the positive economic effect resulting from the operation for the replacement of transmission apparatus in 2013, 2012 and 2011 (for which details may be found in note 3), which will be recognized in 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 3) 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 income statement 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 €12,427 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 income statement over the useful lives of the assets involved.

18 TRADE PAYABLES

The following table provides details of ***Trade payables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Due to telephone operators	366,533	418,195
Due to agents	25,102	41,586
Due to authorized dealers	44,202	47,571
Due to parents	15,346	6,172
Due to subsidiaries	11,206	9,304
Due to related companies	14,001	11,916
Other trade payables	1,184,391	1,261,868
Total	**1,660,781**	**1,796,612**

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* are the consequence of the agreement between the indirect parent Wind Telecom SpA and the WIND Telecomunicazioni SpA relating to the provision of services for which further details may be found in note 34.

Due from subsidiaries consist of the trade payables due to WIND Retail and from December 31, 2013 consist also of the trade payables due to Wind Acquisition Finance II SA and WIND Finance SL SA, and accordingly the relative comparative balances have been reclassified from *Trade payables due to associates* to *Trade payables due to subsidiaries*. Further details may be found in notes 5 and 34.

Trade payables *due to related companies* mainly relate to transactions with telephone operators belonging to the Orascom Group's companies and VimpelCom Group's companies and of the trade payables due to SPAL TLC SpA. For the purposes of comparison, the trade payables due to SPAL TLC SpA at December 31, 2012 have been reclassified from trade payables *due from associates* to trade payables *due to related parties*. 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, 2013	At December 31, 2012
-within 12 months	1,597,915	1,733,530
-after 12 months	62,866	63,082
Total	**1,660,781**	**1,796,612**

19 OTHER PAYABLES

The following table provides an analysis of ***Other payables*** at December 31, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Payables to social security organizations	25,894	28,325
Tax payables	135,222	168,806
Payables to personnel	29,759	33,338
Payables to government bodies by grants	9,475	9,475
Other amounts payable to parents	304,379	315,594
Other amounts payable to subsidiaries	351	305
Other amounts payable to related parties	125	-
Prepaid traffic to be used	182,729	208,262
Deferred income	19,521	25,611
Other payables	57,875	48,957
Total	**765,330**	**838,673**

The following table provides an analysis by due date.

(thousands of euro)	At December 31, 2013	At December 31, 2012
-within 12 months	763,995	810,873
-after 12 months	1,335	27,800
Total	**765,330**	**838,673**

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, 2013 and 2012.

(thousands of euro)	At December 31, 2013	At December 31, 2012
Government license fee	28,711	25,298
Withholding tax	10,113	9,928
VAT	67,010	67,513
Other	29,388	66,067
Total	**135,222**	**168,806**

Other tax payables include €28,242 thousand at December 31, 2013 and €64,982 thousand at December 31, 2012 relating the closing of the audit on withholdings on the interest paid by the Parent to Wind Finance SL SA and Wind

Acquisition Finance SA in prior years. This tax debt is payable in twelve quarterly installments from December 2, 2011 to September 2, 2014, with interest charged at a rate of 1.5%.

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, 2012 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*, €303,787 thousand (€315,081 thousand at December 31, 2012) 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.

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 2013 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 an advance received from the Region of Puglia as part of the Company's participation in the Region of Puglia's project to carry out investments supporting local development by an amount of €3,597 thousand at December 31, 2013.

20 TAX PAYABLES

The Company had a receivable position for the income taxes for the year (IRAP) at December 31, 2013 and December 31, 2012.

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 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Revenue from sales	**237,609**	**196,754**	**40,855**	**20.8%**
- Telephone services	4,030,145	4,281,077	(250,932)	(5.9)%
- Interconnection traffic	399,104	611,356	(212,252)	(34.7)%
- International roaming	41,394	44,699	(3,305)	(7.4)%
- Judicial authority services	6,046	6,392	(346)	(5.4)%
- Other revenue from services	113,724	120,584	(6,860)	(5.7)%
Revenue from services	**4,590,413**	**5,064,108**	**(473,695)**	**(9.4)%**
Total	**4,828,022**	**5,260,862**	**(432,840)**	**(8.2)%**

The item shows a decrease of 8.2% for the year 2013 compared to the year 2012. This effect is mainly due to the decrease in revenue from *interconnection traffic*, and the decrease in *telephone services* which the effect was partially offset by the increase in the *revenue from sales* r for the twelve months of 2013.

The revenue from *Telephone services* are affected by the difficult macroeconomic situation and the contraction of the market, with the decrease remaining at 5.9% thanks to an increase in the mobile customer base and the development of offers dedicated to internet navigation on mobile phones.

The revenue from *interconnection traffic* decrease mainly due to the effect of the reduction of unit tariffs set by AGCOM.
International roaming revenue fell mainly as the effect of the general reduction in tariffs, only partially offset by an increase in international roaming volume.

The increase in the *revenue from sales* is due to the increase in the sale of mobile telephone handsets and to a shift of sales towards high-range terminals.

22 OTHER REVENUE

Other revenue amounts in total to €156,503 thousand in the twelve months of 2013 (€167,218 thousand in the twelve months of 2012) and refers principally to the revisions of estimates made in previous years and to the settlement of disputes with some suppliers.

23 PURCHASES AND SERVICES

The following table provides the breakdown of ***Purchases and services*** for 2013 and 2012.

(thousands of euro)	2013	2012	Change	
	12 months	12 months	Amount	%
Interconnection traffic	669,089	842,298	(173,209)	(20.6)%
Customer acquisition costs	249,066	268,198	(19,132)	(7.1)%
Lease of civil/technical sites and use of third party ssets	238,886	265,531	(26,645)	(10.0)%
Purchases of raw materials, consumables, supplies and goods	266,455	235,473	30,982	13.2%
Rental of local network and circuits	441,030	491,889	(50,859)	(10.3)%
Advertising and promotional services	159,829	202,589	(42,760)	(21.1)%
Outsourcing costs for other services	137,419	138,932	(1,513)	(1.1)%
Maintenance and repair	94,117	111,574	(17,457)	(15.6)%
Power consumption and other utilities	123,181	117,807	5,374	4.6%
National and international roaming	38,438	35,089	3,349	9.5%
Consultancies and professional services	35,711	41,525	(5,814)	(14.0)%
Change in inventories	(2,165)	(3,684)	1,519	(41.2)%
Other services	113,097	122,157	(9,060)	(7.4)%
Total purchases and services	**2,564,153**	**2,869,378**	**(305,225)**	**(10.6)%**

In order to simplify the structure of the information reported in the notes to a minimum, have been identified in the table ***Purchases and services*** some items that, given the nature and the amount have been grouped. In particular

"Lease of local access network" and "Lease of telecommunication circuits" have been grouped in *Rental of local network and circuits*; "Lease of civil and technical sites" and "Other leases and use of third party assets" have been grouped in *Lease of civil/technical sites and use of third party assets;* "Other services", "Transport and logistics" and "Bank and postal charges" have been grouped in *Other services*.

Moreover, in order to ensure better comparison of the items in the two periods under comparison, reclassifications have been made to the balances for the year 2012 with the following effects: lower Power consumption and other utilities, Maintenance and repair, Advertising and promotional services and Lease of civil/technical sites and use of third party assets by €3,084 thousand, €5,296 thousand, €5,733 thousand and €14,579 thousand, respectively; and higher Consultancies and professional services, Interconnection traffic, Customer acquisitions costs, Purchases of raw materials, consumables, supplies and goods, Other services, and Rental of local network and circuits by €304 thousand €338 thousand, €2,750 thousand, €3,386 thousand, €7,430 thousand and €14,484 thousand, respectively.

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, 2012:

- a decrease of €173,209 thousand in *Interconnection traffic* costs mainly due to a fall in termination tariffs, only partially offset by an increase in the volume of traffic;
- a decrease of €50,859 thousand in *Lease of local access network and circuits* costs mainly as the result of a price effect on lease of local access network;
- a decrease of €42,760 thousand in the cost of *Advertising and promotional services* mainly due to the improvement in advertising strategy in terms of efficiency acquisition of advertising media such as TV, radio, billboards and internet and to the reduction of costs of image rights;
- net increase of €32,501 thousand in Purchases of raw materials, consumables, supplies and goods and Change in inventories mainly due to an increase in the sale of mobile telephone handsets and in the unit purchase prices charged by suppliers compared to the previous year as the result of a shift of sales towards high-range terminals.

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 €1,494 thousand (total compensation for the audit to separate and consolidate financial statements at December 31, 2012 is equal to €522 thousand). The ordinary shareholders' meeting of April 12, 2013 did not resolve compensations to the Directors of the Company.

24 OTHER OPERATING COSTS

The following table provides the breakdown of ***Other operating costs*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Impairment losses on trade receivables and current assets	113,992	111,858	2,134	1.9%
Accruals to provision for risks and charges	8,929	12,352	(3,423)	(27.7)%
Annual license and frequency fees	30,724	31,225	(501)	(1.6)%
Other operating costs	14,871	17,096	(2,225)	(13.0)%
Total other operating costs	**168,516**	**172,531**	**(4,015)**	**(2.3)%**

It should be noted that in order to simplify the structure of the information reported in the notes to a minimum, have been identified in the table ***Other Operating costs*** some items that, given the nature and the amount can be grouped. In particular: "Gifts" have been included in *Other operating costs*; " Accruals for risks " and " Accruals for charges " have been grouped in *Accruals to provision for risks and charges*.

25 PERSONNEL EXPENSES

The following table provides the breakdown of ***Personnel expenses*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	 %
Wages and salaries	260,489	268,347	(7,858)	(2.9)%
Social security charges	72,077	73,410	(1,333)	(1.8)%
Other personnel expenses	12,478	17,390	(4,912)	(28.2)%
Post-employment benefits	18,248	19,285	(1,037)	(5.4)%
(Costs capitalized for internal works)	(50,771)	(47,415)	(3,356)	7.1%
Total personnel expenses	**312,521**	**331,017**	**(18,496)**	**(5.6)%**

The decrease over the twelve months of 2012 is essentially due to the effect of 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. This decrease has been partially offset by the increase in the contractual minima from April due to the agreement for the renewal of the National Labor Contract (CCNL) reached at the beginning of February 2013 (effective to December 31, 2014).

Other personnel expenses included at December 31, 2012 the provision for restructuring for €4,101 thousand.

The number of employees at year end was as follows.

	At December 31, 2013	At December 31, 2012
Senior management	128	142
Middle management	595	594
Employees	5,472	5,492
Total	**6,195**	**6,228**

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

	2013 12 months	2012 12 months
Senior management	135	147
Middle management	594	584
Employees	5,516	5,533
Total	**6,245**	**6,264**

26 DEPRECIATION AND AMORTIZATION

The following table provides the breakdown of ***Depreciation and amortization*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Depreciation of property, plant and equipment				
- Plant and machinery	707,683	681,324	26,359	3.9%
- Industrial and commercial equipment	12,005	10,525	1,480	14.1%
- Other assets	23,862	23,898	(36)	(0.2)%
Amortization of intangible assets with finite lives				
- Industrial patents and similar rights	119,666	112,888	6,778	6.0%
- Concessions, licenses, trademarks and similar rights	192,145	112,811	79,334	70.3%
- Other intangible assets	208,797	204,589	4,208	2.1%
Total depreciation and amortization	**1,264,158**	**1,146,035**	**118,123**	**10.3%**

Depreciation and amortization rose by €118,123 thousand over the twelve months of 2012, of which €27,803 thousand being the depreciation of property, plant and equipment as result of higher investments network for the expansion of the access networks made in the last years and €90,320 thousand being the amortization of intangible assets mainly as the rights of use for the frequencies in the 800 and 2600 MHz bands were exercised from the start of the quarter.

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 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Reversal of impairment losses / (Impairment losses) on property, plant and equipment	(5,249)	4,791	(10,040)	n.m.
Reversal of impairment losses / (Impairment losses) on intangible assets	(733)	(14)	(719)	n.m.
Total	**(5,982)**	**4,777**	**(10,759)**	**(225.2)%**

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 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Gains on disposal of property, plant and equipment	2,415	6,599	(4,184)	(63.4)%
Losses on disposal of property, plant and equipment	(7,559)	(10,582)	3,023	(28.6)%
Total	**(5,144)**	**(3,983)**	**(1,161)**	**29.1%**

The change over the previous year is due to higher gains and losses recorded in 2013 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 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	%
Interest on bank deposits	445	1,402	(957)	(68.3)%
Income from subsidiaries	1	1	-	0.0%
Fair value measurement of derivatives	31,136	9,408	21,728	n.s.
Other	5,179	7,588	(2,409)	(31.7)%.
Total finance income	**36,761**	**18,399**	**18,362**	**99.8%**

The item shows an increase mainly due to the financial income arising from the measurement of non-hedging derivates at fair value by €29,870 thousand at December 31, 2013 (€9,408 thousand at December 31, 2012 This effect was only partially offset by the decrease in interest income on the average cash balance and in other interest due to the performance in the market interest rates.

Other financial income include €4,662 thousand for the twelve months of 2013 and €6,604 thousand for the twelve months of 2012 related to the interest arising on the receivable from the parent Wind Telecom SpA under the agreement entered in November 2010, for which details may be found in note 5.

30 FINANCE EXPENSE

The following table provides the breakdown of ***Finance expense*** for 2013 and 2012.

(thousands of euro)	2013	2012	Change Amount	%
Interest expense on:				
Bank loans	(188,319)	(222,999)	34,680	(15.6)%
Financing from subsidiaries	(622,588)	(630,869)	8,281	(1.3)%
Discounted provisions	(3,661)	(3,650)	(11)	0.3%
Cash flow hedges, reversed from equity	(82,669)	(111,899)	29,230	(26.1)%
Other	(151,636)	(58,085)	(93,551)	161.1%
(Finance expense capitalized)	-	104,186	(104,186)	n.m.
Total finance expense	**(1,048,873)**	**(923,316)**	**(125,557)**	**13.6%**

Finance expense for 2013 consists mostly of accrued interest on financial liabilities outstanding at December 31, 2013, 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 by €82,669 thousand (€111,899 thousand for 2012).

The decrease in the *bank loan interest* is due to the early repayment of €500 million on April 13, 2012 and of €575 million on April 29, 2013, of the Senior Facility Agreement.

The change in the item Other of Finance expense relates to finance expenses on Loans from others, for which details can be found in note 13 and by €92,703 thousand to previous years finance expenses.

Capitalized borrowing costs at December 31, 2013 related to the interest incurred on loans used by the Company specifically for the purchase of the frequencies in the 800 MHz and 2600 MHz band, occurred in 2011. As the frequencies entered use during the year 2013 the related borrowing costs can no longer be capitalized. More details may be found in note 4.

31 FOREIGN EXCHANGE GAINS/(LOSSES), NET

The following table provides the breakdown of ***Foreign exchange gains (losses) - net*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	 %
Realized gains	1,342	629	713	113.4%
Unrealized gains	69	292	(223)	(76.4)%
Foreign exchange gains	**1,411**	**921**	**490**	**53.2%**
Realized losses	923	1,387	(464)	(33.5)%
Unrealized losses	125	48	77	160.4%
Foreign exchange losses	**1,048**	**1,435**	**(387)**	**(27.0)%**
Total	**363**	**(514)**	**877**	**(170.6)%**

32 INCOME TAX

The following table provides the breakdown of ***Income tax*** for 2013 and 2012.

(thousands of euro)	2013 12 months	2012 12 months	Change Amount	 %
Current tax	(97,263)	(190,939)	93,676	(49.06)%
Previous years income taxes	(42,348)	10,825	(53,173)	n.m.
Deferred tax	(3,776)	30,312	(34,088)	(112.5)%
Total income tax	**(143,387)**	**(149,802)**	**6,415**	**(4.3)%**

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

- current income taxes expense of €97,263 thousand (of which €46,170 thousand for IRES tax and €51,093 thousand for IRAP tax) charged on the taxable income for 2013. The decrease compared to 2012 is due to the decrease in the result before tax in 2013 over 2012;
- previous years income taxes of €42,348 thousand;

- net deferred tax income of €3,776 thousand, arising from changes of €3,439 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 €337 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 2013 and 2012.

(thousands of euro)		**2013**		**2012**
Theoretical tax rate	27.50%		27.50%	
Profit/(Loss) before tax	**(347,698)**		**4,482**	
Theoretical tax assets relating to IRES		(95,617)		1,233
Non-deductible costs/non-taxable revenue		183,563		92,943
Non-recognized deferred tax assets				
Adjustments to previous years taxes		4,348		(10,825)
Actual IRES tax (current and deferred)		92,294		83,351
Effective IRES tax rate	(26.5)%		1,859.7%	
IRAP tax		51,093		66,451
Actual tax expense recognized in profit or loss		143,387		149,802
Overall tax rate	(41.2)%		3,342.3%	

The above reconciliation between the theoretical and effective tax rates has been performed solely for IRES tax (corporate income tax) purposes. The IRAP tax charge is included to reconcile with the overall income tax 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 refer to transactions with the indirect parent Wind Telecom SpA, WIND Telecomunicazioni SpA receives services relating to IT, marketing, personnel, purchasing, etc; moreover, on November 29, 2010 the Company granted Wind Telecom SpA a loan of €160,966, for which details may be found in note 5.

At December 31, 2013 and during the year, 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, 2013								
	Revenue	Finance income/ expense	Expenses	Trade receiv.	Other receiv.es	Financial receiv.	Financial payables	Trade payables	Other payables
Armenija Telefon Kompani	9	-	3	-	-	-	-	3	-
Consorzio Wind Team	-	-	2	-	4	-	-	-	-
DiGi (Malaysia)	27	-	10	7	-	-	-	6	-
DTAC/UCOM (Thailand)	6	-	32	3	-	-	-	2	-
Globalive Wireless Management	1,517	-	-	75	3,526	-	-	5	125
GrameenPhone (Bangladesh)	122	-	62	110	-	-	-	110	-
KaR-Tel	65	-	3	2	-	-	-	27	-
Kievstar	425	-	13,681	-	-	-	-	2,275	-
Maritim Communication Partner AS (Norway)	-	-	272	-	-	-	-	73	-
Mobitel LLC Georgia	1	-	12	-	-	-	-	34	-
Summit Technology Solutions (STS)	-	-	12	-	-	-	-	6	-
Orascom Telecom Algeria SpA	426	-	154	286	-	-	-	45	-
Orascom Telecom Bangladesh Ltd, (Banglalink)	4	-	13	68	-	-	-	-	-
Orascom Telecom Holding SAE	-	-	242	25	1	-	-	1,976	-
Orascom Telecom Services Europe Company	-	-	-	183	-	-	-	-	-
Pakistan Mobile Communications Ltd,	64	-	-	35	-	-	-	10	-
Powercom (Pty) Ltd T/A leo	-	-	2	-	-	-	-	1	-
SKY MOBILE LLC	-	-	1	1	-	-	-	2	-
Telenor Magyarorszag KFT (Hungary)	215	-	180	126	-	-	-	110	-
Telenor Mobile Communications AS (Norway)	81	-	31	-	-	-	-	43	-
Telenor Pakistan (Pakistan)	4	-	8	-	-	-	-	10	-
Telenor Serbia (Serbia)	222	-	124	258	-	-	-	1,171	-
Unitel	7	-	2	2	-	-	-	-	-
Vimpelcom ltd	942	-	-	-	1,828	-	-	-	-
VimpelCom Lao Co, Ltd	-	-	2	1	-	-	-	-	-
Vympel-Kommunikacii	930	-	131	-	-	-	-	72	-
WIND Acquisition Holdings Finance SpA	44	-	-	-	1,661	-	-	273	-
Wind Telecom SpA*	283	4,662	10,412	-	19,531	160,996	-	15,073	304,379
Wind Acquisition Finance SA	-	(622,573)	-	-	2,618	-	6,630,568	814	-
Wind Acquisition Finance II SA	-	-	31	-	-	-	-	30	-
Wind Finance SL SA	-	-	-	-	8	-	-	-	-
WIND Retail Srl	51,000	(14)	30,558	23,729	3,235	-	18,951	10,362	351
SPAL TLC S,p,A,	343,777	-	36,935	8,292	-	-	-	6,749	-
Vimpelcom International services	-	-	1,419	-	428	-	-	1,454	-
Total	400,171	(617,925)	94,334	33,203	32,840	160,996	6,649,519	40,736	304,855

*payables to Wind Telecom SpA relate in the amount of €303,787 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 (€315,264 thousand).

Directors

The Directors of the Company, identified as "Key Management Personnel", did not receive compensations for 2013, as it was not resolved by the ordinary shareholders' meeting. There were no transactions with directors in 2013.

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, 2013	At December 31, 2012
Financing from subsidiaries	6,323,995	5,728,685
Bank loans	2,278,125	2,820,444
Loans from other	330,923	342,011
Derivative financial instruments	57,062	132,736
Non-current financial liabilities	**8,990,105**	**9,023,876**
Financing from subsidiaries	325,524	289,615
Bank loans	145,962	124,271
Loans from others	142,808	159,444
Derivative financial instruments	15,543	4,197
Current financial liabilities	**629,837**	**577,527**
TOTAL GROSS FINANCIAL INDEBTEDNESS	**9,619,942**	**9,601,403**
Cash and cash equivalents	**(126,097)**	**(109,110)**
Financial receivables	(165,008)	(163,115)
Current financial assets	**(165,008)**	**(163,115)**
Derivative financial instruments	(61,992)	(29,634)
Financial receivables	(14,503)	(19,027)
Non-current financial assets	**(76,495)**	**(48,661)**
NET FINANCIAL INDEBTEDNESS	**9,252,342**	**9,280,517**

The net financial indebtedness does not include the guarantee deposits for an amount of €4,047 thousand and €4,036 thousand at December 31, 2013 and at December 31, 2012, respectively.

35 CASH FLOW STATEMENT

Cash flows from operating activities, amounting to €951,875 thousand in 2013, decreased of €303,250 thousand over 2012, mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities used cash during 2013 of a total of €785,672 thousand mainly due to the spending on 3G mobile technologies and to the capitalization of customer acquisition costs. The cash flow from investing activities decrease of €213,844 thousand over the previous year as the effect of the decrease of investment in property plant and equipment and intangible assets of €220,879 thousand mainly due to the rationalization in spending on 2G mobile technology and as well as in the fixed network with focus investment in 3G mobile technology.

During the year 2013, financing activities used cash of €149,216 thousand as the effect of:

- 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, occurred in April 29, 2013 by the Company;
- the disbursement to the Company of a new intercompany loan from the subsidiary Wind Acquisition Finance SA of €561 million in consequence the issue of a new bond on April 29, 2013 through the subsidiary Wind Acquisition Finance SA having an amount, net of fees paid, of €561 million (nominal amount of €150 million and USD550 million);
- the early repayment of €81,011 thousand, of the second installment of the payable due to the Ministry of Economic Development related to the allocation of the mobile frequency use rights, falling due in October 2013;
- 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 of November 26, 2010;
- the repayment of €1,587 thousand related to the loan against the capitalization of expenditure for the backbone rights of way;
- the repayment of €9,675 thousand on December 27, 2013 relating to the debt with a counterparty as the result of the closing out of a derivative due to the insolvency of the counterparty;
- the repayment of €205 million related to the short-term intercompany loan to the subsidiary Wind Acquisition Finance SA,, made on January 10, 2013;
- the disbursement to the Company of the new short-term intercompany loan from the subsidiary Wind Acquisition Finance SA of €234 million.

In addition, financing activities at December 31, 2013 include the overdraft for an amount of €15,854 thousand (€21,827 thousand at December 31, 2012).

During the year 2012 financing activities used cash of €323,915 thousand mainly as the effect arising from the early repayments of €500 million attributable to Senior Facility Agreement, of €500 million attributable to Bridge Facility Agreement, of €81 million attributable to Ministry of Economic Development and of €76.7 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, 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 €451 million, of a new short-term intercompany loan of €205 million and the use of cash of €100 million of part of the revolving tranche of the Senior Facility Agreement.

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 at December 31, 2013, 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 still pending at different judicial stages relating to the termination of agency agreements, in which the agents seek payment from WIND of certain indemnities provided for by Italian legislation; these include the termination indemnity, the collection indemnity, the indemnity in lieu of notice and the indemnities pursuant to article 1751 of the Italian Civil Code.

WIND/ITALGO SPA

Italgo SpA (formerly Delta SpA), initiated proceedings against WIND based upon an alleged breach by WIND of certain provisions of an agreement signed with Delta SpA for the provision of goods and services (the "Commercial Agreement"). Italgo SpA sought the termination of the Commercial Agreement and other related agreements, as well as the payment by WIND of a penalty of €3.3 million, a refund of €23 million (the price paid for Delta SpA shares) and additional damages (to be quantified during the proceedings) for the costs which Italgo SpA alleges to have incurred as a result of WIND's alleged breach of contract. Italgo SpA alternatively sought a reduction in the purchase price agreed by the parties to be settled by offsetting this amount against an amount of €9 million payable by Italgo SpA to WIND. On March 19, 2010, an injunction was issued by the Court in Rome ordering WIND to pay a total of €3 million. WIND has appealed this decision. On April 18, 2013 the Court of Rome issued a sentence ordering the payment in favour of WIND of €5.2 million as result of the off-setting of the amounts reciprocally claimed by the parties. On August 5, 2013 WIND and Italgo S.p.A. entered into a settlement in which renounced their reciprocal claims referred to the commercial agreement as object of the suit. Italgo S.p.A. also paid to WIND the amount of € 70.000,00 as a contribution for legal costs.

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). To date, in 2011 received a single fine of €90 thousand connected to a case initiated in 2009; during 2011, AGCM initiated other five actions against WIND in this regard (three of which already have been settled through agreed non-monetary undertakings, one has been closed with a fine of €200 thousand and one closed without any fine). In 2012 AGCM initiated three new proceedings (one settled with a fine of €70 thousand, currently suspended being pending the relative appeal before the Administrative Court of second instance (Consiglio di Stato), and two closed without any fine). On April 18, 2013 AGCM initiated "*ex officio"* a proceeding against WIND for alleged unfair commercial practices regarding lack of information on limits and conditions of usage of the commercial offers named "*All inclusive*" and "*Unlimited*". In the final defensive memory filed WIND confirmed to have adopted a conduct in line with the applicable law on commercial practices nevertheless undertaking to implement certain measures aimed at improving the transparency of information on such matter.

Audit by the Italian Tax Authority

In the fourth quarter of 2013, the Agenzia delle Entrate ("ADE") initiated an audit on WIND Telecomunicazioni SpA relating to withholding tax in connection with the senior credit agreement dated 26 May 2005. As a result, in December 2013, the ADE issued a tax assessment for the year 2008.

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

Contingent assets and liabilities

WIND had the following contingent liabilities at December 31, 2013.

Proceedings Concerning Electromagnetic Radiation

Proceedings are still pending, in particular before the administrative courts, regarding the installation of base radio stations. These are mainly the result of current concerns about electromagnetic radiation. The claims are of an undeterminable monetary amount.

Audit on dealers' fees

In 2001 WIND received a dispute notice from the tax authorities regarding the tax treatment adopted in 1999, 2000 and 2001 for certain fees paid to dealers. The court of the second instance found in favour of WIND for 1999 and 2001 while it found against WIND for 2000. These cases currently remain pending before the supreme court. The dispute can be quantified in approximately €6 million plus penalties and interest.

WIND/Crest One SpA

Crest One SpA ("Crest One") has 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 (the amount of which damages is to be determined following the trial) pursuant to the payment of such value added tax by Crest One to WIND. The Court of Rome has rejected Crest One's claims.

On March 22, 2012 the Court of Rome declared Crest One' bankruptcy. WIND has claims before the bankruptcy Court against Crest One for contractual breach for non-payment and incorrect application of the VAT regime by Crest One. Crest One appealed the payment and on June 12, 2013 the Court of Appeal of Rome rejected such application confirming Crest One's bankruptcy. The bankruptcy trustee has accepted WIND's for admission of €7.7 million as part of liabilities to be examined during bankruptcy. On July 15, 2013 Crest One challenged the decision of the Court of Appeal of Rome initiating a proceeding in front of the Supreme Court for the revocation of the bankruptcy declaration. WIND has filed its counter-appeal in front of the Supreme Court and in the hearing held on January 28, 2014 the Court has reserved the decision.

WIND-Antitrust Authority (Proceeding no. A/357)

With a decision dated August 3, 2007, the Antitrust Authority closed proceeding no. A/357 by condemning 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 favor of their respective internal divisions and to the detriment of fixed-line competitors. WIND was fined a sum of €2 million and ordered to cease the discriminatory behaviour. WIND appealed against the decision by seeking the annulment before the Administrative Court of Lazio (the Lazio TAR). The Lazio TAR rejected WIND's appeal on January 29, 2008 and the related decision was published on April 7, 2008. On September 17, 2008, WIND filed an appeal before the State Council, seeking the annulment of the above Lazio TAR's decision, the hearing for which, following various delays, occurred on March 15, 2011.

On April 20, 2011, the State Council published the final ruling by rejecting the WIND's appeal. On June 4, 2012, WIND filed an appeal before the Court of Cassazione for the annulment of the above State Council's ruling. After the merit discussion hearing occurred on May 14, 2013, the Court of Cassazione issued the final ruling rejecting WIND's appeal.

WIND-Antitrust Authority (Proceeding no. I/757)

On September 13, 2012, the AGCM opened an anti-trust investigation in respect of three Italian MNOs (Telecom Italia, Vodafone and WIND) and carried out dawn raids on their premises. The investigation was started following a claim by an Italian MVNO, Bip Mobile. Bip Mobile claimed an alleged agreement between Telecom Italia, Vodafone and WIND which was aimed to prevent the entry of Bip Mobile into the Italian mobile market through collusive pressure on the multi-brand point of sales starting as of June, 2012. WIND is currently defending its conduct against Bip's Mobile's allegations and cooperating with ICA in accordance with usual legal and procedural steps. The deadline of the investigation, initially set for September 30, 2013, has been postponed, pursuant to the AGCM decision of September 23, 2013, to March 30, 2014. With a further decision of December 20, 2013, AGCM has extended the investigation to a possible vertical agreements, beetwen Telecom Italia and WIND respectively with their multibrand dealers, aimed at excluding the competitors. Pursuant to this decision the deadline has been further postponed to October 30, 2014.

Pursuant to Section 15 of Italian Law no. 287 of October 10, 1990, as amended, in the most serious cases, depending on the gravity and the duration of the infringement assessed, the ICA may decide to impose a fine up to 10% of the turnover of each undertaking over the previous fiscal year.

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, 2013 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 the related share pledge agreement.

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 supplemental deed related to the respective contract of guarantee; to the subscribers to the Senior Notes, expiring in 2017, issued on July 13, 2009 by Wind Acquisition Finance SA; to the subscribers to the Senior Secured Notes, expiring in 2018, issued on November 26, 2010 by Wind Acquisition Finance SA and to the lending parties specified in the deed of confirmation and extension of the deed of assignment of receivables by way of security; to the subscribers to the Additional Senior Secured Notes expiring in 2018 issued on April 13, 2012 by Wind Acquisition Finance SA and to the subscribers to the Senior Secured Fixed Rate Notes expiring on 2020 and the Senior Secured Floating Rate Notes expiring on 2019, issued by Wind Acquisition Finance S.A. on April 19 2013 as well as the lending parties specified in the deed of confirmation and extension of the deed of assignment of receivables by way of security. 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 aforementioned secured notes expiring in 2017, 2018, 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 €340,250 thousand at December 31, 2013 includes:

- sureties totaling €9,705 thousand issued by insurance companies, mainly relating to participation in tenders;
- sureties totaling €330,545 thousand issued by banks, relating to participation in tenders, of which €276,630 thousand in favor of the Minister for Economic Development for the participation in the tender procedure it had been awarded the frequency use rights in the 800, 1800, 2000 and 2600 MHz bands, to 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, 2012.

(millions of USD)	**At December 31, 2012**
Assets	
Tangible assets	1
Intangible assets	7
Financial assets	15,841
Total non-current assets	**15,849**
Receivables	82
Cash and cash equivalents	1,028
Total current assets	**1,110**
TOTAL ASSETS	**16,959**
Equity and Liabilities	
Equity	
Issued capital	2
Reserves	11,405
Retained earnings	1,923
Profit for the year	1,539
Total Equity	**14,869**
Total non-current liabilities	**561**
Total current liabilities	**1,529**
Total liabilities	**2,090**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**16,959**

(millions of USD)	**2012 12 months**
Other expenses after tax	(109)
Share in results of subsidiaries after tax	2,254
Net profit	**2,145**

37 SUBSEQUENT EVENTS

As a result of the competitive pressure and weak macroeconomic scenario witnessed during the year, on February 20, 2014 the Board of Directors has given mandate to management to initiate a consent process with its senior creditors in order to obtain a more flexible financial structure focused on long-term.