

**Wind Acquisition Finance S.A.****€1,250,000,000 11¾% Senior Notes due 2017****\$2,000,000,000 11¾% Senior Notes due 2017****Guaranteed on a senior subordinated basis by  
WIND Telecomunicazioni S.p.A. and WIND INTERNATIONAL SERVICES S.p.A.**

WIND Acquisition Finance S.A., incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, having its registered office at 125, Avenue du X Septembre, L-2551 Luxembourg, and registered with the Luxembourg trade and companies register under number B109.825 (the “*Issuer*” or “*WAF S.A.*”) and owned 73% by a charitable trust and 27% by WIND Telecomunicazioni S.p.A., a *società per azioni* incorporated and existing under the laws of Italy (the “*Company*” or “*WIND*”), is offering (the “*Offering*”) €1,250,000,000 aggregate principal amount of its 11¾% Senior Notes due 2017 (the “*Euro Notes*”) and \$2,000,000,000 aggregate principal amount of its 11¾% Senior Notes due 2017 (the “*Dollar Notes*” and together with the Euro Notes, the “*Notes*”). The Issuer will pay interest on the Notes semi-annually on each January 15 and July 15, commencing January 15, 2010. Prior to July 15, 2013, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant “make-whole” premium. At any time on or after July 15, 2013, the Issuer may redeem all or part of the Notes by paying a specified premium to you. In addition, prior to July 15, 2012, the Issuer may redeem at its option up to 35% of the Notes with the net proceeds from certain equity offerings. If the Issuer or the Company undergoes a change of control or sells certain of its assets, the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

The Notes will be senior debt of the Issuer and will rank *pari passu* in right of payment to all of the Issuer’s existing and future senior indebtedness, including its Senior Notes due 2015. The Notes initially will be guaranteed on a senior subordinated basis (the “*Note Guarantees*”) by the Company and its subsidiary, WIND INTERNATIONAL SERVICES S.p.A., a *società per azioni* incorporated and existing under the laws of Italy (“*WIS*” and, together with WIND, the “*Guarantors*”).

This Offering Memorandum includes information on the terms of the Notes and Note Guarantees, including redemption and repurchase prices, security, covenants and transfer restrictions.

We have applied to have the Notes admitted to listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF.

Each of the Euro Notes and the Dollar Notes will be issued with original issue discount for U.S. federal income tax purposes.

**Investing in the Notes involves a high degree of risk. See “Risk Factors” beginning on page 23.**

**We have not registered the Notes or the Note Guarantees under the U.S. federal securities laws or the securities laws of any other jurisdiction. The Notes are being offered and sold only to qualified institutional buyers in accordance with Rule 144A under the U.S. Securities Act of 1933, as amended, and to non-U.S. persons outside the United States in accordance with Regulation S under the U.S. Securities Act of 1933, as amended. See “Notice to Investors” for additional information about eligible offerees and transfer restrictions.**

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**Euro Notes Price: 96.271% plus accrued interest from the issue date.**  
**Dollar Notes Price: 97.492% plus accrued interest from the issue date.**

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We expect that the Notes will be delivered in book-entry form on or about July 13, 2009, against payment in immediately available funds.

*Joint Global Coordinators and Lead Bookrunners*

**Deutsche Bank****Credit Suisse****Banca IMI***Joint Bookrunners*

BNP PARIBAS

CALYON

Citi

Goldman Sachs International

J.P. Morgan

MPS Capital Services

RBS

UniCredit Group (HVB)

*Co-lead Managers*

Banca Akros S.p.A.

ING Wholesale Banking

Mediobanca S.p.A.

Merrill Lynch International

Natixis

The date of this offering memorandum is July 1, 2009.

## IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

We and the Issuer have prepared this offering memorandum (the “*Offering Memorandum*”) based on information we have or have obtained from sources we believe to be reliable. Summaries of documents contained in this Offering Memorandum may not be complete. We will make copies of actual documents available to you upon request. None of us, the Issuer, Deutsche Bank AG, London Branch, Credit Suisse Securities (Europe) Limited, Banca IMI S.p.A., or the other initial purchasers named under “Plan of Distribution” (collectively, the “*Initial Purchasers*”), represent that the information herein is complete. The information in this Offering Memorandum is current only as of the date on the cover, and our business or financial condition, the business and financial condition of the Issuer and other information in this Offering Memorandum may change after that date. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this Offering Memorandum is not legal, tax or business advice.

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Issuer nor the Initial Purchasers have authorized anyone to provide you with any different information.

The Issuer is offering the Notes, and the Guarantors are issuing the Note Guarantees, in reliance on an exemption from registration under the U.S. Securities Act of 1933, as amended (the “*U.S. Securities Act*”) for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under “Notice to Investors.” You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Issuer nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. Neither we nor the Issuer make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Issuer nor the Initial Purchasers shall have any responsibility therefor.

Neither the U.S. Securities and Exchange Commission, any U.S. state securities commission nor any non-U.S. securities authority nor other authority has approved or disapproved of the Notes or determined if this Offering Memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We accept responsibility for the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to the Issuer, WIND and its subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts, the omission of which would make this Offering Memorandum or any statement contained herein misleading in any material respect.

We and the Issuer have prepared this Offering Memorandum solely for use in connection with the offer of the Notes to qualified institutional buyers under Rule 144A under the U.S. Securities Act and to non-U.S. persons (within the meaning of Regulation S under the U.S. Securities Act) outside the United States under Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in

confidence. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

We, the Issuer and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

The information contained under the caption “Exchange Rate Information” includes extracts from information and data publicly released by official and other sources. While we and the Issuer accept responsibility for accurately summarizing the information concerning exchange rate information, we and the Issuer accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled “Book-Entry, Delivery and Form,” is subject to change in or reinterpretation of the rules, regulations and procedures of The Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V. (“Euroclear”) or Clearstream Banking, *société anonyme* (“Clearstream”) currently in effect. While we and the Issuer accept responsibility for accurately summarizing the information concerning DTC, Euroclear and Clearstream, we and the Issuer accept no further responsibility in respect of such information.

We and the Issuer cannot guarantee that our application for the admission of the Notes to trading on the Euro MTF and to listing of the Notes on the Official List of the Luxembourg Stock Exchange, will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See “Notice to Investors.”

#### STABILIZATION

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH (THE “*STABILIZING MANAGER*”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF**

**THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

**UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE**

**PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, THE ISSUER HEREBY INFORMS YOU THAT THE DESCRIPTION SET FORTH HEREIN WITH RESPECT TO U.S. FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

## NOTICE TO CERTAIN EUROPEAN INVESTORS

**European Economic Area** This Offering Memorandum has been prepared on the basis that all offers of the Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the “*Prospectus Directive*”), as implemented in member states of the European Economic Area (the “*EEA*”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for us, the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither we, nor the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a “*Relevant Member State*”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”), the offer is not being made and will not be made to the public of any Notes which are the subject of the Offering contemplated by this Offering Memorandum in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; provided that no such offer of the Notes shall require us, the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “*offer of Notes to the public*” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**United Kingdom** This Offering Memorandum is directed solely at persons who (i) are outside the United Kingdom or (ii) are investment professionals, as such term is defined in Article 19(1) of the Financial Promotion Order (iii) are persons falling within Article 49(2)(a) to (d) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as “*relevant persons*”). This Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

**Italy** No action has been or will be taken which could allow an offering of the Notes to the public in the Republic of Italy. Accordingly, the Notes may not be offered or sold directly or indirectly in the Republic of Italy, and neither this Offering Memorandum nor any other offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer, the guarantors of the Notes or the Notes may be issued, distributed or published in the Republic of Italy, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations. The Notes cannot be offered or sold to any natural persons nor to entities other than qualified investors (according to the definition provided for by the Prospectus Directive) either on the primary or on the secondary market.



For a further description of certain restrictions on offers and sales of the Notes and the distribution of this Offering Memorandum in the Republic of Italy, see “Notice to Investors.”

**Switzerland** The Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This Offering Memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

**The Netherlands** The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another member state of the European Union (the “EU”). Article 5:3 Financial Supervision Act (the “FSA”) and article 53 paragraph 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

**Grand Duchy of Luxembourg** The terms and conditions relating to this Offering Memorandum have not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg (“Luxembourg”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Offering Memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except for the sole purpose of the admission to trading and listing of the Notes on the Official List of the Luxembourg Stock Exchange and except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities.

**Austria** This Offering Memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither this Offering Memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this Offering Memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

**Germany** The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No 809/2004 of April 29, 2004 as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. The Offering Memorandum has not been approved under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or the Directive 2003/71/EC and accordingly the Notes may not be offered publicly in Germany.

**France** This Offering Memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code Monétaire et Financier* and Title I of Book II of the *Règlement Général* of the *Autorité des marchés financiers* (the “AMF”) and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint*)

*d'investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L. 411-2 and D. 411-1 of the *Code of Monétaire et Financier*. Neither this Offering Memorandum nor any other offering material may be distributed to the public in France.

**Spain** This offering has not been registered with the Comisión Nacional del Mercado de Valores (the “CNMV”) and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act (“*Ley 24/1988, de 28 de julio del Mercado de Valores*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*”).

**THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.**

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “plan,” “potential,” “predict,” “projected,” “should,” or “will” or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industries in which we and the members of our group operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash to service our debt, to control and finance our capital expenditures and operations;
- our ability to raise additional financing;
- risks associated with our structure, this Offering, and our other indebtedness;
- our relationship with our shareholders;
- risks related to our business, our strategy, or our expectations about growth in demand for our products and services and about our business operations, financial condition and results of operations;
- the accuracy of any guidance provided as to our future results of operations;
- risks related to our competitive position;
- changes in local and global economic conditions, developments in financial markets and their impact on consumer spending and our ability to raise financing on terms acceptable to us;
- our ability to maintain, continue to grow and increase the profitability of our mobile and fixed-line businesses;
- our ability to attract new mobile subscribers and retain existing mobile subscribers, including by offering mobile Internet at competitive prices;
- our ability to recoup expenditures relating to investments in UMTS and HSDPA technologies;
- risks associated with our dependence on third-party telecommunications providers for international mobile services;



- the status of and trends anticipated changes in the telecommunications markets in which we operate;
- our ability to respond to changes in consumer preferences by developing and introducing competitive products and services based on new technologies on a timely basis;
- our ability to continuously upgrade our existing network;
- our ability to maintain our licenses and permits for the key technologies underlying our service offerings and other licenses and permits necessary for the conduct of our business;
- our ability to establish and maintain distribution channels;
- changes in the political, fiscal, administrative and regulatory framework in which we operate, including regulatory developments with respect to tariffs, conditions of interconnection and access, LLU model, and legal developments with respect to consumer protection laws, tax laws and regulations as well as their interpretation;
- our ability to protect our equipment and network systems and avoid service disruptions;
- our ability to maintain our relationships with our equipment and telecommunications providers and certain of our customers, including ENEL S.p.A. (“*ENEL*”);
- our ability to attract and retain key personnel;
- the impact of decreased mobile communications usage, litigation or stricter regulation arising from actual or perceived health risks or other problems;
- infringement by us of the intellectual property rights of others;
- the status and outcome of pending litigation, legal or regulatory actions, and impact of any new litigation, legal or regulatory actions we may become party to or litigation, legal or regulatory actions to which we may be subject;
- the outcome of the audit by the Italian Tax Authority in relation to the application of withholding taxes to certain of our interest payment obligations;
- our ability to prevent labor disputes and work stoppages;
- our ability to maximize operational efficiency and benefit from synergies as a Weather Group company; and
- other factors discussed in this Offering Memorandum.

We urge you to read the sections of this Offering Memorandum entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Industry Overview” and “Business” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

## PRESENTATION OF FINANCIAL INFORMATION

Our audited consolidated financial statements as of and for the years ended December 31, 2006, 2007 and 2008 and as of and for the three-month periods ended March 31, 2008 and 2009 included in this Offering Memorandum have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”). Our consolidated interim financial statements as of and for the three-month periods ended March 31, 2008 and 2009 are unaudited and all information contained in this Offering Memorandum with respect to these periods is also unaudited. Information for the twelve months ended March 31, 2009 is calculated by taking the results of operations for the three months ended March 31, 2009 and adding it to the difference between the results of operations for the full year ended December 31, 2008 and the three months ended March 31, 2008.

The audited annual accounts of the Issuer as of and for the years ended December 31, 2006, 2007 and 2008 and the unaudited interim financial information as of and for the three-month period ended March 31, 2009 included elsewhere in this Offering Memorandum have been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of annual accounts. The interim financial information of the Issuer as of and for the three-month period ended March 31, 2009 is unaudited and all information contained in this Offering Memorandum with respect to this period is also unaudited.

Our consolidated financial statements and the financial statements of the Issuer are presented in euro.

This Offering Memorandum includes consolidated financial data which has been adjusted to reflect certain effects of the Refinancing Transactions on the financial position and net financial expenses of WIND as of and for the twelve months ended March 31, 2009. The consolidated adjusted financial data has been prepared for illustrative purposes only and does not purport to represent what the actual financial position or net financial expenses of WIND would have been if the Refinancing Transactions had occurred (i) on March 31, 2009 for the purposes of the calculation of the net financial position and (ii) on April 1, 2008 for the purposes of the calculation of net financial expenses, nor does it purport to project WIND’s financial position and net financial expenses at any future date. The unaudited adjustments and the unaudited adjusted financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

This Offering Memorandum contains non-IFRS measures and ratios, including EBITDA and normalized EBITDA, net financial indebtedness and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-IFRS measures and ratios such as EBITDA and normalized EBITDA, net financial indebtedness and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to operating income or net profit or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

IFRS differs in certain respects from U.S. GAAP. For a discussion on the differences between IFRS and U.S. GAAP, see Appendix B.

Certain numerical figures set out in this Offering Memorandum, including financial data presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary

slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are calculated using the numerical data in the consolidated financial statements of WIND or the tabular presentation of other data (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

## CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to “euro,” “EUR” or “€” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to “U.S. dollars,” “USD” and “\$” are to the lawful currency of the United States of America.

### Definitions

As used in this Offering Memorandum:

- “*2015 Note Guarantees*” collectively refers to the guarantees issued by each of WIND and WIS on a senior subordinated basis guaranteeing the 2015 Notes.
- “*2015 Notes*” refers to the Original 2015 Notes and the Additional 2015 Notes.
- “*2015 Notes Indenture*” refers to the indenture dated November 28, 2005, governing the 2015 Notes by and among the Issuer, WIND and WIS, as guarantors, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent, as amended and supplemented from time to time.
- “*2015 Notes Proceeds Loans*” collectively refers to the Original 2015 Notes Proceeds Loan and the Additional 2015 Notes Proceeds Loan.
- “*Acquisition*” refers to the acquisition of the 62.75% ownership stake in WIND from ENEL by Weather on August 11, 2005.
- “*Additional 2015 Notes*” refers to the €125,000,000 aggregate principal amount of 9¾% Senior Notes due 2015 and \$150,000,000 aggregate principal amount of 10¾% Senior Notes due 2015 of the Issuer, issued March 1, 2006.
- “*Additional 2015 Notes Proceeds Loan*” refers to the loan dated March 1, 2006 from the Issuer, as lender, to WIND, as borrower.
- “*Company*” or “*WIND*” refers to WIND Telecomunicazioni S.p.A..
- “*Indenture*” refers to the indenture to be dated on or about the Issue Date governing the Notes by and among the Issuer, WIND and WIS, as guarantors, The Bank of New York Mellon, as trustee, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg Paying Agent.
- “*Issue Date*” means the date of original issuance of the Notes.
- “*Issuer*” or “*WAF S.A.*” refers to Wind Acquisition Finance S.A.
- “*Note Guarantees*” collectively refers to the guarantees issued by each of WIND and WIS on a senior subordinated basis guaranteeing the Notes.
- “*Notes Proceeds Loan*” refers to the loan from the Issuer to WIND of the proceeds from the issuance of the Notes on the date of the closing of the Offering.
- “*Original 2015 Notes*” refers to the €825,000,000 aggregate principal amount of 9¾% Senior Notes due 2015 and \$500,000,000 aggregate principal amount of 10¾% Senior Notes due 2015

of the Issuer, issued on November 28, 2005. See “Description of Certain Financing Arrangements—2015 Notes.”

- “*Original 2015 Proceeds Loan*” refers to the loan, dated November 28, 2005, from the Issuer, as lender, to WIND, as borrower. See “Description of Certain Financing Arrangements—2015 Notes.”
- “*PIK Loan Agreement*” refers to the agreement dated December 12, 2006, among, *inter alia*, Wind Acquisition Holdings Finance S.A., as borrower, WAHF, as guarantor, Deutsche Bank AG, London Branch, IMI Finance Luxembourg S.A., Citibank N.A., London Branch and Credit Suisse, London Branch, as underwriters, and Deutsche Bank AG, London Branch, as security agent.
- “*PIK Loans*” refers to PIK loans borrowed under the PIK Loan Agreement, which are contemplated to be prepaid from the proceeds the Offering as described in “Use of Proceeds.”
- “*Priority Agreement*” refers to the agreement dated August 11, 2005 by and between among others, the creditors and agents under the Senior Credit Facilities, the Second Lien Notes, the 2015 Notes, certain hedging counterparties, and the security agent. In addition, the security agent, creditors and agents under the Senior Credit Facilities, Second Lien Notes, 2015 Notes and PIK Loans entered into a supplemental priority agreement (the “*Supplemental Priority Agreement*”) dated as of August 11, 2005 and amended and restated on September 29, 2005. References to the “Priority Agreement” will mean, collectively, the Priority Agreement and the Supplemental Priority Agreement, each as amended and restated from time to time.
- “*Revolving Credit Facility*” refers to the revolving credit facility arranged for under the Senior Credit Facilities.
- “*Second Lien Notes*” refers to the Second Lien Notes issued under the Second Lien Subscription Agreement.
- “*Second Lien Subscription Agreement*” dated September 29, 2005, among, *inter alia*, Wind Finance SL S.A., as issuer, WAHF, WIND, as guarantor, and The Royal Bank of Scotland plc, Milan Branch, as facility agent, and ABN AMRO Bank N.V., as security agent, as amended and supplemented from time to time. See “Description of Certain Financing Arrangements—Wind Finance SL S.A. Second Lien Notes.”
- “*Senior Facilities Agreement*” and “*Senior Credit Facilities*” refer, respectively, to the senior facilities agreement dated May 26, 2005, among, *inter alia*, ABN AMRO Bank N.V., Milan Branch, Deutsche Bank AG, London Branch, and SANPAOLO IMI S.p.A., as original lenders, ABN AMRO Bank N.V., Deutsche Bank AG, London Branch and SANPAOLO IMI S.p.A., as arrangers, and The Royal Bank of Scotland plc, Milan Branch, as facility agent, and ABN AMRO Bank N.V., as security agent, and WAHF, as amended and restated from time to time. See “Description of Certain Financing Arrangements—Senior Credit Facilities.”
- “*Second Lien Note Issuance Facility*” refers to the Second Lien Note issuance facility issued under the Second Lien Subscription Agreement.
- “*Trustee*” refers to The Bank of New York Mellon, as trustee under the 2015 Notes Indenture and the Indenture.
- “*WAHF*” or “*Parent*” refers to Wind Acquisition Holdings Finance S.p.A., WIND’s direct parent company.
- “*Weather*” refers to Weather Investments S.p.A., WAHF’s direct parent company.
- “*Weather Group*” refers to Weather and its consolidated subsidiaries.

- “*we*,” “*us*,” “*our*,” and “*group*” refers to WIND, its subsidiaries and other entities consolidated for the purposes of IFRS, including the Issuer, unless the context otherwise requires.
- “*WIS*” refers to WIND INTERNATIONAL SERVICES S.p.A., which was formerly named TLC SERVIZI S.p.A.

## INDUSTRY, MARKET AND SUBSCRIBER DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the market in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Offering Memorandum were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

In addition, in many cases, we have made statements in this Offering Memorandum regarding the Italian telecommunications industry, our position in the industry, our market share and the market shares of various industry participants based on our internal estimates, experience, our own investigation of market conditions and our review of industry publications, including information made available to the public by our competitors.

We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information have been verified by any independent sources. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Offering Memorandum relating to the operations, financial results or subscriber base of Telecom Italia, Vodafone, Hutchison 3G, Fastweb and Tiscali has been obtained from information made available to the public in such companies' publicly-available reports and independent research. Neither we nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

The subscriber data included in this Offering Memorandum, including penetration rates, average revenue per user ("*ARPU*"), average minutes of use ("*AMOU*") per mobile subscriber and per fixed-line subscriber, subscriber numbers, our market share and churn rates are derived from management estimates, are not part of our financial statements or financial accounting records and have not been audited or otherwise reviewed by outside auditors, consultants or experts. Our use or computation of the terms *ARPU*, *AMOU* or churn may not be comparable to the use or computation of similarly titled measures reported by other companies in the telecommunications industry. Neither *ARPU* nor *AMOU* should be considered in isolation or as an alternative measure of performance under IFRS. *ARPU* and *AMOU* are non-IFRS measures.

We calculate the market share for our mobile business by taking the total number of our subscribers as a percentage of the total number of subscribers in the Italian market (which we calculate by adding the total number of our subscribers to the number of subscribers disclosed by each of the mobile network operators in their publicly available reports as of a given date), in each case excluding the market share represented by mobile virtual network operators or "MVNOs." Based on our internal estimates, MVNOs had an aggregate market share of 1.5% and 1.9% based on number of subscribers as of December 31, 2008 and March 31, 2009, respectively.

### *ARPU*

We believe that *ARPU* provides useful information concerning the appeal and usage patterns of our rate plans and service offerings and our performance in attracting and retaining high-value subscribers of mobile, fixed-line voice and data and broadband subscribers. For purposes of calculating mobile *ARPU*, total mobile revenue includes outgoing and incoming voice revenue, voice- and data-related VAS revenue (including voicemail, SMS and MMS), roaming revenue, mobile Internet revenue and other telecommunications revenue, but does not include revenue from the sale of



customer premises equipment (such as handsets and modems) and does not include revenue from non-telecommunications services.

For purposes of calculating fixed-line ARPU, total fixed-line revenue includes outgoing and incoming voice revenue, voice-related VAS revenue, fixed-line Internet and data revenue and other telecommunications revenue, but does not include revenue from outsourcing (certain revenue from services such as revenue for special projects with corporate subscribers) and from the sale of modems, Private Automatic Branch Exchanges and other customer premises equipment nor does it include revenue from non-telecommunications services.

We define total mobile ARPU as the measure of the sum of our mobile revenues in the period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

We define mobile voice ARPU as the measure of the sum of the mobile voice revenues in the period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period. Mobile voice ARPU consists of incoming and outgoing voice revenue, voice VAS, voice roaming revenue and voice-related other telecommunications revenue.

We define mobile data ARPU as the sum of the mobile data revenue in the period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in the period. Mobile data ARPU consists of Internet services on our mobile network, all VAS non-voice revenues, data roaming revenue and data-related other telecommunications revenue.

We define total fixed-line ARPU as the measure of the sum of our fixed-line revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period. We do not include the total number of Internet-only subscribers in the average number of subscribers for this calculation.

We define fixed-line voice ARPU as the measure of the sum of our fixed-line voice revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period.

We define fixed-line data ARPU as the measure of the sum of our fixed-line data revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period.

We define broadband ARPU as the measure of the sum of the broadband revenues in the period divided by the average number of broadband subscribers in the period (the average of each month's average number of broadband subscribers (calculated as the average of the total number of

broadband subscribers at the beginning of the month and the total number of broadband subscribers at the end of the month)) divided by the number of months in that period.

### *AMOU*

We define AMOU in a certain period as the sum of the total traffic (in minutes) in a certain period divided by the average number of subscribers for the period (the average of each month's average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period.

### *Subscribers*

We report the number of subscribers in our mobile business based on the number of Subscriber Identity Module cards ("*SIM cards*") in use. In our fixed-line business, we report (i) the number of our wholesale line rental, or "WLR," subscribers and our carrier pre-selection subscribers (both of which are among our indirect subscribers) and (ii) all of our direct subscribers based on the number of active contracts signed. We report the number of our carrier selection subscribers (which, together with our WLR subscribers and carrier pre-selection subscribers, constitute our indirect subscriber base) based on the number of customers who have active contracts signed with us and who have made at least one carrier selection call in the last three months. Subscriber numbers should not be equated with the actual number of individuals or businesses using our services.

Subscribers with respect to whom payment is made in advance of our providing services are counted as pre-paid subscribers and subscribers with respect to whom payment is made periodically following our providing services are counted as post-paid subscribers. Pre-paid mobile subscribers are counted in our subscriber base if they have activated a WIND SIM card in the last 12 months (with respect to new subscribers) or if they have recharged their mobile telephone credit in the last 12 months and have not requested that their SIM card be deactivated and have not switched to another telecommunications operator via mobile number portability during this period (with respect to our existing subscribers), unless a fraud event occurs. Post-paid subscribers are counted in our subscriber base if they have an active contract unless a fraud event has occurred or the subscription is deactivated due to payment default or because they have requested and obtained through mobile number portability a switch to another telecommunications operator.

### *Churn*

The rate at which subscribers are disconnected from our network, or are removed from our subscriber count due to inactivity, fraud or payment default is referred to as our "churn" rate. Churn is calculated by dividing the total number of subscriber disconnections (including subscribers who disconnect and reactivate with us later with a different WIND SIM card) for a given period by the average number of subscribers for that period (the average of each month's average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period. A pre-paid mobile subscriber is deemed to have churned if he/she has not recharged his/her mobile credit in the last 12 months, has requested to have his/her SIM card deactivated or has requested and obtained through mobile number portability a switch to another telecommunications operator or if a fraud event occurs. A post-paid subscriber is deemed to have churned when he/she requests that his/her SIM card is deactivated or due to payment default or has requested and obtained through mobile number portability a switch to another telecommunications operator or a fraud event has occurred.

Churn activity affects various key performance indicators, including total subscribers and ARPU levels. A churn policy that is more expansive in its determination of when a subscriber is deemed to have churned may result in a reduction of total subscribers, an increase in churn rate and potentially higher ARPUs. As a result, such data and any related comparisons of us to other operators included in this Offering Memorandum may not accurately reflect our competitive position and the competitive positions of other such operators.

#### *Penetration Rates*

Access to telecommunication services in the Italian mobile market is referred to as “penetration” of the market. In this Offering Memorandum, penetration rate presented as of each period-end is calculated by dividing the total number of SIM cards of all industry participants at such date (based upon market research reports and information made available by operators’ publicly available reports) by the Italian population from figures obtained from the National Institute of Statistics (*Istituto Nazionale di Statistica*) as of the applicable period-end (except for the penetration rates as of March 31, 2009, which is calculated using Italian population figures as of December 31, 2008) and expressing such calculation as a percentage. Penetration rate calculations include multiple SIM cards of customers who have more than one SIM card.

The website URLs included in this Offering Memorandum are for inactive textual reference only. The information on the referenced websites is not incorporated herein and does not form a part of this Offering Memorandum.

#### **TRADEMARKS**

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own, have rights to use or have prospective rights to use that appear in this Offering Memorandum include “WIND,” “Infostrada,” “Libero,” “NoiWind” (in respect of which we recently filed an application for renewal), “MondoWIND,” “Noi 2” and the “W” logo designed in the shape of a wave that appears as part of the “WIND” logo, each of which are registered in Italy and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of our relevant business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of their owners.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. None of WIND, the Issuer or the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on June 30, 2009 was \$1.41 per €1.00.

	U.S. dollars per €1.00			
	High	Low	Average	Period End
<b>Year</b>				
2004 . . . . .	1.36	1.18	1.24	1.36
2005 . . . . .	1.35	1.17	1.24	1.18
2006 . . . . .	1.33	1.18	1.26	1.32
2007 . . . . .	1.49	1.29	1.37	1.46
2008 . . . . .	1.60	1.25	1.47	1.40
<b>Month</b>				
December 2008 . . . . .	1.44	1.26	1.35	1.39
January 2009 . . . . .	1.40	1.28	1.33	1.28
February 2009 . . . . .	1.31	1.26	1.28	1.27
March 2009 . . . . .	1.36	1.25	1.30	1.32
April 2009 . . . . .	1.35	1.29	1.32	1.32
May 2009 . . . . .	1.41	1.33	1.37	1.41
June 2009 . . . . .	1.43	1.38	1.40	1.41

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## SUMMARY

*This summary highlights selected information about WIND, the Issuer and the Offering contained in this Offering Memorandum. This summary is not complete does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the consolidated financial statements of WIND, the financial statements of the Issuer and the related notes therein. You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption "Risk Factors." Please see page A-1 of this Offering Memorandum for a glossary of technical terms used in this Offering Memorandum.*

## Our Business

### Overview

We are a leading Italian telecommunications operator offering mobile, Internet, fixed-line voice and data products and services to consumer and corporate subscribers. Our mobile business is the third largest in Italy based on number of subscribers, with 17.2 million subscribers as of March 31, 2009, an increase of 2.5 million subscribers from December 31, 2006. Our fixed-line business, which includes Internet, voice and data services, is the second largest in Italy based on revenue, with 1.9 million Internet subscribers and 2.7 million voice subscribers as of March 31, 2009. We offer our products and services, which include bundled mobile and fixed-line telecommunications products and services, over our integrated network. For the twelve months ended March 31, 2009, we generated total revenue of €5,587 million and had EBITDA of €2,022 million. For the twelve months ended March 31, 2009, our mobile and fixed-line businesses comprised 67.1% and 32.9% of our total revenues, respectively, and 83.4% and 16.6% of our EBITDA, respectively. See "Presentation of Financial Information" and "—Summary of Historical Consolidated Financial Information."

We market our mobile services through our "WIND" brand and have increased our share of the Italian telecommunications market to approximately 19.1% as of March 31, 2009 from approximately 17.7% as of March 31, 2008, based on total number of subscribers. We are able to leverage our "value for money" positioning and corresponding offerings to attract subscribers from our competitors and gain market share. The Italian market, while competitive, lacks the barriers to customer acquisitions applicable in other markets due to the limited presence of long-term contracts and very limited handset subsidies. We provide voice, network access, international roaming and value added services, or VAS, as well as mobile Internet services, to our 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 our mobile subscribers are pre-paid subscribers.

We are the leading alternative fixed-line operator in Italy based on revenue. We market our fixed-line voice, broadband and data services primarily through our "Infostrada" brand and offer our Internet services, including narrowband (dial-up) access and our Internet portal services, primarily through our "Libero" brand. We believe that the Italian fixed-line market provides for a favorable competitive environment as a result of the cost structure associated with local loop unbundling ("LLU"), the low broadband penetration rates and the absence of a cable television infrastructure. We are the third largest broadband access provider in Italy by number of subscribers as of December 31, 2008. We believe that our integrated nationwide telecommunications network, in combination with



LLU, ideally positions us to benefit from the ongoing trend of subscriber migration from narrowband to broadband services and to further increase our share of direct voice subscribers. As of March 31, 2009, 1.5 million of our Internet subscribers were broadband subscribers and 1.8 million of our fixed-line voice subscribers were direct voice subscribers, reflecting increases of 30.1% and 21.8% in broadband and direct fixed-line voice subscribers, respectively, from March 31, 2008.

WIND was founded in 1997 by France Telecom SA, Deutsche Telekom AG and ENEL, the latter of which became our sole shareholder in 2003. We were awarded our GSM license in 1998 and launched our mobile operations and Libero Internet services in 1999. In 1998, we launched our fixed-line services and in 2001 acquired Infostrada, the then-leading Italian fixed-line telecommunications operator by number of subscribers after the incumbent, Telecom Italia. In 2000, we were awarded one of five third-generation UMTS licenses and began offering our UMTS services in 2004. Weather, our current indirect parent, acquired from ENEL a 62.75% indirect ownership stake in WIND on August 11, 2005, and the remaining 37.25% on February 8, 2006.

We are a part of the Weather Group of telecommunications companies, which also includes WIND HELLAS TELECOMMUNICATIONS S.A. (“*WIND HELLAS*”), which operates in Greece, and Orascom Telecom Holding S.A.E (“*OTH*”), which operates primarily in emerging markets such as Algeria, Egypt, Pakistan, Tunisia, Bangladesh and North Korea, and has an indirect equity ownership in Globalive Wireless LP, which has been granted a spectrum license in Canada. As a Weather Group company, we are able to benefit from synergies and economies of scale across the Weather Group.

### **Our Strengths**

We believe that the following competitive strengths provide us with an advantage in the Italian telecommunications market and positions us to capitalize on market opportunities in Italy.

We have a track record of making strategic decisions that we believe have had an immediate impact on the market and of approaching traditional market processes in new ways. As an example, we have emphasized the community concept since the introduction of our “Noi” service offering and we also launched time-based mobile connectivity bundle offerings. In our fixed-line business, we started offering the fixed-price Dual-Play offerings (bundled packages of fixed-line voice and Internet services) to the mass market as well as convergent tariffs and services, in particular in the business segment.

### ***Competitive market positions in mobile, Internet, fixed-line voice and data***

We are the third largest mobile operator in Italy based on number of subscribers, the largest alternative fixed-line operator in Italy based on revenues, and the third largest Internet broadband operator in Italy based on the number of subscribers.

### ***Mobile***

We had 17.2 million subscribers as of March 31, 2009, an increase of 2.5 million subscribers from December 31, 2006. We attribute this growth predominantly to our strategy of (i) enhancing our brand perception as the “value for money” provider, (ii) tailoring our offerings to the various market segments, (iii) focusing our attention on high value products and services, such as mobile Internet and (iv) growing our on-network community through our “Noi” service offering, which, among other things, enables subscribers to call other Noi subscribers for no incremental cost, creating a community effect. We believe that our “value for money” positioning relative to our competitors has contributed, and will contribute, to our subscriber growth in the current weak economic climate. We have introduced a number of offerings targeted at specific customer demographics. We complement our affordable mass-market products and services with high-value products and services, which have attracted high-value subscribers and contributed to our stable ARPU. Finally, as our on-network community continues to expand, we believe that our services will become increasingly attractive to prospective and

existing subscribers with friends and family using WIND, and will further encourage WIND customers to use their WIND SIM card as their primary SIM card (rather than as an alternate SIM card). As of March 31, 2009, 53.9% of our total subscriber base were Noi subscribers.

#### *Internet and fixed-line voice*

Our fixed-line business, which includes Internet, voice and data services, is the second largest in Italy based on revenue, with 1.9 million Internet subscribers and 2.7 million voice subscribers as of March 31, 2009. We are the largest LLU operator in Italy, with 1.8 million direct fixed-line voice subscribers as of March 31, 2009. We have been successful at accessing the local loop at relatively low costs, notwithstanding the recent increase in the amount chargeable by Telecom Italia. This has contributed to the growth of our direct subscriber base and to improved profitability per subscriber. We believe that our ability to replicate our direct commercial offerings through our wholesale line rental, or WLR, service in areas where we do not offer direct coverage provides us with a significant opportunity to further expand our fixed-line subscriber base.

We had 1.5 million broadband subscribers as of March 31, 2009, an increase of 0.7 million subscribers from December 31, 2006. As of March 31, 2009, 90.3% of our broadband subscribers subscribed to flat-rate packages. We consider these subscribers “high-value” because they generate a stable source of revenue. We believe that our narrowband subscriber base provides us with a significant opportunity to migrate our existing narrowband subscribers to broadband and migrate our pay-per-use subscribers to flat-rate subscribers. Further, we believe that our Libero Internet portal provides us with an opportunity to expand our broadband subscriber base by attracting Libero Internet portal users.

#### *Extensive, integrated telecommunications network*

We are a fully-integrated operator in Italy, offering mobile, Internet, fixed-line voice and data services to consumer and corporate subscribers. We own an extensive, integrated telecommunications network in which we have invested approximately €1.6 billion from January 1, 2006 through March 31, 2009. As of March 31, 2009, our GSM mobile network covered approximately 99.64% of the Italian population, our UMTS mobile network covered approximately 58.27% of the Italian population and our HSDPA mobile Internet service was available in 103 main Italian cities. As of March 31, 2009, our fixed-line network consisted of 1,094 LLU sites and in the areas we do not cover through LLU, we provide nationwide indirect coverage via WLR services, which we introduced in March 2008 in areas currently outside our footprint, or areas where we believe it is too expensive to provide LLU services. As of March 31, 2009, our network was supported by approximately 19,270 kilometers of fiber optic backbone in Italy and approximately 3,725 kilometers of fiber optic cable Metropolitan Area Networks, or “MANs,” in 39 Italian cities, including Rome, Milan, Naples, Turin, Palermo, Genoa, Florence and Bologna. We have acquired additional GSM-900 spectrum to enhance our indoor service coverage and continue to invest a substantial portion of our network capital expenditures on coverage and quality improvement of our GSM network. We have also invested heavily in our UMTS network and in expanding our HSDPA technology to increase coverage and intend to continue to invest to support growth in line with demand. In June 2009, we were awarded an additional 5MHz block of UMTS spectrum for the assignment of user rights for the frequencies in the 2100 MHz band for approximately €89 million.

The broad geographic scope and integrated nature of our network allows us to offer our customers mobile, Internet, fixed-line voice and data product bundles. We believe this, coupled with the lack of cable television infrastructure in Italy and low LLU rates, gives us a strong competitive position. We believe that our high quality service will increase customer loyalty and position us to successfully

take advantage of convergent service opportunities and thereby improve our profitability per subscriber. Our integrated network allows us to:

- offer Internet and fixed-line voice services bundled together to suit customer preferences and cross-sell mobile, Internet, fixed-line voice and data services to our existing subscriber base, and offer convergent services such as mobile Internet;
- realize cost savings from operating an integrated network that benefits from economies of scale and certain common systems platforms; and
- create an on-network mobile and fixed-line subscriber community, which can increase the attractiveness of our product and service offerings and lead to increased traffic.

***Proven track record of strong cash flow generation and deleveraging***

We have had positive EBITDA over each of the annual financial periods discussed in this Offering Memorandum and have experienced EBITDA and EBITDA margin growth over each of these periods.

As a result of our increasing revenues, successful operating cost management and targeted capital expenditures, since Weather's acquisition of WIND in August 2005 (the "*Acquisition*") we have increased our operating cash flow over the annual financial periods discussed in this Offering Memorandum. We have decreased the ratio of net financial indebtedness of WIND to normalized EBITDA from 4.1x as of and for the year ended December 31, 2006 to 3.1x as of and for the twelve months ended March 31, 2009, and have decreased the ratio of net financial indebtedness of WIND and the PIK Loans, to normalized EBITDA from 5.1x as of and for the year ended December 31, 2006 to 4.0x as of and for the twelve months ended March 31, 2009. We have made €1.9 billion of repayments under our Senior Credit Facilities since January 1, 2006. Most recently, we prepaid €412 million of our Senior Credit Facilities in October 2008.

We believe that our disciplined investment approach and the mature regulatory environment in Italy have also supported, and will continue to support, our ability to achieve strong cash flow generation. We generated cash flow from operating activities of €302 million for the three months ended March 31, 2009, €1,368 million for the year ended December 31, 2008, €1,292 million for the year ended December 31, 2007 and €1,433 million for the year ended December 31, 2006.

***Experienced management team***

Our management team of industry professionals has significant experience in the mobile and fixed-line telecommunications and broadband sector in Italy and abroad and has a proven track record in growing our business. We believe that our executives are able to react quickly to changes in the market or to new technologies and that our management team follows a prudent and consistent approach to managing all of our mobile, Internet, fixed-line voice and data businesses and has a demonstrated ability to improve operations. Our management team includes individuals who have held management positions with other Weather Group companies, which allows us to use their telecommunications expertise while further strengthening the cohesiveness of the Weather Group. We believe that our management team is well prepared and has the relevant experience to successfully implement our growth strategy.

***Our Strategy***

Our mission is to build on our existing position to increase our revenues, to enhance our profitability and to increase cash flow by employing the key strategies set forth below.

### ***Defending and leveraging core customer segments***

#### ***Leverage core mobile customer segments and increase value of our on-network community***

We intend to expand our mobile subscriber base by capitalizing on the benefits of our “on-network community.” We offer bundled on-network minutes for a fixed monthly fee, which creates a community effect. As our on-network community continues to expand, we believe that our services will become increasingly attractive to new and existing subscribers with friends and family already using our services, thereby reducing churn. We also believe that these offerings, which include “Noi” for consumer subscribers and “Leonardo” for corporate subscribers, encourage more customers to use WIND as their primary service provider, thereby increasing revenues generated from our subscriber base and improving our share of our subscribers’ total mobile spend. This then results in additional calls by other operators’ customers terminated on our network, leading to increased interconnection revenues and reduced interconnection costs, and in turn leading to increased EBITDA margins. We also plan to continue focusing on select mobile market segments in which we have historically held a strong position through targeted offerings aimed at maintaining and growing our presence.

#### ***Increase value of fixed-line and Internet subscribers through increased coverage of our direct access network and through migration of our customer base from indirect to direct and upgrading from single-play to Dual-Play***

We intend to continue to expand the number of households to which we can offer direct services through the use of LLU, which will allow us to acquire new direct subscribers and migrate our existing indirect subscriber base to direct connections, migrate our narrowband subscriber base to broadband, and encourage pay-per-use subscribers to switch to flat-rate plans. Direct voice subscribers and direct broadband subscribers generally generate higher ARPU than indirect and narrowband subscribers.

In addition, WLR allows us to set up an exclusive commercial relationship with customers located outside our direct coverage areas by leasing lines from the incumbent, Telecom Italia, under wholesale terms and conditions. Through WLR, we are able to provide fixed-line voice together with our Internet offerings and offer bundles even to our indirect customers, thereby attracting new subscribers and increasing ARPU for existing subscribers.

We intend to focus on increasing Dual-Play (fixed-line voice and broadband) penetration. We believe that there is a significant opportunity to market Dual-Play services to both our existing and new customers and we have already begun to exploit through bundled offerings such as “TuttoIncluso,” which offers local and long-distance calling plans along with broadband.

#### ***Increase customer satisfaction and reduce churn***

We strive to maintain high levels of customer satisfaction, increase customer loyalty and strengthen our customer relationships in order to help to minimize churn and increase ARPU, which should, in turn, increase our revenues and enhance our profitability. For example, we have acquired more GSM-900 spectrum to enhance our indoor service coverage and we invested a substantial portion of our network capital expenditures on coverage and quality improvement of our GSM network in 2008. We intend to continue to invest in GSM quality improvement in 2009. We have also invested heavily in our UMTS network and in expanding our HSDPA technology to increase coverage. We intend to further improve overall customer satisfaction by aligning tariffs to the value of each of our services, improving quality, efficiency and reliability. We plan to improve our customer service by improving the quality of our call centers overall and creating specialized call centers (for example, we created a call center specifically for corporate customers in 2007) and by leveraging our Internet-based service-oriented website, [www.155.it](http://www.155.it). We also plan to improve service levels by increasing coordination, particularly with regard to support and the provision of new product lines. We intend to accelerate connection and set-up times for new direct subscribers, for example by providing our points-of-sale with

the necessary information to assess the availability of our products. Overall, we aim to achieve a deep understanding of our customer needs to enhance customer loyalty.

*Establish the WIND brand as the best “value for money” offering in the Italian market*

We intend to continue to enhance the WIND brand and its public perception, primarily by continuing to promote the WIND brand as the best “value for money” offering in the Italian market. We believe that this strategy is particularly relevant for increasing our revenues given the current weak economic climate in Italy and world-wide. We had the highest overall score among the relevant operators for mobile customer satisfaction in 2008 (based on the *Grandi Numeri* customer satisfaction index) and for fixed-line customer satisfaction in 2008 (based on the IPSOS customer satisfaction index).

*Develop niche segments and opportunities to leverage existing assets*

*Increase subscriber usage of our mobile Internet offerings, further develop our HSDPA coverage and capacity, and grow our traditional data service offerings*

We intend to improve our data ARPU by increasing the number of active subscribers of our data services by focusing on mobile Internet access offerings for which we believe there is large customer demand. We plan to build out our HSDPA network in a targeted manner in order to increase coverage to a greater percentage of the population. We also intend to expand HSDPA coverage and upgrade HSDPA speed and capacity in all UMTS coverage areas.

We also provide a comprehensive set of data services, from basic text and multimedia messaging to proprietary data services such as access to our Libero Internet portal; in particular, we offer wireless broadband access through a data card which allows customers to access the Internet when not connected to a fixed line. These services are targeted both at our higher spending consumer and our corporate customer bases. In addition, we offer BlackBerry Internet services, which are available to both our consumer and corporate customers.

*Focus on cross-selling opportunities*

We plan to focus on cross-selling our mobile and fixed-line voice services by means of our “Noi” on-network community, encouraging customers to subscribe to both our fixed-line voice and our mobile voice services for a lower overall price in order to generate sustained increases in our subscriber base and improve our overall ARPU. We also intend to expand and promote new services, such as mobile Internet and IPTV (television over DSL), which provide further opportunities to encourage our existing and prospective subscribers to subscribe to more than one of our services.

We believe that our narrowband subscriber base will provide us with a significant opportunity to migrate our existing narrowband subscribers to broadband. In addition, we believe that our significant number of registered Libero Internet portal users will further enable us to expand our broadband subscriber base by attracting such Libero Internet portal users to our services.

*Increased focus on business segments*

We believe that we have a significant opportunity to increase our business and corporate mobile and fixed-line subscriber base.

We aim to grow our share of each of the small and medium enterprise (“SME”) and small office/home office (“SOHO”) markets by improving our customer interface and by leveraging economies of scale to offer competitive “value for money” services. We aim to expand our presence in the large corporate market by marketing the knowledge and experience gained over the last nine years through the management and operation of our contract with ENEL. We plan to use our infrastructure



and specialized call centers currently dedicated to ENEL to significantly improve the service level to our most important corporate clients. Our objective is to reposition our offering as an integrated solution provider rather than a multi-product provider, by enhancing the skills of our corporate sales team and more effectively offering tailored products consisting of mobile, fixed-line, Internet and specialized outsourcing contracts to our existing and new corporate clients.

***Optimizing and simplifying operations in order to increase efficiency and effectiveness***

***Identify and deploy cost efficiency measures through a more efficient operation***

We plan to further increase our cost efficiency through scrutinizing our costs, aiming to lower operating expenditures and optimize capital expenditure. We plan to accomplish these aims through an innovative approach that could potentially include selective outsourcing and externalization of activities and will leverage the cost benefits associated to innovative approaches such as industry partnerships. We expect further efficiencies to arise from system simplification and from a more targeted and personalized approach to commercial costs such as advertising.

***Enhance our distribution network***

In order to improve revenue-generation from new subscribers and to improve our customer acquisition efficiency, we intend to enhance the distribution network for our mobile telecommunications services. First, we are increasing the coverage of our distribution network by strengthening our presence in key markets. We currently have 19 WIND-owned stores in strategic locations. In April 2009, our subsidiary, Mondo WIND S.r.l., signed a framework agreement with 4G Retail S.r.l. that would, subject to the satisfaction of certain contractual and regulatory conditions, add up to 130 WIND-owned stores to our distribution network, expanding our presence in shopping malls, principally in northern Italy. Second, we are motivating our dealers by implementing commission structures that focus on several subscriber quality criteria, which target “high-value” subscribers (e.g., subscribers who subscribe to Dual-Play offerings, subscribe to time-based bundles for a flat monthly rate, use high value services such as mobile Internet or tend to have higher call volumes) rather than purely subscriber volume. Third, we are promoting customer service at the point-of-sale by implementing a more uniform look and feel in our owned and franchised stores and our displays at our other points-of-sale. We are also improving the overall quality of the dealers that sell our services by adding new dealers and phasing out inefficient or expensive points-of-sale.

***Continue to realize synergies from membership in Weather Group***

We were acquired by Weather in 2005. Since the Acquisition, we have exploited a number of synergies from our membership in the Weather Group, including using management expertise from employees of other Weather Group companies and combining the procurement of network and software with OTH and WIND HELLAS through framework agreements with our core network and software suppliers, thus attaining reduced unit prices. Additionally, through our acquisition of M-Link S.à r.l. and its subsidiary, M-Link Teleport S.A. (together, “M-Link”) from OTH and its consolidation with our international business earlier this year, re-named WIND INTERNATIONAL SERVICES S.p.A., we hope to realize efficiencies and synergies and to generate additional revenue streams through the aggregation of our international traffic volumes.

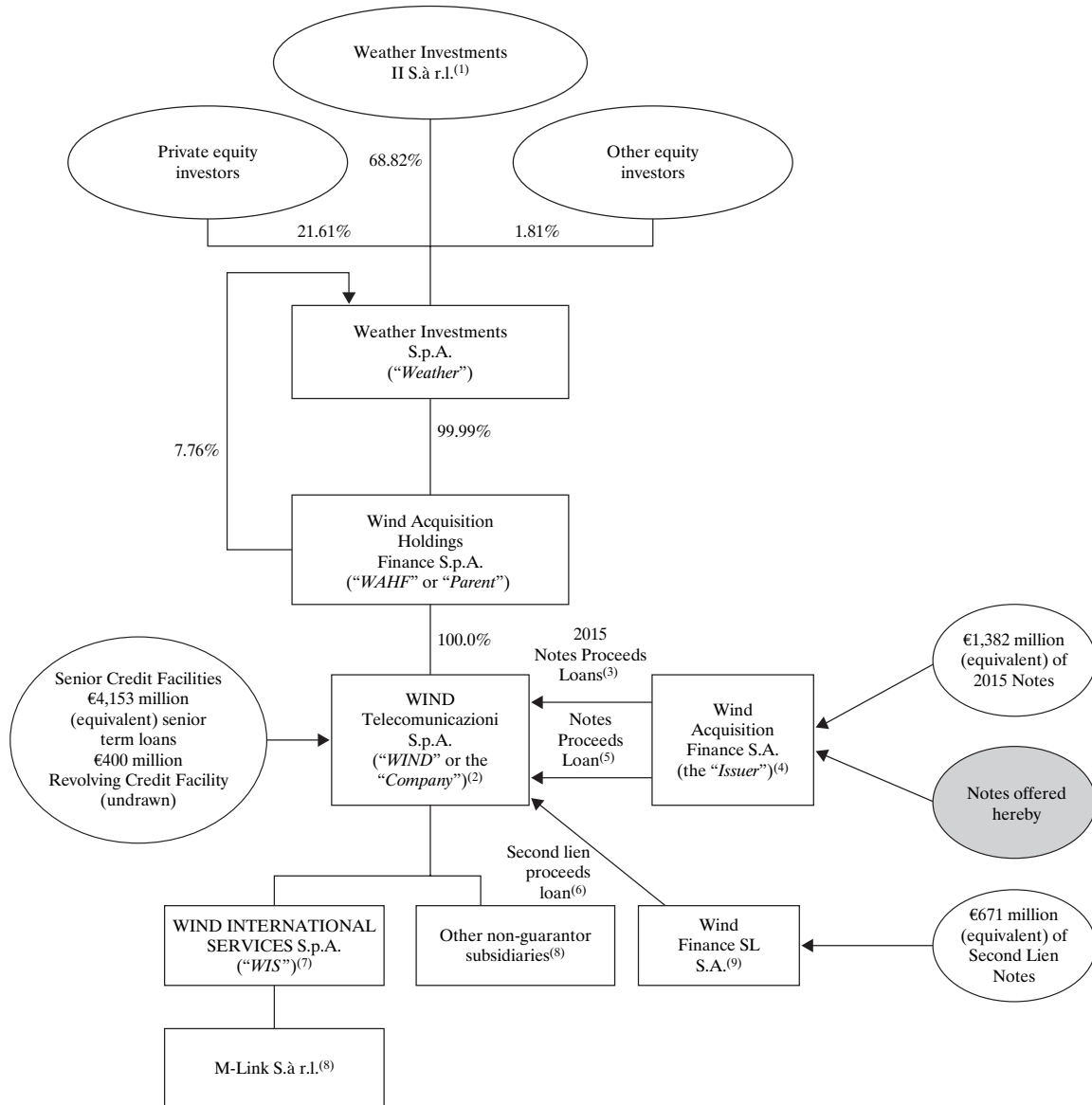
***Continue to use cash flow generated to reduce leverage***

We intend to continue to improve our cash flow generation by increasing our operating cash flow, improving working capital efficiencies and developing more tailored procurement strategies. We intend to use our cash flow to continue to decrease our overall level of indebtedness. We have a proven track record of using our strong cash flows to deleverage and, because a significant part of our anticipated future capital expenditures are discretionary and aimed at supporting growth in line with demand, we anticipate that going forward we will have adequate cash flow to continue to decrease our overall level of indebtedness.



## Corporate Structure and Certain Financing Arrangements

The following chart shows a simplified summary of the corporate and financing structure of WIND as of March 31, 2009 adjusted to give effect to the Refinancing Transactions. The chart does not include all entities in WIND, nor all of the debt obligations thereof, nor does it include any other entities in the Weather Group corporate structure. Outstanding debt amounts are based on the book value figures as of March 31, 2009 adjusted to reflect the effects of the Refinancing Transactions. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “Description of Notes,” “Description of Certain Financing Arrangements,” and “Capitalization.”



- = Existing debt to remain outstanding after consummation of the Offering.
- = Notes offered hereby.

(1) Weather Investments II S.à r.l. is controlled by the Sawiris family through investment companies.

- (2) A third-ranking security interest over the share capital of WIND was created for the benefit of the holders of the 2015 Notes, and, after the issuance of the Notes, the same security interest will be granted on an equal and ratable third-priority basis for the benefit of the holders of the Notes. WIND guarantees the 2015 Notes, and will guarantee the Notes, on a senior subordinated basis. See “Description of Notes” for a more detailed discussion.
- (3) There are two existing proceeds loans relating to the 2015 Notes. Each proceeds loan has been assigned for the benefit of the holders of the 2015 Notes on an equal and ratable third-priority basis, and, after the issuance of the Notes, the same security interests will be granted on an equal and ratable third-priority basis for the benefit of the holders of the Notes.
- (4) The Issuer is owned 73% by a charitable trust and 27% by WIND.
- (5) The Notes Proceeds Loan will be entered into in connection with the issuance of the Notes and will be assigned on an equal and ratable third-priority basis for the benefit of the holders of the Notes and the 2015 Notes.
- (6) The Second Lien Notes proceeds loan has been assigned for the benefit of the holders of the 2015 Notes on a third-priority basis, and after the issuance of the Notes, will be granted on an equal and ratable third-priority basis for the benefit of the holders of the Notes.
- (7) WIS guarantees the 2015 Notes and will guarantee the Notes on a senior subordinated basis. See “Description of Notes” for a more detailed discussion.
- (8) Subsidiaries of WIND (including, among others, M-Link S.à r.l. and its subsidiary, M-Link Teleport S.A.) that do not guarantee the Notes generated 1.4% of WIND’s total consolidated revenues in the twelve-month period ended March 31, 2009 and held 4.0% of WIND’s consolidated assets as of March 31, 2009.
- (9) Wind Finance SL S.A., a public limited liability company (*société anonyme*) incorporated in Luxembourg, is owned 73% by a charitable trust and 27% by WIND.

## The Offering

The following is a brief summary of certain terms of this Offering. It may not contain all the information that is important to you. For additional information regarding the Notes and the Note Guarantees, see “Description of Notes” and “Description of Certain Financing Arrangements—Priority Agreement.”

<b>Issuer</b> .....	Wind Acquisition Finance S.A., incorporated as a public liability company ( <i>société anonyme</i> ) under the laws of the Grand Duchy of Luxembourg.
<b>Notes Offered</b> .....	€1,250 million aggregate principal amount of 11¾% Senior Notes due 2017.  \$2,000 million aggregate principal amount of 11¾% Senior Notes due 2017.
<b>Issue Date</b> .....	On or about July 13, 2009.
<b>Issue Price</b> .....	Euro Notes: 96.271% (plus accrued and unpaid interest from the Issue Date).  Dollar Notes: 97.492% (plus accrued and unpaid interest from the Issue Date).
<b>Maturity Date</b> .....	July 15, 2017.
<b>Interest Payment Dates</b> .....	Interest on the Notes will be payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2010.
<b>Form of Denomination</b> .....	Euro Global Notes in denominations of €50,000 and any integral multiple of €1,000 in excess thereof. Dollar Global Notes in denominations of \$100,000 and any integral multiple of \$1,000 in excess thereof. Notes in denominations of less than €50,000 or \$100,000, as the case may be, will not be available.
<b>Ranking of Notes</b> .....	The Notes will be senior obligations of the Issuer and rank <i>pari passu</i> with the Issuer’s Senior Notes due 2015 (the “2015 Notes”). Upon issuance of the Notes in this Offering, the Issuer will have no indebtedness outstanding other than the Notes and the 2015 Notes.
<b>Guarantees</b> .....	The Issuer’s obligations under the Notes and the Indenture will be guaranteed (each, a “ <i>Note Guarantee</i> ” and together, the “ <i>Note Guarantees</i> ”) by the Company and its subsidiary, WIS (each, a “ <i>Guarantor</i> ” and, together the “ <i>Guarantors</i> ”) on a senior subordinated basis.  Each Note Guarantee will be subject to contractual and legal limitations, and, upon issuance by the Company and WIS, as applicable, each Note Guarantee will be subject to subordination, payment blockage, standstill provisions and turnover provisions and may be released under certain circumstances. See “Risk Factors—Risks Related to the Notes

and Our Structure” and “Description of Notes—The Guarantees.”

**Security** . . . . . The Notes and the Note Guarantees will be secured ratably with the 2015 Notes and the 2015 Note Guarantees by:

- (1) a third-ranking security interest in the share capital of the Company;
- (2) a third-ranking security interest in (i) the loan to the Company of the proceeds from the Second Lien Notes, (ii) the 2015 Notes Proceeds Loans, and (iii) the Notes Proceeds Loan; and
- (3) a third-ranking security interest in receivables under (i) the share purchase agreement relating to the Acquisition and (ii) the put and call option agreement entered into in connection with the Acquisition.

The pledges and assignments granted will secure the Notes issued under the Indenture and will be shared ratably with the 2015 Notes and may be shared ratably with certain other additional indebtedness. The pledges and assignments securing the Notes will also secure our Senior Credit Facilities and Second Lien Notes on a first-priority and second-priority basis, respectively, will be subject to standstill provisions and may be released under certain circumstances. See “Risk Factors—Risks Related to the Notes and Our Structure—Your ability to recover under the share pledge and other security interests may be limited,” “Description of Certain Financing Arrangements—Priority Agreement—Enforcement of Security,” and “Description of Notes—Security.”

**Ranking of the Guarantees** . . . . . Each Note Guarantee:

- will be a general obligation of such Guarantor;
- will be subordinated in right of payment to all existing and future senior debt of such Guarantor;
- will rank *pari passu* with such Guarantor’s guarantee of the 2015 Notes;
- will rank senior to all indebtedness of such Guarantor that is expressly subordinated to the relevant Note Guarantee; and
- will be fully and unconditionally released upon an enforcement action with respect to our Senior Credit Facilities as initiated by the relevant senior creditors.

The terms of the Priority Agreement provide that neither the Company nor WIS is permitted to make payments in respect of its Note Guarantees, nor is the Trustee or any holder of the Notes permitted to take certain enforcement actions with respect thereto, if a payment default has occurred and is continuing under our Senior Credit Facilities or Second Lien

Notes, or certain other senior debt incurred in the future or during the continuation of a payment blockage period relating to defaults under our Senior Credit Facilities and Second Lien Notes.

As of March 31, 2009, after adjusting for the effect of the Refinancing Transactions, as defined below, we would have had total financial liabilities of €8,995 million and up to €400 million would have been available for future borrowings under the Revolving Credit Facility.

The Indenture restricts, but will not prohibit, the incurrence of additional indebtedness (including senior indebtedness) by the Company and its subsidiaries.

The Note Guarantees are full and unconditional guarantees of the Issuer's obligations under the Notes, but are subject to the limitations as set forth in "Description of Notes—The Guarantees."

**Use of Proceeds** . . . . . The Issuer intends to use the proceeds from the issue of the Notes to make the Proceeds Loan to WIND. In turn, WIND intends to use the net proceeds from the issue of the Notes to make one or more cash distributions or dividends out of distributable reserves, including the share premium reserve, or loans to WAHF. WAHF intends to use such distribution to (i) effect the prepayment of all of the outstanding PIK Loans (including those held by WAHF) and the payment of accrued and unpaid interest and the prepayment premium under the PIK Loan Agreement and amounts associated with the close-out at market prices of certain currency and interest rate hedging obligations in respect thereof, (ii) make one or more cash distributions, dividends, loans and/or payments, directly or indirectly, (including by way of repayment of a subordinated shareholder loan between Weather and WAHF), to Weather in an aggregate amount of up to €500 million to be used for general corporate purposes (including to refinance certain of its consolidated indebtedness other than indebtedness of WAHF and its subsidiaries) and (iii) pay costs and administrative expenses, taxes (including income taxes), fees and indemnities in connection with, or otherwise related to, any of the foregoing. The foregoing transactions, including the issuance of Notes in this Offering and the on-lending of the proceeds of the Notes by the Issuer to WIND in connection with the Offering, and together with the amendment, waiver or replacement of the 2015 Notes Indenture, the 2015 Notes, the Senior Facilities Agreement, the Second Lien Subscription Agreement, the Priority Agreement and the security documents entered into in connection with the 2015 Notes Indenture, all in connection with the transactions described under "—The Refinancing Transactions," are collectively referred to as the "*Refinancing Transactions*." See "Use of Proceeds."

**Special U.S. Federal Income Tax**

**Considerations** . . . . . The Notes will be issued with original issue discount for United States federal income tax purposes. Thus, in addition to the stated cash interest on the Notes, U.S. Holders (as defined under “Tax Considerations—Certain United States Federal Income Tax Considerations”) will be required to include the amounts representing the original issue discount in gross income on a constant yield basis in advance of receipt of the cash payments to which such income is attributable. For a discussion of the material tax consequences of an investment in the Notes, see “Tax Considerations—Certain United States Federal Income Tax Considerations.”

**Additional Amounts** . . . . . All payments under or with respect to the Notes or each Note Guarantee will be made free and clear of, and without withholding or deduction for or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) except to the extent required by law. If withholding or deduction is required by law in any such jurisdiction in which the Issuer or any Guarantor is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment on the relevant Notes is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any Paying Agent), subject to certain exceptions, the Issuer and any Guarantor or other payor will pay such additional amounts as may be necessary so that the net amount received by any holder of Notes (including additional amounts) after such withholding or deduction will not be less than the amount such holder would have received if such withholding or deduction had not been required. See “Description of Notes—Additional Amounts.”

**Optional Redemption** . . . . . Prior to July 15, 2013, the Issuer will be entitled at its option to redeem all or a portion of the Euro Notes and/or the Dollar Notes at a redemption price equal to 100% of the principal amount of the Notes plus the applicable “make-whole” premium described in this Offering Memorandum and accrued and unpaid interest to the redemption date.

On or after July 15, 2013, the Issuer will be entitled at its option to redeem all or a portion of the Euro and/or Dollar Notes at the redemption prices set forth under the caption “Description of Notes—Optional Redemption” plus accrued and unpaid interest to the redemption date.

Prior to July 15, 2012, the Issuer will be entitled at its option on one or more occasions to redeem either the Euro Notes and/or the Dollar Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Euro



Notes and 35% of the aggregate principal amount of the Dollar Notes, as the case may be, with the net cash proceeds from certain equity offerings at a redemption price equal to 111.75% of the principal amount outstanding in respect of the Euro Notes and 111.75% of the principal amount outstanding in respect of the Dollar Notes, plus accrued and unpaid interest to the redemption date, so long as at least 65% of the aggregate principal amount of each of the Euro Notes and Dollar Notes, as applicable, remains outstanding immediately after each such redemption and each such redemption occurs within 90 days after the date of the relevant equity offering.

<b>Optional Redemption for Tax Reasons .</b>	In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.
<b>Change of Control . . . . .</b>	Upon the occurrence of certain events constituting a “change of control,” the Issuer is required to offer to repurchase all outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. See “Description of Notes—Repurchase at the Option of Holders—Change of Control.”
<b>Certain Covenants . . . . .</b>	<p>The Indenture, among other things, will restrict the ability of the Issuer, WIND and the restricted subsidiaries of WIND to:</p> <ul style="list-style-type: none"> <li>• incur or guarantee additional indebtedness and issue certain preferred stock;</li> <li>• layer debt;</li> <li>• create or incur certain liens;</li> <li>• make certain payments, including dividends or other distributions, with respect to the shares of the Company or its restricted subsidiaries;</li> <li>• prepay or redeem subordinated debt or equity;</li> <li>• make certain investments;</li> <li>• create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Company or any of its restricted subsidiaries;</li> <li>• sell, lease or transfer certain assets including stock of restricted subsidiaries;</li> <li>• engage in certain transactions with affiliates;</li> <li>• enter into unrelated businesses or engage in prohibited activities;</li> <li>• consolidate or merge with other entities;</li> </ul>

- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

Each of these covenants are subject to significant exceptions and qualifications. See “Description of Notes—Certain Covenants.”

<b>Transfer Restrictions</b> . . . . .	The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See “Notice to Investors.” We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).
<b>No Prior Market</b> . . . . .	The Notes will be new securities for which there is no existing market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
<b>Listing</b> . . . . .	Application has been made to have the Notes admitted for trading on the Euro MTF, and to list the Notes on the Official List of the Luxembourg Stock Exchange.
<b>Governing Law for the Notes, Note Guarantees and the Indenture</b> . . . . .	New York law.
<b>Governing Law for the Priority Agreement and Notes Proceeds Loan</b> . . . . .	English law.
<b>Governing Law for the Security Documents</b> . . . . .	English or Italian law, as the case may be.
<b>Trustee</b> . . . . .	The Bank of New York Mellon.
<b>Registrar, Transfer Agent and Principal Paying Agent</b> . . . . .	The Bank of New York Mellon.
<b>Security Agent</b> . . . . .	ABN AMRO Bank N.V.
<b>Luxembourg Paying Agent and Listing Agent</b> . . . . .	The Bank of New York Mellon (Luxembourg) S.A.

#### **Risk Factors**

Investing in the Notes involves substantial risks. Please see the “Risk Factors” section for a description of certain of the risks you should carefully consider before investing in the Notes.

### **Additional Information**

The Issuer's corporate seat and principal executive offices are located at 125, Avenue du X Septembre, L-2551 Luxembourg, Grand Duchy of Luxembourg. Its telephone number is (+352) 26 44 95 30. WIND's corporate seat and principal executive offices are located at Via Cesare Giulio Viola 48, 00148 Rome, Italy, and its telephone number is (+39) 06 83111. WIS' corporate seat and principal executive offices are located at Via Cesare Giulio Viola 48, 00148 Rome, Italy, and its telephone number is (+39) 06 83111.

### **Summary Consolidated Financial Information of WIND**

The tables below set forth the following summary consolidated financial information:

- summary consolidated income statement, balance sheet and cash flow information of WIND as of and for the years ended December 31, 2006, 2007 and 2008 and as of and for the three-month period ended March 31, 2008 and 2009 and summary consolidated income statement information for the twelve months ended March 31, 2009; and
- summary unaudited adjusted consolidated financial information of WIND as of and for the twelve months ended March 31, 2009, after giving effect to the Refinancing Transactions.

The summary consolidated income statement, balance sheet and cash flow information for WIND set forth below as of and for the years ended December 31, 2006, 2007 and 2008 was derived from the audited consolidated financial statements of WIND, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The summary consolidated income statement, balance sheet and cash flow information set forth below for WIND as of and for the three months ended March 31, 2008 and 2009, prepared in accordance with IFRS, was derived from the unaudited interim consolidated financial statements of WIND included elsewhere in this Offering Memorandum.

Information for the twelve months ended March 31, 2009 is calculated by taking the results of operations for the three months ended March 31, 2009 and adding to it the difference between the results of operations for the full year ended December 31, 2008 and the three months ended March 31, 2008.

The financial information for the three months and twelve months ended March 31, 2009 is not necessarily indicative of the results that may be expected for the year ended December 31, 2009, and should not be used as the basis for or prediction of an annualized calculation.

The Offering Memorandum includes consolidated financial data which has been adjusted to reflect certain effects of the Refinancing Transactions on the financial position and net financial expenses of WIND as of and for the twelve months ended March 31, 2009. The consolidated adjusted financial data has been prepared for illustrative purposes only and does not purport to represent what the actual consolidated financial position or net financial expenses of WIND would have been if the Refinancing Transactions had occurred (i) on March 31, 2009 for the purposes of the calculation of net financial position and (ii) on April 1, 2008 for the purposes of the calculation of net financial expenses, nor does it purport to project WIND's consolidated financial position and net financial expenses at any future date. The unaudited adjustments and the unaudited adjusted financial data set forth in this Offering Memorandum are based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual adjusted amounts.

WIND's consolidated historical financial statements and the summary consolidated historical financial information presented below were prepared on the basis of IFRS, which differs in certain respects from U.S. GAAP. See "Appendix B—Summary of certain differences between IFRS as compared to U.S. GAAP." You should read this section together with the information contained in "Use of Proceeds," "Capitalization," "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this Offering Memorandum.

# Summary Consolidated Income Statement Information:

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,
	2006	2007	2008	2008	2009	2009
	(€ in thousands)					
Revenue . . . . .	4,940,950	5,138,718	5,327,236	1,279,954	1,329,913	5,377,195
Other revenue . . . . .	106,747	131,869	192,127	20,225	38,245	210,147
<b>Total revenue . . . . .</b>	<b>5,047,697</b>	<b>5,270,587</b>	<b>5,519,363</b>	<b>1,300,179</b>	<b>1,368,158</b>	<b>5,587,342</b>
Purchases and services . . . . .	(2,897,399)	(2,988,908)	(3,045,028)	(732,592)	(788,255)	(3,100,691)
Other operating costs . . . . .	(91,121)	(90,134)	(112,539)	(21,002)	(28,087)	(119,624)
Personnel expenses . . . . .	(355,612)	(362,247)	(352,158)	(90,687)	(83,784)	(345,255)
Restructuring costs . . . . .	(46,296)	(18,021)	—	—	—	—
<b>Operating income before depreciation and amortization, reversal/(impairment) of non-current assets and gains/(losses) on disposal of non-current assets . . . . .</b>	<b>1,657,269</b>	<b>1,811,277</b>	<b>2,009,638</b>	<b>455,898</b>	<b>468,032</b>	<b>2,021,772</b>
Depreciation and amortization . . . . .	(1,028,756)	(1,049,309)	(1,035,002)	(257,793)	(255,353)	(1,032,562)
Reversal/(impairment) of non-current assets . . . . .	9,906	(27,139)	(2,965)	(495)	52	(2,418)
Gains/(losses) on disposal of non-current assets . . . . .	(58,000)	(5,073)	(8,211)	(464)	(1,820)	(9,567)
<b>Operating income . . . . .</b>	<b>580,419</b>	<b>729,756</b>	<b>963,460</b>	<b>197,146</b>	<b>210,911</b>	<b>977,225</b>
Finance income . . . . .	31,173	30,027	75,279	9,560	13,604	79,323
Finance expenses . . . . .	(477,560)	(553,088)	(515,403)	(130,142)	(119,919)	(505,180)
Foreign exchange gains/(losses), net . .	(389)	715	(346)	469	1,087	272
<b>Profit before tax . . . . .</b>	<b>133,643</b>	<b>207,410</b>	<b>522,990</b>	<b>77,033</b>	<b>105,683</b>	<b>551,640</b>
Income tax . . . . .	(117,413)	(153,884)	(131,633)	(37,331)	(46,307)	(140,609)
<b>Profit from continuing operations . .</b>	<b>16,230</b>	<b>53,526</b>	<b>391,357</b>	<b>39,702</b>	<b>59,376</b>	<b>411,031</b>
Profit/(loss) from discontinued operations . . . . .	—	136,984	(5,570)	—	—	(5,570)
<b>Profit for the period . . . . .</b>	<b>16,230</b>	<b>190,510</b>	<b>385,787</b>	<b>39,702</b>	<b>59,376</b>	<b>405,461</b>
Minority interests . . . . .	(6,934)	(7,927)	381	126	74	329
<b>Group's profit for the period . . . . .</b>	<b>23,164</b>	<b>198,437</b>	<b>385,406</b>	<b>39,576</b>	<b>59,302</b>	<b>405,132</b>

### Summary Consolidated Balance Sheet Information:

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Intangible assets . . . . .	8,577,253	8,261,752	8,047,486	8,198,687	7,974,602
Property, plant and equipment . . . . .	3,606,085	3,463,192	3,406,088	3,380,328	3,321,145
Trade receivables . . . . .	1,206,382	1,234,874	1,274,955	1,248,915	1,320,483
Total assets . . . . .	14,779,635	14,286,931	14,065,743	14,165,600	13,877,473
Trade payables . . . . .	1,620,370	1,720,588	1,673,478	1,593,651	1,617,129
Current financial liabilities . . . . .	183,672	122,208	136,591	61,091	66,682
Non-current financial liabilities . . . . .	7,249,104	6,726,551	6,402,990	6,744,868	6,539,653
Total liabilities . . . . .	10,898,710	10,198,037	9,783,977	10,099,126	9,851,760
Total equity . . . . .	3,880,925	4,088,894	4,281,766	4,066,474	4,025,713

### Summary Consolidated Cash Flow Information:

	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Net cash from operating activities . . . . .	1,433,123	1,291,850	1,367,680	234,257	301,507
Net cash used in investing activities . . . . .	(669,446)	(754,212)	(771,364)	(112,848)	(142,760)
Net cash used in financing activities . . . . .	(766,359)	(491,400)	(412,477)	—	(181,251)
Net cash from discontinued operations . . . . .	—	10,744	—	—	—

### Other Financial Information:

	As of and for the year ended December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2006	2007	2008	2008	2009	2009
	(€ in thousands)					
EBITDA <sup>(1)</sup> . . . . .	1,657,269	1,811,277	2,009,638	455,898	468,032	2,021,772
EBITDA margins <sup>(2)</sup> . . . . .	32.8%	34.4%	36.4%	35.1%	34.2%	36.2%
Normalized EBITDA <sup>(3)</sup> . . . . .	1,703,565	1,829,298	2,009,638	455,898	468,032	2,021,772
Capital expenditures . . . . .	703,336	748,780	795,858	112,973	89,280	n.a.
Net working capital <sup>(4)</sup> . . . . .	(1,010,749)	(957,126)	(875,441)	(898,719)	(1,041,216)	n.a.
Net financial indebtedness <sup>(5)</sup> . . . . .	7,056,894	6,439,965	6,069,669	6,370,473	6,195,932	6,195,932
Net financial indebtedness of WIND (and PIK Loans) <sup>(6)</sup> . . . . .	8,748,061	8,308,532	8,212,314	8,270,906	8,160,903	8,160,903
Ratio of net financial indebtedness of WIND (and PIK Loans) to normalized EBITDA . . . . .	5.1x	4.5x	4.1x	n.a.	n.a.	4.0x

### Summary Adjusted Consolidated Financial Information:

	Adjusted as of and for the twelve months ended March 31, 2009
	(€ in thousands except ratios)
Net financial expenses <sup>(7)</sup> . . . . .	804,727
Net financial indebtedness <sup>(5)(8)</sup> . . . . .	8,708,789
Ratio of normalized EBITDA to net financial expenses . . . . .	2.5x
Ratio of net financial indebtedness to normalized EBITDA . . . . .	4.3x



- (1) EBITDA consists of Group profit plus income tax, minority interest, profit/(loss) from discontinued operation, financial income, financial expenses, foreign exchange gains/(losses), depreciation and amortization, reversal/(impairment) of non-current assets and gains/(losses) on disposal of non-current assets. EBITDA is not a measurement of performance under IFRS or U.S. GAAP and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate the Company. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by the Company to EBITDA of other companies. EBITDA as presented here differs from the definition of "Consolidated Cash Flow" contained in the Indenture. The following is a reconciliation of net profit to EBITDA for the periods below:

	For the year ended December 31,			For the three months ended March 31,		Twelve months ended March 31,
	2006	2007	2008	2008	2009	2009
	(€ in thousands)					
<b>Group profit for the period</b>	<b>23,164</b>	<b>198,437</b>	<b>385,406</b>	<b>39,576</b>	<b>59,302</b>	<b>405,132</b>
Income tax	117,413	153,884	131,633	37,331	46,307	140,609
Minority interest	(6,934)	(7,927)	381	126	74	329
(Profit)/loss from discontinued operations	—	(136,984)	5,570	—	—	5,570
Financial income	(31,173)	(30,027)	(75,279)	(9,560)	(13,604)	(79,323)
Financial expenses	477,560	553,088	515,403	130,142	119,919	505,180
Foreign exchange (gains)/losses	389	(715)	346	(469)	(1,087)	(272)
Depreciation and amortization	1,028,756	1,049,309	1,035,002	257,793	255,353	1,032,562
(Reversal)/impairment of non-current assets	(9,906)	27,139	2,965	495	(52)	2,418
(Gains)/losses on disposal of non-current assets	58,000	5,073	8,211	464	1,820	9,567
<b>EBITDA</b>	<b>1,657,269</b>	<b>1,811,277</b>	<b>2,009,638</b>	<b>455,898</b>	<b>468,032</b>	<b>2,021,772</b>

- (2) EBITDA margins are defined as EBITDA divided by total revenue.
- (3) Normalized EBITDA consists of EBITDA plus restructuring costs incurred by WIND, which were €46 million and €18 million for the years ended December 31, 2006 and 2007, respectively. The restructuring costs incurred by WIND for the year ended December 31, 2008 for the three months ended March 31, 2008 and 2009 were €0.
- (4) The following is a calculation of net working capital:

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Inventories	26,138	20,795	13,690	23,677	11,814
Trade receivables	1,206,382	1,234,874	1,274,955	1,248,915	1,320,483
Trade payables	(1,620,370)	(1,720,588)	(1,673,478)	(1,593,651)	(1,617,129)
Tax assets and liabilities <sup>(a)</sup>	(427,867)	(477,476)	(445,729)	(485,503)	(449,676)
Other assets <sup>(b)</sup>	221,099	244,449	438,516	249,171	228,940
Assets (and liabilities associated to assets) held for sale	—	175,000	—	175,000	—
Other liabilities <sup>(c)</sup>	(416,131)	(434,180)	(483,395)	(516,328)	(535,648)
<b>Net working capital</b>	<b>(1,010,749)</b>	<b>(957,126)</b>	<b>(875,441)</b>	<b>(898,719)</b>	<b>(1,041,216)</b>

- (a) Tax assets and liabilities consist of deferred tax assets, current tax assets, deferred tax liabilities and tax payables.
- (b) Other assets consist of other receivables, guarantee deposits and as of December 31, 2008 the receivable of €179 million related to the sale of its remaining investment in WPH to Hellas Telecommunications I S.à r.l.
- (c) Other liabilities consist of other non-current liabilities and other payables.

- (5) Net financial indebtedness is defined as total financial liabilities net of total financial assets. The following is a calculation of net financial indebtedness.

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
<b>Non-current financial liabilities</b>					
Bond issues . . . . .	1,439,949	1,388,190	1,413,843	1,358,197	1,435,193
Bank loans . . . . .	5,700,707	5,210,212	4,829,530	5,198,539	4,843,433
Loans from others . . . . .	30,000	—	—	—	—
Derivative financial instruments . . . . .	78,448	128,149	159,617	188,132	261,027
<b>Current financial liabilities</b>					
Bond issues . . . . .	61,735	11,285	11,506	45,225	47,974
Bank loans . . . . .	121,937	110,923	95,447	16,676	5,604
Loans from others . . . . .	—	—	9,675	—	9,675
Derivative financial instruments . . . . .	—	—	19,963	—	3,429
<b>Total financial liabilities(A)</b> . . . . .	<b>7,432,776</b>	<b>6,848,759</b>	<b>6,539,581</b>	<b>6,806,769</b>	<b>6,606,335</b>
<b>Non-current financial assets</b>					
Derivative financial instruments . . . . .	174,853	203,622	59,701	109,868	37,771 <sup>(a)</sup>
<b>Current financial assets</b>					
Derivative financial instruments . . . . .	55,363	3,183	25,725	3,200	—
Financial receivables <sup>(b)</sup> . . . . .	7,780	7,121	5,779	6,951	16,429
<b>Cash and cash equivalents</b> . . . . .	<b>137,886</b>	<b>194,868</b>	<b>378,707</b>	<b>316,277</b>	<b>356,203</b>
<b>Total financial assets(B)</b> . . . . .	<b>375,882</b>	<b>408,794</b>	<b>469,912</b>	<b>436,296</b>	<b>410,403</b>
<b>Net financial indebtedness(A—B)</b> . . . . .	<b>7,056,894</b>	<b>6,439,965</b>	<b>6,069,669</b>	<b>6,370,473</b>	<b>6,195,932</b>

(a) €14 million related to the hedge of the underlying position for our put and call options associated with the investment in Hellas Telecommunications I S.à r.l. was excluded from non-current derivative financial instruments as of March 31, 2009.

(b) Current financial receivables excluded guarantee deposits in the amount of €1 million as of December 31, 2007 and 2008 and as of March 31, 2008 and 2009, respectively.

- (6) Includes net financial indebtedness of WIND as described in footnote (5) above and the book value of the PIK Loans as of the end of each relevant period as reported in the WAHF consolidated financial statements.
- (7) Net financial expenses are defined as financial expenses net of financial income. Adjusted net financial expenses include net financial expenses for the twelve-month period ended March 31, 2009 and the recurring incremental expenses due to the effect of the Refinancing Transactions as if the Refinancing Transactions had occurred on April 1, 2008. See “Use of Proceeds—The Refinancing Transactions.” The interest expense on the U.S. dollar denominated debt has been converted using an average exchange rate of \$1.421 to €1.00 for the twelve months ended March 31, 2009. The amortization of the up-front fees relating to consents, transaction costs and discount have not been considered in the calculation of the recurring incremental net financial expenses. Additionally, the calculation does not reflect the effect of derivative instruments and embedded derivatives that we might enter into in connection with the Refinancing Transactions.
- (8) For additional information on how we calculated adjusted net financial indebtedness, see “Capitalization.”

## Operational Data:

	As of and for the year ended December 31,			As of and for the three months ended March 31,	
	2006	2007	2008	2008	2009
<b>Mobile:</b>					
Penetration <sup>(1)</sup>	136.0%	150.6%	150.3%	150.7%	150.0%
Market share <sup>(2)</sup>	18.3%	17.4%	18.7%	17.7%	19.1%
Total number of subscribers (in thousands)	14,701	15,636	16,880	15,887	17,233
% post-paid	4.8%	4.7%	4.1%	4.7%	3.9%
% pre-paid	95.2%	95.3%	95.9%	95.3%	96.1%
AMOU <sup>(3)</sup>	137.2	159.4	166.0	162.0	164.2
Voice ARPU <sup>(4)</sup>	€ 16.7	€ 16.5	€ 15.8	€ 15.4	€ 14.1
Data ARPU <sup>(4)</sup>	€ 2.4	€ 2.7	€ 2.8	€ 2.8	€ 2.7
ARPU <sup>(4)</sup>	€ 19.1	€ 19.2	€ 18.5	€ 18.3	€ 16.8
Annualized churn <sup>(5)</sup>	31.6%	28.0%	25.2%	26.3%	25.1%
Noi voice subscribers (in thousands)	7,304	8,668	9,145	8,823	9,288
<b>Fixed-line:</b>					
Voice subscribers (in thousands)	2,340	2,383	2,620	2,457	2,687
Broadband subscribers (in thousands)	763	1,022	1,355	1,115	1,450
Narrowband subscribers (in thousands)	1,405	886	535	777	449
Direct voice subscribers (in thousands)	943	1,374	1,729	1,486	1,809
Voice average minutes per user <sup>(6)</sup>	407.1	422.3	404.6	441.0	423.4
Voice ARPU <sup>(7)</sup>	€ 26.1	€ 26.1	€ 27.0	€ 26.2	€ 25.7
Data ARPU <sup>(7)</sup>	€ 10.7	€ 11.2	€ 10.9	€ 11.1	€ 11.5
ARPU <sup>(7)</sup>	€ 36.8	€ 37.3	€ 37.9	€ 37.3	€ 37.2
Broadband ARPU <sup>(7)</sup>	€ 19.7	€ 20.2	€ 18.6	€ 19.3	€ 19.0

(1) Penetration rates are calculated as described in “Industry, Market and Subscriber Data.”

(2) Market share for our mobile business is calculated as described in “Industry, Market and Subscriber Data.”

(3) AMOU for our mobile business is calculated as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Principal Factors Affecting Mobile Revenues—Traffic Volume.”

(4) ARPU for our mobile business is calculated as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Principal Factors Affecting Mobile Revenues—ARPU.”

(5) Churn for the mobile business is calculated as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Principal Factors Affecting Mobile Revenues—Churn.”

(6) Voice average minutes per subscriber for our fixed-line business is calculated as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Principal Factors Affecting Internet and Fixed-Line Voice Revenues—Traffic Volume.”

(7) ARPU for our fixed-line business is calculated as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Results of Operations—Principal Factors Affecting Internet and Fixed-Line Voice Revenues—ARPU.”

## RISK FACTORS

*In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, we and the Issuer may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.*

*This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum.*

### **Risks Related to Our Financial Profile**

***Our substantial leverage and debt service obligations could adversely affect our business and prevent us and the Issuer from fulfilling our obligations with respect to the Notes and the Note Guarantees***

We are, and after the issuance of the Notes will continue to be, highly leveraged. As of March 31, 2009, after adjusting for the effects of the Refinancing Transactions, we would have total financial liabilities of €8,995 million, including €4,824 million under the Senior Credit Facilities and Second Lien Notes (the proceeds of which have been lent to WIND and the obligations of which have been guaranteed by WIND and WIS as well as Enel.Net S.r.l.). WIND and WIS also guarantee the Notes and the 2015 Notes on a senior subordinated basis. The Senior Credit Facilities and the Second Lien Notes are effectively senior to the Notes because WIND's direct obligations under the Senior Credit Facilities, WIS' guarantee of the Senior Credit Facilities and WIND's and WIS' guarantee of the Second Lien Notes will rank senior in right of payment to each Note Guarantee and will require periodic cash payments of principal and interest. Our subsidiaries will also be permitted to incur additional indebtedness under the Senior Credit Facilities in the future, including additional borrowings of up to €400 million under the Revolving Credit Facility.

Furthermore, after the completion of the Offering, we expect that WIND will fund cash distributions or dividends out of distributable reserves, including the share premium reserve, or make loans, to WAHF, thus reducing WIND's net assets while increasing its financial indebtedness.

The degree to which we will be leveraged following the issuance of the Notes, could have important consequences to holders of the Notes in this Offering, including, but not limited, to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development, subscriber acquisition costs or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes. Moreover, we may incur substantial additional indebtedness in the future, including indebtedness in connection with any future acquisition.

The terms of the Indenture and the 2015 Notes Indenture, as well as the terms of our Senior Credit Facilities and our Second Lien Notes, restrict, but do not prohibit, us from incurring additional debt. Some or all of this debt could rank senior to the Notes. If we incur new debt in addition to our current debt level as adjusted to give effect to the Refinancing Transactions, the related risks that we now face, as described above and elsewhere in these “Risk Factors,” could intensify.

***We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities***

The Indenture will restrict, among other things: (i) the ability of the Issuer to engage in activities other than certain limited activities related to its obligations with respect to its indebtedness and related documents and maintaining its corporate existence; and (ii) our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- layer debt;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the share of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to such entity;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interest for the benefit of the holders of the Notes; and
- amend certain documents.

All of these limitations will be subject to significant exceptions and qualifications. See “Description of Notes—Certain Covenants.” The covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

We are also subject to the affirmative and negative covenants contained in the Senior Facilities Agreement and in the Second Lien Subscription Agreement and the negative covenants contained in the 2015 Notes Indenture. The covenants in the 2015 Notes Indenture are substantially similar to those contained in the Indenture but there are certain important differences. The covenants in the Senior Credit Facilities and the Second Lien Notes restrict, in certain circumstances, the ability of our

subsidiaries to make, among other things, payments to us in order to enable us to make payments on the Notes, the Note Guarantees or the Notes Proceeds Loan as well as the 2015 Notes, 2015 Note Guarantees and the 2015 Notes Proceeds Loans that are not permitted by the terms of the Priority Agreement while debt under the Senior Credit Facilities and Second Lien Notes is outstanding. Our Senior Credit Facilities and Second Lien Notes also contain certain restrictions on our business, including as to the acquisition or disposal of assets. In addition, our Senior Credit Facilities and our Second Lien Notes also require us to maintain specified financial ratios and satisfy financial condition tests provided for in the Senior Credit Facilities and the Second Lien Notes, which become more restrictive over the life of the debt. Our ability to meet those financial ratios and tests can be affected by events beyond our control and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under our Senior Credit Facilities or Second Lien Notes. Upon the occurrence of any event of default under our Senior Credit Facilities or Second Lien Notes, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Senior Credit Facilities or Second Lien Notes, together with accrued interest, immediately due and payable. In addition, any default under the Senior Credit Facilities or Second Lien Notes could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the Notes and the 2015 Notes. Similarly, a breach of any of the covenants in the 2015 Notes could result in an event of default under such notes and, upon the occurrence of any such event of default, subject to applicable cure periods and other limitations on acceleration or enforcement, the holders of the 2015 Notes could elect to declare all amounts outstanding, together with accrued interest, immediately due and payable. If our creditors, including the creditors under our Senior Credit Facilities, Second Lien Notes or 2015 Notes, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to us to enable us to repay the Notes or the 2015 Notes in full or in part. In addition, if we were unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

***We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise***

Our ability to make principal or interest payments when due on our indebtedness, including the 2015 Notes Proceeds Loans and the Notes Proceeds Loan, our Senior Credit Facilities and the Second Lien Notes proceeds loan and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which to a certain extent is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these “Risk Factors,” many of which are beyond our control. Our Senior Facilities Agreement provides for term loan facilities under which we have approximately €1,167 million (Term Loan A), €1,476 million (Sub-facility B1 of Term Loan B), \$75 million (Sub-facility B2 of Term Loan B), €1,476 million (Sub-facility C1 of Term Loan C) and \$75 million (Sub-facility C2 of Term Loan C) of debt outstanding, maturing in 2012 (Term Loan A), 2013 (Term Loan B) and 2014 (Term Loan C), respectively. The Second Lien Notes comprise two tranches of notes of approximately €552 million and \$180 million, with both tranches maturing in 2014. The 2015 Notes are in the aggregate principal amount of €950 million and \$650 million, maturing in 2015. See “Description of Certain Financing Arrangements.” At the maturity of these loans, the Notes Proceeds Loan or any other debt which we may incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, we may be required to refinance our indebtedness. If we are unable to refinance our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to sell assets, or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on

our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of the Indenture may limit our ability to pursue any of these measures.

#### **Risks Relating to the Notes and Our Structure**

***The Issuer is an unaffiliated finance company which will depend on payments under the 2015 Notes Proceeds Loans and the Notes Proceeds Loan to provide it with funds to meet its obligations under the 2015 Notes and the Notes, respectively***

The Issuer is a finance company with limited assets that has no subsidiaries and a limited ability to generate revenues. See “The Issuer.” Upon completion of the Offering, the only significant assets of the Issuer will be the 2015 Notes Proceeds Loans and the Notes Proceeds Loan. The Issuer’s material liabilities will be the 2015 Notes and the Notes. As such, the Issuer will be dependent upon payments from WIND under the 2015 Notes Proceeds Loans and the Notes Proceeds Loan to make any payments due on the 2015 Notes and the Notes, respectively. Furthermore, the Indenture will prohibit the Issuer from engaging in any activities other than certain limited activities permitted under the headings “Description of Notes—Certain Covenants—Limitations with Respect to the Issuer.”

In addition, the Indenture will permit us and our subsidiaries to incur additional indebtedness with terms and conditions that may severely restrict or prohibit the making of distributions, the payment of dividends, the making of loans by such subsidiaries or other payments to us and will permit us to make significant investments in our subsidiaries and otherwise.

We cannot assure you that the funding permitted by the agreements governing our existing and future indebtedness or the Priority Agreement will provide us with sufficient amounts to fund payments on the Notes when due.

***Your rights to enforce remedies with respect to the collateral securing the Notes and the Note Guarantees are limited as long as any senior debt is outstanding***

The security interests in all of the collateral securing the Notes and each Note Guarantee will rank (i) behind the first and second-priority security interests in such collateral in favor of the creditors under the Senior Credit Facilities and Second Lien Notes and in favor of institutions with whom we entered and may enter into certain hedging arrangements and (ii) ratably with the third-priority security interests in the collateral in favor of the creditors under the 2015 Notes. The Priority Agreement provides that a common security agent, who will also serve as the security agent for the secured parties under our Senior Credit Facilities, the Second Lien Notes and the 2015 Notes and will (subject to certain limited exceptions) act with respect to such collateral only at the direction of the agent under the Senior Credit Facilities or Second Lien Notes, as the case may be, until amounts outstanding under the Senior Credit Facilities and Second Lien Notes are paid in full and discharged. Until the expiration of a standstill period on enforcement of such security on behalf of holders of the 2015 Notes and the Notes, the creditors and the agent under the Senior Credit Facilities or Second Lien Notes will have (subject to certain limited exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such collateral. See “Description of Certain Financing Arrangements—Priority Agreement.” As a result, the holders of the Notes will not be able to force a sale of such collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents until the expiration of the applicable standstill period for so long as any amounts under our Senior Credit Facilities or the Second Lien Notes remain outstanding. The creditors under our Senior Credit Facilities and the Second Lien Notes may have interests that are different from the interests of holders of the Notes and they may elect not to pursue their remedies under the security documents at a time when it would otherwise be advantageous for the holders of the Notes to



do so. The 2015 Notes and the Notes will be treated as a single class for all purposes under the Priority Agreement and all of the collateral securing the 2015 Notes and the Notes. This may affect the ability of holders of the Notes to recover under the collateral if the proceeds from the collateral after having satisfied obligations under our Senior Credit Facilities and the Second Lien Notes is less than the aggregate amount outstanding under the 2015 Notes and the Notes.

In addition, if the creditors or the agent under our Senior Credit Facilities or the Second Lien Notes sell the shares of WIND or the shares of another company through an enforcement of their first or second-priority security interest, in accordance with the Priority Agreement, the 2015 Note Guarantees, the Note Guarantees and the liens over any other assets securing the 2015 Notes, the Notes, the 2015 Note Guarantees and each Note Guarantee may be released. See “Description of Certain Financing Arrangements—Priority Agreement.” See “Description of Notes—Security.”

***Each of the Note Guarantees and the Notes Proceeds Loan will be subordinated to our existing and future senior debt***

The Note Guarantees, as well as the 2015 Note Guarantees, will each be the senior subordinated obligations of WIND and WIS, and the Notes Proceeds Loan, as well as the 2015 Notes Proceeds Loans will each be the senior subordinated obligations of WIND and:

- will rank *pari passu* in right of payment with all existing and future senior subordinated indebtedness of WIND and WIS, as applicable;
- will be subordinated in right of payment to all existing and future senior indebtedness of any guarantor of the Notes, including each such guarantor’s obligations under, or guarantee of obligations under, the Senior Credit Facilities, the Second Lien Notes and, with respect to WIND, its obligations under the Second Lien Notes proceeds loan;
- will be senior in right of payment to all existing and future obligations of WIND and WIS expressly subordinated to the relevant Note Guarantee and/or the Notes Proceeds Loan;
- will be effectively subordinated to any secured indebtedness and other secured obligations of each Note guarantor to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets also secure such Note Guarantees on an equal and ratable or priority basis); and
- will be structurally subordinated to all liabilities and preference shares (if any) of each of our non-guarantor subsidiaries.

Any guarantee of the Notes (including each Note Guarantee) will be fully and unconditionally released:

- upon the full and final payment and performance of all obligations of the Issuer under the Notes;
- upon payment by WIND or WIS, as applicable, of the obligations under the relevant Notes Guarantee up to the maximum amount provided thereunder;
- with respect to a guarantor (if any) other than WIND, in connection with any sale or other disposition of all or substantially all of the assets of that guarantor (including by way of merger or consolidation) or the share capital of that guarantor to a person that is not (either before or after giving effect to such transaction) WIND or a restricted subsidiary of WIND, if the sale or other disposition does not violate the “Asset Sale” or other provisions of the Indenture;
- upon the sale of all the share capital of such guarantor or its parent entity pursuant to a security enforcement sale in compliance with the Priority Agreement;

- when any restricted subsidiary of WIND that is a guarantor is designated as an unrestricted subsidiary in accordance with the applicable provisions of the Indenture; or
- upon legal defeasance or satisfaction and discharge of the Indenture, as applicable, provided under the captions “Description of Notes—Legal Defeasance and Covenant Defeasance,” and “Description of Notes—Satisfaction and Discharge.”

See “Description of Certain Financing Arrangements—Priority Agreement” and “Description of Notes.”

In addition, no enforcement action with respect to the Note Guarantees (or any future guarantee of the Notes, if any), or with respect to the Notes Proceeds Loan may be taken unless (subject to certain limited exceptions): (i) any enforcement action has been taken with respect to senior debt (provided that if the only action that has been taken is demanding payment or placing senior debt on demand, the Trustee and holders of the Notes or the Trustee and the holders of the 2015 Notes will be limited to taking the same action); (ii) an insolvency event has occurred with respect to WIND; (iii) with respect to any enforcement action on a guarantor, an insolvency event has occurred with respect to such guarantor (to the extent such event has not occurred solely as a result of any action taken by the trustee or holders of the Notes or the trustee and holders of the 2015 Notes); (iv) there is a default on the Notes outstanding after a period of 179 days from the date the agent with respect to its senior debt received written notice of such default; (v) a default has occurred resulting from a failure to pay principal on the Notes at maturity or (vi) the majority lenders under its Senior Credit Facilities (or, upon discharge of its Senior Credit Facilities, the majority noteholders of its Second Lien Notes) have given their consent to the proposed action. See “Description of Certain Financing Arrangements—Priority Agreement.”

In addition, the creditors under our Senior Credit Facilities and Second Lien Notes already benefit and will receive a first and second-priority security interest in each of the 2015 Notes Proceeds Loans and the Notes Proceeds Loan, respectively and the creditors under the 2015 Notes will receive on a ratable basis with each of the creditors under the Notes a third-priority security interest on the Notes Proceeds Loan.

Upon any distribution to the creditors of a guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such guarantor, the holders of senior debt of such guarantor will be entitled to be paid in full before any payment may be made with respect to the guarantor’s 2015 Note Guarantees or Note Guarantees, or, with respect to WIND, the 2015 Notes Proceeds Loans or the Notes Proceeds Loan. As a result, holders of the Notes and 2015 Notes may receive less, ratably, than the holders of senior debt of the guarantors, including the lenders under our Senior Credit Facilities and holders of the Second Lien Notes.

As of March 31, 2009, after adjusting for the effect of the Refinancing Transactions, we had an aggregate principal amount of outstanding financial liabilities that ranked senior to the 2015 Note Guarantees and the Note Guarantees and the 2015 Notes Proceeds Loans and the Notes Proceeds Loan of €4,918 million and up to €400 million was available for borrowing under the Revolving Credit Facility under our Senior Credit Facilities, and we had an aggregate principal amount of outstanding indebtedness that would have ranked *pari passu* with the Note Guarantees of €1,438 million.

***The Notes, the Notes Proceeds Loan and each of the Note Guarantees will each be structurally subordinated to the liabilities and preference shares (if any) of our non-guarantor subsidiaries***

As of the Issue Date, WIS is the only WIND subsidiary that will guarantee the Notes. As of the Issue Date, no other subsidiary of WIND will guarantee the Notes. Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the

claims of creditors of its parent entity, including claims against us by the Issuer under the Notes Proceeds Loan and by noteholders under the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes, each Note Guarantee and the Notes Proceeds Loan will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries.

In the twelve month period ended March 31, 2009, WIND's non-guarantor subsidiaries generated 1.4% of WIND's total consolidated revenue and held 4.0% of our consolidated assets.

***Claims of the secured creditors of WIND and WIS will have priority with respect to their security over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness***

Claims of the secured creditors of WIND and WIS will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, each Note Guarantee will be effectively subordinated to any secured indebtedness and other secured obligations of the relevant guarantor (including obligations with respect to the Senior Credit Facilities and Second Lien Notes) to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of such guarantor that constitute their collateral (other than to the extent such assets also secure the Notes and/or the relevant Note Guarantees on an equal and ratable basis or priority basis). Subject to the limitations referred to under the caption "—Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability," the holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the relevant guarantor (including the 2015 Note Guarantees) (other than our indebtedness to which the Note Guarantees have been expressly subordinated), and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant guarantor. In the event that any of the secured indebtedness of the relevant guarantor becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Note Guarantee. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness of the relevant guarantor.

As of March 31, 2009, after adjusting for the effect to the Refinancing Transactions, we had an aggregate principal amount of €4,918 million of secured financial liabilities outstanding other than the 2015 Notes Proceeds Loans and the Notes Proceeds Loan, and up to €400 million was available for additional borrowings under the Revolving Credit Facility under our Senior Credit Facilities. We will be permitted to borrow substantial additional indebtedness, including senior debt, in the future under the terms of the Indenture.

***Your ability to recover under the share pledge and other security interests may be limited***

In order to secure the obligations under the Notes and the Note Guarantees, WAHF will grant third priority security interests in all of the issued share capital of WIND. First and second priority interests in the share capital of WIND and other collateral have been granted for the benefit of creditors under our Senior Credit Facilities and the Second Lien Notes and ratable third priority

interests have been or, with respect to Notes Proceeds Loan, will be granted for the benefit of the creditors of the 2015 Notes. You may not be able to recover on the shares and other collateral that are pledged or assigned because the creditors under the Senior Credit Facilities and Second Lien Notes will have a prior claim on all proceeds realized from any enforcement of such pledges and other collateral and any enforcement sale with respect to such collateral and the Notes will need to share any remaining proceeds from such enforcement with the holders of the 2015 Notes and any other secured creditor. If the proceeds realized from the enforcement of such pledges or such sale or sales exceeds the amount owed under our Senior Credit Facilities and the Second Lien Notes, any excess amount of such proceeds will be paid to the Trustee on behalf of itself and the registered holder of the Notes and the 2015 Notes for the benefit of the holders of the Notes and the 2015 Notes, which will all share ratably with respect to such excess amount. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Notes and the 2015 Notes, the holders of Notes will not fully recover (if at all) under such collateral.

In addition, the collateral may not be liquid and its value to other parties may be less than its value to us or, in the case of the Notes Proceeds Loan as well as the 2015 Notes Proceeds Loans, the Issuer. Likewise, we cannot assure you that there will be a market for the pledged shares or other collateral or that, if such market does exist, that there will not be substantial delays in their liquidation. The shares of WIND may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to WIND because all of the obligations of WIND (subject to the release mechanism in the Priority Agreement) (including on the Note Guarantees, the 2015 Notes Proceeds Loans, the Notes Proceeds Loan and the Second Lien Notes proceeds loan) must be satisfied prior to distribution to our equity holders. As a result, the creditors secured by a pledge of the shares of WIND may not recover anything of value in the case of an enforcement sale. In addition, the value of this collateral may decline over time. Likewise, the other collateral securing the Notes may not be of value to the holders of the Notes.

Pursuant to the Priority Agreement, until the expiration of a standstill period on enforcement of security on behalf of the holders of the Notes, the Trustee, the security agent for the Notes and holders of the Notes will (subject to certain limited exceptions) not be able to force a sale of the collateral securing the Notes or otherwise independently pursue the remedies of a secured creditor under the security documents relating to such collateral for so long as any amounts under the Senior Credit Facilities or Second Lien Notes remain outstanding and, if the creditors under the Senior Credit Facilities or Second Lien Notes enforce their security, they will have priority over the holders of Notes with respect to the proceeds from this collateral and the Notes will need to share pro rata any remaining proceeds from such enforcement with the holders of the 2015 Notes. See “—Your rights to enforce remedies with respect to the collateral securing the Notes and Note Guarantees are limited as long as any senior debt is outstanding.” As such, you may not be able to recover on the collateral if the claims of the creditors under the Senior Credit Facilities or Second Lien Notes are greater than the proceeds realized from any enforcement of the collateral, and any amount that is recovered will need to be shared *pro rata* among the creditors. In addition, if the creditors or the agent under the Senior Credit Facilities or Second Lien Notes sell WIND’s shares through an enforcement of their first or second-priority security interest in accordance with the Priority Agreement, the third-priority security interest over such shares securing the Notes and the Note Guarantees, will be automatically released. See “Description of Certain Financing Arrangements—Priority Agreement” and “Description of Notes—The Guarantees” and “—Security.”

In addition, the ability of the security agent to enforce the collateral is subject to mandatory provisions of Italian law, where applicable. See “Description of Notes—Security.”

There is some uncertainty under Italian law as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured. Therefore, there are risks regarding the enforceability of the security interests granted by the Italian

companies (including the share pledge granted by WAHF over the shares of WIND). To mitigate this risk, the grantor of such security and ABN AMRO Bank N.V., as security agent, have entered into an abstract acknowledgment of indebtedness agreement as contained in the Priority Agreement pursuant to which the security agent will become the holder of the secured claims for the benefit of the holders of the Notes (commonly referred to as parallel debt obligations). However, such so-called parallel debt structure has not yet been tested under Italian law and we cannot assure you that it will eliminate or mitigate the risk of unenforceability posed by such applicable law. If any challenge to the validity of the security interests or the parallel debt structure was successful, the holders of the Notes may not be able to recover any amounts under the security interests.

Also, under Italian law, in the event that the relevant obligor enters into insolvency proceedings, the security interests created under the documents entered into to secure the collateral and the guarantees or the parallel debt obligation could be subject to potential challenges by an insolvency administrator or by other creditors of such obligor under the rules of avoidance or clawback of Italian insolvency laws and the relevant law on the non-insolvency avoidance or clawback of transactions by the debtor. If any challenge to the validity of the Note Guarantees or the collateral was subject to avoidance or clawback actions, the holders may not be able to recover any amounts under such documents.

***Each Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforceability***

As of the Issue Date, WIND and WIS will guarantee the payment of the Notes on a senior subordinated basis. Each Note Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant guarantor. However, the Indenture will provide that each Note Guarantee will be limited to the maximum amount that can be guaranteed by the relevant guarantor without rendering the relevant Note Guarantee voidable or otherwise ineffective under Italian and other applicable law and enforcement of each Note Guarantee would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, a court could subordinate or void the Note Guarantees and, if payment had already been made under a Note Guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that:

- the relevant Note Guarantee was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the guarantor or, in certain jurisdictions, even when the recipient was simply aware that the guarantor was insolvent when it granted the relevant Note Guarantee;
- the guarantor did not receive fair consideration or reasonably equivalent value for the relevant Note Guarantee and the guarantor was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the relevant Note Guarantees were held to exceed the corporate objects of the guarantor or not to be in the best interests or for the corporate benefit of the guarantor; or
- the amount paid or payable under the relevant Note Guarantee was in excess of the maximum amount permitted under applicable law.



The measure of insolvency for purposes of fraudulent conveyance laws varies depending on the law applied. For example, generally, an Italian company would be considered insolvent if it is demonstrated that it could no longer be able to regularly meet its obligations as they become due. If a court decided that either a Note Guarantee was a fraudulent conveyance and voided such Note Guarantee, or held it unenforceable for any other reason, you may cease to have any claim in respect of the relevant guarantor and would be a creditor solely of the Issuer and, if applicable, of the other guarantor under the relevant Note Guarantee which has not been declared void.

***The Issuer's right to receive payments under the Notes Proceeds Loan may be subordinated by law to the obligations of other creditors***

Pursuant to Articles 2497 *quinquies* and 2467 of the Italian Civil Code, a loan to a company made by (i) a person that, directly or indirectly, exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person, will be subordinated to all other creditors of that borrower and senior only to the equity in that borrower, if the loan is made when, also taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan. Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration will be required to be returned to the borrower.

Article 2497 *sexies* of the Italian Civil Code creates a *prima facie*, though rebuttable, presumption that the management and coordination powers are exercised by one company over another company if one of the two companies:

- controls the other according to Article 2359 of the Italian Civil Code; or
- is obliged, under Italian law, to consolidate the other company's accounts into its own accounts.

Weather exercises management and coordination powers over WIND. Under Italian law, unlisted companies have to prepare consolidated accounts by applying Italian GAAP accounting standards (*Principi contabili del Consiglio Nazionale dei Dottori Commercialisti e del Consiglio Nazionale dei Ragionieri modificati dall'Organismo Italiano di Contabilità in relazione alla riforma del diritto societario*). Italian unlisted companies have, however, the option to adopt IFRS.

Under Italian GAAP, neither WIND nor Weather would be required to consolidate the Issuer's accounts with its own. Each of the Weather Group and the WIND Group, however, has voluntarily adopted IFRS as its accounting standard for the preparation of its consolidated financial statements, which requires each of them to consolidate the Issuer's accounts into their own. Notwithstanding this, WIND and Weather continue to have no obligation under Italian law accounting principles to consolidate the Issuer's accounts into their own.

We have no reason to believe that WIND's obligations with respect to the 2015 Notes Proceeds Loans or the Notes Proceeds Loan would be subordinated pursuant to the provisions referred to above even if a *prima facie* presumption of direction and coordination should arise as a consequence of the consolidation of accounts pursuant to IFRS referred to above as, notwithstanding that, our ownership of 27.0% of the share capital of the Issuer could support a different conclusion. Provided that (i) the Weather Group maintains its relationship with the Issuer as described in this Offering Memorandum, (ii) as regulated by the covenants of the Indenture, the Issuer's charitable trust shareholder maintains at least a 70.0% ownership interest in the share capital of the Issuer and (iii) the Weather Group does not take certain specified actions that may be deemed to constitute control or direction and coordination of the Issuer, we do not believe that the Notes Proceeds Loan (or the 2015 Notes Proceeds Loans) should be subordinated pursuant to the provisions referred to above.

However, as of the date hereof, we are not aware of any court precedents, nor any prevailing legal views, interpreting the applicable provisions of the Italian Civil Code (which entered into force on January 1, 2004) and, therefore, there is a risk that Italian courts may interpret such provisions of the Civil Code (and their application to our relationship with the Issuer in the context of the transactions described in this Offering Memorandum) differently. Accordingly, there can be no assurance that an Italian court will conclude that our obligations under the Notes Proceeds Loan as well as the 2015 Notes Proceeds Loans are not subordinated to all our obligations to other creditors. If our obligations under the Notes Proceeds Loan or the 2015 Notes Proceeds Loans will be deemed subordinated to the obligation owed to our other creditors by operation of law and senior only to its equity, the Issuer may not be able to recover any amounts under the Notes Proceeds Loan or the 2015 Notes Proceeds Loans, and consequently would not be able to make payments on the Notes.

***The insolvency laws of Italy and Luxembourg may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes***

WIND and WIS are organized under the laws of Italy. Consequently, in the event of the insolvency of WIND or WIS, insolvency proceedings have to be initiated in Italy. The Issuer is incorporated under the laws of Luxembourg and in the event of an insolvency of the Issuer, insolvency proceedings may be initiated in Luxembourg. The insolvency laws of Italy and Luxembourg may not be as favorable to your interests as creditors as the laws of the United States or other jurisdictions with which you may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy and Luxembourg. In the event that the Issuer experienced financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings.

#### *Italy*

WIND and its Italian subsidiaries are subject to Italian law governing creditors' rights and bankruptcy and restructuring proceedings. In general, Italian creditors' rights and insolvency laws are considered to be more favorable to debtors and to the trustee in bankruptcy than the regimes of certain other jurisdictions, such as the United States. In Italy, the courts play a central role in the insolvency process and out-of-court restructurings are infrequent. Moreover, the enforcement of security interests by creditors in Italy can be time consuming.

The two primary aims of the Italian bankruptcy legislation, as reformed and currently in force (the "*Italian Bankruptcy Law*") are to maintain employment and to liquidate the debtor's assets for the satisfaction of creditors. These competing aims often have been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold.

Under the Italian Bankruptcy Law, based on the insolvency ("*insolvenza*") of a company, bankruptcy must be determined and declared by a court. Insolvency occurs when a debtor is no longer able to regularly meet its obligations as they fall due. This must be a permanent, and not a temporary, status. The following restructuring and bankruptcy alternatives are available under Italian Bankruptcy Law for companies facing financial difficulties:

- *Restructuring outside of a judicial process ("concordato stragiudiziale")*. Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and informal arrangements put in place as a result of an out of court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out of court arrangement with its creditors, which may safeguard the existence of the company.



- *Agreements to restructure indebtedness (“accordi di ristrutturazione dei debiti”)*. Out of court arrangements for the restructuring of debts entered into with those creditors that represent at least 60% of the credit can be validated by the court, so long as an expert assessed that the agreement is feasible. Only the debtor can request the court’s validation. Following the court’s validation the arrangement with creditors is published with the register of companies and for sixty days as from the publication of the arrangement all actions by creditors already existing as of such date are stayed.
- *Court-supervised pre-bankruptcy composition with creditors (“concordato preventivo”)*. Prior to, or upon the declaration of insolvency, a company, in a state of crisis or insolvency, has the option to seek an arrangement with its creditors, under court supervision, in order to avoid a declaration of bankruptcy and the initiation of liquidation proceedings. Such arrangement with creditors can be sought by a company which exceeds certain thresholds (*i.e.*, assets in an aggregate amount exceeding €0.3 million in the latest three fiscal years, gross revenues in an aggregate amount exceeding €0.2 million in the latest three fiscal years and total indebtedness in excess of €0.5 million). Only the debtor can request a *concordato preventivo*, which requires the approval of the company’s shareholders. The court must approve the arrangement. During the *concordato preventivo*, all actions by creditors are stayed. The composition agreement may provide for: (i) the restructuring of debts and the satisfaction of creditors in any manner, even through extraordinary transactions including the granting to creditors and their controlled company of shares, or bonds (also convertible into shares), or other financial instruments and securities; (ii) the assumption of the activities of the companies involved in the proposal; (iii) the division of creditors into classes; and (iv) different treatments for creditors belonging to different classes. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. The *concordato preventivo* is approved by a majority vote of the creditors entitled to vote. Where there are different classes of creditors, the *concordato preventivo* is approved if the majority of classes approves it by a majority vote, within each class, of the creditors entitled to vote. If the arrangements provide for the full payment of secured creditors, these latter cannot vote. During the implementation of the arrangement, the company is managed by the debtor but under the surveillance of an official appointed by the court, and under the supervision of the court. If the *concordato preventivo* fails, the company will be declared bankrupt by the court.
- *Extraordinary administration for large companies (“amministrazione straordinaria delle grandi imprese in crisi”)*. There are special administration proceedings available under Italian law for large industrial and commercial enterprises. The purpose of the administration is to save and rehabilitate a company in financial distress due to its significant technical, commercial, productive and employment value. Extraordinary administration is available for a debtor with at least 200 employees and indebtedness equal to at least two-thirds of its total assets and two-thirds of its revenues from sales and provision of services for the last fiscal year.
- *Extraordinary administration for insolvent large companies (“modifica alla disciplina della ristrutturazione delle grandi imprese in stato di insolvenza”)*. There is a restructuring proceeding available under Italian law for large industrial and commercial enterprises. The purpose of this extraordinary administration is to continue the company’s operations by means of restructuring its debts and selling assets which are not strategic or which do not fall within the core business of the company. This extraordinary administration is available for a debtor with at least 500 employees and indebtedness (including guarantees) in an aggregate amount of not less than €300 million. The company must also have actual prospects of recovery through a financial and economic restructuring of the business under a restructuring that cannot last longer than two years which two years may be extended by a further two-year period, under certain circumstances.

- *Bankruptcy proceeding (“fallimento”)*. A request to declare a debtor bankrupt and to commence a bankruptcy proceeding for the liquidation of a debtor can be made by the debtor, a creditor, a court or public prosecutor. The request must be approved by an insolvency court. The Italian Bankruptcy Law is applicable only if certain thresholds are met (*i.e.*, assets in an aggregate amount exceeding €0.3 million in the latest three fiscal years, gross revenues in an aggregate amount exceeding €0.2 million in the latest three fiscal years and total indebtedness in excess of €0.5 million). Upon the commencement of a bankruptcy proceeding:
  - subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a defined period;
  - the administration of the debtor and the management of its assets pass from the debtor to the receiver; and
  - any action by the debtor after a declaration of bankruptcy with respect to a creditor is ineffective.

The bankruptcy proceeding is carried out and supervised by a court-appointed receiver, a deputy judge and a creditors’ committee. The receiver is not a representative of the creditors, and is responsible for the liquidation of the assets of the debtor for the satisfaction of creditors. The proceeds from the liquidation are distributed in accordance with statutory priority. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor’s assets include real property. The Italian Bankruptcy Law provides for priority to the payment of certain preferential creditors, including employees and the Italian treasury.

- *Post-bankruptcy composition with creditors (“concordato fallimentare”)*. A bankruptcy proceeding can be terminated prior to liquidation by a debtor filing a petition to the insolvency court for a post-bankruptcy composition with creditors. The petition can be filed also by one or more creditors, a third party, or the receiver. In the petition, the debtor must indicate the percentage of the unsecured claims that will be paid and the timing of the repayment. The petition may provide for the division of creditors into classes, and the restructuring of debts and the satisfaction of creditors in any manner. The petition may provide the possibility that the secured credits are paid only in part.

*Statutory priorities.* The statutory priority assigned to creditors under the Italian Bankruptcy Law may be different than priorities in the United States, the United Kingdom and certain other European Union jurisdictions. In Italy, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors, which include the claims of the Italian tax authorities and social security administrators and claims for employee wages.

*Avoidance powers in insolvency.* Similar to other jurisdictions, there are so-called “claw-back” or avoidance provisions under Italian law that may give rise to the revocation of payments or grants of security interests made by the debtor prior to the declaration of bankruptcy. The key avoidance provisions include transactions made below market value, preferential transactions and transactions made with a view to defraud creditors. Claw-back rules under Italian law are normally considered to be particularly favorable to the trustee in bankruptcy in comparison to the rules applicable in the United States and the United Kingdom.

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six-months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared voided within the Italian civil code ordinary claw-back period of five years (“*revocatoria ordinaria*”).

In any case, it should be noted that: (i) under article 64 of Royal Decree no. 267/1942, all transactions for no consideration or at an undervalue, depending on certain circumstances, are ineffective vis-à-vis creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration, and (ii) under article 65 of Royal Decree no. 267/1942, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective vis-à-vis creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, it should be noted that the EU Council Regulation no. 1346/2000 of May 29, 2000 contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

### *Luxembourg*

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (altogether referred to as insolvency proceedings) may be opened against an entity having its registered office or center of main interests in Luxembourg:

- Bankruptcy proceedings (“*faillite*”), the opening of which may be requested by the company or by any of its creditors. Following such a request, the courts having jurisdiction may open bankruptcy proceedings if the Issuer: (i) is in a state of cessation of payments (“*cessation des paiements*”) and (ii) has lost its commercial creditworthiness (“*ébranlement de crédit*”). If a court finds that these conditions are satisfied, it may also open bankruptcy proceedings, out of its own motion. The main effect of such proceedings is the suspension of all measures of enforcement against the company, except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets;
- Controlled management proceedings (“*gestion contrôlée*”), the opening of which may only be requested by the company and not by its creditors and under which a court may order provisional suspension of payments including a stay of enforcement by secured creditors; and
- Composition proceedings (“*concordat préventif de faillite*”), which may be requested only by the Issuer (subject to obtaining the consent of the majority of its creditors) and not by its creditors themselves. The court’s decision to admit a company to the composition proceedings triggers a provisional stay on enforcement of claims by creditors.

In addition, your ability to receive payment on the Notes may be affected by a decision of a court to grant a stay on payments (“*sursis de paiement*”) or to put the Issuer into judicial liquidation (“*liquidation judiciaire*”). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the commercial code or of the laws governing commercial companies. The management of such liquidation proceedings will generally follow the rules of bankruptcy proceedings.

Liability of the Issuer in respect of the Notes will, in the event of a liquidation of the Issuer following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and those debts of the Issuer that are entitled to priority under Luxembourg law. Preferential debts under Luxembourg law include:

- certain amounts owed to the Luxembourg Revenue;
- value-added tax and other taxes and duties owed to the Luxembourg Customs and Excise;
- social security contributions; and
- remuneration owed to employees.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured creditors (except after enforcement and to the extent a surplus is realized).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. The ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings providing expressly that the rights of secured creditors are frozen until a final decision has been taken by the court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings.

Luxembourg insolvency law may affect transactions entered into or payments made by the Issuer during the period before liquidation or administration. If the liquidator or administrator (including, without limitation, in relation to the Issuer, any *commissaire*, *juge-commissaire*, *liquidateur* or *curateur* or similar official) can show that such Issuer has given “*preference*” to any person by defrauding the rights of creditors generally, regardless of when this fraud occurred, or under the *action paulienne* (*actio pauliana*), Luxembourg court has the power to void the preferential transaction. If the liquidator or administrator can show that: (i) a payment in relation to a due debt was made during the so-called suspect period (which is a maximum of six months and ten days preceding the judgment declaring bankruptcy) that is disadvantageous to the general body of creditors; and/or (ii) the party receiving such payment is shown to have known that the bankrupt party had generally stopped making payments when such payment occurred, a Luxembourg court has the power, among other things, to void the preferential transaction.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to EU Council Regulation No. 1346/2000 of May 29, 2000 on insolvency proceedings.

Some of our subsidiaries are incorporated in jurisdictions other than Italy and Luxembourg and are subject to the insolvency laws of such jurisdictions. The insolvency laws of these jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of Italy, Luxembourg, the United States or certain other jurisdictions. In addition, there can be no assurance as to how the insolvency laws of these jurisdictions will be applied in relation to one another.

***The Issuer may not have the ability to raise the funds necessary to finance an offer to repurchase Notes upon the occurrence of certain events constituting a change of control as required by the Indenture***

Upon the occurrence of certain events constituting a change of control, the Issuer would be required to offer to repurchase all outstanding Notes as well as the 2015 Notes, in each case at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or the 2015 Notes or that the restrictions in our Senior Credit Facilities, the Second Lien Notes, the Priority Agreement or our other then existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, or acceleration of, our Senior Credit Facilities, the Second Lien Notes and other indebtedness. The repurchase of the Notes and the 2015 Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from us to allow it to pay cash to the holders of the Notes or the 2015 Notes following the occurrence of a change of control may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are

prohibited from providing funds to the Issuer for the purpose of repurchasing Notes and the 2015 Notes, we may seek the consent of the lenders under such indebtedness to the purchase of Notes and the 2015 Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes and the 2015 Notes. In addition, we expect that we would require third party financing to make an offer to repurchase the Notes and the 2015 Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes and the 2015 Notes would constitute a default under each of the Indenture and the 2015 Notes Indenture, which would, in turn, constitute a default under the Senior Credit Facilities, Second Lien Notes and other indebtedness. See “Description of Notes—Change of Control.”

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “Change of Control” as defined in the Indenture. Except as described under “Description of Notes—Change of Control,” the Indenture will not contain provisions that would require them to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “Change of Control” in the Indenture will include a disposition of all or substantially all of the assets of WIND and its restricted subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of WIND and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

***WAHF has pledged its shares in WIND to secure our obligations under the Senior Credit Facilities and the Second Lien Notes, and a default in that indebtedness could give rise to a change in control of WIND***

Outstanding indebtedness under the Senior Credit Facilities and Second Lien Notes is secured by, among other things, a pledge over 100% of the outstanding share capital of WIND. A default under any of such indebtedness and enforcement of the security thereunder could therefore trigger a change of control of WIND under the Indenture.

***There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited***

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for



the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made for the Notes to be listed on the Official List and admitted to trading on the Euro MTF, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable in the secondary market.

In addition, the Indenture will allow the Issuer to issue additional notes in the future which could adversely impact the liquidity of the Notes.

***The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold***

The Notes and the Note Guarantees have not been registered under, and we and the Issuer are not obliged to register the Notes or the Note Guarantees under, the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. See "Notice to Investors." We have not agreed to or otherwise undertaken to register the Notes, and neither we nor the Issuer have any intention to do so.

In addition, transfer restrictions with respect to the Notes which relate to exceptions provided for under the U.S. Investment Company Act of 1940, as amended, prohibit transfer except as provided by the transfer restrictions under the caption "Notice to Investors." As such, the Notes may only be transferred to people outside the United States in offshore transactions pursuant to Regulation S or to qualified institutional buyers within the United States in reliance on Rule 144A of the U.S. Securities Act.

***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies***

Unless and until Notes in definitive registered form, or definitive registered Notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depository (or its nominee) for DTC, Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to The Bank of New York Mellon, as principal paying agent, which will make payments to DTC, Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for DTC, Euroclear and Clearstream, the Issuer will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the relevant Notes, you must rely on the procedures of DTC, Euroclear and Clearstream and if you are not a participant in DTC, Euroclear and/or Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the

extent you have received appropriate proxies to do so from DTC, Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear and Clearstream. We cannot assure you that the procedures to be implemented through DTC, Euroclear and Clearstream will be adequate to ensure the timely exercise of rights under the Notes.

***If the U.S. Internal Revenue Service were to assert successfully that the Notes do not constitute debt for U.S. federal income tax purposes, the Notes might be treated as equity interests in a “passive foreign investment company,” which could have adverse consequences for U.S. holders***

There is some uncertainty regarding the characterization of the Notes as debt for U.S. federal income tax purposes. If the U.S. Internal Revenue Service (“IRS”) were to assert successfully that the Notes do not constitute debt for U.S. federal income tax purposes, a U.S. Holder (as defined under “Tax Considerations—Certain United States Federal Income Tax Considerations”) might be treated as owning shares in a passive foreign investment company, and certain material adverse U.S. federal income tax consequences could result for the U.S. Holder. However, in such case, U.S. Holders could avoid these consequences by making a retroactive “qualified electing fund” election with the IRS if certain requirements have been met, as described under “Tax Considerations—Certain United States Federal Income Tax Considerations—Characterization of the Notes; Passive Foreign Investment Company Treatment.”

***The Notes will be issued with original issue discount for U.S. federal income tax purposes***

The Notes will be issued with original issue discount for U.S. federal income tax purposes because the stated principal amount of the Notes will exceed their issue price by more than a *de minimis* amount. A U.S. Holder (as defined under “Tax Considerations—Certain United States Federal Income Tax Considerations”) of a Note will have to report any original issue discount as gross income as it accrues (prior to the receipt of cash attributable thereto), based on a constant yield method and regardless of the U.S. Holder’s regular method of accounting for U.S. federal income tax purposes. See “Tax Considerations—Certain United States Federal Income Tax Considerations—Interest and OID.”

## **Risks Relating to Our Ownership**

***The interests of WIND’s principal shareholders may conflict with your interests***

The interests of WIND’s principal shareholders, in certain circumstances, may conflict with your interests as holders of the Notes. As of the date of this Offering Memorandum, Weather Investments II S.à r.l. (“Weather II”), the majority shareholder of WIND’s ultimate parent entity, which is controlled by the Sawiris family, owns 68.82% of Weather, while private equity firms, other equity investors and WAHF each hold an interest of 21.61%, 1.81% and 7.76% in Weather, respectively. Weather owns 99.99% of WAHF, which in turn owns 100% of WIND’s shares. See “Principal Shareholders.” As a result, these shareholders have, and will continue to have, directly or indirectly, the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve any other changes to our operations. For example, the shareholders could vote to cause us to incur additional indebtedness or to sell certain material assets, in each case, so long as the 2015 Notes Indenture and the Indenture so permit. Incurring additional indebtedness would increase our debt service obligations and selling assets could reduce our ability to generate revenues, each of which could adversely affect holders of the Notes. In addition, we entered into a management services agreement with Weather on October 29, 2007 and as a result of



such agreement, Weather, as our ultimate parent company, is able to significantly influence our business and operations. See “Certain Relationships and Related Party Transactions—Management Services Agreement.”

### **Risks Related to Our Market and Our Business**

*The Italian telecommunications industry is characterized by high levels of competition and we expect the market to remain highly competitive. If we are not able to successfully compete, our financial performance and business prospects may be materially adversely affected*

All of the telecommunications markets in Italy in which we operate are characterized by high levels of competition among mobile and fixed-line telecommunications and broadband service providers. We expect our markets to remain competitive in the near term, and competition may be exacerbated by further consolidation and globalization of the telecommunications industry.

In the Italian mobile telecommunications market, Telecom Italia, operating under the “TIM” brand name, Vodafone Italy (“Vodafone”) and Hutchison 3G, operating under the “3” brand name, are currently our principal competitors. Telecom Italia and Vodafone have well-established positions in the Italian mobile market and each has a greater market share than we do. Hutchison 3G has been aggressively seeking new customers through the use of handset subsidies, which are not customarily offered in the Italian market.

Telecom Italia, as the incumbent in the market, has the advantage of long-standing relationships with Italian customers. Vodafone is very well-positioned in the market and is perceived as having a technologically-advanced and reliable network in the market. Certain of our competitors also benefit from greater levels of global advertising or stronger brand recognition than we do.

In addition, the Italian mobile market is approaching saturation. See “—The success of our mobile operations depends on our ability to attract and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows.” The level of saturation and the highly consolidated nature of the market will result in continued pricing pressure, and our competitiveness will depend on our ability to introduce new technologies, convergent services and attractive bundled products at competitive prices, as further growth of our subscriber base in this mature market will be primarily driven by our ability to acquire other operators’ subscribers and our ability to retain existing subscribers. See “—The success of our mobile operations depends on our ability to attract and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows.” In addition, all Italian mobile operators, including us, have commercial agreements with mobile virtual network operators, or MVNOs, providing them access to their respective networks which the MVNOs, in turn, sell to their own subscribers, which further increases competition.

In the fixed-line voice market, the incumbent, Telecom Italia, maintains a dominant market position with a market share of 73% (based on total revenues) as of December 31, 2008. Telecom Italia benefits from cost efficiencies inherent in its existing telecommunications infrastructure over which it provides its fixed-line coverage. As the former sole Italian telecommunications provider, Telecom Italia also benefits from customer recognition and familiarity as well as consumer reluctance to leave for another provider. Telecom Italia has from time to time engaged in aggressive “win-back” campaigns, which has resulted in a reduction of our fixed-line subscriber base. In addition to Telecom Italia, Swisscom and Vodafone have entered the fixed-line Internet, voice and data markets by buying out Fastweb S.p.A. and the Italian business of the Swedish carrier Tele2, respectively. We expect that competition in the fixed-line telecommunications market will continue to increase as a result of the entry of new international competitors, the introduction and growth of new technologies, products and

services, the declining number of fixed-line subscribers due to continued fixed-to-mobile substitution, continued migration from narrowband (dial-up) to broadband usage, regulatory changes (for example, in relation to local loop unbundling, or “LLU” tariffs) in the Italian market, all of which may exert downward pressure on prices or otherwise cause our fixed-line subscriber base to contract, thereby impacting our revenues and profitability.

If we are unable to win mobile and/or fixed-line subscribers from our competitors and/or retain our existing subscribers, or if we fail to launch compelling and innovative products and services at competitive prices, we could lose our subscribers and the financial performance and business prospects for our mobile and fixed-line businesses could be materially adversely affected. Further, if our competitors pursue any of the advantages afforded by their greater capital resources, it could result in a loss of subscribers and materially adversely affect our business.

***Our business is capital intensive and has generated negative cash flows in the past. We cannot assure you that we will have sufficient liquidity to fund our capital expenditure programs or our on-going operations in the future***

Our business is capital intensive and has always required significant amounts of cash. Historically, our start-up costs, extensive capital investments, operating expenditures and debt service costs have contributed to our negative cash flows. We have an extensive capital expenditure program that will continue to require significant capital outlays in the foreseeable future, including the continued maintenance and optimization of our GSM network and expansion of our UMTS network and HSDPA coverage, development of our LLU exchanges and maintenance of our network infrastructure. We may also need to invest in new networks and technologies in the future, which could require significant capital expenditures and, if network usage develops faster than we anticipate, we may require greater capital investments in shorter time frames than we anticipate and we may not have the resources to make such investments. In addition, costs associated with the licenses that we need to operate our existing networks and technologies and those that we may develop in the future, and costs and rental expenses related to their deployment, could be significant. The amount and timing of our future capital requirements may differ materially from our current estimates due to various factors, many of which are beyond our control. We may also be required to raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we would be able to accomplish any of these measures on a timely basis or on commercially reasonable terms, if at all. We cannot assure you that we will generate sufficient cash flows in the future to meet our capital expenditure needs, sustain our operations or meet our other capital requirements, which may have a material adverse effect on our business, financial condition and results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

***Our business, financial condition, results of operations and liquidity may be adversely affected by the current unfavorable global economic conditions***

As the crisis in the global financial and credit markets began to spread to non-financial sectors of the world economy, economies worldwide started to show significant signs of weakness, resulting in a general contraction in consumer spending that varies by market. According to the Economist Intelligence Unit, the gross domestic product of Italy is expected to contract by 4.6% in 2009 and by 0.6% in 2010 and inflation is expected to average 0.6% in 2009 and 0.9% in 2010, down from 3.5% in 2008, reflecting weak demand and lower commodity prices. While the telecommunications sector is one of the industrial segments that has been less affected by the global financial crisis and economic slowdown, the recessionary conditions and uncertainty in the macroeconomic environment may adversely impact consumer spending on telecommunications products and services. Customers may

decide that they can no longer afford mobile services, or that they can no longer afford the data services and VAS that are instrumental in maintaining or increasing ARPU, and, in turn, increasing our revenues. For example, there has been a trend among Italian customers to disconnect their fixed voice lines, as consumers rely primarily on mobile telecommunications and view fixed-line voice services as an expendable discretionary expense.

In addition, as the global financial system experiences unprecedented credit and liquidity conditions and disruptions, leading to a reduction in liquidity, greater volatility, general widening of credit spreads and, in some cases, lack of transparency in money and capital markets, many lenders have reduced or ceased to provide funding to borrowers. If these conditions continue, or worsen, it could negatively affect our ability to raise funding in the debt capital markets and/or access secured lending markets on financial terms acceptable to us.

The continued impact of the global economic and market conditions, including, among others, the events described above could have a material adverse effect on our business, financial condition, results of operations or liquidity.

***The success of our mobile operations depends on our ability to attract and retain mobile subscribers. If we are unable to successfully manage our subscriber turnover or otherwise lose mobile subscribers, we may face increased subscriber acquisition and retention costs and reduced revenues or lower cash flows***

The mobile telecommunications market in Italy has expanded rapidly in recent years and this expansion has driven the rapid growth in our mobile telecommunications business. However, as a result of this expansion, the voice services segment of the mobile telecommunications market in Italy is approaching saturation, with a penetration rate of approximately 150% as of March 31, 2009 (based on the total number of total SIM cards). The degree to which the Italian mobile telecommunications market will continue to expand is uncertain and will depend on numerous factors, many of which are beyond our control. Such factors include, among others, the business strategies and capabilities of our competitors, prevailing market conditions, the development of new and/or alternate technologies for mobile telecommunications products and services and the effect of applicable regulations.

Our ability to attract new subscribers or to grow our ARPU from existing subscribers despite market saturation and the increased competition that has resulted from this market saturation will depend in large part upon our ability to stimulate and increase subscriber usage, convince subscribers to switch from competing mobile operators to our services and our ability to minimize rates of subscriber turnover, referred to in the industry as customer “churn.” Churn is a measure of customers who stop purchasing our services, leading to reduced revenues. A pre-paid mobile subscriber is deemed to have churned if he/she has not recharged his/her mobile credit in the last 12 months, has requested to have his/her SIM card deactivated has requested and obtained through mobile number portability a switch to another telecommunications operator or if a fraud event occurs. A post-paid mobile subscriber is deemed to have churned when he/she requests that his/her SIM card is deactivated or due to payment default or has requested and obtained through mobile number portability a switch to another telecommunications operator or a fraud event has occurred. See “Management’s Discussion and Analysis and Results of Operations—Principal Factors Affecting Mobile Revenues—Churn.” Consistent with the Italian market generally, the majority of our mobile subscribers are pre-paid, which contributes to churn, as subscribers are not contractually bound in the long-term to use our services and are free to move to other operators with more attractive pricing or other advantages. If we fail to reduce or maintain our rates of churn, or competing mobile operators improve their ability to retain subscribers and thereby lower their churn levels our cost of retaining and acquiring new subscribers could increase, which could have a material adverse effect on our business, financial condition and results of operations.

Further, our ability to attract new subscribers (and attract more high-value subscribers) may also be negatively affected by the slowdown in the Italian economy and the economy of Europe as a whole. See “—Our business, financial condition, results of operations and liquidity may be adversely affected by the current unfavorable global economic conditions.”

***Market demand for UMTS- and HSDPA-based services, including mobile Internet, in Italy may not increase, limiting our ability to recoup the cost of our investment in our UMTS license and network and our HSDPA technology, respectively, which could adversely affect our business, financial condition and results of operations***

Our UMTS license, which is valid until 2021, cost an aggregate of €2,427 million. In June 2009, we were awarded an additional 5MHz block of UMTS spectrum for the assignment of rights of use for the frequencies in the 2100 MHz band for approximately €89 million. We plan to make substantial investments in our UMTS network during the next several years. In addition, we began offering mobile Internet services (based on HSDPA technology) at the end of 2007. Currently, 103 main Italian cities are covered by our HSDPA technology and we plan to extend our coverage in the near term, which will require substantial investments.

Our ability to recoup our UMTS-related expenditures will depend largely upon continued and increasing customer demand for UMTS-based services. Although there have been signs of widespread demand for UMTS services in 2008, the size of the market is still unknown and may fall short of industry expectations and UMTS technology may not prove more attractive to subscribers than other existing technologies and services. If UMTS-based mobile services do not, or are slower than anticipated to, gain sufficiently broad commercial acceptance in Italy, or if we derive a smaller percentage of our total revenues than expected from our UMTS-related services, we may not be able to adequately recoup our investment in our UMTS license and network or profit from such investment, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if third-party application service providers fail or are slow to develop services for UMTS-based mobile services, or if we cannot obtain reasonably priced UMTS handsets, technologically proven network equipment or software with sufficient functionality or speed, our ability to generate revenues from our UMTS network may also be adversely affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.

In addition, our ability to recoup HSDPA-related expenditures will depend largely upon implementing a competitive pricing strategy that appeals to consumers while recouping an investment in HSDPA technology. Further, Italy, like the rest of Europe, is facing an economic slowdown, resulting in a general contraction in consumer spending, which could affect demand for VAS such as mobile Internet. If subscribers use mobile Internet services offered by our competitors, reduce their usage of mobile Internet services offered by us, or cease to use mobile Internet at all, we may not be able to profit from our build-out of HSDPA coverage at the levels we anticipate, or at all, which, in turn, could have a material adverse effect on our business, financial condition or results of operations.

***We depend on third party telecommunications providers over which we have no direct control for the provision of certain of our services***

Our ability to provide high quality mobile and fixed-line telecommunications services depends on our ability to interconnect with the telecommunications networks and services of other mobile and fixed-line operators, particularly those of our competitors. We also rely on third party operators for the provision of international roaming services for our mobile subscribers. While we have interconnection and roaming agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnections and roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to us on a consistent basis, could result in our loss of subscribers

or a decrease in voice traffic, which would reduce our revenues and adversely affect our business, financial condition and results of operations.

***The Italian fixed-line market is experiencing an ongoing trend of migration from narrowband to broadband access; if we fail to successfully implement our strategy to convert our narrowband subscribers to our broadband service and to gain new broadband subscribers, our business could be adversely affected***

Broadband access increasingly comprises a larger share of the Italian Internet market, while narrowband usage is declining significantly. Currently, the majority of our Internet subscribers utilize broadband to access the Internet. Our strategy is to continue to migrate our existing narrowband subscribers to our broadband services as well as to gain new broadband subscribers. Our ability to successfully implement our strategy may be adversely affected if:

- broadband usage in Italy does not continue to grow as we expect;
- competition increases, for reasons such as the entry of new competitors, technological developments introducing new platforms for Internet access and/or Internet distribution or the provision by other operators of broadband connections superior or at more attractive terms to that which we can offer; or
- we experience any network interruptions or problems related to our network infrastructure.

Historically, subscribers who purchased our narrowband services have sometimes churned to other operators when upgrading to broadband services. If we are unable to convert our existing narrowband subscribers to our broadband services, fail to gain new broadband subscribers, or gain new broadband subscribers at a slower rate than anticipated, our Internet services business and results of operations may be adversely affected. Moreover, we cannot assure you that we will be able to offset in whole or in part decreases in the number of subscribers using our narrowband services with increases in the number of subscribers using our broadband services.

***The telecommunications industry is significantly affected by rapid technological change, and we may not be able to effectively anticipate or react to these changes***

The telecommunications industry is characterized by rapidly changing technology and related changes in customer demand for new products and services at competitive prices. Technological developments are also shortening product life cycles and facilitating convergence of various segments in the telecommunications industry. Technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that we provide may render our services less profitable, less viable or obsolete. At the time we select and advance one technology over another, it may not be possible to accurately predict which technology may prove to be the most economical, efficient or capable of attracting subscribers or stimulating usage and we may develop or implement a technology that does not achieve widespread commercial success or that is not compatible with other newly developed technologies. Our competitors or new market entrants may introduce new or technologically superior mobile and fixed line services before we do. In addition, we may not receive the necessary licenses to provide services based on these new technologies in Italy, or may be negatively impacted by unfavorable regulation regarding the usage of these technologies. If we are unable to effectively anticipate or react to technological changes in the telecommunications market or to otherwise compete effectively, we could lose subscribers, fail to attract new subscribers or incur substantial costs in order to maintain our subscriber base, all of which could have a material adverse effect on our business, financial conditions and results of operations.



***Our business depends on continuously upgrading our existing networks***

We must continue to upgrade our existing mobile and fixed-line networks in a timely manner in order to retain and expand our customer base in each of our markets and to successfully implement our strategy. Among other things, the needs of our business could require us to:

- upgrade the functionality of our networks to allow for the increased customization of services;
- increase our UMTS coverage in some of our markets;
- expand and maintain customer service, network management and administrative systems; and
- upgrade older systems and networks to adapt them to new technologies.

Many of these tasks, which could create additional financial strain on our business and financial condition, are not entirely under our control and may be affected by applicable regulation. If we fail to execute them successfully, our services and products may be less attractive to new customers and we may lose existing customers to our competitors, which would adversely affect our business, financial condition and results of operations.

***The commercial acceptance of WiMax in Italy could pose a competitive threat to us***

In October 2007, the Italian government announced that operators could bid for 3.5 GHz radio frequencies (WiMax spectrum). The Italian government raised €136 million (representing a 176% increase on the starting bid of €49 million). However, many of the larger operators such as WIND, Fastweb and Mediaset withdrew from the tender.

The main winners of the auction were largely smaller operators such as ARIADSL S.p.A., which were awarded licenses in all the regions of Italy, and A.F.T. S.p.A. (provider of WiFi hotspots around Italy), which was awarded licenses in all regions of Italy. Multimedia group Retelit, through its subsidiary e-via S.p.A., was awarded licenses in central and northern Italy. Telecom Italia was awarded three licenses, in the central and southern regions of Italy, and the island of Sardinia.

Although WiMax, which is a fixed wireless technology, has not reached commercial scale yet, it is possible that it could emerge as an alternative and potentially dominant access technology for the provision of broadband access. Currently, fixed-line (*i.e.*, fixed wireline) broadband is the dominant access technology in Italy, although WIND, along with other operators, offer mobile Internet services. If WiMax emerges as a fully mobile technology and challenge the current fixed and mobile access technologies in the broadband market together with other operators who have chosen not to invest in WiMax technology/spectrum may be materially adversely affected.

***Our licenses and permits to provide mobile services have finite terms, and any inability to renew any of these licenses and permits upon termination, or any inability to obtain new licenses and permits for new technologies, could adversely affect our business***

We are licensed to provide mobile telecommunications services in Italy. Our license to operate our GSM/GPRS network expires in 2018, while our UMTS license expires in 2021. However, the terms of our licenses and frequency allocations are subject to ongoing review by AGCOM and, in some cases, are subject to modification or early termination. Upon termination, the licenses may revert to the local government, in some cases without any or adequate compensation being paid to us. If the technology that is the subject of one of these licenses continues to be important for the provision of mobile telecommunications services, we expect that we would seek to renew the license upon expiration. There can be no assurance, however, that any application for the renewal of one or more of these licenses upon expiration of their respective terms will be successful or would be renewed on equivalent or satisfactory terms. In addition, we may not be successful in obtaining new licenses for the provision of mobile services using new technologies that may be developed in the future and will likely face

competition for any such licenses. In the event that we are unable to renew a license or obtain a new license for any technology that is important for the provision of our service offerings, we could be forced to discontinue use of that technology or we may be unable to use an important new technology, and our business could be materially adversely affected.

Our mobile network was supported by approximately 11,233 base station transmission systems, or “BTS,” as of March 31, 2009. Given the multitude of regulations that govern such equipment and the various permits required to operate our BTS, we cannot be certain that our right to use a portion of our transmission system will not be challenged. While we do not generally believe that the loss of any single permit or approval with respect to our base station transmission systems would have a material adverse effect on our network, the loss of the right to use a material number of base station transmission systems or any strategically located base station transmission system that cannot be easily replaced could have a disruptive effect on our transmission to certain areas.

***We depend on third parties to market, sell and provide a significant portion of our mobile and fixed-line products and services. If we fail to maintain or further develop our distribution and customer care channels, our ability to sustain and further grow our subscriber base could be materially adversely affected***

Most of our mobile products and services are sold to customers through retail channels. We own 19 WIND-owned stores and sell our products and services through approximately 320 exclusive franchises over which we exercise a significant degree of control. The remainder of our mobile products and services are sold through third-party distributors, retail outlets or sales agencies, most of which also distribute or sell products of our competitors. The sales agencies that we rely on attract customers through points of sale placed in malls and fairs. Most of our fixed-line products and services (including customer care) are sold to customers through our call centers, both through out-bound telephone sales and in-bound calls to our call center. The distributors, retailers and sales agencies that we rely upon to distribute and sell our products are not under our control and may stop distributing or selling our products at any time. Should this occur with particularly important distributors, retailers or agencies, such as Servizi in Rete 2001 S.r.l., Lottomatica S.p.A. and SPAL S.p.A., three large distributors that accounted for a significant part of our sales, we may face difficulty in finding new distributors, retailers or sales agencies that can generate the same level of revenues. In addition, distributors, retailers and sales agencies that also distribute or sell competing products and services may more actively promote the products and services of our competitors than our products and services. In addition, some of our call centers are outsourced to third parties including the call center in Sesto S. Giovanni, which serves our corporate subscribers and we contract with them to provide services to us. If these contracts were terminated, we would have to find replacement services elsewhere, and the quality of such replacements could be diminished.

We intend to continue to develop our distribution channels, which may require significant capital expenditures. For example, Mondo WIND S.r.l., signed a framework purchase agreement with 4G Retail S.r.l. that will, subject to the satisfaction of certain contractual and regulatory conditions, add up to approximately 130 points-of-sale to our distribution network, expanding our presence in shopping malls, primarily in northern Italy. The costs associated with opening additional stores may be significant and we cannot assure you that we will be able to recoup such costs or increase our revenues by expanding our Internet distribution presence. In addition, we currently rely heavily on our “Libero” Internet portal to sell our broadband services. We may need to establish alternative distribution channels for our broadband services, which may result in significant costs and/or may not be successful. If we fail to maintain or expand our direct and indirect distribution presence, our ability to retain or further grow our market share in the Italian mobile and fixed-line telecommunications markets, including the Internet market, could be adversely affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.



*We are subject to extensive regulation and have recently been, and may in the future, be adversely affected by regulatory measures applicable to us*

Mobile, Internet, fixed-line voice and data operations are all subject to extensive regulatory requirements in Italy. AGCOM and the Italian Ministry of Economic Development together regulate the Italian telecommunications market pursuant to a regulatory framework that was adopted by the European Commission in 2002 and implemented in Italy through the adoption of the Electronic Communications Code (the “*Electronic Communications Code*”). The Code requires AGCOM to identify operators with “significant market power” (*i.e.*, operators which, individually or jointly, enjoy a position equivalent to dominance) based on a market analysis in retail and wholesale markets and impose *ex ante* regulations to protect competition in these markets. The review of the regulatory framework by the European Commission, and, on a parallel platform, by AGCOM, is ongoing.

In view of the regulatory framework, on December 31, 2008, AGCOM completed its first round of analysis. As a result, AGCOM designated Telecom Italia as an operator with “significant market power” in all of the wholesale and retail fixed-line and mobile markets and subjected Telecom Italia to a number of constraints, with the exception of the wholesale mobile call origination market and the wholesale international roaming market, where AGCOM confirmed that the markets were competitive and did not warrant *ex ante* regulation.

Currently, all retail and wholesale prices that Telecom Italia charges its fixed-line customers and other fixed-line operators, respectively, are currently subject to price caps set by AGCOM. See “Regulation—Fixed-Line Regulatory Environment—Retail and Wholesale Price Caps.” Changes in these price caps impact our costs and our margins on our products and services.

As part of AGCOM’s market analysis, the only two relevant markets where operators other than Telecom Italia were found to hold a “*significant market power*” were the wholesale termination of voice calls on individual mobile networks (mobile termination market) and wholesale termination of voice calls on individual fixed-line network (fixed-line termination market), where WIND, as well as other network operators, were found to hold a “*significant market power*.” As an *ex ante* regulatory measure, AGCOM, adopted a “glide-path” (a gradual decline in mobile termination rates and fixed-line termination rates) for each of these markets, such that by July 2010 (in the case of fixed-line termination market) and July 2012 (in the case of mobile termination market), all termination rates will be the same for each operator. The “glide path” for mobile termination rates may be implemented on an accelerated basis which could result in the enforcement of a maximum termination rate earlier than anticipated. The financial impact of the gradual decrease in mobile termination rates on our business, financial condition and results of operations will depend on the combination of a number of factors, which include the volume of calls made by customers of other operators that terminate on our mobile network (for which we charge termination rates, which comprise our interconnection revenues) and volume of calls by our customers that terminate on the network of other mobile network operators (for which we are charged interconnection rates, which comprise our interconnection expenses), as well as on network traffic volume (for which we neither receive interconnection revenues nor incur interconnection costs). See “Regulation—Mobile Regulatory Environment—Mobile Termination.”

In addition, we depend on access to Telecom Italia’s facilities to install our LLU facilities, as well as on AGCOM to set reasonable wholesale (network) caps on the prices that Telecom Italia can charge other operators, including us, for LLU access. As permitted by AGCOM, Telecom Italia recently decided to raise the rates it charges us and other telecommunications operators for LLU access. See “Regulation—Fixed line Regulatory Environment—Direct Telephone and Broadband—LLU.” If Telecom Italia fails to allow us access to these facilities, or is slower in allowing us access than we anticipate, or if AGCOM sets wholesale (network) caps for LLU pricing at levels where we cannot pass these increases onto our customers, our ability to roll out additional direct access products and attract

direct access customers may be adversely affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Moreover, in 2007, the EU Regulation on roaming (2007/717/EC) (the “*EU Roaming Regulation*”) came into effect, which provides for a steady reduction in mobile voice and wholesale roaming charges for calls made to destinations within the EU and EEA. As of July 1, 2009, the European Commission proposal to extend the scope and duration of the Roaming Regulation has come into effect, which, among other things, further reduces the caps applicable to roaming voice charges, while extending the glide path for roaming voice charges to 2012, and introduces a cap on the roaming charges that operators can charge for SMSs and mobile data services. See “Regulation—Market Analysis.”

We are unable to predict the impact of any adopted, proposed or potential changes in the regulatory environment in which we operate, which is subject to continuous review by AGCOM, and further changes in the EU regulatory framework, or in laws, regulation or government policy or further activities of AGCOM could adversely affect our business and competitiveness. In particular, our ability to compete effectively in our existing or new markets could be adversely affected if regulators decide to expand the restrictions and obligations to which we are subject, or extend such restrictions and obligations to new services and markets, or otherwise adopt regulations, including in respect of interconnection, access or other tariffs charged by Telecom Italia relating to services provided by it to us or to customers of Telecom Italia, which may indirectly impact our business, financial condition and results of operations. In addition, decisions by regulators regarding the granting, amendment or renewal of licenses, to us or to third parties, could materially adversely affect our business, financial condition and results of operations.

***The LLU model underlying our direct fixed-line business may be negatively affected by the roll-out of new technologies by Telecom Italia, including its “next-generation network”***

In the first half of 2007, Telecom Italia announced a plan to introduce a progressive roll-out of a “next generation network,” a superior architectural telecommunications technology using fiber optic cables able to deliver speeds of up to 100MB compared with a typical speed of 4-5MB today. According to this announcement, the “next-generation network,” if introduced, would replace Telecom Italia’s legacy copper network with fiber that would cover approximately 65% of all fixed-lines in Italy by 2016, for a cumulative investment (from 2009 to 2016) of approximately €5.5 billion. Although there is uncertainty around Telecom Italia’s strategy for implementing the roll-out of such network, including the timing, and despite the fact that much will depend on the political and legislative framework as well as the regulatory infrastructure for such next-generation network in Italy, it is possible that as Telecom Italia upgrades its network, the local exchanges we use to provide LLU services could be closed over time. As a result, we may have to co-locate at a different location where the cost of unbundling is likely to be more expensive and space for co-location is likely to be more limited, or adopt a different approach to our business or build our own fiber network at a material cost, which could have a material adverse affect on our business or results of operations.

***We may be subject to a deferral or to a limitation of the deduction of interest expenses in Italy***

Article 96 of Presidential Decree No. 917 of 22 December 1986, as amended and restated, provides for the Italian regime of interest expenses deduction, aimed at rationalizing and simplifying the interest expenses deduction for Italian corporate income tax (“*IRES*”) purposes. Specifically, the new rules allow for the full tax deductibility of interest expense incurred by a company in each fiscal year up to the amount of the interest income of the same fiscal year, as evidenced by the relevant annual financial statements. A further deduction of interest expense in excess of this amount is allowed up to a threshold of 30% of the EBITDA of a company (i.e., “*risultato operativo lordo della gestione caratteristica*,” or “*ROL*”) as presented in such company’s income statement. Currently, the ROL may

not be carried forward. However, the new law provides that the amount of ROL (i) produced as from the third fiscal year following the fiscal year 2007 and (ii) not used for the deduction of the amount of interest expense that exceeds interest income, can be carried forward, increasing the amount of ROL for the following fiscal years. Interest expense not deducted in a relevant fiscal year can be carried forward over the following fiscal years, provided that, in these fiscal years, the amount of interest expense that exceeds interest income is lower than 30% of ROL. Based on the above rules, WIND may not be able to deduct all interest expenses borne by WIND in each relevant fiscal year, even if WIND would be able to carry forward over the following fiscal years the amounts that may not be deducted in a given fiscal year. Furthermore, any future changes in current Italian tax laws or in their interpretation may also have an impact on the deductibility of interest expenses for WIND which, in turn, could adversely affect its financial condition and results of operations.

***We are currently subject to an audit by the Italian Tax Authority in relation to a refund claimed for and the correct application of withholding taxes on certain interest payments, the outcome of which is uncertain***

Article 26-quater of Italian Presidential Decree No. 600/73 (“*Presidential Decree No. 600/73*”) provides exemptions from withholding taxes for certain EU intra-group interest payments. The standard withholding tax rate in Italy for interest payments is 12.5%, which is lowered to 10% for payments between resident Italian and Luxembourg entities pursuant to Article 11 of the Italy / Luxembourg Double Taxation Convention on Income.

Pursuant to Italian Presidential Decree No. 600/73, WIND and other Italian companies of the Weather Group are exempted from payment of withholding taxes on certain interest payments. Accordingly, WIND does not pay withholding taxes on interest payments made to Wind Finance SL SA with respect to the proceeds loan related to the Second Lien Notes and to the Issuer with respect to the 2015 Notes Proceeds Loans. WIND did pay withholding taxes on interest under these proceeds loans in 2005 and part of 2006 because the twelve month minimum holding period prescribed by Presidential Decree No. 600/73 had not been at the time satisfied. Upon the expiration of the minimum holding period, Wind Finance SL SA and the Issuer each applied in 2007 for a reimbursement of the aforementioned withholding tax payments.

The Italian Tax Authorities recently issued Circular Letter No. 13 of April 9, 2009 (the “*Circular*”), concerning the tax audit and investigation activities to be performed in the year 2009 by the Italian Tax Authorities. The Circular empowers the Regional Tax Offices to conduct tax audits on certain taxpayers (so called “*grandi contribuenti*”) that are selected according to the size of the enterprise, on the basis of their profit and/or other criteria. Among these factors, the Circular lists the case of inter-company payments of interest and royalties between associated companies resident in different Member States of the EU.

On June 12, 2009, the Italian Tax Authorities notified us of the commencement of a tax audit and requested us to provide them with information with reference to the application for a refund on interest payments made by WIND to Wind Finance SL SA for 2005 and part of 2006 and the non-payment of withholding taxes on interest payments made by WIND to Wind Finance SL S.A. for the remainder of 2006, 2007 and 2008.

This tax audit is in its preliminary information-gathering stage. While we believe that we correctly applied the rules with respect to withholding taxes, we cannot predict the ultimate scope or outcome of the audit. Should the Italian tax authorities determine that withholding tax on the relevant interest payments was due, WIND, as well as other entities of the Weather Group, could be made to pay withholding taxes at the applicable rate, plus possible interest and penalties and we might be obligated to pay withholding tax in the future on interest payments made with respect to the proceeds loans, including the Note Proceeds Loan, that are or that may have similar characteristics as those proceeds loans impacted by the outcome of the tax audit. Any requirement to make such past or future

payments could have a material adverse effect on our financial condition, cash flows and results of operations and make it more difficult for us to service our debt as it comes due.

***Equipment and network systems failures could result in reduced user traffic and revenue, require unanticipated capital expenditures or harm our reputation***

Our technological infrastructure (including our network infrastructure for mobile telecommunications and fixed-line services, including Internet services) is vulnerable to damage or disruptions from numerous events, including fire, flood, windstorms or other natural disasters, power outages, terrorist acts, equipment or system failures, human errors or intentional wrongdoings, including breaches of our network or information technology security. Unanticipated problems at our facilities, network or system failures or hardware or software failures or computer viruses, or the occurrence of such unanticipated problems at the facilities, network or systems of third party-owned local and long distance networks on which we rely for the provision of interconnection and roaming services could result in reduced user traffic and revenue as a result of subscriber dissatisfaction with poor performance and reliability, result in regulatory penalties or require unanticipated capital expenditures. The occurrence of network or system failure could also harm our reputation or impair our ability to retain current subscribers or attract new subscribers, which could have a material adverse effect on our business, financial condition and results of operations.

***If we are unable to maintain our relationships with our equipment and telecommunications providers, or enter into new relationships, our business will be adversely affected***

We have relationships with a number of key vendors for mobile and fixed-line network equipment, software, UMTS and for the provision of content. Our ability to grow our subscriber base depends in part on our ability to source adequate supplies of network equipment, mobile handsets, software and content in a timely manner. We rely on Ericsson, Alcatel and Nokia Siemens for purchase of the majority of our network equipment and software and to a certain extent for the of construction and maintenance for our network.

Suppliers of network equipment have limited resources which may impact the rapidity of our network expansion. In addition, suppliers of handsets are at times subject to supply constraints, for example during the winter holiday season, during which there is often a shortage of components. We do not have direct operational or financial control over our key suppliers and have limited influence with respect to the manner in which these key suppliers conduct their businesses. Our reliance on these suppliers exposes us to risks related to delays in the delivery of their services, and, from time to time, we have experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors.

We cannot assure you that our suppliers will continue to provide equipment and services to us at attractive prices or that we will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames we require, if at all. If our key suppliers are unable to provide us with adequate equipment and supplies, or provide them in a timely manner, our ability to attract subscribers or offer attractive product offerings could be negatively affected, which in turn could materially adversely affect our business, financial condition and results of operations.

***We may not be able to attract and retain key personnel***

Our success and our growth strategy depend in large part on our ability to attract and retain key management, marketing, finance and operating personnel. There can be no assurance that we will continue to attract or retain the qualified personnel needed for our business. Competition for qualified senior managers in our industry is intense and there is limited availability of persons with the requisite knowledge of the telecommunications industry and relevant experience in Italy. Our failure to recruit

and retain key personnel or qualified employees could have a material adverse effect on our business, financial condition and results of operations.

***Actual or perceived health risks or other problems relating to mobile telecommunications transmission equipment and devices could lead to decreased mobile communications usage, litigation or stricter regulation***

Various reports have alleged that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from mobile handsets and other mobile telecommunications devices. We cannot assure you that further medical research and studies will not establish a link between electromagnetic signals or radio frequency emissions and these health concerns. The actual or perceived risk of mobile telecommunications devices, press reports about risks or consumer litigation relating to such risks could adversely affect the size or growth rate of our subscriber base and result in decreased mobile usage or increased litigation costs. As are the other telecommunications operators in Italy, we are currently party to a number of pending civil suits in which plaintiffs are claiming damages of an indeterminate amount based on alleged exposure to electromagnetic radiation based on our technology. See “Business—Legal Proceedings—Proceedings Concerning Electromagnetic Radiation.” In addition, these health concerns may cause the EU and Italian authorities to impose stricter regulations on the construction of BTSs or other telecommunications network infrastructure, which may hinder the completion or increase the cost of network deployment and the commercial availability of new services. If actual or perceived health risks were to result in decreased mobile usage, consumer litigation or stricter regulation, our business, financial condition and results of operations could be materially adversely affected.

***ENEL is our largest corporate customer and our contract is currently up for renewal***

We currently provide ENEL and other members of the ENEL group with most of their key telephone and other telecommunications services under a contract which expires on the earlier of December 31, 2009 or the entry by the parties into a new agreement. ENEL, together with other members of the ENEL group, is currently our single largest customer. We are currently in negotiations with ENEL to renew all or part of the contract. See “Business—Certain Contracts Relating to the Operation of Our Business—Outsourcing Agreement between ENEL and WIND.” Failure to renew this contract or otherwise retain the work provided thereunder by entering into a new contract on terms less advantageous to us, and/or with a scope of services that is more narrow than the scope of services provided under our existing contract, could have a material adverse effect on our business, financial condition and results of operations.

***Claims of third parties that we infringe their intellectual property could significantly harm our financial condition, and defending intellectual property claims may be expensive and could divert valuable company resources***

We operate in an industry characterized by frequent disputes over intellectual property. As the number of convergent product offerings and overlapping product functions increases, the possibility of intellectual property infringement claims against us will correspondingly increase. Any such claims or lawsuits, whether with or without merit, could be expensive and time consuming to defend, could cause us to cease offering or licensing services and products that incorporate the challenged intellectual property, or could require us to develop non-infringing products or services, if feasible, which could divert the attention and resources of technical and management personnel. In addition, we cannot assure you that we would prevail in any litigation related to infringement claims against us. A successful claim of infringement against us could result in us being required to pay significant damages, cease the development or sale of certain products and services that incorporate the challenged intellectual property, obtain licenses from the holders of such intellectual property which may not be available on commercially reasonable terms, or otherwise redesign those products to avoid infringing upon others’



intellectual property rights, any of which could materially adversely affect our business, financial condition and results of operations.

Moreover, although we do not own any patents that we consider material for our business, we consider certain of our registered trademarks and trade names, including “WIND,” “Infostrada” and “Libero,” to be material to our business. See “Business—Intellectual Property.” We have pledged these trade names and certain of our other intellectual property rights which we consider material to our senior lenders to secure our Senior Credit Facilities. If our senior lenders were ever to enforce the security interests that we have granted to them in respect of our intellectual property, we could lose our rights to this intellectual property.

***We are continuously involved in disputes and legal proceedings, including disputes and legal proceedings relating to the regulatory and competition authorities, competitors and other parties, which, when concluded, could have a material adverse effect on our business, financial condition and results of operations***

We are subject to numerous risks relating to the legal, civil, tax, regulatory and competition proceedings to which we are a party or in which we are otherwise involved or which could develop in the future, and certain of these proceedings (or proceedings in which we may become involved), if adversely resolved, could have a material adverse effect on our business, financial condition or results of operations. Furthermore, our involvement in legal, regulatory and competition proceedings may harm our reputation. We cannot assure you what the ultimate outcome of any particular legal proceeding will be. For a description of our existing material legal, regulatory and competition proceedings, see “Business—Legal Proceedings.”

***The implementation of laws in Italy that would allow for “class action” lawsuits could materially increase the number of claims against WIND and the related amount of damages sought***

With the aim of protecting consumers’ rights, finance law (“*Legge Finanziaria*”) no. 244 of December 24, 2007 introduced a new type of legal remedy entitled the “*azione collettiva*,” or “class action,” to the Italian legal system, which allows plaintiffs with similar injuries to consolidate their claims into a single lawsuit. Pursuant to the class action law, consumers may claim damages or refunds in relation to:

- “identical claims” under standard-form contracts, which we believe would include form agreements such as those we enter into with our subscribers) (article 1342 of the Italian Civil Code); and
- “identical rights” arising out of torts, unfair trade or competition practices.

Plaintiffs may be consumers associations (*i.e.*, associations having as their exclusive purpose the safeguarding of interests and rights of consumers) as defined in the article 3 of legislative decree no. 206 of September 6, 2005, as amended, and Italian independent public entities and EU organizations which are included in the list of entities legally authorized to bring actions to safeguard collective interests of consumers.

The class action law was scheduled to take effect on July 1, 2009, but the Italian Government postponed the effectiveness of the law to January 1, 2010 (decree no. 78 dated July 1, 2009). As class actions generally exponentially increase the number of claims (as consumer associations that bring these types of cases generally advertise for additional plaintiffs, thus finding claimants that would not have ordinarily brought actions) and the amount of monetary relief sought (due to the increased number of claimants), the new law could vastly increase the potential liability to which we are exposed, and materially adversely affect our business, financial condition and results of operations.



*To the extent that we experience labor disputes or work stoppages, our business could be materially adversely affected*

The Italian constitution provides that all employees of Italian companies have the right to set up and join trade unions and to carry on union activities, including appointing workers' representatives to negotiate with their employer. The right to go on strike is provided for under Italian law. Our employees have gone on strike in the past and, despite any agreements that we may have with unions, we cannot guarantee that our employees will not go on strike in the future. Any work stoppages resulting from employee strikes could hinder our ability to provide our standard level of customer service. In addition, we have been in the past and are currently party to labor disputes with certain of our employees on an individual basis. While we believe that none of these disputes are material individually, there can be no assurance that these claims or future claims by employees will not have a material adverse effect on our business, financial condition or results of operations.

WIND, along with the other companies engaged in the telecommunications services business, is in the process of negotiating with the relevant unions the renewal of the collective labor agreements. See "Business—Employees." Should the union make requests during the course of negotiations with us that we refuse to accept, there is a risk that the union could call on its members to strike to force us to give in to the union's demands, which would have a material adverse effect on our business, financial condition and results of operations.

*Anticipated synergies from our membership in the Weather Group may not materialize*

WIND, WIND HELLAS and OTH are all Weather Group companies. As a Weather Group company, we hope to benefit from a number of investment savings and management efficiencies. For example, we believe that by combining our purchasing power with that of OTH and WIND HELLAS companies in the procurement of network equipment and software, we may be able to increase our negotiating leverage with our suppliers and attain improved unit prices and service levels. In addition, we recently acquired M-Link from a subsidiary of OTH in order to concentrate the Weather Group's international telecommunications businesses and to realize a number of resource efficiencies and other integration synergies. However, the anticipated synergies, investment savings and managerial efficiencies are based on a number of assumptions and judgments that are subject to a wide variety of business, economic and competitive risks and uncertainties and present the expected course of action and the expected future financial impact on our performance of our membership in the Weather Group, which may differ materially from the actual synergies, investment savings and managerial efficiencies realized. There can be no assurances that we will be able to successfully implement the strategic and operational initiatives, including, among others, the increase in our purchasing power vis-à-vis our suppliers, and our acquisition of M-Link. An inability to realize the full extent of anticipated benefits of our membership in the Weather Group could have a material adverse effect on our business, financial condition and results of operations.

## USE OF PROCEEDS

### Use of Proceeds

The Issuer intends to use the proceeds from the issue of the Notes to make the Proceeds Loan to WIND. In turn, WIND intends to use the net proceeds from the issue of the Notes, together with cash in hand, to make one or more cash distributions or dividends out of distributable reserves, including the share premium reserve, or loans to WAHF. WAHF intends to use such distribution to (i) effect the prepayment of all of the outstanding PIK Loans (including those held by WAHF) and the payment of accrued and unpaid interest and the prepayment premium under the PIK Loan Agreement and amounts associated with the close-out at market prices of certain currency and interest rate hedging obligations in respect thereof, (ii) make one or more cash distributions, dividends, loans and/or payments, directly or indirectly, (including by way of repayment of a subordinated shareholder loan between Weather and WAHF), to Weather in an aggregate amount of up to €500 million to be used for general corporate purposes (including to refinance certain of its consolidated indebtedness other than indebtedness of WAHF and its subsidiaries) and (iii) pay costs and administrative expenses, taxes (including income taxes), fees and indemnities in connection with, or otherwise related to, any of the foregoing. The foregoing transactions, including the issuance of Notes in this Offering and the on-lending of the proceeds of the Notes by the Issuer to WIND in connection with the Offering, and together with the amendment, waiver or replacement of the 2015 Notes Indenture, the 2015 Notes, the Senior Facilities Agreement, the Second Lien Subscription Agreement, the Priority Agreement and the security documents entered into in connection with the 2015 Notes Indenture, all in connection with the transactions described below under “—The Refinancing Transactions,” are collectively referred to as the “*Refinancing Transactions*.”

### Sources and Uses

The following table shows the sources and uses of funds related to the Offering assuming the Refinancing Transactions had been completed on March 31, 2009. The table does not include interest accrued from March 31, 2009 until the date of repayment of the PIK Loans and the prepayment premium on interest capitalized since such date. Such amounts will be paid from existing cash from WIND.

Sources of Funds	Uses of Funds	
	(€ in thousands)	
Notes offered hereby . . . . .	2,700,000 <sup>(1)</sup>	Prepayment of PIK Loans . . . . . 1,992,858 <sup>(2)</sup>
Use of Existing Cash . . . . .	125,858	Payments to Weather . . . . . 500,000
		Transaction Costs . . . . . 333,000 <sup>(3)</sup>
<b>Total sources . . . . .</b>	<b><u>2,825,858</u></b>	<b>Total uses . . . . . <u>2,825,858</u></b>

- (1) For presentational purposes, the Dollar Notes have been converted into euro at an exchange rate of \$1.3793 to €1.00. This exchange rate differs from the exchange rate in effect as of March 31, 2009 and may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See “Exchange Rates” for the exchange rate applicable on March 31, 2009. The actual exchange rate as of July 1, 2009 is \$1.4096 to €1.00.
- (2) The prepayment amount of PIK Loans includes interest accrued through March 31, 2009, but does not include (i) interest from April 1, 2009 through the anticipated prepayment date, (ii) the prepayment premium, (iii) the prepayment (in a cashless transaction) in respect of the principal amount of PIK Loans purchased in the first quarter of 2009 by WAHF and (iv) the financial expense, gross of any tax impact, originally incurred in connection with or related to the incurrence of indebtedness under the PIK Loans.
- (3) The amount presented includes estimates for each of (i) the prepayment premium related to the PIK Loans based on 1% of the principal amount outstanding as of the last date on which interest was capitalized into the PIK Loans prior to March 31, 2009 and the close-out at market prices of certain currency and interest rate hedging obligations or expenses, taxes, fees or indemnities in respect thereto, (ii) the transaction costs for the solicitation of consents from noteholders under the 2015 Notes Indenture and from the lenders under the Senior Facilities Agreement and from holders of the Second Lien Notes and (iii) transaction costs for the issuance of the Notes, including the applicable original issue discount on the Notes.

## **The Refinancing Transactions**

The Refinancing Transactions will include the issuance of the Euro Notes in an aggregate principal amount of €1,250 million and the Dollar Notes in an aggregate principal amount of \$2,000 million. The PIK Loan Agreement provides that the PIK Loans may be prepaid by paying 101% of the principal amount plus accrued and unpaid interest.

Having received consents (the “*2015 Indenture Consents*”) from a majority of holders of the 2015 Notes in order to, *inter alia*, permit and reflect the Refinancing Transactions, we executed a Supplemental Indenture to the 2015 Notes Indenture on June 26, 2009 to reflect the adoption, upon consummation of the Offering, of the 2015 Indenture Consents. The 2015 Indenture Consents also provide for an increase in the interest rate on the 2015 Euro Notes by 1.25% from 9¾% to 11% per annum and on the 2015 Dollar Notes by 1.25% from 10¾% to 12% per annum, in each case, effective from December 1, 2009. In connection with the issuance of the Notes, the Company is soliciting consents for amendments and waivers from lenders under our Senior Credit Facilities and holders of the Second Lien Notes (collectively, the “*Senior Consents*”) to permit, *inter alia*, the Refinancing Transactions. The Senior Consents provide for an increase in interest rates on our Senior Credit Facilities and Second Lien Notes by 1.0% following the issue of the Notes. Consummation of the Offering is contingent upon receipt of the Senior Consents and upon valid amendment and/or waiver of the terms of the Senior Credit Facilities and the Second Lien Notes in accordance with the terms of the Senior Consents.

## THE ISSUER

The Issuer is a finance company incorporated on July 29, 2005 as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, and is owned 73.0% by Wind Acquisition Finance S.A. Charitable Trust and 27.0% by WIND. The Issuer is registered in the Luxembourg trade and companies register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B109.825. The articles of incorporation of the Issuer have been published in the Official Gazette (*Mémorial C, Recueil des Sociétés et Associations*) of the Grand Duchy of Luxembourg (No. 1409 of December 17, 2005 on page 67602).

Prior to this Offering, in November 2005 and February 2006, the Issuer issued the Original 2015 Notes and the Additional 2015 Notes, which together comprise the 2015 Notes. Upon completion of this Offering, the significant assets of the Issuer will be the 2015 Notes Proceeds Loans and the Notes Proceeds Loan. The Issuer's material liabilities will be the 2015 Notes and the Notes. In addition, the Issuer may issue additional notes under the Indenture and the 2015 Notes Indenture in the future. See "Description of Notes—Certain Covenants." The Issuer has no subsidiaries and a limited ability to generate revenues.

## CAPITALIZATION

The following table sets forth total consolidated financial assets and capitalization of WIND as of March 31, 2009 on a historical basis and as adjusted to give effect to the Refinancing Transactions as if they had occurred on March 31, 2009. The historical consolidated financial information has been derived from WIND's unaudited interim consolidated financial statements as of and for the three months ended March 31, 2009 prepared in accordance with IFRS included elsewhere in this Offering Memorandum.

This table should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Certain Financing Arrangements" and the consolidated financial statements and the accompanying notes appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since March 31, 2009.

	As of March 31, 2009		
	Historical	Adjustments (€ in thousands)	As Adjusted
Cash and cash equivalents . . . . .	356,203	(125,858) <sup>(1)</sup>	230,345
Derivative financial instruments <sup>(2)</sup> . . . . .	37,771	—	37,771
Financial Receivables <sup>(3)</sup> . . . . .	16,429	2,000 <sup>(4)</sup>	18,429
<b>Total Financial Assets</b> . . . . .	<b>410,403</b>	<b>(123,858)</b>	<b>286,545</b>
<b>Senior Credit Facilities</b>			
Revolving . . . . .	374 <sup>(5)</sup>	—	374
Term Loan A1 . . . . .	1,155,845	(5,834) <sup>(6)</sup>	1,150,011
Term Loan B1 . . . . .	1,455,326	(7,379) <sup>(6)</sup>	1,447,947
Term Loan B2 (equivalent) . . . . .	55,554	(282) <sup>(6)</sup>	55,272
Term Loan C1 . . . . .	1,451,875	(7,379) <sup>(6)</sup>	1,444,496
Term Loan C2 (equivalent) . . . . .	55,475	(282) <sup>(6)</sup>	55,193
Loans From Others . . . . .	9,675	—	9,675
Derivative Financial Instruments . . . . .	264,456	—	264,456
<b>Total Gross Bank Debt</b> . . . . .	<b>4,448,580</b>	<b>(21,156)</b>	<b>4,427,424</b>
Second Lien euro . . . . .	541,805	(2,760) <sup>(6)</sup>	539,045
Second Lien U.S. dollar (equivalent) . . . . .	132,783	(676) <sup>(6)</sup>	132,107
<b>Total Gross Senior Debt</b> . . . . .	<b>5,123,168</b>	<b>(24,592)</b>	<b>5,098,576</b>
<b>2015 Notes</b>			
Euro . . . . .	976,892	(66,500) <sup>(6)</sup>	910,392
U.S. dollar (equivalent) . . . . .	506,275	(34,190) <sup>(6)</sup>	472,085
<b>2015 Notes (equivalent)<sup>(7)</sup></b> . . . . .	<b>1,483,167</b>	<b>(100,690)</b>	<b>1,382,477</b>
<b>Notes<sup>(1)(8)</sup></b>			
Euro . . . . .	—	1,156,127	1,156,127
U.S. dollar (equivalent) . . . . .	—	1,358,154	1,358,154
<b>Total Notes (equivalent)</b> . . . . .	<b>—</b>	<b>2,514,281</b>	<b>2,514,281</b>
<b>Total Financial Liabilities</b> . . . . .	<b>6,606,335</b>	<b>2,388,999</b>	<b>8,995,334</b>
Issued Capital . . . . .	147,100	—	147,100
Share premium, Reserves and Retained earnings . . . . .	3,877,452	(2,492,858) <sup>(1)</sup>	1,384,594
<b>Equity attributable to equity holders</b> . . . . .	<b>4,024,552</b>	<b>(2,492,858)</b>	<b>1,531,694</b>
Minority Interests . . . . .	1,161	—	1,161
<b>Total Equity</b> . . . . .	<b>4,025,713</b>	<b>(2,492,858)</b>	<b>1,532,855</b>
<b>Capitalization<sup>(9)</sup></b> . . . . .	<b>10,632,048</b>	<b>(103,859)</b>	<b>10,528,189</b>

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- (1) We intend to use the net proceeds from the issue of the Notes and available cash and cash equivalents to make one or more cash distribution or dividend payments to WAHF. See “Use of Proceeds.”
  - (2) Derivative financial instruments exclude €14 million relating to the hedge of the underlying position of our put and call options associated with the investment in Hellas Telecommunications I S.á.r.l. as of March 31, 2009.
  - (3) Financial receivables excludes guarantee deposits in an amount of €6 million as of March 31, 2009.
  - (4) The amount represents the estimated fees in connection with the consent relating to the undrawn revolving credit facility under our Senior Credit Facilities.
  - (5) The amount reflects the accrued commitment fees on the undrawn amounts under our revolving credit facility.
  - (6) The amounts represent the estimated fees in connection with the consent from lenders under the Senior Credit Facilities (excluding the revolving credit facility) and from holders of the Second Lien Notes and the 2015 Notes.
  - (7) The 2015 Notes (equivalent) refers to the “Senior Notes” as reflected in our consolidated interim financial statements as of March 31, 2009.
  - (8) The amount reflects the gross proceeds from the issuance of the Notes of €2,700 million (equivalent), less certain costs and expenses expected to be incurred in connection with the Notes allocated on proportional basis between the Euro Notes and the Dollar Notes and less the applicable original issue discount. For presentational purposes, the Dollar Notes have been converted into euro at an exchange rate of \$1.3793 to €1.00. This exchange rate differs from the exchange rate in effect as of March 31, 2009 and may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See “Exchange Rates” for the exchange rate applicable on March 31, 2009. The actual exchange rate as of July 1, 2009 is \$1.4096 to €1.00.
  - (9) Capitalization is calculated as the sum of total financial liabilities and total equity.



## **SELECTED HISTORICAL FINANCIAL INFORMATION**

The tables below set forth the selected consolidated income statement, balance sheet and cash flow information of WIND as of and for the years ended December 31, 2006, 2007 and 2008 and as of and for the three-month period ended March 31, 2008 and 2009 and selected consolidated income statement information for the twelve months ended March 31, 2009.

The selected consolidated income statement, balance sheet and cash flow information for WIND set forth below as of and for the years ended December 31, 2006, 2007 and 2008 was derived from the audited consolidated financial statements of WIND, prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The selected consolidated income statement, balance sheet and cash flow information set forth below for WIND as of and for the three months ended March 31, 2008 and 2009 prepared in accordance with IFRS was derived from the unaudited interim consolidated financial statements of WIND included elsewhere in this Offering Memorandum.

Information for the twelve months ended March 31, 2009 is calculated by taking the results of operations for the three months ended March 31, 2009 and adding to it the difference between the results of operations for the full year ended December 31, 2008 and the three months ended March 31, 2008.

The financial information for the three months and twelve months ended March 31, 2009 is not necessarily indicative of the results that may be expected for the year ended December 31, 2009, and should not be used as the basis for or prediction of an annualized calculation.

WIND's consolidated historical financial statements and the selected consolidated historical financial information presented below were prepared on the basis of IFRS, which differs in certain respects from U.S. GAAP. See "Appendix B—Summary of Certain Differences between IFRS as Compared to U.S. GAAP." You should read this section together with the information contained in "Use of Proceeds," "Capitalization," "Summary Consolidated Financial Information of WIND," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this Offering Memorandum.

**Selected Consolidated Income Statement Information:**

	For the year ended December 31,			For the three months ended March 31,		For the twelve months ended March 31,
	2006	2007	2008	2008	2009	2009
	(€ in thousands)					
Revenue . . . . .	4,940,950	5,138,718	5,327,236	1,279,954	1,329,913	5,377,195
Other revenue . . . . .	106,747	131,869	192,127	20,225	38,245	210,147
<b>Total revenue . . . . .</b>	<b>5,047,697</b>	<b>5,270,587</b>	<b>5,519,363</b>	<b>1,300,179</b>	<b>1,368,158</b>	<b>5,587,342</b>
Purchases and services . . . . .	(2,897,399)	(2,988,908)	(3,045,028)	(732,592)	(788,255)	(3,100,691)
Other operating costs . . . . .	(91,121)	(90,134)	(112,539)	(21,002)	(28,087)	(119,624)
Personnel expenses . . . . .	(355,612)	(362,247)	(352,158)	(90,687)	(83,784)	(345,255)
Restructuring costs . . . . .	(46,296)	(18,021)	—	—	—	—
<b>Operating income before depreciation and amortization, reversal/(impairment) of non-current assets and gains/(losses) on disposal of non-current assets . . . . .</b>	<b>1,657,269</b>	<b>1,811,277</b>	<b>2,009,638</b>	<b>455,898</b>	<b>468,032</b>	<b>2,021,772</b>
Depreciation and amortization . . . . .	(1,028,756)	(1,049,309)	(1,035,002)	(257,793)	(255,353)	(1,032,562)
Reversal/(impairment) of non-current assets . . . . .	9,906	(27,139)	(2,965)	(495)	52	(2,418)
Gains/(losses) on disposal of non-current assets . . . . .	(58,000)	(5,073)	(8,211)	(464)	(1,820)	(9,567)
<b>Operating income . . . . .</b>	<b>580,419</b>	<b>729,756</b>	<b>963,460</b>	<b>197,146</b>	<b>210,911</b>	<b>977,225</b>
Finance income . . . . .	31,173	30,027	75,279	9,560	13,604	79,323
Finance expenses . . . . .	(477,560)	(553,088)	(515,403)	(130,142)	(119,919)	(505,180)
Foreign exchange gains/(losses), net . . . . .	(389)	715	(346)	469	1,087	272
<b>Profit before tax . . . . .</b>	<b>133,643</b>	<b>207,410</b>	<b>522,990</b>	<b>77,033</b>	<b>105,683</b>	<b>551,640</b>
Income tax . . . . .	(117,413)	(153,884)	(131,633)	(37,331)	(46,307)	(140,609)
<b>Profit from continuing operations . . . . .</b>	<b>16,230</b>	<b>53,526</b>	<b>391,357</b>	<b>39,702</b>	<b>59,376</b>	<b>411,031</b>
Profit/(loss) from discontinued operations . . . . .	—	136,984	(5,570)	—	—	(5,570)
<b>Profit for the period . . . . .</b>	<b>16,230</b>	<b>190,510</b>	<b>385,787</b>	<b>39,702</b>	<b>59,376</b>	<b>405,461</b>
Minority interests . . . . .	(6,934)	(7,927)	381	126	74	329
<b>Group's profit for the period . . . . .</b>	<b>23,164</b>	<b>198,437</b>	<b>385,406</b>	<b>39,576</b>	<b>59,302</b>	<b>405,132</b>

### Selected Consolidated Balance Sheet Information:

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Intangible assets . . . . .	8,577,253	8,261,752	8,047,486	8,198,687	7,974,602
Property, plant and equipment . . . . .	3,606,085	3,463,192	3,406,088	3,380,328	3,321,145
Trade receivables . . . . .	1,206,382	1,234,874	1,274,955	1,248,915	1,320,483
Total assets . . . . .	14,779,635	14,286,931	14,065,743	14,165,600	13,877,473
Trade payables . . . . .	1,620,370	1,720,588	1,673,478	1,593,651	1,617,129
Current financial liabilities . . . . .	183,672	122,208	136,591	61,091	66,682
Non-current financial liabilities . . . . .	7,249,104	6,726,551	6,402,990	6,744,868	6,539,653
Total liabilities . . . . .	10,898,710	10,198,037	9,783,977	10,099,126	9,851,760
Total equity . . . . .	3,880,925	4,088,894	4,281,766	4,066,474	4,025,713

### Selected Consolidated Cash Flow Information:

	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Net cash from operating activities . . . .	1,433,123	1,291,850	1,367,680	234,257	301,507
Net cash used in investing activities . .	(669,446)	(754,212)	(771,364)	(112,848)	(142,760)
Net cash used in financing activities . .	(766,359)	(491,400)	(412,477)	—	(181,251)
Net cash from discontinued operations .	—	10,744	—	—	—

### Other Financial Information:

	As of and for the year ended December 31,			As of and for the three months ended March 31,		As of and for the twelve months ended March 31,
	2006	2007	2008	2008	2009	2009
	(€ in thousands)					
EBITDA <sup>(1)</sup> . . . . .	1,657,269	1,811,277	2,009,638	455,898	468,032	2,021,772
EBITDA margins <sup>(2)</sup> . . . . .	32.8%	34.4%	36.4%	35.1%	34.2%	36.2%
Normalized EBITDA <sup>(3)</sup> . . . . .	1,703,565	1,829,298	2,009,638	455,898	468,032	2,021,772
Capital expenditures . . . . .	703,336	748,780	795,858	112,973	89,280	n.a.
Net working capital <sup>(4)</sup> . . . . .	(1,010,749)	(957,126)	(875,441)	(898,719)	(1,041,216)	n.a.
Net financial indebtedness <sup>(5)</sup> . . . . .	7,056,894	6,439,965	6,069,669	6,370,473	6,195,932	6,195,932
Net financial indebtedness of WIND (and PIK Loans) <sup>(6)</sup> . . . . .	8,748,061	8,308,532	8,212,314	8,270,906	8,160,903	8,160,903
Ratio of net financial indebtedness of WIND (and PIK Loans) to normalized EBITDA . . . . .	5.1x	4.5x	4.1x	n.a.	n.a.	4.0x

- (1) EBITDA consists of Group profit plus income tax, minority interest, profit/(loss) from discontinued operation, financial income, financial expenses, foreign exchange gains/(losses), depreciation and amortization, reversal/(impairment) of non-current assets and gains/(losses) on disposal of non-current assets. EBITDA is not a measurement of performance under IFRS or U.S. GAAP and you should not consider EBITDA as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of our operating

performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under generally accepted accounting principles.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties to evaluate the Company. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by the Company to EBITDA of other companies. EBITDA as presented here differs from the definition of “Consolidated Cash Flow” contained in the Indenture. The following is a reconciliation of net profit to EBITDA for the periods below:

	For the year ended December 31,			For the three months ended March 31,		Twelve months ended March 31,
	2006	2007	2008	2008	2009	2009
	(€ in thousands)					
<b>Group profit for the period</b> . . . . .	<b>23,164</b>	<b>198,437</b>	<b>385,406</b>	<b>39,576</b>	<b>59,302</b>	<b>405,132</b>
Income tax . . . . .	117,413	153,884	131,633	37,331	46,307	140,609
Minority interest . . . . .	(6,934)	(7,927)	381	126	74	329
(Profit)/loss from discontinued operations . . . . .	—	(136,984)	5,570	—	—	5,570
Financial income . . . . .	(31,173)	(30,027)	(75,279)	(9,560)	(13,604)	(79,323)
Financial expenses . . . . .	477,560	553,088	515,403	130,142	119,919	505,180
Foreign exchange (gains)/losses . . . . .	389	(715)	346	(469)	(1,087)	(272)
Depreciation and amortization . . . . .	1,028,756	1,049,309	1,035,002	257,793	255,353	1,032,562
(Reversal)/impairment of non-current assets . . . . .	(9,906)	27,139	2,965	495	(52)	2,418
(Gains)/losses on disposal of non-current assets . . . . .	58,000	5,073	8,211	464	1,820	9,567
<b>EBITDA</b> . . . . .	<b>1,657,269</b>	<b>1,811,277</b>	<b>2,009,638</b>	<b>455,898</b>	<b>468,032</b>	<b>2,021,772</b>

- (2) EBITDA margins are defined as EBITDA divided by total revenue.
- (3) Normalized EBITDA consists of EBITDA plus restructuring costs incurred by WIND, which were €46 million and €18 million for the years ended December 31, 2006 and 2007, respectively. The restructuring costs incurred by WIND for the year ended December 31, 2008 for the three months ended March 31, 2008 and 2009 were €0.
- (4) The following is a calculation of net working capital:

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Inventories . . . . .	26,138	20,795	13,690	23,677	11,814
Trade receivables . . . . .	1,206,382	1,234,874	1,274,955	1,248,915	1,320,483
Trade payables . . . . .	(1,620,370)	(1,720,588)	(1,673,478)	(1,593,651)	(1,617,129)
Tax assets and liabilities <sup>(a)</sup> . . . . .	(427,867)	(477,476)	(445,729)	(485,503)	(449,676)
Other assets <sup>(b)</sup> . . . . .	221,099	244,449	438,516	249,171	228,940
Assets (and liabilities associated to assets) held for sale . . . . .	—	175,000	—	175,000	—
Other liabilities <sup>(c)</sup> . . . . .	(416,131)	(434,180)	(483,395)	(516,328)	(535,648)
<b>Net working capital</b> . . . . .	<b>(1,010,749)</b>	<b>(957,126)</b>	<b>(875,441)</b>	<b>(898,719)</b>	<b>(1,041,216)</b>

- (a) Tax assets and liabilities consist of deferred tax assets, current tax assets, deferred tax liabilities and tax payables.
- (b) Other assets consist of other receivables, guarantee deposits and as of December 31, 2008 the receivable of €179 million related to the sale of its remaining investment in WPH to Hellas Telecommunications I S.à r.l.
- (c) Other liabilities consist of other non-current liabilities and other payables.

- (5) Net financial indebtedness is defined as total financial liabilities net of total financial assets. The following is a calculation of net financial indebtedness.

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
<b>Non-current financial liabilities</b>					
Bond issues . . . . .	1,439,949	1,388,190	1,413,843	1,358,197	1,435,193
Bank loans . . . . .	5,700,707	5,210,212	4,829,530	5,198,539	4,843,433
Loans from others . . . . .	30,000	—	—	—	—
Derivative financial instruments . . . . .	78,448	128,149	159,617	188,132	261,027
<b>Current financial liabilities</b>					
Bond issues . . . . .	61,735	11,285	11,506	45,225	47,974
Bank loans . . . . .	121,937	110,923	95,447	16,676	5,604
Loans from others . . . . .	—	—	9,675	—	9,675
Derivative financial instruments . . . . .	—	—	19,963	—	3,429
<b>Total financial liabilities(A)</b> . . . . .	<b>7,432,776</b>	<b>6,848,759</b>	<b>6,539,581</b>	<b>6,806,769</b>	<b>6,606,335</b>
<b>Non-current financial assets</b>					
Derivative financial instruments . . . . .	174,853	203,622	59,701	109,868	37,771 <sup>(a)</sup>
<b>Current financial assets</b>					
Derivative financial instruments . . . . .	55,363	3,183	25,725	3,200	—
Financial receivables <sup>(b)</sup> . . . . .	7,780	7,121	5,779	6,951	16,429
<b>Cash and cash equivalents</b> . . . . .	<b>137,886</b>	<b>194,868</b>	<b>378,707</b>	<b>316,277</b>	<b>356,203</b>
<b>Total financial assets(B)</b> . . . . .	<b>375,882</b>	<b>408,794</b>	<b>469,912</b>	<b>436,296</b>	<b>410,403</b>
<b>Net financial indebtedness(A—B)</b> . . . . .	<b>7,056,894</b>	<b>6,439,965</b>	<b>6,069,669</b>	<b>6,370,473</b>	<b>6,195,932</b>

(a) €14 million related to the hedge of the underlying position for our put and call options associated with the investment in Hellas Telecommunications I S.à r.l. was excluded from non-current derivative financial instruments as of March 31, 2009.

(b) Current financial receivables excluded guarantee deposits in the amount of €1 million as of December 31, 2007 and 2008 and as of March 31, 2008 and 2009, respectively.

- (6) Includes net financial indebtedness of WIND as described in footnote (5) above and the book value of the PIK Loans as of the end of each relevant period as reported in the WAHF consolidated financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the results of operations and financial condition of WIND based on the audited consolidated financial statements of WIND and its consolidated subsidiaries as of and for the years ended December 31, 2006, 2007, and 2008 and the unaudited consolidated financial statements of WIND and its consolidated subsidiaries as of and for the three months ended March 31, 2008 and 2009, in each case, prepared in accordance with IFRS.*

*Except in the section below under “—Overview,” in this Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “we,” “our” and other similar terms are generally used to refer to the business of WIND and its consolidated subsidiaries. In this Management’s Discussion and Analysis of Financial Condition and Results of Operations, we capitalize references to Fixed-line and Mobile where and to the extent that the references are to our reporting segments in the consolidated financial statements of WIND and its consolidated subsidiaries prepared in accordance with IFRS.*

*You should read this discussion in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in the Offering Memorandum. A summary of the critical accounting estimates that have been applied to WIND’s consolidated financial statements is set forth below in “—Critical Accounting Estimates.” You should also review the information in the section “Presentation of Financial Information of WIND.” This discussion also includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of risks and uncertainties facing us as a result of various factors, see “Forward-Looking Statements” and “Risk Factors.”*

### Overview

We are a leading Italian telecommunications operator offering mobile, Internet, fixed-line voice and data products and services to consumer and corporate subscribers. Our mobile business is the third largest in Italy based on number of subscribers, with 17.2 million subscribers as of March 31, 2009, an increase of 2.5 million subscribers from December 31, 2006. Our fixed-line business, which includes Internet, voice and data services, is the second largest in Italy based on revenue, with 1.9 million Internet subscribers and 2.7 million voice subscribers as of March 31, 2009. We offer our products and services, which include bundled mobile and fixed-line telecommunications products and services, over our integrated network. For the twelve months ended March 31, 2009, we generated total revenue of €5,587 million and had EBITDA of €2,022 million. For the twelve months ended March 31, 2009, our mobile and fixed-line businesses comprised 67.1% and 32.9% of our total revenues, respectively, and 83.4% and 16.6% of our EBITDA, respectively. See “Presentation of Financial Information” and “—Summary of Historical Consolidated Financial Information.”

We market our mobile services through our “WIND” brand and have increased our share of the Italian telecommunications market to approximately 19.1% as of March 31, 2009 from approximately 17.7% as of March 31, 2008, based on total number of subscribers. We are able to leverage our “value for money” positioning and corresponding offerings to attract subscribers from our competitors and gain market share. The Italian market, while competitive, lacks the barriers to customer acquisitions applicable in other markets due to the limited presence of long-term contracts and very limited handset subsidies. We provide voice, network access, international roaming and value added services, or VAS, as well as mobile Internet services, to our mobile subscribers, through (i) GSM and GPRS (which are known as “second generation” or “2G” technologies), and (ii) UMTS and HSDPA technology (which are known as “third generation” or “3G” technologies). In line with the Italian telecommunications market, the majority of our mobile subscribers are pre-paid subscribers.



We are the leading alternative fixed-line operator in Italy based on revenue. We market our fixed-line voice, broadband and data services primarily through our “Infostrada” brand and offer our Internet services, including narrowband (dial-up) access and our Internet portal services, primarily through our “Libero” brand. We believe that the Italian fixed-line market provides for a favorable competitive environment as a result of the cost structure associated with LLU, the low broadband penetration rates and the absence of a cable television infrastructure. We are the third largest broadband access provider in Italy by number of subscribers as of December 31, 2008. We believe that our integrated nationwide telecommunications network, in combination with LLU, ideally positions us to benefit from the ongoing trend of subscriber migration from narrowband to broadband services and to further increase our share of direct voice subscribers. As of March 31, 2009, 1.5 million of our Internet subscribers were broadband subscribers and 1.8 million of our fixed-line voice subscribers were direct voice subscribers, reflecting increases of 30.1% and 21.8% in broadband and direct fixed-line voice subscribers, respectively, from March 31, 2008.

WIND was founded in 1997 by France Telecom SA, Deutsche Telekom AG and ENEL, the latter of which became our sole shareholder in 2003. We were awarded our GSM license in 1998 and launched our mobile operations and Libero Internet services in 1999. In 1998, we launched our fixed-line services and in 2001 acquired Infostrada, the then-leading Italian fixed-line telecommunications operator by number of subscribers after the incumbent, Telecom Italia. In 2000, we were awarded one of five third-generation UMTS licenses and began offering our UMTS services in 2004. Weather, our current indirect parent, acquired from ENEL a 62.75% indirect ownership stake in WIND on August 11, 2005, and the remaining 37.25% on February 8, 2006.

We are a part of the Weather Group of telecommunications companies, which also includes WIND HELLAS, which operates in Greece, and OTH, which operates primarily in emerging markets such as Algeria, Egypt, Pakistan, Tunisia, Bangladesh and North Korea, and has an indirect equity ownership in Globalive Wireless LP, which has been granted a spectrum license in Canada. As a Weather Group company, we are able to benefit from synergies and economies of scale across the Weather Group.

## **Key Factors Affecting Results of Operations**

### ***Overview***

We generate most of our revenue from the provision of Mobile and Fixed-line (including Internet and Fixed-line voice) telecommunications services. We believe that the ability to provide bundled Internet access and Fixed-line voice services (what we refer to as our “Dual-Play” offering), as well as convergent services such as Mobile Internet, are, and will become, even more important as a competitive advantage in the near term.

### ***Mobile***

Our Mobile revenue is principally driven by our average number of subscribers, churn, ARPU and traffic volume.

In the Italian mobile market which we believe has reached saturation, growth and churn of our mobile subscriber base depends on a number of factors, including pricing, quality of service, availability of new services, overall market growth, the level of competition for obtaining new subscribers, retaining existing subscribers, our ability to cause existing subscribers to use their WIND SIM card as their primary SIM card (rather than as an alternate SIM card) and general economic conditions.

ARPU is driven primarily by traffic volume, data services utilization, revenue from interconnection rates and our prices. Our prices, in turn, are mainly driven by the level of competition in the market. We believe that, in the future, ARPU trends will be positively impacted by growth in

traffic volume, data services and value-added services, or VAS utilization, and negatively impacted by declining prices and revenue from interconnection rates for incoming calls.

Traffic volume growth depends on the continuing trend of Fixed-to-Mobile substitution and our success in stimulating additional usage from existing subscribers, the growth of our number of subscribers and revenue from the average minutes of use, or AMOU, by each of our subscribers, which in turn depends on obtaining and retaining subscribers who generate high traffic volumes and do not tend to frequently change their service provider.

#### *Fixed-line*

Our Fixed-line voice revenues are principally affected by (i) the average number of our subscribers, (ii) the mix of our subscriber base between direct subscribers (subscribers who can access our network directly, either through LLU or other direct connections from customers' sites to WIND's network, which subscribers are principally corporate subscribers) and indirect subscribers (subscribers who access our network through Telecom Italia's network but who are managed commercially by WIND, which subscribers include both corporate and consumer subscribers), (iii) the mix of our subscriber base between consumer and corporate customers, (iv) traffic and (v) the prices we charge for traffic, activation and monthly fees.

Growth of our Fixed subscriber base depends on a number of factors, including pricing and the availability of new services and technologies, our ability to retain existing subscribers, to win subscribers from our competitors and general economic conditions. During the last few years, we have expanded our subscriber base, and particularly our direct subscriber base as well as our wholesale line rental, or WLR services.

Traffic volume growth depends on the size and mix of our subscriber base, usage patterns and the continuing trend of Fixed-to-Mobile substitution.

Our Internet revenues are principally affected by the average number of our subscribers, the mix of our subscriber base between broadband and narrowband subscribers, prices and available speeds.

Growth of our Internet subscriber base depends on a number of factors, including penetration and performance of Internet services, prices, the availability of new services and technologies, our ability to attract new subscribers and retain existing subscribers and general economic conditions. Over the last five years, the market for broadband services has grown to the detriment of the narrowband market, a trend that we anticipate will continue to result in a decline in the number of our narrowband subscribers.

Internet traffic volume growth depends on the size and mix of our subscriber base and usage patterns. However, we anticipate that our calculation of traffic volume growth will become a less representative measure of the success of our Internet business, because broadband plans that offer unlimited access for a fixed monthly fee, which are selected by the vast majority of our broadband subscribers, are excluded from our traffic volume calculations.

## Principal Factors Affecting Mobile Revenues

### Subscriber Base

The table below sets forth selected subscriber data for our Mobile business for the periods indicated, including an analysis by type of customer.

	Mobile Subscriber Base <sup>(1)</sup>				
	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(in thousands of subscribers, except percentages)				
<b>Total subscriber base:<sup>(2)</sup></b>					
Total subscribers at beginning of period . . . . .	13,669	14,701	15,636	15,636	16,880
Total disconnections during period . . . . .	(4,498)	(4,253)	(4,075)	(1,038)	(1,070)
Total new activations during period . . . . .	5,529	5,187	5,319	1,290	1,423
<b>Total subscribers at end of period . . . . .</b>	<b>14,701</b>	<b>15,636</b>	<b>16,880</b>	<b>15,887</b>	<b>17,233</b>
Total subscriber growth from prior equivalent period . . . . .	—	6.4%	8.0%	—	8.5%
<i>Of which:</i>					
Consumer . . . . .	14,036	14,942	16,202	15,183	16,586
Corporate . . . . .	665	693	678	704	647
Pre-paid . . . . .	13,989	14,904	16,180	15,146	16,565
Post-paid . . . . .	712	732	700	741	668
Noi <sup>(3)</sup> . . . . .	7,304	8,668	9,145	8,823	9,288

(1) Based on the number of SIM cards in use and excluding SIM cards embedded in electric meters that automatically send usage information signals to a customer's utility provider (what we refer to as "machine-to-machine" SIM cards), which form an immaterial part of our subscriber base.

(2) Pre-paid mobile subscribers are counted in our subscriber base if they have activated a WIND SIM card in the last 12 months (with respect to new subscribers) or if they have recharged their mobile telephone credit in the last 12 months and have not requested that their SIM card be deactivated and have not switched to another telecommunications operator via mobile number portability during this period (with respect to our existing subscribers), unless a fraud event occurs. Post-paid subscribers are counted in our subscriber base if they have an active contract unless a fraud event has occurred or the subscription is deactivated due to payment default or because they have requested and obtained through mobile number portability a switch to another telecommunications operator. See "Industry, Market and Subscriber Data."

(3) Includes any subscriber using one or more Noi add-on features.

Our Mobile subscriber base consists primarily of consumer subscribers and, in line with the Italian mobile telecommunications market, the vast majority of our consumer subscribers are pre-paid subscribers. As of March 31, 2009, our consumer subscribers and corporate subscribers comprise 96.2% and 3.8% of our Mobile subscriber base, respectively, and 96.1% of our total Mobile subscriber base consists of pre-paid subscribers. All of our corporate subscribers are post-paid subscribers. We are focusing our efforts on expanding our corporate subscriber base. See "Business—Operations—Mobile Operations."

Our Mobile subscriber base has consistently increased, from 14.7 million subscribers as of December 31, 2006 to 17.2 million subscribers as of March 31, 2009. This increase is partially attributable to enhancement of our product offerings and the success of our marketing strategy, which is focused on promoting loyalty in a mature market from subscribers who generate high traffic volumes and do not tend to frequently change their service provider. In order to build an ongoing relationship with this type of subscriber, we have focused on maximizing satisfaction and promoting familiarity with our services. We have also implemented measures, and taken actions, to identify indicators of potential network disconnections, including decreases or variations in traffic volumes or disconnection requests. We have continued to focus our attention on areas of value growth, such as Mobile Internet, as well as on-network strategies to further grow our on-network community. For example, our Noi service

offerings, which provide bundled prices for voice and data services originated and terminated on our network, have continued to attract subscribers, with the number of subscribers using this add-on product increasing from 7.3 million as of December 31, 2006 to 9.3 million as of March 31, 2009, representing 49.7% and 53.9% of our total Mobile subscriber base as of December 31, 2006 and March 31, 2009, respectively. The Italian Mobile telephone market is characterized by subscribers with multiple SIM cards, and we believe that the “community effect” created by our Noi service offerings causes subscribers to migrate from using us as their second or third service provider to using us as their primary service provider, thus increasing subscriber traffic and value. See “Business—Operations—Mobile Operations—Voice Offerings—Additional Consumer Voice Options.”

In addition, we have actively introduced new products to attract and retain subscribers. We were the first operator in Italy to introduce time-based bundles for HSDPA Mobile Internet use, which provide a fixed number of minutes of Mobile Internet access for a fixed monthly fee. See “Business—Operations—Mobile Operations—Consumer and Corporate Data and VAS Offerings.”

The total number of our Mobile subscribers increased by 8.0% to 16.9 million as of December 31, 2008, from 15.6 million subscribers as of December 31, 2007. Our market share increased in 2008 to 18.7%, returning to above 2006 levels, following a decrease in 2007 from the prior year. We attribute new subscriber activations primarily to new price plans, which we believe attracted new subscribers, coupled with what we believe are attractive on-network options offered by our Noi service offerings and our strong market positioning in certain segments.

The total number of our Mobile subscribers increased by 6.4% to 15.6 million as of December 31, 2007, from 14.7 million subscribers as of December 31, 2006. Our market share decreased from 18.3% as of December 31, 2006 to 17.4% as of December 31, 2007, which we primarily attribute to both Telecom Italia’s and Vodafone’s aggressive campaigns to grow their respective SIM market share, and also due to our decision to increase our prices in 2007 to offset the impact of the abolition of the recharge fee in Italy, which we believed has caused subscribers to use other operators’ SIM cards more than they used our SIM card in 2007. See “—Certain Events Affecting Results of Operations—Abolition of Mobile Recharge Fee.” New subscriber activations during this period were primarily driven by new price plans and new on-network options under our Noi service offerings.

### *Churn*

The rate at which subscribers are disconnected from our network, or are removed from our subscriber base due to inactivity, fraud or payment default is referred to as our “churn” rate. Churn is calculated by dividing the total number of subscriber disconnections (including subscribers who disconnect and reactivate with us later with a different WIND SIM card) for a given period by the average number of subscribers for that period (calculated as the average of each month’s average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period.

Churn activity affects various other key performance indicators, including mainly total subscribers. See “Industry, Market and Subscriber Data.” Subscriber disconnections or removals can occur on a voluntary basis, when subscribers switch to competing telecommunications operators for reasons such as pricing, the availability of different data and VAS offerings and quality of service. Subscriber disconnections also occur when we terminate the subscription or a subscriber decides that he or she no longer requires mobile telecommunications services. A pre-paid mobile subscriber is deemed to have churned if he/she has not recharged his/her mobile credit in the last 12 months, has requested to have his/her SIM card deactivated or has requested and obtained through mobile number portability a switch to another telecommunications operator or if a fraud event occurs. A post-paid subscriber is deemed to have churned when he/she requests that his/her SIM card is deactivated or due to payment

default or has requested and obtained through mobile number portability a switch to another telecommunications operator or a fraud event has occurred. See “Industry, Market and Subscriber Data.”

The table below sets forth our Mobile churn rate for each of the periods indicated.

	Mobile Churn Rate				
	For the year ended December 31,			For the three months ended March 31, <sup>(1)</sup>	
	2006	2007	2008	2008	2009
Churn rate <sup>(2)</sup> . . . . .	31.6%	28.0%	25.2%	26.3%	25.1%

- (1) The amounts for the three months ended March 31, 2008 and March 31, 2009 are annualized churn rates. Annualized churn rates are calculated by dividing the total number of subscriber disconnections in the three-month period by the average number of subscribers during the three-month period, and multiplying the outcome by four. The average number of subscribers in a period is calculated as the average of each month's average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month) divided by the number of months in that period.
- (2) Churn is calculated by dividing the total number of subscriber disconnections (including subscribers who disconnect and reactivate with us later with a different WIND SIM card) for a given period by the average number of subscribers for that period. The average number of subscribers is calculated as set forth in footnote (1).

Our Mobile churn rate decreased to 25.1% for the three months ended March 31, 2009, from 26.3% for the three months ended March 31, 2008, which we attribute primarily to the effects of the Noi strategy under which we offer bundles of network voice and data services at attractive prices and our continuing strategy of drawing people to our stores, which increased our attraction of subscribers who switch to our services on a more permanent basis rather than those who simply switch to our services to benefit from our promotional offers.

The increased number of subscribers using a Noi add-on increased over each period presented.

Our Mobile churn rate decreased to 25.2% for the year ended December 31, 2008, from 28.0% for the year ended December 31, 2007, which we attribute primarily to the increasing migration of our subscriber base to WIND as a primary SIM provider, and to our new product offerings such as Noi Tutti, Noi 2 Big, All Inclusive, All Inclusive Plus and Wind 8, that have enabled us to retain subscribers by offering alternative products to subscribers who otherwise may have contemplated switching to an alternate provider.

Our Mobile churn rate decreased to 28.0% for the year ended December 31, 2007, from 31.6% for the year ended December 31, 2006, which we attribute primarily to the increasing migration of our subscriber base to WIND as a primary SIM provider and to our new product offerings during the period such as Super Senza Scatto, Wind 12 and Wind 4.

#### *ARPU*

We define Mobile average revenue per user (“*ARPU*”) as the measure of the sum of the Mobile revenues in the period divided by the average number of the Mobile subscribers (the total number of

Mobile subscribers at each month-end for each month in the period divided by the number of months in the period), divided by the number of months in the period.

	Mobile ARPU				
	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
Voice ARPU <sup>(1)</sup> . . . . .	€16.7	€16.5	€15.8	€15.4	€14.1
Data ARPU <sup>(2)</sup> . . . . .	€2.4	€2.7	€2.8	€2.8	€2.7
<b>Total ARPU<sup>(3)</sup> . . . . .</b>	<b>€19.1</b>	<b>€19.2</b>	<b>€18.5</b>	<b>€18.3</b>	<b>€16.8</b>
Increase/(decrease) from prior equivalent period . . . . .	—	€0.1	€(0.6)	—	€(1.4)
Data ARPU as percentage of ARPU . . . . .	12.6%	13.9%	15.0%	15.5%	16.3%

- (1) We define mobile voice ARPU as the measure of the sum of the mobile voice revenues in the period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.
- (2) We define mobile data ARPU as the sum of the mobile data revenue in the period divided by the average number of mobile subscribers in the period (the average of each month's average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in the period.
- (3) We define total mobile ARPU as the measure of the sum of our mobile revenues in the period divided by the average number of mobile subscribers in the period (the average of each month's average number of mobile subscribers (calculated as the average of the total number of mobile subscribers at the beginning of the month and the total number of mobile subscribers at the end of the month)) divided by the number of months in that period.

Total ARPU decreased by 7.8% to €16.8 for the three months ended March 31, 2009, from €18.3 for the three months ended March 31, 2008. We attribute this decrease primarily to the decline in interconnection revenues as a result of a reduction in termination rates mandated by AGCOM in July 2008 and lower off-network traffic for the three months ended March 31, 2009. Voice ARPU decreased by 8.6% to €14.1 for the three months ended March 31, 2009, from €15.4 for the three months ended March 31, 2008. Data ARPU remained relatively constant at €2.8 and €2.7 for the three months ended March 31, 2008 and 2009, respectively. See “Regulation—Market Analysis.”

Total ARPU decreased by 3.4% to €18.5 for the year ended December 31, 2008, from €19.2 for the year ended December 31, 2007. Total ARPU in 2006 amounted to €19.1 and therefore remained relatively stable in 2006 and 2007.

We believe our recent trend of declining voice ARPU, which impacts our total ARPU, is attributable to (i) the current economic conditions which we believe are affecting all mobile operators, (ii) reduction in termination rates and (iii) our strategy of offering promotional products and price plans that provide bundled minutes for a fixed price within the WIND community for on-network calls, such as our Noi service offerings.

Voice ARPU during the periods presented declined from €16.7 for the year ended December 31, 2006, to €16.5 for the year ended December 31, 2007 and to €15.8 for the year ended December 31, 2008.

Data ARPU during the period increased by 15.6% to €2.8 for the year ended December 31, 2008, from €2.4 for the year ended December 31, 2006. The growth between the year ended December 31, 2007 and the year ended December 31, 2008 is mainly due to the increase in on-network traffic (due to offerings such as Noi WIND SMS) and the introduction of our Mobile Internet offerings. The increase in data ARPU between the year ended December 31, 2006 and the year ended December 31, 2007 was partially due to an increase in on-network data offers and promotions (for



example, Noi offers) and partially due to the increase in off-network usage, which generated a significant increase in data ARPU.

### *Traffic Volume*

Traffic volume for a given period measures the number of minutes of calls over our network for the period, including outgoing Mobile-to-Mobile, outgoing Mobile-to-Fixed, incoming Mobile-to-Mobile off-network and incoming Fixed-to-Mobile calls. We define AMOU, or average minutes of use, in a certain period as the sum of the total traffic (in minutes) in a certain period divided by the average number of subscribers for the period (the average of each month's average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period. We also track SMS traffic (the number of outgoing messages and incoming off-network messages). The table below sets forth selected traffic data for our Mobile business.

	Mobile Traffic Volume				
	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
Total voice traffic (in millions of outgoing minutes and incoming off-network minutes) <sup>(1)</sup> . . . . .	23,435	29,101	32,184	7,666	8,398
Increase over prior equivalent period . . . . .	—	24.2%	10.6%	—	9.6%
SMS traffic (in millions of outgoing messages and incoming off-network messages) . . . . .	4,027	7,361	15,619	3,189	5,420
Increase over prior equivalent period . . . . .	—	82.8%	112.2%	—	69.9%
AMOU . . . . .	137.2	159.4	166.0	162.0	164.2
Increase over prior equivalent period . . . . .	—	16.2%	4.1%	—	1.4%

(1) Includes outgoing Mobile-to-Mobile, outgoing Mobile-to-Fixed, incoming Mobile-to-Mobile off-network and incoming Fixed-to-Mobile calls.

Total voice traffic increased by 9.6% to 8,398 million minutes for the three months ended March 31, 2009, from 7,666 million minutes for the three months ended March 31, 2008. We attribute the increase in total voice traffic primarily to the increase in our subscriber base and the increased usage of our services by our subscribers, mainly as a result of on-network bundled offerings. AMOU increased by 1.4% to 164.2 minutes for the three months ended March 31, 2009, from 162.0 minutes for the three months ended March 31, 2008. We attribute the increase in AMOU to a trend towards subscribers using WIND SIM cards as their primary SIM card. Total SMS traffic increased by 69.9% to 5,420 million messages for the three months ended March 31, 2009 from 3,189 million messages for the three months ended March 31, 2008.

Total voice traffic increased by 10.6% to 32,184 million minutes for the year ended December 31, 2008, from 29,101 million minutes for the year ended December 31, 2007. We attribute the increase in total voice traffic to the 8.0% increase in our average number of subscribers over the period, as well as the increase in AMOU. AMOU increased by 4.1% to 166.0 minutes for the year ended December 31, 2008, from 159.4 minutes for the year ended December 31, 2007. We attribute the increase in AMOU over the period primarily to the effect of abolishing top-up or recharge fees (as pre-paid subscribers spent the amount they would have spent on recharge fees for traffic and services). See “—Certain Events Affecting Results of Operations—Abolition of Mobile Recharge Fee.” Total SMS traffic increased by 112.2% to 15,619 million messages for the year ended December 31, 2008, from 7,361 million messages for the year ended December 31, 2007, which increase we attribute to the repricing of our Noi Wind SMS offer (a bundled offer made to existing subscribers) in April 2007 that increased our SMS traffic from 400 to 4,000 messages per subscriber per month, thus increasing traffic and subscribers.

Total voice traffic increased by 24.2% to 29,101 million minutes for the year ended December 31, 2007, from 23,435 million minutes for the year ended December 31, 2006. We attribute the increase in total voice traffic to the 6.4% increase in our average number of subscribers over the period, as well as the increase in AMOU. AMOU increased by 16.2% to 159.4 minutes for the year ended December 31, 2007, from 137.2 minutes for the year ended December 31, 2006. We attribute the increase in AMOU for the year ended December 31, 2007 primarily to the increased penetration of the Noi range of products, from 49.7% of our Mobile voice customer base as of December 31, 2006 to 55.4% as of December 31, 2007. Total SMS traffic increased by 82.8% to 7,361 million messages for the year ended December 31, 2007, from 4,027 million messages for the year ended December 31, 2006, which we primarily attribute to the increased penetration of Noi WIND SMS.

### ***Principal Factors Affecting Internet and Fixed-Line Voice Revenues***

#### ***Subscriber Base***

The table below sets forth selected subscriber data for our Fixed-line business broken down by direct voice and indirect voice subscribers.

	<b>Fixed-Line Subscriber Base<sup>(1)</sup></b>				
	<b>As of December 31,</b>			<b>As of March 31,</b>	
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2009</b>
	<b>(in thousands of subscribers, except percentages)</b>				
<b>Total Direct voice</b> . . . . .	<b>943</b>	<b>1,374</b>	<b>1,729</b>	<b>1,486</b>	<b>1,809</b>
Total direct voice growth over prior period . . . . .	—	45.7%	25.8%	—	21.8%
Carrier pre-selection . . . . .	1,009	751	396	703	336
Carrier selection . . . . .	388	258	166	242	162
Wholesale line rental (WLR) . . . . .	—	—	304	28	340
VOIP wholesale . . . . .	—	—	25	—	39
<b>Total indirect voice</b> . . . . .	<b>1,397</b>	<b>1,009</b>	<b>891</b>	<b>972</b>	<b>877</b>
Total indirect voice growth over prior period . . . . .	—	(27.8)%	(11.7)%	—	(9.7)%
<b>Total voice</b> . . . . .	<b>2,340</b>	<b>2,383</b>	<b>2,620</b>	<b>2,457</b>	<b>2,687</b>
Total voice growth over prior period . . . . .	—	1.8%	9.9%	—	9.3%
<i>of which:</i>					
Consumer . . . . .	1,933	2,005	2,237	2,085	2,297
Corporate . . . . .	407	378	383	373	390
Broadband . . . . .	763	1,022	1,355	1,115	1,450
Narrowband . . . . .	1,405	886	535	777	449
<b>Total internet</b> . . . . .	<b>2,168</b>	<b>1,908</b>	<b>1,890</b>	<b>1,892</b>	<b>1,899</b>
Total broadband growth over prior period . . . . .	—	34.0%	32.6%	—	30.1%

(1) In our fixed-line business, we report (i) the number of our wholesale line rental, or “WLR,” subscribers and our carrier pre-selection subscribers (both of which are among our indirect subscribers) and (ii) all of our direct subscribers based on the number of active contracts signed and we also report the number of our carrier selection subscribers (which, together with our WLR subscribers and carrier pre-selection subscribers, constitute our indirect subscriber base) based on the number of customers who have active contracts signed with us and who have made at least one carrier selection call in the last three months.

The total number of our Fixed-line voice subscribers increased by 9.3% as of March 31, 2009 to 2.7 million from 2.5 million as of March 31, 2008, which we attribute primarily to the increase in our direct subscriber base and the success of WLR, which together more than offset the decline in our traditional indirect subscriber base.

The total number of our direct Fixed-line voice subscribers increased by 21.8% as of March 31, 2009 to 1.8 million from 1.5 million as of March 31, 2008, which we attribute primarily to a combination of the ongoing success of our product offerings and the expansion of our LLU footprint to 1,094 sites as of March 31, 2009, from 851 sites as of March 31, 2008. We also started offering our WLR service to our entire subscriber base in 2008, which is available to subscribers in areas where we do not provide LLU access, with the aim of growing our indirect subscriber base in areas in which it is not possible to grow our direct subscriber base. We had 0.3 million WLR subscribers as of each of March 31, 2009 and December 31, 2008, which comprised 38.8% of our indirect subscribers as of March 31, 2009 and 34.1% of our indirect subscribers as of December 31, 2008. See “Business—Fixed-Line Operations.”

The total number of our Internet access subscribers (including broadband and narrowband) remained relatively stable over the periods presented, at 1.9 million subscribers as of March 31, 2009 and 2008 and as of December 31, 2008 and 2007. Our 1.9 million total Internet subscribers as of March 31, 2009 consisted of 1.5 million broadband subscribers (an increase of 30.1% from 1.1 million broadband subscribers as of March 31, 2008) and 0.4 million narrowband subscribers (a decrease of 42.2% from 0.8 million narrowband subscribers as of March 31, 2008). Our 1.9 million total Internet subscribers as of December 31, 2008 consisted of 1.4 million broadband subscribers (an increase of 32.6% from 1.0 million broadband subscribers as of December 31, 2007) and 0.5 million narrowband subscribers (a decrease of 39.6% from 0.9 million narrowband subscribers as of December 31, 2007).

Broadband subscribers generally tend to generate higher ARPU than narrowband subscribers. We have continued to grow our broadband subscriber base, which we believe to be attributable to our attractive flat-rate offerings (the percentage of our subscribers selecting our flat-rate offerings grew to 89.8% as of December 31, 2008 and further increased to 90.3% as of March 31, 2009) and to our offering of Dual-Play services (Internet offered with our Fixed-line voice services). As a result, our Dual-Play customer base grew by 40.2% to 1.0 million subscribers as of the year ended December 31, 2008, and further increased to 1.1 million subscribers as of March 31, 2009.

The decrease in our number of narrowband subscribers was substantially offset by the increase in broadband subscribers. We attribute the decrease in our number of narrowband subscribers primarily to the trend of migration to broadband services that enables customers to get better quality services at more attractive prices (mainly as a result of flat-rate offers). Starting from 2007, fixed and mobile operators were prohibited by law (the Bersani decree) from binding subscribers with long-term contracts. Currently, Infostrada is charging all customers that churn a deactivation fee in order to recover the costs for managing the process.

The total number of our Fixed-line voice subscribers increased by 1.8% to 2.4 million as of December 31, 2007, from 2.3 million as of December 31, 2006, primarily due to an increase in the number of our direct Fixed-line subscribers, which increased by 45.7% to 1.4 million as of December 31, 2007, from 0.9 million as of December 31, 2006. We also believe that our virtual LLU offering, which provides WIND services to prospective LLU subscribers while they are waiting to be physically connected to our network, contributed to the success of our direct voice offerings in 2007.

The total number of our Internet subscribers decreased by 12.0% to 1.9 million as of December 31, 2007, from 2.2 million as of December 31, 2006, which we primarily attribute to the general trend of subscriber migration from narrowband to broadband, which led to a loss of narrowband subscribers who did not migrate to our broadband services.

## ARPU

The table below sets forth our voice ARPU and data ARPU in our Internet, Fixed-line voice and data businesses for the periods indicated.

	Fixed-Line ARPU				
	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
Voice ARPU <sup>(1)</sup> . . . . .	€26.1	€26.1	€27.0	€26.2	€25.7
Data ARPU <sup>(2)</sup> . . . . .	€10.7	€11.2	€10.9	€11.1	€11.5
<b>Total ARPU<sup>(3)</sup> . . . . .</b>	<b>€36.8</b>	<b>€37.3</b>	<b>€37.9</b>	<b>€37.3</b>	<b>€37.2</b>
Increase/(decrease) from prior equivalent period . . . . .	—	1.2%	1.6%	—	(0.2)%
Internet Access:					
<b>Broadband ARPU<sup>(4)</sup> . . . . .</b>	<b>€19.7</b>	<b>€20.2</b>	<b>€18.6</b>	<b>€19.3</b>	<b>€19.0</b>

(1) We define fixed-line voice ARPU as the measure of the sum of our fixed-line voice revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period.

(2) We define fixed-line data ARPU as the measure of the sum of our fixed-line data revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period.

(3) We define total fixed-line ARPU as the measure of the sum of our fixed-line revenues in the period divided by the average number of fixed-line voice subscribers in the period (the average of each month's average number of fixed-line voice subscribers (calculated as the average of the total number of fixed-line voice subscribers at the beginning of the month and the total number of fixed-line voice subscribers at the end of the month)) divided by the number of months in that period. We do not include the total number of Internet-only subscribers in the average number of subscribers for this calculation.

(4) We define broadband ARPU as the measure of the sum of the broadband revenues in the period divided by the average number of broadband subscribers in the period (the average of each month's average number of broadband subscribers (calculated as the average of the total number of broadband subscribers at the beginning of the month and the total number of broadband subscribers at the end of the month)) divided by the number of months in that period.

Total ARPU decreased by 0.2% to €37.2 for the three months ended March 31, 2009, from €37.3 for the three months ended March 31, 2008.

The decrease in total ARPU for the three months ended March 31, 2009 compared to the same period in 2008 is primarily due to the decrease in voice ARPU from €26.2 for the three months ended March 31, 2008 to €25.7 for the same period in 2009, partially offset by the increase in data ARPU from €11.1 for the three months ended March 31, 2008 to €11.5 for the same period in 2009. The decrease in voice ARPU is due to a decrease in AMOU, while the increase in data ARPU is mainly attributable to the increased penetration of direct Dual Play customers from 57.4% as of March 31, 2008 to 63.7% as of March 31, 2009. The increase in broadband revenues for the three months ended March 31, 2009 compared to 2008 resulted in an increase in ARPU. The increase in broadband revenues was partially offset by a decrease in narrowband revenues. Broadband ARPU decreased by 1.5% to €19.0 for the three months ended March 31, 2009, from €19.3 for the three months ended March 31, 2008 due to lower monthly unit fees, which we attribute to increased competition, notwithstanding an increase in subscriber growth (which increased by 30.1% to 1.5 million as of March 31, 2009 from 1.1 million as of March 31, 2008).

Total ARPU increased by 1.6% to €37.9 for the year ended December 31, 2008, from €37.3 for the year ended December 31, 2007. The increase in total ARPU of 1.6% for the year ended December 31, 2008 compared to the year ended December 31, 2007, was primarily due to the growth

in the number of direct subscribers which tend to generate higher ARPU. Voice ARPU grew by 3.5% to €27.0 for the year ended December 31, 2008, from €26.1 for the year ended December 31, 2007. The increase was partially attributable to the continued migration of narrowband subscribers to broadband services, as broadband subscribers tend to subscribe for bundle offers including voice.

Direct Fixed-line subscribers tend to generate higher ARPU than carrier pre-selection and carrier selection subscribers and broadband subscribers tend to generate higher ARPU than narrowband subscribers. Broadband ARPU decreased to €18.6 for the year ended December 31, 2008 from €20.2 for the year ended December 31, 2007, which we attribute primarily to price promotions on our key Dual-Play offerings in response to highly aggressive price promotions launched by our competitors putting downward pressure on our broadband pricing.

Data ARPU for the year ended December 31, 2008 decreased to €10.9, from €11.2 for the year ended December 31, 2007, which we attribute primarily to the decrease in broadband ARPU which has partially offset by improved subscriber mix, with a greater proportion of broadband users who typically purchase services for a flat fee.

The increase in total ARPU by 1.2% to €37.3 for the year ended December 31, 2007, from €36.8 for the year ended December 31, 2006 was primarily the result of increased data ARPU due to the increased penetration of direct Dual-Play customers from 41.3% to 54.3%. Broadband ARPU increased to €20.2 for the year ended December 31, 2007, from €19.7 for the year ended December 31, 2006, primarily due to an increase in the number and the proportion of flat-rate broadband subscribers in the mix of our broadband subscriber base as revenues generated by flat-rate subscribers are generally higher than the revenues generated by pay-per-use customers.

### *Traffic Volume*

The table below sets forth selected traffic volume data for our Fixed-line business for each of the periods indicated. We define AMOU, or average minutes of use, in a certain period as the sum of the total traffic (in minutes) in a certain period divided by the average number of subscribers in the period (the average of each month's average number of subscribers (calculated as the average of the total number of subscribers at the beginning of the month and the total number of subscribers at the end of the month)) divided by the number of months in that period. Internet traffic volume figures are not included in the table below as we are no longer marketing narrowband services and are instead focusing on broadband, which is generally non-traffic sensitive. Instead we use subscriber numbers to measure the success of our flat-rate broadband offerings (see "—Subscriber Base").

	Voice Fixed-Line Traffic				
	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
Voice traffic (in millions of outgoing and incoming off-network minutes) <sup>(1)</sup> . . . . .	14,336	15,822	17,406	4,523	4,882
Increase over prior equivalent period . . . . .	—	10.4%	10.0%	—	7.9%
AMOU . . . . .	407.1	422.3	404.6	441.0	423.4
Increase/(decrease) over prior equivalent period . . . . .	—	3.8%	(4.2)%	—	(4.0)%

(1) Includes Fixed-to-Fixed, Fixed-to-Mobile and incoming off-network calls.

Voice traffic increased by 7.9% to 4,882 million minutes for the three months ended March 31, 2009, from 4,523 million minutes for the three months ended March 31, 2008, and by 10.0% to 17,406 million minutes for the year ended December 31, 2008, 15,822 million minutes for the year ended December 31, 2007. Our voice traffic minutes were 14,336 million minutes for the year ended

December 31, 2006. We attribute the positive trend in Fixed traffic volume particularly to an increase in the customer base and an improved customer mix towards direct and WLR customers.

AMOU decreased by 4.0% to 423.4 minutes for the three months ended March 31, 2009, from 441.0 minutes for the three months ended March 31, 2008, primarily due to an expected effect of increased customer base (*i.e.*, new subscribers tend to have lower usage than existing subscribers, especially on flat-rate offers). AMOU decreased by 4.2% to 404.6 minutes for the year ended December 31, 2008, from 422.3 minutes for the year ended December 31, 2007, primarily due to lower AMOU generated by new customers.

However, revenue per minute increased due to the increased proportion of subscribers selecting flat offers. AMOU increased by 3.8% to 422.3 minutes for the year ended December 31, 2007, from 407.1 minutes for the year ended December 31, 2006, due to improved subscriber mix, as direct voice subscribers have, on average, higher usage levels than indirect subscribers (and our number of direct voice subscribers increased by 45.7% to 1.4 million as of December 31, 2007 from 0.9 million as of December 31, 2006).

### ***Interconnection Rates***

Interconnection rates affect both our Mobile and Fixed-line revenues and costs. We receive revenues from other operators for calls terminated on our network and we are required to pay interconnection fees to other operators for calls terminated on their networks. Mobile-to-Mobile, Mobile-to-Fixed, Fixed-to-Fixed and Fixed-to-Mobile interconnection rates are regulated by AGCOM. See “Regulation—Mobile Regulatory Environment—Mobile Termination” for Mobile termination rates and “Regulation—Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination” for Fixed-line termination rates.

Revenue from interconnection traffic is the second most significant component of revenue after revenues from outgoing traffic and services, representing 23.5%, 22.9%, 24.4% and 24.7% of our total revenue for the three months ended March 31, 2009 and the years ended December 31, 2008, 2007 and 2006, respectively. Costs relating to interconnection traffic, which are included in purchases and services costs, are our most significant expense, representing 42.0%, 42.0%, 44.7% and 43.8% of purchases and services costs for the three months ended March 31, 2009 and the years ended December 31, 2008, 2007 and 2006, respectively.

### ***Mobile Termination Rates***

The following table sets forth the maximum per minute interconnection tariffs set forth by AGCOM that we and the other mobile network operators are permitted to charge other mobile network operators for calls that terminate on our respective mobile networks during each of the periods indicated.

<u>Period</u>	<u>WIND</u>	<u>H3G</u>	<u>Telecom Italia</u>	<u>Vodafone</u>
		<u>(cents per minute)</u>		
1 July 2007 to 30 June 2008 . . . . .	€0.129	n.a. <sup>(1)(2)</sup>	€0.112	€0.112
1 July 2008 to 30 June 2009 . . . . .	€0.0951	n.a. <sup>(2)</sup>	€0.0885	€0.0885
1 July 2009 to 30 June 2010 . . . . .	€0.087	€0.11	€0.077	€0.077
1 July 2010 to 30 June 2011 . . . . .	€0.072	€0.09	€0.066	€0.066
1 July 2011 to 30 June 2012 . . . . .	€0.053	€0.063	€0.053	€0.053
1 July 2012 to 30 June 2013 . . . . .	€0.045	€0.045	€0.045	€0.045

(1) No strict price regulation applied.

(2) From March 2008, cap applicable was €0.1626, from November 2008, cap applicable was €0.13.



The financial impact of the gradual decrease in mobile termination rates on our business, financial condition and results of operations will depend on the combination of a number of factors, which include the volume of calls made by customers of other operators that terminate on our mobile network (for which we charge termination rates, which comprise our interconnection revenues) and volume of calls by our customers that terminate on the network of other mobile network operators (for which we are charged termination rates, which comprise our interconnection expenses), as well as on-network traffic volume (for which we neither receive interconnection revenues nor incur interconnection costs). See “Regulation—Mobile Regulatory Environment—Mobile Termination.”

The maximum per minute termination rates which Telecom Italia is permitted to charge alternative fixed-line operators, including us, for calls terminating on its fixed-line network are subject to a wholesale (network) cap determined by AGCOM. The current wholesale (network) cap which will be in effect until June 2010 provides for a gradual reduction in such termination rates, determined as a factor of inflation.

<u>Period</u>	<u>Fastweb</u>	<u>WIND</u>	<u>BT Italia</u>	<u>Tiscali</u>	<u>Tele2</u>	<u>Eutelia</u>	<u>Others</u>
	(cents per minute)						
July 1, 2007 to June 30, 2008 . . . . .	€2.01	€1.90	€1.78	€1.76	€1.45	€1.25	€1.25
July 1, 2008 to June 30, 2009 . . . . .	€1.53	€1.44	€1.38	€1.36	€1.15	€1.02	€1.02
July 1, 2009 to June 30, 2010 . . . . .	€1.05	€1.01	€0.97	€0.97	€0.86	€0.80	€0.80
July 1, 2010 and thereafter <sup>(1)</sup> . . . . .	—	—	—	—	—	—	—

Certain operators, including Vodafone (which acquired the Italian business of the Swedish carrier Tele2 in 2007), have challenged these rates, and the relevant decision of AGCOM is now in appeal before the courts. See “Regulation—Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination.”

As the global financial crisis spread to non-financial sectors of the world economy, economies worldwide have shown significant signs of weakness. Many European countries, including Italy, are facing an economic slowdown, which includes a general contraction in consumer spending resulting from, among other factors, reduced consumer confidence, falling gross domestic product, rising unemployment rates and uncertainty in the macroeconomic environment. While the telecommunications sector is one of the industrial segments that has been less effected by the current global financial and economic crisis, recessionary conditions adversely impact consumer spending, including on telecommunications services and products, which in turn may impact our subscriber numbers and

subscriber spending. For example, there has been a trend by Italian consumers to disconnect fixed voice lines, as consumers rely primarily on mobile telecommunications and view fixed-line as an expendable discretionary expense. In addition, recessionary conditions may weigh on the growth prospects in the Italian telecommunications market in terms of the penetration of new VAS and traffic, ARPU and number of subscribers, and in particular, the volume of corporate subscribers.

Further, as a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Continued turbulence in international markets and economies could restrict our ability to refinance our existing indebtedness on terms acceptable to us, increase our costs of borrowing, limit our access to capital necessary to meet our liquidity needs and materially affect our operations or our ability to implement our business strategy.

### **Certain Events Affecting Results of Operations**

#### ***Reverse Merger of Wind Acquisition Finance S.p.A. into WIND***

On October 16, 2006, the shareholders of each of Wind Acquisition Finance S.p.A. and WIND approved the merger of Wind Acquisition Finance S.p.A. with and into WIND, with WIND as the remaining entity continuing as a wholly-owned subsidiary of WAHF. The merger was effective on December 31, 2006. The merger was aimed at achieving operating and financial synergies through the concentration of Wind Acquisition Finance S.p.A.'s activities within WIND and simplifying the corporate structure. As a consequence of the merger and the consolidation of Wind Acquisition Finance S.p.A.'s activities with ours, WIND assumed Wind Acquisition Finance S.p.A.'s obligations under the guarantee to the 2015 Notes and the 2015 Notes Proceeds Loans. Our financial expenses increased by €142 million during the year ended December 31, 2007, due to interest on the 2015 Notes.

#### ***Abolition of Mobile Recharge Fee***

On February 2, 2007, Decree Law no. 7 of January 31, 2007 entitled, "Urgent measures for the protection of consumers, the promotion of all legislative competition, the development of economic activities and the creation of new businesses" came into effect. Among other things, the decree prohibits mobile operators from applying fixed costs and surcharges on pre-paid top-ups, including those performed through ATMs or via personal computers, beyond the cost of the telephone traffic purchased by customers, and further prohibits mobile operators from imposing maximum time limits on traffic purchased by customers. The decree also prohibits telephone, television network, and electronic communications operators from imposing financial penalties on customers who rescind their contracts or switch to another operator, when these penalties are not justifiable on the basis of costs actually incurred by the operator as a result of such decision. From March 5, 2007, in line with this decree, we abolished all recharge fees on top-ups. See "Regulation—Recharge Fee."

#### ***WIND INTERNATIONAL SERVICES S.p.A. and Acquisition of M-Link***

On January 13, 2009, M-Link Ltd., a wholly owned subsidiary of OTH, sold its wholly owned subsidiary M-Link S.à r.l. (which in turn owns M-Link Teleport S.A.) (together, "*M-Link*") to WIS, a subsidiary of WIND, for €58 million. Furthermore, as part of an effort to consolidate the international business operations of the Weather Group, on April 1, 2009, WIND transferred its international wholesale activities to WIS. M-Link S.à r.l. manages a long-distance international telecommunications network, including through its Belgian subsidiary M-Link Teleport S.A., which provides voice and data services by satellite, electrical and optical cable and new generation technologies together with related support services. Due to the consolidation of M-Link, our total consolidated revenues increased by €40 million during the three months ended March 31, 2009, while the Group profit for the period decreased by €3.5 million during the same period.

### ***Sale of Tellas Telecommunications S.A. (“Tellas”) to WIND HELLAS and Affiliates***

On September 26, 2008, we divested our minority interest in Wind-PPC Holding N.V. (“WPH”), a holding company that owned 100.0% of Tellas, a fixed-line telecommunications services company that has been operating in Greece since 2003. The sale was valued at €179 million, which was ultimately paid in shares of Hellas Telecommunications I S.à r.l. on February 6, 2009.

Prior to October 2007, we had a controlling stake (50.0% plus one share), and Public Power Corporation S.A., the former state-owned electricity utility in Greece, had, through its wholly owned subsidiary, Public Power Corporation Telecommunications S.A., a minority stake (50.0% less one share) in WPH. In October 2007, subject to clearance of the relevant antitrust authorities, WIND undertook to transfer two shares of WPH to WIND HELLAS, thus maintaining only a minority interest in WPH, and PPC SA undertook to transfer its minority stake to WIND Hellas.

In connection with the sale of WPH, we entered into a put and call option that provides that at any time during the five years beginning on December 30, 2008, we may sell, and Weather may buy, our entire interest in Hellas Telecommunications I S.à r.l.

WPH’s results of operations were consolidated into ours until September 30, 2007. Effective September 30, 2007, our interest in WPH was accounted for as a discontinued operation until September 26, 2008, when we fully disposed of our interest in WPH.

### **Presentation of Financial Statements**

#### ***Revenue***

Revenue includes revenues from services, revenue from sales and other revenue as discussed below:

#### ***Revenue from Services***

Revenue from services consists of revenues from:

- *telephone services*, including revenues from, among others, traffic, roaming revenues from our customers traveling abroad, fees and contributions from our Mobile and Fixed-line (including Internet) businesses;
- *interconnection traffic*, relating to incoming calls from other operators’ networks to our Mobile and Fixed-line networks;
- *international roaming*, relating to calls made by subscribers of foreign mobile network operators while traveling in Italy;
- *judicial authority services*, which are revenues for services we are required to provide to judicial authorities; and
- *other revenue from services*, which mainly relate to rental to third parties of advertising space on our Internet portal, leased lines and access fees charged to telecom operators and penalties charged to our Mobile and Fixed-line customers.

#### ***Revenue from Sales***

Revenue from sales mainly relates to the sale of SIM cards, mobile and fixed-line phones and related accessories.

### *Other Revenue*

Other revenue mainly relates to revenue arising from the settlement of commercial disputes, penalties charged to suppliers, prior year income (income related to, but not recognized in the income statement for the prior year) and the revision of estimates made in previous years and government grants we receive.

### *Purchases and Services*

Purchases and services primarily includes:

- interconnection traffic costs relating to the costs incurred to connect our customers to other networks;
- customer acquisition costs mainly relating to commissions on sales of scratch cards, commissions to agents and commissions to dealers;
- lease and rental costs, which include lease of civil and technical sites, lease of telecommunications circuits and lease of local access network;
- advertising and promotional services; and
- other costs incurred in the provisions of services, including maintenance costs for network and information systems, costs for raw, ancillary and consumable materials and goods and costs for outsourced services (e.g., call center services, invoice delivery, credit collection).

### *Other Operating Costs*

Other operating costs include write-down of trade receivables and current assets, annual contribution for license fees, gifts, provision for charges, provision for risks and other operating expenses.

### *Personnel Expenses*

Personnel expenses primarily include wages, social security, and employees' termination benefits, net of capitalized costs for internal work.

### *Restructuring Costs*

Restructuring costs include expenses primarily consisting of personnel expenses expected to be incurred in relation to the corporate restructuring and reorganization program which began in 2006 and extended into 2007.

### *Depreciation and Amortization*

Depreciation and amortization relate to property, plant and equipment and intangible assets, respectively.

### *Reversal/(Impairment) of Non-Current Assets*

Reversal/(impairment) of non-current assets includes impairment of property, plant and equipment, impairment of intangible assets, and reversal of impairment losses on property, plant and equipment and intangible assets (other than goodwill).

***Gains/(losses) on the Disposal of Non-Current Assets***

Gains/(losses) on disposal of non-current assets include the gains arising on disposal of property, plant and equipment, gains arising on disposal of financial assets and losses arising on disposal of property, plant and equipment.

***Finance Income and Expense***

Finance income includes cash flow hedges reversed from equity, interest income from banks and from receivables classified as non-current assets, fair value measurement of non-hedging derivatives and other finance income.

Finance expense includes interest expense on bonds, bank borrowings, and financial debts, discounting of provisions, transfer of cash flow hedge from equity, fair value losses from derivatives not classified as hedging instruments, impairment of financial assets and other finance expense.

***Foreign Exchange Gains and Losses***

Foreign exchange gains/(losses) include realized exchange gains and exchange gains from measurement, net of realized losses on exchange and exchange losses from measurement.

***Income Tax***

Income tax is comprised of current income tax expense, offset by deferred tax benefits or expenses.

***Profit/(Loss) from Discontinued Operations***

Profit/(loss) from discontinued operations includes the gains recognized following the classification on September 30, 2007 of our investment in WPH as a discontinued operation and the losses recognized on the disposal of our remaining investment in our former subsidiary. We fully disposed of our minority interest in WPH on September 26, 2008. See “—Certain Events Affecting Results of Operations—Sale of Tellas Telecommunications S.A. (“*Tellas*”) to WIND HELLAS and Affiliates.”

***Minority Interests***

Profit/(loss) attributable to minority interest reflects the results of investment attributable to minority interest in subsidiaries that are consolidated in our financial statements.

## Results of Operations

The table below shows our consolidated results of operations for the years ended December 31, 2006, 2007, 2008 and the three months ended March 31, 2008 and 2009.

	For the year ended December 31,						For the three months ended March 31,			
	2006	% of total revenue	2007	% of total revenue	2008	% of total revenue	2008	% of total revenue	2009	% of total revenue
	(€ in thousands)									
Revenue . . . . .	4,940,950	97.9%	5,138,718	97.5%	5,327,236	96.5%	1,279,954	98.4%	1,329,913	97.2%
Other revenue . . . . .	106,747	2.1%	131,869	2.5%	192,127	3.5%	20,225	1.6%	38,245	2.8%
<b>Total revenue . . . . .</b>	<b>5,047,697</b>	<b>100.0%</b>	<b>5,270,587</b>	<b>100.0%</b>	<b>5,519,363</b>	<b>100.0%</b>	<b>1,300,179</b>	<b>100.0%</b>	<b>1,368,158</b>	<b>100.0%</b>
Purchases and services . . .	(2,897,399)	(57.4)%	(2,988,908)	(56.7)%	(3,045,028)	(55.2)%	(732,592)	(56.3)%	(788,255)	(57.6)%
Other operating costs . . . .	(91,121)	(1.8)%	(90,134)	(1.7)%	(112,539)	(2.0)%	(21,002)	(1.6)%	(28,087)	(2.1)%
Personnel expenses . . . . .	(355,612)	(7.0)%	(362,247)	(6.9)%	(352,158)	(6.4)%	(90,687)	(7.0)%	(83,784)	(6.1)%
Restructuring costs . . . . .	(46,296)	(0.9)%	(18,021)	(0.3)%	—	0.0%	—	0.0%	—	0.0%
<b>Operating income before depreciation and amortization, reversal/ (impairment) of non-current assets and gains/(losses) on disposal of non-current assets . . . . .</b>	<b>1,657,269</b>	<b>32.8%</b>	<b>1,811,277</b>	<b>34.4%</b>	<b>2,009,638</b>	<b>36.4%</b>	<b>455,898</b>	<b>35.1%</b>	<b>468,032</b>	<b>34.2%</b>
Depreciation and amortization . . . . .	(1,028,756)	(20.4)%	(1,049,309)	(19.9)%	(1,035,002)	(18.8)%	(257,793)	(19.8)%	(255,353)	(18.7)%
Reversal/(impairment) of non-current assets . . . . .	9,906	0.2%	(27,139)	(0.5)%	(2,965)	(0.1)%	(495)	(0.0)%	52	0.0%
Losses on disposal of non-current assets . . . . .	(58,000)	(1.1)%	(5,073)	(0.1)%	(8,211)	(0.1)%	(464)	(0.0)%	(1,820)	(0.1)%
<b>Operating income . . . . .</b>	<b>580,419</b>	<b>11.5%</b>	<b>729,756</b>	<b>13.8%</b>	<b>963,460</b>	<b>17.5%</b>	<b>197,146</b>	<b>15.2%</b>	<b>210,911</b>	<b>15.4%</b>
Financial income . . . . .	31,173	0.6%	30,027	0.6%	75,279	1.4%	9,560	0.7%	13,604	1.0%
Financial expenses . . . . .	(477,560)	(9.5)%	(553,088)	(10.5)%	(515,403)	(9.3)%	(130,142)	(10.0)%	(119,919)	(8.8)%
Foreign exchange gains/ (losses), net . . . . .	(389)	0.0%	715	0.0%	(346)	(0.0)%	469	0.0%	1,087	0.1%
<b>Profit before tax . . . . .</b>	<b>133,643</b>	<b>2.6%</b>	<b>207,410</b>	<b>3.9%</b>	<b>522,990</b>	<b>9.5%</b>	<b>77,033</b>	<b>5.9%</b>	<b>105,683</b>	<b>7.7%</b>
Income tax . . . . .	(117,413)	(2.3)%	(153,884)	(2.9)%	(131,633)	(2.4)%	(37,331)	(2.9)%	(46,307)	(3.4)%
<b>Profit from continuing operations . . . . .</b>	<b>16,230</b>	<b>0.3%</b>	<b>53,526</b>	<b>1.0%</b>	<b>391,357</b>	<b>7.1%</b>	<b>39,702</b>	<b>3.1%</b>	<b>59,376</b>	<b>4.3%</b>
Profit/(Loss) from discontinued operations . . . . .	—	0.0%	136,984	2.6%	(5,570)	(0.1)%	—	0.0%	—	0.0%
<b>Profit for the period . . . . .</b>	<b>16,230</b>	<b>0.3%</b>	<b>190,510</b>	<b>3.6%</b>	<b>385,787</b>	<b>7.0%</b>	<b>39,702</b>	<b>3.1%</b>	<b>59,376</b>	<b>4.3%</b>
Minority interests . . . . .	(6,934)	(0.1)%	(7,927)	(0.2)%	381	0.0%	126	0.0%	74	0.0%
<b>Group profit for the period</b>	<b>23,164</b>	<b>0.5%</b>	<b>198,437</b>	<b>3.8%</b>	<b>385,406</b>	<b>7.0%</b>	<b>39,576</b>	<b>3.0%</b>	<b>59,302</b>	<b>4.3%</b>



### *Three Months Ended March 31, 2009 as Compared to Three Months Ended March 31, 2008*

#### *Revenue*

Our total revenue was €1,368 million for the three months ended March 31, 2009, an increase of €68 million, or 5.2%, from €1,300 million for the three months ended March 31, 2008. Our total revenue for the three months ended March 31, 2009 included consolidated revenue of €40 million relating to M-Link, which we acquired in January 2009. Excluding the impact of this acquisition, total revenue increased by €28 million.

The table below sets forth our revenue for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

	For the three months ended March 31,		Change	
	2008	2009	(amount)	(%)
	(€ in thousands, except percentages)			
<b>Revenue from services:</b>				
Telephone services . . . . .	891,530	942,933	51,403	5.8%
Interconnection traffic . . . . .	326,646	321,613	(5,033)	(1.5)%
International roaming . . . . .	14,775	10,868	(3,907)	(26.4)%
Judicial authority services . . . . .	2,122	2,375	253	11.9%
Other revenue from services . . . . .	24,257	25,995	1,738	7.2%
<b>Total revenues from services . . . . .</b>	<b>1,259,330</b>	<b>1,303,784</b>	<b>44,454</b>	<b>3.5%</b>
<b>Revenue from sales . . . . .</b>	<b>20,624</b>	<b>26,129</b>	<b>5,505</b>	<b>26.7%</b>
<b>Other revenue . . . . .</b>	<b>20,225</b>	<b>38,245</b>	<b>18,020</b>	<b>89.1%</b>
<b>Total revenue . . . . .</b>	<b>1,300,179</b>	<b>1,368,158</b>	<b>67,979</b>	<b>5.2%</b>

Revenue from services was €1,304 million for the three months ended March 31, 2009, an increase of €45 million, or 3.5%, from €1,259 million for the three months ended March 31, 2008. Revenue from services consisted primarily of revenue from telephone services, which were €943 million for the three months ended March 31, 2009, an increase of €51 million, or 5.8%, from €892 million for the three months ended March 31, 2008.

The increase in revenue from telephone services was mainly due to an increase in Fixed-line revenue attributable to growth in our fixed subscriber base and an increase in revenue from fixed charges and contributions in both voice and Internet data services. From January 1, 2009, revenue does not include traffic towards content providers holding non-geographic numbers. Prior to January 1, 2009, we accounted for all revenue generated by our customers for calls made to such content providers holding non-geographic numbers. Effective January 1, 2009, due to changes in our contract with Telecom Italia, we only account for the revenues relating to the handling and transport services for these calls.

Revenue from interconnection traffic was substantially unchanged compared to the same period in 2008, amounting to €322 million for the three months ended March 31, 2009 and €327 million for the same period in 2008. Revenue from interconnection traffic for the three months ended March 31, 2009 includes consolidated revenue from M-Link amounting to €36 million. Excluding the impact of the acquisition of M-Link, we attribute the decrease in revenues from interconnection traffic to lower termination revenue from our Mobile and Fixed-line network due to the reduction in termination rates mandated by AGCOM, which was partially offset by an increase in incoming Fixed-line and Mobile traffic. See “Regulation—Market Analysis.” A decrease in wholesale interconnection traffic volumes also contributed to the decrease in revenues from interconnection traffic.

Revenue from international roaming traffic was €11 million for the three months ended March 31, 2009, a decrease of €4 million, or 26.4%, from €15 million for the three months ended March 31, 2008. This decrease was due to a general reduction in roaming tariffs in international markets and a reduction in the voice roaming volumes, which were partially offset by an increase in data volumes.

Revenue from sales was €26 million for the three months ended March 31, 2009, an increase of €5 million, or 26.7%, from €21 million for the three months ended March 31, 2008. We attribute the increase in revenue from sales primarily to the increase in the number of mobile handsets, SIM cards and scratch cards sold.

Other revenue was €38 million for the three months ended March, 31 2009, an increase of €18 million, or 89.1%, from €20 million for the three months ended March, 31 2008. The increase in other revenue was primarily due to the consolidation of other revenue of M-Link amounting to €2 million, and government grants relating to the prior years amounting to €8 million in relation to the Puglia region as part of the “Measures to support local growth” program in which we took part.

The following table sets forth a breakdown of our revenue by segment for the three months ended March 31, 2009 and 2008:

	For the three months ended March 31,		Change	
	2008	2009	(amount)	(%)
	(€ in millions, except percentages)			
Mobile revenue . . . . .	887	911	24	2.7%
Fixed-line revenue . . . . .	413	457	44	10.7%
<b>Total revenue . . . . .</b>	<b>1,300</b>	<b>1,368</b>	<b>68</b>	<b>5.2%</b>

Mobile revenue was €911 million for the three months ended March 31, 2009, an increase of €24 million, or 2.7%, from €887 million for the three months ended March 31, 2008. The increase in Mobile revenue is primarily attributable to the 8.5% increase in our average number of subscribers over the period, which we attribute to the results of certain marketing and promotional drives on certain of our plans such as Noi TUTTI, Noi 2 BIG and Leonardo, as well as an increase in Mobile AMOU of 1.4% for the three months ended March 31, 2009 compared to the same period in 2008, which was partially offset by a decline in ARPU of 7.8% for the three months ended March 31, 2009 compared to the same period in 2008, mainly due to declining mobile prices.

Fixed-line revenue (comprising Internet, Fixed-line voice and data) was €457 million for the three months ended March 31, 2009, an increase of €44 million, or 10.7%, from €413 million for the three months ended March 31, 2008. The increase in Fixed-line revenue is primarily attributable to the acquisition of M-Link, the 21.8% increase in our direct voice subscriber base and the 30.1% increase in our broadband subscriber base, which was partially offset by the 9.7% decrease in our indirect voice subscriber base and a 17.3% decrease in our narrowband subscriber base in the three months ended March 31, 2009.

### *Purchases and Services and Other Operating Costs*

The table below sets forth our purchases and services and other operating costs for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

	For the three months ended March 31,		Change		% of total revenue	
	2008	2009	(amount)	%	2008	2009
	(€ in thousands, except percentages)					
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	316,421	330,897	14,476	4.6%	24.3%	24.2%
Customer acquisition costs . . . . .	73,500	70,513	(2,987)	(4.1)%	5.7%	5.2%
Lease of civil and technical sites . . . . .	53,571	57,961	4,390	8.2%	4.1%	4.2%
Purchases of raw materials, consumables, supplies and goods . . . . .	37,814	32,268	(5,546)	(14.7)%	2.9%	2.4%
Lease of telecommunications circuits . . . . .	22,385	24,060	1,675	7.5%	1.7%	1.8%
Advertising and promotional services . . . . .	47,344	52,258	4,914	10.4%	3.6%	3.8%
Outsourced services . . . . .	36,471	36,688	217	0.6%	2.8%	2.7%
Other services . . . . .	23,108	28,666	5,558	24.1%	1.8%	2.1%
Lease of local access network . . . . .	47,216	77,923	30,707	65.0%	3.6%	5.7%
Maintenance and repair . . . . .	30,682	28,696	(1,986)	(6.5)%	2.4%	2.1%
Utilities . . . . .	17,987	18,471	484	2.7%	1.4%	1.4%
National and international roaming . . . . .	7,149	5,672	(1,477)	(20.7)%	0.5%	0.4%
Consultancies and professional services . . . . .	9,772	8,370	(1,402)	(14.3)%	0.8%	0.6%
Change in inventories . . . . .	(3,557)	1,426	4,983	n.a.	(0.3)%	0.1%
Other leases and use of third party assets . . . . .	5,470	6,857	1,387	25.4%	0.4%	0.5%
Bank and postal charges . . . . .	3,950	4,334	384	9.7%	0.3%	0.3%
Transport and logistics . . . . .	3,309	3,195	(114)	(3.4)%	0.3%	0.2%
<b>Total purchases and services . . . . .</b>	<b><u>732,592</u></b>	<b><u>788,255</u></b>	<b><u>55,663</u></b>	<b><u>7.6%</u></b>	<b><u>56.3%</u></b>	<b><u>57.6%</u></b>
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets . . . . .	8,439	11,697	3,258	38.6%	0.6%	0.9%
Accruals for costs . . . . .	2,628	2,135	(493)	(18.8)%	0.2%	0.2%
Annual license fees . . . . .	5,776	6,439	663	11.5%	0.4%	0.5%
Other operating costs . . . . .	2,059	3,282	1,223	59.4%	0.2%	0.2%
Accruals for risks . . . . .	783	3,993	3,210	n.a.	0.1%	0.3%
Gifts . . . . .	1,317	541	(776)	(58.9)%	0.1%	0.0%
<b>Total other operating costs . . . . .</b>	<b><u>21,002</u></b>	<b><u>28,087</u></b>	<b><u>7,085</u></b>	<b><u>33.7%</u></b>	<b><u>1.6%</u></b>	<b><u>2.1%</u></b>

### *Purchases and services*

Purchases and services were €788 million for the three months ended March 31, 2009, an increase of €55 million, or 7.6%, from €733 million for the three months ended March 31, 2008. The increase was mainly due to the consolidation of M-Link effective January 1, 2009, which contributed to €41 million of the total €55 million increase in purchases and services.

The overall increase of €55 million was primarily due to the combined effect of the following:

- an increase of €31 million in costs related to lease of local access network in 2009 as a result of an increase in our LLU and ADSL Internet subscribers and the introduction in March 2008 of our WLR service;

- an increase of €14 million in interconnection traffic costs mainly relating to interconnection costs of M-Link amounting to €37 million. Excluding the impact of the consolidation of M-Link, interconnection costs would have decreased by €23 million. The decrease is mainly due to the reduction in mobile and fixed termination rates and to lower Internet collection costs due to increased direct broadband traffic, as collection charges are charges we pay Telecom Italia for calls collected and/or narrowband transmissions delivered to our network, while no such charges are paid for direct subscribers. These changes were partially offset by the increase in fixed, mobile and international traffic volumes.

As a percentage of total revenue, purchases and services increased from 56.3% for the three months ended March 31, 2008 to 57.6% for the three months ended March 31, 2009, primarily due to the consolidation of M-Link from January 1, 2009.

#### *Other Operating Costs*

Other operating costs were €28 million for the three months ended March 31, 2009, an increase of €7 million, or 33.7%, from €21 million for the three months ended March 31, 2008. The increase was primarily due to: (i) an increase in write-downs on trade receivables and current assets of €3 million due to the increase in collection risk as more receivables were past due for longer periods; and (ii) the increase in provisions for risks of €3 million, mainly relating to legal provisions.

#### *Personnel Expenses*

Personnel expenses were €84 million for the three months ended March 31, 2009, a decrease of €7 million, or 7.6%, from €91 million for the three months ended March 31, 2008. Personnel expenses for the three months ended March 31, 2009 included €1 million relating to M-Link. Excluding the impact of the consolidation of M-Link, personnel expenses would have decreased by €8 million.

The decrease was primarily due to a decrease in long-term incentive plan costs from €10 million for the three months ended March 31, 2008 to €0.7 million for the three months ended March 31, 2009. As a consequence of current market conditions, parameters tied to market-related factors used to measure our long-term incentive plans have changed, resulting in lower expenses.

#### *Depreciation and Amortization*

Depreciation and amortization was €255 million for the three months ended March 31, 2009, a decrease of €3 million, or 0.9%, from €258 million for the three months ended March 31, 2008. Depreciation and amortization for the three months ended March 31, 2009 includes an amount of €0.5 million relating to M-Link. The decrease was primarily due to the combined effect of certain assets being fully depreciated during 2008 and a decrease in capital expenditures.

#### *Losses on Disposal of Non-current Assets*

Losses on the disposal of non current assets were €2 million for the three months ended March 31, 2009 compared to €0.5 million for the three months ended March 31, 2008. The loss for the three months ended March 31, 2009 primarily related to losses on the disposal of property, plant and equipment as part of our normal renewal process for these assets.

#### *Financial Income*

Financial income was €14 million for the three months ended March 31, 2009, an increase of €4 million, or 42.3%, from €10 million for the three months ended March 31, 2008. This increase was mainly due to the recognition of €10 million in accrued interest income on levies, which we and Infostrada S.p.A. (prior to our acquisition of its assets) had originally paid to the Italian government on

revenue relating to telecommunications services licenses. As the relevant levy was found to be in contravention of EU law by courts, the amounts paid with respect to this contribution were refunded to us.

### *Financial Expenses*

Financial expenses, which consist mostly of accrued interest on financial liabilities, was €120 million for the three months ended March 31, 2009, a decrease of €10 million, or 7.9%, from €130 million for the three months ended March 31, 2008. The decrease was primarily related to a decrease of €19 million on interest on bank loans due to: (i) lower interest expense related to our Senior Credit Facilities following the prepayment of €412 million during the year ended December 31, 2008, (ii) the reduction of the margins on Tranches A and B of the Senior Credit Facilities, in accordance with contractual terms and (iii) the decrease in the average EURIBOR rate applicable to the un-hedged portion of the financing. Such changes were partially offset by the recognition of €6 million in fair value losses related to the accounting treatment of the early redemption provisions of the 2015 Notes, which qualify as “embedded derivatives” under IFRS and are required to be recorded at their fair value.

### *Income Tax*

The following table sets forth our income tax expense for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008.

	For the three months ended March 31,		Change	
	2009	2008	Amount	%
	(in thousands of Euro except percentages)			
Current tax . . . . .	57,723	48,275	9,448	19.6%
Deferred tax . . . . .	(11,416)	(10,944)	(472)	(4.3%)
<b>Total income tax . . . . .</b>	<b><u>46,307</u></b>	<b><u>37,331</u></b>	<b><u>8,976</u></b>	<b><u>24.0%</u></b>

Income tax was €46 million for the three months ended March 31, 2009, an increase of €9 million, or 24.0%, from €37 million for the three months ended March 31, 2008.

Current income tax for the three months ended March 31, 2009 amounted to €58 million (comprising IRES (corporate income tax) of €43 million and IRAP (regional tax) of €15 million) compared to €48 million for the three months ended March 31, 2008 (comprising IRES of €34 million and IRAP of €14 million). The increase in current income tax is mainly due to an increase in our profit before tax.

Net deferred tax income was €11 million for each of the three months ended March 31, 2009 and 2008. The net deferred tax income for the three months ended March 31, 2009 relates to the recognition of €1 million in deferred tax assets mainly relating to the changes in temporary differences on provisions and from the release of deferred tax liabilities of €10 million. Net deferred tax income for the three months ended March 31, 2008 mainly relates to the changes in temporary differences on fixed assets rising from an increase of €2 million in deferred tax assets and a decrease of €9 million in deferred tax liabilities, mainly related to the changes in temporary differences on funds and fixed assets, respectively.

### *Group Profit for the Period*

Group profit increased by €19 million to €59 million for the three months ended March 31, 2009 from €40 million for the three months ended March 31, 2008. Group profit for the period is calculated excluding the profit attributable to minority interests, which amounted to €0.1 million for each of the three months ended March 31, 2009 and 2008.

***Year Ended December 31, 2008 as Compared to Year Ended December 31, 2007***

***Revenue***

Our total revenue was €5,519 million for the year ended December 31, 2008, an increase of €248 million, or 4.7%, from €5,271 million for the year ended December 31, 2007.

The table below sets forth our revenue for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

	For the year ended December 31,		Change	
	2007	2008	(amount)	(%)
	(€ in thousands, except percentages)			
<b>Revenue from services:</b>				
Telephone services . . . . .	3,571,024	3,767,354	196,330	5.5%
Interconnection traffic . . . . .	1,285,311	1,265,100	(20,211)	(1.6)%
International roaming . . . . .	84,639	84,792	153	0.2%
Judicial authority services . . . . .	7,443	9,469	2,026	27.2%
Other revenue from services . . . . .	83,821	99,917	16,096	19.2%
<b>Total revenues from services . . . . .</b>	<b>5,032,238</b>	<b>5,226,632</b>	<b>194,394</b>	<b>3.9%</b>
<b>Revenue from sales . . . . .</b>	<b>106,480</b>	<b>100,604</b>	<b>(5,876)</b>	<b>(5.5)%</b>
<b>Other revenue . . . . .</b>	<b>131,869</b>	<b>192,127</b>	<b>60,258</b>	<b>45.7%</b>
<b>Total revenue . . . . .</b>	<b>5,270,587</b>	<b>5,519,363</b>	<b>248,776</b>	<b>4.7%</b>

Revenue from services was €5,227 million for the year ended December 31, 2008, an increase of €195 million, or 3.9%, from €5,032 million for the year ended December 31, 2007.

Revenue from telephone services increased by €196 million, or 5.5% to €3,767 million for the year ended December 31, 2008, from €3,571 million for the year ended December 31, 2007. Revenue from telephone services increased primarily due to increases in revenue from telephone services in both our Mobile and Fixed-line segments. Mobile revenue increased for both voice and data services as a result of the growth in our consumer subscriber base. The increase in Fixed-line revenue is likewise a result of growth in our consumer subscriber base and as a consequence of pricing strategies which resulted in an increase in our revenue from flat-rate pricing and activation fees in both voice and Internet and data services, as we continued to experience a move in the proportion and number of subscribers taking advantage of flat-rate pricing for our bundled services rather than time-based pricing plans.

Revenue from interconnection traffic decreased by €20 million, or 1.6% to €1,265 million for the year ended December 31, 2008, or 1.6%, from €1,285 million for the year ended December 31, 2007. The decrease in revenues from interconnection traffic was primarily due to lower termination revenue from our Mobile network due to the reduction in termination rates mandated by AGCOM, which was partially offset by an increase in revenues from incoming Fixed-line traffic and wholesale interconnection traffic volumes (see “Regulation—Market Analysis”).

Revenue from international roaming traffic, was substantially unchanged, amounting to €85 million for each of the years ended December 31, 2008 and 2007.

Other revenue from services increased by €16 million, or 19.2% to €100 million for the year ended December 31, 2008, from €84 million for the year ended December 31, 2007. This increase was primarily due to an increase in the sale of advertising space on our Libero Internet portal due to growth in the market for Internet advertising.



Revenue from sales decreased by €5 million to €101 million for the year ended December 31, 2008, from €106 million for the year ended December 31, 2007.

Other revenue increased by €60 million, or 45.7% to €192 million for the year ended December 31, 2008, from €132 million for the year ended 31 December, 2007. The increase in other revenue was primarily due to the settlement of commercial disputes from previous periods in an amount of €76 million.

The table below sets forth a breakdown of our revenue by segment for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

	For the year ended December 31,		Change	
	2007	2008	(amount)	(%)
	(€ in millions, except percentages)			
Mobile revenue . . . . .	3,639	3,724	85	2.3%
Fixed-line revenue . . . . .	1,632	1,795	163	10.0%
<b>Total Mobile and Fixed-line revenue . . . . .</b>	<b>5,271</b>	<b>5,519</b>	<b>248</b>	<b>4.7%</b>

Mobile revenue was €3,724 million for the year ended December 31, 2008, an increase of €85 million, or 2.3%, from €3,639 million for the year ended December 31, 2007. Mobile revenue increased primarily due to the 8.0% increase in our average number of subscribers over the period, which we attribute to the results of marketing and promotional drives such as Noi 2, Noi WIND, and Leonardo, as well as a 4.1% increase in Mobile AMOU in 2008 compared to 2007, which was partially offset by declining mobile prices due to our strategy of offering promotional products and price plans that provide bundled minutes for a fixed price for on network calls, such as Noi, which resulted in a 3.4% decline in ARPU in 2008 compared to 2007.

Fixed-line revenue (comprising Internet, Fixed-line voice and data) was €1,795 million for the year ended December 31, 2008, an increase of €163 million, or 10.0%, from €1,632 million for the year ended December 31, 2007. The increase in Fixed-line voice and data revenue was primarily attributable to the 25.8% increase in our direct voice subscriber base, together with the 1.6% increase in ARPU, which was partially offset by the decrease in indirect voice subscribers during the period.

Internet revenues grew as a net effect of growth in broadband revenues which is primarily attributable to growth in our direct Dual-Play subscriber base. The growth in broadband revenues was partially offset by the reduction in narrowband revenues due to the migration from narrowband to broadband which was experienced across the Fixed-line market.

### Purchases and Services and Other Operating Costs

The table below sets forth our purchases and services and other operating costs for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

	For the year ended December 31,		Change		% of total revenue	
	2007	2008	(amount)	(%)	2007	2008
(€ in thousands)						
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	1,336,544	1,279,219	(57,325)	(4.3)%	25.4%	23.2%
Customer acquisition costs . . . . .	290,689	302,562	11,873	4.1%	5.5%	5.5%
Lease of civil and technical sites . . . . .	200,760	217,302	16,542	8.2%	3.8%	3.9%
Purchases of raw materials, consumables, supplies and goods . . . . .	184,541	176,891	(7,650)	(4.1)%	3.5%	3.2%
Lease of telecommunications circuits . . . . .	96,379	85,289	(11,090)	(11.5)%	1.8%	1.5%
Advertising and promotional services . . . . .	177,248	178,880	1,632	0.9%	3.4%	3.2%
Outsourced services . . . . .	120,158	140,496	20,338	16.9%	2.3%	2.5%
Other services . . . . .	89,275	111,937	22,662	25.4%	1.7%	2.0%
Lease of local access network . . . . .	192,484	234,174	41,690	21.7%	3.7%	4.2%
Maintenance and repair . . . . .	99,205	111,170	11,965	12.1%	1.9%	2.0%
Utilities . . . . .	63,468	73,404	9,936	15.7%	1.2%	1.3%
National and international roaming . . . . .	34,845	30,660	(4,185)	(12.0)%	0.7%	0.6%
Consultancies and professional services . . . . .	43,840	39,124	(4,716)	(10.8)%	0.8%	0.7%
Change in inventories . . . . .	3,289	6,879	3,590	n.a.	0.1%	0.1%
Other leases and use of third party assets . . . . .	24,120	25,041	921	3.8%	0.5%	0.5%
Bank and postal charges . . . . .	18,440	18,034	(406)	(2.2)%	0.3%	0.3%
Transport and logistics . . . . .	13,623	13,966	343	2.5%	0.3%	0.3%
<b>Total purchases and services . . . . .</b>	<b>2,988,908</b>	<b>3,045,028</b>	<b>56,120</b>	<b>1.9%</b>	<b>56.7%</b>	<b>55.2%</b>
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets . . . . .	37,191	52,193	15,002	40.3%	0.7%	0.9%
Accruals for costs . . . . .	11,501	13,052	1,551	13.5%	0.2%	0.2%
Annual license fees . . . . .	20,193	20,915	722	3.6%	0.4%	0.4%
Other operating costs . . . . .	15,070	16,148	1,078	7.2%	0.3%	0.3%
Accruals for risks . . . . .	2,737	6,670	3,933	n.a.	0.1%	0.1%
Gifts . . . . .	3,442	3,561	119	3.5%	0.1%	0.1%
<b>Total other operating costs . . . . .</b>	<b>90,134</b>	<b>112,539</b>	<b>22,405</b>	<b>24.9%</b>	<b>1.7%</b>	<b>2.0%</b>

### Purchases and Services

Purchases and services were €3,045 million for the year ended December 31, 2008, an increase of €56 million, or 1.9%, from €2,989 million for the year ended December 31, 2007. This increase was primarily due to the following:

- an increase of €42 million in leasing costs for local access network as a result of an increase in our LLU subscriber base and the introduction in March 2008 of the WLR service;
- an increase of €20 million in costs for outsourced services, mainly related to the costs for services previously provided by our Sesto San Giovanni call center, which we sold during the first quarter of 2007. This transaction also caused a decrease in personnel expenses. The increase in purchases and services was also partially attributable to an increase in the total

customer care costs incurred by call centers, resulting from higher call volume, due to our increased customer base;

- an increase of €17 million for the leasing of civil and technical sites, mainly due to increases in the number of pieces of equipment and technological sites used for our Mobile network;
- an increase of €12 million for maintenance and repairs to our network, relating to substantial network investments made in the years ended December 31, 2007 and 2008; and
- an increase of €12 million in customer acquisition costs due to an increase in the number of subscribers acquired in 2008 and commissions recognized for the year ended December 31, 2008 that are payable to dealers and agents, in connection with increased volumes of traffic on our network.

These increases were partially offset by the following:

- a decrease of €57 million in interconnection traffic costs, which resulted from the decrease in mobile and fixed termination rates mandated by AGCOM during the period (see “Regulation—AGCOM Market Analysis”), as well as decreases in Internet collection costs, due to lower narrowband traffic on our network in 2008; and
- a decrease of €11 million in costs for the lease of telecommunications circuits, mainly as a result of a decrease in unit lease costs for certain types of telecommunications circuits and the optimization and rationalization of our access and transport network due to improved cost management.

As a percentage of total revenue, purchases and services decreased from 56.7% for the year ended December 31, 2007 to 55.2% for the year ended December 31, 2008, primarily due to efficiency gains.

#### *Other Operating Costs*

Other operating costs were €113 million for the year ended December 31, 2008, an increase of €23 million, or 24.9%, from €90 million for the year ended December 31, 2007. The increase was primarily due to (i) an increase of €15 million in impairment losses on trade receivables and current assets due to the increase in collection risk as more receivables were past due for longer periods; and (ii) the increase in provisions for risks of €4 million, mainly relating to reserves for legal provisions.

#### *Personnel Expenses*

Personnel expenses were €352 million for the year ended December 31, 2008, a decrease of €10 million, or 2.8%, from €362 million for the year ended December 31, 2007. The decrease in personnel expenses was mainly due to the decrease in the average number of employees from 7,081 for the year ended December 31, 2007 to 6,730 for the year ended December 31, 2008, following the implementation of the restructuring program which began in 2006 and the effects of which continued into 2007 as further described below.

#### *Restructuring Costs*

Our restructuring costs for the year ended December 31, 2008 were €0, as compared to €18 million for the year ended December 31, 2007. Restructuring costs for the year ended December 31, 2007 related to costs associated with our internal business restructuring and reorganization project which commenced in 2006 and was extended into 2007. The aim of this project was to achieve higher levels of efficiency and effectiveness by geographically relocating certain activities from Milan to Rome. Costs associated with the restructuring project mainly comprise relocation expenses, leaving incentives and other personal expenses.

### *Depreciation and Amortization*

Depreciation and amortization was €1,035 million for the year ended December 31, 2008, a decrease of €14 million, or 1.4%, from €1,049 million for the year ended December 31, 2007. The decrease was primarily due to the decrease in amortization of industrial patents and similar rights of €11 million and a decrease of €8 million in depreciation of other assets as a result of certain assets being fully depreciated or amortized and a decrease in investments for such assets each resulting in a lower asset base subject to depreciation and amortization. This was partially offset by an increase of €4 million in the depreciation of plant and machinery as a result of increased capital investments made during the year ended December 31, 2007 for the expansion of our UMTS network to increase coverage levels and to increase the capacity and number of LLU sites required to support our successful direct Fixed-line offers (both for voice and ADSL) during the period. The depreciation charges for the year have also been affected by the extension of the depreciation period for leasehold improvements, as a consequence of an assessment that started in 2007 of renewal options for rental agreements.

### *Impairment of Non-current Assets*

Impairment of non-current assets was €3 million for the year ended December 31, 2008 compared to €27 million for the year ended December 31, 2007. During 2007, as part of the plan for the reorganization and development of our production structure, we made disposals of certain equipment, infrastructure and transmission systems with a net book value of €12 million that are no longer usable. These relate mostly to radio links and high frequency equipment and electronic switchboards and equipment. In addition in 2008, impairments to transmission equipment for a net amount of €2 million were recorded, because the supplier of the transmission equipment replaced our equipment with assets that are more compatible with our network.

### *Losses on Disposal of Non-current Assets*

Losses on the disposal of non-current assets were €8 million for the year ended December 31, 2008 compared to €5 million for the year ended December 31, 2007. The losses related to disposals of property, plant and equipment as part of our normal renewal process for these assets.

### *Financial Income*

Financial income was €75 million for the year ended December 31, 2008, an increase of €45 million, from €30 million for the year ended December 31, 2007. This increase was mainly due to the following:

- an increase of €21 million relating to cash flow hedges reversed from equity; and
- gains from fair value measurement of non-hedging derivatives of €23 million for the year ended December 31, 2008 (compared to loss from fair value measurement of non-hedging derivatives of €16 million for the same period in 2007, which are recorded in financial expenses) relating to non-hedging derivatives, of which €15 million relates to the put option to sell a possible investment in Hellas Telecommunications I S.à r.l. to Weather which originated from the completion of the disposal of our interest in WPH in 2008. (See “—Certain Events Affecting Results of Operations—Sale of Tellas Telecommunications S.A. (“Tellas”) to WIND HELLAS and Affiliates”), and €8 million relates to the accounting treatment of the early redemption provisions of the 2015 Notes, which qualify as “embedded derivatives” under IFRS and are required to be recorded at their fair value.

### *Financial Expenses*

Financial expenses were €515 million for the year ended December 31, 2008, a decrease of €38 million, or 6.8%, from €553 million for the year ended December 31, 2007. The decrease was primarily due to (i) a decrease of €22 million on interest on bank loans related to prepayment of the Senior Credit Facilities made in 2007 in the amount of €491 million; and (ii) losses of €16 million on fair value measurement of non-hedging derivatives for the year ended December 31, 2007 (compared to gains of €23 million on fair value measurement of non-hedging derivatives for the year ended December 31, 2008 which are recorded in financial income) related to the accounting treatment of the early redemption provisions of the 2015 Notes, which are treated as embedded derivatives for accounting purposes as described in “—Financial Income” above.

### *Income Tax*

The following table sets forth our income tax expense for the year ended December 31, 2008 as compared to the year ended December 31, 2007.

	For the year ended December 31,		Change	
	2008	2007	Amount	%
	(in thousands of Euro except percentages)			
Current tax . . . . .	171,696	196,629	(24,933)	(12.7)%
Deferred tax . . . . .	(40,063)	(42,745)	2,682	6.3%
<b>Total income tax . . . . .</b>	<b><u>131,633</u></b>	<b><u>153,884</u></b>	<b><u>(22,251)</u></b>	<b><u>(14.5)%</u></b>

Income tax was €132 million for the year ended December 31, 2008, a decrease of €22 million, or 14.5%, from €154 million for the year ended December 31, 2007.

Current income tax for the year ended December 31, 2008 amounted to €172 million (comprising IRES (corporate income tax) of €104 million and IRAP (regional tax) of €67 million) compared to €197 million for the year ended December 31, 2007 (comprising IRES of €136 million and IRAP of €61 million). The decrease in current income tax was mainly due to a decrease in IRES tax rate from 33.0% to 27.5% and the utilization of deferred tax assets that were not recognized in the consolidated financial statements of WIND as of and for the year ended December 31, 2007, notwithstanding an increase in our profit before tax.

Net deferred tax income was €40 million for the year ended December 31, 2008 compared to €43 million for the year ended December 31, 2007. In 2008 the net deferred tax income mainly arose from the release of deferred tax liabilities in an amount of €42 million relating to changes in temporary differences on fixed assets. In 2007, the net deferred tax income related to the release of excess provisions following a change in the applicable tax rate in accordance with new Italian legislation which was partially offset by a write-down of deferred tax assets.

### *(Loss)/Profit from Discontinued Operations*

Loss from discontinued operations was €6 million for the year ended December 31, 2008 compared to a profit from discontinued operations of €137 million for the year ended December 31, 2007. As discussed above under the caption “—Certain Events Affecting Results of Operations,” in 2007 and 2008 we disposed of our investment in WPH. As a result, the results of operations relating to WPH have been recorded in the line item “profit/(loss) from discontinued operations” for the years ended December 31, 2007 and 2008. The profit from discontinued operations for the year ended December 31, 2007 comprises €156 million relating to the fair value measurement of the remaining investment in WPH, which was partially offset by the loss of WPH amounting to €19 million for the

period until our control ceased. The loss from discontinued operations for the year ended December 31, 2008 related to the disposal of the remaining investment in WPH.

### *Group Profit for the Period*

Group profit for the year ended December 31, 2008 amounted to €385 million, an increase of €187 million from €198 million for the year ended December 31, 2007. Group profit for the period is calculated after excluding the profit or loss attributable to minority interest. Profit attributable to minority interests amounted to €0.4 million for the year ended December 31, 2008 compared to a loss of €8 million for the year ended December 31, 2007.

### *Year Ended December 31, 2007 Compared to Year Ended December 31, 2006*

#### *Revenue*

Total revenue was €5,271 million for the year ended December 31, 2007, an increase of €223 million, or 4.4%, from €5,048 million for the year ended December 31, 2006. Revenue for the year ended December 31, 2007 does not include the revenue for WPH, which was classified as a discontinued operation. Revenue of WPH for the year ended December 31, 2006 amounted to €115 million. Excluding the impact of the change in accounting treatment of WPH (from fully consolidated for the year ended December 31, 2006 to being classified as a discontinued operation from September 30, 2007), revenue increased by €338 million. See “—Certain Events Affecting Results of Operations—Sale of Tellas Telecommunications S.A. (“Tellas”) to WIND HELLAS and Affiliates.” The table below sets forth our revenue for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

	For the year ended December 31,		Change	
	2006	2007	(amount)	(%)
	(€ in thousands, except percentages)			
<b>Revenue from services</b>				
Telephone services . . . . .	3,428,331	3,571,024	142,693	4.2%
Interconnection traffic . . . . .	1,246,558	1,285,311	38,753	3.1%
International roaming . . . . .	96,024	84,639	(11,385)	(11.9)%
Judicial authority services . . . . .	5,674	7,443	1,769	31.2%
Other revenue from services . . . . .	65,170	83,821	18,651	28.6%
<b>Total revenue from services . . . . .</b>	<b>4,841,757</b>	<b>5,032,238</b>	<b>190,481</b>	<b>3.9%</b>
<b>Revenue from sales . . . . .</b>	<b>99,193</b>	<b>106,480</b>	<b>7,287</b>	<b>7.3%</b>
<b>Other revenue . . . . .</b>	<b>106,747</b>	<b>131,869</b>	<b>25,122</b>	<b>23.5%</b>
<b>Total revenue . . . . .</b>	<b>5,047,697</b>	<b>5,270,587</b>	<b>222,890</b>	<b>4.4%</b>

Revenue from services was €5,032 million for the year ended December 31, 2007, an increase of €190 million, or 3.9%, from €4,842 million for the year ended December 31, 2006.

Revenue from telephone services increased by 4.2%, or €143 million, to €3,571 million for the year ended December 31, 2007 from €3,428 million for the year ended December 31, 2006. Revenue from telephone services of WPH for the year ended December 31, 2006 amounted to €104 million. Excluding the impact of the change in accounting treatment for discontinued operations, revenue from telephone services would have increased by €247 million. We attribute the increase in revenue from telephone service primarily to growth in our Mobile segment, driven by consumer subscribers (both growth in numbers of consumer subscribers, as well as increases in the size of both the voice and data components of a consumer subscriber’s average spend).



Revenue from interconnection traffic increased by 3.1%, or €38 million to €1,285 million for the year ended December 31, 2007 from €1,247 million for the year ended December 31, 2006. Revenue from interconnection traffic of WPH for the year ended December 31, 2006 amounted to €11 million. Therefore, excluding the change in accounting treatment for discontinued operations, revenue from interconnection traffic would have increased by €49 million. The increase was primarily due to an increased number of incoming calls from subscribers of other operators to our network resulting from expansion of our Mobile subscriber base, and other initiatives aimed at encouraging subscribers to use their WIND SIM card as their primary SIM card (other than as an alternate SIM card), and also due to greater volumes of wholesale interconnection traffic on our network.

Revenue from international roaming traffic decreased by €11 million, or 11.9% to €85 million for the year ended December 31, 2007, from €96 million for the year ended December 31, 2006, primarily due to the decrease in prices following our voluntary adherence to the GSM Association's code relating to caps on roaming prices and a general industry-wide decrease in roaming prices on international call volumes.

Other revenue from services increased by 28.6% to €84 million for the year ended December 31, 2007, from €65 million for the year ended December 31, 2006, primarily due to a rise in revenues from advertising on our Libero Internet portal and revenues from provisioning and maintenance services provided to customers.

Other revenue increased by 23.5%, or €25 million, to €132 million for the year ended December 31, 2007, from €107 million for the year ended December 31, 2006 mainly due to other revenue of €19 million from the sale of exclusive rights to use our fiber-optic cables to Terna and a refund application on withholding tax of €15 million.

The following table sets forth a breakdown of our revenue by segment for the years ended December 31, 2007 and December 31, 2006:

	For the year ended December 31,		Change	
	2006	2007	(amount)	(%)
	(€ in millions, except percentages)			
Mobile revenue . . . . .	3,373	3,639	266	7.9%
Fixed-line revenue . . . . .	1,675	1,632	(43)	(2.6)%
<b>Total Mobile and Fixed-line revenue . . . . .</b>	<b>5,048</b>	<b>5,271</b>	<b>223</b>	<b>4.4%</b>

Mobile revenue was €3,639 million for the year ended December 31, 2007, an increase of €266 million, or 7.9%, from €3,373 million for the year ended December 31, 2006. The increase in revenue from Mobile operations was primarily attributable to the 6.4% increase in our average number of subscribers over the period, which we attribute to the results of marketing and promotional drives such as Noi 2, Noi WIND, and Leonardo, as well as an increase in Mobile AMOU of 16.2% from the year ended December 31, 2006 to the year ended December 31, 2007. ARPU remained substantially consistent at €19.2 in 2007 and €19.1 in 2006.

Fixed-line revenue (comprising Fixed-line voice, Internet and data) was €1,632 million for the year ended December 31, 2007, a decrease of €43 million, or 2.6%, from €1,675 million for the year ended December 31, 2006. The decrease in revenues from Fixed-line operations was primarily attributable to decreases in narrowband Internet and indirect voice subscribers during the period. The growth in our broadband subscriber base (a rise of 34.0% from December 31, 2006 to December 31, 2007) partially offset the decrease in our number of narrowband subscribers, which, as of December 31, 2007, totaled 0.9 million subscribers, a decrease of 37.0% from 1.4 million subscribers as of December 31, 2006. We attribute this decrease in 2007 primarily to a migration trend of narrowband subscribers to broadband services as these become more attractive and performance speed improves.

### *Purchases and Services and Other Operating Costs*

The table below sets forth certain of our costs for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

	For the year ended December 31,		Change		% of total revenue	
	2006	2007	(amount)	(%)	2006	2007
(€ in thousands)						
<b>Purchases and services:</b>						
Interconnection traffic . . . . .	1,269,002	1,336,544	67,542	5.3%	25.1%	25.4%
Customer acquisition costs . . . . .	304,556	290,689	(13,867)	(4.6)%	6.0%	5.5%
Lease of civil and technical sites . . . . .	196,433	200,760	4,327	2.2%	3.9%	3.8%
Purchases of raw materials, consumables, supplies and goods . . . . .	168,391	184,541	16,150	9.6%	3.3%	3.5%
Lease of telecommunications circuits . . . . .	115,357	96,379	(18,978)	(16.5)%	2.3%	1.8%
Advertising and promotional services . . . . .	147,556	177,248	29,692	20.1%	2.9%	3.4%
Outsourced services . . . . .	115,893	120,158	4,265	3.7%	2.3%	2.3%
Other services . . . . .	91,176	89,275	(1,901)	(2.1)%	1.8%	1.7%
Lease of local access network . . . . .	157,584	192,484	34,900	22.1%	3.1%	3.7%
Maintenance and repair . . . . .	109,592	99,205	(10,387)	(9.5)%	2.2%	1.9%
Utilities . . . . .	67,043	63,468	(3,575)	(5.3)%	1.3%	1.2%
National and international roaming . . . . .	57,262	34,845	(22,417)	(39.1)%	1.1%	0.7%
Consultancies and professional services . . .	42,456	43,840	1,384	3.3%	0.8%	0.8%
Change in inventories . . . . .	(9,194)	3,289	12,483	n.a.	(0.2)%	0.1%
Other leases and use of third party assets .	29,216	24,120	(5,096)	(17.4)%	0.6%	0.5%
Bank and postal charges . . . . .	19,498	18,440	(1,058)	(5.4)%	0.4%	0.3%
Transport and logistics . . . . .	15,578	13,623	(1,955)	(12.5)%	0.3%	0.3%
<b>Total purchases and services . . . . .</b>	<b>2,897,399</b>	<b>2,988,908</b>	<b>91,509</b>	<b>3.2%</b>	<b>57.4%</b>	<b>56.7%</b>
<b>Other operating costs:</b>						
Impairment losses on trade receivables and current assets . . . . .	29,839	37,191	7,352	24.6%	0.6%	0.7%
Accruals for costs . . . . .	25,310	11,501	(13,809)	(54.6)%	0.5%	0.2%
Annual license fees . . . . .	14,545	20,193	5,648	38.8%	0.3%	0.4%
Other operating costs . . . . .	10,918	15,070	4,152	38.0%	0.2%	0.3%
Accruals for risks . . . . .	7,907	2,737	(5,170)	(65.4)%	0.2%	0.1%
Gifts . . . . .	2,602	3,442	840	32.3%	0.1%	0.1%
<b>Total other operating costs . . . . .</b>	<b>91,121</b>	<b>90,134</b>	<b>(987)</b>	<b>(1.1)%</b>	<b>1.8%</b>	<b>1.7%</b>

### *Purchases and Services*

Purchases and services were €2,989 million for the year ended December 31, 2007, an increase of €92 million, or 3.2%, from €2,897 million for the year ended December 31, 2006. Purchases and services for the year ended December 31, 2006 included €103 million relating to WPH. Because we disposed of our controlling interest in WPH in 2007, the results of operations of WPH for 2007 are included in the line item “profit/(loss) from discontinued operations.” Excluding the change in accounting treatment of WPH, purchases and services costs would have increased by €195 million. This increase was primarily due, among other things, to the following:

- interconnection costs, which for the year ended December 31, 2007 was €1,337 million, an increase of €68 million from €1,269 million for the year ended December 31, 2006.

Interconnection costs for WPH for the year ended December 31, 2006 amounted to €62 million. Therefore, excluding the impact of the change in accounting treatment of WPH, interconnection costs would have increased by €130 million. The increase in interconnection costs resulted from increased international traffic volumes, despite the decrease in interconnection revenues due to regulatory changes in termination rates;

- an increase of €35 million in costs for local network rentals, due to the increase in subscribers having direct access or ADSL access on lines rented from Telecom Italia;
- an increase of €30 million in advertising and promotional costs resulting from an increase in costs for sponsoring events and an increase in our television advertising; and
- an increase of €16 million relating to purchases of raw materials, consumables, supplies and goods, mainly due to an increase in the purchase of materials for resale, and headsets in particular.

These increases were partially offset by:

- a decrease of €22 million in national and international roaming costs due to the termination of our national roaming agreement with Vodafone in April 2007 and to a generalized drop in international roaming tariffs;
- cost of leasing telecommunications circuits, which for the year ended December 31, 2007 was €96 million, a decrease of €19 million from €115 million for the year ended December 31, 2006. Cost of leasing telecommunication circuits for WPH for the year ended December 31, 2006 amounted to €11 million. Excluding the impact of the change in accounting treatment of WPH, the cost of leasing telecommunications circuits would have decreased by €8 million. This decrease was primarily due to the optimization of our network and to a decrease in unit costs as an effect of regulatory provisions; and
- a decrease of €14 million in customer acquisition costs primarily attributable to an overall downgrade of the compensation fees to WIND mobile sales channels following the cancellation of mobile recharge fees and to an overall optimization of the compensation schemes dedicated to the fixed sales channels.

As a percentage of total revenue, purchases and services decreased, from 57.4% for the year ended December 31, 2006 to 56.7% for the year ended December 31, 2007, primarily due to accounting for WPH as discontinued operations in 2007. Excluding the revenue and purchases and services costs of WPH, purchases and services for the year ended December 31, 2006 would have been 56.6% of total revenue.

#### *Other Operating Costs*

Other operating costs were €90 million for the year ended December 31, 2007, a decrease of €1 million, or 1.1%, from €91 million for the year ended December 31, 2006. The decrease was primarily due to a decrease of €14 million in accruals for costs (partially due to the recognition in 2006 of accruals of €8 million arising from lease contracts on unused sites) and a decrease of €5 million in accruals for litigation risks which were partially offset by (i) an increase of €7 million in impairment losses on trade receivables, (ii) an increase of €6 million in annual license fees; and (iii) an increase of €4 million in other operating costs.

#### *Personnel Expenses*

Personnel expenses were €362 million for the year ended December 31, 2007, an increase of €6 million, or 1.9%, from €356 million for the year ended December 31, 2006. For the year ended December 31, 2006 personnel expenses included an amount of €10 million relating to WPH. Excluding

the impact of the change in accounting treatment of the WPH personnel expenses would have increased by €16 million. The increase was primarily due to costs totaling €35 million arising from our long term retention and management incentive plan, which was partially offset by the decrease in our average number of employees as the result of the implementation of our restructuring program which began in 2006 and the sale of our call center in Sesto San Giovanni in 2007.

As a percentage of total revenue, personnel expenses decreased slightly, from 7.0% for the year ended December 31, 2006 to 6.9% for the year ended December 31, 2007.

#### *Restructuring Costs*

Restructuring costs totaled €18 million for the year ended December 31, 2007, a decrease of €28 million, or 61.1%, from €46 million for the year ended December 31, 2006. Restructuring costs represent costs incurred or expected to be incurred in relation to the restructuring and reorganization plans that began in 2006 as part of a strategy focusing on making better use of the opportunities offered by the synergies achievable within our company.

Restructuring costs include voluntary leaving incentives, personnel-related costs and costs expected to be incurred in future years relating to the restructuring and reorganization initiatives. The majority of the restructuring costs were accrued in 2006, which explains the comparative decrease in restructuring costs for the year ended December 31, 2007. Costs continued to be accrued in 2007 in order to re-balance certain functions at our headquarters in line with our internal restructuring and reorganization project.

#### *Depreciation and Amortization*

Depreciation and amortization was €1,049 million for the year ended December 31, 2007, an increase of €20 million, or 2.0%, from €1,029 million for the year ended December 31, 2006. The increase is mainly due to additional depreciation and amortization arising from the assets resulting from the merger of WIND's former parent Wind Acquisition Finance S.p.A, with and into WIND which was partially offset by the fact that certain equipment and software assets capitalized in previous years reached the end of their depreciable and amortizable lives.

#### *Reversal/(Impairment) of Non-Current Assets*

Impairment of non-current assets were €27 million for the year ended December 31, 2007 compared to a reversal of €10 million for the year ended December 31, 2006. The impairments were a result of increased write-downs of certain fixed assets, such as electronic switchboards and equipment and radio links and high frequency equipment. In 2006, we reversed previous impairments of €9 million following a review of the previous reorganization and development plans relating to both the UMTS and GSM/GPRS networks.

#### *Losses on Disposal of Non-Current Assets*

Losses on disposal of non-current assets were €5 million for the year ended December 31, 2007 compared to €58 million for the year ended December 31, 2006. The losses related to the disposal of property, plant and equipment as part of the normal renewal process for these assets and the amount for the year ended December 31, 2006 were attributable primarily to our disposals of relay stations and high-frequency equipment, exchanges and electronic installations and internal plant, derivative equipment and switchboards, all as a part of the ordinary reorganization and development plan.

### *Financial Income*

Financial income was €30 million for the year ended December 31, 2007, a decrease of €1 million, or 3.7%, from €31 million for the year ended December 31, 2006. The decrease for the year ended December 31, 2007 was primarily due to a decrease in fair value gains on the measurement of derivatives of €9 million, which was partially offset by an increase in interest income from banks of €8 million mainly due to an increase in cash on deposit in bank accounts.

### *Financial Expenses*

Financial expenses were €553 million for the year ended December 31, 2007, an increase of €75 million from €478 million for the year ended December 31, 2006, primarily as the result of the interest payable on the 2015 Notes acquired as a result of our merger with our former parent, Wind Acquisition Finance S.p.A., effective December 31, 2006. In addition, during 2007, fair value losses of €16 million were recorded relating to the accounting treatment of the early redemption provisions of the 2015 Notes, which qualify as “embedded derivatives” under IFRS and are required to be recorded at their fair value.

### *Income Tax*

The following table sets forth our income tax expense for the year ended December 31, 2007 as compared to the year ended December 31, 2006.

	For the year ended December 31,		Change	
	2007	2006	Amount	%
(in thousands of Euro except percentages)				
Current tax . . . . .	196,629	128,791	67,838	52.7%
Deferred tax . . . . .	(42,745)	(11,378)	(31,367)	n.a.
<b>Total income tax . . . . .</b>	<b><u>153,884</u></b>	<b><u>117,413</u></b>	<b><u>36,471</u></b>	<b><u>31.1%</u></b>

Income tax was €154 million for the year ended December 31, 2007, an increase of €37 million, or 31.1%, from €117 million for the year ended December 31, 2006.

Current income tax for the year ended December 31, 2007 amounted to €197 million (comprising IRES (corporate income tax) of €136 million and IRAP (regional tax) of €61 million) compared to €129 million for the year ended December 31, 2006 (comprising IRES of €76 million and IRAP of €53 million). The increase in current income tax is mainly due to an increase in our profit before tax.

Net deferred tax income was €43 million for the year ended December 31, 2007 compared to €12 million for the year ended December 31, 2006. In 2007 the net deferred tax income benefit relates to the release of excess provisions following a change in the applicable tax rate in accordance with new Italian legislation which was partially offset by a write-down of deferred tax assets. In 2006, the deferred tax benefit mainly relates to deferred tax assets of €8 million relating to the 2006 tax loss and a release of deferred tax liabilities amounting to €4 million.

### *Profit from Discontinued Operations*

Profit from discontinued operations was €137 million for the year ended December 31, 2007 as a result of classifying the investment in WPH as assets held for sale. We had no profit from discontinued operations for the year ended December 31, 2006. Of the €137 million profit from discontinued operations for the year ended December 31, 2007, €156 million related to the fair value of the

remaining investment in WPH, which was offset by €19 million for the loss incurred by WPH until we disposed of our controlling interest in WPH.

#### *Group Profit for the Period*

Group profit for the year ended December 31, 2007 amounted to €198 million, an increase of €175 million from €23 million for the year ended December 31, 2006. Group profit for the period is calculated after excluding the loss attributable to minority interest in the amount of €8 million for the year ended December 31, 2007 compared to €7 million for the year ended December 31, 2006.

#### **Liquidity and Capital Resources**

Our liquidity requirements arise primarily from the need to fund capital expenditures for the expansion and maintenance of our network operations, both in terms of quality of service and new technologies, for working capital, and to repay debt. In the past, we have incurred losses and generated negative cash flows. Historically, we have utilized bank borrowings and capital contributions from shareholders to supplement cash flow from operations to finance our cash needs and the growth of our business. We believe that our operating cash flows and borrowing capacity under the revolving portion of our Senior Credit Facilities will be sufficient to meet our requirements and commitments for the foreseeable future. However, we are highly leveraged and have significant debt service obligations. Our actual financing requirements will depend on a number of factors, many of which are beyond our control. In particular, the global liquidity crisis, or “credit crisis,” that has pervaded world markets since July 2007 has caused a contraction in lending volumes and the global capital markets, which could make it more difficult for us to refinance our existing debt or to incur additional debt should the need arise. See “Risk Factors—Risks Relating to our Financial Profile—We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise.”



## Cash Flow

The table below sets out certain information related to our cash flows.

	For the year ended December 31,			For the three months ended March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
<b>Profit from continuing operations . . . . .</b>	<b>16,230</b>	<b>53,526</b>	<b>391,357</b>	<b>39,702</b>	<b>59,376</b>
<b>Adjustments to reconcile the profit from continuing operations with the cash flows from operating activities</b>					
Depreciation, amortization and impairment losses on non-current assets . . . . .	1,018,016	1,076,447	1,037,966	258,288	255,301
Net changes in provisions and employee benefits . . . . .	40,577	4,347	(12,300)	4,439	90
(Gains)/losses on disposal of non-current assets . . . . .	58,000	5,073	8,211	464	1,820
Changes in current assets . . . . .	132,341	137,116	2,487	4,330	19,157
Changes in current liabilities . . . . .	163,345	4,322	(60,041)	(73,030)	(34,237)
Changes in minority interests . . . . .	4,614	11,019	—	64	—
<b>Net cash flows from operating activities . . . . .</b>	<b>1,433,123</b>	<b>1,291,850</b>	<b>1,367,680</b>	<b>234,257</b>	<b>301,507</b>
<b>Cash flows used in investing activities</b>					
Acquisition of property, plant and equipment . . . . .	(617,456)	(641,197)	(630,073)	(90,615)	(72,174)
Proceeds from sale of property, plant and equipment . . . . .	6,066	33,938	4,470	125	13
Acquisition of intangible assets . . . . .	(85,880)	(107,583)	(145,761)	(22,358)	(17,106)
(Acquisition)/disposal of financial assets . . . . .	21,039	(39,370)	—	—	(53,493)
Merger of Wind Acquisition Finance SpA, net of cash . . . . .	6,785	—	—	—	—
<b>Net cash flows used in investing activities . . . . .</b>	<b>(669,446)</b>	<b>(754,212)</b>	<b>(771,364)</b>	<b>(112,848)</b>	<b>(142,760)</b>
<b>Cash flows used in financing activities</b>					
Changes in loans and bank facilities . . . . .	(766,359)	(491,400)	(412,477)	—	—
Dividends paid . . . . .	—	—	—	—	(181,251)
<b>Net cash flows used in financing activities . . . . .</b>	<b>(766,359)</b>	<b>(491,400)</b>	<b>(412,477)</b>	<b>—</b>	<b>(181,251)</b>
<b>Discontinued operations</b>					
Net cash from operating activities . . . . .	—	21,915	—	—	—
Net cash used in investing activities . . . . .	—	(11,171)	—	—	—
<b>Net cash flows from discontinued operations . . . . .</b>	<b>—</b>	<b>10,744</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net cash flows for the period . . . . .</b>	<b>(2,682)</b>	<b>56,982</b>	<b>183,839</b>	<b>121,409</b>	<b>(22,504)</b>
Cash and cash equivalents at the beginning of the period . . . . .	140,568	137,886	194,868	194,868	378,707
<b>Cash and cash equivalents at the end of the period . . . . .</b>	<b>137,886</b>	<b>194,868</b>	<b>378,707</b>	<b>316,277</b>	<b>356,203</b>

### *Net Cash Flows from Operating Activities*

#### *Three Months Ended March 31, 2009 as Compared to Three Months Ended March 31, 2008*

For the three months ended March 31, 2009, net cash flows from operating activities increased by €68 million to €302 million, from €234 million for the three months ended March 31, 2008. The increase was primarily due to an increase in profit from continuing operations and changes in working capital relating to lower settlements of trade payables, as reflected in changes to current liabilities, in the three months ended March 31, 2009 compared with the corresponding period of 2008.

#### *Year Ended December 31, 2008 as Compared to Year Ended December 31, 2007*

For the year ended December 31, 2008, net cash flows from operating activities increased by €76 million to €1,368 million from €1,292 million for the year ended December 31, 2007. The increase was primarily the result of an increase of €337 million in profit from continuing operations from €54 million for the year ended December 31, 2007 to €391 million for the year ended December 31, 2008, mainly due to an increase in revenue and operating income. The increase was partially offset by the effects of changes in working capital, primarily relating to the settlement of trade payables, as reflected in changes to current liabilities.

#### *Year Ended December 31, 2007 as Compared to Year Ended December 31, 2006*

For the year ended December 31, 2007, net cash flows from operating activities decreased by €141 million to €1,292 million, from €1,433 million for the year ended December 31, 2006. This decrease was primarily due to our merger with Wind Acquisition Finance S.p.A., the acquisition company that was used when Weather purchased us effective December 31, 2006, which led to an increase of €142 million in interest payments for the year ended December 31, 2007 as compared to the year ended December 31, 2006. This increase in interest payments resulted from the recognition of the interest on the 2015 Notes as a consequence of the merger. Furthermore, lower changes in current liabilities in 2007 compared to 2006 mainly related to changes in deferred tax liabilities due to a reduction in the income tax rate.

### *Net Cash Flows Used in Investing Activities*

#### *Three Months Ended March 31, 2009 as Compared to Three Months Ended March 31, 2008*

For the three months ended March 31, 2009, net cash flows used in investing activities increased by €30 million to €143 million, from €113 million for the three months ended March 31, 2008. The increase was primarily the result of the acquisition of M-Link, which transaction resulted in a cash outflow of €53 million. See “—Certain Events Affecting Results of Operations—WIND INTERNATIONAL SERVICES S.p.A. and Acquisition of M-Link.” This increase was partially offset by a decrease in acquisition of property, plant and equipment and intangible assets by €24 million to €89 million from €113 million for the three months ended March 31, 2008. The decrease of cash flows used in acquisition of property, plant and equipment and intangible assets was primarily due to a decrease in prices for mobile technologies and the deferral of expenditures in 3G technologies to later in the year.

#### *Year Ended December 31, 2008 as Compared to Year Ended December 31, 2007*

Net cash flows used in investing activities increased by €17 million to €771 million for the year ended December 31, 2008, from €754 million for the year ended December 31, 2007, primarily as a result of increased cash flows used in acquisition of intangible assets and lower proceeds from the disposal of property, plant and equipment. Additionally, during 2007, the partial disposal of WPH

affected the cash flows used in investing activities because we had to deconsolidate WPH's cash as a result of our loss of control of WPH.

Cash flows used in the acquisition of intangible assets increased by €38 million to €146 million for the year ended December 31, 2008, from €108 million for the year ended December 31, 2007, primarily due to investments in the Mobile segment, particularly in new UMTS technologies, and in our customer relationship management platform.

Proceeds from sale of property, plant and equipment decreased by €30 million to €4 million for the year ended December 31, 2008, from €34 million for the year ended December 31, 2007. The proceeds from sale of property, plant and equipment for the year ended December 31, 2007 were primarily due to the sale of the exclusive right to use fiber optic cables.

The partial disposal and deconsolidation of WPH during 2007 resulted in an aggregated cash outflow of €39 million due to (i) net cash of €44 million that was deconsolidated, and (ii) cash inflow of €5 million deriving from the sale of two shares held by WIND to WIND HELLAS. See “—Certain Events Affecting Results of Operations—Sale of Tellas Telecommunications S.A. (“Tellas”) to WIND HELLAS and Affiliates.”

#### *Year Ended December 31, 2007 as Compared to Year Ended December 31, 2006*

Net cash flows used in investing activities increased by €85 million to €754 million for the year ended December 31, 2007, from €669 million for the year ended December 31, 2006, primarily due to: (i) the result of increased cash flows used in acquisition of property, plant and equipment and intangible assets, and (ii) the disposal of financial assets. These increases were partially offset by higher proceeds from the disposal of property, plant and equipment.

Cash flows used in acquisition of property, plant and equipment and intangible assets increased by €46 million to €749 million for the year ended December 31, 2007, from €703 million for the year ended December 31, 2006, mainly due to investments in our Fixed-line telephone network which accelerated the speed with which our customers were connected to our direct Fixed-line network via LLU, and further investments in our mobile network infrastructure, aimed at extending UMTS coverage and improving the quality of indoor reception by increasing 900 MHz coverage.

The partial disposal and deconsolidation of WPH in 2007 affected the cash flows used in investing activities as described above. See “—Year Ended December 31, 2008 as Compared to Year Ended December 31, 2007.” Proceeds from disposal of financial assets for the year ended December 31, 2006 mainly referred to the sale of Delta S.p.A. for a sale price of €23 million.

#### *Net Cash Flows Used in Financing Activities*

##### *Three Months Ended March 31, 2009 as Compared to Three Months Ended March 31, 2008*

The dividend payment approved by our shareholder on March 11, 2009 of €181 million was the only cash used in financing activities during the three months ended March 31, 2009. No cash was used in financing activities during the three months ended March 31, 2008.

##### *Year Ended December 31, 2008 as Compared to Year Ended December 31, 2007*

Net cash flows used in financing activities decreased by €79 million, to €412 million for the year ended December 31, 2008, from €491 million for the year ended December 31, 2007.

During the year ended December 31, 2008, cash used in financing activities of €412 million related to prepayments of: (i) €248 million of tranche A1 under our Senior Credit Facilities and (ii) the residual portion of tranche A2 under our Senior Credit Facilities, which amounted to €164 million.

During the year ended December 31, 2007, cash used in financing activities of €491 million related to prepayments of tranche A1 of our Senior Credit Facilities.

*Year Ended December 31, 2007 as Compared to Year Ended December 31, 2006*

Net cash flows used in financing activities decreased by €275 million to €491 million for the year ended December 31, 2007, from €766 million for the year ended December 31, 2006.

During the year ended December 31, 2006, net cash flows used in financing activities mainly comprised prepayments of (i) €462 million of tranche A1 under our Senior Credit Facilities and (ii) €219 million of tranche A2 under our Senior Credit Facilities.

**Long-Term Financing Arrangements**

*Long-term Financing Arrangements Giving Effect to the Refinancing Transactions*

As of March 31, 2009, the principal and interest payments of our long term financing arrangements, after giving effect to the Refinancing Transactions, were as follows:

	Payment Due by Period									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	(€ in thousands)									
Senior Credit Facilities										
Tranche A1 . . . . .	—	—	672,597	494,213	—	—	—	—	—	1,166,810
Tranche B1 . . . . .	—	—	—	—	1,475,797	—	—	—	—	1,475,797
Tranche B2 <sup>(1)(2)</sup> . . . . .	—	—	—	—	56,357	—	—	—	—	56,357
Tranche C1 . . . . .	—	—	—	—	—	1,475,797	—	—	—	1,475,797
Tranche C2 <sup>(1)(2)</sup> . . . . .	—	—	—	—	—	56,357	—	—	—	56,357
Second Lien Notes <sup>(1)(2)</sup> . . . . .	—	—	—	—	—	687,170	—	—	—	687,170
2015 Notes <sup>(1)(2)</sup> . . . . .	—	—	—	—	—	—	1,438,428	—	—	1,438,428
Notes <sup>(3)</sup> . . . . .	—	—	—	—	—	—	—	—	2,700,000	2,700,000
<b>Principal payments . . . . .</b>	<b>—</b>	<b>—</b>	<b>672,597</b>	<b>494,213</b>	<b>1,532,154</b>	<b>2,219,324</b>	<b>1,438,428</b>	<b>—</b>	<b>2,700,000</b>	<b>9,056,716</b>
Interest payments <sup>(2)(3)(4)(5)</sup> . . . . .	311,051	710,538	759,459	728,095	691,360	618,084	480,361	317,250	317,250	4,933,448
<b>Total . . . . .</b>	<b>311,051</b>	<b>710,538</b>	<b>1,432,056</b>	<b>1,222,308</b>	<b>2,223,514</b>	<b>2,837,408</b>	<b>1,918,789</b>	<b>317,250</b>	<b>3,017,250</b>	<b>13,990,164</b>

- (1) The U.S. dollar denominated debt has been converted into euro at the exchange rate as of March 31, 2009. However, in relation to the financing agreements existing as of March 31, 2009, we hedge 100.0% of our foreign currency risk exposure with cross currency swaps that reflect the contractual terms of the underlying financing agreements.
- (2) No adjustments have been made in respect of any potential hedging arrangements for foreign exchange risk in connection with interest payments or principal payments at maturity for the U.S. dollar denominated Senior Credit Facilities, the Second Lien Notes and the 2015 Notes notwithstanding the fact that we are required to hedge 100% of the principal amount of the term loans under our Senior Credit Facilities, the Second Lien Notes and the 2015 Notes that are denominated in currencies other than euro.
- (3) The Dollar Notes have been converted into euro at an exchange rate of \$1.3793 to €1.00. This exchange rate differs from the exchange rate in effect as of March 31, 2009 and may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See “Exchange Rates” for the exchange rate applicable on March 31, 2009. The actual exchange rate as of July 1, 2009 is \$1.4096 to €1.00. No adjustments have been made in respect of any potential hedging arrangements for foreign exchange risk in connection with interest payments or principal payments at maturity for the Dollar Notes notwithstanding the fact that we are required to hedge 100% of the principal amount of the Dollar Notes issued in this Offering.
- (4) It has been assumed that, in connection with the Refinancing Transactions, (i) the spread of the Senior Credit Facilities and the Second Lien Notes will increase by 1.0% with effect from the date set forth in documentation related to the Refinancing Transactions in respect thereof and (ii) the fixed interest rate on the 2015 Notes will increase by 1.25% with effect from December 1, 2009. The floating interest payments have been calculated using one-month EURIBOR equaling 1.19%, six-month EURIBOR equaling 1.73%, and six-month LIBOR equaling 1.74% as of March 19, 2009. However, in relation to the financing agreements existing as of March 31, 2009, we hedge approximately 84% of our floating rate debt using derivative instruments, effectively converting it into fixed rate debt that were not considered in this calculation. The interest on the U.S. dollar denominated debt has been converted into euro at the exchange rate as of March 31, 2009 as explained in preceding footnote (1), except for the Dollar Notes that has been converted into euro at the exchange rate of \$1.3793 to €1.00. This exchange rate differs from the exchange rate in effect as of March 31, 2009 and may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See “Exchange Rates” for the exchange rate applicable on March 31, 2009.
- (5) The revolving credit facility under our Senior Credit Facilities bears interest equal to EURIBOR plus a margin of 1.625% or, if undrawn, a commitment fee of 0.75%. For the purposes of the financial information presented above, we have assumed that the revolving facility of €400 million will remain undrawn.

For a description of the material terms of our existing long-term financing arrangements and our anticipated long-term financing arrangements, see “Description of Certain Financing Arrangements,” and “Description of Notes.”

### ***Certain Other Contractual Commitments***

The following table summarizes our contractual obligations as of March 31, 2009, excluding those contractual obligations as set forth above under “—Long-term Financing Arrangements Giving Effect to the Refinancing Transactions.” The information presented in this table reflects, in part, management’s estimates of the contractual maturities of our obligations, which may differ significantly from the actual maturities of these obligations:

<b>Payments due by period</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>4-5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>(€ in thousands)</b>				
Operating lease obligations <sup>(1)</sup> . . . . .	139,807	93,160	69,312	80,838	383,117
Purchase obligations <sup>(2)</sup> . . . . .	541,625	—	—	—	541,625
<b>Total contractual obligations</b> . . . . .	<b>681,432</b>	<b>93,160</b>	<b>69,312</b>	<b>80,838</b>	<b>924,742</b>

(1) Operating lease obligations primarily relate to the rental of sites (for our GSM and UMTS network assets and equipment, including base stations and other network infrastructure, and for civil sites), to leased lines and equipment housing costs.

(2) Some purchase orders have no predefined scheduling of the date of delivery and payment. We include these commitments in the column “less than 1 year.”

### ***Capital Expenditures and Investments***

Our investments mainly relate to network build-out and enhancement both for Fixed and for Mobile traffic and data (particularly in respect of 3G technology and HSDPA) and for information technology investments aimed at supporting network development, commercial products and services and overall customer management, as well as for structural support to the build-out and maintenance of consumer points-of-sale (such as refurbishing and furniture) and for customer equipment such as handsets and modems.

The following table shows our capital expenditures defined as additions of property, plant and equipment and intangible assets for the years ended December 31, 2006, 2007 and 2008 and for the three months ended March 31, 2008 and 2009:

	<b>For the year ended December 31,</b>			<b>For the three months ended March 31,</b>	
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>	<b>2009</b>
	<b>(€ in thousands)</b>				
Property, plant and equipment . . . . .	617,456	641,197	650,097	90,615	72,174
Intangible assets . . . . .	85,880	107,583	145,761	22,358	17,106
<b>Total capital expenditure</b> . . . . .	<b>703,336</b>	<b>748,780</b>	<b>795,858</b>	<b>112,973</b>	<b>89,280</b>

For the three months ended March 31, 2009, our capital expenditures amounted to €89 million, of which €72 million related to property, plant and equipment and €17 million related to intangible assets. Capital expenditure during the three months ended March 31, 2009 mainly related to installing relay stations and high-frequency equipment to develop our mobile access network, as well as to plant and machinery under construction.

For the three months ended March 31, 2008, our capital expenditures amounted to €113 million, of which €91 million related to property, plant and equipment and of which €22 million related to intangible assets. Investments mainly relate to improvements made to the quality of the GSM network, the expansion of UMTS network coverage and increases made to the capacity of the LLU sites needed

to deal with the success achieved by the service offerings in our direct Fixed-line segment (Voice and ADSL). The work carried out on the backbone and data networks as a consequence of the increased traffic volumes was also of significance.

For the year ended December 31, 2008, our capital expenditures amounted to €796 million, which consisted of:

- €350 million of capital expenditures relating to our Mobile network, mainly relating to continued investment in the build out of our UMTS network and roll out of our HSDPA-based technology to extend the network coverage and enable Mobile Internet, and increasing the quality optimization and capacity of our GSM/GPRS network;
- €193 million of capital expenditures relating to our Fixed-line network, mainly related to the extension of LLU coverage, and increasing the capacity and the quality of our Fixed-line network; and
- €253 million of capital expenditures mainly relating to both the networks (access, backbone and data) that transport our Mobile and Fixed-line traffic and to other common investments (e.g., technological sites, IT infrastructure and others).

For the year ended December 31, 2007, our capital expenditures amounted to €749 million, which consisted of:

- €287 million of capital expenditures relating to our Mobile network, mainly relating to increasing the quality and capacity of our GSM/GPRS network, continued investment in the build-out of our UMTS network and the roll out of HSDPA in select cities;
- €241 million of capital expenditures relating to our Fixed-line network, mainly relating to the extension of our LLU coverage, and increasing the capacity and the quality of our Fixed-line network; and
- €221 million of capital expenditures mainly relating to both the investment for our common networks (access, backbone and data) and for IT infrastructure.

For the year ended December 31, 2006, our capital expenditures amounted to €703 million, which consisted of:

- €284 million of capital expenditures relating to our Mobile network, mainly relating to increasing the capacity and quality of our GSM/GPRS network and continued investment in the build out of our UMTS network;
- €175 million of capital expenditures relating to our Fixed-line network, both to increase the capacity and the quality of our Fixed-line network and to extend our LLU coverage; and
- €244 million of capital expenditures relating to our common networks.

Consistent with our historical strategy, the amounts we spend and the time at which expenditures are made will depend upon a variety of factors including current and anticipated subscriber demands and our own targets relating to desired mix of subscriber base which is determined by our evolving business plan. Our capital expenditure plans are also affected by and updated for changing general economic conditions. We estimate that our total capital expenditures for fiscal year 2009 will be no greater than €1.0 billion.



## Off Balance Sheet Arrangements

The following table summarizes our off balance sheet arrangements for the periods presented:

	As of December 31,			As of March 31,	
	2006	2007	2008	2008	2009
	(€ in thousands)				
Contingent obligations <sup>(1)</sup>	8,194	7,335	9,227	8,660	9,975

(1) Includes those contingent liabilities arising from litigations for which a negative outcome is deemed possible (excluding those for which the charges arising from a negative outcome cannot be quantified).

## Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including interest rate, foreign currency exchange rate, credit and liquidity risks associated with our underlying assets, liabilities, forecast transactions and firm commitments.

Our treasury department is responsible for managing exposure to market risk that arises in connection with operations and financial activities, including interest rate, foreign currency exchange rate, credit and liquidity and credit risk management. Pursuant to our financing agreements, we are required to hedge at least 67.0% of our exposure to floating interest accruing on the Senior Credit Facilities and the Second Lien Notes and 100.0% of our foreign currency exposure on the Senior Credit Facilities, Second Lien Notes and the 2015 Notes.

The following sections discuss our significant exposures to market risk. The following discussions do not address other risks that we face in the normal course of business, including country risk and legal risk.

### Interest Rate Risk

We are exposed to market risks as a result of changes in interest rates, particularly in relation to our floating-rate indebtedness. Financial liabilities issued at floating rates expose us to cash flow interest rate risk, while financial liabilities issued at fixed rates expose us to fair value interest rate risk.

We regard fluctuations in interest rates in our indebtedness as one of our major market risk exposures. As of March 31, 2009 after giving effect to the Refinancing Transactions the outstanding principal amounts of our long-term interest-bearing debt were as follows:

	Adjusted as of March 31, 2009 (€ in thousands)
Senior Credit Facilities <sup>(1)</sup>	4,231,118
Second Lien Notes <sup>(1)</sup>	687,170
2015 Notes <sup>(1)</sup>	1,438,428
Notes <sup>(2)</sup>	2,700,000
<b>Total outstanding principal amount</b>	<b>9,056,716</b>

(1) The U.S. dollar denominated debt has been converted into euro at the exchange rate as of March 31, 2009. However, in relation to the financing agreements existing as of March 31, 2009 we hedge 100.0% of our foreign currency risk exposure with cross currency swaps that reflect the contractual terms of the underlying financing agreements.

(2) The Dollar Notes have been converted into euro at an exchange rate of \$1.3793 to €1.00. This exchange rate differs from the exchange rate in effect as of March 31, 2009 and may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See "Exchange Rates" for the exchange rate applicable on March 31, 2009. The actual exchange rate as of July 1, 2009 is \$1.4096 to €1.00. No adjustments have been made in respect of any potential hedging arrangements for foreign exchange risk in connection with interest payments or principal payments at maturity for the Dollar Notes notwithstanding the fact that we are required to hedge 100% of the principal amount of the Dollar Notes issued in this Offering.

To manage the exposure to changes in interest rates and to lower the overall costs of financing, we generally use interest rate swaps to exchange the interest rate exposure on the underlying liabilities from a floating interest rate to a fixed interest rate. The table below provides information about our long-term fixed and floating rate debt as of March 31, 2009, based on the outstanding principal amounts as of that date and giving effect to the Refinancing Transactions.

	As of March 31, 2009		
	Historical	Adjustments	As Adjusted
	(€ in millions)		
<b>Fixed rate:</b>			
Fixed rate debt <sup>(1)(2)</sup> . . . . .	5,562	2,700 <sup>(3)</sup>	8,262
<b>Floating rate:</b>			
Floating rate debt <sup>(4)</sup> . . . . .	795	—	795
<b>Total outstanding principal amount</b> . . . . .	<b>6,357</b>	<b>2,700</b>	<b>9,057</b>

- (1) Fixed-rate debt includes the portions of the outstanding principal amounts of WIND's consolidated debt as of March 31, 2009, after giving effect to hedging instruments that convert floating rate debt to fixed rate debt.
- (2) The U.S. dollar denominated debt has been converted into euro at the exchange rate as of March 31, 2009. However, in relation to the financing agreements existing as of March 31, 2009 we hedge 100.0% of our foreign currency risk exposure with cross currency swaps that reflect the contractual terms of the underlying financing agreements.
- (3) The Dollar Notes have been converted into euro at an exchange rate of \$1.3793 to €1.00. This exchange rate differs from the exchange rate in effect as of March 31, 2009 and may differ from the exchange rate in effect as of the date the Dollar Notes are issued. See "Exchange Rates" for the exchange rate applicable on March 31, 2009. No adjustments have been made in respect of any potential hedging arrangements for foreign exchange risk in connection with interest payments or principal payments at maturity for the Dollar Notes notwithstanding the fact that we are required to hedge 100% of the principal amount of the Dollar Notes issued in this Offering.
- (4) Floating rate debt includes the unhedged outstanding principal amounts as of March 31, 2009.

As of March 31, 2009, we had hedged approximately 84% of our floating interest rate exposure with respect to the Second Lien Notes and the Senior Credit Facilities. We estimate that an increase in interest rates of 25 basis points, or 0.25%, on our floating rate debt as of March 31, 2009, after giving effect to our hedging agreements, would result in a maximum increase in financial expense of €0.5 million for the three months ended March 31, 2009.

### **Foreign Currency Exchange Rate Risk**

Our foreign exchange rate exposure mainly relates to our U.S. dollar denominated indebtedness. As of March 31, 2009, after giving effect to the Refinancing Transactions, we would have had \$2,980 million in U.S. dollar denominated indebtedness. With respect to our indebtedness under the Senior Credit Facilities, the Second Lien Notes and the 2015 Notes, we manage our foreign currency exchange rate risk by hedging 100.0% of our exposure through cross currency swaps. In addition, the terms of the Senior Credit Facilities require us to hedge 100.0% of our exposure under the Dollar Notes through cross currency swaps for a minimum period of three years from the date of issuance of the Notes.

### **Credit Risk**

Our credit risk is principally associated with trade receivables, which as of March 31, 2009 amounted to €1,320 million. We seek to minimize credit risk through a preventative credit check process that ensures that all customers requesting new products and services or changes to existing services are reliable and solvent. We also seek to minimize credit risk by preferring contracts that provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This control is carried out at the customer acceptance phase through the use of internal and external information.

We additionally exercise timely pre- and 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; and
- measuring and monitoring debt status through reporting tools.

The result of this effective action is that we have a limited amount of credit losses. Additionally, as a general rule, we have a limited level of credit concentration as the consequence of diversifying our product and services portfolio to our customers.

The following table provides the aging analysis of trade receivables as of March 31, 2009.

	As of March 31, 2009	
	Gross Amount	(Provision)
	(€ in thousands)	
—unexpired . . . . .	1,088,578	(10,694)
—expired from 0-30 days . . . . .	39,109	(260)
—expired from 31-120 days . . . . .	70,086	(2,878)
—expired from 121-150 days . . . . .	11,430	(1,229)
—expired beyond 150 days . . . . .	440,059	(313,718)
<b>Total . . . . .</b>	<b><u>1,649,262</u></b>	<b><u>(328,779)</u></b>

We also receive guarantees including sureties issued by primary banks as collateral for the obligations resulting from supplies to and receivables from dealers.

On the dealer side, we have a certain degree of concentration offset by bank guarantees and credit limits delivered by credit insurers. Concentration of credit risk relating to accounts receivable from subscribers is limited due to their large number. For accounts receivable from foreign telecommunications operators, the concentration of credit risk is also limited due to netting agreements with accounts payable to these companies, prepayment obligations, imposed bank guarantees and credit limits delivered by credit insurers.

Credit risk relating to cash and cash equivalents, derivative financial instruments and financial deposits and money market funds arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds or execute the obligations under the derivative transactions as a result of the insolvency. To mitigate this risk, wherever possible we conduct transactions and deposit funds with investment-grade rated financial institutions and monitor and limit the concentration of our transactions with any single party.

Our maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event the counterparty fails to perform its obligations in relation to each class of recognized financial assets, including derivatives, is the carrying amount of those assets as indicated on our balance sheet.

We are exposed to credit loss in the event of non-performance by counterparties on derivatives, but do not anticipate non-performance by any of these counterparties given their credit ratings. To reduce the risk of counterparty failure, we set credit limits based on the individual ratings of counterparties by rating agencies.

We have time deposits amounting to €80 million and cash in bank accounts amounting to €276 million both of which are included in cash and cash equivalents as of March 31, 2009. The positive fair value of derivative instruments as of March 31, 2009 amounted to €52 million, and included (i) embedded derivative instruments amounting to €38 million relating to the accounting

treatment of the early redemption provisions of the 2015 Notes, which qualify as “embedded derivatives” under IFRS and are required to be recorded at their fair value, and (ii) €14 million in relation to the put option with Weather on the shares of Hellas Telecommunications I S.à r.l. See “—Certain Events Affecting Results of Operations.”

Due to the diverse portfolio of the products and services we provide, credit concentrations are limited. In general, a certain degree of credit risk concentration may be found in the business that we carry out with ENEL, dealers and domestic and international operators. We also have receivables due from the Italian state for the judicial authority services offered by us.

### ***Liquidity Risk***

Liquidity risk arises mostly in connection with cash flows generated and used in financing activities, and particularly by servicing debt, in terms of both interest and capital, and from all of our payment obligations that result from business activities. See “—Long-Term Finance Arrangements—Long-Term Financing Arrangements Giving Effect to the Refinancing Transactions.”

In general, we manage our liquidity risk by monitoring our cashflows and rolling liquidity reserve forecast in order to ensure that we have sufficient committed facilities to meet our liquidity needs.

As of March 31, 2009, we had an undrawn Revolving Credit Facility amounting to €400 million.

The Notes will be issued by the Issuer and are denominated both in euro and U.S. dollars. See “Use of Proceeds” and “Description of Notes.”

Mandatory repayment of the Senior Credit Facilities, Second Lien Notes and 2015 Notes occurs in certain circumstances. See “Description of Certain Financing Arrangements.”

Neither the interest rate swaps nor the cross currency swaps contain clauses that enable the counterparty to terminate the contract in advance (*i.e.*, break clauses).

### **Critical Accounting Estimates**

The discussion and analysis of our results of operations and financial condition are based on our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these financial statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based. We have summarized below our accounting estimates that require the more subjective judgment of our management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the combined and consolidated financial statements.

Detailed information regarding accounting policies is provided in Note 2 to WIND’s annual consolidated financial statements for the year ended December 31, 2008 included elsewhere in this Offering Memorandum.

### ***Deferred Taxes***

Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and probability of the realization of deferred income taxes and the timing of income tax payments. Deferred income taxes are provided for the effect of temporary

differences between the amounts of assets and liabilities recognized for financial reporting purposes and the amounts recognized for income tax purposes.

We measure deferred tax assets and liabilities using enacted tax rates that, if changed, would result in either an increase or decrease in the provision for income taxes in the period of change. A valuation allowance is recorded when it is not reasonably certain that a deferred tax asset will not be realized. In assessing the likelihood of realization, management considers available prior years' results of operations, estimates of future taxable income, the character of income needed to realize future tax benefits, and all available evidence. Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, our ability to achieve the forecasts set out in our business plan as well as our financial condition in future periods.

#### ***Determination of Useful Lives and Recovery of Long-Lived Assets***

We estimate the useful lives of our long-lived assets in order to determine the amount of depreciation and amortization to be charged in any reporting period. These useful lives are estimated at the time the asset is acquired, and are based on historical experience with similar assets, as well as taking into account future anticipated events affecting their lives. Changes in technology or changes in our intended use of these assets may cause the estimated useful lives of these assets to change. We perform a review of the estimated useful life, residual carrying value and depreciation or amortization methods for each category of its long-lived assets at the end of every accounting period. Our review of these assets may indicate that their estimated useful lives need to be shortened, resulting in increased depreciation and amortization charges in future periods, or that their carrying value exceeds the estimated recoverable amount. If, at the balance sheet date, long-lived assets as a group show a permanent impairment in value, regardless of the depreciation and amortization already provided, they are written down accordingly. If, in subsequent periods, the reasons for the write-down cease to apply, the original value is reinstated. In addition we review our assets with indefinite useful lives at each balance sheet, or whenever there are indicators of impairment, to determine whether there are any indications that they have suffered an impairment loss that needs to be recognized. In order to determine whether any indicators of impairment in relation to long-lived assets or assets with indefinite useful life, 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.

#### ***Litigation Provisions***

We are currently involved in certain legal proceedings and have accrued amounts as appropriate that represent our estimate of the probable outcome of these matters. The judgments we make with regard to whether to establish a reserve are based on an evaluation of all relevant factors by internal and external legal counsel, as well as subject matter experts. The relevant factors analyzed include an analysis of the complaint, documents, testimony and other materials as applicable. Claims are continually monitored and re-evaluated as new information is obtained. We may not establish a liability for a particular matter until long after the litigation is filed, once a liability becomes probable and estimable. The actual settlement of such matters could differ from the judgments made in determining how much, if any, to accrue.

## INDUSTRY OVERVIEW

Italy is Europe's fourth largest telecommunications services market in terms of annual revenue. The Italian mobile market as at December 31, 2008 was estimated at a total value of approximately €21.9 billion, a decline of approximately 0.3% over the previous year. A 9.8% increase in multimedia and data services was offset by a 3.0% decrease in the mobile voice services market, further losses as a result of interconnection rate cuts in 2008 and of the abolition of recharge fees (*i.e.*, fees chargeable to customers for topping up) in March 2007.

The Italian fixed-line market as at December 31, 2008 was estimated at a total value of approximately €15.4 billion, a 2.3% decrease over the previous year. Voice revenues decreased by 6.4% to €10.0 billion, mainly as a result of a decrease in voice traffic revenues, lower prices, fixed-to-mobile substitution and a decrease in revenues from monthly fees and activation fees. The value of the Internet access market as at December 31, 2008 was estimated at a total value of approximately €3.7 billion, representing a 6.7% increase over the previous year, with the broadband segment accounting for 91% of total market value.

During 2008, the Italian telecommunications services market experienced numerous regulatory interventions, such as mobile termination rates, international roaming tariffs, fixed-line termination rates, network separation and the development of MVNOs/Enhanced Service Providers' ("ESPs") commercial services.

During 2008, most of the Italian mobile operators focused on extending their Mobile Internet access offerings through HSDPA with time-based bundle offerings. Several operators launched mobile based e-mail services during 2008, aimed at both consumer and corporate subscribers. In the fixed-line market, certain operators cut the price of their IPTV service or launched aggressive promotions aimed at attracting new customers.

### Mobile Telecommunications

There are four network operators in Italy offering mobile telecommunications services to approximately 90.2 million registered subscribers as of December 31, 2008, representing a penetration rate of approximately 150% of the Italian population as of December 31, 2008. Penetration is distorted by the widespread use of multiple SIM cards by individual users. The market is mostly pre-paid. It is estimated that approximately 86% of mobile users in Italy subscribe to pre-paid services, leading to low subscriber acquisition costs and high EBITDA margins compared to the rest of Europe, and limited competition from MVNOs. As of December 31, 2008, there were 12 MVNO/ESPs providing services in the Italian market, with an aggregate market share of 1.5% based on our internal estimates.

As of December 31, 2008, excluding MVNOs, Telecom Italia had a market share of 38.6%, followed by Vodafone with 33.3%, us with 18.7% and Hutchison 3G with 9.4%.

Telecom Italia is the most established of WIND's competitors, with a commercial strategy focused on retaining its high value subscriber base. Telecom Italia's subscribers historically include a significant market share of corporate subscribers, to which it is increasingly providing bundled packages. Telecom Italia raised its retail prices in September 2008.

Vodafone originally focused on the "young and cool" generation segment through offers that combined innovative handsets with "Vodafone Live!" multimedia services. During 2008, Vodafone increasingly focused its offerings on fixed-to-mobile substitution. Vodafone launched hybrid fixed-mobile Internet broadband offerings, such as Vodafone Station, during the course of 2008. Vodafone's pricing is generally comparable to Telecom Italia's pricing as well as ours. Due to its international network and brand recognition, Vodafone also has a large share of the corporate subscriber market. Vodafone raised its prices in September 2008.



In 2008, Hutchison 3G has continued to implement an aggressive commercial strategy based on low pricing and strong handset subsidies.

## **Fixed-Line Telecommunications**

### ***Voice***

The Italian market for fixed-line voice telecommunications services is the fourth largest market in Europe in terms of value with overall subscriber spending lower only than that of Germany, the United Kingdom and France. The market is characterized by low LLU costs and a lack of cable infrastructure. Telecom Italia still dominates the fixed-line voice market and is estimated to have provided approximately 81.9% of all telephone lines in Italy as of December 31, 2008. The liberalization of the fixed-line voice market since the privatization of Telecom Italia in 1998 has enabled operators to provide indirect voice services and, since 2003, direct fixed-line voice services via LLU. The advantage of providing direct, unbundled voice services to subscribers is that the non-incumbent service provider bills the subscriber directly for line rental and line usage fees and the relationship between the subscriber and Telecom Italia is therefore removed. During the first quarter of 2008 WLR was also introduced. Through WLR, Infostrada (our fixed-line voice and data service brand) is able to set up an exclusive commercial relationship with its customers located outside the direct service coverage areas, leasing the lines from Telecom Italia under wholesale terms and conditions. Our competitors in the voice market include, among others, Fastweb, BT Albacom, Eutelia, Vodafone/Tele2 and Tiscali.

### ***Internet***

Five service providers, Telecom Italia, Fastweb, WIND, Vodafone/Tele2 and Tiscali, accounted for more than 90% of the total Internet broadband services actually accessed in the Italian market as of December 31, 2009. As of December 31, 2009, consumer Internet broadband access reached a penetration of 52% of total fixed lines in Italy.

Broadband services have grown rapidly since 2001, reaching almost 11.3 million connections as of December 31, 2008, representing a penetration of approximately 19.5% of the Italian population. Despite the strong recent growth in broadband, Italy still lags behind other European countries, mainly due to the lack of cable television infrastructure in Italy and low home personal computer penetration at 60% of households, as of December 31, 2008.

As of December 31, 2008, Telecom Italia had approximately 6.8 million retail broadband connections in Italy, representing a market share of approximately 60% of broadband retail connections, followed by Fastweb, with approximately 1.48 million subscribers representing a market share of approximately 13% of broadband retail connections. We had approximately 1.36 million subscribers, representing a market share of approximately 12% of broadband retail connections and Tiscali had approximately 0.5 million active broadband subscribers, representing a market share of approximately 5% of broadband retail connections.

In the fixed-line market, the competition in 2008 was focused on Internet broadband services and Dual-Play offerings, with TV over DSL services expected to grow in the coming years.

## BUSINESS

### Overview

We are a leading Italian telecommunications operator offering mobile, Internet, fixed-line voice and data products and services to consumer and corporate subscribers. Our mobile business is the third largest in Italy based on number of subscribers, with 17.2 million subscribers as of March 31, 2009, an increase of 2.5 million subscribers from December 31, 2006. Our fixed-line business, which includes Internet, voice and data services, is the second largest in Italy based on revenue, with 1.9 million Internet subscribers and 2.7 million voice subscribers as of March 31, 2009. We offer our products and services, which include bundled mobile and fixed-line telecommunications products and services, over our integrated network. For the twelve months ended March 31, 2009, we generated total revenue of €5,587 million and had EBITDA of €2,022 million. For the twelve months ended March 31, 2009, our mobile and fixed-line businesses comprised 67.1% and 32.9% of our total revenues, respectively, and 83.4% and 16.6% of our EBITDA, respectively. See “Presentation of Financial Information” and “—Summary of Historical Consolidated Financial Information.”

We market our mobile services through our “WIND” brand and have increased our share of the Italian telecommunications market to approximately 19.1% as of March 31, 2009 from approximately 17.7% as of March 31, 2008, based on total number of subscribers. We are able to leverage our “value for money” positioning and corresponding offerings to attract subscribers from our competitors and gain market share. The Italian market, while competitive, lacks the barriers to customer acquisitions applicable in other markets due to the limited presence of long-term contracts and very limited handset subsidies. We provide voice, network access, international roaming and value added services, or VAS, as well as mobile Internet services, to our mobile subscribers, through (i) the GSM and GPRS (which are known as “second generation” or “2G” technologies), and (ii) UMTS and HSDPA technology (which are known as “third generation” or “3G” technologies). In line with the Italian telecommunications market, the majority of our mobile subscribers are pre-paid subscribers.

We are the leading alternative fixed-line operator in Italy based on revenue. We market our fixed-line voice, broadband and data services primarily through our “Infostrada” brand and offer our Internet services, including narrowband (dial-up) access and our Internet portal services, primarily through our “Libero” brand. We believe that the Italian fixed-line market provides for a favorable competitive environment as a result of the cost structure associated with LLU, the low broadband penetration rates and the absence of a cable television infrastructure. We are the third largest broadband access provider in Italy by number of subscribers as of December 31, 2008. We believe that our integrated nationwide telecommunications network, in combination with LLU, ideally positions us to benefit from the ongoing trend of subscriber migration from narrowband to broadband services and to further increase our share of direct voice subscribers. As of March 31, 2009, 1.5 million of our Internet subscribers were broadband subscribers and 1.8 million of our fixed-line voice subscribers were direct voice subscribers, reflecting increases of 30.1% and 21.8% in broadband and direct fixed-line voice subscribers, respectively, from March 31, 2008.

WIND was founded in 1997 by France Telecom SA, Deutsche Telekom AG and ENEL, the latter of which became our sole shareholder in 2003. We were awarded our GSM license in 1998 and launched our mobile operations and Libero Internet services in 1999. In 1998, we launched our fixed-line services and in 2001 acquired Infostrada, the then-leading Italian fixed-line telecommunications operator by number of subscribers after the incumbent, Telecom Italia. In 2000, we were awarded one of five third-generation UMTS licenses and began offering our UMTS services in 2004. Weather, our current indirect parent, acquired from ENEL a 62.75% indirect ownership stake in WIND on August 11, 2005, and the remaining 37.25% on February 8, 2006.

We are a part of the Weather Group of telecommunications companies, which also includes WIND HELLAS, which operates in Greece, and OTH, which operates primarily in emerging markets

such as Algeria, Egypt, Pakistan, Tunisia, Bangladesh and North Korea, and has an indirect equity ownership in Globalive Wireless LP, which has been granted a spectrum license in Canada. As a Weather Group company, we are able to benefit from synergies and economies of scale across the Weather Group.

### **Our Strengths**

We believe that the following competitive strengths provide us with an advantage in the Italian telecommunications market and positions us to capitalize on market opportunities in Italy.

We have a track record of making strategic decisions that we believe have had an immediate impact on the market and of approaching traditional market processes in new ways. As an example, we have emphasized the community concept since the introduction of our “Noi” service offering and we also launched time-based mobile connectivity bundle offerings. In our fixed-line business, we started offering the fixed-price Dual-Play offerings (bundled packages of fixed-line voice and Internet services) to the mass market as well as convergent tariffs and services, in particular in the business segment.

#### ***Competitive market positions in mobile, Internet, fixed-line voice and data***

We are the third largest mobile operator in Italy based on number of subscribers, the largest alternative fixed-line operator in Italy based on revenues, and the third largest Internet broadband operator in Italy based on the number of subscribers.

#### ***Mobile***

We had 17.2 million subscribers as of March 31, 2009, an increase of 2.5 million subscribers from December 31, 2006. We attribute this growth predominantly to our strategy of (i) enhancing our brand perception as the “value for money” provider, (ii) tailoring our offerings to the various market segments, (iii) focusing our attention on high value products and services, such as mobile Internet and (iv) growing our on-network community through our “Noi” service offering, which, among other things, enables subscribers to call other Noi subscribers for no incremental cost, creating a community effect. We believe that our “value for money” positioning relative to our competitors has contributed, and will contribute, to our subscriber growth in the current weak economic climate. We have introduced a number of offerings targeted at specific customer demographics. We complement our affordable mass-market products and services with high-value products and services, which have attracted high-value subscribers and contributed to our stable ARPU. Finally, as our on-network community continues to expand, we believe that our services will become increasingly attractive to prospective and existing subscribers with friends and family using WIND, and will further encourage WIND customers to use their WIND SIM card as their primary SIM card (rather than as an alternate SIM card). As of March 31, 2009, 53.9% of our total subscriber base were Noi subscribers.

#### ***Internet and fixed-line voice***

Our fixed-line business, which includes Internet, voice and data services, is the second largest in Italy based on revenue, with 1.9 million Internet subscribers and 2.7 million voice subscribers as of March 31, 2009. We are the largest LLU operator in Italy, with 1.8 million direct fixed-line voice subscribers as of March 31, 2009. We have been successful at accessing the local loop at relatively low costs, notwithstanding the recent increase in the amount chargeable by Telecom Italia. This has contributed to the growth of our direct subscriber base and to improved profitability per subscriber. We believe that our ability to replicate our direct commercial offerings through our wholesale line rental, or WLR, service in areas where we do not offer direct coverage provides us with a significant opportunity to further expand our fixed-line subscriber base.

We had 1.5 million broadband subscribers as of March 31, 2009, an increase of 0.7 million subscribers from December 31, 2006. As of March 31, 2009, 90.3% of our broadband subscribers subscribed to flat-rate packages. We consider these subscribers “high-value” because they generate a stable source of revenue. We believe that our narrowband subscriber base provides us with a significant opportunity to migrate our existing narrowband subscribers to broadband and migrate our pay-per-use subscribers to flat-rate subscribers. Further, we believe that our Libero Internet portal provides us with an opportunity to expand our broadband subscriber base by attracting Libero Internet portal users.

***Extensive, integrated telecommunications network***

We are a fully-integrated operator in Italy, offering mobile, Internet, fixed-line voice and data services to consumer and corporate subscribers. We own an extensive, integrated telecommunications network in which we have invested approximately €1.6 billion from January 1, 2006 through March 31, 2009. As of March 31, 2009, our GSM mobile network covered approximately 99.64% of the Italian population, our UMTS mobile network covered approximately 58.27% of the Italian population and our HSDPA mobile Internet service was available in 103 main Italian cities. As of March 31, 2009, our fixed-line network consisted of 1,094 LLU sites and in the areas we do not cover through LLU, we provide nationwide indirect coverage via WLR services, which we introduced in March 2008 in areas currently outside our footprint, or areas where we believe it is too expensive to provide LLU services. As of March 31, 2009, our network was supported by approximately 19,270 kilometers of fiber optic backbone in Italy and approximately 3,725 kilometers of fiber optic cable MANs, in 39 Italian cities, including Rome, Milan, Naples, Turin, Palermo, Genoa, Florence and Bologna. We have acquired additional GSM-900 spectrum to enhance our indoor service coverage and continue to invest a substantial portion of our network capital expenditures on coverage and quality improvement of our GSM network. We have also invested heavily in our UMTS network and in expanding our HSDPA technology to increase coverage and intend to continue to invest to support growth in line with demand. In June 2009, we were awarded an additional 5MHz block of UMTS spectrum for the assignment of user rights for the frequencies in the 2100 MHz band for approximately €89 million.

The broad geographic scope and integrated nature of our network allows us to offer our customers mobile, Internet, fixed-line voice and data product bundles. We believe this, coupled with the lack of cable television infrastructure in Italy and low LLU rates, gives us a strong competitive position. We believe that our high quality service will increase customer loyalty and position us to successfully take advantage of convergent service opportunities and thereby improve our profitability per subscriber. Our integrated network allows us to:

- offer Internet and fixed-line voice services bundled together to suit customer preferences and cross-sell mobile, Internet, fixed-line voice and data services to our existing subscriber base, and offer convergent services such as mobile Internet;
- realize cost savings from operating an integrated network that benefits from economies of scale and certain common systems platforms; and
- create an on-network mobile and fixed-line subscriber community, which can increase the attractiveness of our product and service offerings and lead to increased traffic.

***Proven track record of strong cash flow generation and deleveraging***

We have had positive EBITDA over each of the annual financial periods discussed in this Offering Memorandum and have experienced EBITDA and EBITDA margin growth over each of these periods.

As a result of our increasing revenues, successful operating cost management and targeted capital expenditures, since the Acquisition we have increased our operating cash flow over the annual

financial periods discussed in this Offering Memorandum. We have decreased the ratio of net financial indebtedness of WIND to normalized EBITDA from 4.1x as of and for the year ended December 31, 2006 to 3.1x as of and for the twelve months ended March 31, 2009, and have decreased the ratio of net financial indebtedness of WIND and the PIK Loans, to normalized EBITDA from 5.1x as of and for the year ended December 31, 2006 to 4.0x as of and for the twelve months ended March 31, 2009. We have made €1.9 billion of repayments under our Senior Credit Facilities since January 1, 2006. Most recently, we prepaid €412 million of our Senior Credit Facilities in October 2008.

We believe that our disciplined investment approach and the mature regulatory environment in Italy have also supported, and will continue to support, our ability to achieve strong cash flow generation. We generated cash flow from operating activities of €302 million for the three months ended March 31, 2009, €1,368 million for the year ended December 31, 2008, €1,292 million for the year ended December 31, 2007 and €1,433 million for the year ended December 31, 2006.

#### ***Experienced management team***

Our management team of industry professionals has significant experience in the mobile and fixed-line telecommunications and broadband sector in Italy and abroad and has a proven track record in growing our business. We believe that our executives are able to react quickly to changes in the market or to new technologies and that our management team follows a prudent and consistent approach to managing all of our mobile, Internet, fixed-line voice and data businesses and has a demonstrated ability to improve operations. Our management team includes individuals who have held management positions with other Weather Group companies, which allows us to use their telecommunications expertise while further strengthening the cohesiveness of the Weather Group. We believe that our management team is well prepared and has the relevant experience to successfully implement our growth strategy.

#### **Our Strategy**

Our mission is to build on our existing position to increase our revenues, to enhance our profitability and to increase cash flow by employing the key strategies set forth below.

#### ***Defending and leveraging core customer segments***

##### *Leverage core mobile customer segments and increase value of our on-network community*

We intend to expand our mobile subscriber base by capitalizing on the benefits of our “on-network community.” We offer bundled on-network minutes for a fixed monthly fee, which creates a community effect. As our on-network community continues to expand, we believe that our services will become increasingly attractive to new and existing subscribers with friends and family already using our services, thereby reducing churn. We also believe that these offerings, which include “Noi” for consumer subscribers and “Leonardo” for corporate subscribers, encourage more customers to use WIND as their primary service provider, thereby increasing revenues generated from our subscriber base and improving our share of our subscribers’ total mobile spend. This then results in additional calls by other operators’ customers terminated on our network, leading to increased interconnection revenues and reduced interconnection costs, and in turn leading to increased EBITDA margins. We also plan to continue focusing on select mobile market segments in which we have historically held a strong position through targeted offerings aimed at maintaining and growing our presence.

*Increase value of fixed-line and Internet subscribers through increased coverage of our direct access network and through migration of our customer base from indirect to direct and upgrading from single-play to Dual-Play*

We intend to continue to expand the number of households to which we can offer direct services through the use of LLU, which will allow us to acquire new direct subscribers and migrate our existing indirect subscriber base to direct connections, migrate our narrowband subscriber base to broadband, and encourage pay-per-use subscribers to switch to flat-rate plans. Direct voice subscribers and direct broadband subscribers generally generate higher ARPU than indirect and narrowband subscribers.

In addition, WLR allows us to set up an exclusive commercial relationship with customers located outside our direct coverage areas by leasing lines from the incumbent, Telecom Italia, under wholesale terms and conditions. Through WLR, we are able to provide fixed-line voice together with our Internet offerings and offer bundles even to our indirect customers, thereby attracting new subscribers and increasing ARPU for existing subscribers.

We intend to focus on increasing Dual-Play (fixed-line voice and broadband) penetration. We believe that there is a significant opportunity to market Dual-Play services to both our existing and new customers and we have already begun to exploit through bundled offerings such as “TuttoIncluso,” which offers local and long-distance calling plans along with broadband.

*Increase customer satisfaction and reduce churn*

We strive to maintain high levels of customer satisfaction, increase customer loyalty and strengthen our customer relationships in order to help to minimize churn and increase ARPU, which should, in turn, increase our revenues and enhance our profitability. For example, we have acquired more GSM-900 spectrum to enhance our indoor service coverage and we invested a substantial portion of our network capital expenditures on coverage and quality improvement of our GSM network in 2008. We intend to continue to invest in GSM quality improvement in 2009. We have also invested heavily in our UMTS network and in expanding our HSDPA technology to increase coverage. We intend to further improve overall customer satisfaction by aligning tariffs to the value of each of our services, improving quality, efficiency and reliability. We plan to improve our customer service by improving the quality of our call centers overall and creating specialized call centers (for example, we created a call center specifically for corporate customers in 2007) and by leveraging our Internet-based service-oriented website, [www.155.it](http://www.155.it). We also plan to improve service levels by increasing coordination, particularly with regard to support and the provision of new product lines. We intend to accelerate connection and set-up times for new direct subscribers, for example by providing our points-of-sale with the necessary information to assess the availability of our products. Overall, we aim to achieve a deep understanding of our customer needs to enhance customer loyalty.

*Establish the WIND brand as the best “value for money” offering in the Italian market*

We intend to continue to enhance the WIND brand and its public perception, primarily by continuing to promote the WIND brand as the best “value for money” offering in the Italian market. We believe that this strategy is particularly relevant for increasing our revenues given the current weak economic climate in Italy and world-wide. We had the highest overall score among the relevant operators for mobile customer satisfaction in 2008 (based on the *Grandi Numeri* customer satisfaction index) and for fixed-line customer satisfaction in 2008 (based on the IPSOS customer satisfaction index).



***Develop niche segments and opportunities to leverage existing assets***

*Increase subscriber usage of our mobile Internet offerings, further develop our HSDPA coverage and capacity, and grow our traditional data service offerings*

We intend to improve our data ARPU by increasing the number of active subscribers of our data services by focusing on mobile Internet access offerings for which we believe there is large customer demand. We plan to build out our HSDPA network in a targeted manner in order to increase coverage to a greater percentage of the population. We also intend to expand HSDPA coverage and upgrade HSDPA speed and capacity in all UMTS coverage areas.

We also provide a comprehensive set of data services, from basic text and multimedia messaging to proprietary data services such as access to our Libero Internet portal; in particular, we offer wireless broadband access through a data card which allows customers to access the Internet when not connected to a fixed line. These services are targeted both at our higher spending consumer and our corporate customer bases. In addition, we offer BlackBerry Internet services, which are available to both our consumer and corporate customers.

***Focus on cross-selling opportunities***

We plan to focus on cross-selling our mobile and fixed-line voice services by means of our “Noi” on-network community, encouraging customers to subscribe to both our fixed-line voice and our mobile voice services for a lower overall price in order to generate sustained increases in our subscriber base and improve our overall ARPU. We also intend to expand and promote new services, such as mobile Internet and IPTV (television over DSL), which provide further opportunities to encourage our existing and prospective subscribers to subscribe to more than one of our services.

We believe that our narrowband subscriber base will provide us with a significant opportunity to migrate our existing narrowband subscribers to broadband. In addition, we believe that our significant number of registered Libero Internet portal users will further enable us to expand our broadband subscriber base by attracting such Libero Internet portal users to our services.

***Increased focus on business segments***

We believe that we have a significant opportunity to increase our business and corporate mobile and fixed-line subscriber base.

We aim to grow our share of SME and SOHO markets by improving our customer interface and by leveraging economies of scale to offer competitive “value for money” services. We aim to expand our presence in the large corporate market by marketing the knowledge and experience gained over the last nine years through the management and operation of our contract with ENEL. We plan to use our infrastructure and specialized call centers currently dedicated to ENEL to significantly improve the service level to our most important corporate clients. Our objective is to reposition our offering as an integrated solution provider rather than a multi-product provider, by enhancing the skills of our corporate sales team and more effectively offering tailored products consisting of mobile, fixed-line, Internet and specialized outsourcing contracts to our existing and new corporate clients.

***Optimizing and simplifying operations in order to increase efficiency and effectiveness***

*Identify and deploy cost efficiency measures through a more efficient operation*

We plan to further increase our cost efficiency through scrutinizing our costs, aiming to lower operating expenditures and optimize capital expenditure. We plan to accomplish these aims through an innovative approach that could potentially include selective outsourcing and externalization of activities and will leverage the cost benefits associated to innovative approaches such as industry partnerships.

We expect further efficiencies to arise from system simplification and from a more targeted and personalized approach to commercial costs such as advertising.

#### *Enhance our distribution network*

In order to improve revenue-generation from new subscribers and to improve our customer acquisition efficiency, we intend to enhance the distribution network for our mobile telecommunications services. First, we are increasing the coverage of our distribution network by strengthening our presence in key markets. We currently have 19 WIND-owned stores in strategic locations. In April 2009, our subsidiary, Mondo WIND S.r.l., signed a framework agreement with 4G Retail S.r.l. that would, subject to the satisfaction of certain contractual and regulatory conditions, add up to approximately 130 WIND-owned stores to our distribution network, expanding our presence in shopping malls, principally in northern Italy. Second, we are motivating our dealers by implementing commission structures that focus on several subscriber quality criteria, which target “high-value” subscribers (e.g., subscribers who subscribe to Dual-Play offerings, subscribe to time-based bundles for a flat monthly rate, use high value services such as mobile Internet or tend to have higher call volumes) rather than purely subscriber volume. Third, we are promoting customer service at the point-of-sale by implementing a more uniform look and feel in our owned and franchised stores and our displays at our other points-of-sale. We are also improving the overall quality of the dealers that sell our services by adding new dealers and phasing out inefficient or expensive points-of-sale.

#### *Continue to realize synergies from membership in Weather Group*

We were acquired by Weather in 2005. Since the Acquisition, we have exploited a number of synergies from our membership in the Weather Group, including using management expertise from employees of other Weather Group companies and combining the procurement of network and software with OTH and WIND HELLAS through framework agreements with our core network and software suppliers, thus attaining reduced unit prices. Additionally, through our acquisition of M-Link from OTH and its consolidation with our international business earlier this year, re-named WIND INTERNATIONAL SERVICES S.p.A., we hope to realize efficiencies and synergies and to generate additional revenue streams through the aggregation of our international traffic volumes.

#### *Continue to use cash flow generated to reduce leverage*

We intend to continue to improve our cash flow generation by increasing our operating cash flow, improving working capital efficiencies and developing more tailored procurement strategies. We intend to use our cash flow to continue to decrease our overall level of indebtedness. We have a proven track record of using our strong cash flows to deleverage and, because a significant part of our anticipated future capital expenditures are discretionary and aimed at supporting growth in line with demand, we anticipate that going forward we will have adequate cash flow to continue to decrease our overall level of indebtedness.

## **Operations**

### ***Overview***

Our principal business is the provision of mobile, Internet, fixed-line voice and data telecommunications services in Italy over our integrated network. Our goal is to offer subscribers a variety of products and services targeted to meet their specific requirements and to become their primary telecommunications services provider. We operate our mobile and fixed-line businesses separately (and, within our fixed-line business, manage our fixed-line voice and Internet operations separately), but also benefit from a unified corporate infrastructure including procurement, communication, planning and common network and information systems, as well as finance, accounting

and similar corporate systems. We believe that this corporate structure allows us to better leverage each business line's competitive positioning while improving our efficiency overall, as it both enables us to focus on each of our mobile and fixed-line product offerings and allows for profitable development of bundled product offerings and convergent services. Since the acquisition of M-Link from OTH earlier this year, we have undertaken all international telecommunications activities in the Weather Group.

### ***Mobile Operations***

Our mobile service offerings include a wide range of voice services, mobile Internet, data services and other VAS, including messaging services, information and entertainment multimedia services and international roaming. These services are targeted at both the consumer and corporate markets. We offer our mobile telecommunications services over our GSM and UMTS networks. Our UMTS network allows us to provide an extensive range of services, including mobile Internet access through HSDPA technology as well as mobile multimedia and video telephone.

We offer our mobile services on both a pre-paid basis and a post-paid (or contract) basis, through various tariff plans. Almost all of our corporate subscribers are post-paid subscribers. In line with the Italian mobile telecommunications market, the vast majority of our consumer subscribers are pre-paid subscribers. Pre-paid subscribers pay in advance of our provision of services and recharge their pre-paid SIM card with a certain amount of credit. Post-paid subscribers are invoiced periodically for services used. We offer a variety of WIND-branded consumer pre-paid services that target different patterns of usage. We also sell a variety of WIND-branded and non-branded handsets from major manufacturers primarily through our WIND-branded stores.

### ***Voice Offerings***

#### ***Consumer Voice Offerings***

We provide a variety of consumer voice offerings tailored to specific market segments. Our voice offerings can be upgraded with a variety of option plans and VAS.

Pre-paid consumer subscribers can choose from tariff plans in which their pre-paid credit is deducted on a per-minute basis at a billing rate per minute, or on a monthly basis at a flat-rate per month.

In addition to tariff plans similar to those offered to pre-paid subscribers, we offer a number of all-inclusive flat-rate monthly tariff plans to post-paid consumer subscribers that include a set amount of calling minutes, SMSs and gigabytes of mobile Internet access for a fixed monthly fee.

#### ***Additional Consumer Voice Options***

We offer a variety of add-on options to our standard voice offerings that complement our standard voice tariffs:

- *Noi options.* Since 2004, we have offered Noi, a group of add-on options which were designed to build a WIND mobile "community" by providing WIND subscribers with better value for calls made to other WIND subscribers (which we refer to as "on network" calls), thereby encouraging mobile users outside the WIND network to subscribe to WIND's services and use their WIND SIM card as their primary SIM card, as well as reducing churn among our Noi subscribers.

We had 9.29 million and 9.15 million Noi subscribers as of March 31, 2009 and December 31, 2008, respectively, representing 53.9% and 54.2%, respectively, of our total mobile subscriber base. Noi subscription is affected by seasonal consumer spending, with subscriber numbers typically increasing in the fourth quarter of the year in connection with the year-end holiday

season and leveling off in the first quarter of each year. Notwithstanding seasonal effects, our Noi subscriber base has been growing on an annual basis and increased by 5.5% as of December 31, 2008 compared to December 31, 2007. We believe that the churn rate for Noi subscribers is lower than our overall subscriber churn rate, which we primarily attribute to Noi subscriber loyalty created by the program's community effect. We also believe that Noi provides other benefits, including more effective subscriber campaigns due to a community attraction (*i.e.*, people choosing WIND because their friends or family use WIND), stable revenues from monthly Noi program fees (as compared to uncertain revenues from our standard pre-paid voice offerings) and reduced interconnection costs because of Noi's focus on on-network traffic.

- *Other options.* We also offer add-on tariff plans targeting specific subscriber segments, for example with special discounts for certain tariff plans, or flat-rate bundles of SMSs.

#### *Corporate Voice Offerings*

We provide corporate voice services to large corporate customers, small and medium enterprises (“SMEs”) and small office/home offices (“SOHOs”), with our corporate voice offerings. For large corporate customers, who often solicit tenders for their mobile telephone requirements on a competitive basis, we offer customized services tailored to their specific requirements. For SME and SOHO subscribers, we offer more standardized products, such as all-inclusive tariff plans that offer customers a set amount of calling minutes, SMSs and gigabytes of mobile Internet access for a fixed monthly fee.

#### *Add-on Corporate Voice Options*

We offer a variety of add-on options to our standard corporate voice offerings, available to SME and SOHO subscribers as well as corporate subscribers on a bespoke basis:

- *Leonardo Voice and SMS.* In mid-2004, we launched our Leonardo plan, the corporate analog to our Noi plan for consumers, as a means of increasing our corporate subscriber base by providing on-network benefits. Leonardo has proven successful to date.
- *WIND Dual SIM.* The WIND Dual SIM offering allows users to have two of WIND's SIM cards that share the same telephone number, functions and price plan, which can be placed in two separate handsets.

#### *Consumer and Corporate Data and VAS Offerings*

In addition to our mobile voice offerings, we provide a comprehensive array of mobile data services and VAS for telephone and computer to both our consumer and corporate subscribers. The majority of our data and VAS offerings are available over both our GSM and UMTS networks, while certain services, such as video call, are limited to our UMTS network. We generally charge for data services and VAS on either a per-kilobyte or a per-minute of use basis. Certain data services and VAS require payment of an additional set-up fee by the subscriber in order to gain access to the service.

We offer the following data services and VAS:

- *Mobile Internet.* Our mobile subscribers can connect their mobile phones to a computer to be used as a modem to browse the Internet using GSM, GPRS or UMTS technologies. Subscribers pay by connection time for mobile Internet access via GSM, and by either connection time or by amount of data transferred for mobile Internet access via our GSM network (as upgraded by GPRS technology) or on our UMTS network. We offer mobile Internet for personal computers as a stand-alone product, while mobile Internet accessed on a mobile telephone handset is only available as an add-on offering. Mobile Internet access for

personal computers is available in both time-based and volume-based plans, while mobile Internet accessed on a mobile telephone handset is only available in time-based plans.

We also offer a number of flat-rate mobile Internet packages to corporate subscribers via our “Leonardo” offering.

- *BlackBerry.* We offer our BlackBerry services to corporate, SME and, more recently consumer subscribers.
- *SMS and MMS.* SMS offerings provide users with information such as news, sports, weather forecasts, horoscopes, finance and TV programming information, as well as a selection of games, ring tones, a chat service for our subscribers as well as services specifically targeted to students. MMS provides multimedia (photo, video and sound) content, such as sports events, news, gossip, music and a chat service.
- *WIND WAP Portal and on Web.* Our WAP and Libero Internet portals allow users, including non-WIND users in the case of the Libero Internet portal, to purchase ring tones and other options for their handsets and to surf on many websites, branded or unbranded, featuring live news, sport and finance, among other services.
- *Additional Content Options.* We offer a number of options that allow users to download content.

In connection with our mobile data and VAS offerings, we work closely with third-party content and application providers such as Mediaset, RAI, Dada (RCS Group) and Zed I-music, among others. These third parties provide content for WIND-branded VAS as well as VAS delivered in conjunction with other operators. By working with third parties, we limit our investment in content while keeping up-to-date with market developments and trends. We generally retain a percentage of the revenue generated by third-party providers of content for our mobile and VAS offerings.

#### *International Roaming*

Our mobile subscribers can use our mobile services, including SMS, MMS and WAP, while roaming in other countries. Roaming coverage outside Italy is provided through our roaming agreements with approximately 400 international operators.

#### *Handset Offerings*

We offer our subscribers a broad selection of handsets and Internet devices, which we source from a number of suppliers, including Nokia, Samsung, Motorola, Sony Ericsson, LG, Alcatel and Huawei. Our subscribers can purchase WIND-branded handsets or unbranded handsets. We sell our handsets primarily through our distributors and retailers, including our owned and franchised stores and other points-of-sale and over the Internet through our [www.155.it](http://www.155.it) website. The Italian market is a predominantly pre-paid market and, as a result, mobile operators generally have not provided handset subsidies, although certain operators (including Telecom Italia and Vodafone) offer limited handset subsidies to higher-value subscribers. One notable exception to this general market characteristic has been Hutchison 3G, which has been subsidizing handsets to promote its UMTS mobile offerings.

#### *Sales and Distribution*

We sell consumer mobile products and services, including SIM cards, scratch cards WIND-branded and unbranded handsets (see “—Handset Offerings”), through a significant number of points-of-sale. We currently have 19 WIND-owned stores and approximately 320 exclusive franchised outlets operating under the WIND name. Our non-exclusive points-of-sale consist of approximately 1,200 WIND dealers, 450 electronic chain store outlets and approximately 2,900 other points-of-sale in

smaller towns throughout Italy managed by SPAL S.p.A., our largest distributor in terms of points-of-sale. We also sell a portion of our consumer services online through our [www.155.it](http://www.155.it) website, and sell consumer mobile activations through additional points-of-sale owned by Western Union, as well as scratch cards through small points-of-sale (including tobacconists and newsagents).

Our most important distributors are Servizi in Rete 2001 S.r.l., Lottomatica S.p.A. and SPAL S.p.A., which accounted for a significant portion of our sales. As part of our strategy to enhance our distribution network, we are extending and aiming to improve the quality of our distribution chain. We are aiming to increase our presence in northern Italy by opening WIND-owned stores in main cities (with a particular focus on high-traffic shopping malls). In April 2009, our subsidiary Mondo WIND S.r.l. signed a framework agreement with 4G Retail S.r.l. that will, subject to the satisfaction of certain contractual and regulatory conditions, add up to approximately 130 WIND-owned points-of-sale to our distribution network, expanding our presence in shopping malls, primarily in northern Italy. We are also launching initiatives to enhance the customer experience at our existing exclusive points-of-sale, for example by standardizing the look and feel of store layouts and improving customer service. Through this restyling of all of our franchised outlets and a number of top dealers (*i.e.*, multi-brand dealers that we select according to performance and shop location), we aim to improve brand visibility and customer interest.

In order to increase our brand equity and to improve the quality of our mobile consumer distribution chain, we have developed a focus on visual merchandising. We also launched a large mystery shopping campaign to measure the performance of each store and the consistency with which stores apply our policies.

We pay sales commissions to dealers, distributors and agents in respect of consumer sales based on subscriber activations, promotional product sales, post-paid contract activations and fees on “top-ups,” among other activities. Many of our points-of-sale also participate in performance contests, through which they can receive additional commissions, depending on the quality of the traffic, in terms of the tariff per minute generated by newly acquired subscribers. Other dealer incentives focus on subscribers acquired via mobile number portability. We also provide trade-marketing support to WIND-exclusive dealers for point-of-sale set-up and refurbishment. Sales to large corporate customers are generally made by our dedicated in-house corporate sales team, whereas sales to SMEs and SOHOs are generally undertaken by agents (and occasionally by large dealers). For sales to corporate subscribers, we generally pay sales force representatives and agencies an up-front commission for each mobile customer acquired, and additional commissions based on the volume of traffic generated.

### ***Fixed-Line Operations***

We offer a wide range of direct and indirect fixed-line voice services, Internet broadband and narrowband (dial-up) data services and operate one of Italy’s leading Internet portals by number of active user accounts and page views. We offer these services to both consumer and corporate subscribers. In response to trends in the Italian fixed-line telecommunications market, such as fixed-to-mobile substitution and migration from and reduction in narrowband usage in favor of broadband usage, we have focused our efforts in the fixed-line market primarily on growing our broadband and direct voice subscriber bases. In addition, we are seeking to grow our WLR business in locations where we do not provide direct access to our network via LLU.

Our fixed-line direct and indirect voice customer base totaled 2.687 million subscribers as of March 31, 2009, up by 9.3% compared to March 31, 2008, with an increase in direct customers partially offset by a reduction in traditional indirect customers, such as carrier selection and carrier pre-selection customers.

Our direct subscribers are mainly comprised of LLU subscribers. LLU is the regulatory process of allowing multiple telecommunications operators to use connections from Telecom Italia’s local



exchanges to the customer's premises. This process has allowed us to significantly expand our direct access coverage to consumer subscribers. The Italian "local loop," which is the physical wire connection between the Telecom Italia local exchanges and the end-customers, was unbundled in 2001. As a result, Telecom Italia was required to give other operators, including us, access to its local loop connections that include the wires leading to a subscriber's home or office. Although we have been offering LLU coverage since the local loop was first unbundled in 2001, much of our growth in this area has come in the last five years. We attribute this growth to the Company's strategy on the LLU model of leveraging the balance of product development, customer caring, communication and retail enhancement (investing in increasing the number of LLU sites). However, we expect LLU to become more costly in future periods, primarily because of the recent increase by Telecom Italia of the regulated rates for non-incumbent operator access and the fact that the remaining sites that have not been unbundled are smaller relative to the LLU sites that we have already unbundled, resulting in higher marginal costs to reach a smaller number of direct subscribers. See "Risk Factors—Risks Related to Our Business and Our Operations—We are subject to extensive regulation and have recently been, and may in the future, be adversely affected by regulatory measures applicable to us." As of March 31, 2009, we had 1,094 LLU sites and we intend to continue to invest in increasing the number of LLU sites in 2009.

Our indirect subscribers comprise our WLR subscribers, carrier selection and carrier pre-selection subscribers. WLR allows us to set up an exclusive commercial relationship with customers located outside our direct service coverage areas through leases of the lines from Telecom Italia under wholesale terms and conditions. With carrier pre-selection, subscribers select us as their "regular" carrier and we arrange with Telecom Italia for automatic switching to our network without subscribers having to enter an access code. We maintain a billing relationship with the subscriber in carrier pre-selection for charging all traffic costs. With carrier selection, subscribers dial a predefined access code to select our network for outgoing calls on a per-call basis. We stopped actively marketing carrier selection and carrier pre-selection methods, as we consider them outdated, instead focusing on WLR. As of March 31, 2009, we had 0.3 million WLR subscribers, 0.3 million carrier pre-selection subscribers and 0.2 million carrier selection subscribers.

#### *Internet and Data Services*

We offer a wide array of Internet and data transmission services to both consumer and corporate subscribers.

We offer narrowband and broadband access to consumer and corporate subscribers, although we no longer actively market our narrowband services. As of March 31, 2009, we had 0.4 million narrowband subscribers and 1.5 million broadband subscribers.

In the broadband access market, we offer our products directly through LLU and indirectly through wholesale bitstream access services. We can offer broadband to both direct and indirect subscribers, so long as the line is ADSL or ADSL 2+ capable. For indirect offerings, we lease a portion of Telecom Italia's line to connect to our network and provide broadband service to our subscribers. We pay an AGCOM-determined leasing rate to Telecom Italia, which we pass on to subscribers. Both in wholesale bitstream access and direct access we maintain the billing relationship with the subscriber.

In addition, we offer bundled fixed-line voice and broadband services through our "TuttoIncluso" package.

We also provide narrowband (dial-up) Internet access. In the narrowband market, our primary product is "*Internet Gratis*," which offers a dial-up connection through analog and ISDN lines with a web accelerator that allows for speeds up to 128 Kbps.

### *Consumer Voice Offerings*

Throughout Italy, we provide traditional analog voice telephone service (“*PSTN access*”), digital fixed-line telephone service (“*ISDN access*”) and VAS, such as caller ID, voicemail, conference calls, call restriction, information services and call forwarding. However, an increasing number of our subscribers (63.7% as of March 31, 2009) subscribe to bundled fixed-line voice and Internet broadband offerings.

### *Corporate Voice Offerings*

We provide PSTN, ISDN and VoIP fixed-line voice services, data services, VAS and connectivity services to corporate subscribers, including large corporates, SMEs and SOHOs. Among large corporate subscribers, ENEL, our former parent company, is our largest subscriber. We are increasingly targeting large corporate subscribers to capitalize on our experience with ENEL and our ENEL-specific service infrastructure, such as our dedicated call center. We also believe there is significant opportunity to grow the SME and large corporate subscriber portion of our business given our ability to offer fixed-line voice, broadband and mobile services and our experience servicing ENEL.

For larger corporate subscribers, we typically tailor our offerings to the needs of the subscriber and, where applicable, to competitive bidding requirements. We also offer our large corporate subscribers direct access to our network through microwave links, direct fiber optic connections or, where we do not offer direct access via LLU, dedicated lines leased from Telecom Italia. We also offer large corporate subscribers national toll-free and shared-toll and pre-paid and magnetic strip telephone cards. We typically offer our SME and SOHO off-the-shelf plans rather than bespoke offerings.

### *Fixed-Line Sales and Distribution*

Our principal source of sales to fixed-line consumer voice subscribers is telephone sales made through our call centers, both through outbound telephone sales and inbound calls to our call center. We also utilize outbound sales agencies to acquire business customers. Our call centers deal with inbound call questions from subscribers and are staffed by individuals who are trained to recognize subscriber needs and sell products and services accordingly. Our call centers also make outbound calls to prospective subscribers who are targeted using various business intelligence tools. Our call centers have been one of our most efficient channels for new subscriber acquisitions, as our experience suggests that our most valuable subscribers who tend to use more high-value products are acquired through our call centers. In the consumer Internet access market, our Libero website portal is a key distribution channel, enabling subscribers to register for Internet access over the Internet. We utilize sales agencies, our call centers and a direct sales force to target sales of fixed-line voice and Internet services to corporate subscribers.

We plan to improve our retail presence by increasingly offering fixed-line products and services through our current mobile distribution network. We intend to maintain our existing telephone sales and Internet sales channels that today represent the primary sales channels for fixed-line and Internet broadband offerings. We intend to improve our indirect fixed-line sales channels by, among other things, replacing lower performing sales agencies and focusing on regions where we believe our sales agencies are not as well positioned as their competitors.

### *Libero Internet Portal*

We operate an Internet portal under the “Libero” brand. Our Libero portal is the market leader (based on number of active user accounts and page views as of May 31, 2009), with over 9.6 million average monthly unique visitors and more than 1.5 billion monthly average page views as of May 31, 2009. Libero is one of Italy’s biggest e-mail service providers, with over 7.5 million active e-mail accounts as of May 31, 2009. Libero also offers a wide range of content and services, including a search

engine, news, and “vertical” channels (organized in groups such as finance, automotive, women and travel). Libero’s e-mail service offerings include Jumbo Mail, a service that allows Internet users to send files of up to 2 GB. Libero also hosts an online community, “Libero Community,” which had approximately 4.2 million visitors as of May 31, 2009. Libero also acts as a social network (Libero Blog) and was among the first Italian portals on which customers could share user-generated content (Libero Video).

We generate revenue on our portal mainly through advertising and to a lesser extent from fees paid by subscribers for premium services, including “Mail Plus,” which provides extra mailbox space and increased security, music track downloads, iPass dial-up connections from outside Italy and ISDN and WiFi access.

#### ***Interconnection Services***

We offer wholesale operator services, through which we sell network capacity to other operators and manage incoming and outgoing call termination traffic for other national and international operators. As consideration for managing calls terminated on our mobile or fixed-line network, we receive revenues from other operators. Similarly, we are required to pay termination fees to other operators for calls terminated on their mobile or fixed-line networks. Mobile-to-mobile, mobile-to-fixed, fixed-to-mobile, and fixed-to-fixed interconnection rates are regulated by AGCOM. See “Regulation—Mobile Regulatory Environment-Mobile Termination,” “Regulation—Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination,” “Regulation—Interconnection Rates” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Interconnection Rates.”

#### ***Bundled and Convergent Services***

As a leading provider of mobile, Internet, fixed-line voice and data services with an integrated infrastructure and network coverage throughout Italy, we are well-positioned to offer bundled services that combine these products. Our Dual-Play offerings package Internet broadband and fixed-line voice services and our Triple-Play offerings package Internet broadband, fixed-line voice and television over DSL (in conjunction with Sky).

We use bundling primarily to expand our direct access and broadband subscriber base. For example, we launched our “TuttoIncluso” bundled offering, which combines unlimited fixed-line voice calls and unlimited broadband access for a fixed monthly fee. Although we do not consider them Dual-Play, we also offer bundled offerings combining fixed-line voice and mobile services, including “Noi 2 Infostrada” and “Noi 3” in the consumer market, “Leonardo Fisso & Mobile” in the SME market and “Azienda WIND” in the SOHO market. We also launched a bundled offer in January 2009 to the consumer market that combines fixed-line DSL and mobile Internet, called “SuperInternet,” with users receiving a set number of hours per month of mobile Internet and fixed-line DSL broadband at a flat-rate per month.

Our IPTV offering, “Infostrada TV,” includes Video on Demand, optional Sky TV channels, a personal video recorder, web programming (through tv.libero.it) and multimedia content sharing with PCs for a flat fee per month. The IPTV offering allows us to combine our Infostrada TV offering with Internet broadband and fixed-line voice services in a bundled package for a Triple-Play offering.

#### **WIND INTERNATIONAL SERVICES S.p.A. and M-Link S.à r.l.**

On January 13, 2009, M-Link Ltd, a wholly-owned subsidiary of OTH, sold its wholly-owned subsidiary, M-Link S.à r.l., which in turn owns M-Link Teleport S.A. (together, “*M-Link*”) to WIS, for €58.0 million. M-Link manages a long distance international telecommunications network through its Belgian subsidiary, M-Link Teleport S.A., which provides voice and data services by satellite, electrical

and optical cable and new generation technologies together with the related support services. M-Link provides gateway services for OTH operations in Algeria, Tunisia, Pakistan, Egypt, Bangladesh and several other sub-Saharan operations. M-Link interconnects this traffic with different international operators, based on their price and delivery capabilities, for final delivery around the world. M-Link also provides in-country transit services on a limited basis. M-Link's headquarters in Europe acts as the control center for all of OTH's satellite operations and interaction with the various international operator networks. M-Link also offers private satellite circuits for corporate and government customers that need dedicated circuits between two points, typically between Africa and a location in Europe. These customers lease the circuits from M-Link and use them for a variety of applications.

As part of an effort to consolidate the international business operations of the Weather Group, on April 1, 2009, we transferred our international wholesale business to WIS. As part of this consolidation, WIS will manage WIND's relationship with international operators, while WIND will provide certain corporate services to WIS.

### **Marketing and Branding**

We market our mobile, Internet, fixed-line voice and data offerings by employing a multibrand strategy that takes advantage of the strength of the brand equity of each of our WIND, Infostrada and Libero brands in their respective markets. Our marketing strategy is also designed to take advantage of our position as a full-service telecommunications services company providing mobile, fixed-line and Internet services and to use this capability to offer bundled services to our subscribers. Using our multibrand strategy, we position each of our products and tailor our marketing campaigns to each of the markets in which we operate: each of the WIND, Infostrada and Libero brand logos incorporates our distinctive "W" WIND logo, enabling cross-product brand identification. We position our mobile, fixed-line and Internet products to consumers as the "Smart Fun" choice, a combination of high quality products that are convenient, easy to use, and attractively priced vis-à-vis those of our competitors. As part of our general marketing efforts, we sponsor events such as concerts, sporting events and television programs. For example, in August 2007, we signed a high profile agreement to sponsor the AS Roma football club under which we will be the main sponsor of the club for all games through June 30, 2010, with an option to extend our sponsorship through June 30, 2011.

In all of our consumer mobile, Internet and fixed-line voice markets, we utilize marketing campaigns focusing on the mass market. Our campaigns use well-known celebrities and emphasize wit, humor and fun. In the mobile consumer and Internet services markets, our advertising campaigns reach a broad audience, but focus on consumers between the ages of 18 and 35. In the consumer fixed-line voice market, we also direct our campaigns to a broad audience, but are focused on more mature consumers. We utilize a wide range of media to advertise our consumer mobile and consumer fixed-line services. In advertising consumer mobile services, we generally find the most effective advertising platform to be television and billboards; we also use radio, print media (including newspapers and magazines), Libero and third party websites. We market our broadband services using television, telemarketing and over the Internet. In advertising consumer fixed-line voice services, we emphasize television, telemarketing and local press, and also advertise on the radio and via Libero and other third-party websites.

We use different marketing strategies to reach corporate customers depending on the nature and size of a customer's business. For large corporate customers and SMEs, our marketing efforts are more customized and institutional in nature, and include one-on-one meetings and presentations, local presentations and presentations at exhibitions. We also advertise in the media. For the SOHO market, we advertise in the professional and general press and use airport billboards. For all corporate customers, we emphasize an integrated approach focusing on all three of our mobile, fixed-line voice and Internet broadband capabilities.

## **Customer Service and Retention**

Our customer service efforts are coordinated through our customer operations unit, which is divided into mobile, fixed-line (including Internet) and corporate accounts. We service our customers through call centers located in Ivrea, Rome, Pozzuoli and Palermo and other outsourced call centers. We also maintain dedicated customer care oriented websites, [www.wind.it](http://www.wind.it) and [www.infostrada.it](http://www.infostrada.it). We offer all of our customers specialized support including handling inquiries and educating customers on the use of new services based on advanced technologies, such as UMTS and HSDPA. We also focus on ensuring that our customer facing systems are accessible and easy to use, and provide an integrated billing system for all subscribers plus a system that allows our corporate clients to pay bills, order supplies and obtain information electronically.

Our customer relationship management (“CRM”) group helps devise and execute promotional programs intended to improve customer retention, maintain high spend levels, cross-sell or up-sell our services and maintain customer loyalty and satisfaction. Our CRM group is organized into consumer mobile, corporate mobile, fixed-line (consumer and corporate) and Internet (consumer and corporate) sub-groups.

Additionally, our CRM group analyzes customer data to identify candidates for targeted promotions and retention programs. We have a number of targeted promotions aimed at cross-selling and up-selling services to existing subscribers, increasing usage by inactive subscribers and retaining subscribers considered to be at risk of churn. Promotions offered through our CRM group are generally not made available to the public or our subscriber base at large. In particular, we have focused our efforts on the implementation of up-selling campaigns through the Infostrada fixed-line voice network, for example. In November 2008, we implemented an up-selling campaign, offering certain of our Dual-Play customers IPTV and VAS services for a Triple-Play.

We also specifically target high-value customers in both the consumer and corporate markets. These customers are targeted with specific programs based on recurring contact with the customer, which are aimed at understanding the customers’ needs and improving their knowledge of our services and offers. In order to maximize customer satisfaction, these customers are also provided premium quality levels of service, and in particular customer care services, with the development of a new customer profiling system and the establishment of a dedicated expert call center specifically for corporate customers in 2007.

## **Credit Management and Billing**

Our pre-paid mobile subscribers purchase SIM cards, scratch cards and mobile phones directly from retailers and dealers, who in turn purchase them from us. We bill these retailers, dealers and distributors shortly after we deliver these products and have no direct billing relationship with our pre-paid mobile subscribers.

We bill our post-paid mobile, fixed-line and Internet subscribers directly. We perform credit evaluations on our post-paid consumer and corporate customers and monitor customer collections and payments. We maintain a provision for estimated credit losses based on a number of factors, including credit and payment history, credit rating, specific issues related to our offerings to a particular customer and an assessment of the customer’s ability to pay and risk of bankruptcy.

## **Seasonality**

Although our businesses are not subject to meaningful seasonal effects, mobile revenue tends to increase during the Christmas holiday period and decrease in the first quarter of each year due to lower usage after the Christmas period and the fewer number of days in February. Fixed-line voice revenue tends to be slightly lower during summer holiday months.



## **Network and Infrastructure**

### ***Overview***

We have developed an integrated network infrastructure providing high-capacity transmission capabilities and extensive coverage throughout Italy. We believe our network, which we own, is the largest telecommunications infrastructure in Italy after that of Telecom Italia. As of March 31, 2009, our mobile network covered 99.64% of the Italian population and was GPRS capable, while our UMTS network covered 58.27% of the Italian population. We have expanded our HSDPA coverage to all Italian regional and most of the provincial capitals. Our mobile and fixed-line networks are supported by 19,271 kilometers of fiber optic cable backbone in Italy and 3,725 kilometers of fiber optic cable MANs as of March 31, 2009. Our network uses a common system platform, which we refer to as our “intelligent network,” for both our mobile and fixed-line networks. Our network platform has been upgraded to provide it with a uniform IP network platform, which provides additional capacity. The geographic scope of our network and the integrated nature of our operations allow us to offer our subscribers mobile, fixed-line and Internet product bundles and VAS. We also have approximately 400 roaming agreements with other Italian and international telecommunications operators around the world.

We have invested a total of approximately €4.2 billion in our network since 2002. For the period from January 1, 2006 through March 31, 2009, our total capital expenditures relating to our network was approximately €1.6 billion.

### ***Mobile Network***

We offer mobile services through our 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. Our GSM network also supports EDGE capabilities. EDGE is an upgraded technology that enables us to offer increased data speeds and VAS over our GSM network and also to reduce the cost of handling mobile data traffic. We also offer mobile services over our UMTS network, a mobile technology that provides even greater bandwidth than our GSM network, using HSDPA technology to provide enhanced speeds for data transmission and mobile Internet services.

### ***GSM Network***

Our GSM mobile network provides coverage of quality levels that we believe are comparable to those of Telecom Italia and Vodafone.

As of March 31, 2009, our coverage was provided by 11,233 radio base stations and 265 base station controllers using equipment supplied by Ericsson, Siemens and Alcatel.

Our GSM core network infrastructure, as of March 31, 2009, consisted of 56 mobile switching centers, six signaling transfer points, 20 home location registers, 24 service control points, 16 service data points, three voice mail systems, six integrated voice responses, two short message service centers and four international short message service centers, 13 serving GPRS support nodes (“SGSN”) and five gateway GPRS support nodes (“GGSN”).

### ***UMTS Network***

We provide UMTS service to all Italian regional capitals and provincial capitals. Our UMTS coverage as of March 31, 2009 was provided by 3,912 operating BTSs and 31 radio network controllers using equipment supplied by Ericsson and Nokia Siemens.



Our UMTS core network infrastructure, as of March 31, 2009, consisted of three GPRS support nodes, two gateway GPRS support nodes, four MSC/HLR servers and six media gateways.

We will continue to build out our UMTS network further in order to increase the amount of the Italian population that is able to receive this service. In addition, due to the higher capacity provided by UMTS technology, we intend to use our UMTS network to service additional demand for capacity on our GSM network, therefore gradually building out our overall UMTS coverage, as well as to meet commercial demand.

#### ***Fixed-Line Network***

We believe our fixed-line network is the largest in Italy after that of Telecom Italia. Our fixed-line network consists of an extensive fiber optic transport network with over 19,271 kilometers of transmission backbone linking all Italian provincial capitals and other major cities in Italy, MANs in 39 cities comprising more than 3,725 kilometers of fiber optic cables, a radio transmission network with approximately 11,500 radio links in operation, a switching voice network with 66 exchanges covering all of Italy and an intelligent network platform with ten service control points, five specialized resource points and three service management points. We are able to route almost all backbone traffic via our own infrastructure, with little need to lease further capacity from third parties. Our fixed-line network is also connected to a European backbone connecting a total of 250 European cities in 16 countries.

As of March 31, 2009 we had 1,094 LLU sites for direct subscriber connections, and had interconnections with 616 SGUs, which allow us to provide carrier pre-selection and carrier selection access for indirect subscribers throughout Italy, as well as WLR services. We intend to continue to invest in increasing the number of LLU sites in 2009.

Our Internet network consists of an aggregated data network with more than 168 points of presence, or “POPs,” made up of 112 ATM/Frame Relay POPs and 56 IP POPs, broadband remote access servers for ADSL direct and indirect access Internet services and for virtual private network corporate services, more than ten network access servers for dial-up access Internet services and EDGE routers for direct Internet access corporate services. We recently implemented 94 EDGE routers for broadband x-play services and an Internet MPLS hierarchical backbone connecting all IP points of presence and the main national and international operators.

#### ***Software***

Software is incorporated into virtually every element of our network. We purchase our software and regular upgrades from suppliers such as Nokia Siemens and Ericsson.

#### ***Construction, Maintenance and Development***

We have invested a total of approximately €2.2 billion in our network since January 1, 2005, the year Weather acquired WIND. Ongoing investment in our GSM network is primarily limited to maintenance, with limited upgrade investments. For example, we are extending our EDGE capabilities and investing in additional GSM 900 spectrum to, among other things, enlarge our network coverage and capacity and improve indoor service coverage. We will also build out our UMTS network (to increase coverage) and our HSDPA technology (to expand coverage and upgrade speeds and capacity), continue to increase the bandwidth capacity of our broadband network, expand our LLU footprint to additional sites, and make investments to evolve our infrastructure to a network platform that is IP-based. We expect that of the LLU sites we are targeting, the majority will be IP-based. For the period from January 1, 2006 through March 31, 2009, our total capital expenditures relating to our network was approximately €1.6 billion.

We maintain primary responsibility for the maintenance of our networks and perform first and second level network maintenance. We have national supervision centers in Rome and Milan responsible for the management and operation of our network and infrastructure. We rely on our suppliers, including Nokia Siemens, Alcatel, Ericsson and Nortel, only for third-level maintenance problems that cannot be resolved by our operations center and maintenance specialists.

We are continuing to invest in research initiatives for new technologies and Internet broadband services in both the fixed-line and mobile sectors. For example, we are currently undertaking research in relation to access technology used to exploit our existing infrastructure of copper wires to provide very high speed digital subscriber line 2 (VDSL2) technology to our customers, which will enable our customers to use the Internet at speeds of 100 Mbps. We have carried out a study into the possibility of using femtocell technology in the GSM environment, which allows service providers to extend service coverage indoors, especially where access would otherwise be limited or unavailable (a particular issue with UMTS technology). We are also researching new technologies based on the IP Multimedia Subsystem (IMS) technology, which would allow us to offer more interactive VAS on mobile telephones, as well as new technologies based on Rich Communication Suite (RCS) technology, which allows more integration and communication between on-line customers (for example, allowing interactive multiplayer mobile games, and the sharing of music and e-mails).

We are also analyzing passive optical network technology with a view to exploiting the advantages arising from the introduction of wavelength-division multiplexing technology, which allows for multiple optical operator signals on a single optical fiber by using different wavelengths (colors) of laser light to carry different signals, thus increasing network capacity.

Finally, we are also assessing our network in light of Telecom Italia's announcement that it would be upgrading its networks with next-generation technology. See "Risk Factors—Risks Related to Our Market and Our Business—The LLU model underlying our direct fixed-line business may be negatively affected by the roll-out of new technologies by Telecom Italia, including its "next generation network."

### **Information Technology Systems**

Our information technology systems include four primary functional areas, including: (i) our Service Delivery Platform Area for VAS and portal, which includes systems for VAS applications, platform infrastructure and fixed-line and mobile portals; (ii) our Network Area, which controls data collection and provisioning and data management; (iii) our IN and Data Service Area, which includes intelligent network systems, pre-paid systems, access controls, data services and voice VAS systems; and (iv) our Business and Operational Support Systems Area, which covers customer interaction and customer contact channel systems, customer relationship management, decision support systems, enterprise resource planning and data collection.

Our operating information systems are aimed at supporting customer service for LLU, broadband using ADSL technology and mobile number portability services, upgrading our intelligent network platforms, reducing costs by rationalizing systems architecture, strengthening our infrastructure and continuing to identify business intelligence solutions.

### **Licenses**

Our license to provide mobile telephone services in Italy using digital GSM-1800 and GSM-900 technology (issued in 1998) expires in 2018. We acquired our UMTS license in 2001. Our UMTS license became effective on January 1, 2002, and expires on December 31, 2021. Pursuant to the terms of the UMTS license, we have coverage in all Italian regional capitals.

In March 2009, the Italian Ministry for Economic Development announced a tender for the assignment of rights of use for the frequencies in the 2100 MHz band, divided into three 5 MHz bandwidth blocks, which become available following the withdrawal of IPSE's license. WIND participated in this tender and was awarded a 5MHz block of UMTS spectrum for approximately €89 million in June 2009 for a term corresponding to the term of the original UMTS licence.

The Italian Ministry of Economic Development is also planning to auction off additional 900 MHz spectrum. The auction is set to begin after 180 days from the end of the UMTS auction, and is reserved for either new operators in the Italian market or "UMTS only" operators (*i.e.*, WIND, Telecom Italia and Vodafone cannot participate).

Our fixed-line services are provided pursuant to a 20-year license obtained from the Italian Ministry of Economic Development in 1998 that expires in 2018.

### **Certain Contracts Relating to the Operation of Our Business**

The following is a summary of certain contracts relating to the operation of our business:

#### ***Right of Way and Right of Use Agreement with Ferrovie dello Stato (the Italian State Railways) Relating to WIND's Backbone***

In 1998, Infostrada, which we acquired in 2001, entered into an agreement with Ferrovie dello Stato ("Ferrovie"). Pursuant to this agreement, Infostrada was permitted to implement its fiber optic cable backbone along the Ferrovie railway tracks. The implementation of the fiber optic cable backbone was granted by: (i) a "Right of Way" consisting of a right to access all of the Sedime, defined as the stretch of land immediately adjacent to Ferrovie's railway tracks, in order to install cable ducts, poles, gallery supports and antenna supports to lay cables and to perform maintenance work; and Ferrovie's entire infrastructure, as in existence as of the date of the agreement, in order to lay cables on poles and in cable ducts, using Ferrovie's unused fiber optic cable capacity in cooperation with Ferrovie, and to perform maintenance work; and (ii) a "Right of Use" consisting of full use of Ferrovie's inert fibers and the ability to install and to replace fiber separators and other equipment necessary to connect Ferrovie's inert fibers to other parts of the Infostrada network.

The term of our agreement with Ferrovie corresponds with the duration of the telecommunications license granted by the Italian Ministry of Telecommunications to Infostrada, and renewals thereof. We and Ferrovie each have the right to terminate the agreement by giving at least five years prior notice. However, we and Ferrovie have agreed that any such termination may not take effect until January 1, 2028. The right of use will expire on April 7, 2028, if the agreement is still in force as of that date.

#### ***Network Supply and Maintenance Agreements***

We are party to a number of supply and maintenance agreements relating to our networks.

We have entered into agreements for the supply and installation of various parts of our UMTS and GSM 900 MHz and 1800 MHz networks, as well as our fixed-line network, including among others, Nokia Siemens Networks Oy, Siemens Mobile Communication S.p.A., Ericsson Telecomunicazioni S.p.A. and Alcatel Italia S.p.A..

#### ***Interconnection Agreements***

We have entered into a number of interconnection agreements with other Italian operators, in order to connect our network to their fixed-line, mobile or satellite network, as applicable. The agreements usually provide for an initial term varying from one year to five years and contain automatic renewal clauses, with generally the obligation on the other party to continue to allow us to

interconnect to their relevant network for a given period of time (usually three months) following termination. Many of these agreements provide that either party may withdraw from the agreement with prior notice to the other party (usually six months).

Furthermore, the agreements may usually be terminated by either party by providing notice to the other party upon the occurrence of one of a number of specific events designated by the Italian Civil Code.

### ***Roaming Agreements***

We were party to approximately 400 roaming agreements with operators around the world as of March 31, 2009. These agreements, among other things, regulate billing and accounting, settlement procedures, customer care, technical aspects of the roaming agreements, testing, security, information on signaling interconnection and connectivity, all in connection with international roaming by our mobile subscribers and by subscribers of other operators. The particular terms of each agreement vary by country.

### ***Outsourcing Agreement between ENEL and WIND***

On March 11, 2005, we entered into an agreement with ENEL, pursuant to which we provide group telecommunications services to ENEL on an exclusive basis. The agreement expires on the earlier of December 31, 2009 or the entry by the parties into a new agreement. Upon expiration, in order to maintain the operational continuity, we are currently negotiating a renewal of this agreement or entry into a new agreement with ENEL for these services.

### **Legal Proceedings**

We are subject to various legal proceedings arising in the ordinary course of business. Below is a description of all material pending legal proceedings. In addition, we are subject from time to time to audits and investigations, some of which may in the future result in proceedings being instituted against us. See “Risk Factors—We are currently subject to an audit by the Italian Tax Authority in relation to a refund claimed for and the correct application of withholding taxes on certain interest payments, the outcome of which is uncertain.”

### ***Proceedings Concerning Electromagnetic Radiation***

From time to time, we have been subject to claims by both individuals and public health organizations regarding alleged damage resulting from electromagnetic radiation released by mobile technology (as have other telecommunications operators).

We have been subject, and are subject, to a number of claims concerning building permits, installation authorizations and removal orders relating to all radio base stations, or BTS and there are currently a number of pending suits against us before administrative and civil courts regarding the installation of BTS. Generally, the claims do not claim a specific monetary amount of damages sought, although certain of the claims do seek the removal of the BTS.

We are also involved in litigation challenging the regional, municipal and other local regulations enacted to govern the installation of transmission towers and other technical transmission equipment.

We have been successful in all claims concerning electromagnetic radiation brought before the courts against us to date. However, should a finding be made that electromagnetic radiation has a deleterious effect on health, the proceedings could be decided adversely to our interest, which would have a negative impact on our business.

### ***Proceedings Relating to RTI Mediaset***

RTI Mediaset (“RTI”) recently initiated proceedings against us as on the grounds that WIND continued to make 1,600 videos owned by RTI available on [www.libero.mediasd.it](http://www.libero.mediasd.it) following the expiry of WIND’s non-exclusive license for such video content on December 31, 2008. RTI is claiming damages in an amount of approximately €100 million; however, as the case is in its initial stages it is not yet possible to accurately quantify any potential award. The first hearing will take place on July 13, 2009.

### ***Proceedings Regarding the Infostrada S.p.A. LLU Service***

In December 2002, Movimento Consumatori, a consumer lobbying group, brought an action against us for our alleged failure to respect contractual obligations arising in respect of the LLU service offered in March 2000 by the former Infostrada S.p.A.

In November 2006, the court of first instance of Turin delivered its judgment by rejecting the request for compensation made by Movimento Consumatori, but required us to inform customers so concerned in writing and publish the judgment in the press, so as to enable requests to be made to us to refund the Telecom Italia subscription fees paid during the period in which the “Solo Infostrada” offer was offered to carrier pre-selection subscribers. We were also ordered to refund two thirds of Movimento Consumatori’s legal expenses.

Although we appealed the court of first instance’s judgment, on February 24, 2009 the court of appeals of Turin upheld the earlier court’s ruling. As a consequence of the judgment, we are in the process of informing approximately 150,000 existing and former customers of their right (as have other Italian telecommunications operators) to a refund of Telecom Italia subscription fees upon evidence of payment of such fees. The amount that we will ultimately owe to such customers will depend on the number of customers who respond to the notice and submit the requisite evidence, although we do not believe that the aggregate amount sought will be material.

### ***Consumer Complaints***

Numerous proceedings are pending against us before chambers of commerce, administrative small claims courts, civil and, in limited instances, criminal courts regarding various types of consumer complaints (for example, erroneous billing and service-related problems). The number of such claims has risen sharply over the past several years, encouraged by consumer associations, activist lawyers and changes in law. Further, “class action” lawsuits will be permitted in Italy in January 2010, which could increase the amount of these and other types of claims against WIND (and the amount of damages sought). See “Risk Factors—Risks Related to Our Market and Our Business—The implementation of laws in Italy that would allow for “class action” lawsuits could materially increase the number of claims against WIND and the related amount of damages sought.”

Moreover, WIND is also involved in numerous similar claims relating to the activation of certain telephone services (particularly with regards to the “NoiWind” and “NoiDue” plans), in which consumers claim that they did not intend to activate additional services and were wrongly charged an additional tariff, as well as numerous claims from subscribers seeking to repudiate their contracts with us and claiming that they did not intend to enter into a contract for our services. In these cases, we typically counterclaim against the relevant agents or promoters who sold our services, and, typically, the subscriber’s claim is not actionable (“*improponibile*”) under Italian law (specifically, article 1 of law 249 dated July 31, 1997), because the subscriber did not take his or her claim to mandatory arbitration prior to filing a lawsuit against WIND.

### ***Antitrust Proceeding against Industry Participants***

In a decision dated August 3, 2007, the Italian competition authority found us (as well as Telecom Italia and Vodafone) liable for abuse of our dominant positions in the wholesale termination market on the grounds of the discriminatory application of economic and technical conditions for fixed-to-mobile on-network calls (fixed-to-mobile calls originating and terminating on our respective networks) and intercom calls (calls originating and terminating on the internal telephone lines of a corporate customer) to the detriment of fixed-line competitors. We were fined a sum of €2.0 million and ordered to cease the discriminatory behavior. Although we appealed the decision before the Administrative Court of Lazio (the “*Lazio TAR*”), the Lazio TAR rejected our appeal on January 29, 2008 and the related decision was published on April 7, 2008. On September 17, 2008 we filed an appeal before the state council, seeking the annulment of the Lazio TAR’s decision, which is still pending.

### ***Proceedings Concerning Unfair Commercial Practices and Misleading Advertising***

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 €500,000 for each proceeding. Since the entry into force of the decree in May 2008, a significant number of these types of third party proceedings have been brought against WIND. In particular, many of these proceedings concern the advertising of VAS. Several cases are pending and we expect (as do other telecommunications operators in the market) that other claims may arise in the future.

### ***Other Litigation***

We are also subject to various legal proceedings arising in the ordinary course of business, none of which, if adversely decided, are likely to have a material adverse effect on our business, financial condition or results of operations.

### **Environmental Matters**

We are subject to a broad range of environmental laws and regulations. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, radiation emissions, zoning, the protection of employee health and safety, noise and historical and artistic preservation. We could therefore be exposed to costs and liabilities, including liabilities associated with past activities. Our operations are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

Our objective is to comply in all material respects with applicable environmental and health control laws, and all related permit requirements. We believe that the principal environmental risks arising from our current operations relate to the potential for electromagnetic pollution and for damage to cultural and environmental assets. In extreme cases, the penalty for repeat violations of the applicable environmental laws in Italy could result in administrative sanction, suspension and even revocation of our license.

We use different network infrastructure strategies in order to achieve radiation emission ranges lower than the minimum levels permitted by applicable Italian regulations. All plans for our base transceiver stations include a report on electromagnetic emissions that is submitted to the relevant public authorities. If the Italian government were to set limits on electromagnetic emissions that are stricter than those currently in effect, we could be required to upgrade, move or make other changes to our mobile telephone infrastructure. For further discussion of electromagnetic radiation, see “—Legal Proceedings—Proceedings Concerning Electromagnetic Radiation.”



We have obtained necessary ISO certificates to operate our network, including certificates addressing design, construction, installation, operation and maintenance of mobile and fixed-line telecommunications networks, occupational health and safety and social accountability.

### **Employees**

As of March 31, 2009, we had 6,686 employees, of which 2,843 were network and information technology operations employees, 3,166 commercial marketing, and customer operations employees and 677 other staff. As of March 31, 2006, 2007 and 2008, we had 7,871 employees, 7,144 employees and 6,753 employees, respectively.

We believe our labor relations with our employees are generally good.

WIND, along with the other companies engaged in the telecommunications services business, is in the process of negotiating with the relevant unions the renewal of the collective labor agreements.

### **Property and Leases**

We lease our headquarters in Rome, consisting of six buildings with a total of 70,746 square meters, from third parties pursuant to leases expiring between December 31, 2009 and October 6, 2014, and we expect to be able to renew our lease ending December 31, 2009 on substantially similar terms, although we can make no assurances of our ability to do so. In addition, we also lease offices in Milan, Pozzuoli and Ivrea from third parties, comprising a total of 78,092 square meters pursuant to leases expiring between June 30, 2010 and December 31, 2014. We do not own any real property, except for certain sites where some of our telecommunications network equipment is located.

We lease the sites where our mobile and fixed-line telecommunications network equipment are installed, with the exception of certain locations where Enel.Net S.r.l., one of our subsidiaries, owns 287 radio centers (including towers, concrete rooms for equipment, and approximately 160 sites and the land where the radio centers are located), 586 towers (from 15 meters up to 70 meters) and approximately 1,000 other minor towers. As of March 31, 2009, we leased 11,233 GSM sites, 193 main technological sites (convergent sites) and 105 MAN sites, which are typically leased for a term of six years, with an automatic renewal provision for the following six years, after which the lease must be renegotiated.

Our fiber optic network backbone is installed on the electric lines of electricity distribution companies pursuant to contractual agreements or arrangements providing us with “*diritto di appoggio*” (right of support): approximately 9,634 kilometers on the lines of Terna S.p.A. (“*TERNA*”); approximately 2,587 kilometers on the lines of ELAT; five kilometers on the lines of ENEL Distribuzione S.p.A.; 105 kilometers on the lines of Acea S.p.A. (“*Acea*”); approximately 11 kilometers on the lines of AEM Milano S.p.A.; and approximately 10 kilometers on the lines of AEM Torino S.p.A. Most of such contracts and arrangements expire on December 31, 2019 and some expire on December 31, 2013. We are in the process of negotiating to extend to 2019 the terms of the contracts or arrangements expiring in 2013, in order to make the expiration dates uniform.

We have the right to support our fiber optic cables on the electricity infrastructure (including cable ducts when required) owned by the utility companies named above by paying an annual fee per kilometer. We may lose the right of support either due to the uninstallation or moving of infrastructure by the utility companies without the possibility to install an equivalent infrastructure, or due to impositions by law or legal orders.

The infrastructure of ENEL and other electrical utility companies upon which a portion of our backbone lies is located on public and private properties throughout Italy, typically pursuant to easements and rights of way. In many cases, telecommunications infrastructure is not expressly contemplated by these easements and rights of way. As a result, we cannot exclude the possibility of

claims from the property owners asking for compensation for the use of their property and/or for the removal of its equipment. To date, we have not been directly subject to any claim of this type. We cannot assure you, however, that we will not become subject to claims of this type in the future or the effect that any such claims might have on us. See “Risk Factors—Our licenses and permits to provide mobile services have finite terms, and any inability to renew any of these licenses and permits upon termination, or any inability to obtain new licenses and permits for new technologies, could adversely affect our business.”

### **Intellectual Property**

We have registered some of our most important trademarks such as “WIND,” “Infostrada,” “Libero,” “NoiWIND” (in respect of which we recently filed an application for renewal) “MondoWIND” “Noi 2,” the “W” symbol designed in the shape of a wave that forms part of the “WIND” logo and certain of WIND’s other logos, in either Italy or in the EU. We do not own any registered patents or copyrights that we consider to be material to our business as a whole. We grant license agreements regarding our registered trademarks, including license agreements with the various dealers, franchisees and authorized vendors in our distribution channel, with our agents, content providers for the mobile market and with our subsidiaries. We also have several license agreements regarding our use of the registered trademarks of third parties.

### **Insurance**

We maintain insurance coverage in amounts that we believe are consistent with customary industry practices, including:

- an “all risks” policy that covers property assets against, among other things, fire, floods and natural causes;
- a liability policy that covers us in case of material damages caused to a third party;
- a credit policy that covers us against credit losses from dealers who fail to pay for SIM cards, scratch cards and handsets; and
- an inland transit policy that covers our handsets during the phases of transport and delivery towards dealers.

## REGULATION

The Italian Communications Authority (*Autorità per le Garanzie nelle Comunicazioni*, or “AGCOM”) and the Communications Department of the Italian Ministry of Economic Development together regulate all aspects of the telecommunications markets in Italy, comprising the mobile, fixed-line and Internet markets. Their regulatory powers mainly include licensing, authorizations, interconnection, frequency allocation, numbering, universal service obligations, tariff regulation and the rebalancing and arbitration of disputes between operators.

Currently, a telecommunications operator must obtain a general authorization from the Ministry of Economic Development to start providing electronic communication services. An authorization is considered to have been obtained by an operator upon the operator giving notice to the Ministry of Economic Development of the start of telecommunications services by such operator, unless the Ministry of Economic Development objects to such notice within 60 days from the submission of the notification. Where it is necessary to grant individual rights of use for radio frequencies (including the frequencies needed to provide mobile services), the Ministry of Economic Development shall grant such rights, upon request, to any undertaking providing or using networks or services under the general authorization. The granting of such individual rights of use shall take place according to procedures (for example, an auction or other form of tender which must be open, transparent and non-discriminatory) established by the AGCOM.

### Market Analysis

The Italian telecommunications market is regulated pursuant to a regulatory framework that was adopted by the European Commission in 2002 to harmonize the regulatory environment among European countries to promote convergence between telecommunications and broadcast networks and services, and to further encourage competition in the telecom market. This regulatory framework consists of the Framework Directive (2002/21/EC), Access and Interconnection Directive (2002/19/EC), Authorizations Directive (2002/20/EC), Universal Service Directive (2002/22/EC), Data Protection Directive (2002/58/EC), Directive on the competition in the markets for electronic communications services (2002/77/EC) and Regulation on unbundled access to the local loop (2000/2887/EC). This regulatory framework is further complimented by the EU radio spectrum policy, governed by the Radio Spectrum Decision (2002/676/EC), the Recommendation of the European Commission on Relevant Markets (2003/311/EC) (the “*Initial Recommendation*”) and the European Commission Guidelines for market analysis and the assessment of significant market power (2002/165/EC) (the “*Guidelines*”). The EU regulatory framework has been implemented in Italy through the adoption of the legislative decree of August 1, 2003, no. 259 (“*Codice delle Comunicazioni Elettroniche*,” or the “*Electronic Communications Code*,” which became effective on September 16, 2003. The Code requires AGCOM to carry out, taking account of the Initial Recommendation and the Guidelines, a market analysis to identify operators with “significant market power,” *i.e.*, operators which, either individually or jointly with others, enjoy a position equivalent to dominance, that is to say a position of economic strength affording them the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers. This analysis is undertaken with a view to imposing certain regulatory obligations on such dominant operators or otherwise confirming, amending or withdrawing the existing obligations imposed on them as per prior market analysis, if AGCOM decides that the market is not competitive.

The Ministry of Economic Development and the AGCOM have, in the framework of their competences, the following main objectives in implementing the regulatory framework:

- to promote the development of a competitive environment among network and electronic communication services (including broadband services);
- to introduce further competition into the Italian telecommunications market;

- to promote the liberalization of the broadcast and media industry;
- to ease barriers to entry;
- to foster the growth of new markets; and
- to protect consumers.

The Initial Recommendation adopted by the European Commission had identified 18 “relevant product and service markets” in relation to which a market analysis would be conducted to identify operators with “significant market power” and to assess whether any one of these markets would warrant *ex ante* regulation. As part of the ongoing review by the European Commission of the regulatory framework, on November 13, 2007, the European Commission published its proposal for review of the new regulatory framework described above, which is pending approval from the decision-making bodies within the EU. On the same date, the European Commission also published its revised recommendation of the relevant product and service markets within the electronic communications sector (the “*Revised Recommendation*”), which reduced from 18 to seven the markets susceptible to *ex ante* regulation. The following table sets forth the “relevant markets” identified by the European Commission as per its Initial Recommendation and Revised Recommendation:

Relevant Product and Services Markets in Initial Recommendation	Relevant Product and Services Markets in Revised Recommendation
Access to the public telephone network at a fixed location for residential customers (market 1)	Access to the public telephone network at a fixed location for residential and non-residential customers (market 1)
Access to the public telephone network at a fixed location for non-residential customers (market 2)	
Publicly available local and/or national telephone services provided at a fixed location for residential customers (market 3)	Not included
Publicly available international telephone services provided at a fixed location for residential customers (market 4)	Not included
Publicly available local and/or national telephone services provided at a fixed location for non-residential customers (market 5)	Not included
Publicly available international telephone services provided at a fixed location for non-residential customers (market 6)	Not included
The minimum set of leased lines (market 7)	Not included
Call origination on the public telephone network provided at a fixed location (market 8)	Call origination on the public telephone network provided at a fixed location (market 2)
Call termination on individual public telephone networks provided at a fixed location (market 9)	Call termination on individual public telephone networks provided at a fixed location (market 3)
Transit services in the fixed public telephone network (market 10)	Not included

Relevant Product and Services Markets in Initial Recommendation	Relevant Product and Services Markets in Revised Recommendation
Wholesale unbundled access (including shared access) to metallic loops and sub-loops for the purpose of providing broadband and voice services (market 11)	Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location (market 4)
Wholesale broadband access (market 12)	Wholesale broadband access (market 5)
Wholesale terminating segments of leased lines (market 13)	Wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity (market 6)
Wholesale trunk segments of leased lines (market 14)	Not included
Access and call origination on public mobile telephone networks (market 15)	Not included
Voice call termination on individual mobile networks (market 16)	Voice call termination on individual mobile networks (market 7)
The wholesale national market for international roaming on public mobile networks (market 17)	Not included
Broadcasting transmission services, to deliver broadcast content to end users (market 18)	Not included

In 2008, AGCOM completed its first round of analysis of all of the wholesale and retail markets (comprising both fixed-line markets and mobile markets) included in the Initial Recommendation. In view of the Revised Recommendation, AGCOM, by its Decision No. 667/08/CONS only completed its second round of market analysis with respect to the market of voice call termination, on individual mobile networks (market no. 7). The analysis with respect to fixed-line markets are expected to be concluded by the first quarter of 2010.

During the initial round of market analysis, AGCOM designated Telecom Italia as an operator with “significant market power” in all of the wholesale and retail fixed-line and mobile markets and subjected Telecom Italia to a number of regulatory constraints, with the exception of the wholesale mobile call origination market and the wholesale international roaming market, where AGCOM confirmed that the markets were competitive and did not warrant *ex ante* regulation.

As part of AGCOM’s market analysis, the only two relevant markets where operators other than Telecom Italia were found to hold a “significant market power” were the wholesale termination of voice calls on individual mobile networks and wholesale termination of voice calls on individual fixed-line network, where we, together with other network operators, were found to hold a “significant market power.” As an *ex ante* regulatory measure, AGCOM, adopted a “glide-path” (a gradual decline in mobile termination rates and fixed-line termination rates) for each of these markets. See “—Mobile Regulatory Environment—Mobile Termination” for mobile termination rates and “—Fixed-Line Regulatory Environment—Fixed-Line Collection and Termination” for fixed-line termination rates applicable to us as a result of this analysis.

#### **Adoption by Telecommunications Operators of Service Charters**

In a meeting of the Commission for Services and Products on July 24, 2003, AGCOM adopted Resolution 179/03/CSP in relation to the approval of general rules on quality and Telecommunications Services Charters.

This resolution identifies quality indicators and certain criteria according to which telecommunications operators are required to set quality standards and sets the minimum requirements for the adoption by telecommunications operators of Telecommunications Services Charters. It furthermore establishes general criteria for the quality of telecommunications services.

The directive addresses the following concerns:

- equal treatment of users and avoidance of any discrimination;
- comprehensive and intelligible information for users on the legal and technical terms and on the pricing of services to be provided;
- the establishment of systems that will allow customers to limit or control the level of users' consumption arising out of the use of the service covered by the contract;
- information concerning payment for services;
- claims and reporting;
- customer support;
- quality of services; and
- refunds and indemnities.

The resolution further sets out certain sanctions for non-compliance, which include, among others, certain circumstances in which telecommunications operators are required to refund customers.

In addition, AGCOM adopted specific resolutions on quality and services charters in relation to each of the main areas of electronic communications services (fixed-line voice calls, mobile and personal communications, Pay TV, Internet access) setting forth the level of quality for services typically provided in each of these areas.

### **Universal Service Obligations**

As the incumbent, Telecom Italia is required to provide a basic level of services with a given quality to all of the consumers in Italy, at affordable rates regardless of the geographical location of such consumer. In connection with such universal service requirement, AGCOM requires other fixed-line and mobile operators, including us, to compensate Telecom Italia for costs incurred by it as universal service provider. In this regard, AGCOM required us to pay approximately €2.3 million for fixed-line voice and mobile services for 2001, €3.9 million for 2002 and €5.9 million for 2003. We have not paid for such universal services for the period since 2004 to date, as since 2004, AGCOM has been working on revising the model for calculating the consideration for such services. Most recently in September 2008, AGCOM initiated a public consultation process with the aim of finalizing the new model. Since 2004, we have set aside provisions in relation to incurred but unpaid amounts for universal services based on the best information available at the date of calculation, pending determination by AGCOM of the actual amount payable for such services. See Note 20 "Provisions," to the consolidated financial statements of WIND appearing elsewhere in this Offering Memorandum.

### **International Roaming**

With respect to the wholesale international roaming market, on June 30, 2007, the EU Regulation on Roaming (2007/717/EC) (the "*Roaming Regulation*") came into effect. The Roaming Regulation provides a steady reduction in retail and wholesale roaming charges for calls made to destinations within the EU and the EEA. As of July 1, 2009, the European Commission proposal to extend the scope and duration of the Roaming Regulation has come into effect, which, among other things, further reduces the caps applicable to roaming voice charges, while extending the glide path for



roaming voice charges to 2012, and introduces a cap on the roaming charges that operators can charge for SMSs and mobile data services.

### Interconnection Rates

Telecom Italia, the incumbent and former monopoly telephone services provider, owns and operates the largest fixed-line voice telephone network in Italy. As a result, the ability of other operators, including us, to provide fixed-line voice and other telecommunications services is dependant on the ability of such other operators, including us, to interconnect with Telecom Italia's network. As such, the wholesale interconnection rates that Telecom Italia charges other operators, including WIND (which include the fixed-line termination rates charged by Telecom Italia for calls terminating on its networks) are regulated by AGCOM through a wholesale (network) cap regime under AGCOM's Decisions 33/06/CONS, 45/06/CONS, 417/06/CONS and 4/06/CONS. See “—Fixed Line Regulatory Environment—Retail and Wholesale Price Caps—Wholesale (Network) Cap.” While the mobile termination rates that Telecom Italia charges to other operators for calls terminating on its mobile network have also been subject to a wholesale (network) cap, all mobile network operators are subject to a new mobile termination rate network cap. See “—Mobile Regulatory Environment—Mobile Termination.”

As a result of its “significant market power” in all retail markets, the retail prices that Telecom Italia charges to its end-users (customers) are also regulated by AGCOM. Following the completion of the first round of market analysis, AGCOM updated the rules applicable to provision of retail services by Telecom Italia pursuant to its Decisions 33/06/CONS and 642/06/CONS. See “—Fixed Line Regulatory Environment—Retail and Wholesale Price Caps—Retail Price Cap.”

### Mobile Regulatory Environment

#### Mobile Termination

As a result of its market analysis on wholesale termination of voice calls on individual mobile networks, on December 5, 2008, AGCOM adopted its Resolution 667/08/CONS pursuant to which WIND, together with all other mobile operators in Italy (Telecom Italia, Vodafone and Hutchison 3G), were declared to hold a “significant market power” in this market. Accordingly, AGCOM imposed certain transparency, access, non-discrimination, price control and cost accounting obligations on each of them. In particular, Article 12 of the aforementioned Resolution set forth a four-year “glide path” (a gradual decline in mobile termination rates) such that by 2012, all termination rates will be the same for each operator.

<u>Eurocents/minute</u>	<u>From July 1, 2009</u>	<u>From July 1, 2010</u>	<u>From July 1, 2011</u>	<u>From July 1, 2012</u>
Hutchison 3G . . . . .	11.0	9.0	6.3	4.5
Telecom Italia . . . . .	7.7	6.6	5.3	4.5
Vodafone . . . . .	7.7	6.6	5.3	4.5
WIND . . . . .	8.7	7.2	5.3	4.5

The “glide path” may be implemented on an accelerated basis, which could result in the enforcement of a maximum termination rate earlier than anticipated.

Notwithstanding the glide path set forth by AGCOM Decision 667/08/CONS, the same decision also provides for a new model to determine termination rates, the development of which is still in its initial stages. Currently, AGCOM unilaterally sets the termination rates based on input received from the operators on, among others, their key operational figures, past investments, long-term investments and anticipated traffic volumes. The new cost model, which is a long-run incremental cost accounting

model based on the EU's Recommendation on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU dated May 7, 2009 C(2009) 3359 is final, is under evaluation by AGCOM.

In addition to the glide path provided for above, on August 30, 2008 AGCOM published resolution no. 446/08/CONS, which applied a cap of €0.13 per minute from November 1, 2008 to mobile termination tariffs on Hutchison 3G's network.

The financial impact of the regulated mobile termination rates on us will depend on the combination of a number of factors, which include the volume of calls made by customers of other operators that terminate on our network (for which our charge termination rates, which comprise our interconnection revenues), and the volume of calls by our customers that terminate on the network of other mobile operators (for which we are charged termination rates, which comprise our interconnection expenses).

### ***Mobile Access and Call Origination***

In August 2000, by its Decision 544/00/CONS, AGCOM decided as part of the UMTS license provisions not to impose a regulatory obligation upon mobile operators to provide access by mobile virtual network operators, or MVNOs, to their respective GSM, GPRS and UMTS networks for a period of eight years from the initial commercial launch of UMTS services.

In February 2005, the Italian competition authority initiated a formal investigation against Telecom Italia, Vodafone and us alleging that they abused their dominant position by, among other things, refusing to provide access to MVNOs in 2005. Notwithstanding this investigation, AGCOM, by its subsequent decisions, confirmed the introduction of MVNOs only through a commercial agreement with an operator, rather than as a legal requirement, as AGCOM did not find any mobile operator to hold a dominant position in this market either individually or collectively.

In 2007, the European Commission's Revised Recommendation did not include the market on wholesale access and call origination on mobile networks among the "relevant markets" that required *ex ante* regulation. Accordingly, on March 16, 2009, AGCOM, by its decision 65/09/CONS, decided that the market for the provision of wholesale access and origination service from public mobile networks was competitive and does not fulfill the criteria for the imposition of *ex ante* regulation.

### ***Assignment of 900 MHz Spectrum***

In 2008, AGCOM adopted its Decision 541/08/CONS concerning the allocation of the spectrum of 900 MHz and 2100 MHz bands and established the criteria for the allocation plan for the 1800 MHz spectrum. As per this decision, we, Telecom Italia and Vodafone presented a joint plan for the re-allocation of the spectrum of the 900 MHz band assigned to each of these three GSM operators to increase spectrum efficiency and enable the refarming of the 900 MHz band to provide 3G services. The reallocation process is split in two phases which includes the transitory phase and the final phase:

- The transitory phase runs from November 2009 to November 2011. During this period, out of the total 35 MHz, we will be assigned 9.8 MHz spectrum, Telecom Italia will be assigned 12.6 MHz spectrum and Vodafone will be assigned 12 MHz spectrum. As a result, the spectrum initially assigned to us will increase in terms of quantity (*i.e.*, MHz) and will be of a better quality (*i.e.*, spectrum available will be less fragmented than in the current allocation);
- The final phase will run from December 2013 onwards. During the final phase, we, Telecom Italia and Vodafone will each be assigned 10 MHz spectrum, and therefore, a spectrum parity between all three operators will be achieved. The remaining 5 MHz will then be assigned through a competitive bidding process among the remaining operators.

In March 2009, the Italian Ministry for Economic Development announced a tender for the assignment rights of use for the frequencies in the 2100 MHz band, divided into three blocks of 5 MHz bandwidth each, which have become available following the withdrawal of the IPSE license. The additional spectrum is subject to the term of the original UMTS license. In June 2009 we were awarded a 5 MHz block for about €89 million.

The Italian Ministry of Economic Development is also planning to auction off an additional 900 MHz spectrum. The auction is set to begin 180 days after the finalization of the UMTS auction and is reserved for either new operators in the Italian market or “UMTS only” operators (*i.e.*, we, Telecom Italia and Vodafone cannot participate). See “Business—Licenses.”

#### ***Abolition of Mobile Recharge Fee***

In March 2007, the so-called “Bersani Decree” (Law Decree No. 7 of January 31, 2007, converted into Law No. 40 of April 2, 2007), abolished the fixed charge for mobile top-ups on pre-paid SIM cards.

#### **Fixed-Line Regulatory Environment**

Pursuant to the Access and Interconnection Directive (2002/19/EC), national regulatory authorities, including AGCOM, may require an operator with “significant market power” to regularly produce a “reference interconnection offer” setting forth the terms and conditions at which such operator will provide access to specified services approved by the regulator. The reference interconnection offer is required to be sufficiently unbundled to ensure that operators receiving access to the dominant operator’s facilities only pay for use of such facilities and requires each operator with “significant market power” to give a description of the relevant offering and its associated terms and conditions, including, among other things, prices. Pursuant to Italian law, the interconnection reference offer of Telecom Italia covers the following services: (i) fixed-line collection and termination, (ii) trunk and terminating circuit services, (iii) local loop unbundling, or LLU, (iv) bitstream, and (v) Wholesale line rental, or WLR. Telecom Italia’s WLR and bitstream reference interconnection offers for 2009 are under AGCOM’s evaluation.

#### ***Fixed-Line Collection and Termination***

With the aim of maintaining, increasing and supporting investment by new operators in the fixed-line market, since 2003, alternative operators entering the fixed-line market are permitted to charge different fixed-line termination rates for calls terminating on their fixed-line network (via either direct access or via LLU) than the fixed-line termination rates that Telecom Italia is permitted to charge.

The fixed-line interconnection rates which Telecom Italia is permitted to charge for collection (*i.e.*, interconnection starting with call origination until receipt by a connection node on the network) and for calls terminating on its fixed-line network are subject to a wholesale (network) cap. The current wholesale (network) cap (which will be in effect until 2009) provides for a gradual reduction in such interconnection rates (determined as a factor of inflation); which is in line with the regime adopted initially in 2003. Currently, the wholesale (network) cap for collection and termination rates charged by Telecom Italia is set at the Retail Price Index, or RPI, *minus* 9.9% (what we refer to as “retail minus pricing”).

As a result of AGCOM’s market analysis, AGCOM adopted its Decision 251/08/CONS, whereby certain alternative fixed-line operators, including us, have also been subjected, as an *ex ante* regulatory measure, to a four-year “glide path” (a gradual decline in fixed-line termination rates) to fixed-line termination rates for calls terminating on their respective networks. Decision 407/08/CONS explicitly included certain alternative operators in the “alternative fixed-line operators” category, which include

Brennercom S.p.A., Fly Net S.p.A., TEX97 S.p.A, Satcom S.p.A., Uno Communications S.p.A., and Vodafone Omnitel N.V.

Based on Decision 251/08/CONS the following fixed-line termination rates are applicable to alternative operators:

<u>Period</u>	<u>Fastweb</u>	<u>WIND</u>	<u>BT Italia</u>	<u>Tiscali</u>	<u>Tele2</u>	<u>Eutelia</u>	<u>Others</u>
	(cents per minute)						
July 1, 2007 to June 30, 2008 . . . . .	€2.01	€1.90	€1.78	€1.76	€1.45	€1.25	€1.25
July 1, 2008 to June 30, 2009 . . . . .	€1.53	€1.44	€1.38	€1.36	€1.15	€1.02	€1.02
July 1, 2009 to June 30, 2010 . . . . .	€1.05	€1.01	€0.97	€0.97	€0.86	€0.80	€0.80
July 1, 2010 and thereafter <sup>(1)</sup> . . . . .	—	—	—	—	—	—	—

(1) Pending before AGCOM. Decision 251/08/CONS of AGCOM foresees that effective July 1, 2010, the interconnection rates charged by all operators will converge at the interconnection rates then charged by Telecom Italia.

Certain operators, OPITEL, Fastweb, BT, Colt and Infracom, have challenged this decision, which is now in appeal before Tar Lazio. The hearing was scheduled for June 25, 2009. We expect the proceedings to be finalized by 2010.

#### ***Wholesale Terminating Segments of Leased Lines and Wholesale Trunk Segments of Leased Lines***

On January 26, 2006, pursuant to AGCOM's Decision 45/06/CONS on the termination segments of leased lines market and the long distance leased lines market, AGCOM notified Telecom Italia that it had been identified as an operator with "significant market power" in both these markets. As a result, AGCOM repealed the "retail minus" pricing regime previously applied to Telecom Italia, whereby Telecom Italia was required to charge the other operators for the provision of wholesale leased lines wholesale rates determined as a reduced percentage of the retail rates which Telecom Italia charged its consumers. Currently, Telecom Italia is charging a cost-based fee approved by AGCOM. See "—Fixed Line Regulatory Environment—Retail and Wholesale Price Caps—Wholesale (Network) Cap." With the decision 42/08, AGCOM approved the economic conditions for the year 2006 up to 2008. The 2009 "Wholesale terminating segments of leased lines" and "Wholesale trunk segments of leased lines" markets and "14" offers are under AGCOM evaluation.

#### ***Direct Telephone and Broadband***

Three main regulatory provisions affect competition in the direct telephone and broadband markets, namely the obligation on Telecom Italia to provide LLU, bitstream and WLR services.

##### ***LLU***

Local loop unbundling, or LLU, is a regulatory process of allowing multiple telecommunications operators, including us, to use connections from Telecom Italia's central office to directly connect end-users to their respective networks by renting the copper loop from Telecom Italia. All licensed operators can request the provision of LLU services from Telecom Italia, which is required to provide access to LLU services on non-discriminatory, transparent and cost-based terms and conditions. Unbundling is available in two forms in Italy:

- *Full LLU*: With full LLU, the subscriber no longer has a subscription to Telecom Italia's telephone service.
- *Shared Access*: Under shared access, the subscribers maintain a subscription to Telecom Italia's telephone services, and operators renting shared loops only provide DSL Internet access.

Both full LLU and shared access tariffs are regulated in Italy. Telecom Italia, is required to include these tariffs in its reference offer. We believe the full LLU tariffs applicable in Italy are among the most favorable in the EU from the perspective of alternative operators, including us, as they are generally below tariffs applied in the EU, and in particular, the United Kingdom, Germany and France. In addition, the shared access tariffs are also lower than the EU average. Relatively low LLU tariffs have generally created a favorable environment for operators in Italy other than Telecom Italia, encouraging investment in LLU facilities to provide direct telephone and broadband services.

Following the expiry of the LLU wholesale (network) cap in 2007, alternative operators, including WIND, pay a monthly fee for unbundling and shared access services to Telecom Italia at cost-oriented tariffs approved by AGCOM. Following a public consultation, AGCOM decided that, effective January 1, 2009, the LLU monthly fees payable to Telecom Italia will be €8.49 per month, compared to €7.60 per month in 2008, €7.80 per month in 2007 and €8.30 per month in 2006. The shared access LLU monthly fees payable to Telecom Italia are currently €1.97 per month. The second round of market analysis may significantly impact the development of LLU services in Italy because AGCOM may replace the existing cost accounting model.

#### *Bitstream Offer*

As a result of the first round of market analysis, AGCOM adopted Decision 34/06/CONS, which requires Telecom Italia to offer alternative operators and Internet service providers, or ISPs, wholesale bitstream services on a non-discriminatory and cost-based basis. Telecom Italia is required to charge wholesale prices for provision of naked bitstream (high bandwidth) on a “retail minus” basis, as a key condition for competition. AGCOM approves Telecom Italia’s wholesale bitstream offer on an annual basis.

The bitstream offer provided by Telecom Italia is an unbundled offer and includes four levels of interconnection to be used by the alternative operators. The levels of interconnection include: (i) DSLAM node (available only out of LLU areas), (ii) Parent Node, (iii) Distant Node, and (iv) IP Level.

For each level of interconnection there is a different scheme.

#### *Wholesale Line Rental*

Wholesale Line Rental was introduced in Italy at the end of 2007, in areas where LLU was not available, which then corresponded to approximately 25% of the Italian population. In respect of WLR, Telecom Italia leases its subscriber lines on a wholesale basis to alternative operators, including WIND, which such operators then release to their customers. AGCOM held that Telecom Italia must offer access to its network providing the WLR where LLU is not currently provided. Currently, Telecom Italia is obliged to offer WLR on a “retail minus” basis, with a 12.0% reduction from monthly rental fees offered by Telecom Italia. Effective February 1, 2009, Telecom Italia increased its monthly rental fees to €13.40.

#### *Retail and Wholesale Price Caps*

As the incumbent and former monopoly telephone services provider in Italy, Telecom Italia’s retail and wholesale offers are subject to caps determined by AGCOM.

#### *Retail Price Cap*

The retail price cap, which was introduced in Italy in 2003, is determined as a factor of the anticipated level of inflation, measured by the retail price index, or RPI. Currently, AGCOM’s Decision 33/06/CONS sets the price cap regime applicable to Telecom Italia’s offers in relation to access (RPI

*minus* RPI for residential customers, and RPI *minus* 0% for non-residential customers). In addition, AGCOM's Decision 642/06/CONS sets the price cap regime applicable to Telecom Italia's offers on voice traffic (RPI *minus* RPI for local and national calls, RPI *minus* 6% for fixed-to-mobile calls which apply both to residential and non-residential customers).

#### *Wholesale (Network) Cap*

After the first round of market analysis, AGCOM separated Telecom Italia's previous reference interconnection offer into five different interconnection reference offers, which include capped wholesale offers for fixed-line collection and termination services, wholesale trunk and termination services, LLU, bitstream, and WLR. Most of the network caps have expired or are under review in the new market analysis process which is ongoing.

### **New Technologies**

#### *VoIP*

Voice over Internet Protocol, or VoIP, is a general term for a set of transmission technologies for the delivery of voice communications, such as voice, facsimile, and/or voice-messaging applications over IP networks such as the Internet, rather than the PTSN. In Italy, while VoIP providers operate under the same general authorization regime as other providers of electronic communications services, AGCOM regulates the provision of VoIP services pursuant to its Decision 11/06/CIR. The rights and obligations of VoIP providers may differ depending on the type of VoIP services provided, based on the category of "electronic communications services" under which such services fall.

#### *WiMax*

On October 19, 2002, the Italian government announced that operators could bid for 3.5 GHz radio frequencies (WiMax spectrum). The Italian government raised €136 million (representing a 176% increase on the starting bid of €49 million). However, many of the larger operators such as us, Fastweb and Mediaset withdrew from the tender.

The main winners of the auction were largely smaller operators such as ARIADSL S.p.A., which gained licenses in all the regions of Italy, and A.F.T. S.p.A (provider of WiFi hotspots around Italy), which was awarded licenses in all regions of Italy. Multimedia group Retelit, through its subsidiary e-via S.p.A., was awarded with licenses in central and northern Italy. Telecom Italia was awarded with three licenses, in the central and southern regions of Italy, and the island of Sardinia.

#### *Audiovisual and Multimedia Content*

With Decision 626/08/CONS, AGCOM has launched an inquiry into content producers in the electronic communication field. The inquiry aims at identifying the relationships between operators that broadcast digital content, the terms and conditions of contents distribution on each platform, and if network operators can be said to control the distribution of contents. We have submitted our position on the decision.



## MANAGEMENT

### The Issuer

The directors of the Issuer are Benoît Nasr, Cédric Bradfer and Jean-Christophe Dauphin. The Issuer is owned 73.0% by Wind Acquisition Finance S.A. Charitable Trust, a charitable trust formed under Irish law, and 27.0% by WIND. The Issuer is not controlled by WIND or any of WIND's direct or indirect shareholders or subsidiaries. The address for each of the directors of the Issuer is c/o Wind Acquisition Finance S.A., 125, Avenue du X Septembre, L-2551 Luxembourg.

### WIND

#### *Board of Directors*

The persons set forth below are the current members of the Board of Directors of WIND. Such appointments will expire upon the approval of the financial accounts as of December 31, 2009. The Board of Directors of WIND manages the business activities of WIND. The address for each of the directors and executive officers of WIND is Via Cesare Giulio, Viola 48, 00148 Rome, Italy.

Name	Age	Position
Mr. Naguib Onsi Sawiris . . . . .	55	Chairman of the Board of Directors, Director
Mr. Luigi Gubitosi . . . . .	48	Chief Executive Officer
Mr. Hassan Moustafa Abdou . . . . .	39	Director
Mr. Ossama Raafat Shafik Bessada . . . . .	36	Director
Mr. Khaled Galal Guirguis Bishara . . . . .	37	Director
Mr. Amedeo Carassai . . . . .	42	Director
Mr. Emad Shawky Farid . . . . .	44	Director
Mr. Onsi Naguib Sawiris . . . . .	78	Director

*Naguib Onsi Sawiris* has been the Chairman of the Board of Directors of WIND since 2005. Prior to his position with WIND, Mr. Sawiris established and built the information technology, railway and telecommunications sectors of OTH. Mr. Sawiris is also the Chairman of the Board of Directors of Weather and of various subsidiaries of Weather. In addition, Mr. Sawiris is serving on various international and regional Boards, Committees and Councils, including serving on the Board of Directors of the GSM Association since 2003, the International Advisory Committee to the NYSE Board of Directors since November 2005 and serving as a member of the Board of Directors of the Egyptian Counsel for Foreign Affairs and the Consumer Rights Protection Association. He is also the recipient of the French "Légion d'honneur" award and the "Sitara-e-Quaid-e-Azem" award, conferred upon him by General Pervez Musharraf of Pakistan. Mr. Sawiris is the son of Mr. Onsi Naguib Sawiris. Mr. Sawiris holds a Bachelor of Science degree in Mechanical Engineering and a Masters degree in Technical Administration from the Swiss Institute of Technology, Switzerland.

*Luigi Gubitosi* has been a member of the Board of Directors of WIND since 2005. Prior to his position with WIND, Mr. Gubitosi was the Chief Financial Officer of Fiat Group from 2004 to 2005. Mr. Gubitosi has also worked as an executive in various capacities for the Fiat Group since 1986. Mr. Gubitosi has served as the Chairman of the Board of Directors of Fiat Partecipazioni and as a member of the Board of Directors of Fiat Auto, Ferrari, CNH, Iveco, Itedi, Comau and Magneti Marelli. Mr. Gubitosi holds a Masters Degree in Business Administration from INSEAD, and he undertook undergraduate studies in law and economics at Naples University and the London School of Economics.

*Hassan M. Abdou* has been a member of the Board of Directors of WIND and Weather since 2005. He is also the Chief Executive Officer for Weather Investments II S.à r.l. and director of Cylo Investments, a regional private equity company, and a member of the Board of Directors of OTH, and

has managed various Sawiris family investment companies since 2003. Prior to these positions, Mr. Abdou served as Chief Investment Officer of EFG Hermes Private Equity and a fund manager of the Horus Private Equity Fund. Mr. Abdou sits on the Board of Directors and executive committees of several information technology, telecommunications and entertainment companies in Europe, Egypt and the Middle East. Mr. Abdou holds a Bachelor of Science degree in Mechanical Engineering from the University of Pennsylvania and a Bachelor of Science degree in Economics from the Wharton Business School. In addition, he received his Masters of Business Administration from the Harvard Business School in 1996.

*Ossama Raafat Shafik Bessada* became a member of the Board of Directors of WIND in 2009. Since 2009, he has been the Chief Operating Officer of WIND and heads its Commercial, Technical, information technology, R&D, Operational Strategy, and Regulatory Affairs & Institutional Relations departments. Prior to his position with WIND, Mr. Bessada was the Chief Commercial Officer of OTH. Before this position, Mr. Bessada served as the GSM Services Development Director in charge of the product development strategies for Data & VAS for the Group, the Managing Director of ARPU+, the Commercial Director of Syriatel and the Marketing Director of Orascom Telecom Algeria. Mr. Bessada holds a Bachelor's degree in telecommunications engineering and a Masters in Business Administration from the American University in Cairo.

*Khaled Bishara* has been a member of the Board of Directors of WIND since 2006. He is also the Group Chief Operating Officer of Weather and OTH. Prior to joining WIND, Mr. Bishara was the co-founder, Chairman and CEO of LINKdotNET, the largest private Internet Service Provider in the Middle East. Before starting LINKdotNET he founded Micro labs, a software development firm. Mr. Bishara became the Chief Internet Strategist of OTH in 2000 and has been a member of the Board of Directors of OTH since 2003. He is also a Board member of WIND HELLAS, MOBI mtld ltd (the mobile domain company) and several other companies. Mr. Bishara holds a Bachelor of Science degree from the American University in Cairo. Mr. Bishara was fined US\$250 in June 2005, after pleading guilty to a single felony count of making a false statement in an application to the United States Agency for International Development ("USAID"). The charge against Mr. Bishara arose from the participation of LINKdotNET in a program administered by the Egyptian Government and USAID which extends interest free loans to Egyptian businesses for the purchase of US origin products. The loan extended to LINKdotNET was fully collateralized in U.S. dollars and no loss resulted from the transaction. The loan proceeds were used to purchase US origin equipment and no money was diverted by Mr. Bishara for personal use. Both Mr. Bishara and LINKdotNET believed they settled this matter administratively when, in 2003, LINKdotNET fully repaid the CIP loan and agreed to a three year debarment from participating in USAID sponsored programs.

*Amedeo Carassai* has been a member of the Board of Directors of WIND since 2008. Mr. Carassai is also a member of the Board of Directors of Apax. Prior to joining Apax, Mr. Carassai was Chief Investment Officer of Syntek Capital, a pan-European technology-focused venture capital organization. Prior to joining Syntek, Mr. Carassai was a partner at McKinsey and Company, a management consultancy, for over eight years. Mr. Carassai holds a Master in Business Administration from the Sloan School at the Massachusetts Institute of Technology and holds a degree in engineering *summa cum laude* from the University of Rome.

*Emad Shawky Farid* has been a member of the Board of Directors of WIND since 2006. He is also the Vice Chairman of OTH. Prior to his current position with OTH, Mr. Farid was Group Chief Operating Officer of OTH from 2003 to 2009. Mr. Farid joined OTH in 2000 and was subsequently appointed as the Chief Executive Officer of Syriatel. Mr. Farid joined the OTH group in 1992 where he held different managerial positions. He is a member and/or Chairman of the Board of various subsidiaries of OTH, including, OTA (Algeria), Mobilink (Pakistan), OTT (Tunisia), Koryolink (DPRK), ARPU+ and MENA cable. Mr. Farid holds a Masters of Science degree in telecom engineering from Cairo University.

*Onsi Naguib Sawiris* has been a member of the Board of Directors of WIND since 2005. Mr. Sawiris is the founder of the OTH group of companies and serves as the Chairman of Orascom Construction Industries (“OCI”) and Orascom Trading Co. Mr. Sawiris also serves as a member of the Board of Directors of Weather, OTH, Orascom Hotel & Development (“OHD”), and Orascom Technology Systems. He also serves as Chairman of the Board of Directors of various organizations including the Pharaonic AIG Insurance Co, the Egyptian Scandinavian Business Association and the YMCA in Cairo.

In May 2008, Mr. Sawiris was made Commander in the Order of the Crown from his Majesty, the King of Belgium Albert II. In April 2007, he was awarded the Swedish Royal Order of the Polar Star in the presence of HRH Princess Victoria of Sweden. He was also awarded in November 1998 “l’Ordre de Leopold from his Majesty the King of Belgium Albert II. Mr. Sawiris is the father of Mr. Naguib Onsi Sawiris. Mr. Sawiris holds a Bachelor of Science in Agricultural Engineering from Cairo University.

### ***Executive Officers***

Set forth below is certain information concerning the individuals serving as the executive officers of WIND.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Luigi Gubitosi . . . . .	48	Director, Chief Executive Officer
Mr. Ossama Bessada . . . . .	36	Director, Chief Operating Officer
Mr. Giuseppe Gola . . . . .	44	Chief Financial Officer
Mr. Philippe Tohmè . . . . .	42	Chief Technology Officer and Deputy Chief Executive Officer
Mr. Romano Righetti . . . . .	47	Head of Regulatory Affairs and Institutional Relations
Mr. Mark Shalaby . . . . .	36	Head of Legal Affairs
Mr. Maurizio Mongardi . . . . .	45	Head of Human Resources

*Luigi Gubitosi* has been the Chief Executive Officer of WIND since July 2007. For information on Mr. Gubitosi, see “—Board of Directors.”

*Ossama Bessada* has been Chief Operating Officer of WIND since April 2009. For information on Mr. Bessada, see “—Board of Directors.”

*Giuseppe Gola* has been Chief Financial Officer of WIND since October 2007. Mr. Gola is also a member of the Board of Directors of Enel.Net and Italia OnLine S.r.l. Prior to his current position, Mr. Gola was head of the Control Department of WIND from 2003 to 2007, covering also the responsibility of Business Planning and Accounting from beginning 2007. Mr. Gola was also responsible for the Investment Planning and the Mobile Business Planning Unit in ENEL. Mr. Gola also worked with Albacom S.p.A. where he was in charge of Strategic Planning. He also worked in IPSE 2000 where he held the position of head of Control Department. Mr. Gola holds a degree in electronic engineering *summa cum laude* from the Sapienza University in Rome and a Master in Business Administration from the L.U.I.S.S.—Guido Carli University.

*Philippe Tohmè* has been Chief Technology Officer of WIND since 2007, Deputy Chief Executive Officer of WIND since May 2009 and also serves as the Chairman and Chief Executive Officer of Enel.Net S.r.l., a wholly-owned subsidiary of WIND. Previously Mr. Tohmè served as the Chief Operating Officer of Djezzy (Orascom Telecom Algeria), the Chief Technology Officer of OTH and Technical Director of MobiNil (Egypt). Prior to joining OTH, Mr. Tohmè worked in several technical position in the launch of two mobile operators, Cellis (Lebanon) and MobilRom (Romania). Mr. Tohmè holds a Bachelor of Science degree in electrical engineering from the American University in Beirut and a Master of Science degree in Electrical Engineering from The Virginia Polytechnic Institute and State University.

*Romano Righetti* has been Director of Regulatory/Antitrust Affairs and Institutional Relations of WIND since 2006. From 1999 to 2005 he worked for Telecom Italia S.p.A., where he held the position of Regulatory Affairs and International Institutions Vice President within the Public and Economic Affairs Department. Mr. Righetti was responsible for regulation and antitrust issues involving foreign subsidiaries of the Telecom Italia Group (Argentina, Austria, Bolivia, Brazil, Chile, Cuba, France, Germany, Greece, Israel, Peru, Spain, Tunisia, Turkey and Venezuela) in both its fixed and mobile businesses. Moreover, he was responsible for defining and representing Telecom Italia Group's policy vis-à-vis certain International Institutions (the European Union, the World Trade Organization, the World Bank, the International Monetary Fund, UIT and the Organization for Security and Co-operation in Europe) and the related relationship management. During 1999, Mr. Righetti served as Director of the Regulatory Department AGCOM. From 1995 to 1999, Mr. Righetti served as General Director for Regulatory Affairs (telecommunications, broadcasting and postal services) for the Ministry of Communications. Mr. Righetti holds a degree in Economics from L.U.I.S.S. Guido Carli University.

*Mark Shalaby* has been Head of Legal Affairs of WIND since June 2008, following a secondment with WIND from February 2007. Prior to his work with WIND, Mr. Shalaby worked for the law firm of White & Case LLP where he specialized in privatization and infrastructure-related work. Mr. Shalaby is admitted to the New York State Bar and District of Columbia Bar. Mr. Shalaby holds a Bachelors degree from Stanford University, a Masters degree from Georgetown School of Foreign Service and a Juris Doctorate degree from the Georgetown University Law Centre.

*Maurizio Mongardi* has been the Head of Human Resources since May 2006. Prior to this position with WIND, Mr. Mongardi was Group Director, Human Resources & Organization of the De'Longhi Group for Italy from 2004 to 2006. He was Vice President, Global Human Resources & Organization Director of Fila Group for Italy from 2000 to 2003. Prior to that Mr. Mongardi held several positions in the Sony Group from 1992 to 1999. Mr. Mongardi holds a Business Administration degree from Commercial University "Luigi Bocconi" in Milan.

#### ***Board of Directors and Shareholders' Practices***

WIND is a joint stock company organized as a *società per azioni* under Italian Law. Below is a summary of the general rules governing its Shareholders and Board of Directors practices.

#### ***Shareholders' Meetings***

As required by the Italian Civil Code and included in the by-laws of WIND, the quorum required to hold shareholder meetings is 50% for ordinary shareholder meetings and 50% of the corporate share capital plus one share for extraordinary meetings.

The quorum required to validly resolve at such meetings is set forth by the Italian Civil Code, being the absolute majority of shareholders in attendance for the ordinary meetings and 50% of the corporate share capital plus one share for extraordinary meetings.

#### ***Board of Directors***

WIND's Board of Directors is validly constituted with the presence of the majority of the members of the Board of Directors (one of whom must be a director who was nominated to the Board of Directors by the Investors (see "—Weather Shareholders Agreement")) and the favorable vote of the majority of the directors in attendance shall be required to adopt board resolutions.

Any Director of WIND may require that the Chairman of the Board convene a meeting of the Board of Directors of WIND.

In the event of a tie, the vote of the Chairman of the Board will be the deciding vote.

The powers relevant to the following matters cannot be delegated by the Board of Directors to any Director or committee of the Board:

(i) any acquisition and/or disposal, in whatever form, of shareholdings, equity interests, business units, trademarks or assets having an aggregate value exceeding €50,000,000 on an annual basis (whether as a single transaction or a series of separate transactions) including relevant indebtedness, if any; (ii) any issuance of bonds or other debt securities and of other securities granting administrative rights (“*strumenti finanziari partecipativi*”); (iii) any participation in any material joint ventures, partnerships, associations or other entities; (iv) any segregation of WIND’s capital and establishment of segregated funds for pursuing a specific purpose (“*patrimoni destinati ad uno specifico affare*”); (v) any extraordinary transaction, including any merger or de-merger; (vi) any financing or incurring of indebtedness, as well as any grant of guarantees in favor of third parties or cross guarantees in favor of members of the Group with an aggregate value exceeding €150,000,000 on an annual basis; (vii) any stock option or other management equity or similar plans; (viii) any amendment of the accounting policies, bases or methods; (ix) any appointment of general managers and the granting of relevant powers; (x) any approval of any capital expenditure which is not a part of a budget approved by the Board and is greater than €100,000,000 on an annual basis, and (xi) any approval of business plan or annual budget; provided that, notwithstanding the foregoing, any matter relating to paragraphs (ii), (iv), (vi) (vii), (viii) and (ix) above that is detailed in any business plan or budget of WIND approved by the Board can be delegated to any Director or committee of the Board.

#### *Weather Shareholders Agreement*

Pursuant to the terms of the shareholders agreement entered into on June 4, 2008 and amended and restated on January 28, 2009 (the “*Weather Shareholders Agreement*”) between Weather, Weather II and certain fund entities managed by the private equity firms APAX Partners Worldwide LLP (“*APAX*”), Madison Dearborn Partners LLC (“*MDCP*”) and TA Associates Inc. (“*TA*”) (together, the “*Investors*”) prior to conversion of the class B shares of Weather held by the Investors into class A shares of Weather, the Investors are entitled to designate one director to the Board of Directors of WIND.

Pursuant to Section 7 (Management of Subsidiaries) of the Weather Shareholders Agreement, the provisions relating to the appointment, removal and replacement of directors and certain provisions relating to the proceedings of the Board of Directors of Weather also apply to the Board of Directors of WIND.

The Chairman of the Board of WIND shall be a director designated by Weather II and such Chairman of the Board may serve multiple and consecutive terms if re-designated by Weather II.

Prior to conversion of the class B shares of Weather held by the Investors into class A shares of Weather, the Investors may designate up to two additional persons (each, an “*Observer*”) to attend and observe any meetings of the Board of Directors of WIND. The Observers are not entitled to vote or be counted in the quorum at any meetings of the Board of Directors of WIND.

Weather II is required to procure that WIND or the Directors of WIND, as the case may be, shall:

- provide each Director and Observer with notice of the meeting and a copy of the agenda identifying the business to be transacted at the meeting;
- provide to each Director and Observer a copy of the draft minutes following the meeting; and
- procure that at least four meetings of the Board of Directors of WIND are held in each calendar year.



With the exception of certain reserved matters described below, all matters presented for approval by the Board of Directors of WIND shall be decided by a simple majority of those Directors in attendance. A quorum requires the presence of the majority of the total number of Directors, provided that prior to conversion of all of the class B shares of Weather held by the Investors into class A shares of Weather, such majority must include the Director nominated by the Investors. If the member of the Board of Directors of WIND nominated by the Investors does not attend two consecutive meetings of the Board of Directors of WIND, the majority of the members of the Board of Directors of WIND shall constitute a quorum at the second meeting and all matters presented for approval shall be decided by a simple majority of Directors in attendance. If a quorum is not present at any meeting of the Board of Directors of WIND, no business shall be conducted at the relevant meeting.

The Weather Shareholders Agreement contains some reserved matters which must be decided by a simple majority of the Directors of WIND, provided that, prior to conversion of all of the class B shares of Weather held by the Investors into class A shares of Weather, such majority must include the Director nominated by the Investors. The reserved matters applicable to proceedings of WIND's Board of Directors, relate to:

- any issuance by WIND of (i) equity securities with the exclusion of option rights set forth by article 2441 of the Italian civil code or (ii) equity or debt securities that are convertible into or contain rights exercisable or exchangeable for Weather's shares; and
- any transaction, agreement, contract, or other arrangement between any of WIND's affiliates, significant shareholders, or executive officers (or any family member), including Weather II or any of its affiliates (other than WIND and its subsidiaries), on the one hand, and WIND or any subsidiary undertaking of WIND, on the other hand, except transactions that (i) are in the ordinary course; (ii) are on arm's length terms; and (iii) have an aggregate value (when considered with all other such transactions in the same quarter), equal to or less than €20 million in any quarter.

The Weather Shareholders Agreement also provides that certain matters relating to WIND are required to be passed by a resolution of the Board of Directors of Weather. These include, *inter alia*, acquisitions and disposals of shareholdings or assets; the issuance of bonds or other debt securities; the participation in material joint ventures and partnerships; the approval of any extraordinary transaction, including a merger or de-merger; any financing or incurring of indebtedness with an aggregate value exceeding €150 million in any year; and any decision on how to vote in a WIND shareholders' meetings.

Where any matter in relation to WIND has been discussed or resolved by the Board of Directors of Weather, such matter shall not be required to be discussed or resolved again by the Board of Directors of WIND unless required by applicable law or the by-laws of WIND.

#### *Board of Statutory Auditors*

WIND has a supervisory body, the board of statutory auditors, as required pursuant to the Italian Civil Code.

Each member of the board of statutory auditors is appointed by the shareholders and is composed of three regular auditors, one of which is appointed as president, and two alternate auditors. The shareholders, acting at a shareholders' meeting, determine the board of statutory auditors' remuneration for their term of office.



According to the Italian Civil Code, the board of statutory auditors must comply with the following requirements:

- at least one of the regular and one of the alternate auditors has to be selected from among registered members of the registry of certified public accountants, which is held by the Ministry of Justice;
- the members of the board of statutory auditors are appointed for a period of three years until the date of the shareholders' meeting called for the approval of the financial statements relating to the third year of such appointment. The termination of the auditors' offices due to the expiration of their term is effective only when the new board is appointed;
- the appointment of each auditor can be revoked only for cause, and any revocation of an appointment must be approved by a competent court;
- the board of statutory auditors is required to verify that WIND: (i) complies with applicable law and WIND's by-laws; (ii) respects the principles of correct administration; and (iii) maintains an adequate organizational structure, internal controls and administrative and accounting systems;
- the statutory auditors are entitled to: (i) call a meeting of the shareholders of WIND if the Board of Directors fails or delay to call it when required under Italian Law; (ii) ask for information on WIND's management, and the management of WIND's subsidiaries from the directors; (iii) carry out inspections and verify information at WIND's offices; and (iv) exchange information with the external auditors of WIND's subsidiaries;
- meetings of the board of statutory auditors shall be held at least every 90 days, and all the board minutes shall be recorded in the minute book;
- meetings of the board of statutory auditors are valid if the auditors in attendance represent at least the majority of the entire board. The favorable vote of the absolute majority of the auditors in attendance is required to adopt resolutions;
- the board of statutory auditors shall attend the meetings of the Board of Directors, the shareholders, and the executive committee;
- the statutory auditors are liable for the truthfulness of their statements and must keep all the information and documents gathered during the cause of their appointment confidential;
- the statutory auditors are jointly and severally liable with the directors for the acts and/or omissions performed by the latter when any damage would not have occurred if the same statutory auditors had acted in accordance with their duties; and
- the board of statutory auditors is entitled to report any serious breaches of the duties of WIND's directors to the appropriate court with jurisdiction.

Current members of the board of statutory auditors, who were appointed on April 24, 2007 and who will remain in office until the approval of the Financial Statements as of December 31, 2009, are set forth in the table below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. Giancarlo Russo Corvace . . . . .	56	Chairman
Mr. Roberto Colussi . . . . .	54	Standing Auditor
Mr. Maurizio Paternò di Montecupo . . . . .	59	Standing Auditor
Mr. Bruno Franceschetti . . . . .	70	Alternate Auditor
Mr. Massimo Ballario . . . . .	43	Alternate Auditor

### *External Auditors*

WIND's accounting control is carried out by an auditing firm appointed by the shareholders and enrolled in the special registry held by the Ministry of Justice (the "*Auditor*"), in compliance with Article 2409-bis of the Italian Civil Code.

Under the Italian Civil Code, the rights and/or duties of the Auditor can be summarized as follows:

- to verify, at least quarterly, the regular keeping of the company's accounts and the correct notation of the book entries of the facts pertaining to the management of WIND;
- to verify whether WIND's financial statements, including WIND's consolidated financial statements, correspond to the results of the book entries and to the controls made and whether they are compliant with the relevant provisions of law;
- to draft a report containing an opinion on WIND's financial statements, including consolidated financial statements, to be deposited in our registered office;
- to ask the directors for documents and information useful to carry out relevant controls, carry out inspections at WIND's offices as necessary, and exchange information relevant for the performance of their duties with our board of statutory auditors.

The shareholders appoint the Auditor, after hearing the opinion of the board of statutory auditors, and determine the remuneration of the Auditor. The Auditor is appointed for a period of three years until the date of the shareholders' meeting called in order to approve the financial statements relating to the third year of such Auditor's appointment.

The appointment of the Auditor can be revoked only for cause, after hearing the opinion of our board of statutory auditors, and any revocation of an appointment must be approved by a competent court.

The Auditor shall fulfill its duties with the care appropriate to its statutory duties and is liable for the truthfulness of its statements and must keep all the information and documents gathered during its appointment secret and confidential.

The Auditor and the individuals who have performed the audit are jointly and severally liable to WIND, its shareholders and third parties for damages caused by the Auditor's failure to fulfill its duties.

### *Code of Ethics*

WIND has adopted a code of ethics that sets forth the ethical commitments and responsibilities of its employees in performing their business activities and generally governs its corporate operations.

### *Compensation of Directors and Officers*

The aggregate compensation WIND and its subsidiaries paid to its directors and executive officers holding positions comparable to those identified in the "Executive Officer" table above and its statutory auditors for the year ended December 31, 2008, excluding the Bonus Incentive Plan (as defined below), pension, retirement and similar benefits, was €5,453,467.48.

## *Stock Option Plans*

### *Parent Stock Option Plan*

The Wind Acquisitions Holdings Finance S.p.A. stock option plan (the “*Stock Option Plan*”) has been in place since June 30, 2006. Below is a summary of the main provisions of the Stock Option Plan.

Weather offered the option to acquire shares of WAHF or WIND to all executives of WIND if either company is listed on the Milan Stock Exchange or any other regulated stock exchange.

Pursuant to the Stock Option Plan, if WAHF is listed on the Milan Stock Exchange or any other regulated stock exchange, an option holder will have the right to purchase one share of the Parent at a price equal to €73.778.

In addition, if WIND is listed on the Milan Stock Exchange or any other regulated stock exchange, an option holder will have the right to purchase 2.54 shares of WIND at a price equal to €29.07577. If neither WAHF nor WIND becomes listed on a regulated stock exchange by June 30, 2010, the Stock Option Plan will take effect as the Bonus Incentive Plan, as summarized below:

The total number of options granted on June 30, 2006 was 1,376,160 divided into three tranches of 458,720 options each, with each tranche having the following period of exercise:

- Tranche One: from July 1, 2008 to June 30, 2009, if either WAHF or WIND is listed on a regulated stock exchange by June 30, 2008. This period of exercise has expired because neither WAHF nor WIND was listed on a regulated stock exchange by the deadline.
- Tranche Two: from July 1, 2009 to June 30, 2010, if either WAHF or WIND is listed on a regulated stock exchange by June 30, 2009.
- Tranche Three: from July 1, 2010 to June 30, 2011 if either WAHF or WIND is listed on a regulated stock exchange by June 30, 2010.

A stock option holder can exercise its option upon the condition that a minimum overall personal performance rating has been achieved during the relevant reference year (for tranche two, the reference year is 2008, for tranche three, the reference year is 2009) of:

- 100%, as determined by each individual’s annual appraisal pursuant to Management by Objectives (“*MBO*”) a target-based incentive program for WIND executives and managers guidelines, if the option holder is the Chief Financial Officer or the Chief Executive Officer; or
- 90%, as determined by each individual’s annual appraisal pursuant to MBO if the option holder is any other employee entitled to an award.

On December 31, 2008, the number of stock options available for issue was 822,532, taking into account the expiration of the exercise period for tranche one and employee resignations.

### *Bonus Incentive Plan*

WIND’s Bonus Incentive Plan (the “*Bonus Plan*”) has been in place since June 30, 2006 consistently with the Stock Option Plan. Below is a summary of the main provisions of the Bonus Plan.

The Bonus Plan is an alternative to the Stock Option Plan and is conditional upon neither WAHF nor WIND becoming listed on the Milan Stock Exchange or any other regulated stock exchange.

If the individual is entitled to receive an award under the Bonus Plan, such bonus will be paid during the following periods:

- July 2008. As neither WAHF nor WIND was listed on a regulated stock exchange by this time, there was a bonus paid in July 2008 of a total gross amount equal to €24,622,477 (excluding social security contributions);
- July 2009. Neither WAHF nor WIND is currently listed on a regulated stock exchange. As of December 31, 2008, WAHF has assessed the effects of the Bonus Plan (as an alternative to the Stock Option Plan), releasing to the income statement the reserve allocated in the previous year according to the Stock Option Plan (equal to €8,126,000); and
- July 2010. If neither WAHF nor WIND are listed on a regulated stock exchange before June 30, 2010, the effect of the Bonus Plan will be assessed as of December 31, 2009 and in case a bonus is to be paid, it will be paid to the entitled managers in July 2010.

The individual shall be entitled to receive an award under the Bonus Plan upon the condition that (i) an increase of the equity value of WIND has occurred, calculated as the difference between WIND's enterprise value and its net debt of WIND and (ii) a minimum overall performance rating has been achieved during the relevant reference year (2008 for the bonus to be paid in July 2009 and 2009 for the bonus that will be paid in July 2010) of:

- 100%, as determined by each individual's annual appraisal, pursuant to MBO guidelines, if the individual is the Chief Financial Officer or the Chief Executive Officer; or
- 90%, as determined by each individual's annual appraisal, pursuant to the MBO guidelines, if the individual is any other employee entitled to an award.

## PRINCIPAL SHAREHOLDERS

### The Issuer

The Issuer has a share capital of €31,000, comprised of 6,200 shares with a par value of €5.00 each, each being fully paid up. The Issuer is owned 27.0% by WIND and 73.0% by Wind Acquisition Finance S.A. Charitable Trust, a charitable trust formed under Irish law. The Issuer is not controlled by WIND or any of WIND's direct or indirect shareholders or subsidiaries.

The Issuer is a finance company with no subsidiaries and currently has no assets other than its entitlement to receive payments under the Notes Proceeds Loan and the 2015 Notes Proceeds Loans. The Issuer's main liability is to make payments under the Notes and the 2015 Notes.

### WIND

WIND has an authorized fully paid up share capital of €147,100,000, comprising 146,100,000 shares with no par value. WIND is incorporated as a joint stock company (a *società per azioni*) under Italian law. WAHF is the sole shareholder of WIND, holding 100% of the WIND's total share capital.

### Weather

#### Ownership

The current equity ownership of Weather, which is a *società per azioni* formed under Italian law, is as follows:

Name of beneficial owner	Ordinary shares	Class B	Class C	Class D Shares	Class E <sup>(1)</sup>	Total Shares	Holding (%)
Weather II . . .	362,927,335	—	65,814,228	55,846,691	34,401,561	518,989,815	68.82%
WAHF . . . . .	41,297,533	7,489,007	9,735,708	—	—	58,522,248	7.76%
Apax . . . . .	—	32,907,115	9,872,134	23,946,795	14,751,225	81,477,269	10.81%
MDCP . . . . .	—	16,453,558	4,936,067 <sup>(2)</sup>	11,973,397	7,375,613	40,738,635	5.40%
TA. . . . .	—	16,453,558	4,936,067 <sup>(2)</sup>	11,973,397	7,375,613	40,738,635	5.40%
Minorities . . . .	8,750,457	1,586,831	2,062,882 <sup>(2)</sup>	757,517	466,631	13,624,318	1.81%
<b>Total . . . . .</b>	<b>412,975,325</b>	<b>74,890,069</b>	<b>97,357,086</b>	<b>104,497,797</b>	<b>64,370,643</b>	<b>754,090,920</b>	<b>100.00%</b>

(1) Under the provisions of Weather's by-laws, the shareholders of Weather holding class E shares may also receive additional class E shares if on or before March 5, 2011 a new capital increase of Weather is resolved upon, at a valuation of Weather that is lower than €2,636,841,968.00.

(2) The Investors have pledged their class C shares in favor of Weather II. As of the date of this Offering Memorandum 3,948,853 class C shares of the Investors have been released from this pledge.

#### Voting Rights Attached to WIND Share Capital

Certain rights with respect to shareholder matters of WIND are governed by a shareholder agreement in addition to the provisions of Italian Civil Code as discussed under the caption "Management—WIND—Board of Directors and Shareholders' Practices—Weather Shareholders Agreement."

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

### **Management Services Agreement**

On October 29, 2007, Weather and WIND entered into a management services agreement whereby Weather has undertaken to provide management services in relation to information technology, marketing and branding, commercial strategy, strategic planning, human resources, information systems, sales and distribution, procurement, international traffic, customer care and other general internal organizational matters. In addition, Weather has also undertaken to provide or manage the procurement of advice and assistance in connection with WIND's long-term business plans, financial controls and financing matters, legal, tax and regulatory compliance matters, any mergers and acquisitions to be undertaken by WIND, market research, introduction of new products and services, interconnection issues, budgeting and forecasts, capital expenditure reduction solutions as well as coordination of certain personnel policies and training of WIND's personnel, transfer of know-how and operational procedures. In consideration for the services provided, WIND has undertaken to pay an annual fee of €8.0 million (also payable in quarterly installments) and the reimbursement of ancillary expenses.

Effective from January 1, 2006, WIND provides Weather certain services, including, in particular, the lease of offices and office equipment to Weather in consideration for an annual fee of €50,000 (payable at once), and the reimbursement of ancillary expenses.

### **Sale of Tellas to WIND HELLAS and Affiliates**

On September 26, 2008, we divested our minority interest in Wind-PPC Holding N.V. ("WPH"), a holding company that owned 100.0% of Tellas, a fixed-line telecommunications services company that has been operating in Greece since 2003. The sale was valued at €179 million, which was ultimately paid in shares of Hellas Telecommunications I S.à r.l. on February 6, 2009.

Prior to October 2007, we had a controlling stake (50.0% plus one share), and Public Power Corporation S.A., the former state-owned electricity utility in Greece, had, through its wholly owned subsidiary, Public Power Corporation Telecommunications S.A., a minority stake (50.0% less one share) in WPH. In October 2007, subject to clearance of the relevant antitrust authorities, WIND undertook to transfer two shares of WPH to WIND Hellas, thus maintaining only a minority interest in WPH and PPC SA undertook to transfer its minority stake to WIND Hellas.

In connection with the sale of WPH, we entered into a put and call option that provides that at any time during the five years beginning on December 30, 2008, we may sell, and Weather may buy, our entire interest in Hellas Telecommunications I S.à r.l. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Sale of Tellas Telecommunications S.A. ("Tellas") to WIND HELLAS and Affiliates."

### **WIND INTERNATIONAL SERVICES S.p.A. and Acquisition of M-Link**

On January 13, 2009, M-Link Ltd, a wholly owned indirect subsidiary of OTH, sold its wholly owned subsidiaries, M-Link S.à r.l. and M-Link Teleport S.A., to WIS, a subsidiary of WIND, for €58.0 million. Following the acquisition, WIND contributed its international wholesale activities to WIS by transferring its relevant personnel and interconnection agreements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—WIND INTERNATIONAL SERVICES S.p.A. and Acquisition of M-Link."

### **Repurchase of PIK Loans by WAHF**

On February 11, 2009, Turtle Finance SP II S.à r.l. ("Turtle"), a wholly owned indirect subsidiary of Weather, launched an offer to purchase via a modified Dutch auction a portion of the outstanding



PIK Loans of Wind Acquisition Holdings Finance S.A., pursuant to which Turtle acquired €253.7 million in aggregate principal amount of Euro PIK Loans and \$1.6 million in aggregate principal amount of Dollar PIK Loans. On March 12, 2008, WAHF purchased such PIK Loans from Turtle. The purchases were funded with proceeds of a dividend from WIND.

As of March 31, 2009, €1,732 million of euro-denominated PIK Loans and \$638 million of dollar-denominated PIK loans were outstanding, of which €254 million of euro-denominated PIK Loans and \$2.0 million dollar-denominated PIK Loans, respectively, are owned by WAHF. We do not provide credit support for the obligations under this facility and are not liable for any amounts due thereunder. Part of the proceeds of the Offering will be used to repay the PIK Loans in full. See “Use of Proceeds.”

### **Tax Consolidation Agreement**

Effective January 2006, the Italian members of the Weather Group from time to time contained within the tax consolidation area (Weather, RAIN S.r.l. *in liquidazione*, WAHF, WIND and WIND’s consolidated Italian subsidiaries, together, the “*Weather Tax Group*”) opted for the Italian domestic tax consolidation regime relating to the Italian corporate income tax (“*IRES*”) and entered into a tax consolidation agreement (the “*Tax Consolidation Agreement*”).

Under the Italian domestic tax consolidation regime, IRES is levied on the Weather Tax Group’s aggregate taxable income, determined as the sum of the taxable profit or loss of each Italian company in the Weather Tax Group included in the tax consolidation area. In particular, each Italian company controlled by Weather and included in the tax consolidation area (i) determines its taxable income on a stand-alone basis and pursuant to the ordinary IRES rules, and (ii) prepares its own tax return to be filed before the Italian tax authorities and transmitted to Weather. In turn, Weather (i) calculates the Weather Tax Group’s aggregate profit or loss, through the algebraic sum of the profit or loss made by each company, including itself, irrespective of its shareholding in the Italian companies contained in the tax consolidation area; (ii) calculates and pays the tax due by the Weather Tax Group; and (iii) files the consolidated tax return before the Italian tax authorities.

The Tax Consolidation Agreement provides for the rules governing the intercompany flows between each Italian controlled company included in the tax consolidation area and Weather, which may derive from the transfers within the tax consolidation area of taxable profits, tax losses, tax credits, advance tax payments and other fiscal items.

### **Outsourcing Agreement between ENEL and WIND**

We are party to an outstanding agreement with ENEL, our former parent, which fully divested its ownership stake in us on February 8, 2006. See “Business—Outsourcing Agreement between ENEL and WIND.”

### **Agreements Relating to Telephone Operations with the Other Members of the Weather Group**

We enter into a number of agreements with other members of the Weather Group from time to time. These agreements mainly relate to telephone operations, such as interconnection and transport agreements (relating to the costs we charge other members of the Weather Group for connecting their calls and transporting data on our network), agreements relating to roaming and line leases. The agreements are on arm’s length terms and their terms vary according to the duration of the agreement and the nature of the services provided thereunder.

### **The Refinancing Transactions**

For a description of certain loan notes, proceeds loans, shareholder loans and other anticipated related party transactions in connection with the Refinancing Transactions, see “Use of Proceeds—The Refinancing Transactions.”

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following summary of certain provisions of our indebtedness and the PIK Loans of WAHF does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.*

As of March 31, 2009, we had outstanding total financial indebtedness of approximately €6,606 million.

### Senior Credit Facilities

On August 11, 2005, WIND, as borrower, Enel.Net S.r.l., WIND's wholly-owned subsidiary, as guarantor, WAHF and Wind Acquisition Holdings Finance S.A. acceded to the Senior Credit Facilities originally entered into in May 2005 by Weather, with ABN AMRO Bank N.V., Deutsche Bank AG, London Branch and Sanpaolo IMI S.p.A., as mandated lead arrangers, The Royal Bank of Scotland plc, Milan Branch, as facility agent, and ABN AMRO Bank N.V., as security agent, and certain other lenders, as amended and restated from time to time.

On January 13, 2009, WIS acquired M-Link from M-Link Ltd, a wholly-owned subsidiary of OTH. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Events Affecting Results of Operations—WIND INTERNATIONAL SERVICES S.p.A. and Acquisition of M-Link." Simultaneously with the acquisition, WIS acceded as a guarantor under the Senior Facilities Agreement.

The Senior Facilities Agreement provides for three term loan facilities and a Revolving Credit Facility as follows:

	Residual Commitment Amount	Nominal value as of March 31, 2009	Maturity
	(€ in millions)		
Term Loan A			
Sub-facility A1 . . . . .	1,167	1,167	May 26, 2012
Term Loan B			
Sub-facility B1 . . . . .	1,476	1,476	May 26, 2013
Sub-facility B2 (USD) <sup>(1)</sup> . . . . .	56	56	May 26, 2013
Term Loan C			
Sub-facility C1 . . . . .	1,476	1,476	May 26, 2014
Sub-facility C2 (USD) <sup>(1)</sup> . . . . .	56	56	May 26, 2014
Revolving credit facility . . . . .	400	—	
<b>Total</b> . . . . .	<b><u>4,631</u></b>	<b><u>4,231</u></b>	

(1) U.S. dollar denominated sub-facilities have been translated using an exchange rate of \$1.33 per €1.00.

The proceeds of the Term Loan Sub-facility A1 and Term Loans B and C were made available for the purpose of refinancing WIND's existing debt at the time of the Acquisition (including guarantees, letters of credit and securitizations) and, in the case of Term Loan Sub-facility A1, the repayment of a portion of an intercompany loan between WIND and Wind Acquisition Finance S.p.A. made in connection with the Acquisition. Term Loan Sub-facility A2 was made available to refinance the portion of the debt owed to Ferrovie dello Stato, the Italian State Railways and to fulfill obligations owed under remaining payments payable to the Italian Ministry for the Economy and Finance in respect of our UMTS license. The Revolving Credit Facility is available for working capital and general

corporate purposes. We have made €1.9 billion of repayments under our Senior Credit Facilities since January 1, 2006. Most recently, we prepaid €412 million of our Senior Credit Facilities in October 2008.

A commitment fee is payable on the available but unused amount of the Revolving Credit Facility, calculated as a percentage rate per annum equal to the lower of 50% of the margin applicable to the Term Loan A and 0.75% per annum. The commitment fee is payable quarterly in arrear.

We are currently seeking consents from lenders under our Senior Credit Facilities and Second Lien Notes to certain amendments to, *inter alia*, permit the Refinancing Transactions and, as part of the solicitation of consents from such lenders, the margins on the Senior Credit Facilities will be increased by 1.00%. See “Use of Proceeds—The Refinancing Transactions.”

### ***Interest***

The interest rate under Senior Credit Facilities is LIBOR or EURIBOR, as appropriate, plus mandatory costs and a margin initially set at 2.375% per annum for Term Loan A and the Revolving Credit Facility, 2.875% per annum for Term Loan B (for both Sub-facilities B1 and B2) and 3.375% per annum on Term Loan C (for both Sub-facilities C1 and C2). The margins on Term Loan A, Term Loan B and the Revolving Credit Facility are reviewed quarterly and may be adjusted (but will never exceed the initial margin) if the WIND Group (as defined in the Senior Facilities Agreement) attains certain ratios of consolidated total net borrowings to consolidated EBITDA (each as defined in our Senior Credit Facilities) to a minimum margin of 1.625% per annum for the Term Loan A and Revolving Credit Facility, and 2.375% for the Term Loan B. As part of the solicitation of consents from lenders as described above, the margins on our Senior Credit Facilities will be increased by 1.00%. See “Use of Proceeds—The Refinancing Transactions.”

### ***Repayment***

Term Loan Sub-facility A1 matures on May 26, 2012 and is subject to increasing repayment installments, expressed as a percentage of the amount outstanding, payable on June 30 and December 31 of each year starting from June 30, 2007, ranging from a low of 4.4% payable on June 30, 2007 to a high of 16.9% payable at final maturity. Term Loan Sub Facility A2 has been prepaid in full. Its original maturity was on December 31, 2010. Term Loan B matures on May 26, 2013 and Term C Loan matures on May 26, 2014. Neither Term Loan B nor Term Loan C amortize prior to final maturity. The Revolving Credit Facility matures on May 26, 2012.

### ***Guarantees and Security***

The Senior Credit Facilities are secured, *inter alia*, by (i) a WIND guarantee of up to a maximum amount of €13.7 billion, an Enel.Net S.r.l.’s guarantee and a WIS guarantee of up to 130% of the outstanding maximum commitment; (ii) a first-ranking share pledge given by WAHF over the shares of WIND; (iii) a share pledge given by WIND over the shares of WIS; (iv) a first-ranking share pledge given by WIS over the shares of M-Link S.à r.l.; (v) a first-ranking pledge of our intellectual property rights; (vi) an assignment of our insurance and trade receivables; (vii) an assignment of our receivables under the put and call option agreement and share purchase agreement entered into in connection with the Acquisition; and (viii) a special lien, or “*privilegio speciale*,” granted by WIND of up to a maximum amount of €15.1 billion and by Enel.Net S.r.l. of up to a maximum amount of €800 million over certain of WIND’s and Enel.Net S.r.l.’s present and future movable assets pursuant to Article 46 of the Italian Banking Act.

The Senior Credit Facilities also have the benefit of first-ranking security over (i) the second lien proceeds loan dated September 29, 2005 between WIND and Wind Finance SL S.A. and (ii) the 2015 Notes Proceeds Loans.

In addition, further guarantees and security are to be provided by any subsidiary if, and as soon as, its gross assets, pre-tax profits or turnover exceed 5.0% of the consolidated gross assets, consolidated EBITDA or turnover of the WIND Group (as defined in the Senior Facilities Agreement).

In connection with the Offering, we anticipate that the Security Agent will enter into an assignment of the receivables under the Notes Proceeds Loan which secure the Senior Credit Facilities on a first priority basis. See “Summary—Summary of the Terms of the Notes.”

### ***Prepayment***

Our Senior Credit Facilities allow for voluntary prepayments, and require mandatory prepayment in full or in part, in certain circumstances. Taking into consideration the consents referred to above under “—Senior Credit Facilities,” these will include:

- 75% of excess cash flow as calculated under the Senior Credit Facilities for each financial year, which percentage may reduce to 50% if certain ratios of consolidated total net borrowings to consolidated EBITDA (as defined in the Senior Facilities Agreement) are met; provided that the excess cash-flow prepayment for 2008 will be waived if the Notes offered hereby are issued before December 31, 2009;
- certain fund raisings, including an initial public offering or other public issue of shares of Weather or a holding company of Weather;
- the disposal of certain assets equal to or greater than €10 million (€1 million prior to the consents referred to above), to the extent that such proceeds are not used to acquire replacement assets within six months (or committed to be so applied within six months and actually applied within nine months) of such disposal or, with respect to up to 50% of the net proceeds in respect of certain planned disposals, to the extent such net proceeds (as defined in the Senior Facilities Agreement) are not reinvested within such time periods in businesses consistent with the business plan approved in accordance with the Senior Facilities Agreement; and
- a change of control (as defined in the Senior Facilities Agreement) or a sale of all or substantially all of the assets of the WIND Group (as defined in the Senior Facilities Agreement).

Provided that the Notes are issued, (i) in the case of the first bullet above, repayment will not be required until the net proceeds from such event exceeds 0.5% of our consolidated total assets and (ii) in the case of the second and third bullets above, repayment will not be required until the net proceeds from such events exceeds 1.0% of our consolidated total assets.

### ***Covenants, Representations and Warranties and Events of Default***

The Senior Facilities Agreement contains representations and warranties and undertakings common to facilities of this type and include customary operating and financial covenants, subject to certain agreed exceptions, including covenants that restrict our ability and the ability of our subsidiaries to:

- create or permit to subsist any encumbrances;
- sell or dispose of our assets;
- substantially change the nature or scope of our business;
- merge with other companies;
- permit to subsist any loans or grant credit;

- incur or have outstanding certain borrowings, guarantees, loans or hedges;
- make certain acquisitions or investments;
- declare or pay certain dividends or make certain other distributions to our shareholders;
- make variations to the acquisition documentation or investment documentation;
- enter into speculative hedging or currency management agreements; and
- make certain share redemptions.

Our financial and operating performance is monitored by a financial covenant package that requires us to maintain certain ratios of consolidated EBITDA (as defined in the Senior Facilities Agreement) to consolidated total net interest payable, consolidated cashflow to consolidated total debt service and consolidated senior net borrowings to consolidated EBITDA and consolidated total net borrowings to consolidated EBITDA (all terms as defined in the Senior Facilities Agreement) and to observe limitations on capital expenditures each year.

The Senior Facilities Agreement contains customary events of default, including, among other things, non-payment, breach of other obligations set forth in the Senior Facilities Agreement, misrepresentation of a representation or warranty, unlawfulness or repudiation of obligations, certain insolvency, winding-up or related events, and cross default in relation to certain indebtedness not being paid when due or becoming due and payable before its specified maturity, the occurrence of which would allow the lenders under the Senior Credit Facilities to accelerate all outstanding loans and terminate their commitments under our Senior Credit Facilities.

#### **Wind Finance SL S.A. Second Lien Notes**

On September 29, 2005, Wind Finance SL S.A., an entity organised under Luxembourg laws and owned 27% by WIND and 73% by a charitable trust, issued the Second Lien Notes under the Second Lien Note Issuance Facility, pursuant to the Second Lien Subscription Agreement. The Second Lien Note Issuance Facility comprises two tranches of notes of approximately €552 million and \$180 million. Both tranches of Second Lien Notes mature on November 26, 2014. The proceeds of the offering of the Second Lien Notes were on-lent to us for purposes of discharging the amounts then owing by us on the second lien term loan facility under the Senior Credit Facilities, pursuant to the second lien proceeds loan agreement.

Simultaneously with WIS' acquisition of M-Link, WIS acceded as a guarantor under the Second Lien Subscription Agreement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Events Affecting Results of Operations—WIND INTERNATIONAL SERVICES S.p.A. and Acquisition of M-Link."

#### ***Interest***

The interest rate for the Second Lien Notes is LIBOR or EURIBOR, as appropriate, plus mandatory costs and a margin of 6.25% per annum. The Second Lien Notes mature on November 26, 2014, and do not amortize prior to final maturity. We are currently seeking consents from lenders under our Senior Credit Facilities and Second Lien Notes to certain amendments to, *inter alia*, permit the Refinancing Transactions and, as part of the solicitation of consents from such lenders, the margin on the Second Lien Notes will be increased by 1.00%. See "Use of Proceeds—The Refinancing Transaction."

### ***Guarantees and Security***

WIND and its subsidiaries, Enel.Net S.r.l. and WIS, each Guarantee the payment obligations under the Second Lien Note Issuance Facility up to an amount equal to 130% of the Second Lien Notes. The Second Lien Notes are required to be guaranteed by any subsidiary of ours whose gross assets, pre-tax profits or turnover equals or exceeds 5.0% of the gross assets, consolidated EBITDA (as defined in the Second Lien Subscription Agreement) or turnover of the Weather Group or the WIND Group, as the case may be.

The Second Lien Notes are secured on a second-ranking basis by a lien on most of the assets that secure the Senior Credit Facilities.

In connection with the Offering, we anticipate that the Security Agent will enter a second-ranking assignment of the receivables under the Notes Proceeds Loan, which will secure the Second Lien Notes on a second priority basis, behind the Senior Credit Facilities. See “Summary—Summary of the Terms of the Notes.”

### ***Covenants, Representations and Warranties, and Events of Default***

The terms, conditions, covenants, representations, warranties and events of default under the Second Lien Notes are generally the same as those set forth in our Senior Facilities Agreement, with such changes as were appropriate to reflect the different structure of the borrowing, including the subordination in right of payment of the Second Lien Notes to our Senior Credit Facilities.

### **2015 Notes**

In November 2005, the Issuer issued €825,000,000 aggregate principal amount of 9¾% Senior Notes due 2015 and \$500,000,000 aggregate principal amount of 10¾% Senior Notes due 2015 (the “*Original Notes*”). In March 2006, the Issuer issued an additional €125,000,000 aggregate principal amount of 9¾% Senior Notes due 2015 and \$150,000,000 aggregate principal amount of 10¾% Senior Notes due 2015 (collectively, the “*Additional 2015 Notes*,” and together with the Original Notes, the “*2015 Notes*”). The 2015 Notes are senior debt of the Issuer and rank *pari passu* in right of payment to all of its existing and future indebtedness. The Additional 2015 Notes and the Original Notes are treated as a single class for all purposes under the 2015 Notes Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

The proceeds of the offering of the Original Notes were used to repay €1,250 million borrowed by the Issuer under a high yield bridge facility in connection with the Acquisition. The proceeds of the offering of the Additional 2015 Notes were on-lent to WIND via intra-group proceeds loans to repay a portion of amounts then outstanding under our Senior Credit Facilities.

The Issuer has received consent from holders of the 2015 Notes to permit us to effect proposed amendments to the 2015 Notes Indenture. As part of that consent, the interest rate applicable to the 2015 Notes shall increase by 1.25%. See “Use of Proceeds—The Refinancing Transactions.”

### ***Guarantees and Security***

The 2015 Notes are guaranteed by WIND and WIS for a maximum, in respect of each Guarantor, equal to 200% of the aggregate principal amount of the 2015 Notes. The guarantees by WIND and WIS are senior subordinated obligations of WIND and WIS, respectively, and are subject to subordination, payment blockage, standstill provisions and turnover provisions. The 2015 Notes Indenture provides that, under certain circumstances, a supplemental indenture and notation of guarantee shall be executed and delivered to the Trustee of the 2015 Notes pursuant to which all of the obligations of the Issuer under the 2015 Notes and the 2015 Notes Indenture and the due and punctual payment of the 2015 Notes shall be guaranteed by the relevant entity on the terms and conditions set



forth in the 2015 Notes Indenture. Pursuant to a Second Supplemental Indenture dated January 13, 2009 among WIS, as guarantor, the Issuer and The Bank of New York Mellon, as trustee, and a notation of guarantee endorsed on each 2015 Note authenticated and delivered by the Trustee, WIS became a guarantor of the due and punctual payment of the 2015 Notes and the obligations of the Issuer under the 2015 Notes and the 2015 Notes Indenture.

The 2015 Notes and the guarantees thereof by WIND and WIS are secured, *inter alia*, by: (i) a third-ranking share pledge over the shares of WIND; (ii) a third-ranking assignment by the Issuer of the 2015 Notes Proceeds Loans and by WIND Finance SL S.A. of the proceeds loans relating to the Second Lien Notes and (iii) a third-ranking security interest in the receivables under the put and call option agreement and the share purchase agreement entered into in connection with the Acquisition. Additionally, on consummation of the Offering, the 2015 Notes will benefit from a third-ranking pledge over the Notes Proceeds Loan. As part of the Offering, we anticipate that the HY Debt, as defined below (including the Notes), will all benefit from the same security and will rank the same in respect of that security. See “Summary—Summary of the Terms of the Notes.”

The guarantees and security may also be released under certain circumstances.

### ***Change of Control***

Upon the occurrence of certain events constituting a “change of control,” the Issuer is required to offer to repurchase all outstanding 2015 Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. In the event of an asset sale, after which the proceeds are not reinvested in the form envisaged by the 2015 Notes Indenture and as a result of which such proceeds exceed €25 million, the Issuer is required to make an offer to repurchase the 2015 Notes at 100% of the principal amount.

### ***Covenants and Events of Default***

The 2015 Notes Indenture contains covenants and events of default typical of instruments of this type, including limitations on the ability of WIND and its Restrictive Subsidiaries (as defined in the 2015 Notes Indenture) to, *inter alia*:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- layer debt;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to our shares or those of our restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to us or any of our restricted subsidiaries;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities;
- impair the security interests for the benefit of the holders of the Notes; and
- amend certain documents.

The 2015 Notes Indenture also contains certain significant restrictions on the activities of the Issuer.

The 2015 Notes contain various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the 2015 Notes Indenture, the Priority Agreement (as defined below), any proceeds loan or any note security document related to the 2015 Notes after a 60-day grace period, a cross-default in relation to certain indebtedness aggregating €25 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments in excess of €25 million following a grace period, any guarantees under the 2015 Notes are found to be unenforceable or invalid, breach of any material representation or warranty or agreement in the security documents securing the 2015 Notes or the unenforceability of the security documents securing the 2015 Notes, certain insolvency, winding-up or related events, the occurrence of which, with respect to certain events of default, would result in the 2015 Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the 2015 Notes due and payable.

### **Proceeds Loans**

#### *2015 Notes Proceeds Loans*

On November 28, 2005, the Issuer, as lender, and Wind Acquisition Finance S.p.A. (now WIND), as borrower, entered into a loan agreement (the “*Original Notes Proceeds Loan*”) pursuant to which the Issuer loaned Wind Acquisition Finance S.p.A. an amount equal to the gross proceeds from the issuance of the Original Notes. On March 1, 2006, the Issuer, as lender, and Wind Acquisition Finance S.p.A., as borrower, entered into a loan agreement (the “*Additional 2015 Notes Proceeds Loan*”) pursuant to which the Issuer loaned Wind Acquisition Finance S.p.A. an amount equal to the gross proceeds from the issuance of the Additional 2015 Notes. The Original Notes Proceeds Loan and the Additional 2015 Notes Proceeds Loan are referred to collectively as the “*2015 Notes Proceeds Loans*.” The terms and conditions of the Original Notes Proceeds Loan are substantially similar to the terms and conditions of the Additional 2015 Notes Proceeds Loan.

In December 2006, Wind Acquisition Finance S.p.A. merged with and into us, pursuant to which we assumed all of Wind Acquisition Finance S.p.A.’s obligations under the 2015 Notes Proceeds Loans.

The 2015 Notes Proceeds Loans bear interest at a rate equal to the interest rate of the 2015 Notes plus a margin of 0.03125%. The 2015 Notes Proceeds Loans provide that WIND will pay the Issuer interest and principal that becomes payable on the 2015 Notes and any additional amounts due thereunder. All amounts payable under the 2015 Notes Proceeds Loans are payable to such account or accounts with such person or persons as the Issuer may designate. The maturity date of the 2015 Notes Proceeds Loans is December 1, 2015, which is the maturity date of the 2015 Notes. The 2015 Notes Proceeds Loans are both senior subordinated obligations of WIND.

Except as otherwise required by law, all payments under the 2015 Notes Proceeds Loans are made without deductions or withholding for, or on account of, any applicable tax. In the event that WIND is required to make any such deduction or withholding, WIND shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The 2015 Notes Proceeds Loans provide that WIND will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the 2015 Notes, taking into account the administrative and timing concerns and limitations with respect to amounts payable on the 2015 Notes.

The 2015 Notes and the 2015 Note Guarantees are secured by a third-ranking assignment by the Issuer of the 2015 Notes Proceeds Loans. Upon the issuance of the Notes in this Offering, the HY Debt, as defined below (including the Notes), will benefit from the same security and will rank the same in respect of that security.

#### *Notes Proceeds Loan*

Upon the issuance of the Notes, the Issuer, as lender, and WIND, as borrower, will enter into a loan agreement (the “*Notes Proceeds Loan*”) pursuant to which the Issuer will loan to WIND an amount equal to the aggregate principal amount of the proceeds from the issuance of the Notes.

The Notes Proceeds Loan will bear interest at a rate equal to the interest rate of the Notes plus a margin of 0.03125%. The Notes Proceeds Loan will provide that WIND will pay the Issuer interest and principal that becomes payable on the Notes and any additional amounts due thereunder. All amounts payable under the Notes Proceeds Loan will be payable to such account or accounts with such person or persons as the Issuer may designate. The maturity date of the Notes Proceeds Loan will be the same maturity date as the maturity date of the Notes. The Notes Proceeds Loan will be a senior subordinated general unsecured obligations of WIND.

Except as otherwise required by law, all payments under the Notes Proceeds Loan will be made without deductions or withholding for, or on account of, any applicable tax. In the event that WIND is required to make any such deduction or withholding, it shall gross-up each payment to the Issuer to ensure that the Issuer receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

The Notes Proceeds Loan will provide that WIND will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes, taking into account the administrative and timing concerns and limitations with respect to amounts payable on the Notes.

The Notes and the 2015 Note Guarantee will be secured by a third-ranking assignment by the Issuer of the Notes Proceeds Loan. Upon the issuance of the Notes in this Offering, the HY Debt, as defined below (including the Notes), will benefit from the same security and will rank the same in respect of that security.

#### **Priority Agreement**

To establish the relative rights of certain of our creditors under our financing arrangements, we, the Issuer, Wind Finance SL S.A., certain other group entities and other intergroup creditors and obligors under our indebtedness entered into a priority agreement, dated as of August 11, 2005, as amended and supplemented from time to time (the “*Priority Agreement*”), with, among others, the creditors and agents under the Senior Credit Facilities, Second Lien Notes, the 2015 Notes, certain hedging counterparties and ABN AMRO Bank N.V., as the security agent (the “*Security Agent*”). In addition, the Security Agent, creditors and agents under our Senior Credit Facilities, Second Lien Notes, 2015 Notes and PIK Loans entered into a supplemental priority agreement (the “*Supplemental Priority Agreement*”) dated as of August 11, 2005 and amended and restated on September 29, 2005. Upon issuance of the Notes, the Trustee with respect to the Notes (for itself and on behalf of the holders of the Notes) will accede to each of the Priority Agreement and the Supplemental Priority Agreement. Upon the Trustee’s accession to the Priority Agreement, the holders of the Notes will be treated substantially similarly to holders of the 2015 Notes and certain future issuances of debt securities vis-à-vis the rights and preferences of the Senior Creditors and treated as a single class of creditors together with holders of 2015 Notes and certain future issuances of debt securities.

By accepting a Note, holders of Notes shall be deemed to have agreed to and accepted the terms and conditions of the Priority Agreement and the Supplemental Priority Agreement (for purposes of the remainder of this description, references to the “Priority Agreement” will mean, collectively, the Priority Agreement and the Supplemental Priority Agreement).

The following description is a summary of certain provisions, among others, contained in the Priority Agreement that relate to the rights and obligations of holders of the Notes. It does not restate the Priority Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt and our parent’s debt or capital expenditures. As such, we urge you to read that document because it, and not the discussion that follows, defines certain rights of the holders of the Notes.

For purposes of this description, the Issuer and the issuer of the Second Lien Notes are collectively defined, together with WIND’s subsidiaries, as the “*Subsidiaries*.” In this discussion, the following terms have the meanings provided in the Priority Agreement:

- HY Debt
- HY Notes
- HY Notes Guarantee
- HY Notes Guarantor
- HY Notes Finance Documents
- HY Notes Indenture
- HY Notes Trustee
- Noteholders
- Obligor
- Security
- Senior Debt
- Senior Creditors
- Subordinated Debt

In addition, as used in this discussion “—Priority Agreement,” the “Proceeds Loans” refers to the 2015 Proceeds Loans and the Notes Proceeds Loan.

The Priority Agreement also includes certain limitations on our ability to refinance or issue additional notes, refinance our “Senior Debt” or amend the documents governing our indebtedness.

### ***Permitted Payments***

#### ***Payments Funded from Amounts Received from Us or Our Subsidiaries***

Before the date of discharge of our Senior Credit Facilities and Second Lien Notes (the “*Senior Discharge Date*”), unless, on or before the Senior Discharge Date, the requisite creditors under our Senior Credit Facilities and, after the Senior Discharge Date but before the discharge date of our Second Lien Notes, the requisite creditors under our Second Lien Notes (as the case may be, an “*Instructing Group*”) otherwise agree, the Issuer and WIND may pay, purchase, redeem or acquire, and the Trustee and holders of the Notes may receive and retain payment of, in each case whether in cash or kind, any amount under the Notes, only if the payment is a Permitted Payment (as defined below) and the payor concerned is the obligor in respect of that Permitted Payment.

After the Senior Discharge Date, an Obligor may pay, purchase, redeem or acquire and the HY Notes Trustee and the holders of the Notes may receive and retain payment of, in each case whether in cash or kind, any amount under the Notes.

#### *Principal Payments*

Prior to the Senior Discharge Date, no amount of principal of the Notes may be paid by (or on behalf of) an Obligor, other than the Issuer, except:

- with the prior consent of an Instructing Group;
- out of the direct or indirect (but, if indirect, substantially concurrent) application of the net proceeds of the issue of certain permitted junior securities; or
- the repayment of principal on its originally scheduled maturity date.

#### *No Duplication of Payments*

If any HY Notes Guarantor makes a Permitted Payment under any HY Note Guarantees, no obligation of WIND to make a corresponding payment under the Proceeds Loans shall itself be or give rise to a Permitted Payment. If WIND makes a payment in respect of any HY Debt (including the Notes) no obligation of any HY Notes Guarantor to make a corresponding payment under any HY Note Guarantees shall itself be a Permitted Payment.

#### *Suspension of Permitted Payments*

A Payment Blockage Notice (as defined below) is in force during the period from the date on which the agent (the “*Senior Agent*”) (on the instructions of the requisite senior lenders or second lien creditors) serves a notice on WIND and the HY Notes Trustee (a “*Payment Blockage Notice*”) specifying that a default under our Senior Debt is outstanding and suspending payment on the HY Debt (including the Notes) (to the extent the service of a Payment Blockage Notice would result in such a suspension under the first two bullets of the definition of Permitted Payment below) until the earlier of:

- the date 179 days after receipt by the HY Notes Trustee of the relevant Payment Blockage Notice;
- if a Standstill Period (as defined below) is in effect at any time during that period, the date on which that Standstill Period expires;
- the date on which the HY Notes Trustee or holders of the 2015 Notes, the Notes or any other HY Debt take any action which they are entitled to take under the caption “—Enforcement Action—Permitted Enforcement” below;
- the date on which we are in default under our Senior Credit Facilities or Second Lien Notes, as the case may be, and the default concerned has been waived, remedied or otherwise ceased to be outstanding (and for this purpose a breach of a financial covenant under our Senior Facilities Agreement or Second Lien Subscription Agreement will be treated as remedied if that financial covenant is complied with for a test period or on a testing date subsequent to the one in respect of which such financial covenant was breached);
- the date on which the Senior Agent (on the instructions of the requisite senior lenders or second lien creditors), by notice to us and the HY Notes Trustee, cancels the relevant Payment Blockage Notice; and
- the Senior Discharge Date.

No Payment Blockage Notice may be served by the Senior Agent in reliance on a particular default under our Senior Credit Facilities or Second Lien Notes more than 45 days after the Senior Agent received notice from any Obligor or the HY Notes Trustee, specifying the event or circumstances concerned and stating that it is a senior default and only one Payment Blockage Notice may be served (i) with respect to the same event or circumstances (whether in relation to the same senior default or not); and (ii) in any period of 360 consecutive days.

In addition, no senior default that existed as of the date a Payment Blockage Notice was given may be the basis of a subsequent Payment Blockage Notice, unless that default has been waived, remedied or otherwise ceased to be outstanding for at least 180 consecutive days since the date of issue of the prior Payment Blockage Notice. For this purpose, and without prejudice to the two immediately preceding paragraphs, any subsequent breach of any financial covenant for a period ending after the date of delivery of the initial Payment Blockage Notice shall not be considered to have existed as of the date on which the Payment Blockage Notice was given.

#### *Definition of Permitted Payment*

For purposes of the Priority Agreement, “Permitted Payment” means, among certain other payments expressly permitted to be made by us and our Subsidiaries to WAHF:

- while there is no payment default outstanding under the Senior Debt or hedging obligations related thereto or to the HY Debt (“*Hedging Debt*”) and no Payment Blockage Notice is in force, a payment which is then due and payable (or will become due and payable within five business days) under any HY Finance Document and in either case is:
  - (i) of scheduled interest (in each case whether paid in cash or in kind, but excluding default interest to the extent that it accrues at a rate of more than 1% per annum) (the “*Scheduled Interest*”) arising on:
    - any Proceeds Loan; or
    - any HY Note Guarantees,the aggregate amount of which does not exceed (a) the amount of Scheduled Interest due and payable (or which will become due and payable within five business days) under the HY Notes plus (b) a margin payable under the Proceeds Loans, and the payment of which complies with the terms of the Priority Agreement (including those terms described above under the caption “—No Duplication of Payments”);
  - (ii) of certain additional amounts payable under the HY Finance Documents or the equivalent provisions of the HY Notes or the Proceeds Loans;
  - (iii) of the principal amount of any HY Notes, the Proceeds Loans upon or after their originally scheduled maturity as set out in the respective HY Notes Indentures or the Proceeds Loans;
- while there is no payment default outstanding under the Senior Debt or Hedging Debt and no Payment Blockage Notice is in force, a payment:
  - (i) of certain amounts owed to any HY Notes Trustee;
  - (ii) of reasonable fees, costs, expenses, commissions and taxes incurred in respect of (or reasonably incidental to);
- the issuance and offering of any HY Notes;



- the maintenance of the corporate existence of, among others, the Issuer, or the charitable trust owning shares of the Issuer (including reasonable legal, accounting, management and administrative fees and the reasonable fees of trustees, directors and managers); or
- in the ordinary course of day-to-day administration of the HY Notes Finance Documents;
  - but not including principal, interest or any premium which must be paid together with principal or any other payment of the nature of principal, interest or premium;
  - (iii) of the fees, costs and expenses incurred by the Security Agent in acting as Security Agent;
  - (iv) of amounts payable to WAHF under a management services agreement of up to €46 million in the aggregate in any twelve-month period, as long as no senior default or default under the HY Notes is outstanding or would occur therefrom;
  - (v) amounts payable by us under a service agreement between us and Weather in an aggregate amount not exceeding €8 million per annum and (provided that such amounts may accrue) €2 million in any three-month period as long as no senior default or default under the HY Notes is outstanding or would occur therefrom;
  - (vi) of amounts payable by us or WAHF for withholding taxes in respect of any proceeds loans to which we or WAHF are party (provided that WAHF is required to use our best endeavors to obtain a refund of such amounts and to contribute such refunds to our share capital); and
- at any time, a payment:
  - (i) of any amount of or in respect of the HY Debt (including the Notes), out of the direct or indirect (but if indirect, substantially concurrent) application of the net proceeds of the issue of (or the exchange of that amount for) certain permitted junior securities;
  - (ii) of amounts payable to the HY Notes Trustee relating to certain fees and indemnities for costs and expenses;
  - (iii) of security costs other than security costs relating to collateral in which the Senior Debt has no interest or right to receive proceeds from, if any;
  - (iv) a payment by the Issuer from a defeasance trust that was not funded by us or any of our subsidiaries;
  - (v) of any other amount not exceeding €3 million (or its equivalent in other currencies) in the aggregate in any 12-month period, provided that no default under the Senior Debt is outstanding or would result from the payment; and
  - (vi) of any other amounts consented to by an Instructing Group or (prior to the Senior Discharge Date) the Senior Agent.

### ***Enforcement Action***

#### ***Restrictions on Enforcement***

Other than as otherwise permitted by the terms of the Priority Agreement, prior to the Senior Discharge Date, unless an Instructing Group has previously agreed in writing, neither the HY Notes Trustee, the holders of the HY Notes, nor the Issuer (with respect to the Proceeds Loans) will, with respect to WIND or any of its subsidiaries, take any Enforcement Action (as defined below) with respect to any HY Debt (including the Notes).

The immediately preceding paragraph does not apply to any action taken by any HY Notes Trustee or a Noteholder against the Issuer in respect of any HY Debt (including the Notes).

#### *Permitted Enforcement*

Subject to the right of enforcement of Senior Debt, the HY Notes Trustee, the holders of the HY Notes and the Issuer (with respect to the Proceeds Loans) may take any of the actions otherwise prohibited by the Priority Agreement as summarized above under the caption “—Restrictions on Enforcement”:

- if any Enforcement Action has been taken with respect to Senior Debt or Hedging Debt or any security has become enforceable and assets subject to it have been disposed of at the request of the Security Agent, *provided* that:
  - (i) if no enforcement action has been taken other than demanding payment of amounts of Senior Debt which have fallen due for payment (other than as a result of the acceleration of any Senior Debt) or demanding payment of amounts of Hedging Debt which have fallen due for payment other than as a result of any termination or closing out of any hedging debt which is not contemplated by the Priority Agreement, the HY Notes Trustee, the holders of the HY Notes and the Issuer (with respect to the Proceeds Loans) may only make a similar demand for payment under the HY Debt (including the Notes); and
  - (ii) if no enforcement action has been taken other than placing the Senior Debt or Hedging Debt on demand, the HY Notes Trustee, the holders of the HY Notes and the Issuer (with respect to the Proceeds Loans), as the case may be, may only place the HY Debt (including the Notes) on demand; or
- if a default is outstanding under any HY Notes Indenture, and an insolvency event occurs in respect of an Obligor that owes any HY Debt (including the Notes), other than where that event has occurred solely as a result of any action by a HY Notes Trustee or the Issuer (with respect to the Proceeds Loans) but in this case the enforcement action may only be taken against the Proceeds Loans or that Obligor in respect of that HY Debt (including the Notes and the Proceeds Loans) and not against or in relation to any other Obligor;
- if an insolvency event occurs in respect of WIND;
- if (i) a HY Notes Trustee has given notice in writing (an “*Enforcement Notice*”) to the Issuer and the Senior Agent specifying that a default is outstanding; and (ii) a period (a “*Standstill Period*”) of not less than 179 days has elapsed from the date the Senior Agent received the Enforcement Notice relating to that default; and (iii) that default is outstanding as of the end of the Standstill Period (and notwithstanding that any further Enforcement Notice may have been given during any such Standstill Period);
- if a default under the Notes, has occurred resulting from a failure to pay principal at final maturity; or
- if an Instructing Group has given its consent to the proposed action.

#### *Definition of Enforcement Action*

For purposes of the Priority Agreement, “*Enforcement Action*” means, with respect to any debt, any action (whether taken by the relevant creditor or creditors or any agent or trustee on its or their behalf) to:

- demand payment of any of that debt;

- accelerate any of that debt or otherwise declare any of that debt prematurely due or payable on an event of default or otherwise;
- enforce any of that debt by attachment, set off, execution or otherwise;
- appoint a receiver in respect of, or otherwise enforce, any Security (or give instructions to the Security Agent to do so);
- petition for (or vote in favor of any resolution for) or initiate, commence any legal proceedings to support or take any steps with a view to an insolvency or any voluntary arrangement or assignment for the benefit of creditors or any similar proceedings involving us or any of our subsidiaries;
- sue or bring or take any steps to support any legal proceedings against us or any of our subsidiaries for the recovery of any of that debt; or
- otherwise exercise any remedy at law for the recovery of any of that debt,

other than:

- the bringing of proceedings solely for injunctive relief (or analogous proceedings in jurisdictions outside England and Wales) to restrain any actual or putative breach of any finance documents, or for specific performance not claiming damages, in each case where doing so would not conflict with any other provision of the Priority Agreement;
- the taking of any action (not falling within any of the first five bullets of this definition of Enforcement Action) necessary to preserve the validity and existence of claims, including the registration of those claims before any court or governmental authority;
- to the extent entitled by law, the taking of action against any creditor (or any agent, trustee or receiver acting on behalf of such creditor) to challenge the basis on which any sale or disposal is to take place under powers granted to such persons under any security document; or
- legal proceedings or allegations against any person in connection with violations of securities laws or securities or listing regulations or fraud.

### ***Enforcement of Security***

Neither the Trustee nor the holders of the HY Notes may enforce or have recourse to any Security or to exercise any rights or powers arising under the security documents except:

- through the Security Agent as provided in the Priority Agreement; or
- in any other case, and to the extent not otherwise provided for by any other provisions of the Priority Agreement, as an Instructing Group may otherwise agree.

Except as provided below, any instructions given to the Security Agent by an Instructing Group to enforce the Security or in respect of the manner of its enforcement will override any conflicting instructions given by any other parties (including a HY Notes Trustee or any holders of HY Notes).

Prior to the Senior Discharge Date, if each of the requisite creditors under our Senior Credit Facilities and Second Lien Notes have (i) instructed the Security Agent not to enforce or to cease enforcing the security or not to pursue diligently the enforcement of the security; or (ii) given no instructions to the Security Agent in relation to the enforcement of the security, the Security Agent shall give effect to any instructions to enforce the security pledged or assigned for the benefit of the HY Notes which the relevant HY Notes Trustee is then entitled to give to the Security Agent as set forth above under the caption “—Permitted Enforcement.”

The Security Agent shall enforce the security (if then enforceable) in such manner as an Instructing Group or any other person entitled so to instruct as set forth above or any other agreement among the secured creditors shall instruct or, in the absence of those instructions, as it sees fit and, subject as required by applicable law, having regard first to the interest of the senior and second lien creditors and the hedging banks.

None of the Security Agent, the senior creditors, the second lien creditors, or the hedging banks shall be responsible to a HY Notes Trustee or the holders of the HY Notes for any enforcement or failure to enforce or to maximize the proceeds of any enforcement of the security except in each case to the extent resulting from the former's gross negligence or willful breach of the Priority Agreement.

The Security Agent and any person entitled to instruct it may cease any enforcement at any time.

### ***Subordination on Insolvency***

Upon the occurrence of certain insolvency events involving an Obligor, the HY Debt (including the Notes and the Proceeds Loans) owed by the insolvent Obligor will be subordinate in right of payment to outstanding claims under the Senior Debt or Hedging Debt owed by such insolvent Obligor.

### ***Turnover and Application of Recoveries***

#### ***Turnover***

If a HY Notes Trustee, any holder of HY Notes or the Issuer receives or recovers a payment in cash or in kind (including by way of set off or combination of accounts) (i) of any amounts in relation to obligations under the HY Debt or Subordinated Debt that is prohibited by the Priority Agreement or received in breach of the Priority Agreement or (ii) from (or on behalf of) us or any of our subsidiaries on account of any purchase, redemption or acquisition of any such obligations that is prohibited by the Priority Agreement (each such payment or distribution in clause (i) and (ii) being a "Turnover Receipt"), the receiving or recovering creditor (as the case may be) will promptly notify the Security Agent.

Except as provided below, each of the HY Notes Trustee, the holders of the HY Notes and the Issuer (with respect to amounts received under the Proceeds Loans) shall (i) hold any Turnover Receipt received or recovered by it on trust for the benefit of the secured creditors; and (ii) upon demand by the Security Agent pay to the Security Agent for application as provided below under the caption "—Order of Application" an amount determined by the Security Agent to be equal to the lesser of (a) the outstanding balance of the Senior Debt and the Hedging Debt and (b) the amount of that Turnover Receipt, less the third party costs and expenses (if any) reasonably incurred by the relevant creditor concerned in receiving or recovering that Turnover Receipt.

The above-mentioned obligations shall only be binding on and enforceable against a HY Notes Trustee if (i) such HY Notes Trustee has actual knowledge that the receipt or recovery is a Turnover Receipt and (ii) to the extent that, prior to receiving that knowledge, such HY Notes Trustee has not distributed the amount of the Turnover Receipt to the relevant Noteholders in accordance with the relevant HY Notes Indenture.

The Priority Agreement provides that neither a HY Notes Trustee nor any holder of HY Notes will allow the HY Debt (except as provided by the terms of our Senior Credit Facilities and Second Lien Notes) to be subordinated to any person, otherwise than as may arise as a matter of law or in accordance with the Priority Agreement, if to do so would or would be reasonably likely to reduce any present or future, actual or contingent amount payable to the Security Agent under the above turnover provisions.

### *Order of Application*

Subject to applicable law and to the rights of any person with prior security or preferential claims, the proceeds of enforcement of any security shall be paid to the Security Agent.

The proceeds of enforcement of any security and all other amounts paid to the Security Agent under the Priority Agreement shall be applied by the Security Agent in the following order:

- first, in payment of (i) the fees, costs, expenses and liabilities (and all interest thereon as provided in the relevant finance documents) of (a) the Security Agent and any receiver, attorney or agent appointed under the security documents or the Priority Agreement and (b) the agents under our Senior Credit Facilities and Second Lien Notes and (ii) certain amounts payable to a HY Notes Trustee relating to its fees and indemnities for costs and expenses, *pari passu* and ratably between themselves;
- second, in payment of the balance of the costs and expenses of any creditor under our Senior Credit Facilities or hedging bank and (if an Instructing Group directed or consented to the enforcement) the HY Notes Trustee or holders of the HY Notes in connection with that enforcement;
- third, in payment to the agent under our Senior Credit Facilities and the hedging banks for application towards the balance of the Senior Debt under our Senior Credit Facilities and the Hedging Debt *pari passu* between themselves;
- fourth, in payment of the balance of the costs and expenses of any creditor with respect to the Second Lien Notes in connection with such enforcement;
- fifth, in payment to agent under the Second Lien Notes for application towards the balance of the second lien debt;
- sixth, in payment of any costs and expenses (not referred to above) of any creditor in relation to the HY Notes in connection with that enforcement;
- seventh, in payment to the HY Notes Trustee of any amounts payable to it other than as paid above;
- eighth, in payment to the HY Notes Trustee for application towards the balance of the HY Notes, *pari passu* and rateably between themselves; and
- ninth, the payment of the surplus (if any) to the Obligor or other person entitled to it.

No such proceeds or amounts shall be applied in payment of any amounts specified in any of the subparagraphs of this paragraph above until all amounts specified in any earlier subparagraph have been paid in full.

### *Release of Security and Guarantees*

If a disposal to a person or persons other than us or any of our subsidiaries of any asset owned by an Obligor over which security has been created:

- (i) is permitted by the relevant HY Notes Finance Documents; or (ii) has been approved under the relevant HY Notes Finance Documents, and the HY Notes Trustee has not stated to the contrary within five business days of notification of the proposed disposal;
- is being effected at the request of an Instructing Group in circumstances where the Security has become enforceable; or
- is being effected by enforcement of any Security,

the Security Agent is irrevocably authorized to, and (in the case of the first bullet above) upon request by an Obligor shall, execute on behalf of the HY Notes Trustee, the holders of the HY Notes, each Obligor (at the cost of the relevant Obligor):

- any release of any security over that asset; and
- if that asset comprises all of the ownership interests in the capital of any Obligor or any of its subsidiaries (i) a release of that Obligor and its subsidiaries from all present and future liabilities (both actual and contingent and including any liability to any other Obligor by way of contribution or indemnity) under any HY Note Guarantees; (ii) a release of any security granted by that entity and its subsidiaries over any of their respective assets; and (iii) a release of that Obligor (and any of its subsidiaries which are Obligors) from all of its obligations (including as a borrower) under any intercompany obligation to which it is party; provided that in the case of a release under any HY Note Guarantees, the net proceeds of the disposal are to be applied as provided for in the relevant HY Notes Finance Documents, as applicable, and in any other case:
  - (i) the Security Agent has notified the relevant HY Notes Trustee of the proposed disposal;
  - (ii) the proceeds of such sale received by the Security Agent are, unless otherwise agreed by the relevant HY Notes Trustee, in the form of cash or cash equivalents;
  - (iii) the claims and security interests of the senior creditors against the relevant Obligor and its subsidiaries or in respect of the relevant asset are irrevocably and unconditionally released (and not assumed by the relevant purchaser or any affiliate of such purchaser of the relevant Obligor or asset);
  - (iv) either (i) the disposal is made pursuant to a public auction or (ii) in connection with the disposal an internationally recognized investment bank selected by the Security Agent has delivered to the relevant HY Note Trustee an opinion that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances; and
  - (v) the net cash proceeds of the sale or disposal are applied in payment of debt as provided under the caption “—Turnover and Application of Recoveries.”



## DESCRIPTION OF NOTES

Wind Acquisition Finance S.A. (the “*Issuer*”) will issue Senior Notes due 2017 (the “*Notes*”) under an indenture (the “*Indenture*”), to be dated as of the date the Notes are issued upon completion of the Offering (the “*Issue Date*”), by and among itself, Wind Telecomunicazioni S.p.A. (the “*Company*”), Wind International Services S.p.A. (“*WIS*”), The Bank of New York Mellon, as trustee (the “*Trustee*”), transfer agent, registrar and principal paying agent, and the Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent. The Notes will be issued in a private transaction that is not subject to the registration requirements of the U.S. Securities Act of 1933, as amended (the “*U.S. Securities Act*”). See “Notice to Investors.” The Notes Security Documents referred to below under the caption “—Security” describe the terms of the pledges and assignments that will secure the Notes.

You can find the definitions of certain terms used in this description under the subheading “Certain Definitions.” In this description (i) the word “*Company*” refers only to Wind Telecomunicazioni S.p.A. and to any successor entity to the extent permitted under the terms of the Indenture, and not to any subsidiaries thereof and (ii) the word “*Issuer*” refers to Wind Acquisition Finance S.A., a public limited liability company (*société anonyme*) organized under the laws of the Grand Duchy of Luxembourg. Certain additional defined terms used in this description but not defined below under “—Certain Definitions” or elsewhere in this Description of Senior Notes of the Company have the meanings assigned to them in the Indenture.

The following description is a summary of the material provisions of the Indenture and refers to the Priority Agreement, the Initial Proceeds Loan and the Notes Security Documents. It does not restate those agreements in their entirety. We urge you to read the Indenture, the Priority Agreement and the Notes Security Documents because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the Priority Agreement and the Notes Security Documents are available as set forth below under “—Additional Information.”

The Notes will initially not be held in definitive form and the registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

### Brief Description of the Notes and the Guarantees

#### *The Notes*

The Notes:

- will be general obligations of the Issuer;
- will be secured by the Collateral;
- will rank *pari passu* in right of payment to all Indebtedness of the Issuer that is not subordinated to the Notes, including the 2015 Notes;
- will rank senior in right of payment to any Indebtedness of the Issuer that is subordinated or otherwise junior in right of payment to the Notes; and
- will be guaranteed on a senior subordinated basis by the Company and WIS.

#### *The Guarantees*

The Notes will be, subject to the limitation language in the Indenture and applicable law, fully and unconditionally guaranteed by the Company and WIS. The Note Guarantees of the Company, WIS and any future Note Guarantee by a Subsidiary of the Company (if any):

- will be a general obligation of the Guarantor;

- will be subordinated in right of payment to all existing and future Senior Debt of the Guarantors;
- will rank *pari passu* in right of payment to the Guarantors' guarantee of the 2015 Notes;
- will rank senior to all Indebtedness of the Guarantor that is expressly subordinated to the relevant Note Guarantee; and
- will be fully and unconditionally released upon an enforcement action with respect to the Senior Debt as initiated by the relevant senior creditors.

As of March 31, 2009, after giving effect to the issuance of the Notes and application of the proceeds therefrom, the Issuer would have no outstanding Indebtedness other than the Notes and the 2015 Notes and the Company would have had total financial liabilities of €8,995 million and would be permitted to incur up to €400 million under our Revolving Credit Facility. As indicated above and as discussed in detail below under the caption “—Subordination,” payments under the Note Guarantee to be provided by the Company will be subordinated to the payment of Senior Debt.

In the event of a bankruptcy, liquidation or reorganization of any non-guarantor Subsidiary, such Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company. In the twelve month period ended March 31, 2009, Wind's non-guarantor subsidiaries generated 1.4% of the Company's total consolidated revenue and held 4.0% of the Company's consolidated assets.

The Issuer is a finance company that has no subsidiaries. See “The Issuer.” Upon completion of the Offering, the only significant assets of the Issuer will be the 2015 Note Proceeds Loan and the Notes Proceeds Loan. As such, the Issuer will be dependent on payments by the Company on such Issuer Capital Markets Proceeds Loans in order to service its Indebtedness. As of the Issue Date, none of the Company's Subsidiaries (other than WIS) are expected to provide a Note Guarantee. Holders of the Notes do not have a direct claim on the cash flow or assets of our non-guarantor Subsidiaries and our non-guarantor Subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Notes or the Note Guarantees, or to make funds available to the Issuer or the Company for those payments. Certain legal and contractual restrictions limit our ability to access the cash flow of our subsidiaries, including legal restrictions on the payment of corporate dividends.

As of the date of the Indenture, all of the Company's Subsidiaries will be “Restricted Subsidiaries.” However, under the circumstances described below under the caption “—Certain Covenants—Designation of Restricted and Unrestricted Subsidiaries,” we will be permitted to designate certain other of our Subsidiaries as “Unrestricted Subsidiaries.” Our Unrestricted Subsidiaries will not be subject to many of the restrictive covenants in the Indenture. Our Unrestricted Subsidiaries will not guarantee the Notes.

### **Principal, Maturity and Interest**

The Issuer will issue in this Offering up to €1,250,000,000 in aggregate principal amount of Euro Notes and \$2,000,000,000 in aggregate principal amount of Dollar Notes, which will generate gross proceeds of €1,203,387,500 and \$1,949,840,000, respectively. The Issuer may issue Additional Notes (the “*Additional Notes*”) under the Indenture from time to time after the Issue Date. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, including the covenant described below under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.” The Notes and any Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Issuer will issue Euro Notes in denominations of €50,000 and integral multiples of €1,000 above €50,000 and will issue Dollar Notes in denominations of \$100,000 and integral multiples of €1,000 above \$100,000. Notes will only be issued in minimum denominations

of €50,000 or \$100,000 principal amount. If not previously redeemed in accordance with the terms of the Indenture, the principal amount of the Notes will become due and payable upon maturity on July 15, 2017.

Interest on the Euro Notes will accrue at the rate of 11.75% per annum and interest on the Dollar Notes will accrue at the rate of 11.75% per annum and, in each case, will be payable semi-annually in arrears on January 15 and July 15, commencing on January 15, 2010. Interest on overdue principal and interest and all Additional Amounts (if any) then due will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Issuer will make each interest payment to the holders of record on the immediately preceding December 31 and June 30.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

In certain circumstances, the Issuer may be required to pay additional amounts in cash on the Notes described below under the caption entitled “—Additional Amounts.”

#### **Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents (each, a “*Paying Agent*”) for the Notes in each of (i) the City of London (the “*Principal Paying Agent*”), (ii) the Borough of Manhattan, City of New York, and (iii) Luxembourg, for so long as the Notes are listed on the Euro MTF of the Luxembourg Stock Exchange (the “*Euro MTF*”), and the rules of the Luxembourg Stock Exchange so require. The Issuer will undertake to maintain a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agents will be The Bank of New York Mellon in London, The Bank of New York Mellon in New York and The Bank of New York Mellon (Luxembourg) SA. in Luxembourg.

The Issuer will also maintain one or more registrars (each, a “*Registrar*”) with offices in each of (i) the City of London, (ii) the Borough of Manhattan, City of New York and (iii) Luxembourg, for so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require. The Issuer will also maintain a transfer agent in each of London, New York and Luxembourg. The initial Registrar will be The Bank of New York Mellon in London and New York and The Bank of New York Mellon (Luxembourg) SA. in Luxembourg. The initial transfer agent will be The Bank of New York Mellon in London and New York and The Bank of New York Mellon (Luxembourg) SA. in Luxembourg. The Registrar and the transfer agent in New York and the transfer agent in Luxembourg will maintain a register reflecting ownership of Definitive Registered Notes outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on the behalf of the Issuer. Each transfer agent shall perform the functions of a transfer agent.

The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. For so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in a newspaper having a general circulation in Luxembourg (which is expected to be *d’Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange.

## Transfer and Exchange

The Notes will be issued in the form of several registered notes in global form, without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “*144A Global Notes*”).
  - The 144A Global Notes representing the Dollar Notes (the “*Dollar 144A Global Note*”) will, on the Issue Date, be deposited with a custodian for The Depository Trust Company (“*DTC*”) and registered in the name of Cede & Co., as nominee of DTC.
  - The 144A Global Notes representing the Euro Notes (the “*Euro 144A Global Note*”), will, on the Issue Date, be deposited with and registered in the name of The Bank of New York Depository (Nominees) Limited, as the common depository, for the accounts of Euroclear Bank S.A./N.V. (“*Euroclear*”) and Clearstream Banking, *société anonyme* (“*Clearstream*”).
- Each series of Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “*Regulation S Global Notes*,” and together with the 144A Global Notes, the “*Global Notes*”).
  - During the 40-day “distribution compliance period” (as such term is defined in Rule 902 of Regulation S under the U.S. Securities Act), the Regulation S Global Notes representing the Dollar Notes (the “*Dollar Regulation S Global Note*,” and together with the Dollar 144A Global Note, the “*Dollar Global Notes*”) will initially be credited within DTC for the accounts of Euroclear and Clearstream. After the 40-day distribution compliance period ends, investors may also hold their interests in the permanent Dollar Regulation S Global Note through organizations other than Clearstream or Euroclear that are DTC participants.
  - The Regulation S Global Notes representing the Euro Notes (the “*Euro Regulation S Global Note*,” and together with the Euro 144A Global Note, the “*Euro Global Notes*”) will, on the closing date, be deposited with and registered in the name of The Bank of New York Depository (Nominees) Limited, as the common depository, for the accounts of Euroclear and Clearstream.

During the 40-day distribution compliance period, book-entry interests in the Regulation S Global Note may be (1) held only through Euroclear and Clearstream or through DTC for the account of Euroclear and Clearstream, and (2) transferred only to non-U.S. persons under Regulation S or qualified institutional buyers under Rule 144A.

Ownership of interests in the Global Notes (“*Book-Entry Interests*”) will be limited to persons that have accounts with Euroclear and Clearstream or DTC, as applicable, or persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “Notice to Investors.” In addition, transfers of Book-Entry Interests between participants in Euroclear, participants in Clearstream or participants in DTC will be effected by Euroclear, Clearstream or DTC, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear, Clearstream or DTC, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note denominated in the same

currency only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred.

Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €50,000 or \$100,000 principal amount, as the case may be, and integral multiples of €1,000 in excess thereof or \$1,000 in excess thereof, as the case may be, upon receipt by the applicable Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear, Clearstream or DTC, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the indenture or as otherwise determined by the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “Notice to Investors.”

Subject to the restrictions on transfer referred to above, Euro Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €50,000 in principal amount and integral multiples of €1,000 in excess thereof and Dollar Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of \$100,000 in principal amount and integral multiples of \$1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear, Clearstream or DTC, where appropriate, to furnish certain certificates and opinions, and to pay any taxes, duties and governmental charges in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any taxes, duties and governmental charges payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;
- (3) for a period of 15 days prior to the record date with respect to any Interest Payment Date; or

- (4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Sale Offer.

### **The Guarantees**

Any Note Guarantee will be joint and several obligations of the relevant Guarantor. The Notes will initially be guaranteed by the Company and WIS and will be subordinated to the prior payment in full of all Senior Debt of the Company and WIS and will be effectively subordinated to all of the Indebtedness of the Company's other Subsidiaries that do not guarantee the Notes. The obligations of a Guarantor under its Note Guarantee will be limited as necessary so that the relevant Note Guarantee does not constitute a fraudulent transfer or conveyance for purposes of any provision of Italian or Luxembourg law, bankruptcy law, the uniform fraudulent conveyance act, the uniform fraudulent transfer act or any similar law to the extent applicable to the relevant Note Guarantee. See "Risk Factors—Risks Related to the Notes and Our Structure—The Note Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defenses that may limit its validity and enforcement."

To ensure compliance with Italian law, each Note Guarantee by the Company, WIS or any other Guarantor that is incorporated in Italy shall not in any event exceed an amount equal to 200% of the aggregate amount of the Notes in accordance with applicable Italian law.

Subject to the covenant described below under the caption "—Merger, Consolidation or Sale of Assets," a Guarantor (other than the Company) may not sell, assign, transfer, convey or otherwise dispose of all or substantially all of its assets to, or consolidate, amalgamate merge or otherwise combine with or into (whether or not such Guarantor is the surviving Person) another Person, unless:

- (1) immediately after giving effect to such transaction, no Default or Event of Default exists; and
- (2) either:
  - (a) the Person to which such sale, assignment, transfer, conveyance or other disposition has been made or the Person formed by or surviving any such consolidation, amalgamation, merger or combination assumes all the obligations of that Guarantor under the Indenture, its Note Guarantee, the Priority Agreement and the Notes Security Documents to which it is a party pursuant to agreements reasonably satisfactory to the Trustee; or
  - (b) such sale or disposition is undertaken in accordance with, and the Net Proceeds of such sale or other disposition are applied in accordance with, the applicable provisions of the Indenture.

The Note Guarantee of a Guarantor will be released:

- (1) with respect to a Guarantor other than the Company, in connection with any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger, consolidation, amalgamation or combination) or the Capital Stock of that Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company or an Affiliate of the Issuer, the Company or any of its Subsidiaries, if the sale, assignment, transfer, conveyance or other disposition is undertaken in accordance with the covenant described under the caption "—Certain Covenants—Asset Sale" or other provisions of the Indenture;
- (2) upon the sale of all the Capital Stock of such Guarantor or its parent entity pursuant to a security enforcement sale in compliance with the Priority Agreement;



- (3) with respect to a Guarantor other than the Company, if the Company designates any Restricted Subsidiary that is a Guarantor to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture;
- (4) with respect to a Guarantor other than the Company, upon covenant defeasance as provided below under the captions “—Legal Defeasance and Covenant Defeasance;”
- (5) upon legal defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Legal Defeasance and Covenant Defeasance” and “—Satisfaction and Discharge;” or
- (6) upon the release of the guarantee that gave rise to the requirement to guarantee the Notes, so long as no Event of Default would arise as a result and no other Indebtedness is at that time guaranteed by the relevant Guarantor.

## Security

The Notes and each Note Guarantee will be secured, along with the 2015 Notes (on an equal and ratable basis), by:

- (1) a third-ranking security interest in the Capital Stock of the Company;
- (2) a third-ranking security interest in the Initial Proceeds Loan and the Second Lien Proceeds Loan and the 2015 Notes Proceeds Loans; and
- (3) a third-ranking security interest in receivables under the Sale and Purchase Agreement and the Put and Call Option Agreement (which will be subject to certain rights of the holders of our Senior Debt to control enforcement and to receive any proceeds therefrom).

The Security Agent has entered into or will enter into the Notes Security Documents relating to each of the pledges and assignments set forth above with the other relevant parties thereto. These pledges and assignments, as the case may be, will secure the payment and performance when due of all of the Obligations of the Issuer and the Guarantors under the Indenture, the Notes and any Note Guarantee as provided in the relevant Notes Security Document.

The security interests identified in the first paragraph under this heading will rank junior to the security interest in favor of Senior Debt. The Priority Agreement provides that the holders of Senior Debt will be entitled to control virtually all decisions relating to the exercise of remedies with respect to these security interests, will be able to block enforcement of such security interests and will receive any proceeds from the enforcement of those security interests before amounts will be available to the holders of the Notes. As a result, the holders of the Notes will not be able to force a sale of the Collateral pledged pursuant to the Notes Security Documents and the exercise of any available remedies related thereto will be at the sole discretion of the holders of Senior Debt. See “Risk Factors—Risks Relating to the Notes and Our Structure—Your rights to enforce remedies with respect to the collateral securing the Notes and Note Guarantee are limited as long as any senior debt is outstanding.”

So long as no Default or Event of Default has occurred and is continuing, and subject to certain terms and conditions, the Issuer, the Parent, and the Company, as applicable, will be entitled to receive all cash dividends, interest and other payments made upon or with respect to the Collateral pledged or assigned by them and to exercise any voting and other consensual rights pertaining to the Collateral pledged or assigned by them.

The Notes Security Documents executed by the Issuer, a Guarantor, the Parent or the Second Lien Issuer shall be automatically released with respect to the Issuer, such Guarantor, the Parent or the Second Lien Issuer, as the case may be:

- (1) upon legal or covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions “—Legal Defeasance and Covenant Defeasance” and “—Satisfaction and Discharge;”
- (2) with respect to a Guarantor other than the Company, in connection with any sale, assignment, transfer, conveyance or other disposition of all of the Capital Stock of such Guarantor or all of the assets of such Guarantor (other than to an Affiliate of the Issuer, the Company or any of its Subsidiaries), if the sale or other disposition complies with the “Asset Sale” and other applicable provisions of the Indenture;
- (3) if there is any sale, assignment, transfer, conveyance or other disposal being effected at the request of the holders of the Senior Debt as provided in the Priority Agreement in circumstances where the Senior Debt has taken enforcement action with respect to all of the issued Capital Stock or all of the assets of such Guarantor or any direct or indirect holding company of such Guarantor over which a security interest has been granted to secure such Senior Debt; and
  - (a) the Security Agent has notified the Trustee of the proposed disposal;
  - (b) the proceeds of such sale received by the Security Agent are, unless otherwise agreed by the Trustee, in the form of cash or cash equivalents;
  - (c) the claims and security interests under the Senior Debt against the relevant Guarantor and its Subsidiaries or in respect of the relevant asset are irrevocably and unconditionally released (and not assumed by the relevant purchaser or any affiliate of such purchaser of the relevant Guarantor or asset);
  - (d) either (i) the disposal is made pursuant to a public auction; or (ii) in connection with the disposal an internationally recognized investment bank selected by the Security Agent has delivered to the Trustee an opinion that the consideration for the sale is fair from a financial point of view after taking into account all relevant circumstances; and
  - (e) the net cash proceeds of the sale or disposal are applied in payment of Indebtedness in accordance with the Priority Agreement; or
- (4) with respect to a Guarantor other than the Company, if the Company designates such Guarantor as an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture.

In addition, subject to certain conditions, a pledge of the shares of our Subsidiaries (if any) will be automatically released at the time of an enforcement sale of the pledged entity or of the assets or shares of any direct or indirect parent entity of such Subsidiary (other than the Company).

#### **Security Trustee**

ABN AMRO Bank N.V. will act as Security Agent under the Notes Security Documents and the Priority Agreement until such time, if any, that a new Security Agent is appointed under the relevant provisions of the Notes Security Documents and/or the Priority Agreement.

Neither the Trustee nor the Security Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any property securing the Notes or any Note Guarantee, for the legality, enforceability,

effectiveness or sufficiency of the Notes Security Documents, for the creation, perfection, priority, sufficiency or protection of any Lien, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Notes Security Documents or any delay in doing so.

### **Subordination of the Guarantees**

Upon the occurrence of certain insolvency events involving a Guarantor, the Note Guarantee owed by the insolvent Guarantor will be subordinate in right of payment to outstanding claims under the Senior Debt owed by such insolvent Guarantor. In addition, the payment on the Guarantees will be subject to provisions in the Priority Agreement relating to payment blockage, restrictions on enforcement, turnover, release and other customary senior debt protections. See “Description of Other Indebtedness—Priority Agreement.”

### **Optional Redemption**

At any time prior to July 15, 2012, the Issuer may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) issued under the Indenture at a redemption price of 111.75% of the principal amount for Euro Notes and at a redemption price of 111.75% of the principal amount for Dollar Notes, plus accrued and unpaid interest and Additional Amounts (if any) then due to the redemption date, with the net cash proceeds of a Public Equity Offering of common stock or ordinary shares of (i) the Company, or (ii) any Parent Holdco of the Company to the extent the proceeds from such Public Equity Offering are contributed to the Company’s common equity capital or are paid to the Company as consideration for the issuance of common stock or ordinary shares of the Company; *provided* that:

- (1) at least 65% of the aggregate principal amount of the Euro Notes and at least 65% of the aggregate principal amount of the Dollar Notes originally issued under the Indenture (excluding Notes held by the Issuer, the Company and their respective Affiliates) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of the closing of the relevant Public Equity Offering.

At any time prior to July 15, 2013, the Issuer may at its option also redeem all or a part of the Euro Notes and/or the Dollar Notes, as the case may be, upon not less than 30 nor more than 60 days prior notice mailed by first-class mail to each holder’s registered address, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium (calculated as of a date no more than three business days prior to the date of the relevant redemption notice) as of, and accrued and unpaid interest and Additional Amounts, if any, to the date of redemption, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Except pursuant to the preceding paragraphs, the Notes will not be redeemable at the Issuer’s option prior to July 15, 2013.

On or after July 15, 2013, the Issuer may at its option redeem all or a part of the Euro Notes and/or the Dollar Notes, as the case may be, upon not less than 30 nor more than 60 days’ notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes redeemed, to the applicable redemption date, if redeemed during the twelve-month period beginning on July 15 of the years

indicated below, subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date:

<u>Year</u>	<u>Euro Notes</u>	<u>Dollar Notes</u>
2013 .....	105.875%	105.875%
2014 .....	102.938%	102.938%
2015 and thereafter .....	100.000%	100.000%

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date.

#### **Redemption for Changes in Withholding Taxes**

The Issuer may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders of the Notes (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest to the date fixed by the Issuer for redemption (a "*Tax Redemption Date*") and all Additional Amounts (if any) then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Issuer has or would be required to pay Additional Amounts, and the Issuer cannot avoid any such payment obligation taking reasonable measures available as a result of:

- (1) any change in, or amendment to, the laws or treaties (or any regulations, or rulings promulgated thereunder) of the relevant Tax Jurisdiction (as defined below) affecting taxation which change or amendment has not been publicly announced as formally proposed before and which becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or
- (2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture).

The Issuer will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Issuer would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Notwithstanding the foregoing, the Issuer may not redeem the Notes under this provision if the relevant Tax Jurisdiction changes under the Indenture and the Issuer is obligated to pay any Additional Amounts as a result of a change in, or an amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder), or any change in or amendment to, any official position regarding the application, administration or interpretation of such laws, treaties, regulations or rules, of the then current Tax Jurisdiction which, at the time such Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture, was publicly announced as formally proposed. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer will deliver to the Trustee an opinion of counsel, the choice of

such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment. In addition, before the Issuer publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Issuer taking reasonable measures available to it.

The Trustee will accept such Officer's Certificate and opinion as sufficient evidence of the existence of satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders.

For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing, or complying with, or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

### **Mandatory Redemption**

The Issuer is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

### **Repurchase at the Option of Holders**

#### ***Change of Control***

If a Change of Control occurs, each holder of Notes will have the right to require the Issuer to repurchase all or any part (in integral multiples of €1,000 for Euro Notes and \$1,000 for Dollar Notes; *provided* that Euro Notes of €50,000 or less or Dollar Notes of \$100,000 or less may only be redeemed in whole and not in part) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Issuer will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Notes repurchased on the date of purchase plus accrued and unpaid interest and all Additional Amounts (if any) then due on the Notes repurchased to the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control, the Issuer will mail a notice to each holder of Notes describing the circumstances and/or facts that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent Rule 14e-1 and those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the paying agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officers' Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Issuer.

The paying agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Issuer to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if (1) another Person makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

The Issuer's ability to repurchase the Notes pursuant to the Change of Control Offer may be limited by a number of factors. The Credit Agreement, the Second Lien Subscription Agreement and the Priority Agreement contain provisions that may prohibit the repurchase or repayment of the Notes upon a Change of Control. The repurchase of the Notes pursuant to a Change of Control Offer could cause a default under such Indebtedness, even if the Change of Control itself does not. If a Change of Control occurs at a time when the Issuer is prohibited from receiving funds from obligors under our Senior Debt (including Indebtedness under the Credit Agreement and Second Lien Subscription Agreement) to repurchase Notes, the Company may seek the consent of the creditors under such Indebtedness to repurchase the Notes or may attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such a consent or repay such borrowings, the Issuer will be effectively prohibited from repurchasing any tendered Notes with proceeds from obligors with respect to our Senior Debt. The ability of the Issuer to pay cash to the holders of the Notes following the occurrence of a Change of Control may be limited by its then existing financial resources, and sufficient funds may not be available when necessary to make any required repurchases. We expect that we would require third party financing to make an offer to repurchase the Notes upon a Change of Control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase Notes would constitute a Default under the Indenture, which could, in turn, constitute a default under the Credit Agreement and the Second Lien Subscription Agreement.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

If and for so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notices relating to the Change of Control Offer in a leading newspaper of general circulation in Luxembourg (which is expected to be *d'Wort*) or, to the



extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange.

### ***Asset Sale Offers***

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of the covenant under the caption “—Certain Covenants—Asset Sales” will constitute “*Excess Proceeds*.” When the aggregate amount of Excess Proceeds exceeds €25.0 million, within 25 days thereof, the Issuer (or the Company on the Issuer’s behalf) will make an Asset Sale Offer to all holders of Notes and all holders of other Indebtedness that is *pari passu* with the Notes (including any Capital Markets Debt of a Finance Company guaranteed by the Company) containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets (including for such purpose the 2015 Notes), to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest and Additional Amounts then due (if any) to the date of purchase and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee will select the Notes and such other *pari passu* Indebtedness to be purchased on a *pro rata* basis. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the U.S. Exchange Act and any other applicable securities laws and regulations to the extent those laws, rules and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

### **Selection and Notice**

If less than all of the Euro Notes or the Dollar Notes, as the case may be, are to be redeemed at any time, the Trustee will select Notes for redemption on a *pro rata* basis unless otherwise required by law or applicable stock exchange requirements. The Trustee will not be liable for selections made by it in accordance with this paragraph.

No Euro Notes of €50,000 or less or Dollar Notes of \$100,000 or less can be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may not be conditional.

If any Euro Note or Dollar Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Euro Note or Dollar Note, as the case may be, in principal amount equal to the unredeemed portion of the original Euro Notes or the Dollar Note, as applicable, will be issued in the name of the holder of Notes upon cancellation of the original Note, as applicable. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be *d'Wort*) and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

#### **Additional Amounts**

All payments made under or with respect to the Notes (whether or not in the form of Definitive Registered Notes) or with respect to any Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Issuer or any Guarantor (including any Successor Entity), is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction from or through which payment is made by or on behalf of the Issuer or any Guarantor (including, without limitation, the jurisdiction of any paying agent) (each, a “*Tax Jurisdiction*”), will at any time be required to be made from any payments made under or with respect to the Notes or with respect to any Note Guarantee, including, without limitation, payments of principal, redemption price, purchase price, interest or premium, the Issuer or the relevant Guarantor or other payor, as applicable, will pay such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received in respect of such payments by each Holder (including Additional Amounts) after such withholding, deduction or imposition will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction; *provided, however*, that no Additional Amounts will be payable with respect to:

- (1) any Taxes that would not have been imposed but for the holder or the beneficial owner of the Notes being a citizen or resident or national of, incorporated in or carrying on a business, in the relevant Tax Jurisdiction in which such Taxes are imposed or having any other present or former connection with the relevant Tax Jurisdiction other than the mere acquisition, holding, enforcement or receipt of payment in respect of the Notes or with respect to any Note Guarantee;
- (2) any Taxes that are imposed or withheld as a result of the failure of the holder of the Note or beneficial owner of the Notes to comply with any reasonable written request, made to that holder or beneficial owner in writing at least 90 days before any such withholding or deduction would be payable, by the Issuer or any of the Guarantors to provide timely and accurate information concerning the nationality, residence or identity of such Holder or beneficial owner or to make any valid and timely declaration or similar claim or satisfy any certification information or other reporting requirement, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from or reduction in all or part of such Taxes;
- (3) any Note presented for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

- (4) any estate, inheritance, gift, sale, transfer, personal property or similar Taxes;
- (5) any Taxes withheld, deducted or imposed on a payment to an individual and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such Directive;
- (6) any Note presented for payment by or on behalf of a holder of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;
- (7) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes or with respect to any Note Guarantee; or
- (8) any combination of items (1) through (7) above.

In addition to the foregoing, the Issuer and the Guarantors will also pay and indemnify the holder for any present or future stamp, issue, registration, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes which are levied by any Tax Jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture, any Note Guarantee, or any other document or instrument referred to therein.

If the Issuer or any Guarantor, as the case may be, becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Issuer or the relevant Guarantor, as the case may be, will deliver to the Trustee on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Issuer or the relevant Guarantor shall notify the Trustee promptly thereafter) an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer's Certificate must also set forth any other information reasonably necessary to enable the Paying Agents to pay Additional Amounts to holders on the relevant payment date. The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Issuer or the relevant Guarantor will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. Upon request, the Issuer or the relevant Guarantor will provide to the Trustee an official receipt or, if official receipts are not obtainable, other documentation reasonably satisfactory to the Trustee evidencing the payment of any Taxes so deducted or withheld. The Issuer or the relevant Guarantor will attach to each certified copy or other document a certificate stating the amount of such Taxes paid per €1,000 or \$1,000 principal amount, as applicable, of the Notes then outstanding. Upon request, copies of those receipts or other documentation, as the case may be, will be made available by the Trustee to the holders of the Notes.

Whenever in the Indenture or in this "Description of Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes or Note Guarantees, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

In addition, the Issuer and each Guarantor shall provide to the Trustee on behalf of each holder of Notes that is a "domestic" "person" (as each such term is defined in Code section 7701) (a "U.S. Noteholder"), within thirty (30) days of a request by the Trustee on behalf of such U.S. Noteholder, a

statement described in U.S. Treasury Regulations Section 1.1295-1(g)(1) (an “*Annual Information Statement*”), so as to provide the information required for such U.S. Noteholder to file a retroactive “qualified electing fund” election under Section 1295 of the Code with respect to the Issuer in the event the Notes are recharacterized as equity for U.S. federal income tax purposes, if such U.S. Noteholder has properly filed a “Protective Statement” as described in U.S. Treasury Regulations Section 1.1295-3(c) (a “*Protective Statement*”); *provided, however*, that (1) it is acknowledged and agreed that any Annual Information Statement required to be provided by the Issuer pursuant hereto shall only include the statement set forth in U.S. Treasury Regulations Section 1.1295-1(g)(1)(ii)(C) in satisfaction of the requirement of U.S. Treasury Regulations Section 1.1295-1(g)(1)(ii); (2) the Trustee on behalf of any such U.S. Noteholder shall provide the Issuer with any and all information the Issuer shall reasonably request in order to prepare an Annual Information Statement; (3) each U.S. Noteholder filing a Protective Statement shall include in such Protective Statement a statement in the following form: “It is [name of U.S. Noteholder]’s reasonable belief that [name of U.S. Noteholder] is not a shareholder of Wind Acquisition Finance S.A. for legal and U.S. federal income tax purposes”; and (4) any U.S. Noteholder requesting the preparation of an Annual Information Statement shall bear any and all reasonable costs relating to such preparation.

## **Certain Covenants**

### ***Incurrence of Indebtedness and Issuance of Preferred Stock***

The Issuer will not, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, “*incur*”) any Indebtedness (including Acquired Debt) other than (i) the 2015 Notes, (ii) the Notes, and (iii) any additional Capital Markets Debt, and the Issuer will not issue any Disqualified Stock; *provided that*, in the case of any additional Capital Markets Debt incurred pursuant to the preceding clause (iii):

- (1) if such Indebtedness is Additional Notes, all Obligations with respect to the Additional Notes shall be secured and guaranteed under the Indenture, the Note Guarantees, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture) and the Notes Security Documents to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued;
- (2) the gross proceeds of such Indebtedness are on-lent by the Issuer to the Company pursuant to an Issuer Capital Markets Proceeds Loan and the Company is permitted to incur the Indebtedness represented by such additional borrowings under the Issuer Capital Markets Proceeds Loan pursuant to the second or third paragraph of this covenant;
- (3) the Issuer shall provide a Lien upon the Issuer Capital Markets Proceeds Loan referred to in the preceding clause (2) to secure the Obligations under the Notes and Note Guarantees to the same extent as the Initial Proceeds Loan; and
- (4) the Company and the Issuer shall have delivered to the Trustee an Officer’s Certificate, in form and substance reasonably satisfactory to the Trustee, confirming that the issuance of the additional Capital Markets Debt complies with the Indenture, including, without limitation, the covenant described under the caption “—No Impairment of Security Interests.”

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur any Indebtedness (including Acquired Debt), and the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock; *provided, however*, that (1) the Company may incur Indebtedness (including Acquired Debt) or

issue Disqualified Stock and (2) any Restricted Subsidiary of the Company that is a Guarantor may incur Indebtedness (including Acquired Debt) or issue Preferred Stock, in each case, if on the date of such incurrence or issuance and on a *pro forma* basis (including a *pro forma* application of the Net Proceeds therefrom) the Consolidated Leverage Ratio of the Company is less than 5.0 to 1.

The first and second paragraphs of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, “*Permitted Debt*”):

- (1) the incurrence by the Company or any of its Restricted Subsidiaries that is a Guarantor or Enel.Net S.r.l. of Indebtedness and letters of credit under Credit Facilities in an aggregate principal amount at any one time outstanding under this clause (1) (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder) not to exceed €4,642 million *less* the aggregate amount of all repayments, optional or mandatory, of the principal of any term Indebtedness under a Credit Facility (other than repayments that are concurrently refunded or refinanced) that have been made by the Company or any of its Restricted Subsidiaries since the date of the Indenture and *less* the aggregate amount of all commitment reductions with respect to any revolving credit borrowings under a Credit Facility that have been made by the Company or any of its Restricted Subsidiaries since the date of the Indenture;
- (2) the incurrence by the Company or any of its Restricted Subsidiaries that is a Guarantor of Second Lien Note Indebtedness issued in an aggregate principal amount at any one time outstanding under this clause (2) not to exceed €700 million *less* the aggregate amount of all repayments, optional or mandatory, of the principal of any term thereof or under the Second Lien Note Subscription Agreement or (other than repayments that are concurrently refunded or refinanced) that have been made by the Company or any of its Restricted Subsidiaries since the date of the Indenture;
- (3) the incurrence by the Company and its Restricted Subsidiaries of Existing Indebtedness;
- (4) the incurrence by the Company of the Initial Proceeds Loan issued on the date of the Indenture and the incurrence of Indebtedness represented by a Note Guarantee by the Company or any of its Restricted Subsidiaries;
- (5) the incurrence by the Company or any of its Restricted Subsidiaries that is a Guarantor of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing or refinancing all or any part of the purchase price or cost of design, construction, lease, installation or improvement of property (real or personal), plant or equipment used or useful in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred in exchange for, or the net proceeds of which were used to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (5), not to exceed €250.0 million at any time outstanding;
- (6) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the second paragraph of this covenant or clauses (3), (4), (6) or (16) of this paragraph;



- (7) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of such Restricted Subsidiaries; *provided, however*, that:
- (a) if any Guarantor is the obligor on such Indebtedness and the payee is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations then due with respect to the relevant Note Guarantee; and
  - (b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary of the Company, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (7);
- (8) the issuance by any of the Company's Restricted Subsidiaries to the Company or by any of the Company's Restricted Subsidiaries to any of its Restricted Subsidiaries of shares of Preferred Stock; *provided, however*, that:
- (a) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Company or a Restricted Subsidiary of the Company; and
  - (b) any sale or other transfer of any such preferred stock to a Person that is not either the Company or a Restricted Subsidiary of the Company,
- will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this clause (8);
- (9) the incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations in the ordinary course of business and not for speculative purposes or by the Company of Hedging Obligations relating to Capital Markets Debt or by the Company or any of its Restricted Subsidiaries relating to Senior Debt;
- (10) the guarantee by the Company or a Restricted Subsidiary of the Company of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be incurred by another provision of this covenant (other than the guarantee by a Guarantor of Indebtedness that was permitted to be incurred by clause (16) below); *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or any Note Guarantee, then such guarantee shall be subordinated substantially to the same extent as the relevant Indebtedness guaranteed;
- (11) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from (a) workers' compensation claims, self-insurance obligations, performance, surety, bid, judgment, appeal, advance payment, customs, VAT or other tax guarantees or other similar bonds, instruments or obligations and performance or completion bonds, guarantees and warranties provided by the Company or any of its Restricted Subsidiaries or relating to liabilities or obligations arising in the ordinary course of business and not in connection with the borrowing of money; (b) letters of credit, bankers' acceptances or other similar instruments or obligations issued or relating to liabilities or obligations in the ordinary course of business; *provided* that, upon demand being made under such reimbursement obligations, such demand is satisfied within five days of the date of such demand; and (c) the financing of insurance premiums in the ordinary course of business;



- (12) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds, so long as such Indebtedness is extinguished or covered within five business days of the Company or the relevant Subsidiaries obtaining knowledge of such incurrence;
- (13) the incurrence by the Company of intercompany Indebtedness in the form of a loan from the Parent within 15 Credit Agreement Business Days of the Company becoming aware of, and for the purpose of curing, a breach of the financial covenants set forth in the Credit Agreement and Second Lien Note Subscription Agreement; *provided* that (a) the cure of such breach is permitted in such manner under the terms of the Credit Agreement and the Second Lien Note Subscription Agreement, as the case may be; (b) the event of default arising from such breach under the relevant agreement will not be continuing after the loan has been made to the Company; (c) such Indebtedness is expressly subordinated in right of payment to any Proceeds Loan, the Notes and any Note Guarantee, may not be enforceable while the Notes or any Note Guarantee remains outstanding and is automatically cancelled upon any Default and (d) is, within 45 days after the date on which the consolidated quarterly financial statements of the Company to which the financial covenants relate were provided to the facility or administrative agent under the Credit Agreement or Second Lien Note Subscription Agreement (as the case may be), either converted into shares of common stock or ordinary shares of the Company or refinanced out of the proceeds from the issuance of shares of common stock or ordinary shares of the Company, in either case, without any cash payment from the Issuer, the Company or any of the Company's Restricted Subsidiaries;
- (14) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Company or a Restricted Subsidiary of the Company providing for indemnification, earn-out, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of a Subsidiary, other than, for the avoidance of doubt, guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Capital Stock for the purpose of financing such acquisition; *provided* that the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received the Company and its Restricted Subsidiaries in connection with such disposition;
- (15) customer deposits and advance payments received from customers for goods and services purchased in the ordinary course of business;
- (16) Indebtedness of any Restricted Subsidiary of the Company that is not a Guarantor existing at the time such Restricted Subsidiary is merged, consolidated, amalgamated or otherwise combined with or into or became a Restricted Subsidiary the Company (but, for the avoidance of doubt, excluding any Indebtedness incurred in connection with, or in contemplation of, such Restricted Subsidiary merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, the Company); *provided* that (i) on the date of such incurrence and on a *pro forma* basis the Consolidated Leverage Ratio of the Company is less than 5.0 to 1 and (ii) the aggregate principal amount (or accreted value, as applicable) of Indebtedness incurred pursuant to this clause (16), together with any Permitted Refinancing Indebtedness incurred under

clause (6) above and relating directly or indirectly to any Indebtedness initially incurred pursuant to this clause (16), at any time outstanding does not exceed €400.0 million; and

- (17) the incurrence by the Company or any of its Restricted Subsidiaries of additional Indebtedness (including Acquired Debt) in an aggregate principal amount (or accreted value, as applicable) at any time outstanding not to exceed €200.0 million; *provided* that no more than €25.0 million of which at any time outstanding may be incurred by Restricted Subsidiaries of the Company that are not Guarantors.

Neither the Company nor any of its Subsidiaries may incur any Capital Markets Debt (other than Acquired Debt not incurred in connection with, or in contemplation of, a Person merging with or into, or becoming a Restricted Subsidiary of the Company or any of its Restricted Subsidiaries); *provided* that the Company (1) may guarantee Capital Markets Debt incurred by a Finance Company and may incur Indebtedness under a Capital Markets Proceeds Loan and (2) may incur Capital Markets Debt, either directly or through the borrowings of the proceeds of Capital Markets Debt incurred by a Finance Company, pursuant to clauses (1) and (2) of the third paragraph of this covenant.

For purposes of determining compliance with this “Incurrence of Indebtedness and Issuance of Preferred Stock” covenant, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (17) above, or is entitled to be incurred pursuant to the second paragraph of this covenant, the Company will be permitted to classify all or any portion of such item of Indebtedness on the date of its incurrence in any manner that complies with this covenant and, other than with respect to Indebtedness incurred under clauses (1) or (2) of the definition of Permitted Debt in the third paragraph of this covenant, to reclassify from time to time all or any portion of such item of Indebtedness in any manner that then complies with this covenant. Indebtedness under Credit Facilities and Second Lien Notes outstanding on the date on which Notes are first issued and authenticated under the Indenture will initially be deemed to have been incurred on such date in reliance on the exception provided by clauses (1) and (2), respectively, of the definition of Permitted Debt and may not be reclassified (except as between such clauses (1) and (2)). The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock for purposes of this covenant; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in Fixed Charges of the Company as accrued. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

The amount of any Indebtedness outstanding as of any date will be (without double counting):

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (a) the Fair Market Value of such assets at the date of determination; and
  - (b) the amount of the Indebtedness of the other Person.

For purposes of determining compliance with any euro-denominated restriction on the incurrence of Indebtedness, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency will be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; *provided* that (1) if such Indebtedness is incurred to refinance other Indebtedness denominated in a currency other than euros, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Permitted Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (2) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (3) if and for so long as any such Indebtedness is subject to an agreement intended to protect against fluctuations in currency exchange rates with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in euros, will be the amount of the principal payment required to be made under such currency agreement and, otherwise, the Euro Equivalent of such amount plus the Euro Equivalent of any premium which is at such time due and payable but is not covered by such currency agreement.

#### ***Anti-Layering***

No Guarantor will incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Company or such other Guarantor unless such Indebtedness ranks *pari passu* with the applicable Note Guarantee and, if such Guarantor is the Company, the Proceeds Loan or is contractually subordinated in right of payment to the applicable Note Guarantee and, if such Guarantor is the Company, the Proceeds Loan on substantially identical terms (or is further subordinated); *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis. Notwithstanding the foregoing, any Indebtedness incurred by the Company or any of its Restricted Subsidiaries that is a Guarantor under clause (2) of the definition of Permitted Debt in the third paragraph of the covenant “—Incurrence of Indebtedness and Issuance of Preferred Stock” may be subordinated to any Indebtedness incurred by the Company or any of its Restricted Subsidiaries that is a Guarantor under clause (1) of the definition of Permitted Debt in the third paragraph of the covenant “—Incurrence of Indebtedness and Issuance of Preferred Stock” to substantially the same extent as the Second Lien Notes are subordinated to the Credit Agreement under the Priority Agreement.

#### ***Restricted Payments***

The Issuer will not, directly or indirectly, make any payments or take such actions of the type or nature set forth in clauses (1) through (4) of the definition of Restricted Payments contained in the following paragraph, other than (1) the making of a Proceeds Loan to the Company (including increases in principal thereunder or as provided therein), (2) the making of an Issuer Capital Markets Proceeds Loan to the Company made in connection with the issuance of Capital Markets Debt of the Issuer (including the 2015 Notes Proceeds Loan), (3) Permitted Issuer Maintenance Payments or (4) Permitted Issuer Investments.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

- (1) declare or pay any dividend or make any other payment or distribution on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without

limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company and other than dividends or distributions payable to the Company or a Restricted Subsidiary of the Company);

- (2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or the Issuer or any direct or indirect parent of the Company or the Issuer;
- (3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee (excluding any intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries), except a payment of interest or principal at the Stated Maturity thereof or the purchase, redemption, defeasance or other acquisition or retirement of any such subordinated obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, redemption, defeasance or other acquisition or retirement; or
- (4) make any Restricted Investment,

(all such payments and other actions set forth in these clauses (1) through (4) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

- (1) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (2) the Company would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the second paragraph of the covenant described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;" and
- (3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries since the date of the Indenture (excluding Restricted Payments permitted by clauses (2), (3), (4), (6), (7), (8)(a), (8)(b) and (12) of the next succeeding paragraph), is less than the sum, without duplication, of:
  - (a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) beginning from January 1, 2009 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); *plus*
  - (b) 100% of the aggregate net cash proceeds received by the Company since the date of the Indenture as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issue or sale since the date of the Indenture of convertible or exchangeable Disqualified Stock or convertible or exchangeable debt securities of the Company

or any Restricted Subsidiary of the Company that have been converted into or exchanged for such Equity Interests of the Company (other than Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Company); *plus*

- (c) to the extent that any Restricted Investment that was made after the date of the Indenture is sold for cash and/or Cash Equivalents or otherwise liquidated or repaid for cash and/or Cash Equivalents, the lesser of (i) the cash return of capital with respect to such Restricted Investment (including any Cash Equivalents less the cost of disposition, if any) and (ii) the initial amount of such Restricted Investment; *plus*
- (d) to the extent that any Unrestricted Subsidiary of the Company designated as such after the date of the Indenture is redesignated as a Restricted Subsidiary after the date of the Indenture, the lesser of (i) the Fair Market Value of the Company's Investment in such Subsidiary as of the date of such redesignation or (ii) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the date of the Indenture; *plus*
- (e) 50% of any dividends or distributions received by the Company or a Restricted Subsidiary of the Company after the date of the Indenture from an Unrestricted Subsidiary of the Company, to the extent that such dividends were not otherwise included in the Consolidated Net Income of the Company for such period; *plus*
- (f) an amount equal to the lesser of (i) €70 million and (ii) an amount equal to the difference of (A) the amount available as of the Issue Date for the making of Restricted Payments (as defined in the indenture governing the 2015 Notes (the "2015 Notes Indenture")) under the second clause (3) of the second paragraph of Section 4.07 of the 2015 Notes Indenture (i.e., the restricted payments build-up basket) *less* (B) the amount available as of the Issue Date for making Restricted Payments pursuant to this clause (3).

The preceding provisions will not prohibit:

- (1) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days after the date of declaration of the dividend or distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Indenture;
- (2) the making of any Restricted Payment in exchange for, upon conversion of or out of the net cash proceeds of the sale within 30 days prior to such payment (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock) or from the substantially concurrent contribution of common equity or ordinary share capital to the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (3)(b) of the preceding paragraph;
- (3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer or any Guarantor that is contractually subordinated to the Notes or to any Note Guarantee in exchange for, or with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
- (4) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Company to the



holders of its Equity Interests then entitled to participate in such dividends on a *pro rata* basis;

- (5) so long as no Default has occurred and is continuing or would be caused thereby, the purchase, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any current or former officer, director or employee of the Company or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, compensation, retirement, disability, severance or benefit plan or arrangement, stock option or incentive plan or agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed €7.5 million in any twelve-month period with unused amounts being carried over to any subsequent twelve-month period subject to a maximum aggregate amount of €15.0 million being available in any twelve-month period;
- (6) the repurchase of Equity Interests deemed to occur upon the exercise of stock options to the extent such Equity Interests represent a portion of the exercise price of those stock options;
- (7) so long as no Default has occurred and is continuing or would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Stock of the Company or Preferred Stock of any Restricted Subsidiary of the Company issued on or after the date of the Indenture in accordance with the Consolidated Leverage Ratio test described below under the caption "—Incurrence of Indebtedness and Issuance of Preferred Stock;"
- (8) so long as no Default has occurred and is continuing or would be caused thereby,
  - (a) Permitted Maintenance Payments;
  - (b) Permitted Parent Management Payments and
  - (c) Permitted Weather Management Payments;
- (9) so long as no Default has occurred and is continuing or would be caused thereby, following a Public Equity Offering that results in a Public Market of the Capital Stock of the Company or any Parent Holdco of the Company, the payment of dividends on the Capital Stock of the Company up to 6% per annum of the net cash proceeds received by the Company in any such Public Equity Offering or any subsequent public offering of such Capital Stock, or the net cash proceeds of any such Public Equity Offering or subsequent public offering of such Capital Stock of any Parent Holdco of the Company that are contributed in cash to the Company's equity (other than through the issuance of Disqualified Stock); *provided*, that if such Public Equity Offering was of Capital Stock of a Parent Holdco of the Company, the net proceeds of any such dividend are used to fund a corresponding dividend in equal or greater amount on the Capital Stock of such Parent Holdco;
- (10) so long as no Default has occurred and is continuing or would be caused thereby, any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer, the Company or any of its Restricted Subsidiaries that is contractually subordinated to the Notes or any Note Guarantee upon a Change of Control or an Asset Sale to the extent required by the Indenture or any agreement or instrument pursuant to which such subordinated Indebtedness was issued, but only if the Issuer (a) in the case of a Change of Control, has first purchased all Notes validly tendered and not withdrawn in the Change of Control Offer contemplated under "—Repurchases at the Option of Holders—Change of Control;" (b) or in the case of an Asset Sale, has first purchased all Notes validly tendered and not withdrawn in the Asset



Sale Offer contemplated under “—Repurchases at the Option of Holders—Asset Sale Offers;”

- (11) so long as no Default has occurred and is continuing or would be caused thereby, the repurchase, redemption, or other acquisition for value (including, for the avoidance of doubt, cash payments in lieu of fractional shares) of Capital Stock of the Company representing fractional shares of such Capital Stock in connection with a share dividend, share distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Company or such Restricted Subsidiary, in each case, as permitted under the Indenture; *provided* that such share dividend, share distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination is undertaken in good faith and not in anticipation of, or to facilitate the payment of, any dividend or other return of capital to the holders of, such Capital Stock;
- (12) in connection with the Refinancing Transactions, a payment or payments of the Cash Distribution on or after the date of issuance of the Notes; and
- (13) so long as no Default has occurred and is continuing or would be caused thereby, other Restricted Payments in an aggregate amount not to exceed €50.0 million since the date of the Indenture.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this covenant will be determined by the Board of Directors of the Company.

### ***Liens***

The Issuer will not, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind on any asset now owned or hereafter acquired, except Permitted Issuer Liens.

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (an “*Initial Lien*”) of any kind, except Permitted Liens upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture, the Notes and any Note Guarantee are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien. Any Lien created for the benefit of the holders of Notes pursuant to the preceding sentence shall be automatically and unconditionally released and discharged (1) upon the release and discharge of the Initial Lien or (2) as set forth above under the caption “—Security.”

### ***Asset Sales***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

- (1) the Company or a Restricted Subsidiary receives consideration at the time of the Asset Sale at least equal to the Fair Market Value (including as to the value of all non-cash consideration) of the assets or Equity Interests issued or sold or otherwise disposed of as determined in good faith by the principal financial officer of the Company or, in the case of assets and Equity Interests having a value in excess of €15 million, as determined in good faith by the Board of Directors of the Company; and

- (2) at least 75% of the consideration received in the Asset Sale by the Company or such Restricted Subsidiary is in the form of cash and/or Cash Equivalents. For purposes of this provision, each of the following will be deemed to be cash:
  - (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Note Guarantee) that are assumed or repaid by another Person in connection with such Asset Sale; *provided* that the Company or such Restricted Subsidiaries are released from further liability;
  - (b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted into cash or Cash Equivalents within 45 days of receipt thereof; and to the extent of the cash or Cash Equivalents received in that conversion; and
  - (c) any stock or assets of the kind referred to in clauses (2) or (4) of the next paragraph of this covenant.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply such Net Proceeds:

- (1) to repay, prepay, redeem or purchase Senior Debt and, if the Senior Debt repaid, prepaid, redeemed or purchased is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;
- (2) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of assets or Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary of the Company;
- (3) to make a capital expenditure; or
- (4) to acquire other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business.

Pending the final application of any Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "*Excess Proceeds*." When the aggregate amount of Excess Proceeds exceeds €25.0 million, the Issuer will make an Asset Sale Offer as provided under the caption "*—Repurchase at the Option of Holders—Asset Sale Offers*."

#### ***Limitation on Sale and Leaseback Transactions***

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale and leaseback transaction; *provided* that the Company or any of its Restricted Subsidiary may enter into a sale and leaseback transaction if:

- (1) the Company or that Restricted Subsidiary of the Company, as applicable, could have
  - (a) incurred Indebtedness in an amount equal to the Attributable Debt relating to such sale and leaseback transaction under the covenant described above under the caption "*—Incurrence of Indebtedness and Issuance of Preferred Stock*" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "*—Liens*;"

- (2) the gross cash proceeds of that sale and leaseback transaction are at least equal to the Fair Market Value, as determined in good faith by the Board of Directors of the Company of the property that is the subject of that sale and leaseback transaction; and
- (3) the transfer of assets in that sale and leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under the captions “—Assets Sales” and “—Repurchase at the Option of Holders—Asset Sale Offers.”

Clause (1) of this covenant shall not be applicable to any transaction involving all or part of the Towers Infrastructure (including to a Towers Entity in which the Company or one of its Restricted Subsidiaries retain an interest) to the extent such transaction is otherwise permitted under the Indenture (including, for the avoidance of doubt, clauses (2) and (3) of this covenant).

***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of (1) the Company to make payments on an Issuer Capital Markets Proceeds Loan or (2) any Restricted Subsidiary of the Company to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Company or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;
- (2) make loans or advances to the Company or any of its Restricted Subsidiaries; or
- (3) sell, lease or transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of or with respect to:

- (1) agreements and instruments (including agreements or instruments governing Existing Indebtedness, Credit Facilities and Second Lien Note Indebtedness (including the Priority Agreement)) as in effect on the date of the Indenture and any amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such agreements and instruments on the date of the Indenture;
- (2) the Indenture and the Notes, the Note Guarantees and the Notes Security Documents and any amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such agreements and instruments on the date of the Indenture;
- (3) applicable law, rule, regulation, or order or governmental license, permit or concession with respect to the operation of a Permitted Business;

- (4) any agreement or instrument (including agreement and instruments governing Indebtedness) or Capital Stock of a Person or assets acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness or Capital Stock was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired and any amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, extensions, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the corresponding agreement on the date of such acquisition; *provided further* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;
- (5) customary non-assignment provisions in leases, contracts and licenses entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;
- (6) purchase money obligations for property acquired in the ordinary course of business, Capital Lease Obligations and mortgage financings that impose restrictions on the property purchased or leased of the nature described in clause (3) of the preceding paragraph;
- (7) any agreement for the sale or other disposition of Equity Interests or property or assets of a Restricted Subsidiary of the Company (including by way of merger, consolidation, amalgamation or combination) that restricts the disposition of such Equity Interests, property or assets pending the sale or other disposition;
- (8) any agreement or instrument relating to Indebtedness of the Company, relating to Indebtedness of a Restricted Subsidiary of the Company that is not a Guarantor or relating to Senior Debt of a Guarantor, in either case, permitted to be incurred after the Issue Date under the covenant entitled “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” if the restriction and encumbrances contained in the relevant agreements governing such Indebtedness are (a) either (i) no more restrictive or (ii) not materially less favorable to the holders of the Notes, taken as a whole and determined in good faith by the Board of Directors of the Company, than the dividends and other payment restrictions contained in the Credit Agreement and the Priority Agreement, in each case, as in effect on the Issue Date, and (b) either (i) the final Stated Maturity of the Indebtedness is prior to the final Stated Maturity of the Notes or (ii) such Indebtedness permits principal payments to be made to the Issuer to fund the repayment of the Notes at final Stated Maturity;
- (9) Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially more restrictive, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;
- (10) Liens permitted to be incurred under the provisions of the covenant described above under the caption “—Liens” that limit the right of the debtor to dispose of the assets subject to such Liens;
- (11) provisions limiting the disposition or distribution of assets, property or Equity Interests in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of the

Company's Board of Directors, which limitation is applicable only to the assets, property or Equity Interests that are the subject of such agreements; and

- (12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into by the Company and its Restricted Subsidiaries in the ordinary course of business.

***Merger, Consolidation or Sale of Assets***

The Issuer will not, directly or indirectly: (1) consolidate, amalgamate, merge or otherwise combine with or into another Person (whether or not the Issuer is the surviving corporation); or (2) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Issuer, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company or the Issuer is the surviving or continuing Person; or (b) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made complies with prior to and after such transaction the covenant described under the caption “—Limitations with Respect to the Issuer;”
- (2) the Person formed by or surviving any such consolidation, merger, amalgamation or combination to which such sale, assignment, transfer, conveyance or other disposition has been made is a Person (in corporate or company form, including substantially similar organizational forms under relevant law) organized or existing under the laws of any member state of the Pre-Expansion European Union, the laws of the United States, any state of the United States or the District of Columbia;
- (3) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Issuer under the Notes, the Indenture, the Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture) and the Notes Security Documents pursuant to agreements reasonably satisfactory to the Trustee other than, to the extent such surviving entity is the Company, the obligations of the Issuer described under the first paragraph of “—Certain Covenants—Restricted Payments;” the first paragraph of “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock;” the first paragraph of “—Certain Covenants—Limitation on Liens;” and “—Certain Covenants—Limitations with Respect to the Issuer;” and
- (4) immediately after such transaction, no Default or Event of Default exists and the Notes Security Documents and the Liens created on the Collateral (other than, to the extent the surviving entity is the Company, the assignment of any Issuer Capital Markets Proceeds Loan provided that such Issuer Capital Markets Proceeds Loan is cancelled or otherwise could have been incurred by the Company at the time of such transaction pursuant to the covenant described under “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock”) shall remain in full force and effect, or subject to the satisfaction of the Trustee, shall have been transferred to such surviving entity and shall have been perfected and be in full force and effect or otherwise released in accordance with the terms of the Indenture.

The Company will not, directly or indirectly: (1) consolidate, merge, amalgamate or combine with or into another Person (whether or not the Company is the surviving corporation) or (2) sell,

assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

- (1) either: (a) the Company is the surviving or continuing Person; or (b) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than the Company) or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made (the “*Successor Company*”) is a Person (in corporate or company form, including substantially similar organizational forms under relevant law) organized or existing under the laws of any member state of the Pre-Expansion European Union, the laws of the United States, any state of the United States or the District of Columbia;
- (2) the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes all the obligations of the Company under any Issuer Capital Markets Proceeds Loan, the Indenture, the Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture) and/or the Notes Security Documents pursuant to agreements reasonably satisfactory to the Trustee;
- (3) immediately after such transaction, no Default or Event of Default exists; and
- (4) the Company or the Person formed by or surviving any such consolidation, merger, amalgamation or combination (if other than the Company), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions, be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Leverage Ratio test set forth in the second paragraph of the covenant described above under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock.”

Notwithstanding the foregoing, neither the Issuer nor the Company nor any of its Restricted Subsidiaries will, directly or indirectly: (1) (a) consolidate, merge, amalgamate or combine with or into Weather Capital S.à r.l., Orascom Telecom Holding S.A.E., any of their Subsidiaries or any successor entity of any such entity or any holding company (including, without limitation, any Parent Holdco) of Weather Capital S.à r.l. (whether or not the Issuer, the Company or any of its Subsidiaries, as applicable, is the Successor Company); or (b) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, or the Issuer, in one or more related transactions, to Weather Capital S.à r.l., Orascom Telecom Holding S.A.E., any of their Subsidiaries or any successor entity of any such entity or any holding company (including, without limitation, any Parent Holdco) of Weather Capital S.à r.l. or (2) (a) consolidate, merge, amalgamate or combine with or into any Parent Holdco (whether or not the Issuer, the Company or any of its Subsidiaries, as applicable, is the surviving corporation); or (b) sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole, or the Issuer, in one or more related transactions, to any Parent Holdco; *provided* that the Company may consolidate, merge, amalgamate, or combine with or into, or sell, assign, transfer, convey, lease or otherwise dispose of all or substantially all of the assets of the Company and its Restricted Subsidiaries to, a Parent Holdco (including Weather Investments S.p.A. and/or the Parent) so long as (i) the preceding paragraph is complied with, (ii) the Successor Company and its Restricted Subsidiaries shall not have any outstanding Indebtedness other than (x) Indebtedness of the Company and its Restricted Subsidiaries existing at the time of such transaction (excluding any



such Indebtedness incurred in connection with, or in contemplation of, such transaction), and (y) other Indebtedness (other than Indebtedness owing to, or in respect of Indebtedness of, Weather Capital S.à r.l., Orascom Telecom Holding S.A.E. or any of their Subsidiaries) in an aggregate amount not to exceed €25.0 million, (iii) Weather Capital S.à r.l., any holding company (including, without limitation, any Parent Holdco) of Weather Capital S.à r.l. that is a Subsidiary or the Successor Company, Orascom Telecom Holding S.A.E. and their Subsidiaries will each be an Unrestricted Subsidiary of the Successor Company and (iv) (x) the Notes shall be secured by the Collateral (it being understood that in lieu of a third-ranking security interest in all of the Capital Stock of the Company, the Notes will be secured by a second or third-ranking security interest in all of the Capital Stock of the Successor Company to the extent other than the Company), and (y) no Lien shall exist on the assets of or Capital Stock of the Successor Company or its Restricted Subsidiaries with respect to any Indebtedness other than Indebtedness permitted by the preceding clause (ii) and to the extent such Lien is otherwise permitted by the provisions of the Indenture.

In addition, neither the Issuer nor the Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of it and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

Clause (4) of the second paragraph of this “Merger, Consolidation or Sale of Assets” covenant will not apply to:

- (1) a merger of the Company with an Affiliate for the primary purpose of reincorporating the Company, as the case may be, in another jurisdiction for tax reasons; or
- (2) a Restricted Subsidiary of the Company consolidating with, merging into or selling, assigning, transferring, conveying, leasing or otherwise disposing of assets to the Company or, with respect to a Restricted Subsidiary of the Company, another Restricted Subsidiary.

#### ***Transactions with Affiliates***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Company (each, an “*Affiliate Transaction*”), unless:

- (1) the Affiliate Transaction is on terms that are no less favorable, taken as a whole, to the Company or the relevant Restricted Subsidiary than those that could reasonably have been obtained in a comparable arm’s length transaction by the Company or such Restricted Subsidiary with a Person who is not an Affiliate of the Company or any of its Restricted Subsidiaries; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €10.0 million, a resolution of the Board of Directors of the Company set forth in an Officer’s Certificate certifying that such Affiliate Transaction satisfies the criteria set forth in the preceding clause (1) and that such Affiliate Transaction has been approved by a majority of the members of the Board of Directors of the Company who are disinterested with respect to such transaction; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €25.0 million an opinion as to the fairness to the Company or such Subsidiary of such Affiliate Transaction from a

financial point of view issued by an accounting, appraisal, investment banking or valuation firm of international standing.

The following items (including performance of agreements) will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

- (1) any employment agreement, compensation, retirement, disability, severance, or other benefit plan or agreement, officer or director indemnification agreement, stock option or incentive plan or agreement, equity subscription agreement or any similar arrangement entered into by the Company or any of its Restricted Subsidiaries on behalf of directors, officers and employees in the ordinary course of business and payments pursuant thereto;
- (2) transactions between or among the Company and/or its Restricted Subsidiaries;
- (3) transactions with or for the benefit of a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company or a Restricted Subsidiary of the Company either controls (including pursuant to a joint venture or shareholders agreement), can designate one or more Persons to the Board of Directors of or owns, directly or indirectly, an Equity Interest in such Person;
- (4) payment of reasonable directors' fees and reimbursement of expenses to Persons who are not otherwise Affiliates of the Company;
- (5) any issuance of Equity Interests (other than Disqualified Stock) of the Company to Affiliates of the Company;
- (6) Restricted Payments that do not violate the provisions of the Indenture described above under the caption "—Restricted Payments;"
- (7) loans or advances (or cancellations thereof), or guarantees of loans, to employees, directors and officers in the ordinary course of business not to exceed €10.0 million in the aggregate at any one time outstanding;
- (8) the Parent Management Services Agreement and the Weather Management Services Agreement (other than with respect the payment of any amounts to Orascom Telecom Holding, S.A.E. or its Affiliates pursuant to the Weather Management Services Agreement);
- (9) Permitted Maintenance Payments, Permitted Weather Management Payments and Permitted Management Payments;
- (10) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in each case, which are otherwise in compliance with the terms of the Indenture; *provided* that the terms and conditions of any such transaction or agreement as applicable to the Company and its Restricted Subsidiaries (a) are fair to the Company and its Restricted Subsidiaries and are on terms no less favorable to the Company and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction (in each case, as determined in good faith by the Board of Directors of the Company or the senior management of the Company), (b) the performance by the Company and any of its Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (c) the Company and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of, any such arrangements by the relevant Affiliate;
- (11) loans or advances permitted by clause (13) of the third paragraph of the covenant "—Incurrence of Indebtedness and Issuance of Preferred Stock;"

- (12) agreements, loans, advances, arrangements and/or other Investments entered into with the Parent in connection with the Refinancing Transactions; and
- (13) agreements and arrangements existing on the date of the Indenture and any amendment, modification or supplement thereto; *provided* that any such amendment, modification or supplement to terms thereof is not more disadvantageous to the holders of the Notes and no less favorable to the Company and its Restricted Subsidiaries in any material respect than the original agreement or arrangement as in effect on the date of the Indenture.

### ***Business Activities***

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than Permitted Businesses.

### ***Limitations with Respect to the Issuer***

Notwithstanding anything contained in the Indenture to the contrary:

- (1) the Issuer will not engage in any business activity or undertake any other activity, except any activity: (a) relating to the offering, sale, or issuance of Capital Markets Debt (including any such Indebtedness issued in the future), the incurrence of Indebtedness represented by the Notes (including Additional Notes, if any) or other Indebtedness of the Issuer permitted under the Indenture, lending or otherwise advancing the proceeds thereof to the Company or another Guarantor and any other activities in connection therewith, (b) undertaken with the purpose of, and directly related to, consummating the Refinancing Transactions or fulfilling any other obligations under any Indebtedness of the Issuer permitted under the Indenture (including for the avoidance of doubt, any repurchase or purchase, repayment, redemption, prepayment of such Indebtedness) or (including, without limitation, the Notes (including Additional Notes, if any), the Indenture, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture), any Notes Security Document to which it is a party or any other document relating to the Notes (including Additional Notes, if any)) or the making of Permitted Issuer Investments, (c) directly related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence, (d) directly related or reasonably incidental to the management of the corporate existence of any finance company organized under Luxembourg law; *provided* that such activities will not result in any recourse or liability to the assets of the Issuer or require the issuer to provide any credit support or guarantee of any kind, or (e) directly related to investing amounts received by the Issuer (other than amounts not corresponding to required payments under the Notes) in such manner not otherwise prohibited by the Indenture or the Priority Agreement;
- (2) the Issuer shall not take any action which would cause it to no longer satisfy the requirements of an available exemption from the provisions of the U.S. Investment Company Act of 1940, as amended;
- (3) the Issuer shall not (a) incur any Indebtedness other than Indebtedness of the Issuer, (b) guarantee any Obligations of any other Person or (c) issue any Capital Stock other than to the Company or the Shareholder Trust provided such issuance complies with clause (1) of the following paragraph;
- (4) for so long as any Notes are outstanding, the Company will not commence or take any action or facilitate a winding-up, liquidation or other analogous proceeding in respect of the Issuer;

- (5) except as otherwise provided herein, the Issuer shall take all actions necessary and within its power to prohibit the transfer of its Capital Stock by the Shareholder Trust; and
- (6) the Issuer shall use all amounts received (other than amounts not corresponding to required payments under the Notes) under any Proceeds Loan for application towards amounts payable under the Notes.

In addition, the Issuer and the Guarantors agree and acknowledge that:

- (1) the Shareholder Trust and the Company will not cease to legally and beneficially own 73% (including 73% of all Voting Stock of the Issuer) and 27%, respectively, of the issued Capital Stock of the Issuer;
- (2) neither the Company nor any of its Affiliates, whether directly or through another Person, shall enter into any contract with the Shareholder Trust pursuant to which it would be entitled to exercise any form of direct or indirect control over the Shareholder Trust;
- (3) without prejudice to the foregoing, neither the Company nor any of its Affiliates shall, whether directly or through another Person, in any manner or form, Direct and Coordinate the Shareholder Trust or its operations, its management or its assets;
- (4) the Shareholder Trust will not become or act as an agent of the Company or any of its Affiliates nor shall it accept any orders, instructions or directions from the Company or any of its Affiliates, whether directly or through another Person;
- (5) the Company shall not acquire, subscribe for, own or hold any participation in the Capital Stock of the Issuer in excess of 27% of the total issued and outstanding Capital Stock of the Issuer and no Affiliate of the Company shall acquire any participation in the Capital Stock of the Issuer;
- (6) the Company shall not vote in favor of any amendment to the constitutional documents of the Issuer without the approval of the Trustee, which approval shall not be unreasonably withheld;
- (7) the Company and the Shareholder Trust shall not enter into any shareholders agreement regarding the Issuer;
- (8) neither the Company nor any of its Affiliates shall acquire any right to appoint any director of the Issuer, whether by virtue of the constitutional documents of the Issuer or otherwise, and whether directly or through another Person;
- (9) no Person who is an officer, an employee, a consultant or an agent of the Company or any of its Affiliates shall be appointed as a director of the Issuer;
- (10) neither the Company nor any of its Affiliates will enter into any contractual relationship with the Issuer (other than any agreement existing as of the Issue Date, the Indenture or any other indenture relating to Capital Markets Debt of the Issuer (in each case, to the extent guaranteed by the Company), the Proceeds Loan Agreement or any other agreement relating to an Issuer Capital Markets Proceeds Loan, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture), any Notes Security Document to which they are both a party and any other agreements incidental or otherwise related to any of the foregoing (including any purchase agreement or other agreement engaging the services of a professional service provider in connection with such Indebtedness) and any other document relating to Indebtedness of the Issuer permitted under the Indenture (to the extent guaranteed by the Company) or relating to Permitted Issuer Investments);

- (11) neither the Company nor any of its Affiliates shall, whether directly or through another Person, enter into any contract with the Issuer pursuant to which it would be entitled to exercise any form of direct or indirect Control over the Issuer excluding for the avoidance of doubt any agreement expressly contemplated hereby; and
- (12) without prejudice to the foregoing, neither the Company nor any of its Affiliates shall, whether directly or through another Person, in any manner or form, Direct and Coordinate the Issuer, any of its operations, its management or its assets.

For the purpose of this covenant, “Control” and “to Control” shall be construed so as to encompass the equivalent expressions “controllo” and “controllare” as defined under and for the purpose of Article 2359 of the Italian Civil Code, as well as under and for the purposes of the legislation enacted in Italy and Luxembourg to implement EC Directives No. 78/660 and No. 83/349.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Company may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary designated as Unrestricted will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption “—Restricted Payments” or under one or more clauses of the definition of Permitted Investments, as determined by the Company. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The Board of Directors of the Company may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption “—Restricted Payments.” If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock,” the Company and the Issuer will be in default of such covenant.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary of the Company; *provided* that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption “—Incurrence of Indebtedness and Issuance of Preferred Stock,” calculated on a *pro forma* basis to take account of such designation; and (2) no Default or Event of Default would be in existence following such designation.

#### ***Maintenance of Listing***

The Issuer will use its reasonable best efforts to list and to maintain the listing of the Notes on the Euro MTF for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it is unable to list or it can no longer reasonably comply with the requirements for listing the Notes on the Euro MTF or if maintenance of such listing becomes unduly onerous, it will

obtain prior to the delisting of the Notes from the Euro MTF, and thereafter use its reasonable best efforts to maintain, a listing of such Notes on such other “recognised stock exchange” as defined in §841 of the Income and Corporation Taxes Act 1988 of the United Kingdom.

***Limitation on Issuances and Sales of Equity Interests in Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to, transfer, convey, sell, lease, issue or otherwise dispose of any Equity Interests in any Restricted Subsidiary of the Company to any Person (other than the Company or a Restricted Subsidiary of the Company), unless:

- (1) such transfer, conveyance, sale, lease or other disposition is of all the Equity Interests in such Restricted Subsidiary; and
- (2) the Net Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with the covenant described above under the caption “—Repurchase at the Option of Holders—Asset Sales” and “—Certain Covenants—Asset Sales.”

The foregoing provisions will not, however, apply to any issuance or sale of Capital Stock of a Restricted Subsidiary made in compliance with the provisions of the Indenture described under “—Asset Sales,” if immediately after giving effect to such issuance or sale such Restricted Subsidiary (1) would continue to be a Restricted Subsidiary or (2) would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the provisions of the Indenture described under “—Restricted Payments.”

***Limitation on Issuances of Guarantees of Indebtedness***

The Company will not permit any of its Restricted Subsidiaries, directly or indirectly, to guarantee the payment of any other Indebtedness of the Issuer, another Finance Company or a Guarantor unless such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Note Guarantee of the payment of the Notes by such Restricted Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Restricted Subsidiary’s guarantee of such other Indebtedness unless such other Indebtedness is Senior Debt, in which case the Note Guarantee of the Notes may be subordinated to the guarantee of such Senior Debt to the same extent as the Note Guarantees of the Notes are subordinated to the Senior Debt being guaranteed.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent that such guarantee by such Restricted Subsidiary is a Permitted Guarantee or the issuance of a Note Guarantee by such Restricted Subsidiary would reasonably be expected to give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures reasonably available to the Issuer, the Company or the Restricted Subsidiary.

The form of the Note Guarantee will be attached as an exhibit to the Indenture.

***No Impairment of Security Interests***

The Issuer and each Guarantor will not, and the Company will not permit any of its Restricted Subsidiaries to, (1) take, or knowingly or negligently omit to take, any action which act or omission might reasonably be expected to, or would have the result of, materially impairing the security interest with respect to the Collateral; or (2) grant to any Person other than the Security Agent for the benefit of the holders of the Notes any interest whatsoever in the Collateral except as permitted in the Priority Agreement and Notes Security Documents.



Notwithstanding the preceding paragraph and without the consent of the holders of the Notes, (1) the Issuer, the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens in accordance with the terms of the Indenture and (2) the Collateral may be discharged and released in accordance with the terms of the Indenture; *provided* that no Notes Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, unless contemporaneously with such amendment, extension, renewal, restatement, supplement, modification or replacement, the Company delivers to the Trustee either (a) a solvency opinion, in form reasonably satisfactory to the Trustee from an investment banking firm, accounting firm or appraisal firm, in either case, of international standing (other than a firm that is an Affiliate of the Principal, the Issuer, the Company or any Restricted Subsidiary of the Company) confirming the solvency of the Company and its Subsidiaries on a consolidated basis after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement or (b) an opinion of counsel, in form reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens created under the relevant Notes Security Document as such Liens relate to the then-existing Notes as so amended, extended, renewed, restated, supplemented or otherwise modified or replaced are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening or preference period, in equity or at law, that such Lien or Liens were not otherwise subject to (with equal duration) immediately prior to such amendment, extension, renewal, restatement, supplement, modification or replacement.

### ***Security***

The Company shall, and shall procure that each of its Subsidiaries shall, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (i) for registering any Notes Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Notes Security Documents; and (ii) if such Notes Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Notes Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company shall, and shall procure that each of its respective Subsidiaries shall, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

### ***Restrictions on Amendment to Transaction Documents***

Except as permitted by the amendment, supplement and waiver provisions contained in the Indenture, (1) the Issuer and each Guarantor will not, and the Company will not permit any Restricted Subsidiary of the Company to, amend, modify, supplement or waive any provision of the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with to the terms of the Priority Agreement or the Indenture) in a manner adverse to the holders of the Notes (including the provisions which subordinate the Subordinated Debt (as defined therein) to the Note Guarantees); and (2) the Issuer and the Company will not amend, modify, supplement or waive any provision of the Issuer's memorandum or articles of association or other constitutional documents in a manner adverse to the holders of the Notes or to the extent such amendment, modification, supplement or waiver would permit the Issuer or the Company to take such action that would result in an Event of Default.

Except to make amendments, modification supplements, waivers or alterations corresponding to amendments, modification, supplements, waivers or alterations in the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with to the terms of the Priority Agreement or the Indenture), the Indenture or Notes pursuant to the amendment,

supplement and waiver provisions contained in the Indenture, the Company and the Issuer shall not, and shall not permit a Restricted Subsidiary of the Company to, amend, modify, supplement, waive or alter the Proceeds Loan Agreement or any terms and conditions of any Proceeds Loan in any way to:

- (1) reduce the principal amount of such Proceeds Loan to the extent the principal amount would be less than the then outstanding aggregate principal amount of the Notes;
- (2) reduce the principal of or change the fixed maturity of such Proceeds Loan or alter the provisions with respect to the repayment in any manner which would not permit repayment of such Proceeds Loan upon a redemption or repayment event with respect to the Notes;
- (3) reduce the rate of, or change the time for payment of, interest, including default interest, on such Proceeds Loan or make any change in the provisions of such Proceeds Loan relating to the payments of any applicable tax gross up;
- (4) waive a default or event of default in the payment of principal of, or interest or premium, or Additional Amounts or other amounts on, such Proceeds Loan (except, to the extent there has been an acceleration on such Proceeds Loan due to an acceleration of the Notes, to the extent there has been a rescission of acceleration of the Notes in accordance with the terms of the Indenture by the requisite holders of Notes);
- (5) make such Proceeds Loan payable in money other than the money for which corresponding amounts are payable on the Notes;
- (6) make any change in the provisions of the Proceeds Loan Agreement relating to waivers of past defaults or the rights of the Issuer to receive payments of principal of, or interest or premium or additional amounts (if any) on, such Proceeds Loan;
- (7) waive a repurchase or prepayment payment with respect to any Proceeds Loan to the extent there is a corresponding redemption payment due with respect to any Note; and
- (8) amend any provisions of the Proceeds Loan Agreement or change any terms of any Proceeds Loan in any manner adverse to the interests of the holders of the Notes.

The Company and the Issuer shall not, and shall not permit a Restricted Subsidiary of the Company to, amend, modify, supplement, waive or alter any Issuer Capital Markets Proceeds Loan (including each of the Initial Proceeds Loan and the 2015 Notes Proceeds Loan) in any manner which would or could result in the Issuer not having the ability to service the Indebtedness to which such Issuer Capital Markets Proceeds Loan relates, including taking actions of the type set forth in clauses (1) through (8) of the proceeding paragraph which would or could so result.

#### ***Payments for Consent***

The Issuer and any Guarantor will not, and the Company will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

#### ***Suspension of Certain Covenants when Notes Rated Investment Grade***

If on any date following the date of the Indenture, (1) the Notes are rated (a) Baa3 or better by Moody's and (b) BBB- or better by S&P (or, if either Moody's or S&P ceases to rate the Notes for reasons outside of the control of the Issuer or the Company, the equivalent investment grade credit rating from Fitch or, in the absence of such, any other "nationally recognized statistical rating

organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Company as a replacement agency so that the Notes are so rated by at least two such credit rating agencies); and (2) no Default or Event of Default shall have occurred and be continuing, then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this offering memorandum will be suspended:

- (1) “—Repurchase at the Option of Holders—Asset Sales” and “—Asset Sales;”
- (2) “—Restricted Payments;”
- (3) “—Incurrence of Indebtedness and Issuance of Preferred Stock;”
- (4) clauses (1)(a) and (3) of the covenant described above under the caption “—Limitation on Sale and Leaseback Transactions;”
- (5) clause (4) of the second paragraph of the covenant described above under the caption “—Merger, Consolidation or Sale of Assets;”
- (6) “—Transactions with Affiliates;”
- (7) “—Dividend and Other Payment Restrictions Affecting Subsidiaries;” and
- (8) “—Limitation on Issuances of Guarantees of Indebtedness.”

During any period that the foregoing covenants have been suspended, the Company’s Board of Directors may not designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described below under the caption “—Designation of Restricted and Unrestricted Subsidiaries” or the second paragraph of the definition of “Unrestricted Subsidiary.”

Notwithstanding the foregoing, if the rating assigned by any such rating agency should subsequently decline to below Baa3 or BBB–, as applicable, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Such covenants will not, however, be of any effect with respect to actions properly taken during the period of suspension. Calculations under the reinstated “Restricted Payments” covenant will be made as if the “Restricted Payments” covenant had been in effect since the date of the Indenture except that no default will be deemed to have occurred by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

## Reports

So long as any Notes are outstanding, the Company and the Issuer shall provide the Trustee for the benefit of the holders of Notes and potential purchasers of Notes:

- (1) within 120 days after the end of the Company’s fiscal year, annual reports containing the following information with a level of detail that is substantially comparable and similar in scope to this Offering Memorandum: (a) audited consolidated balance sheet of the Company as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Company for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisitions or disposition that, individually or in the aggregate when considered with all other acquisition or dispositions that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates, represent greater than 20% of the consolidated revenues, EBITDA, or assets of the Company on a pro-form basis) or recapitalizations that have occurred since the beginning of the most recently completed

fiscal year as to which such annual report relates; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations including a discussion of subscribers, churn, ARPU and traffic and a breakout of revenue and EBITDA between the mobile and fixed-line business, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the industry, business, management and shareholders of the Company and the Issuer, all material affiliate transactions, Indebtedness and material financing arrangements and a description of all material contractual arrangements, including material debt instruments; and (e) risk factors and material recent developments and (f) audited consolidated balance sheet of the Issuer as of the end of the two most recent fiscal years (or for such shorter period as the Issuer was in existence) and audited consolidated income statements and statements of cash flow of the Issuer for the three most recent fiscal years (or for such shorter period as the Issuer was in existence), including complete footnotes to such financial statements and the report of the independent auditors on the financial statements;

- (2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Company, quarterly reports containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods for the Company, together with condensed footnote disclosure; (b) *pro forma* income statement and balance sheet information, together with explanatory footnotes, for any material acquisitions or dispositions (including, without limitation, any acquisition or disposition that, individually or in the aggregate when considered with all other acquisitions or dispositions that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates, represents greater than 20% of the consolidated revenues, EBITDA or assets of the Company on a *pro forma* basis) or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates; (c) an operating and financial review of the unaudited financial statements (including a discussion of subscribers, churn, ARPU and traffic and a breakout of revenue and EBITDA between the mobile and fixed-line businesses), including a discussion of the consolidated financial condition and results of operations of the Company and any material change between the current quarterly period and the corresponding period of the prior year; (d) material developments in the business of the Company and its Subsidiaries; (e) financial developments and trends in the business in which the Company and its Subsidiaries are engaged; (f) material recent developments and any material changes to the risk factors disclosed in the most recent annual report with respect to the Company and the Issuer and (g) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods (with respect to the comparable prior periods, to the extent the Issuer was in existence) for the Issuer, together with condensed footnote disclosure; and
- (3) promptly after the occurrence of (a) a material acquisition, disposition or restructuring (including any acquisition or disposition that would require the delivery of *pro forma* financial information pursuant to clauses (1) or (2) above), (b) any senior management change at the Company, (c) any change in the auditors of the Company, (d) any resignation or a member of the Board of Directors of the Company as a result of a disagreement with the Company, (e) the entering into an agreement that will result in a

Change of Control or (f) any material events that the Company announces publicly, in each case, a report containing a description of such events.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries and such Subsidiaries are Significant Subsidiaries, then the quarterly and annual financial information required by the preceding paragraph will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In addition, for so long as any Notes remain outstanding and during any period during which the Company and the Issuer are not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b), the Company and the Issuer have agreed that they will, furnish to the Holders and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

The Company and the Issuer will also make available copies of all reports required by clauses (1) through (3) of the first paragraph of the covenant (i) on the Company's website and (ii) if and so long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, at the specified office of the paying agent in Luxembourg.

#### **Events of Default and Remedies**

Each of the following is an "*Event of Default*:"

- (1) default for 30 days in the payment when due of interest on, or Additional Amounts (if any) with respect to, the Notes;
- (2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;
- (3) failure by the Issuer, the Company or any of its Restricted Subsidiaries to comply with the provisions described under the captions "—Repurchase at the Option of Holders—Change of Control," "—Repurchase at the Option of Holders—Asset Sales;" "—Certain Covenants—Asset Sales;" "—Certain Covenants—Merger, Consolidation or Sale of Assets;" or the second paragraph of the covenant described under the caption "—Certain Covenants—Restrictions on Amendment to Transaction Documents;"
- (4) failure by the Issuer, the Company or any of its Restricted Subsidiaries for 60 days after notice to the Issuer and the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than those described in clauses (1), (2) and (3) above), the Notes, the Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture), any Issuer Capital Market Proceeds Loan or any Note Security Document;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer, the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such

Indebtedness or Note Guarantee now exists, or is created after the date of the Indenture, if that default:

- (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a “*Payment Default*”); or
- (b) results in the acceleration of such Indebtedness prior to its Stated Maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated (and not rescinded, cured or waived) aggregates €25.0 million or more at any time outstanding (and not rescinded, cured or waived;
- (6) failure by the Issuer, the Company or any of its Restricted Subsidiaries to pay final judgments for the payment of cash or other assets or properties, or the assumption of liabilities, entered by a court or courts of competent jurisdiction aggregating in excess of €25.0 million, which judgments are not paid, discharged or stayed for a period of 60 consecutive days following such final judgment;
- (7) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid or ceases for any reason to be in full force and effect, or any Guarantor, or any Person acting on behalf of any Guarantor, denies or disaffirms its obligations under its Note Guarantee;
- (8) breach by the Issuer, the Company or any of its Restricted Subsidiaries of any material representation or warranty or agreement in the Notes Security Documents, the repudiation by the Issuer, the Company or any of its Restricted Subsidiaries of any of its obligations under the Notes Security Documents or the unenforceability of the Notes Security Documents against the Issuer, the Parent, the Company or any of its Subsidiaries for any reason; and
- (9) certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer, the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Restricted Subsidiary of the Company that is a Significant Subsidiary or any group of Restricted Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest, premium or Additional Amounts (if any).

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity and/or security against any loss, liability or expense. Except to



enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts (if any) when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) holders of at least 25% in aggregate principal amount of the then outstanding Notes have requested the Trustee to pursue the remedy;
- (3) such holders have offered the Trustee indemnity and/or security against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of indemnity and/or security; and
- (5) holders of a majority in aggregate principal amount of the then outstanding Notes have not given the Trustee a direction inconsistent with such request within such 60-day period.

The holders of a majority in aggregate principal amount of the then outstanding Notes by notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or premium on, Additional Amounts with respect to, or principal of, the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Issuer and the Guarantor are required to deliver to the Trustee a statement specifying such Default or Event of Default and the action that is being taken in respect of such Default or Event of Default.

#### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantor under the Notes, the Indenture, the Note Guarantees and the Notes Security Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under applicable securities laws.

#### **Legal Defeasance and Covenant Defeasance**

The Issuer may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an Officer's Certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of any Guarantor discharged with respect to its Note Guarantee ("*Legal Defeasance*") except for:

- (1) the rights of holders of outstanding Notes to receive payments in respect of principal of, or interest, premium or Additional Amounts (if any) on such Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties, immunities and indemnifications of the Trustee, and the Issuer's and any Guarantor's obligations in connection therewith; and

- (4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In the event Legal Defeasance occurs, payment of the Notes may not be accelerated because of an Event of Default.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and any Guarantor released with respect to certain covenants (including its obligation to make Change of Control Offers and Asset Sale Offers) that are described in the Indenture (“*Covenant Defeasance*”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events (not including non-payment or bankruptcy, receivership, rehabilitation and insolvency events with respect to the Issuer and the Company) described under “—Events of Default and Remedies” will no longer constitute an Event of Default with respect to the Notes. If the Issuer exercises its Legal Defeasance or Covenant Defeasance option, each Guarantor (other than the Company in the case of Covenant Defeasance) will be released from its obligations with respect to its Note Guarantee and the Notes Security Documents to which such Guarantor (other than the Company in the case of Covenant Defeasance) is a party. The Issuer may exercise Legal Defeasance notwithstanding its prior exercise of Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash, Cash Equivalents constituting non-callable government securities, or a combination of cash and Cash Equivalents constituting non-callable government securities (with such cash and government securities denominated in euros and U.S. dollars in amounts correlating to the obligations under the Euro Notes and Dollar Notes, respectively), in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest and premium and Additional Amounts (if any) on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Issuer must deliver to the Trustee:
  - (a) an opinion of counsel reasonably acceptable to the Trustee confirming that (a) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and
  - (b) an opinion of counsel in the jurisdiction of organization of the Issuer and reasonably acceptable to the Trustee to the effect that the holders of Notes will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

- (3) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee:
  - (a) an opinion of counsel reasonably acceptable to the Trustee confirming that holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and
  - (b) an opinion of counsel in the jurisdiction of organization of the Issuer and reasonably acceptable to the Trustee to the effect that the holders will not recognize income, gain or loss for income tax purposes of such jurisdiction as a result of such deposit and defeasance and will be subject to income tax in such jurisdiction on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;
- (4) no Default or Event of Default has occurred and is continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit);
- (5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;
- (6) the Issuer must deliver to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of Notes over the other creditors of the Issuer or the Guarantor with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer, the Guarantors or others; and
- (7) the Issuer must deliver to the Trustee an Officer's Certificate and an opinion of counsel reasonably acceptable to the Trustee, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

#### **Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture), the Proceeds Loan Agreement or any Notes Security Document may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture, the Notes, the Note Guarantees, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture), the Proceeds Loan Agreement or any Note Security Document may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an

amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

- (1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption “—Repurchase at the Option of Holders”);
- (3) reduce the rate of, or change the time for payment of, interest, including default interest, on any Note or make any change in the provisions of the Indenture and Notes relating to the payments of Additional Amounts;
- (4) waive a Default or Event of Default in the payment of principal of, or interest or premium, or Additional Amounts on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);
- (5) make any Note payable in money other than that stated in the relevant Note;
- (6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, or interest or premium or Additional Amounts (if any) on, the Notes;
- (7) waive a redemption payment with respect to any Note (other than a payment required by one of the covenants described above under the caption “—Repurchase at the Option of Holders”);
- (8) release any Guarantor (or, with respect to the Company Share Pledge Agreements, the Parent) from any of its obligations under its Note Guarantee, the Indenture or the relevant Notes Security Document, except in accordance with the terms of the Indenture and the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture);
- (9) make any change in the preceding amendment and waiver provisions set forth in this paragraph; or
- (10) release any Collateral pledged under the Notes Security Documents, except in accordance with the terms of the Indenture, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture) and the Notes Security Documents.

Notwithstanding the preceding, without the consent of any holder of Notes, the Issuer, the Guarantor and the Trustee may amend or supplement the Indenture, the Notes, any Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture), the Proceeds Loan Agreement or any Notes Security Document:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for uncertificated Notes in addition to or in place of certificated Notes;
- (3) to provide for the assumption by a Successor Person of the Issuer’s or any Guarantor’s obligations under any of the documents referenced above;

- (4) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder, to the extent such change would not violate the provisions of the Indenture (including, without limitation, the covenant under the captions “—Certain Covenants—Liens—No Impairments of Security Interests”), or any secured party under the Notes Security Documents;
- (5) to conform the text of the Indenture, the Notes, a Note Guarantee, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into in accordance with the terms of the Priority Agreement or the Indenture) or any Notes Security Document to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes, a Note Guarantee, the Priority Agreement or any Notes Security Document;
- (6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the date of the Indenture;
- (7) to allow a Guarantor to execute a supplemental Indenture, Notes Security Document, and/or a Note Guarantee with respect to the Notes;
- (8) to the extent necessary to provide for the granting of a security interest for the benefit of any Person, *provided* that the granting of such security interest is not prohibited under the Indenture; or
- (9) to evidence and provide for a successor Trustee as provided for in the Indenture.

For the purposes of calculating the aggregate principal amount of Notes that have consented to or voted in favor of any amendment, supplement waiver, the Euro Equivalent of the principal amount of any Dollar Notes shall be as of the date of the Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to require and rely on such evidence as is reasonably appropriate in light of the nature of such amendment or supplement, including, to the extent reasonable, an opinion of counsel and an Officer’s Certificate.

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

- (1) either:
  - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Issuer, have been delivered to a Paying Agent or Registrar for cancellation; or
  - (b) all Notes that have not been delivered to a Paying Agent or Registrar for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Issuer or a Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the holders, with respect to the Euro Notes, cash in euros, Cash Equivalents constituting of non-callable euro-denominated government securities or a combination of cash in euros and Cash Equivalents constituting of non-callable euro-denominated government securities and, with respect to the Dollar Notes, cash in U.S. dollars, Cash Equivalents consisting of non-callable U.S. dollar-denominated government

securities or a combination of cash in U.S. dollars or Cash Equivalents consisting of non-callable U.S. dollar-denominated government securities, in either case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to a Paying Agent or Registrar for cancellation for principal, premium and Additional Amounts (if any) and accrued interest to the date of maturity or redemption;

- (2) no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Issuer or a Guarantor is a party or by which the Issuer or a Guarantor is bound;
- (3) the Issuer or the Guarantor(s) have paid or caused to be paid all other amounts payable by it under the Indenture; and
- (4) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer and the Guarantor(s) must deliver to the Trustee an Officer's Certificate and an opinion of counsel, in each case, reasonably satisfactory to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

#### **Additional Priority Agreements**

The Indenture will provide that, subject to the covenants contained therein, at the request of the Company, at or prior to any time that the Company, any of the Company's Restricted Subsidiaries, a Finance Company or the Second Lien Issuer incurs or guarantees any Designated Senior Debt permitted pursuant to the second paragraph or clauses (1), (2), (6) (to the extent such Permitted Refinancing Indebtedness relates to Indebtedness permitted to be incurred under the second paragraph of the covenant described under "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"), (9) (to the extent such Hedging Obligations relate to Indebtedness incurred under the second paragraph or clauses (1), (2), (3) (to the extent such Existing Indebtedness relates to the 2015 Notes), (4) or (6) (to the extent such Permitted Refinancing Indebtedness relates to Indebtedness incurred under any of the preceding clauses) of the third paragraph of the covenant described under "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock"), or (17) of the third paragraph of the covenant described under "—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock," or securing such Designated Senior Debt with any of the Collateral (or providing the benefits of the Collateral for the benefit of holder of such Indebtedness), the Issuer, the Company, any relevant Guarantor(s) (other than the Company), any relevant Finance Company, the Security Agent and the Trustee shall either amend and/or restate the Priority Agreement or enter into with the creditors and/or agents of creditors with respect to such Designated Senior Debt an intercreditor agreement or priority agreement on substantially the same terms as the Priority Agreement (including the terms of the Supplemental Priority Agreement), (or an amendment or restatement of the Priority Agreement in lieu thereof), in either such case, including containing substantially identical terms with respect to the subordination and release of Guarantees, enforcement of security interests, payment blockage, turnover and other rights of the holders of Designated Senior Debt thereunder (or, in the case of any such terms, terms more favorable to the holders of the Notes).

Any such security interest or guarantee shall provide for its release and termination on the same terms as the Collateral or Note Guarantees, as the case may be. Regardless of the number of additional intercreditor agreements or priority agreements, only one payment blockage notice may be served in any period of 360 consecutive days or in respect of the same event or circumstance and any



such payment blockages may not be in effect for more than 179 days in the aggregate during any consecutive 360-day period. Such amendment and/or restatement of the Priority Agreement or additional intercreditor agreement or priority agreement, as the case may be, will not impose any personal obligations on the Trustee or adversely effect the rights, duties, liabilities or immunities of the Trustee or the holders of Notes under the Indenture or Priority Agreement or result in the Trustee or the holders of the Notes being in breach of, or otherwise in violation of, the Priority Agreement.

The Indenture will also provide that, at the direction of the Company and without the consent of the holders of the Notes, the Trustee will upon direction of the Company from time to time enter into one or more amendments and/or restatements of the Priority Agreement or any such additional intercreditor agreement or priority agreement to: (1) cure any ambiguity, omission, defect or inconsistency therein; (2) increase the amount of Indebtedness of the types covered thereby that may be incurred by the Issuer, the Company or any of its Subsidiaries that is subject thereto (including the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes); (3) add Guarantors thereto; (4) further secure the Notes (including Additional Notes); (5) permit payments to be made to the Company or the Issuer that would not otherwise have been permitted pursuant to the terms thereof; or (6) make any other such change thereto that does not adversely affect the rights of holders of the Notes in any material respect. The Company will not otherwise direct the Trustee to enter into any amendment and/or restatements of the Priority Agreement or, if applicable, any additional intercreditor agreement or priority agreement, without the consent of the holders of a majority in principal amount of the outstanding Notes.

The Indenture will provide that each holder of a Note, by accepting a Note, will be deemed to have agreed to and accepted the terms and condition of the Priority Agreement or any amendment and/or restatement of the Priority Agreement or any additional priority agreement or intercreditor agreement contemplated hereby, and the entry into such amendment and/or restatement of the Priority Agreement or additional priority agreement or intercreditor agreement by the Security Agent and the Trustee and the performance of their obligations and the exercise of their rights thereunder and in connection therewith.

### **Judgment Currency**

Any payment on account of an amount that is payable in euros or U.S. dollars, as the case may be (the “*Required Currency*”), which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the “*Judgment Currency*”), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or a Guarantor, shall constitute a discharge of the Issuer or the Guarantor’s obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of the Required Currency with such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such Holder or the Trustee, as the case may be, the Issuer shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

### **Concerning the Trustee**

If the Trustee becomes a creditor of the Issuer or a Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense.

### **Listing**

Application has been made to list the Notes on the official list of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF. There can be no guarantee that the application to list the Additional Notes on the official list of the Luxembourg Stock Exchange and admit the Notes on the Euro MTF will be approved as of the date the Notes are issued or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing. As long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF an agent for making payments on, and transfers of, Notes will be maintained in Luxembourg. The Issuer has initially designated The Bank of New York Mellon (Luxembourg) S.A. as its agent for those purposes. The address of The Bank of New York Mellon (Luxembourg) is Aerogolf Center, 1A, Hoehenhof, L-1736 Senningerberg, Luxembourg.

### **Additional Information**

Anyone who receives this offering memorandum may obtain a copy of the Indenture, the Proceeds Loan Agreement, the Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture), and any Notes Security Document without charge by writing to c/o Wind Telecomunicazioni S.p.A.; Via Cesare Giulio; Viola, 48; Rome Italy; Attention: Chief Financial Officer.

So long as the Notes are listed on the Euro MTF and the rules of the Luxembourg Stock Exchange shall so require, copies, current and future, of all of our annual audited consolidated and unconsolidated financial statements, our unaudited consolidated interim quarterly financial statements and the Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in Luxembourg.

### **Prescription**

Claims against the Issuer or any Guarantor for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer or any Guarantor for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

### **Governing Law**

The Indenture, the Notes and the Note Guarantee will each be governed by, and construed in accordance with, the laws of the State of New York. The Priority Agreement is governed by, and

construed in accordance with, English law. The Notes Security Documents are governed by, and construed in accordance with, Italian law except for the Proceeds Loan Assignment Agreement will be governed by, and construed in accordance with, English law.

The provisions of articles 86 to 94-8 of the Luxembourg law of 10 August 1915 concerning commercial companies, as amended, shall not apply to the Notes.

### **Consent to Jurisdiction and Service of Process**

The Issuer and the Guarantor will each irrevocably submit to the jurisdiction of any New York state or U.S. federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (i) arising out of, related to or in connection with the Indenture, the Notes and the Note Guarantee and (ii) arising under any U.S. federal or state securities laws. The Issuer and any Guarantor will each appoint an agent for service of process in any such action or proceeding.

### **Enforceability of Judgments**

Since the assets of the Company and its Subsidiaries are outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor, including judgments with respect to the payment of principal, premium, interest, Additional Amounts and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

“*2015 Notes*” means the €950,000,000 in aggregate principal amount of the Issuer’s 9¾% Senior Notes due 2015 and \$650,000,000 in aggregate principal amount of the Issuer’s 10¾% Senior Notes due 2015 issued under that certain Indenture, dated as of November 28, 2005 and as amended from time to time, by and among the Issuer, Wind Acquisition Finance S.p.A. (as succeeded by the Company), as guarantor, The Bank of New York Mellon, as trustee, principal paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent.

“*2015 Notes Proceeds Loans*” means the loans from the Issuer to the Company of the proceeds from the issuance of the 2015 Notes pursuant to that certain Senior Notes Proceeds Loan Agreement, dated as of November 28, 2005, and that certain Second Senior Notes Proceeds Loan Agreement, dated as of March 1, 2006, and all loans directly or indirectly replacing or refinancing such loan(s) or any portion thereof.

“*Acquired Debt*” means, with respect to any specified Person:

- (1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

“*Acquisition Documents Rights Pledge Agreements*” means the following agreements governing the pledge or assignment by way of security of rights under the Share Purchase Agreement and the Put and Call Option Agreement granted to the Security Agent: (1) the deed of assignment dated August 11,

2005 entered into by Wind Acquisition Finance S.p.A. (the predecessor to the Company), (2) the deed of amendment dated November 28, 2005 entered into by the Wind Acquisition Finance S.p.A., (3) the deed of acknowledgement dated December 21, 2006 entered into by the Company, (4) the supplemental deed relating to the deed of assignment by way of security of certain receivables dated on or around the Issue Date entered into by the Company, and (5) any other agreement governing the pledge or assignment by way of security of rights under the Share Purchase Agreement and the Put and Call Option Agreement granted to the Security Agent on or after the Issue Date.

“*Affiliate*” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control,” as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person (other than a Finance Company subject to a covenant substantially similar to that contained in the second paragraph under the caption “—Limitations with Respect to the Issuer”) will be deemed to be control. For purposes of this definition, the terms “controlling,” “controlled by” and “under common control with” have correlative meanings.

“*Applicable Dollar Note Premium*” means, with respect to any Dollar Note on any redemption date applicable to the redemption of such Dollar Note, the greater of:

- (1) 1.0% of the principal amount of the Dollar Note; or
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the Dollar Note at July 15, 2013 (such redemption price being set forth in the table appearing above under the caption “Optional Redemption” and being calculated exclusive of accrued and unpaid interest and Additional Amounts), *plus* (ii) all required interest payments due on the Dollar Note through July 15, 2013 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over
  - (b) the principal amount of the Dollar Note, if greater.

“*Applicable Euro Note Premium*” means, with respect to any Euro Note on any redemption date applicable to the redemption of such Euro Note, the greater of:

- (1) 1.0% of the principal amount of the Euro Note; and
- (2) the excess of:
  - (a) the present value at such redemption date of (i) the redemption price of the Euro Note at July 15, 2013 (such redemption price being set forth in the table appearing under the caption “Optional Redemption” and being calculated exclusive of accrued and unpaid interest and Additional Amounts) *plus* (ii) all required interest payments due on the Euro Note through July 15, 2013 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over
  - (b) the principal amount of the Euro Note, if greater.

“*Applicable Premium*” means, with respect to a Euro Note, the Applicable Euro Note Premium, and with respect to a Dollar Note, the Applicable Dollar Note Premium.

*“Asset Sale”* means:

- (1) the sale, lease, conveyance or other disposition of any assets or rights; and
- (2) the issuance of Equity Interests in any of the Company’s Restricted Subsidiaries or the sale of Equity Interests in any of its Subsidiaries,

*provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption “—Repurchase at the Option of Holders—Change of Control” and/or the provisions described above under the caption “—Certain Covenants—Merger, Consolidation or Sale of Assets” and not by the provisions of the Asset Sale covenant.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (1) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than €15.0 million;
- (2) a transfer of assets between or among the Company and its Restricted Subsidiaries;
- (3) an issuance, sale or other disposition of Equity Interests by a Restricted Subsidiary of the Company to the Company or to a Restricted Subsidiary of the Company;
- (4) the sale, lease, conveyance or other dispositions of products, services, equipment, inventory or accounts receivable in the ordinary course of business and any sale or other disposition of damaged, worn-out, surplus or obsolete assets in the ordinary course of business;
- (5) the sale or other disposition of cash or Cash Equivalents;
- (6) a Restricted Payment that does not violate the covenant described above under the caption “—Certain Covenants—Restricted Payments” or a Permitted Investment;
- (7) the foreclosure, condemnation or similar action with respect to property or other assets, including the sale or disposition of any assets or property received as a result of a foreclosure by the Company or any of its Restricted Subsidiaries on any secured Investment or any other transfer of title with respect to any secured Investment in default;
- (8) the disposition or abandonment of intellectual property of the Company or any Restricted Subsidiary, in each case, that is no longer economically practicable to maintain or is no longer used or useful in the ordinary course of the business of the Company or any Restricted Subsidiary;
- (9) the grant of licenses to intellectual property rights to third parties (other than Affiliates of the Issuer, the Company or any of its Restricted Subsidiaries) on an arm’s length basis in the ordinary course of business;
- (10) dispositions constituting Liens permitted to be incurred under the Indenture (but not, for the avoidance of doubt, a foreclosure on, a Lien); and
- (11) the issuance or sale of securities constituting Preferred Stock that is issued by a Subsidiary in a transaction permitted by the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.”

*“Asset Sale Offer”* has the meaning assigned to that term in the Indenture governing the Notes.

*“Attributable Debt”* in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction including any period for

which such lease has been extended or may, at the option of the lessor, be extended. Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; *provided, however*, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation.”

“*Beneficial Owner*” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“*Board of Directors*” means:

- (1) with respect to a corporation, the board of directors (or analogous governing body) of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the Board of Directors of the general partner of the partnership;
- (3) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and
- (4) with respect to any other Person, the board or committee of such Person serving a similar function.

“*Bund Rate*” means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “*Comparable German Bund Issue*” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to July 15, 2013, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to July 15, 2013; *provided, however*, that, if the period from such redemption date to July 15, 2013, is less than one year, a fixed maturity of one year shall be used;
- (2) “*Comparable German Bund Price*” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Parent obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;
- (3) “*Reference German Bund Dealer*” means any dealer of German Bundesanleihe securities appointed by the Parent in consultation with the Trustee; and
- (4) “*Reference German Bund Dealer Quotations*” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Parent of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Parent by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.



“*Call Center Contribution Subsidiary*” means a newly formed Subsidiary of the Company to which assets of its call center business have been contributed for purposes of creating a distributable capital gain.

“*Capital Lease Obligation*” means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

“*Capital Markets Debt*” means any Indebtedness that is not Non-Public Debt.

“*Capital Markets Proceeds Loan*” means any loan (including any Proceeds Loan) from a Finance Company to the Company of the proceeds from the issuance of Capital Markets Debt permitted by the Indenture pursuant to a loan agreement with such terms and conditions substantially similar to those contained in the Proceeds Loan Agreement (with such adjustments as are necessary to reflect changes in the issuer (if not the Issuer), principal amount, accreted value, issue date and other differences so that the payment terms of such Capital Markets Proceeds Loan substantially equivalent to those of the Capital Markets Debt) and all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (3) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or membership interests; and
- (4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“*Cash Distribution*” means the payment by the Company to the Parent of distributions or dividends out of distributable reserves (including the share-premium reserve) or loans made in connection with the Refinancing Transactions, the purpose of, the source of funds for and the maximum amount of which is set forth in this Offering Memorandum under the caption “Use of Proceeds.”

“*Cash Equivalents*” means:

- (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union (including any agency or instrumentality thereof) or of the United States of America (including any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, as the case may be, and which are not callable or redeemable at the issuer’s option;
- (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of

America or any state thereof; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “A-3” or higher by Moody’s or “A-” or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

- (3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having at the time of acquisition one of the two highest ratings obtainable from Moody’s or S&P or the equivalent rating category of another internationally recognized rating agency and, in each case, maturing within one year after the date of acquisition;
- (5) securities maturing not more than one year after the date of acquisition issued by, or unconditionally guaranteed by, the government of any state, commonwealth or territory (including any agency or instrumentality thereof) of any member state of the Pre-Expansion European Union or of the United States of America, the payment of which is backed by the full faith and credit of the relevant state, commonwealth or territory and which is rated “P-2” (or, if such ratings categories are changed, the substantially equivalent ratings) or higher by to Moody’s or “A-1” (or, if such ratings categories are changed, the substantially equivalent ratings) or higher by to S&P’s or the equivalent rating category of another internationally recognized rating agency; and
- (6) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (5) of this definition.

“*Change of Control*” means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole to any “person” (as that term is used in Section 13(d) of the Exchange Act) other than a Principal and/or a Related Party of a Principal;
- (2) the adoption of a plan for the liquidation or dissolution of the Issuer or the Company;
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d) of the Exchange Act), other than the Principal and/or any of its Related Parties, becomes the Beneficial Owner, directly or indirectly of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares;
- (4) if at any time, the Principal and its Related Parties Beneficially Own, directly or indirectly through one or more Subsidiaries, in the aggregate a lesser percentage of the total voting power of the Voting Shares of the Company than any other “person” (as that term is used in Section 13(d) of the Exchange Act) and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company;
- (5) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that the Shareholders Trust and the Company are not or cease to directly be Beneficial Owners of 73% and 27%, respectively, of both of the Issuer’s Voting Stock and the Issuer’s Capital Stock; or

- (6) after an initial public offering of the Company or any Parent Holdco of the Company, the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

“*Change of Control Offer*” has the meaning assigned to that term in the Indenture governing the Notes.

“*Collateral*” means each of (1) a third-ranking security interest in the Capital Stock of the Company, (2) a third-ranking security interest in the Initial Proceeds Loan, the 2015 Note Proceeds Loans and the Second Lien Proceeds Loan, (3) a third-ranking security interest in receivables under the Sale and Purchase Agreement and the Put and Call Option Agreement, and (4) any other assets in which a security interest has been or will be granted pursuant to any Notes Security Document to secure the Obligations under the Indenture, the Notes or any Note Guarantee.

“*Company Share Pledge Agreements*” means each of the following agreements pursuant to which the Parent pledged the Capital Stock of the Company (1) the share pledge dated August 11, 2005, (2) the deed of amendment dated September 29, 2005, (3) the share pledge dated February 8, 2006, (4) the deed of acknowledgement dated December 21, 2006, (5) the supplemental deed dated on or around the Issue Date and (6) any other agreement governing the a Lien on the Capital Stock of the Company on or after the Issue Date.

“*Consolidated Cash Flow*” means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period *plus*, without duplication:

- (1) an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, to the extent such losses were deducted in computing such Consolidated Net Income; *plus*
- (2) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Net Income; *plus*
- (3) the Fixed Charges of such Person and its Restricted Subsidiaries for such period, to the extent that such Fixed Charges were deducted in computing such Consolidated Net Income; *plus*
- (4) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) and other non-cash expenses (excluding any such non-cash expense to the extent that it (a) represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period or (b) is an Identified Non-Cash Expense) of such Person and its Restricted Subsidiaries for such period to the extent that such depreciation, amortization and other non-cash expenses (including any Identified Non-Cash Expenses) were deducted in computing such Consolidated Net Income; *plus*
- (5) the cumulative effect of a change in accounting principles; *plus*
- (6) any non-cash compensation charge arising from any grant of stock, stock options or other equity based awards; *plus*
- (7) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness; *plus*
- (8) any goodwill or other intangible asset impairment charge; *minus*

- (9) non-cash items increasing such Consolidated Net Income for such period, other than the accrual of revenue in the ordinary course of business,

in each case, on a consolidated basis and determined in accordance with IFRS.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses (including any Identified Non-Cash Expenses) of, a Restricted Subsidiary of the Company will be added to Consolidated Net Income to compute Consolidated Cash Flow of the Company only to the extent (and in the same proportion) that the Net Income of such Restricted Subsidiary was included in the calculation of Consolidated Net Income.

“*Consolidated Leverage*” means, with respect to any Person as of any date of determination, the sum without duplication of (a) the total amount of Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, *plus* (b) an amount equal to the greater of the liquidation preference or the maximum fixed redemption or repurchase price of all Disqualified Stock of such Person and all preferred stock of Restricted Subsidiaries of such Person (but not giving effect to any additional Indebtedness to be incurred on the date of determination as part of the same transaction or series of transactions pursuant to the third paragraph under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” other than any such additional Indebtedness incurred under clause (16) of the third paragraph under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock,” the incurrence of which is itself subject to the Consolidated Leverage Ratio).

“*Consolidated Leverage Ratio*” means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Leverage of such Person on such date to (b) the Consolidated Cash Flow of such Person for the four most recent full fiscal quarters ending immediately prior to such date for which financial statements are available; *provided, however*, that for purposes of calculating the Consolidated Cash Flow for such period:

- (1) acquisitions of any Person, business or group of assets that constitutes an operating unit or division of a business that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or otherwise, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries (including Persons who become Restricted Subsidiaries as a result of such increase), during the four quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the “*Calculation Date*”) (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be given *pro forma* effect as if they had occurred on the first day of the four quarter reference period;
- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio), will be excluded;
- (3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period; and
- (4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Sale, Investment or acquisition, the amount of income or earnings relating thereto or the amount of Consolidated Cash Flow associated therewith, the *pro forma* calculation shall be determined in good faith by a responsible financial or accounting Officer of the Company. In determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge or Indebtedness on such date.

“*Consolidated Net Income*” means, with respect to any specified Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; *provided* that:

- (1) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the Person;
- (2) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders; *provided, however*, that the Net Income of any Restricted Subsidiary of the Company subject to any such restriction shall not be excluded to the extent such restriction is in the Credit Agreement, Second Lien Subscription Agreement or Priority Agreement, such restriction is permitted pursuant to clause (8) of the second paragraph of the covenant described under the caption “—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries” or such restriction has been waived or otherwise released, *provided further*, that the Company’s equity in the Net Income of any such Restricted Subsidiary for such period will be included in the calculation of Consolidated Net Income up to the aggregate amount of cash actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary of the Company as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary of the Company, to the limitation contained in this clause);
- (3) the cumulative effect of a change in accounting principles will be excluded; and
- (4) notwithstanding clause (1) above, the Net Income of any Unrestricted Subsidiary will be excluded, whether or not distributed to the specified Person or one of its Subsidiaries.

“*Consolidated Senior Secured Leverage*” means, with respect to any Person as of any date of determination, the sum without duplication of the total amount of Senior Secured Debt of such Person and its Restricted Subsidiaries on a consolidated basis (but not giving effect to any additional Senior Secured Debt to be incurred on the date of determination as part of the same transaction or series of transactions pursuant to which a Permitted Lien was permitted pursuant to clause (1)(C) of the definition of Permitted Liens).

“*Consolidated Senior Secured Leverage Ratio*” means, with respect to any specified Person as of any date of determination, the ratio of (a) the Consolidated Senior Secured Leverage of such Person on such date to (b) the Consolidated Cash Flow of such Person for the four most recent full fiscal



quarters ending immediately prior to such date for which financial statements are available; *provided, however*, that for purposes of calculating the Consolidated Cash Flow for such period:

- (1) acquisitions of any Person, business or group of assets that constitutes an operating unit or division of a business that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations, amalgamations or otherwise, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Restricted Subsidiaries, and including any related financing transactions and including increases in ownership of Restricted Subsidiaries (including Persons who become Restricted Subsidiaries as a result of such increase), during the four quarter reference period or subsequent to such reference period and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Leverage Ratio is made (the “*Calculation Date*”) (including transactions giving rise to the need to calculate such Consolidated Leverage Ratio) will be given *pro forma* effect as if they had occurred on the first day of the four quarter reference period;
- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of on or prior to the Calculation Date (including transactions giving rise to the need to calculate such Consolidated Senior Secured Leverage Ratio), will be excluded;
- (3) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four quarter period; and
- (4) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to an Asset Sale, Investment or acquisition, the amount of income or earnings relating thereto or the amount of Consolidated Cash Flow associated therewith, the *pro forma* calculation shall be determined in good faith by a responsible financial or accounting Officer of the Company. In determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect will be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge or Indebtedness on such date.

“*Continuing Directors*” means, as of any date of determination, any member of the Board of Directors of the Company who:

- (1) was a member of such Board of Directors on the date of the Indenture; or
- (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election or appointment, or was designated or appointed by the Principal and/or any Related Parties.

“*Credit Agreement*” means that certain Agreement, dated May 26, 2005 and as amended and/or restated on or about August 5, 2005, August 11, 2005, September 29, 2005, February 10, 2006, December 12, 2006, November 16, 2007, October 13, 2008 and on or before the Issue Date and any such further amendments from time to time, relating to €6,850,000,000 credit facilities for the Company arranged by ABN AMRO Bank N.V., Deutsche Bank AG, London Branch and Sanpaolo IMI S.p.A. with ABN AMRO Bank N.V. as facility agent and ABN AMRO Bank N.V. as security agent, including any related notes, bonds, debentures, guarantees, collateral documents, instruments, indenture, trust deed and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced in whole or in part from time to time without limitation as to amount outstanding or committed, the



identity of the lenders or investors, or the maturity, terms, conditions, covenants or other provisions thereof in accordance with the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock.”

“*Credit Agreement Business Day*” shall have the meaning assigned to the term “Business Day” in the Credit Agreement.

“*Credit Facilities*” means one or more debt facilities (including, without limitation, debt facilities made available under, or in accordance with, the Credit Agreement) or commercial paper facilities or indentures or trust deeds or note purchase agreements, in each case, with banks or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to other entities formed to borrow from such lenders against such receivables) letters of credit, bonds, notes, debentures or other corporate debt instruments, in each case, as amended, extended, restated, modified, supplemented, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time by one or more credit agreements or debt facilities (and whether or not with the parties to the Credit Agreement) without limitation as to amount outstanding or committed, the identity of the lenders or investors, or the maturity, terms, conditions, covenants or other provisions thereof.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Designated Senior Debt*” means (1) any Indebtedness outstanding under the Credit Agreement or Second Lien Notes; and (2) any other Senior Debt permitted under the Indenture, the aggregate principal amount of which is €100.0 million or more (including the amount of all undrawn commitments and matured and contingent reimbursement obligations) and that has been designated by the Company in the instrument evidencing that Senior Debt as “Designated Senior Debt.”

“*Direction and Coordination*” and the expression “*Direct and Coordinate*” shall have the meaning given to the expression “*direzione e coordinamento*” under and for the purpose of Article 2497 *et seq.* of the Italian Civil Code, it being understood, however, that the possible triggering of a *prima facie* presumption under Article 2497 *sexies* as a consequence of the consolidation of the Issuer’s accounts and the Company’s accounts shall in no event constitute “Direction and Coordination” for the purposes indicated herein.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Company to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Company may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—Certain Covenants—Restricted Payments.” The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the Indenture will be the maximum amount that the Company and its Restricted Subsidiaries may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

“*dollar*” or “*\$*” means the lawful currency of the United States of America.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*euro*” or “*€*” means the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union.

“*Euro Equivalent*” means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in the *Financial Times* in the “Currency Rates” section (or, if the *Financial Times* is no longer published, or if such information is no longer available in the *Financial Times*, such source as may be selected in good faith by the Company) on the date of such determination. Except as expressly provided otherwise, whenever it is necessary to determine whether the Issuer, the Company or any of its Restricted Subsidiaries have complied with any covenant or other provision in the Indenture or if there has occurred an Event of Default and an amount is expressed in a currency other than euro, such amount will be treated as the Euro Equivalent determined as of the date such amount is initially determined in such non-euro currency.

“*European Union*” means the European Union, including any country which is as of the Issue Date, or becomes after the Issue Date, a member of the European Union.

“*Existing Indebtedness*” means Indebtedness of the Company and its Subsidiaries (other than Indebtedness under the Credit Agreement or the Second Lien Notes) in existence on the date of the Indenture, until such amounts are repaid, including, without limitation, the Company’s guarantee of the 2015 Notes and the 2015 Notes Proceeds Loan.

“*Fair Market Value*” means the value that would be paid by a willing buyer to an unaffiliated willing seller in an arm’s length transaction not involving distress or necessity of either party, determined in good faith by the Board of Directors of the Company (unless otherwise provided in the Indenture).

“*Finance Company*” means any corporation, association or business entity which is not controlled by, nor is any Capital Stock of such entity owned by the Company or any of its Restricted Subsidiaries (provided that up to 27% of the Capital Stock of such entity may be owned by the Company so as to allow a capital structure similar to that of the Issuer) the purpose of which is for borrowing funds or issuing securities and lending the proceeds to the Company.

“*Fitch*” means Fitch Ratings.

“*Fixed Charges*” means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued, including, without limitation, amortization of debt issuance costs and original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to Attributable Debt, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers’ acceptance financings, and net of the effect of all payments made or received pursuant to Hedging Obligations in respect of interest rates; *plus*
- (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period; *plus*

- (3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries, whether or not such guarantee or Lien is called upon; *plus*
- (4) the product of (a) all dividends, whether paid or accrued and whether or not in cash, on any series of preferred stock of such Person or any of its Restricted Subsidiaries, other than dividends on Equity Interests payable in Equity Interests of the Company (other than Disqualified Stock) or to the Company or a Restricted Subsidiary of the Company, times (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, federal, state, regulatory and local (as applicable) statutory tax rate of such Person, expressed as a decimal, in each case, determined on a consolidated basis in accordance with IFRS.

“*Guarantor*” means each of (1) the Company, (2) WIS, and (3) any other Subsidiary of the Company that executes a Note Guarantee in accordance with the provisions of the Indenture and the Priority Agreement.

“*guarantee*” means a guarantee other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

“*Hedging Obligations*” means, with respect to any specified Person, the obligations of such Person under:

- (1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (2) other agreements or arrangements intended to manage interest rates or interest rate risk; and
- (3) other agreements or arrangements intended to protect such Person against fluctuations in currency exchange rates or commodity prices.

“*Identified Non-Cash Expense*” means, with respect to any specified Person for any period, allowances for doubtful accounts expense, provisions for charges related to Universal Service Contributions, other recurring operating accruals and any other similar expenses or charges.

“*IFRS*” means International Financial Reporting Standards promulgated from time to time by the International Accounting Standards Board (or any successor board or agency) and as adopted by the European Union.

“*Indebtedness*” means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);
- (3) in respect of banker’s acceptances;
- (4) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;

- (5) representing the balance deferred and unpaid of the purchase price of any property or services due more than six months after such property is acquired or such services are completed;
- (6) representing any Hedging Obligations; or
- (7) representing the maximum fixed purchase price of Disqualified Stock,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet (other than the Notes or a Note Guarantee) of the specified Person prepared in accordance with IFRS. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person) and, to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

“*Initial Proceeds Loan*” means the loan from the Issuer to the Company of the proceeds from the issuance of the Notes on the Issue Date pursuant to the Proceeds Loan Agreement.

“*Investments*” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding commission, travel, payroll and similar advances to directors, officers, employees, consultants and agents made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Company or any Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption “—Certain Covenants—Restricted Payments.” The acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the covenant described above under the caption “—Certain Covenants—Restricted Payments.” Except as otherwise provided in the Indenture, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“*Issuer Capital Markets Proceeds Loan*” means a Capital Markets Proceeds Loan from the Issuer to the Company (including any Proceeds Loan and the 2015 Notes Proceeds Loans).

“*Italian Civil Code*” means the Italian *Codice Civile* as approved by Royal Decree No. 262 of March 16, 1942, as amended from time to time.

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing or similar statement under the laws of any jurisdiction; *provided that*, for the avoidance of doubt, in no event will an operating lease constitute a lien.

“*Luxembourg*” means the Grand Duchy of Luxembourg.

“*Moody’s*” means Moody’s Investors Service, Inc.

“*Net Income*” means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preferred stock dividends, excluding, however:

- (1) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and
- (2) any extraordinary gain or loss, together with any related provision for taxes on such extraordinary gain or loss.

“*Net Proceeds*” means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, and amounts required to be applied to the repayment of Indebtedness, other than Senior Debt, secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

“*Non-Public Debt*” means:

- (1) Indebtedness represented by promissory notes or similar evidence of Indebtedness under bank loans or similar financing agreements, including private placements to insurance companies and mezzanine lenders; and
- (2) any other Indebtedness; *provided* that it (a) is not listed, quoted or tradeable on any exchange or market, including any market for securities eligible for resale pursuant to Rule 144A under the U.S. Securities Act, (b) does not clear or settle through the facilities of the Euroclear, Clearstream, DTC or any similar facilities, (c) is not issued or sold by means of any prospectus, offering circular (but not an information memorandum of the type used in a bank syndication) or similar document typically used in connection with road show presentations, (d) is not marketed in an underwritten securities offering and (e) if placed with or through an agent, the agent does not place it with its high yield bond accounts.

“*Non-Recourse Debt*” means Indebtedness:

- (1) as to which neither the Company nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness of the Company or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and
- (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

“*Note Guarantee*” means the guarantee by each Guarantor of the Issuer’s obligations under the Indenture and the Notes, executed pursuant to the provisions of the Indenture.

“*Notes Security Documents*” means the Wind Share Pledge Agreements, the Proceeds Loan Assignment Agreements, the Acquisition Document Rights Pledge Agreements, and any other agreement or instrument from time to time governing a grant of a security interest permitted under the Indenture and the Priority Agreement to secure the Obligations under the Notes.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities or amounts payable under the documentation governing any Indebtedness.

“*Offering Memorandum*” means this Offering Memorandum, dated July 1, 2009, relating to the initial offer of the Notes.

“*Officer*” means the Chairman of the Board, any Managing Director, the President, any Vice President, the Treasurer or the Secretary of a Person or any equivalent position.

“*Officer’s Certificate*” means a certificate signed by an Officer.

“*Parent*” means Wind Acquisition Holdings Finance S.p.A., a *società per azioni* incorporated and existing under the laws of Italy and the direct parent entity of the Company.

“*Parent Holdco*” means (1) with respect to the Company, any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of the Company, either directly or through one or more Subsidiaries, and (2) with respect to the Issuer, the Shareholder Trust.

“*Parent Management Services Agreement*” shall have the meaning assigned to the term “Management Services Agreement” in the Priority Agreement. For a discussion of the Management Services Agreement see “Certain Relationships and Related Party Transactions—Management Services Agreement.”

“*Parent PIK Debt*” means the proceeds loans related to the proceeds of, and the guarantee by the Parent of, the PIK Loan Agreement of Wind Acquisition Holdings Finance S.A., dated as of December 12, 2006, the proceeds of which were lent to the Parent pursuant to a proceeds loan dated December 12, 2006, and which was repaid with the proceeds from the Cash Distribution.

“*Permitted Business*” means (1) any business in which the Company or any of its Restricted Subsidiaries are engaged in on the Issue Date; (2) any business activity relating to the providing of telecommunications services; and (3) any other business that is a reasonable extension, development or expansion of, or ancillary or complementary to, any of the foregoing, in each case, to the extent such business activity is conducted in any member state of the European Union, Switzerland or the United States.

“*Permitted Collateral Lien*” means a Lien on any Collateral to secure, directly or indirectly, Indebtedness (including Additional Notes) and other obligations in respect of borrowed money of the Company or any of its Restricted Subsidiaries or Capital Markets Debt issued by a Finance Company (to the extent the proceeds therefrom are lent to the Company pursuant to a Capital Markets Proceeds Loan) or the guarantee by the Company or a Restricted Subsidiary of Capital Markets Debt issued by a Finance Company, in any such case, that is permitted to be incurred (or with respect to a Lien on any Collateral to secure Capital Markets Debt of a Finance Company, the proceeds loan relating to, or guarantee of, such Capital Markets Debt is permitted to be incurred):

- (1) under the second paragraph or clause (1), (2) or (6) (to the extent, in the case of clause (6), such Permitted Refinancing Indebtedness is in exchange for or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge the Indebtedness secured with a Permitted Collateral Lien in compliance with the Indenture)



of the third paragraph of the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” and, in each case, such Indebtedness is permitted to be secured under clause (1) of the definition of Permitted Liens;

- (2) (in the case of (I) a proceeds loan of, or guarantee of, Capital Markets Debt that is not Senior Debt or (II) Capital Markets Debt of a Finance Company to the extent the proceeds loan relating to, or guarantee of, such Capital Markets Debt is not Senior Debt) under the second paragraph or clauses (3) (but only with respect Existing Indebtedness relating to the 2015 Notes, the guarantee thereof and/or the 2015 Notes Proceeds Loan), (4) or (6) (to the extent, in the case of clause (6), such Permitted Refinancing Indebtedness is an exchange for or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge Indebtedness secured with a Permitted Collateral Lien in compliance with the Indenture) under the third paragraph of the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock;” or
- (3) under Hedging Obligations under clause (9) of the third paragraph of the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” to the extent such Hedging Obligations relate to Indebtedness referred to in the preceding clauses (1) and (2);

*provided that:*

- (a) if such Indebtedness is Senior Debt, (i) such Lien ranks equal to all other Liens on the Collateral securing Senior Debt of the Company and its Restricted Subsidiaries (except that a Lien in favor of Senior Debt need not rank equally with Liens in favor of other Senior Debt if such Senior Debt does not rank equally with such other Senior Debt) and (ii) to the extent the proceeds from such Indebtedness are lent to the Company pursuant to a Capital Markets Proceeds Loan, such Capital Markets Proceeds Loan will have been assigned in favor of holders of the Notes on substantially the same terms as the assignment of the Second Lien Proceeds Loan and ranking in priority behind all other Liens on such Capital Markets Proceeds Loan securing Senior Debt, and
- (b) if such Indebtedness ranks *pari passu* in right of payment to the Notes or any Note Guarantee or the Initial Proceeds Loan, (i) such Lien must rank *pari passu* with the Liens on the Collateral securing the Obligations under the Notes or any Note Guarantee or the Initial Proceeds Loan, (ii) any Lien on any assets or other security pledged or assigned by the Company or any of its Restricted Subsidiaries to secure, directly or indirectly, any such Indebtedness shall be pledged or assigned to secure the Obligations under the Notes, any Note Guarantee and the Initial Proceeds Loan on an equal and ratable basis and (iii) to the extent the proceeds from such Indebtedness are lent to the Company pursuant to a Capital Markets Proceeds Loan, such Capital Markets Proceeds Loan will have been assigned in favor of holders of the Notes on substantially the same terms as the Proceeds Loan Assignment Agreement and on an equal and ratable basis with any Lien on such Capital Markets Proceeds Loan securing such Capital Markets Debt, and,

in any such case and for the avoidance of doubt, (A) the second paragraph of the covenant described under the caption “—Certain Covenants—No Impairment of Security Interests” is complied with and (B) no Lien shall be a Permitted Collateral Lien for purposes of this definition if it secures, directly or indirectly, Indebtedness that is expressly subordinated in right of payment to the Notes, any Note Guarantee or any Proceeds Loan.

*“Permitted Guarantee”* means a guarantee by (1) a Call Center Contribution Subsidiary or a Towers Contribution Subsidiary of the Company’s Obligations with respect to Indebtedness incurred pursuant to either clause (1) or (2) of the third paragraph of the covenant captioned “—Incurrence of Indebtedness and Issuance of Preferred Stock;” and (2) a Restricted Subsidiary of the Company that is not a Guarantor of Indebtedness of another Restricted Subsidiary of the Company that is not a Guarantor.

*“Permitted Investments”* means:

- (1) any Investment in the Company or in a Restricted Subsidiary of the Company;
- (2) any Investment in cash or Cash Equivalents;
- (3) any Investment by the Company or any Restricted Subsidiary of the Company in a Person, if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary of the Company; or
  - (b) such Person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;
- (4) any Investment made as a result of the receipt of non-cash consideration from (i) an Asset Sale that was made in compliance with the covenant described above under the caption “—Certain Covenants—Asset Sales;” or (ii) any other dispositions of property or assets or the issuance or sale of Equity Interests not constituting an Asset Sale and otherwise not prohibited by the Indenture.
- (5) any acquisition of assets or Capital Stock in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Company or Equity Interests of any Parent Holdco;
- (6) any Investments received in compromise or resolution of (a) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Company or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (b) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (7) Investments represented by Hedging Obligations;
- (8) loans or advances to officers, directors or employees made in the ordinary course of business of the Company or any of its Restricted Subsidiaries in an aggregate principal amount not to exceed €10.0 million at any one time outstanding;
- (9) Investments in (a) the Notes, the 2015 Notes or other Capital Markets Debt of a Finance Company for which the Company is a guarantor and the proceeds of which were on lent to the Company pursuant to a Capital Markets Proceeds Loan and (b) any Indebtedness or securities which are a securitization of, or relate to an economic participation or interest in, such Capital Markets Debt of the type referred to in the preceding clause (a);
- (10) Investments represented by bank deposits, trade credit, advances to customers, and accounts and notes receivable created or acquired in the ordinary course of business;
- (11) Investments existing on the date of the Indenture (or in respect of which a binding commitment to make such Investment exists on the date of the Indenture in any Person in a Permitted Business) and any extension, modification or renewal of such Investments or commitments, but only to the extent such extension, modification or renewal does not involve additional (or in the case of commitments, increase the amount of committed) advances, contributions or other Investments (other than as a result of the accrual or

accretion of interest or original issue discount or the issuance by such investee of pay-in-kind securities, in each case, pursuant to the terms of such Investment or commitment as in effect on the date of the Indenture);

- (12) Investments where such Investment was acquired by the Company or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Company or any Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by the Company or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (13) Investments to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Company or any of its Restricted Subsidiaries;
- (14) Investments held by a Person that becomes a Restricted Subsidiary, *provided* that such Investments were not acquired in contemplation of the acquisition of such Person;
- (15) Investments consisting of deposits made in connection with self-insurance;
- (16) Investments in an entity formed for the primary purpose of issuing securities or other indebtedness the gross or net proceeds of which will be on-lent to the Company or a Restricted Subsidiary;
- (17) Investments consisting of (a) guarantees of Indebtedness permitted to be incurred under the covenant described under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock,” and (b) performance guarantees that do not constitute Indebtedness entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business and consistent with past practice;
- (18) Investments in the form of Capital Stock of Weather Capital S.à r.l. upon consummation of a transaction contemplated by the third paragraph under the covenant described under the caption “—Certain Covenants—Merger, Consolidation or Sale of Assets;” *provided* that such transaction is consummated in accordance with such covenant;
- (19) any Investment made as a result of the contribution of the Towers Infrastructure into a Towers Entity (including any Investment in a Towers Entity where such Investment was acquired by the Company or any of its Restricted Subsidiaries in exchange for the contribution of the Towers Infrastructure into a Towers Entity) and any Investment constituting Equity Interests in a Towers Entity and, in each case, to the extent such transaction resulting in the relevant Investment would have constituted an Asset Sale but for clause (6) of the second paragraph of the definition thereof, such transaction would have complied with the covenant described under the caption “—Certain Covenants—Asset Sales;” and
- (20) other Investments in any Person in a Permitted Business having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (20) that are at the time outstanding not to exceed €300.0 million.

“*Permitted Issuer Investment*” means (1) cash and Cash Equivalents, and (2) any Issuer Capital Markets Proceeds Loan (including the Initial Proceeds Loan and the 2015 Notes Proceeds Loan).

“*Permitted Issuer Liens*” means:

- (1) Liens for taxes, assessments or government charges or levies on the assets of the Issuer if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision that shall be required in conformity with IFRS shall have been made therefor;
- (2) Permitted Collateral Liens;
- (3) Liens to secure any Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge Indebtedness secured by Liens referred to in the preceding clause (2); *provided, however*, that:
  - (a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
  - (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (4) Liens granted to the Trustee for its compensation and indemnities pursuant to the Indenture or Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture);
- (5) Liens with respect to bankers’ liens, rights of set-off or similar rights or remedies in respect of cash maintained in bank accounts or certificates of deposit;
- (6) Liens existing on the date of the Indenture; and
- (7) Liens created for the benefit of (or to secure) the Notes or any Note Guarantee (including any Liens granted pursuant to the Notes Security Documents).

“*Permitted Issuer Maintenance Payments*” means, without duplication, amounts paid to the Shareholder Trust to the extent required to permit the Shareholder Trust to pay reasonable franchise taxes owed by it and other amounts required to be paid by it to maintain its corporate existence or to pay its reasonable accounting, legal, management and administrative fees and expenses (to the extent such amounts were not already paid by the Company, its Subsidiaries or any other Person), in an aggregate amount not to exceed €150,000 per annum.

“*Permitted Liens*” means:

- (1) Liens on (i) assets of the Company or any of its Restricted Subsidiaries and (ii) shares of the Company and any Capital Markets Proceeds Loan, in each case, securing (A) Indebtedness incurred pursuant to clauses (1) and (2) of the definition of Permitted Debt, (B) Senior Debt incurred pursuant to the second paragraph under the caption “—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock” if on the date of such incurrence and on a *pro forma* basis (including a *pro forma* application of the proceeds therefrom) the Consolidated Senior Secured Leverage Ratio of the Company is less than 2.75 to 1.0, (C) Senior Debt incurred pursuant to the second paragraph under the caption “—Certain Covenants—Incurrence of Indebtedness and

Issuance of Preferred Stock” in an amount that does not exceed €500.0 million at any one time outstanding, and/or (D) any Senior Debt constituting Hedging Obligations related to any of the foregoing or relating to any Capital Markets Debt permitted by the Indenture;

- (2) Liens in favor of the Issuer, the Company or any of its Restricted Subsidiaries that is a Guarantor;
- (3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated, amalgamated or otherwise combined with the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to, and not incurred in contemplation of, such merger or consolidation and do not extend to any assets of the Company or any of its Restricted Subsidiaries other than those of the Person merged with or into or consolidated, amalgamated or combined with the Company or the Subsidiary;
- (4) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any Subsidiary of the Company; *provided* that such Liens were in existence prior to, and not incurred in contemplation of, such acquisition and do not extend to any assets of the Company or any of its Restricted Subsidiaries other than those on the acquired property;
- (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
- (6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (5) of the definition of Permitted Debt covering only the assets acquired with or financed or refinanced by such Indebtedness or affixed or appurtenant thereto;
- (7) Liens existing on the date of the Indenture;
- (8) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or thereafter can be paid without penalty or that are being contested in good faith by appropriate proceedings; *provided* that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;
- (9) Liens imposed by law, such as carriers’, warehousemen’s, landlord’s and mechanics’ Liens, Liens of employees and pension plan administrators, and other similar Liens in each case, incurred in the ordinary course of business;
- (10) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair the use of such property in the operation of the business of such Person;
- (11) Liens created for the benefit of (or to secure) the Notes or any Note Guarantee (including any Liens granted pursuant to the Notes Security Documents);
- (12) Liens to secure obligations in respect of any Permitted Refinancing Indebtedness permitted to be incurred under the Indenture; *provided, however, that:*
  - (a) the new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and

- (b) the Indebtedness secured by the new Lien is not increased to any amount greater than the sum of (x) the outstanding principal amount, or, if greater, committed amount, of the Permitted Refinancing Indebtedness and (y) an amount necessary to pay any fees and expenses, including premiums, related to such renewal, refunding, refinancing, replacement, defeasance or discharge;
- (13) Permitted Collateral Liens;
- (14) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including workers' compensation) or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance, return-of-money bonds and other similar obligations;
- (15) leases or subleases granted to others not interfering with the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries;
- (16) Liens with respect to bankers' liens, rights of set-off or similar rights or remedies in respect of cash maintained in bank accounts or certificates of deposit;
- (17) Liens consisting of a right of first refusal or option to purchase an ownership interest in any Restricted Subsidiary of the Company or to purchase assets of the Company or any Restricted Subsidiary of the Company;
- (18) Liens arising under judgments not giving rise to an Event of Default so long as such Lien is in the good faith determination of the Company adequately bonded;
- (19) Liens granted to the Trustee for its compensation and indemnities pursuant to the Indenture or Priority Agreement (or any additional intercreditor agreement or priority agreement entered into pursuant to the terms of the Priority Agreement or the Indenture);
- (20) Liens to secure any refinancing, refunding, extension, renewal or replacement or successive refinancing, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (3), (4) and (7); *provided, however*, that (a) such new Lien shall be limited to all or part of the same property that secured the original Lien, and (b) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (i) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (3), (4) and (7) at the time the original Lien became a Permitted Lien under the Indenture, and (ii) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement; and
- (21) Liens incurred in the ordinary course of business of the Company or any Subsidiary of the Company with respect to obligations that do not exceed €50.0 million at any one time outstanding.

*"Permitted Maintenance Payments"* means, without duplication as to amounts:

- (1) payments to any Parent Holdco to the extent required to permit such Parent Holdco to pay reasonable franchise taxes owed by it and other amounts required to be paid by it to maintain its corporate existence or to pay reasonable accounting, legal and administrative expenses of such Parent Holdco or to pay any other amounts permitted to be paid by the Company to such Parent Holdco pursuant to the terms of the Priority Agreement other



than as set forth in clause (2) below, in an aggregate amount not to exceed €2.0 million per annum;

- (2) to the extent permitted under the Priority Agreement, amounts payable by the Parent to any Person for withholding tax obligations arising in respect of Parent PIK Debt; *provided* that the Parent shall use its best efforts to obtain a refund of such withholding tax promptly upon becoming entitled to apply for such refund and shall ensure that if the proceeds of any such refund are received by the Parent, the proceeds are promptly contributed to the Company by the Parent subscribing in cash for shares in the Company (or otherwise by way of cash equity contribution to the Company); and
- (3) for so long as the Company is a member of a group filing a consolidated or combined tax return with any Parent Holdco, payments to such Parent Holdco in respect of an allocable portion of the tax liabilities of such group that is attributable to the Company and its Subsidiaries (“*Tax Payments*”) in the amount not to exceed the lesser of (a) the amount of the relevant tax (including any penalties and interest) that the Company would owe if the Company were filing a separate tax return (or a separate consolidated or combined return with its Subsidiaries that are members of the consolidated or combined group), taking into account any carryovers and carrybacks of tax attributes (such as net operating losses) of the Company and such Subsidiaries from other taxable years and (b) the net amount of the relevant tax that the Parent Holdco actually owes to the appropriate taxing authority. Any Tax Payments received from the Company shall be paid over to the appropriate taxing authority within 30 days of the Parent Holdco’s receipt of such Tax Payments or refunded to the Company; *provided* that the Parent Holdco shall pay to the appropriate taxing authority all such Tax Payments received before they become due under the rules of the relevant taxing authority, or as soon as commercially reasonable if received after such date.

“*Permitted Parent Management Payments*” means payments made by the Company or its Restricted Subsidiaries to the Parent under the Parent Management Services Agreement to the extent such payment is otherwise permitted by the Priority Agreement in an aggregate amount not to exceed €46,000,000 (or its equivalent in other currencies) per annum and only for so long as the Parent is the direct Parent Holdco of the Company and such payments are necessary so that the Parent does not qualify as a “Non Operating Company” under Article 30 of Law No. 724 of 23 December 1994.

“*Permitted Refinancing Indebtedness*” means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided* that:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness renewed, refunded, refinanced, replaced, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged;
- (3) if the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is

subordinated in right of payment to, the Notes on terms at least as favorable to the holders of Notes as those contained in the documentation governing the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged; and

- (4) such Indebtedness is incurred either by the Company or by the Restricted Subsidiary who is the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, defeased or discharged.

*“Permitted Weather Management Payments”* means payments made by the Company under the Weather Management Services Agreement in an aggregate amount not to exceed €2,000,000 in any three-month period and €8,000,000 per annum (plus reasonable costs and out-of-pocket expenses).

*“Person”* means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

*“Pre-Expansion European Union”* means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

*“Preferred Stock”* of any Person means any Equity Interests of such Person that have any rights which are preferential to the rights of any other Equity Interests of such Person with respect to dividends or redemptions or upon liquidation.

*“Principal”* means Mr. Naguib Onsi Sawiris.

*“Priority Agreement”* means, collectively, (1) that certain Priority Agreement, dated August 11, 2005 (as amended and restated on September 29, 2005, February 10, 2006, December 12, 2006 and on or around the Issue Date and as may be amended from time to time) by and among, *inter alia*, Weather Investments S.A., Weather Investments S.p.A., the original obligors named therein, the Company, the Parent, certain Subsidiaries of the Company as obligors, the senior creditors, hedging banks and bridge creditors, and the Trustee and (2) that certain Supplemental Priority Agreement, dated August 11, 2005 (as amended and restated on September 29, 2005) by and among, *inter alia*, the Security Agent, the Trustee and certain creditors of the Parent and its Subsidiaries (the *“Supplemental Priority Agreement”*), as the same may be amended from time to time in accordance with the terms of the Indenture.

*“Proceeds Loans”* means (1) the Initial Proceeds Loan and (2) any other loan from the Issuer to the Company of the proceeds from the issuance of Additional Notes permitted by the Indenture pursuant to a loan agreement with such terms and conditions substantially similar to those contained in the Proceeds Loan Agreement relating to the Initial Proceeds Loan in the preceding clause (1) (with such adjustments as are necessary to reflect changes in principal amount, accreted value, original issue discount, issue date, currency, maturity and other differences so that the payment terms of such Proceeds Loan match those of the Additional Notes) and, in each case, all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

*“Proceeds Loan Agreement”* means that certain senior notes proceeds loan agreement, dated as of the Issue Date, by and between the Issuer and the Company pursuant to which the Initial Proceeds Loan was made, as the same may be amended from time to time in accordance with the terms of the Indenture.

*“Proceeds Loan Assignment Agreements”* means the security assignment dated on or around the Issue Date relating to the assignment of the rights under the Proceeds Loan Agreement and the supplemental security assignments dated on or around the Issue Date relating to the assignment of the rights under the 2015 Notes Proceeds Loans and the Second Lien Proceeds Loan and any other agreement governing the assignment of a Capital Markets Proceeds Loan extended to the Company on

or after the Issue Date by a Finance Company, as the same may be amended from time to time in accordance with the terms of the Indenture.

*“Public Equity Offering”* means a bona fide underwritten public offering of the Capital Stock (other than Disqualified Stock) of the Company or a Parent Holdco of the Company, either:

- (1) pursuant to a flotation on the Milan Stock Exchange or any other nationally recognized stock exchange or listing authority in a member state of the European Union; or
- (2) pursuant to an effective registration statement under the U.S. Securities Act (other than a registration statement on Form S-8 or otherwise relating to Equity Interests issued or issuable under any employee benefit plan).

*“Public Market”* means any time after:

- (1) a Public Equity Offering has been consummated; and
- (2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Company or a Parent Holdco of the Company has been distributed to investors other than the Principal or any of its respective Affiliates or any other direct or indirect shareholders of the Parent as of the Issue Date pursuant to one or more Public Equity Offerings.

*“Put and Call Option Agreement”* means the put and call agreement dated as of May 26, 2005 by and between Enel S.p.A. and Weather Investments S.r.l. relating to the purchase of additional Capital Stock of the Company, as the same may be amended from time to time.

*“Refinancing Transactions”* shall have the meaning assigned to such term in this Offering Memorandum under the caption “Use of Proceeds.”

*“Related Party”* means:

- (1) the parents or spouse of the Principal, the parents of the Principal’s spouse and any of the Principal’s, his spouse’s or their parents’ direct descendants; or
- (2) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, shareholders, partners, members, owners or Persons beneficially holding a 50.1% or more controlling interest of which consist of any one or more Principal and/or such other Persons referred to in the immediately preceding clause (1),

*provided, however*, Weather Capital S.à r.l., Orascom Telecom Holding S.A.E., Hellas Telecommunications S.à r.l. and any of their Subsidiaries shall not be deemed a Related Party.

*“Restricted Investment”* means an Investment other than a Permitted Investment.

*“Restricted Subsidiary”* of a Person means any Subsidiary (other than a Subsidiary that is engaged in any business other than Permitted Businesses) of the referent Person that is not an Unrestricted Subsidiary.

*“S&P”* means Standard and Poor’s Ratings Group.

*“Sale and Purchase Agreement”* means the share sale and purchase agreement, dated as of May 26, 2005, by and among Weather Investment II S.à r.l., the Vendors, the Principal Investor, OS Private Trust Company Limited as trustee of the OS Trust, February Private Trust Company Limited as trustee of the March Trust, OS Holding, April Holding and “Newco” relating to the acquisition of the Company by Wind Acquisition Finance S.p.A., as the same may be amended from time to time.

*“Second Lien Amendment Agreement”* means the supplemental agreement, dated as of September 29, 2005, by and among, among others, the Company, Second Lien Issuer, the facility agent

named therein and Deutsche Bank AG, London Branch, amending the Credit Agreement and the Priority Agreement.

“*Second Lien Finance Documents*” has the meaning specified in the Second Lien Subscription Agreement.

“*Second Lien Issuer*” means Wind Finance SL S.A.

“*Second Lien Note Indebtedness*” means Indebtedness incurred by the Company or any of its Subsidiaries pursuant to the Second Lien Proceeds Loan Agreement or any guarantee of the Second Lien Notes or other obligations of Second Lien Issuer under any Second Lien Finance Document including any related notes, guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, extended, restated, modified, supplemented, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors or pursuant to a Credit Facility) in whole or in part from time to time without limitation as to amount outstanding or committed, the identity of the lenders or investors, or the maturity, terms, conditions, covenants or other provisions thereof.

“*Second Lien Notes*” means the notes issued pursuant to the Second Lien Subscription Agreement.

“*Second Lien Proceeds Loan*” means the loan made by the Second Lien Issuer to the Company pursuant to the Second Lien Proceeds Loan Agreement.

“*Second Lien Proceeds Loan Agreement*” means the loan agreement, dated as of September 29, 2005, by and between Second Lien Issuer and the Company pursuant to which the proceeds of the Second Lien Notes are on-lent to the Company, as the same may be amended from time to time.

“*Second Lien Subscription Agreement*” means the subscription agreement dated as of September 29, 2005 relating to the second lien note issuance facility entered into between, among others, Second Lien Issuer, the Parent, the Company and the Arrangers (as defined in the Second Lien Subscription Agreement), as the same may be amended from time to time.

“*Security Agent*” means ABN AMRO Bank N.V., acting as agent pursuant to the Notes Security Documents or any successor or replacement Security Agent, acting in such capacity.

“*Senior Debt*” means:

- (1) all Indebtedness of the Company or any Guarantor outstanding under Credit Facilities, the Second Lien Notes and all Hedging Obligations with respect thereto or with respect to Capital Markets Debt permitted by the Indenture to the extent such Hedging Obligations are required by the terms of the Indebtedness outstanding under the Credit Facilities or Second Lien Notes;
- (2) any other Indebtedness of the Company or any Guarantor permitted to be incurred under the terms of the Indenture, unless the instrument or other relevant finance document relating to such Indebtedness expressly provides that it is on a parity with or subordinated in right of payment to the Notes, any Note Guarantee or the Initial Proceeds Loan; and
- (3) all Obligations with respect to the items listed in the preceding clauses (1) and (2).

Notwithstanding anything to the contrary in the preceding, Senior Debt will not include:

- (1) any liability for federal, state, local or other taxes owed or owing by the Issuer, the Company or any of its Subsidiaries;
- (2) any intercompany Indebtedness of the Issuer, the Company or any of its Subsidiaries to any Guarantor or any of its Affiliates (other than a proceeds loan incurred from a

Finance Company unless such proceeds loan or other relevant finance document relating to such Indebtedness expressly provides that the Indebtedness incurred thereunder is on a parity with or subordinated in right of payment to the Notes, any Note Guarantee or the Initial Proceeds Loan);

- (3) any trade payables;
- (4) the portion of any Indebtedness that is incurred in violation of the Indenture; or
- (5) Indebtedness which is classified as non-recourse in accordance with IFRS or any unsecured claim arising in respect thereof by reason of the application of any relevant bankruptcy or insolvency law, rule or regulation.

“*Senior Secured Debt*” means, with respect to any Person as of any date of determination, any Indebtedness of such Person and its Restricted Subsidiaries that is:

- (1) secured by a Permitted Collateral Lien pursuant to clause (1) of the definition thereof; or
- (2) secured by a Permitted Lien pursuant to clause (1) of the definition thereof.

“*Shareholder Trust*” means the trust organized under Irish law pursuant to that certain Declaration of Trust in respect of Shares of the Issuer dated July 26, 2005 pursuant to which 73% of the Capital Stock of the Issuer has been deposited with the trustee thereunder.

“*Significant Subsidiary*” means any Subsidiary which meets any of the following conditions:

- (1) the Company and its Restricted Subsidiaries’ investments in and advances to such Subsidiary exceed ten percent (10%) of the total consolidated assets of the Company as of the end of the most recently completed financial year; or
- (2) the Company and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of such Subsidiary exceeds ten percent (10%) of the total consolidated assets of the Issuer as of the end of the most recently completed financial year; or
- (3) the Company and its Restricted Subsidiaries’ equity in the consolidated income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Subsidiary exceeds ten percent (10%) of such consolidated income of the Issuer for the most recently completed financial year; or
- (4) has any Obligation with respect to the Notes or any Note Guarantee.

“*Stated Maturity*” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the date of the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“*Subsidiary*” means, with respect to any specified Person, from time to time:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

“*Tax*” means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest and other additional amounts related thereto).

“*Taxes*” and “*Taxation*” shall be construed to have corresponding meanings.

“*Towers Contribution Subsidiary*” means a newly formed Subsidiary of the Company to which assets of its towers business have been contributed for purposes of creating a distributable capital gain.

“*Towers Entity*” means a Person formed for the primary purpose of operating the Towers Infrastructure.

“*Towers Infrastructure*” means assets constituting towers and other physical structures (including, without limitation, roof sites) on which telecommunications and/or other equipment is placed, but excluding, for the avoidance of doubt, any such equipment; *provided* that such towers are suitable for the placing of telecommunication and transmission equipment.

“*Treasury Rate*” means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to July 15, 2013; *provided, however*, that if the period from the redemption date to July 15, 2013, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

“*Universal Service Contributions*” means contributions payable under Article 3, paragraph 6, of Italian Presidential Decree no. 318 of September 19, 1997 which establishes a mechanism designed to distribute the net cost of providing certain universal telecommunications services throughout Italy (including the provision of fixed public voice telephony services, publication of telephone directories and provision of subscriber information services, public payphones, free emergency call services and special services for disabled or disadvantaged people) whenever the related obligations represent an unfair cost for the entity or entities assigned the responsibility for supplying the service.

“*Unrestricted Subsidiary*” means any Subsidiary of the Company that is designated by the Board of Directors of the Company as an Unrestricted Subsidiary pursuant to a resolution of the Board of Directors, but only to the extent that such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) except as permitted by the covenant described above under the caption “—Certain Covenants—Transactions with Affiliates,” is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;
- (3) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and
- (4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries.

In the event that Weather Capital S.à r.l., Orascom Telecom Holding S.A.E. or any of their Subsidiaries become a Subsidiary of the Company in compliance with the terms of the Indenture, each



such entity (other than M-Link S.à.r.l. and its Subsidiaries) shall be designated as an Unrestricted Subsidiary for so long as it remains a Subsidiary of the Company.

“*U.S. Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated pursuant thereto.

“*Voting Stock*” of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

“*Weather Management Services Agreement*” means that certain Management Services Agreement, effective as of October 29, 2007, by and between the Company and Weather Investments S.p.A., as the same may be amended from time to time to the extent that any such amendment or amendments are no less favorable to the Company and its Restricted Subsidiaries nor more disadvantageous to the holders of the Notes in any material respect than the management services agreement in effect on the Issue Date.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

“*WIS*” means Wind International Services S.p.A.

## BOOK-ENTRY, DELIVERY AND FORM

### General

Each series of Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “*Regulation S Global Notes*”). The Regulation S Global Note representing the Euro Notes (the “*Euro Regulation S Global Note*”) will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The Regulation S Global Note representing the Dollar Notes (the “*Dollar Regulation S Global Note*”) will be deposited upon issuance with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Each series of Notes sold within the United States to “qualified institutional buyers” pursuant to Rule 144A under the U.S. Securities Act will initially be represented by a global note in registered form without interest coupons attached (the “*144A Global Notes*” and, together with the Regulation S Global Notes, the “*Global Notes*”). The 144A Global Note representing the Euro Notes (the “*Euro 144A Global Note*” and, together with the Euro Regulation S Global Note, the “*Euro Global Notes*”), will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. The 144A Global Note representing the Dollar Notes (the “*Dollar 144A Global Note*” and, together with the Dollar Regulation S Global Note, the “*Dollar Global Notes*”) will be deposited upon issuance with the Trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of interests in the 144A Global Notes (the “*144A Book-Entry Interests*”) and ownership of interests in the Regulation S Global Notes (the “*Regulation S Book-Entry Interests*” and, together with 144A Book-Entry Interests, the “*Book-Entry Interests*”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. The Book-Entry Interests in Euro Global Notes will be issued only in denominations of €50,000 and in integral multiples of €1,000 in excess thereof and the Book-Entry Interests in Dollar Global Notes will be issued only in denominations of \$100,000 and integral multiples of \$1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the common depository for DTC, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole Holder of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of the DTC, Euroclear and/or Clearstream, and indirect participants must rely on the procedures of DTC, Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests in order to exercise any rights of holders under the Indenture.

Neither WIND, nor the Issuer nor the Trustee under the Indenture nor any of WIND's or the Issuer's respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

### **Issuance of Definitive Registered Notes**

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "*Definitive Registered Notes*") only in the following circumstances:

- if DTC (with respect to the Dollar Global Notes), or Euroclear and Clearstream (with respect to the Euro Global Notes) notify WIND that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by WIND within 120 days;
- in whole, but not in part, if WIND or DTC (in respect of the Dollar Global Notes) or, Euroclear or Clearstream (in respect of the Euro Global Notes) so requests following an event of default under the Indenture; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through DTC, Euroclear and/or Clearstream, as applicable, following an event of default under the Indenture.

Euroclear has advised us that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (3), its current procedure is to request that we issue or cause to be issued Notes in definitive registered form to all owners of Book-Entry Interests.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, WIND, the Issuer, the Trustee, the Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

WIND will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and/or Clearstream, as applicable.

### **Redemption of Global Notes**

In the event any Global Note, or any portion thereof, is redeemed, DTC, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the owners of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by DTC, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). We understand that under existing practices of DTC, Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, DTC, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however*, that no Book-Entry

Interest of less than €50,000 or \$100,000, as applicable, principal amount at maturity, or less, may be redeemed in part.

### **Payments on Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest, additional interest and additional amounts) will be made by WIND to the Principal Paying Agent. The Principal Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (*i.e.*, DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Issuer, the Trustee nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in “street name.”

### **Currency and Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes, will be paid to holders of interest in such Notes (the “*Euroclear/Clearstream Holders*”) through Euroclear and/or Clearstream in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (the “*DTC Holders*”) through DTC in dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in dollars in accordance with Euroclear or Clearstream’s customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder’s election. All costs of conversion resulting from any such election will be borne by such holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC’s customary procedures, which include, among other things, giving to DTC a notice of such holder’s election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such holder.

### **Action by Owners of Book-Entry Interests**

DTC, Euroclear and Clearstream have advised WIND that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. DTC, Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, each of DTC, Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

### **Transfers**

Transfers between participants in DTC will be done in accordance with DTC rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of DTC and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in “Notice to Investors.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in “Notice to Investors.”

144A Book-Entry Interests may be transferred to a person who takes delivery in the form of Regulation S Book-Entry Interests denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the U.S. Securities Act. Prior to 40 days after the date of initial issuance of the Notes, Regulation S Book-Entry Interests will be limited to persons that have accounts with DTC, Euroclear or Clearstream or persons who hold interests through DTC, Euroclear or Clearstream, and any sale or transfer of such interest to U.S. persons shall not be permitted during such periods unless such resale or transfer is made pursuant to Rule 144A under the U.S. Securities Act. Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under “Notice to Investors” and in accordance with any applicable securities laws of any other jurisdiction.

Subject to the foregoing, and as set forth in “Notice to Investors,” Book-Entry Interests may be transferred and exchanged as described under “Description of Notes—Transfer and Exchange.” Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “Description of Notes—Transfer and Exchange” and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the

Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “Notice to Investors.”

This paragraph refers to transfers and exchanges with respect to Dollar Global Notes only. Transfers involving an exchange of a Regulation S Book-Entry Interest in Regulation S for a 144A Book-Entry Interest in a Dollar Global Note will be done by DTC by means of an instruction originating from the Trustee through the DTC Deposit/Withdrawal Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the corresponding 144A Global Note. The policies and practices of DTC may prohibit transfers of unrestricted Regulation S Book-Entry Interests prior to the expiration of the 40 days after the date of initial issuance of the Notes. Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Information Concerning DTC, Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of DTC, Euroclear and Clearstream, as applicable. WIND provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither WIND nor the Issuer nor the Initial Purchasers are responsible for those operations or procedures.

DTC advised WIND that it is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended (the “*U.S. Exchange Act*”). DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (that DTC’s direct participants deposit with DTC). DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants’ accounts. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“*DTCC*”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly.

Like DTC, Euroclear and Clearstream hold securities for participant organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry charges in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing and Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.



Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in DTC, Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through DTC, Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through DTC, Euroclear or Clearstream participants.

### **Global Clearance and Settlement under the Book-Entry System**

The Notes represented by the Global Notes are expected to be admitted to trading on the Euro MTF and listed on the Official List of the Luxembourg Stock Exchange and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore be required by DTC to be settled in immediately available funds. The Issuer expects that secondary trading in any certificated Notes will also be settled in immediately available funds.

Subject to compliance with the transfer restrictions applicable to the Global Notes, cross-market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depository; *however*, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a participant in DTC will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. Cash received in Euroclear and Clearstream as a result of a sale of an interest in a Global Note by or through a Euroclear or Clearstream participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in DTC, Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of WIND, the Issuer, any guarantor, the Trustee or the Principal Paying Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Notes will be made in euro and dollars. Book-Entry Interests owned through DTC, Euroclear or Clearstream accounts will follow the settlement procedures applicable to

conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of DTC and Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the purchase agreement (the “*Purchase Agreement*”) entered into as of July 1, 2009 by and among the Issuer, WIND, WIS and the Initial Purchasers, the Issuer has agreed to sell to each Initial Purchaser, and each Initial Purchaser has agreed, severally and not jointly, to purchase from the Issuer, together with all other Initial Purchasers, Euro Notes in an aggregate principal amount of €1,250,000,000 and Dollar Notes in an aggregate principal amount of \$2,000,000,000.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel.

The Purchase Agreement provides that the Issuer, WIND and WIS will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Issuer, WIND and WIS have agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 180 days after the date the Notes are issued, to not, and to cause WIND’s subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt or convertible securities issued or guaranteed by the Issuer or the Guarantors or any of the WIND’s subsidiaries.

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be seven business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) in the United States following the date of pricing of the Notes (this settlement cycle is being referred to as “*T + 7*”). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in three business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next three succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The Initial Purchasers have advised the Issuer that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See “Risk Factors—Risks Related to the Notes and Our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.”

In connection with the Offering, Deutsche Bank AG, London Branch (the “Stabilizing Manager”), or persons acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The Stabilizing Manager, or persons acting on its behalf, may also over allot the Offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the syndicate short position. In addition, the Stabilizing Manager, or persons acting on its behalf, may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Notes. See “Risk Factors—There may not be an active

trading market for the Notes, in which case your ability to sell the Notes may be limited” and “Stabilization.”

Each Initial Purchaser has represented that it (i) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has acknowledged that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, Notes may not be offered, sold or delivered, nor may copies of the Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (i) to qualified investors (*investitori qualificati*) (the “*Qualified Investors*”), as defined by CONSOB in its Regulation No. 11971 of May 14, 1999, as amended (“*Regulation No. 11971*”); or (ii) in circumstances which are exempt from compliance with the offer restrictions pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “*Financial Services Act*”) and Regulation No. 11971. Any offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be: (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, the Legislative Decree No. 358 of September 1, 1983 (the “*Banking Act*”) and CONSOB Regulation No. 16190 of October 29, 2007 and any other applicable laws and regulations; and (b) in compliance with any other applicable notification requirements or limitations which may be imposed by CONSOB or the Bank of Italy.

Each Initial Purchaser has acknowledged that (i) the Notes and the Note Guarantees have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) in reliance on the exemption from registration provided by Rule 144A, (ii) except as provided in (i), it has not offered or sold, and will not offer or sell, any Notes or Note Guarantees within the United States as part of their distribution at any time, (iii) it is not acquiring the Notes or the Note Guarantees with a view to any distribution thereof or with any present intention of offering or selling any of the Notes in a transaction, in each case, that would violate the U.S. Securities Act or the securities laws of any state of the United States or any other applicable jurisdiction, (iv) it will not offer or sell the Notes by any form of general solicitation or general advertising, including but not limited to the methods described in Rule 502(c) under the U.S. Securities Act and (v) it will not engage in any directed selling efforts with respect to the Securities and has complied and will comply with the offering restrictions requirement of Regulation S. Each Initial Purchaser agrees that it and its affiliates have not entered or will not enter into any connected arrangement with respect to the distribution of the Notes or the Note Guarantees, other than a customary agreement among the Initial Purchasers, except with the prior written consent of the Issuer and the Guarantors.

The Notes will initially be offered at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice. Sales in the United States will be made through certain affiliates of the Initial Purchasers.

Each Initial Purchaser has further agreed that, at or prior to the confirmation of sale of Notes sold in reliance on Regulation S, it shall send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period (within the meaning of Regulation S) a confirmation or notice that the Notes covered hereby

have not been registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the date of closing of the offering, except in either case in accordance with Regulation S or Rule 144A under the U.S. Securities Act.

The Issuer has applied, through its listing agent, to have the Notes admitted to trading on the Euro MTF and to listing on the Official List of the Luxembourg Stock Exchange. Neither we nor the Issuer can assume that Notes will be approved for admission to trading and listing, and will remain admitted to trading on the Euro MTF and listed on the Official List of the Luxembourg Stock Exchange.

The Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial lending, consulting and financial advisory services to us or the Issuer and our or their affiliates in the ordinary course of business for which we or the Issuer may receive customary advisory and transaction fees and expense reimbursement. Each of Deutsche Bank, AG London Branch and Banca IMI or their affiliates was an arranger and The Royal Bank of Scotland plc or its affiliates was an original lender facility agent and security agent in connection with our Senior Credit Facilities and, Deutsche Bank, AG London Branch acted as an arranger and The Royal Bank of Scotland plc or its affiliates acted as facility agent and security agent under the Second Lien Notes.

A portion of the proceeds from the issuance of the Notes in this Offering will be used among others to repay amounts outstanding under the PIK Loan Agreement. Certain of the Initial Purchasers or their affiliates are also a lender or an arranger and bookrunner in connection with the PIK Loan and in the case of Deutsche Bank AG, London Branch, Banca IMI, Citibank N.A. and Credit Suisse or their affiliates, underwriters, and in the case of Deutsche Bank AG, London Branch, security agent.

In addition, ABN AMRO Bank N.V., an affiliate of the Royal Bank of Scotland plc will act as security agent for the Notes.

The proceeds from the issuance of Notes will also be used, *inter alia*, to make one or more cash distributions, dividends, loans and/or payments, directly or indirectly, (including by way of repayment of a subordinated shareholder loan between Weather and the Parent), to Weather in an aggregate amount of up to €500 million to be used for general corporate purposes (including to refinance certain of its consolidated indebtedness other than indebtedness of the Parent and its subsidiaries). Each of the Joint Global Coordinators and certain of the other Initial Purchasers may be a lender, manager or arranger in respect of such indebtedness.

The address of Deutsche Bank AG, London Branch is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom; the address of Credit Suisse Securities (Europe) Limited is One Cabot Square, London E14 4QJ, United Kingdom, the address of Banca IMI S.p.A. is Piazzetta G. Dell'Amore 3, Milan 20121, Italy; the address of Bayerische Hypo-und Vereinsbank AG is Arabellastr. 12, D-81925 Munich, Germany; the address of BNP Paribas is 10 Harewood Avenue, London NW1 6AA, United Kingdom; the address of CALYON is Broadwalk House, 5 Appold Street, London EC2A 2DA, United Kingdom; the address of Citigroup Global Markets Limited is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom; the address of Goldman Sachs International is Peterborough Court, 133 Fleet Street, London EC4A 2BB, United Kingdom; the address of J.P. Morgan Securities Ltd. is 125 London Wall, London EC2Y 5AJ, United Kingdom; the address of MPS Capital Services Banca per le Imprese S.p.A. is Viale Mazzini, 46, 50132 Florence, Italy; the address of The Royal Bank of Scotland plc is 135 Bishopsgate, London EC2M 3UR, United Kingdom; the address of Banca Akros S.p.A.—Gruppo Bipiemme Banca Popolare di Milano is Viale Eginardo, 29, 20149 Milan, Italy; the address of ING Bank N.V., London Branch, is 60 London Wall, London EC2M 5QM, United Kingdom; the address of Mediobanca—Banca di Credito Finanziario S.P.A. is Piazzetta Enrico Cuccia, 1, 20121 Milan, Italy; the address of Merrill Lynch International is 2 King Edward Street, London EC1A 1HQ, United Kingdom; and the address of Natixis is 30, avenue Pierre Mendès-France-75013 Paris, France.

## NOTICE TO INVESTORS

The Notes and the Note Guarantees have not been registered under the U.S. Securities Act and may not be offered, sold or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except to (i) “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act; or (ii) persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

By purchasing the Notes, you will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the U.S. Securities Act are used herein as defined therein):

- (1) You are not an “affiliate” (as defined in Rule 144A under the U.S. Securities Act) of the Issuer or WIND, you are not acting on behalf of the Issuer or WIND and you (A)(i) are a qualified institutional buyer, (ii) are aware that the sale to you is being made in reliance on Rule 144A; and (iii) are acquiring the Notes for your own account or for the account of a qualified institutional buyer or (B) are not a U.S. person (and are not purchasing the Notes for the account or benefit of a U.S. person) and are purchasing the Notes in an offshore transaction pursuant to Regulation S.
- (2) You understand that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future you decide to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the U.S. Securities Act; or (iii) to the Issuer, in each case in accordance with any applicable securities laws, and that (B) you will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes from it of the resale restrictions referred to in the legend below.
- (3) You acknowledge that none of the Issuer, the Guarantors, the Initial Purchasers or any person representing the Issuer, the Guarantors, or the Initial Purchasers has made any representation to you with respect to the Issuer or the offer or sale of any of the Notes, other than by the Issuer and the Guarantors with respect to the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning the Issuer, the Guarantors, the Indenture, the Notes, the Note Guarantees, the Priority Agreement (including any supplement thereto), the Notes Proceeds Loan and the security documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer, the Guarantors and the Initial Purchasers.
- (4) You understand that the Notes will bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), AND



THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) EXCEPT TO (A) QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A OR (B) PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER AND EACH OF THE GUARANTORS THAT (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE U.S. SECURITIES ACT; OR (III) TO THE ISSUER, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

TRANSFERS OF THIS NOTE IN THE REPUBLIC OF ITALY ARE ONLY PERMITTED IN COMPLIANCE WITH LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998, IN PARTICULAR, WITH ARTICLE 100-BIS THEREOF, AND WITH CONSOB REGULATION NO. 11971/1999, IN EACH CASE AS AMENDED FROM TIME TO TIME.

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THESE NOTES MAY BE OBTAINED FROM PIETRO CORDOVA AT VIA C.G. VIOLA, 48, ROME 00148, ITALY, TELEPHONE NUMBER +39 (06) 8311 3380.

If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

- (1) You acknowledge that the Registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of evidence satisfactory to the Issuer and the registrar that the restrictions set forth herein have been complied with.
- (2) You acknowledge that:
  - (a) The Issuer, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgments, representations and agreements set forth herein and you agree that, if any of your acknowledgments, representations or agreements herein cease to be accurate and complete, you will notify the Issuer and the Initial Purchasers promptly in writing; and

- (b) if you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:
    - (i) you have sole investment discretion; and
    - (ii) you have full power to make, and make, the foregoing acknowledgments, representations and agreements.
- (3) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.
- (4) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S under the U.S. Securities Act, you acknowledge that until the expiration of the “distribution compliance period” (as defined below), you shall not make any offer or sale of these Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The “distribution compliance period” means the 40 day period following the Issue Date for the Notes.
- (5) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth hereunder and under “Plan of Distribution.”

#### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “*Relevant Member State*”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “*Relevant Implementation Date*”), the offer is not being made and will not be made to the public of any Notes which are the subject of the offering contemplated by this offering memorandum in that Relevant Member State, other than: (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive; *provided that* no such offer of the Notes shall require us, the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

## Notice to Italian Investors

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*) (the “*Qualified Investors*”), as defined by CONSOB in its Regulation No. 11971 of May 14, 1999, as amended from time to time (“*Regulation No. 11971*”); or
- (ii) in circumstances which are exempted from the compliance with the offer restrictions pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “*Financial Services Act*”) and Regulation No. 11971, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Banking Act (the “*Banking Act*”) and CONSOB Regulation No. 16190 of October 29, 2007 and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirements or limitations which may be imposed by CONSOB or the Bank of Italy.

Please note that in connection with the subsequent distribution of the Notes (with a minimum denomination lower than €50,000) in Italy, in accordance with Article 100 *bis* of the Financial Services Act where no exemption from the rules on solicitation applies under (ii) above, the subsequent distribution of the Notes in the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the intermediaries transferring the Notes being liable for any damages suffered by potential purchasers in connection with such sales.

## ERISA Considerations

Any purchaser, including, without limitation, any fiduciary purchasing on behalf of (i) an employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”)) subject to the provisions of part 4 of subtitle B of Title I of ERISA, a plan to which Section 4975 of the Internal Revenue Code of 1986, as amended (the “*Code*”) applies (each, a “*Plan*”), (ii) an entity whose underlying assets include “plan assets” by reason of a Plan’s investment in such entity (each, a “*Benefit Plan Investor*”), or (iii) a governmental, church or non-U.S. plan which is subject to any federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code (“*Similar Laws*”), transferee, or holder of the Notes will be deemed to have represented, in its corporate and fiduciary capacity, that:

- (a) With respect to the acquisition, holding and disposition of Notes, or any interest therein, (1) either (A) it is not, and it is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, and will not be acting on behalf of), a Plan, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws, and no part of the assets used or to be used by it to acquire or hold such Notes or any interest therein constitutes the assets of any such Plan, Benefit Plan Investor or governmental, church or non-U.S. plan which is subject to Similar Laws, or (B)(i) its acquisition, holding and disposition of such Notes or any interest therein does not and

will not constitute or otherwise result in a non-exempt prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a non-exempt violation of any Similar Laws); and (ii) none of the Issuer, WIND, the Initial Purchasers, Trustee or any of their respective affiliates, is a sponsor of, or a fiduciary (within the meaning of Section 3(21) of ERISA or, with respect to a governmental, church or non-U.S. plan, any definition of “*fiduciary*” under Similar Laws) with respect to, the acquirer, transferee or holder in connection with any acquisition or holding of such Notes, or as a result of any exercise by the Issuer or any of its affiliates of any rights in connection with such Notes, and no advice provided by the Issuer or any of their affiliates has formed a primary basis for any investment or other decision by or on behalf of the acquirer or holder in connection with such Notes and the transactions contemplated with respect to such Notes; and (2) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed (or if required by the applicable indenture, certified) to make these same representations, warranties and agreements with respect to its acquisition, holding and disposition of such Notes or any interest therein.

- (b) The acquirer and any fiduciary causing it to acquire an interest in any Notes agrees to indemnify and hold harmless the Issuer, WIND, the Initial Purchasers, the Trustee, and their respective affiliates, from and against any cost, damage or loss incurred by any of them as a result of any of the foregoing representations and agreements being or becoming false.
- (c) Any purported acquisition or transfer of any Note or beneficial interest therein to an acquirer or transferee that does not comply with the requirements of the above provisions shall be null and void *ab initio*.

## TAX CONSIDERATIONS

### Luxembourg Tax Considerations

The following general summary is included herein solely for information purposes and does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase or sell of the Notes. It is based on the laws, regulations and administrative and judicial interpretations presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. This summary does not take into account the specific circumstances of particular investors. Prospective investors should consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used sub-headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers only to Luxembourg tax law and/or concepts. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*) as well as personal income tax (*impôt sur le revenu*). Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### *Taxation of the Holders of Notes*

#### *Withholding Tax*

Under existing Luxembourg laws, interest and other proceeds in respect of the Notes may currently be paid to the holders without withholding or deduction by the Issuer for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Grand Duchy of Luxembourg or any political subdivision or taxing authority thereof or therein, subject to (i) the Luxembourg laws dated June 21, 2005 (the “*Laws*”) implementing the EU Savings Directive (as defined below) and certain agreements (the “*Agreements*”) concluded with dependent and associated territories of certain EU Member States (see “*EU Savings Directive*” below) on the taxation of savings income and (ii) the law of December 23, 2005 as amended introducing a final tax on certain payments of interest made to certain Luxembourg resident holders (the “*Law*”).

Payment of interest or similar income on debt instruments made or deemed made by a paying agent (within the meaning of the Law) established in Luxembourg to or for the benefit of an individual Luxembourg resident for tax purposes who is the beneficial owner of such payment or to certain residual entities (as defined in article 4.2 of the EU Savings Directive, “*Residual Entities*”) may be subject to a final tax at a rate of 10%. Such final tax will be in full discharge of income tax if the individual beneficial owner acts in the course of the management of his/her private wealth. Responsibility for the withholding and payment of the tax lies with the Luxembourg paying agent.

An individual beneficial owner of interest or similar income who is a resident of Luxembourg and acts in the course of the management of his private wealth may opt for a final tax of 10% when he receives or is deemed to receive such interest or similar income from a paying agent established in another EU Member State, in a Member State of the EEA which is not an EU Member State, or in a State which has concluded a treaty directly in connection with the EU Savings Directive. The individual

resident that is the beneficial owner of interest is responsible for the declaration and the payment of the 10% final tax.

Under the EU Savings Directive and the Laws, a Luxembourg based paying agent (within the meaning of the EU Savings Directive) may be required to withhold tax on interest and other similar income (within the meaning of the Laws) paid by it to (or under certain circumstances, for the benefit of) an individual resident in another Member State of the European Union or a Residual Entity established in another Member State of the European Union, unless the beneficiary of the interest payments or the Residual Entity (where applicable) elects for an exchange of information or provides the relevant documents to the Luxembourg paying agent. The same regime applies to payments by a Luxembourg based paying agent to individuals or Residual Entities resident in any of the following territories: the Netherlands Antilles, Aruba, Guernsey, Jersey, the Isle of Man, Montserrat and the British Virgin Islands.

The current tax rate is 20%, increasing to 35% from July 1, 2011. The tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain other countries (the transitional period may therefore never end).

#### *Income Taxation*

##### *Non-Resident Holders of Notes*

Non-resident holders of Notes, not having a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable, are not subject to Luxembourg income taxes on income accrued or received, redemption premiums or issue discounts, under the Notes nor on capital gains realized on the disposal or redemption of the Notes. Non-residents holders who have a permanent establishment, a permanent representative, or a fixed place of business in Luxembourg to which the Notes or income therefrom are attributable are subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal of the Notes.

##### *Resident Holders of Notes*

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes. The same inclusion applies to an individual holder of Notes, acting in the course of the management of a professional or business undertaking.

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax in respect of interest received, redemption premiums or issue discounts, under the Notes, except if the final tax has been levied on such payments in accordance with the Law. A gain realized by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired.

#### *Net Wealth Taxation*

A corporate holder of Notes, whether it is resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment, a permanent representative or a fixed place of business in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes,



except if the holder of Notes is a securitization company governed by and compliant with the law of March 22, 2004 on securitization, or a capital company governed by and compliant with the law of June 15, 2004 on venture capital companies.

An individual holder of Notes, whether he/she is resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

#### ***VAT***

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of interest or principal under the Notes or a transfer of the Notes.

#### ***Other Taxes***

Neither the issuance nor the transfer of Notes will give rise to any Luxembourg stamp duty, value added tax, issuance tax, registration tax, transfer tax or similar taxes or duties, provided that the relevant issue or transfer agreement is not registered in Luxembourg, which is not mandatory.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

#### **EU Directive on the Taxation of Savings Income**

On June 3, 2003, the EU Council of Economics and Finance Ministers adopted a directive (European Council Directive 2003/48/EC) on the taxation of savings income. Under the EU Savings Directive, Member States of the EU are required to provide to the tax authorities of another Member State details of payments of interest (and other similar income) paid by a person within its jurisdiction to an individual resident in, or a Residual Entity (as defined in article 4.2 of the Directive) established in, such other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead operate (unless during such transitional period they elect otherwise) a withholding system in relation to such payments (with the ending of such transitional period dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

On September 15, 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the European Commission's advice on the need for changes to the EU Savings Directive. On November 13, 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

#### **Italian Tax Considerations**

The statements herein regarding Italian taxation are based on the laws and published practice of the Italian tax authorities in effect in Italy as of the date of this Offering Memorandum and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a summary only of the material Italian tax consequences of the purchase, ownership and disposition of Notes for Italian resident beneficial owners. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or

commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the overall tax consequences of their acquiring, holding and disposing of Notes and receiving payments on interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional and local tax laws.

### ***Tax Treatment of the Notes***

*Interest and other proceeds—Notes that qualify as “obbligazioni o titoli similari alle obbligazioni”*

Pursuant to Legislative Decree No. 239 of April 1, 1996 (“Decree No. 239”), as amended and restated, and pursuant to Art. 44 paragraph 2(c) of Decree No. 917, in general, interest and other proceeds (including the difference between the redemption amount and the issue price) in respect of Notes that qualify as bonds or debentures similar to bonds (*obbligazioni o titoli similari alle obbligazioni*) and that are issued by a non-Italian resident issuer may be subject to final Italian substitute tax if owed to beneficial owners resident in Italy for tax purposes, depending on the legal status of the beneficial owners. For these purposes, debentures similar to bonds are defined as securities that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the relevant issuer or of the business in relation to which they are issued.

### ***Italian Resident Noteholders—Applicability of Imposta Sostitutiva***

In particular, pursuant to Decree No. 239, as amended and restated, payments of interest and other proceeds (including the original issue discount) in respect of Notes that qualify as “*obbligazioni o titoli similari alle obbligazioni*” and have an original maturity of not less than eighteen months to Italian resident beneficial owners (either when interest and other proceeds are paid or when payment thereof is obtained by a beneficial owner on a transfer of Notes) will be subject to final *imposta sostitutiva* (substitute tax) at a 12.5% rate in Italy if made to Italian resident beneficial owners that are: (i) private individuals holding Notes not in connection with an entrepreneurial activity (unless they have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the *Risparmio Gestito* regime provided for by Article 7 of Legislative Decree No. 461 of November 21, 1997—the “*Asset Management Option*”); (ii) partnerships (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), *de facto* partnerships not carrying out commercial activities and professional associations; (iii) public and private entities, other than companies, and trusts not carrying out commercial activities as their exclusive or principal activity; or (iv) entities exempt from corporate income tax. The Notes cannot be offered or sold to any natural persons nor to entities other than professional investors either on the primary or on the secondary markets.

In case the Notes are held by an individual or by an entity indicated above under (iii), in either case in connection with an entrepreneurial activity, interest and other proceeds relating to the Notes will be subject to the *imposta sostitutiva* and will be included in the relevant beneficial owner’s income tax return. As a consequence, the interest and other proceeds will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

The 12.5% *imposta sostitutiva* will be applied by the Italian resident qualified financial intermediaries provided by law (including banks, *società di intermediazione mobiliare* (or SIMs), fiduciary companies, *società di gestione del risparmio* (or SGRs), stock brokers and other qualified entities expressly indicated in Ministerial Decrees, as well as permanent establishments in Italy of banks or intermediaries resident outside Italy—collectively referred to as “*Intermediaries*” and each as an “*Intermediary*”) that will intervene, in any way, in the collection of interest and other proceeds on the Notes or, also as transferee, in the transfer of the Notes.

If interest and other proceeds on the Notes are not collected through an Italian resident qualified Intermediary and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above under (i) to (iv) will be required to include interest and other proceeds in their yearly income tax return and subject them to final substitute tax at a rate of 12.5%, unless an option is allowed and made for a different regime. Alternatively, Italian resident individuals indicated above under (i) may elect to pay ordinary personal income taxes at progressive rates in respect of interest and other proceeds on the Notes; if so, the beneficial owners should generally benefit from a tax credit for foreign withholding taxes, if any.

#### *Italian Resident Noteholders—Imposta Sostitutiva Not Applicable*

Pursuant to Decree No. 239, as amended and restated, payments of interest and other proceeds (including the original issue discount) in respect of Notes that qualify as “*obbligazioni o titoli similari alle obbligazioni*” and have an original maturity of not less than eighteen months to Italian resident beneficial owners will not be subject to the *imposta sostitutiva* at the rate of 12.5% if made to beneficial owners that are: (i) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an Italian authorized financial intermediary and have opted for the Asset Management Option; (ii) Italian resident collective investment funds; “*Società di Investimento a Capitale Variabile*” (“SICAV”) and pension funds referred to in Legislative Decree No. 252 of December 5, 2005; (iii) Italian resident real estate investment funds; (iv) Italian resident corporations or permanent establishments in the Republic of Italy of non-resident corporations to which the Notes are effectively connected; (v) Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, even *de facto*, carrying out a commercial activity; or (vi) public and private entities, other than companies, and trusts carrying out commercial activities and holding Notes in connection with the same commercial activities. The Notes cannot be offered or sold to any natural persons nor to entities other than professional investors either in the primary or secondary markets.

If the Notes are part of an investment portfolio managed on a discretionary basis by an Italian authorized intermediary and the beneficial owner of the Notes has opted for the Asset Management Option, annual substitute tax at a rate of 12.5% (the “*Asset Management Tax*”) applies on the increase in value of the managed assets accrued, even if not realized, at the end of each tax year (which increase includes interest, premium and other proceeds accrued on Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorized intermediary.

Italian resident collective investment funds and SICAVs are subject to a 12.5% annual substitute tax (the “*Collective Investment Fund Tax*”) on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on Notes).

Italian resident pension funds subject to the regime provided by Art. 17, of Italian Legislative Decree No. 252 of December 5, 2005, are subject to an 11% annual substitute tax (the “*Pension Fund Tax*”) on the increase in value of the managed assets accrued at the end of each tax year (which increase includes interest and other proceeds accrued on Notes).

Pursuant to Law Decree No. 351 of September 25, 2001, converted into law with amendments by Law No. 410 of November 23, 2001 (“*Decree No. 351*”), Italian resident real estate investment funds established starting from September 26, 2001 pursuant to Art. 37 of Legislative Decree No. 58 of February 24, 1998, and Art. 14-*bis* of Law No. 86 of January 25, 1994, or in any case subject to the tax treatment provided for by Decree No. 351 as a consequence of option for application of such treatment having been promptly made by the managing company, are not subject to any taxation at the fund level.

Interest and other proceeds on Notes accrued to Italian resident corporations or to permanent establishments in Italy of foreign companies to which the Notes are effectively connected, to Italian

resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* or similar partnerships carrying out a commercial activity and to Italian resident public and private entities, other than companies, and trusts, carrying out commercial activities, and holding Notes in connection with the same commercial activities, generally will be included in the taxable business income for income tax purposes (and, in certain cases, depending on the status of the noteholders, may also be included in the taxable net value of production for purposes of regional tax on productive activities—IRAP) of such beneficial owners, subject to tax in Italy in accordance with ordinary tax rules. In these cases, a tax credit for withholding taxes applied outside Italy, if any, should be generally available.

To ensure payment of interest and other proceeds in respect of the Notes without application of the *imposta sostitutiva*, where allowed, investors indicated herein under (i) to (vi) above must be the beneficial owners of payments of interest and other proceeds on the Notes and must timely deposit the Notes, together with the coupons relating to such Notes, directly or indirectly, with an Italian authorized financial Intermediary.

#### *Non-Italian Resident Noteholders*

Interest and other proceeds paid on Notes by the non-Italian resident Issuer to a beneficial owner who is not resident in Italy for tax purposes, without a permanent establishment in Italy to which the Notes are effectively connected, should not be subject to any Italian taxation. If the Notes are deposited with an Italian bank or other resident intermediary or are sold through an Italian bank or other resident intermediary or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of interest and other proceeds on the Notes, to ensure payment of interest and other proceeds without application of Italian taxation a non-Italian resident noteholder may be required to produce to the Italian bank or other intermediary (or permanent establishment in Italy of foreign intermediary) a self-declaration certifying to be the beneficial owner of payments of interest and other proceeds on the Notes and not to be resident in Italy for tax purposes.

#### *Early Redemption*

Without prejudice to the above provisions, in the event that Notes that qualify as “*obbligazioni o titoli simili alle obbligazioni*” and have an original maturity of not less than eighteen months are redeemed, in full or in part, prior to eighteen months from their date of issue, Italian resident beneficial owners will be required to pay an amount equal to 20% of the interest, premium and other proceeds accrued up to the time of the early redemption. If Italian withholding agents intervene in the collection of interest, premium and other proceeds on the Notes or in the redemption of the Notes, this amount will be levied by such withholding agents by way of withholding. In accordance with one interpretation of Italian fiscal law, the above 20% amount may be due also in the event of purchase of Notes by the Issuer with subsequent cancellation thereof prior to eighteen months from the date of issue.

#### *Payments Made by a Guarantor*

With respect to payments made by Italian resident Guarantors under a Note Guarantee, in accordance with one interpretation of Italian fiscal law, any such payments should not be subject to Italian withholding tax. However, there is no authority directly regarding the Italian tax regime of payments on Notes made by an Italian resident Guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments or that the Italian courts would not support such an alternative treatment.

In particular, according to a different interpretation, such payments may be subject to Italian withholding tax at the rate of 12.5% levied as a final tax or a provisional tax (“*a titolo d'imposta o a*

*titolo di acconto*”) depending on the legal status and tax residence of the beneficial owner of the Notes, pursuant to Presidential Decree September 29, 1973 No. 600. In the case of payments to non-Italian residents, the withholding tax should be final and should be applied at the rate of 27% if payments are made to non-Italian residents who are resident in a country or territory not included in the Ministerial Decree to be issued pursuant to art. 168-bis of Decree No. 917 (As of the date of this Offering Memorandum, the said Ministerial Decree has not been issued yet and, accordingly, one has to refer to the countries and territories identified by a Decree of the Treasury Ministry of January 23, 2002, as amended from time to time). Double taxation treaties entered into by Italy may apply allowing for a lower (or in certain cases, no) rate applicable of the withholding tax in case of payments to non-Italian residents.

In accordance with another interpretation, any such payments made by an Italian resident Guarantor should be treated as payments by the guaranteed Issuer and made subject to the tax treatment described above under the caption “—Interest and other proceeds—Notes that qualify as *“obbligazioni o titoli similari alle obbligazioni.”*”

### **Capital Gains Tax**

#### *Capital Gains Realized by Italian Resident Noteholders*

Any capital gain realized upon the sale for consideration or redemption of the Notes would be treated as part of the taxable business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes), subject to tax in Italy according to the relevant tax provisions, if realized by noteholders that are:

- Italian resident corporations;
- Italian resident partnerships qualified as *società in nome collettivo* or *società in accomandita semplice* and other similar partnerships, even *de facto*, carrying on a commercial activity;
- permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;
- Italian resident individuals carrying out a commercial activity, as to any capital gains realized within the scope of the commercial activity carried out; or
- public or private entities, other than companies, and trusts carrying out commercial activities, holding Notes in connection with the same commercial activities.

Pursuant to Legislative Decree No. 461 of November 21, 1997, any capital gain realized by Italian resident individuals holding Notes not in connection with an entrepreneurial activity and certain other persons upon sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva* at the current rate of 12.5%. Under the tax return regime, which is the standard regime for taxation of capital gains realized by Italian resident individuals not engaged in an entrepreneurial activity, *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any relevant incurred capital loss, realized by Italian resident individual holders of Notes holding Notes not in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given fiscal year. Italian resident individuals holding Notes not in connection with entrepreneurial activity must report overall capital gains realized in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed for such year and pay *imposta sostitutiva* on such gains together with any income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realized in any of the four succeeding tax years.

As an alternative to the tax return regime, Italian resident individual noteholders holding the Notes not in connection with entrepreneurial activity may elect to pay a 12.5% *imposta sostitutiva*



separately on capital gains realized on each sale or redemption of the Notes (the “*Risparmio Amministrato*” regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorized financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant noteholder. Under the “*Risparmio Amministrato*” regime, the financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realized on each sale or redemption of the Notes (as well as in respect of capital gains realized at revocation of its mandate), net of any relevant incurred capital loss, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the taxpayer, by deducting a corresponding amount from proceeds to be credited to the noteholder. Under the *Risparmio Amministrato* regime, where a sale or redemption of the Notes results in capital loss, such loss may be deducted from capital gains of the same kind subsequently realized within the same relationship of deposit in the same tax year or in the following tax years up to the fourth. Under the *Risparmio Amministrato* regime, the noteholder is not required to declare capital gains in its annual tax declaration and remains anonymous.

Any capital gains accrued on Notes held not in connection with entrepreneurial activity by Italian resident individuals who have elected for the Asset Management Option will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to the Asset Management Tax to be applied on behalf of the taxpayer by the managing authorized intermediary. Under the Asset Management Option, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the Asset Management Option, the noteholder is not required to report capital gains realized in its annual tax declaration and remains anonymous.

In the case of Notes held by Italian resident collective investment funds or SICAVs, capital gains on Notes will be included in the computation of the taxable basis of the Collective Investment Fund Tax.

In the case of Notes held by Italian resident pension funds subject to the regime provided by articles 17 of Legislative Decree No. 252 of December 5, 2005, capital gains on Notes will be included in the computation of the taxable basis of the Pension Fund Tax.

#### *Capital Gains Realized by Non-Italian Resident Noteholders*

Capital gains realized by beneficial owners who are not resident in Italy for tax purposes from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are held outside Italy. If the Notes are deposited with an Italian bank or other resident intermediary, capital gains tax may become applicable.

#### *Italian Inheritance and Gift Tax*

The transfer of Notes by reason of gift, donation or succession proceedings is not subject to any gift or inheritance tax in Italy provided that:

- (i) The transfer is in favor of the spouse or direct relatives, if the value of the Notes, for each beneficiary does not exceed €1 million; and
- (ii) The transfer is in favor of siblings, if the value of the Notes, for each beneficiary does not exceed €0.1 million.

Any other transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- 4% for transfers in favor of the spouse or direct relatives exceeding, for each beneficiary, the threshold of €1 million;



- 6% for transfers in favor of siblings exceeding, for each beneficiary, the threshold of €0.1 million;
- 6% for transfers in favor of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, irrespective of the value of the Notes; and
- 8% for transfers in favor of any other person or entity, irrespective of the value of the Notes.

If the heir/heirress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance or gift tax is applied to the extent that the value of the inheritance or gift exceeds €1.5 million.

### ***Transfer Tax***

The transfer of the Notes is not subject to any Italian transfer tax. As of January 1, 2008, Italian transfer tax (“*tassa sui contratti di borsa*”) on transfer of securities was abolished pursuant to the introduction of Italian Law Decree No. 248 of December 31, 2007, converted into Law n. 31 of February 28, 2008, that repealed Italian Legislative Decree No. 435 of November 21, 1997 and Royal Decree No. 3278 of December 30, 1923. Effective December 31, 2007, off-market transactions regarding Notes are subject to the Italian registration tax as follows: (i) public deeds and notarized private deed are subject to a Euro 168 registration tax and (ii) private deeds are subject to a Euro 168 registration tax in case of voluntary registration or in case of use (so called “*caso d’uso*”).

The Notes cannot be offered or sold in Italy to any natural persons nor to entities other than professional investors either on the primary or secondary market.

### ***Implementation in Italy of the EU Savings Directive***

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of April 18, 2005 (“*Decree No. 84*”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from July 1, 2005 to individuals who qualify as beneficial owners of the interest payment and are resident for tax purposes in another EU member state, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

### **Certain United States Federal Income Tax Considerations**

The following is a description of the principal U.S. federal income tax consequences of the acquisition, ownership, and disposition of the Notes by a holder thereof. This description only applies to Notes held as capital assets and does not address, except as set forth below, aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons that will own the Notes through partnerships or other pass through entities;

- dealers or traders in securities or currencies;
- U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar;
- certain former citizens and long-term residents of the United States; or
- holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes.

Moreover, this description does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition, ownership, and disposition of the Notes and does not address the U.S. federal income tax treatment of holders that do not acquire the Notes as part of the initial distribution at their issue price (as defined below). Each prospective purchaser should consult its tax advisor with respect to the U.S. federal, state and local and foreign tax consequences of acquiring, holding and disposing of the Notes.

This description is based on the Internal Revenue Code of 1986, as amended (the “Code”), final, temporary and proposed U.S. Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations which could affect the tax consequences described herein.

For purposes of this description, a U.S. Holder is a beneficial owner of the Notes who for U.S. federal income tax purposes is:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any State thereof, including the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (1) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (2)(a) the administration over which a U.S. court can exercise primary supervision and (b) all of the substantial decisions of which one or more U.S. persons have the authority to control.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences.

A Non-U.S. Holder is a beneficial owner of the Notes that is neither a U.S. Holder nor a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes).

#### ***Internal Revenue Service Circular 230 Disclosure***

Pursuant to Internal Revenue Service Circular 230, we hereby inform you that the description set forth herein with respect to U.S. federal tax issues was not intended or written to be used, and such description cannot be used, by any taxpayer for the purpose of avoiding any penalties that may be imposed on the taxpayer under the Code. Such description was written to support the marketing of the Notes. Taxpayers should seek advice based on the taxpayer’s particular circumstances from an independent tax advisor.

## ***U.S. Holder***

### ***Characterization of the Notes; Passive Foreign Investment Company Treatment***

The Issuer, to the extent it is required to take any position for U.S. federal income tax purposes, intends to take the position that the Notes constitute indebtedness of the Issuer for U.S. federal income tax purposes and this summary is based on the assumption that such position will be sustained. Prospective purchasers should recognize, however, that there is some uncertainty regarding the appropriate U.S. federal income tax characterization of instruments such as the Notes and no rulings have been or will be sought from the IRS on this matter. It is possible that the IRS might contend that the Notes should be treated not as indebtedness but as equity of the Issuer, or as indebtedness or equity of the Company or WIS, in which case the U.S. federal income tax consequences to U.S. Holders of Notes could be different from those described herein.

If the Notes are recharacterized as equity for U.S. federal income tax purposes, a U.S. Holder may be deemed to own stock in a passive foreign investment company (“PFIC”). In that case, a U.S. Holder could be subject to adverse U.S. federal income tax consequences, including (among other potentially materially adverse consequences) being required to pay an interest charge together with tax calculated at maximum ordinary rates on gain recognized on a disposition of a Note or on certain increased interest payments with respect to a Note, unless the holder has preserved the ability to make a retroactive “qualified electing fund” (“QEF”) election and makes such a retroactive election. If a U.S. Holder makes a retroactive QEF election, the holder generally would be taxed according to the discussion below, with the exception that U.S. Holders that use the cash method of accounting for U.S. federal income tax purposes would be required to include interest on the Notes in income as if they were accrual basis taxpayers. In order for a U.S. Holder to preserve the ability to make a retroactive QEF election, a U.S. Holder (or, in applicable cases, an intermediary) must properly file a “Protective Statement” as described in U.S. Treasury Regulations Section 1.1295-3(c) (a “Protective Statement”) with the holder’s U.S. federal income tax return for the holder’s first taxable year in which the holder held the Notes. As discussed in “Description of Notes—Additional Amounts,” subject to certain limitations described below, the Issuer will provide to the Trustee, within thirty (30) days of a request by the Trustee on behalf of a U.S. Holder, an Annual Information Statement relating to the requesting U.S. Holder, so as to provide the information required for that U.S. Holder to file a retroactive QEF election in the event the Notes are recharacterized as equity for U.S. federal income tax purposes, if such holder has properly filed a Protective Statement. Annual Information Statements to be provided by the Issuer will not contain specific information regarding the applicable U.S. Holder’s *pro rata* share of the Issuer’s ordinary earnings and net capital gain. However, the Issuer will allow any requesting U.S. Holder to access the Issuer’s books of account and records so as to allow the requesting U.S. Holder to compute its *pro rata* share of the Issuer’s ordinary earnings and net capital gain. Any U.S. Holder that files a Protective Statement with respect to the Issuer will be required to include a statement that the U.S. Holder’s reasonable belief is that the U.S. Holder is not a shareholder of the Issuer for legal and U.S. federal income tax purposes and the basis for such belief and satisfy the other requirements for a valid Protective Statement. A U.S. Holder who requires the preparation by the Issuer of an Annual Information Statement will bear any reasonable cost relating to the preparation of the Annual Information Statement.

Prospective purchasers of the Notes are urged to consult their own tax advisors regarding these and other potential tax consequences in the event the Notes are recharacterized as equity for U.S. federal income tax purposes.

### ***Additional Payments***

In certain circumstances, the Issuer may be obligated to make contingent payments on the Notes as described under “Description of Notes—Optional Redemption” and “Description of Notes—

Repurchase at the Option of Holders—Change of Control.” Under the contingent payment debt instrument U.S. Treasury Regulations (“*CPDI Regulations*”), the possibility of a contingent payment on a Note may be disregarded if the likelihood of the contingent payment, as of the date the Notes are issued, is remote or incidental. We do not intend to treat the possibility of the contingent payments on the Notes as subjecting the Notes to the CPDI Regulations. It is possible, however, that the IRS may take a different position regarding the possibility of such contingent payments, in which case, if the position of the IRS were sustained, the timing, amount and character of income recognized with respect to a Note may be different than described herein and a U.S. Holder may be required to recognize income significantly in excess of payments received and may be required to treat as interest income all or a portion of any gain recognized on the disposition of any Note. The remainder of this discussion assumes that the Notes will not be treated as contingent payment debt instruments. U.S. Holders should consult their own tax advisors regarding the potential application of the CPDI Regulations to the Notes.

### *Interest and OID*

The Notes will be treated as having been issued with original issue discount (“*OID*”). An obligation generally is treated as having been issued with OID if its “stated redemption price at maturity” exceeds its issue price (generally, the first price at which a substantial amount of the obligations are sold for money, ignoring sales to bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers) by more than the “OID *de minimis* amount.” The *OID de minimis* amount generally equals  $\frac{1}{4}$  of 1% of the debt instrument’s stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity. The “stated redemption price at maturity” of a note is the sum of all payments required to be made on the note other than “qualified stated interest” payments. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer), or that is treated as constructively received, at least annually at a single fixed rate.

If you are a U.S. Holder, you are required to include qualified stated interest payments, including the amount of any withholding tax thereon, in income as interest when you accrue or receive those payments (in accordance with your accounting method for U.S. federal income tax purposes). It is expected that the stated interest on the Notes will be treated as qualified stated interest. Therefore, stated interest paid to you on a Note will be includible in your gross income as ordinary interest income at the time it accrues or is received, in accordance with your usual method of accounting for U.S. federal income tax purposes. In addition, if you are a U.S. Holder, you may be required to include OID in income before you receive the associated cash payment, regardless of your accounting method for U.S. federal income tax purposes. The amount of the OID you should include in income is the sum of the daily accruals of the OID for the Note for each day during the taxable year (or portion of the taxable year) on which you held the Note. The daily portion is determined by allocating the OID to each day of the accrual period. An accrual period may be of any length and the accrual periods may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first day of an accrual period or on the final day of an accrual period. The amount of OID allocable to an accrual period is equal to the difference between (1) the product of the “adjusted issue price” of the Note at the beginning of the accrual period and its yield to maturity (computed generally on a constant yield method and compounded at the end of each accrual period, taking into account the length of the particular accrual period) and (2) the amount of any qualified stated interest allocable to the accrual period. The “adjusted issue price” of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods reduced by any payments you received on the Note that were not qualified stated interest. Under these rules, you will generally have to include in income increasingly greater amounts of OID in successive accrual periods. Under the

applicable U.S. Treasury Regulations, a holder of a Note with OID may elect to include in gross income all interest that accrues on the Note using the constant yield method. Once made with respect to the Note, the election cannot be revoked without the consent of the IRS. If you are a holder considering an election under these rules you should consult your tax advisor.

Interest and OID included in your gross income with respect to the Notes will be treated as foreign source income for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific “baskets” of income. For this purpose, the interest should generally constitute “passive category income,” or in the case of certain U.S. Holders, “general category income.” As an alternative to the tax credit, a U.S. Holder may elect to deduct such taxes (the election would then apply to all foreign income taxes such U.S. Holder paid in that taxable year). U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits.

Your adjusted tax basis in a Note will be increased by the amount of OID included in your gross income with respect to the Note under the rules discussed herein and decreased by the amount of any payment other than qualified stated interest with respect to the Note.

Any interest paid in euros will be included in your gross income in an amount equal to the U.S. dollar value of the euros, including the amount of any withholding tax thereon, regardless of whether the euros are converted into U.S. dollars. Generally, if you are a U.S. Holder that uses the cash method of tax accounting you will determine such U.S. dollar value using the spot rate of exchange on the date of receipt. A cash method U.S. Holder generally will not realize foreign currency gain or loss on the receipt of the interest payment but may have foreign currency gain or loss attributable to the actual disposition of the euros received. Generally, if you are a U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes, you will determine the U.S. dollar value of accrued interest income using the average rate of exchange for the accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. Holder’s taxable year). Alternatively, an accrual basis U.S. Holder may make an election (which must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS) to translate interest income at the spot rate of exchange on the last day of the accrual period (or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the part of the period within the taxable year), or the spot rate on the date of receipt if that date is within five business days of the last day of the accrual period. If you are a U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes you will recognize foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to the accrual of that interest. The amount of foreign currency gain or loss to be recognized by the U.S. Holder will be an amount equal to the difference between the U.S. dollar value of the euro interest payment (determined on the basis of the spot rate on the date the interest income is received) in respect of the accrual period and the U.S. dollar value of the interest income that has accrued during the accrual period (as determined above). This foreign currency gain or loss will be ordinary income or loss. Foreign currency gain or loss generally will be U.S. source provided that the residence of a taxpayer is considered to be the United States for purposes of the rules regarding foreign currency gain or loss.

Similarly, OID on a Note will be determined for any accrual period in euros and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or disposition of a Note), a U.S. Holder will recognize foreign currency gain or loss in an amount determined in the same manner as interest income received by a holder on the accrual basis, as described above.

### *Optional Redemption*

We may redeem all or part of the Notes at any time on or after July 15, 2013 by, in some cases, paying the specified premium (see “Description of Notes—Optional Redemption”). U.S. Treasury Regulations regarding notes issued with OID contain special rules for determining the maturity date and the stated redemption price at maturity of a debt instrument where the issuer of such debt instrument has an unconditional option to make payments under such debt instrument under an alternative payment schedule. Under such rules, it is assumed that the issuer of such debt instrument will exercise an option to redeem a debt instrument if such exercise will lower the yield to maturity of such debt instrument. Since the terms of our option to redeem the notes on or after July 15, 2013 by, in some cases, paying a specified premium, would not lower the yield to maturity of the notes, we will disregard this optional redemption provision in determining the amount or timing of any OID inclusions thereon.

### *Sale, Exchange, Redemption or Other Taxable Disposition of Notes*

Your tax basis in your Note generally will be its U.S. dollar cost increased by the amount of OID previously included in income and decreased by payments (other than qualified stated interest) with respect to the Note. If you purchase your Note with euros, the U.S. dollar cost of your Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your Note is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, the U.S. dollar cost of your Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase. You will generally recognize U.S. source gain or loss on the sale, retirement or other taxable disposition of your Note equal to the difference between the amount you realize on the sale, retirement or other taxable disposition, excluding any amounts attributable to accrued but unpaid interest, and your tax basis in your Note. You will recognize capital gain or loss when you sell or dispose of your Note, except to the extent attributable to changes in exchange rates as described below. Capital gain of a non-corporate U.S. Holder that is recognized in taxable years beginning before January 1, 2011 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. If your Note is sold, retired or otherwise disposed of for an amount in euros or any other foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the euros or such other foreign currency, as the case may be, on the settlement date of the sale.

You must treat any portion of the gain or loss that you recognize on the sale or disposition of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

### *Exchange of Amounts in Other than U.S. Dollars*

If you receive euros as interest on your Note or on the sale or disposition of your Note, your tax basis in the euros will equal their U.S. dollar value when the interest is received or at the time of the sale or disposition or on the settlement date, as applicable. If you purchase euros, you generally will have a tax basis equal to the U.S. dollar value of the euros on the date of your purchase. If you sell or dispose of euros, including if you use them to purchase Notes or exchange them for U.S. dollars, any gain or loss recognized generally will be U.S. source ordinary income or loss.



### *Reportable Transaction Reporting*

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received as interest or as proceeds from the sale or other disposition of the Notes.

### *Non-U.S. Holder*

Subject to the discussion below under the caption “—U.S. Backup Withholding Tax and Information Reporting,” if you are a Non-U.S. Holder, payments to you of interest and accruals by you of OID on a Note generally will not be subject to U.S. federal income tax unless the income is effectively connected with your conduct of a trade or business in the United States. Subject to the discussion below under the caption “—U.S. Backup Withholding Tax and Information Reporting,” if you are a Non-U.S. Holder, any gain realized by you upon the sale, exchange or other taxable disposition of a Note generally will not be subject to U.S. federal income tax, unless:

- the gain is effectively connected with your conduct of a trade or business in the United States; or
- if you are an individual Non-U.S. Holder, you are present in the United States for 183 days or more in the taxable year of the sale, exchange or disposition and certain other conditions are met.

### *Additional Notes*

The Issuer may issue Additional Notes as described under “Description of Notes.” These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have been issues with a different amount of OID than the original Notes. These differences may affect the market value of the original Notes if the Additional Notes are not otherwise distinguishable from the original Notes.

### *U.S. Backup Withholding Tax and Information Reporting*

A backup withholding tax and information reporting requirements apply to certain payments of principal of, and interest (including for this purpose any Additional Amounts) on, a Note and to proceeds of the sale or disposition of a Note, to certain non-corporate holders of the Notes that are U.S. persons. The payor will be required to withhold backup withholding tax on payments made within the United States, or by a U.S. payor or U.S. middleman, on a Note to a holder of a Note that is a U.S. person, other than an exempt recipient such as a corporation, if the holder fails to furnish its correct taxpayer identification number and other required information or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Payments within the United States, or by a U.S. payor or U.S. middleman, of principal and interest, and the payment of proceeds from the sale of a Note effected at a United States office of a broker, to a holder of a Note that is not a U.S. person will not be subject to backup withholding tax and information reporting requirements if an appropriate certification as to the holder’s non-U.S. status is provided by the holder to the payor and the payor does not have actual knowledge or a reason to know that the certificate is incorrect. The backup withholding tax rate is 28% for taxable years beginning before January 1, 2011.

Backup withholding is not an additional tax. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability provided the required information is furnished to the IRS in a timely manner.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

## **LEGAL MATTERS**

The validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by White & Case LLP with respect to matters of U.S. federal, New York state and English law, by Dewey & LeBoeuf Studio Legale with respect to matters of Italian law, and by NautaDutilh Avocats Luxembourg with respect to matters of Luxembourg law. Certain legal matters will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP with respect to matters of U.S. federal and New York state law and by Latham & Watkins with respect to matters of Italian law, and by Allen & Overy Luxembourg with respect to matters of Luxembourg law.

## INDEPENDENT AUDITORS

The consolidated financial statements of WIND Telecomunicazioni S.p.A. and its subsidiaries as of and for the years ended December 31, 2006, 2007 and 2008, included in this Offering Memorandum, have been audited by KPMG S.p.A., independent accountants, as stated in their reports appearing herein.

The KPMG S.p.A. audit report covering the consolidated financial statements of WIND Telecomunicazioni S.p.A. and its subsidiaries as of and for the year ended December 31, 2006 contains two emphasis of matter paragraphs stating: (i) that the execution of the merger of Wind Acquisition Finance S.p.A. into WIND Telecomunicazioni S.p.A. on December 19, 2006 was effective as of December 31, 2006 which for the purposes of the preparation of the consolidated financial statements such merger reflects the accounting effects from December 31, 2006, and (ii) that the WIND Group recorded significant losses for the year ended December 31, 2005 and previous years, while at December 31, 2006 it posted a profit which does not reflect the economic effects arising from the merger of Wind Acquisition Finance S.p.A., given that the merger took accounting effect from December 31, 2006, and that in the notes to the consolidated financial statements the directors have described the main actions put in place to maintain economic and financial balance and increase profitability in the medium term and which support the consequent recoverability of the deferred tax assets and the carrying amounts of non-current assets recognized in the consolidated financial statements.

With respect to the unaudited consolidated interim financial statements of WIND Telecomunicazioni S.p.A. and its subsidiaries as at and for the three-month period ended March 31, 2009 and 2008, included herein KPMG S.p.A. have reported that they applied limited procedures in accordance with professional standards for a review of such statements. However, their separate report, included herein, states that they did not audit and they do not express an opinion on those consolidated interim financial statements. Accordingly, the degree of reliance on their report on such statements should be restricted in light of the limited nature of the review procedures applied.

In addition, the KPMG S.p.A. review report covering the consolidated interim financial statements of WIND Telecomunicazioni S.p.A. and its subsidiaries as at and for the three-month period ended March 31, 2008 contains language that states the following: "With regard to the corresponding figures included in the consolidated financial schedules relative to the annual consolidated financial statements of the previous year, reference should be made to our report dated March 21, 2008. We have not audited or reviewed the corresponding figures at March 31, 2007 of WIND. As a consequence, our conclusions expressed herein do not extend to such figures."

The annual accounts of the Issuer as of and for the years ended December 31, 2006, 2007 and 2008 have been audited by KPMG Audit S.à r.l., *reviseurs d'entreprise*, as stated in their reports appearing herein.

With respect to the unaudited interim financial information of Wind Acquisition Finance S.A. as at and for the three-month period ended March 31, 2009, KPMG Audit S.à r.l., *reviseurs d'entreprise*, have reported that they applied limited procedures in accordance with professional standards for a review of such statements. However, their separate report, included herein, states that they did not audit and they do not express an opinion on those interim financial statements. Accordingly, the degree of reliance on their report on such statements should be restricted in light of the limited nature of the review procedures applied.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and the Issuer, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or each Note Guarantee offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us, the Issuer or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Stefano Songini, Head of Investor Relations of the Weather Group, at +39 06 83 111.

Upon request, WIND will provide you with copies of the 2015 Notes Indenture, the form of the Notes and any notation of guarantee, the Priority Agreement and any supplement thereto, the Notes Proceeds Loan and any security documents. You may request copies of such document by contacting Stefano Songini, Head of Investor Relations of the Weather Group, at +39 06 83 111.

Neither WIND nor the Issuer are currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Indenture that will govern the Notes, WIND and the Issuer will agree to furnish periodic information to the holders of the Notes. See “Description of Notes—Reports.”

So long as the Notes are admitted to trading on the Euro MTF and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the paying agent in Luxembourg.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Each of WIND, WIS and some of their subsidiaries is a joint stock company (*società per azioni* or *S.p.A.*) organized under the laws of the Republic of Italy. The Issuer is a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.

Many of the directors, officers and other executives of the Issuer, the Company and WIS are neither residents nor citizens of the United States. Furthermore, most of the assets of the Issuer, the Company and WIS are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer, the Company or WIS or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer and any Guarantor has appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Luxembourg or Italy upon those persons or the Company or WIS or over other subsidiaries of the Company provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Each of WIND and WIS has been advised by NautaDutilh Avocats Luxembourg, or their Luxembourg counsel, that a valid judgment against an issuer of Luxembourg nationality with respect to the Notes obtained from a court of competent jurisdiction in the United States, which judgment remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg subject to compliance with the enforcement procedures set out in Article 678 et seq. of the Luxembourg *Nouveau Code de Procedure Civile* being:

- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under its applicable laws, and such jurisdiction is recognized by Luxembourg private international and local law;
- the judgment is final and enforceable in the jurisdiction where the decision is rendered;
- the U.S. Court has applied the substantive law as designated by the Luxembourg conflict of laws rules;
- the U.S. Court has acted in accordance with its own procedural laws;
- the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present a defense; and
- the judgment does not contravene public policy as understood under the laws of Luxembourg or has been given in proceedings of a criminal nature.

Each of WIND and WIS has also been advised by their Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law if its application contravenes Luxembourg public policy. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought.

Each of WIND and WIS has been advised by Dewey & LeBoeuf Studio Legale, Italian counsel to the Company and WIS, that final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema italiano di diritto internazionale privato*) the following conditions are met:

- the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction;



- the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceeding the essential rights of the defendant have not been violated;
- the parties to the proceeding appeared before the court in accordance with U.S. law or, in the event of default by the defendant, the U.S. court declared such default in accordance with U.S. law;
- the judgment is final and not subject to any further appeal in accordance with U.S. law;
- there is no conflicting final judgment rendered by an Italian court;
- there is no action pending in Italy among the same parties for decision on the same matter which commenced prior to the action in the United States; and
- the provisions of such judgment would not violate Italian public policy.

In addition, each of WIND and WIS has also been advised by their Italian counsel, Dewey & LeBoeuf Studio Legale, that if an original action is brought before an Italian court, the court may refuse to apply the U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates Italian public policy.

## **LISTING AND GENERAL INFORMATION**

### **Admission to Trading and Listing**

Application will be made for the Notes to be admitted to trading on the Euro MTF and to listing on the official list of the Luxembourg Stock Exchange, in accordance with the rules and regulations of such exchange.

### ***Luxembourg Listing Information***

For so long as the Notes are admitted to trading on the Euro MTF and to listing on the Official List of the Luxembourg Stock Exchange and the rules and regulations of that exchange require, copies of the following documents in English may be inspected and obtained at the specified office of the paying agent in Luxembourg during normal business hours:

- the memorandum and articles of incorporation of the Issuer;
- the financial statements included in this Offering Memorandum;
- any annual and interim financial statements or accounts of the Issuer and WIND, to the extent available;
- the Indenture;
- the Priority Agreement;
- the Purchase Agreement; and
- the organizational documents of WIND and WIS.

We have appointed The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg listing agent and paying agent, The Bank of New York Mellon in London as the transfer agent, registrar and principal paying agent to make payments on, when applicable, and transfers of, the Notes. We reserve the right to vary such appointments in accordance with the terms of the Indenture.

The Issuer and WIND each accept responsibility for the information contained in this Offering Memorandum. To our best knowledge, except as otherwise noted, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum. This Offering Memorandum may only be used for the purposes for which it has been published.

### **Clearing Information**

The Euro Notes sold pursuant to Regulation S and the Euro Notes sold pursuant to Rule 144A in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes 043815016 and 043815067, respectively. The ISIN for the Euro Notes sold pursuant to Regulation S is XS0438150160 and the ISIN for the Euro Notes sold pursuant to Rule 144A is XS0438150673.

The Dollar Notes sold pursuant to Regulation S and Rule 144A in this Offering have been accepted for clearance through the facilities of DTC. The Dollar Notes sold pursuant to Regulation S and Rule 144A have been assigned CUSIP numbers L97437AC8 and 97314XAE4, respectively. The ISIN for the Dollar Notes sold pursuant to Regulation S is USL97437AC80 and the ISIN for the Dollar Notes sold pursuant to Rule 144A is US97314XAE40. The common code for the Dollar Notes sold pursuant to Regulation S is 043836226 and the common code for the Dollar Notes sold pursuant to Rule 144A is 043836285.

## **Issuer Legal Information**

### ***General***

The Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg on July 29, 2005. The articles of incorporation of the Issuer have been published in the (Official Gazette *Mémorial C, Recueil des Sociétés et Associations*) of the Grand Duchy of Luxembourg, (number C-N°1409 of December 17, 2005 on page 67602). The Issuer has a share capital of €31,000 comprised of 6,200 shares with a par value of €5 each, each being fully paid up.

The Issuer's corporate seat and principal executive office is at 125, Avenue du X Septembre, L-2551 Luxembourg, Grand Duchy of Luxembourg. The Issuer is registered with the Luxembourg trade and companies register with registered number B109.825.

Pursuant to chapter one, article three of its articles of incorporation, the corporate purpose of the Issuer is: (i) to borrow money or issue bonds or other debt securities of any description (with or without collateral) and to on-lend the proceeds of such borrowings or issuances to one designated company, or any other company belonging to the same group, and any of its successors or assigns and to grant a security interest in such proceeds loan; and (ii) to do all such other things as may be considered incidental or conducive to any of the above mentioned actions. See also "Principal Shareholders" included elsewhere in this Offering Memorandum.

The Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes will be authorized by the Issuer's board of directors dated prior to the closing of the offering of the Notes.

### ***Financial Year and Accounts***

The Issuer's financial year begins on January 1 and ends on December 31 of each year. The Issuer prepares and publishes annual audited financial statements. Any future published financial statements prepared by the Issuer will be available, during normal business hours, at the offices of the Luxembourg Paying Agent.

### ***Annual General Meeting***

The annual general meeting of the shareholders of the Issuer takes place in the commune of the registered office at the place specified in the convening notices on the fifth day of the month of May (or on the first following business day, if this date is a public holiday), at 2:30 p.m. of each year.

## **Guarantor Legal Information**

### ***WIND***

WIND was incorporated as a *società per azioni* under the laws of Italy on November 25, 1997. WIND has an authorized share capital of €147,100,000.00 comprised of 146,100,000 shares without par value.

WIND's corporate seat and its principal executive offices are located at Via Cesare Giulio Viola 48, 00148, Rome, Italy. WIND is registered with the *Registro delle Imprese* of Rome with registered number and *codice fiscale* 05410741002.

Pursuant to Title II, Section 4.1 of its articles of incorporation, the corporate purpose of WIND is the supply of telecommunications services, in Italy and abroad, and, to this purpose, WIND may carry out any activity connected, conducive, similar, complementary or however useful to the

performance of these services. See also “Principal Shareholders” included elsewhere in this Offering Memorandum.

WIND has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Guarantees. The creation and issuance of the WIND Guarantees were authorized by WIND’s board of directors on June 11, 2009.

#### *WIS*

WIS was incorporated as a *società per azioni* under the laws of Italy on October 21, 2008 under the legal name of SANADENT 1 S.r.l., then renamed TLC Servizi S.p.A. and subsequently named WIND INTERNATIONAL SERVICES S.p.A. on April 4, 2009. WIS has an authorized share capital of €640,000.00 comprised of 640,000 shares without par value.

WIS’s corporate seat and its principal executive offices are located at Via Cesare Giulio Viola 48, 00148, Rome, Italy. WIS is registered with the *Registro delle Imprese* of Rome with registered number and *codice fiscale* 10193531000.

Pursuant to Section 4.1 of its articles of incorporation, the corporate purpose of WIS is the design, implementation, development, realization, installation, maintenance and management of telecommunications networks and technological infrastructure also in favor of third parties (including domestic and international operators), the design, development and maintenance of software, international wholesale products relating to the communication sector, as well as the creation of a commercial, distribution and assistance network. To this purpose, WIS may carry out any activity connected, conducive, similar, complementary or however useful to the performance of these services.

WIS has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Guarantees. The creation and issuance of the WIS Guarantees were authorized by WIS’ board of directors on June 11, 2009.

#### **General**

Except as disclosed in this Offering Memorandum:

- there has been no material adverse change in the Issuer’s financial position since December 31, 2008, in WIND’s financial position since December 31, 2008 and in WIS financial position since December 31, 2008; and
- neither the Issuer, the Guarantors nor any of their subsidiaries has been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issuance of the Notes except as otherwise disclosed in the Offering Memorandum, and, so far as the Guarantors are aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

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## APPENDIX A

### GLOSSARY OF TECHNICAL TERMS

The following technical terms and abbreviations when used in this Offering Memorandum have the definitions ascribed to them opposite below.

Abbreviation	Definitions
“3G” .....	Third Generation Mobile System. The generic term for the next generation of wireless mobile communications networks. 3G networks transmit data from mobile sources at 144 kilobits per second and from fixed sources at up to 2 Mbps.
“AGCOM” .....	<i>Autorità per le Garanzie nelle Comunicazioni</i> , the Italian Communications Regulatory Authority, established on July 31, 1997.
“AMOU” .....	Average minutes of usage.
“analog” .....	The first generation of mobile telecommunications technology in which radio signals are modulated proportionally by the strength and frequency of audio sounds.
“Asymmetric Digital Subscriber Line” or “ADSL” .....	A modem technology that converts existing twisted-pair telephone lines provided by Telecom Italia into access paths for multimedia and high-speed data communications at transmission speeds of up to 6 Mbps, and as much as 832 Kbps or more in both directions. Such rates expand existing access capacity by a factor of 50 or more without requiring the installation of new telephone lines.
“ADSL 2+” .....	A modem technology that converts existing twisted-pair telephone lines provided by Telecom Italia into access paths for multimedia and high-speed data communications at transmission speeds of up to 24 Mbps to a subscriber, more than double the speed of ADSL.
“ATM” .....	Asynchronous transfer mode, a digital network transport technology.
“average revenue per user” or “ARPU”	Average revenue per user is a telecom industry metric generally calculated by dividing recurring revenue (which includes airtime ( <i>i.e.</i> , time elapsed between the start and termination of a call) usage, monthly subscription fees and other recurring service fees) during a period by the average number of subscribers during a period. See “Industry, Market and Subscriber Data” for an explanation of WIND’s calculation methodology for mobile ARPU and fixed-line ARPU.
“backbone” .....	A high speed line, or a series of connections forming a major communication pathway within a network, which uses a much faster protocol than that employed by a single local area network and has the highest traffic intensity.



<i>“band”</i> . . . . .	In wireless communication, band refers to a frequency or contiguous range of frequencies.
<i>“base station”</i> or <i>“sites”</i> . . . . .	Base transceiver station. Fixed transmitter/receiver equipment in each geographic area or cell of a mobile telecommunications network that communicates by radio signal with mobile telephones in the cell.
<i>“base station controller”</i> . . . . .	Equipment in a mobile telecommunications network for controlling call set-up, signaling and maintenance functions and the use of radio channels for one or more base stations.
<i>“bit”</i> . . . . .	The smallest unit of binary information.
<i>“bitstream”</i> . . . . .	a service consisting of the supply by Telecom Italia to the alternative operator of the transmissions capacity between the final customers workstation and the interconnection point, or POP (as defined below) of an alternative operator which wants to offer broadband services to its final customers.
<i>“bps”</i> . . . . .	Bits per second.
<i>“broadband”</i> . . . . .	A connection to exchange data at higher speeds than through narrowband dial-up analog lines. The most common broadband technologies are cable modems (up to 3 Mbps), DSL (up to 8 Mbps), satellite (up to 10 Mbps), wireless (up to 1.54 Mbps) and optical fiber (up to 155 Mbps).
<i>“broadband services”</i> . . . . .	These are services divided into two categories: (i) interactive services, including video telephone/video conferencing (both point-to-point and multipoint), videomonitoring, interconnection of local networks; file transfer, computer aided design, highspeed fax, e-mail for moving images or mixed documents; broadband videotext, video-on-demand, retrieval of sound programs or fixed and moving images; and (ii) broadcast services, such as sound programs, television programs (including high definition TV and pay TV) and selective document acquisition.
<i>“byte”</i> . . . . .	A sequence of usually eight bits (enough to represent one character of alphanumeric data) processed by a computer as a single unit of information.
<i>“capacity”</i> . . . . .	The amount of bandwidth or throughput that can be handled by a network element.
<i>“cellular”</i> . . . . .	Cellular refers most basically to the structure of the wireless transmission networks that are comprised of cells or transmission sites.
<i>“channel”</i> . . . . .	A path of communication, either electrical or electromagnetic, between two or more points. Also called a circuit, facility, line, link or path.

“churn” . . . . .	A telecom industry measure of the proportion of subscribers that disconnect from a telecommunication providers’ service over a period of time. See “Industry, Market and Subscriber Data” for an explanation of our calculation methodology.
“convergence” . . . . .	Convergence merger of telecom, data processing and imaging technologies, where fixed, mobile, and IP service providers can offer content and media services, and equipment providers can offer services directly to the end user. It is the combination of different media into one operating platform.
“digital” . . . . .	A signaling technology in which a signal is encoded into digits for transmission.
“DSL” . . . . .	Digital Subscriber Line, a technology enabling a local loop copper pair to transport high-speed data between a central office and the subscribers’ premises.
“dual band” . . . . .	Term used for mobile phone technology that allows a mobile phone to support two frequency bands.
“EDGE” . . . . .	Enhanced Data rates for GSM Evolution; effectively, the latest stage in the evolution of the GSM standard, EDGE uses a new modulation scheme to enable theoretical data speeds of up to 384 Kbps within the existing GSM spectrum.
“fiber optic cable” . . . . .	A transmission medium comprised of extremely pure and uniform glass. Digital signals are transmitted across fiber optic cable as pulses of light. While signals transmitted over fiber optic cable travel at the same speed as those transmitted over traditional copper cable, fiber optic cable benefits from greater transmission capacity and lower distortion of signals transmitted.
“fixed-line” . . . . .	A physical line connecting the subscriber to the telephone exchange. In addition, fixed-line includes fixed wireless systems, in which the users are in fixed locations using a wireless connection ( <i>i.e.</i> , cordless telephones) to the telephone exchange.
“frequency” . . . . .	The rate at which an electrical current alternates, usually measured in Hertz (Hz). Also the way to note a description of a general location on the radio frequency spectrum such as 800 MHz, 900 MHz or 1900 MHz.
“gateway” . . . . .	A facility which adapts signals and messages of one network to the protocols and conventions of other networks or services.
“GB” . . . . .	A gigabyte, equal to 1 billion bytes.
“General Packet Radio Services” or “GPRS” . . . . .	A packet-based telecommunications service designed to send and receive data at rates from 56 Kbps to 114 Kbps that allows continuous connection to the Internet for mobile phone and computer users. GPRS is a specification for data transfer over GSM networks.

<i>“Global System for Mobile Communications” or “GSM”</i> . . . . .	A comprehensive digital network for the operation of all aspects of a cellular telephone system.
<i>“GSM 1800” or “GSM 900”</i> . . . . .	GSM operating at a frequency of 1800 MHz or 900MHz. Used in Europe, the Middle East, Africa, much of Asia and certain South American countries.
<i>“Hertz”</i> . . . . .	A unit of frequency of one cycle per second.
<i>“HLR”</i> . . . . .	A central database containing details of each mobile telephone subscriber that is authorized to use the GSM network.
<i>“HSDPA”</i> . . . . .	High-Speed Downlink Packet Access. A 3G mobile telephone protocol which allows networks based Universal Mobile Telecommunication System to have higher data transfer speeds and capacity.
<i>“intelligent network”</i> . . . . .	A telecommunications network in which the network intelligence is centralized and separated from switching functions. These allow more flexibility than switch-based systems.
<i>“interconnection”</i> . . . . .	The way in which networks are connected to each other and the charges payable by one network operation for accepting traffic from or delivering traffic to another. See “Regulation—Interconnection Rates.”
<i>“Internet Protocol” or “IP”</i> . . . . .	A standard procedure whereby Internet-user data is divided into packets to be sent onto the correct network pathway. In addition, IP gives each packet an assigned number so that the message completion can be verified. Before packets are delivered to their destination, the protocol carries out unifying procedures so that they are delivered in their original form.
<i>“IPTV”</i> . . . . .	Internet Protocol Television. IPTV delivers scheduled television programs and video-on-demand (VOD) via the IP protocol and digital streaming techniques used to watch video on the Internet.
<i>“Kbps”</i> . . . . .	Kilobits per second.
<i>“leased line”</i> . . . . .	Voice or data circuits leased to connect two or more locations for the exclusive use of the subscriber.
<i>“local loop unbundling” or “LLU”</i> . . .	Local loop unbundling, is where the incumbent (in Italy, Telecom Italia) grants access to third party operators of the part of the communications circuit between the subscriber’s equipment and the equipment of the local exchange (known as the local loop). Where such access is granted by the incumbent, the incumbent may charge the third party operator a regulated fee for the interconnection service.
<i>“MB”</i> . . . . .	A megabit.
<i>“Mbps”</i> . . . . .	Megabits per second.

“Metropolitan Area Network” or “MAN” .....	A metropolitan network that uses optical fiber cables to collect local traffic and distribute information backbone flows, connecting single computers or local networks.
“MHz” .....	Megahertz; a unit of frequency equal to 1 million Hertz.
“microwave” .....	The main form of radio used for transmission in telecom networks as an alternative to copper or fiber cables.
“MMS” .....	Multimedia Messaging Service. An evolution of SMS that enables users to send multimedia content including images, audio and video clips to other users.
“mobile virtual network operator” or “MVNO” .....	A mobile operator that does not own its own spectrum and usually does not have its own network infrastructure. Instead, MVNOs have business arrangements with traditional mobile operators to buy minutes of use for sale to their own subscribers.
“MPLS” .....	Multi Protocol Label Switching, is a method used to speed up data communication over combined IP/ATM networks.
“MSC” or “(mobile) switching center” .	The primary service delivery node for GSM, responsible for handling voice calls and SMS. The MSC sets up and releases the end-to-end connection, handles user mobility and hand-over requirements during the call. Whereas the local exchange in a fixed network delivers calls to an assigned circuit denoted by the telephone number, mobile switching centers route calls according to location information received from the network of base stations.
“narrowband” .....	Telecommunications that carry voice information in a narrow band of frequency, also referred to as “dial-up” or analog services.
“network” .....	An interconnected collection of telecom components consisting of switches connect to each other and to customer equipment by real or virtual transmission links. Transmission links may be based on fiber optic or metallic cable or point-to-point radio connections.
“number portability” .....	A facility provided by telecommunications operators that enables customers to keep their full telephone numbers when they change operators.
“on-network” .....	Telephone calls that stay on a private network, travelling by private line from beginning to end without interconnecting with another network. In our case, this means calls made from a WIND subscriber using our fixed-line voice or our mobile voice service to another WIND fixed-line voice or mobile voice service.
“operator” .....	A term for any company engaged in the business of building and running its own network facilities.

<i>“penetration”</i> . . . . .	A measurement of access to telecommunications, normally calculated by dividing the number of subscribers to a particular service by the population and multiplying by 100.
<i>“POP”</i> . . . . .	Point of presence. The interface point between communications entities.
<i>“portal”</i> . . . . .	A website service that offers a broad array of resources, such as e-mails, forums, search engines and on-line commerce.
<i>“scratch cards”</i> . . . . .	Cards with a scratchable opaque strip on the surface of the card covering a password, code or other type of information. The user scratches the strip to retrieve the information underneath it. Widely used in the activation of pre-paid services.
<i>“service provider”</i> . . . . .	A term usually employed to distinguish a company which offers telecommunications services over another company’s infrastructure from one which owns and operates its own network.
<i>“SGU”</i> . . . . .	Local telephone exchanges in which customers are connected in a local loop. An SGU’s capacity can reach several thousands of users directly connected to the network, and it can cover an area of 12-24 kilometers (for example, a small Italian town).
<i>“SMS”</i> . . . . .	Short Message Service; a text message service which enables users to send short messages (160 characters or less) to other users.
<i>“spectrum”</i> . . . . .	A continuous range of frequencies, usually wide in extent within which waves have some certain common characteristics.
<i>“Subscriber Identity Module cards”</i> or <i>“SIM cards”</i> . . . . .	Cards that contain a smart chip with memory that allows for data storage and software applications.
<i>“switching center”</i> . . . . .	A system which directs radio signals (telephone calls) to telephone users or other networks via a “switch.” If the intended recipient is another mobile customer on the same network, the signal is directed by the message switching center to the base transceiver station serving the cell in which the recipient is located. Otherwise the signal is passed by the message switching center to another telecommunications network through an interconnection point to that network.
<i>“termination rate”</i> . . . . .	The tariff chargeable by operators for terminating calls on their mobile networks as set forth by AGCOM. See “Regulation.”
<i>“Universal Mobile Telecommunications System”</i> or <i>“UMTS”</i> . . . . .	A third generation (3G) network designed to provide a wide range of voice, high-speed data and multimedia services.

“Value Added Services” or “VAS” . . . .	VAS provide a higher level of functionality than the basic transmission services offered by a telecommunications network for the transfer of information among its terminals, which include wired or wireless switched-circuit analog voice communications; direct “unrestricted” digital point-to-point service at 9,600 bps; packet switching (virtual call); direct broadband analog transmission of TV signals, and supplementary services, such as closed user groups, a group of specified users of a data network that is assigned a facility that permits them to communicate with each other but precludes communications with other users of the service or services; call waiting; collect calls; call forwarding, and identification of number called. VAS performed by the network, the terminals or the specialized centers include message handling services (which can be used, among other things, for commercial documents in predetermined formats); electronic directories listing users, network addressees and terminals; e-mail; fax; teletex; videotex and videotelephone. VAS could also include value added voice telephone services such as Freephone or Premium Rate Services.
“VoIP” . . . . .	A telephone service via Internet, or via transmission control/Internet Protocol, which can be accessed using a computer, a sound card, adequate software and a modem.
“WAP” . . . . .	Wireless Application Protocol; a <i>de facto</i> standard for enabling mobile phones to access the Internet and advanced services.
“WiMax” . . . . .	Worldwide Interoperability for Microwave Access is a telecommunications technology that provides wireless transmission of data using a variety of transmission modes.
“WLR” . . . . .	Wholesale line rental.



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**APPENDIX B**  
**SUMMARY OF CERTAIN DIFFERENCES BETWEEN**  
**IFRS AS COMPARED TO U.S. GAAP**

This Offering Memorandum contains historical consolidated financial information of the Company and its subsidiaries prepared in accordance with IFRS derived from consolidated financial statements included elsewhere in this Offering Memorandum. Certain differences exist between IFRS and generally accepted accounting principles in the United States of America (“U.S. GAAP”) which might be material to the financial information herein.

Certain significant differences between IFRS and U.S. GAAP relevant to the consolidated financial statements of the Company prepared by Management are summarized below. However, this summary does not provide a comprehensive analysis, including quantification of such differences, but rather it is a listing of potential differences in accounting principles related to the consolidated financial statements of the Company. The Company has not quantified these differences, nor undertaken a reconciliation of its consolidated financial statements prepared in accordance with IFRS to U.S. GAAP. Had the Company undertaken any such quantification or reconciliation, other potentially significant accounting and disclosure differences may have come to its attention which are not identified below. Accordingly, the Company can provide no assurance that the identified differences in the summary below represent all the principal differences relating to the consolidated financial statements of the Company, including the result of transactions or events that may occur in the future.

The differences highlighted below reflect only those differences in accounting policies in force at the time of the preparation of the IFRS unaudited interim consolidated financial statements. No attempt has been made to identify future differences between IFRS and U.S. GAAP as the result of prescribed changes in accounting standards, transactions or events that may occur in the future. Regulatory bodies that promulgate, IFRS and U.S. GAAP have significant ongoing projects that could affect future comparisons such as this one between IFRS and U.S. GAAP. Future developments or changes in IFRS and U.S. GAAP may give rise to additional differences between IFRS and U.S. GAAP which could have a significant impact on the Company and its subsidiaries. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information included in this Offering Memorandum. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences might affect the financial information included in this Offering Memorandum.

**Revenue Recognition**

*Customer Loyalty Programs*

**IFRS**

IFRS requires that award, loyalty or similar programs whereby a customer earns credits based on the purchase of goods or services be accounted for as multiple-element arrangements. As such, IFRS requires that the fair value of the award credits (otherwise attributed in accordance with the multiple-element guidance) be deferred and recognized separately upon achieving all applicable criteria for revenue recognition.

The above-outlined guidance applies whether the credits can be redeemed for goods or services supplied by the entity or whether the credits can be redeemed for goods or services supplied by a different entity. In situations where the credits can be redeemed through a different entity, a company should also consider the timing of recognition and appropriate presentation of each portion of the consideration received given the entity’s potential role as an agent versus as a principal in each aspect of the transaction.

## ***U.S. GAAP***

Currently, divergence exists under U.S. GAAP in the accounting for customer loyalty programs. There are two very different models that are generally employed. Some companies utilize a multiple element accounting model wherein revenue is allocated to the award credits based on relative fair value. Other companies utilize an incremental cost model wherein the cost of fulfillment is treated as an expense and accrued for as a “cost to fulfill,” as opposed to deferred based on relative fair value. The two models can drive significantly different results.

### ***Customer Activation Fees and Related Costs***

#### ***IFRS***

IFRS does not explicitly address customer activation fees and related costs; however, industry practice is similar to multiple element principles of revenue recognition. If the customer activation fee is determined to be bundled with the telecommunication service arrangement, it is recognized over the expected term of the related customer relationship (either the contract period or estimated average customer life). Alternatively, if the customer activation fee is determined to be a separate deliverable, it is recognized up-front. Related costs are generally expensed as incurred.

#### ***U.S. GAAP***

Activation fees and the related costs are deferred and recognized on a straight-line basis over the contractual term of the arrangement or the expected period during which those specified services will be performed, whichever is longer.

### **Advertising Costs**

#### ***IFRS***

Costs of advertising are expensed as incurred. The guidance does not provide for deferrals until the first time the advertising takes place, nor is there an exception related to the capitalization of direct response advertising costs or programs. Prepayment for advertising may be recorded as an asset only when payment for the goods or services is made in advance of the entity’s having the right to access the goods or receive the services.

#### ***U.S. GAAP***

The costs of other than direct response advertising should be either expensed as incurred or deferred and then expensed the first time the advertising takes place. This is an accounting policy decision and should be applied consistently to similar types of advertising activities. Certain direct response advertising costs are eligible for capitalization if, among other requirements, probable future economic benefits exist. Direct response advertising costs that have been capitalized are then amortized over the period of future benefits (subject to impairment considerations).

### **Uncertain Tax Positions**

#### ***IFRS***

Accounting for uncertain tax positions is not specifically addressed within IFRS. The tax consequences of events should follow the manner in which an entity expects the tax position to be resolved (through either payment or receipt of cash) with the taxation authorities at the balance sheet date. Acceptable methods by which to measure tax positions include (1) the expected-value/probability-weighted average approach and (2) the single best-outcome/most-likely-outcome method. Use of the cumulative probability model required by U.S. GAAP is not supported by IFRS.

## ***U.S. GAAP***

Under uncertain tax position guidance, entities utilize a two-step process, first determining whether recognition of an uncertain tax position is appropriate and subsequently measuring the position. Tax benefits from uncertain tax positions can be recognized only if it is more likely than not that the tax position is sustainable based on its technical merits. The tax position is measured by using a cumulative probability model: the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement.

## **Deferred Taxation**

### ***IFRS***

Full provision of deferred income tax is required on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are applied when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will exist.

Tax basis is generally the amount deductible or taxable for tax purposes. The manner in which management intends to settle or recover the carrying amount affects the determination of tax basis.

### ***U.S. GAAP***

Deferred taxation is recognized in full for all temporary differences between the tax and book basis of assets and liabilities at the enacted statutory tax rate. Deferred tax assets are subject to a valuation allowance which reduces the deferred tax assets to an amount which is “more likely than not” to be realized in the future. All available evidence, both positive and negative, is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed for a portion or all of a deferred tax asset. Judgment must be used in considering the relative impact of negative and positive evidence.

Tax basis is a question of fact under the tax law. For most assets and liabilities there is no dispute on this amount; however, when uncertainty exists it is determined in accordance with the applicable accounting pronouncement. See “—Uncertain Tax Positions” above.

## **Debt Issuance Costs**

### ***IFRS***

Under IFRS, debt issuance costs are capitalized as a reduction of the borrowings in the balance sheet. The amortization of debt issuance costs is recognized as interest expenses in the income statement.

### ***U.S. GAAP***

Under U.S. GAAP, debt issuance costs are capitalized as an asset and reported as deferred expenses on the balance sheet. The amortization of debt issuance costs is recognized as interest expense in the income statement.

## **Lease Accounting**

### ***IFRS***

The overall substance of a transaction determines the classification of a lease as an operating lease or a finance lease (i.e., the equivalent of a capital lease under U.S. GAAP) under IFRS. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest expense of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life or the lease term.

### ***U.S. GAAP***

Under U.S. GAAP, leases are classified as capital leases if they meet at least one of the following criteria: (i) the leased asset automatically transfers title at the end of the lease term; (ii) the lease contains a bargain purchase option; (iii) the lease term equals or exceeds 75% of the remaining estimated economic life of the leased asset; (iv) or the present value of the minimum lease payments equals or exceeds 90% of the excess of fair value of the leased property. If one of the above criteria is not met, the lease is accounted for as an operating lease.

## **Reserve for Risks and Charges**

### ***IFRS***

IFRS requires recognition of a reserve only when the entity has a present obligation, legal or constructive, to transfer economic benefits as a result of past events, it is probable that such a transfer will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. The amount of the anticipated cash flows expected to be required to settle the obligation must be discounted if the impact is material.

### ***U.S. GAAP***

Reserve for risks and charges is used to account for losses which at the balance sheet date meet both the following conditions: (i) information available prior to issuance of the financial statements indicates that it is probable that a liability had been incurred at the date of the financial statements and that one or more future events will occur confirming the fact of the loss and (ii) the amount of loss can be reasonably estimated.

## **Restructuring Provisions (excluding business combinations)**

### ***IFRS***

Under IFRS, a provision for restructuring costs is recognized when, among other things, an entity has a present obligation. A present obligation exists when, among other conditions, the company is demonstrably committed to the restructuring. A company is usually demonstrably committed when there is legal obligation or when the entity has a detailed formal plan for the restructuring. To record a liability, the company must be unable to withdraw the plan, because either it has started to implement the plan or it has announced the plan's main features to those affected (constructive obligation). Liabilities related to offers for voluntary terminations are measured based on the number of employees expected to accept the offer.

## ***U.S. GAAP***

U.S. GAAP prohibits the recognition of a liability based solely on an entity's commitment to an approved plan. Recognition of a provision for onetime termination benefits requires communication of the details of the plan to employees who could be affected. The communication is to contain sufficient details about the types of benefits so that employees have information for determining the types and amounts of benefits they will receive. Liabilities for costs associated with an exit or disposal activity should be recognized and measured initially at fair value only when the expenses in connection with the exit or disposal are incurred. Inducements for voluntary terminations are to be recognized when (1) employees accept offers and (2) the amounts can be estimated.

## **Onerous Contracts**

### ***IFRS***

An onerous contract is defined as a contract which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. When an entity has determined that they have an onerous contract, the present obligation under that contract should be recognized and measured as a provision regardless of whether the entity has ceased using the rights under the contract.

## ***U.S. GAAP***

Under U.S. GAAP, provisions are not recognized for unfavorable contracts unless the entity has ceased using the rights under the contract.

## **Revaluation and Impairment of Long-lived Assets Held for Use**

### ***IFRS***

Revaluations under IFRS may be recorded under the revaluation model as a reserve of shareholders' equity and must be carried out on a regular basis so that the fair value does not significantly differ from the book value of the asset. Revaluations can only be applied to assets belonging to the same category.

Under IFRS, an entity should assess annually whether there are any indications that an asset may be impaired. If there is any such indication, the assets must be tested for impairment. An impairment loss must be recognized in the income statement when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or its value in use. Value in use is the discounted cash flows to be derived from the particular asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

If certain criteria are met, the reversal of impairments is permitted.

## ***U.S. GAAP***

Under U.S. GAAP revaluations of assets and reversal of impairment charges are not permitted.

In the case that events or changes in circumstances indicate that a carrying amount may not be recoverable, known as a "triggering event," an impairment test is performed by comparing undiscounted expected future cash flows to the carrying value of an asset (or group of assets). The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Once it is determined that long-lived asset is impaired, the amount of the impairment is calculated as the difference between the



carrying value of the asset and its fair market value. Long-lived assets should be grouped with other assets and liabilities at the lowest level for which cash flows are identifiable and largely independent on cash flows of other asset groups.

### **Securitization of Receivables**

#### ***IFRS***

Under IFRS, full derecognition of financial assets can be achieved only if substantially all of the risks and rewards are transferred or the entity has neither retained nor transferred substantially all of the risks and rewards and the transferee has the practical ability to sell the transferred asset. If the entity has neither retained nor transferred substantially all of the risks and rewards and if the transferee does not have the practical ability to sell the transferred asset, the transferor continues to recognize the transferred asset with an associated liability in a unique model known as the continuing involvement model, which has no equivalent under U.S. GAAP. IFRS focuses mainly on whether a qualifying transfer has taken place, whether risk and rewards have been transferred.

#### ***U.S. GAAP***

U.S. GAAP focuses on whether an entity has surrendered control over an asset, including the surrendering of legal and effective control. Under U.S. GAAP, derecognition can be achieved even if the transferor has significant ongoing involvement with the assets, such as the retention of significant exposure to credit risk.

### **Principles of Consolidation**

#### ***IFRS***

IFRS focuses on the concept of the power to control in determining whether a parent/subsidiary relationship exists. Control is the parent's liability to govern the financial and operating policies of a subsidiary to obtain benefits and exercisable voting rights also need to be considered.

#### ***U.S. GAAP***

The determination of when an entity is to be consolidated has traditionally been determined based on a voting control model. This model is still applicable, although FIN 46 has broadened the scope of consolidation to include a risk and rewards model. Variable interest entities ("*VIEs*"), which include special purpose entities ("*SPEs*"), in which a parent does not have a controlling voting interest but the parent, as the primary beneficiary of that entity, absorbs the majority of the *VIEs* expected losses or residual returns, must also be consolidated.

### **Asset Retirement Obligations**

#### ***IFRS***

IFRS identifies an asset retirement obligation as both a legal and constructive obligation that is to be recorded when the obligation exists. A constructive obligation arises when an entity has created a valid expectation based on past practice or published policies that it will discharge the obligation and may or may not be enforceable.

Decommissioning liabilities and the related capitalized costs are measured at the best estimate of the costs required to settle the decommissioning liability or to transfer it to a third party. Decommissioning provisions are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning liabilities may be re-measured and the changes, whether due to revised cash flow estimates or discount rates, are added to or deducted from the cost of the related asset, with any reductions in excess of the carrying amount of the asset recognized as a gain in the current period.

#### ***U.S. GAAP***

Under U.S. GAAP, only legal obligations give rise to an asset retirement liability. Asset retirement obligations and the related capitalized costs are measured at fair value. The use of a credit-adjusted, risk-free rate is required for discounting purposes when an expected present-value technique is used for estimating the fair value of the liability. U.S. GAAP also requires an entity to measure changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period.

Asset retirement obligations may be re-measured and the upward revisions are discounted by using the current credit-adjusted, risk-free rate while downward revisions are discounted by using the credit-adjusted, risk-free rate that existed when the original liability was recognized.

#### **Transactions Between Entities under Common Control**

##### ***IFRS***

There are two basic methods of accounting for business combinations involving entities under common control, the purchase method or the predecessor value method. IFRS does not require the application of either method; however, Management is to elect and consistently apply an accounting policy for transactions involving entities under common control. The accounting policy can be changed only when criteria for a change are met, such as the change provides more reliable and more relevant information. The Company has elected to apply the purchase method for such transactions.

#### ***U.S. GAAP***

Specific rules exist for accounting for business combinations of entities under common control. Such transaction costs are generally recorded at predecessor cost, reflecting the transferor's carrying amount of the assets and liabilities transferred.

#### **Business Combinations and Goodwill**

##### ***IFRS***

Under IFRS, the acquirer may recognize restructuring provisions as part of the acquired liabilities of a business combination if the acquiree has an existing liability for a restructuring recognized at the acquisition date. A restructuring plan that is conditional upon the completion of the business combination is not recognized in the accounting for the acquisition but rather post-acquisition.

If part of the purchase consideration is contingent on a future event, IFRS requires an estimate to be included as part of the cost at the date of acquisition if it is probable that the amount will be paid and can be measured reliably.

Goodwill is assigned to a cash-generating unit ("*CGU*") or group of CGUs. Goodwill impairment testing is performed under a one-step approach where the recoverable amount of the CGU or group of CGUs is compared with its carrying amount. Any impairment loss is recognized in operating results as the excess of the carrying amount over the recoverable amount. An impairment loss is allocated first to goodwill and then on a pro rata basis to the other assets of the CGU or group of CGUs to the extent that the impairment loss exceeds the book value of goodwill.

## ***U.S. GAAP***

Under U.S. GAAP, the acquirer may recognize a restructuring liability as part of the cost of the acquisition if specific criteria are met. Management should assess and formulate a plan to exit an activity of the acquired entity as of the acquisition date and complete the plan as soon as possible, but not more than one year after the date of the business combination. A change in U.S. GAAP, effective January 1, 2009 for entities with a calendar year-end, will require restructuring costs to be expensed in periods after the acquisition date.

Contingent consideration is generally not recognized until the contingency is resolved or the amount is determinable under U.S. GAAP. If the contingent consideration is based on earnings, any additional revision to the estimate is recognized as an adjustment to goodwill. If the contingent consideration is based on security prices, the issuance of additional securities or the distribution of other consideration generally does not change the recorded cost of an acquired entity. A change in U.S. GAAP, effective January 1, 2009 for entities with a calendar year-end, will require contingent consideration to be initially measured at fair value, with subsequent changes in fair value recognized in earnings.

Goodwill is assigned to an entity's reporting units. Goodwill impairment testing is performed under a two-step approach. The first step is to compare the fair value and the carrying amount of the reporting units, including goodwill. Only when the fair value of the reporting unit is less than the carrying amount is step two required. Step two is completed to determine the amount of goodwill impairment loss, if any. Goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value.

## **Employee Benefits—Actuarial Gains/Losses**

### ***IFRS***

In addition to the choices available under U.S. GAAP, IFRS allows companies to recognize all actuarial gains/losses immediately in other comprehensive income.

### ***U.S. GAAP***

U.S. GAAP permits companies to either (1) record expense for actuarial gains/ losses in the period incurred within the income statement or (2) defer such costs through the use of the corridor approach (or any systematic method that results in faster recognition than the corridor approach). Whether actuarial gains/losses are recognized immediately or are amortized in a systematic fashion, they are ultimately recorded within the statement of operations as components of net periodic pension expense.

## **Derivative Financial Instruments**

Derivatives and hedging under IFRS and U.S. GAAP are based on similar principles; however, there are various application differences.

Under IFRS, the nature, frequency and methods of measuring and assessing hedge effectiveness are more restrictive than U.S. GAAP. For example, under U.S. GAAP the shortcut method allows an entity to assume no ineffectiveness and bypass the effectiveness test if certain criteria are met. The shortcut method is not allowed under IFRS. IFRS requires that, in all instances, hedge effectiveness be measured and any ineffectiveness be recorded in profit or loss.

IFRS is also more restrictive than U.S. GAAP in relation to the use of internal derivatives. Restrictions under IFRS may require entities desiring hedge accounting enter into separate, third-party

hedging instruments for the gross amount of foreign currency exposures in a single currency, rather than on a net basis which is allowable under U.S. GAAP.

There are certain instances where hedge accounting can be accomplished under IFRS, whereas it is precluded under U.S. GAAP. For example, an entity can achieve hedge accounting in relation to the foreign currency risk associated with a firm commitment to acquire a business in a business combination under IFRS, but not under U.S. GAAP.

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# **WIND GROUP**

**Consolidated financial statements as of and for the  
year ended December 31, 2008**

***FINANCIAL STATEMENTS AND EXPLANATORY NOTES***



**KPMG S.p.A.**  
**Revisione e organizzazione contabile**  
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## **Report of the auditors in accordance with article 2409-ter of the Italian Civil Code**

To the sole shareholder of  
WIND Telecomunicazioni S.p.A.

- 1 We have audited the consolidated financial statements of WIND Group as at and for the year ended 31 December 2008, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. The company's directors are responsible for the preparation of these financial statements in accordance with the International Financial Reporting Standards endorsed by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 21 March 2008 for our opinion on the prior year consolidated financial statements, which included the corresponding figures presented for comparative purposes.

- 3 In our opinion, the consolidated financial statements of WIND Group as at and for the year ended 31 December 2008 comply with the International Financial Reporting Standards endorsed by the European Union. Therefore, they are clearly stated and give a true and fair view of the financial position of WIND Group as at 31 December 2008, the results of its operations, changes in its equity and its cash flows for the year then ended.

KPMG SpA

Rome, 10 March 2009

KPMG S.p.A., an Italian limited liability share capital company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

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Torino Treviso Trieste Udine  
Varese Verona

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**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED BALANCE SHEET**

(thousands of euro)	Note	At December 31, 2008	At December 31, 2007
<b>ASSETS</b>			
Property, plant and equipment . . . . .	5	3,406,088	3,463,192
Intangible assets . . . . .	6	8,047,486	8,261,752
Financial assets . . . . .	7	245,719	209,841
Deferred tax assets . . . . .	8	391,713	454,636
<b>Total non-current assets . . . . .</b>		<b>12,091,006</b>	<b>12,389,421</b>
Inventories . . . . .	9	13,690	20,795
Trade receivables . . . . .	10	1,274,955	1,234,874
Financial assets . . . . .	7	32,613	11,751
Current tax assets . . . . .	11	21,333	21,351
Other receivables . . . . .	12	253,439	238,871
Cash and cash equivalents . . . . .	13	378,707	194,868
Assets held for sale . . . . .	14	—	175,000
<b>Total current assets . . . . .</b>		<b>1,974,737</b>	<b>1,897,510</b>
<b>TOTAL ASSETS . . . . .</b>		<b>14,065,743</b>	<b>14,286,931</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity . . . . .</b>	15		
Issued capital . . . . .		147,100	147,100
Share premium . . . . .		3,001,055	3,332,061
Reserves . . . . .		(52,636)	125,284
Retained earnings . . . . .		1,185,160	483,741
<b>Equity attributable to equityholders of the parent . . . . .</b>		<b>4,280,679</b>	<b>4,088,186</b>
<b>Minority interests . . . . .</b>		<b>1,087</b>	<b>708</b>
<b>Total equity . . . . .</b>		<b>4,281,766</b>	<b>4,088,894</b>
<b>Liabilities</b>			
Financial liabilities . . . . .	17	6,402,990	6,726,551
Employee benefits . . . . .	19	62,569	64,073
Provisions . . . . .	20	166,179	176,974
Other non-current liabilities . . . . .	21	7,320	7,536
Deferred tax liabilities . . . . .	8	851,904	942,290
<b>Total non-current liabilities . . . . .</b>		<b>7,490,962</b>	<b>7,917,424</b>
Financial liabilities . . . . .	17	136,591	122,208
Trade payables . . . . .	22	1,673,478	1,720,588
Other payables . . . . .	23	476,075	426,644
Tax payables . . . . .	24	6,871	11,173
<b>Total current liabilities . . . . .</b>		<b>2,293,015</b>	<b>2,280,613</b>
<b>Total liabilities . . . . .</b>		<b>9,783,977</b>	<b>10,198,037</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>14,065,743</b>	<b>14,286,931</b>

**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED INCOME STATEMENT**

(thousands of euro)	Note	2008 12 months	2007 12 months
Revenue . . . . .	25	5,327,236	5,138,718
Other revenue . . . . .	26	192,127	131,869
<b>Total revenue . . . . .</b>		<b>5,519,363</b>	<b>5,270,587</b>
Purchases and services . . . . .	27	(3,045,028)	(2,986,223)
Other operating costs . . . . .	28	(112,539)	(90,134)
Personnel expenses . . . . .	29	(352,158)	(364,932)
Restructuring costs . . . . .	30	—	(18,021)
<b>Operating income before depreciation and amortization, reversal/ impairment of non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>2,009,638</b>	<b>1,811,277</b>
Depreciation and amortization . . . . .	31	(1,035,002)	(1,049,309)
Reversal/(impairment) of non-current assets . . . . .	32	(2,965)	(27,139)
Gains/(losses) on disposal of non-current assets . . . . .	33	(8,211)	(5,073)
<b>Operating income . . . . .</b>		<b>963,460</b>	<b>729,756</b>
Financial income . . . . .	34	75,279	30,027
Financial expenses . . . . .	35	(515,403)	(553,088)
Foreign exchange gains/(losses), net . . . . .	36	(346)	715
<b>Profit before tax . . . . .</b>		<b>522,990</b>	<b>207,410</b>
Income tax . . . . .	37	(131,633)	(153,884)
<b>Profit from continuing operations . . . . .</b>		<b>391,357</b>	<b>53,526</b>
Profit/(Loss) from discontinued operations . . . . .	38	(5,570)	136,984
<b>Profit for the year . . . . .</b>		<b>385,787</b>	<b>190,510</b>
Minority interests . . . . .		381	(7,927)
<b>Group profit for the year . . . . .</b>		<b>385,406</b>	<b>198,437</b>
<b>Earnings per share (in euro)—basic and diluted: . . . . .</b>	16		
Continuing operations . . . . .		2.68	0.37
Discontinued operations . . . . .		(0.04)	0.94



**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2008</u> <u>12 months</u>	<u>2007</u> <u>12 months</u>
<b>Profit from continuing operations . . . . .</b>	<b>391,357</b>	<b>53,526</b>
<b>Adjustments to reconcile the profit/(loss) for the year with the cash flows from/ (used in) operating activities</b>		
Depreciation, amortization and impairment losses on non-current assets . . . . .	1,037,966	1,076,447
Net changes in provisions and employee benefits . . . . .	(12,300)	4,347
(Gains)/losses on disposal of non-current assets . . . . .	8,211	5,073
Changes in current assets . . . . .	2,487	137,116
Changes in current liabilities . . . . .	(60,041)	4,322
Changes in minority interests . . . . .	—	11,019
<b>Net cash flows from operating activities . . . . .</b>	<b>1,367,680</b>	<b>1,291,850</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment . . . . .	(630,073)	(641,197)
Proceeds from sale of property, plant and equipment . . . . .	4,470	33,938
Acquisition of intangible assets . . . . .	(145,761)	(107,583)
Proceeds from sale of subsidiaries . . . . .	—	(39,370)
<b>Net cash flows used in investing activities . . . . .</b>	<b>(771,364)</b>	<b>(754,212)</b>
<b>Cash flows from financing activities</b>		
Changes in loans and bank facilities . . . . .	(412,477)	(491,400)
<b>Net cash flows used in financing activities . . . . .</b>	<b>(412,477)</b>	<b>(491,400)</b>
<b>Discontinued operations</b>		
Net cash from operating activities . . . . .	—	21,915
Net cash used in investing activities . . . . .	—	(11,171)
<b>Net cash flows from discontinued operations . . . . .</b>	<b>—</b>	<b>10,744</b>
<b>Net cash flows for the year . . . . .</b>	<b>183,839</b>	<b>56,982</b>
Cash and cash equivalents at the beginning of the year . . . . .	194,868	137,886
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>378,707</b>	<b>194,868</b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2008</u> <u>12 months</u>	<u>2007</u> <u>12 months</u>
Income tax paid . . . . .	(69,793)	(64,860)
Interest paid on loans/bonds . . . . .	(572,327)	(581,344)
Interest paid on hedging derivative instruments . . . . .	(110,889)	(71,814)
Interest received on hedging derivative instruments . . . . .	201,783	131,099

**WIND TELECOMUNICAZIONI GROUP**  
**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

(thousands of euro)	Equity attributable to equity holders of the parent				Equity attributable to equityholders of the parent	Minority interests	Equity
	Issued capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances at January 1, 2007 . . . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
Allocation of loss for 2006 . . . . .		(436,275)		436,275	—		—
WPH deconsolidation . . . . .					—	(9,180)	(9,180)
Cash flow hedges . . . . .			18,285		<b>18,285</b>		<b>18,285</b>
Other changes . . . . .			8,126	162	<b>8,288</b>	66	<b>8,354</b>
Profit for the year . . . . .				198,437	<b>198,437</b>	(7,927)	<b>190,510</b>
<b>Balances at December 31, 2007 . . . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>
Allocation of loss for 2007 . . . . .		(316,006)		316,006	—		—
Cash flow hedges . . . . .			(184,794)		<b>(184,794)</b>		<b>(184,794)</b>
Other changes . . . . .		(15,000)	6,874	7	<b>(8,119)</b>	(2)	<b>(8,121)</b>
Profit for the year . . . . .				385,406	<b>385,406</b>	381	<b>385,787</b>
<b>Balances at December 31, 2008 . . . .</b>	<b>147,100</b>	<b>3,001,055</b>	<b>(52,636)</b>	<b>1,185,160</b>	<b>4,280,679</b>	<b>1,087</b>	<b>4,281,766</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2008**

**1. INTRODUCTION**

Wind Telecomunicazioni SpA (“Wind”, the “Parent Company” or the “Company”) is a joint stock company having its registered office in Via Cesare Giulio Viola, 48, Rome (Italy), and is controlled by Weather Investments SpA through Wind Acquisition Holdings Finance SpA which wholly owns Wind Telecomunicazioni SpA.

At the date of preparing this report, Naguib Onsi Sawiris holds 73.26% of Weather Investments SpA through the Luxembourg registered company Weather Investments II Sàrl, while institutional investors hold 14.62%, Wind Acquisition Holdings Finance SpA holds 10% and other investors hold the remaining 2.12%.

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*” and in the Internet services sector through the subsidiaries ITnet Srl and Italia OnLine Srl under the brand “*Libero*”.

The Group closed in 2008 with a profit before tax of €522,990 thousand (€207,410 thousand in 2007) and a profit for the year of €385,406 thousand (€198,437 thousand in 2007). This result has been achieved with the significant contribution of new commercial offers in accordance with sector regulatory requirements, enabling the Group to strengthen its position in the telecommunications market.

The continuing improvement of the operating process in efficiency terms and the optimization of costs will, together with the commercial measures being adopted, enable the Group to obtain an adequate increase in profitability. The 2009 program for the investments to support planned growth is at a minimum in line with that implemented in 2008.

The Group’s business plan confirms that the economic and financial balance will be maintained, that profitability will increase in the medium term and that the carrying amounts of recognized non-current assets at December 31, 2008 will be recovered.

Currently available cash, forecasts of additional financial resources to be generated and access to presently unused adequate credit facilities enabled a further portion of Wind’s debt, amounting in total to €412 million, to be repaid in advance in October 2008.

**2. GENERAL ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The consolidated financial statements of Wind Telecomunicazioni SpA at December 31, 2008 have been prepared in compliance 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 to require the waivers provided 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2008—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

For presentation purposes, the current/non-current distinction has been used for the balance sheet, 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 balance sheet and income statement and the detailed tables in the notes have been reclassified where necessary. These reclassifications, however, do not affect the Group's profit or equity.

These consolidated financial statements were approved by the Parent Company's Board of Directors on March 2, 2009.

**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 balance sheet 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, 2008 (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 minority 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, plus all other costs directly attributable to the acquisition. The 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 income statement 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2008—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, consolidating the carrying amounts of the entity transferred and reporting any gains arising from the transfer directly in equity;

- the purchase of equity holdings 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 for receivables and payables, income and expense, and financial income and expense;
- gains and losses arising from the sale of holdings in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of consolidated equity sold.

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

	Registered office	Share/quota capital	% holding		Basis of consolidation / measurement	
			12.31.2008	12.31.2007	12.31.2008	12.31.2007
			Euros			
<b>Subsidiaries</b>						
Enel.Net Srl . . . . .	Italy	21,135,000	100	100	Line by line	Line by line
Italia Online Srl . . . . .	Italy	1,400,000	100	100	Line by line	Line by line
ItNet Srl . . . . .	Italy	1,004,000	100	100	Line by line	Line by line
Mondo Wind Srl . . . . .	Italy	95,000	100	100	Line by line	Line by line
TLC Servizi SpA . . . . .	Italy	140,000	100	—	Line by line	N/A
<b>Associates</b>						
Elawind Consortium . . . . .	Italy	4,500	33.33	33.33	Cost	Cost
Wind Team Consortium . . . . .	Italy	4,500	33.33	—	Cost	N/A
Wind Finance SL SA . . . . .	Luxembourg	31,000	27	27	Line by line	Line by line
Wind Acquisition Finance 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
<b>Others</b>						
Wind-PPC Holding NV . . . . .	Netherlands	2,000,000(*)	Sold	50 - 1 share	Sold	Assets held for sale (IFRS 5)
Tellas Telecom SA . . . . .	Greece	13,622,340(*)	Sold	100 Wind-PPC	Sold	Assets held for sale (IFRS 5)
Mix Srl . . . . .	Italy	99,000	15	15	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

(\*) Share capital at December 31, 2007.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

As a result of the following transactions there has been a change in the scope of consolidation compared to the situation reported in the consolidated financial statements at December 31, 2007; further details are provided in note 4:

- the purchase, on December 9, 2008, of 100% of the share capital of TLC Servizi SpA.

The investments in Wind Finance SL, Wind Acquisition Finance SA and Wind Acquisition Finance II SA in which the Group has an interest of 27%, have been consolidated on a line-by-line basis because they are special purpose entities established to raise funds for the Group in the market.

**2.3 Summary of main accounting principles and policies**

The principal accounting principles and 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. Borrowing costs directly associated with the purchase or construction of property, plant and equipment are recognized directly in the income statement.

Costs incurred for ordinary and cyclical repairs and maintenance are charged directly to the income statement 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 value. 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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

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 the income statement 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 the income statement 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. Borrowing costs accruing during and for the development of the asset are recognized in the income statement. 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 as 5 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *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 balance sheet 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 10 years.

- *Impairment losses*

At each balance sheet 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 the income statement. 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 income statement 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) had no impairment loss been recognized on the asset, with the reversal being recognized in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2008—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

• *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 the income statement 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 an equity 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 the income statement. 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 reversed up to the extent of the loss with the related effect recognized in the income statement. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

designated as cash flow hedges. These assets are measured at fair value; any change in the period is recognized in the income statement. 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 balance sheet 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 balance sheet 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 the income statement. 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 had amortized cost been applied.
- (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 case of impairment the principles used for financial receivables apply.
- (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 the income statement 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 the income statement, the original value of the instrument is reinstated with the corresponding gain recognized in the income statement. Additionally, the yields from debt securities arising from the use of the amortized cost method are recognized in the income statement 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 balance sheet 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

• *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 balance sheet 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*

When a contract is entered into the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of the income statement. 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 the income statement. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as financial 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 income statement 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 income statement. 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

component of equity and is reclassified to the income statement in accordance with the criteria of classification described above when the originally hedged transaction takes place.

Quotations at the balance sheet 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 balance sheet 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 balance sheet 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 difference or when it is probable that the difference will not reverse.

Taxes, for the portion that is not offset by deferred taxes, are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Current and deferred taxes are recognized in the income statement, 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 by the Italian parent Weather Investments 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 one overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the parent and that of its subsidiaries taking part in the procedure, and to settle a liability by making one single tax payment or to recognize one single tax credit for repayment or to be carried forward.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

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 the income statement, 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 only 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 the income statement in the period when an employee renders the related service.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

• *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 the income statement 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 the income statement based on actuarial calculations.

Defined benefit plans, which include the Italian employees' leaving entitlement (TFR) which is due in accordance with the provisions of article 2120 of the Italian Civil Code and which is 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, to take account of the passage of time before the actual payment of the benefit. The measurement of the liability recognized in the balance sheet 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 employees' leaving entitlement accruing from January 1, 2007 is 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 employees' leaving entitlement accrued up to these dates remains a defined benefit plan, 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 income statement for the year ended December 31, 2007.

At each balance sheet 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 using the "corridor approach", meaning only when the gains or losses exceed 10% of the present value of the Group's obligation at the previous balance sheet date. Any amount in excess of 10% is charged against future income over a period in line with the average remaining working life of employees, starting with the first period subsequent to recognition.

• *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 the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *Share-based payments*

The Group recognizes additional benefits to certain managers and other members of personnel through stock option plans. IFRS 2—Share-based Payment 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 the income statement 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 the income statement.

With reference to foreign transactions whose currency risk is covered by 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 the income statement 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 ordinary 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 landline and mobile (prepaid or subscription) activation and/or substitution, prepaid recharge fees and the activation of new services and tariff plans is recognized for the full amount at the moment of activation independent of the period in which the actual services are rendered by the Group. 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;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- 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.

- *Government grants*

Government grants are recognized when a formal decision of the disbursing government institution 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 income statement, while grants related to assets are recognized as deferred revenue and taken to income statement on a straight-line basis over the useful life of the asset to which the grant directly relates.

- *Financial income and expense*

Interest 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.

- *Earnings per share*

- *Basic*

Basic earnings per share are calculated by dividing the profit or loss for the year attributable to equity holders 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 equity holders 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, 2008 and thereafter.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

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, 2008.

- Amendments to IAS 39—Financial Instruments: *Recognition and Measurement* and IFRS 7—*Financial Instruments: Disclosures*

These amendments introduce the possibility of reclassifying certain financial instruments from of the fair value through profit or loss category to another category, with the provision of suitable disclosures.

The amendments, effective from July 1, 2008, have no effect on the Group's consolidated financial statements at December 31, 2008, since the Group has no items in the category which was subject to amendment.

- IFRIC 11: IFRS 2—*Group and Treasury Share Transactions*

IFRIC 11 specifies the accounting treatment for share-based payment transactions which an entity must settle by purchasing its own equity instruments and for payments based on the shares of one group company (for example the parent) which are assigned to employees of other group companies.

This interpretation, effective from January 1, 2008, has had no effect on the Group's consolidated financial statements at December 31, 2008.

- IFRIC 14: IAS 19—*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 provides general guidance on how to assess the limit established by IAS 19 on the amount of the plan asset surplus that can be recognized as an asset and provides an explanation of the accounting effects caused by a minimum funding requirement clause.

This interpretation, effective from January 1, 2008, has had no effect on the Group's consolidated financial statements at December 31, 2008.

The interpretation IFRIC 12—*Service Concession Arrangements*, which governs situations and circumstances that are not present in the Group, became effective on January 1, 2008 but is not applicable as it has yet to be endorsed by the European Union.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *New standards and interpretations not yet effective*

The following standards and interpretations had been issued at the date of these notes but were not effective for the preparation of the consolidated interim financial statements at December 31, 2008.

<b>STANDARD/INTERPRETATION</b>	<b>EFFECTIVE DATE</b>	<b>EU Endorsement</b>
IFRIC 13— <i>Customer Loyalty Programmes</i> . . . . .	Annual financial statements beginning on or after July 1, 2008	Endorsed
IFRIC 16— <i>Hedges of a Net Investment in a Foreign Operation</i> . . . . .	Annual financial statements beginning on or after October 1, 2008	Not endorsed
IFRS 8— <i>Operating Segments</i> . . . . .	Annual financial statements beginning on or after January 1, 2009	Endorsed
IAS 23— <i>Borrowing Costs (revised March 2007)</i> . . . . .	Annual financial statements beginning on or after January 1, 2009	Endorsed
IAS 1— <i>Presentation of Financial Statements</i> . . . . .	Annual financial statements beginning on or after January 1, 2009	Endorsed
Amendment to IFRS 2— <i>Share-based Payment: Vesting Conditions and Cancellations</i> . . . . .	Annual financial statements beginning on or after January 1, 2009	Endorsed
Amendments to IAS 32 and IAS 1— <i>Puttable Financial Instruments and Obligations Arising on Liquidation</i> . . . .	Annual financial statements beginning on or after January 1, 2009	Endorsed
Amendments to IFRS 1 and IAS 27— <i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> . . . . .	Annual financial statements beginning on or after January 1, 2009	Endorsed
IFRIC 15— <i>Agreements for the Construction of Real Estate</i> .	Annual financial statements beginning on or after July 1, 2009	Not endorsed
IFRS 3— <i>Business Combinations (revised January 2008)</i> . . .	Annual financial statements beginning on or after July 1, 2009	Not endorsed
Amendment to IAS 39— <i>Financial Instruments Recognition and Measurement (Eligible Hedged Items)</i> . . . . .	Annual financial statements beginning on or after July 1, 2009	Not endorsed
Amendment to IAS 27— <i>Consolidated and Separate Financial Statements</i> . . . . .	Annual financial statements beginning on or after July 1, 2009	Not endorsed
IFRIC 17— <i>Distribution of Non-cash Assets to Owners</i> . . . .	Annual financial statements beginning on or after July 1, 2009	Not endorsed
Amendments to IAS 39 and IFRS 7— <i>Reclassification of Financial Assets—Effective Date and Transition</i> . . . . .	Starting from July 1, 2008	Not endorsed

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 balance sheet, 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 statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.

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 the income statement. More



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**2. GENERAL ACCOUNTING POLICIES—(continued)**

specifically, the test is performed by allocating the goodwill to a cash generating unit 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 for 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 of 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.
- *Provisions:* in recognizing provisions the Group analyses the extent to which it is probable that a liability will arise from disputes with employees, suppliers and third parties and, in general, the losses it will be required to incur as a result of past obligations. 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 financial statements.

**2.5 Risk management**

**Credit risk**

The Group's credit risk is principally associated with trade receivables which at December 31, 2008 amounted to €1,274,955 thousand. The Group minimizes credit risk through a credit check preventive process which ensures that all customers requesting new products and services or additions

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

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 at 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 debt status through reporting tools.

The result of this effective action is that the Group has a limited amount of credit losses. Additionally, 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 the Enel Group, 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 to and receivables from dealers.

In terms of financial assets, the Group has an exposure to credit risk with financial counterparties with whom it enters into derivative agreements to hedge against interest rate and currency risk, makes deposits of available cash through money market transactions and holds current accounts.

In order to manage its counterparty risk, the Group carries out money market transactions and transactions involving derivatives for hedging purposes solely with parties having “Investment Grade” rating and monitors and limits the concentration of transactions with any single party.

The Group had made deposits of €71,543 thousand at December 31, 2008 and had a positive net balance on its current accounts of €306,943 thousand at that date. The Group’s credit risk exposure from derivative contracts is represented by their realizable value or fair value if positive.

The positive fair value of derivative contracts at December 31, 2008 was €27,665 thousand while the negative fair value of the Group’s entire portfolio was €151,914 thousand (details of this may be found in note 18).

**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.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

As concerns debt, Wind Telecomunicazioni SpA has entered into a long-term loan agreement—the Credit Facility Agreement—for which interest is payable at a floating rate and which consists of three tranches, denominated in both euros and US dollars; A is an amortizing tranche and B and C are bullet tranches. An additional loan agreement of a bullet type and denominated in both euros and US dollars—the Second Lien—has been entered into by Wind Finance SL SA. The total nominal value of these agreements calculated by translating US dollars into euros at the year-end rate is €4,907,437 thousand to which an undrawn revolving line of credit of €400 million should be added.

The associate Wind Acquisition Finance SA, a company registered under Luxembourg law, has a “High Yield” bond outstanding with value date November 28, 2005 and maturity date December 1, 2015 which is listed on the Luxembourg market and consists of one tranche of nominal value US\$500,000 thousand with a six-monthly coupon of 10.75% and one tranche of nominal value €825,000 thousand with a six-monthly coupon of 9.75%. Wind Acquisition Finance SA reopened the issue with value date March 1, 2006 by placing one tranche of nominal value US\$150,000 thousand and one of €125,000 thousand at respective market prices of 105.50 and 106.

The “High Yield” bond is subject to mandatory repayment in the following situations:

- if there is 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 plus the interest accrued at the repurchase date;
- in the case of asset sales, any proceeds not reinvested in the form envisaged by the offering memorandum and which exceed €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 plus the interest accrued at the repurchase date.

The mandatory repayment flows provided for in the above agreements, including the amounts

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

not yet used, which translate US dollar tranches at the hedge agreement exchange rate are as follows:

(millions of euro)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
<b>Senior Credit Facilities</b>								
Term Loan A1 . . . . .	(1)(2)	(4)	673	494	—	—	—	1,167
Term Loan A2 . . . . .	(3)	(3)	—	—	—	—	—	0
Term Loan B . . . . .	—	—	—	—	1,529	—	—	1,529
Term Loan C . . . . .	—	—	—	—	—	1,529	—	1,529
Revolving . . . . .	—	—	—	400	—	—	—	400
<b>Second Lien</b>								
Second Lien Euro . . . . .	—	—	—	—	—	552	—	552
Second Lien USD . . . . .	—	—	—	—	—	129	—	129
<b>Bond High Yield</b>								
Senior Notes Euro . . . . .	—	—	—	—	—	—	950	950
Senior Notes USD . . . . .	—	—	—	—	—	—	467	467
<b>Total</b> . . . . .	<u>0</u>	<u>0</u>	<u>673</u>	<u>894</u>	<u>1,529</u>	<u>2,210</u>	<u>1,417</u>	<u>6,723</u>

(1) The residual installment of Term Loan A1 for 2008 and part of that for 2009, were repaid in December 2006 for a total of €462 million.

(2) The residual installment of Term Loan A1 for 2009 and part of that for 2010, were repaid in December 2007 for a total of €491 million.

(3) The residual installments of Term Loan A2 for 2009 and 2010 were repaid in October 2008 for a total of €164 million.

(4) The residual installment of Term Loan A1 for 2010 was repaid in October 2008 for a total of €248 million.

The Credit Facility Agreement and the Second Lien impose certain covenants on the Group and with which the Group, at 31 December 2008, is fully in compliance.

The tranches of bank loans and 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.

Neither the interest rate swaps nor the cross currency swaps contain clauses that enable the counterparty to terminate the contract in advance (break clauses).

In order to deal with the liquidity risk arising from these commitments, the Group may, in addition to cash flows from ordinary operations, also count on a revolving credit line of €400,000 thousand which forms part of the long-term loan agreement referred to above, disbursed on a committed basis and currently unused.

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The contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement, are set out in the following tables, which provide the figures at December 31, 2008 and 2007.

(millions of euro)	Carrying amount at December 31, 2008	Total contractual cash flows	2009	2010	2011	2012	2013	2014	2015
<b>Non-derivative financial liabilities</b>									
Bank loans . . . . .	4,925	(6,740)	(340)	(376)	(1,039)	(813)	(1,797)	(2,375)	0
Bonds . . . . .	1,425	(2,418)	(143)	(143)	(143)	(143)	(143)	(143)	(1,560)
<b>Derivative financial liabilities . . . . .</b>	<b>152</b>								
Outflows . . . . .		(1,942)	(186)	(221)	(231)	(208)	(179)	(311)	(606)
Inflows . . . . .		2,059	276	307	272	222	176	288	518
<b>Total . . . . .</b>	<b><u>6,502</u></b>	<b><u>(9,041)</u></b>	<b><u>(393)</u></b>	<b><u>(433)</u></b>	<b><u>(1,141)</u></b>	<b><u>(942)</u></b>	<b><u>(1,943)</u></b>	<b><u>(2,541)</u></b>	<b><u>(1,648)</u></b>

(millions of euro)	Carrying amount at December 31, 2007	Total contractual cash flows	2008	2009	2010	2011	2012	2013	2014	2015
<b>Non-derivative financial liabilities</b>										
Bank loans . . . . .	5,321	(7,767)	(404)	(511)	(786)	(1,057)	(831)	(1,804)	(2,374)	—
Bonds . . . . .	1,399	(2,512)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(1,532)
<b>Derivative financial liabilities . . . . .</b>	<b>128</b>									
Outflows . . . . .		(1,379)	(72)	(72)	(72)	(72)	(72)	(133)	(279)	(606)
Inflows . . . . .		1,202	71	70	70	70	71	120	240	490
<b>Total . . . . .</b>	<b><u>6,849</u></b>	<b><u>(10,457)</u></b>	<b><u>(546)</u></b>	<b><u>(653)</u></b>	<b><u>(928)</u></b>	<b><u>(1,199)</u></b>	<b><u>(973)</u></b>	<b><u>(1,957)</u></b>	<b><u>(2,553)</u></b>	<b><u>(1,648)</u></b>

**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 profit or loss in terms of greater financial expense.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- 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 by ordinary operations but not in euros, could undergo adverse effects caused by fluctuations in exchange rates.

The main objectives that the Group intends to reach are:

- to continue 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;
- to reduce the cost of debt;
- 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 balance sheet.

After signing the medium/long-term loan contract with a pool of bank, Wind Telecomunicazioni SpA issued a hedging letter in 2005 in which, regarding interest rate risk, it undertakes to hedge, for the first three years, at least 67% of its exposure to the interest accruing on the Credit Facility Agreement and the Second Lien and to hedge 100% of its currency risk exposure on the Credit Facility Agreement, Second Lien and High Yield Bond.

To meet these commitments the interest rate risk was hedged and, at the present time, this has reached a level of approximately 87%, with a maximum hedge term of approximately six years.

Taken overall, the Group has outstanding derivative contracts of €4,975,000 thousand, of which €1,100,000 thousand has a residual term of approximately one year, €1,025,000 thousand of approximately three years, €1,850,000 thousand of approximately four years and €1,000,000 thousand of approximately five years.

Considering that the total of loans and bonds outstanding at December 31, 2008 amounted to €6,324,491 thousand, the fixed to floating ratio was as follows at that date.

<u>(millions of euro)</u>	<u>Outstanding at 31.12.2008</u>	<u>Rate at 31.12.2008</u>
at fixed rate . . . . .	5,529	87.42%
at floating rate . . . . .	795	12.58%

Abiding by the terms of the hedging letter, Wind Telecomunicazioni SpA has hedged 100% of the currency and interest rate risks arising from the US dollar tranches of the Credit Facility Agreement and the Second Lien by making cross currency swaps for a total notional amount of US\$ 330,000 thousand.



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In addition, 100% of the currency risk arising from the bond issue and from the subsequent reopening of an issue by the associate Wind Acquisition Finance SA has been hedged by making cross currency swaps for a total notional amount of US\$ 650,000 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.

The Group does not account for any financial assets and liabilities at fair value through profit or loss nor does it designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

With regard to the unhedged portion of floating rate debt, it is estimated that an increase of 100 basis points in the euro interest rate yield curve would lead to an increase in borrowing costs of approximately €7,953 thousand, with the related effect on equity. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

**3. SEGMENT REPORTING**

Identifying the Group's segments and determining its primary and secondary segments was carried out on the basis of its organizational structure and internal reporting system. In particular, since the risks and rewards of the Group's investments are influenced exclusively by differences in the products sold and services rendered, its primary format for reporting segment information is business segments (fixed-mobile telephony), while information by geographical segment is not presented in view of the fact that the Group operates mostly in Italy. Assets and liabilities for which a specific allocation to the segments was not possible (in particular financial assets and liabilities and current and deferred

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**3. SEGMENT REPORTING—(continued)**

tax assets and liabilities) have been assigned on the basis of specific parameters. Those assets and liabilities are reported separately in the table below.

(millions of euro)	Fixed		Mobile		Others		Total	
	At December 31, 2008	At December 31, 2007	At December 31, 2008	At December 31, 2007	At December 31, 2008	At December 31, 2007	At December 31, 2008	At December 31, 2007
Segment revenue . . . . .	1,795	1,631	3,724	3,639	—	—	5,519	5,271
Inter-segmental revenue . . .	—	—	—	—	—	—	—	—
<b>Total revenue . . . . .</b>	<b>1,795</b>	<b>1,631</b>	<b>3,724</b>	<b>3,639</b>	<b>—</b>	<b>—</b>	<b>5,519</b>	<b>5,271</b>
<b>Operating income<sup>(*)</sup> . . . . .</b>	<b>351</b>	<b>249</b>	<b>1,659</b>	<b>1,563</b>	<b>—</b>	<b>—</b>	<b>2,010</b>	<b>1,811</b>
Depreciation and amortization . . . . .	(187)	(178)	(585)	(594)	(263)	(278)	(1,035)	(1,049)
Reversal/(impairment) of non-current assets . . . . .	(3)	(3)	(1)	(26)	0	2	(3)	(27)
Gains/(losses) on disposal of non-current assets . . . . .	(1)	(0)	(7)	(5)	0	0	(8)	(5)
<b>Operating income . . . . .</b>	<b>159</b>	<b>67</b>	<b>1,067</b>	<b>938</b>	<b>(263)</b>	<b>(276)</b>	<b>964</b>	<b>730</b>
Financial income . . . . .	—	—	—	—	—	—	75	30
Financial expenses . . . . .	—	—	—	—	—	—	(515)	(553)
Foreign exchange gains/ (losses) . . . . .	—	—	—	—	—	—	—	1
<b>Profit before tax . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>523</b>	<b>207</b>
Income tax . . . . .	—	—	—	—	—	—	(132)	(154)
<b>Profit from continuing operations . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>392</b>	<b>54</b>
<b>Profit from discontinued operations . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(6)</b>	<b>137</b>
<b>Profit for the year . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>386</b>	<b>191</b>

(\*) Operating income before amortization, impairment of non-current assets and gains/(losses) on disposal of non-current assets.

(millions of euro)	Fixed		Mobile		Others		Total	
	At December 31, 2008	At December 31, 2007	At December 31, 2008	At December 31, 2007	At December 31, 2008	At December 31, 2007	At December 31, 2008	At December 31, 2007
Allocated assets . . . . .	2,077	2,137	9,162	9,365	1,763	1,723	13,002	13,225
Non allocated assets . . . . .	—	—	—	—	1,064	1,062	1,064	1,062
<b>Total . . . . .</b>	<b>2,077</b>	<b>2,137</b>	<b>9,162</b>	<b>9,365</b>	<b>2,827</b>	<b>2,785</b>	<b>14,066</b>	<b>14,287</b>
Allocated liabilities . . . . .	901	869	1,298	1,387	133	99	2,332	2,355
Non allocated liabilities . . .	—	—	—	—	7,452	7,843	7,452	7,843
<b>Total . . . . .</b>	<b>901</b>	<b>869</b>	<b>1,298</b>	<b>1,387</b>	<b>7,585</b>	<b>7,942</b>	<b>9,784</b>	<b>10,198</b>

**4. ACQUISITIONS AND DISPOSALS**

As a consequence of signing the “Share Sale and Purchase Agreement” on September 26, 2008, the Parent sold the whole of its remaining investment in WPH, equal to 50% less one share, to the

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**4. ACQUISITIONS AND DISPOSALS—(continued)**

related company Hellas Telecommunications I Sàrl for an amount of €179,430 thousand. The investment, classified as “Non-current assets held for sale” at December 31, 2007, was carried at €185,000 thousand at the date of the transaction, including a €10,000 thousand contribution paid in August 2008.

Under the agreement, the Company has the faculty to settle the consideration in January or February 2009 and either in cash or the shares of Hellas Telecommunications I Sàrl itself for which further details may be found in note 43. In this regard, under the Shareholders’ Agreement signed on October 26, 2007 for the transfer of control in WPH, for which details may be found in the consolidated financial statements at December 31, 2007, the put and call options on the remaining investment in WPH exercisable by the Parent on basis of Shareholders’ Agreement were transferred onto any shares of Hellas Telecommunications I Sàrl of which the Company may become the owner as the consequence of the transaction.

More specifically, the put and call options provide that, at any time during the five years starting on December 30, 2008, the Parent may sell, and Weather Investments SpA may buy, the entire investment which the former potentially may acquire in Hellas Telecommunications I Sàrl.

Under the agreements reached between the parties a price of €195,791 thousand will be paid for exercising each of the above options, to which interest charged at a rate of annual Euribor plus a spread of 1.25% will be added.

In addition, on December 9, 2008, the Parent purchased 100% of TLC Servizi SpA for a price of 10,000 migliaia di euro. On January 13, 2009, TLC Servizi SpA purchased the Luxembourg related company M-Link Sàrl, for which further details may be found in note 43.

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**5. PROPERTY, PLANT AND EQUIPMENT**

The following table sets out the changes in “*Property, Plant and Equipment*” for the year ended December 31, 2008.

(thousands of euro)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
<b>Cost</b>						
<b>At December 31, 2007 . . . . .</b>	<b>467</b>	<b>7,859,043</b>	<b>112,006</b>	<b>432,591</b>	<b>159,758</b>	<b>8,563,865</b>
Additions . . . . .	85	453,719	4,315	12,617	179,361	650,097
Disposals . . . . .	—	(103,960)	(25,091)	(38,318)	—	(167,369)
Others . . . . .	—	118,634	829	15,906	(118,145)	17,224
<b>At December 31, 2008 . . . . .</b>	<b>552</b>	<b>8,327,436</b>	<b>92,059</b>	<b>422,796</b>	<b>220,974</b>	<b>9,063,817</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>At December 31, 2007 . . . . .</b>	<b>—</b>	<b>4,627,069</b>	<b>96,581</b>	<b>377,023</b>	<b>—</b>	<b>5,100,673</b>
Disposals . . . . .	—	(91,839)	(24,655)	(38,194)	—	(154,688)
Impairment losses/(Reversal) . . . .	—	19,710	—	60	642	20,412
Depreciation . . . . .	—	659,807	5,937	26,857	—	692,601
Others . . . . .	—	(1,263)	(7)	1	—	(1,269)
<b>At December 31, 2008 . . . . .</b>	<b>—</b>	<b>5,213,484</b>	<b>77,856</b>	<b>365,747</b>	<b>642</b>	<b>5,657,729</b>
<b>Net balance</b>						
<b>At December 31, 2007 . . . . .</b>	<b>467</b>	<b>3,231,974</b>	<b>15,425</b>	<b>55,568</b>	<b>159,758</b>	<b>3,463,192</b>
<b>At December 31, 2008 . . . . .</b>	<b>552</b>	<b>3,113,952</b>	<b>14,203</b>	<b>57,049</b>	<b>220,332</b>	<b>3,406,088</b>

“*Property, plant and equipment*” has decreased by a net amount of €57,104 thousand in the year ended December 31, 2008, determined mostly by the charge for depreciation and disposals (amounting to €692,601 thousand and €20,412 thousand, respectively) which was only partially offset by investments of €650,097 thousand.

In particular, “*Plant and machinery*” has decreased by €118,022 thousand over the previous year. The main gross increases of the year regard purchases and operations of radio links and high frequency equipment for the expansion of the mobile access network and electronic switchboards and equipment, as well as the capitalization of internal costs incurred during the planning and development of the fixed-line and mobile telephone network.

The depreciation charge for the year has been affected by the extension of the depreciation period for leasehold improvements, as a consequence of an assessment starting in 2007 of the renewal options for leases granted to the Parent. If, in the preparation of these financial statements, depreciation had been charged on these assets using the previously estimated useful life, plant and machinery and profit for the year would have decreased by €43,073 thousand and €4,462 thousand, respectively, before any tax effect; this effect will reverse progressively in the future until 2018.

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

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**5. PROPERTY, PLANT AND EQUIPMENT—(continued)**

€12,023 thousand which are no longer usable; these relate mostly to radio links and high frequency equipment (of €4,361 thousand) and electronic switchboards and equipment (of €7,491 thousand). In addition, transmission equipment having a carrying amount value of €19,870 thousand was eliminated following direct replacement by the technology supplier with the purpose to increase the efficiency and synergy of network, an amount which was only partially offset by the increase of €17,529 thousand resulting from the recognition of the market value of the replacement equipment.

Others mainly include plant and machinery which entered use during the year.

At December 31, 2008, transmission equipment, telephone systems and commutation switchboards owned by the Parent and having a carrying amount of €101,910 thousand were with customers for use (€101,510 thousand at December 31, 2007), while transmission equipment for direct access by “unbundling the local loop” having a carrying amount of €132,939 thousand (€140,814 thousand at December 31, 2007) was held on deposit by Telecom Italia.

“*Property, Plant and Equipment*” additionally includes the expenditure incurred to acquire the exclusive rights for the use of cable ducts and optic fiber for a total of €61,555 thousand at December 31, 2008 (€53,628 thousand at December 31, 2007).

At December 31, 2008, “*Equipment*” had a carrying amount of €14,203 thousand, representing a decrease over the balance at the end of the previous year as the result of disposals and depreciation which were only partially offset by investments. Commercial equipment having a carrying amount of €9,254 thousand at December 31, 2008, was with third parties for use at that date, consisting mostly of authorized dealers.

The net balance of “*Other*”, €57,049 thousand at December 31, 2008, increased during the year mainly as the result of increased investments in office machines and electronic equipment, which were only partially offset by the depreciation charge for the year.

The balance of “*Assets under construction*” of €220,332 thousand at December 31, 2008 consists mainly of plant and machinery being completed and tested.

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**6. INTANGIBLE ASSETS**

The following table sets out the changes in “*Intangible assets*” for the year ended December 31, 2008.

(thousands of euro)	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Goodwill	Assets under development	Total
<b>Cost</b>						
<b>At December 31, 2007</b> . . . . .	<u>1,165,137</u>	<u>4,465,675</u>	<u>1,035,466</u>	<u>3,957,433</u>	<u>42,623</u>	<u>10,666,334</u>
Additions . . . . .	68,519	316	1,321	—	75,605	145,761
Changes in the scope of consolidation . . . . .	—	—	—	5	—	5
Others . . . . .	21,621	(58)	1,703	—	(39,476)	(16,210)
<b>At December 31, 2008</b> . . . . .	<u>1,255,277</u>	<u>4,465,933</u>	<u>1,038,490</u>	<u>3,957,438</u>	<u>78,752</u>	<u>10,795,890</u>
<b>Accumulated amortization and impairment losses</b>						
<b>At December 31, 2007</b> . . . . .	<u>966,772</u>	<u>821,104</u>	<u>251,885</u>	<u>364,821</u>	<u>—</u>	<u>2,404,582</u>
Impairment losses . . . . .	83	—	—	—	—	83
Amortization . . . . .	82,953	155,229	104,218	—	—	342,400
Others . . . . .	(731)	3	2,067	—	—	1,339
<b>At December 31, 2008</b> . . . . .	<u>1,049,077</u>	<u>976,336</u>	<u>358,170</u>	<u>364,821</u>	<u>—</u>	<u>2,748,404</u>
<b>Net balance</b>						
<b>At December 31, 2007</b> . . . . .	<u>198,365</u>	<u>3,644,571</u>	<u>783,581</u>	<u>3,592,612</u>	<u>42,623</u>	<u>8,261,752</u>
<b>At December 31, 2008</b> . . . . .	<u>206,200</u>	<u>3,489,597</u>	<u>680,320</u>	<u>3,592,617</u>	<u>78,752</u>	<u>8,047,486</u>

“*Intangible assets*” decreased by a net amount of €214,266 thousand during the year mainly due to the amortization charge of €342,400 thousand, which was only partially offset by new investments of €145,761 thousand relating to the additional development and rationalization of existing systems.

“*Others*” mainly include industrial patents and intellectual property rights which entered use during the year.

“*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, 2008 amounted to €2,130 thousand (€1,640 thousand at December 31, 2007).

Application software having a carrying amount of €701 thousand was in use by third parties, customers and business call center outsourcers at the end of the year.



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**6. INTANGIBLE ASSETS—(continued)**

“*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 Parent by the relevant authorities as detailed below.

<u>Individual licenses</u>	<u>Date of issue</u>	<u>Date of expiry<sup>(*)</sup></u>
<b>Wind Telecomunicazioni SpA</b>		
Installation of network and provision of voice telephony services on the Italian national territory <sup>(**)</sup> . . . . .	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 <sup>(***)</sup>	December 2021
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 <sup>(****)</sup> . . . . .	July 2002	July 2022

(\*) Individual licenses are renewable in compliance with the regulations prevailing at the time of the renewal upon submission of an application at least six months prior to the expiry date (article 5, paragraph 27, of Presidential Decree no. 318/1997).

(\*\*) The parent 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.

Concessions, licenses, trademarks and similar rights for €1,453,103 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.

“*Other intangible assets*” mainly relate to the fair value of the customer list, amounting to €676,906 thousand, identified on allocating the goodwill at December 31, 2006 arising from the merger of the former parent Wind Acquisition Finance SpA.

“*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 had 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

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**6. INTANGIBLE ASSETS—(continued)**

relate to the costs incurred for the design, development and implementation of information systems or specific modules thereof.

“*Goodwill*” pertains to the parent Wind Telecomunicazioni SpA and has been allocated to the following cash generating units.

	At December 31, 2008	At December 31, 2007
<b>CGU</b>		
Fixed . . . . .	276,997	276,997
Mobile . . . . .	3,315,620	3,315,615
<b>Goodwill . . . . .</b>	<b><u>3,592,617</u></b>	<b><u>3,592,612</u></b>

Goodwill at December 31, 2008 is allocated to the individual cash generating units representing the minimum level used for monitoring such assets for management control purposes. The carrying amount at December 31, 2008 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 2009-2013 business plan. A growth rate of 1% was assumed for the years not covered by this plan. An interest rate of 8.14% 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.

The change in the rate with respect to the previous year, when a WACC of 8.3% was used, is essentially due to changes in the financial structure of WIND’s competitors, which more than offset the increase in the cost of capital.

**7. FINANCIAL ASSETS**

The following table sets out “*Financial assets*” at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008			At December 31, 2007		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost . . . . .	2,050	—	<b>2,050</b>	2,088	—	<b>2,088</b>
Derivative financial instruments . . . . .	59,701	25,725	<b>85,426</b>	203,622	3,183	<b>206,805</b>
Financial receivables . . . . .	4,538	6,888	<b>11,426</b>	4,131	8,568	<b>12,699</b>
Other receivables . . . . .	179,430	—	<b>179,430</b>	—	—	—
<b>Total . . . . .</b>	<b><u>245,719</u></b>	<b><u>32,613</u></b>	<b><u>278,332</u></b>	<b><u>209,841</u></b>	<b><u>11,751</u></b>	<b><u>221,592</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**7. FINANCIAL ASSETS—(continued)**

“*Financial assets measured at cost*” consist of minority interests in companies and consortia as set out in the following table:

Company/consortium	% of investment	At December 31, 2008	At December 31, 2007
Elawind Consortium . . . . .	33.33%	2	2
Wind Team Consortium . . . . .	33.33%	1	—
Consel Consortium . . . . .	1.00%	1	1
Janna Scarl . . . . .	17.00%	1,981	2,020
Mix Srl . . . . .	15.00%	15	15
QXN Scpa . . . . .	10.00%	50	50
<b>Total financial assets at cost . . . . .</b>		<b><u>2,050</u></b>	<b><u>2,088</u></b>

During the year the Parent acquired 33.33% of the consortium fund of Wind Team, set up on August 4, 2008 with a consortium fund of €4,500.

“*Financial receivables*” classified as non-current “*Financial assets*” and amounting to €4,538 thousand at December 31, 2008 consist mainly of guarantee deposits for electricity, property leases and the lease of ISDN lines.

“*Financial receivables*” classified as current assets and amounting to €6,888 thousand at December 31, 2008 relate mostly to 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 17), which are charged in profit or loss on a straight-line basis over the term of the agreement.

“*Other receivables*” relate to the balance arising from the sale of the Group’s remaining investment in WPH, for which further details may be found in note 4.

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

(thousands of euro)	At December 31, 2008				At December 31, 2007			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
<b>Financial receivables</b>								
Guarantee deposits . . . . .	1,109	1,530	3,008	<b>5,647</b>	1,447	3,094	1,037	<b>5,578</b>
Others . . . . .	5,779	—	—	<b>5,779</b>	7,121	—	—	<b>7,121</b>
<b>Total . . . . .</b>	<b><u>6,888</u></b>	<b><u>1,530</u></b>	<b><u>3,008</u></b>	<b><u>11,426</u></b>	<b><u>8,568</u></b>	<b><u>3,094</u></b>	<b><u>1,037</u></b>	<b><u>12,699</u></b>

Details of the composition of the “*Derivative financial instruments*” balance and respective changes are to be found in note 18.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**8. DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide an analysis of “*Deferred tax assets*” and “*Deferred tax liabilities*” by origin at December 31, 2008 and 2007.

<u>(thousands of euro)</u>	<u>At December 31, 2008</u>	<u>At December 31, 2007</u>
<b>Deferred tax assets relating to:</b>		
Tax losses carried forward . . . . .	248,799	331,497
Provision for bad debts (taxed) . . . . .	88,680	78,373
Provisions . . . . .	41,579	33,652
Measurement of financial assets/liabilities . . . . .	1,523	9,761
Derivative financial instruments . . . . .	10,916	—
Amortization and depreciation of non-current assets . . . . .	216	729
Revenue . . . . .	—	624
<b>Total . . . . .</b>	<b><u>391,713</u></b>	<b><u>454,636</u></b>
 <u>(thousands of euro)</u>	 <u>At December 31, 2008</u>	 <u>At December 31, 2007</u>
<b>Deferred tax liabilities relating to:</b>		
Employee benefits . . . . .	2,058	228
Accelerated depreciation and amortization . . . . .	16,078	15,230
Derivative financial instruments . . . . .	—	53,390
Property, plant, and equipment at fair value . . . . .	107,695	106,453
Depreciation of PPA . . . . .	726,074	759,378
Provisions . . . . .	—	738
Revenue . . . . .	—	6,873
<b>Total . . . . .</b>	<b><u>851,904</u></b>	<b><u>942,290</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**8. DEFERRED TAX ASSETS AND LIABILITIES—(continued)**

Changes in “*Deferred tax assets*” and “*Deferred tax liabilities*” may be analyzed as follows.

Description	At December 31, 2007	Decrease	Increase	At December 31, 2008
Tax losses carried forward . . . . .	331,497	82,699	—	248,799
Provision for bad debts (taxed) . . . . .	78,373	1,945	12,252	88,680
Taxed Provisions . . . . .	33,652	14,098	22,026	41,579
Measurement of financial assets/liabilities . . . . .	9,761	8,238	—	1,523
Derivative financial instruments . . . . .	—	—	10,916	10,916
Amortization and depreciation of non-current assets	729	513	—	216
Revenue . . . . .	624	624	—	—
<b>Deferred tax assets . . . . .</b>	<b>454,636</b>	<b>108,117</b>	<b>45,194</b>	<b>391,713</b>
Employee benefits . . . . .	228	397	2,227	2,058
Accelerated depreciation and amortization . . . . .	15,230	471	1,319	16,078
Derivative financial instruments . . . . .	53,390	53,390	—	—
Property, plant, and equipment at fair value . . . . .	106,453	6,669	7,911	107,695
Depreciation of PPA . . . . .	759,378	35,703	2,399	726,074
Provisions . . . . .	738	—	(738)	—
Revenue . . . . .	6,873	6,873	—	—
<b>Deferred tax liabilities . . . . .</b>	<b>942,290</b>	<b>103,504</b>	<b>13,118</b>	<b>851,904</b>

Deferred tax assets and liabilities at December 31, 2008 and 2007 which relate to items recognized directly in equity were as follows.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Cash flow hedges . . . . .	70,095	4,345

The table below provides an analysis of the deferred tax assets arising from the carryforward of tax losses by year of expiry of the loss, together with changes for the year.

(thousands of euro)	Valid until	At December 31, 2007	Increase/ (decrease)	Impairment losses	Change in scope of consolidation	At December 31, 2008
<b>Year</b>						
1997-1999 . . . . .	unlimited	144,982	—	—	—	144,982
2003 . . . . .	2008	64,596	(64,596)	—	—	—
2004 . . . . .	2009	88,257	(18,102)	—	—	70,155
2005 . . . . .	2010	33,662	—	—	—	33,662
<b>Total . . . . .</b>		<b>331,497</b>	<b>(82,698)</b>	<b>—</b>	<b>—</b>	<b>248,799</b>

Deferred tax assets have been recognized by considering the probability of their utilization and to 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.

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**8. DEFERRED TAX ASSETS AND LIABILITIES—(continued)**

In 2008, no deferred tax assets were recognized in respect of temporary differences totaling €523 thousand (recognized in full at December 31, 2007) due to the lack of reasonable certainty that there will be sufficient future taxable income required for recovery within the time limit established by law.

**9. INVENTORIES**

The following table provides an analysis of “*Inventories*” at December 31, 2007 and 2006.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Finished goods . . . . .	14,001	21,432
Advances . . . . .	450	—
Write-downs . . . . .	(761)	(637)
<b>Total . . . . .</b>	<b><u>13,690</u></b>	<b><u>20,795</u></b>

“*Finished goods*” consist principally of fixed-line and mobile phone handsets and the related accessories. The significant change that took place during the year is mainly due to lower quantities of goods in stock and to lower unit market values, which led to an increase in the write-downs of items compared to the previous year.

**10. TRADE RECEIVABLES**

The following table provides an analysis of “*Trade receivables*” at December 31, 2007 and 2006.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Due from final customers . . . . .	840,012	764,801
Due from telephone operators . . . . .	366,296	378,843
Due from authorized dealers . . . . .	308,864	285,609
Due from associates . . . . .	—	7
Due from related parties . . . . .	13,008	30,432
Other trade receivables . . . . .	63,549	54,707
(Provision for bad debts) . . . . .	(316,774)	(279,525)
<b>Total . . . . .</b>	<b><u>1,274,955</u></b>	<b><u>1,234,874</u></b>

“*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 of trade receivables at December 31, 2008 has increased by a total of €40,081 thousand over that at December 31, 2007. This is mostly due to increases in receivables from customers and authorized dealers (by €75,211 thousand and €23,255 thousand, respectively) as the consequence of the rise in sales resulting from the growth in the customer base, only partially offset by decreases in receivables from related companies (resulting from the offsetting of the receivable and



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**10. TRADE RECEIVABLES—(continued)**

payable balances with the related Tellas SA in December 2008 of €20,768 thousand) and from telephone operators as the effect of the improvement of collection procedures (by €17,424 thousand and €12,547 thousand, respectively).

The €37,249 thousand increase in the provision for bad debts has been affected by the increase in the proportion of receivables in the longer overdue bands and the increase in receivables from customers, which is mainly connected with the rise in turnover.

The following table provides an analysis of trade receivables and the respective provision for bad debts by due date at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008		At December 31, 2007	
	Gross amount	(Provision)	Gross amount	(Provision)
—unexpired . . . . .	1,029,616	(6,372)	1,029,419	(4,847)
—expired from:				
—0-30 days . . . . .	72,080	(454)	61,159	(370)
—31-120 days . . . . .	53,113	(1,447)	49,457	(936)
—121-150 days . . . . .	45,720	(2,374)	20,428	(2,453)
—beyond 150 days . . . . .	391,200	(306,127)	353,937	(270,919)
<b>Total . . . . .</b>	<b>1,591,729</b>	<b>(316,774)</b>	<b>1,514,399</b>	<b>(279,525)</b>

The following table provides an analysis of trade receivables at December 31, 2008 and 2007, net of the provision for bad debts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2008	At December 31, 2007
—within 12 months . . . . .	1,261,721	1,221,544
—after 12 months . . . . .	13,234	13,330
<b>Total . . . . .</b>	<b>1,274,955</b>	<b>1,234,874</b>

The following table sets out changes in the provision for bad debts during the year ended December 31, 2008.

(thousands of euro)	At December 31, 2007	Increases	(Utilizations)	Change in scope of consolidation	At December 31, 2008
<b>Provision for bad debts . . . . .</b>	<b>279,525</b>	<b>51,914</b>	<b>(14,665)</b>	<b>—</b>	<b>316,774</b>

In order to guarantee the obligations assumed by the parent as a consequence of loans disbursed under the Credit Facility Agreement on August 11, 2005, for which further details may be found in note 17, 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 respective collateral contract and in favor of the subscribers to the Second Lien Notes issued by the associate Wind Finance SL SA on September 29, 2005.

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**11. CURRENT TAX ASSETS**

The balance on this item of €21,333 thousand at December 31, 2008 (€21,351 thousand at December 31, 2007) mostly regards receivables for withholding tax on interest income. Advance payments of IRAP tax made during the year are classified as a deduction from tax payables.

**12. OTHER RECEIVABLES**

The following table sets out details of “*Other receivables*” at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Trade prepayments . . . . .	170,548	150,771
Other receivables due from third parties . . . . .	18,884	44,092
Tax receivables . . . . .	26,584	29,316
Advances to suppliers . . . . .	38,044	24,474
Other receivables due from parent companies . . . . .	9,956	2,628
Other receivables due from related parties . . . . .	1,275	—
Other receivables due from associates . . . . .	11	—
(Provision for bad debts) . . . . .	(11,863)	(12,410)
<b>Total</b> . . . . .	<b><u>253,439</u></b>	<b><u>238,871</u></b>

The following table provides an analysis of other receivables and the respective provision for bad debts by due date at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008		At December 31, 2007	
	Gross balance	(Provision)	Gross balance	(Provision)
—unexpired . . . . .	253,280	(7,683)	242,273	(8,479)
—expired from:				
—0-30 days . . . . .	40	—	1,108	—
—31-120 days . . . . .	2,129	—	1,774	—
—121-150 days . . . . .	174	—	287	—
—beyond 150 days . . . . .	9,679	(4,180)	5,839	(3,931)
<b>Total</b> . . . . .	<b><u>265,302</u></b>	<b><u>(11,863)</u></b>	<b><u>251,281</u></b>	<b><u>(12,410)</u></b>

The following table provides an analysis of other receivables at December 31, 2008 and 2007, net of the provision for bad debts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	At December 31, 2008	At December 31, 2007
—within 12 months . . . . .	253,439	235,384
—after 12 months . . . . .	—	3,487
<b>Total</b> . . . . .	<b><u>253,439</u></b>	<b><u>238,871</u></b>

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**12. OTHER RECEIVABLES—(continued)**

“*Trade prepayments*” relate mainly to lease installments for telephone network circuits, civil and technical sites, commissioning costs and installments for the use of the radio mobile network infrastructure.

The decrease in “*Other receivables due from third parties*” at December 31, 2008 compared to December 31, 2007 is due to the collection in December 2008 of the receivable arising from the request for a refund of the Turnover Contribution of €24,315 thousand paid by the former Infostrada SpA under Law no. 448 of December 23, 1998. Further details about this matter may be found in the Report on Operations.

The following table provides an analysis of “*Tax receivables*” at December 31, 2008 and 2007.

<u>(thousands of euro)</u>	<u>At December 31, 2008</u>	<u>At December 31, 2007</u>
VAT .....	22,413	25,249
Other tax receivables .....	4,171	4,067
<b>Total</b> .....	<b><u>26,584</u></b>	<b><u>29,316</u></b>

The decrease of €2,732 thousand relates mainly to the lower VAT receivable accrued during the year.

The following table sets out changes in the provision for bad debts for other receivables for the year ended December 31, 2008. This table refers solely to receivables which are due for payment after 12 months.

<u>(thousands of euro)</u>	<u>At December 31, 2007</u>	<u>Increases</u>	<u>(Utilizations)</u>	<u>At December 31, 2008</u>
<b>Provision for bad debts</b> .....	<b><u>12,410</u></b>	<b><u>270</u></b>	<b><u>(817)</u></b>	<b><u>11,863</u></b>

**13. CASH AND CASH EQUIVALENTS**

The following table sets out an analysis of “*Cash and cash equivalents*” at December 31, 2008 and 2007.

<u>(thousands of euro)</u>	<u>At December 31, 2008</u>	<u>At December 31, 2007</u>
Bank deposits and checks .....	378,503	194,786
Cash on hand and stamps .....	204	82
<b>Total</b> .....	<b><u>378,707</u></b>	<b><u>194,868</u></b>

The level of cash and cash equivalents is the consequence of the surplus cash generated by operations. Changes occurred mostly as the effect of cash flows arising from ordinary settlements of a financial nature. Further details may be found in note 41 to the cash flow statement.

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**14. NON-CURRENT ASSETS HELD FOR SALE**

This item, which at December 31, 2007 consisted of the investment in the former subsidiary WPH, has a nil balance at December 31, 2008 following the sale of the remaining investment in that company. Further details may be found in note 4.

**15. EQUITY**

The following table provides details of the changes in “Equity” during the years ended December 31, 2008 and 2007.

(thousands of euro)	Equity attributable to equityholders of the parent				Equity attributable to equityholders of the parent	Minority interests	Equity
	Issued capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances at January 1, 2007 . . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
Allocation of loss for 2006 . . . . .		(436,275)		436,275	—		—
WPH deconsolidation . . . . .			—		—	(9,180)	(9,180)
Cash flow hedges . . . . .			18,285		18,285		18,285
Other changes . . . . .			8,126	162	8,288	66	8,354
Profit for the year . . . . .				198,437	198,437	(7,927)	190,510
<b>Balances at December 31, 2007 . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>
Allocation of loss for 2007 . . . . .		(316,006)		316,006	—		—
Cash flow hedge . . . . .			(184,794)		(184,794)		(184,794)
Other changes . . . . .		(15,000)	6,874	7	(8,119)	(2)	(8,121)
Profit for the year . . . . .				385,406	385,406	381	385,787
<b>Balances at December 31, 2008 . .</b>	<b>147,100</b>	<b>3,001,055</b>	<b>(52,636)</b>	<b>1,185,160</b>	<b>4,280,679</b>	<b>1,087</b>	<b>4,281,766</b>

The share capital of the parent Wind Telecomunicazioni SpA at December 31, 2007 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.

Changes in equity attributable to equity holders of the parent during the year ended December 31, 2008 were due mainly to the following resolutions adopted by corporate bodies:

- in their general meeting of April 7, 2008, the shareholders of the Parent, in ordinary session, approved the financial statements at December 31, 2007 and, at the same time approved the coverage of accumulated losses of €316,006,168.55 through the use of the share premium reserve;

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**15. EQUITY—(continued)**

- in its meeting of June 24, 2008, the Parent's Board of Directors adopted a resolution to carry out a reclassification to other reserves of the unavailable portion of €15,000 thousand of the share premium reserve whose use is restricted by laws and regulations applicable to public co-financing.

The following also led to changes in equity:

- the decrease in the cash flow hedge reserve as the combined effect of the change in the fair value of derivative financial instruments considered effective for hedging cash flows and reclassifications of balances to the income statement as described in further detail in note 18;
- the release to income of €8,126 thousand of the reserve established in prior years representing the cost of the stock option plans reserved for certain managers and employees of the Group, for which details may be found in the section *Share-based payments*.

Profit for the year attributable to equity holders of the parent totaled €385,406 thousand.

The following table provides a summary of income and expense recognized directly in equity.

(thousands of euro)	Reserves	Reserves Tax effect	Total
<b>Balances at January 1, 2007</b> . . . . .	<b>147,657</b>	<b>(48,784)</b>	<b>98,873</b>
Cash flow hedges . . . . .	13,940	4,345	18,285
<b>Balances at December 31, 2007</b> . . . . .	<b>161,597</b>	<b>(44,439)</b>	<b>117,158</b>
Cash flow hedges . . . . .	(254,889)	70,095	(184,794)
<b>Balances at December 31, 2008</b> . . . . .	<b>(93,292)</b>	<b>25,656</b>	<b>(67,636)</b>

***Share-based payments***

On June 30, 2006, the Board of Directors of the indirect parent Weather Investments SpA approved a stock option plan, with a total duration of 5 years, that awards a number of Group employees the right to acquire a specified number of ordinary shares of Wind Acquisition Holdings Finance SpA or Wind Telecomunicazioni SpA.

The options granted have a vesting period split into three tranches of equal value and may be exercised every year from June 30, 2008 until June 30, 2011, subject to a public offering for sale and subscription and the consequent listing of the shares of one of these companies on the electronic stock exchange organized and managed by Borsa Italiana SpA or on a foreign stock exchange. The exercising of the options is additionally subject to a number of restrictions on the duration of the employment relationship and to achieving certain professional performance objectives.

The rights vest from the grant date and may be exercised for a one-year period in the following three tranches: June 30, 2008, June 30, 2009 and June 30, 2010. All three tranches are subject to the possible listing as described above and each is valid for a period of 12 months.

As an alternative to the stock option plan, the Board of Directors of the parent Weather Investments SpA approved a long-term incentive plan that becomes effective only if none of the shares of the above companies is listed within the vesting period of the options granted. This incentive plan

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**15. EQUITY—(continued)**

quantifies the benefits pertaining to each employee under a method aimed at remunerating the creation of value during the period in which the stock option plan of the Wind Group is valid, which is proportionally linked to growth as measured by EBITDA and the reduction of debt.

In this respect, as no listing had yet occurred, the first tranche of the long-term incentive program replacing the stock option plan was disbursed on June 30, 2008. No steps had yet been taken at the date of these consolidated financial statements towards obtaining a public listing of either the Parent or Wind Acquisition Holdings Finance SpA, nor is a listing by June 30, 2010 considered probable; as a result, a valuation has been made of the effects of the second and third tranches of the long-term incentive program replacing the stock option plan, and the reserve of €8,126 thousand established in prior years in connection with the stock option plan has been released to income statement.

A total of 1,376,160 options were granted at the date the plan became effective, representing a total of approximately 3% of the economic capital of Wind Telecomunicazioni SpA or, alternatively, Wind Acquisition Holdings Finance SpA, at a strike price of €73.85.

The following table sets out the changes during the year in the options granted by individual tranche.

<b>Stock option plan 2006</b>	<b>Outstanding at 01/01/2008</b>	<b>Granted</b>	<b>Expired</b>	<b>Forfeited</b>	<b>Exercised</b>	<b>Outstanding at 12/31/2008</b>	<b>Exercisable at 12/31/2008</b>
Tranche 1 . . . . .	442,902		(427,084)	(15,818)		0	
Tranche 2 . . . . .	442,902			(31,636)		411,266	
Tranche 3 . . . . .	442,902			(31,636)		411,266	
	<b><u>1,328,706</u></b>		<b><u>(427,084)</u></b>	<b><u>(79,090)</u></b>		<b><u>822,532</u></b>	

The table below sets out the residual term of these at December 31, 2008 and the respective fair values at the grant date.

	<b>Options granted</b>	<b>End of vesting period</b>	<b>Fair value at grant date (euro)</b>
<b>Stock option plan 2006</b>			
Tranche 2 . . . . .	411,266	June 2009	13.95
Tranche 3 . . . . .	411,266	June 2010	14.23
	<b><u>822,532</u></b>		



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**15. EQUITY—(continued)**

A Black-Scholes pricing model is used to calculate the fair value of the options and the related cost. The assumptions used for this model are as follows.

	Value of shares (euros)	Option term	Strike price (euros)	Inherent volatility	Expected dividends	Risk-free interest rate
<b>Stock option plan 2006</b>						
Tranche 1 .....	82.79	3 years	73.85	22.42%	5.07%	3.90%
Tranche 2 .....	82.79	4 years	73.85	22.42%	5.07%	3.91%
Tranche 3 .....	82.79	5 years	73.85	22.42%	5.07%	3.93%

**16. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to the equity holders 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, 2008 or December 31, 2007.

The data underlying the calculation are as follows.

<u>(thousands of euro)</u>	<u>At December 31, 2008</u>	<u>At December 31, 2007</u>
Profit from continuing operations .....	391,357	53,526
Profit/(loss) from discontinued operations .....	(5,570)	136,984
Weighted average number of shares .....	146,100,000	146,100,000
Earnings per share from continuing operations—basic and diluted (in Euro) .....	2.68	0.37
Earnings per share from discontinued operations—basic and diluted (in Euro) .....	(0.04)	0.94

**17. FINANCIAL LIABILITIES**

The following table sets out an analysis of “*Financial liabilities*” at December 31, 2008 and 2007.

<u>(thousands of euro)</u>	<u>At December 31, 2008</u>			<u>At December 31, 2007</u>		
	<u>Non-current</u>	<u>Current</u>	<u>Total</u>	<u>Non-current</u>	<u>Current</u>	<u>Total</u>
Bonds .....	1,413,843	11,506	<b>1,425,349</b>	1,388,190	11,285	<b>1,399,475</b>
Bank loans .....	4,829,530	95,447	<b>4,924,977</b>	5,210,212	110,923	<b>5,321,135</b>
Loans from others .....	—	9,675	<b>9,675</b>	—	—	<b>—</b>
Derivative financial instruments ..	159,617	19,963	<b>179,580</b>	128,149	—	<b>128,149</b>
<b>Total .....</b>	<b>6,402,990</b>	<b>136,591</b>	<b>6,539,581</b>	<b>6,726,551</b>	<b>122,208</b>	<b>6,848,759</b>

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**17. FINANCIAL LIABILITIES—(continued)**

The following table sets out an analysis of “*Financial liabilities*” at December, 2008 and 2007 by due date.

(thousands of euro)	At December 31, 2008				At December 31, 2007			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds . . . . .	11,506	—	1,413,843	<b>1,425,349</b>	11,285	—	1,388,190	<b>1,399,475</b>
Bank loans . . . . .	95,447	2,659,658	2,169,872	<b>4,924,977</b>	110,923	1,555,178	3,655,034	<b>5,321,135</b>
Loans from others . . . . .	9,675	—	—	<b>9,675</b>	—	—	—	—
Derivative financial instruments . . . . .	19,963	87,161	72,456	<b>179,580</b>	—	7,442	120,707	<b>128,149</b>
<b>Total . . . . .</b>	<b>136,591</b>	<b>2,746,819</b>	<b>3,656,171</b>	<b>6,539,581</b>	<b>122,208</b>	<b>1,562,621</b>	<b>5,163,930</b>	<b>6,848,759</b>

The following table provides an analysis of “*Financial liabilities*”, excluding derivative financial instruments, by currency and effective interest rate.

(thousands of euro)	At December 31, 2008					Total
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	
Euro . . . . .	10,067	1,180,002	3,081,383	820,749	558,159	5,650,360
US dollars . . . . .	—	107,894	114,251	487,497	—	709,641
<b>Total . . . . .</b>	<b>10,067</b>	<b>1,287,896</b>	<b>3,195,635</b>	<b>1,308,245</b>	<b>558,159</b>	<b>6,360,001</b>

The following table provides a comparison between the carrying amount and fair value of non-current “*Financial liabilities*” at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008		At December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds . . . . .	1,413,843	1,140,820	1,388,190	1,448,369
Amounts due to banks . . . . .	4,829,530	4,694,711	5,210,212	5,209,524
Derivative financial instruments . . . . .	159,617	159,617	128,149	128,149
<b>Total . . . . .</b>	<b>6,402,990</b>	<b>5,995,147</b>	<b>6,726,551</b>	<b>6,786,042</b>

The fair value is approximately the same as the carrying amount for current “*Financial liabilities*”.

Current “*Financial liabilities*” at December 31, 2008 consist exclusively of the portions of bank loans and bonds, described below, 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 respective changes are to be found in note 18.

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**17. FINANCIAL LIABILITIES—(continued)**

***Bonds***

The balance of “*Bonds*” has increased over that at December 31, 2007, principally as the result of the unfavorable change in the euro/US dollar exchange rate which has led to a rise of €25,509 thousand in The value in euros of the bonds denominated in US dollars.

The following table provides details of outstanding bonds at December 31, 2008.

<u>(thousands of euro)</u>	<u>Carrying amount</u>	<u>Nominal value</u>	<u>Issue price</u>	<u>Currency</u>	<u>Due date</u>	<u>Interest rate</u>	<u>Price</u>
<b>Bonds</b>							
Senior Notes . . . . .	820,749	825,000	100.0%	EUR	12/01/2015	9.75%	80.00%
Senior Notes . . . . .	357,376	359,273	100.0%	USD	12/01/2015	10.75%	84.00%
Senior Notes . . . . .	132,974	125,000	106.0%	EUR	12/01/2015	9.75%	80.00%
Senior Notes . . . . .	114,251	107,782	105.5%	USD	12/01/2015	10.75%	84.00%
<b>Total . . . . .</b>	<b><u>1,425,349</u></b>	<b><u>1,417,055</u></b>					

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 €554,885 thousand, which at December 31, 2008 had a negative fair value of €29,002 thousand.

***Bank loans***

Bank loans at December 31, 2008 may be analyzed as follows.

<u>(thousands of euro)</u>	<u>Carrying amount at December 31, 2008</u>	<u>Carrying amount at December 31, 2007</u>	<u>Nominal value at December 31, 2008</u>	<u>Residual Commitment</u>	<u>Currency</u>	<u>Due date</u>	<u>Interest rate</u>
<b>Amounts due to banks</b>							
<i>Senior Credit Agreement</i>							
—Tranche A1 . . . .	1,180,002	1,416,897	1,166,810	1,166,810	EUR	05/26/2012	Euribor+1.875%
—Tranche A2 . . . .	—	164,275	—	—	EUR	12/31/2010	Euribor+1.875%
—Tranche B1 . . . .	1,485,259	1,478,439	1,475,797	1,475,797	EUR	05/26/2013	Euribor+2.625%
—Tranche B2 . . . .	53,931	51,048	53,891	53,891	USD	05/26/2013	Libor+2.625%
—Tranche C1 . . . .	1,463,151	1,479,995	1,475,797	1,475,797	EUR	05/26/2014	Euribor+3.375%
—Tranche C2 . . . .	53,963	51,099	53,891	53,891	USD	05/26/2014	Libor+3.375%
Revolving . . . . .	392	394	—	400,000	EUR	05/26/2012	Euribor+1.875%
<i>Second Lien</i>							
—Tranche Euro . .	558,159	555,780	551,913	551,913	EUR	11/26/2014	Euribor+6.250%
—Tranche USD . .	130,121	123,209	129,338	129,338	USD	11/26/2014	Libor+6.250%
<b>Total . . . . .</b>	<b><u>4,924,977</u></b>	<b><u>5,321,135</u></b>	<b><u>4,907,437</u></b>	<b><u>5,307,437</u></b>			

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**17. FINANCIAL LIABILITIES—(continued)**

The Senior Credit Agreement which was disbursed by a pool of banks on August 11, 2005 to the Parent Wind Telecomunicazioni SpA simultaneous with the change in the company's shareholding structure, consists of several tranches, each one characterized by specific repayment schedules and interest rates which may be reviewed on the basis of the performance of certain predetermined income statement and balance sheet ratios. In addition a commission of 0.75% per annum is payable on the unused amount of the total credit facility.

The main features of the individual tranches are as follows:

- tranche A1 requires repayments to be made on an increasing basis from June 30, 2007 to May 26, 2012. Interest which was originally payable at Euribor plus a spread of 212.5 basis points fell to 187.5 basis points from January 2008 and will fall further to 162.5 basis points during 2009. An amount of €248 million was paid in advance on October 22, 2008 to which the amounts paid in advance of €491 million in 2007, of €728 million in 2006 and €290 million in 2005 should be added. As a result of these early repayments, the next due date for a principal capital repayment relating to this tranche is June 2011. The maximum amount of the facility of €1,167 million was fully in use at December 31, 2008 (€1,415 million at December 31, 2007);
- tranche A2, originally used as a signature loan following the repayment on November 30, 2005 of the sum due to the Ministry of the Economy and Finance arising from the purchase of the UMTS license and, on December 30, 2005, of the sum due to the Italian State Railways, was used for cash purposes until October 22, 2008, when it was fully repaid in advance in the amount of €164 million. Tranche A2 required repayments to be made on an increasing basis from December 31, 2005 to December 31, 2010. An amount of €219 million was paid in advance on June 1, 2006; as a result of this early repayment the first due date for the repayment of the principal capital portion was scheduled for December 2009. In December 2007, interest was payable at Euribor plus a spread of 212.5 basis points; this fell to Euribor plus 187.5 basis points in January 2008;
- tranche B1 is repayable in a single lump sum on May 26, 2013. Interest is payable at Euribor plus a spread of 262.5 basis points (287.5 basis points until March 2007) and will fall further to 237.5 basis points during 2009. The maximum amount of the facility of €1,476 million was fully used at December 31, 2008 (€1,476 million at December 31, 2007);
- tranche B2, denominated in US dollars, is repayable in a single lump sum on May 26, 2013. Interest is payable at Libor plus a spread of 262.5 basis points (287.5 basis points until March 2007) and will fall further to 237.5 basis points during 2009. The maximum amount of the facility of US\$ 75 million was fully used at December 31, 2008 (US\$ 75 million at December 31, 2007);
- tranche C1 is repayable in a single lump sum on May 26, 2014. Interest is payable at Euribor plus a spread of 337.5 basis points. The maximum amount of the facility of €1,476 million was fully used at December 31, 2008 (€1,476 million at December 31, 2007);
- tranche C2, denominated in US dollars, is repayable in a single lump sum on May 26, 2014. Interest is payable at Libor plus a spread of 337.5 basis points. The maximum amount of the

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**17. FINANCIAL LIABILITIES—(continued)**

facility of US\$ 75 million, was fully used at December 31, 2008 (US\$ 75 million at December 31, 2007);

- a revolving tranche having final repayment on May 26, 2012. This may be used either as a cash loan or a signature loan. If used as a cash loan, interest was originally payable at Euribor plus a spread of 212.5 basis points, which fell to 187.5 basis points in January 2008. The maximum amount of the facility of €400 million is wholly unused and therefore fully available.

The Second Lien Subscription Agreement which was disbursed on September 29, 2005 through Wind Finance SL SA, is partly denominated in euros and partly in US dollars; repayment is due in a lump sum on November 26, 2014. Interest is payable at Euribor for the part in euros and at Libor for the part in US dollars in both cases plus a spread of 625 basis points. The maximum nominal amount which may be drawn, which at December 31, 2008 was wholly unused, is €551,913 thousand and US\$180,000 thousand.

In order to reduce the bank loan exposure to interest rate and currency risks the Group has set up the following arrangements qualifying as hedges:

- as concerns interest rate risk, for a notional amount of €4,975,000 thousand, which at December 31, 2008 had a negative fair value of €87,816 thousand, including transactions with a forward start date. The hedge continues until September 22, 2014 and consists of plain vanilla interest rate swap agreements and plain vanilla forward start interest rate swap agreements;
- as concerns currency and interest rate risk, cross currency swap agreements for the tranches of the loans denominated in US dollars, having a notional amount of €271,070 thousand at December 31, 2008 and a negative fair value at that date of €35,083 thousand. The hedging transactions have a term equal to that of the respective tranches.

***Loans from others***

This item, amounting to €9,675 thousand at December 31, 2008, relates to payables to other financial institutions in respect of short-term advances.

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**18. DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides details of the outstanding derivative financial instruments at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008		At December 31, 2007	
	Fair value (+)	Fair value (–)	Fair value (+)	Fair value (–)
<b>Derivative financial instruments</b>				
—Currency risk . . . . .	—	64,099	—	128,149
—Interest rate risk . . . . .	27,665	115,481	172,117	—
<b>Total cash flow hedges . . . . .</b>	<b>27,665</b>	<b>179,580</b>	<b>172,117</b>	<b>128,149</b>
Non-hedge accounting derivatives . . . . .	57,761	—	34,688	—
<b>Total non-hedge accounting derivatives . . . . .</b>	<b>57,761</b>	<b>—</b>	<b>34,688</b>	<b>—</b>
—Current . . . . .	25,725	19,963	3,183	—
—Non-current . . . . .	59,701	159,617	203,622	128,149
<b>Total . . . . .</b>	<b>85,426</b>	<b>179,580</b>	<b>206,805</b>	<b>128,149</b>

Changes in the cash flow hedge reserve for the year were as follows:

(thousands of euro)	Interest rate risk	Currency risk	Total
<b>Cash flow hedge reserve</b>			
<b>At December 31, 2007 . . . . .</b>	<b>108,944</b>	<b>8,214</b>	<b>117,158</b>
Changes in fair value . . . . .	(176,466)	61,495	(114,970)
Tax effect . . . . .	48,528	(16,911)	31,617
Reclassification to income statement . . . . .	(74,821)	(65,097)	(139,919)
Tax effect . . . . .	20,576	17,902	38,478
<b>At December 31, 2008 . . . . .</b>	<b>(73,239)</b>	<b>5,602</b>	<b>(67,636)</b>

The fair value of financial instruments listed on active markets was determined as the market quotation at the balance sheet 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, 2008:

- cross currency swaps hedging the interest rate and currency risks relating to the tranches of bank loans and bonds denominated in US dollars, for which reference should be made to note 17, having a notional amount of €825,954 thousand (€825,954 thousand at December 31, 2007) and a negative fair value of €64,085 thousand (negative fair value of €128,149 thousand at December 31, 2007);
- plain vanilla interest rate swaps and plain vanilla forward start interest rate swaps hedging the interest rate risk of bank loans, having a notional amount of €4,975,000 thousand (€4,875,000 thousand at December 31, 2007) and a positive fair value of €27,665 thousand and a negative fair value of €115,481 thousand, respectively (a positive fair value of €172,117 thousand at December 31, 2007);



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**18. DERIVATIVE FINANCIAL INSTRUMENTS—(continued)**

- embedded derivatives of €43,184 thousand (€34,688 thousand at December 31, 2007) relating to the fair value of the early repayment options provided for on issue of the Senior Notes, for which details may be found in note 2.5.

Derivative financial instruments additionally include the fair value of the put option on the shares of Hellas Telecommunications I Sàrl which had a positive balance of €14,577 thousand at December 31, 2008; further details of this may be found in note 4.

**19. EMPLOYEE BENEFITS**

The following table sets out the changes in “*Employee benefits*” at December 31, 2008.

(thousands of euro)	At December 31, 2007	Change in scope of consolidation	Accrual	(Utilization)	Other changes	At December 31, 2008
Employees’ leaving entitlement (TFR) . . . . .	64,073	—	21,556	(5,168)	(17,892)	62,569

Other changes during the year consist mostly of the transfer of the employees’ leaving entitlement accrued during the year to complementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€16,472 thousand).

The main actuarial assumptions underlying the calculation of the employees’ leaving entitlement are the following.

Year	Average inflation rate	Discount rate	Increase in wages and salaries	Employee turnover rate
2005 . . . . .	2.00%	4.00%	2.00%-4.00%	2.00%
2006 . . . . .	2.00%	4.25%	2.00%-4.00%	4.00%
2007 . . . . .	2.00%	4.60%	N/A	4.00%
2008 . . . . .	2.20%	4.80%	N/A	4.00%

The effects recognized in the income statement are as follows.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Current service costs . . . . .	24,400	17,740
Curtailment income . . . . .	—	(6,315)
Financial expense . . . . .	(2,844)	2,710
<b>Total</b> . . . . .	<b>21,556</b>	<b>14,136</b>
Actual return on plan assets . . . . .	N/A	N/A

In 2007 the line “curtailment” related to the effects of the introduction of Law no. 296 of December 27, 2006, the “2007 Finance Act”, and subsequent decrees and regulations which, in addition to reducing the period costs of servicing the plan, led to the recognition of income of €6,315 thousand as the difference arising on the new calculation (discounting excluding the component relating to future salary and wages increases) of the liability accrued to the date on which employees subscribed to funds envisaged by the law.

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**20. PROVISIONS**

The following table sets out changes in “*Provisions*” during the year ended December 31, 2008.

(thousands of euro)	At December 31, 2007	Change in the scope of consolidation	Increases	(Decreases)	At December 31, 2008
Litigation . . . . .	19,077		6,670	(4,169)	21,578
Restructuring . . . . .	38,848		—	(18,991)	19,857
Universal service contribution as per Presidential Decree no. 318 of September 19, 1997 . . . . .	47,292		8,582	(5,970)	49,904
Product assistance . . . . .	1,221		934	(285)	1,870
Dismantling and removal . . . . .	4,260		273	(12)	4,521
Other provisions . . . . .	66,276		27,461	(25,288)	68,449
<b>Total . . . . .</b>	<b><u>176,974</u></b>		<b><u>43,920</u></b>	<b><u>(54,715)</u></b>	<b><u>166,179</u></b>

**Litigation**

Group companies are currently involved in certain legal proceedings for which details may be found in the Report on Operations. 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.

**Restructuring**

The provision includes the costs which the Parent expects to incur in future years from implementing the business restructuring and reorganization program begun in 2006 and extended in 2007 in connection with the internal reorganization project, whose aim is to achieve higher levels of efficiency and effectiveness by changing the territorial balance of certain functions typically belonging to headquarters. The utilization of the restructuring provision in the amount of €18,991 thousand is entirely due to leaving incentives and personnel-related costs. In this respect, utilizations of €1,617 thousand in the year ended December 31, 2008 relate to personnel outplacement costs.

**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. For 2008, as in the years 2004 to 2007, the contribution has been estimated on the basis of the best information available at the date of the calculation, pending the determination by the Communications Regulator of the actual amount to be paid by the Parent. When this occurs the Regulator will indicate the net cost of the universal service and how the net cost is to be shared among the various operators. The portion of the estimated cost relating to 2003 amounting to €5,970 thousand was utilized during the year as a result of AGCOM resolution no. 28/07/CIR of February 28, 2007.

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**20. PROVISIONS—(continued)**

**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. The balance of €68,449 thousand includes €23,802 thousand accrued in 2008 relating to the long-term retention and incentive management compensation plan, for which further details may be found in note 15. Changes in the year relate to the payment of the first tranche in July 2008 and to the amounts accrued during the year that will be paid in the future.

In addition, the item includes an amount of €20,322 thousand for liabilities for termination benefits arising from agency contracts in existence at the balance sheet date.

**21. OTHER LIABILITIES**

“*Other non-current liabilities*” at December 31, 2008 and 2007 amount to €7,320 thousand and €7,536 thousand, respectively, and relate to deferred income on long-term commercial contracts.

**22. TRADE PAYABLES**

The following table provides details of “*Trade payables*” at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Due to telephone operators . . . . .	544,279	556,286
Due to agents . . . . .	38,693	40,948
Due to authorized dealers . . . . .	22,495	24,123
Due to parents . . . . .	2,690	4,000
Due to associates . . . . .	8	8
Due to related companies . . . . .	7,967	16,662
Construction contracts . . . . .	283	—
Other trade payables . . . . .	1,057,063	1,078,561
<b>Total . . . . .</b>	<b><u>1,673,478</u></b>	<b><u>1,720,588</u></b>

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 parents of €2,690 thousand are the consequence of the agreement between the Weather Investments SpA and the Parent relating to the provision of services for which further details may be found in note 39. 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, 2008	At December 31, 2007
—within 12 months . . . . .	1,673,466	1,720,588
—after 12 months . . . . .	12	—
<b>Total . . . . .</b>	<b><u>1,673,478</u></b>	<b><u>1,720,588</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF  
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**23. OTHER PAYABLES**

The following table provides an analysis of “*Other payables*” at December 31, 2008 and 2007.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Payables to social security organizations . . . . .	31,436	29,831
Tax payables . . . . .	24,143	32,825
Payables to personnel . . . . .	56,209	53,318
Payables to government bodies:		
—grants . . . . .	24,277	24,055
—deregulation of frequency bands . . . . .	—	645
Other amounts payable to parents . . . . .	53,551	41,022
Prepaid traffic to be used . . . . .	199,316	188,870
Deferred income . . . . .	19,574	26,553
Other payables . . . . .	67,569	29,525
<b>Total . . . . .</b>	<b><u>476,075</u></b>	<b><u>426,644</u></b>

The following table provides an analysis by due date.

(thousands of euro)	At December 31, 2008	At December 31, 2007
—within 12 months . . . . .	476,075	426,644
—after 12 months . . . . .	—	—
<b>Total . . . . .</b>	<b><u>476,075</u></b>	<b><u>426,644</u></b>

“*Payables to social security organizations*” relate principally to the employer’s and employee’s 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 accrued but have not yet been taken). This item also includes the amounts payable to the Italian social security organization INPS for the amounts of accrued employees’ leaving entitlement (TFR) yet to be paid over for which employees had elected for 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, 2008 and 2007.

(thousands of euro)	At December 31, 2008	At December 31, 2007
Government license fee . . . . .	13,286	21,581
Withholding tax . . . . .	10,208	10,650
Other . . . . .	649	594
<b>Total . . . . .</b>	<b><u>24,143</u></b>	<b><u>32,825</u></b>

“*Payables to personnel*” consist mostly of liabilities for accrued vacation and other permitted leaves still to be taken at the end of the year.

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**23. OTHER PAYABLES—(continued)**

*“Payables to government bodies for grants”* represent amounts due for licenses and concessions provided by the respective bodies.

*“Payables to government bodies for the deregulation of frequency bands”*, which shows a zero balance at December 31, 2008, represented at December 31, 2007, the residual balance due to the Ministry for Defense for the deregulation of frequency bands used to provide SCS 1800 radio mobile services. This amount originated as a consequence of the obligation towards the Ministry arising from its need to cover the “cost of the deregulation of frequency bands” pursuant to Ministerial Decree no. 113 of March 25, 1998—“Rules to cover charges incurred by the Ministry for Defense as a result of the modification of the national frequency allocation plan”.

An amount of €53,339 thousand of *“Other amounts payable to parents”* refers to the transfer of tax payables (IRES) from the subsidiaries Enel.Net Srl, ItaliaOnLine Srl and ITnet Srl, as a consequence of the adoption to the national tax consolidation of the indirect parent Weather Investments SpA.

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

*“Deferred income”* refers to income for billings made contractually in advance in prior years and in 2008 for lease and installation fees relating to the utilization of broadband capacity (‘initial capacity’), which will be recognized in later periods.

*“Other payables”* consist of amounts due to supplementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers.

**24. TAX PAYABLES**

The balances at December 31, 2008 and 2007 of €6,871 thousand and €11,173 thousand, respectively, represent the amounts due for income tax for the year (IRAP) of the Parent, net of advance payments for the corresponding tax periods.

The taxable income (IRES) of subsidiaries is included in the national tax consolidation computation performed by Weather Investments SpA with the consequence that any receivables and payables are classified in amounts payable to parents.

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**25. REVENUE**

The following table provides an analysis of “Revenue” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008	2007	Change	
	12 months	12 months	Amount	%
<b>Revenue from sales</b> . . . . .	<b>100,604</b>	<b>106,480</b>	<b>(5,876)</b>	<b>(5.5)%</b>
<b>Revenue from services</b>				
—Telephone services . . . . .	3,767,354	3,571,024	196,330	5.5%
—Interconnection traffic . . . . .	1,265,100	1,285,311	(20,211)	(1.6)%
—International roaming . . . . .	84,792	84,639	153	0.2%
—Judicial authority services . . . . .	9,469	7,443	2,026	27.2%
—Other revenue from services . . . . .	99,917	83,821	16,096	19.2%
<b>Total revenue from services</b> . . . . .	<b>5,226,632</b>	<b>5,032,238</b>	<b>194,394</b>	<b>3.9%</b>
<b>Total</b> . . . . .	<b>5,327,236</b>	<b>5,138,718</b>	<b>188,518</b>	<b>3.7%</b>

“Revenue” has increased by €188,518 thousand over the previous year. This positive trend was mainly driven by a €196,330 thousand increase in revenue from telephone services in both the mobile and fixed-line sectors. Mobile revenue rose for both voice and data services as a consequence of growth in the customer base, which was led by the consumer segment. The rise in fixed-line revenue is likewise the result of growth in the customer base which, as a consequence of tariff policies, resulted in an increase in revenue from fixed charges and contributions in both voice and internet and data services.

“Other revenue from services” shows an increase of +19.2%, mainly due to the increase in the sale of advertising space on the Libero portal as a consequence of growth in the market and new agreements with commercial partners.

The above increases were partially offset by a decrease in revenue from interconnection traffic (–1.6% over 2007), due mainly to lower termination revenue from the mobile network caused by the reduction in unit charges, which was only partially offset by an increase in incoming fixed traffic and wholesale interconnection traffic volumes.

**26. OTHER REVENUE**

“Other revenue” amounts in total to €192,127 thousand for the year ended December 31, 2008 (€131,869 thousand for the year ended December 31, 2007) and refers principally to prior year income and the revision of estimates made in previous years. The following amounts made the greatest contribution to the increase in the total:

- settlement of commercial disputes relating to previous years for an amount of €76,424 thousand;
- an amount of €12,335 thousand arising from the reformulation of termination tariffs with effect from July 1, 2007, as the result of the AGCOM resolution of May 14, 2008 which determined tariffs higher than those actually charged starting from the second half of 2007 (further details may be found in the Report on Operations);



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**26. OTHER REVENUE—(continued)**

The figures for the year ended December 31, 2007 included the following non-recurring items:

- €19,450 thousand arising from the sale to Terna SpA on March 29, 2007 of the exclusive right to use a fiber optic couple owned by the Group and having a length of approximately 11,000 km throughout the whole of Italy;
- €15,371 thousand deriving from an application made for the refund of withholding tax on interest paid by the Parent to the associates Wind Finance SL SA and Wind Acquisition Finance SA, following the satisfaction by the Parent of the requirement to hold the voting rights for an uninterrupted period of at least one year pursuant to the Circular of the Tax Revenue Office of November 2, 2005, no. 47/E, paragraph 2.2.1.

**27. PURCHASES AND SERVICES**

The following table provides an analysis of “*Purchases and services*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008	2007	Change	
	12 months	12 months	Amount	%
Interconnection traffic . . . . .	1,279,219	1,336,544	(57,325)	(4.3)%
Customer acquisition costs . . . . .	302,562	290,689	11,873	4.1%
Lease of civil and technical sites . . . . .	217,302	200,760	16,542	8.2%
Purchases of raw materials, consumables, supplies and goods . . . . .	176,891	184,541	(7,650)	(4.1)%
Lease of telecommunication circuits . . . . .	85,289	96,379	(11,090)	(11.5)%
Advertising and promotional services . . . . .	178,880	172,093	6,787	3.9%
Outsourced services . . . . .	140,496	120,158	20,338	16.9%
Other services . . . . .	111,937	94,430	17,507	18.5%
Lease of local access network . . . . .	234,174	192,484	41,690	21.7%
Maintenance and repair . . . . .	111,170	99,205	11,965	12.1%
Utilities . . . . .	73,404	63,468	9,936	15.7%
National and international roaming . . . . .	30,660	34,845	(4,185)	(12.0)%
Consultancies and professional services . . . . .	39,124	41,155	(2,031)	(4.9)%
Change in inventories . . . . .	6,879	3,289	3,590	109.2%
Other leases and use of third party assets . . . . .	25,041	24,120	921	3.8%
Bank and postal charges . . . . .	18,034	18,440	(406)	(2.2)%
Transport and logistics . . . . .	13,966	13,623	343	2.5%
<b>Total purchases and services . . . . .</b>	<b>3,045,028</b>	<b>2,986,223</b>	<b>58,805</b>	<b>2.0%</b>

The rise in the figure for purchases and services of €58,805 thousand over 2007 is mainly due to the following increases:

- an increase of €41,690 thousand in “Lease of local access network” costs in 2008 as the consequence of an increase in the LLU customer base and the introduction in March 2008 of the Wholesale Line Rental (WLR) service which enables a customer to use Infostrada as the sole operator also for calls outside the direct coverage area;

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**27. PURCHASES AND SERVICES—(continued)**

- an increase of €20,338 thousand in costs for “Outsourced services” in 2008 mainly due to the services provided by the Sesto San Giovanni call center, which was sold during the first quarter of 2007, and to an increase in customer care costs through call centers arising both from the increased customer base and the improvement of the service;
- costs of €16,542 thousand for the “Lease of civil and technical sites” mainly due to the increase, during the current year and prior year, in the number of pieces of equipment and technological sites, as a requirement of improving the mobile network;
- an increase of €11,873 thousand in “Customer acquisition costs” in 2008 due to the increase in the number of customers and commissions recognized during 2008 on increased traffic volumes;
- costs of €11,965 thousand for “Maintenance and repair” as the consequence of the increase in equipment and LLU sites following the investments made during the past two years.

These increases have been partially offset by the following:

- €57,325 thousand in “Interconnection traffic” costs resulting from the decrease in mobile and fixed termination tariffs and internet collection costs due to an increase in broadband traffic;
- €11,090 thousand in costs for the “Lease of telecommunication circuits” mainly as the result of a decrease in unit lease costs of certain types of circuit and the optimization and rationalization of the access and transport network;
- €4,185 thousand in costs for “National and international roaming” due to the termination of national roaming agreements and the decrease in international roaming costs, as the result of the decision taken by several operators to adopt the self-regulation code of the GSM Association; this effect was partially offset by an increase in volumes.

**28. OTHER OPERATING COSTS**

The following table provides an analysis of “*Other operating costs*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008	2007	Change	
	12 months	12 months	Amount	%
Impairment losses on trade receivables and current assets . . . . .	52,193	37,191	15,002	40.3%
Accruals for costs . . . . .	13,052	11,501	1,551	13.5%
Annual license fees . . . . .	20,915	20,193	722	3.6%
Other operating costs . . . . .	16,148	15,070	1,078	7.2%
Accruals for risks . . . . .	6,670	2,737	3,933	143.7%
Gifts . . . . .	3,561	3,442	119	3.5%
<b>Total other operating costs . . . . .</b>	<b>112,539</b>	<b>90,134</b>	<b>22,405</b>	<b>24.9%</b>

The increase shown is mostly due to the rise in impairment losses on trade receivables, affected by the higher proportion of receivables in the longer overdue bands and the increase in collection risk

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**28. OTHER OPERATING COSTS—(continued)**

due to the rise in receivables. The increase is additionally due to the increase in accruals for risks made during the year mostly for probable liabilities for which further details may be found in note 20.

**29. PERSONNEL EXPENSES**

The following table provides an analysis of “*Personnel expenses*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008 12 months	2007 12 months	Change	
			Amount	%
Wages and salaries . . . . .	275,772	292,943	(17,171)	(5.9)%
Social security charges . . . . .	79,077	80,329	(1,252)	(1.6)%
Other . . . . .	13,198	13,693	(495)	(3.6)%
Employees’ leaving entitlement . . . . .	18,711	11,019	7,692	69.8%
(Costs capitalized for internal works) . . . . .	(34,600)	(33,052)	(1,548)	4.7%
<b>Total . . . . .</b>	<b>352,158</b>	<b>364,932</b>	<b>(12,774)</b>	<b>(3.5)%</b>

This difference is principally due to a decrease in “Wages and salaries” mainly as the effect of the fall in the average number of employees as the result of the implementation of the restructuring program.

“Employees’ leaving entitlement” increased by €7,692 thousand over 2007. At December 31, 2007 the item included the positive effects of the changes to benefits payable introduced by Law no. 296 of December 27, 2006, the “2007 Finance Law”, and subsequent decrees and regulations which in addition to causing a decrease in service costs for the scheme for the period also led to the recognition of income of €6,315 thousand.

The number of employees at year end was as follows.

	At December 31, 2008	At December 31, 2007
Senior management . . . . .	147	139
Middle management . . . . .	559	548
Employees . . . . .	5,897	6,104
<b>Total . . . . .</b>	<b>6,603</b>	<b>6,791</b>

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

	2008 12 months	2007 12 months
Senior management . . . . .	146	140
Middle management . . . . .	555	567
Employees . . . . .	6,030	6,374
<b>Total . . . . .</b>	<b>6,730</b>	<b>7,081</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**30. RESTRUCTURING COSTS**

No “*Restructuring costs*” have been incurred for the year ended December 31, 2008. Those of €18,021 thousand recognized in the year ended December 31, 2007 referred to an estimate of the costs connected with the internal reorganization project which commenced in 2006, for which further details may be found in note 20.

**31. DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of “*Depreciation and amortization*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008	2007	Change	
	12 months	12 months	Amount	%
Depreciation of property, plant and equipment				
—Plant and machinery . . . . .	659,807	655,476	4,331	0.7%
—Industrial and commercial equipment . . . . .	5,937	5,933	4	0.1%
—Other assets . . . . .	26,857	34,966	(8,109)	(23.2)%
Amortization of intangible assets with finite lives				
—Industrial patents and similar rights . . . . .	82,953	94,179	(11,226)	(11.9)%
—Licenses, trademarks and similar rights . . . . .	155,229	154,609	620	0.4%
—Other intangible assets . . . . .	104,219	104,146	73	0.1%
<b>Total . . . . .</b>	<b><u>1,035,002</u></b>	<b><u>1,049,309</u></b>	<b><u>(14,307)</u></b>	<b><u>(1.4)%</u></b>

*Depreciation and amortization* decreased by €14,307 thousand over the year ended December 31, 2007 due to the completion of the amortization and depreciation of assets acquired in prior years and the rationalization of investments made in the current and prior periods. These effects were partially offset by the increase in the depreciation of plant and machinery mainly due to the considerable investments made during the previous year to support the expansion of the UMTS network for the purpose of reaching good coverage levels and to the increase in the capacity and number of ULL sites required to deal with the success encountered by the offers put on the market by the Direct Fixed segment (Voice and ADSL).

**32. REVERSAL (IMPAIRMENT) OF NON-CURRENT ASSETS**

The following table provides an analysis of “*Reversal (impairment) of non-current assets*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008	2007	Change	
	12 months	12 months	Amount	%
Impairment losses on property, plant and equipment . . . . .	(2,882)	(22,980)	20,098	(87.5)%
Impairment losses on intangible assets . . . . .	(83)	(4,159)	4,076	(98.0)%
<b>Total . . . . .</b>	<b><u>(2,965)</u></b>	<b><u>(27,139)</u></b>	<b><u>24,174</u></b>	<b><u>(89.1)%</u></b>

This item, having a negative balance of € 2,965 thousand for the year ended December 31, 2008, consists mainly of the impairment losses on assets classified as “Plant and machinery”; of this, €2,341 thousand relates to impairment losses of €19,870 thousand stated net of a positive effect of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**32. REVERSAL (IMPAIRMENT) OF NON-CURRENT ASSETS—(continued)**

€17,529 thousand arising from the replacement of certain transmission equipment, for which further details may be found in note 5.

**33. GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS**

The following table provides an analysis of “*Gains/(losses) on disposal of non-current assets*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008 12 months	2007 12 months	Change	
			Amount	%
Gains on disposal of property, plant and equipment . . . . .	789	391	398	101.8%
Losses on disposal of property, plant and equipment . . . . .	(9,000)	(5,464)	(3,536)	64.7%
<b>Total . . . . .</b>	<b>(8,211)</b>	<b>(5,073)</b>	<b>(3,138)</b>	<b>61.9%</b>

The decrease over the previous year is due to the increased losses recorded in 2008 on the disposal and/or sale of property, plant and equipment as part of the normal renewal process for these assets.

**34. FINANCIAL INCOME**

The following table provides an analysis of “*Financial income*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008 12 months	2007 12 months	Change	
			Amount	%
Cash flow hedges reversed from equity . . . . .	32,508	11,351	21,157	186.4%
Interest income from banks . . . . .	17,756	16,502	1,254	7.6%
Fair value measurement of non-hedging derivatives . . . . .	23,073	—	23,073	n.m.
Others . . . . .	1,942	2,174	(232)	(10.7)%
<b>Total . . . . .</b>	<b>75,279</b>	<b>30,027</b>	<b>45,252</b>	<b>150.7%</b>

In 2008, this item consisted principally of the following:

- an adjustment of €29,889 thousand to the cash flow hedge reserve relating to the derivative financial instruments hedging the currency risk on the issue of bonds denominated in US dollars, for which further details may be found in note 17. More specifically, in accordance with paragraph 96(a)(ii) of IAS 39, the cash flow hedge reserve has been adjusted to the cumulative change in the fair value of the expected future cash flows on the hedged item from inception of the hedge;
- income from derivatives, of which €14,577 thousand relating to the option on a possible investment in Hellas Telecommunications I Sàrl, for which further details may be found in note 4, and €8,496 thousand from the change in fair value (an expense in 2007) of the embedded derivative in the Senior Notes;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**34. FINANCIAL INCOME—(continued)**

- accrued interest income on bank deposits of €17,756 thousand, representing an increase over the previous year as the consequence of increased liquidity;

**35. FINANCIAL EXPENSES**

The following table provides an analysis of “*Financial expenses*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008 12 months	2007 12 months	Change	
			Amount	%
Interest expense on:				
Bond issues . . . . .	(143,138)	(142,931)	(207)	0.1%
Bank loans . . . . .	(434,098)	(456,344)	22,246	(4.9)%
Discounted provisions . . . . .	(4,405)	(2,959)	(1,446)	48.9%
Cash flow hedges, reversed from equity . . . . .	70,323	65,948	4,375	6.6%
Fair value measurement of non hedging derivatives . . . . .	—	(15,536)	15,536	(100.0)%
Impairment losses on financial assets . . . . .	(300)	(255)	(45)	17.6%
Other . . . . .	(3,785)	(1,011)	(2,774)	274.4%
<b>Total . . . . .</b>	<b>515,403</b>	<b>553,088</b>	<b>(37,685)</b>	<b>(6.8)%</b>

Financial expenses consist mostly of accrued interest on financial liabilities outstanding at December 31, 2008, for which further details may be found in note 17, partially offset by the effect of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement.

This item decreased mostly as the result of the change in the fair value of the embedded derivative in the Senior Notes and the lower interest arising from the Senior Credit Agreement following the repayment of €491 million at the end of 2007.

**36. FOREIGN EXCHANGE GAINS/(LOSSES), NET**

The following table provides an analysis of “*Foreign exchange gains (losses)—net*” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008 12 months	2007 12 months	Change	
			Amount	%
Realized gains . . . . .	2,578	1,703	875	51.4%
Unrealized gains . . . . .	71,569	146,066	(74,497)	(51.0)%
<b>Foreign exchange gains . . . . .</b>	<b>74,147</b>	<b>147,769</b>	<b>(73,622)</b>	<b>(49.8)%</b>
Realized losses . . . . .	2,723	1,226	1,497	122.1%
Unrealized losses . . . . .	71,770	145,828	(74,058)	(50.8)%
<b>Foreign exchange losses . . . . .</b>	<b>74,493</b>	<b>147,054</b>	<b>(72,561)</b>	<b>(49.3)%</b>
<b>Total . . . . .</b>	<b>(346)</b>	<b>715</b>	<b>(1,061)</b>	<b>(148.4)%</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**37. INCOME TAX**

The following table provides an analysis of “Income tax” for the years ended December 31, 2008 and 2007.

(thousands of euro)	2008 12 months	2007 12 months	Change	
			Amount	%
Current tax . . . . .	(171,696)	(196,629)	24,933	(12.7)%
Deferred tax . . . . .	40,063	42,745	(2,682)	(6.3)%
<b>Total . . . . .</b>	<b>(131,633)</b>	<b>(153,884)</b>	<b>22,251</b>	<b>(14.5)%</b>

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

- current income taxes of €171,696 thousand (of which €104,448 thousand for IRES tax and €67,248 thousand for IRAP tax) charged on consolidated taxable income for 2008;
- net deferred tax income of €40,063 thousand, arising from a decrease of €2,319 thousand in deferred tax assets mainly relating to the changes in temporary differences on provisions and financial instruments and from the release of deferred tax liabilities of €42,382 thousand, mainly relating to the changes in temporary differences on fixed assets.

In 2007, the Parent impaired deferred tax assets for €99,883 thousand as a consequence of the revisions made to the Group’s operational growth plans owing to the changed legislative scenario in the Italian telephony market following the introduction of the Bersani Decree.

The following table provides a reconciliation between the theoretical tax rate and the effective tax rate for the years ended December 31, 2008 and 2007.

(thousands of euro)	Year 2008	Year 2007
Theoretical tax rate . . . . .	27.50%	33.00%
<b>Profit before tax . . . . .</b>	<b>522,990</b>	<b>207,410</b>
Theoretical tax assets relating to IRES . . . . .	143,822	68,445
Non-deductible costs/non-taxable revenues . . . . .	36,095	24,640
Impairment losses on deferred tax assets recognized in prior years . . . . .		99,883
Non-recognized deferred tax assets . . . . .	(99,360)	
Deferred tax assets . . . . .		(45,212)
Deferred tax liabilities . . . . .		—
Effect of change in tax rates . . . . .		(44,637)
Actual IRES . . . . .	80,557	103,119
Effective IRES tax rate . . . . .	15.40%	49.72%
IRAP tax at Group level . . . . .	51,076	50,765
<b>Actual tax expense as per income statement . . . . .</b>	<b>131,633</b>	<b>153,884</b>
Overall tax rate . . . . .	25.17%	74.19%

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**38. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**

A loss of €5,570 thousand has been recognized as “*Profit/(loss) from discontinued operations*” in 2008 compared to a profit of €136,984 thousand recognized in 2007.

The balance for 2008 consists of the losses recognized on the disposal of the remaining investment in WPH, for which further details may be found in note 4.

The balance for 2007 consisted of the result obtained following the classification of the investment in WPH as assets held for sale. More specifically, €156,038 thousand related to the fair value measurement of the remaining investment in WPH at fair value, while €19,054 thousand represented the loss for the year incurred by the former subsidiary up to the date on which control ceased. Further details may be found in the notes to the consolidated financial statements for the year ended December 31, 2007.

**39. RELATED PARTY TRANSACTIONS**

*Transactions with related parties*

Transactions with the related parties described below consist of those with Weather Group companies. 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 particular, the Parent has entered into an agreement with the parent Weather Investments SpA under which the latter is entitled to receive an annual fee of approximately €8 million plus ancillary expenses for providing services to the former (such as those relating to IT, marketing, personnel, purchasing, etc.). In addition, as discussed in note 4 to which reference should be made for further details, the Parent sold its remaining investment in WPH during the period to the related company Hellas Telecommunications I Sàrl at a price of €179,430 thousand; as part of the same transaction, the Parent has been assigned a put option versus Weather Investments SpA, having a fair value of €14,577 thousand.

At December 31, 2008 and during the year, Group companies did not hold treasury shares of the parent Wind Telecomunicazioni SpA, either directly or through trustees, or hold shares of the Wind Acquisition Holdings Finance SpA, or hold investments in the indirect parents Weather Investments SpA and Weather Investments II Sàrl.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2008—(continued)**

**39. RELATED PARTY TRANSACTIONS—(continued)**

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

(thousands of euro)	Year ended December 31, 2008						Acquisitions of fixed assets
	Revenue	Expenses	Trade receivables	Other receivables	Trade payables	Other payables	
Arpu for Communication Services							
Company . . . . .	—	—	700	—	—	—	—
Egyptian Company for Mobile Services . . . . .	465	1,090	—	—	—	—	—
M-Link Company . . . . .	3,542	23,315	544	—	3,289	—	—
Orascom Telecom . . . . .	—	—	1,469	—	—	—	—
Orascom Telecom Algeria SpA . . . . .	291	52	60	—	18	—	—
Orascom Telecom Tunisie SA . . . . .	—	614	—	—	—	—	—
Orascom Technology Solutions (OTS) . . . . .	—	—	—	—	1,121	—	6,438
Orascom Tunisia Holding Ltd Co. . . . .	309	—	216	—	517	—	—
Mobilink . . . . .	111	—	40	—	—	—	—
Mobizone . . . . .	53	530	891	—	213	—	—
Banglalink . . . . .	2	1	1	—	—	—	—
Mobinil for Telecommunications . . . . .	—	—	249	—	527	—	—
Rain Srl . . . . .	88	—	—	1,275	—	—	—
Wind Hellas Telecommunications SA . . . . .	2,094	2,964	576	—	727	—	—
Tellas SA . . . . .	1,759	8,310	8,262	—	1,555	—	116
Hellas Telecommunications I Sàrl . . . . .	—	—	—	179,430	—	—	—
Wind Acquisition Holdings							
Finance SpA . . . . .	—	—	—	853	273	—	—
Weather Investments SpA* . . . . .	50	8,480	21	9,103	2,417	53,551	—
Elawind Consortium . . . . .	—	—	—	11	8	—	—
<b>Total . . . . .</b>	<b>8,764</b>	<b>45,356</b>	<b>13,029</b>	<b>190,672</b>	<b>10,665</b>	<b>53,551</b>	<b>6,554</b>

\* Payables to Weather Investments SpA relate in the amount of €53,339 to the transfer by the subsidiaries Enel.Net, IOL and IT.Net of their corporate income tax (IRES) payables following the choice of taking part to the national tax consolidation procedure with Weather Investments SpA.

***Directors***

The directors of the Parent, who are identified as key management personnel, receive no fees, as resolved by shareholders in their ordinary general meeting of April 7, 2008.

There were no transactions with directors in 2008.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**40. CONTINGENT ASSETS AND LIABILITIES**

The Wind Group had the following contingent liabilities at December 31, 2008.

- **WIND/ ITALGO SPA**

An action has been brought by Italgo SpA (formerly Delta SpA) against the Parent seeking, on the declaration of a breach by the latter of a commercial contract signed with Delta SpA, the termination of the contract and of other related contracts, a court order for the Parent Company to pay a penalty of €3,315 thousand and to return the price of €23,000 thousand paid for the shares of Delta SpA and compensation for damage (to be quantified during the proceedings). In addition, Italgo has requested the reduction of the purchase price by €9,050 thousand to be settled through the offset of a payable to the Parent.

At the present state of affairs, any losses to be incurred by the Group, while considered possible, are unable to be determined.

- **Proceedings regarding the Infostrada SpA LLU service**

In December 2002, Movimento Consumatori (a consumer association) brought an action against WIND for its alleged failure to respect contractual obligations arising in respect of the commercialization of the LLU service offered by the former Infostrada SpA in March 2000. WIND appeared before the Court and advanced a number of objections and requested the disallowance of the petition since there were no grounds to proceed.

In November 2006, the Court of first instance of Turin delivered its judgment by rejecting the request for compensation made by the Association and requiring WIND to inform the concerned customers by letter; WIND was also required to publish the judgment in the press so as to enable requests to be made to WIND to refund the Telecom Italia subscription fees paid during the period in which the “Solo Infostrada” offer was offered in CPS modality. Judicial checks of all the requirements for each customer to obtain a refund will have to be carried out in separate and independent legal proceedings. As the result of partially losing the case, WIND was ordered to refund legal expenses in the ratio of 2/3, amounting to approximately €18,000. WIND has appealed against the sentence requesting the staying of execution. In March 2007, the Court of Appeal of Turin ordered a temporary stay of the first instance judgment. Presently the judgment is reserved for the decision.

- **Proceedings concerning electromagnetic radiation**

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

- **WIND/Telecom Italia—Action seeking damages for win-back actions towards residential customers**

On January 16, 2008 WIND filed an action for damage against Telecom Italia before the Court of Milan to seek compensation for the damage suffered as a consequence of the abusive conduct and unfair competition (illegal win-back and retention/non repeatable commercial offers to the public) allegedly committed by Telecom Italia in the residential customer fixed communications services market in the period between 2004 and 2007. The first hearing for the appearance of the parties took place on May 13, 2008. The discussion hearing was held on October 14, 2008 and in this occasion the Judge

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**40. CONTINGENT ASSETS AND LIABILITIES—(continued)**

remitted the decision on the admission of evidences requested by WIND to a panel of judges. During the hearing for the statement of conclusions, held on February 27, 2009, the judge established the terms for the filing by the parties of the conclusive notes and replies.

**41. CASH FLOW STATEMENT**

Cash flows from operating activities, amounting to €1,367,680 thousand in 2008, increased by €75,830 thousand over the previous year, mainly due to increases in revenue and operating income.

Investing activities used cash for a total of €771,364 thousand, representing an increase of €17,152 thousand over 2007. This is mainly due to the considerable investments made in the latter part of the year in the mobile segment and especially in new UMTS broadband technologies; significant funds were additionally dedicated to the Customer Relationship Management platform. Following the extensive investments made in prior years, investments in the data network and in the increased number of ULL sites were more contained than those of the previous year, when they were focused on the increases in capacity required to deal with the success achieved by the offers put on the market by the Direct Fixed segment (Voice and ADSL).

Financing activities led to outflows of €412,477 thousand during the year, relating to the previously mentioned repayment of a portion amounting to €248,226 thousand of tranche A1 and of the entire portion of tranche A2 amounting to €164,250 thousand of the Credit Facility Agreement expiring in 2009 and 2010.

**42. OTHER INFORMATION**

No Group company has granted 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, 2008 as security for their liabilities was as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent and its subsidiary Enel.Net Srl, as specified in the contract, in favor of the pool of lenders party to the Credit Facility Agreement, the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA and other creditors specified in the lien;
- a lien on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, in favor of the lenders party to the Credit Facility Agreement and other creditors specified in the relevant deed;
- a lien on the shares held by the Parent in Wind Finance SL SA, equal to 27% of share capital, in favor of the subscribers to the Second Lien Notes.

Despite the encumbrances on the pledged shares, the voting rights at shareholders' meetings of the companies are retained by the Group by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian Civil Code.

In addition, the Group has undertaken, pursuant to the "Master Security Agreement", to pledge further guarantees on certain assets to be acquired by the Parent and its subsidiary Enel.Net Srl, in

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2008—(continued)**

**42. OTHER INFORMATION—(continued)**

favor of the lending banks in the Credit Facility Agreement, the other creditors specified in the Master Security Agreement and the subscribers to the Second Lien Notes. In particular, they have undertaken to pledge as additional collateral the shares or other equity instruments (whether newly subscribed or purchased) of significant subsidiaries, property or rights pursuant to article 2810, paragraphs 1 and 2 of the Italian Civil Code with a value of at least €1 million and any VAT credits acquired or which arise in favor of the companies.

In addition to the above-mentioned collateral, the Parent Company has also pledged as a guarantee in favor of the lending banks pursuant to the Credit Facility Agreement and the other lenders specified in the respective collateral contract, any income which may arise in the future from compensation for damage and other pecuniary claims relating to the agreement governing the purchase of the entire share capital of the Parent and the Put and Call Option 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 lending banks pursuant to the Credit Facility Agreement and the other lending parties specified in the respective contract as a guarantee for and in favor of the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA.

Starting from July 2007, the Parent is subject to management and coordination by Weather Investments SpA.

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 €57,231 thousand at December 31, 2008 includes:

- sureties issued by insurance companies totaling €5,925 thousand;
- sureties totaling €51,306 thousand issued by banks, relating to operations regarding prize competitions, exhibitions, excavation licenses and property leases.

**43. SUBSEQUENT EVENTS**

The sale of the entire share capital of the Luxembourg related company M-Link Sàrl from the Maltese holding company M-Link Ltd to the subsidiary TLC Servizi SpA was finalized on January 13, 2009 at a price of €58 million. As a result, M-Link Sàrl is part of the WIND Group from that date. M-Link Sàrl manages a long-distance international telecommunications network, including through its Belgian subsidiary M-Link Teleport SA, which is capable of providing voice and data services by satellite, electrical and optical cable and new generation technologies together with the related support services.

Regarding this transaction, the Parent additionally signed a lien on the entire share capital of TLC Servizi SpA in favor of the pool of lenders party to the Credit Facility Agreement and the subscribers to the Second Lien Notes.

On February 4, 2009, in accordance with the provisions of the Share Sale and Purchase Agreement for the sale of the former subsidiary Wind-PPC Holding to Hellas Telecommunications I Sàrl (for which further details may be found in note 4), the Parent elected for the consideration for the sale of Wind-PPC Holding to be settled through shares of the counterparty Hellas Telecommunications I Sàrl.



(Translation from the Italian original which remains the definitive version)

# **WIND GROUP**

**Consolidated financial statements as of and for the  
year ended December 31, 2007**

***FINANCIAL STATEMENTS AND EXPLANATORY NOTES***



**KPMG S.p.A.**  
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## **Report of the auditors in accordance with article 2409-ter of the Italian Civil Code**

To the sole shareholder of  
WIND Telecomunicazioni S.p.A.

- 1 We have audited the consolidated financial statements of WIND Group as at and for the year ended 31 December 2007, comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and notes thereto. These financial statements are the responsibility of the parent's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 23 April 2007 for our opinion on the prior year consolidated figures which are presented for comparative purposes as required by law.

- 3 In our opinion, the consolidated financial statements of WIND Group as at and for the year ended 31 December 2007 comply with the International Financial Reporting Standards endorsed by the European Union. Therefore, they are clearly stated and give a true and fair view of the financial position of the WIND Group as at 31 December 2007, the results of its operations, changes in its equity and its cash flows for the year then ended.

KPMG SpA

Rome, 21 March 2008

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**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED BALANCE SHEET**

(thousands of euro)	Note	As of December 31, 2007	As of December 31, 2006
<b>ASSETS</b>			
Property, plant and equipment . . . . .	5	3,463,192	3,606,085
Intangible assets . . . . .	6	8,261,752	8,577,253
Financial assets . . . . .	7	209,841	191,207
Deferred tax assets . . . . .	8	454,636	748,108
<b>Total non-current assets . . . . .</b>		<b>12,389,421</b>	<b>13,122,653</b>
Inventories . . . . .	9	20,795	26,138
Trade receivables . . . . .	10	1,234,874	1,206,382
Financial assets . . . . .	7	11,751	63,143
Current tax assets . . . . .	11	21,351	16,064
Other receivables . . . . .	12	238,871	207,369
Cash and cash equivalents . . . . .	13	194,868	137,886
Assets held for sale . . . . .	14	175,000	—
<b>Total current assets . . . . .</b>		<b>1,897,510</b>	<b>1,656,982</b>
<b>Total assets . . . . .</b>		<b>14,286,931</b>	<b>14,779,635</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity . . . . .</b>	15		
Issued capital . . . . .		147,100	147,100
Share premium . . . . .		3,332,061	3,768,336
Reserves . . . . .		125,284	98,873
Retained earnings or losses carried forward . . . . .		483,741	(151,133)
<b>Equity attributable to equityholders of the parent . . . . .</b>		<b>4,088,186</b>	<b>3,863,176</b>
<b>Minority interests . . . . .</b>		<b>708</b>	<b>17,749</b>
<b>Total equity . . . . .</b>		<b>4,088,894</b>	<b>3,880,925</b>
<b>Liabilities</b>			
Financial liabilities . . . . .	17	6,726,551	7,249,104
Employee benefits . . . . .	18	64,073	74,677
Provisions . . . . .	19	176,974	162,717
Other non-current liabilities . . . . .	20	7,536	8,482
Deferred tax liabilities . . . . .	8	942,290	1,178,386
<b>Total non-current liabilities . . . . .</b>		<b>7,917,424</b>	<b>8,673,366</b>
Financial liabilities . . . . .	17	122,208	183,672
Trade payables . . . . .	21	1,720,588	1,620,370
Other payables . . . . .	22	426,644	407,649
Tax payable . . . . .	23	11,173	13,653
<b>Total current liabilities . . . . .</b>		<b>2,280,613</b>	<b>2,225,344</b>
<b>Total liabilities . . . . .</b>		<b>10,198,037</b>	<b>10,898,710</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>14,286,931</b>	<b>14,779,635</b>

**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED INCOME STATEMENT**

(thousands of euro)	Note	2007 12 months	2006 12 months
Revenue . . . . .	24	5,138,718	4,940,950
Other revenue . . . . .	25	131,869	106,747
<b>Total revenue . . . . .</b>		<b>5,270,587</b>	<b>5,047,697</b>
Purchases and services . . . . .	26	(2,988,908)	(2,897,399)
Other operating costs . . . . .	27	(90,134)	(91,121)
Personnel expenses . . . . .	28	(362,247)	(355,612)
Restructuring costs . . . . .	29	(18,021)	(46,296)
<b>Operating income before depreciation and amortization, reversal/ impairment of non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>1,811,277</b>	<b>1,657,269</b>
Depreciation and amortization . . . . .	30	(1,049,309)	(1,028,756)
Reversal (impairment) of non-current assets . . . . .	31	(27,139)	9,906
Gains (losses) on disposal of non-current assets . . . . .	32	(5,073)	(58,000)
<b>Operating income . . . . .</b>		<b>729,756</b>	<b>580,419</b>
Finance income . . . . .	33	30,027	31,173
Finance expenses . . . . .	34	(553,088)	(477,560)
Foreign exchange gains (losses), net . . . . .	35	715	(389)
<b>Profit before tax . . . . .</b>		<b>207,410</b>	<b>133,643</b>
Income tax . . . . .	36	(153,884)	(117,413)
<b>Profit/(loss) from continuing operations . . . . .</b>		<b>53,526</b>	<b>16,230</b>
Profit from discontinued operations . . . . .	37	136,984	—
<b>Profit/(loss) for the year . . . . .</b>		<b>190,510</b>	<b>16,230</b>
Minority interests . . . . .		(7,927)	(6,934)
<b>Group's profit/(loss) for the year . . . . .</b>		<b>198,437</b>	<b>23,164</b>
<b>Earnings per share (in Euro)—basic and diluted: . . . . .</b>	16		
Continuing operations . . . . .		1.36	0.16
Discontinued operations . . . . .		0.94	—

**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2007</u> <u>12 months</u>	<u>2006</u> <u>12 months</u>
<b>Profit/(loss) from continuing operations</b> . . . . .	<b>53,526</b>	<b>16,230</b>
<b>Adjustments to reconcile profit/(loss) for the year with the cash flows from/</b> <b>(used in) operating activities</b>		
Depreciation, amortization and impairment of non-current assets . . . . .	1,076,447	1,018,016
Net changes in provisions and employee benefits . . . . .	4,347	40,577
(Gains)/losses on disposal of non-current assets . . . . .	5,073	58,000
Changes in current assets . . . . .	137,116	132,341
Changes in current liabilities . . . . .	4,322	163,345
Changes in minority interests . . . . .	11,019	4,614
<b>Net cash from operating activities</b> . . . . .	<b>1,291,850</b>	<b>1,433,123</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment . . . . .	(641,197)	(617,456)
Proceeds from sale of property, plant and equipment . . . . .	33,938	6,066
Acquisition of intangible assets . . . . .	(107,583)	(85,880)
(Acquisition)/Disposal of financial assets . . . . .	—	(2,460)
Proceeds from sale of subsidiaries . . . . .	(39,370)	23,499
Merger of Wind Acquisition Finance SpA, net of cash . . . . .	—	6,785
<b>Net cash used in investing activities</b> . . . . .	<b>(754,212)</b>	<b>(669,446)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and bank facilities . . . . .	(491,400)	(766,359)
<b>Net cash used in financing activities</b> . . . . .	<b>(491,400)</b>	<b>(766,359)</b>
<b>Discontinued operations</b>		
Net cash from operating activities . . . . .	21,915	—
Net cash used in investing activities . . . . .	(11,171)	—
<b>Net cash from discontinued operations</b> . . . . .	<b>10,744</b>	<b>—</b>
<b>Net cash flows for the year</b> . . . . .	<b>56,982</b>	<b>(2,682)</b>
Cash and cash equivalents at the beginning of the year . . . . .	137,886	140,568
<b>Cash and cash equivalents at the end of the year</b> . . . . .	<b>194,868</b>	<b>137,886</b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2007</u> <u>12 months</u>	<u>2006</u> <u>12 months</u>
Income tax paid . . . . .	64,860	53,890
Interest expense paid . . . . .	653,158	363,312



**WIND TELECOMUNICAZIONI GROUP**  
**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

(thousands of euro)	Equity attributable to equityholders of the parent				Equity attributable to equityholders of the parent	Minority interests	Equity
	Issued capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances as of January 1, 2006 . . . .</b>	<b>147,100</b>	<b>213,325</b>	<b>322,712</b>	<b>(535,186)</b>	<b>147,951</b>	<b>3,819</b>	<b>151,770</b>
Allocation of loss for 2005 . . . . .		(213,325)	(140,808)	354,133	—	—	—
Effects of the reverse merger of WAF into Wind . . . . .		3,768,336	(134,320)	6,222	<b>3,640,238</b>	16,251	<b>3,656,489</b>
Cash flow hedge . . . . .			51,289		<b>51,289</b>	—	<b>51,289</b>
Other changes . . . . .				534	<b>534</b>	4,613	<b>5,147</b>
Profit (loss) for the year . . . . .				23,164	<b>23,164</b>	(6,934)	<b>16,230</b>
<b>Balances as of December 31, 2006 . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
<b>Balances as of January 1, 2007 . . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
Allocation of profit for 2006 . . . . .		(436,275)		436,275	—	—	—
WPH deconsolidation . . . . .			—		—	(9,180)	<b>(9,180)</b>
Cash flow hedge . . . . .			18,285		<b>18,285</b>		<b>18,285</b>
Other changes . . . . .			8,126	162	<b>8,288</b>	66	<b>8,354</b>
Profit (loss) for the year . . . . .				198,437	<b>198,437</b>	(7,927)	<b>190,510</b>
<b>Balances as of December 31, 2007 . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007**

**1. INTRODUCTION**

Wind Telecomunicazioni SpA (hereafter “Wind”, the “Parent Company” or the “Company”) is a joint stock corporation having its registered office in Via Cesare Giulio Viola, 48, Rome (Italy), and is controlled by Weather Investments SpA through Wind Acquisition Holdings Finance SpA which wholly owns Wind Telecomunicazioni SpA.

At the date of these financial statements, the Egyptian businessman Naguib Onsi Sawiris holds 87.78% of Weather Investments SpA through the Luxembourg company Weather Investments II Sàrl, while Wind Acquisition Holdings Finance SpA holds 10% and other investors hold 2.12%.

Wind Telecomunicazioni SpA and its subsidiaries (hereafter the “Group” or the “Wind Group”) operate primarily in Italy in the fixed and mobile telecommunications sector under the respective brands “*Infostrada*” and “*Wind*” and in the Internet services sector through the subsidiaries ITnet Srl and Italia OnLine Srl under the brand “*Libero*”.

These Consolidated Financial Statements include the economic effects of the merger of the former parent Wind Acquisition Finance SpA into Wind Telecomunicazioni SpA which took effect in practice on December 31, 2006. For tax purposes this transaction is effective from January 1, 2006. As a result the figures in the income statement and the cash flow statement are not immediately comparable with those for 2006 as the merger took effect for accounting purposes on December 31, 2006.

The Group closed the year ended December 31, 2007 with a pre-tax profit of €207,410 thousand (€133,643 thousand for the year ended December 31, 2006) and a net profit of €198,437 thousand. Contributing to this result were income of €136,984 thousand deriving from assets held for sale, for which further details are provided in note 37, and the adjustments of €50,026 thousand made to deferred tax assets and liabilities following the introduction of the “2008 Finance Act”, under which the rates at which corporate income tax (IRES) and regional productivity tax (IRAP) are payable were reduced from 33% to 27.5% and from 4.25% to 3.9%, respectively; these were only partially offset by the write-down of deferred tax assets by €99,883 thousand as a consequence of the revisions made to the Group’s operational growth plans, which are in part due to the changed legislative scenario in the Italian telephony market following the introduction of the Bersani Decree and in part to assumptions being made which are closer to trends in the telecommunications market and to the Group’s performance.

The Wind Group set up new commercial offers during the year in accordance with sector norms, introducing corrective measures aimed at guaranteeing its growth strategy in the telecommunication services market and taking action suitable for maintaining its customer base.

The continuing improvement of the operating process in efficiency terms and the optimization of costs will, together with commercial action, enable the Group to support an adequate increase in profitability.

The 2008 investment plan needed to sustain the planned growth will be at least in line with that implemented in 2007. Currently available cash, the forecasts of the additional financial resources that will be generated and access to adequate credit facilities which presently unused, enabled a further portion of Wind’s debt, amounting in total to €491 million, to be repaid in advance in December 2007.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**1. INTRODUCTION—(continued)**

The Group's business plan which is based on the steps outlined above confirms that economic and financial balance will be maintained, that profitability will increase in the medium term and that the carrying amounts of non-current assets recognized in the consolidated balance sheet as of December 31, 2007 will be recovered.

These consolidated financial statements were approved by the Parent Company's Board of Directors on February 20, 2008.

**2. GENERAL ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The Consolidated Financial Statements of Wind Telecomunicazioni SpA as of and for the year ended December 31, 2007 have been prepared in compliance with the IFRS adopted 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) adopted by the European Union and contained in published EU Regulations.

During the year no exceptional events occurred such to require the waiver provided by IAS 1.

These Consolidated Financial Statements are expressed in euros, the functional 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 euros.

For presentational purposes, the current/non-current distinction has been used for the balance sheet, 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 balance sheet and income statement and the detailed tables in the notes have been reclassified where necessary. These reclassifications, however, do not affect the Group's profit or equity.

**2.2 Basis of consolidation**

The Consolidated Financial Statements include the financial statements of Wind Telecomunicazioni SpA and those entities over which that 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 balance sheet 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, 2007 (the reporting date for these

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

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 minority interests, where applicable, the share of equity and profit or loss for the period 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, plus all other costs directly attributable to the acquisition. The 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 income statement 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 book values of the entity transferred and reporting any gains arising from the transfer directly in equity;
- the purchase of equity holdings 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 on 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 for receivables and payables, income and expense, and financial income and expense;
- gains and losses arising from the sale of holdings in consolidated subsidiaries are recognized in income as the difference between the selling price and the corresponding portion of consolidated equity sold.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

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

	Registered Office	Share/quota capital  Euros	% holding		Basis of consolidation/ measurement	
			12.31.2007	12.31.2006	12.31.2007	12.31.2006
<b>Subsidiaries</b>						
Enel.Net Srl . . . . .	Italy	21,135,000	100	100	Line by Line	Line by Line
Italia Online Srl . . . . .	Italy	1,400,000	100	100	Line by Line	Line by Line
ItNet Srl . . . . .	Italy	1,004,000	100	100	Line by Line	Line by Line
Mondo Wind Srl . . . . .	Italy	95,000	100	100	Line by Line	Line by Line
<b>Associates</b>						
Consorzio Elawind . . . . .	Italy	4,500	33.33	33.33	Cost	Cost
Wind Finance SL SA . . . . .	Luxembourg	31,000	27	27	Line by Line	Line by Line
Wind Acquisition Finance 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
<b>Other</b>						
Wind-PPC Holding NV . . . . .	Netherlands	2,000,000	50 – 1 share	50 + 1 share	Assets held for sale (IFRS 5)	Line by Line
Tellas Telecom SA . . . . .	Greece	13,622,340	100Wind-PPC	100Wind-PPC	N/a	Line by Line
Mix Srl . . . . .	Italy	99,000	15	15	Cost	Cost
Cofridp . . . . .	Italy	28,402	—	9.09	N/a	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 has been a change in the scope of consolidation compared to the situation reported in the Consolidated Financial Statements for the year ended December 31, 2006 since the subsidiary WIND – PPC Holding NV (WPH) is not included after September 30, 2007 following loss in control (further details of this may be found in note 4). As a consequence these Consolidated Financial Statements include the income statement balances of the WPH Group until September 30 of the year, while its balance sheet figures are not included as of December 31, 2007.

The investments in Wind Finance SL, Wind Acquisition Finance SA and Wind Acquisition Finance II SA in which the Group has an interest of 27%, have been consolidated as they are special purpose entities established to raise funds for the Group in the market.

**2.3 Summary of main accounting principles and policies**

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

• ***Property, plant and equipment***

Property, plant and equipment is 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

state and condition. Borrowing costs directly associated with the purchase or construction of property, plant and equipment are recognized directly in income.

Costs incurred for ordinary and cyclical repairs and maintenance are charged directly to the income statement 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 value. Depreciation is charged at rates calculated to write off the costs over their estimated useful lives on a straight-line basis from the date the asset is available and ready for use.

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 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 net carrying amount of the asset sold or retired and are recognized as period items in the income statement under “Gains (losses) on the 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 lease 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 the income statement 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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

asset for its intended use, net of accumulated amortization and impairment losses, whenever such is the case. Borrowing costs accruing during and for the development of the asset are recognized in income. 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 as 5 years.

- *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the interest acquired in the net 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 balance sheet is adequate (“impairment testing”). Impairment testing is carried out annually or more frequently when events or changes in circumstances occur that could lead to an impairment of 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 retirement at the end of its useful life. The method for calculating value in use is described in the paragraph below “Impairment of assets”. Once an impairment loss has been recognized for goodwill it cannot be reversed.

Whenever an impairment loss resulting from the above testing exceeds the carrying amount of the goodwill allocated to a specific CGU the residual loss 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.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *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 10 years.

- *Impairment of assets*

At each balance sheet 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 the income statement. Intangible assets with an indefinite useful life 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 income statement 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 net carrying amount of the asset that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset, with the reversal being recognized in the income statement.

- *Investments*

Investments in non-consolidated subsidiaries are stated at cost. Investments in companies where the Group exercises a significant influence (hereafter "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 the income statement 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 an equity 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 associate or in any case to make good its 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.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

Investments in other companies are measured at fair value with any changes in fair value being recognized in the income statement. 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 of Assets”. 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 the income statement. Any risk arising from losses exceeding the carrying amounts of investments is accrued in a specific provision to the extent of the Group’s legal or constructive obligations on behalf of the associate or in any case to the extent that it is required to make losses good. 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 their 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:

- (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 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 the income statement. 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 balance sheet 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) *Financial receivables:* these are non-derivative financial instruments, mostly relating to customer receivables, which are not traded 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 more than twelve months after the balance sheet 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 impairment, the asset is reduced to the present value of future cash flows. The impairment loss is recognized in the income statement. If in future years the factors which caused the impairment cease to exist, the carrying amount of the asset is reinstated up to the amount that would have been obtained had amortized cost been applied.
- (iii) *Financial assets held-to-maturity:* these are fixed maturity non-derivative financial instruments having fixed or determinable payments which the Group has the intention

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

and capacity to hold until maturity. These assets are measured at amortized cost using the effective interest method, adjusted as necessary for impairment losses. In case of impairment the principles used for financial receivables apply.

- (iv) *Financial assets available-for-sale:* these are non-derivative financial instruments which are either specifically included in this category or included here because they cannot be classified in the other categories. These assets are measured at fair value and any measurement gain or loss is recognized directly in an equity reserve and recognized in the income statement only when the asset is effectively sold or, if there are cumulative negative changes, when it is expected that the changes 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 the income statement, the original value of the instrument is reinstated with the corresponding gain recognized in the income statement. Additionally the returns from debt securities arising from the use of the amortized cost method are recognized in the income statement 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 an asset as current or non-current 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 balance sheet 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 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 balance sheet date.

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

• *Derivative financial instruments*

When a derivative financial contract is entered into the instrument is initially recognized at fair value, with subsequent changes in fair value being recognized as a financial component of the income statement. 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 undertaking the hedge and the means by which the hedging instrument's effectiveness will

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

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. a hedge of the exposure 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 the income statement. If the hedge is not fully effective, meaning that these changes are different, the non-effective portion is treated as financial 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 related gains or losses in the reserve are 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 income statement for the period. 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 instruments.

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 income statement. 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 the income statement in accordance with the criteria of classification described above when the originally hedged transaction takes place.

Quotations at the balance sheet 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 period and the applicable laws and regulations, using tax rates prevailing at the balance sheet 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 balance sheet 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

the timing of the reversal of the temporary difference or when it is probable that the difference will not reverse.

In this respect following the introduction of Law no. 244 of December 24, 2007, the “2008 Finance Act” and subsequent decrees and regulations, the rates applicable to corporate income tax (IRES) and regional productivity tax (IRAP) have been reduced from 33% to 27.5% and from 4.25% to 3.9% respectively. This change has led to a significant effect being realised in the income statement for the year ended December 31, 2007 following the need to adjust deferred tax balances for the rates expected to apply in the future.

Taxes, for the portion that is not offset by the deferred taxes, are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Current and deferred taxes are recognized in the income statement, except for those arising from items credited or charged 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 by the Italian parent Weather Investments SpA to take part in the national tax consolidation procedure.

For the regulations on electing the tax consolidation procedure to apply, the consolidating company that elected for consolidation is required to determine one overall tax base for corporate income tax (IRES) purposes consisting of the sum of the taxable profit or tax loss of the parent and that of its subsidiaries taking part in the procedure, and to settle a liability by making one single tax payment or to recognize one single tax credit for refund 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 basis 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 liquid deposits (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.



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**2. GENERAL ACCOUNTING POLICIES—(continued)**

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

Assets held for sale consist of non-current assets (or asset 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 net carrying amount and their fair value less costs to sell, with changes being recognized in the income statement. No further depreciation is charged from the time that a depreciable asset is reclassified to this account. Gains or losses arising from discontinued operations or from assets held for sale are reported as a separate item in the income statement, 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 only possible are disclosed in the notes under “*Contingent assets and liabilities*” and no provision is made.

• *Employee benefits*

• *Short-term benefits*

Short-term benefits are recognized in the income statement in the period when an employee renders 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 the income statement 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 the income statement based on actuarial calculations.

Defined benefit plans, which include the Italian employees’ leaving entitlement (TFR) which is due in accordance with the provisions of article 2120 of the Italian Civil Code and which is accrued up to December 31, 2006, are based on an employee’s working life and the compensation received during service. The related liability is projected forward to calculate the probable amount payable at the termination date and is then discounted to present value using the Projected Unit Credit Method, to take account of the passage of time before the actual payment of the benefit. The measurement of the liability recognized in the balance sheet is carried out by third party actuaries from outside the Group, based on actuarial assumptions which relate mainly to: the discount rate, which must reflect market

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

yields on the bonds of prime corporations 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, employees' leaving entitlement 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. Employees' leaving entitlement accrued up to these dates remains a defined benefit plan, with the related actuarial calculations excluding any assumptions regarding increases in salaries as had been previously made. The difference arising from this change has been recognized in the consolidated income statement for the year ended December 31, 2007.

At each balance sheet 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 using the "corridor method", meaning only when the gains or losses exceed 10% of the present value of the Group's obligation at the previous balance sheet date. Any amount in excess of 10% is charged against future income over a period in line with the average remaining working life of employees, starting with the first period subsequent to recognition.

- *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 ordinary retirement or to granting severance indemnities in order to facilitate voluntary resignations of surplus employees following a formal proposal. These employee benefits do not create future economic advantages to the Group and the related costs are therefore immediately recognized in the income statement.

- *Share-based employee benefits*

The Group recognizes additional benefits to certain managers and other members of personnel through stock option plans. IFRS 2—Share-based Payment 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 the income statement on a straight-line basis over the period between the grant date and the vesting date, with the corresponding credit 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 the income statement.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

With reference to foreign transactions which exchange risk is covered by derivatives, further details are in the previous 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 the income statement 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 ordinary revenue are as follows:

- revenue arising from post-paid traffic, interconnection and roaming is recognized on the basis of the actual usage made by 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 landline and mobile (prepaid or subscription) activation and/or substitution, prepaid recharge fees and the activation of new services and tariff plans is recognized for the full amount at the moment of activation independent of the period in which the actual services are rendered by the Group. In the case of promotions with a cumulative plan still open at the end of a year, 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 cable are recognized at the time of the transfer of the underlying right and, therefore, of the related risks and rewards.

• ***Government grants***

Government grants are recognized when a formal decision of the disbursing government institution has been taken, with recognition being matched to the costs to which they relate. Revenue grants are credited to “Other revenue” in the income statement, while capital grants relating to property, plant and equipment are recognized as deferred revenue and credited to income on a straight-line basis over the useful life of the asset to which the grant directly relates.

• ***Financial income and expense***

Interest 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.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *Earnings per share*
- *Basic*

Basic earnings per share are calculated by dividing the profit for the year attributable to equity holders 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 for the year attributable to equity holders of the parent by the weighted average of the 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 modified to include the conversion of all dilutive potential shares, while the profit for the year is modified to include 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 and interpretations of the IASB and IFRIC applicable to its transactions and effective for financial statements for years beginning on January 1, 2007.

The following is a brief description of the new standards and interpretations adopted by the Group in the preparation of the Consolidated Financial Statements as of and for the year ended December 31, 2007.

- *Complementary Amendment to IAS 1—Presentation of Financial Statements: Capital Disclosures*

The amendment to IAS 1 introduces requirements for an entity to disclose information about its objectives, policies and processes for managing capital.

This amendment, effective from January 1, 2007, has no effect on the Group's Consolidated Financial Statements.

- *IFRS 7—Financial Instruments: Disclosures*

This standard comprises the disclosures section contained in *IAS 32—Financial Instruments: Disclosure and Presentation* with revisions and enhancements relating principally to the information to be provided of an entity's exposure to the risk deriving from the use of financial instruments and a description of the objectives, policies and procedures established by management to manage those risks.

- *IFRIC 7—Applying the Restatement Approach under IAS 29—Financial Reporting in Hyperinflationary Economies*

This interpretation clarifies the requirements of IAS 29—*Financial Reporting in Hyperinflationary Economies* in respect of the manner in which an entity must restate its financial statements in

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

accordance with IAS 29 in the first reporting period in which it identifies the existence of hyperinflation in the economy of its functional currency.

This interpretation, effective from January 1, 2007, is not applicable to the Group's Consolidated Financial Statements.

- *IFRIC 8—Scope of IFRS 2*

This interpretation requires IFRS 2 *Share-based Payment* to be applied to contracts in which the Group makes share-based payments even for services apparently having no value or an inadequate value.

This interpretation, effective from January 1, 2007, is not applicable to the Group's Consolidated Financial Statements.

- *IFRIC 9—Reassessment of Embedded Derivatives*

This interpretation requires the Group to assess whether an embedded derivative should be separated from the host contract and accounted for as a derivative at the time it first becomes a party to the contract. Subsequent assessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

This interpretation, effective from January 1, 2007, has no effect on the Group's consolidated financial statements.

- *IFRIC 10—Interim Financial Reporting and Impairment*

The subject of this interpretation is the interaction between the requirements of IAS 34 and the recognition of losses for the impairment of goodwill under IAS 36 and of certain financial assets under IAS 39, and the effect of this interaction on later interim and annual financial statements.

This interpretation, effective from January 1, 2007, has no effect on the Group's Consolidated Financial Statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *New standards and interpretations not yet effective*

The following standards and interpretations in issue at the date of preparation of these notes were not yet effective for the preparation of the consolidated financial statements as of and for the year ended December 31, 2007. The Group has not elected for early adoption in any of these cases.

<u>STANDARD/INTERPRETATION</u>	<u>EFFECTIVE DATE</u>
IFRS 8— <i>Operating Segments</i>	Financial statements for periods beginning on or after January 1, 2009
IAS 23— <i>Borrowing Costs (revised March 2007)</i>	Financial statements for periods beginning on or after January 1, 2009
IFRIC 11— <i>Group and Treasury Share Transactions</i>	Financial statements for periods beginning on or after March 1, 2007
IFRIC 12— <i>Service Concession Arrangements</i>	Financial statements for periods beginning on or after January 1, 2008
IFRIC 13— <i>Customer Loyalty Programmes</i>	Financial statements for periods beginning on or after July 1, 2008
IFRIC 14— <i>IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Financial statements for periods beginning on or after January 1, 2008
IAS 1— <i>Presentation of Financial Statements</i>	Financial statements for periods beginning on or after January 1, 2009
IFRS 3— <i>Business Combinations (revised January 2008)</i>	Financial statements for periods beginning on or after July 1, 2009
<i>Amendment to IAS 27—Consolidated and Separate Financial Statements</i>	Financial statements for periods beginning on or after July 1, 2009
<i>Amendment to IFRS 2—Share-based Payments: Vesting Conditions and Cancellations</i>	Financial statements for periods beginning on or after January 1, 2009

The Group is currently assessing the impact that the new standards and interpretations, if applicable, could have on the financial statements of the years in which they will become effective.

**2.4 Use of estimates**

The preparation of these Consolidated Financial Statements required management to apply accounting policies and methodologies that are 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 balance sheet, 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 statements due to the uncertainties that characterize the assumptions and conditions on which the estimates are based.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

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 on an annual basis to determine whether any impairment losses have arisen that should be recognized in the income statement. More specifically, the test is performed by allocating the goodwill to a cash generating unit 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 for the allocated goodwill. The allocation of goodwill to cash generating units and the determination of the fair value of a CGU requires 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 of non-current assets:* non-current assets are reviewed to determine whether there are any indications that the net 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 the 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.
- *Provisions:* in recognizing provisions the Group analyses the extent to which it is probable that a liability will arise from disputes with employees, suppliers and third parties and in general the losses it will be required to incur as a result of past obligations. 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 financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

**2.5 Risk management**

**Credit risk**

The Group's credit risk is principally associated with trade receivables which as of December 31, 2007 amounted to €1,234,874 thousand. The Group minimizes credit risk through a credit check preventive process which ensures that all customers requesting new products and services or additions to existing services are reliable and solvent, also through the preference for contracts which provide for the use of automatic payment methods with the aim of reducing the underlying credit risk. This control is carried out at the customer acceptance phase through the use of internal and external information.

The Group additionally exercises timely pre- and 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 debt status through reporting tools.

The result of this effective action is that the Group has a limited amount of credit losses. Additionally, 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 the Enel Group, with dealers and with domestic and international operators.

Wind Telecomunicazioni SpA is also guaranteed by sureties issued by primary banks as collateral for the obligations resulting from supplies and receivables with dealers.

In terms of financial assets, the Group has an exposure to credit risk with financial counterparties with whom it enters derivative agreements to hedge against interest rate and currency risk, makes deposits of available cash through money market transactions and holds current accounts.

In order to manage its counterparty risk, the Group carries out money market transactions and transactions involving derivatives for hedging purposes exclusively with parties having "Investment Grade" rating and monitors and limits the concentration of transactions with any single party.

The Group had made deposits of €51,282 thousand as of December 31, 2007 and had a positive net balance on its current accounts of €143,504 thousand at that date. The Group's credit risk exposure from derivative contracts is represented by their realizable value or fair value if positive.

The positive fair value of derivative contracts as of December 31, 2007 was €172,117 thousand while the fair value of the Group's entire portfolio was €43,968 thousand (details of this may be found in note 7).

**Liquidity risk**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

As concerns debt, Wind Telecomunicazioni SpA has entered a long-term loan agreement—the Credit Facility Agreement—for which interest is payable at a floating rate and which consists of three tranches, denominated in both Euros and US dollars; A is an amortizing tranche and B and C are bullet tranches. An additional loan agreement of a bullet type and denominated in both Euros and US dollars—the Second Lien—has been entered into by Wind Finance SL SA. The total nominal value of these agreements calculated by converting US dollars to euros at the year end rate is €5,306,962 thousand.

The associate Wind Acquisition Finance SA, a company registered under Luxembourg law, has a “High Yield” bond outstanding with value date November 28, 2005 and maturity date December 1, 2015 which is listed on the Luxembourg market and consists of one tranche of nominal value US\$ 500,000 thousand with a six-monthly coupon of 10.75% and one tranche of nominal value €825,000 thousand with a six-monthly coupon of 9.75%. Wind Acquisition Finance SA reopened the issue with value date March 1, 2006 by placing one tranche of nominal value US\$ 150,000 thousand and one of €125,000 thousand at respective market prices of 105.50 and 106.

The “High Yield” bond is subject to mandatory repayment in the following situations:

- if there is 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 plus the interest accrued at the repurchase date;
- in the case of asset sales, any proceeds not reinvested in the form envisaged by the Offering memorandum and which exceed €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 plus the interest accrued at the repurchase date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

The mandatory repayment flows provided in the above agreements, including the amounts not yet used, which convert US dollar tranches at the hedge agreement exchange rate are as follows:

(millions of euro)	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
<b>Senior Credit Facilities</b>										
Term Loan A1 . . . . .	(1)	(2)(3)	(3)(5)	249(5)	673	494	—	—	—	1,416
Term Loan A2 . . . . .	(4)	(4)	80	84	—	—	—	—	—	164
Term Loan B . . . . .	—	—	—	—	—	—	1,527	—	—	1,527
Term Loan C . . . . .	—	—	—	—	—	—	—	1,527	—	1,527
Revolving . . . . .	—	—	—	—	—	400	—	—	—	400
<b>Second Lien</b>										
Second Lien Euro . . . . .	—	—	—	—	—	—	—	552	—	552
Second Lien USD . . . . .	—	—	—	—	—	—	—	122	—	122
<b>Bond High Yield</b>										
Senior Notes Euro . . . . .	—	—	—	—	—	—	—	—	950	950
Senior Notes USD . . . . .	—	—	—	—	—	—	—	—	441	441
<b>Total</b> . . . . .	<u>—</u>	<u>—</u>	<u>80</u>	<u>333</u>	<u>673</u>	<u>894</u>	<u>1,527</u>	<u>2,201</u>	<u>1,391</u>	<u>7,099</u>

(1) The instalment of Term Loan A1 due in 2007 was paid on December 20, 2005.

(2) The instalment of Term Loan A1 due in 2008 was partially repaid in March 2006 for an amount of €266 million.

(3) The residual instalment of Term Loan A1 for 2008 and part of that for 2009, were repaid in December 2006 for a total of €462 million.

(4) The instalments of Term Loan A2 due from 2006 to 2008 were repaid in June 2006 for a total of €219 million.

(5) The residual instalment of Term Loan A1 for 2009 and part of that for 2010, were repaid in December 2007 for a total of €491 million.

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

Neither the interest rate swap agreements nor the cross currency swap agreements contain clauses that enable the counterparty to terminate the contract in advance (break clauses).

In order to deal with the liquidity risk arising from these commitments the Group may, in addition to cash flows from ordinary operations, also count on a revolving credit line of €400,000 thousand which forms part of the long-term loan agreement referred to above, disbursed on a committed basis and currently unused.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

The contractual due dates for financial liabilities, including those for interest payments, which are representative of the respective effects on the income statement, are set out in the following tables, which provide the figures as of December 31, 2007 and 2006.

(millions of euro)	Carrying amount as of December 31, 2007	Total contractual cash flows	2008	2009	2010	2011	2012	2013	2014	2015
<b>Non-derivative financial liabilities</b>										
Bank loans . . . . .	5,321	(7,767)	(404)	(511)	(786)	(1,057)	(831)	(1,804)	(2,374)	—
Bonds . . . . .	1,399	(2,512)	(140)	(140)	(140)	(140)	(140)	(140)	(140)	(1,532)
<b>Derivative financial liabilities</b>										
Cross currency swaps: . . . . .	128									
Outflows . . . . .		(1,379)	(72)	(72)	(72)	(72)	(72)	(133)	(279)	(606)
Inflows . . . . .		1,202	71	70	70	70	71	120	240	490
<b>Total . . . . .</b>	<b><u>6,849</u></b>	<b><u>(10,457)</u></b>	<b><u>(546)</u></b>	<b><u>(653)</u></b>	<b><u>(928)</u></b>	<b><u>(1,199)</u></b>	<b><u>(973)</u></b>	<b><u>(1,957)</u></b>	<b><u>(2,553)</u></b>	<b><u>(1,648)</u></b>

(millions of euro)	Carrying amount as of December 31, 2006	Total contractual cash flows	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Non-derivative financial liabilities</b>											
Bank loans . . . . .	5,823	(8,548)	(404)	(402)	(751)	(978)	(1,041)	(813)	(1,780)	(2,378)	—
Bonds . . . . .	1,502	(2,755)	(146)	(146)	(146)	(146)	(146)	(146)	(146)	(146)	(1,589)
<b>Derivative financial liabilities</b>											
Cross currency swaps: . . . . .	78										
Outflows . . . . .		(1,452)	(72)	(72)	(72)	(72)	(72)	(72)	(133)	(279)	(606)
Inflows . . . . .		1,429	79	80	79	79	79	80	135	269	547.34
<b>Total . . . . .</b>	<b><u>7,402</u></b>	<b><u>(11,325)</u></b>	<b><u>(542)</u></b>	<b><u>(541)</u></b>	<b><u>(890)</u></b>	<b><u>(1,116)</u></b>	<b><u>(1,179)</u></b>	<b><u>(952)</u></b>	<b><u>(1,924)</u></b>	<b><u>(2,533)</u></b>	<b><u>(1,648)</u></b>

**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 interest 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 profit or loss in terms of greater financial expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

• 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 amount of payables or receivables generated by ordinary operations but not in euros, could undergo adverse effects caused by fluctuations in exchange rates.

The main objectives that the Group intends to reach are:

- to continue to defend the strategic plan scenario from the effects of exposure to currency, interest rate and inflation risk, identifying an optimum combination of the fixed rate, floating rate and inflation components for financial liabilities;
- to reduce the cost of the debt;
- to manage derivatives in compliance with the Group's approved strategies, taking into consideration the different effects that the derivative transactions could have on the income statement and the balance sheet.

After signing the long-term loan contract with a pool of banks, Wind Telecomunicazioni SpA issued a hedging letter in 2005 in which, regarding interest rate risk, it undertakes to hedge, for the first three years, at least 67% of its exposure to the interest accruing on the Credit Facility Agreement and the Second Lien and to hedge 100% of its currency risk exposure on the Credit Facility Agreement, Second Lien and High Yield Bond.

To meet these commitments the interest rate risk was hedged and at the present time this has reached a level of approximately 96%, with a maximum hedge term of approximately six years.

Taken overall, the Group has outstanding derivative contracts of €4,875,000 thousand, of which €1,000,000 thousand have a residual term of approximately one year, €3,475,000 thousand have a residual term of approximately four years and €400,000 thousand have a residual term of approximately six years.

Considering that the total of loans and bonds outstanding as of December 31, 2007 amounted to €6,698,507 thousand, the fixed to floating ratio was as follows at that date:

**Fixed rate**

Nominal at fixed rate . . . . .	6,490,715,644.32
% . . . . .	96.90%

**Floating rate**

Nominal at floating rate . . . . .	207,792,080.33
% . . . . .	3.10%



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

Abiding by the terms of the hedging letter, Wind Telecomunicazioni SpA has hedged 100% of the currency and interest rate risks arising from the US dollar tranches of the Credit Facility Agreement and the Second Lien by making cross currency swaps for a total notional amount of US\$ 330,000 thousand.

In addition, 100% of the currency risk arising from the bond issue and from the subsequent reopening of an issue by the associate Wind Acquisition Finance SA has been hedged by making cross currency swaps for a total notional amount of US\$650,000 thousand.

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

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

With regard to the unhedged portion of floating rate debt, it is estimated that an increase of 100 basis points in the euro interest rate yield curve would lead to an increase in interest charges of approximately €2,078 thousand, with the related effect on equity. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

**3. SEGMENT REPORTING**

Identifying the Group's segments and determining its primary and secondary segments was carried out on the basis of its organizational structure and internal reporting system. In particular, since the risks and rewards of the Group's investments are influenced exclusively by differences in the products sold and services rendered, its primary format for reporting segment information is business segments (fixed-mobile telephony) while information by geographical segment is not presented in view of the fact that the Group operates mostly in Italy. Assets and liabilities for which a specific allocation to the segments was not possible (in particular financial assets and liabilities and current and deferred tax assets and liabilities) have been assigned on the basis of specific criteria. Assets and liabilities not attributable to individual sectors (in particular financial assets and liabilities, income tax receivables and

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2007—(continued)**

**3. SEGMENT REPORTING—(continued)**

payables, and deferred tax assets and liabilities) have been allocated according to specific parameters. Those assets and liabilities are reported separately in the table below:

	Fixed		Mobile		Others		Total	
(millions of euro)	As of December 31, 2007	As of December 31, 2006	As of December 31, 2007	As of December 31, 2006	As of December 31, 2007	As of December 31, 2006	As of December 31, 2007	As of December 31, 2006
Segment revenue . . . . .	1,631	1,675	3,639	3,373	—	—	5,271	5,048
Inter-segmental revenue . . .	—	—	—	—	—	—	—	—
<b>Total revenue . . . . .</b>	<b>1,631</b>	<b>1,675</b>	<b>3,639</b>	<b>3,373</b>	<b>—</b>	<b>—</b>	<b>5,271</b>	<b>5,048</b>
<b>Operating income<sup>(*)</sup> . . . . .</b>	<b>249</b>	<b>221</b>	<b>1,563</b>	<b>1,436</b>	<b>—</b>	<b>—</b>	<b>1,811</b>	<b>1,657</b>
Depreciation and amortization . . . . .	(178)	(202)	(594)	(512)	(278)	(315)	(1,049)	(1,029)
Reversal (impairment) of non-current assets . . . . .	(3)	1	(26)	9	2	0	(27)	10
Gains (losses) on disposal of non-current assets . . . . .	(0)	(2)	(5)	(55)	0	(1)	(5)	(58)
<b>Operating income . . . . .</b>	<b>67</b>	<b>18</b>	<b>938</b>	<b>878</b>	<b>(276)</b>	<b>(316)</b>	<b>730</b>	<b>580</b>
Finance income . . . . .							30	31
Finance expenses . . . . .							(553)	(478)
Foreign exchange gains (losses) . . . . .							1	—
<b>Profit before tax . . . . .</b>							<b>207</b>	<b>133</b>
Income tax . . . . .							(154)	(117)
<b>Profit from continuing operations . . . . .</b>							<b>54</b>	<b>16</b>
<b>Profit from discontinued operations . . . . .</b>							<b>137</b>	<b>—</b>
<b>Profit/(loss) for the year . . .</b>							<b>191</b>	<b>16</b>

	Fixed		Mobile		Others		Total	
(millions of euro)	As of December 31, 2007	As of December 31, 2006	As of December 31, 2007	As of December 31, 2006	As of December 31, 2007	As of December 31, 2006	As of December 31, 2007	As of December 31, 2006
Allocated assets . . . . .	2,137	1,958	9,365	9,796	1,723	2,061	13,225	13,815
Non allocated assets . . . . .	—	—	—	—	1,062	965	1,062	965
<b>Total . . . . .</b>	<b>2,137</b>	<b>1,958</b>	<b>9,365</b>	<b>9,796</b>	<b>2,785</b>	<b>3,026</b>	<b>14,287</b>	<b>14,780</b>
Allocated liabilities . . . . .	869	805	1,387	1,293	99	158	2,355	2,256
Non allocated liabilities . . .	—	—	—	—	7,843	8,642	7,843	8,642
<b>Total . . . . .</b>	<b>869</b>	<b>805</b>	<b>1,387</b>	<b>1,293</b>	<b>7,942</b>	<b>8,800</b>	<b>10,198</b>	<b>10,898</b>

(\*) Operating profit before amortization, impairment of non-current assets and gains/(losses) on disposal of non-current assets.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**4. ACQUISITIONS AND DISPOSALS**

On March 1, 2007 the Parent Company sold the business unit represented by the Call Center based in Sesto San Giovanni to Omnia Service Center srl. The sale included the transfer of 269 employees and led to a gain of €2,118 thousand.

On October 30, 2007 the Parent Company signed a Share Purchase Agreement for the sale of 2 shares of its holding in the subsidiary WPH to the related company WIND Hellas SA, for an amount of €5,000 thousand. The sale was finalized on December 21, 2007 and led to a change in the composition of the shareholders of WPH, which is now held as to 50% plus one share by the related company Wind Hellas SA with the remainder of the shares being held by the Parent Company.

As part of the same transaction on October 26, 2007 the Parent Company signed a Shareholders' Agreement with Wind Hellas SA and the parent Weather Investments SpA under which it waives de facto the exercising of any corporate governance over its investee. The Agreement also envisages amongst other things options whereby:

- the Parent Company may sell to Weather Investments SpA, which undertakes to purchase, its whole investment in WPH amounting to 50% less one share (put option). The option may be exercised at any time during the term of the Shareholders' Agreement;
- Wind Hellas may purchase from the Parent Company, which undertakes to sell, the entire residual investment in WPH (call option). Wind Hellas may exercise this option at any time but must in any case do so within 5 years from the date on which the transfer of the 2 shares referred to above took place, meaning by December 21, 2012;
- in addition, in the event of a change in control of the Parent Company and/or of Wind Hellas, the latter company shall in any case be entitled, unconditionally and irrevocably, to exercise its purchase option with the new shareholder to acquire the whole investment in WPH (change of control option).

Under the agreement between the parties, a price of €175 million shall be payable for exercising any one of the above options. To this will be added accrued interest calculated at a rate of annual Euribor plus a spread of 1.25%.

Taking into account the corporate governance pact and given the existence of the put and call options, it is considered highly probable that the sale of the residual investment in WPH will go through and consequently this is recognized at fair value and classified under assets held for sale.

The following table sets out key figures from the income statement and balance sheet of the WPH Group up to the date of the loss of control.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**4. ACQUISITIONS AND DISPOSALS—(continued)**

**INCOME STATEMENT**

<u>(thousands of euro)</u>	<u>2007 (9 months)</u>
Total revenue . . . . .	84,945
Operating income before depreciation and amortization, reversal/impairment of non-current assets, gains/losses on disposal of non-current assets . . . . .	(2,309)
Operating loss . . . . .	(15,289)
Loss before tax . . . . .	(17,811)
Loss for the period . . . . .	(19,054)

**BALANCE SHEET**

<u>(thousands of euro)</u>	<u>As of September 30, 2007</u>
Non-current assets . . . . .	111,580
Current assets . . . . .	112,832
<b>Total assets . . . . .</b>	<b><u>224,412</u></b>
<b>Equity . . . . .</b>	<b><u>40,267</u></b>
Non-current liabilities . . . . .	47,742
Current liabilities . . . . .	136,403
<b>Total liabilities . . . . .</b>	<b><u>184,145</u></b>
<b>Total Equity and Liabilities . . . . .</b>	<b><u>224,412</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
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**5. PROPERTY, PLANT AND EQUIPMENT**

The following table sets out the changes in “*Property, Plant and Equipment*” for the year ended December 31, 2007.

(thousands of euro)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
<b>Cost</b>						
<b>As of December 31, 2006</b> . . . . .	<b>467</b>	<b>7,409,772</b>	<b>100,026</b>	<b>465,778</b>	<b>196,534</b>	<b>8,172,577</b>
Additions . . . . .	—	496,169	7,045	8,696	129,287	641,197
Disposals . . . . .	—	(152,618)	—	(33,567)	—	(186,185)
Changes in the scope of consolidation . . . . .	—	(46,228)	(1,134)	(13,049)	(1,946)	(62,357)
Others . . . . .	—	151,948	6,069	4,733	(164,117)	(1,367)
<b>As of December 31, 2007</b> . . . . .	<b>467</b>	<b>7,859,043</b>	<b>112,006</b>	<b>432,591</b>	<b>159,758</b>	<b>8,563,865</b>
<b>Accumulated depreciation and Impairment losses</b>						
<b>As of December 31, 2006</b> . . . . .	—	<b>4,090,816</b>	<b>91,534</b>	<b>384,142</b>	—	<b>4,566,492</b>
Disposals . . . . .	—	(114,168)	—	(33,006)	—	(147,174)
Changes in the scope of consolidation . . . . .	—	(20,312)	(713)	(7,998)	—	(29,023)
Impairment . . . . .	—	22,967	—	13	—	22,980
Depreciation . . . . .	—	655,476	5,933	34,966	—	696,375
Others . . . . .	—	(7,710)	(173)	(1,094)	—	(8,977)
<b>As of December 31, 2007</b> . . . . .	—	<b>4,627,069</b>	<b>96,581</b>	<b>377,023</b>	—	<b>5,100,673</b>
<b>Net balance</b>						
<b>As of December 31, 2006</b> . . . . .	<b>467</b>	<b>3,318,956</b>	<b>8,492</b>	<b>81,636</b>	<b>196,534</b>	<b>3,606,085</b>
<b>As of December 31, 2007</b> . . . . .	<b>467</b>	<b>3,231,974</b>	<b>15,425</b>	<b>55,568</b>	<b>159,758</b>	<b>3,463,192</b>

“*Property, plant and equipment*” has decreased by a net amount of €142,893 thousand in the year ended December 31, 2007, determined mostly by the charge for depreciation and disposals (amounting to €696,375 thousand and €39,011 thousand respectively), only partially offset by the investments of €641,197 thousand. The main increases for the year regard purchases of radio links and high frequency equipment for the expansion of the mobile access network and electronic switchboards and equipment, the capitalization of internal costs incurred during the planning and development of the fixed-line and mobile telephone network, and leasehold improvements.

The decrease in this item is also due, for an amount of €33,334 thousand, to the change in the scope of consolidation and the resulting removal of the balances of the WPH Group following the sale of the two shares in the related company Wind Hellas SA which led to the loss in control of the company (further details on this matter may be found in note 4).

The depreciation charge was affected by the extension of the depreciation period for leasehold improvements, as a consequence of an assessment of the renewal options for rental agreements granted

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**5. PROPERTY, PLANT AND EQUIPMENT—(continued)**

to the Parent Company. Specifically, the resulting adjustments for this led to a decrease in depreciation of about €38,611 thousand for the year; it should be noted that this effect, positive also in 2008, will reverse progressively in the future until 2018.

As part of the plan for the reorganization and development of the Group's production structure, asset disposals were made which relate mostly to radio links and high frequency equipment (having an original cost of €45,870 thousand and accumulated depreciation of €22,939 thousand), electronic switchboards and equipment (having an original cost of €64,146 thousand and accumulated depreciation of €63,404 thousand) and underground cables (having an original cost of €189 thousand and accumulated depreciation of €61 thousand), most of which relating to equipment, infrastructure and transmission systems that are no longer usable. In addition, certain assets were written down during the year due to technological obsolescence for an amount considered to represent the portion non-recoverable through normal use; included amongst these were electronic switchboards and equipment (€14,275 thousand) and radio links and high frequency equipment (€8,382 thousand) for which the write-down was due to the unexpected technological obsolescence of the assets involved.

Disposals of plant and machinery include the sale to Terna on March 29, 2007 of the exclusive right to use a fiber optic couple distributed throughout the country and having a length of approximately 11,000 km, which was carried at cost of €30,066 thousand and accumulated depreciation of €7,018 thousand. This transaction led amongst other things to the release of deferred tax liabilities of €9,317 thousand and the recognition of a net gain of €19,450 thousand.

Others mainly include plant and machinery which entered in use during the year.

As of December 31, 2007, transmission equipment, telephone systems and commutation switchboards owned by the parent and having a net carrying amount of €101,510 thousand was with customers for use (€110,535 thousand as of December 31, 2006), while transmission equipment for direct access by "unbundling the local loop" having a net carrying amount of €140,814 thousand (€85,520 thousand as of December 31, 2006) was held on deposit by Telecom Italia.

"*Property, Plant and Equipment*" additionally includes an item called "Rights for the exclusive use of optic fiber" having a net carrying amount of €53,628 thousand as of December 31, 2007 (€47,417 thousand as of December 31, 2006).

As of December 31, 2007 "*Equipment*" had a net carrying amount of €15,425 thousand, representing an increase over the balance at the end of the previous year as the result of investments which were only partially offset by depreciation. Commercial equipment having a net balance of €10,013 thousand as of December 31, 2007 was with third parties for use at that date, consisting mostly of authorized dealers.

The net balance of "*Other assets*", €55,568 thousand as of December 31, 2007, decreased during the year substantially due to the depreciation charge.

The balance of "*Assets under construction*" of €159,758 thousand as of December 31, 2007 consists mainly of plant and machinery being completed and tested.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**6. INTANGIBLE ASSETS**

The following table sets out the changes in “*Intangible assets*” for the year ended December 31, 2007.

(thousands of euro)	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Goodwill	Assets under development	Total
<b>Cost</b>						
<b>As of December 31, 2006 . . .</b>	<b>1,109,227</b>	<b>4,518,709</b>	<b>1,036,387</b>	<b>3,961,385</b>	<b>26,153</b>	<b>10,651,861</b>
Additions . . . . .	68,502	—	1,593	—	37,488	107,583
Disposals . . . . .	—	—	(155)	—	—	(155)
Changes in the scope of consolidation . . . . .	(32,549)	(54,749)	(2,864)	(3,952)	(58)	(94,172)
Others . . . . .	19,957	1,715	505	—	(20,960)	1,217
<b>As of December 31, 2007 . . .</b>	<b>1,165,137</b>	<b>4,465,675</b>	<b>1,035,466</b>	<b>3,957,433</b>	<b>42,623</b>	<b>10,666,334</b>
<b>Accumulated amortization and impairment</b>						
<b>As of December 31, 2006 . . .</b>	<b>891,476</b>	<b>669,192</b>	<b>150,395</b>	<b>363,545</b>	<b>—</b>	<b>2,074,608</b>
Disposal . . . . .	—	—	(155)	—	—	(155)
Changes in the scope of consolidation . . . . .	(22,827)	(2,697)	(2,501)	1,276	—	(26,749)
Impairment . . . . .	4,159	—	—	—	—	4,159
Amortization . . . . .	94,179	154,609	104,146	—	—	352,934
Others . . . . .	(215)	—	—	—	—	(215)
<b>As of December 31, 2007 . . .</b>	<b>966,772</b>	<b>821,104</b>	<b>251,885</b>	<b>364,821</b>	<b>—</b>	<b>2,404,582</b>
<b>Net book value</b>						
<b>As of December 31, 2006 . . .</b>	<b>217,751</b>	<b>3,849,517</b>	<b>885,992</b>	<b>3,597,840</b>	<b>26,153</b>	<b>8,577,253</b>
<b>As of December 31, 2007 . . .</b>	<b>198,365</b>	<b>3,644,571</b>	<b>783,581</b>	<b>3,592,612</b>	<b>42,623</b>	<b>8,261,752</b>

“*Intangible assets*” decreased by a net amount of €315,501 thousand during the year mainly due to the amortization charge of €352,934 thousand, which was only partially offset by new investments of €107,583 thousand relating to the additional development and rationalization of existing systems.

Others mainly include industrial patents and intellectual property rights which entered in use during the year.

“*Industrial patents and intellectual property rights*” consist of the cost for the outright purchase of applications software licenses or the right to use such licenses for an unlimited period and the capitalized costs relating to the time spent by Parent Company personnel in designing, developing and implementing information systems, which as of December 31, 2007 amounted to €1,640 thousand (€1,702 thousand as of December 31, 2006).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**6. INTANGIBLE ASSETS—(continued)**

Applications software having a net carrying amount of €139 thousand was in use by third parties, customers and business call center outsourcers at the end of the year.

“*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 Parent Company by the relevant public authorities as detailed below.

<u>Individual licenses</u>	<u>Date of issue</u>	<u>Date of expiry<sup>(*)</sup></u>
<b>Group parent</b>		
Installation of network and provision of voice telephony services on the Italian national territory <sup>(**)</sup> . . . . .	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 <sup>(***)</sup>	December 2021
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 <sup>(****)</sup> . . . . .	July 2002	July 2022

(\*) Individual licenses are renewable in compliance with the regulations prevailing at the time of the renewal upon submission of an application at least six months prior to the expiry date (article 5, paragraph 27, of Presidential Decree no. 318/1997).

(\*\*) The parent 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.

Concessions, licenses, trademarks and similar rights for €1,453,103 thousand refers 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. The Parent Company’s rights included in this item relate 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.

“*Others*” mainly relate to the fair value of the customer base, amounting to €832,801 thousand, identified on allocating the surplus as of December 31, 2006 arising from the merger of the former parent Wind Acquisition Finance SpA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**6. INTANGIBLE ASSETS—(continued)**

“*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 had not yet been fully acquired at the end of the year or which relate to incomplete projects, and down payments made to suppliers for the purchase of intangible assets. More specifically, intangible assets under development relate to the costs incurred for the design, development and implementation of information systems or specific modules thereof.

Goodwill pertains to the parent Wind Telecomunicazioni SpA and has been allocated to the following cash generating units.

	As of December 31, 2007	As of December 31, 2006
<b>CGU</b>		
Fixed .....	276,997	282,225
Mobile .....	3,315,615	3,315,615
<b>Goodwill</b> .....	<b>3,592,612</b>	<b>3,597,840</b>

Goodwill as of December 31, 2007 was allocated to the individual cash generating units which represent the minimum level at which these units are monitored for management accounting and control purposes. The carrying amount as of December 31, 2007 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 2006-2010 business plan approved by the Directors. A growth rate of 1.5% was assumed for the years not covered by this plan. An interest rate of 8.3% 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.

In the previous year, Wacc of 7.8% was used; the increase is mainly due to a generalized increase in interest rates.

**7. FINANCIAL ASSETS**

The following table sets out “*Financial assets*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007			As of December 31, 2006		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost .....	2,088	—	2,088	2,624	—	2,624
Derivative financial instruments .....	203,622	3,183	206,805	174,853	55,363	230,216
Financial receivables .....	4,131	8,568	12,699	13,730	7,780	21,510
<b>Total</b> .....	<b>209,841</b>	<b>11,751</b>	<b>221,592</b>	<b>191,207</b>	<b>63,143</b>	<b>254,350</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**7. FINANCIAL ASSETS—(continued)**

“Financial assets measured at cost” consist of minority interests in companies and consortia as set out in the following table:

<u>Company/consortium</u>	<u>% of investment</u>	<u>As of December 31, 2007</u>	<u>As of December 31, 2006</u>
Consortium Elawind . . . . .	33.33%	2	2
Consortium Consel . . . . .	1.00%	1	1
Consortium Cofridip . . . . .	—	—	2
Janna Scarl . . . . .	17.00%	2,020	2,555
Mix Srl . . . . .	15.00%	15	15
QXN Scpa . . . . .	10.00%	50	50
<b>Total financial assets at cost . . . . .</b>		<b><u>2,088</u></b>	<b><u>2,624</u></b>

The Parent Company exercised its right to withdraw from the Cofridip Consortium with effect from December 31, 2007 in a letter of July 27, 2007.

The following table provides details of the outstanding derivative financial instruments as of December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>As of December 31, 2007</u>		<u>As of December 31, 2006</u>	
	<u>Fair value (+)</u>	<u>Fair value (–)</u>	<u>Fair value (+)</u>	<u>Fair value (–)</u>
<b>Derivative financial instruments</b>				
—Exchange rate risk . . . . .	—	128,149	—	78,448
—Interest rate risk . . . . .	172,117	—	179,992	—
<b>Total cash flow hedges . . . . .</b>	<b><u>172,117</u></b>	<b><u>128,149</u></b>	<b><u>179,992</u></b>	<b><u>78,448</u></b>
Embedded derivatives . . . . .	34,688	—	50,224	—
<b>Total derivatives Non Hedge Accounting . . . .</b>	<b><u>34,688</u></b>	<b><u>—</u></b>	<b><u>50,224</u></b>	<b><u>—</u></b>
—Current . . . . .	3,183	—	55,363	—
—Non-current . . . . .	203,622	128,149	174,853	78,448
<b>Total . . . . .</b>	<b><u>206,805</u></b>	<b><u>128,149</u></b>	<b><u>230,216</u></b>	<b><u>78,448</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**7. FINANCIAL ASSETS—(continued)**

Changes in the cash flow hedge reserve for the year were as follows:

(thousands of euro)	Interest rate risk	Foreign currency risk	Total
<b>Cash Flow Hedge</b>			
<b>As of December 31, 2006</b> . . . . .	111,348	(12,475)	98,873
Changes in fair value . . . . .	68,252	(47,829)	20,423
Tax effect . . . . .	(16,239)	12,871	(3,368)
Reverse in income statements . . . . .	(75,058)	76,755	1,697
Tax effect . . . . .	20,641	(21,108)	(467)
<b>As of December 31, 2007</b> . . . . .	<b>108,944</b>	<b>8,214</b>	<b>117,158</b>

The fair value of financial instruments listed on active markets was taken as the market quotation at the balance sheet 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 as of December 31, 2007:

- agreements hedging the interest rate and currency risks relating to the tranches of bank loans and bonds denominated in US dollars, for which reference should be made to note 17, having a notional amount of €825,954 thousand (€825,954 thousand as of December 31, 2006) and a negative fair value of €128,149 thousand (negative fair value of €78,448 thousand as of December 31, 2006);
- agreements hedging the interest rate risk of bank loans having a notional amount of €4,875,000 thousand (€5,200,000 thousand as of December 31, 2006) and a positive fair value of €172,117 thousand (€179,992 thousand as of December 31, 2006);
- embedded derivatives of €34,688 thousand (€50,224 thousand as of December 31, 2006) relating to the fair value of the early repayment options provided for on issue of the Senior Notes, for which reference should be made to note 17.

“*Financial receivables*” classified as non-current “*Financial assets*” and amounting to €4,131 thousand as of December 31, 2007 (€13,730 thousand as of December 31, 2006) consist mainly of guarantee deposits for electricity, property leases and the rent of ISDN lines.

“*Financial receivables*” classified as current “*Financial assets*” and amounting to €8,568 thousand as of December 31, 2007 relate mostly to 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 17), which are charged against income on a straight-line basis over the term of the agreement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**7. FINANCIAL ASSETS—(continued)**

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

(thousands of euro)	As of December 31, 2007				As of December 31, 2006			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
<b>Financial receivables</b>								
Guarantee deposits . . . . .	1,447	3,094	1,037	5,578	—	11,421	2,309	13,730
Others . . . . .	7,121	—	—	7,121	7,780	—	—	7,780
<b>Total . . . . .</b>	<b>8,568</b>	<b>3,094</b>	<b>1,037</b>	<b>12,699</b>	<b>7,780</b>	<b>11,421</b>	<b>2,309</b>	<b>21,510</b>

**8. DEFERRED TAX ASSETS AND LIABILITIES**

The following tables provide an analysis of “*Deferred tax assets*” and “*Deferred tax liabilities*” by origin as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
<b>Deferred tax assets related to:</b>		
Tax losses carried forward . . . . .	331,497	645,407
Provision for bad debts (taxed) . . . . .	64,449	38,290
Provisions . . . . .	48,515	40,265
Measurement of financial assets/liabilities . . . . .	9,729	12,475
Derivative financial instruments . . . . .	—	7,495
Amortization and depreciation of non-current assets . . . . .	338	3,567
Revenue . . . . .	108	608
<b>Total . . . . .</b>	<b>454,636</b>	<b>748,108</b>

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
<b>Deferred tax liabilities related to:</b>		
Employee benefits . . . . .	228	898
Accelerated depreciation and amortization . . . . .	15,230	21,474
Derivative financial instruments . . . . .	53,390	71,949
Property, plant, and equipment at fair value . . . . .	106,453	146,019
Depreciation of PPA . . . . .	759,378	937,309
Provisions . . . . .	738	738
Revenue . . . . .	6,873	—
<b>Total . . . . .</b>	<b>942,290</b>	<b>1,178,386</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**8. DEFERRED TAX ASSETS AND LIABILITIES—(continued)**

Changes in “*Deferred tax assets*” and “*Deferred tax liabilities*” may be analyzed as follows.

<u>Description</u>	<u>As of December 31, 2006</u>	<u>Decrease</u>	<u>Increase</u>	<u>As of December 31, 2007</u>
Tax losses carried forward . . . . .	645,407	314,154	244	331,497
Provision for bad debts (taxed) . . . . .	38,290	13,593	39,752	64,449
Provisions . . . . .	40,265	18,700	26,950	48,515
Measurement of financial assets/liabilities . . . . .	12,475	3,097	351	9,729
Derivative financial instruments . . . . .	7,495	7,495	—	—
Amortization and depreciation of non-current assets . . . .	3,567	3,525	296	338
Revenue . . . . .	608	667	167	108
<b>Deferred tax assets . . . . .</b>	<b><u>748,108</u></b>	<b><u>361,231</u></b>	<b><u>67,760</u></b>	<b><u>454,636</u></b>
Employee benefits . . . . .	898	3,174	2,504	228
Accelerated depreciation and amortization . . . . .	21,474	6,261	17	15,230
Derivative financial instruments . . . . .	71,949	18,559	—	53,390
Property, plant, and equipment at fair value . . . . .	146,019	39,566	—	106,453
Depreciation of PPA . . . . .	937,309	177,931	—	759,378
Provisions . . . . .	738	—	—	738
Revenue . . . . .	—	—	6,873	6,873
<b>Deferred tax liabilities . . . . .</b>	<b><u>1,178,386</u></b>	<b><u>245,491</u></b>	<b><u>9,394</u></b>	<b><u>942,290</u></b>

Changes in “*Deferred tax assets*” and “*Deferred tax liabilities*” have been adjusted by amounts of €104,328 thousand and €163,299 thousand respectively following the introduction of Law no. 244 of December 24, 2007, the “2008 Finance Act”, and subsequent decrees and regulations, under which the rates at which corporate income tax (IRES) and regional productivity tax (IRAP) are payable were reduced from 33% to 27.5% and from 4.25% to 3.9%, respectively.

Deferred tax assets and liabilities as of December 31, 2007 and 2006 which relate to items recognized directly in equity were as follows.

<u>(thousands of euro)</u>	<u>As of December 31, 2007</u>	<u>As of December 31, 2006</u>
Cash flow hedges . . . . .	<u>4,345</u>	<u>(25,262)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**8. DEFERRED TAX ASSETS AND LIABILITIES—(continued)**

The table below provides an analysis of the deferred tax assets arising from the carryforward of unused tax losses by year of expiry of the loss, together with changes for the year.

(thousands of euro) Year	Valid until	As of December 31, 2006	Increase/ (Decrease)	Effect of change in tax rate	Write- down	Change in scope of consolidation	Wind Group losses carried forward	Tax consolidation	As of December 31, 2007
1997-1999 . . . . .	unlimited	173,978	—	(28,996)	—	—	144,982	—	144,982
2002 . . . . .	2007	113,161	(113,161)	—	—	—	—	—	—
2003 . . . . .	2008	197,231	—	(32,896)	(99,883)	144	64,596	—	64,596
2004 . . . . .	2009	112,718	—	(17,652)	—	(6,809)	88,257	—	88,257
2005 . . . . .	2010	43,596	—	(6,732)	—	(3,202)	33,662	—	33,662
2006 . . . . .	2011	4,723	—	—	—	(4,723)	—	—	185
2007 . . . . .	2012	—	244	—	—	—	244	(244)	—
<b>Total . . . . .</b>		<b>645,407</b>	<b>(112,917)</b>	<b>(86,276)</b>	<b>(99,883)</b>	<b>(14,590)</b>	<b>331,741</b>	<b>(244)</b>	<b>331,497</b>

Deferred tax assets have been recognized by considering the probability of their utilization and to 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.

As can be seen, from the table changes, for the year do not only relate to the realization of deferred tax assets generated in prior years but also, for an amount of €99,883 thousand, to the write-down of deferred tax assets as the consequence of the revisions made to the Group's operational growth plans, which are in part due to the changed legislative scenario in the Italian telephony market following the introduction of the Bersani Decree and in part to assumptions being made which are closer to trends in the telecommunications market and to the Group's performance.

Deferred tax assets arising from temporary differences have been recognized in full during the year (€32,911 thousand unrecognized as of December 31, 2006) as there is reasonable certainty that sufficient additional taxable profits will be available in the years in which the underlying temporary differences reverse to assure their recovery.

**9. INVENTORIES**

The following table provides an analysis of "Inventories" as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Finished goods . . . . .	21,432	27,085
Impairment . . . . .	(637)	(948)
<b>Total . . . . .</b>	<b>20,795</b>	<b>26,138</b>

"Finished goods" consist principally of fixed-line and mobile phone handsets and the related accessories. The significant change that took place during the year is mainly due to the lower quantities of goods in inventories and to the lower unitary market values which, compared to the previous year, led in proportion to an increased write-down of the assets.

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**10. TRADE RECEIVABLES**

The following table provides an analysis of “*Trade receivables*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Due from final customers . . . . .	764,801	746,138
Due from telephone operators . . . . .	378,843	316,727
Due from authorised dealers . . . . .	285,609	339,136
Due from associates . . . . .	7	4
Due from related parties . . . . .	30,432	1,913
Other trade receivables . . . . .	54,707	67,039
(Provision for bad debts) . . . . .	(279,525)	(264,576)
<b>Total . . . . .</b>	<b><u>1,234,874</u></b>	<b><u>1,206,382</u></b>

“*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*” 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.

“*Trade receivables*” increased by an overall total of €28,492 thousand during the year, mainly due to the increase in receivables due from telephone operators and from final customers (by €62,116 thousand and €18,663 thousand, respectively) and the increase in receivables due from related parties (by €28,519 thousand), which is the effect of the inclusion of the balances of the WPH Group in this line following the loss of control (further details of this may be found in note 4), only partially offset by the decrease in receivables due from authorized dealers (by €53,527 thousand) as the result of the improvement of credit collection procedures and by the increase in the provision for bad debts (by €14,949 thousand) which was influenced by the rise of the proportion of receivables balances in the longer overdue bands and the increase in receivables from customers, arising mainly from the increase in sales revenue.

The following table provides an analysis of trade receivables and the respective provision for bad debts by due date as of December 31, 2007 and 2006, net of the provision for bad debts.

(thousands of euro)	As of December 31, 2007		As of December 31, 2006	
	Gross Amount	(Provision)	Gross Amount	(Provision)
—unexpired . . . . .	1,029,419	(4,847)	1,022,492	(19,937)
—expired from 0-30 days . . . . .	61,159	(370)	100,186	(510)
—expired from 31-120 days . . . . .	49,457	(936)	78,019	(1,896)
—expired from 121-150 days . . . . .	20,428	(2,453)	11,948	(1,819)
—expired beyond 150 days . . . . .	353,937	(270,919)	258,312	(240,414)
<b>Total . . . . .</b>	<b><u>1,514,399</u></b>	<b><u>(279,525)</u></b>	<b><u>1,470,958</u></b>	<b><u>(264,576)</u></b>

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**10. TRADE RECEIVABLES—(continued)**

The following table provides an analysis of trade receivables as of December 31, 2007 and 2006, net of the provision for bad debts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
—within 12 months . . . . .	1,221,544	1,203,225
—after 12 months . . . . .	13,330	3,157
<b>Total . . . . .</b>	<b><u>1,234,874</u></b>	<b><u>1,206,382</u></b>

The following table sets out changes in the provision for bad debts during the year ended December 31, 2007.

(thousands of euro)	As of December 31, 2006	Increases	(Utilizations)	Change in scope of consolidation	As of December 31, 2007
<b>Provision for bad debts . . . . .</b>	<b><u>264,576</u></b>	<b><u>34,989</u></b>	<b><u>(5,807)</u></b>	<b><u>(14,233)</u></b>	<b><u>279,525</u></b>

In order to guarantee the obligations assumed by the parent as a consequence of loans disbursed under the Credit Facility Agreement on August 11, 2005, for which further details may be found in note 17, 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 respective collateral contract and in favor of the subscribers to the Second Lien Notes issued by the associate Wind Finance SL SA on September 29, 2005.

**11. INCOME TAX RECEIVABLES**

The balance on this item of €21,351 thousand as of December 31, 2007 (€16,064 thousand as of December 31, 2006) mostly regards receivables for withholding tax on interest income. Advance payments of IRAP tax made during the year are classified as a deduction from tax payables.

**12. OTHER RECEIVABLES**

The following table sets out details of “*Other receivables*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Trade prepayments . . . . .	150,771	123,484
Other receivables due from third parties . . . . .	44,092	68,828
Tax receivables . . . . .	29,316	6,972
Advances to suppliers . . . . .	24,474	9,634
Other receivables due from parent companies . . . . .	2,628	7,948
(Provision for bad debts) . . . . .	(12,410)	(9,497)
<b>Total . . . . .</b>	<b><u>238,871</u></b>	<b><u>207,369</u></b>

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**12. OTHER RECEIVABLES—(continued)**

The following table provides an analysis of other receivables and the respective provision for bad debts by due date as of December 31, 2007 and 2006, net of the provision for bad debts.

(thousands of euro)	As of December 31, 2007		As of December 31, 2006	
	Gross balance	(Provision)	Gross balance	(Provision)
—unexpired . . . . .	242,273	(8,479)	203,288	(5,393)
—expired from:				
—0-30 days . . . . .	1,108	—	1,895	—
—31-120 days . . . . .	1,774	—	2,694	—
—121-150 days . . . . .	287	—	1,693	—
—beyond 150 days . . . . .	5,839	(3,931)	7,296	(4,104)
<b>Total . . . . .</b>	<b>251,281</b>	<b>(12,410)</b>	<b>216,866</b>	<b>(9,497)</b>

The following table provides an analysis of other receivables as of December 31, 2007 and 2006, net of the provision for bad debts, between those falling due within 12 months and those falling due after 12 months.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
—within 12 months . . . . .	235,384	203,345
—after 12 months . . . . .	3,487	4,024
<b>Total . . . . .</b>	<b>238,871</b>	<b>207,369</b>

“*Trade prepayments*” relate mainly to rental installments for telephone network circuits, civil and technical sites, commissioning costs and installments for the use of the radio mobile network infrastructure.

“*Other receivables due from third parties*” consist mainly of the receivable relating to the request for refund of amounts paid by the parent and by the former Infostrada regarding the Turnover Contribution pursuant to Law no. 448 of December 23, 1998, amounting in total to €24,305 thousand. The decrease in this item over December 31, 2006 is due to the receipt during the year of €30,263 thousand relating to a portion of the Turnover Contribution, for which details may be found in the Report on Operations.

The following table provides an analysis of “*Tax receivables*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
VAT . . . . .	25,249	5,400
Other tax receivables . . . . .	4,067	1,572
<b>Total . . . . .</b>	<b>29,316</b>	<b>6,972</b>

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**12. OTHER RECEIVABLES—(continued)**

The increase for the year of €22,344 thousand relates mainly to the VAT receivable accruing during the year.

The following table sets out changes in the provision for bad debts for other receivables for the year ended December 31, 2007, noting that the table refers solely to receivables which are due for payment after 12 months.

<u>(thousands of euro)</u>	<u>As of December 31, 2006</u>	<u>Increases</u>	<u>(Utilizations)</u>	<u>As of December 31, 2007</u>
<b>Provision for bad debts . . . . .</b>	<b><u>9,497</u></b>	<b><u>3,412</u></b>	<b><u>(499)</u></b>	<b><u>12,410</u></b>

**13. CASH AND CASH EQUIVALENTS**

The following table sets out an analysis of “*Cash and cash equivalents*” as of December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>As of December 31, 2007</u>	<u>As of December 31, 2006</u>
Bank deposits and checks . . . . .	194,786	137,702
Cash on hand and stamps . . . . .	82	183
<b>Total . . . . .</b>	<b><u>194,868</u></b>	<b><u>137,886</u></b>

The level of available funds is the consequence of the surplus cash generated by operations and changes occur mostly as the effect of cash flows arising from ordinary settlements of a financial nature.

**14. NON-CURRENT ASSETS HELD FOR SALE**

As of December 31, 2007 this item amounting to €175,000 thousand includes the investment in the former subsidiary WPH as the result of the transactions which took place during the year, for which details may be found in note 4.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**15. EQUITY**

The following table provides details of the changes in “Equity” during the years ended December 31, 2007 and 2006.

(thousands of euro)	Equity attributable to equityholders of the parent				Equity attributable to equityholders of the parent	Minority interests	Equity
	Issued capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances as of January 1, 2006 . .</b>	<b>147,100</b>	<b>213,325</b>	<b>322,712</b>	<b>(535,186)</b>	<b>147,951</b>	<b>3,819</b>	<b>151,770</b>
Allocation of loss for 2005 . . . . .		(213,325)	(140,808)	354,133	—	—	—
Effects of the reverse merger of WAF into Wind . . . . .		3,768,336	(134,320)	6,222	<b>3,640,238</b>	16,251	<b>3,656,489</b>
Cash flow hedge . . . . .			51,289		<b>51,289</b>	—	<b>51,289</b>
Other changes . . . . .				534	<b>534</b>	4,613	<b>5,147</b>
Profit (loss) for the year . . . . .				23,164	<b>23,164</b>	(6,934)	<b>16,230</b>
<b>Balances as of December 31, 2006 . . . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
<b>Balances as of January 1, 2007 . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
Allocation of profit for 2006 . . . . .		(436,275)		436,275	—		—
Increase in issued capital . . . . .					—		—
WPH deconsolidation . . . . .			—		—	(9,180)	<b>(9,180)</b>
Cash flow hedge . . . . .			18,285		<b>18,285</b>		<b>18,285</b>
Other changes . . . . .			8,126	162	<b>8,288</b>	66	<b>8,354</b>
Profit (loss) for the year . . . . .				198,437	<b>198,437</b>	(7,927)	<b>190,510</b>
<b>Balances as of December 31, 2007 . . . . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>

The share capital of the parent Wind Telecomunicazioni SpA as of December 31, 2007 consisted of 146,100,000 ordinary shares with no nominal value, fully subscribed and paid up and all held by the sole shareholder Wind Acquisition Holdings Finance SpA.

Despite the encumbrances on the pledged shares underlying the capital stock of the parent Company 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.

Changes in the equity attributable to equity holders of the parent during the year ended December 31, 2007 were due mainly to the following resolutions adopted by corporate bodies:

- on April 2, 2007 the parent’s Board of Directors made its proposal to shareholders to approve the annual financial statements as of and for the year ended December 31, 2006 and to cover the loss for the year of €436,274,934.82 by partial use of the share premium reserve;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**15. EQUITY—(continued)**

- meeting in ordinary session on April 24, 2007 the parent's shareholders approved the annual financial statements as of and for the year ended December 31, 2006 and the proposal to cover accumulated losses in the manner recommended by the Board of Directors.

Additionally, as described in note 4, to which reference should be made, the Group signed the following contracts in October 2007: a) an agreement to sell 2 shares held in the subsidiary WPH to the related company Wind Hellas SA, and b) a Shareholders' Agreement regulating the corporate governance in the investee relating to the residual holding. This transaction led to the loss in control in the investee and the resulting deconsolidation out of the Group.

The following also led to changes in equity:

- the increase in the cash flow hedge reserve as the combined effect of the change in the fair value of derivative financial instruments considered effective for hedging cash flows and reclassifications of balances to the income statement as described in further detail in note 7;
- the recognition directly in other reserves in equity of the cost for the year of €8,126 thousand arising from the stock option plans reserved for certain managers and employees.

Profit for the year attributable to equity holders of the parent totaled €198,437 thousand.

The following table provides income and expense recognized directly in equity.

(thousands of euro)	Reserves	Reserves Tax effect	Total
<b>Balances as of January 1, 2006</b> . . . . .	<b>79,411</b>	<b>(26,264)</b>	<b>53,147</b>
Cash flow hedge . . . . .	76,551	(25,262)	51,289
Cash flow hedge arising from the reverse merger of WAF . . . . .	(8,305)	2,742	(5,563)
<b>Balances as of December 31, 2006</b> . . . . .	<b>147,657</b>	<b>(48,784)</b>	<b>98,873</b>
<b>Balances as of January 1, 2007</b> . . . . .	<b>147,657</b>	<b>(48,784)</b>	<b>98,873</b>
Cash flow hedge . . . . .	13,940	4,345	18,285
<b>Balances as of December 31, 2007</b> . . . . .	<b>161,597</b>	<b>(44,439)</b>	<b>117,158</b>

***Share-based payments***

On June 30, 2006 the Board of Directors of the indirect parent Weather Investments SpA approved a stock option plan, with a total duration of 5 years, that awards a number of Group employees the right to acquire a specified number of ordinary shares of, alternatively, Wind Acquisition Holdings Finance SpA or Wind Telecomunicazioni SpA.

The options granted have a vesting period split into three tranches of equal value and may be exercised every year from June 30, 2008 until June 30, 2011, subject to the completion of a public offering for sale and subscription and the consequent listing of the shares of one of these companies on the electronic stock exchange organized and managed by Borsa Italiana SpA or on a foreign stock exchange. The exercising of the options is additionally subject to a number of restrictions on the duration of the employment relationship and to achieving certain professional performance objectives.

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**15. EQUITY—(continued)**

The rights vest from the grant date and may be exercised for a one year period in the following three tranches: June 30, 2008, June 30, 2009 and June 30, 2010. All three tranches are subject to the possible listing as described above and each is valid for a period of 12 months.

As an alternative to the stock option plan, the Board of Directors of the parent Weather Investments SpA approved a long-term incentive plan that will be effective only if none of the shares of the above companies are listed within the vesting period of the options granted. This incentive plan quantifies the benefits pertaining to each employee under a method aimed at remunerating the creation of value during the period in which the stock option plan of the Wind Group is valid which is proportionally linked to growth as measured by EBITDA and the reduction of debt.

As of the date of publication of these Consolidated Financial Statements no steps have yet been taken towards obtaining a public listing of either the Parent Company or the parent Wind Acquisition Holdings Finance SpA; as a result an assessment has been made of the effects of the long-term incentive program described above as a substitute for the first tranche of the stock option plan. The main features of the stock option plan are described below.

A total of 1,376,160 rights were granted at the date the plan became effective, representing a total of approximately 3% of the economic capital of Wind Telecomunicazioni SpA or alternatively Wind Acquisition Holdings Finance SpA, at a strike price of 73.85 euros.

The following table sets out the changes during the year in the options granted by individual tranche.

	Outstanding on 01/01/2007	Granted	Expired	Forfeited	Exercised	Outstanding on 12/31/2007	Exercisable on 12/31/2007
<b>Stock option plan 2006</b>							
Tranche 1 .....	458,720	—	—	15,818	—	442,902	—
Tranche 2 .....	458,720	—	—	15,818	—	442,902	—
Tranche 3 .....	458,720	—	—	15,818	—	442,902	—
	<b>1,376,160</b>	<b>—</b>	<b>—</b>	<b>47,454</b>	<b>—</b>	<b>1,328,706</b>	<b>—</b>

The table below sets out the residual term of these as of December 31, 2007 and the respective fair values at the grant date.

	Options granted	End of vesting period	Fair value at grant date (euros)
<b>Stock option plan 2006</b>			
Tranche 1 .....	442,902	June 2008	13.45
Tranche 2 .....	442,902	June 2009	13.95
Tranche 3 .....	442,902	June 2010	14.23
	<b>1,328,706</b>		

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**15. EQUITY—(continued)**

A Black-Scholes pricing model is used to calculate the fair value of the rights and the related cost, which as of December 31, 2007 amounted to €8,126 thousand. The assumptions used for this model are as follows.

	Value of shares (Euros)	Option term	Strike price (Euros)	Inherent volatility	Expected dividends	Risk-free interest rate
<b>Stock option plan 2006</b>						
Tranche 1 .....	82.79	3 years	73.85	22.42%	5.07%	3.90%
Tranche 2 .....	82.79	4 years	73.85	22.42%	5.07%	3.91%
Tranche 3 .....	82.79	5 years	73.85	22.42%	5.07%	3.93%

**16. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to the equity holders of the parent; profit refers to continuing operations and discontinued operations. Both basic and diluted earnings per share have both 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 as of December 31, 2007 or December 31, 2006.

The data underlying the calculation are as follows.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Profit before tax .....	61,453	23,164
Profit/ (Loss) from discontinued operations .....	136,984	—
Weighted average number of shares .....	146,100,000	146,100,000
Earnings per share from continuing operations .....	1.36	0.16
Earnings per share from discontinued operations .....	0.94	—

**17. FINANCIAL LIABILITIES**

The following table sets out an analysis of “*Financial liabilities*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007			As of December 31, 2006		
	Non-current	Current	Total	Non-current	Current	Total
Bonds .....	1,388,190	11,285	<b>1,399,475</b>	1,439,949	61,735	<b>1,501,684</b>
Bank loans .....	5,210,212	110,923	<b>5,321,135</b>	5,700,707	121,937	<b>5,822,643</b>
Loans from others .....	—	—	—	30,000	—	<b>30,000</b>
Derivative financial instruments ..	128,149	—	<b>128,149</b>	78,448	—	<b>78,448</b>
<b>Total .....</b>	<b>6,726,551</b>	<b>122,208</b>	<b>6,848,759</b>	<b>7,249,104</b>	<b>183,672</b>	<b>7,432,776</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**17. FINANCIAL LIABILITIES—(continued)**

The following table sets out an analysis of “*Financial liabilities*” as of December, 2007 and 2006 by due date.

(thousands of euro)	As of December 31, 2007				As of December 31, 2006			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds . . . . .	11,285	—	1,388,190	<b>1,399,475</b>	61,735	—	1,439,949	<b>1,501,684</b>
Bank loans . . . . .	110,923	1,555,178	3,655,034	<b>5,321,135</b>	121,937	1,545,142	4,155,564	<b>5,822,643</b>
Loans from others . . . . .	—	—	—	—	—	—	30,000	<b>30,000</b>
Derivative financial instruments . . . . .	—	7,442	120,707	<b>128,149</b>	—	—	78,448	<b>78,448</b>
<b>Total . . . . .</b>	<b>122,208</b>	<b>1,562,621</b>	<b>5,163,930</b>	<b>6,848,759</b>	<b>183,672</b>	<b>1,545,142</b>	<b>5,703,961</b>	<b>7,432,776</b>

The following table provides an analysis of “*Financial liabilities*”, excluding derivative financial instruments, by currency and effective interest rate.

(thousands of euro)	As of December 31, 2007					Total
	<5%	5%<x<7.5%	7.5%<x<10%	10%<x<12.5%	12.5%<x<15%	
Euro . . . . .	393	—	4,673,306	1,375,568	—	6,049,267
US dollars . . . . .	—	—	210,681	460,663	—	671,344
<b>Total . . . . .</b>	<b>393</b>	<b>—</b>	<b>4,883,986</b>	<b>1,836,231</b>	<b>—</b>	<b>6,720,610</b>

The following table provides a comparison between the carrying amount and fair value of non-current “*Financial liabilities*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007		As of December 31, 2006	
	Nominal value	Fair value	Nominal value	Fair value
Bonds . . . . .	1,388,190	1,448,369	1,439,949	1,653,469
Amounts due to banks . . . . .	5,210,212	5,209,524	5,700,707	5,730,369
Amounts due to others . . . . .	—	—	30,000	30,000
Derivative financial instruments . . . . .	128,149	128,149	78,448	78,448
<b>Total . . . . .</b>	<b>6,726,551</b>	<b>6,786,042</b>	<b>7,249,104</b>	<b>7,492,286</b>

The fair value is approximately the same as the carrying amount for current “*Financial liabilities*”.

Current “*Financial liabilities*” as of December 31, 2007 consist exclusively of the portions of bank loans and bonds, described below, for which payment is due by the end of the following financial year, referring to both capital and accrued interest.

***Bonds***

The balance of “*Bonds*” has decreased over that as of December 31, 2006, principally as the result of the favourable change in the euro/US dollar exchange rate, which led to a fall of €52,564 thousand in the value in euros of the bonds denominated in US dollars, and as a consequence

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**17. FINANCIAL LIABILITIES—(continued)**

of the deconsolidation of Tellas bonds (by an amount of €50,000 thousand) following the loss in control of WPH, for which further details may be found in note 4.

The following table provides details of outstanding bonds as of December 31, 2007.

(thousands of euro)	Carrying amount	Nominal value	Issue price	Currency	Due date	Interest rate	Price
<b>Bonds</b>							
Senior Notes . . . . .	819,788	825,000	100.0%	EUR	12/01/2015	9.75%	106.50%
Senior Notes . . . . .	337,454	339,651	100.0%	USD	12/01/2015	10.75%	101.44%
Senior Notes . . . . .	133,699	125,000	106.0%	EUR	12/01/2015	9.75%	106.50%
Senior Notes . . . . .	108,533	101,895	105.5%	USD	12/01/2015	10.75%	101.44%
<b>Total . . . . .</b>	<b><u>1,399,475</u></b>	<b><u>1,391,546</u></b>					

As described in note 7, in order to fully eliminate any currency risks arising from issues denominated in US dollars, the Group has entered hedging arrangements based on cross currency swap agreements for a notional amount of €554,885 thousand, which as of December 31, 2007 had a negative fair value of €94,082 thousand.

**Bank loans**

Bank loans included in non-current financial liabilities as of December 31, 2007 may be analyzed as follows.

(thousands of euro)	Carrying amount as of December 31, 2007	Carrying amount as of December 31, 2006	Nominal value as of December 31, 2007	Residual Commitment	Currency	Due date	Interest rate
<b>Amounts due to banks</b>							
<i>Senior Credit Agreement</i>							
—Tranche A1 . . . .	1,416,897	1,910,256	1,415,035	1,415,035	EUR	5/26/2012	Euribor+2.125%
—Tranche A2 . . . .	164,275	165,274	164,250	164,250	EUR	12/31/2010	Euribor+2.125%
—Tranche B1 . . . .	1,478,439	1,471,285	1,475,797	1,475,797	EUR	5/26/2013	Euribor+2.625%
—Tranche B2 . . . .	51,048	57,025	50,948	50,948	USD	5/26/2013	Libor+2.625%
—Tranche C1 . . . .	1,479,995	1,472,529	1,475,797	1,475,797	EUR	5/26/2014	Euribor+3.375%
—Tranche C2 . . . .	51,099	57,072	50,948	50,948	USD	5/26/2014	Libor+3.375%
Revolving . . . . .	394	400	0	400,000	EUR	5/26/2012	Euribor+2.125%
<i>Second Lien</i>							
—Tranche Euro . .	555,780	551,606	551,913	551,913	EUR	11/26/2014	Euribor+6.250%
—Tranche USD . .	123,209	137,196	122,274	122,274	USD	11/26/2014	Libor+6.250%
<b>Total . . . . .</b>	<b><u>5,321,135</u></b>	<b><u>5,822,643</u></b>	<b><u>5,306,962</u></b>	<b><u>5,706,962</u></b>			

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**17. FINANCIAL LIABILITIES—(continued)**

The Senior Credit Agreement for which funds were disbursed by a pool of banks on August 11, 2005 to the Parent Company Wind Telecomunicazioni SpA simultaneous with the change in the company's shareholders, consists of several tranches, each one characterized by specific repayment schedules and interest rates which may be reviewed on the basis of the performance of certain predetermined income statement and balance sheet indices. In addition a commission of 0.75% per annum is payable on the unused amount of the total credit facility.

The main features of the individual tranches are as follows:

- tranche A1 requires repayments to be made on an increasing basis from June 30, 2007 to May 26, 2012. Interest is payable at Euribor plus a margin of 212.5 basis points which will fall to 187.5 basis points from January 2008 (237.5 basis points until December 2006). An amount of €491 million was paid in advance on December 10, 2007 to which should be added the amounts paid in advance of €728 million in 2006 and €290 million in 2005. As a result of these early repayments, the next due date for a capital repayment relating to this tranche is December 2010. The maximum amount of the facility of € 1,415 million was fully in use as of December 31, 2007 (€1,906 million as of December 31, 2006);
- tranche A2, originally used as a signature loan following the extinguishment on November 30, 2005 of the debt due to the Ministry of the Economy and Finance arising from the purchase of the UMTS license and on December 30, 2005 of the debt due to the Italian State Railways, is used for cash. Tranche A2 requires repayments to be made on an increasing basis from December 31, 2005 to December 31, 2010. Interest is payable at Euribor plus a margin of 212.5 basis points which will fall to 187.5 basis points from January 2008 (237.5 basis points until December 2006). An amount of €219 million was paid in advance on June 1, 2006. As a result of this early repayment, the next due date for a capital repayment relating to this tranche is December 2009. The maximum amount of the facility following the repayments, amounting to €164 million, was fully in use as of December 31, 2007 (€164 million as of December 31, 2006);
- tranche B1 is repayable in a single lump sum on May 26, 2013. Interest is payable at Euribor plus a margin of 262.5 basis points (287.5 basis points until March 2007). The maximum amount of the facility of € 1,476 million was fully in use as of December 31, 2007 (€1,475 million as of December 31, 2006);
- tranche B2, denominated in US dollars, is repayable in a single lump sum on May 26, 2013. Interest is payable at Libor plus a margin of 262.5 basis points (287.5 basis points until March 2007). The maximum amount of the facility of US\$ 75 million was fully in use as of December 31, 2007 (US\$ 75 million as of December 31, 2006);
- tranche C1 is repayable in a single lump sum on May 26, 2014. Interest is payable at Euribor plus a margin of 337.5 basis points. The maximum amount of the facility of € 1,476 million was fully in use as of December 31, 2007 (€1,476 million as of December 31, 2006);
- tranche C2, denominated in US dollars, is repayable in a single lump sum on May 26, 2014. Interest is payable at Libor plus a margin of 337.5 basis points. The maximum amount of the facility of US\$ 75 million, was fully in use as of December 31, 2007 (US\$ 75 million as of December 31, 2006);



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**17. FINANCIAL LIABILITIES—(continued)**

- a revolving tranche having final repayment on May 26, 2012. 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 212.5 basis points which will fall to 187.5 basis points from January 2008. The maximum amount of the facility of €400 million is wholly unused and therefore fully available.

The Second Lien Subscription Agreement, for which funds were disbursed on September 29, 2005 through Wind Finance SL SA, is partly denominated in Euros and partly in US dollars; repayment is due in a lump sum on November 26, 2014. Interest is payable at Euribor for the part in Euros and at Libor for the part in US dollars, in both cases plus a margin of 625 basis points. The maximum nominal amount which may be drawn, which as of December 31, 2007 was wholly unused, is €551,913 thousand and US\$ 180,000 thousand.

As described in note 7, in order to reduce the bank loan exposure to interest rate and currency risks the Group has set up the following arrangements qualifying as hedges:

- as concerns interest rate risk, for a notional amount of €4,875,000 thousand, which as of December 31, 2007 had a positive fair value of €172,118 thousand, including transactions with a forward start date. The hedge continues until September 22, 2014 and consists of plain vanilla interest rate swap agreements and plain vanilla forward start interest rate swap agreements;
- as concerns currency risk, for the various terms of the tranches in their entirety, using cross currency swap agreements for a notional amount of €271,070 thousand as of December 31, 2007 with a negative fair value at that date of €34,068 thousand.

***Other loans***

This item, which as of December 31, 2007 had a nil balance, previously consisted solely of the amount payable by the former subsidiary Wind-PPC Holding NV to Enel Investment Holding BV, which has been deconsolidated as the result of the loss in control discussed in note 4.

**18. EMPLOYEE BENEFITS**

The following table sets out the changes in “*Employee benefits*” for the year ended December 31, 2006.

(thousands of euros)	As of December 31, 2006	Change in scope of consolidation	Accrual	(Utilization)	Other changes	As of December 31, 2007
Employees’ leaving entitlement (TFR) .....	<u>74.677</u>	<u>(623)</u>	<u>14.136</u>	<u>(6.317)</u>	<u>(17.800)</u>	<u>64.073</u>

The accruals for the year are affected by the income arising from the effect of the introduction of Law no. 296 of December 27, 2006, the “2007 Finance Act”, and subsequent decrees and regulations. In addition to reducing the period costs of servicing the plan, this change in legislation also led to the recognition of income of €6,315 thousand as the difference arising on the new calculation (discounting to present value but excluding the component relating to future salary increases) of the liability accrued to the date on which employees subscribed to funds envisaged by the law. More

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**18. EMPLOYEE BENEFITS—(continued)**

specifically, this difference has been accounted for as a curtailment of a defined benefit plan as discussed in paragraph 109 of IAS 19, and is accordingly recognized in income (together with any actuarial gains and losses previously not recognized under the corridor method). The charge for the year amounts to €14,136 thousand, net of the curtailment effect referred to.

Other changes during the year consist mostly of the transfer of the employees' leaving entitlement accrued in the period in question to complementary pension funds or to the Treasury fund held by the Italian social security organization INPS (€14,530 thousand) and of the accrued liability to the 269 employees who left as the result of the sale of the business consisting of the call center located in Sesto San Giovanni, as discussed in note 4 (€1,984 thousand).

The main actuarial assumptions underlying the calculation of the employees' leaving entitlement are the following.

<u>Year</u>	<u>Average inflation rate</u>	<u>Discount rate</u>	<u>Increase in wages and salaries</u>	<u>Employees' turnover rate</u>
2005 .....	2.00%	4.00%	2.00%-4.00%	2.00%
2006 .....	2.00%	4.25%	2.00%-4.00%	4.00%
2007 .....	2.00%	4.60%	N/A	4.00%

The effects recognized in the income statement are as follows.

<u>(thousands of euro)</u>	<u>As of December 31, 2007</u>	<u>As of December 31, 2006</u>
Current service costs .....	17,740	17,925
Curtailment income .....	(6,315)	—
Financial expense .....	2,710	2,873
Actuarial gains/(losses) .....	—	—
<b>Total</b> .....	<b><u>14,136</u></b>	<b><u>20,798</u></b>
Actual return on plan assets .....	N/A	N/A

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**19. PROVISIONS**

The following table sets out changes in “Provisions” during the year ended December 31, 2007.

(thousands of euro)	As of December 31, 2006	Change in the scope of consolidation	Increases	(Decreases)	As of December 31, 2007
Litigation . . . . .	24,402	—	2,737	(8,062)	19,077
Restructuring . . . . .	47,657	—	18,021	(26,830)	38,848
Universal service contribution as per Presidential decree no. 318 of 19/09/1997 . . . . .	44,587	—	5,931	(3,226)	47,292
Product assistance . . . . .	1,450	—	792	(1,021)	1,221
Dismantling and removal . . . . .	4,146	—	114	—	4,260
Other provisions . . . . .	40,475	(384)	35,914	(9,729)	66,276
<b>Total . . . . .</b>	<b><u>162,717</u></b>	<b><u>(384)</u></b>	<b><u>63,509</u></b>	<b><u>(48,868)</u></b>	<b><u>176,974</u></b>

**Litigation**

Group companies are currently involved in certain legal proceedings for which details may be found in the Report on operations. The estimated provision at the respective dates is based on estimates using the best information available of the total loss that the Group expects to incur upon settlement of all outstanding legal proceedings.

**Restructuring**

The provision covers the costs that the Parent expects to incur in future years from implementing the plan which it commenced in 2006 for restructuring and reorganizing its business. The utilization of €26,101 thousand of the provision established in the previous year is entirely attributable to leaving incentives and costs connected with personnel.

An additional amount of €18,021 thousand was provided as of December 31, 2007 representing the estimate of the costs to be incurred as part of the internal reorganization project, aimed at achieving higher levels of efficiency and effectiveness by re-balancing certain functions typical of headquarters.

**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. For 2007, as in the years 2004 to 2006, the contribution has been estimated on the basis of the best information available at the date of the calculation, pending the determination by the Communications Regulator of the actual amount to be paid by the Parent. When this occurs the Regulator will indicate the net cost of the universal service and how the net cost is to be shared among the various operators. A part of the estimated cost relating to 2003 amounting to €3,226 thousand was released to income during the year as the assumptions made in accruing this amount were not realized.

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**19. PROVISIONS—(continued)**

**Other provisions**

This item consists of the valuation 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. The balance of €66,276 thousand includes €35,447 thousand accrued in 2007 relating to the long-term retention and incentive management compensation plan, for which further details may be found in note 15. Under this incentive plan, the amount payable to individuals is calculated using a mechanism aimed at remunerating the creation of value which is proportionally linked to growth as measured by EBITDA and the reduction of debt.

In addition, the item includes an amount of €17,795 thousand for liabilities for termination benefits arising from agency contracts in existence at the balance sheet date.

**20. OTHER LIABILITIES**

“*Other non-current liabilities*” as of December 31, 2007 and 2006 amount to €7,536 thousand and €8,482 thousand, respectively, and relate to deferred income on long-term commercial contracts.

**21. TRADE PAYABLES**

The following table provides details of “*Trade payables*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Due to telephone operators . . . . .	556,286	489,494
Due to agents . . . . .	40,948	38,821
Due to authorised dealers . . . . .	24,123	26,764
Due to parents . . . . .	4,000	264
Due to associates . . . . .	8	3
Due to related companies . . . . .	16,662	4,057
Other trade payables . . . . .	1,078,561	1,060,966
<b>Total . . . . .</b>	<b><u>1,720,588</u></b>	<b><u>1,620,370</u></b>

The increase in amounts due to related companies, equal to €12,605 thousand, is mainly the due to the fact that amounts due to the WPH Group have been reclassified to this line as the result of the loss in control of the group (further details may be found in note 4), while the increase in amounts due to parent companies, equal to €3,736 thousand, is the consequence of the agreement between the parent Weather Investments SpA and the Parent Company relating to the provision of services for which further details may be found in note 38. Other trade payables mainly relate to payables to suppliers for the purchase of goods and services.

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**21. TRADE PAYABLES—(continued)**

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

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
—within 12 months . . . . .	1,720,588	1,613,593
—after 12 months . . . . .	—	6,776
<b>Total . . . . .</b>	<b><u>1,720,588</u></b>	<b><u>1,620,370</u></b>

**22. OTHER PAYABLES**

The following table provides an analysis of “*Other payables*” as of December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Payables to social security organizations . . . . .	29,831	29,465
Tax payables . . . . .	32,825	63,962
Payables to personnel . . . . .	53,318	68,937
Payables to government bodies		
grants . . . . .	24,055	19,391
deregulation of the frequency bands . . . . .	645	1,241
Other amounts payable to parent companies . . . . .	41,022	18,513
Prepaid traffic to be used . . . . .	188,870	172,591
Deferred income . . . . .	26,553	14,540
Other payables . . . . .	29,525	19,009
<b>Total . . . . .</b>	<b><u>426,644</u></b>	<b><u>407,649</u></b>

The following table provides an analysis by due date.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
—within 12 months . . . . .	426,644	407,649
—after 12 months . . . . .	—	—
<b>Total . . . . .</b>	<b><u>426,644</u></b>	<b><u>407,649</u></b>

“*Payable to social security organizations*” relate principally to the employer’s and employee’s portions of social security contributions for December and the employer’s portion accrued on deferred compensation (mostly accrued vacation and other permitted leave that has accrued but has not yet been taken). This item also includes the amounts payable to the Italian social security organization INPS for the amounts of accrued employees’ leaving entitlement (TFR) yet to be paid over for which employees had elected for transfer to the Treasury fund in accordance with Law no. 296 of December 27, 2006, the “2007 Finance Act”, and subsequent decrees and regulations.

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**22. OTHER PAYABLES—(continued)**

The following table sets out details of “*Tax payables*” for the years ended December 31, 2007 and 2006.

(thousands of euro)	As of December 31, 2007	As of December 31, 2006
Government licence fee . . . . .	21,581	27,958
Withholding tax . . . . .	10,650	11,129
Value added tax . . . . .	—	24,322
Other . . . . .	594	553
<b>Total</b> . . . . .	<b><u>32,825</u></b>	<b><u>63,962</u></b>

The decrease of €31,137 thousand in this item is mainly due to the fact that there was a VAT receivable balance as of December 31, 2007.

“*Payables to personnel*” consist mostly of liabilities for accrued vacation and other permitted leave still to be taken at the end of the year.

“*Payable to government bodies for grants*” represents amounts due for licenses and concessions provided by the relevant bodies.

“*Payable to government bodies for the deregulation of frequency bands*” represents the residual balance due to the Ministry for Defense for the deregulation of frequency bands used to provide SCS 1800 radio mobile services. This amount originated as a consequence of the obligation towards the Ministry arising from its need to cover the “cost of the deregulation of frequency bands” pursuant to Ministerial Decree no. 113 of March 25, 1998—“Rules to cover charges incurred by the Ministry for Defense as a result of the modification of the national frequency allocation plan”.

€40,685 thousand of “*Other amounts payable to parent companies*” refers to the transfer of tax payables (IRES) from subsidiaries Enel.Net Srl, ItaliaOnLine Srl and ITnet Srl, as a consequence of the adhesion to the national tax consolidation procedure of Weather Investments SpA.

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

“*Deferred income*” refers to income for billings made contractually in advance in prior years and in 2007 for rent and for installation fees relating to the utilization of broadband capacity (‘initial capacity’), which will be recognized in later periods.

“*Other payables*” consist of amounts due to complementary pension funds, amounts payable for bank commissions and guarantee deposits received from customers.

**23. TAX PAYABLE**

The balances as of December 31, 2007 and 2006 of €11,173 thousand and €13,653 thousand, respectively, mainly represent the amounts due for income tax for the year (IRAP) of the Parent, net of advance payments for the corresponding tax periods.

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**23. TAX PAYABLE—(continued)**

It should be noted that subsidiaries take part in the national tax consolidation procedure of Weather Investments SpA, consequently tax receivables and payables are classified in amounts payable to parent companies.

**24. REVENUE**

The following table provides an analysis of “*Revenue*” for the years ended December 31, 2007 and 2006.

(thousands of euro)	2007 12 months	2006 12 months
<b>Revenue from sales</b> . . . . .	<b>106,480</b>	<b>99,193</b>
<b>Revenue from services</b>		
—Telephone services . . . . .	3,571,024	3,428,331
—Interconnection traffic . . . . .	1,285,311	1,246,558
—International roaming . . . . .	84,639	96,024
—Judicial authority services . . . . .	7,443	5,674
—Other revenue from services . . . . .	83,821	65,170
<b>Total revenue from services</b> . . . . .	<b>5,032,238</b>	<b>4,841,757</b>
<b>Total</b> . . . . .	<b>5,138,718</b>	<b>4,940,950</b>

“*Revenue*” has increased by €197,768 thousand over the previous year mostly as the result of the performance in both voice and data mobile telephony following an increased use of internet and multimedia services. The rise over the prior year is also due to the increase of €38,753 thousand in “*Interconnection traffic*”, caused mostly by the increased volumes of incoming mobile traffic and wholesale traffic.

“*International roaming*” revenues fell by €11,385 thousand, essentially as the result of the decrease in tariffs following Wind’s adherence to the GSM Association’s self regulation code and a generalized drop in roaming tariffs on international markets.

“*Other service revenue*” shows an increase over 2006, mostly as the result of the rise in revenues from the rental of advertising space mainly on the Libero portal. This item also includes the revenue arising from provisioning and maintenance services provided to customers.

In addition, for the reasons discussed in note 4, the 2007 balance does not include the revenues of the WPH Group, which amounted to €79,621 thousand for the first nine months of 2007.

**25. OTHER REVENUE**

“*Other revenue*” amounts in total to €131,869 thousand for the year ended December 31, 2007 (€106,747 thousand for the year ended December 31, 2006) and refers principally to prior year income and the revision of estimates made in previous years. The item has increased prevalently as the



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**25. OTHER REVENUE—(continued)**

consequence of the recognition of more prior year income in 2007 than in 2006. The following amounts made the greatest contribution to the increase in the total:

- €19,450 thousand arising from the sale to Terna of the exclusive right to use a fiber optic couple owned by the Group, which has a length of approximately 11,000 km and is distributed throughout the country;
- €15,371 thousand deriving from an application made for the refund of withholding tax on interest paid by the Parent Company to the associates Wind Finance SL SA and Wind Acquisition Finance SA, following the Parent's meeting of the requirement to hold the voting rights for an uninterrupted period of at least one year pursuant to the Circular of the Tax Revenue Office of November 2, 2005, no.47/E, paragraph 2.2.1.

The other revenue of the WPH Group, not included in the item for the first nine months of 2007, amounted to €5,324 thousand.

**26. PURCHASES AND SERVICES**

The following table provides an analysis of “*Purchases and services*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007</u> <u>12 months</u>	<u>2006</u> <u>12 months</u>
Interconnection traffic . . . . .	1,336,544	1,269,002
Customer acquisitions costs . . . . .	290,689	304,556
Lease of civil and technical sites . . . . .	200,760	196,433
Purchases of raw materials, consumables, supplies and goods . . . . .	184,541	168,391
Lease of telecommunication circuits . . . . .	96,379	115,357
Advertising and promotional services . . . . .	177,248	147,556
Outsourced services . . . . .	120,158	115,893
Other services . . . . .	89,275	91,176
Lease of local access network . . . . .	192,484	157,584
Maintenance and repair . . . . .	99,205	109,592
Utilities . . . . .	63,468	67,043
National and international roaming . . . . .	34,845	57,262
Consultancies and professional services . . . . .	43,840	42,456
Variation in inventories . . . . .	3,289	(9,194)
Other leases and use of third party assets . . . . .	24,120	29,216
Bank and postal charges . . . . .	18,440	19,498
Transport and logistics . . . . .	13,623	15,578
<b>Total purchases and services . . . . .</b>	<b><u>2,988,908</u></b>	<b><u>2,897,399</u></b>

The rise in the figure for purchases and services of €91,509 thousand over 2006 is mainly due to the following increases:

- €67,542 thousand resulting from increased international traffic volumes despite the decrease in interconnection tariffs determined by the changes in the regulatory scenario;

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**26. PURCHASES AND SERVICES—(continued)**

- €34,900 thousand resulting from local network rentals due to the increase in customers having direct access or ADSL access on lines rented from Telecom Italia;
- €29,692 thousand in advertising and promotional costs resulting from increased television volumes and an increase in costs for sponsoring events;
- €16,150 thousand relating to “Purchases of raw materials, consumables, supplies and goods” due mainly to an increase in the purchase of materials for resale;
- €4,265 thousand resulting from outsourced services as the effect of the outside management of the Sesto San Giovanni call center.

These increases were partially offset by decreases of €22,417 thousand in national and international roaming costs, €18,978 thousand in the cost of renting telecommunications circuits and €13,867 thousand in customer acquisition costs.

Purchases of materials and external services pertaining to the WPH Group, not included in the item for the first nine months of 2007, amounted to €77,138 thousand.

**27. OTHER OPERATING COSTS**

The following table provides an analysis of “*Other operating costs*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007 12 months</u>	<u>2006 12 months</u>
Write-down of trade receivables and current assets . . . . .	37,191	29,839
Accruals for costs . . . . .	11,501	25,310
Annual license fees . . . . .	20,193	14,545
Other operating costs . . . . .	15,070	10,918
Accruals for risks . . . . .	2,737	7,907
Gifts . . . . .	3,442	2,602
<b>Total . . . . .</b>	<b><u>90,134</u></b>	<b><u>91,121</u></b>

The decrease of €987 thousand in this item is mostly due to lower accruals to provisions, only partially offset by increased write-downs of trade receivables, which were affected by the higher proportion of balances in the longer overdue bands and the increase in the risk of collectability resulting from the rise in receivables.

Other operating costs pertaining to the WPH Group, not included in the item for the first nine months of 2007, amounted to €1,667 thousand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**28. PERSONNEL EXPENSES**

The following table provides an analysis of “*Personnel expenses*” for the years ended December 31, 2007 and 2006.

(thousands of euro)	2007 12 months	2006 12 months
Wages and salaries . . . . .	290,258	272,401
Social security charges . . . . .	80,329	79,839
Other . . . . .	13,693	13,798
Employees’ leaving entitlement . . . . .	11,019	19,164
(Costs capitalised for internal works) . . . . .	(33,052)	(29,590)
<b>Total . . . . .</b>	<b><u>362,247</u></b>	<b><u>355,612</u></b>

Wages and salaries increased over 2006 mainly as the effect of costs totalling €35,447 thousand arising from the long-term incentive plan, for which details may be found in notes 15 and 19, only partially offset by the fall in the average number of employees as the result of the implementation of the restructuring program and the sale of the business consisting of the call center in Sesto San Giovanni, for which further details may be found in notes 19 and 4 respectively.

The costs for the “*Employees’ leaving entitlement*” include the effects arising from the introduction of Law no. 296 of December 27, 2006 (the 2007 Finance Act) and subsequent decrees and regulations, for which further details may be found in note 18. In addition to reducing the period service costs for this scheme, the change in legislation also led to the recognition of income of €6,315 thousand arising on the modifications introduced in the conditions for paying benefits.

Personnel expenses pertaining to the WPH Group, not included in the item for the first nine months of 2007, amounted to €8,449 thousand.

The number of employees at year end is as follows.

	2007 12 months	2006 12 months
Senior management . . . . .	139	145
Middle management . . . . .	548	600
Employees . . . . .	6,104	6,955
<b>Total . . . . .</b>	<b><u>6,791</u></b>	<b><u>7,700</u></b>

The average number of employees is as follows.

	2007 12 months	2006 12 months
Senior management . . . . .	140	154
Middle management . . . . .	567	618
Employees . . . . .	6,374	7,236
<b>Total . . . . .</b>	<b><u>7,081</u></b>	<b><u>8,008</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**29. RESTRUCTURING COSTS**

“*Restructuring costs*” of €18,021 thousand for the year ended December 31, 2007 refer to an estimate of the costs connected with an internal reorganization project, for which further details may be found in note 19.

**30. DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of “*Depreciation and amortization*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007 12 months</u>	<u>2006 12 months</u>
Depreciation of property, plant and equipment		
—Plant and machinery . . . . .	655,476	704,738
—Industrial and commercial equipment . . . . .	5,933	7,262
—Other assets . . . . .	34,966	48,520
Amortization of intangible assets with finite life		
—Industrial patents and similar rights . . . . .	94,179	119,367
—Licenses, trademarks and similar rights . . . . .	154,609	148,869
—Other intangible assets . . . . .	104,146	570
<b>Total . . . . .</b>	<b><u>1,049,309</u></b>	<b><u>1,028,756</u></b>

The increase over 2006 is mainly due to the additional depreciation and amortization arising from the assets resulting from the merger of the former parent Wind Acquisition Finance SpA, which was only partially offset by the fact that certain equipment and software assets capitalized in previous years reached the end of their depreciable and amortizable lives and by the rationalization of investments made in the current year and previous years.

**31. REVERSAL (IMPAIRMENT) OF NON-CURRENT ASSETS**

The following table provides an analysis of “*Reversal (impairment) of non-current assets*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007 12 months</u>	<u>2006 12 months</u>
Impairment of property, plant and equipment . . . . .	(22,980)	—
Impairment of intangible assets . . . . .	(4,159)	—
Reversal of property, plant and equipment . . . . .	—	9,906
<b>Total . . . . .</b>	<b><u>(27,139)</u></b>	<b><u>9,906</u></b>

This item, amounting to € 27,139 thousand for the year ended December 31, 2007, consists mainly of the impairment of assets classified as “Plant and machinery”, for which further details may be found in note 5.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**32. GAINS/(LOSSES) ON THE DISPOSAL OF NON-CURRENT ASSETS**

The following table provides an analysis of “*Gains/(losses) on the disposal of non-current assets*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007 12 months</u>	<u>2006 12 months</u>
Gains on the disposal of property, plant and equipment . . . . .	391	593
Losses on the disposal of property, plant and equipment . . . . .	(5,464)	(58,593)
<b>Total . . . . .</b>	<b><u>(5,073)</u></b>	<b><u>(58,000)</u></b>

The decrease over the previous year is due to the lower losses recorded in 2007 on the disposal and/or sale of property, plant and equipment as part of the normal renewal process for these assets.

**33. FINANCIAL INCOME**

The following table provides an analysis of “*Financial income*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007 12 months</u>	<u>2006 12 months</u>
Fair value hedges reversed from equity . . . . .	11,351	20,459
Interest income from Banks . . . . .	16,502	8,947
Interest income from Others . . . . .	2,174	1,767
<b>Total . . . . .</b>	<b><u>30,027</u></b>	<b><u>31,173</u></b>

In 2007 this item consisted principally of accrued interest on bank deposits and increases over the amount for the previous year as the consequence of increased liquidity.

**34. FINANCIAL EXPENSE**

The following table provides an analysis of “*Financial expense*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007 12 months</u>	<u>2006 12 months</u>
Interest expense on:		
Bond issues . . . . .	(142,931)	(763)
Bank loans . . . . .	(456,344)	(449,793)
Discounted provisions . . . . .	(2,959)	(4,675)
Cash flow hedges, reversed from equity . . . . .	65,948	33,755
Losses on the fair value measurement of non hedging derivatives . . . . .	(15,536)	—
Impairment losses on financial assets . . . . .	(255)	(267)
Finance expenses due to parent companies . . . . .	—	(49,756)
Other . . . . .	(1,011)	(6,062)
<b>Total . . . . .</b>	<b><u>553,088</u></b>	<b><u>477,560</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2007—(continued)**

**34. FINANCIAL EXPENSE—(continued)**

Financial expense consists mostly of accrued interest on financial liabilities outstanding as of December 31, 2007, for which further details may be found in note 17, partially offset by the effect of hedge accounting for derivatives under which a portion of the cash flow hedge reserve was reclassified to the income statement.

The increase in financial expense in 2007 arises mainly as the result of the interest payable on the Senior Notes acquired on the merger of the former Parent Wind Acquisition Finance SpA effective December 31, 2006. The increase is also due, for an amount of €15,536 thousand, to the negative effect of measuring the embedded derivatives relating to the issue of the Senior Notes at fair value.

**35. FOREIGN EXCHANGE GAINS (LOSSES), NET**

The following table provides an analysis of “*Foreign exchange gains (losses)—net*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007</u> <u>12 months</u>	<u>2006</u> <u>12 months</u>
Realized gains . . . . .	1,703	1,310
Unrealized gains . . . . .	146,066	42,090
<b>Foreign exchange gains . . . . .</b>	<b>147,769</b>	<b>43,399</b>
Realized losses . . . . .	1,226	1,312
Unrealized losses . . . . .	145,828	42,476
<b>Foreign exchange losses . . . . .</b>	<b>147,054</b>	<b>43,788</b>
<b>Total . . . . .</b>	<b><u>715</u></b>	<b><u>(389)</u></b>

**36. TAXATION**

The following table provides an analysis of “*Taxation*” for the years ended December 31, 2007 and 2006.

<u>(thousands of euro)</u>	<u>2007</u> <u>12 months</u>	<u>2006</u> <u>12 months</u>
Current tax . . . . .	(196,629)	(128,791)
Deferred tax . . . . .	42,745	11,378
<b>Total . . . . .</b>	<b><u>(153,884)</u></b>	<b><u>(117,413)</u></b>

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

- current income taxes of €196,629 thousand (of which €135,587 thousand for IRES tax and €61,042 thousand for IRAP tax) charged on consolidated taxable profit for 2007;
- net deferred tax expense of €42,745 thousand, consisting of deferred tax income of €158,133 thousand relating mainly to a write-down of deferred tax assets by €99,883 thousand and the effect of changes in tax rates (€104,328 thousand), for which further details may be

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2007—(continued)**

**36. TAXATION—(continued)**

found in note 8, and deferred tax expense of €200,878 thousand, of which €154,354 thousand relates to the changes in rates.

The following table provides a reconciliation between the theoretical tax rate and the actual tax rate for the years ended December 31, 2007 and 2006.

(thousands of euro)		Year 2007		Year 2006
Theoretical tax rate . . . . .	33.00%		32.15%	
<b>Profit (Loss) before taxation . . . . .</b>	<b>207,410</b>		<b>133,643</b>	
Theoretical tax assets relating to IRES . . . . .		68,445		44,075
Non-deductible costs/non taxable revenues . . . . .		24,640		31,789
Write-down of deferred tax assets recognized in prior years . . . . .		99,883		
Deferred tax assets . . . . .		(45,212)		(7,713)
Deferred tax liabilities . . . . .		—		(3,664)
Effect of change in tax rates . . . . .		(44,637)		—
Actual tax expense relating to IRES . . . . .		<u>103,119</u>		<u>64,487</u>
Actual IRES tax rate . . . . .	49.72%		48.25%	
IRAP tax at Group level . . . . .		50,765		52,926
Actual tax expense as in Income Statement* . . . . .		153,884		117,413
Overall tax rate . . . . .	74.19%		87.86%	

\* The balance includes the utilization of deferred tax assets.

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

**37. PROFIT FROM DISCONTINUED OPERATIONS**

This item, amounting to €136,984 thousand in 2007, is the result of classifying the investment in WPH as an asset held for sale following the transaction discussed in note 4.

More specifically, €156,038 thousand of this balance represents the fair value measurement of the residual investment in WPH, and €19,054 thousand relates to the loss incurred by the former subsidiary up to the date on which control ceased.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**37. PROFIT FROM DISCONTINUED OPERATIONS—(continued)**

The main income statement figures of the WPH Group up to the date on which control ceased are as follows:

**INCOME STATEMENT**

<u>(thousands of euro)</u>	<u>2007 (9 months)</u>
<b>Total revenue</b> . . . . .	84,945
Operating income before depreciation and amortization reversal/impairment of non-current assets, and gains/losses on disposal of non-current assets . . . . .	(2,309)
Operating loss . . . . .	(15,289)
Loss before taxation . . . . .	(17,811)
Loss for the period . . . . .	(19,054)

**38. RELATED PARTY TRANSACTIONS**

*Transactions with related parties*

The transactions with related parties described below are those carried out with companies of the Weather Group. Starting from the end of June 2007 closing, dealings with the Wind Hellas Group is also considered as a part of related party transactions following the acquisition of the parent Weather Investments SpA on April 20, 2007. In addition, the amounts reported include transactions with the WPH Group which as discussed in note 4 are classified as transactions with related parties at the balance sheet date.

All related party transactions are part of ordinary operations and are carried out contractually at market rates, and relate for the most part to dealings with telephone operators.

In addition, on October 29, 2007 Orascom Telecom Holding SAE and Wind Telecomunicazioni SpA agreed to terminate a Management Services Agreement by which the former provided to the latter IT services, marketing services, personnel-related services, purchase-related services, services relating to matters of a financial, legal, regulatory and tax nature, business consulting and organizational services and strategic planning and assistance services.

In this respect, an agreement was finalized by Wind Telecomunicazioni SpA and the parent Weather Investments SpA for the provision of the above-mentioned services, whereby the latter will be entitled to receive an annual fee of approximately €8 million for the services rendered, payable in quarterly instalments, and the reimbursement of any ancillary costs incurred.

As of December 31, 2007 and during the year 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 parents Weather Investments SpA and Weather Investments II Srl.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2007—(continued)**

**38. RELATED PARTY TRANSACTIONS—(continued)**

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

	Year ended December 31, 2007						
(thousands of euro)	Revenue	Finance income	Expenses	Trade Receivables	Other Receivables	Trade Payables	Other Payables
Arpu for Communication services							
Company . . . . .	1,600	—	—	1,100	—	—	—
Egyptian Company for Mobile Services . .	311	—	897	78	—	149	—
M-Link Company . . . . .	5,360	—	12,916	673	—	3,681	—
Orascom Iraq Holding Company . . . . .	7	—	—	4	—	0	—
Orascom Telecom . . . . .	—	—	4,361	—	—	(1,515)	—
Orascom Telecom Algeria Company . . . .	177	—	54	40	—	13	—
Orascom Telecom Tunisie SA . . . . .	—	—	222	—	—	—	—
Orascom Technology Solutions (OTS) . . .	—	—	—	—	—	33	—
Orascom Tunisia Holding Ltd Co. . . . .	427	—	—	211	—	133	—
Pakistan Mobile Communications Ltd. . .	—	—	1	—	—	—	—
Mobilink . . . . .	90	—	—	37	—	1	—
Banglalink . . . . .	1	—	1	1	—	1	—
Rain Srl . . . . .	118	—	—	753	—	—	—
Wind Hellas Telecommunications SA . . . .	654	—	2,072	23	—	10	—
Wind PPC-Holding . . . . .	607	258	2,144	27,511	—	14,156	—
Wind Acquisition Holdings Finance SpA . .	—	—	—	—	644	—	273
Weather Investments SpA* . . . . .	—	—	4,000	—	1,934	4,000	40,749
Weather Investments II Sàrl . . . . .	—	—	—	—	50	—	—
<b>Total . . . . .</b>	<b>9,352</b>	<b>258</b>	<b>26,669</b>	<b>30,432</b>	<b>2,628</b>	<b>20,662</b>	<b>41,022</b>

\* €40,685 thousand of payables to Weather Investments SpA relate to the transfer by the subsidiaries Enel.Net, IOL and ITNet of their corporate income tax (IRES) payables following the choice of taking part to the national tax consolidation procedure with Weather Investments SpA.

**Directors**

The Directors of the Parent Company, who are identified as key management personnel, receive no fees, as resolved by shareholders in their ordinary general meeting on December 21, 2006.

No transactions with Directors were carried out in 2007.

**39. CONTINGENT ASSETS AND LIABILITIES**

The Wind Group had the following contingent liabilities as of December 31, 2007.

- WIND/Telecom Italia

The proceeding, pending before the Court of Rome, involves an issue of unfair competition. The plaintiff—Telecom Italia—requests the Court to ascertain that the advertising campaign called “Canone Zero” (regarding the LLU services), which the subsidiary Wind Telecomunicazioni SpA ran for several

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2007—(continued)**

**39. CONTINGENT ASSETS AND LIABILITIES—(continued)**

weeks at the end of the year 2002, was misleading and, as such, an act of unfair competition. Presently, the proceeding is in the so-called “istruttoria” phase, i.e. the submission of evidence to the Court. In our opinion, in case of judgement for plaintiff (which is deemed possible), the award of damages will not exceed €1,500 thousand.

• **WIND/ITALGO SPA**

WIND was sued by Italgo SpA (formerly Delta SpA) seeking, upon the declaration of a breach by the subsidiary Wind Telecomunicazioni SpA of certain provisions of a contract signed with Delta SpA for the provision of goods and services, the termination of the services contract between Wind Telecomunicazioni SpA and Italgo and of other related contracts, the condemnation of the parent company to pay a penalty of €3,315 thousand, the condemnation to pay €23,000 thousand (an amount equivalent to the stock price paid for the purchase by Italgo SpA of Wind Telecomunicazioni SpA's stake in Delta) and, finally, the compensation for damages (to be quantified during the proceedings). Secondly, Italgo asks for the reduction of the purchase price agreed upon the parties basing the request on the compensation of Wind Telecomunicazioni SpA's €9,050 thousand credit.

The case is currently pending before the Court of Rome in a preliminary phase. At the present stage based on the information available the liability cannot be reliably determined.

**40. CASH FLOW STATEMENT**

Cash flows generated by operations, amounting to €1,291,850 thousand in 2007, decreased by €141,273 thousand over the previous year. The merger of the former subsidiary Wind Acquisition Finance SpA into the Parent had its effect on this result by leading to an increase of €142,450 thousand in the payment of financial expense over 2006, following the recognition by the Group of the interest on the Senior Notes issued by Wind Acquisition Finance SA.

Investing activities in 2007 used cash totaling €754,212 thousand, a rise of €84,766 thousand over 2006. This increase is partially the result of increased investments in the fixed telephone network, which had an immediate positive effect on the acceleration of the provisioning phase for ULL customers, and further investments in the mobile network infrastructure, aimed at finalizing and completing UMTS coverage in Italy and improving the quality of indoor reception by spreading 900 Mhz coverage. The effect of deconsolidating the WPH Group amounted to €39,370 thousand, which represents the proceeds of €5,000 thousand from the sale of the 2 shares in the share capital of WPH to the related company WIND Hellas less the funds of €44,370 thousand transferred. These changes were partially offset by the disposal of property, plant and equipment, relating mostly to the sale to Terna of the exclusive right to use a fiber optic couple, as discussed in previous note 5.

Debt management in 2007 led to net outflows of €491,400 thousand, which relates to the repayment of a part of Tranche A1 of the Credit Facility Agreement falling due in 2009 and 2010, as also discussed earlier.

**41. OTHER INFORMATION**

No Group company has granted any guarantees, either directly or indirectly, in favour of parent companies or companies controlled by parent companies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**41. OTHER INFORMATION—(continued)**

The collateral pledged by Group companies as of December 31, 2007 as security for their liabilities was as follows:

- a special lien pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent Company and its subsidiary Enel.Net Srl, as specified in the contract, in favor of the pool of lenders party to the Credit Facility Agreement, the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA and other creditors specified in the lien;
- a lien on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, in favor of the lenders party to the Credit Facility Agreement and other creditors specified in the relevant deed;
- a lien on the shares held by the Parent in Wind Finance SL SA, equal to 27% of share capital, in favor of the subscribers to the Second Lien Notes.

Despite the encumbrances on the pledged shares, the voting rights at shareholders' meetings of the companies are retained by the Group by express contractual agreement as an exception to the provisions of paragraph 1, article 2352 of the Italian civil code.

In addition, the Parent and its subsidiary Enel.Net Srl have undertaken, pursuant to the "Master Security Agreement", to pledge further guarantees on certain assets to be acquired by the Parent and its subsidiary Enel.Net Srl, in favor of the lending banks in the Credit Facility Agreement, the other creditors specified in the Master Security Agreement and the subscribers to the Second Lien Notes. In particular, they have undertaken to pledge as additional collateral the shares or other equity instruments (whether newly subscribed or purchased) of significant subsidiaries, property or rights pursuant to article 2810, paragraphs 1 and 2 of the Italian civil code with a value of at least €1 million and any VAT credits acquired or which arise in favor of the companies.

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 lending banks pursuant to the Credit Facility Agreement and the other lending parties specified in the contract as a guarantee for and in favor of the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA.

Starting from July 2007, the Parent Company is subject to management and coordination by Weather Investments SpA.

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 €306,268 thousand as of December 31, 2007 includes:

- sureties issued by insurance companies totaling €196,908 thousand, of which €178,805 thousand, maturing on October 31, 2008, is in favor of the Ministry of Finance—Rome Revenue Office—to guarantee VAT credits due to the Company which originated in 2004, and offset in accordance with Article 6 of the Decree of the Minister of Finance of

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2007—(continued)**

**41. OTHER INFORMATION—(continued)**

December 13, 1979 with the presentation of the VAT 26 PR tax return form by the Parent Enel SpA;

- sureties totaling €109,360 thousand issued by banks, including:
  - €52,377 thousand in favor of the Revenue Office—Lombardy Regional Department—to guarantee VAT credits for Infostrada SpA originating in 1999 and 2000 and offset as a result of its participation in the joint settlement and payment procedure for parent companies and subsidiaries pursuant to the third paragraph of article 73 of Presidential Decree no. 633 of October 26, 1972;
  - €56,890 thousand relating to operations regarding prize competitions, exhibitions, excavation licenses and property leases.

**42. SUBSEQUENT EVENTS**

Wind Telecomunicazioni SpA and H3G SpA (3 Italia) are considering the opportunity to sell or contribute their relevant “Tower Businesses” to a new entity.

Accordingly, in November 2007, an investors selection process began in order to establish the possible terms and conditions of the transaction. In 2008, several industrial and financing institutions have demonstrated their preliminary intention to be part of the transaction.

# **WIND GROUP**

**Consolidated financial statements as of and for the  
year ended December 31, 2006**

***FINANCIAL STATEMENTS AND NOTES***



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## **Report of the auditors in accordance with article 2409-ter of the Italian Civil Code**

To the sole shareholder of  
 WIND Telecomunicazioni S.p.A.

- 1 We have audited the consolidated financial statements of the WIND Group as at and for the year ended 31 December 2006, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes thereto. These financial statements are the responsibility of the parent's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 27 June 2006 for our opinion on the comparative consolidated figures of the previous year, which were restated in accordance with the International Financial Reporting Standards endorsed by the European Union.

- 3 In our opinion, the consolidated financial statements of the WIND Group as at and for the year ended 31 December 2006 comply with the International Financial Reporting Standards endorsed by the European Union. Therefore, they are clearly stated and give a true and fair view of the financial position of the WIND Group as at 31 December 2006, the results of its operations, changes in its equity and its cash flows for the year then ended.
- 4 As described in the notes to the consolidated financial statements, on 19 December 2006 the merger of Wind Acquisition Finance S.p.A. into Wind Telecomunicazioni S.p.A. was executed. The merger is effective as of 31 December 2006. For the purposes of the preparation of the consolidated financial statements the merger reflects accounting effects from 31 December 2006.

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- 5 The Group recorded significant losses for the year ended 31 December 2005 and previous years, while at 31 December 2006 it posted a profit which does not reflect the economic effects arising from the merger of Wind Acquisition Finance S.p.A., given that the merger took accounting effects from 31 December 2006. In the notes to the consolidated financial statements the directors have described the main actions put in place to maintain economic and financial balance and increase profitability in the medium term and which support the consequent recoverability of the deferred tax assets and the carrying amounts of non-current assets recognized in the consolidated financial statements.

KPMG SpA

Rome, 23 April 2007

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**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED BALANCE SHEET**

(Thousands of Euro)	Note	As of December 31,	
		2006	2005
<b>ASSETS</b>			
Property, plant and equipment . . . . .	5	3,606,085	3,802,272
Intangible assets . . . . .	6	8,577,253	3,081,309
Financial assets . . . . .	7	191,207	77,593
Deferred tax assets . . . . .	8	748,108	780,645
<b>Total non-current assets . . . . .</b>		<b>13,122,653</b>	<b>7,741,819</b>
Inventories . . . . .	9	26,138	16,944
Trade receivables . . . . .	10	1,206,382	1,263,706
Financial assets . . . . .	7	63,143	23,536
Current tax assets . . . . .	11	16,064	3,833
Other receivables . . . . .	12	207,369	229,832
Cash and cash equivalents . . . . .	13	137,886	140,568
Assets held for sale . . . . .	14	—	23,499
<b>Total current assets . . . . .</b>		<b>1,656,982</b>	<b>1,701,919</b>
<b>Total assets . . . . .</b>		<b>14,779,635</b>	<b>9,443,738</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity . . . . .</b>	15		
Issued capital . . . . .		147,100	147,100
Share premium . . . . .		3,768,336	213,325
Reserves . . . . .		98,873	322,712
Losses carried forward . . . . .		(151,133)	(535,186)
<b>Equity attributable to equity holders of the parent . . . . .</b>		<b>3,863,176</b>	<b>147,951</b>
<b>Minority interest . . . . .</b>		<b>17,749</b>	<b>3,819</b>
<b>Total equity . . . . .</b>		<b>3,880,925</b>	<b>151,770</b>
<b>Liabilities</b>			
Financial liabilities . . . . .	17	7,249,104	6,797,992
Employee benefits . . . . .	18	74,677	64,155
Provisions . . . . .	19	162,717	132,662
Other non-current liabilities . . . . .	20	8,482	6,010
Deferred tax liabilities . . . . .	8	1,178,386	222,423
<b>Total non-current liabilities . . . . .</b>		<b>8,673,366</b>	<b>7,223,242</b>
Financial liabilities . . . . .	17	183,672	100,050
Trade payables . . . . .	21	1,620,370	1,616,366
Other payables . . . . .	22	407,649	337,202
Tax payable . . . . .	23	13,653	15,108
<b>Total current liabilities . . . . .</b>		<b>2,225,344</b>	<b>2,068,726</b>
<b>Total liabilities . . . . .</b>		<b>10,898,710</b>	<b>9,291,968</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>14,779,635</b>	<b>9,443,738</b>

**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED INCOME STATEMENT**

(Thousands of Euro)	Note	Year ended December 31,	
		2006	2005
Revenue . . . . .	24	4,940,950	4,657,159
Other income . . . . .	25	—	—
—Turnover contribution . . . . .		—	54,578
—Other . . . . .		106,747	114,876
<b>Total revenue . . . . .</b>		<b>5,047,697</b>	<b>4,826,613</b>
Purchases and services . . . . .	26	(2,897,399)	(2,859,132)
Other operating costs . . . . .	27	(91,121)	(122,500)
Personnel costs . . . . .	28	(355,612)	(348,154)
Restructuring costs . . . . .	29	—	—
—Personnel costs . . . . .		(46,296)	(31,261)
<b>Operating income before depreciation, amortization, reversal/impairment of non-current assets, gains/losses on disposal of non-current assets . . . . .</b>		<b>1,657,269</b>	<b>1,465,566</b>
Depreciation and amortization . . . . .	30	(1,028,756)	(1,104,394)
Reversal (impairment) of non-current assets . . . . .	31	9,906	(36,628)
Gains (losses) on disposal of non-current assets . . . . .	32	(58,000)	(1,083)
<b>Operating income . . . . .</b>		<b>580,419</b>	<b>323,461</b>
Finance income . . . . .	33	31,173	8,775
Finance expenses . . . . .	34	(477,560)	(418,989)
Atypical finance expenses . . . . .	35	—	(112,928)
Foreign exchange gains (losses) . . . . .	36	(389)	779
<b>Profit (loss) before tax . . . . .</b>		<b>133,643</b>	<b>(198,902)</b>
Income tax . . . . .	37	(117,413)	(111,607)
<b>Profit (loss) from continuing operations . . . . .</b>		<b>16,230</b>	<b>(310,509)</b>
<b>Loss from discontinued operations . . . . .</b>	38	<b>—</b>	<b>(32,559)</b>
<b>Profit (loss) for the year . . . . .</b>		<b>16,230</b>	<b>(343,068)</b>
Profit (loss) attributable to minority interest . . . . .		(6,934)	(12,400)
<b>Profit (Loss) for the year attributable to Equity holders of the Parent . . . . .</b>		<b>23,164</b>	<b>(330,668)</b>
<b>Earnings per share (in Euro)—basic and diluted . . . . .</b>	17	<b>—</b>	<b>—</b>
From continuing operations . . . . .		0.16	(2)
From discontinued operations . . . . .		—	(0.22)

**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT**

(Thousands of Euro)	Year ended December 31,	
	2006	2005
<b>Cash flows from operating activities</b>		
<b>Profit (loss) for the year</b> . . . . .	<b>16,230</b>	<b>(343,068)</b>
<b>Adjustments for</b>		
Depreciation, amortization and impairment of non-current assets . . . . .	1,018,016	1,116,207
Net changes in Provisions and Employee benefits . . . . .	40,577	39,012
(Gains)/losses on disposal of non-current assets . . . . .	58,000	1,083
Changes in current assets . . . . .	132,341	11,097
Changes in current liabilities . . . . .	163,345	129,761
Changes in minority interest . . . . .	4,614	—
<b>Net cash from operating activities</b> . . . . .	<b>1,433,123</b>	<b>954,092</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment . . . . .	(617,456)	(694,571)
Proceeds from sale of property, plant and equipment . . . . .	6,066	4,435
Acquisition of intangible assets . . . . .	(85,880)	(90,332)
(Acquisition)/Disposal of financial assets . . . . .	21,039	(30,036)
Merger of Wind Acquisition Finance SpA, net of cash . . . . .	6,785	—
<b>Net cash used in investing activities</b> . . . . .	<b>(669,446)</b>	<b>(810,504)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and banks' facilities . . . . .	(766,359)	(271,287)
Changes in other financial assets and liabilities . . . . .	—	(172,591)
Capital injections . . . . .	—	229,958
<b>Net cash used in financing activities</b> . . . . .	<b>(766,359)</b>	<b>(213,920)</b>
<b>Net increase (decrease) in cash and cash equivalents</b> . . . . .	<b>(2,682)</b>	<b>(70,332)</b>
Cash and cash equivalents at the beginning of the year . . . . .	140,568	210,900
<b>Cash and cash equivalents at the end of the year</b> . . . . .	<b>137,886</b>	<b>140,568</b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

(Thousands of Euro)	Year ended December 31,	
	2006	2005
Income tax paid . . . . .	53,890	53,108
Interest expense paid . . . . .	363,312	470,921

**WIND TELECOMUNICAZIONI GROUP**  
**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

(Thousands of Euro)	Equity attributable to the equity holders of the parent				Equity attributable to the equity holders of the parent	Minority interest	Equity
	Issued Capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances as of January 1, 2005 . . . .</b>	<b>146,100</b>	<b>314,298</b>	<b>92,754</b>	<b>(567,732)</b>	<b>(14,580)</b>	<b>16,709</b>	<b>2,129</b>
Allocation of loss for 2004 . . . . .	—	(314,298)	(47,108)	361,406	—	—	—
Increase in issued capital . . . . .	<b>1,000</b>	213,325	15,000	—	<b>229,325</b>	(490)	<b>228,835</b>
Stock option . . . . .	—	—	(910)	910	—	—	—
Cash Flow hedge . . . . .	—	—	92,300	—	<b>92,300</b>	—	<b>92,300</b>
Other movements . . . . .	—	—	170,676	898	<b>171,574</b>	—	<b>171,574</b>
2005 Loss, . . . . .	—	—	—	(330,668)	<b>(330,668)</b>	(12,400)	<b>(343,068)</b>
<b>Balances as of December 31, 2005 . .</b>	<b>147,100</b>	<b>213,325</b>	<b>322,712</b>	<b>(535,186)</b>	<b>147,951</b>	<b>3,819</b>	<b>151,770</b>
Allocation of loss for 2005 . . . . .	—	(213,325)	(140,808)	354,133	—	—	—
Effects of the reverse merger of WAF into Wind . . . . .	—	3,768,336	(134,320)	6,222	<b>3,640,238</b>	16,251	<b>3,656,489</b>
Cash Flow hedge . . . . .	—	—	51,289	—	<b>51,289</b>	—	<b>51,289</b>
Other movements . . . . .	—	—	—	534	<b>534</b>	4,613	<b>5,147</b>
2006 Profit . . . . .	—	—	—	23,164	<b>23,164</b>	(6,934)	<b>16,230</b>
<b>Balances as of December 31, 2006 . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>

**INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY**

	Reserves	Reserves Tax effect	Total
<b>Balances as of January 1, 2005 . . . . .</b>	<b>(57,427)</b>	<b>19,184</b>	<b>(38,243)</b>
Cash flow hedge . . . . .	137,748	(45,448)	<b>92,300</b>
Stock option . . . . .	(910)	—	<b>(910)</b>
<b>Balances as of December 31, 2005 . . . . .</b>	<b>79,411</b>	<b>(26,264)</b>	<b>53,147</b>
Cash flow hedge . . . . .	76,551	(25,262)	<b>51,289</b>
Cash flow hedge arising from the reverse merger of WAF . . . . .	(8,305)	2,742	<b>(5,563)</b>
<b>Balances as of December 31, 2006 . . . . .</b>	<b>147,657</b>	<b>(48,784)</b>	<b>98,873</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006**

**1. INTRODUCTION**

Wind Telecomunicazioni SpA (hereafter also the “Parent Company” or the “Company”), which has its registered offices in Rome (Italy), Via Cesare Giulio Viola 48, is controlled by Weather Investments SpA through Wind Acquisition Holdings Finance SpA, which wholly owns Wind Telecomunicazioni SpA.

As of the date of this writing, Naguib Onsi Sawiris, through a company registered in Luxembourg, Weather Investments II Sàrl., holds 87.77% of Weather Investments SpA, while the parent Wind Acquisition Holdings Finance SpA holds 10% and other investors hold the remaining 2.23%.

Wind Telecomunicazioni SpA and its subsidiaries (hereafter “the Group” or “the Wind Group”) operate primarily in Italy in the telecommunications sector under its brands “*Infostrada*” and “*Wind*” (fixed-line and mobile telephone services) and in the Internet services sector through the subsidiaries ITnet S.r.l and Italia OnLine S.r.l. under the “*Libero*” brand. The Group is also present in Greece with its subsidiary Tellas Telecommunications S.A. in the fixed-line telecommunications sector.

This presentation of the consolidated financial statements is the first document prepared following the reverse merger of the parent company Wind Acquisition Finance SpA into Wind Telecomunicazioni SpA. As stated in the report on operations, the transaction was completed on December 19, 2006 with the signing of the merger agreement. The operation has effect as from December 31, 2006. For fiscal purposes, the merger has effect as from January 1, 2006.

Thanks to the growth plans implemented during the year 2006, that have determined an increase of revenue in particular related to mobile telephone services and a decisive action over cost structure, the profit attributable to the Equity holders of Parent for the year ended December 31, 2006 amounted to Euro 23,164 thousand. This result does not include the financial effects arising from the merger of Wind Acquisition Finance SpA, the accounting effects of which start from December 31, 2006. The strategy of the Group for 2007 is to continue market development in the fixed-line, mobile and internet services, through the launch of innovative high-margin services and initiatives to retain its customer base. The Group will also give continuous attention to the efficiency of its operating processes and optimization of its cost structure, allowing it to achieve a sufficient level of profit growth, also in the light of Decree Law 7 of January 31 2007 containing urgent measures for the protection of consumers, the promotion of competition, the development of economic activity and the creation of new enterprises. The Parent Company is assessing the impact of these measures on its financial structure in order to take appropriate corrective action to maintain the trend in profit growth. As part of this process, the Group will continue its integration with the Orascom Group, with a primary goal of exploiting synergies in the procurement process. The investment plan for 2007, necessary to support the forecast growth, will be at least equal to that envisaged in the 2006 plan. The current liquidity available, the expected cash generation from operating activities, and the unutilized part of credit facilities enabled early repayment of part of the debt of the Wind Group in the total amount of €681 million net of loans received during the year.

The business plan confirm, on the basis of the above described actions, the maintenance of the economic and financial balance and the increase of the profitability, in the medium term and which support the consequent recoverability of the deferred tax assets and the carrying amounts of non-current assets recognized on the December 31, 2006 Consolidated Financial Statements.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006—(continued)**

**1. INTRODUCTION—(continued)**

These Consolidated Financial Statements were approved by the Board of Directors of the Group Parent on April 2, 2007.

**2. GENERAL ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The Consolidated Financial Statements of Wind Telecomunicazioni SpA as of and for the year ended December 31, 2006 have been prepared in compliance with the IFRSs adopted by the European Union.

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

These Consolidated Financial Statements are presented in unit of euros, the currency of the economy in which the Group operates. Except where otherwise indicated, all amounts shown in the tables and in the detailed notes are expressed in thousands of euros.

For presentation purposes the "current/non-current" format has been used for the Balance Sheet, while the Income Statement is organized by the nature of expenses. The indirect presentation method has been adopted for the Cash Flow Statement.

For the purposes of comparison, balances in the balance sheet and income statement financial statements and the detailed schedules in the notes have been reclassified where necessary. These reclassifications, however, did not affect the Group's result and equity.

**2.2 Basis of consolidation**

The 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 controlled entity and obtain the related benefits, regardless of any equity relationships. The existence of potential voting rights at the reference date is also considered when determining whether control is exercised or not.

The financial statements of subsidiaries utilized for consolidation are those prepared as of and for the year ended December 31 (the reference date for these Consolidated Financial Statements) in accordance with the same IFRSs as those used for the preparation of this document of the Parent Company.

Subsidiaries whose inclusion in the scope of consolidation would not be material both in qualitative and quantitative terms for the purposes of providing a fair representation of the Group's financial position and results have not been consolidated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

The consolidation criteria adopted are as follows:

- The assets and liabilities, income and expenses of consolidated subsidiaries are included on a line-by-line basis, allocating to minority interest, where applicable, their share of equity and profit (loss) for the year in which they held the minority shareholding. The resulting balances are shown separately in Consolidated Equity and Income Statement.
- The purchase method of accounting is used to account for acquisitions of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The 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 income statement.
- 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, in application of IAS 8, the Group consolidates the book values of the assets and liabilities transferred. The differences are accounted for in equity.
- The purchase of equity holdings from minority holders in entities where control is already exercised is not considered a purchase but an equity transaction; in the absence of a specific accounting standard, the Group, in application of IAS 8, reports any difference arising between purchase cost and the portion of equity acquired directly in equity.
- Unrealized gains and losses on transactions between group companies which form part of the scope of consolidation are eliminated with their respective tax effect. Inter-company receivables and payables, income and expenditure, and interest finance and expense are also eliminated.
- Gains and losses arising from the sale of shares in consolidated subsidiaries are reported in the Income Statement as the difference between selling price and consolidated equity value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

The following table lists the subsidiaries and equity investments of the Group and criteria for consolidation and measurement.

	Registered office	Share/quota capital Euros	% holding		Basis of consolidation/ measurement	
			31.12.2006	31.12.2005	31.12.2006	31.12.2005
<b>Subsidiaries</b>						
Enel.Net Srl . . . . .	Italy	21,135,000	100	100	Line-by-line	Line-by-line
Italia Online Srl . . . . .	Italy	1,400,000	100	100	Line-by-line	Line-by-line
ItNet Srl . . . . .	Italy	1,004,000	100	100	Line-by-line	Line-by-line
Mondo Wind Srl . . . . .	Italy	95,000	100	100	Line-by-line	Line-by-line
Wind-PPC Holding NV . . . . .	Netherlands	2,000,000	50 + 1 share	50 + 1 share	Line-by-line	Line-by-line
Tellas Telecom SA . . . . .	Greece	13,622,340	100Wind-PPC	100Wind-PPC	Line-by-line	Line-by-line
Delta SpA . . . . .	Italy	1,000,000	—	100	—	Cost
<b>Associates</b>						
Consorzio Elawind . . . . .	Italy	4,500	33.33	33.33	Cost	Cost
Wind Finance SL SA . . . . .	Luxembourg	31,000	27	27	Line-by-line	Line-by-line
Wind Acquisition Finance SA . . . . .	Luxembourg	31,000	27	—	Line-by-line	—
Wind Acquisition Finance II SA . . . . .	Luxembourg	31,000	27	—	Line-by-line	—
<b>Other</b>						
Mix Srl . . . . .	Italy	99,000	15	19.5	Cost	Cost
Cofridp . . . . .	Italy	28,402	9.09	9.09	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	0	Cost	Cost

As compared with the year ended December 31, 2005, the scope of consolidation has changed with the entry of Wind Acquisition Finance SA and Wind Acquisition Finance II SA following the reverse merger of Wind Acquisition Finance SpA into Wind.

Wind Finance SL, Wind Acquisition Finance SA and Wind Acquisition Finance II SA, participated with an interest of 27%, are consolidated as special purpose entities formed to raise funds for the Group in the market.

**2.3 Summary of significant accounting policies and valuation methods**

The principal accounting policies applied are set out below.

• **Property, plant and equipment**

Property, plant and equipment are reported at purchase cost or production cost, net of accumulated depreciation and impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the items and any dismantling and removal costs which may be incurred as a result of contractual commitments which require the asset to be returned to its original state. Borrowing costs directly associated with the purchase of construction of property, plant and equipment are immediately expensed in the Income Statement.

Expenses in respect of ordinary or cyclical repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Costs incurred for the expansion,

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

modernization or improvement of owned or leased assets are capitalized to the extent that they have a separately identifiable useful economic life, in accordance with the “component approach”.

Depreciation is charged at rates calculated to write off the costs over their estimated useful lives on a straight-line basis from the date the asset is available for use.

The useful lives of property, plant and equipment and their residual value are reviewed annually and updated, if required, at each year end. Land is not depreciated. When an asset is composed of identifiable separate components whose useful lives vary significantly from that of other components, depreciation is calculated for each component separately, applying the “component approach” method.

The estimated useful lives of property, plant and equipment are as follows:

Plant and equipment . . . . .	5-20 years
Planning and development cost of fixed-line and mobile telephone network . . . . .	Residual life of respective licenses
Equipment and tools . . . . .	4 years
Other assets . . . . .	5-10 years

Gains or losses arising from the disposal or scrapping of assets are determined as the difference between the proceeds and the carrying amount of the asset sold or discontinued and are recognized in the Income Statement for the year under “Gains/(loss) on disposal of non-current assets”.

Finance leases are leases that substantially transfer all the risks and rewards of ownership of the assets. Property, plant and equipment obtained under finance leases are recognized as assets at their fair value or, if lower, the present value of the minimum lease payments, including any initial direct costs. The corresponding liabilities are recognized at fair value as financial liabilities. The assets are depreciated over the shorter of the lease term or their useful life.

Leases in which the lessor retains the risks and rewards of ownership of the assets are classified as operating leases. Lease payments under operating leases are recognized as an expense in the income statement on a straight-line basis over the lease term.

• ***Intangible assets***

Intangible assets are non-monetary, non-physical assets that are distinctly identifiable and capable of generating future economic benefits. Such assets are recorded at purchase or production cost, including expenses that are directly attributable to the acquisition of the asset net of accumulated amortization and impairment losses. Any related direct borrowing costs are expensed in the Income Statement. Amortization begins when the asset becomes available for use and is calculated systematically over its useful economic life.

• ***Industrial and intellectual patents, copyrights, licenses, trade marks, concessions and similar other rights***

The costs for the purchase of industrial and intellectual patents, copyrights, licenses, trade marks, concessions, and similar rights are capitalized. Amortization is calculated on a straight-line basis over the estimated useful life of the asset or over the related minimum contractual period if shorter. Trade marks are not amortized since they are considered to have an indefinite useful life.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *Software*

Costs relating to development and maintenance of software are expensed as incurred. Costs directly related to the production of unique and identifiable software controlled by the Group that are expected to generate future economic benefits for a period of more than one year are capitalized as intangible assets. Direct costs—where identifiable and quantifiable—include the cost of employees who develop the software, together with any appropriate share of general overheads. Amortization is calculated over the useful life of the software, estimated to be 5 years.

- *Goodwill*

Goodwill represents the excess of the purchase cost over the fair value of the relative share of assets and liabilities acquired at the purchase date. Goodwill on investments accounted for using the equity method is included within the carrying amount of the investment. Goodwill is not amortized, but rather undergoes periodic testing to ensure that the carrying amount in the balance sheet is adequate. This test is carried out, annually or more frequently if a possible impairment loss emerges as an effect of new events or changes in circumstances, with reference to the cash flows from the cash generating units ('CGU') to which the goodwill pertains. Whenever the recoverable amount of the goodwill is lower than its carrying amount, an impairment loss is recognized. 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 value of future estimated cash flows for the CGU over its estimated useful life. The method for determining value in use is described in the following paragraph "Impairment of assets". Once an impairment loss has been recognized, goodwill cannot be reversed.

Whenever the impairment loss derived from the above test exceeds the carrying amount of the goodwill allocated to a specific CGU, the residual charge is proportionately allocated to the assets of that particular CGU. This allocation must be at least equal to the higher between the fair value of the asset, less costs to sell and the value in use (as described above).

- *Impairment of assets*

At each relevant date, property, plant and equipment and intangible assets with a finite life are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If such events or changes are identified, the recoverable amount of the asset is estimated, recognizing the impairment in the income statement.. Intangible assets, with an indefinite useful life, are tested for impairment annually or more frequently if a possible impairment loss emerges as an effect of new events or changes in circumstances. The recoverable amount is the higher of its fair value, less selling costs, and its value in use, which is represented by the present value of its future cash flows. In determining its value in use, the future expected cash flows are discounted using a discount rate equal to the pre-tax rate that reflects the time value of money based on the investment period and risk profile of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit). An impairment is recognized in the income statement when the carrying amount of an asset, or of the cash-generating unit to which the asset belongs, is higher than their recoverable amount. If the reason for recognizing the loss ceases to apply, the carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

amount that it would have had if no impairment loss been recognized for the asset in prior years and depreciation and amortization was performed.

• *Investments*

Unconsolidated subsidiaries are carried at cost. Investments in companies where the Group exercises a significant influence (hereafter “associates”), which is presumed to exist when the Group owns an investment of between 20% to 50%, are accounted for using the equity method.

The equity method utilized is as follows:

- Gains or losses pertaining to the Group are recorded in the consolidated Income Statement from the date when significant influence or control begins. Where the investment generates losses and as a result has a negative deficit, the carrying amount of the investment is written off. Where the Group has a commitment to settle the investment’s legal or constructive obligations or is otherwise committed to cover such losses, any excess is accrued in a specific provision. Changes in the equity of investments accounted for using the equity method not resulting from profit or loss are directly recorded in the Group’s equity reserves;
- Unrealized gains and losses from transactions between the Parent Company and its subsidiaries and its investments accounted for using the equity method are eliminated on consolidation for the portion pertaining to the Group. Unrealized losses are eliminated, unless they show an impairment loss.

Investments in other companies are measured at fair value, and any changes in the fair value are recognized in the income statement. Whenever the fair value cannot be determined reliably, the investments are valued at cost. The cost is adjusted for impairment if necessary as described in the paragraph ‘Impairment of assets’. Whenever the impairment loss recognized in prior periods for an asset no longer exists, investments are remeasured to the extent of the impairment, taking the related effect to the income statement. The risk related to any commitment of the Group to settle the investment’s legal or constructive obligations or otherwise cover such losses is accrued in a provision. Investments held for sale are classified as current assets at the lower of their carrying amount or fair value, less costs to sell.

• *Financial instruments*

Financial instruments include financial assets and liabilities, which are classified based on their initial recognition and intended use at the time of acquisition. Purchases and sales of financial instruments are recognized at their settlement date.

• *Financial assets*

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

- (i) *Financial assets valued at fair value through profit or loss:* This category includes financial assets purchased primarily to be sold in the short term, those designated as such at the time of initial recognition where such classification is valid or the fair value option may

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

be elected, and financial derivatives except for the effective portion of those designated as cash flow hedges. These assets are valued at fair value; any variation in their value in the period is recognized in the Income Statement. Financial instruments included in this category are treated as current if held for trading or are expected to be disposed of within twelve months from year end. Derivatives are treated as assets or liabilities depending whether their fair value is positive or negative; the positive and negative fair values related to operations underway with the same entity are netted where this is contractually foreseen.

- (ii) *Financial receivables*: these are financial instruments, mainly related to trade receivables, that are not derivatives and are not traded on an active market, which are expected to generate fixed or otherwise determinable repayments. They are recognized as current assets except those contractually due after twelve months from year end, which are classified under non-current assets. These assets are valued at amortized cost based on the effective interest rate method. If there is objective evidence of factors that indicate an impairment, the carrying amount of the asset is reduced to the discounted value of future cash flows. The loss is recognized in the Income Statement. If in future years the factors which caused the impairment cease to exist, the carrying amount of the asset is reversed to the amount that would have been obtained at the amortized cost.
- (iii) *Financial assets held to maturity*: these are non-derivative instruments with fixed or determinable payments that the Group intends and has the capacity to hold until maturity. Such assets are measured with the amortized cost method, using the effective interest rate adjusted to reflect impairment. In the case of impairment, the same principles applicable to financial receivables above are used.
- (iv) *Financial assets available for sale*: these are non-derivative assets specifically designated as belonging to this category and those which cannot be classified in the previous categories. These financial assets are measured at fair value and any gain or loss is recorded directly in an equity reserve. They are recognized in the Income Statement only when the asset is sold or, if there are cumulative negative changes, when it is that the decrease, already shown in equity, cannot be recovered in the future. If the fair value of debt securities increases in a future period due to events occurring after the decrease has been recognized in the Income Statement, the original value of the security is reinstated with the corresponding effect recorded in the Income Statement. Moreover, the yield of debt securities determined on the basis of the amortized cost method is reflected in the Income Statement in the same manner as exchange rate variations. Exchange rate variations relating to equity securities available for sale are reported in a specific equity reserve. Classification as current or non-current asset depends on strategic choices regarding the estimated period of the asset and its effective marketability, considering that current assets include those which are expected to be sold within twelve months from the closing date.

Financial assets are eliminated from the Balance Sheet when the right to receive the related cash flows expire and the Group has effectively transferred all risks and rewards related to the instrument and control of the instrument.



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**2. GENERAL ACCOUNTING POLICIES—(continued)**

• *Financial liabilities:*

Financial liabilities, which include loans, trade payables and other sums payable, are measured at amortized cost using the effective interest rate method. If there is a variation in the cash flows and such variation can be reasonably estimated, the value of the loans is recalculated to reflect the variation based on the present value of the revised expected future cash flows and the initially calculated internal rate of return ('IRR'). Financial liabilities are classified as current liabilities except where the Group has an unconditional right to defer payment for at least twelve months after the reference date.

Financial liabilities are removed from the Balance Sheet when settled and the Group has transferred all related costs and risks.

• *Derivative Financial instruments:*

When a financial derivative contract is signed it is initially recognized at fair value; subsequent variations in fair value are accounted for as a financial component in the Income Statement. If the instruments meet hedge accounting requirements, subsequent variations in fair value are recorded in accordance with the specific criteria described below. For each derivative qualifying as a hedging instrument, the relationship with the hedged item must be documented, including the risk management objectives, the hedging strategy and the means to verify its effectiveness. Effectiveness is verified when each derivative instrument is created and throughout its life.

When the hedge concerns assets or liabilities shown in the Balance Sheet, or is a fair value hedge, the variations of the fair value of the hedging instrument and those of the fair value of the hedged item are recognized in the Income Statement. Whenever the hedge is not fully effective, i.e. there is a difference between the above mentioned variations, the non-effective portion is treated as finance income or expense in the Income Statement.

For cash flow hedges, the fair value variations of the derivative are subsequently recognized, for the effective portion, in a specific equity reserve ("cash flow hedge reserve"). A hedge is normally considered highly effective if from inception and throughout its life, 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 generated by the hedged item are realized, the reserve is reversed to the Income Statement together with the economic effects of the hedged item. When the hedge is not highly effective, the portion of the variation in fair value associated with the non-effective part of the hedge is immediately recognized as finance income or expense in the Income Statement for the year. Cash flow hedging also includes hedges of the foreign exchange risk for transactions denominated in US dollars. These hedges are measured at the closing exchange rate at the end of each year and the foreign exchange gains and losses are netted off against the change in the fair value of the hedging instruments in the income statement.

If, during the life of derivative, the expected cash flows hedged by the instrument are no longer considered highly probable, the relevant portion of the "cash flow hedge reserve" is immediately transferred to the income statement. Conversely, if the derivative is sold or no longer qualifies as an effective hedge, the "cash flow hedge reserve" recognized so far remains as a component of equity and is transferred to the Income Statement in accordance with the classification criterion described above in conjunction with the materialization of the transaction originally hedged.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

The fair value of financial instruments listed on active markets is given by the price at the closing date. In the absence of an active market, the fair value is determined with reference to prices supplied by third party operators and using valuation techniques based primarily on objective financial variables and, where possible, prices for recent transactions and market prices for similar financial instruments.

• *Income tax*

Current income taxes are calculated based on taxable income for the year and the applicable tax regulations, applying the tax rates in force at the time of the computation.

Deferred tax assets and liabilities are recognized in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts based on expected tax rates for the years when the temporary differences will be realized or settled. An exception to this policy is made for deferred taxes in respect of the initial recognition of goodwill and temporary differences with respect to investments in subsidiaries and associates where the timing of the reversal of the temporary difference can be controlled by the Group or it is probable that the temporary difference will not reverse in the foreseeable future.

The portion of deferred tax assets not offset by deferred tax liabilities is recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Current and deferred taxes are recognized in the Income Statement except for those arising on items directly accounted for in equity; in such cases the tax effect is recognized directly in the specific equity account.

Tax assets and liabilities including deferred income taxes can be offset in the balance sheet when a company normally has a legally enforceable right to offset a current or deferred tax asset against a current or deferred tax liability and when they relate to income taxes levied by the same tax authority and the tax authority permits the company to make or receive a single net payment.

Since the 2006 financial year, Group taxation and its representation in the accounts reflect the exercising of the option by the Italian parent company, Weather Investments SpA, to participate in the national tax consolidation mechanism, in lieu of the Parent Company Wind Telecomunicazioni SpA, which along with certain subsidiaries, established a single group tax procedure in 2005.

The adoption of the tax consolidation mechanism in which the Parent Company participates involves the calculation of income taxes (IRES) at the parent company which exercised the option based on the consolidated taxable income formed by the sum of the income of the Parent Company and the subsidiaries and, consequently, the payment of a single amount or a single tax credit, which the parent company may carry forward or request its reimbursement.

Accordingly, the financial statements report the balance of the receivable from or payable to the parent company, in the case of the transfer, respectively, of a tax loss or taxable income, in lieu of the relative tax receivables or tax payables accrued by Group companies participating in the tax consolidation mechanism.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

• *Inventories*

Inventories are stated at the lower of purchase or production cost and net estimated realizable value. Cost is determined on a weighted average basis. When necessary, provisions are made for slow-moving and obsolete inventories.

• *Cash and cash equivalents*

Cash and cash equivalents are stated at fair value and include short-term deposits (not exceeding three months) which are highly liquid, easily convertible into cash and with a low risk of changes in value.

• *Assets held for sale*

Assets held for sale include non-current assets (or groups of assets) held for sale whose carrying amount will be primarily recovered through disposal rather than through continuing operations. Assets held for sale are valued at the lower of their net carrying amount and their fair value, net of disposal expenses taking any effect to income statement. When a depreciable asset is reclassified to this account no further depreciation is computed. The effects of the assets sold or in the process of being sold are classified separately within the Income Statement, net of their relative tax effects.

• *Provisions*

Provisions relate to losses and liabilities of a determined nature, that are either likely or certain to be incurred but at the balance-sheet date are uncertain as to the amount or the date on which they will arise. Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. This provision represents the best present value estimate of the outlay required to settle the obligation. The interest rate employed in discounting the estimated future expense is based on current market rates and the specific risk of each liability.

Possible risks are reported in the Notes under “Contingent assets and liabilities” and no provision is made.

• *Employee benefits*

• *Short-term benefits:*

Short-term benefits are taken to the income statement in the period when the work was carried out by the employees.

• *Post-employment benefits:*

Post-employment benefits are grouped into two categories: (1) defined contribution plans and (2) defined benefit plans. For the defined contribution plans, the contributions are charged to the Income Statement when incurred, based on their nominal value. For defined benefit plans, since

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

benefits are quantifiable only after termination of employment, they are charged to the relative Income Statement based on actuarial estimates.

Defined benefit plans, which include the employee severance benefit (TFR) due to employees in accordance with Article 2120 of the Italian Civil Code, are based on the working life of employees and the remuneration they receive during their service. The related liability is projected forward to the expected termination date and then discounted to present value with the Projected Unit Credit Method to take account of the time that will pass before actual payment of the benefit. The valuation of the liability is carried out by external actuaries. The valuation takes into account the TFR accrued to date and is based on actuarial assumptions that primarily regard the interest rate (which reflects the yield on corporate bonds of top-rated companies with a maturity similar to the liability), future developments in remuneration and employee turnover.

At the end of each financial year, actuarial gains and losses, defined as the difference between the recorded amount of the liability and the present value of the Group's commitments at year end, due to changes in the actuarial parameters described above, are recorded using the "corridor method", i.e. only when the gains or losses exceed 10% of the present value of the Group's commitments at the previous closing. Any amount in excess of 10% is charged to future Income Statements over a period in line with the average remaining working life of employees.

- *Termination benefits and redundancy incentive schemes*

Benefits due to employees for termination of employment contracts are treated as a liability when the Group is formally committed to terminate one or more employment contracts before ordinary retirement or to grant benefits in order to encourage the voluntary resignation of surplus employees. These benefits due to employees do not create future economic benefits for the Group and therefore are immediately charged to the Income Statement.

- *Stock options*

The Wind Group provides certain executives and employees additional benefits in the form of stock option plans. Under IFRS 2—Share-based payments, such plans are a component of the beneficiaries' remuneration. Accordingly, the cost is represented by the fair value of the stock options at the grant date and is recognized in the income statement over the period between the grant date and the vesting date, with a unacrued portion recognized directly in equity. Changes in the fair value following the grant date have no impact on the initial measurement.

- *Translation of transactions carried out in currencies other than the euro*

Transactions in foreign currencies are translated into euros at the exchange rate prevailing at the date of the transaction. Exchange rate gains and losses and the translation at year end exchange rates of assets and liabilities in foreign currency are recorded in the Income Statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

• *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 related to the ownership of the goods. Revenue from services is recognized on a stage of completion basis and only when the result can be reliably estimated.

Specifically, the criteria followed by the Group in recognizing revenue are as follows:

- Revenue arising from post-paid traffic, interconnection and roaming is recorded in the Income Statement on the basis of the usage made by 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 (scratch) cards and recharging is recorded in the Income Statement corresponding to the prepaid traffic actually used by subscribers during the year. The unused portion of traffic is recorded as deferred income.
- Revenue from the sale of mobile phones and fixed-line phones and related accessories is recorded in the income statement at the time of delivery.
- The one-off revenue from the activation and/or substitution of landline (fixed line) and mobile (prepaid or subscription), prepayment, activation of new services and tariff plans are recognized at the moment of activation without considering the period in which the actual services are performed by the Group. In the case of cumulative promotions outstanding at the end of the financial year, the activation fee is recognized on an accruals basis in order to match the revenue with the period in which the service is used .
- The one-off fees received in respect of the granting of rights to use fiber optic cable are recognized at the time of the transfer of the underlying right and, therefore, the related risks and rewards.

• *Government grants*

Government grants are recognized when a formal decision of the grant-awarding institution has been issued and are accrued in line with their related costs. Grants are credited to “Other income” in the Income Statement. Any public grant related to buildings, plant and equipment are recorded as deferred revenue. Deferred revenue is taken to the Income Statement in other income over the useful life of the related asset.

• *Finance income and expense*

Interest is recorded using the effective interest method on an accruals basis, using the interest rate that renders all cash flows inflows and outflows linked to a specific transaction financially equivalent.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *Earnings per share*
- *Basic*

Basic earnings per share are calculated by dividing profit attributable to Equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

- *Diluted*

Diluted earnings per share are computed by dividing the profit for the year attributable to Equity holders of the Parent by the weighted average number of ordinary shares of the Parent Company, outstanding during the year where the weighted average of outstanding shares is modified by assuming the conversion of all shares with a dilutive effect, while the profit for the year attributable to Equity holders of the Parent is modified to include the after-tax effects of such conversion. 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 new standards or amendments and the interpretations issued by the IASB and the IFRIC applicable to Group operations that are effective as from January 1, 2006.

The new accounting standards and interpretations endorsed by the Group for the preparation of the consolidated financial statements at December 31, 2006 are summarized below.

- *IFRIC 4—determining whether an arrangement contains a lease*

This interpretation gives guidance on determining whether an arrangement that does not have the legal form of a lease but contains a lease has to be accounted for and classified as finance or operating lease in accordance with IAS 17.

This interpretation is effective commencing January 1, 2006; the adoption of this interpretation had no effect on the Group consolidated financial statements.

- *Amendment to IAS 39—Financial instruments: recognition and measurement*

The amendments to IAS 39, effective commencing January 1, 2006, regarded the “fair value option” intragroup forecast transactions, and the accounting treatment of guarantee given.

- As regards the “fair value option”, which provides the option to designate any financial asset or financial liability for measurement at fair value through profit and loss, the amendment restricted its use to the following cases:
  - it eliminates or significantly reduces an accounting mismatch;
  - a group of financial assets, financial liabilities or both are managed and their performance is evaluated on a fair value basis;
  - an instrument contains an embedded derivative but it is not possible to measure the embedded derivative at the acquisition date or at any subsequent balance-sheet date.

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- Furthermore, the amendment permits the hedge accounting of intragroup forecast transaction, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and the foreign currency risk will affect the consolidated income statement.
- As regards the accounting treatment of guarantees given, the amendment to IAS 39 and IFRS 4 establishes that the liabilities in respect of financial guarantee contracts shall be recognized by the guarantor and initially measured at fair value and subsequently at the greater of (i) the best estimate of the expense required to meet the obligation at the reference date pursuant to IAS 37—Provisions, Contingent Liabilities and Contingent Assets and (ii) the amount initially recognized less any accumulated amortization recognized pursuant to IAS 18—Revenue.

The adoption of these amendments had no impact on the Group's consolidated financial statements.

- *Amendments to IAS 19—Employee benefits*

These amendments allow the option of recognizing actuarial gains and losses in full in the year in which they occur, in a specific equity reserve.

The amendments, effective commencing January 1, 2006, had no impact on the consolidated financial statements as the Group accounts for all actuarial gains and losses immediately in the income statement in the year in which they occur in accordance with the “corridor” method.



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**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *New accounting principles and interpretations not yet effective*

In addition, as of the date of this disclosure, the following principles and interpretations, while already issued, are not yet effective and have not been early adopted by the Group.

<u>STANDARD/INTERPRETATION</u>	<u>EFFECTIVENESS</u>
IFRS 7 Financial Instruments: Disclosures . . . . .	Effective as of the financial statements for periods beginning January 1, 2007 or thereafter
IFRS 8 Operating segments . . . . .	Effective as of the financial statements for periods beginning January 1, 2009 or thereafter
IFRIC 7 Applying the Restatement Approach under IAS 29— Financial Reporting in Hyperinflationary Economies . . . . .	Effective as of the financial statements for periods beginning March 1, 2006 or thereafter
IFRIC 8 Scope of IFRS 2 . . . . .	Effective as of the financial statements for periods beginning May 1, 2006 or thereafter
IFRIC 9 Reassessment of embedded derivatives . . . . .	Effective as of the financial statements for periods beginning June 1, 2006 or thereafter
IFRIC 10 Interim financial reporting and impairment . . . . .	Effective as of the financial statements for periods beginning November 1, 2006 or thereafter
IFRIC 11 Group and Treasury Share Transactions . . . . .	Effective as of the financial statements for periods beginning March 1, 2007 or thereafter
IFRIC 12 Service Concession Arrangements . . . . .	Effective as of the financial statements for periods beginning January 1, 2008 or thereafter

The Group is evaluating any impact the new principles 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 financial statements required management to apply accounting policies and methodologies that are based on complex, subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts within the Balance Sheet, the Income Statement and the Cash Flow Statement as well as the notes. Actual values of the items in the Consolidated Financial Statements that were determined by using the above estimates and assumptions may differ from those indicated here in given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

We have summarized below the accounting principles that require a higher degree of subjective judgment made by management in making assumptions or estimates regarding the effects of matters that are inherently uncertain and for which changes in conditions may significantly affect the results reported in the Group's Consolidated Financial Statements.

- *Goodwill:* The Group tests goodwill for impairment annually. The test is performed by allocating goodwill to the cash generating units (CGUs) and subsequently estimating its fair value. Should the fair value of the corresponding net employed capital be lower than the

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

carrying amount of the CGUs, an impairment charge is recorded. The allocation of goodwill among the CGUs and the determination of their fair value requires management to make estimates based on factors that may vary over time, with a possibly significant impact on the valuations made by management.

- *Impairment of non-current assets:* Non-current assets are reviewed to determine whether there is any indication that they have suffered an impairment loss and that their carrying amount may not be recoverable. In order to determine the occurrence of such indicators it is necessary to make subjective valuations based on information obtained within the Group and in the market and on historical experience. When a potential impairment, the Group quantifies it with appropriate valuation techniques. The identification of the elements that may give rise to a potential impairment loss and the estimates used to quantify the loss depend on factors which may vary over time, affecting the estimates and valuations.
- *Depreciation of non-current assets:* the cost of property, plant and equipment is depreciated on a straight-line basis over the useful economic life of the assets. The useful economic life is determined when the asset are purchased and is based on historic experience with similar assets, market conditions and forecasts concerning future events which may affect them, including changes in technology. The actual economic useful life may therefore differ from the estimated useful life. The Group regularly reviews developments in technology and business conditions, dismantling costs and recoverable amounts in order to update the residual useful life. Such periodical updating may entail a change in the depreciation period and, consequently, depreciation charges in future years’.
- *Deferred taxes:* deferred tax assets are recognized on the basis of expectations of future taxable income. The valuation of estimated future taxable income depends on factors which may vary over time and have a significant effect on the valuation of this item.
- *Provisions:* In estimating its provisions, the Group analyzes the likelihood of incurring liabilities relating to disputes with employees, suppliers, third parties and in general the charges it will incur as a result of commitments entered into in the past. The definition of such provisions entails making estimates based on current knowledge of factors that may vary significantly over time, with effects that could differ substantially from those reflected in these notes.

**2.5 Risk Management**

**Credit risk**

The credit risk related to the Group mainly regards trade receivables which as of December 31, 2006 amounted to €1,206,382 thousand. The Wind Group minimizes this risk through preventive credit check activity, which involves checking the reliability and solvency of all customers that request new products or services or that want to expand existing services. The checks are carried out during the customer acceptance process with the aid of external and internal information sources.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

The Wind Group also performs prompt post-acquisition activities aimed at credit collection, such as:

- reminders to customers;
- collection of receivables overdue by strategy, portfolio and customer profile;
- measuring and monitoring the state of receivables through reporting tools.

The losses on receivables are small as a result of this effective process. In general, there is a limited concentration of receivables, as a result of product and service portfolio diversification. Specifically, receivables are slightly concentrated in transactions between Wind Telecomunicazioni SpA and Enel Group, dealers and domestic and foreign operators.

Wind Telecomunicazioni SpA is also guaranteed by sureties issued by leading banks covering the obligations in respect of receivables from dealers and supplies.

As regard financial assets, the Group is exposed to credit risk to financial counterparties with which it enters into derivatives contracts to hedge interest rate and exchange rate risks, with which it invests liquidity in money market operations and with which it holds ordinary current accounts.

At December 31, 2006 there were no deposits, while the net positive current account balance was €137,702 thousand. The Group's credit risk exposure in respect of the derivatives is represented by their realizable value, i.e. their fair value where positive.

At December 31, 2006 the positive fair value of the derivatives contracts was €179,992 thousand; details are provided in note 7.

In order to manage counterparty risk, the Group entered into money market transactions and derivatives contracts with counterparties with an investment grade rating, monitoring and limiting exposures to individual counterparties.

**Liquidity risk**

The liquidity risk managed by the Group is mainly generated by the cash flows for servicing the principal and interest on the debt and all payment obligations arising in respect of operations.

With regard to debt, Wind Telecomunicazioni SpA has a variable-rate medium/long-term financing facility—the Credit Facility Agreement—composed of three tranches: tranche A is amortizing and tranches B and C are bullet loans, denominated in euros and US dollars. In addition, Wind Finance SL SA has a bullet loan, the Second Lien Proceeds Loan, denominated in euros and US dollars. The total nominal value of these agreements (with the dollar portion valued at year-end exchange rates) is €5,824,762 thousand.

The Luxembourg-registered associate Wind Acquisition Finance SA issued (effective November 28, 2005) a high-yield bond maturing December 1, 2015 listed on the Luxembourg market, composed of a tranche of \$500,000 thousand (nominal) paying a coupon of 10.75% half-yearly and a tranche of €825,000 thousand (nominal) paying a coupon of 9.75% half-yearly. On March 1, 2006 Wind Acquisition Finance SA reopened the issue, placing nominal tranches of \$150,000 thousand and €125,000 thousand, at a market price of 105.50 and 106, respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2006—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

The high-yield bond is subject to the following covenants concerning compulsory redemption:

- where there is a change of control all bond holders will be entitled to request total or partial repayment of the bonds at a price of 101% of the notional plus interest accrued to the repurchase date;
- in the case of the sale of assets, revenue not invested in the manner envisaged in the Offering Memorandum exceeding €25,000 thousand shall be used for an offer to repurchase holders of the bonds and the pari passu debt at a price of 100% of the notional plus interest accrued to the repurchase date.

In July, the subsidiary Tellas SA issued a floating-rate bond with a nominal value of €50,000 thousand maturing December 31, 2007.

The contractual repayment schedule for the above facilities, including the amounts not yet drawn and valuing the dollar portions at the exchange rate in the hedging contracts, is as follows:

(millions of euros)	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
<b>Senior Credit Facilities</b>										
<i>Term Loan A1</i> . . . . .	(1)	(2)(3)	243(3)	497	673	494	—	—	—	1,907
<i>Term Loan A2</i> . . . . .	(4)	(4)	80	84	—	—	—	—	—	164
<i>Term Loan B</i> . . . . .	—	—	—	—	—	—	1,538	—	—	1,538
<i>Term Loan C</i> . . . . .	—	—	—	—	—	—	—	1,538	—	1,538
<i>Revolving</i> . . . . .	—	—	—	—	—	400	—	—	—	400
<b>Second Lien</b>										
<i>Second Lien Euro</i> . . . . .	—	—	—	—	—	—	—	552	—	552
<i>Second Lien USD</i> . . . . .	—	—	—	—	—	—	—	137	—	137
<b>High Yield Bond</b>										
<i>Senior Notes Euro</i> . . . . .	—	—	—	—	—	—	—	—	950	950
<i>Senior Notes USD</i> . . . . .	—	—	—	—	—	—	—	—	555	555
<b>Tellas Bond</b> . . . . .	50	—	—	—	—	—	—	—	—	50
<b>Total</b> . . . . .	<u>50</u>	<u>—</u>	<u>323</u>	<u>581</u>	<u>673</u>	<u>894</u>	<u>1,538</u>	<u>2,227</u>	<u>1,505</u>	<u>7,791</u>

(1) The installment for Term Loan A1 falling due in 2007 was repaid on December 20, 2005

(2) The installment for Term Loan A1 falling due in 2008 was partially repaid in March 2006 (€266 million)

(3) The remaining installment for Term Loan A1 falling due in 2008 and part of that for 2009 were repaid in December 2006 (total of €462 million)

(4) The installments for Term Loan A2 falling due from 2006 to 2008 were repaid in June 2006 (total of €219 million)

The bank loans and bonds denominated in dollars are hedged with cross currency swaps. As regards liquidity risk, the cross currency swaps entail an exchange of principal at maturity.

Neither the interest rate swaps nor the cross currency swaps allow the counterparty the option of early termination (break clause).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

In order to cover the liquidity risk associated with these commitments, Wind can supplement operating cash flows with a committed revolving line of credit of €400,000 thousand included in the medium-to long term loan mentioned above. The credit line is currently undrawn.

**Market risk**

The Group strategy to manage interest rate and exchange rate risks aims at both managing and controlling such financial risks. Where possible, it aims to eliminate exchange rate risk and optimizing debt cost, taking into account the interest of the Group's stakeholders.

Market risk regards Wind Group financial liabilities where these exist or where they are highly likely to exist.

Specifically, the risks identified are:

- **Cash flow risk**

This is the risk that movements in the yield curve could have a negative impact on the net result, in terms of greater finance expense;

- **Fair value risk**

This is the risk that movements in the yield curve could have a negative impact on the fair value of debt.

- **Currency risk**

This is the risk that the market value of financial instruments not denominated in euros or the cash flows they generate as well as payables and receivables generated by the core business not denominated in euros change adversely owing to changes in exchange rates.

The main objectives that the Group intends to achieve are:

- to continue to insulate the strategic plan from the effects of exposure to exchange rate, interest rate and inflation risk, identifying—for financial liabilities—the optimal combination of the fixed rate, floating rate and inflation components;
- to reduce the cost of the debt;
- to manage derivatives in compliance with the strategies approved, considering the different effects of derivatives on the income statement and the balance sheet.

Following the signing of the medium/long-term credit facility agreement with a pool of banks, in 2005 Wind Telecomunicazioni SpA signed a hedging letter requiring it to hedge the exchange rate risk exposure on the Credit Facility Agreement and the Second Lien Loan for at least three years in an amount equal to at least 67% of the finance expense incurred over the life of the loans and to hedge 100% of the exchange rate risk on the Credit Facility Agreement, the Second Lien Loan and the High Yield Bond.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**2. GENERAL ACCOUNTING POLICIES—(continued)**

To meet these obligations, more than 70% of the interest rate risk was hedged in September 2005.

In April 2006, the level was increased to about 95%, simultaneously extending the maturity of the hedges, which is currently a maximum of about 5 years.

To date, outstanding derivatives contracts amount to €5,200,000 thousand, of which €1,000,000 thousand with a residual maturity of 1 year, €200,000 thousand with a residual maturity of about 3 years, €1,950,000 thousand with a residual maturity of about 4 years and €2,050,000 thousand with a residual maturity of about 5 years.

At December 31, 2006, considering that the total outstanding in respect of the loans and bonds amounted to €7,318,308 thousand, the fixed/variable rate hedge ratio at that date was as follows:

**Fixed rate:**

Nominal .....	€6,923,277 thousand
% .....	94.60%

**Variable rate:**

Nominal .....	€395,031 thousand
% .....	5.40%

In compliance with the hedging letter Wind Telecomunicazioni SpA hedged 100% of the currency risk and interest rate risk on the dollar tranches of the Credit Facility Agreement and the Second Lien with cross currency swaps with a total notional of \$330,000 thousand.

In addition, 100% of the currency risk on the bond and the subsequent reopening issued by Wind Acquisition Finance SA with cross currency swaps with a total notional of \$650,000 thousand.

All the derivative contracts were agreed on market terms, with no up-front payments or receipts (zero cost), with the application of a spread.

It is estimated that a rise of 100 bps in interest rates would increase interest expense on the unhedged portion of the variable-rate debt by about €3,950 thousand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
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**3. SEGMENT INFORMATION**

The identification of segments and the designation of the Group's primary and secondary segments was carried out on the basis of our organizational structure and internal reporting system. Since the risks and rewards of the Group's investments are exclusively influenced by differences in the products and services provided, the primary segment breakdown is by line of business (fixed-mobile telephony). Information by geographical segment has not been presented in view of the fact that the Group operates primarily in Italy. Assets and liabilities not attributable to individual sectors (in particular financial assets/liabilities, tax receivables/payables and deferred tax assets/liabilities) were allocated according to specific parameters. Such assets and liabilities are reported separately in the table below:

	Fixed		Mobile		Others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>in Euro million</b>								
Segment revenues . . . . .	1,675	1,807	3,373	3,020	—	—	5,048	4,827
Inter-segmental revenues . . . . .	—	—	—	—	—	—	—	—
<b>Total revenues . . . . .</b>	<b>1,675</b>	<b>1,807</b>	<b>3,373</b>	<b>3,020</b>	<b>—</b>	<b>—</b>	<b>5,048</b>	<b>4,827</b>
<b>Operating Income<sup>(*)</sup> . . . . .</b>	<b>221</b>	<b>233</b>	<b>1,436</b>	<b>1,233</b>	<b>—</b>	<b>—</b>	<b>1,657</b>	<b>1,466</b>
Depreciation and amortization . . . . .	(202)	(227)	(512)	(530)	(315)	(348)	(1,029)	(1,105)
Reinstatement (impairment) of non-current assets . . . . .	1	(14)	9	(23)	—	—	10	(37)
Gain (losses) on disposal of non-current assets . . . . .	(2)	—	(55)	—	(1)	(1)	(58)	(1)
<b>Operating Income . . . . .</b>	<b>18</b>	<b>(8)</b>	<b>878</b>	<b>680</b>	<b>(316)</b>	<b>(349)</b>	<b>580</b>	<b>323</b>
Interest income . . . . .	—	—	—	—	—	—	31	9
Interest expenses . . . . .	—	—	—	—	—	—	(478)	(532)
Foreign exchange gains (losses) . . . . .	—	—	—	—	—	—	—	1
<b>Profit (loss) before tax . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>133</b>	<b>(199)</b>
Income tax . . . . .	—	—	—	—	—	—	(117)	(112)
<b>Profit (loss) from continuing operations . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>16</b>	<b>(311)</b>
Loss from discontinuing operations . . . . .	—	—	—	—	—	—	—	(32)
<b>Profit (loss) for the year . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>16</b>	<b>(343)</b>

	Fixed		Mobile		Others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>In Euro million</b>								
Allocated assets . . . . .	1,958	1,591	9,796	4,530	2,061	2,401	13,815	8,522
Non allocated assets . . . . .	—	—	—	—	965	944	965	944
<b>Total . . . . .</b>	<b>1,958</b>	<b>1,591</b>	<b>9,796</b>	<b>4,530</b>	<b>3,026</b>	<b>3,345</b>	<b>14,780</b>	<b>9,466</b>
Allocated liabilities . . . . .	805	788	1,293	1,180	158	236	2,256	2,204
Non allocated liabilities . . . . .	—	—	—	—	8,642	7,262	8,642	7,262
<b>Total . . . . .</b>	<b>805</b>	<b>788</b>	<b>1,293</b>	<b>1,180</b>	<b>8,800</b>	<b>7,498</b>	<b>10,898</b>	<b>9,466</b>

(\*) operating profit before amortization, impairment of non current assets and gains/(losses) on disposal of non-current assets



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**4. ACQUISITIONS AND DISPOSALS**

On June 28, 2006 the 100% holding in Delta SpA was sold as a results of he termination of the original purchase agreement. In the previous year, the investment had been classified under “Assets held for sale” and carried at the lower of book value and realizable value net of selling costs.

No gain or loss was posted on the sale of the asset.

In order to simplify the structure of the Weather Group, shortening the chain of control over the Wind Telecomunicazioni SpA, and with the pourpose of achieve operating and financial synergies, on December 19, 2006 was completed a reverse merger of Wind Acquisition Finance SpA into Wind Telecomunicazioni SpA. The merger is effective as of December 31, 2006, except for tax purposes and dividend participation, for which the effective date is January 1, 2006.

The effective date of the merger for the purposes of the preparation of the consolidated financial statements is December 31, 2006.

As described in more detail in the Report on Operations in the section “Corporate Development”, the operation resulted in: the assignment, effective as of December 31, 2006, to the sole shareholder of Wind Acquisition Finance, that is Wind Acquisition Holdings Finance SpA, of the entire share capital of €147,100,000.00 of Wind, divided into 146,100,000 newly issued shares without no par value; the cancellation of all the shares of the merged company; the cancellation of the book value of the investment of Wind Acquisition Finance SpA in Wind Telecomunicazioni SpA and the cancellation of the surviving company’s own shares, corresponding to the value of the equity of the surviving company at December 31, 2006.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**4. ACQUISITIONS AND DISPOSALS—(continued)**

The following table details the net assets acquired by category:

	<b>Fair value/Carrying amount in the financial statements of the merged company</b>
<b>Assets</b>	
Property, plant and equipment . . . . .	—
Intangible assets . . . . .	—
Non-current financial assets . . . . .	5,529,615
Investments accounted for using the equity method . . . . .	—
Deferred tax assets . . . . .	7,364
Inventories . . . . .	—
Trade receivables . . . . .	2,151
Current financial assets . . . . .	3,485
Tax receivables . . . . .	8,487
Other receivables . . . . .	—
Cash and cash equivalents . . . . .	6,785
Assets held for sale . . . . .	—
<b>Liabilities</b>	
Non-current financial liabilities . . . . .	1,509,395
Employee benefits . . . . .	—
Provisions . . . . .	—
Other non-current liabilities . . . . .	—
Deferred tax liabilities . . . . .	8,888
Current financial liabilities . . . . .	11,735
Trade payables . . . . .	1,640
Other payables . . . . .	159
Tax payables . . . . .	132
Liabilities included in disposal groups classified as held for sale . . . . .	—
<b>Net assets</b> . . . . .	4,025,936
Minority interest . . . . .	212
<b>Net assets acquired</b> . . . . .	<b>4,025,724</b>

It should be noted that in the absence of an accounting standard guiding the accounting treatment of these operations, in application of IAS 8, the merger, which took place “under common control”, was accounted for at carrying amount in the financial statements of the merged company. This method provides that the amounts generated as a consequence of the business combination (including goodwill) must correspond to those reported in the consolidated financial statements of the parent Wind Acquisition Holdings Finance SpA, under which the business combination took place, since the merger does not involve any exchange with third parties, nor any acquisition.

The main effects of merger involved:

- the recognition of goodwill, equal to €4,762,173 thousand, resulting from the cancellation of the investment of the Parent Company, as the difference between the value of the surviving

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**4. ACQUISITIONS AND DISPOSALS—(continued)**

company recognized in the financial statements of Wind Acquisition Finance SpA (the merged company) and the value of the equity of the surviving company at December 31, 2006. This amount was partially allocated to the assets and liabilities of the Group on the basis of the related current values; the allocation related specifically to the following amounts:

- €91,272 thousand for the higher value attributed to the GSM license owned by the Parent Company;
- €1,499,100 thousand for the higher value attributed to the *Wind* (€1,067,900 thousand), *Infostrada* (€232,100 thousand), *Libero* (€153,100 thousand) and *Tellas* (€45,900 thousand) trademarks owned by the Group.
- €884,766 thousand for the value attributable to the customer base as determined during the acquisition.

The recognition of these higher values also led to the recognition of a deferred tax liability of €916,329 thousand.

The unallocated value, amounting to €3,202,464 thousand, has been posted to goodwill.

- the emergence of a share premium reserve of €3,768,336 thousand, which corresponds to the difference between the book value of the equity of Wind Acquisition Finance SpA at December 31, 2006 and the nominal value of the share capital increase to finance the merger.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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DECEMBER 31, 2006—(continued)**

**5. PROPERTY, PLANT AND EQUIPMENT**

The following table shows changes in property, plant and equipment in the years 2005 and 2006.

	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
<b>Cost</b>						
<b>As of December 31, 2005</b> . . . . .	<u>467</u>	<u>6,993,138</u>	<u>97,155</u>	<u>454,501</u>	<u>159,025</u>	<u>7,704,286</u>
Additions . . . . .	—	441,518	2,348	11,899	161,691	617,456
Disposals . . . . .	—	(144,972)	(290)	(4,380)	—	(149,642)
Changes in the scope of consolidation . . . . .	—	—	—	—	—	—
Impairment . . . . .	—	—	—	—	—	—
Others . . . . .	—	120,087	813	3,758	(124,181)	477
<b>As of December 31, 2006</b> . . . . .	<u>467</u>	<u>7,409,772</u>	<u>100,026</u>	<u>465,778</u>	<u>196,535</u>	<u>8,172,577</u>
						—
<b>Accumulated depreciation</b>						—
<b>As of December 31, 2005</b> . . . . .	<u>—</u>	<u>3,477,878</u>	<u>84,548</u>	<u>339,588</u>	<u>—</u>	<u>3,902,014</u>
Disposal . . . . .	—	(81,415)	(276)	(3,976)	—	(85,667)
Changes in the scope of consolidation . . . . .	—	—	—	—	—	—
Reversal . . . . .	—	(9,357)	—	—	—	(9,357)
Depreciation . . . . .	—	704,738	7,262	48,520	—	760,520
Others . . . . .	—	(1,028)	—	10	—	(1,018)
<b>As of December 31, 2006</b> . . . . .	<u>—</u>	<u>4,090,816</u>	<u>91,534</u>	<u>384,142</u>	<u>—</u>	<u>4,566,492</u>
						—
<b>Carrying amount</b> . . . . .						—
<b>As of December 31, 2005</b> . . . . .	<u>467</u>	<u>3,515,260</u>	<u>12,607</u>	<u>114,913</u>	<u>159,025</u>	<u>3,802,272</u>
<b>As of December 31, 2006</b> . . . . .	<u>467</u>	<u>3,318,956</u>	<u>8,492</u>	<u>81,636</u>	<u>196,535</u>	<u>3,606,085</u>

In 2006 *Property, plant and equipment* decreased by a net €196,187 thousand, essentially due to depreciation and disposals in the year (respectively €760,520 thousand and €63,975 thousand), which were only partially offset by new investment (€617,456 thousand). The largest gross increases regarded radio relay stations and high-frequency equipment for the expansion of the mobile access network, electronic switchboards and equipment, underground cables, new central and peripheral IT hardware, and capitalization of internal costs incurred during the planning and development of the fixed and mobile telephone network and capitalized leasehold improvements.

As part of the ordinary reorganization and development plan, “relay stations and high-frequency equipment” (with a historical cost of €111,107 thousand and accumulated depreciation of €57,320 thousand), “exchanges and electronic installations” (with a historical cost of €10,547 thousand and accumulated depreciation of €3,786 thousand), and “internal plant, derivative equipment and switchboards” (with a historical cost of €20,153 thousand and accumulated depreciation of €18,096 thousand) were disposed of during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**5. PROPERTY, PLANT AND EQUIPMENT—(continued)**

Moreover the Directors, following the reviewing of the previous reorganization and development plan, with respect to both the UMTS and GSM/GPRS networks, have restored certain apparatuses totaling €9,357 thousand.

At December 31, 2006 telephone systems and switchboards belonging to the Parent with a net carrying amount of €110,535 thousand (€135,635 thousand at December 31, 2005) were in use at customers and transmission equipment for local loop unbundling with a net carrying amount of €85,520 thousand (€75,596 thousand at December 31, 2005) was with Telecom Italia SpA.

In addition, “property, plant and equipment” also includes exclusive rights to fiber optic capacity in the amount of €47,417 thousand at December 31, 2006 (€28,173 thousand at December 31, 2005).

At December 31, 2006, the item *Equipment* amounted to €8,492 thousand, declining with respect to 2005 as an effect of the depreciation for the year, which were offset only in part by investments.

The item *Other*, amounting to €81,636 thousand at December 31, 2006, decreases with respect to 2005 mainly as an effect of the depreciation for the year.

The item *Assets under construction*, amounting to €196,535 thousand at December 31, 2006, mainly relates to Plant and machinery which had not been completed and tested by the end of the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**6. INTANGIBLE ASSETS**

The following table reports changes in intangible assets in the years 2005 and 2006.

	Industrial patents and intellectual property rights	Permits, licenses, trademarks and similar rights	Other intangible assets	Goodwill	Assets in progress	Total
<b>Cost</b>						
<b>As of December 31, 2005</b> . . . . .	<b>1,035,150</b>	<b>2,916,873</b>	<b>14,245</b>	<b>757,921</b>	<b>31,817</b>	<b>4,756,006</b>
Additions . . . . .	63,405	185	541	—	21,749	85,880
Disposals . . . . .	—	—	(90)	—	—	(90)
Changes in the scope of consolidation . . . . .	—	—	—	—	—	—
Impairment . . . . .	(16,364)	—	—	—	—	(16,364)
Others . . . . .	27,036	1,601,652	1,021,691	3,203,464	(27,413)	5,826,429
<b>As of December 31, 2006</b> . . . . .	<b>1,109,227</b>	<b>4,518,709</b>	<b>1,036,387</b>	<b>3,961,385</b>	<b>26,153</b>	<b>10,651,861</b>
<b>Accumulated amortization</b>						
<b>As of December 31, 2005</b> . . . . .	<b>788,697</b>	<b>509,589</b>	<b>12,866</b>	<b>363,545</b>	<b>—</b>	<b>1,674,697</b>
Disposal . . . . .	—	—	—	—	—	—
Changes in the scope of consolidation . . . . .	—	—	—	—	—	—
Impairment . . . . .	(16,364)	—	—	—	—	(16,364)
Amortization . . . . .	119,370	148,296	570	—	—	268,236
Others . . . . .	(227)	11,308	136,959	(0)	—	148,039
<b>As of December 31, 2006</b> . . . . .	<b>891,476</b>	<b>669,192</b>	<b>150,395</b>	<b>363,545</b>	<b>—</b>	<b>2,074,608</b>
<b>Carrying amount</b>						
<b>As of December 31, 2005</b> . . . . .	<b>246,453</b>	<b>2,407,284</b>	<b>1,379</b>	<b>394,376</b>	<b>31,817</b>	<b>3,081,309</b>
<b>As of December 31, 2006</b> . . . . .	<b>217,751</b>	<b>3,849,517</b>	<b>885,992</b>	<b>3,597,840</b>	<b>26,153</b>	<b>8,577,253</b>

In 2006 *Intangible assets* increased by a net €5,495,944 thousand (€219,727 thousand in 2005) primarily as a result of the allocation of the goodwill generated by the merger with Wind Acquisition Finance SpA (€5,678,300 thousand) (refer to note 4 for details) and of the investments made (€85,880 thousand) that were only partially offset by amortization for the year (€268,236 thousand). Specifically, the investments were made to expand and rationalize existing systems and the acquisition of industrial patents.

“*Industrial patents and intellectual property rights*” include the acquisition cost of application software licenses granting the right of use for an indefinite time. The item also includes the Group Parent’s capitalized personnel costs incurred in connection with the planning, development and implementation of information systems amounting to €1,702 thousand at December 31, 2006 (€1,899 thousand at December 31, 2005).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**6. INTANGIBLE ASSETS—(continued)**

“*Concessions, licenses, trade marks and similar rights*” include individual licenses for the installation of networks and concessions to operate in the regulated activities of the telecommunications sector granted by Italian public authorities to Group companies, as detailed below:

<u>License</u>	<u>Issue date</u>	<u>Expiry date<sup>(*)</sup></u>
<b>Group parent</b>		
Installation of network and provision of voice telephony services in Italy <sup>(**)</sup> . . . . .	February 1998	February 2018
Installation and provision of public telecommunications networks in Italy . . . . .	April 1998	April 2018
Provision of public digital mobile communications services using DCS1800 technology, including the possibility of operating in frequencies in the 900 MHz band using GSM technology, pursuant to Art.6, paragraph 6(c) of Presidential Decree 318 of September 19,1997 . . . . .	June 1998	June 2018
Installation and provision of public telecommunications networks in Italy issued to the Infostrada S.p.A., now merged with the company . . . . .	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 in Italy, pursuant to Art.6, paragraph 6(c) of Presidential Decree 318 of September 19, 1997 . . . . .	January 2001 <sup>(***)</sup>	December 2021
Use of frequencies for broadband point-multipoint radio networks in the 24.5—26.5 GHz band for the specified region/autonomous province <sup>(****)</sup> . . . . .	July 2002	July 2022
<b>Tellas Telecommunications SA</b>		
Installation, operation and management of a public fixed telecommunications network to provide voice telephony services in Greece (measure no. EETT 290/107/30-7-2003). . . . .	July 2003	July 2023
Installation, operation and management of a public fixed telecommunications network to provide voice telephony services via wireless access in Greece (measure no. EETT 205/3/22-1-2001). . . . .	January 2001	January 2016

(\*) Individual licenses are renewable in conformity with the regulations in force at the time of the renewal upon submission of an application at least six months prior to the expiry date (Art.5, paragraph 27, of Pres. Dec. 318/1997).

(\*\*) The Group Parent has two licenses for network installation and the provision of fixed-line telephony services following the incorporation of Infostrada S.p.A..

(\*\*\*) The term of the license came into effect as from January 1, 2002.

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

“*Similar rights*” regard rights of way valid for a specific period and are carried at the one-off costs, including incidental expenses, incurred in their acquisition. The Parent Company’s rights posted under the heading largely regard the charges incurred by Infostrada SpA in 1998 to obtain the right of way over the Italian railway network and the right to use the existing fiber-optic cables installed along such network.

“*Other intangible assets*” mainly include the fair value of the customer base, in the amount of €884,766 thousand, calculated in allocating the goodwill arising from the merger of Wind Acquisition Finance SpA.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**6. INTANGIBLE ASSETS—(continued)**

“*Intangible assets in progress*” include internal and external costs incurred for the acquisition or development of intangible assets to which title had not yet been acquired or projects which had not yet been completed at the end of the period as well as any advances to suppliers made in respect of the purchase of such assets. They include costs incurred in the design, development and implementation of information systems or specific IT modules.

“*Goodwill*”, which increased as an effect of the higher values arising as a consequence of the reverse merger of Wind Acquisition Finance SpA into Wind, is allocated entirely to the Group Parent Wind Telecomunicazioni SpA and is broken down by CGU at the relevant dates as follows:

	<u>As of December 31, 2006</u>	<u>As of December 31, 2005</u>
<b>CGU</b>		
Fixed . . . . .	282,225	282,225
Mobile . . . . .	3,315,615	112,151
<b>Goodwill . . . . .</b>	<b><u>3,597,840</u></b>	<b><u>394,376</u></b>

The goodwill recognized as of December 31, 2006 has been allocated to specific CGUs that reflect the lowest level at which the results of activities are monitored by the management accounts. The book value at December 31, 2006 has been tested for impairment. The test, that has shown no evidence of impairment, was carried out by comparing book value against value in use and recoverable value. In particular, value in use was determined by discounting the cash flows in the previously mentioned business plan 2006-2010 approved by the board of directors. For the years not included within the forecast, a growth rate of 2.5% was used. The discount rate used was the weighted average cost of capital (WACC—post-tax discount rate was 7,84%) determined in accordance with the Capital Asset Pricing Model.

In addition the Group has also conducted a sensitivity analysis of the results obtained to verify the impact of a 1% change in the growth rate and the discount rate.

The analysis showed that the value in use was greater than the book value.

**7. FINANCIAL ASSETS**

The following table details the item *Financial Assets* at December 31, 2006 and at December 31, 2005.

	<u>As of December 31, 2006</u>		<u>As of December 31, 2005</u>	
	<u>Non current</u>	<u>Current</u>	<u>Non current</u>	<u>Current</u>
Financial assets measured at cost . . . . .	2,624	—	164	—
Derivative financial instruments . . . . .	174,853	55,363	73,713	14,998
Financial receivables . . . . .	13,730	7,780	3,716	8,538
<b>Total . . . . .</b>	<b><u>191,207</u></b>	<b><u>63,143</u></b>	<b><u>77,593</u></b>	<b><u>23,536</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**7. FINANCIAL ASSETS—(continued)**

*“Financial assets measured at cost”* include minority interest in companies and consortia listed in the scope of consolidation as detailed below.

<u>Investments</u>	<u>% of ownership</u>	<u>As of December 31, 2006</u>	<u>As of December 31, 2005</u>
Consortium Elawind . . . . .	33.33%	2	2
Consortium Consel . . . . .	1.00%	1	1
Consortium Cofridip . . . . .	9.09%	2	3
Janna Scarl . . . . .	17.00%	2,555	140
Mix Srl . . . . .	15.00%	15	19
QXN Scpa . . . . .	10.00%	50	0
<b>Total Financial assets measured at cost . . . . .</b>		<b><u>2,624</u></b>	<b><u>164</u></b>

The increase for the year ended December 31, 2006 regards the subscription of the share capital increase carried out by the associate Janna Scarl and the acquisition of 10% of the share capital of QXN Società Scpa, set up on July 10, 2006.

The following tables show outstanding derivatives positions at December 31, 2006 and December 31, 2005 and changes in the year.

	<u>As of December 31, 2006</u>		<u>As of December 31, 2005</u>	
	<u>Fair Value (+)</u>	<u>Fair Value (–)</u>	<u>Fair Value (+)</u>	<u>Fair Value (–)</u>
—Exchange rate risk . . . . .	(0)	78,448	13,313	—
—Interest rate risk . . . . .	179,992	—	75,398	—
<b>Total Cash Flow Hedge . . . . .</b>	<b><u>179,992</u></b>	<b><u>78,448</u></b>	<b><u>88,711</u></b>	<b><u>—</u></b>
Embedded derivatives . . . . .	50,224	—	—	—
<b>Total Derivatives Non Hedge Accounting . . .</b>	<b><u>230,216</u></b>	<b><u>78,448</u></b>	<b><u>88,711</u></b>	<b><u>—</u></b>
—Current . . . . .	55,363	(0)	14,998	—
—Non-current . . . . .	174,853	78,448	73,713	—
<b>Total . . . . .</b>	<b><u>230,216</u></b>	<b><u>78,448</u></b>	<b><u>88,711</u></b>	<b><u>—</u></b>

The following table shows the changes in the cash flow hedge reserve.

<u>Cash Flow Hedge</u>	<u>Foreign currency risk</u>	<u>Interest rate risk</u>	<u>Total</u>
<b>As of December 31, 2005 . . . . .</b>	<b><u>50,129</u></b>	<b><u>3,019</u></b>	<b><u>53,148</u></b>
Changes in fair value . . . . .	120,379	(27,274)	93,105
(Related tax effect) . . . . .	(39,725)	9,000	(30,725)
Reverse in IS . . . . .	(29,007)	4,149	(24,858)
(Deferred tax effect) . . . . .	9,572	(1,369)	8,203
<b>As of December 31, 2006 . . . . .</b>	<b><u>111,348</u></b>	<b><u>(12,475)</u></b>	<b><u>98,873</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**7. FINANCIAL ASSETS—(continued)**

The change in the fair value of hedge derivatives covering exchange rate risk includes €5,565 thousand relating to the net carrying amount of the cash flow hedge reserve recognized in the equity of Wind Acquisition Finance SpA at the date of the merger.

At December 31, 2006 the following derivatives transactions were outstanding:

- transactions to hedge exchange rate and interest rate risk on tranches of the credit facilities and the bonds denominated in US dollars (refer to note 17 for further details) for a notional amount of €825,954 thousand (€271,070 thousand at December 31, 2005) and a negative fair value of €78,448 thousand (positive fair value of €13,313 thousand at December 31, 2005);
- transactions to hedge interest rate risk on financing from banks with a notional amount of €5,200,000 thousand (€4,200,000 thousand at December 31, 2005) and a positive fair value of €179,992 thousand (€75,398 thousand at December 31, 2005).
- embedded derivatives (€50,224 thousand at December 31, 2006) arising from the measurement of the fair value of the early repayment option contained in the prospectus for the issue of the Senior Notes (refer to note 17 for further details) acquired as a result of the reverse merger with Wind Acquisition Finance SpA.

“*Financial receivables*” classified under non-current financial assets amounting to €13,730 thousand at December 31, 2006 (€3,716 thousand at December 31, 2005) mainly consist of guarantee deposits paid in relation to the supply of electricity, leased property and rent of ISDN lines.

“*Financial receivables*” classified under current financial asset amounting to €7,780 thousand at December 31, 2006, mainly relate to the residual value of the transaction costs on the unused portion of the credit facilities (revolving tranche described in note 17), which are taken to the income statement on a straight line basis, based on contractual maturities.

At December 31, 2005 the item also included the Parent Company’s receivable from Delta SpA (€8,430 thousand).

The maturity of the receivables is shown in the following table:

Financial receivables	As of December 31, 2006				As of December 31, 2005			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Guarantee deposits . . . . .	—	11,421	2,309	<b>13,730</b>	108	2,054	1,662	<b>3,824</b>
Amounts receivable from parent companies . . . . .	—	—	—	—	—	—	—	—
Amounts receivable from subsidiaries . . . . .	—	—	—	—	8,430	—	—	<b>8,430</b>
Others . . . . .	7,780	—	—	<b>7,780</b>	—	—	—	—
<b>Total . . . . .</b>	<b>7,780</b>	<b>11,421</b>	<b>2,309</b>	<b>21,510</b>	<b>8,538</b>	<b>2,054</b>	<b>1,662</b>	<b>12,254</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006—(continued)**

**8. DEFERRED TAX ASSETS AND LIABILITIES**

The following tables detail deferred tax assets and liabilities by origin at December 31, 2006 and December 31, 2005.

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2005</u>
<b>Deferred tax assets related to:</b>		
Tax losses carried forward . . . . .	645,407	698,148
Provision for bad debts (taxed) . . . . .	38,290	54,748
Taxed provisions for risks . . . . .	40,265	14,044
Measurement of financial assets/liabilities . . . . .	12,475	8,614
Derivative financial instruments . . . . .	7,495	9,094
Amortization and depreciation of non-current assets . . . . .	3,567	6,308
Revenue . . . . .	608	284
<b>Total . . . . .</b>	<b><u>748,108</u></b>	<b><u>791,240</u></b>

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2005</u>
<b>Deferred tax liabilities related to:</b>		
Employee benefits . . . . .	898	1,175
Accelerated depreciation . . . . .	21,474	19,122
Derivative financial instruments . . . . .	71,949	31,113
Property, plant, and equipment at fair value . . . . .	146,019	152,686
Assets at fair value following the merger . . . . .	937,309	975,462
Provisions . . . . .	738	672
Measurement of financial assets and liabilities . . . . .	0	193
Revenue . . . . .	—	—
<b>Total . . . . .</b>	<b><u>1,178,386</u></b>	<b><u>1,180,423</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**8. DEFERRED TAX ASSETS AND LIABILITIES—(continued)**

The changes in deferred tax assets and liabilities are as follows.

<u>Description</u>	<u>As of December 31, 2005</u> <u>Deferred Tax</u>	<u>Decrease</u> <u>Deferred Tax</u>	<u>Increase</u> <u>Deferred Tax</u>	<u>As of December 31, 2006</u> <u>Deferred Tax</u>
Tax losses carried forward . . . . .	698,148	57,464	4,723	645,407
Provision for bad debts (taxed) . . . . .	54,748	23,408	6,950	38,290
Provisions . . . . .	14,044	18,156	44,377	40,265
Measurement of financial assets/ liabilities . . . . .	8,614	260	4,121	12,475
Derivative financial instruments . . . . .	9,094	1,598	—	7,495
Amortization and depreciation of non-current assets . . . . .	6,308	2,970	230	3,567
Revenue . . . . .	284	591	915	608
<b>Deferred tax assets . . . . .</b>	<b><u>791,240</u></b>	<b><u>104,448</u></b>	<b><u>61,316</u></b>	<b><u>748,108</u></b>
Employee benefits . . . . .	1,175	277	—	898
Accelerated depreciation . . . . .	19,122	—	2,352	21,474
Derivative financial instruments . . . . .	31,113	—	40,836	71,949
Property, plant, and equipment at fair value . . . . .	152,686	6,667	—	146,019
Amortization of goodwill . . . . .	975,462	38,153	—	937,309
Provisions . . . . .	672	—	66	738
Measurement of financial assets/ liabilities . . . . .	193	193	—	0
Revenue . . . . .	—	—	—	—
<b>Deferred tax liabilities . . . . .</b>	<b><u>1,180,423</u></b>	<b><u>45,290</u></b>	<b><u>43,253</u></b>	<b><u>1,178,386</u></b>

The opening balance at December 31, 2005 includes, in the items *Measurement of financial assets/liabilities* and *Derivative financial instruments* of *Deferred tax assets* €6,326 thousand and €4,269 respectively, and includes in the item *Amortization of goodwill* of *Deferred tax liabilities* an amount of €957,999 thousand, arising from the reverse merger of Wind Acquisition Finance SpA.

As of December 31, 2006 and December 31, 2005 deferred tax assets and liabilities in respect of items recognized directly in equity were as follows:

	<u>As of December 31, 2006</u>	<u>As of December 31, 2005</u>
Cash Flow Hedge . . . . .	<u>(25,262)</u>	<u>(45,448)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**8. DEFERRED TAX ASSETS AND LIABILITIES—(continued)**

The table below shows the composition of deferred tax assets arising from the carry-forward of tax losses, analyzed by year of maturity:

Year	As of December 31, 2005	Increase	Decrease	As of December 31, 2006
1997-1999 . . . . .	173,978	—	—	173,978
2001 . . . . .	20,361	—	(20,361)	—
2002 . . . . .	150,264	—	(37,103)	113,161
2003 . . . . .	197,231	—	—	197,231
2004 . . . . .	112,718	—	—	112,718
2005 . . . . .	43,596	—	—	43,596
2006 . . . . .	—	4,723	—	4,723
<b>Total . . . . .</b>	<b>698,148</b>	<b>4,723</b>	<b>(4,148)</b>	<b>645,407</b>

The Group has accumulated substantial tax losses. Deferred tax assets have been recognized taking into consideration the recoverability of tax losses and tax losses carried forward, to the extent that management is reasonably certain that the Group will generate sufficient profits in future years against which the tax losses may be utilized. Management believes the Group is able to generate such profits within the time limits imposed by law and over a period in which they are reasonably certain of the future use.

In 2006 no deferred tax assets were recognized in respect of temporary differences totaling €32.911 thousand (€148,381 thousand at December 31, 2005) due to the lack of reasonable certainty that there will be sufficient future taxable income required for recovery within the time limit established by law.

**9. INVENTORIES**

The table below shows an analysis of inventories as of December 31, 2006 and as of December 31, 2005.

	As of December 31,	
	2006	2005
Finished goods . . . . .	27,085	17,075
Impairment . . . . .	(948)	(131)
<b>Total . . . . .</b>	<b>26,138</b>	<b>16,944</b>

Finished products mainly include terminals for fixed lines and mobile phone terminals and accessories. The significant change in 2006 is mainly due to the increase in inventories of mobile terminals, offset by lower unit market prices compared with the previous year, which determined greater impairments compared to the previous year.

No items included in inventories had been pledged as a guarantee to obtain financing or other transactions at the date of the balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
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**10. TRADE RECEIVABLES**

The following table details trade receivables as of December 31, 2006 and December 31, 2005.

	<b>As of December 31,</b>	
	<b>2006</b>	<b>2005</b>
Amounts due from final customers . . . . .	746,138	710,480
Amounts due from other telecom operators . . . . .	316,727	484,005
Amounts due from dealers . . . . .	339,136	336,875
Amounts due from parent companies . . . . .	—	6
Amounts due from subsidiaries . . . . .	—	64
Amounts due to associates . . . . .	4	—
Amounts due from related parties . . . . .	1,913	33
Other trade receivables . . . . .	67,039	52,604
Provision for bad debts . . . . .	(264,576)	(320,360)
<b>Total . . . . .</b>	<b><u>1,206,382</u></b>	<b><u>1,263,706</u></b>

Amounts due from final customers mainly arise in respect of the supply of fixed and mobile telephony service to customers with subscription contracts, while amounts due from telecom operators mainly arise from interconnection and roaming fees. Amounts due from dealers relate to sales of mobile and fixed-line terminals and related accessories, as well as rechargeable telephone cards and top ups.

Trade receivables at December 31, 2006 declined by €57,324 thousand with respect to December 31, 2005. The change is mainly attributable to the decrease in amounts from telecom operators of €167,278 thousand due both to normal settlements and the settlement of disputes initiated in previous years, partly offset by a €35,658 thousand increase in amounts due from final customers and a €55,784 thousand decrease in the provision for bad debts.

The breakdown of trade receivables by maturity as of December 31, 2006 and December 31, 2005 net of the provision for bad debts is as follows.

	<b>As of December 31,</b>	
	<b>2006</b>	<b>2005</b>
—within 12 months . . . . .	1,203,225	1,259,340
—after 12 months . . . . .	3,157	4,366
<b>Total . . . . .</b>	<b><u>1,206,382</u></b>	<b><u>1,263,706</u></b>

The following table shows the movement of the provision for bad debts for 2006.

	<b>As of December 31, 2005</b>	<b>Increases</b>	<b>(Utilizations)</b>	<b>As of December 31, 2006</b>
<b>Provision for bad debts . . . . .</b>	<b>320,360</b>	<b>23,667</b>	<b>(79,451)</b>	<b>264,576</b>

The obligations undertaken by the Parent Company following the granting of the Credit Facility Agreement on August 11, 2005, details of which are given in note 17, are backed by guarantees consisting in the assignment of trade receivables, receivables in respect of intercompany loans and



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**10. TRADE RECEIVABLES—(continued)**

receivables in respect of insurance contracts, current and future, in favor of lenders and other creditors specified in the assignment contract and in favor of the holders of the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA.

**11. CURRENT TAX ASSETS**

The balance as of December 31, 2006 and December 31, 2005, respectively of €16,065 thousand and €3,833 thousand, mainly regard receivables for withholding tax on interest income in the amount of €10,685 thousand. At December 31, 2006 advances for IRAP paid during the year are posted as a decrease in tax payables, and the same reclassification has been done for the balances at December 31, 2005.

**12. OTHER RECEIVABLES**

The following table details other receivables as of December 31, 2006 and December 31, 2005.

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2005</u>
Prepayments . . . . .	123,484	108,130
Other receivables . . . . .	68,828	79,943
Tax receivables . . . . .	6,972	25,346
Advances to suppliers . . . . .	9,634	24,774
Other receivables due from parent companies . . . . .	7,948	—
(Provision for bad debts) . . . . .	(9,497)	(8,361)
<b>Total . . . . .</b>	<b><u>207,369</u></b>	<b><u>229,832</u></b>

The following table shows an analysis of other receivables, net of the provision for bad debts, due within and after twelve months as of December 31, 2006 and December 31, 2005.

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2005</u>
—within 12 months . . . . .	203,345	217,112
—after 12 months . . . . .	4,024	12,720
<b>Total . . . . .</b>	<b><u>207,369</u></b>	<b><u>229,832</u></b>

“*Prepayments*” mainly relate to rental fees for telephone network circuits, civil and technical sites, commissioning costs and fees for the use of the mobile network infrastructure.

“*Other receivables*” includes the receivable in respect of the request for the refund of amounts paid by the Parent Company and the former Infostrada in relation to the turnover contribution pursuant to Law 448 of December 23, 1998, amounting to €54,578 thousand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
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**12. OTHER RECEIVABLES—(continued)**

The following table details tax receivables as of December 31, 2006 and December 31, 2005.

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2005</u>
VAT .....	5,400	21,631
Other tax receivable .....	1,572	3,715
<b>Total</b> .....	<b><u>6,972</u></b>	<b><u>25,346</u></b>

The following table shows changes in the provision for bad debts for the year. It should be noted that it is related only to other receivables due after 12 months.

	<u>As of December 31, 2005</u>	<u>Increases</u>	<u>(Utilizations)</u>	<u>As of December 31, 2006</u>
<b>Provision for bad debts</b> .....	8,361	6,145	(5,009)	<b>9,497</b>

**13. CASH AND CASH EQUIVALENTS**

The following table details cash and cash equivalents at December 31, 2006 and December 31, 2005.

	<u>As of December 31,</u>	
	<u>2006</u>	<u>2005</u>
Bank deposits and checks .....	137,703	140,539
Cash on hand .....	183	29
<b>Total</b> .....	<b><u>137,886</u></b>	<b><u>140,568</u></b>

**14. ASSETS HELD FOR SALE**

At December 31, 2005 the item included the net realizable value of the investment in Delta SpA, sold on June 28, 2006, as discussed in Note 4.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**15. EQUITY**

The following table details changes in equity attributable to equity holders of the Parent as of December 31, 2006 and December 31, 2005.

(Thousands of Euro)	Equity attributable to the equity holders of the parent				Equity attributable to the equity holders of the parent	Minority interest	Equity
	Issued Capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances as of January 1, 2005 . .</b>	<b>146,100</b>	<b>314,298</b>	<b>92,754</b>	<b>(567,732)</b>	<b>(14,580)</b>	<b>16,709</b>	<b>2,129</b>
Allocation of loss for 2004 . . . . .	—	(314,298)	(47,108)	361,406	—	—	—
Increase in issued capital . . . . .	1,000	213,325	15,000	—	<b>229,325</b>	(490)	<b>228,835</b>
Stock option . . . . .	—	—	(910)	910	—	—	—
Cash Flow hedge . . . . .	—	—	92,300	—	<b>92,300</b>	—	<b>92,300</b>
Other movements . . . . .	—	—	170,676	898	<b>171,574</b>	—	<b>171,574</b>
2005 Loss . . . . .	—	—	—	(330,668)	<b>(330,668)</b>	(12,400)	<b>(343,068)</b>
<b>Balances as of December 31,</b>							
<b>2005 . . . . .</b>	<b>147,100</b>	<b>213,325</b>	<b>322,712</b>	<b>(535,186)</b>	<b>147,951</b>	<b>3,819</b>	<b>151,770</b>
Allocation of loss for 2005 . . . . .	—	(213,325)	(140,808)	354,133	—	—	—
Effects of the reverse merger of							
WAF into Wind . . . . .	—	3,768,336	(134,320)	6,222	<b>3,640,238</b>	16,251	<b>3,656,489</b>
Cash Flow hedge . . . . .	—	—	51,289	—	<b>51,289</b>	—	<b>51,289</b>
Other movements . . . . .	—	—	—	534	<b>534</b>	4,613	<b>5,147</b>
2006 Profit . . . . .	—	—	—	23,164	<b>23,164</b>	(6,934)	<b>16,230</b>
<b>Balances as of December 31,</b>							
<b>2006 . . . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>

On February 8, 2006 Weather Investments SpA and Enel SpA completed the second and final phase of the sale of the Parent Company to Weather Investments SpA, in accordance with the provisions of the Share Sale and Purchase Agreement. Specifically, Wind Acquisition Finance SpA exercised the option to buy 6.28% of the Parent Company from Enel for €328 million in cash. Subsequently, Enel transferred to Weather Investments SpA its remaining stake of 30.98% in Wind, valued at about €1,655 million on the basis of an independent appraisal submitted by Enel as required by law. The transfer gave Enel a total holding of 26.1% in Weather Investments SpA. Also on that date, in order to complete the transfer of 100% of the Parent Company to Wind Acquisition Finance SpA, the latter acquired the remaining 30.98% stake in the Parent Company from Weather Investments SpA, becoming the sole shareholder.

Finally, as described in greater detail in Note 4, in order to complete the process of acquiring and reorganizing the Company within the Weather Group and to achieve operating and financial synergies by shortening the chain of control over the Company, a reverse merger of Wind Acquisition Finance SpA into Wind Telecomunicazioni SpA was completed on December 19, 2006. The operation, effective as of December 31, 2006, resulted in the cancellation of all Wind Acquisition Finance shares. The entire share capital of €147,100,000.00 of the resulting Company was granted to Wind Acquisition

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**15. EQUITY—(continued)**

Holdings Finance SpA, the sole shareholder Wind Acquisition Finance SpA, through the issue of 146,100,000 new shares without no par value.

During 2006, changes in equity attributable to equity holders of the Parent were mainly attributable to the following operations:

- at its meeting of March 31, 2006, the Board of Directors of the Parent Company recommended that the shareholders approve the financial statements at December 31, 2005, and to cover the loss for the year of €324,338,949 and the losses carried forward of €29,794,020, by drawing down the share premium reserve in the amount of €213,324,506 and other reserves totaling € 140,808,463;
- on April 26, 2006 the Shareholders' Meeting approved the financial statements as of and for the year ended December 31, 2005 and the coverage of the cumulative loss as recommended by the Board;
- on October 16, 2006, the Shareholders' Meeting approved the reverse merger of the parent company Wind Acquisition Finance S.p.A. into Wind Telecomunicazioni S.p.A. The operation was completed on December 19, 2006 with an exchange surplus from the exchange of shares in the amount of €3,768,336 thousand, which corresponds to the difference between the equity of Wind Acquisition Finance S.p.A. as of December 31, 2006 and the nominal value of the share capital increase to finance the merger, recognized in the share premium reserve.

The share premium account, following the merger, also includes the effects of the loss for the year of the merged company and its subsidiaries, amounting to €79,529 thousand, the accounting effects of which start from December 31, 2006.

Profit for the year attributable to equity holders of the Parent totaled €23,164 thousand.

***Share-based payments***

On June 30, 2006 the Board of Directors of Weather Investment SpA approved a stock option plan, with a total duration of 5 years, that awards a number of Group employees the right to acquire a specified number of ordinary shares of, alternatively, Wind Acquisition Holdings Finance SpA or Wind Telecomunicazioni SpA. The options granted have a vesting period split in three tranches with the same value and can be exercised every year starting from June 30, 2008 until June 30, 2011, subject to the completion of a public offering and consequent listing on the electronic stock exchange organized and operated by Borsa Italiana SpA of the shares of one of the above companies (or other stock exchange). The rights granted can be exercised subject to a number of restrictions on the duration of the beneficiaries employment relationship and to the achievement of certain professional objectives.

As an alternative to the stock option plan, the Board of Directors of the Parent Company approved a long-term incentive program that will be effective only if there will be no listing of the shares of the above companies within the vesting period of the options granted. This incentive program quantifies the benefits pertaining to each employee according to a method aimed at remunerating the creation of value in the same period of validity of stock option plan, based on a proportion with the growth in EBITDA and with the reduction of indebtedness.

The main features of the stock option plan are described below.

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**15. EQUITY—(continued)**

The options are exercisable from the start date, in the following three tranches, each one valid for one year: 1<sup>st</sup> : June 30, 2008; 2<sup>nd</sup> : June 30, 2009; 3<sup>rd</sup> : June 30, 2010.

All the tranches are subject to the possible listing described above and have a validity period of one year each.

At the start date of the program the assigned rights represent about 3% of the economic capital of Wind Telecomunicazioni SpA or Wind Acquisition Holdings Finance SpA.

The expense in respect of the program is determined with reference to the fair value of the option at the grant date on the basis of a valuation model that takes into account factors and existing elements at the grant date such as the exercise price of the option, the term of the option, the current price of the underlying shares, expected volatility of the share price, expected dividends and the interest rate for investment at zero risk throughout the life of the option.

**16. EARNINGS PER SHARE**

The profit attributed to the equity of the Parent Company was used to calculate earnings per share. Both basic and diluted earnings per share were calculated by dividing profit by the weighted average for the year of the number of outstanding shares, since there were no diluting effects at December 31, 2006 or at December 31, 2005.

The following data were used in making the calculation.

	Al 31 dicembre	
	2006	2005
Profit/(Loss) from continuing operations . . . . .	23,164	(298,109)
Profit/(Loss) from discontinued operations . . . . .	—	(32,559)
Weighted average number of shares . . . . .	146,100,000	146,100,000
Earnings per share from continuing operations . . . . .	0.16	(2.26)
Earnings per share from discontinued operations . . . . .	—	(0.22)

**17. FINANCIAL LIABILITIES**

The following table details financial liabilities at December 31, 2006 and at December 31, 2005.

	As of December 31, 2006			As of December 31, 2005		
	Non current	Current	Total	Non current	Current	Total
Bonds . . . . .	1,439,949	61,735	1,501,684	—	—	—
Amounts due to shareholders . . . . .	—	—	—	519,929	—	519,929
Amounts due to banks . . . . .	5,700,707	121,937	5,822,643	6,247,793	100,050	6,347,843
Amounts due to others . . . . .	30,000	—	30,000	30,270	—	30,270
Derivative financial instruments . . . . .	78,448	0	78,448	—	—	—
<b>Total . . . . .</b>	<b>7,249,104</b>	<b>183,672</b>	<b>7,432,776</b>	<b>6,797,992</b>	<b>100,050</b>	<b>6,898,042</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**17. FINANCIAL LIABILITIES—(continued)**

The maturity of these financial liabilities is as follows:

	As of December 31, 2006				As of December 31, 2005			
	<1 year	1<x<5 years	>5 years	Total	<1 year	1<x<5 years	>5 years	Total
Bonds . . . . .	61,735	—	1,439,949	<b>1,501,684</b>	—	—	—	—
Amounts due to shareholders . . . .	—	—	—	—	—	5,677	514,252	<b>519,929</b>
Amounts due to banks . . . . .	121,937	1,545,142	4,155,564	<b>5,822,643</b>	100,050	1,700,131	4,547,662	<b>6,347,843</b>
Amounts due to others . . . . .	—	—	30,000	<b>30,000</b>	—	30,270	—	<b>30,270</b>
Derivative financial instruments . . . .	—	—	78,448	<b>78,448</b>	—	—	—	—
<b>Total . . . . .</b>	<b>183,672</b>	<b>1,545,142</b>	<b>5,703,961</b>	<b>7,432,776</b>	<b>100,050</b>	<b>1,736,078</b>	<b>5,061,914</b>	<b>6,898,042</b>

The following table details financial liabilities, net of derivative transactions, indicating the effective interest rate and currency:

	As of December 31, 2006					Totale
	<5%	5%<x<7,5%	7,5%<x<10%	10%<x<12%	12,5%<x<15%	
Euro . . . . .	80,400	3,546,814	1,606,873	1,370,395	—	6,604,482
US Dollars . . . . .	—	—	235,921	376,726	137,197	749,844
<b>Total . . . . .</b>	<b>80,400</b>	<b>3,546,814</b>	<b>1,842,794</b>	<b>1,747,121</b>	<b>137,197</b>	<b>7,354,326</b>

The book value and the market value of non-current financial liabilities at December 31, 2006 and at December 31, 2005 are as follows:

	As of December 31, 2006		As of December 31, 2005	
	Nominal Value	Fair value	Nominal Value	Fair value
Bonds . . . . .	1,439,949	1,653,469		
Amounts due to shareholders . . . . .	—	—	519,929	519,929
Amounts due to banks . . . . .	5,700,707	5,730,369	6,247,793	6,551,118
Amounts due to others . . . . .	30,000	30,000	30,270	30,270
Derivative financial instruments . . . . .	78,448	78,448	—	—
<b>Total . . . . .</b>	<b>7,249,104</b>	<b>7,492,286</b>	<b>6,797,992</b>	<b>7,101,317</b>

The market value of current financial liabilities approximates their book value.

“Financial liabilities” classified under current liabilities at December 31, 2006 include only the portions of principal and accrued interest on credit facilities and bonds, described below, contractually maturing by the end of 2007.

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**17. FINANCIAL LIABILITIES—(continued)**

***Bonds***

The increase in the item *Bonds* compared with December 31, 2005 is attributable to the following operations:

- On November 28, 2005 the Luxembourg associated company Wind Acquisition Finance SA issued Senior Notes which were acquired by Wind Telecomunicazioni SpA following the reverse merger with Wind Acquisition Finance SpA described in note 4. The Notes mature December 1, 2015, are listed on the Luxembourg stock exchange and consist of an initial issue of \$500 million and €825 million, followed by a further issue of \$150 million and €125 million on March 1, 2006; the bonds will be repaid in a single installment on December 31, 2006 and pay half-yearly interest (June 1 and December 1) at a rate of 9.75% on the bonds denominated in euros and of 10.75% on the bonds denominated in US dollars;
- on July 31, 2006 the Greek subsidiary Tellas SA issued a bond with a nominal value of €50 million paying 6-month Euribor plus a spread of 33 basis points maturing December 31, 2007.

The following table contains the main information bonds in issue at December 31, 2006:

	<u>Book value</u>	<u>Nominal Value</u>	<u>Price at inception</u>	<u>Currency</u>	<u>Due date</u>	<u>Interest rate</u>	<u>Price</u>
Senior Notes . . . . .	818,789	825,000	100.0%	EUR	12/1/2015	9.75%	115.15%
Senior Notes . . . . .	376,726	379,651	100.0%	USD	12/1/2015	10.75%	115.75%
Senior Notes . . . . .	134,344	125,000	106.0%	EUR	12/1/2015	9.75%	115.15%
Senior Notes . . . . .	121,825	113,895	105.5%	USD	12/1/2015	10.75%	115.75%
Bond Tellas . . . . .	50,000	50,000	100.0%	EUR	12/31/2007	Euribor +.0,33%	100.00%
<b>Total . . . . .</b>	<b><u>1,501,684</u></b>	<b><u>1,493,546</u></b>					

As described in note 7, in order to fully hedge the exchange rate risk on the bonds denominated in US dollars, the Group undertook hedging operations by means of cross currency swaps with a notional amount of €554,885 thousand and a negative fair value at December 31, 2006 of €69,446 thousand.

***Amounts due to shareholders***

As of December 31, 2005, the balance included loan due by the Parent Company to its ultimate controlling party Wind Acquisition Finance SpA, as provided for by the Intercompany Loan Agreement of August 11, 2005, extinguished following the reverse merger into the Parent Company. The loan bore an interest rate of 12% and fell due on December 1, 2015.



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**17. FINANCIAL LIABILITIES—(continued)**

*Amounts due to banks*

At December 31, 2006 amounts due to banks, including non-current financial liabilities, regarded the following positions:

Amounts due to banks	Book value as of December 31, 2006	Book value as of December 31, 2005	Nominal value as of December 31, 2006	Residual Commitment	Currency	Due date	Interest Rate
Senior Secured							
Term facility							
—Tranche A1 . . . . .	1,910,256	2,245,087	1,906,435	1,906,435	EUR	05/26/2012	Euribor + 2.375%
—Tranche A2 . . . . .	165,274	303,063	164,250	164,250	EUR	12/31/2010	Euribor + 2.375%
—Tranche B1 . . . . .	1,471,285	1,443,789	1,475,797	1,475,797	EUR	05/26/2013	Euribor + 2.875%
—Tranche B2 . . . . .	57,025	62,197	56,948	56,948	USD	05/26/2013	Libor + 2.875%
—Tranche C1 . . . . .	1,472,529	1,443,826	1,475,797	1,475,797	EUR	05/26/2014	Euribor + 3.375%
—Tranche C2 . . . . .	57,072	62,198	56,948	56,948	USD	05/26/2014	Libor + 3.375%
Revolving . . . . .	0	0	0	400,000	EUR		
Second Lien							
—Second Lien . . . . .	551,606	538,625	551,913	551,913	EUR	11/26/2014	Euribor + 6.250%
—Second Lien . . . . .	137,197	149,008	136,674	136,674	USD	11/26/2014	Libor + 6.250%
Other accrued interest expenses . . . . .	400						
<b>Total . . . . .</b>	<b>5,822,643</b>	<b>6,247,793</b>	<b>5,824,762</b>	<b>6,224,762</b>			

The Credit Facility Agreement granted by a pool of banks to the Parent Company Wind Telecomunicazioni SpA on August 11, 2005, in conjunction with the change in control of the Parent Company, is composed of a number of tranches, each of which with a specific repayment plan and paying interest rates that may change as a consequence of developments in certain performance and balance-sheet ratios. The Credit Facility Agreement also envisages a non-utilization fee of 0.75% per annum of the amount of any unused portion of the credit facilities.

The main characteristics of each tranche are described below:

- Tranche A1 will be repaid in increasing installments between June 30, 2007 and May 26, 2012. The rate charged is equal to Euribor plus a spread of 237.5 basis points, which drops to 212.5 basis points from January 2007, as a consequence of the improvement in equity ratios. On March 1, 2006 an early repayment in the amount of €266 million was made, followed by another payment of €462 million on December 11, 2006 plus an early repayment of €290 million done in 2005. The maximum amount available after the early repayments is €1,906 million, which was fully drawn at December 31, 2006 (€2,306 million December 31, 2005).
- Following the settlement of the payable due to the Ministry of the Economy and Finance in respect of the acquisition of the UMTS license, carried out on November 30, 2005, and the settlement of the payable due to the State Railways, carried out on December 30, 2005, tranche A2, which was initially a guarantee commitment, is now a cash facility. The tranche will be repaid in increasing installments between December 31, 2005 and December 31, 2010. The rate charged is equal to Euribor plus a spread of 237.5 basis points, which drops to

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**17. FINANCIAL LIABILITIES—(continued)**

212.5 basis points from January 2007, as a consequence of the improvement in equity ratios. On June 1, 2006, an early repayment in the amount of €219 million was made. The maximum amount available after the early repayment is €164 million (€383 million at December 31, 2005).

- Tranche B1 will be repaid in a single installment on May 26, 2013. The rate charged is equal to Euribor plus a spread of 287.5 basis points, which drops to 262.5 basis points from March 2007, as a consequence of the improvement in equity ratios. The maximum amount available of €1,475 million was fully drawn at December 31, 2006.
- Tranche B2, denominated in US dollars, will be repaid in a single installment on May 26, 2013. The rate charged is equal to dollar Libor plus a spread of 287.5 basis points, which drops to 262.5 basis points from March 2007, as a consequence of the improvement of certain equity ratios. The maximum amount available of \$75 million was fully drawn at December 31, 2006.
- Tranche C1 will be repaid in a single installment on May 26, 2014. The rate charged is equal to Euribor plus a spread of 337.5 basis points. The maximum amount available of €1,475.8 million was fully drawn at December 31, 2006.
- Tranche C2, denominated in US dollars, will be repaid in a single installment on May 26, 2014. The rate charged is equal to dollar Libor plus a spread of 337.5 basis points. The maximum amount available of \$75 million was fully drawn at December 31, 2006.
- The final repayment on the revolving tranche will be made on May 26, 2012. The facility can be used either as a guarantee or as a cash drawing. The rate charged is equal to Euribor plus a spread of 212.5 basis points, down from 237.5 at December 2006 as a consequence of the improvement in equity ratios. The maximum amount available of €400 million is entirely undrawn and remains fully available.

The Second Lien Subscription Agreement, which was made available on September 29, 2005 through Wind Finance SL SA, part of which is denominated in euros and part in dollars, envisages full payment in a single installment on November 26, 2014. The rate charged is equal to Euribor (Libor for the tranche in US dollars) plus a spread of 625 basis points. The maximum amount available is €551,913 thousand and \$180,000 thousand. At December 31, 2006, these amounts had been fully drawn.

As described in note 7, in order to reduce the exposure of the credit facilities to changes in interest and exchange rates, the Group undertook transactions qualifying for hedge accounting:

- on interest rate risk, in the notional amount of €5,200,000 thousand. The fair value at December 31, 2006 of the existing hedges and deferred hedges was a positive €179,992 thousand. The time horizon of the hedge for the above notional runs until September 22, 2011 and includes two *Forward rate agreements* for the first year and two *Forward start plain vanilla swaps* for the remainder of the coverage;
- on exchange rate risk, over the entire duration of each tranche, by means of *Cross currency swaps* with a notional amount of €271,070 thousand, with a negative fair value, at 31 December 2006, of €9,002 thousand.

***Other borrowings***

At December 31, 2006 and at December 31, 2005 this balance is entirely composed of amounts payable by Wind-PPC Holding NV to Enel Investment Holding BV.

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**18. EMPLOYEE BENEFITS**

The following table shows the movement in the employee benefits as of December 31, 2006.

	As of December 31, 2005	Accruals	(Utilization)	Other changes	As of December 31, 2006
Employee benefits . . . . .	<b>64,155</b>	20,798	(10,281)	5	<b>74,677</b>

The main actuarial assumptions underlying the calculation of employee severance benefits (TFR) were the following:

Period	Average inflation rate	Discount rate	Increase in wages and salaries	Employees' turnover
2005 . . . . .	2,00%	4.00%	2,00 -4,00%	2,00%
2006 . . . . .	2,00%	4,25%	2,00%-4,00%	4,00%

The impact on the income statement was as follows:

	As of December 31,	
	2005	2006
Current costs . . . . .	17,925	14,069
Finance expense . . . . .	2,873	2,488
Actuarial gains/(losses) . . . . .	—	—
<b>Total</b> . . . . .	<b>20,798</b>	<b>16,557</b>
Actual return on plan assets . . . . .	N/a	N/a

Starting from January 1, 2007, the Finance Act and the related implementing decrees introduced changes in the treatment of TFR, including giving employees the choice of how their TFR is to be allocated. Specifically, an employee may designate that new TFR contributions be allocated to a pre-selected pension plan or be held by the company (in which case the company shall pay TFR contributions to INPS). Currently, given that there are uncertainties as to the interpretation of these recently-issued rules, that different interpretations are possible in accordance with IAS 19 as to accrued TFR and that there have been resulting changes in the actuarial calculation of accrued TFR, it is not possible to predict at this time what selections shall be made by employees as to accrued TFR designation (each employee has until June 30, 2007 to make a selection), therefore it would be premature to make any assumptions for changing the actuarial calculation of accrued TFR as of December 31, 2006.

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**19. PROVISIONS**

The following table reports changes in provisions as of December 31, 2006.

	As of December 31, 2005	Accruals	(Utilization)	As of December 31, 2006
Litigation . . . . .	28,580	8,252	(12,430)	24,402
Restructuring costs . . . . .	42,993	43,020	(38,356)	47,657
Universal service contribution . . . . .	38,104	6,483	—	44,587
Product assistance . . . . .	1,732	951	(1,233)	1,450
Dismantling and removal provision . . . . .	3,583	563	—	4,146
Other provisions . . . . .	17,670	25,043	(2,238)	40,475
<b>Total . . . . .</b>	<b><u>132,662</u></b>	<b><u>84,312</u></b>	<b><u>(54,257)</u></b>	<b><u>162,717</u></b>

**Litigation**

Certain Group companies are involved in legal proceedings. The estimated provision at the relevant dates is based on the best information available to management regarding the total charge the Group is expecting to incur upon settlement of all outstanding legal proceedings and the related legal costs.

**Restructuring costs**

The provision for restructuring costs relate to the costs that the Parent Company expects to incur in future years in relation to the restructuring and reorganization plans that began in 2006, as a result of new reorganization measures with a strategy focusing on making better use of the opportunities offered by the synergies achievable within the Group. The provision is based on the best estimates that can be made from information available to management. The utilization in 2006 (in the amount of €38,356 thousand) of the provisions accrued in 2005 relates entirely to the coverage of voluntary leaving incentives and personnel-related costs. The residual share of the previous plan at December 31, 2006, has been reassigned by the Parent Company to the coverage of the charges arising from the new initiatives.

**Universal Service Contribution**

Article 3(6) of Presidential Decree no. 318 of September 19, 1997 regarding the “Implementation of European Union Directives” envisages 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. For 2006, as well as 2003, 2004 and 2005, pending the determination by the Communications Authority of the effective contribution of the Parent Company, the contribution was calculated based on the best information available at the time. The effective contribution owed by the Parent Company for the years above will be determined by the Authority, which will indicate the net cost of the universal service and how the net cost is to be shared among the various operators.

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**19. PROVISIONS—(continued)**

**Other provisions**

The provision includes the remaining allowances made in the previous year relating to personnel costs the Company expects to incur as a result the change in the shareholding structure (used in the year in the amount of €1,302 thousand) and €1,571 thousand for the allocation of expenses, estimated, using the best information available, accrued during the year that the Company expects to incur in providing telephony services in connection with the retention programs in place at the end of the year. The allowance recognized in the previous year for the same retention plans was entirely used in the year in the amount of €5,856 thousand. The provision also includes the measurement of liabilities in respect of obligations of the Parent Company in the amount of €20,583 thousand for which the amount to be paid at maturity has been estimated at the date of these financial statements. Moreover, the provision includes the amount of €15,932 thousand for the pensions and similar liabilities related to agency contracts at the date of these financial statements.

**20. OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities as of December 31, 2006 and December 31, 2005 came to €8,482 thousand and €6,010 thousand, respectively, and refer to deferred income from commercial agreements.

**21. TRADE PAYABLES**

The following table details trade payables as of December 31, 2006 and December 31, 2005.

	As of December 31, 2006	As of December 31, 2005
Amounts due to other telecom operators .....	489,494	507,371
Amounts due to agents .....	38,821	36,058
Amounts due to authorized dealers .....	26,764	32,284
Amounts due to parent companies .....	264	—
Amounts due to subsidiaries .....	0	5,059
Amounts due to associates .....	3	—
Amounts due to related parties .....	4,057	5,300
Others .....	1,060,966	1,030,294
<b>Total</b> .....	<b><u>1,620,370</u></b>	<b><u>1,616,366</u></b>

The change in the item is basically attributable to the impact of normal settlements made during the year.

The maturity of trade payables is as follows:

	As of December 31, 2006	As of December 31, 2005
—within 12 months .....	1,613,593	1,603,272
—after 12 months .....	6,776	13,094
<b>Total</b> .....	<b><u>1,620,370</u></b>	<b><u>1,616,366</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**22. OTHER PAYABLES**

The following table details other payables as of December 31, 2006 and December 31, 2005.

	As of December 31, 2006	As of December 31, 2005
Amounts due to social security institutions . . . . .	29,465	30,361
Tax payables . . . . .	63,962	33,748
Payables due to employees . . . . .	68,937	54,693
Amounts due to government bodies in respect of:		
grants . . . . .	19,391	19,392
deregulation of the frequency bands . . . . .	1,241	4,275
Other payables due to parent companies . . . . .	18,513	
Prepaid traffic . . . . .	172,591	169,906
Deferred income . . . . .	14,540	10,639
Other payables . . . . .	19,009	14,188
<b>Total</b> . . . . .	<b><u>407,649</u></b>	<b><u>337,202</u></b>

The maturity of other payables is as follows:

	As of December 31, 2006	As of December 31, 2005
—within 12 months . . . . .	407,649	336,957
—after 12 months . . . . .	—	245
<b>Total</b> . . . . .	<b><u>407,649</u></b>	<b><u>337,202</u></b>

*Amounts due to social security institutions* mainly regard contributions chargeable to Group companies and employees on compensation for December, as well as to contributions accrued by the Group in respect of deferred compensation (principally consisting of accrued holidays and leave that had not yet been taken by the end of the year).

The following table details changes in tax payables for the year ended December 31, 2006.

	As of December 31, 2006	As of December 31, 2005
Government license fee . . . . .	27,958	14,118
Withholding tax . . . . .	11,129	9,819
Value added tax . . . . .	24,322	9,432
Other . . . . .	553	379
<b>Total</b> . . . . .	<b><u>63,962</u></b>	<b><u>33,748</u></b>

*Payables due to employees* mainly regard the liability to employees in respect of vacation and leave entitlements accrued but not yet taken at the end of the year.

*Amounts due to government bodies for grants* relate to the contributions due in connection with the licenses and authorizations received from the competent governmental authorities.

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**22. OTHER PAYABLES—(continued)**

*Amounts due to government bodies for costs connected to the deregulation of frequency bands* relate to the residual amount payable to the Ministry for Defense in respect of charges incurred by the Ministry for the deregulation of frequency bands for the supply of SCS 1800 mobile telephony services by the Ministry in compliance with Ministerial Decree no. 113—*Regolamento recante norme per la copertura degli oneri derivanti al Ministero della Difesa a seguito delle modifiche al piano nazionale di ripartizione delle frequenze*—dated March 25, 1998.

*Amounts payable for prepaid traffic* relate to prepaid cards sold by the Parent Company which have not been utilized at the end of the year.

*Deferred income* refers to advance billing in previous years and in 2006, in compliance with contractual arrangements, for rent and installation fees ('Initial Capacity') related to the use of broadband which will accrue after December 31, 2006.

*Other payables* include the liability towards social security, bank commissions and guarantee deposits received from customers.

**23. TAX PAYABLES**

The balances as of December 31, 2006 and December 31, 2005 of €13,653 thousand and €15,108 thousand, respectively, represent the amounts due in respect of current income tax liabilities net of advances paid for the corresponding periods. Advances paid in 2005 have been reclassified from "Assets for current taxes" and have been posted as a decrease in "Tax payables" at December 31, 2005, as already stated under note 11.

**24. REVENUE**

The following table details revenue for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
<b>Revenue from sales</b> . . . . .	<b>99,193</b>	<b>140,393</b>
<b>Revenue from services</b>		
—Telephone services . . . . .	3,428,331	3,056,889
—Interconnection traffic . . . . .	1,246,558	1,303,631
—International roaming . . . . .	96,024	96,710
—Judicial authority services . . . . .	5,674	5,312
—Other service revenue . . . . .	65,169	54,224
<b>Total revenue from services</b> . . . . .	<b>4,841,756</b>	<b>4,516,765</b>
<b>Total</b> . . . . .	<b><u>4,940,950</u></b>	<b><u>4,657,159</u></b>

*Other service revenue* increased by 20% with respect to December 31, 2005 and mainly includes revenue from provisioning and maintenance of data services offered to clients as well as revenue from the rental of advertising space.



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**25. OTHER INCOME**

Other income refers mainly to prior year items and revision of estimates from those made in prior years. The item “other” decreased primarily as a result of a fall in prior year items recognized in 2006 compared with 2005.

The *turnover contribution* recorded for the year ended December 31, 2005 relates to the right to a refund from tax authorities for amounts paid by the Parent Company for the contribution following submission of requests for the refund after the rulings of Italian authorities have become final.

**26. PURCHASES AND SERVICES**

The following table details purchases and services for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Interconnection traffic costs . . . . .	1,269,002	1,266,593
Customer acquisitions costs . . . . .	304,556	264,609
Rental of civil and technical sites . . . . .	196,433	187,760
Purchases of raw materials, consumables, supplies and goods . . . . .	168,391	162,941
Rental of telecommunication circuits . . . . .	115,357	136,138
Advertising and promotional services . . . . .	147,556	129,956
Outsourced services . . . . .	115,893	112,443
Other services . . . . .	91,176	126,601
Rental of local access network . . . . .	157,584	108,398
Maintenance and repair services . . . . .	109,592	108,361
Utilities . . . . .	67,043	62,709
National and international roaming . . . . .	57,262	58,741
Consultancy and professional services . . . . .	42,456	35,678
Changes in inventories . . . . .	(9,194)	34,271
Other rental costs and for use of third party assets . . . . .	29,216	26,333
Bank and postal charges . . . . .	19,498	20,117
Transport and logistics . . . . .	15,578	17,482
<b>Total . . . . .</b>	<b><u>2,897,399</u></b>	<b><u>2,859,132</u></b>

Purchases and services increased by €38,267 thousand with respect to 2005. This rise is primarily attributable to a €49,186 thousand increase in charges for the rental of the local access network (due to the rise in the number of customers with unbundled access and ADSL access over lines leased from Telecom Italia), an increase of €39,947 thousand in customer acquisition costs and an increase of €17,600 thousand in expenses for advertising and promotional services. These rises were partially offset by a decrease of €43,465 thousand in changes in inventories of fixed-line and mobile terminals and a decline of €35,425 thousand in other services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**27. OTHER OPERATING COSTS**

The following table details other operating costs 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Write-down of trade receivables and current assets . . . . .	29,839	50,343
Other atypical operating costs . . . . .	—	20,298
Accruals for costs . . . . .	25,310	15,295
Annual licenses fees . . . . .	14,545	12,280
Other operating costs . . . . .	10,918	12,219
Accruals for risks . . . . .	7,907	7,981
Gifts . . . . .	2,602	4,084
<b>Total</b> . . . . .	<u><b>91,121</b></u>	<u><b>122,500</b></u>

The decrease is attributable to the reduction in the provision for the write-down of receivables following the improvement in collections, in the amount of €20,504 thousand, and the charges incurred following the change in the shareholding structure recognized under other atypical operating costs.

**28. PERSONNEL COSTS**

The following table details personnel costs for 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Wages and salaries . . . . .	272,401	263,322
Social security . . . . .	79,839	79,607
Other costs . . . . .	13,797	12,922
Employees' termination benefits . . . . .	19,164	18,734
(Capitalized costs for internal works) . . . . .	(29,590)	(26,430)
<b>Total</b> . . . . .	<u><b>355,612</b></u>	<u><b>348,154</b></u>

The changes were mainly due to the effect of the contract renewal reached on December 3, 2005.

The number of employees at the closing dates is as follows:

	<u>2006</u>	<u>2005</u>
Senior management . . . . .	145	149
Middle management . . . . .	600	624
Employees . . . . .	6,955	7,344
<b>Total</b> . . . . .	<u><b>7,700</b></u>	<u><b>8,117</b></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**28. PERSONNEL COSTS—(continued)**

The average number of employees at the closing dates is as follows:

	<u>2006</u>	<u>2005</u>
Senior management .....	154	147
Middle management .....	618	637
Employees .....	7,236	7,331
<b>Total</b> .....	<b><u>8,008</u></b>	<b><u>8,115</u></b>

**29. RESTRUCTURING COSTS**

Restructuring costs (€46,296 thousand) include expenses that do not relate to future services that the Parent Company expects to incur in relation to the corporate restructuring and reorganization. The item at December 31, 2005 (€31,261 thousand) mainly included personnel costs related to the change in the shareholding structure.

**30. DEPRECIATION AND AMORTIZATION**

The following table details depreciation and amortization for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Depreciation of property, plant and equipment		
—Plant and machinery .....	704,738	722,119
—Industrial and commercial equipment .....	7,262	10,710
—Other assets .....	48,520	61,919
Amortization of Intangible assets with a finite life .....	—	—
—Industrial patents and intellectual property rights .....	119,370	158,884
—Permits, licenses, trademarks and similar rights .....	148,296	147,637
—Other intangible assets .....	570	3,125
<b>Total</b> .....	<b><u>1,028,756</u></b>	<b><u>1,104,395</u></b>

The decrease in the item is mainly related to a more punctual application of the pro rata amortization/depreciation of the assets that entered into service during the year.

**31. IMPAIRMENT AND REVERSAL OF NON-CURRENT ASSETS**

The following table details impairment of non-current assets for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Impairment of property, plant and equipment .....	—	23,149
Impairment of intangible assets .....	—	13,479
Reversal of property, plant and equipment .....	9,906	—
Reversal of intangible assets .....	—	—
<b>Total</b> .....	<b><u>9,906</u></b>	<b><u>(36,628)</u></b>

See Notes 5 and 6 for more details on impairments recognized.

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**32. GAINS/(LOSSES) ON DISPOSAL OF NON-CURRENT ASSETS**

The following table details gains/(losses) on disposal of non-current assets for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Gain on disposal of property, plant and equipment . . . . .	593	1,013
Loss on disposal of property, plant and equipment . . . . .	58,593	2,096
<b>Total</b> . . . . .	<u><b>(58,000)</b></u>	<u><b>(1,083)</b></u>

**33. FINANCE INCOME**

The following table details finance income for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Fair value hedges reversed from equity . . . . .	20,459	—
Others . . . . .	10,714	8,775
<b>Total</b> . . . . .	<u><b>31,173</b></u>	<u><b>8,775</b></u>

The change in finance income compared with December 31, 2005 is mainly due to the adjustment to the cash flow hedge reserve relating to derivatives hedging exchange rate risks on the Second Lien Subscription Agreement (see Note 17 for greater detail). Specifically, the cash flow hedge reserve, pursuant to IAS 39(96)(a)(ii), was adjusted to the value of the total fair value variation of future expected cash flows on the underlying from the inception of the hedge.

**34. FINANCE EXPENSES**

The following table details interest expense for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Finance expenses on:		
Bonds . . . . .	763	—
Bank borrowings . . . . .	449,792	282,524
Discounted funds . . . . .	4,675	3,123
Cash flow hedges, reversed from equity . . . . .	(33,755)	23,666
Fair value hedge, losses on derivative financial instruments . . . . .	—	24,481
Others . . . . .	56,086	85,195
<b>Total</b> . . . . .	<u><b>477,560</b></u>	<u><b>418,989</b></u>

Finance expenses mainly regards the interest on financial liabilities outstanding at December 31, 2006, as described in note 17, partly offset by the effect of the hedge accounting for the portion of cash flow hedges reversed from equity.

The change in finance expenses with respect 2005 is mainly attributable to the following changes:

- an increase in the average spread (about 220 basis points) on the Credit Facility of May 26, 2005 and on the Second Lien Subscription Agreement of September 29, 2005 compared with the average spread on the credit facilities outstanding until August 11, 2005;

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**34. FINANCE EXPENSES—(continued)**

- an increase in the variable interest rates (about 80 basis points) on the debt for 2006 compared with that for 2005;
- operations involving financial derivatives, which compared with December 31, 2005 had a positive impact of €81,902 thousand, also taking account of the 2005 negative effect of the closure of derivative positions on past loans;
- reduction in other finance charges as a result of the combined effect of the following:
  - increase in charges due to Wind Acquisition Finance SpA under the Intercompany Loan Agreement of August 11, 2005, as a result of the interest expense accrued through the effective date of merger of the former parent company into Wind in the amount of €49,756 thousand;
  - settlement, in 2005, of the debt to the State Railways (purchase of long-term access rights to the national rail network and its usage rights to existing fiber optic cable installed on that network), to Calyon (transfer of non-recourse trade receivables), to Enel SpA (treasury current account and shareholder loan settled on August 11, 2005) and to the Ministry for the Economy and Finance (acquisition of the UMTS license), with finance charges recognized at of, respectively, €29,014 thousand, €7,330 thousand, €7,641 thousand and €4,621 thousand recorded at December 31, 2005.

**35. ATYPICAL FINANCE EXPENSES**

At December 31, 2005 the item includes the finance expenses (€112,928 thousand) incurred following the change in shareholding structure and relates mainly to the transaction costs from past loans that have not yet been repaid and to the closure of past financial derivative contracts.

**36. FOREIGN EXCHANGE GAINS/(LOSSES)**

The following table details foreign exchange gains/(losses) for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Realized gains . . . . .	1,310	1,675
Unrealized gains . . . . .	42,090	8,979
<b>Foreign exchange gains . . . . .</b>	<b><u>43,399</u></b>	<b><u>10,654</u></b>
Realized losses . . . . .	1,312	1,175
Unrealized losses . . . . .	42,476	8,700
<b>Foreign exchange losses . . . . .</b>	<b><u>43,788</u></b>	<b><u>9,875</u></b>
<b>Total . . . . .</b>	<b><u>(389)</u></b>	<b><u>779</u></b>

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**37. INCOME TAX**

The following table details current and deferred taxes for 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Current tax . . . . .	128,791	53,235
Deferred tax . . . . .	(11,378)	58,372
<b>Total</b> . . . . .	<b><u>117,413</u></b>	<b><u>111,607</u></b>

At December 31, 2006 the item consisted of:

- €128,791 thousand in respect current income taxes (of which IRES for €75,865 thousand and IRAP for €52,926 thousand) on taxable income for 2006;
- €(11,378) thousand in respect of deferred tax items, represented by deferred tax assets for €(7,713) thousand mainly relating to the recording of the portion connected with the tax loss for 2006 and to deferred tax liabilities in the amount of €(3,664) thousand.

The following table reconciles the theoretical and effective tax rates for 2006:

	<u>Year 2006</u>	<u>Year 2005</u>
Theoretical tax rate . . . . .	32.15%	32.15%
<b>Profit (Loss) before taxation</b> . . . . .	<b>133,643</b>	<b>(198,902)</b>
Theoretical deferred tax assets relating to IRES . . .	—	—
Theoretical tax assets relating to IRES . . . . .	44,075	
Non-deductible costs/non taxable revenue . . . . .	31,789	(63,947)
Write-down of deferred tax assets recognized in prior years . . . . .		—
Non-recognized deferred tax assets . . . . .		8,006
Deferred tax assets . . . . .	(7,713)	
Deferred tax liabilities . . . . .	(3,664)	
Other minor differences . . . . .	—	124,676
Actual tax expense relating to IRES . . . . .	64,487	4,138
Actual IRES tax rate . . . . .	48.25%	Not representative
IRAP tax at Group's level . . . . .	52,926	—
<b>Actual tax expense as in Income Statement</b> . . . . .	<b><u>117,413</u></b>	<b><u>187</u></b>
Overall tax rate . . . . .	87.86%	Not representative

With reference to the above reconciliation of the theoretical tax rate with the effective tax rate, it should be noted that the analysis was based on IRES. However, the cost taken to the income statement for IRAP has been indicated in order to enable reconciliation with the tax charge reported in the income statement. In addition, it should be noted that the analysis does not indicate the effective tax rate for 2005 as a percentage of profit (loss) before tax as it is believed not to be representative for the previous year, in that it would give an incorrect ratio between a tax charge and a loss before tax, when theoretically it should have generated a deferred tax asset. For the previous year the indication of such charged in the presence of a pre-tax loss is primarily attributable to the methodology used for the

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
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**37. INCOME TAX—(continued)**

calculation of IRAP, which uses a different approach to calculating taxable profit from that used for IRES, and to the reduction in deferred tax assets recognized in prior years.

**38. LOSS FROM DISCONTINUED OPERATIONS**

At December 31, 2005 the item (which had a zero balance at December 31, 2006) includes the value of the Parent Company's stake in Delta SpA, sold on June 28, 2006 as a result of the termination of the original purchase agreement, at the lower of the carrying amount and the fair value less selling costs.

**39. RELATED PARTY TRANSACTIONS**

• *Transactions with related parties*

Transactions with related parties as described below were carried out with the companies of the Weather Group. These transactions are part of normal operations and are conducted on an arm's length basis. Specifically, under the terms of a service contract between Orascom Telecom Holding SAE and Wind Telecomunicazioni SpA, Orascom Telecom provides Wind with IT services, marketing services, personnel services, purchasing services and financial, legal, regulatory and tax advisory services, as well as consulting services concerning operational and organizational matters, assistance and strategic planning. Under the contract, Orascom Telecom is entitled to receive annual consideration of €8 million for such services, payable in quarterly installments, as well as reimbursement of additional charges.

At December 31, 2006 and during the year, Group companies did not own, either directly or through trust companies, any treasury shares of the Parent Company, Wind Telecomunicazioni SpA, or shares of the parent company, Wind Acquisition Holdings Finance SpA, or shares/quotas in the indirect parent companies Weather Investments Srl or Weather Investments II Srl.

The following table summarizes the main financial effects of transactions with related parties during the year.

	<u>Revenue</u>	<u>Expenses</u>	<u>Receivables</u>	<u>Payables</u>
Orascom Telecom Iraq Company . . . . .	9	0	3	0
Egyptian Company for Mobile Services . . . . .	193	894	66	278
M-Link Company . . . . .	6,335	9,450	1,550	1,524
Orascom Telecom . . . . .	—	9,047	—	2,124
Orascom Telecom Algeria Company . . . . .	55	54	22	25
Orascom Tunisia Holding Ltd Co. . . . .	242	259	171	105
Mobilink . . . . .	6	1	6	0
Rain Srl . . . . .	—	—	96	—
<b>Total</b> . . . . .	<u><b>6,841</b></u>	<u><b>19,707</b></u>	<u><b>1,913</b></u>	<u><b>4,057</b></u>

• *Directors*

In 2006, the directors of the Parent Company identified as "Key Management Personnel" received no fees following an express renunciation with a resolution of August 11, 2005. During 2006 and 2005 no related-party transactions were conducted with directors.



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**40. CONTINGENT ASSETS AND LIABILITIES**

There are no contingent assets and liabilities for the two financial years.

**41. CASH FLOW STATEMENT**

Cash flows from operating activities amounted to €1,433,123 thousand, an increase of €479,031 thousand on 2005, mainly due to increased revenue and the decline in a number of components of operating costs, to the improvement in collection processes, to normal financial settlements and to the conclusion of disputes begun in previous years.

Investing activities absorbed a total of €669,446 thousand, of which €617,456 thousand was mainly used for the acquisition of relay stations and high-frequency equipment to expand the mobile network, exchanges and electronic installations, underground cable, new peripheral and centralized hardware, and the capitalization of design and developments costs for the fixed and mobile networks. Investments in intangible assets, equal to €85,880 thousand, regarded additional software development and rationalization of existing systems.

Financing activities used €766,359 thousand in cash flow. The result was basically associated with financial operations carried out by the group in 2006, as discussed in note 17 “Financial liabilities”.

**42. OTHER INFORMATION**

The Group companies have not granted, either directly or indirectly, guarantees to parent companies or subsidiaries of the latter.

At December 31, 2006 the collateral pledged by the Group regarded:

- a special lien pursuant to Art. 46 of the 1993 Banking Law on present and future assets belonging to the Parent Company and the subsidiary Enel.Net as specified in the relevant deed in favor of the pool of lenders party to the Credit Facility Agreement dated May 26, 2005 as amended and in favor of other creditors as specified in the lien;
- a lien on the Parent Company's brands and intellectual property rights, specified in the contract, in favor of the lenders party to the Credit Facility Agreement and other creditors identified in the relevant deed;
- a lien on shares held by the Parent Company in Wind Finance SL SA, equal to 27% of share capital, in favor of the holders of the Second Lien Notes;

It should be noted that in derogation from the provisions of Article 2352(1) of the Civil Code, by express contractual agreement, voting rights at shareholders' meetings are retained by the Group notwithstanding the encumbrances on the securities.

The Group has also undertaken, pursuant to the Master Security Agreement, to pledge further guarantees on future assets to be acquired by the Parent Company and the subsidiary Enel.Net Srl in favor of the lenders party to the Credit Facility Agreement, other creditors identified in the Master Security Agreement and the holders of the Second Lien Notes. In particular, they undertake to pledge as collateral the shares or quotas (whether newly subscribed or purchased) of significant subsidiaries, property or rights pursuant to Article 2810(1) and (2) of the Civil Code with a value of at least €1 million and any VAT credits acquired or which arise in favor of the companies.

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**42. OTHER INFORMATION—(continued)**

Guarantees consisting in the assignment as security of present and future trade receivables, receivables in respect of intercompany loans and receivables in respect of insurance contracts of the Parent Company in favor of lenders and other creditors specified in the assignment contract and in favor of the holders of the Second Lien Notes issued on September 29, 2005 by the associated company Wind Finance SL SA;

Below is a description of the personal guarantees (sureties) that banks and insurance companies have issued to third parties on behalf of the Company, with reference to various commitments.

The balance at December 31, 2006 came to €374,500 thousand and includes:

- sureties issued by insurance companies totaling €259,114 thousand, of which €253,862 thousand in favor of the Ministry of Finance—Rome Revenue Office—to guarantee VAT credits due to the Parent Company accrued in 2001-2003 and 2004, and offset in accordance with Article 6 of the Minister of Finance's Decree of December 13, 1979 with the presentation of the VAT 26 PR tax return form by Enel SpA. The policies expire on December 31, 2006 (for VAT credits of €65,743 thousand accrued in 2001); on November 2, 2007 (for VAT credits of €9,313 thousand accrued in 2003); and on October 31, 2008 (for VAT credits of €178,805 thousand accrued in 2004);
- sureties totaling €115,386 thousand issued by banks, including:
  - €52,377 thousand in favor of the Revenue Office—Lombardy Regional Department—to guarantee VAT credits for Infostrada SpA accrued in 1999 and 2000 and offset as a result of its participation in the joint settlement and payment procedure for parent companies and subsidiaries pursuant to Article 73(3) of Presidential Decree no. 633 of October 26, 1972;
  - €54,223 thousand relating to operations regarding prize competitions, exhibitions, excavation licenses and property leases.

**43. SUBSEQUENT EVENTS**

- On February 2, 2007, Legislative Decree 7 of January 31, 2007, containing “Urgent measures for the protection of consumers, the promotion of competition, the development of economic activities and the creation of new businesses” came into effect. Among its provisions, it prohibits mobile operators from applying fixed costs and surcharges on prepaid card top ups, including those performed through ATM machines or via computer, beyond the cost of the telephone traffic requested, as well as the imposition of maximum time limitations on the use of traffic purchased. The decree also forbids telephony, television network, and electronic communication operators from applying penalties on customers who withdraw from the contract or switch to another operator when these penalties are not justifiable on the basis of costs actually incurred. Effective March 4, 2007, Wind adapted its commercial offer to the aforementioned Decree by removing all recharge fees on prepaid card top ups.
- As part of a corporate reorganization process relating to the management of its call center services, with effect from March 1, 2007, Wind sold to Omnia Service Center Srl (a wholly owned subsidiary of OMNIA Network S.p.A.) a corporate branch consisting of Wind's Sesto San Giovanni (Milan) call center. The transfer agreement provides, among other things, that

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE  
WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2006—(continued)**

**43. SUBSEQUENT EVENTS—(continued)**

its 270 employees be hired with permanent contracts by Omnia Service Center Srl. The total consideration for the transaction amounts to 2.445.000 euro, paid partly through the assumption by Omnia of the liability relating to the termination benefits of the transferred employees (amounting to approximately 2.245.000 euro), and through a transfer of 200.000 euro in cash to Wind Telecomunicazioni S.p.A.. Contextually to the above transaction, Wind and Omnia Service Center Srl signed a five-years supply contract worth €54 million, according to which the contact services of the Sesto San Giovanni center are outsourced to Omnia.

- The Shareholders of Wind at their Extraordinary Meeting of March 13, 2007, following Enel S.p.A.'s sale of its entire investment in Weather Investments S.p.A., approved certain changes to the corporate bylaws aimed at simplifying the processes, the governance and the management of the Company.
- Finally, on March 29, 2007, Wind and Enel.Net Srl signed with Terna S.p.A. an agreement, worth €43.5 million, granting Terna the exclusive use for a 20 years period of a pair of optical fibres of the Wind Group backbone, covering a total of approximately 11,000 km distributed over the whole of Italy.

# **WIND GROUP**

**Consolidated interim financial statements as of and for the  
three-month period ended March 31, 2009**



**KPMG S.p.A.**  
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## Review report

To the board of directors of  
WIND Telecomunicazioni S.p.A.

- 1 We have reviewed the accompanying consolidated interim financial statements comprising the consolidated income statement, statement of consolidated comprehensive income, statement of consolidated financial position, consolidated cash flow statement, statement of changes in consolidated equity and notes thereto of the WIND Group as at and for the three-month period ended 31 March 2009. The parent's directors are responsible for the preparation of these consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting", endorsed by the European Union. Our responsibility is to prepare this report based on our review.
- 2 We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

With regard to the corresponding figures included in the consolidated interim financial statements, reference should be made to our reports on the consolidated annual and consolidated interim financial statements of the previous year dated 10 March 2009 and 26 May 2008, respectively.

- 3 Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements of the WIND Group as at and for the three-month period ended 31 March 2009 have not been prepared, in all material respects, in conformity with IAS 34, "Interim Financial Reporting", endorsed by the European Union.

KPMG SpA

Rome, 25 May 2009

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Torino Treviso Trieste Udine  
Varese Verona

Società per azioni  
Capitale sociale  
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**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED INCOME STATEMENT**

(thousands of euro)	Note	2009 3 months	2008 3 months
Revenue . . . . .	6	1,329,913	1,279,954
Other revenue . . . . .	7	38,245	20,225
<b>Total revenue . . . . .</b>		<b>1,368,158</b>	<b>1,300,179</b>
Purchases and services . . . . .	8	(788,255)	(731,549)
Other operating costs . . . . .	9	(28,087)	(21,002)
Personnel expenses . . . . .	10	(83,784)	(91,730)
<b>Operating income before depreciation and amortization, reversal/ impairment of non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>468,032</b>	<b>455,898</b>
Depreciation and amortization . . . . .	11	(255,353)	(257,793)
Reversal/(impairment) of non-current assets . . . . .		52	(495)
Gains/(losses) on disposal of non-current assets . . . . .		(1,820)	(464)
<b>Operating income . . . . .</b>		<b>210,911</b>	<b>197,146</b>
Financial income . . . . .	12	13,604	9,560
Finance expenses . . . . .	12	(119,919)	(130,142)
Foreign exchange gains (losses), net . . . . .		1,087	469
<b>Profit before tax . . . . .</b>		<b>105,683</b>	<b>77,033</b>
Income tax . . . . .	13	(46,307)	(37,331)
<b>Profit from continuing operations . . . . .</b>		<b>59,376</b>	<b>39,702</b>
<b>Profit/(Loss) for the period . . . . .</b>		<b>59,376</b>	<b>39,702</b>
Minority interests . . . . .		74	126
<b>Group profit for the period . . . . .</b>		<b>59,302</b>	<b>39,576</b>
<b>Earnings per share (in Euro)—basic and diluted: . . . . .</b>	20		
Continuing operations . . . . .		0.41	0.27



**WIND TELECOMUNICAZIONI GROUP**  
**STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME**

<u>(thousands of euro)</u>	<u>Note</u>	<u>2009</u> <u>3 months</u>	<u>2008</u> <u>3 months</u>
<b>Profit (Loss) for the period</b> .....		<b><u>59,376</u></b>	<b><u>39,702</u></b>
<b>Other comprehensive income</b> .....	19		
Cash flow hedges .....		(134,327)	(88,485)
Income tax relating to components of other comprehensive income .....		<u>36,940</u>	<u>24,333</u>
<b>Other comprehensive income for the period, net of tax</b> .....		<b><u>(97,387)</u></b>	<b><u>(64,152)</u></b>
<b>Total comprehensive income for the period</b> .....		<b><u>(38,011)</u></b>	<b><u>(24,450)</u></b>
Total comprehensive income attributable to:			
<i>Owners of the parent</i> .....		(38,085)	(24,576)
<i>Non-controlling interests</i> .....		74	126

**WIND TELECOMUNICAZIONI GROUP**  
**STATEMENT OF CONSOLIDATED FINANCIAL POSITION**

(thousands of euro)	Note	At March 31, 2009	At December 31, 2008
<b>ASSETS</b>			
Property, plant and equipment . . . . .	14	3,321,145	3,406,088
Intangible assets . . . . .	15	7,974,602	8,047,486
Financial assets . . . . .	16	238,892	245,719
Deferred tax assets . . . . .	17	392,088	391,713
<b>Total non-current assets . . . . .</b>		<b>11,926,727</b>	<b>12,091,006</b>
Inventories . . . . .		11,814	13,690
Trade receivables . . . . .		1,320,483	1,274,955
Financial assets . . . . .	16	17,548	32,613
Current tax assets . . . . .		22,029	21,333
Other receivables . . . . .		222,669	253,439
Cash and cash equivalents . . . . .	18	356,203	378,707
<b>Total current assets . . . . .</b>		<b>1,950,746</b>	<b>1,974,737</b>
<b>TOTAL ASSETS . . . . .</b>		<b>13,877,473</b>	<b>14,065,743</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Issued capital . . . . .		147,100	147,100
Share premium . . . . .		3,001,055	3,001,055
Reserves . . . . .		(169,368)	(52,636)
Retained earnings . . . . .		1,045,765	1,185,160
<b>Equity attributable to equityholders of the parent . . . . .</b>	19	<b>4,024,552</b>	<b>4,280,679</b>
<b>Minority interests . . . . .</b>		<b>1,161</b>	<b>1,087</b>
<b>Total equity . . . . .</b>	19	<b>4,025,713</b>	<b>4,281,766</b>
<b>Liabilities</b>			
Financial liabilities . . . . .	22	6,539,653	6,402,990
Employee benefits . . . . .		62,845	62,569
Provisions . . . . .	21	166,010	166,179
Other non-current liabilities . . . . .		8,490	7,320
Deferred tax liabilities . . . . .	17	841,742	851,904
<b>Total non-current liabilities . . . . .</b>		<b>7,618,740</b>	<b>7,490,962</b>
Financial liabilities . . . . .	22	66,682	136,591
Trade payables . . . . .		1,617,129	1,673,478
Other payables . . . . .		527,158	476,075
Tax payable . . . . .		22,051	6,871
<b>Total current liabilities . . . . .</b>		<b>2,233,020</b>	<b>2,293,015</b>
<b>Total liabilities . . . . .</b>		<b>9,851,760</b>	<b>9,783,977</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>13,877,473</b>	<b>14,065,743</b>

**WIND TELECOMUNICAZIONI GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2009</u> <u>3 months</u>	<u>2008</u> <u>3 months</u>
<b>Profit from continuing operations</b> . . . . .	<b>59,376</b>	<b>39,702</b>
<b>Adjustments to reconcile the profit/(loss) for the period with the cash flows from/</b> <b>(used in) operating activities</b>		
Depreciation, amortization and impairment losses on non-current assets . . . . .	255,301	258,288
Net changes in provisions and employee benefits . . . . .	90	4,439
(Gains)/losses on disposal of non-current assets . . . . .	1,820	464
Changes in current assets . . . . .	19,157	4,330
Changes in current liabilities . . . . .	(34,237)	(73,030)
Changes in minority interests . . . . .	—	64
<b>Net cash flows from operating activities</b> . . . . .	<b>301,507</b>	<b>234,257</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment . . . . .	(72,174)	(90,615)
Proceeds from sale of property, plant and equipment . . . . .	13	125
Acquisition of intangible assets . . . . .	(17,106)	(22,358)
(Acquisition)/disposal of financial assets . . . . .	(53,493)	—
<b>Net cash flows used in investing activities</b> . . . . .	<b>(142,760)</b>	<b>(112,848)</b>
<b>Cash flows from (used in) financing activities</b>		
Dividends paid . . . . .	(181,251)	—
<b>Net cash flows from (used in) financing activities</b> . . . . .	<b>(181,251)</b>	<b>—</b>
<b>Net cash flows for the period</b> . . . . .	<b>(22,504)</b>	<b>121,409</b>
Cash and cash equivalents at the beginning of the period . . . . .	378,707	194,868
<b>Cash and cash equivalents at the end of the period</b> . . . . .	<b>356,203</b>	<b>316,277</b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2009</u> <u>3 months</u>	<u>2008</u> <u>3 months</u>
Income tax paid . . . . .	(130)	—
Interest paid on loans/bonds . . . . .	(175,269)	(198,558)
Interest paid on derivative financial instruments . . . . .	(38,681)	(10,478)
Interest received on derivative financial instruments . . . . .	61,315	47,592

**WIND TELECOMUNICAZIONI GROUP**  
**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

(thousands of euro)	Equity attributable to equity holders of the parent				Equity attributable to equity holders of the parent	Minority interests	Equity
	Issued Capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances at January 1, 2008 . . . . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>
Cash flow hedges . . . . .			(64,152)		(64,152)		(64,152)
Other changes . . . . .			2,031	(65)	1,966	64	2,030
Profit for the period . . . . .				39,576	39,576	126	39,702
<b>Balances at March 31, 2008 . . . . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>63,163</b>	<b>523,252</b>	<b>4,065,576</b>	<b>898</b>	<b>4,066,474</b>
<b>Balances at January 1, 2009 . . . . .</b>	<b>147,100</b>	<b>3,001,055</b>	<b>(52,636)</b>	<b>1,185,160</b>	<b>4,280,679</b>	<b>1,087</b>	<b>4,281,766</b>
Allocation of loss for 2008 . . . . .			17,446	(17,446)	—		—
Consolidation reserve . . . . .			(38,596)		(38,596)		(38,596)
Dividends paid . . . . .				(181,251)	(181,251)		(181,251)
Cash flow hedges . . . . .			(97,387)		(97,387)		(97,387)
Translation reserve . . . . .			529		529		529
Other changes . . . . .			1,276		1,276		1,276
Profit for the period . . . . .				59,302	59,302	74	59,376
<b>Balances at March 31, 2009 . . . . .</b>	<b>147,100</b>	<b>3,001,055</b>	<b>(169,368)</b>	<b>1,045,765</b>	<b>4,024,552</b>	<b>1,161</b>	<b>4,025,713</b>

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009**

**1. INTRODUCTION**

The Wind Telecomunicazioni Group operates in Italy in the fixed-line and mobile telephony sectors under the Infostrada and WIND brands and in the Internet services sector under the Libero brand, through its subsidiaries ITnet Srl and Italia OnLine Srl. In addition the Group manages a long-distance international telecommunications network through the Group controlled by TLC Servizi SpA.

The following are the main offices of the Parent, Wind Telecomunicazioni SpA:

**Registered office**

Via Cesare Giulio Viola, 48 - 00148 Rome—Italy

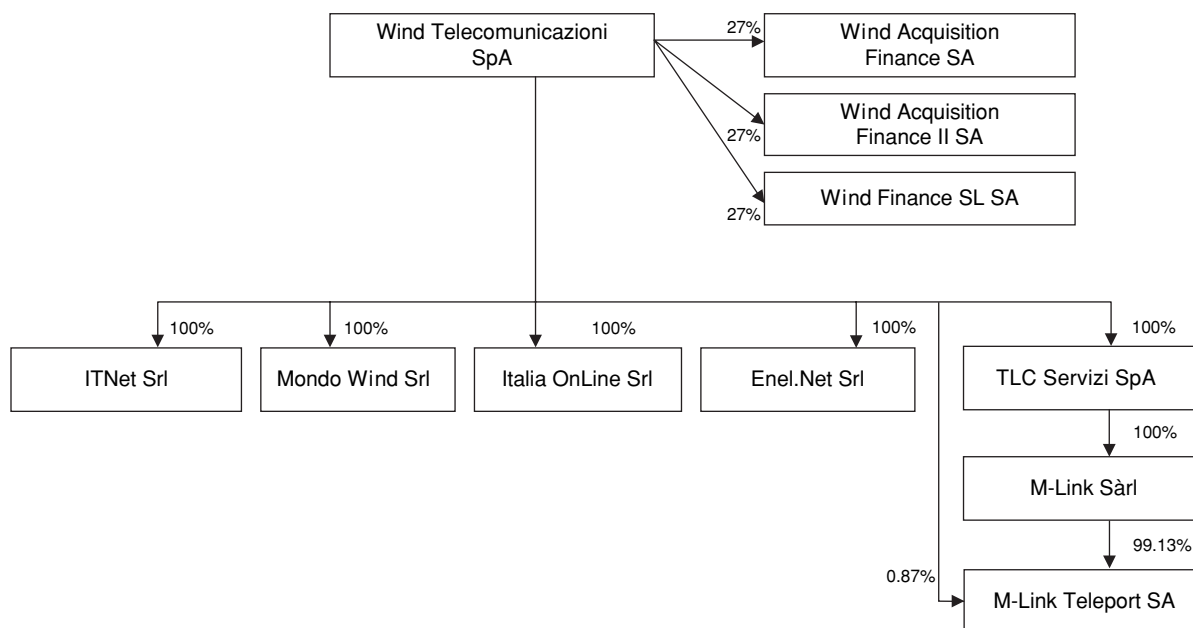
**Secondary office**

Via Lorenteggio, 257 - 20152 Milan—Italy

The Parent Wind Telecomunicazioni SpA is controlled by Weather Investments SpA through Wind Acquisition Holdings Finance SpA, which wholly owns Wind Telecomunicazioni SpA.

At the date of preparing this report Naguib Onsi Sawiris holds 68.82% of Weather Investments SpA through the Luxembourg registered company Weather Investments II Sàrl, while institutional investors hold 21.61%, Wind Acquisition Holdings Finance SpA holds 7.76% and other investors hold the remaining 1.81%.

The following diagram outlines the scope of consolidation of the WIND Group at March 31, 2009.



The consolidated interim financial statements as of and for the three-month period ended March 31, 2009 include the financial statements of the Parent Company and those of its subsidiaries (the Group). Following the sale of the entire share capital of the Luxembourg former related company M-Link Sàrl from the Maltese holding company M-Link Ltd to the subsidiary TLC Servizi SpA which

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**1. INTRODUCTION—(continued)**

was finalized on January 13, 2009, M-Link Group is part of the WIND Group from that date. M-Link Sàrl manages a long-distance international telecommunications network, including through its Belgian subsidiary M-Link Teleport SA, which is capable of providing voice and data services by satellite, electrical and optical cable and new generation technologies together with the related support services.

During the three-month period ended March 31, 2009 the Group earned a profit before tax of €105,683 thousand (€77,033 thousand for the three-month period ended March 31, 2008).

The 2009 investment plan, which is integral to supporting planned growth, is at a minimum in line with that of 2008.

The Group's business plan acts as confirmation that economic and financial balance will be maintained, that there will be an increase in earnings in the medium term and that accordingly the carrying amount of the non-current assets stated in the consolidated interim financial statements as of and for the three-month period ended March 31, 2009 will be recovered.

The consolidated financial statements as of and for the year ended December 31, 2008 are available on request at the registered office of the Parent stated above and on the website [www.windgroup.it](http://www.windgroup.it).

**2. GENERAL ACCOUNTING POLICIES**

**2.1 Basis of presentation**

The consolidated interim financial statements of Wind Telecomunicazioni SpA as of and for the three-month period ended March 31, 2009 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

The term IFRS includes all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and all interpretations of the Standing Interpretations Committee ("SIC") approved as of the present date by the European Union and contained in the published EU Regulations.

The structure and content of these consolidated interim financial statements comply with the disclosure requirements of IAS 34 *Interim Financial Reporting*. The interim financial statements have been prepared in accordance with IAS 1, while the notes thereto have been drawn up in a short format, as permitted by IAS 34. Accordingly, these consolidated interim financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2008.

The income statement figures and the balance sheet figures provided relate to the three-month period ended March 31, 2009.

For the purposes of comparison, prior period balances in the financial statements and the detailed schedules in the notes have been reclassified where necessary. These reclassifications, however, do not affect the Group's profit/(loss) or equity.

The accounting standards adopted by the Group are the same used for the preparation of the consolidated financial statements as of and for the year ended December 31, 2008.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

No exceptional events took place during the first three months of 2009 such to necessitate application of the waiver permitted by IAS 1.

The preparation of this report required management to apply accounting policies and methodologies that are occasionally based on complex, subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances and on the available information. The application of these estimates and assumptions affects the reported amounts in the balance sheet, the income statement, the cash flow statement and the accompanying notes. The closing amounts of items in the consolidated annual financial statements that were initially determined for the purposes of the consolidated interim Financial Statements by using the above estimates and assumptions may differ from those based on such estimates and assumptions, given the uncertainty surrounding the assumptions and conditions upon which estimates are based. Management's significant judgments on the application of Group accounting policies and the main causes of uncertainty of the estimates are the same as those applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2008.

Income tax is recognized on the basis of the taxable profit for the period and applicable laws and regulations, using tax rates in force at the end of the reporting period.

These consolidated interim financial statements are expressed in euros, the functional currency of the economy in which the Group operates, while all amounts shown in the tables and the notes are expressed in thousands of euros, except where otherwise stated.

The Board of Directors approved these consolidated interim financial statements on May 11, 2009.

**2.2 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 on or after January 1, 2009.

The new accounting standards and interpretations adopted by the Group in the preparation of these consolidated interim financial statements as of and for the three-month period ended March 31, 2009 are briefly described below:

- *IFRIC 13—Customer Loyalty programmes*

The Interpretation addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits.

This interpretation, effective from July 1, 2008, has had no effect on the Group's consolidated interim financial statements.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**2. GENERAL ACCOUNTING POLICIES—(continued)**

- *IFRS 8—Operating Segment*

This standard, effective from January 1, 2009, supersedes IAS 14—Segment Reporting. IFRS 8 places particular emphasis on internal reports that are regularly reviewed by the entity's chief operating decision maker, requiring entities to prepare segment reporting on the basis of the elements used by the management in order to take operating decisions.

- *Amendment to IAS 23—Borrowing cost*

The main change introduced with the revised version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

These changes, effective from January 1, 2009, have had no effect on the Group's consolidated interim financial statements.

- *Amendment to IAS 1—Presentation of Financial Statements: A revised presentation*

The changes introduced provide for the presentation of all changes in equity resulting from transactions with owners in the statement of changes in equity and the presentation, either in the Profit and Loss statement or in a separate reconciliation, of the detail of income and expenses recognized directly in equity (these latter forming the "Other comprehensive income").

This standard, effective from January 1, 2009, has had no effect on the Group's consolidated interim financial statements.

- *Amendment to IFRS 2—Share-based payment: vesting conditions and cancellations*

This amendment clarifies the definition of "vesting conditions" and specifies the cases in which a condition that is not satisfied will result in the recognition of a cancellation of the award granted.

The amendment, effective from January 1, 2009, has had no effect on the Group's consolidated interim financial statements.

- *Amendments to IAS 32 and IAS 1—Puttable Financial Instruments and Obligations Arising on Liquidation*

The amendments to IAS 32 require, when certain conditions are met, that certain puttable financial instruments or obligations arising only on liquidation should be classified as equity. The amendments to IAS 1 require disclosure of specific information about those instruments.

The amendments above, effective from January 1, 2009, have had no effect on the Group's consolidated interim financial statements.

- *Amendments to IFRS 1 e IAS 27—Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The amendments to IFRS 1 allow entities that adopt IFRS for the first time in their separate financial statements and that measure investments in subsidiaries, jointly controlled companies and

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

associates at cost to measure those investments at deemed cost, represented by the fair value or the carrying amount under previous accounting principles.

The amendments to IAS 27 remove the definition of the “cost method” and introduce an entity’s obligation to recognize dividends from a subsidiary, jointly controlled entity or associate in the income statement in its separate financial statements once its right to receive the dividends is established.

The amendments above, effective from January 1, 2009, have had no effect on the Group’s consolidated interim financial statements.

• *IFRIC 12—Service concession arrangements*

IFRIC 12 clarifies how to recognise in the accounts of the concession’s operator the infrastructure subject to the service concession arrangement. It also clarifies distinction between different phases of a service concession arrangement (construction/operation phases) and how revenues and expenses should be recognised in each case.

This interpretation, effective from January 1, 2008, governs situations and circumstances that are not present in the Group.

• *Improvements to IFRS (May 2008)*

On January 23, 2009, the European Union endorsed the amendments to IFRS (“Improvements”) issued by the IASB on May 22, 2008. Details are provided in the following paragraphs of those identified by the IASB as resulting in accounting changes for presentation, recognition and measurement purposes, leaving out amendments regarding changes in terminology or editorial changes which are likely to have minimal effects on accounting and improvements that relates to matters not applicable to the Group.

—*IFRS 5—Non-Current Assets Held for Sale and Discontinued Operations*: this amendment, to be applied from annual periods beginning on or after July 1, 2009, requires an entity that is committed to a sale plan involving loss of control of a subsidiary to classify all the assets and liability of that subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

—*IAS 1—Presentation of Financial Statements (revised in 2007)*: this amendment, to be applied from January 1, 2009, requires an entity to classify assets and liabilities arising from financial instruments that are not classified as held for trading between current and non-current assets and liabilities.

—*IAS 19—Employee Benefits*: this amendment, effective from January 1, 2009, clarifies the definition of positive/negative past service costs and states that in the case of a curtailment, only the effect of the reduction for future service will be recognised immediately in the income statement, while the effect arising from past service periods will be considered a negative past service cost. The Board also revised the definition of short-term employee benefits and other long-term employee benefits and the definition of a return on plan assets, stating that this amount should be net of any costs for

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**2. GENERAL ACCOUNTING POLICIES—(continued)**

administering the plan (other than those included in the measurement of the defined benefit obligation).

—*IAS 23—Borrowing Costs:* this amendment, applicable from January 1, 2009, revises the definition of borrowing costs.

—*IAS 28—Investments in Associates:* this amendment, which will be applied from January 1, 2009, requires that for investments accounted for using the equity method a recognised impairment loss should not be allocated to any asset (and in particular goodwill) that forms part of the carrying amount of the investment in the associate, but to the carrying amount of the investment overall. Accordingly any reversal of that impairment loss is recognised in full.

—*IAS 36—Impairment of Assets:* this amendment, effective from January 1, 2009, requires additional disclosures to be made in the case in which an entity determines the recoverable amount of a cash-generating unit using discounted cash flows.

—*IAS 38—Intangible Assets:* this amendment, effective from January 1, 2009, requires expenditure on advertising and promotional activities to be recognised in the income statement. Further, it states that in the case expenditure is incurred to provide future economic benefits to an entity, but no intangible assets is recognised, in the case of the supply of goods, the entity recognise such expenditure as an expense when it has the right to access the goods. In the case of the supply of services, an entity will recognise the expenditure as an expense when it receives the services. Moreover, the standard has been revised in order to allow entities to use the diminishing balance method and the unit of production method for determining the amortisation charge for an intangible asset with a finite useful life. This amendment has had no effect on the Group's consolidated interim financial statements.

—*IAS 39—Financial Instruments: Recognition and Measurement:* this amendment, effective from 1 January 2009, clarifies how to calculate the revised effective interest rate on ceasing fair value hedge accounting and notes additionally that the prohibition on the reclassification of financial instruments into or out of the fair value through profit or loss category after initial recognition should not prevent a derivative from being accounted for at fair value through profit or loss when it does not qualify for hedge accounting and vice versa. Finally, in order to eliminate conflict with IFRS 8—Operating Segments, it removes the reference to designating and documenting hedges at sector level. This amendment has had no effect on the Group's consolidated interim financial statements.

The following interpretations have become effective but are not applicable as they have not yet been endorsed by the European Union:

- *IFRIC 15—Agreements for the Construction of Real Estate.* The interpretation, effective from January 1, 2009, provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction should be recognised.
- *IFRIC 16—Hedges of a Net Investment in a Foreign Operation.* Effective from October 1, 2008 which provides general guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements.
- *Amendments to IFRS 7 Improving Disclosures about Financial Instruments.* The amendments, effective from January 1, 2009, are aimed at improving the disclosure requirements about fair

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value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments.

- *Amendments to IAS 39 and IFRS 7—Reclassification of Financial Assets—Effective Date and Transition.* The amendments, introduced in November 2008 and effective starting July 1, 2008, clarifies the effective date and transition requirements of the amendments to IAS 39 and IFRS 7 introduced in October 2008.
- *Amendments to IFRIC 9 and IAS 39—Embedded Derivatives.* The amendments, which are required to be applied for annual periods ending on or after June 30, 2009, clarify the accounting treatment of embedded derivatives for entities that have used the option of reclassifying financial instruments introduced by the IASB in October 2008.
- *New standards and interpretations not yet effective*

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 interim financial statements.

<b>STANDARD/INTERPRETATION</b>	<b>EFFECTIVE DATE ACCORDING TO IASB</b>	<b>EU Endorsement</b>
IFRS 3— <i>Business Combinations</i> (revised January 2008)	Annual financial statements beginning on or after July 1, 2009	Not endorsed
IFRS 1— <i>First Time Adoption of IFRS</i> (revised on November 2008)	Annual financial statements beginning on or after July 1, 2009	Not endorsed
Amendment to IAS 39— <i>Financial Instruments Recognition and Measurement (Eligible Hedged Items)</i>	Annual financial statements beginning on or after July 1, 2009	Not endorsed
Amendment to IAS 27— <i>Consolidated and Separate Financial Statements</i>	Annual financial statements beginning on or after July 1, 2009	Not endorsed
IFRIC 17— <i>Distribution of Non-cash Assets to Owners</i>	Annual financial statements beginning on or after July 1, 2009	Not endorsed
IFRIC 18— <i>Transfers of Assets from Customers</i>	Starting from July 1, 2009	Not endorsed
Improvements to IFRS (April 2009)	Effective dates comprised between July 1, 2009 and January 1, 2010 or subsequent	Not endorsed

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

**3. BASIS OF CONSOLIDATION**

The consolidated interim financial statements as of and for the three-month period ended March 31, 2009 include the financial statements of Wind Telecomunicazioni SpA and those entities over which the company exercises control, both directly or indirectly, from the date on which such control is acquired 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

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**3. BASIS OF CONSOLIDATION—(continued)**

relationships. The existence of potential voting rights that are exercisable or convertible at the balance sheet date is also considered when determining whether control exists or not.

As a result of the following transactions there has been a change in the scope of consolidation compared to the situation reported in the consolidated financial statements at March 31, 2008:

- the purchase, on December 9, 2008, of 100% of the share capital of TLC Servizi SpA;
- the acquisition on January 13, 2009 by the subsidiary TLC Servizi SpA of 100% of the capital of the former Luxembourg affiliate M-Link Sàrl from the Maltese holding M-Link Ltd. This transaction also led to the entry in the Group of the majority stake held by M-Link Sàrl in M-Link Teleport SA and the purchase by the subsidiary Wind Telecomunicazioni SpA of the remaining minority investment in M-Link Teleport SA, held up to that date by the Maltese company Telecel International Limited.

Following the change in the scope of consolidation the amounts in the income statement and in the cash flow statement for the first quarter of 2009 are therefore not directly comparable with those for the corresponding period in 2008.

**4. SEGMENT REPORTING**

The identification of segments and the designation of the Group's primary and secondary reporting segments were carried out on the basis of its organizational structure and internal reporting system. In particular, since the risks and rewards of the Group's investments are exclusively influenced by differences in the products and services provided, the primary reporting segment analysis is by line of business (fixed-mobile telephony). Information by geographical segment has not been presented in view of the fact that the Group operates primarily in Italy.

The following table provides an analysis of total revenue and operating income between the fixed and mobile segments.

(millions of euro)	Fixed		Mobile		Total	
	2009 3 months	2008 3 months	2009 3 months	2008 3 months	2009 3 months	2008 3 months
<b>Total revenue</b> . . . . .	457	413	911	887	1,368	1,300
<b>Operating income<sup>(*)</sup></b> . . . . .	57	73	411	383	468	456

(\*) Operating income before amortization, impairment of non current assets and gains/(losses) on disposal of non-current assets.

**5. ACQUISITIONS AND DISPOSALS**

As permitted by the agreements for the sale of Wind-PPC Holding to Hellas Telecommunications I Sàrl on September 26, 2008 (for which further details may be found in the consolidated financial statements for the year ended December 31, 2008), on February 4, 2009 the Parent opted for the settlement of the consideration for the sale through the transfer of shares in Hellas Telecommunications I Sàrl. As a result, following the delivery of 2,965 newly issued shares by Hellas Telecommunications I Sàrl, an investment of approximately 16% of the capital of the

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**5. ACQUISITIONS AND DISPOSALS—(continued)**

Luxembourg company has been recognised in the balance sheet at a carrying amount of €179,430 thousand, equal to that of the previous receivable.

Following the recognition of the investment in Hellas Telecommunications I Sàrl, the put and call options which if exercised enable the Parent to sell and Weather Investments SpA to buy the entire investment in Hellas Telecommunications I Sàrl at any time during the five years commencing December 30, 2008 have been designated as a hedge of any changes in value of the investment.

The sale of the entire share capital of the Luxembourg related company M-Link Sàrl from the Maltese holding company M-Link Ltd to the subsidiary TLC Servizi SpA was finalized on January 13, 2009. In addition this operation led to entry in the Group of the Belgian company M-Link Teleport SA, in which M-Link Sàrl had a 99.13% holding, as the consequence of the purchase by the Parent of the remaining minority share in M-Link Teleport SA held up to that date by the Maltese company Telecel International Limited.

The following table sets out the acquisition price and the value at the acquisition date of the net assets acquired:

(thousand of euro)

Price paid:	
—Cost . . . . .	58,288
—Direct costs of acquisition . . . . .	—
<b>Total acquisition price . . . . .</b>	<b><u>58,288</u></b>
Value of the net assets acquired . . . . .	19,692
Goodwill . . . . .	38,596

As M-Link Sàrl, at the transaction date, was controlled by Weather Investments SpA through Orascom Telecom Holdings SAE, the acquisition by WIND of the share capital of M-Link Sàrl is considered a business combination between entities under common control, which is therefore out of the scope of IFRS 3 *Business Combinations*. In the absence of an accounting standard guiding the accounting treatment of these operations the Group applies IAS 8, reporting any difference between the acquisition price and the corresponding share of equity directly as a reduction in equity.

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**5. ACQUISITIONS AND DISPOSALS—(continued)**

The following table provides a detail, at the transaction date, of the net assets of the M-Link Sàrl Group acquired by balance sheet item:

<u>(thousand of euro)</u>	<u>Fair value</u>	<u>Book value in the acquired company's balance sheet</u>
<b>Assets</b>		
Property, plant and equipment . . . . .	7,764	7,764
Intangible assets . . . . .	1,783	1,783
Financial assets . . . . .	325	325
Trade receivables . . . . .	42,676	42,676
Current tax assets . . . . .	28	28
Other receivables . . . . .	977	977
Cash and cash equivalents . . . . .	4,795	4,795
<b>Liabilities</b>		
Provisions . . . . .	17	17
Trade payables . . . . .	36,680	36,680
Other payables . . . . .	1,361	1,361
Tax payables . . . . .	598	598
<b>Net assets acquired . . . . .</b>	<b><u>19,692</u></b>	<b><u>19,692</u></b>

The cash flow used to acquire the M-Link Sàrl Group was as follows.

<u>(thousand of euro)</u>	
Transaction price paid in cash . . . . .	58,288
(Cash and cash equivalents of the acquired company) . . . . .	<u>(4,795)</u>
<b>Cash outflow resulting from the acquisition . . . . .</b>	<b><u>53,493</u></b>

The group headed by M-Link Sàrl contributed to WIND Group's profit for the period with a net profit at March 31, 2009, amounting to €2,056 thousand.

**6. REVENUE**

*Revenue* increased by €49,959 thousand (+3.9%) in the first three months of 2009 over the respective corresponding period in 2008.

For the quarter ended March 31, 2009 this item includes the revenue of group headed by M-Link Sàrl, which entered the scope of consolidation of WIND Group during the period. Excluding this revenues rose by €12,795 thousand compared to the corresponding period in 2008.



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**6. REVENUE—(continued)**

The following table provides an analysis of this item for the first three months of 2009 compared with the corresponding period of 2008.

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
<b>Revenue from sales</b> . . . . .	26,129	20,624	5,505	26.7%
<b>Revenue from services</b>				
—Telephone services . . . . .	942,933	891,530	51,403	5.8%
—Interconnection traffic . . . . .	321,613	326,646	(5,033)	(1.5)%
—International roaming . . . . .	10,868	14,775	(3,907)	(26.4)%
—Judicial authority services . . . . .	2,375	2,122	253	11.9%
—Other revenue from services . . . . .	25,995	24,257	1,738	7.2%
<b>Total revenue from services</b> . . . . .	<b>1,303,784</b>	<b>1,259,330</b>	<b>44,454</b>	<b>3.5%</b>
<b>Total</b> . . . . .	<b>1,329,913</b>	<b>1,279,954</b>	<b>49,959</b>	<b>3.9%</b>

This positive trend was mainly driven by a €51,403 thousand increase in revenue from telephony services, which reached €942,933 thousand in the first three months of 2009 (€891,530 thousand in the first quarter of 2008). This increase is essentially attributable to a rise in revenue the sector, as consequence of growth in the customer base, also due to tariff policies, resulted in an increase in revenue from fixed charges and contributions in both voice and internet data services. From January 1, 2009, revenue does not include traffic towards content providers holding non-geographic numbers, since, starting from that date, the Group only provides the handling and transport services for these calls.

The increased revenue from sales (+26.7% in the first three months of 2009) is mainly due to the increase in the sale of mobile handsets and also of SIM cards and scratch cards.

The increase in revenues for the three months was partially offset by:

- a decrease in revenues for interconnection traffic (–1.5% over the first three months of 2008). For the quarter ended March 31, 2009 this item includes the revenues for interconnection traffic of group headed by M-Link Sàrl amounting to €36,447 thousand. Excluding this, the decrease of this item is –12.7% compared to the first three months in 2008. This decrease is due mainly to lower termination revenue from the mobile and fixed network caused by the reduction in unit charges, which was only partially offset by an increase in incoming fixed and mobile traffic, and a decrease in wholesale interconnection traffic volumes.
- a decrease in revenues for international roaming of €3,907 thousand in the first three months of 2009 (–26.4% over the first three months of 2008). This decrease is due to the general reduction in roaming tariffs on international markets and a reduction of the voice component of roaming volumes, decreases which were not sufficiently offset by the increase in the volumes of the data component.

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**7. OTHER REVENUE**

*Other revenue* amounted to €38,245 thousand during the first three months of 2009 (increased by €18,020 thousand in the first quarter, compared to the corresponding period of the previous year) and refers principally to prior year income and the revision of estimates made in previous years.

For the quarter ended March 31, 2009 this item includes the revenue of group headed by M-Link Sàrl amounting to €2,342 thousand. Excluding this, the increase of *other revenue* reached €15,678 thousand.

The item for the three-month period ended March 31, 2009 includes €7,674 thousand arising from the portion relating to prior years of the grant obtained from the Puglia Region as part of the “Measures to support local growth” programme, regarding investments made between 2004 and 2008, in which the Parent took part through the Elawind Consortium.

**8. PURCHASES AND SERVICES**

*Purchases and services* amounted to €788,255 thousand in the first three months of 2009 compared to €731,549 thousand in the first three months of 2008.

The following table provides an analysis of this item for the first three months of 2009 compared with the corresponding period of 2008.

(thousands of euro)	<b>2009</b> <b>3 months</b>	<b>2008</b> <b>3 months</b>	<b>Change</b> <b>Amount</b>	<b>%</b>
Interconnection traffic . . . . .	330,897	316,412	14,476	4.6%
Customer acquisition costs . . . . .	70,513	73,500	(2,987)	(4.1)%
Lease of civil and technical sites . . . . .	57,961	53,571	4,390	8.2%
Purchases of raw materials, consumables, supplies and goods . . . .	32,268	37,814	(5,546)	(14.7)%
Lease of telecommunication circuits . . . . .	24,060	22,385	1,675	7.5%
Advertising and promotional services . . . . .	52,258	47,344	4,914	10.4%
Outsourced services . . . . .	36,688	36,471	217	0.6%
Other services . . . . .	28,666	23,108	5,558	24.1%
Lease of local access network . . . . .	77,923	47,216	30,707	65.0%
Maintenance and repair . . . . .	28,696	30,682	(1,986)	(6.5)%
Utilities . . . . .	18,471	17,987	484	2.7%
National and international roaming . . . . .	5,672	7,149	(1,477)	(20.7)%
Consultancies and professional services . . . . .	8,370	8,729	(359)	(4.1)%
Change in inventories . . . . .	1,426	(3,557)	4,983	(140.1)%
Other leases and use of third party assets . . . . .	6,857	5,470	1,387	25.4%
Bank and postal charges . . . . .	4,334	3,950	384	9.7%
Transport and logistics . . . . .	3,195	3,309	(114)	(3.4)%
<b>Total purchases and services . . . . .</b>	<b><u>788,255</u></b>	<b><u>731,549</u></b>	<b><u>56,706</u></b>	<b><u>7.8%</u></b>

For the quarter ended March 31, 2009, the item includes the “*purchase and services*” of group headed by M-Link Sàrl in the amount of €40,747 thousand. Excluding this the increase of item amounts to €15,959 thousand (+2.18%) compared to the first three months of 2008.

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**8. PURCHASES AND SERVICES—(continued)**

The increase is mainly due to the result of the following changes:

- an increase of €30,707 thousand in “Lease of local access network” costs in the first three months of 2009 as the consequence an increase in the LLU customer base and in ADSL internet customers, and the introduction in March 2008 of the Wholesale Line Rental (WLR) service which enables a customer to use Infostrada as the sole operator also for calls outside the direct coverage area;
- an increase of €14,476 thousand in “Interconnection traffic” costs in the first three months of 2009. For the quarter ended March 31, 2009, the item includes the interconnection traffic costs of group headed by M-Link Sàrl in the amount of €36,907 thousand. Excluding this, the item decreases of €22,431 thousand. This decrease is mainly due to the decrease in mobile and fixed termination tariffs and internet collection costs due to an increase in broadband traffic despite the increase in fixed, mobile and international traffic volumes;
- an increase of €4,914 thousand in “Advertising and promotional services” costs in the first three months of 2009 due to an increase in television, internet, radio, press advertising;
- an increase of €5,558 thousand of “Other services” in the first three months of 2009. For the quarter ended March 31, 2009, the item includes the other services costs of group headed by M-Link Sàrl in the amount of €2,085 thousand. Excluding this the item increases of €3,473 thousand, principally due to prior year expenses and the revision of estimates made in previous years;
- an increase of €4,390 thousand of “Lease of civil and technical sites” mainly due to the increase, during the current period over the previous period, in the number of pieces of equipment and mobile network technological sites;

These increases have been partially offset by the following:

- a decrease of €2,987 thousand for “Customer acquisition costs” mainly due to the reduction in amounts to be paid to contents provider as a result of the effect of the previously mentioned (note 6) items relating to NGN, offset by lower revenues;
- a decrease of €1,477 thousand of “National and international roaming” in the first three months of 2009 mainly due to the decrease in international roaming costs only partially offset by an increase in volumes.

**9. OTHER OPERATING COSTS**

*Other operating costs* amounted to €28,087 thousand in the first three months of 2009, with an increase of €7,085 thousand over the corresponding period of 2008.

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**9. OTHER OPERATING COSTS—(continued)**

The following table provides an analysis of the item for the first three months of 2009 and a comparison with the corresponding period of 2008.

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
Impairment losses on trade receivables and current assets . . . . .	11,697	8,439	3,258	38.6%
Accruals for costs . . . . .	2,135	2,628	(493)	(18.8)%
Annual license fees . . . . .	6,439	5,776	663	11.5%
Other operating costs . . . . .	3,282	2,059	1,223	59.4%
Accruals for risks . . . . .	3,993	783	3,210	410.0%
Gifts . . . . .	541	1,317	(776)	(58.9)%
<b>Total other operating costs . . . . .</b>	<b>28,087</b>	<b>21,002</b>	<b>7,085</b>	<b>33.7%</b>

The change shown is mainly due to the increased provisions for risks for the period made mainly for probable liabilities, for which details may be found in note 21, and the increased in the impairment losses on trade receivables and current assets.

**10. PERSONNEL EXPENSES**

*Personnel expenses* amounted to €83,784 thousand in the first three months of 2009, decreasing of €7,946 thousand over the corresponding period of 2008.

For the first quarter of 2009, the item includes the personnel expenses costs of group headed by M-Link Sàrl amounting to €1,354 thousand over the corresponding period of 2008. Excluding this item decreases of €9,300 thousand.

The following table provides an analysis of the item for the first three months of 2009 and a comparison with the corresponding period of 2008.

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
Wages and salaries . . . . .	66,617	72,798	(6,181)	(8.5)%
Social security charges . . . . .	19,561	20,611	(1,050)	(5.1)%
Other . . . . .	3,500	3,234	266	8.2%
Post-employment benefits . . . . .	3,631	3,651	(20)	(0.5)%
(Costs capitalized for internal works) . . . . .	(9,525)	(8,564)	(961)	11.2%
<b>Total personal expenses . . . . .</b>	<b>83,784</b>	<b>91,730</b>	<b>(7,946)</b>	<b>(8.7)%</b>

This difference is principally due to decrease in “Wages and salaries”; the item, excluding the figure of group headed by M-Link Sàrl, decreases of €7,241 thousand over the corresponding period of 2008. The variation is mainly due to the decrease in the costs incurred for the long-term incentives plan regarding certain Group employees, which in total amounted to €744 thousand in the first three months of 2009 (€10,290 thousand in the first three months of 2008).

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**11. DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of depreciation and amortization for the first three months of 2009 and a comparison with the corresponding period of 2008.

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
Depreciation of property, plant and equipment				
—Buildings . . . . .	39	—	39	n.m.
—Plant and machinery . . . . .	163,194	164,789	(1,595)	(1.0)%
—Industrial and commercial equipment . . . . .	1,934	1,555	379	24.4%
—Other assets . . . . .	6,521	7,332	(811)	(11.1)%
Amortization of intangible assets with a finite life				
—Industrial patents and similar rights . . . . .	18,713	19,237	(524)	(2.7)%
—Licenses, trademarks and similar rights . . . . .	38,886	38,835	51	0.1%
—Other intangible assets . . . . .	26,066	26,045	21	0.1%
<b>Total depreciation and amortization . . . . .</b>	<b>255,353</b>	<b>257,793</b>	<b>(2,440)</b>	<b>(0.9)%</b>

*Depreciation and amortization* decreased by €2,440 thousand over the first three months of 2008. The item includes the depreciation and amortization of group headed by M-Link Sàrl amounting to €491 thousand. The decrease is mainly due to the completion of the amortization and depreciation of assets acquired in prior years and the rationalization of investments made in the current and prior periods.

**12. FINANCE INCOME AND EXPENSES**

Financial management generated net finance expenses of €106,315 thousand in the first three months of 2009 (€120,582 thousand in the first three months of 2008).

The following table provides an analysis of the item for the first three months of 2009 and a comparison with the corresponding period of 2008.

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
Interest on bank charges . . . . .	2,955	2,805	150	5.3%
Fair value measurement of derivatives . . . . .	243	6,244	(6,001)	(96.1)%
Others . . . . .	10,406	511	9,895	n.m.
<b>Total financial income . . . . .</b>	<b>13,604</b>	<b>9,560</b>	<b>4,044</b>	<b>42.3%</b>

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**12. FINANCE INCOME AND EXPENSES—(continued)**

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
Interest expense on:				
Bond issues . . . . .	(36,045)	(36,105)	60	(0.2)%
Bank loans . . . . .	(88,545)	(107,586)	19,041	(17.7)%
Discounted provisions . . . . .	(722)	(2,397)	1,675	(69.9)%
Cash flow hedges, reversed from equity . . . . .	11,626	16,190	(4,564)	(28.2)%
Fair value measurement of derivatives . . . . .	(5,631)	—	(5,631)	n.m.
Other . . . . .	(602)	(244)	(358)	146.7%
<b>Total financial expense . . . . .</b>	<b>119,919</b>	<b>130,142</b>	<b>(10,223)</b>	<b>(7.9)%</b>

Finance income for the first three months of 2009 increased mainly as the result of the recognition of interest income of €9,883 thousand relating to interest accrued on the undue amounts paid by the Parent Company and by the former Infostrada SpA as a Turnover Contribution (Law n. 448/1998), for which a refund has been requested through two notices to pay served on March 31, 2009. The change in the income arising from the measurement at fair value of derivatives is mainly due to the negative variation of €5,423 thousand in the fair value of the derivatives embedded in the Senior Notes.

Finance expenses decreased mostly due to the the lower interest arising from the Senior Credit Agreement following a repayment of €412 million made at the end of 2008, the contractually provided reduction of the spread applicable to Tranches A and B of the same financing, (for which detail may be found in the Notes to the Consolidated Financial Statements as of and for the year ended December 31 2008) and the decrease of the average Euribor rate applicable to the unhedged portion of the financing. This effect is only partially offset by variation in the fair value of the derivatives embedded in the Senior Notes.

**13. INCOME TAX**

The following table sets out income tax for the first three months of 2009 and a comparison with the corresponding period of 2008.

(thousands of euro)	2009 3 months	2008 3 months	Change	
			Amount	%
Current tax . . . . .	(57,723)	(48,275)	(9,448)	19.6%
Deferred tax . . . . .	11,416	10,944	472	4.3%
<b>Total income tax . . . . .</b>	<b>(46,307)</b>	<b>(37,331)</b>	<b>(8,976)</b>	<b>24.0%</b>

This item consists of the following for the first three months of 2009:

- income tax of €57,723 thousand (of which €43,237 thousand for IRES tax and €14,486 thousand for IRAP tax), accruing on consolidated taxable profit for the period;
- net deferred tax income of €11,416 thousand, arising from recognition of €1,237 thousand in deferred tax assets mainly relating to the changes in temporary differences on provisions and

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**13. INCOME TAX—(continued)**

from the release of deferred tax liabilities of €10,179 thousand, mainly relating to the changes in temporary differences on fixed assets.

**14. PROPERTY, PLANT AND EQUIPMENT**

*Property, plant and equipment* total €3,321,145 thousand, a decrease of €84,943 thousand over December 31, 2008, mainly due to the net effect of investments of €72,174 thousand, depreciation of €171,688 thousand and disposals of €1,833 thousand. The most significant gross increases relate to relay stations and high-frequency equipment to develop the mobile access network and plant and machinery under construction.

The net increase in property, plant and equipment amounts to €7,763 thousand, following the entrance of group headed by M-Link Sàrl in the scope of consolidation of WIND Group.

Investments in property, plant and equipment decreased by €18,441 thousand compared to the corresponding period of 2008. This decrease is mainly due to an increased focus on investment activities following period end and the fact that lower investments were made in LLU sites and 2G mobile technologies which, however, will be compensated for over the next few months by increases in expenditure on new 3G technologies.

Disposals relate mainly to relay stations and high-frequency equipment and to exchanges and electronics installations made as part of the reorganization and development of the production structure.

The following table provides an analysis of the changes in this item during the first three months of 2009.

(thousand of euro)	At December 31, 2008	Additions	Depreciation	(Impairment losses)/ Reversal	Disposals	Exchange differences	Changes in the scope of consolidation	Others	At March 31, 2009
Land and buildings . .	552	2	(39)	—	—	4	1,875	—	2,394
Plant and machinery .	3,113,952	31,102	(163,194)	199	(1,827)	—	—	94,784	3,075,016
Equipment . . . . .	14,203	1,133	(1,934)	—	—	—	4,284	329	18,015
Other . . . . .	57,049	124	(6,521)	(88)	(6)	3	574	2,766	53,901
Assets under construction . . . . .	220,332	39,813	—	—	—	—	1,030	(89,356)	171,819
<b>Total . . . . .</b>	<b>3,406,088</b>	<b>72,174</b>	<b>(171,688)</b>	<b>111</b>	<b>(1,833)</b>	<b>7</b>	<b>7,763</b>	<b>8,523</b>	<b>3,321,145</b>



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**14. PROPERTY, PLANT AND EQUIPMENT—(continued)**

The cost, accumulated impairment losses and accumulated depreciation at March 31, 2009 can be summarized as follows

(thousand of euro)	At March 31, 2009			
	Cost	Accumulated impairment losses	Accumulated depreciation	Net book value
Land and buildings . . . . .	3,193	—	799	2,394
Plant and machinery . . . . .	8,414,725	66,863	5,272,846	3,075,016
Equipment . . . . .	104,492	—	86,477	18,015
Other . . . . .	427,128	161	373,066	53,901
Assets under construction . . . . .	172,461	642	—	171,819
<b>Total . . . . .</b>	<b>9,121,999</b>	<b>67,666</b>	<b>5,733,188</b>	<b>3,321,145</b>

**15. INTANGIBLE ASSETS**

*Intangible assets* total €7,974,602 thousand, a decrease of €72,884 thousand over December 31, 2008, mainly as the net result of investments of €17,106 thousand and the amortization charge of €83,665 thousand.

The following table provides an analysis of the changes in this item during the first three months of 2009.

(thousands of euro)	At December 31, 2008	Additions	Amortization	(Impairment) /Reversal	Exchange differences	Change in Scope of Consolidation	Others	At March 31, 2009
Industrial patents and intellectual property rights	206,200	3,259	(18,713)	(59)	—	—	34,399	225,086
Concessions, licenses, trademarks and similar rights . . . . .	3,489,597	8	(38,886)	—	80	1,783	2,026	3,454,608
Other intangible assets . . . .	680,320	3	(26,066)	—	—	—	—	654,257
Goodwill . . . . .	3,592,617	—	—	—	—	—	—	3,592,617
Assets under development . .	78,752	13,836	—	—	—	—	(44,554)	48,034
<b>Total . . . . .</b>	<b>8,047,486</b>	<b>17,106</b>	<b>(83,665)</b>	<b>(59)</b>	<b>80</b>	<b>1,783</b>	<b>(8,129)</b>	<b>7,974,602</b>

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**15. INTANGIBLE ASSETS—(continued)**

The cost, accumulated impairment losses and accumulated amortization at March 31, 2009 can be summarized as follows.

(thousands of euro)	At March 31, 2009			
	Cost	Accumulated impairment losses	Accumulated amortization	Net book value
Industrial patents and intellectual property rights . . .	1,292,925	4,084	1,063,755	225,086
Concessions, licenses, trademarks and similar rights .	4,470,295	—	1,015,687	3,454,608
Other intangible assets . . . . .	1,038,523	—	384,266	654,257
Goodwill . . . . .	3,957,438	—	364,821	3,592,617
Assets under development . . . . .	48,034	—	—	48,034
<b>Total . . . . .</b>	<b>10,807,215</b>	<b>4,084</b>	<b>2,828,529</b>	<b>7,974,602</b>

No impairment tests were carried out on these assets at March 31, 2009 given the absence of impairment indicators.

**16. FINANCIAL ASSETS**

The following table provides an analysis of *Financial assets* at March 31, 2009 and changes compared to December 31, 2008.

(thousands of euro)	At March 31, 2009			At December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
Financial assets measured at cost . . . . .	2,180	—	<b>2,180</b>	2,050	—	<b>2,050</b>
Financial assets at fair value through profit or loss . . . . .	179,430	—	<b>179,430</b>	—	—	—
Derivative financial instruments . . . . .	52,130	—	<b>52,130</b>	59,701	25,725	<b>85,426</b>
Financial receivables . . . . .	5,152	17,548	<b>22,700</b>	4,538	6,888	<b>11,426</b>
Other receivables . . . . .	—	—	—	179,430	—	<b>179,430</b>
<b>Total . . . . .</b>	<b>238,892</b>	<b>17,548</b>	<b>256,440</b>	<b>245,719</b>	<b>32,613</b>	<b>278,332</b>

The change in “Financial assets at fair value through profit or loss” and “Other receivables” is due to the decision of the Parent to exercise its option for the settlement of the receivable arising from the sale of the residual investment in WPH to be made in shares of Hellas Telecommunications I Sàrl, for which details may be found in note 5.

Details of the composition of the “Derivative financial instruments” balance and respective changes are to be found in note 23.

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**17. DEFERRED TAX ASSETS AND LIABILITIES**

*Deferred tax assets and liabilities* total €392,088 thousand and €841,742 thousand, respectively, with an increase of €375 thousand and a decrease of €10,162 thousand.

The following table provides details of deferred tax assets and liabilities by origin at March 31, 2009 and December 31, 2008.

(thousands of euro)	At December 31, 2008	Decrease	Increase	At March 31, 2009
Tax losses carried forward . . . . .	248,799	37,820	—	210,979
Provision for bad debts (taxed) . . . . .	88,680	—	1,542	90,222
Provisions for risks (taxed) . . . . .	41,579	1,883	2,502	42,197
Measurement of financial assets/liabilities . . . . .	1,523	920	—	603
Derivative financial instruments . . . . .	10,916	—	36,961	47,877
Amortization and depreciation of non-current assets . . . . .	216	6	—	210
<b>Total Deferred tax assets . . . . .</b>	<b>391,713</b>	<b>40,630</b>	<b>41,005</b>	<b>392,088</b>
Employee benefits . . . . .	2,058	62	—	1,996
Accelerated depreciation and amortization . . . . .	16,078	100	—	15,978
Property, plant, and equipment at fair value . . . . .	107,695	1,663	—	106,032
Depreciation of PPA . . . . .	726,073	8,937	600	717,736
<b>Total Deferred tax liabilities . . . . .</b>	<b>851,904</b>	<b>10,762</b>	<b>600</b>	<b>841,742</b>

**18. CASH AND CASH EQUIVALENTS**

This item relates to the surplus cash arising from operations. Changes are mainly due to cash flows arising from the settlement of ordinary receipts and payments; for which details please refer to note 24 on the Cash Flow Statement.

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**19. EQUITY**

*Equity* at March 31, 2009 amounted to €4,025,713 thousand, of which €4,024,552 thousand was attributable to the equity holders of the Parent and €1,161 thousand to minority interests. The following table summarizes the main changes in equity for the first three months of 2009 and for the corresponding period in 2008.

(thousands of euro)	Equity attributable to equity holders of the parent				Equity attributable to equity holders of the parent	Minority interests	Equity
	Issued Capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances at January 1, 2008</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	708	<b>4,088,894</b>
Cash flow hedge			(64,152)		(64,152)		(64,152)
Other changes			2,031	(65)	1,966	64	2,030
Profit for the period				39,576	39,576	126	39,702
<b>Balances at March 31, 2008</b>	<b>147,100</b>	<b>3,332,061</b>	<b>63,163</b>	<b>523,252</b>	<b>4,065,576</b>	<b>898</b>	<b>4,066,474</b>
<b>Balances at January 1, 2009</b>	<b>147,100</b>	<b>3,001,055</b>	<b>(52,636)</b>	<b>1,185,160</b>	<b>4,280,679</b>	<b>1,087</b>	<b>4,281,766</b>
Allocation of loss for 2008			17,446	(17,446)	—		—
Consolidation reserve			(38,596)		(38,596)		(38,596)
Dividends paid				(181,251)	(181,251)		(181,251)
Cash flow hedge			(97,387)		(97,387)		(97,387)
Translation reserve			529		529		529
Other changes			1,276		1,276		1,276
Profit for the period				59,302	59,302	74	59,376
<b>Balances at March 31, 2009</b>	<b>147,100</b>	<b>3,001,055</b>	<b>(169,368)</b>	<b>1,045,765</b>	<b>4,024,552</b>	<b>1,161</b>	<b>4,025,713</b>

Changes in equity attributable to equity holders of the parent during the period were due mainly to the resolution adopted on March 11, 2009 by the parent's shareholders that approved the annual financial statements at and for the year ended December 31, 2008 allocating the profit for the year of €348,915,238.32 as follows:

- To the Shareholder, a dividend of a total amount equal to €250,311,427.74, distributed as follows: €181,251,319.50 (dividend per share of €1.24) payable at the day of the Shareholders' meeting and €69,060,108.24 payable by December 31, 2009 upon request of the;
- To Legal Reserve, €17,445,761.92;
- To Retained earnings, the residual amount equal to €81,158,048.66;

Details of the variation of the consolidation reserve are to be found in note 5.

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**19. EQUITY—(continued)**

The income and the expenses recognized directly in equity during the first three months of 2009 relate entirely to the transactions on hedging derivatives instruments on cash flows, for which the following table shows the changes in the cash flow hedge reserve.

(thousands of euro)	Interest rate risk			Foreign currency risk			Cash Flow Hedge Reserve
	Gross reserve	Tax effect	Total	Gross reserve	Tax effect	Total	
<b>At December 31, 2008</b> . . . . .	<b>(101,019)</b>	<b>27,780</b>	<b>(73,239)</b>	<b>7,728</b>	<b>(2,125)</b>	<b>5,603</b>	<b>(67,636)</b>
Changes in fair value . . . . .	(95,270)	26,199	(69,071)	5,441	(1,496)	3,945	(65,126)
Reverse in income statements . . . . .	(11,791)	3,242	(8,549)	(32,707)	8,995	(23,712)	(32,261)
<b>At March 31, 2009</b> . . . . .	<b>(208,080)</b>	<b>57,221</b>	<b>(150,859)</b>	<b>(19,538)</b>	<b>5,374</b>	<b>(14,164)</b>	<b>(165,023)</b>

At March 31, 2009 the share capital of the Parent Wind Telecomunicazioni SpA consisted of 146,100,000 fully subscribed and paid up ordinary shares without nominal value held by the sole shareholder Wind Acquisition Holdings Finance SpA.

Voting rights at shareholders' meetings of the Parent have been retained by Wind Acquisition Holdings Finance SpA, despite the encumbrance arising from the establishment of a pledge on the shares representing the Company's share capital held by Wind Acquisition Holdings Finance SpA, on the basis of an explicit contractual agreement, as a permitted exception to the provisions of paragraph 1, article 2352 of the Italian civil code.

**20. EARNINGS PER SHARE**

The figure for earnings per share is based on the profit attributable to equity holders of the Parent. Both basic and diluted earnings per share have been calculated by using the weighted average number of 146,100,000 outstanding shares for the period as denominator, since there were no dilutive effects at the calculation dates.

**21. PROVISIONS**

The following table sets out changes in item "Provisions" during the first three months of 2009.

(thousands of euro)	At December 31, 2008	Change in scope of consolidation	Increases	Decreases	Other changes	At March 31, 2009
Litigation . . . . .	21,578	17	3,993	(3,462)	5,012	<b>27,138</b>
Restructuring . . . . .	19,857	—	—	(2,277)	—	<b>17,580</b>
Universal service contribution (Presidential decree no. 318 of September 19, 1997) . . . . .	49,904	—	1,737	—	—	<b>51,641</b>
Product assistance . . . . .	1,870	—	318	(881)	—	<b>1,307</b>
Dismantling and removal . . . . .	4,521	—	185	—	—	<b>4,706</b>
Other provisions . . . . .	68,449	—	1,559	(1,358)	(5,012)	<b>63,638</b>
<b>Total</b> . . . . .	<b>166,179</b>	<b>17</b>	<b>7,792</b>	<b>(7,978)</b>	<b>—</b>	<b>166,010</b>

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**21. PROVISIONS—(continued)**

This item decreased by €169 thousand at March 31, 2009 as the effect of the utilizations of the period, due mainly to the implementation of the restructuring program, partially offset by the charge for the provisions made for certain liabilities deriving from obligations assumed by the Group during the period.

**22. FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* at March 31, 2009 and changes with respect to December 31, 2008.

(thousands of euro)	At March 31, 2009			At December 31, 2008		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues . . . . .	1,435,193	47,974	<b>1,483,167</b>	1,413,843	11,506	<b>1,425,349</b>
Bank loans . . . . .	4,843,433	5,604	<b>4,849,037</b>	4,829,530	95,447	<b>4,924,977</b>
Loans from others . . . . .	—	9,675	<b>9,675</b>	—	9,675	<b>9,675</b>
Derivative financial instruments . . .	261,027	3,429	<b>264,456</b>	159,617	19,963	<b>179,580</b>
<b>Total financial liabilities . . . . .</b>	<b>6,539,653</b>	<b>66,682</b>	<b>6,606,335</b>	<b>6,402,990</b>	<b>136,591</b>	<b>6,539,581</b>

The following tables provide the most important information regarding bank financing and bond issues outstanding at March 31, 2009.

(thousands of euro)	Carrying amount at March 31, 2009	Carrying amount at December 31, 2008	Nominal value at March 31, 2009	Residual Commitment	Currency	Due date	Interest rate
<b>Amounts due to banks</b>							
<i>Senior Credit Agreement</i>							
—Tranche A1 . . . . .	1,155,845	1,180,002	1,166,810	1,166,810	EUR	5/26/2012	Euribor+1.875%
—Tranche B1 . . . . .	1,455,326	1,485,259	1,475,797	1,475,797	EUR	5/26/2013	Euribor+2.625%
—Tranche B2 . . . . .	55,554	53,931	56,357	56,357	USD	5/26/2013	Libor+2.625%
—Tranche C1 . . . . .	1,451,875	1,463,151	1,475,797	1,475,797	EUR	5/26/2014	Euribor+3.375%
—Tranche C2 . . . . .	55,475	53,963	56,357	56,357	USD	5/26/2014	Libor+3.375%
Revolving . . . . .	374	392	—	400,000	EUR	5/26/2012	Euribor+1.875%
<i>Second Lien</i>							
—Second Lien . . . . .	541,805	558,159	551,913	551,913	EUR	11/26/2014	Euribor+6.250%
—Second Lien . . . . .	132,783	130,121	135,257	135,257	USD	11/26/2014	Libor+6.250%
<b>Total . . . . .</b>	<b>4,849,037</b>	<b>4,924,977</b>	<b>4,918,288</b>	<b>5,318,288</b>			

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**22. FINANCIAL LIABILITIES—(continued)**

(thousands of euro)	Carrying amount	Nominal Value	Issue Price	Currency	Due date	Interest rate	Price
<b>Bonds</b>							
Senior Notes . . . . .	841,067	825,000	100.0%	EUR	12/01/2015	9.75%	88.00%
Senior Notes . . . . .	383,924	375,714	100.0%	USD	12/01/2015	10.75%	99.00%
Senior Notes . . . . .	135,825	125,000	106.0%	EUR	12/01/2015	9.75%	88.00%
Senior Notes . . . . .	122,351	112,714	105.5%	USD	12/01/2015	10.75%	99.00%
<b>Total . . . . .</b>	<b><u>1,483,167</u></b>	<b><u>1,438,428</u></b>					

The following table provides an analysis of loans at the balance sheet date, indicating applicable interest rates by lending currency.

At March 31, 2009						
(thousands of euro)	<5%	5%<i>i<7.5%	7.5%<i>i<10%	10%<i>i<12.5%	12.5%<i>i<15%	Total
Euro . . . . .	2,621,220	1,451,875	677,630	841,067	—	5,591,793
US Dollars . . . . .	55,554	55,475	255,133	383,924	—	750,086
<b>Total . . . . .</b>	<b><u>2,676,774</u></b>	<b><u>1,507,350</u></b>	<b><u>932,764</u></b>	<b><u>1,224,991</u></b>	<b><u>—</u></b>	<b><u>6,341,879</u></b>

Details of the composition of the derivative financial instruments balance and respective changes are to be found in note 23.

**23. DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides a summary of *Derivative financial instruments* at March 31, 2009 and changes over December 31, 2008, analyzed by the type of risk hedged.

(thousands of euro)	At March 31, 2009		At December 31, 2008	
	Fair Value (+)	Fair Value (–)	Fair Value (+)	Fair Value (–)
Exchange rate risk . . . . .	—	58,176	—	64,099
Interest rate risk . . . . .	—	206,280	27,665	115,481
<b>Total Cash Flow Hedge . . . . .</b>	<b><u>—</u></b>	<b><u>264,456</u></b>	<b><u>27,665</u></b>	<b><u>179,580</u></b>
Option put & call . . . . .	14,359	—	14,577	—
<b>Total Fair value hedge . . . . .</b>	<b><u>14,359</u></b>	<b><u>—</u></b>	<b><u>14,577</u></b>	<b><u>—</u></b>
Derivatives Non Hedge Accounting . . . . .	37,771	—	43,184	—
<b>Total Derivatives Non Hedge Accounting . . . . .</b>	<b><u>37,771</u></b>	<b><u>—</u></b>	<b><u>43,184</u></b>	<b><u>—</u></b>
<b>Total . . . . .</b>	<b><u>52,130</u></b>	<b><u>264,456</u></b>	<b><u>85,426</u></b>	<b><u>179,580</u></b>

Changes in the fair value of derivatives arise mainly from variations in the interest rate curve and movements in the euro/US\$ exchange rate over the period.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**23. DERIVATIVE FINANCIAL INSTRUMENTS—(continued)**

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

(thousands of euro)	At March 31, 2009		At December 31, 2008	
	Fair Value (+)	Fair Value (–)	Fair Value (+)	Fair Value (–)
Current . . . . .		3,429	25,725	19,963
Non current . . . . .	52,130	261,027	59,701	159,617
<b>Total . . . . .</b>	<b>52,130</b>	<b>264,456</b>	<b>85,426</b>	<b>179,580</b>

**24. CASH FLOW STATEMENT**

Cash flows from operating activities totaled €301,507 thousand in the first quarter of 2009, an increase of €67,250 thousand over the corresponding period of 2008 mostly as an effect of the changes in working capital relating to the settlement of current assets and liabilities.

Investing activities for the first quarter of 2009 used cash for a total of €142,760 thousand, an increase of €29,912 thousand over the corresponding period of 2008. This increase is mainly due to the acquisition of M-Link Sàrl described under note 5 “Acquisitions and disposals”, which used cash of €53,493 thousand. The acquisitions of property, plant and equipment and intangible assets decreased by €23,693 thousand compared to the first quarter of 2008. This decrease is mainly due to an increased focus on investment activities following period end and the fact that lower investments were made in LLU sites and 2G mobile technologies which, however, will be compensated for over the next few months by increases in expenditure on new 3G technologies.

In the first three months of 2009, financing activities used cash of €181,251 thousand relating to a dividend paid by the Parent on March 11, 2009, in compliance with the resolutions of the Shareholders’ Meeting which was held on the same date.

**25. RELATED PARTY TRANSACTIONS**

Transactions with the related parties described below consist of those with Weather Group companies. Related party transactions are part of normal operations which are conducted on an arm’s length basis from an economic standpoint and are formalized in agreements, and mainly relate to transactions with telephone operators. In particular, the Parent has entered an agreement with the parent Weather Investments SpA under which the latter is entitled to receive an annual fee of €8 million plus ancillary expenses for providing services to the former (such as those relating to IT, marketing, personnel, purchasing, etc.). In addition, as discussed in note 5 to which reference should be made for further details, the Parent Company has been assigned a put option versus its parent Weather Investments SpA, with a fair value of €14,359 thousand.

During the period ended March 31, 2009 Group companies did not hold treasury shares of the Parent Wind Telecomunicazioni SpA, either directly or through trustees, or shares of the parent Wind Acquisition Holdings Finance SpA and of the indirect parent Weather Investments SpA or investments in the indirect parent Weather Investments II Sàrl.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**25. RELATED PARTY TRANSACTIONS—(continued)**

The following table summarizes the main financial effects of related party transactions on the income statement and balance sheet taking place during the period.

(thousands of euro)	Period ended March 31, 2009						Acquisitions of fixed assets
	Revenue	Expenses	Trade receivables	Other receivables	Trade payables	Other payables	
Arpu for Communication services							
Company . . . . .	—	—	700	—	—	—	—
Egyptian Company for Mobile Services . . . . .	103	196	219	—	284	—	—
Orascom Telecom . . . . .	37	—	1,480	—	1,513	—	—
Orascom Telecom Algerie SpA . . . . .	4,206	9,969	2,619	—	6,751	12	—
Orascom Telecom Tunisie SA . . . . .	4,583	9,455	4,473	—	9,307	34	—
Orascom Technology Solutions (OTS) . . . . .	—	20	59	—	4,963	17	6
Orascom Tunisia Holding Ltd Co. . . . .	—	—	173	—	216	—	—
Mobilink . . . . .	9	—	227	—	—	—	—
Mobizone . . . . .	3	165	890	—	308	—	—
Banglalink . . . . .	51	—	147	—	—	13	—
Mobinil for Telecommunications . . . . .	—	—	19	—	—	—	—
Trans World Associates . . . . .	—	166	—	—	90	—	—
Med Cable uk Ltd . . . . .	81	—	—	—	—	—	—
Consortium Algerien de							
Telecommunication . . . . .	2	3	86	—	42	—	—
Global Entity for Telecom Trade . . . . .	7,035	2,030	5,014	—	1,333	—	—
Telecel International . . . . .	—	—	—	—	—	86	—
Telecel Centrafrique . . . . .	37	—	73	—	—	—	—
Telecel Burundi . . . . .	85	140	82	—	135	5	—
Telecel Zimbabwe . . . . .	142	630	1,979	—	2,905	2	—
Rain Srl . . . . .	19	—	—	1,315	—	—	—
Wind Hellas Telecommunications SA . . . . .	1,354	2,740	9,687	—	4,323	—	—
Wind Acquisition Holdings							
Finance SpA . . . . .	—	—	—	854	273	—	—
Weather Investments SpA* . . . . .	50	2,084	—	9,613	2,481	58,755	—
Consorzio Elawind . . . . .	—	—	—	12	8	—	—
<b>Total . . . . .</b>	<b>17,797</b>	<b>27,598</b>	<b>27,927</b>	<b>11,794</b>	<b>34,932</b>	<b>58,924</b>	<b>6</b>

\* Payables to Weather Investments SpA relate in the amount of €58,543 to the transfer by the subsidiaries Enel.Net, IOL and IT.Net of their corporate income tax (IRES) payables following the choice of taking part to the national tax consolidation procedure with Weather Investments SpA.

**26. CONTINGENT ASSETS AND LIABILITIES**

There have been no changes in the contingent assets or liabilities reported in the notes to the consolidated financial statements as of and for the year ended December 31, 2008.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**27. OTHER INFORMATION**

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

The collateral pledged by Group companies at March 31, 2009 as a guarantee for liabilities may be summarized as follows:

- a special lien exists pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent and its subsidiary Enel.Net Srl, as specified in the relevant deed, in favor of the pool of bank lenders party to the Credit Facility Agreement, the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA 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 bank lenders party to the Credit Facility Agreement and other creditors specified in the relevant deed;
- a lien exists on the shares held by the Parent in Wind Finance SL SA, equal to 27% of share capital, pledged in favor of the subscribers to the Second Lien Notes;
- a lien exists on the shares held by the Parent in TLC Servizi SpA, equal to 100% of share capital, pledged in favor of the pool of lenders party to the Credit Facility Agreement and the subscribers to the Second Lien Notes.

Despite the encumbrances on the pledged shares, voting rights at shareholders' meetings of the companies are retained by the Group on the basis of an explicit contractual agreement, as a permitted exception to the provisions of paragraph 1, article 2352 of the Italian civil code.

In addition, the Group has undertaken, pursuant to the "Master Security Agreement", to pledge further guarantees on certain assets to be acquired by the Parent and its subsidiary Enel.Net Srl in favor of the lending banks in the Credit Facility Agreement, the other creditors specified in the Master Security Agreement and the subscribers to the Second Lien Notes. In particular, it has undertaken to pledge as additional collateral the shares or quotas (whether newly subscribed or purchased) of significant subsidiaries, property or rights pursuant to paragraphs 1 and 2, article 2810, of the Italian civil code with a value of at least €1 million and any VAT credits acquired by or which arise in favor of the companies.

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 relevant deed, to the lending banks and the other lending parties specified therein as a guarantee for and in favor of the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA.

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. At March 31, 2009 these guarantees totaled €52,903 thousand and consisted of the following:

- sureties of €6,318 thousand pledged by insurance companies;
- sureties of €46,585 thousand pledged by banks.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF THE WIND TELECOMUNICAZIONI GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2009—(continued)**

**27. OTHER INFORMATION—(continued)**

The Parent has been under the management and coordination of Weather Investments SpA since July 2007.

**28. SUBSEQUENT EVENTS**

For the purposes of reorganizing its business activities and following the purchase of the M-Link Group (for which further details may be found in note 5), on April 1, 2009 the Parent contributed its “International & national wholesale” business to the subsidiary TLC Servizi SpA, which is part of the Group which will become the main provider of international services to companies of the Weather Group. In addition on 15 April 2009 board of directors’ TLC Servizi SpA approved the change of name of company into Wind International Services SpA.

On April 28, 2009, the subsidiary Mondo WIND Srl entered a framework agreement with 4G Retail Srl (“4G”) for the purchase of a company operating approximately 130 points of sale distributed throughout the country and selling fixed and mobile telephony goods and services. The transaction is subject to the consent of AGCOM and of the lessors, landlords or contractors of the points of sale.

On May 6, 2009, the Board of Directors of Wind Telecomunicazioni SpA approved the proposal for the Company to take part in the tender called by the Ministry for Economic Development and published in the Official Journal of the Republic of Italy no. 35 of March 23, 2009 for the assignment of user rights for the frequencies in the 2100 MHz band, divided into 5 MHz bandwidth blocks, which have become available to the State again following the withdrawal of the IPSE license.

# **WIND GROUP**

**Consolidated interim financial statements as of and for the  
three-month period ended March 31, 2008**



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## Review report

To the board of directors of  
WIND Telecomunicazioni S.p.A.

- 1 We have reviewed the consolidated interim financial statements comprising the balance sheet, income statement, cash flow statement, statement of changes in equity and notes thereto of the WIND Group as at and for the three-month period ended 31 March 2008. The parent's directors are responsible for the preparation of the consolidated interim financial statements in accordance with IAS 34 "Interim Financial Reporting", endorsed by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.
- 2 We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
- 3 With regard to the corresponding figures included in the consolidated financial schedules relative to the annual consolidated financial statements of the previous year, reference should be made to our report dated 21 March 2008. We have not audited or reviewed the corresponding figures at 31 March 2007 of the WIND Group. As a consequence, our conclusions expressed herein do not extend to such figures.
- 4 Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements as at and for the three-month period ended 31 March 2008 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting", endorsed by the European Union.

KPMG SpA

Rome, 26 May 2008

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**WIND GROUP**  
**CONSOLIDATED INCOME STATEMENT**

(thousands of euro)	Note	2008 3 months	2007 3 months
Revenue . . . . .	5	1,279,954	1,235,794
Other revenue . . . . .	6	20,225	35,759
<b>Total revenue . . . . .</b>		<b>1,300,179</b>	<b>1,271,553</b>
Purchases and services . . . . .	7	(732,592)	(731,969)
Other operating costs . . . . .	8	(21,002)	(25,859)
Personnel expenses . . . . .	9	(90,687)	(86,142)
<b>Operating income before depreciation and amortization, reversal/ impairment of non-current assets and gains/losses on disposal of non-current assets . . . . .</b>		<b>455,898</b>	<b>427,583</b>
Depreciation and amortization . . . . .	10	(257,793)	(270,509)
Reversal (impairment) of non-current assets . . . . .		(495)	—
Gains (losses) on disposal of non-current assets . . . . .		(464)	(13)
<b>Operating income . . . . .</b>		<b>197,146</b>	<b>157,061</b>
Finance income . . . . .	11	9,560	1,995
Finance expenses . . . . .	11	(130,142)	(134,311)
Foreign exchange gains (losses), net . . . . .		469	44
<b>Profit before tax . . . . .</b>		<b>77,033</b>	<b>24,789</b>
Income tax . . . . .	12	(37,331)	(20,153)
<b>Profit / (loss) from continuing operations . . . . .</b>		<b>39,702</b>	<b>4,636</b>
Gain (Loss) from discontinued operations . . . . .		—	—
<b>Profit / (loss) for the period . . . . .</b>		<b>39,702</b>	<b>4,636</b>
Minority interests . . . . .		126	(1,991)
<b>Group's Profit / (loss) for the period . . . . .</b>		<b>39,576</b>	<b>6,627</b>
<b>Earnings per share (in Euro)—basic and diluted: . . . . .</b>	20		
Continuing operations . . . . .		0.27	0.05
Discontinued operations . . . . .		—	—

**WIND GROUP**  
**CONSOLIDATED BALANCE SHEET**

(thousands of euro)	Note	As of March 31, 2008	As of December 31, 2007
<b>ASSETS</b>			
Property, plant and equipment . . . . .	13	3,380,328	3,463,192
Intangible assets . . . . .	14	8,198,687	8,261,752
Financial assets . . . . .	15	117,379	209,841
Deferred tax assets . . . . .	16	429,877	454,636
<b>Total non-current assets . . . . .</b>		<b>12,126,271</b>	<b>12,389,421</b>
Inventories . . . . .		23,677	20,795
Trade receivables . . . . .		1,248,915	1,234,874
Financial assets . . . . .	15	11,526	11,751
Current tax assets . . . . .		21,511	21,351
Other receivables . . . . .		242,423	238,871
Cash and cash equivalents . . . . .	17	316,277	194,868
Assets held for sale . . . . .	18	175,000	175,000
<b>Total current assets . . . . .</b>		<b>2,039,329</b>	<b>1,897,510</b>
<b>Total assets . . . . .</b>		<b>14,165,600</b>	<b>14,286,931</b>
<b>EQUITY and LIABILITIES</b>			
<b>Equity</b>			
Issued capital . . . . .		147,100	147,100
Share premium . . . . .		3,332,061	3,332,061
Reserves . . . . .		63,163	125,284
Retained earnings or losses carried forward . . . . .		523,252	483,741
<b>Equity attributable equityholders of the parent . . . . .</b>	19	<b>4,065,576</b>	<b>4,088,186</b>
<b>Minority interests . . . . .</b>		<b>898</b>	<b>708</b>
<b>Total equity . . . . .</b>	19	<b>4,066,474</b>	<b>4,088,894</b>
<b>Liabilities</b>			
Financial liabilities . . . . .	21	6,744,868	6,726,551
Employee benefits . . . . .		64,190	64,073
Provisions . . . . .		181,297	176,974
Other non-current liabilities . . . . .		15,884	7,536
Deferred tax liabilities . . . . .	16	911,544	942,290
<b>Total non-current liabilities . . . . .</b>		<b>7,917,783</b>	<b>7,917,424</b>
Financial liabilities . . . . .	21	61,901	122,208
Trade payables . . . . .		1,593,651	1,720,588
Other payables . . . . .		500,444	426,644
Tax payable . . . . .		25,347	11,173
<b>Total current liabilities . . . . .</b>		<b>2,181,343</b>	<b>2,280,613</b>
<b>Total liabilities . . . . .</b>		<b>10,099,126</b>	<b>10,198,037</b>
<b>TOTAL EQUITY AND LIABILITIES . . . . .</b>		<b>14,165,600</b>	<b>14,286,931</b>

**WIND GROUP**  
**CONSOLIDATED CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2008</u> <u>3 months</u>	<u>2007</u> <u>3 months</u>
<b>Profit / (loss) from continuing operations</b> . . . . .	<b>39,702</b>	<b>4,636</b>
<b>Adjustments to reconcile the profit / (loss) for the year with the cash flows from/ (used in) operating activities</b>		
Depreciation, amortization and impairment of non-current assets . . . . .	258,288	275,986
Net changes in provisions and employee benefits . . . . .	4,439	1,606
(Gains)/losses on disposal of non-current assets . . . . .	464	13
Changes in current assets . . . . .	4,330	(45,147)
Changes in current liabilities . . . . .	(73,030)	(42,563)
Changes in minority interests . . . . .	64	—
<b>Net cash from operating activities</b> . . . . .	<b>234,257</b>	<b>194,531</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment . . . . .	(90,615)	(96,833)
Proceeds from sale of property, plant and equipment . . . . .	125	34,267
Acquisition of intangible assets . . . . .	(22,358)	(15,734)
(Acquisition)/Disposal of financial assets . . . . .	—	279
<b>Net cash used in investing activities</b> . . . . .	<b>(112,848)</b>	<b>(78,021)</b>
<b>Cash flows from financing activities</b>		
Changes in other financial assets and liabilities . . . . .	—	(242)
<b>Net cash used in financing activities</b> . . . . .	<b>—</b>	<b>(242)</b>
<b>Net cash flows for the period</b> . . . . .	<b>121,409</b>	<b>116,268</b>
Cash and cash equivalents at the beginning of the period . . . . .	194,868	137,886
<b>Cash and cash equivalents at the end of the period</b> . . . . .	<b>316,277</b>	<b>254,154</b>

**ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT**

<u>(thousands of euro)</u>	<u>2008</u> <u>3 months</u>	<u>2007</u> <u>3 months</u>
Income tax paid . . . . .	—	—
Interest expense paid . . . . .	209,036	233,494

**WIND GROUP**  
**STATEMENT OF CHANGES IN CONSOLIDATED EQUITY**

(thousands of euro)	Equity attributable to equityholders of the parent				Equity attributable to equityholders of the parent	Minority interests	Equity
	Issued Capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances as of January 1, 2007 . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
Cash flow hedge . . . . .			6,648		6,648		6,648
Other movements . . . . .				456	456	34	490
Profit (loss) of the period . . . . .				6,627	6,627	(1,991)	4,636
<b>Balances as of March 31, 2007 . . .</b>	<b>147,100</b>	<b>3,768,336</b>	<b>105,521</b>	<b>(144,050)</b>	<b>3,876,907</b>	<b>15,792</b>	<b>3,892,699</b>
<b>Balances as of January 1, 2008 . . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>
Cash flow hedge . . . . .			(64,152)		(64,152)		(64,152)
Other movements . . . . .			2,031	(65)	1,966	64	2,030
Profit (loss) of the period . . . . .				39,576	39,576	126	39,702
<b>Balances as of March 31, 2008 . . .</b>	<b>147,100</b>	<b>3,332,061</b>	<b>63,163</b>	<b>523,252</b>	<b>4,065,576</b>	<b>898</b>	<b>4,066,474</b>

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF WIND GROUP AS OF AND FOR THE  
THREE-MONTH PERIOD ENDED MARCH 31, 2008**

**1. INTRODUCTION**

The Wind Telecomunicazioni Group operates in Italy in the fixed—line and mobile telephony sectors under the Infostrada and WIND brands and in the Internet services sector under the Libero brand, through its subsidiaries ITnet Srl and Italia OnLine Srl.

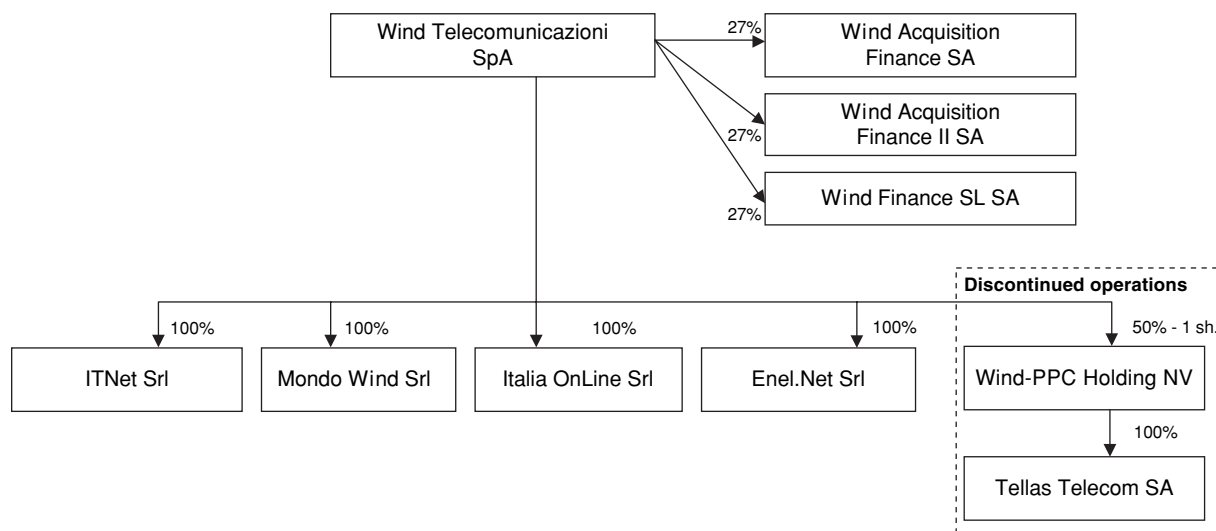
The following are the main offices of the Parent, Wind Telecomunicazioni SpA:

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

The Parent Wind Telecomunicazioni SpA is controlled by Weather Investments SpA through Wind Acquisition Holdings Finance SpA, which wholly owns Wind Telecomunicazioni SpA.

At the date of preparing this report Naguib Onsi Sawiris holds 87.88% of Weather Investments SpA through the Luxembourg registered company Weather Investments II Sàrl, while Wind Acquisition Holdings Finance SpA holds 10% and other investors hold the remaining 2.12%.

The following diagram outlines the structure of the WIND Group as of March 31, 2008:



These consolidated interim financial statements for the three months ended March 31, 2008 include the financial statements of the Parent and its subsidiaries (the Group). As a result of the transfer of control of WIND—PPC Holding NV (WPH) to the related company Wind Hellas SA in the fourth quarter of 2007 and the classification of the residual investment in assets held for sale (see note 18 for further details), the Group does not operate anymore in the Greek fixed-line telephony sector.

During the quarter the Group earned a profit before tax of €77,033 thousand (€24,789 thousand for the three months ended March 31, 2007), the rise being the consequence of offering new commercial solutions in accordance with sector regulatory requirements, enabling it to strengthen its position in the telecommunications market.

The 2008 investment plan, which is integral to supporting planned growth, is in line with that of 2007.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**1. INTRODUCTION—(continued)**

The Group's business plan acts as confirmation that economic and financial balance will be maintained, that there will be an increase in earnings in the medium term and that accordingly the carrying amount of the non-current assets stated in the interim consolidated financial statements for the three months ended March 31, 2008 will be recovered.

The consolidated financial statements as of and for the year ended December 31, 2007 are available on request at the registered office of the Parent stated above.

**2. BASIS OF PRESENTATION**

**2.1 Basis of presentation**

The consolidated interim financial statements of Wind Telecomunicazioni SpA as of and for the three months ended March 31, 2008 have been prepared on a going concern basis and in accordance with the IFRS endorsed by the European Union.

The term IFRS includes all the International Financial Reporting Standards, all the International Accounting Standards (IAS), all the interpretations of the International Financial Reporting Interpretations Committee ('IFRIC') and all interpretations of the Standing Interpretations Committee ('SIC') approved as of the present date by the European Union and contained in the published EU Regulations.

The structure and content of these consolidated interim financial statements comply with the disclosure requirements of IAS 34 *Interim Financial Reporting*. The interim financial statements have been prepared in accordance with IAS 1, while the notes thereto have been drawn up in a short format, as permitted by IAS 34. Accordingly, they do not include all the information required for annual financial statements prepared in accordance with IFRS.

For the purposes of comparison, prior period balances in the financial statements and the detailed schedules in the notes have been reclassified where necessary. These reclassifications, however, do not affect the Group's profit/(loss) or equity.

The preparation of this report required management to apply accounting policies and methodologies that are occasionally based on complex, subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts in the balance sheet, the income statement, the cash flow statement and the accompanying notes. The closing amounts of items in the annual consolidated financial statements that were initially determined for the purposes of the consolidated interim Financial Statements by using the above estimates and assumptions may differ from those based on such estimates and assumptions, given the uncertainty surrounding the assumptions and conditions upon which estimates are based. Management's significant judgments on the application of Group's accounting policies and the main causes of uncertainty of the estimates are the same as those applied in the preparation of the consolidated financial statements as of and for the year ended December 31, 2007.

These consolidated interim financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2007.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**2. BASIS OF PRESENTATION—(continued)**

These consolidated interim financial statements are expressed in euros, the functional currency of the economy in which the Group operates, while all amounts shown in the tables and the notes are expressed in thousands of euros, except where otherwise stated.

The Board of Directors approved these consolidated interim financial statements on May 22, 2008.

**2.2 New accounting standards and interpretations**

The Group has adopted all the new standards or amendments to standards and the interpretations issued by the IASB and the IFRIC applicable to Group operations that are effective for financial statements beginning on or after January 1, 2008.

The new accounting standards and interpretations adopted by the Group in the preparation of these consolidated interim financial statements as of and for the three-month period ended March 31, 2008 are briefly described in the below:

- *IFRIC 11 IFRS 2 Group and Treasury Share Transactions:*

IFRIC 11 specifies the accounting treatment for share-based payment transactions which an entity must settle by purchasing its own equity instruments and for payments based on the shares of one group company (for example the parent) which are assigned to employees of other group companies.

This interpretation, effective from January 1, 2008, has had no effect on the Group's interim consolidated financial statements.

The following interpretations became effective on January 1, 2008 but are not applicable as they have not yet been approved by the European Union:

- *IFRIC 12 Service Concession Arrangements*, which governs situations and circumstances that are not present in the Group;
- *IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, which provides general guidance on how to assess the limit established by IAS 19 on the amount of the plan asset surplus that can be recognized as an asset and provides an explanation of the accounting effects caused by a minimum funding requirement clause.



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**2. BASIS OF PRESENTATION—(continued)**

- *New principles and interpretations not yet effective*

The following standards and interpretations had been issued at the date of these notes but are not yet effective for the preparation of these interim consolidated financial statements.

<u>PRINCIPLE/INTERPRETATION</u>	<u>EFFECTIVE DATE</u>
IFRS 8 <i>Operating Segments</i> . . . . .	annual financial statements for years beginning on or after January 1, 2009
IAS 23 <i>Borrowing Costs (revised March 2007)</i> . . . . .	annual financial statements for years beginning on or after January 1, 2009
IFRIC 13 <i>Customer Loyalty Programmes</i> . . . . .	annual financial statements for years beginning on or after July 1, 2008
IAS 1 <i>Presentation of Financial Statements</i> . . . . .	annual financial statements for years beginning on or after January 1, 2009
IFRS 3 <i>Business Combinations (revised January 2008)</i> . . . . .	annual financial statements for years beginning on or after July 1, 2009
Amendment to IAS 27 <i>Consolidated and Separate Financial Statements</i> . . . . .	annual financial statements for years beginning on or after July 1, 2009
Amendment to IFRS 2 <i>Share-based Payment: Vesting Conditions and Cancellations</i> . . . . .	annual financial statements for years beginning on or after January 1, 2009
Amendment to IAS 32 <i>Financial Instruments: Presentation</i> . . . . .	annual financial statements for years beginning on or after January 1, 2009

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

**3. BASIS OF CONSOLIDATION**

The consolidated interim financial statements as of and for the three-month period ended March 31, 2008 include the financial statements of Wind Telecomunicazioni SpA and those entities over which the company exercises control, both directly or indirectly, from the date on which such control is acquired 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 balance sheet date is also considered when determining whether control exists or not.

There has been a change in the scope of consolidation used in preparing these consolidated interim financial statements compared with that used for the corresponding statements for the three months ended March 31, 2007, with WIND—PPC Holding NV (referred to in the following as WPH) being excluded as the result of loss of control, and details of this may be found in note 18. The amounts in the income statement and cash flow statement for the first three months of 2008 are therefore not immediately comparable with the corresponding figures for the first three months of 2007. This change in consolidation scope was moreover already reflected in the consolidated financial statements as of December 31, 2007.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**4. SEGMENT REPORTING**

The identification of segments and the designation of the Group's primary and secondary reporting segments were carried out on the basis of its organizational structure and internal reporting system. In particular, since the risks and rewards of the Group's investments are exclusively influenced by differences in the products and services provided, the primary reporting segment analysis is by line of business (fixed-mobile telephony). Information by geographical segment has not been presented in view of the fact that the Group operates primarily in Italy.

The following table provides an analysis of total revenue and operating income between the fixed and mobile segments:

(millions of euro)	Fixed		Mobile		Total	
	2008 3 months	2007 3 months	2008 3 months	2007 3 months	2008 3 months	2007 3 months
<b>Total revenues</b> . . . . .	413	422	887	850	1,300	1,272
<b>Operating income (*)</b> . . . . .	73	68	383	360	456	428

(\*) operating income before amortization, impairment of non current assets and gains/(losses) on disposal of non-current assets

**5. REVENUE**

*Revenue* increased by €44,160 thousand (+3.6%) in the first three months of 2008 compared with the corresponding period in 2007.

The following table provides an analysis of this item for the first three months of 2008 and the changes over the corresponding period of 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
<b>Revenue from sales</b> . . . . .	<b>20,624</b>	<b>20,261</b>	<b>363</b>	<b>1.8%</b>
<b>Revenue from services</b>				
—Telephone services . . . . .	891,530	865,022	26,508	3.1%
—Interconnection traffic . . . . .	326,646	317,326	9,320	2.9%
—International roaming . . . . .	14,775	14,221	554	3.9%
—Judicial authority services . . . . .	2,122	1,728	394	22.8%
—Other revenue from services . . . . .	24,257	17,236	7,021	40.7%
<b>Total revenue from services</b> . . . . .	<b>1,259,330</b>	<b>1,215,533</b>	<b>43,797</b>	<b>3.6%</b>
<b>Total</b> . . . . .	<b>1,279,954</b>	<b>1,235,794</b>	<b>44,160</b>	<b>3.6%</b>

This positive trend was mainly driven by a €26,508 thousand increase in revenue from telephony services, which reached €891,530 thousand in the first three months of 2008. This increase is mainly attributable to the growth in the mobile voice segment, arising from both voice and data services as a consequence of a higher usage of Internet and multimedia services.

The increase in revenue also arises from greater amounts arriving from interconnection traffic (+2.9% compared to the first three months of 2008), mainly due to higher incoming fixed traffic

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**5. REVENUE—(continued)**

volumes and international traffic, a rise in value added service volumes and the changed regulatory scenario, for which details may be found in the Report on Operations.

Revenue from international roaming increased by €554 thousand during the first three months of the year, mainly due to increased volumes of traffic, whose effect was to a large extent offset by the decrease in tariffs as a result of the adoption by the Parent of the self-regulation code of the GSM Association and of a general fall in roaming tariffs in international markets.

The increase in other service revenue is mainly due to the increase in sales of advertising space on the Libero portal as a consequence of the growth in the market.

Moreover, as a consequence of the events described in note 18 this item does not include the revenue of the WPH Group in 2008 which amounted to €26,204 thousand for the first three months of 2007.

**6. OTHER REVENUE**

*Other revenue* decreased by €15,534 thousand during the first three months of 2008 compared to the corresponding period of the previous year, when it included €19,450 thousand arising from the sale to Terna SpA on March 29, 2007 of the exclusive right to use a fiber optic couple owned by the WIND Group and having a length of approximately 11,000 km throughout the whole of Italy.

The item for the three-month period ended March 31, 2008 includes € 12,300 thousand due to the reformulation of termination tariffs, with effect from July 1, 2007, as a result of the AGCOM resolution of May 14, 2008 establishing higher tariffs than ones applied in the second half of 2007 (further details may be found in the Report on Operations).

Other revenue of the WPH Group, not included in the item for the first three months of 2008, amounted to €996 thousand in the first three months of 2007.

**7. PURCHASES AND SERVICES**

*Purchases and services* amounted to €732,592 thousand in the first three months of 2008 and €731,969 thousand in the first three months of 2007.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OF WIND GROUP AS OF AND FOR THE  
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**7. PURCHASES AND SERVICES—(continued)**

The following table provides an analysis of this item for the first three months of 2008 and a comparison with the corresponding period in 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Interconnection traffic . . . . .	316,421	337,760	(21,339)	(6.3)%
Customer acquisitions costs . . . . .	73,500	73,248	252	0.3%
Lease of civil and technical sites . . . . .	53,571	51,062	2,509	4.9%
Purchases of raw materials, consumables, supplies and goods . . . .	37,814	25,807	12,007	46.5%
Lease of telecommunication circuits . . . . .	22,385	27,545	(5,160)	(18.7)%
Advertising and promotional services . . . . .	47,344	43,486	3,858	8.9%
Outsourced services . . . . .	36,471	32,157	4,314	13.4%
Other services . . . . .	23,108	16,567	6,541	39.5%
Lease of local access network . . . . .	47,216	46,693	523	1.1%
Maintenance and repair . . . . .	30,682	25,776	4,906	19.0%
Utilities . . . . .	17,987	15,608	2,379	15.2%
National and international roaming . . . . .	7,149	8,619	(1,470)	(17.1)%
Consultancies and professional services . . . . .	9,772	7,519	2,253	30.0%
Variation in inventories . . . . .	(3,557)	5,187	(8,744)	N.S.
Other leases and use of third party assets . . . . .	5,470	6,589	(1,119)	(17.0)%
Bank and postal charges . . . . .	3,950	4,595	(645)	(14.0)%
Transport and logistics . . . . .	3,309	3,751	(442)	(11.8)%
<b>Total purchases and services . . . . .</b>	<b>732,592</b>	<b>731,969</b>	<b>623</b>	<b>0.1%</b>

The item shows an increase of € 623 thousand due mainly to:

- a decrease of €21,339 thousand in costs for “interconnection traffic” as the combined effect of a drop in domestic interconnection traffic, due to a decrease in tariffs, and a rise in international interconnection traffic due to an increase in volumes;
- a decrease of €5,160 thousand for the “lease of telecommunication circuits” as the result of the optimization of the network mainly related to the LLU migration;
- an increase of €4,906 thousand in costs for “maintenance and repair” of network and information systems;
- an increase of €4,314 thousand in “outsourced services” for assistance and call center services as the consequence of the increase in the customer base and the transfer of the Sesto San Giovanni call centre to external management;
- an increase of €3,858 thousand in “advertising and promotional services” due to increased television service volumes and costs for sponsoring events.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**8. OTHER OPERATING COSTS**

*Other operating costs* amounted to €21,002 thousand in the first three months of 2008, with a decrease of €4,857 thousand over the corresponding period of 2007, mainly as a result of lower accruals for costs and a reduction in write-downs of trade receivables.

The following table provides an analysis of the item for the first three months of 2008 and a comparison with the corresponding period of 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Write-down of trade receivables and current assets . . . . .	8,439	11,023	(2,584)	(23.4)%
Accruals for costs . . . . .	2,628	6,695	(4,067)	(60.7)%
Annual license fees . . . . .	5,776	5,197	579	11.1%
Other operating costs . . . . .	2,059	2,281	(222)	(9.7)%
Accruals for risks . . . . .	783	358	425	118.7%
Gifts . . . . .	1,317	305	1,012	331.8%
<b>Total other operating costs . . . . .</b>	<b>21,002</b>	<b>25,859</b>	<b>(4,857)</b>	<b>(18.8)%</b>

Other operating costs of the WPH Group, not included in the item for the first three months of 2008 as discussed in note 18, amounted to €586 thousand in the first three months of 2007.

**9. PERSONNEL EXPENSES**

*Personnel expenses* amounted to €90,687 thousand in the first three months of 2008, an increase of €4,545 thousand compared to the corresponding period of 2007. This difference is due to an increase in “Wages and salaries” mostly due to the costs connected with the long-term incentives plan relating to certain Group employees, amounting in total to €10,290 thousand, which were only partially offset by a decrease in the average number of employees following the implementation of the business restructuring plan (further details may be found in the Report on Operations).

The following table provides an analysis of the item for the first three months of 2008 and a comparison with the corresponding period of 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Wages and salaries . . . . .	71,755	65,826	5,929	9.0%
Social security charges . . . . .	20,611	19,558	1,053	5.4%
Other . . . . .	3,234	3,510	(276)	(7.9)%
Post-employment benefits . . . . .	3,651	4,620	(969)	(21.0)%
(Costs capitalized for internal works) . . . . .	(8,564)	(7,372)	(1,192)	16.2%
<b>Total personal expenses . . . . .</b>	<b>90,687</b>	<b>86,142</b>	<b>4,545</b>	<b>5.3%</b>

Personnel expenses of the WPH Group, not included in the item for the first three months of 2008, amounted to €2,692 thousand in the first three months of 2007.

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**10. DEPRECIATION AND AMORTIZATION**

The following table provides an analysis of depreciation and amortization for the first three months of the year and a comparison with the corresponding period of 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Depreciation of property, plant and equipment				
—Plant and machinery . . . . .	164,789	168,860	(4,071)	(2.4)%
—Industrial and commercial equipment . . . . .	1,555	1,474	81	5.5%
—Other assets . . . . .	7,332	10,905	(3,573)	(32.8)%
Amortization of intangible assets with a finite life				
—Industrial patents and similar rights . . . . .	19,237	24,094	(4,857)	(20.2)%
—Licenses, trademarks and similar rights . . . . .	38,835	39,129	(294)	(0.8)%
—Other intangible assets . . . . .	26,045	26,047	(2)	(0.0)%
<b>Total depreciation and amortization . . . . .</b>	<b>257,793</b>	<b>270,509</b>	<b>(12,716)</b>	<b>(4.7)%</b>

*Depreciation and amortization* decreased by €12,716 thousand over the first three months of 2007 due to the completion of the amortization and depreciation of equipment and capitalized software costs in prior years and the rationalization of investments made in the current and prior periods. The depreciation charge for plant and machinery in the first three months of 2008 is affected by the lengthening of the depreciation term for leasehold improvements as the result of the assessment made at the end of 2007 of the renewal options of the lease agreements entered by the Parent; the effect of revising the lease agreements led to a decrease in depreciation of €1,115 thousand.

The balance for 2008 does not include the depreciation and amortization of the WPH Group which amounted to €4,245 thousand in the first three months of 2007.

**11. FINANCE INCOME AND EXPENSES**

Financial management generated net finance expenses of €120,582 thousand in the first three months of 2008 (€132,316 thousand in the first three months of 2007).

Finance income for the first three months of 2008 stems mainly from accrued interest on bank deposits, which rose over the corresponding period in 2007 as the result of increased liquidity, and from derivatives, arising from the ineffective portion of hedging and from the change in the fair value (negative balance as of March 31, 2007) of the embedded derivative in the Senior Notes.

Finance expenses decreased mostly due to the change in fair value of the embedded derivative in the Senior Notes and to the lower interest arising from the Senior Credit Agreement following a repayment of €491 million made at the end of 2007.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**11. FINANCE INCOME AND EXPENSES—(continued)**

The following table provides an analysis of the item for the first three months of 2008 and a comparison with the corresponding period of 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Interest on bank deposits . . . . .	2,805	1,672	1,133	67.8%
Gain on the fair value measurement of derivatives . . . . .	6,244	—	6,244	N.M.
Others . . . . .	511	323	188	58.2%
<b>Total financial income . . . . .</b>	<b>9,560</b>	<b>1,995</b>	<b>7,565</b>	<b>379.2%</b>

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Interest expense on:				
Bond issues . . . . .	(36,105)	(36,313)	208	N.M.
Bank loans . . . . .	(107,586)	(106,472)	(1,114)	1.0%
Discounted provisions . . . . .	(2,397)	(1,655)	(742)	44.8%
Cash flow hedges, reversed from equity . . . . .	16,190	13,867	2,323	16.8%
Losses on the fair value measurement of non hedging derivatives . . . . .	—	(3,489)	3,489	N.M.
Other . . . . .	(244)	(249)	5	(2.0)%
<b>Total financial expense . . . . .</b>	<b>130,142</b>	<b>134,311</b>	<b>(4,169)</b>	<b>(3.1)%</b>

Financial expense of the WPH Group, not included in the item for the first three months of 2008, amounted to €772 thousand in the first three months of 2007.

**12. INCOME TAX**

Income taxes are recognized as of March 31, 2008 and March 31, 2007 on the basis of the taxable profit for the period and applicable laws and regulations, using tax rates in force at the balance sheet date rather than the best estimate of the weighted average rate expected for the full financial year.

The following table sets out income taxes for the three months ended March 31, 2008 and 2007.

(thousands of euro)	2008 3 months	2007 3 months	Change	
			Amount	%
Current tax . . . . .	(48,275)	(35,226)	(13,049)	37.0%
Deferred tax . . . . .	10,944	15,073	(4,129)	(27.4)%
<b>Total income tax . . . . .</b>	<b>(37,331)</b>	<b>(20,153)</b>	<b>(17,178)</b>	<b>85.2%</b>



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**12. INCOME TAX—(continued)**

This item consists of the following for the first three months of 2008:

- income taxes of €48,275 thousand (of which € 34,119 thousand for IRES tax and €14,156 thousand for IRAP tax), accruing on consolidated taxable profit for the period;
- net deferred tax income of €10,944 thousand, arising from an increase of €1,631 thousand in deferred tax assets and a decrease of €9,313 thousand in deferred tax liabilities, mainly related to the changes in temporary differences on funds and fixed assets, respectively.

**13. PROPERTY, PLANT AND EQUIPMENT**

*Property, plant and equipment* total €3,380,328 thousand, a decrease of €82,864 thousand over December 31, 2007, mainly due to the net effect of investments of €90,615 thousand, depreciation of €173,676 thousand, disposals of €589 thousand and impairment losses of €495 thousand. The most significant gross increases relate to relay stations and high-frequency equipment to develop the mobile access network and plant and machinery under construction.

Investments in property, plant and equipment are as a whole in line with those of the previous period. They relate mainly to improvements made to the quality of the GSM network, the expansion of UMTS network coverage and increases made to the capacity of the LLU sites needed to deal with the success achieved by the sales offers made by the direct fixed-line segment (Voice and ADSL). The work carried out on the Backbone and Data networks as a consequence of the increased traffic volumes was also of significance.

Disposals relate mainly to relay stations and high-frequency equipment made as part of the reorganization and development of the production structure.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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**13. PROPERTY, PLANT AND EQUIPMENT—(continued)**

The following table provides an analysis of the changes in this item during the first three months of 2008.

(thousands of euro)	Land and buildings	Plant and machinery	Equipment	Other	Assets under construction	Total
<b>Cost</b>						
<b>As of December 31, 2007</b> . . . . .	<b>467</b>	<b>7,859,043</b>	<b>112,006</b>	<b>432,591</b>	<b>159,758</b>	<b>8,563,865</b>
Additions . . . . .	85	39,217	622	600	50,091	90,615
Disposals . . . . .	—	(18,184)	—	(3)	—	(18,187)
Others . . . . .	—	48,255	564	1,986	(49,533)	1,272
<b>As of March 31, 2008</b> . . . . .	<b>552</b>	<b>7,928,331</b>	<b>113,192</b>	<b>435,174</b>	<b>160,316</b>	<b>8,637,565</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>As of December 31, 2007</b> . . . . .	<b>—</b>	<b>4,627,069</b>	<b>96,581</b>	<b>377,023</b>	<b>—</b>	<b>5,100,673</b>
Disposals . . . . .	—	(17,595)	—	(3)	—	(17,598)
(Reversal)/ Impairment . . . . .	—	(146)	—	—	641	495
Depreciation . . . . .	—	164,789	1,555	7,332	—	173,676
Others . . . . .	—	(9)	—	—	—	(9)
<b>As of March 31, 2008</b> . . . . .	<b>—</b>	<b>4,774,108</b>	<b>98,136</b>	<b>384,352</b>	<b>641</b>	<b>5,257,237</b>
<b>Net balance</b>						
<b>As of December 31, 2007</b> . . . . .	<b>467</b>	<b>3,231,974</b>	<b>15,425</b>	<b>55,568</b>	<b>159,758</b>	<b>3,463,192</b>
<b>As of March 31, 2008</b> . . . . .	<b>552</b>	<b>3,154,223</b>	<b>15,056</b>	<b>50,822</b>	<b>159,675</b>	<b>3,380,328</b>

**14. INTANGIBLE ASSETS**

*Intangible assets* total €8,198,687 thousand, a decrease of €63,065 thousand over December 31, 2007, mainly as the net result of investments of €22,358 thousand and the amortization charge of €84,117 thousand.

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**14. INTANGIBLE ASSETS—(continued)**

The following table provides an analysis of the changes in this item during the first three months of 2008.

(thousands of euro)	Industrial patents and intellectual property rights	Permits, licenses, trademarks and similar rights	Other intangible assets	Goodwill	Assets under development	Total
<b>Cost</b>						
As of December 31, 2007 . . . .	<u>1,165,137</u>	<u>4,465,675</u>	<u>1,035,466</u>	<u>3,957,433</u>	<u>42,623</u>	<u>10,666,334</u>
Additions . . . . .	5,607	38	45	—	16,668	22,358
Others . . . . .	11,316	(51)	1	—	(12,588)	(1,322)
As of March 31, 2008 . . . . .	<u>1,182,060</u>	<u>4,465,662</u>	<u>1,035,512</u>	<u>3,957,433</u>	<u>46,703</u>	<u>10,687,370</u>
<b>Accumulated amortization and impairment</b>						
As of December 31, 2007 . . . .	<u>966,772</u>	<u>821,104</u>	<u>251,885</u>	<u>364,821</u>	<u>—</u>	<u>2,404,582</u>
Amortization . . . . .	19,237	38,835	26,045	—	—	84,117
Others . . . . .	(4)	(12)	—	—	—	(16)
As of March 31, 2008 . . . . .	<u>986,005</u>	<u>859,927</u>	<u>277,930</u>	<u>364,821</u>	<u>—</u>	<u>2,488,683</u>
<b>Net balance</b>						
As of December 31, 2007 . . . .	<u>198,365</u>	<u>3,644,571</u>	<u>783,581</u>	<u>3,592,612</u>	<u>42,623</u>	<u>8,261,752</u>
As of March 31, 2008 . . . . .	<u>196,055</u>	<u>3,605,735</u>	<u>757,582</u>	<u>3,592,612</u>	<u>46,703</u>	<u>8,198,687</u>

No impairment tests were carried out on these assets as of March 31, 2008 given the absence of impairment indicators.

**15. FINANCIAL ASSETS**

The following table provides an analysis of *Financial assets* as of March 31, 2008 and changes compared to December 31, 2007.

(thousands of euro)	As of March 31, 2008			As of December 31, 2007		
	Non current	Current	Total	Non current	Current	Total
Financial assets measured at cost . . . . .	2,138	—	2,138	2,088	—	2,088
Derivative financial instruments . . . . .	109,868	3,200	113,068	203,622	3,183	206,805
Financial receivables . . . . .	5,373	8,326	13,699	4,131	8,568	12,699
<b>Total . . . . .</b>	<u>117,379</u>	<u>11,526</u>	<u>128,905</u>	<u>209,841</u>	<u>11,751</u>	<u>221,592</u>

Details of the composition of the derivative financial instruments balance and respective changes are to be found in note 22.

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**16. DEFERRED TAX ASSETS AND LIABILITIES**

*Deferred tax assets and liabilities* total €429,877 thousand and €911,544 thousand, respectively, with decreases of €24,759 thousand and €30,746 thousand.

The following table provides details of deferred tax assets and liabilities by origin at March 31, 2008 and December 31, 2007.

(thousands of euro)	As of December 31, 2007	Decrease	Increase	As of March 31, 2008
<u>Description</u>				
Tax losses carried forward . . . . .	331,497	29,162	—	302,335
Provision for bad debts (taxed) . . . . .	64,449	—	—	64,449
Provisions . . . . .	48,515	3,671	6,596	51,440
Measurement of financial assets/liabilities . . . . .	9,729	1,590	—	8,139
Amortization and depreciation of non-current assets . . . . .	338	92	23	269
Revenue . . . . .	108	227	571	452
Other . . . . .	—	—	2,793	2,793
<b>Deferred tax assets . . . . .</b>	<b><u>454,636</u></b>	<b><u>34,742</u></b>	<b><u>9,983</u></b>	<b><u>429,877</u></b>
Employee benefits . . . . .	228	559	2,859	2,528
Accelerated depreciation . . . . .	15,230	—	384	15,614
Derivative financial instruments . . . . .	53,390	24,055	636	29,971
Property, plant, and equipment at fair value . . . . .	106,453	1,669	—	104,784
Goodwill allocation . . . . .	759,378	8,342	—	751,036
Provisions . . . . .	738	—	—	738
Revenue . . . . .	6,873	—	—	6,873
<b>Deferred tax liabilities . . . . .</b>	<b><u>942,290</u></b>	<b><u>34,625</u></b>	<b><u>3,879</u></b>	<b><u>911,544</u></b>

**17. CASH AND CASH EQUIVALENTS**

This item relates to the surplus cash arising from operations. Changes are mainly due to cash flows arising from the settlement of ordinary receipts and payments, for which details please refer to the note 23 on Cash Flow Statement.

**18. ASSETS HELD FOR SALE**

The balance of €175,000 thousand on this item as of March 31, 2008 consists exclusively of the fair value net of costs to sell of the residual investment (50% less one share) held by the Group in the former subsidiary WPH.

As described in the notes to the consolidated financial statements as of December 31, 2007, to which reference should be made for further details, the classification of WPH amongst assets held for sale is the consequence of the loss of control of this company in October 2007 and the simultaneous signing of a corporate governance pact with the new controlling shareholder, the related Wind Hellas SA, and the parent Weather Investments SpA. The pact provides amongst other things for a put and call option agreement on the residual investment and these render the completion of the sale highly probable through the options exercise.

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**18. ASSETS HELD FOR SALE—(continued)**

The following table sets out the figures for the WPH Group included in the consolidated financial statements for the first three months of 2007 to assist with a comparison of the items in the income statement.

INCOME STATEMENT (thousands of euro)	2007 3 months
<b>Total revenue</b> . . . . .	<b>27,200</b>
<b>Operating income before depreciation and amortization, reversal/impairment of non-current assets, gains/losses on disposal of non-current assets</b> . . . . .	<b>83</b>
<b>Operating loss</b> . . . . .	<b>(4,162)</b>
<b>Loss before tax</b> . . . . .	<b>(4,934)</b>
<b>Loss for the period</b> . . . . .	<b>(4,175)</b>

**19. EQUITY**

*Equity* as of March 31, 2008 amounted to €4,066,474 thousand, of which €4,065,576 thousand was attributable to the equityholders of the Parent and €898 thousand to minority interests. The following table summarizes the main changes in equity for the first three months of 2008 and for the corresponding period in 2007.

(thousands of euro)	Equity attributable to shareholders of the parent				Equity attributable to equityholders of the parent	Minority interests	Equity
	Issued Capital	Share premium	Other reserves	Retained earnings/ (losses carried forward)			
<b>Balances as of January 1, 2007</b> . .	<b>147,100</b>	<b>3,768,336</b>	<b>98,873</b>	<b>(151,133)</b>	<b>3,863,176</b>	<b>17,749</b>	<b>3,880,925</b>
Cash flow hedge . . . . .			6,648		6,648		6,648
Other movements . . . . .				456	456	34	490
Profit (loss) of the period . . . . .				6,627	6,627	(1,991)	4,636
<b>Balances as of March 31, 2007</b> . .	<b>147,100</b>	<b>3,768,336</b>	<b>105,521</b>	<b>(144,050)</b>	<b>3,876,907</b>	<b>15,792</b>	<b>3,892,699</b>
<b>Balances as of January 1, 2008</b> . .	<b>147,100</b>	<b>3,332,061</b>	<b>125,284</b>	<b>483,741</b>	<b>4,088,186</b>	<b>708</b>	<b>4,088,894</b>
Cash flow hedge . . . . .			(64,152)		(64,152)		(64,152)
Employee stock option plans . . . .			2,031		2,031		2,031
Other movements . . . . .				(65)	(65)	64	(1)
Profit (loss) of the period . . . . .				39,576	39,576	126	39,702
<b>Balances as of March 31, 2008</b> . .	<b>147,100</b>	<b>3,332,061</b>	<b>63,163</b>	<b>523,252</b>	<b>4,065,576</b>	<b>898</b>	<b>4,066,474</b>

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**19. EQUITY—(continued)**

The following table sets out the income and the expenses recognized directly in equity during the first three months of 2008 and for the corresponding period in 2007.

(thousands of euro)	Reserve	Reserves Tax effect	Total
<b>Balances as of January 1, 2007</b> . . . . .	<b>147,657</b>	<b>(48,784)</b>	<b>98,873</b>
Cash flow hedge . . . . .	9,923	(3,275)	<b>6,648</b>
<b>Balances as of March 31, 2007</b> . . . . .	<b>157,580</b>	<b>(52,059)</b>	<b>105,521</b>
 <b>Balances as of January 1, 2008</b> . . . . .	 <b>161,597</b>	 <b>(44,439)</b>	 <b>117,158</b>
Cash flow hedge . . . . .	(88,487)	24,335	<b>(64,152)</b>
<b>Balances as of March 31, 2008</b> . . . . .	<b>73,110</b>	<b>(20,104)</b>	<b>53,006</b>

The following table shows the changes in the cash flow hedge reserve.

(thousands of euro)	Interst rate risk	Foreign currency risk	Total
<b>As of December 31, 2007</b> . . . . .	<b>108,944</b>	<b>8,214</b>	<b>117,158</b>
Changes in fair value . . . . .	(59,041)	(59,942)	(118,983)
(Related tax effect) . . . . .	16,236	16,484	32,720
Reverse in income statements . . . . .	(17,865)	48,363	30,498
(Deferred tax effect) . . . . .	4,913	(13,300)	(8,387)
<b>As of March 31, 2008</b> . . . . .	<b>53,187</b>	<b>(181)</b>	<b>53,006</b>

As of March 31 2008 the share capital of the Parent Wind Telecomunicazioni SpA consisted of 146,100,000 fully subscribed and paid up ordinary shares without nominal value held by the sole shareholder Wind Acquisition Holdings Finance SpA.

Voting rights at shareholders' meetings of the Parent have been retained by Wind Acquisition Holdings Finance SpA, despite the encumbrance arising from the establishment of a pledge on the shares representing the Company's share capital held by Wind Acquisition Holdings Finance SpA, on the basis of an explicit contractual agreement, as a permitted exception to the provisions of paragraph 1, article 2352 of the Italian civil code.

**20. EARNINGS PER SHARE**

The figure for earnings per share is based on the profit attributable to shareholders of the Parent. Both basic and diluted earnings per share have been calculated by using the weighted average number of 146,100,000 outstanding shares for the period as denominator, since there were no dilutive effects as of either March 31, 2008 or March 31, 2007.

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**21. FINANCIAL LIABILITIES**

The following table sets out an analysis of *Financial liabilities* as of March 31, 2008 and changes with respect to December 31, 2007.

(thousands of euro)	As of March 31, 2008			As of December 31, 2007		
	Non-current	Current	Total	Non-current	Current	Total
Bond issues . . . . .	1,358,197	45,225	<b>1,403,422</b>	1,388,190	11,285	<b>1,399,475</b>
Bank loans . . . . .	5,198,539	16,676	<b>5,215,215</b>	5,210,212	110,923	<b>5,321,135</b>
Derivative financial instruments . . .	188,132	—	<b>188,132</b>	128,149	—	<b>128,149</b>
<b>Total financial liabilities . . . . .</b>	<b>6,744,868</b>	<b>61,901</b>	<b>6,806,769</b>	<b>6,726,551</b>	<b>122,208</b>	<b>6,848,759</b>

The following tables provide the most important information regarding bank financing and bond issues outstanding as of March 31, 2008.

(thousands of euro)	Carrying amount as of March 31, 2008	Carrying amount as of December 31, 2007	Nominal value as of December 31, 2007	Residual Commitment	Currency	Due date	Interest rate
<b>Amounts due to banks</b>							
<i>Senior Credit Agreement</i>							
—Tranche A1 . . . . .	1,405,332	1,416,897	1,415,035	1,415,035	EUR	5/26/2012	Euribor+1.875%
—Tranche A2 . . . . .	162,488	164,275	164,250	164,250	EUR	12/31/2010	Euribor+1.875%
—Tranche B1 . . . . .	1,451,686	1,478,439	1,475,797	1,475,797	EUR	5/26/2013	Euribor+2.625%
—Tranche B2 . . . . .	46,605	51,048	47,432	47,432	USD	5/26/2013	Libor+2.625%
—Tranche C1 . . . . .	1,450,145	1,479,995	1,475,797	1,475,797	EUR	5/26/2014	Euribor+3.375%
—Tranche C2 . . . . .	46,557	51,099	47,432	47,432	USD	5/26/2014	Libor+3.375%
Revolving . . . . .	384	394	384	400,000	EUR	5/26/2012	Euribor+1.875%
<i>Second Lien</i>							
—Tranche Euro . . . . .	540,590	555,780	551,913	551,913	EUR	11/26/2014	Euribor+6.250%
—Tranche USD . . . . .	111,426	123,209	113,838	113,838	USD	11/26/2014	Libor+6.250%
<b>Total . . . . .</b>	<b>5,215,215</b>	<b>5,321,135</b>	<b>5,291,879</b>	<b>5,691,494</b>			

(thousands of euro)	Carrying amount	Nominal Value	Issue Price	Currency	Due date	Interest rate	Price
<b>Bonds</b>							
Senior Notes . . . . .	840,415	825,000	100,0%	EUR	12/01/2015	9.75%	99.00%
Senior Notes . . . . .	322,879	316,216	100,0%	USD	12/01/2015	10.75%	102.50%
Senior Notes . . . . .	136,614	125,000	106,0%	EUR	12/01/2015	9.75%	99.00%
Senior Notes . . . . .	103,514	94,865	105,5%	USD	12/01/2015	10.75%	102.50%
<b>Total . . . . .</b>	<b>1,403,422</b>	<b>1,361,080</b>					



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**21. FINANCIAL LIABILITIES—(continued)**

The following table provides an analysis of loans at the balance sheet date, indicating applicable interest rates by lending currency.

(thousands of euro)	As of March 31, 2008					Total
	<5%	5%<i <7,5%	7,5%<i <10%	10%<i <12,5%	12,5%<i <15%	
Euro . . . . .	384	1,567,821	3,038,446	1,381,005	—	5,987,656
US Dollars . . . . .	—	93,162	214,940	322,879	—	630,981
<b>Total . . . . .</b>	<b>384</b>	<b>1,660,982</b>	<b>3,253,386</b>	<b>1,703,884</b>	<b>—</b>	<b>6,618,637</b>

Details of the composition of the derivative financial instruments balance and respective changes are to be found in note 22.

**22. DERIVATIVE FINANCIAL INSTRUMENTS**

The following table provides a summary of *Derivative financial instruments* as of March 31, 2008 and changes over December 31, 2007, analyzed by the type of risk hedged.

(thousands of euro)	As of March 31, 2008		As of December 31, 2007	
	Fair Value (+)	Fair Value (—)	Fair Value (+)	Fair Value (—)
—Exchange rate risk . . . . .	—	188,132	—	128,149
—Interest rate risk . . . . .	73,150	—	172,117	—
<b>Total Cash Flow Hedge . . . . .</b>	<b>73,150</b>	<b>188,132</b>	<b>172,117</b>	<b>128,149</b>
Embedded derivatives . . . . .	36,999	—	34,688	—
Derivatives Non Hedge Accounting . . . . .	2,919	—	—	—
<b>Total Derivatives Non Hedge Accounting . . . . .</b>	<b>39,918</b>	<b>—</b>	<b>36,999</b>	<b>—</b>
—Current . . . . .	3,200	—	3,183	—
—Non current . . . . .	109,868	188,132	203,622	128,149
<b>Total . . . . .</b>	<b>113,068</b>	<b>188,132</b>	<b>206,805</b>	<b>128,149</b>

Changes in the fair value of derivatives arise mainly from variations in the interest rate curve and movements in the euro/US\$ exchange rate over the period. In addition, interest rate derivatives were affected by the accruals collected during the period.

**23. CASH FLOW STATEMENT**

Cash flows from operating activities totalled €234,257 thousand in the first three months of 2008, with an increase of €39,726 thousand over the corresponding period in 2007. This change is mainly due to the positive trend in revenue and the related increase in operating income. The balance was also affected by the changes in working capital relating to the settlement of assets and liabilities.

Investing activities used cash for a total of €112,848 thousand, an increase of €34,827 thousand over the corresponding period of 2007. This increase is mainly due to the lower level of disposals of property, plant and equipment, which in 2007 relate principally to the effect of the sale to Terna of the

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**23. CASH FLOW STATEMENT—(continued)**

exclusive right to use an optical fiber couple. Investments in property, plant and equipment are as a whole in line with those of the previous period. They relate mainly to improvements made to the quality of the GSM network, the expansion of UMTS network coverage and increases made to the capacity of the LLU sites needed to back support the success achieved by the sales offers made by the direct fixed-line segment (Voice and ADSL). The work carried out on the Backbone and Data networks as a consequence of the increased traffic volumes was also of significance.

Financing activities did not generate any effects on cash flows during the first three months of 2008 or 2007.

**24. RELATED PARTY TRANSACTIONS**

Transactions with the related parties described below consist of those with Weather Group companies. Starting from April 2007, transactions with the Wind Hellas Group are also considered related party transactions following the acquisition finalized by the parent Weather Investments SpA on April 20, 2007.

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

In particular, the Parent has entered an agreement with the parent Weather Investments SpA under which the latter is entitled to receive an annual fee of €8 million plus ancillary expenses for providing services to the former (such as those relating to IT, marketing, personnel, purchasing, etc.).

During the period and as of March 31, 2008 Group companies did not hold treasury shares of the Parent Wind Telecomunicazioni SpA, either directly or through trustees, or shares of the parent Wind Acquisition Holdings Finance SpA and of the indirect parent Weather Investments SpA or investments in the indirect parent Weather Investments II Srl.

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**24. RELATED PARTY TRANSACTIONS—(continued)**

The following table summarizes the main financial effects of related party transactions on the income statement and balance sheet taking place during the period.

(thousands of euro)	Period ended March 31, 2008						
	Revenue	Finance income	Expenses	Trade Receivables	Other Receivables	Trade Payables	Other Payables
Arpu for Communication services							
Company . . . . .	—	—	—	900	—	—	—
Egyptian Company for Mobile Services . .	57	—	122	74	—	174	—
M-Link Company . . . . .	777	—	4,761	526	—	3,445	—
Orascom Telecom . . . . .	—	—	—	—	—	(1,515)	—
Orascom Telecom Algeria Company . . . .	53	—	11	49	—	17	—
Orascom Telecom Tunisie SA . . . . .	—	—	56	—	—	—	—
Orascom Technology Solutions (OTS) . . .	—	—	—	—	—	1,402	—
Orascom Tunisia Holding Ltd Co. . . . .	71	—	—	165	—	144	—
Mobilink . . . . .	19	—	—	19	—	—	—
Banglalink . . . . .	—	—	—	1	—	1	—
Rain Srl . . . . .	—	—	—	876	—	—	—
Wind Hellas Telecommunications SA . . . .	54	—	22	32	—	16	—
Wind PPC-Holding . . . . .	—	241	—	28,001	—	15,914	—
Wind Acquisition Holdings Finance SpA . .	—	—	—	—	645	—	273
Weather Investments SpA* . . . . .	—	—	2,000	—	2,631	6,000	45,688
<b>Total . . . . .</b>	<b><u>1,031</u></b>	<b><u>241</u></b>	<b><u>6,974</u></b>	<b><u>30,643</u></b>	<b><u>3,276</u></b>	<b><u>25,597</u></b>	<b><u>45,961</u></b>

\* payables due to Weather Investments SpA relate, in the amount of €45,624, to the transfer by the subsidiaries Enel.Net, IOL and IT.Net of their corporate income tax (IRES) payables following the choice to take part in the national tax consolidation procedure with Weather Investments SpA.

**25. CONTINGENT ASSETS AND LIABILITIES**

There have been no changes in the contingent assets or liabilities reported in the notes to the consolidated financial statements as of and for the year ended December 31, 2007.

**26. OTHER INFORMATION**

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

The collateral pledged by Group companies as of March 31, 2008 as a guarantee for liabilities may be summarized as follows:

- a special lien exists pursuant to article 46 of the Consolidated Banking Law on certain assets, present and future, belonging to the Parent and its subsidiary Enel.Net Srl, as specified in the relevant deed, in favor of the pool of bank lenders party to the Credit Facility Agreement, the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA and other creditors specified in the relevant deed;

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**26. OTHER INFORMATION—(continued)**

- a lien exists on the Parent's trademarks and intellectual property rights, as specified in the relevant deed, pledged in favor of the bank lenders party to the Credit Facility Agreement and other creditors specified in the instrument;
- a lien exists on the shares held by the Parent in Wind Finance SL SA, equal to 27% of share capital, pledged in favor of the subscribers to the Second Lien Notes.

Despite the encumbrances on the pledged shares voting rights at shareholders' meetings of the companies are retained by the Group on the basis of an explicit contractual agreement, as a permitted exception to the provisions of paragraph 1, article 2352 of the Italian civil code.

In addition, the Group has undertaken, pursuant to the "Master Security Agreement", to pledge further guarantees on certain assets to be acquired by the Parent and its subsidiary Enel.Net Srl in favor of the lending banks in the Credit Facility Agreement, the other creditors specified in the Master Security Agreement and the subscribers to the Second Lien Notes. In particular, it has undertaken to pledge as additional collateral the shares or quotas (whether newly subscribed or purchased) of significant subsidiaries, property or rights pursuant to article 2810, paragraphs 1 and 2 of the Italian civil code with a value of at least €1 million and any VAT credits acquired by or which arise in favor of the companies.

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 relevant deed, to the lending banks and the other lending parties specified there in as a guarantee for and in favor of the subscribers to the Second Lien Notes issued on September 29, 2005 by the associate Wind Finance SL SA.

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.

As of March 31, 2008 these guarantees totaled €310,554 thousand and consisted of the following:

- sureties of €199,765 thousand pledged by insurance companies;
- sureties of €110,789 thousand pledged by banks.

The Parent has been under the management and coordination of Weather Investments SpA since July 2007.

**27. SUBSEQUENT EVENTS**

The Parent and H3G SpA (3 Italia) are continuing the process begun at the end of 2007 to select a potential investor in their respective Tower Businesses, having as their objective to determine the terms and conditions for the sale or contribution in kind of these businesses and the amount involved. In this context various industrial and financial operators have expressed a preliminary interest in the initiative.

On April 7, 2008 in their ordinary general meeting, the shareholders approved the annual financial statements as of and for the year ended 31 December 2007, at the same time approving the absorption of the loss for the year through the use of the share premium reserve.

**Wind Acquisition Finance S.A.**

Annual accounts  
for the year ended  
December 31, 2008  
(with the report of the  
Commissaire thereon)



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To the Shareholders of  
Wind Acquisition Finance S.A.  
65, Boulevard Grande-Duchesse Charlotte  
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## **REPORT OF THE COMMISSAIRE**

Following our appointment by the General Meeting of the Shareholders dated April 7, 2008, we have audited the accompanying annual accounts of Wind Acquisition Finance S.A., which comprise the balance sheet as at December 31, 2008 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Board of Directors' responsibility for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Responsibility of the Commissaire*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the Commissaire, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Commissaire considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Wind Acquisition Finance S.A. as of December 31, 2008, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Luxembourg, April 23, 2009

*KPMG Audit S. à r.l.*

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**WIND ACQUISITION FINANCE S.A.**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2008**  
**(expressed in EUR)**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>			
Fixed assets			
Financial assets . . . . .	3	1,501,873,380	1,501,873,380
Current assets			
Debtors . . . . .	4	23,532,449	23,325,641
becoming due and payable within one year			
Cash at bank . . . . .		7,940,310	7,286,248
		31,472,759	30,611,889
Prepayments and accrued income . . . . .	10	14,400,878	14,400,878
<b>Total Assets</b> . . . . .		<u>1,547,747,017</u>	<u>1,546,886,147</u>
<b>LIABILITIES</b>			
Capital and reserves . . . . .	5		
Subscribed capital . . . . .	6	31,000	31,000
Reserves			
Legal reserve . . . . .	7	3,100	3,100
Profit brought forward . . . . .		702,284	313,348
Profit for the financial year . . . . .		437,842	388,936
		1,174,226	736,384
Provisions for liabilities and charges . . . . .	8	518,571	327,661
Creditors . . . . .	9		
becoming due and payable within one year . . . . .		29,779,962	29,547,844
becoming due and payable after more than one year . . . . .		1,501,873,380	1,501,873,380
		1,531,653,342	1,531,421,224
Accruals and deferred income . . . . .	10	14,400,878	14,400,878
<b>TOTAL LIABILITIES</b> . . . . .		<u>1,547,747,017</u>	<u>1,546,886,147</u>

The accompanying notes form an integral part of the annual accounts.

**WIND ACQUISITION FINANCE S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**(expressed in EUR)**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
<b>CHARGES</b>			
Other external charges . . . . .		107,551	4,975,700
Interest payable and similar charges . . . . .		143,474,256	142,193,596
<i>Other interests payable and charges</i> . . . . .	9	143,474,256	142,193,596
Tax on profit . . . . .		184,077	162,799
Other taxes not shown under the above items . . . . .		3,350	1,740
Profit for the financial year . . . . .		437,842	388,936
<b>Total Charges</b> . . . . .		<u>144,207,076</u>	<u>147,722,771</u>
<b>INCOME</b>			
Other operating income . . . . .		—	4,867,751
Income from loans forming part of the fixed assets . . . . .		143,723,342	142,524,970
<i>Derived from affiliated undertakings</i> . . . . .	3	143,723,342	142,524,970
Other interests receivable and similar income . . . . .		483,734	330,050
<i>Other interests and similar income</i> . . . . .		483,734	330,050
<b>TOTAL INCOME</b> . . . . .		<u>144,207,076</u>	<u>147,722,771</u>

The accompanying notes form an integral part of the annual accounts.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2008**

**1. General**

Wind Acquisition Finance S.A. (“the Company”) was incorporated in Luxembourg on July 29, 2005, for an unlimited period and qualifies as a Soparfi. It is registered with the Registre de Commerce et des Sociétés du Grand-Duché de Luxembourg under section B109826. The Company’s financial year runs from January 1 to December 31.

The object of the Company is to borrow money or issue bonds or other debts securities of any description (with or without collateral) and to on-lend the proceeds of such borrowings or issuances to one designated company, or any other company belonging to the same group, and any of its successors or assigns and to grant a security interest in such proceeds loan and to all such other things as may be considered incidental or conducive to any of the above-mentioned actions.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

**2.2 Formation expenses**

The formation expenses of the Company are directly charged to the profit and loss account of the period.

**2.3 Financial assets**

Shares in affiliated undertakings or participating interests are valued at the lower of purchase price including the expenses incidental thereto or the market value. Loans shown under “Financial assets” are recorded at their nominal value.

A value adjustment is recorded where the market value is lower than the purchase price on a durable period.

Market value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, for unlisted securities or securities that are not dealt in another regulated market, for securities listed on a stock exchange or dealt in another regulated market where the latest quote is not representative.

**2.4 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2008—(continued)**

**2. Summary of significant accounting policies—(continued)**

**2.5 Foreign currency translation**

The accounts of the Company are expressed in Euro (EUR). Transactions in foreign currencies are translated into EUR at the rates of exchange prevailing on the dates of the transactions.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the exchange rates effective at the balance sheet date, except when an asset is financed by a liability in the same foreign currency and for the same duration and is therefore valued at the same historical exchange rate as the corresponding liability.

The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

**2.6 Provisions for liabilities and charges**

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**2.7 Prepayments and accrued income**

Prepayments and accrued incomes refer to expenditures incurred during the past financial years.

**2.8 Accruals and deferred income**

Accrued and deferred income refer to income received during the past financial year in the context of Bonds subscription.

**3. Financial assets**

	<b>2008 EUR</b>	<b>2007 EUR</b>
Senior notes with Wind Telecomunicazioni S.p.A.		
Senior notes 9.75% (EUR 825,000,000) . . . . .	825,000,000	825,000,000
Senior notes 10.75% (USD 500,000,000) . . . . .	426,402,866	426,402,866
Senior notes 9.75% (EUR 125,000,000) . . . . .	125,000,000	125,000,000
Senior notes 10.75% (USD 150,000,000) . . . . .	125,470,514	125,470,514
	<b><u>1,501,873,380</u></b>	<b><u>1,501,873,380</u></b>

- The Company has entered in a Senior Notes Proceeds Loan Agreement on November 28, 2005 of EUR 825,000,000 and USD 500,000,000 with Wind Telecomunicazioni S.p.A (“WT S.p.A.”, formerly Wind Acquisition Finance S.p.A. -WAF SPA) as borrower.

As this agreement is linked to the Senior Notes issue of November 28, 2005, the conditions of

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2008—(continued)**

**3. Financial assets—(continued)**

interest rate, interest period and reimbursement are linked to the conditions applicable to the Senior Notes issue of November 28, 2005.

The interest rate applicable to the Senior Notes Proceeds Loan of EUR 825,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable to the Senior Notes Proceeds Loan of USD 500,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

- The Company has entered in a Senior Notes Proceeds Loan Agreement on March 1, 2006 of EUR 125,000,000 and USD 150,000,000 with WT S.p.A. as a borrower.

The interest rate applicable to the Senior Notes Proceeds Loan of EUR 125,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable to the Senior Notes Proceeds Loan of USD 150,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

During the year ended December 31, 2008, the Company earned a total of EUR 143,723,342 (2007: EUR 142,524,970) interest income on the Senior Notes Proceeds Loans described above.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2008—(continued)**

**4. Debtors**

Debtors are made of:

		Value in original currency	2008 EUR	2007 EUR
Amounts owed by affiliated undertakings:				
—Interest receivable on Senior Euro Notes				
Proceeds Loan: WT S.p.A. . . . .	EUR	6,500,456	6,500,456	6,500,456
—Interest receivable on Senior Dollar Notes				
Proceeds Loan: WT S.p.A. . . . .	USD	4,342,448	3,120,247	2,949,832
—Interest receivable on Senior Notes				
WT S.p.A. . . . .	EUR	984,918	984,918	984,918
—Interest receivable on Senior Notes				
WT S.p.A. . . . .	USD	1,302,734	936,074	884,950
Interest receivable on time deposit with ABN				
AMRO Bank NV . . . . .	EUR	934	934	15,615
Tax payment refundable: Withholding tax . . . . .	EUR	11,989,820	11,989,820	11,989,820
Other debts . . . . .	EUR	—	—	50
			<u>23,532,449</u>	<u>23,325,641</u>

**5. Movements in the capital and reserves**

	Subscribed capital EUR	Legal reserve EUR	Profit brought forward EUR	Profit for the financial year EUR	Total EUR
As at December 31, 2007 . . . . .	31,000	3,100	313,348	388,936	736,384
Allocation of prior year's profit . . . . .	—	—	388,936	(388,936)	—
Profit for the year . . . . .	—	—	—	437,842	437,842
<b>As at December 31, 2008 . . . . .</b>	<b><u>31,000</u></b>	<b><u>3,100</u></b>	<b><u>702,284</u></b>	<b><u>437,842</u></b>	<b><u>1,174,226</u></b>

**6. Subscribed capital**

The subscribed capital of the Company is fixed at EUR 31,000 represented by 6,200 shares, with a par value of EUR 5 each and fully paid. No change in the subscribed capital occurred during the year.

**7. Legal reserve**

Under the Luxembourg law, each year, at least 5% of the net profit of the Company shall be allocated to the creation of a reserve; this allocation shall cease to be compulsory when the reserve has reached an amount equal to 10% of the subscribed capital, but shall again be compulsory if the reserve falls below such 10%. This reserve may not be distributed.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2008—(continued)**

**8. Provisions for liabilities and charges**

	<b>2008 EUR</b>	<b>2007 EUR</b>
Provision for Accounting and Administration Fees . . . . .	9,814	12,044
Provision for Audit Fees . . . . .	22,425	17,250
Provision for Tax Advisor Fees . . . . .	2,000	1,463
Provision for Corporate Income Tax . . . . .	372,372	229,313
Provision for Municipal Business Tax . . . . .	106,296	65,276
Provision for Net Worth Tax . . . . .	5,664	2,315
	<b><u>518,571</u></b>	<b><u>327,661</u></b>

**9. Creditors**

	<b>Within one year EUR</b>	<b>After one year EUR</b>	<b>2008 EUR</b>	<b>2007 EUR</b>
Non-convertible bond: Senior Note 9.75% . . . . .	—	825,000,000	825,000,000	825,000,000
Non-convertible bond: Senior Note 10.75% USD 500,000,000 . . . . .	—	426,402,866	426,402,866	426,402,866
Non-convertible bond: High Yield Bond TAP 9.75% . . . . .	—	125,000,000	125,000,000	125,000,000
Non-convertible bond: High Yield Bond TAP 10.75% USD 150,000,000 . . . . .	—	125,470,514	125,470,514	125,470,514
Other creditors: Interest payable on Senior Notes 9.75% . . . . .	6,479,688	—	6,479,688	6,479,688
Other creditors: Interest payable on Senior Notes 10.75% . . . . .	3,111,203	—	3,111,203	2,941,282
Other creditors: Interest payable on High Yield Bond TAP 9.75% . . . . .	981,771	—	981,771	981,771
Other creditors: Interest payable on High Yield Bond TAP 10.75% . . . . .	933,361	—	933,361	882,385
Other debts: Wind Telecomunicazioni S.p.A. . . . .	6,250,000	—	6,250,000	6,250,000
Advance from shareholder: Wind Telecomunicazioni S.p.A. USD . . . . .	9,508	—	9,508	9,508
Advance from shareholder: Wind Telecomunicazioni S.p.A. . . . .	10,090	—	10,090	10,090
Other creditors: Withholding Tax Wind Telecomunicazioni S.p.A. . . . .	11,989,820	—	11,989,820	11,989,820
Other creditors . . . . .	14,521	—	14,521	3,300
	<b><u>29,779,962</u></b>	<b><u>1,501,873,380</u></b>	<b><u>1,531,653,342</u></b>	<b><u>1,531,421,224</u></b>



**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2008—(continued)**

**9. Creditors—(continued)**

- The Company has issued Senior Euro Notes of EUR 825,000,000 and Senior Dollar Notes of USD 500,000,000 on November 28, 2005.

The interest rate applicable to the Senior Euro Notes of EUR 825,000,000 is 9.75% and interest rate applicable to the Senior Dollar Notes of USD 500,000,000 is 10.75%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Telecomunicazioni S.p.A.

- The Company has issued an additional Senior Euro Notes of EUR 125,000,000 and Senior Dollar Notes of USD 150,000,000 on March 1, 2006.

The interest rate applicable to the Senior Euro Notes of EUR 125,000,000 is 9.75% and the interest rate applicable to the Senior Dollar Notes of USD 150,000,000 is 10.75%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Telecomunicazioni S.p.A.

During the year ended December 31, 2008, the Company incurred a total of EUR 143,279,216 (2007: EUR 142,084,318) interest expenses on the Notes described above.

**10. Accruals and deferred income**

On March 1, 2006, the Company issued notes for a nominal of EUR 125 million and USD 150 million subscribed by Wind Telecomunicazioni S.p.A. (the “Noteholders”) at a respective price of EUR 132.5 million and USD 158.25 million, including respectively a transaction fee of EUR 7.5 million and USD 8.25 million.

Such transaction fees were advanced by the Company to the Noteholders and will be reimbursed on maturity date.

**11. Taxation**

The Company is subject to taxation under the Luxembourg tax regulations applicable to commercial companies.

**WIND ACQUISITION FINANCE S.A.**

Annual accounts  
for the year ended  
December 31, 2007  
(with the report of the  
Commissaire thereon)



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To the Shareholders of  
Wind Acquisition Finance S.A.  
65, Boulevard Grande-Duchesse Charlotte  
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## **REPORT OF THE COMMISSAIRE**

### ***Report on the annual accounts***

Following our appointment by the General Meeting of the Shareholders dated April 20, 2007, we have audited the accompanying annual accounts of Wind Acquisition Finance S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Board of Directors' responsibility for the annual accounts***

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Responsibility of the Commissaire***

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Commissaire, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Commissaire considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Wind Acquisition Finance S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

***Report on other legal and regulatory requirements***

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, April 4, 2008

*KPMG Audit S.à r.l.*

KPMG Audit S.à r.l.

**WIND ACQUISITION FINANCE S.A.**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2007**  
**(expressed in EUR)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
Fixed assets Financial assets . . . . .	3	1,501,873,380	1,501,873,380
Current assets			
Debtors becoming due and payable within one year . . . . .	4	23,325,641	11,777,764
Cash at bank . . . . .		7,286,248	6,782,375
		30,611,889	18,560,139
Prepayments and accrued income . . . . .		14,400,878	14,400,878
		<u>1,546,886,147</u>	<u>1,534,834,397</u>
<b>LIABILITIES</b>			
Capital and reserves . . . . .	5		
Subscribed capital . . . . .	6	31,000	31,000
Reserves Legal reserve . . . . .	7	3,100	3,100
Profit brought forward . . . . .		313,348	80,780
Profit for the financial year . . . . .		388,936	232,568
		736,384	347,448
Provisions for liabilities and charges . . . . .	8	327,661	179,998
Creditors . . . . .	9		
Becoming due and payable within one year . . . . .		29,547,844	18,032,693
Becoming due and payable after more than one year . . . . .		1,501,873,380	1,501,873,380
		1,531,421,224	1,519,906,073
Accruals and deferred income . . . . .		14,400,878	14,400,878
		<u>1,546,886,147</u>	<u>1,534,834,397</u>

The accompanying notes form an integral part of the annual accounts.

**WIND ACQUISITION FINANCE S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
**(expressed in EUR)**

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>CHARGES</b>			
Other external charges . . . . .		4,975,700	171,160
Interest payable and similar charges . . . . .		142,193,596	142,598,359
<i>Other interest payable and charges</i> . . . . .	9	142,193,596	142,598,359
Tax on profit . . . . .	10	162,799	96,472
Other taxes not shown under the above items . . . . .		1,740	575
Profit for the financial year . . . . .		388,936	232,568
		<u>147,722,771</u>	<u>143,099,134</u>
<b>INCOME</b>			
Other operating income . . . . .		4,867,751	—
Income from loans forming part of the fixed assets . . . . .	3	142,524,970	143,097,526
<i>Derived from affiliated undertakings</i> . . . . .		142,524,970	143,097,526
Other interest receivable and similar income . . . . .		330,050	—
Extraordinary income . . . . .		—	1,608
		<u>147,722,771</u>	<u>143,099,134</u>

The accompanying notes form an integral part of the annual accounts.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2007**

**1. General**

Wind Acquisition Finance S.A. (“the Company”) was incorporated in Luxembourg on July 29, 2005, for an unlimited period and qualifies as a Soparfi. The Company’s financial period runs from January 1 to December 31.

The object of the Company is to borrow money or issue bonds or other debts securities of any description (with or without collateral) and to on-lend the proceeds of such borrowings or issuances to one designated company, or any other company belonging to the same group, and any of its successors or assigns and to grant a security interest in such proceeds loan and to all such other things as may be considered incidental or conducive to any of the above-mentioned actions.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

**2.2 Formation expenses**

The formation expenses of the Company are directly charged to the profit and loss account of the period.

**2.3 Financial assets**

Shares in affiliated undertakings or participating interests are valued at the lower of purchase price including the expenses incidental thereto or the market value. Loans shown under “Financial assets” are recorded at their nominal value.

A value adjustment is recorded where the market value is lower than the purchase price on a durable period.

Market value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, for unlisted securities or securities that are not dealt in another regulated market, for securities listed on a stock exchange or dealt in another regulated market where the latest quote is not representative.

**2.4 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.



**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2007—(continued)**

**2. Summary of significant accounting policies—(continued)**

**2.5 Foreign currency translation**

The accounts of the Company are expressed in Euro (EUR). Transactions in foreign currencies are translated into EUR at the rates of exchange prevailing on the dates of the transactions.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the exchange rates effective at the balance sheet date, except when an asset is financed by a liability in the same foreign currency and for the same duration and is therefore valued at the same historical exchange rate as the corresponding liability.

The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

**2.6 Provisions for liabilities and charges**

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**3. Financial assets**

	<b>2007 EUR</b>	<b>2006 EUR</b>
Senior notes with Wind Acquisition Finance S.p.A.		
Senior notes 9.75% (EUR 825,000,000) . . . . .	825,000,000	825,000,000
Senior notes 10.75% (USD 500,000,000) . . . . .	426,402,866	426,402,866
Senior notes 9.75% (EUR 125,000,000) . . . . .	125,000,000	125,000,000
Senior notes 10.75% (USD 150,000,000) . . . . .	125,470,514	125,470,514
	<b><u>1,501,873,380</u></b>	<b><u>1,501,873,380</u></b>

- The Company has entered in a Senior Notes Proceeds Loan Agreement on November 28, 2005 of EUR 825,000,000 and USD 500,000,000 with Wind Acquisition Finance S.p.A. (“WAF SPA”) as borrower.

As this agreement is linked to the Senior Notes issue of November 28, 2005, the conditions of interest rate, interest period and reimbursement are linked to the conditions applicable to the Senior Notes issue of November 28, 2005.

The interest rate applicable to the Senior Notes Proceeds Loan of EUR 825,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable to the Senior Notes Proceeds Loan of USD 500,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2007—(continued)**

**3. Financial assets—(continued)**

margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

- The Company has entered in a Senior Notes Proceeds Loan Agreement on March 1, 2006 of EUR 125,000,000 and USD 150,000,000 with WAF SPA as a borrower.

The interest rate applicable to the Senior Notes Proceeds Loan of EUR 125,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable to the Senior Notes Proceeds Loan of USD 150,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

During the year ended December 31, 2007, the Company earned a total of EUR 142,524,970 (2006: EUR 142,520,903) interest income on the Senior Notes Proceeds Loans described above.

**4. Debtors**

Debtors are made of:

		Value in original currency	2007 EUR	2006 EUR
Amounts owed by affiliated undertakings:				
—Interest receivable on Senior Euro Notes Proceeds				
Loan: WAF SPA . . . . .	EUR	6,500,456	6,500,456	6,500,456
—Interest receivable on Senior Dollar Notes Proceeds				
Loan: WAF SPA . . . . .	USD	4,342,448	2,949,832	3,297,226
—Interest receivable on HYBT: WAF SPA . . . . .	EUR	984,918	984,918	984,918
—Interest receivable on HYBT: WAF SPA . . . . .	USD	1,302,734	884,950	989,168
Interest receivable on time deposit with ABN AMRO				
Bank NV . . . . .	EUR	15,615	15,615	5,996
Tax payment refundable: Withholding tax . . . . .	EUR	11,989,820	11,989,820	—
Other debts . . . . .	EUR	50	50	—
			<b>23,325,641</b>	<b>11,777,764</b>

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2007—(continued)**

**5. Movements in the capital and reserves**

	Subscribed capital EUR	Legal reserve EUR	Profit brought forward EUR	Profit for the financial year EUR	Total EUR
As at December 31, 2006 . . . . .	31,000	3,100	80,780	232,568	347,448
Allocation of prior year's profit . . . . .	—	—	232,568	(232,568)	—
Profit for the year . . . . .	—	—	—	388,936	388,936
<b>As at December 31, 2007 . . . . .</b>	<b><u>31,000</u></b>	<b><u>3,100</u></b>	<b><u>313,348</u></b>	<b><u>388,936</u></b>	<b><u>736,384</u></b>

**6. Subscribed capital**

The subscribed capital of the Company is fixed at EUR 31,000 represented by 6,200 shares, with a par value of EUR 5 each and fully paid. No change in the subscribed capital occurred during the year.

**7. Legal reserve**

Under the Luxembourg law, each year, at least 5% of the net profit of the Company shall be allocated to the creation of a reserve; this allocation shall cease to be compulsory when the reserve has reached an amount equal to 10% of the subscribed capital, but shall again be compulsory if the reserve falls below such 10%. This reserve may not be distributed.

**8. Provisions for liabilities and charges**

	2007 EUR	2006 EUR
Provision for Accounting and Management Fees . . . . .	12,044	18,056
Provision for Audit Fees . . . . .	17,250	26,450
Provision for Tax Advisor Fees . . . . .	1,463	2,926
Provision for Corporate Income Tax . . . . .	229,313	102,685
Provision for Municipal Business Tax . . . . .	65,276	29,106
Provision for Net Worth Tax . . . . .	2,315	575
Provision for Bank charges: ABN AMRO Bank Luxembourg S.A. . . . .	—	200
	<b><u>327,661</u></b>	<b><u>179,998</u></b>

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2007—(continued)**

**9. Creditors**

	Within one year EUR	After one year EUR	2007 EUR	2006 EUR
Non-convertible bond: Senior Note 9.75% .	—	825,000,000	825,000,000	825,000,000
Non-convertible bond: Senior Note 10.75% USD 500,000,000 . . . . .	—	426,402,866	426,402,866	426,402,866
Non-convertible bond: HY Bond TAP 9.75% . . . . .	—	125,000,000	125,000,000	125,000,000
Non-convertible bond: HY Bond TAP 10.75% USD 150,000,000 . . . . .	—	125,470,514	125,470,514	125,470,514
Interest payable on Senior Notes 9.75% . .	6,479,688	—	6,479,688	6,479,688
Interest payable on Senior Notes 10.75% . .	2,941,282	—	2,941,282	3,287,670
Interest payable on HY Bond TAP 9.75% . .	981,771	—	981,771	981,771
Other creditors: Interest payable on HY Bond TAP 10.75% . . . . .	882,385	—	882,385	986,301
Amounts due to affiliated undertakings:				
Wind Telecomunicazioni S.p.A. . . . .	6,250,000	—	6,250,000	6,250,000
Advance from shareholders . . . . .	9,508	—	9,508	9,508
Fortis Intertrust invoices . . . . .	—	—	—	20,645
Advance from shareholder: Wind Telecomunicazioni S.p.A. . . . .	10,090	—	10,090	10,090
Other creditors: Withholding Tax Wind Telecomunicazioni S.p.A. . . . .	11,989,820	—	11,989,820	—
Other creditors . . . . .	3,300	—	3,300	7,020
	<b>29,547,844</b>	<b>1,501,873,380</b>	<b>1,531,421,224</b>	<b>1,519,906,073</b>

- The Company has issued Senior Euro Notes of EUR 825,000,000 and Senior Dollar Notes of USD 500,000,000 on November 28, 2005.

The interest rate applicable to the Senior Euro Notes of EUR 825,000,000 is 9.75% and interest rate applicable to the Senior Dollar Notes of USD 500,000,000 is 10.75%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Acquisition Finance S.p.A.

- The Company has issued an additional Senior Euro Notes of EUR 125,000,000 and Senior Dollar Notes of USD 150,000,000 on March 1, 2006.

The interest rate applicable to the Senior Euro Notes of EUR 125,000,000 is 9.75% and the interest rate applicable to the Senior Dollar Notes of USD 150,000,000 is 10.75%.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2007—(continued)**

**9. Creditors—(continued)**

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Acquisition Finance S.p.A.

During the year ended December 31, 2007, the Company incurred a total of EUR 142,084,318 (2006: EUR 142,080,876) interest expenses on the Notes described above.

**10. Taxation**

The Company is subject to taxation under the Luxembourg tax regulations applicable to commercial companies.

**Wind Acquisition Finance S.A.**

65, Boulevard Grande-Duchesse Charlotte

L-1331 Luxembourg

R.C. Luxembourg B 109.825

Annual accounts  
for the year ended  
December 31, 2006  
(with the report of the  
Commissaire thereon)



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To the Shareholders of  
Wind Acquisition Finance S.A.  
65, Boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg

## **REPORT OF THE COMMISSAIRE**

### ***Report on the annual account***

Following our appointment by the General Meeting of the Shareholders dated June 12, 2006, we have audited the accompanying annual accounts of Wind Acquisition Finance S.A., which comprise the balance sheet as at December 31, 2006 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### ***Board of directors' responsibility for the annual accounts***

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Responsibility of the Commissaire***

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the commissaire, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the commissaire considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Wind Acquisition Finance S.A. as of December 31, 2006, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

*Report on other legal and regulatory requirements*

The management report, which is the responsibility of the management, is in accordance with the annual accounts.

Luxembourg, April 20, 2007

*KPMG Audit S.à r.l.*

KPMG Audit S.à r.l.

**WIND ACQUISITION FINANCE S.A.**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2006**  
**(expressed in EUR)**

	<u>Notes</u>	<u>31.12.2006</u>	<u>31.12.2005</u>
<b>ASSETS</b>			
<i>Fixed assets</i>			
<i>Financial Assets</i> . . . . .	(3)	1,501,873,380	1,251,402,866
<i>Current Assets</i>			
<i>Debtors</i> . . . . .	(4)		
Becoming due and payable within one year . . . . .		11,777,764	11,234,684
<i>Cash at bank, in postal cheque accounts, cheques and cash in hand</i> . . . . .		6,782,375	6,384,821
<i>Prepayment and accrued income</i> . . . . .		14,400,878	—
<b>Total Assets</b> . . . . .		<u>1,534,834,397</u>	<u>1,269,022,371</u>
<b>LIABILITIES</b>			
<i>Capital and reserves</i> . . . . .			
<i>Subscribed capital</i> . . . . .	(5)	31,000	31,000
<i>Reserves</i>			
Legal reserve . . . . .	(6)	3,100	—
<i>Profit and loss brought forward</i> . . . . .		80,780	—
<i>Profit for the financial year/period</i> . . . . .		232,568	83,880
<i>Provisions for liabilities and charges</i> . . . . .	(8)	179,998	52,023
<i>C. Creditors</i> . . . . .	(9)		
a) Becoming due and payable within one year . . . . .		18,032,693	17,452,602
b) Becoming due and payable after more than one year . . . . .		1,501,873,380	1,251,402,866
<i>Accruals and deferred income</i> . . . . .		14,400,878	—
<b>TOTAL LIABILITIES</b> . . . . .		<u>1,534,834,397</u>	<u>1,269,022,371</u>

The accompanying notes are an integral part of the annual accounts

**WIND ACQUISITION FINANCE S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**  
**(expressed in EUR)**

	<u>Notes</u>	<u>From 01.01.2006 to 31.12.2006</u>	<u>From 29.07.2005 to 31.12.2005</u>
<b>CHARGES</b>			
<i>Other external charges</i> . . . . .		171,160	29,563
<i>Interests payable and similar charges</i> . . . . .	(9)		
other interest payable and charges . . . . .		142,598,359	43,789,734
<i>Tax on profit or loss</i> . . . . .	(10)	96,472	35,318
<i>Other taxes not shown under above item</i> . . . . .		575	—
<i>Profit for the financial year/period</i> . . . . .		232,568	83,880
<b>Total Charges</b> . . . . .		<u>143,099,134</u>	<u>43,938,495</u>
<b>INCOME</b>			
<i>Income from loans forming part of the fixed assets</i>			
a) derived from affiliated undertakings . . . . .	(3)	143,097,526	43,938,495
<i>Extraordinary income</i> . . . . .		1,608	—
<b>TOTAL INCOME</b> . . . . .		<u>143,099,134</u>	<u>43,938,495</u>

The accompanying notes are an integral part of the annual accounts

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2006**

**Note 1—General**

Wind Acquisition Finance S.A. (“the Company”) was incorporated in Luxembourg on July 29, 2005, for an unlimited period and qualifies as a Soparfi. The Company’s financial period runs from January 1 to December 31 of each period except for the first financial period which started on the date of incorporation and ended on December 31, 2005.

The object of the Company is to borrow money or issue bonds or other debts securities of any description (with or without collateral) and to on-lend the proceeds of such borrowings or issuances to one designated Company, or any other Company belonging to the same group, and any of its successors or assigns and to grant a security interest in such proceeds loan and to all such other things as may be considered incidental or conducive to any of the above-mentionned actions.

**Note 2—Summary of Significant Accounting Policies**

**2.1 Basis of preparation**

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law, determined and applied by the Board of Directors.

**2.2 Significant accounting policies**

The main valuation rules applied by the Company are the following:

**2.2.1 Formation expenses**

The formation expenses of the Company are directly charged to the profit and loss account of the period.

**2.2.2 Financial assets**

Shares in affiliated undertakings or participating interests are valued at the lower of purchase price including the expenses incidental thereto or the market value. Loans shown under “Financial assets” are recorded at their nominal value.

A value adjustment is recorded where the market value is lower than the purchase price on a durable period.

Market value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, for unlisted securities or securities that are not dealt in on another regulated market, for securities listed on a stock exchange or dealt in on another regulated market value where the latest quote is not representatives as well as for the loans shown under “Assets”.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2006—(continued)**

**2.2.3 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**2.2.4 Foreign currency translation**

The accounts of the Company are expressed in Euros (EUR). Transactions in foreign currencies are translated into EUR at the rates of exchange prevailing on the dates of the transactions.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the exchange rates effective at the balance sheet date, except when an asset is financed by a liability in the same foreign currency and for the same duration and is therefore valued at the same historical exchange rate as the corresponding liability.

The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

**2.2.5 Provisions for liabilities and charges**

Provisions for liabilities and charges are intended to cover losses or debts the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**Note 3—Financial Assets**

The Company has entered in a Senior Notes Proceeds Loan Agreement on November 28, 2005 of EUR 825,000,000 and USD 500,000,000 with Wind Acquisition Finance S.p.A. (“WAF SPA”) as borrower.

As this agreement is linked to the Senior Notes issue of November 28, 2005, the conditions of interest rate, interest period and reimbursement are linked to the conditions applicable to Senior Notes issue of November 28, 2005.

The interest rate applicable on the Senior Notes Proceeds Loan of EUR 825,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable on the Senior Notes Proceeds Loan of USD 500,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2006—(continued)**

The Company has entered in a Senior Notes Proceeds Loan Agreement on March 1, 2006 of EUR 125,000,000 and USD 150,000,000 with Wind Acquisition Finance S.p.A. (“WAF SPA”) as a borrower.

The interest rate applicable on the Senior Notes Proceeds Loan of EUR 125,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable on the Senior Notes Proceeds Loan of USD 150,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interest are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

During the year ended December 31, 2006, the Company earned a total of EUR 142,520,903 interest income on the Senior Notes Proceeds Loans described above.

**Note 4—Debtors**

Debtors are mainly composed by:

	<u>Value in original currency</u>	<u>31.12.2006</u>	<u>31.12.2005</u>
Amounts owed by affiliated undertakings: Interest			
Receivable on Senior Euro Notes Proceed Loan:			
WAF SPA . . . . .	EUR 6,500,456	6,500,456	7,172,917
Amounts owed by affiliated undertakings: Interest			
Receivable on Senior Dollar Notes Proceed Loan:			
WAF SPA . . . . .	USD 4,342,448	3,297,226	4,061,767
Amounts owed by affiliated undertakings: Interest			
Receivable on HYBT: WAF SPA . . . . .	EUR 984,918	984,918	—
Amounts owed by affiliated undertakings: Interest			
Receivable on HYBT: WAF SPA . . . . .	USD 1,302,734	989,168	—
Interest Receivable on time deposit with ABN AMRO			
Bank NV . . . . .	EUR 5,996	5,996	—
		<u><u>11,777,764</u></u>	<u><u>11,234,684</u></u>

**Note 5—Subscribed Capital**

The subscribed capital of the Company is fixed at EUR 31,000 represented by 6,200 shares, with a par value of EUR 5 each and fully paid. No change in the subscribed capital occurred during the year.

**Note 6—Legal Reserve**

Under the Luxembourg law, each year, at least 5% of the net profits of the Company shall be allocated to the creation of a reserve; this allocation shall cease to be compulsory when the reserve has

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2006—(continued)**

reached an amount equal to 10% of the Corporate capital, but shall again be compulsory if the reserve falls below such 10%. This reserve may not be distributed.

**Note 7—Movements for the period on the capital and reserves**

	Subscribed capital	Legal Reserve	Profit or loss brought forward	Profit or loss for the financial period	Total
As at December 31, 2005 . . . . .	31,000	—	—	83,880	114,880
Allocation of prior period's profit or loss . . . .	—	3,100	80,780	(83,880)	
Profit or loss of the period/year . . . . .	—	—	—	232,568	232,568
As at December 31, 2006 . . . . .	<u>31,000</u>	<u>3,100</u>	<u>80,780</u>	<u>232,568</u>	<u>347,448</u>

**Note 8—Provisions for liabilities and charges**

	31.12.2006	31.12.2005
Provision for Accounting & Management Fees . . . . .	18,056	3,265
Provision for Audit Fees KPMG . . . . .	26,450	13,440
Provision for Tax Advisor Fees . . . . .	2,926	—
Provision for Corporate Income Tax . . . . .	102,685	27,272
Provision for Municipal Business Tax . . . . .	29,106	8,046
Provision for Net Worth Tax . . . . .	575	—
Provision for Bank charges:		
ABN AMRO Bank Luxembourg S.A. . . . .	200	—
Total . . . . .	<u>179,998</u>	<u>52,023</u>



**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2006—(continued)**

**Note 9—Creditors**

	Within one year	After one year	31.12.2006	31.12.2005
Non-convertible bond: Senior Note 9.75% .	—	825,000,000	825,000,000	825,000,000
Non-convertible bond: Senior Note 10.75% USD 500,000,000 . . . . .	—	426,402,866	426,402,866	426,402,866
Non-convertible bond: HY Bond TAP 9.75% . . . . .	—	125,000,000	125,000,000	—
Non-convertible bond: HY Bond TAP 10.75% USD 150,000,000 . . . . .	—	125,470,514	125,470,514	—
Other creditors: Interests payable on Senior Notes 9.75% . . . . .	6,479,688	—	6,479,688	7,150,000
Other creditors: Interests payable on Senior Notes 10.75% . . . . .	3,287,670	—	3,287,670	4,049,994
Other creditors: Interests payable on HY Bond TAP 9.75% . . . . .	981,771	—	981,771	—
Other creditors: Interests payable on HY Bond TAP 10.75% . . . . .	986,301	—	986,301	—
Amounts due to affiliated undertakings: Wind Acquisition Finance S.p.A. . . . .	6,250,000	—	6,250,000	6,251,608
Amounts due to affiliated undertakings: Advance from shareholders . . . . .	9,508	—	9,508	1,000
Fortis Intertrust invoices . . . . .	20,645	—	20,645	—
Other Debts: WAF SPA . . . . .	10,090	—	10,090	—
Other Debts . . . . .	7,020	—	7,020	—
<b>Total . . . . .</b>	<b><u>18,032,693</u></b>	<b><u>1,501,873,380</u></b>	<b><u>1,519,906,073</u></b>	<b><u>1,268,855,467</u></b>

The Company has issued Senior Euro Notes of EUR 825,000,000 and Senior Dollar Notes of USD 500,000,000 on November 28, 2005.

The interest rate applicable on the Senior Euro Notes of EUR 825,000,000 is 9.75% and interest rate applicable on the Senior Dollar Notes of USD 500,000,000 is 10.75%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Acquisition Finance S.p.A..

The Company has issued an additional Senior Euro Notes of EUR 125,000,000 and Senior Dollar Notes of USD 150,000,000 on March 1, 2006.

The interest rate applicable on the Senior Euro Notes of EUR 125,000,000 is 9.75% and the interest rate applicable on the Senior Dollar Notes of USD 150,000,000 is 10.75%.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE ANNUAL ACCOUNTS**  
**AS AT DECEMBER 31, 2006—(continued)**

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Acquisition Finance S.p.A..

During the year ended December 31, 2006, the Company incurred a total of EUR 142,080,876 interest expenses on the Notes described above.

# **WIND ACQUISITION FINANCE S.A.**

**Interim financial information  
for the period ended March 31, 2009  
(with the report of the Commissaire thereon)**



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To the Shareholders of  
Wind Acquisition Finance S.A.  
65, Boulevard Grande-Duchesse Charlotte  
L-1331 Luxembourg

## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

We have reviewed the accompanying interim financial information of Wind Acquisition Finance S.A. which comprise the balance sheet as at March 31, 2009 and the profit and loss account for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Board of Directors is responsible for the preparation and fair presentation of this interim financial information in accordance with Luxembourg legal and regulatory requirements relating to the preparation of annual accounts. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at March 31, 2009, and the results of its operations for the three - month period then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of annual accounts.

Luxembourg, June 25, 2009

*KPMG Audit S.à r.l.*

KPMG Audit S.à r.l.

KPMG Audit S.à r.l., a Luxembourg Société à Responsabilité Limitée  
and a member firm of the KPMG network of independent member  
firms affiliated with KPMG International, a Swiss cooperative

TVA: LU 20379877  
Capital: 25.000 €  
R.C.S. Luxembourg: B 103590

**WIND ACQUISITION FINANCE S.A.**  
**BALANCE SHEET**  
**AS AT MARCH, 31 2009**  
**(expressed in EUR)**

	<u>Notes</u>	<u>31/03/2009</u>	<u>31/12/2008</u>
<b>ASSETS</b>			
Fixed assets			
Financial assets . . . . .	3	1,501,873,380	1,501,873,380
Current assets			
Debtors becoming due and payable within one year . . . . .	4	59,944,104	23,532,449
Cash at bank . . . . .		7,945,226	7,940,310
		67,889,330	31,472,759
Prepayments and accrued income . . . . .	11	14,400,878	14,400,878
<b>Total Assets . . . . .</b>		<b><u>1,584,163,588</u></b>	<b><u>1,547,747,017</u></b>
<b>LIABILITIES</b>			
Capital and reserves . . . . .	5		
Subscribed capital . . . . .	6	31,000	31,000
Reserves			
Legal reserve . . . . .	7	3,100	3,100
Profit brought forward . . . . .		702,284	702,284
Profit to be transferred to Profit brought forward . . . . .	8	437,842	—
Profit for the financial period/year . . . . .		76,527	437,842
		1,250,753	1,174,226
Provisions for liabilities and charges . . . . .	9	568,363	518,571
Creditors . . . . .	10		
becoming due and payable within one year . . . . .		66,070,214	29,779,962
becoming due and payable after more than one year . . . . .		1,501,873,380	1,501,873,380
		1,567,943,594	1,531,653,342
Accruals and deferred income . . . . .	11	14,400,878	14,400,878
<b>TOTAL LIABILITIES . . . . .</b>		<b><u>1,584,163,588</u></b>	<b><u>1,547,747,017</u></b>

The accompanying notes form an integral part of the interim accounts.

**WIND ACQUISITION FINANCE S.A.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2009**  
**(expressed in EUR)**

	<u>Notes</u>	<u>From 01.01.2009 to 31.03.2009</u>	<u>From 01.01.2008 to 31.03.2008</u>
<b>CHARGES</b>			
Other external charges . . . . .		56,830	3,779
Interest payable and similar charges . . . . .		36,284,113	34,487,718
<i>Other interests payable and charges</i> . . . . .	10	36,284,113	34,487,718
Tax on profit . . . . .		32,990	—
Other taxes not shown under the above items . . . . .		5,870	3,685
Profit for the financial period . . . . .		76,527	—
<b>Total Charges</b> . . . . .		<u><b>36,456,330</b></u>	<u><b>34,495,182</b></u>
<b>INCOME</b>			
Other operating income . . . . .		12,432	—
Income from loans forming part of the fixed assets . . . . .		36,395,130	34,310,365
<i>Derived from affiliated undertakings</i> . . . . .	3	36,395,130	34,310,365
Other interests receivable and similar income . . . . .		48,768	64,809
<i>Other interests and similar income</i> . . . . .		48,768	64,809
Loss for the financial period . . . . .		—	120,008
<b>TOTAL INCOME</b> . . . . .		<u><b>36,456,330</b></u>	<u><b>34,495,182</b></u>

The accompanying notes form an integral part of the interim accounts.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009**

**1. General**

Wind Acquisition Finance S.A. (“the Company”) was incorporated in Luxembourg on July 29, 2005, for an unlimited period and qualifies as a Soparfi. It is registered with the Registre de Commerce et des Sociétés du Grand-Duché de Luxembourg under section B 109826. The Company’s financial year runs from January 1 to December 31.

The object of the Company is to borrow money or issue bonds or other debts securities of any description (with or without collateral) and to on-lend the proceeds of such borrowings or issuances to one designated company, or any other company belonging to the same group, and any of its successors or assigns and to grant a security interest in such proceeds loan and to all such other things as may be considered incidental or conducive to any of the above-mentioned actions.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

The interim financial information has been prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of interim financial information. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

**2.2 Formation expenses**

The formation expenses of the Company are directly charged to the profit and loss account of the period.

**2.3 Financial assets**

Shares in affiliated undertakings or participating interests are valued at the lower of purchase price including the expenses incidental thereto or the market value. Loans shown under “Financial assets” are recorded at their nominal value.

A value adjustment is recorded where the market value is lower than the purchase price on a durable period.

Market value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, for unlisted securities or securities that are not dealt in another regulated market, for securities listed on a stock exchange or dealt in another regulated market where the latest quote is not representative.



**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009—(continued)**

**2. Summary of significant accounting policies—(continued)**

**2.4 Debtors**

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

**2.5 Foreign currency translation**

The accounts of the Company are expressed in Euro (EUR). Transactions in foreign currencies are translated into EUR at the rates of exchange prevailing on the dates of the transactions.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the period.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rate or the value determined on the exchange rates effective at the balance sheet date, except when an asset is financed by a liability in the same foreign currency and for the same duration and is therefore valued at the same historical exchange rate as the corresponding liability.

The unrealised exchange losses are recorded in the profit and loss account. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

**2.6 Provisions for liabilities and charges**

Provisions for liabilities and charges are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

**2.7 Prepayments and accrued income**

Prepayments and accrued income refer to expenditures incurred during the past financial years.

**2.8 Accruals and deferred income**

Accrued and deferred income refer to income received during the past financial year in the context of Bonds subscription.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009—(continued)**

**3. Financial assets**

	<u>31/03/2009</u>	<u>31/12/2008</u>
	EUR	EUR
Senior notes with Wind Telecomunicazioni S.p.A.		
Senior notes 9.75% (EUR 825,000,000) .....	825,000,000	825,000,000
Senior notes 10.75% (USD 500,000,000) .....	426,402,866	426,402,866
Senior notes 9.75% (EUR 125,000,000) .....	125,000,000	125,000,000
Senior notes 10.75% (USD 150,000,000) .....	125,470,514	125,470,514
	<u><b>1,501,873,380</b></u>	<u><b>1,501,873,380</b></u>

- The Company has entered in a Senior Notes Proceeds Loan Agreement on November 28, 2005 of EUR 825,000,000 and USD 500,000,000 with Wind Telecomunicazioni S.p.A (“WT S.p.A.”, formerly Wind Acquisition Finance S.p.A. -WAF SPA) as borrower.

As this agreement is linked to the Senior Notes issue of November 28, 2005, the conditions of interest rate, interest period and reimbursement are linked to the conditions applicable to the Senior Notes issue of November 28, 2005.

The interest rate applicable to the Senior Notes Proceeds Loan of EUR 825,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable to the Senior Notes Proceeds Loan of USD 500,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

- The Company has entered in a Senior Notes Proceeds Loan Agreement on March 1, 2006 of EUR 125,000,000 and USD 150,000,000 with WT S.p.A. as a borrower.

The interest rate applicable to the Senior Notes Proceeds Loan of EUR 125,000,000 is the sum of the interest rate of 9.75% applicable to the Senior Euro Notes plus an additional margin of 0.03125%.

The interest rate applicable to the Senior Notes Proceeds Loan of USD 150,000,000 is the sum of the interest rate of 10.75% applicable to the Senior Dollar Notes plus an additional margin of 0.03125%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

During the period ended March 31, 2009, the Company earned a total of EUR 36,395,130 (2008: EUR 34,310,365) interest income on the Senior Notes Proceeds Loans described above.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009—(continued)**

**4. Debtors**

Debtors are made of:

		Value in original currency	31/03/2009 EUR	31/12/2008 EUR
Amounts owed by affiliated undertakings:				
—Interest receivable on 9.75% Senior Euro Notes				
Proceeds Loan: WT S.p.A. . . . .	EUR	26,674,284	26,674,284	6,500,456
—Interest receivable on 10.75% Senior Dollar Notes				
Proceeds Loan: WT S.p.A. . . . .	USD	17,819,010	13,246,910	3,120,247
—Interest receivable on 9.75% Senior				
Notes WT S.p.A. . . . .	EUR	4,041,558	4,041,558	984,918
—Interest receivable on 10.75% Senior				
Notes WT S.p.A. . . . .	USD	5,345,703	3,974,073	936,074
—receivable income WT S.p.A. . . . .	GBP	11,000	11,817	934
Interest receivable on time deposit with ABN AMRO				
Bank NV . . . . .	EUR	5,642	5,642	
Tax payment refundable: Withholding tax . . . . .	EUR	11,989,820	11,989,820	11,989,820
			<u><b>59,944,104</b></u>	<u><b>23,532,449</b></u>

**5. Movements in the capital and reserves**

	Subscribed capital EUR	Legal reserve EUR	Profit brought forward EUR	Profit to be transferred to Profit brought forward EUR	Profit for the financial year/period EUR	Total EUR
As at December 31, 2008 . . . . .	31,000	3,100	702,283	—	437,842	1,174,225
Profit to be transferred to Profit brought forward . . . . .	—	—	—	437,842	(437,842)	—
Profit for the period . . . . .	—	—	—	—	76,527	76,527
<b>As at March 31, 2009 . . . . .</b>	<u><b>31,000</b></u>	<u><b>3,100</b></u>	<u><b>702,283</b></u>	<u><b>437,842</b></u>	<u><b>76,527</b></u>	<u><b>1,250,752</b></u>

**6. Subscribed capital**

The subscribed capital of the Company is fixed at EUR 31,000 represented by 6,200 shares, with a par value of EUR 5 each and fully paid. No change in the subscribed capital occurred during the period ended March 31, 2009.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009—(continued)**

**7. Legal reserve**

Under the Luxembourg law, each year, at least 5% of the net profit of the Company shall be allocated to the creation of a reserve; this allocation shall cease to be compulsory when the reserve has reached an amount equal to 10% of the subscribed capital, but shall again be compulsory if the reserve falls below such 10%. This reserve may not be distributed.

**8. Profit to be transferred to Profit brought forward**

On April 23, 2009 the Annual General Meeting of the Company approved the annual accounts as at December 31, 2008 and decided to allocate the entire profit to the 'Profit brought forward' account.

**9. Provisions for liabilities and charges**

	<u>31/03/2009</u>	<u>31/12/2008</u>
	EUR	EUR
Provision for Accounting and Administration Fees . . . . .	15,859	9,814
Provision for Audit Fees . . . . .	27,313	22,425
Provision for Tax Advisor Fees . . . . .	2,000	2,000
Provision for Corporate Income Tax . . . . .	398,762	372,372
Provision for Municipal Business Tax . . . . .	112,896	106,296
Provision for Net Worth Tax . . . . .	11,533	5,664
	<u><b>568,363</b></u>	<u><b>518,571</b></u>

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009—(continued)**

**10. Creditors**

	Within one year	After one year	31/03/2009	31/12/2008
	EUR	EUR	EUR	EUR
Non-convertible bond: Senior Note 9.75% .	—	825,000,000	825,000,000	825,000,000
Non-convertible bond: Senior Note 10.75% USD 500,000,000 . . . . .	—	426,402,866	426,402,866	426,402,866
Non-convertible bond: High Yield Bond 9.75% . . . . .	—	125,000,000	125,000,000	125,000,000
Non-convertible bond: High Yield Bond 10.75% USD 150,000,000 . . . . .	—	125,470,514	125,470,514	125,470,514
Other creditors: Interest payable on Senior Notes 9.75% . . . . .	26,589,063	—	26,589,063	6,479,688
Other creditors: Interest payable on Senior Notes 10.75% . . . . .	13,208,513	—	13,208,513	3,111,203
Other creditors: Interest payable on High Yield Bond TAP 9.75% . . . . .	4,028,646	—	4,028,646	981,771
Other creditors: Interest payable on High Yield Bond TAP 10.75% . . . . .	3,962,554	—	3,962,554	933,361
Other debts: W. T. S.p.A. . . . .	6,250,000	—	6,250,000	6,250,000
Advance from shareholder: W.T. S.p.A. USD . . . . .	9,508	—	9,508	9,508
Advance from shareholder: W.T. S.p.A. . . .	10,090	—	10,090	10,090
Other creditors: Withholding Tax W.T. S.p.A. . . . .	11,989,820	—	11,989,820	11,989,820
Other creditors . . . . .	22,020	—	22,020	14,521
	<u><b>66,070,214</b></u>	<u><b>1,501,873,380</b></u>	<u><b>1,567,943,594</b></u>	<u><b>1,531,653,342</b></u>

- The Company has issued Senior Euro Notes of EUR 825,000,000 and Senior Dollar Notes of USD 500,000,000 on November 28, 2005.

The interest rate applicable to the Senior Euro Notes of EUR 825,000,000 is 9.75% and interest rate applicable to the Senior Dollar Notes of USD 500,000,000 is 10.75%.

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Telecomunicazioni S.p.A.

- The Company has issued an additional Senior Euro Notes of EUR 125,000,000 and Senior Dollar Notes of USD 150,000,000 on March 1, 2006.

The interest rate applicable to the Senior Euro Notes of EUR 125,000,000 is 9.75% and the interest rate applicable to the Senior Dollar Notes of USD 150,000,000 is 10.75%.

**WIND ACQUISITION FINANCE S.A.**  
**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**AS AT MARCH 31, 2009—(continued)**

**10. Creditors—(continued)**

The interests are payable semi-annually on June 1 and December 1 of each year, commencing on June 1, 2006.

The maturity date is December 1, 2015.

The obligations arising from the issue of the notes are guaranteed by Wind Telecomunicazioni S.p.A.

During the period ended March 31, 2009, the Company incurred a total of EUR 36,282,753 (2008: EUR 34,204,030) interest expenses on the Notes described above.

**11. Accruals and deferred income**

On March 1, 2006, the Company issued notes for a nominal of EUR 125 million and USD 150 million subscribed by Wind Telecomunicazioni S.p.A. (the “Noteholders”) at a respective price of EUR 132.5 million and USD 158.25 million, including respectively a transaction fee of EUR 7.5 million and USD 8.25 million.

Such transaction fees were advanced by the Company to the Noteholders and will be reimbursed on maturity date.

**12. Taxation**

The Company is subject to taxation under the Luxembourg tax regulations applicable to commercial companies.

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This Offering Memorandum does not offer to sell or ask for offers to buy any Notes in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes

The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum we do not represent that our affairs are the same as described or that the information in this Offering Memorandum is correct, nor do we imply those things by delivering this Offering Memorandum or selling Notes to you.

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## OFFERING MEMORANDUM

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### Wind Acquisition Finance S.A.

€1,250,000,000 11¾% Senior Notes due 2017

\$2,000,000,000 11¾% Senior Notes due 2017

Guaranteed on a senior subordinated basis by  
WIND Telecomunicazioni S.p.A. and  
WIND INTERNATIONAL SERVICES S.p.A.



*Joint Global Coordinators and Lead Bookrunners*

**Deutsche Bank**  
**Credit Suisse**  
**Banca IMI**

*Joint Bookrunners*

**BNP PARIBAS**  
**CALYON**  
**Citi**  
**Goldman Sachs International**  
**J.P. Morgan**  
**MPS Capital Services**  
**RBS**  
**UniCredit Group (HVB)**

*Co-Lead Managers*

**Banca Akros S.p.A.**  
**ING Wholesale Banking**  
**Mediobanca S.p.A.**  
**Merrill Lynch International**  
**Natixis**

July 1, 2009

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