

WIND Telecomunicazioni

9M 2014 Results

November 13, 2014



9M 2014 Highlights

Revenues

- WIND continues to outperform the market with total revenue of €3,511 million, declining 6.3% YoY on a reported basis and by 7.6% on an underlying basis
- Mobile service revenue down 10.2% YoY, due to the cannibalization coming from the 2013 price pressure and the erosion of the SMS revenue; 3Q14 mobile service revenue at -9.0% trend improving 2 p.p. (-11.1% in 2Q14, -10.6% in 1Q14)
- Mobile internet revenue up 18.2%, with continued double digit growth

EBITDA

- EBITDA at €1,386 million, declining by 4.0% YoY on a reported basis and declining 7.5% on an underlying basis, with pressure on revenue partially compensated by cost efficiency measures, which include an innovative insourcing and productivity plan launched in September
- EBITDA margin at 39.5%, improving 1 p.p. YoY

Op. FCF (EBITDA – CAPEX)

- Continued strong Op. FCF generation of approximately €1.1 billion in 9M 2014 LTM

NFI

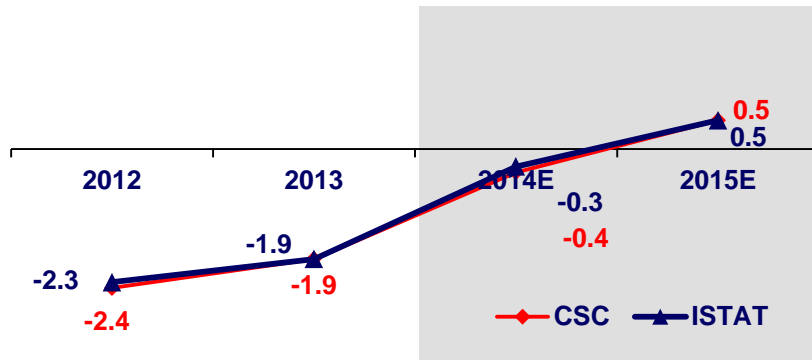
- Net Financial Indebtedness at €10,883 million vs. €9,145 million as of December 2013, increase mainly due to WAHF PIK notes repayment and refinancing costs
- Net debt / EBITDA at 5.8x

Tower Deal

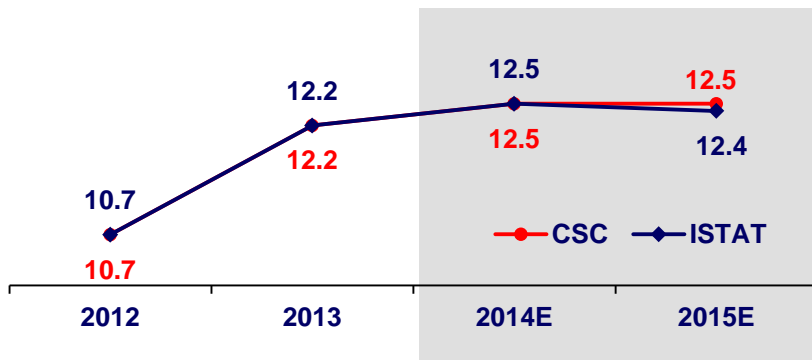
- WIND is progressing with tower sale: Information Memorandum sent to potential bidders in October
- Non-binding offers received on November 10th
- Process expected to be completed in the first quarter of 2015

Italy Macro Scenario remains weak...

GDP Growth*



Unemployment Trend*



Highlights

- **GDP** trend negative in 2014 with only marginal improvement expected in 2015
- **Unemployment** remains high at 12.6%** with youth component steadily above 40%
- Italian **TLC market** value contraction in 9M 2014 expected to continue also in 4Q but with an improving trend
- Main operators maintaining a less aggressive approach to promotions leading to a **reduction in gross additions** and in **overall subscribers size** but with a **positive impact on churn**

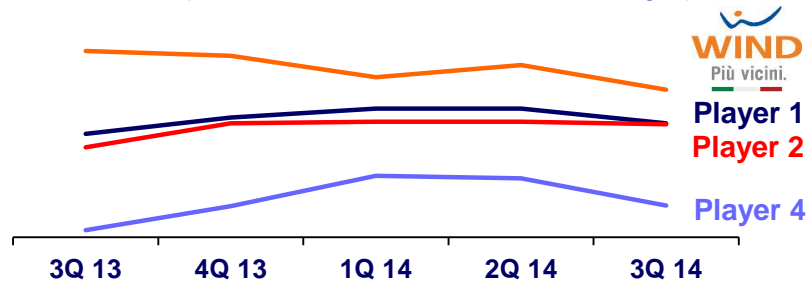
* Source: CSC (Sep '14), ISTAT (Nov '14)

** ISTAT (Sep '14)

...but Excellence on All Touch Points Strengthens WIND's market position...

Best Customer Relationship

- Maintain leadership in mobile customer satisfaction
- Consistent outperformer on NPS as shown in the graph below

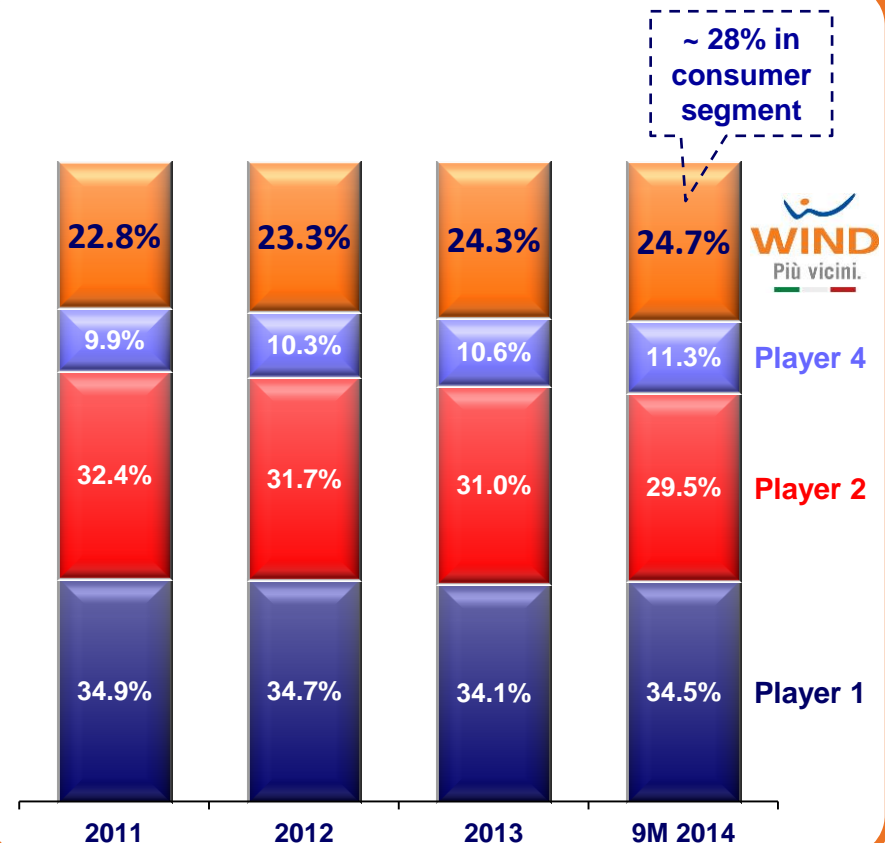


Leading Reputation

- WIND was recognized as the best mobile operator in Italy by the “Istituto Tedesco di finanza e qualità di Monaco”, for its value for money positioning and for its communication and relationship with customers



Mobile Market Share (SIM)*



* Source: Internal estimates, excluding MVNO

...Through a Digitally Driven Organization...

WIND Digital

- **WIND Digital** innovative offering with customer interaction exclusively **through digital channels** (sale, self-care, top-ups, etc.)
- **Self Care** Areas Access increase 94% vs. 9M 2013
- **Digital top ups** +70% vs. 9M 2013



Digital Home & Life

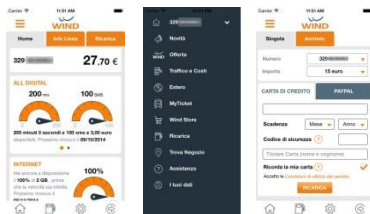
- WIND taking the lead in the “Digital Home & Life” concept through innovative services offered in its PoS:

- **Wearable devices**
- **Smartwatch**
- **Wellness**
- **Music**
- **Smart Home**



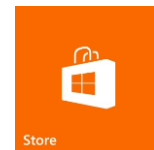
My WIND App

- **My WIND App** for Apple, Android and Windows Phone Customers smart-phones and tablets downloaded **5.6 million times** from its launch



Google Play and Windows Phone Store

- Revenue share model with **Google play** now extended also to **Windows Phone Store**
- **WIND** the only operator in Italy with **carrier billing** active on **Google Play Store**



...and Investments in Top Quality Networks

Mobile Network

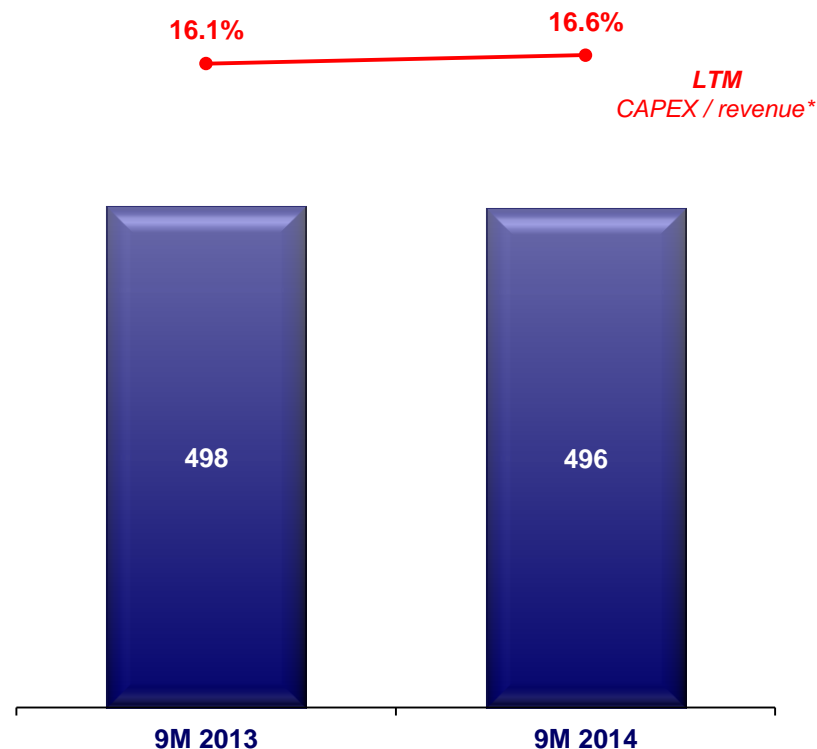
- **LTE available** in more than 300 cities with a coverage of **24.4%**.
- **LTE plan: 35% of population coverage** by the end of 2014
- **GSM** network completed: **99.9% population coverage** with GPRS/EDGE nationwide coverage
- **HSPA+** network developed: **97.1% population coverage** at **21 Mbps** with **42 Mbps** available for **39.3%** of the population

Fixed Network and Backbone

- **1,458 LLU sites:** c. 60% direct population coverage in all major Italian cities
- Solid **fiber optic backbone of 21,726 km**, supporting both fixed and mobile businesses

CAPEX*

(€mln / %)

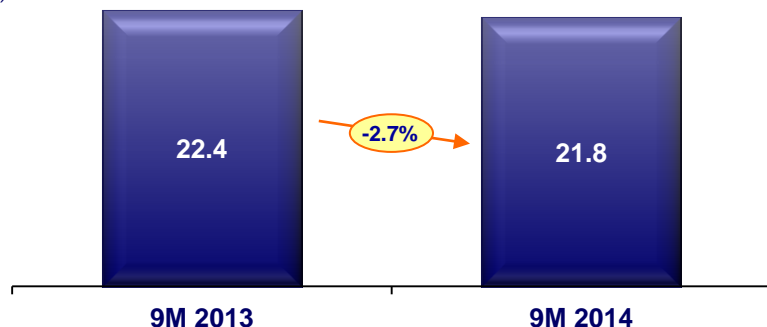


* CAPEX 2013 excludes €134mln of non-cash increase in Intangible Assets related to the contract with Terna in relation to the Right of Way of WIND's backbone
Figures as of September 30

Ensuring a Solid Commercial Performance in Mobile

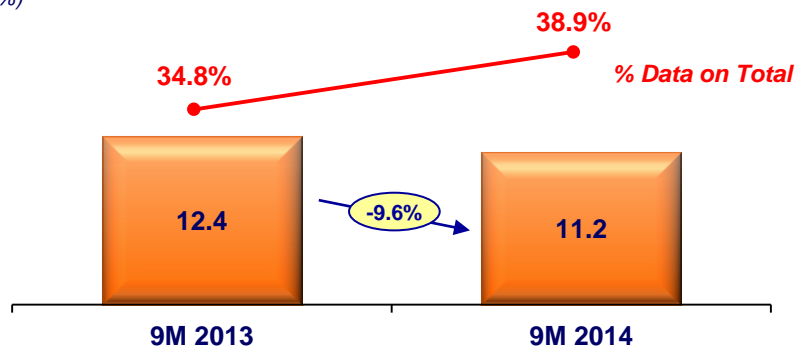
Customer Base

(mln)



ARPU

(€ / %)



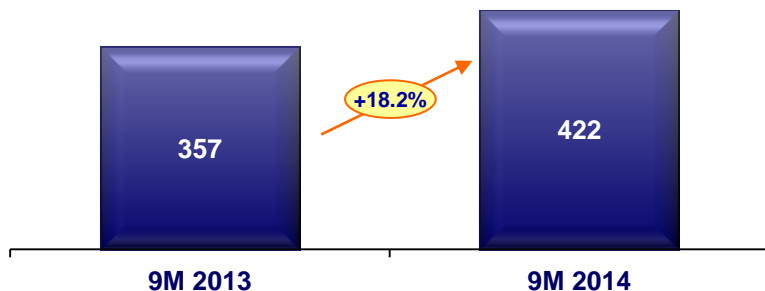
Highlights

- WIND's **customer base** declines slightly (-2.7% YoY) to 21.8 million, decreasing at a lower rate than that experienced by the overall market, leading again to an increase in market share to 24.7%
- Consumer market share approaches **28%**
- Less aggressive promotions pressure leads to a 6.2 p.p. reduction on churn YoY
- **Data ARPU** increases 1.0 p.p. reaching **39% of total ARPU**
- 3Q 2014 **ARPU** increasing over 2Q14

Effectively Monetizing Mobile Internet Growth

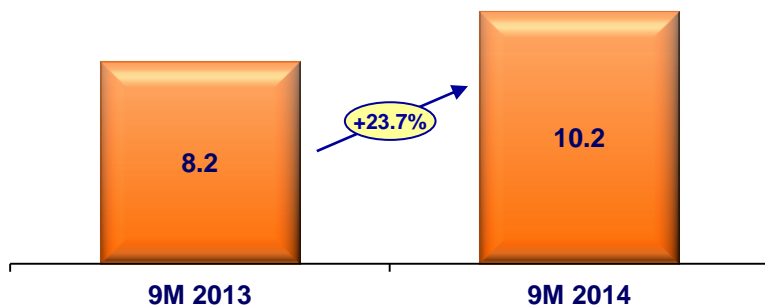
Mobile Internet Revenue

(€mln)



Mobile Internet CB*

(mln)



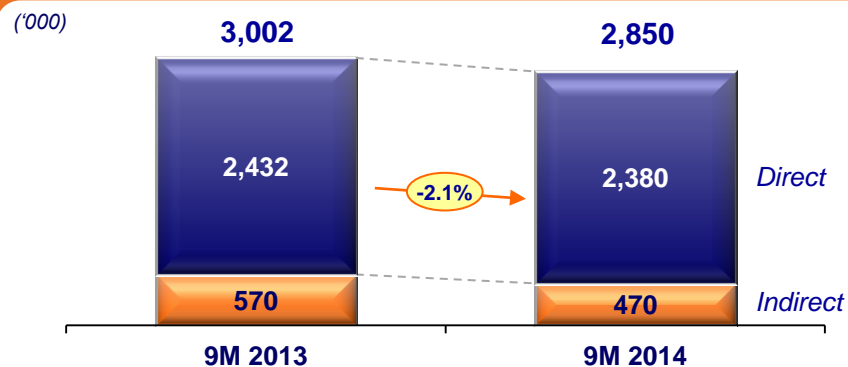
Highlights

- **Internet revenue continues to grow double digit** thanks to increased penetration of “All Inclusive” bundles in CB coupled with increased availability of less expensive smartphones in the market
- Increased penetration of instant messaging apps materially affects 9M 2014 SMS revenue, in line with other mature markets

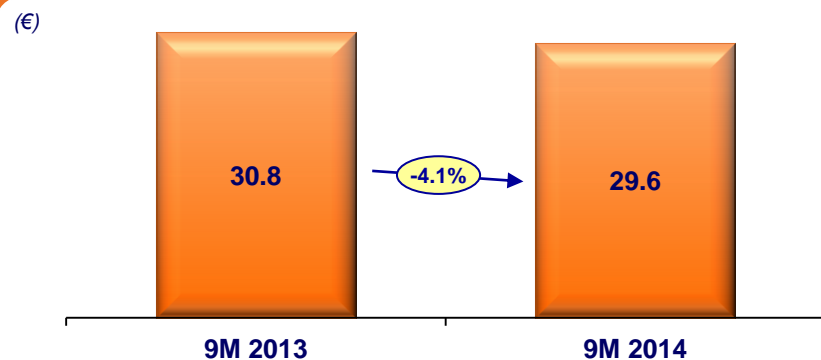
* Mobile Internet includes customers that have performed at least one mobile Internet event in the previous month

Leveraging the Solid Position in Fixed-Line

Voice Subscribers



ARPU



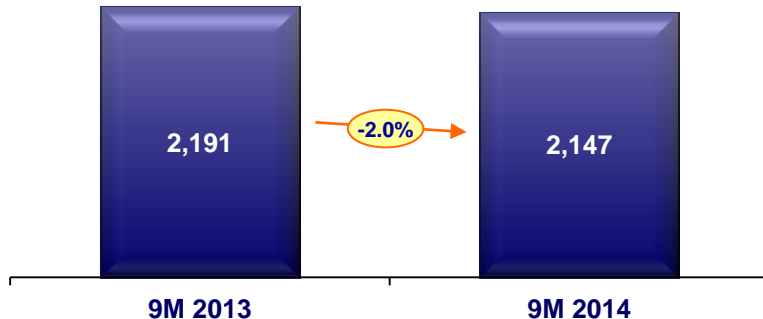
Highlights

- Fixed direct customers declining marginally as a result of fixed-to-mobile substitution and economic slowdown
- Fixed-line ARPU declines 4.1% YoY with the **growth in data ARPU** partially compensating the decrease in voice component affected by the decrease in out of bundle pay per use revenue

Actively Pursuing Fixed Broadband Opportunity

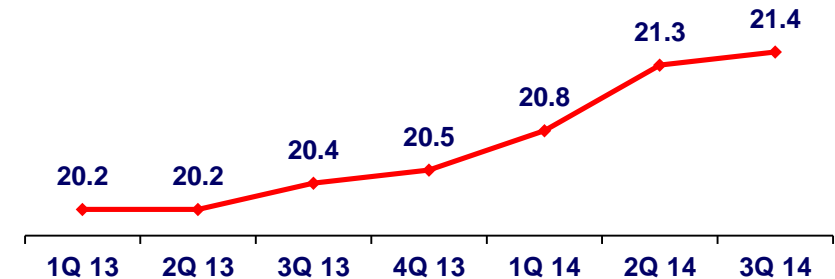
Broadband Subscribers

('000)



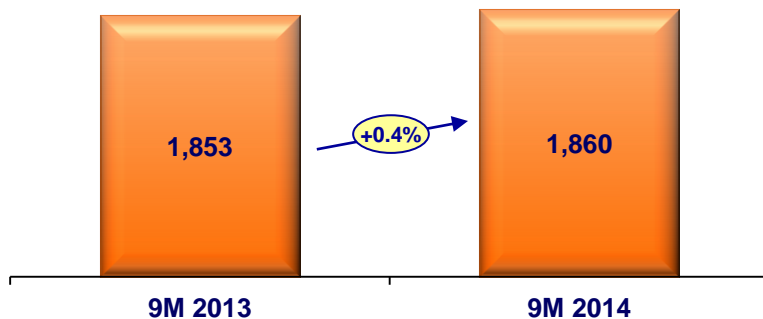
Broadband ARPU

(€)



Dual-play Subscribers

('000)



Highlights

- **Fixed Broadband customer base slightly declining** with increase in core LLU segment subscribers offset by the decline in the less profitable Bitstream segment, in line with the strategy focused on direct
- **BB ARPU increases** thanks to the increased penetration of higher value dual play customers

While Enhancing Cash Flow Generation

Cost Efficiency Measures

- **Insourcing - Solidarity** project launched in September 2014 in order to decrease labor cost and redesign organization increasing efficiency and effectiveness. The project will provide a saving of approximately € 40/50 million per year
- **Advertising synergies** and optimization across fixed and mobile with single testimonial leading to approximately 30% savings in 9M 2014 vs. 9M 2013
- Increased use of **more efficient pull channels**, such as shops and web, for all market segments and all services
- **Dealer commissioning optimization** based on quality, elimination of MNP token to dealers, leading to lowest SAC per gross add in the market

Tower Sale Project

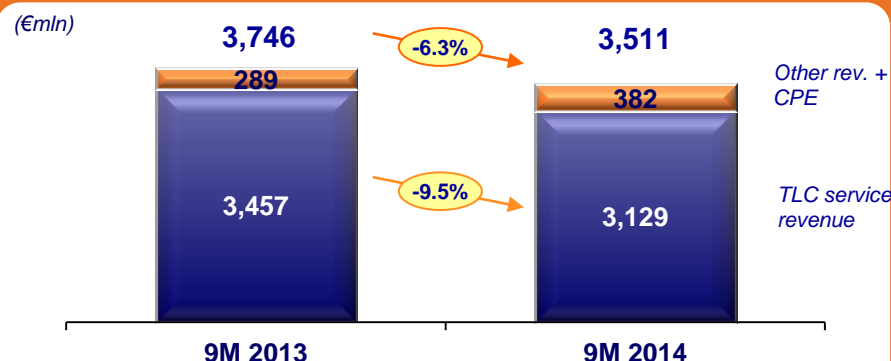
- WIND intends sell a portion of its towers to a **long term partner**
- Proceeds from the transaction will be fully applied to debt repayment with a positive impact on leverage and a further reduction in interest expenses
- Information Memorandum has been sent out to potential bidders, non-binding offers received on November 10th
- Transaction expected to close in **1Q 2015**

9M 2014 Financial Performance

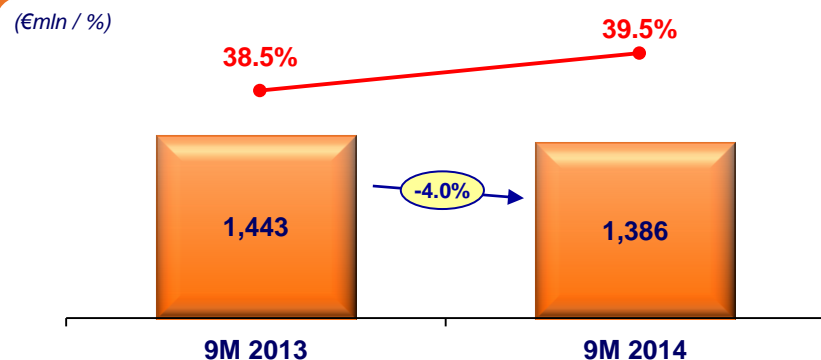


Revenue and EBITDA – Total

Total Revenues



EBITDA / Margin

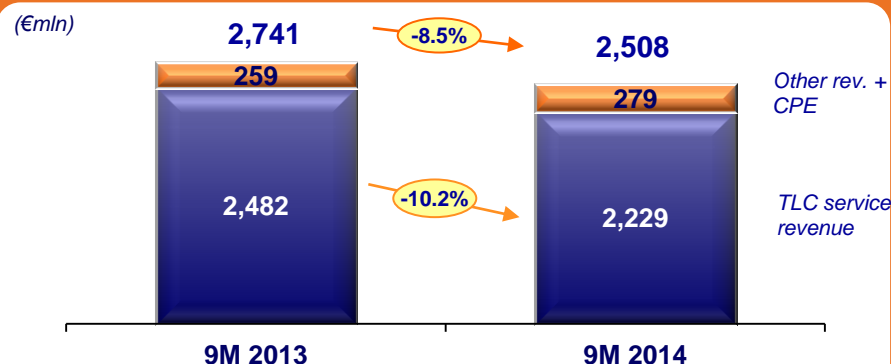


Highlights

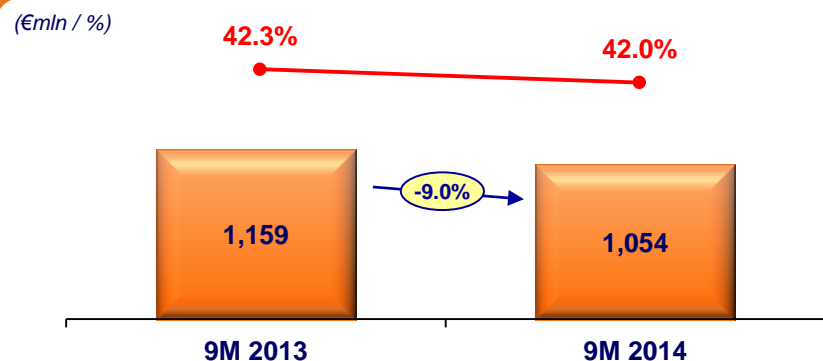
- 9M14 total revenue declines 6.3% YoY on a reported basis; net of certain transactions fully accounted in 3Q but with certain commercial impact attributable in 4Q, underlying decline is -7.6%
- Service revenue decreases 9.5% YoY as a combined result of the rolling cannibalization effect of 2013 price competition, material decline in SMS revenue and the MTR cut affecting the first 6 month of the year; significant improvement in trend in 3Q14
- EBITDA declines 4.0% YoY to €1,386 million; excluding the aforementioned transactions underlying EBITDA declines 7.5% with cost savings initiatives, which include an innovative insourcing and productivity plan, partially compensating the pressure on top line
- EBITDA margin at 39.5%** improving 1 p.p. YoY

Revenue and EBITDA – Mobile

Total Revenues



EBITDA / Margin

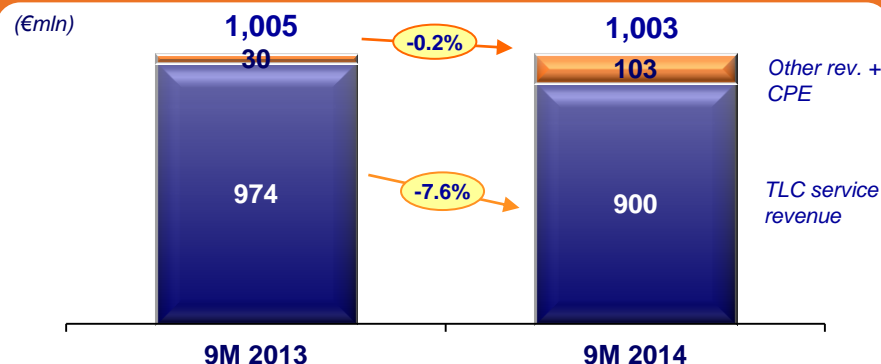


Highlights

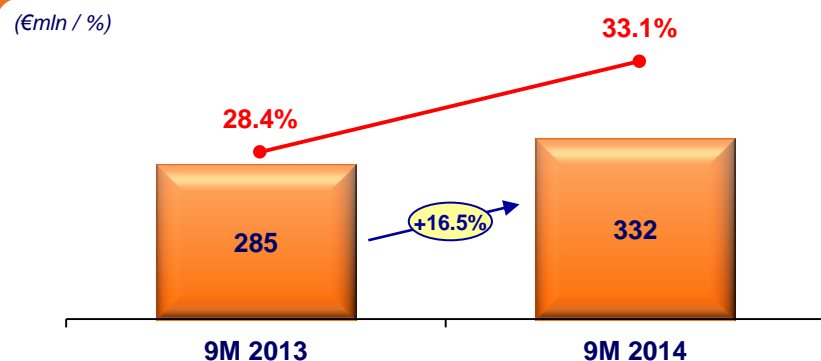
- Total mobile revenue declines 8.5% as a combined result of:
 - Strong mobile Internet revenue growth, up **18.2%**
 - Decline in voice revenue due to the intense price pressure in 2013, reduction in revenue from pay per use voice and SMS and MTR cut affecting the first 6 months of the year
- 3Q service revenue** -9.0% trend improving significantly vs. 2Q14 and 1Q14 (+2 p.p.)
- 9M 2014 EBITDA declines 9.0% mainly due to service revenue pressure. Excluding certain transactions EBITDA declines 8.0%
- EBITDA Margin stable at 42%**

Revenue and EBITDA – Fixed-Line

Total Revenues



EBITDA / Margin



Highlights

- Total fixed-line revenue is stable YoY with the decline in service revenue mainly, due to the lower fixed-line customer base and the ongoing decline in voice pay per use volumes resulting from fixed to mobile substitution, fully compensated by other revenue from certain transactions entered in the quarter
- **EBITDA at €332 million** with an underlying decline, net of above mentioned transactions, of 5.2% YoY
- **EBITDA margin** on an underlying basis remains stable YoY

P&L Highlights

(€mIn)	9M 2014	9M 2013	Change
			%
Revenues	3,290	3,650	(9.9)%
Other revenues	221	96	n.m.
Total Revenues	3,511	3,746	(6.3)%
EBITDA	1,386	1,443	(4.0)%
D&A	(914)	(951)	3.9%
EBIT	472	493	(4.2)%
Financial Income and expenses	(1,252)	(677)	n.m.
EBT	(780)	(185)	n.m.
Income Tax	119	(75)	n.m.
Net result	(661)	(259)	n.m.

- Net Result materially affected by 2014 refinancing related costs, net of which Net Result is in line with 9M 2013

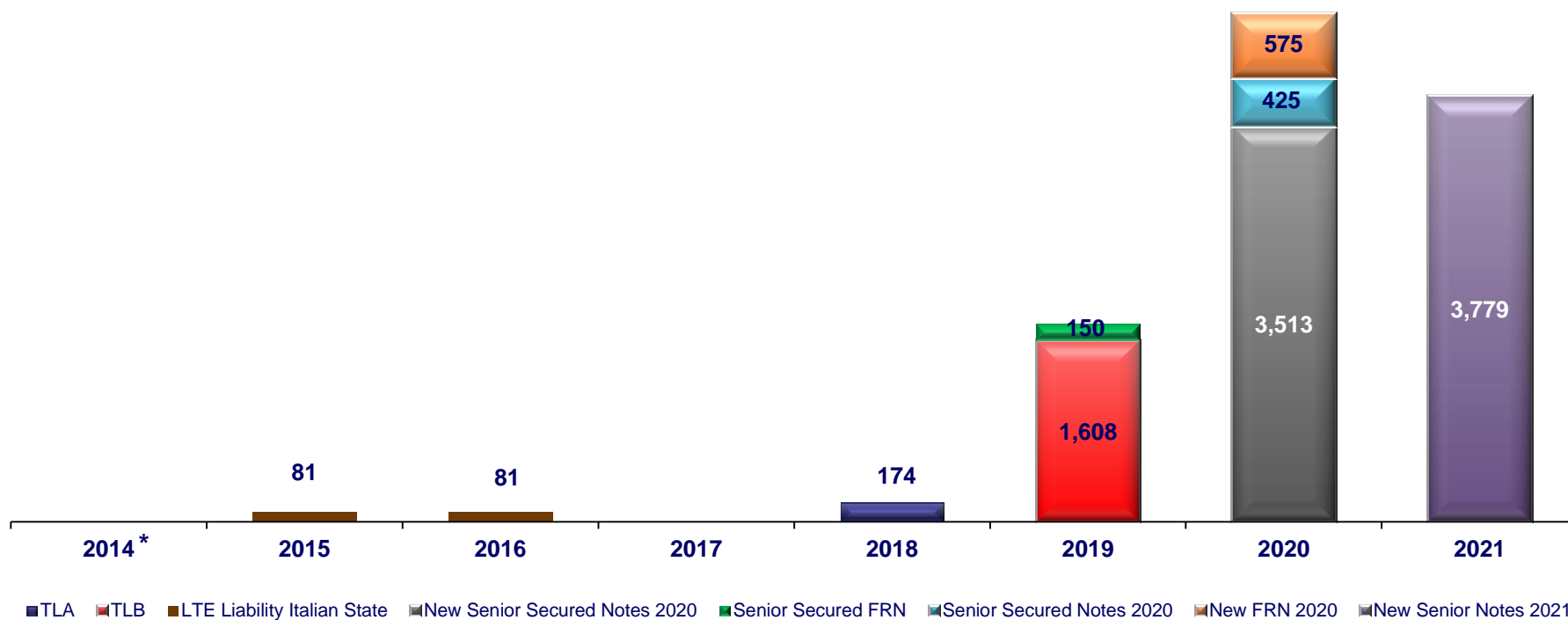
Capitalization

(€m/n)	As of December 31, 2013	As of Sept 30, 2014	Sept 30, 2014/ LTM EBITDA
Cash and Equivalents	(141)	(143)	(0.1x)
Bank Loan	2,420	1,868	1.0x
Total Bank Debt	2,279	1,725	0.9x
Senior Secured Notes 2018	3,133	-	-
Senior Secured Notes 2019	150	149	0.1x
Senior Secured Notes 2020	400	4,620	2.4x
Total Bank Loan + SSN	5,962	6,494	3.4x
Senior Notes 2017	2,779	-	-
Senior Notes 2021		4,046	2.1x
Ministry LTE Liability	250	255	0.1x
Derivatives and Other	154	89	0.0x
Total Net Debt excluding Intercompany Loan	9,145	10,883	5.77x
Intercompany Loan to WAHF		(968)	(0.5x)
Total Net Debt	9,145	9,915	5.26x
<i>Cash Net Debt</i>	<i>9,013</i>	<i>9,809</i>	
<i>Interest Accrued</i>	<i>217</i>	<i>192</i>	
<i>Fees to be amortized</i>	<i>(240)</i>	<i>(175)</i>	
<i>Derivatives MTM and Other</i>	<i>154</i>	<i>89</i>	
LTM EBITDA			1,886

Debt Maturity Profile

9M 2014

(€mln)



Thank you