

WIND Telecomunicazioni

Positive Momentum

Full Year 2015 Results

February 18th, 2016



FY 2015 Highlights

Revenue

- Total revenue €4,428 million, down 4.4% YoY
- Mobile service revenue declines 2.1% YoY posting a further sequential improvement in quarterly trend (4Q15 -1.4%, 3Q15 -1.5%, 2Q15 -2.2%, 1Q15 -3.3%)
- Strong mobile internet performance confirmed with double digit revenue and customer growth
- Fixed broadband revenue up 1.1% with LLU segment increasing 2.2%

EBITDA

- EBITDA decreases 7.4% on a reported basis; on an underlying basis EBITDA increases 1.6%*
- EBITDA margin at 37.7%, the highest in the market

Net Income

- Net profit of €428 million in 2015 compared to a net loss of €709 million in 2014

Op. FCF (EBITDA – CAPEX)

- Continued strong Op. FCF of €0.9 billion

NFI

- Net Financial Indebtedness at €9,899 million vs. €10,651 million as of December 31, 2014
- Net debt / EBITDA at 5.9x

WIND - 3 Italia Merger

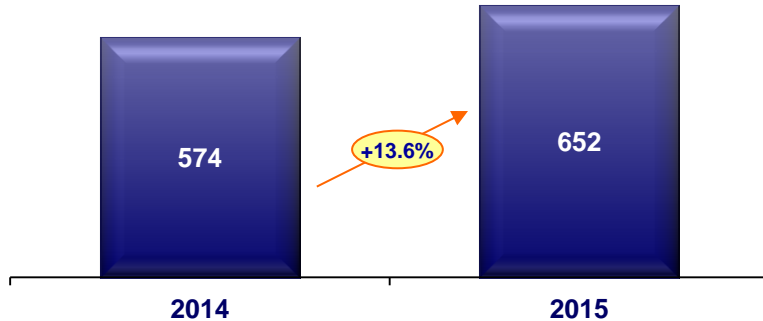
- 50-50% Joint Venture between WIND and H3G Italy announced in August to create a leading convergent operator in Italy; EC filing officially notified on February 5th

* For further details please refer to slide 13

Solid Performance in Mobile Driven by Data

Mobile Internet Revenue

(€mln)

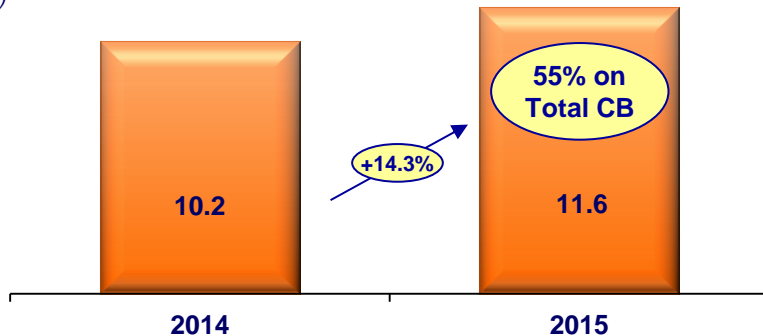


Highlights

- **Data revenue double digit growth** confirmed: +13.6%
- **Mobile internet customer base up 14.3%** reaching 11.6 million, representing slightly more than half of WIND's total mobile customer base enabling **significant upselling opportunity**
- **Average monthly data usage** of active customers more than **1.6 GB**; 4G customers consume 1.5 times more than 3G

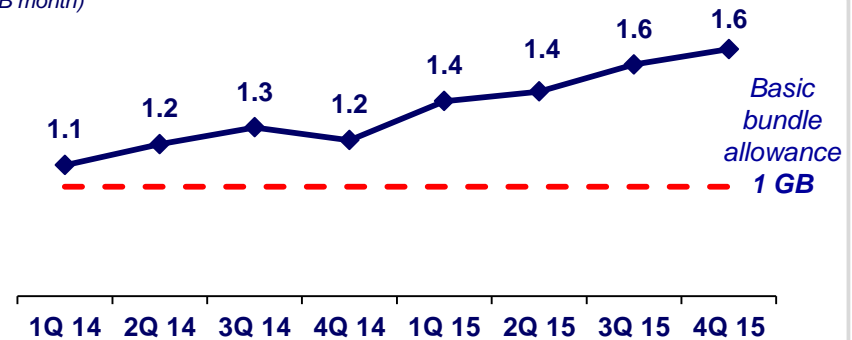
Mobile Internet Customer Base*

(mln)



Upselling Growing Data Demand**

(GB month)

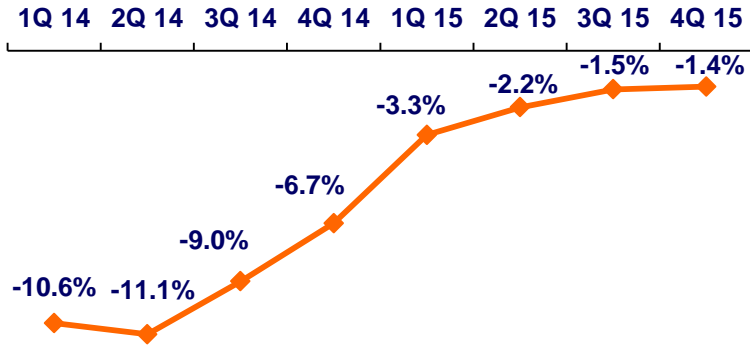


* Mobile Internet users includes customers that have performed at least one mobile Internet event in the previous month

** Mobile average data usage measured on mobile Internet users

Further Improvement in Mobile Service Revenue Trend

Service Revenue Trend

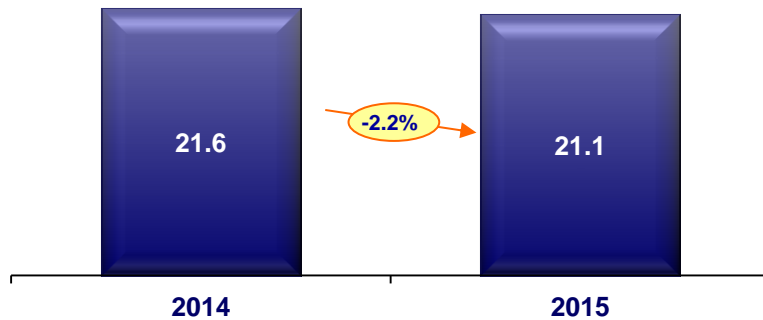


Highlights

- **Mobile customer base at 21.1 million** decreasing 2.2% YoY in line with overall market contraction, **stable** market share
- **Total ARPU stable** YoY at €11.3 confirming the stabilization trend witnessed during the year
- **Data ARPU increases 7.4% YoY**, reaching **42% of total ARPU**, completely offsetting the decline in voice

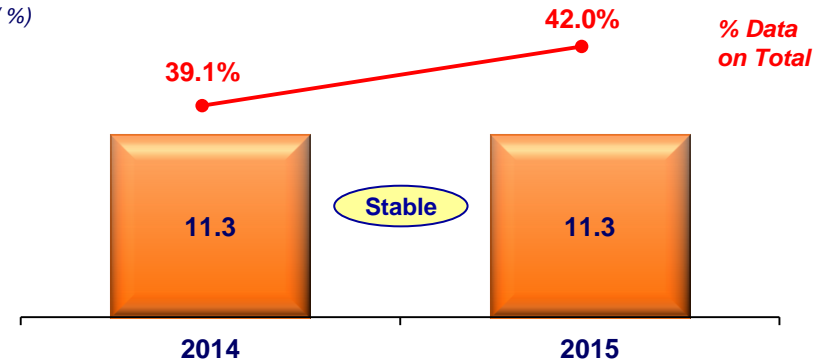
Customer Base

(mln)



ARPU

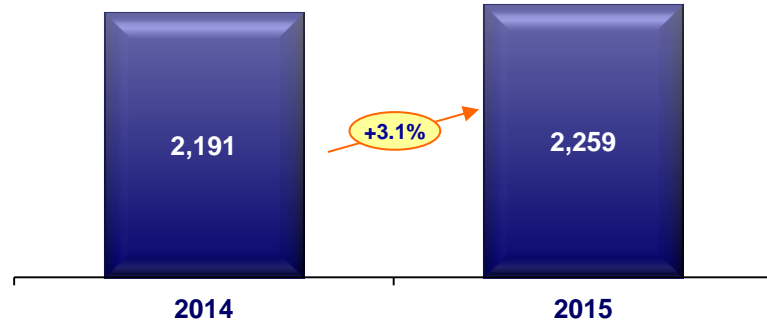
(€ / %)



Fixed-Line Performance Driven by Dual-Play

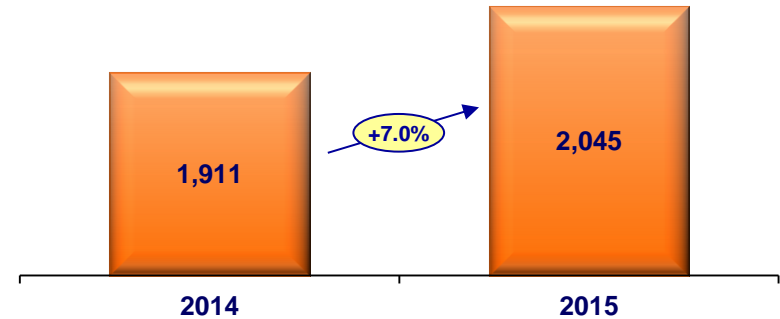
Broadband Subscribers

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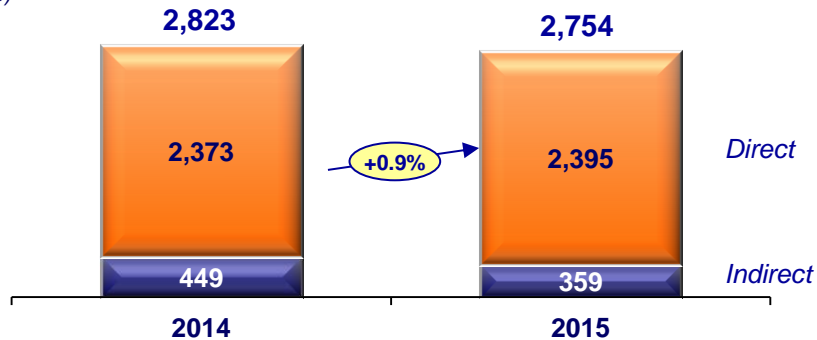
Dual-play Subscribers

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Voice Subscribers

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Highlights

- **Fixed Broadband** customers grow 3.1% driven by solid performance in **dual play segment** up 7.0%
- High value focus leads to a **+0.9% increase in direct voice customer base**

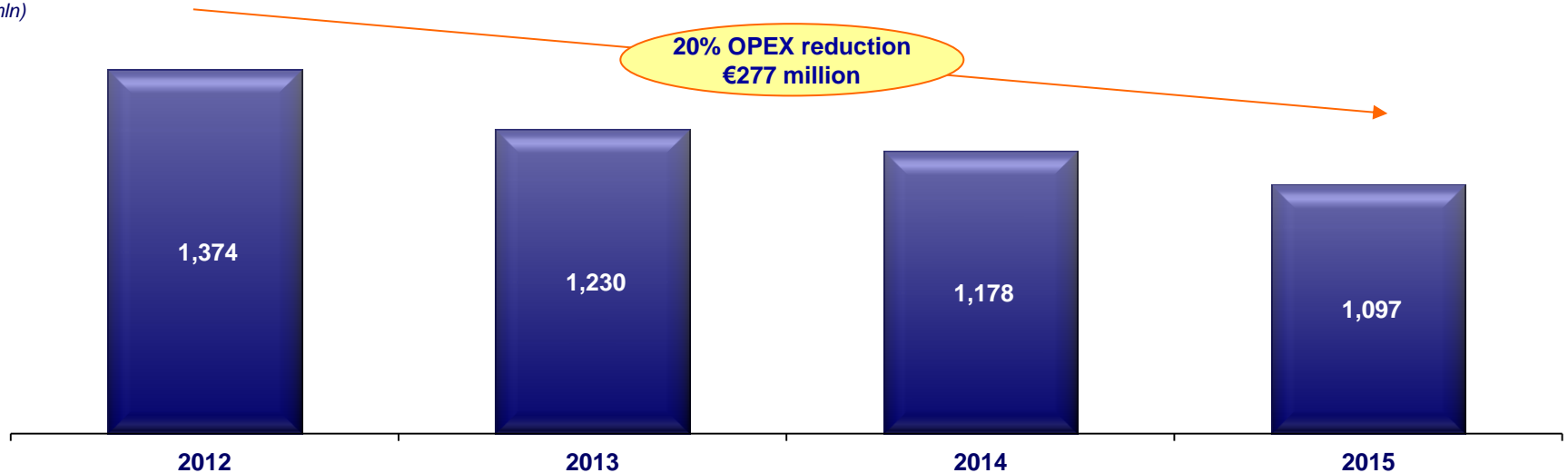
Continuous OPEX Optimization

Highlights

- Strong cost control and optimization initiatives have produced impressive **OPEX savings**
- Main initiatives performed in 2015 related to “new insourcing model”, solidarity contracts and productivity increase coupled with insourcing activities and efficiency in advertising and real estate
- 2015 cost base reduced by approximately €80 million vs previous year

OPEX

(€mln)



Developing Network to Serve Customers Needs

Mobile Network

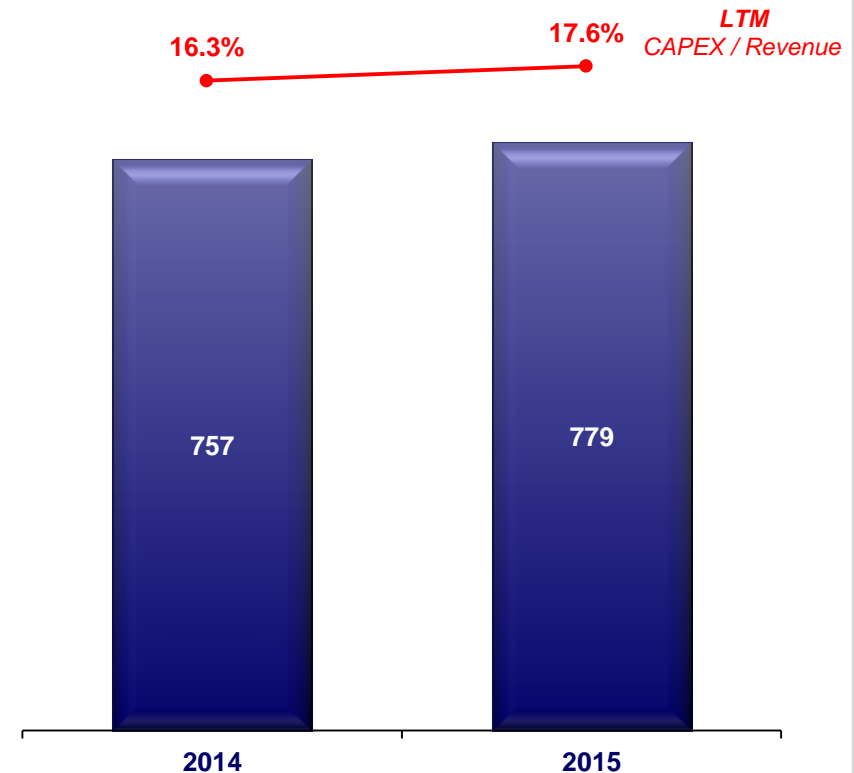
- **LTE** population coverage reaches **56%**
- **HSPA** network fully developed: **98.5%** population coverage, with **96.8%** of population at **21 Mbps** and **59.4%** at **42 Mbps**
- **GSM** network completed: **99.9%** population coverage with GPRS/EDGE deployed nationwide

Fixed Network and Backbone

- **1,636 LLU sites**: 64.5% direct population coverage as a result of **LLU expansion plan** started in 3Q15 for up to 500 new sites of which approximately 170 already opened
- Solid **fiber optic backbone of 22,300 km**, supporting both fixed and mobile business
- Letter of intent with **Metroweb** to develop FTTH offer out of Milan in other main Italian cities

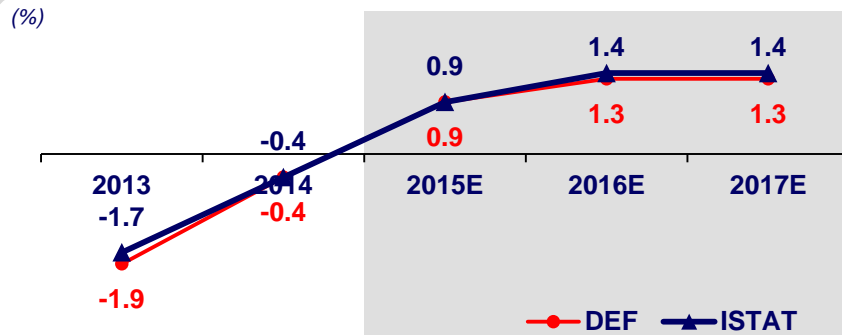
CAPEX

(€mln / %)



Macroeconomic Scenario Expected to Improve in 2016

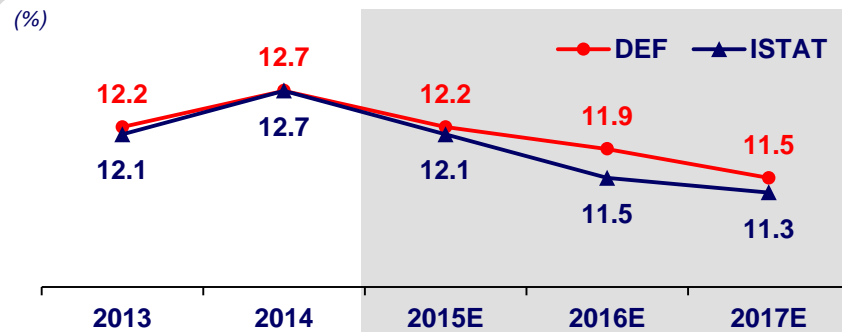
GDP Growth*



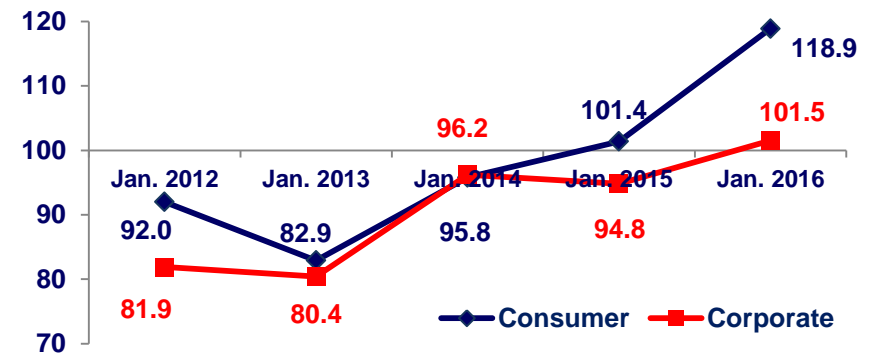
Highlights

- 2016 **GDP growth** expected to strengthen (+1.3%) after the recovery started in 2015 (+0.9%), driven by the favorable exchange rate, low energy costs and interest rates while domestic demand remains weak due to the high tax pressure
- **Unemployment** rate expected to improve YoY but will remain at high level (11.9%) in particular in youth segment
- Significant **improvement in Consumer Confidence** index
- 2016 Mobile TLC market expected to **grow low single digit** YoY, fixed TLC market stable YoY

Unemployment Trend*



Confidence Index**



* Sources: Italian Government's Preview Note to DEF 2015 (Sep. '15), ISTAT (Dec. '15)

** Source: ISTAT

Key Strategic Focus Areas for 2016

Commercial Proposition

- Continue to delight customers through coverage of all their needs and regular interaction with them
- Continue to focus on digitally native segment
- Simplify customer journey



Investments in Network



- Focus on increasing LTE roll-out
- Expand LLU sites footprint by 500 sites
- Exploit agreement with Metroweb for FTTH and other wholesale offerings for FTTC

Focus on Fixed and B2B

- Improve performance in fixed-line through expansion of LLU footprint and fibre proposition
- Focus on B2B segment with Fixed-Mobile convergent offerings and fibre offerings



Cost streamlining



- Continue to increase efficiency through productivity increase and insourcing
- Optimization of real estate costs
- Reduction of non commercial OPEX

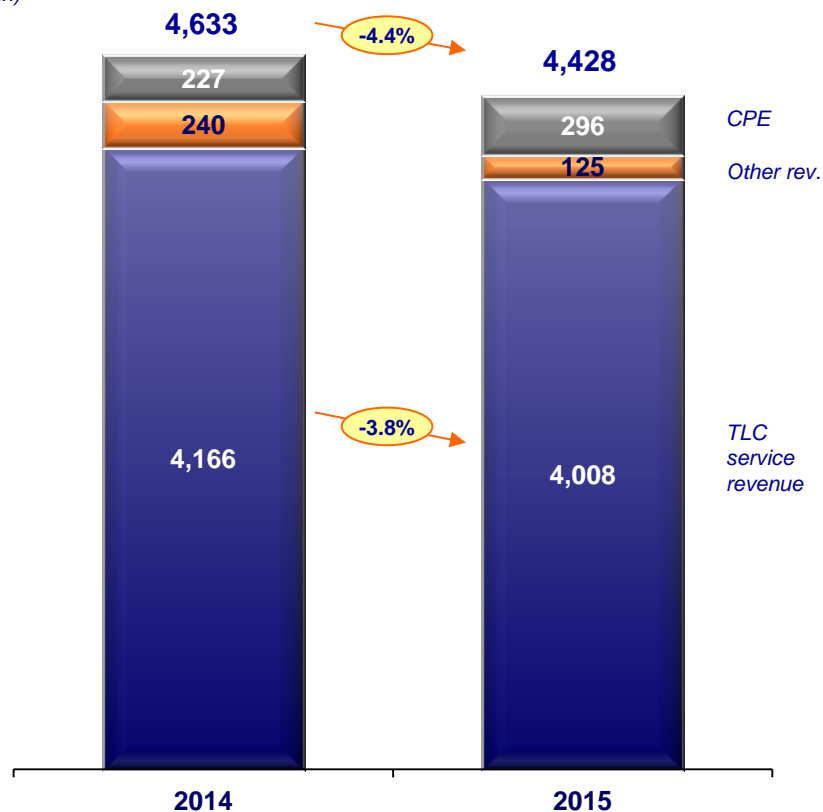
FY 2015 Financial Performance



Revenue Performance – Total

Total Revenue

(€mln)

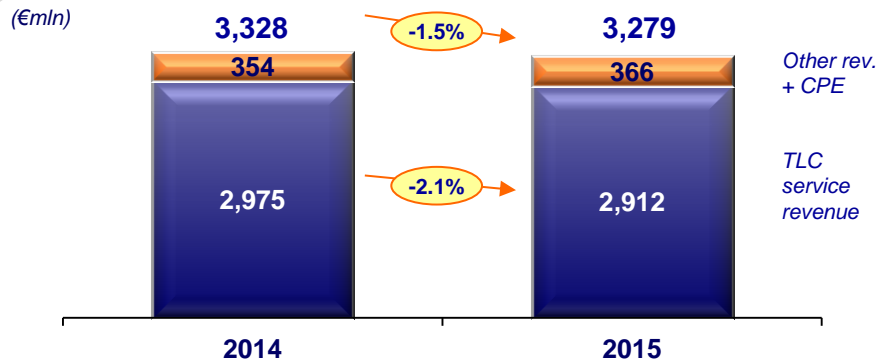


Highlights

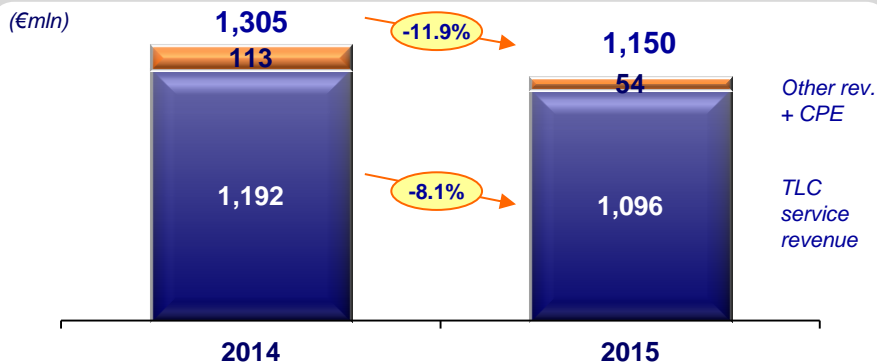
- **Total revenue declines 4.4%** driven by:
 - Service revenue decrease mainly in fixed-line business partially offset by better performance in mobile service revenue posting a QoQ sequential improvement
 - Lower Other revenue partially offset by an increase in handset sales, driven by the growing success of WIND's 'Telefono Incluso' bundles in the mobile segment

Revenue Performance – Mobile and Fixed-line

Mobile Revenue



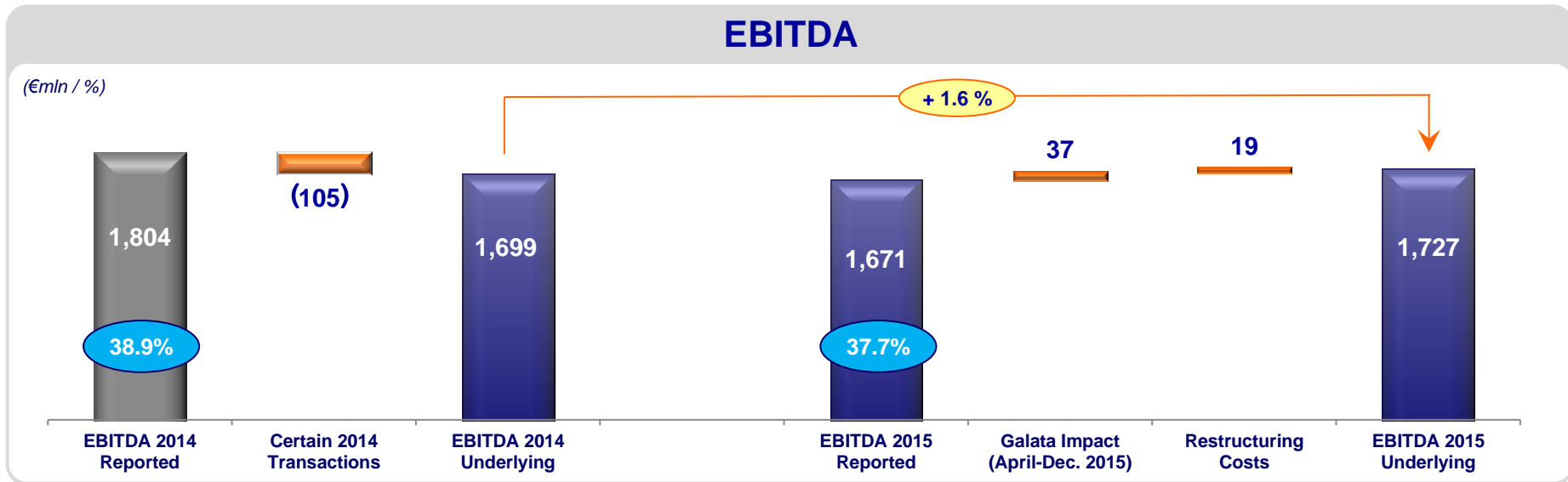
Fixed Revenue



Highlights

- **Mobile revenue** performance driven by the QoQ **service revenue** further sequential improvement thanks to the strong **growth in data revenue** coupled with higher CPE revenue sales as a result of success of WIND's 'Telefono Incluso' bundles
- **Fixed revenue** decrease is mainly due to lower Other revenue and weak performance in service revenue as a consequence of double digit decline in voice volumes (due to fixed to mobile substitution), lower indirect customer base and the growing preference by customers for fixed dual-play bundles offering unlimited DSL and pay per use voice for a lower monthly fee

EBITDA Development – Total



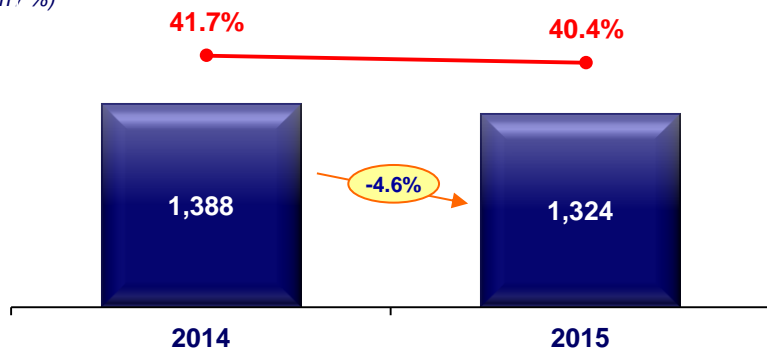
Highlights

- **EBITDA** in 2015 decreases 7.4% on a **reported** basis
- On an **underlying** basis, adjusting 2014 for the effect of certain transactions accounted in the year for approximately €105 million and adjusting 2015 for the impact of higher OPEX arising from the Galata transaction (April-Dec. 2015) and for certain restructuring costs accrued in the fourth quarter related to organizational streamlining and consequential real estate optimization, **EBITDA increases by 1.6%**
- **EBITDA margin** 2015 at 37.7%, the highest in the market

EBITDA and EBITDA Margin – Mobile and Fixed-line

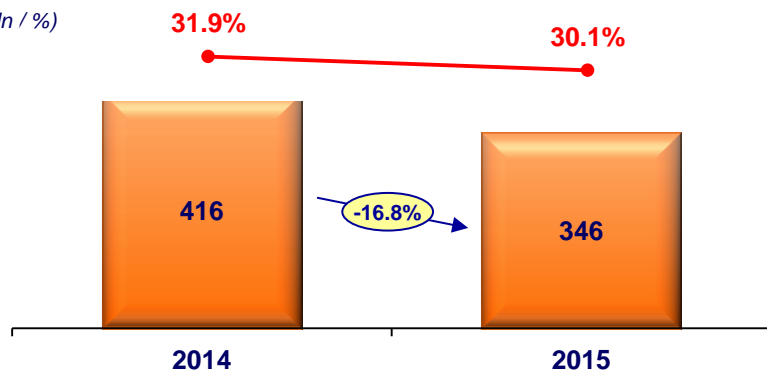
Mobile EBITDA / Margin

(€mln / %)



Fixed EBITDA / Margin

(€mln / %)



Highlights

- **Mobile EBITDA** decline of 4.6% due to reduction in revenue coupled with the impact of the Galata transaction (April-Dec. 2015) and certain restructuring costs accrued in the fourth quarter
- **Fixed-line EBITDA** decrease is mainly due to a reduction in Other revenue, for the effect of certain transactions accounted in 2014, lower service revenue and above mentioned restructuring costs

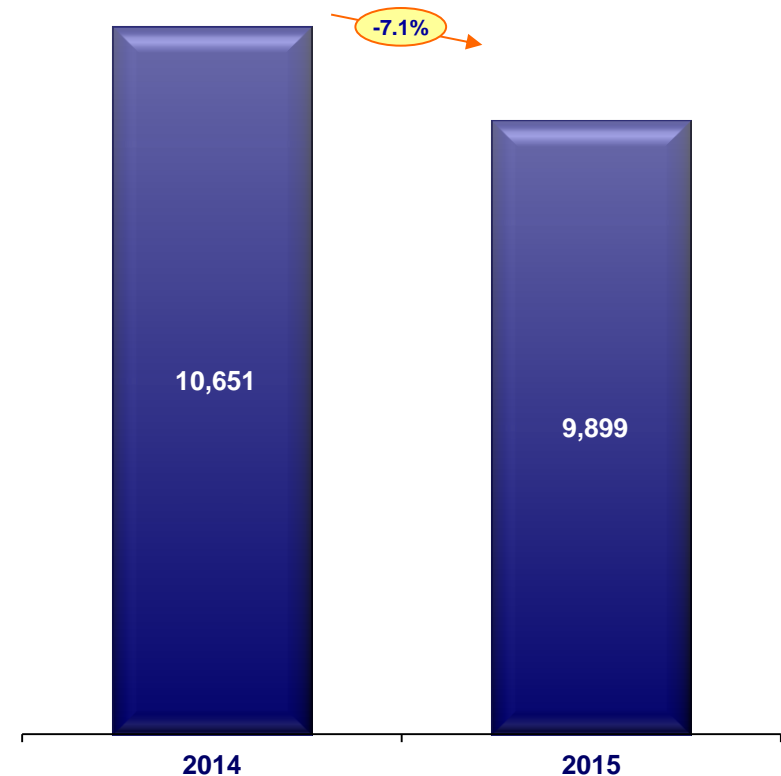
Key Financial Accomplishments 2015

Highlights

- Completed **sale of 90% of the shares of Galata S.p.A.** to Cellnex Telecom for €693 million in cash with an EV of €770 million
- **Repaid €1.1 billion of previous SFA**, utilizing part of the proceeds from the Galata transaction and proceeds from an issue of SSN's by Wind Acquisition Finance; amended and restated the remaining part with a **€700 million new covenant lite term loan**
- Last two tranches of **LTE liability** to Italian State due to in October 2015 and 2016, **pre-paid** on April 29th with cash on hand
- **50-50% Joint Venture between WIND and H3G Italy** announced in August; EC filing officially notified on February 5th

Net Debt

(€mln)



P&L Highlights

P&L Full Year 2015

(€m/ln)	2015	2014	Change (%)	Highlights
Revenue	4,304	4,393	(2.0)%	
Other Revenue	124	240	(48.3)%	
Total Revenue	4,428	4,633	(4.4)%	
EBITDA	1,671	1,804	(7.4)%	
D&A	(726)	(1,231)	n.m.	D&A impacted by the capital gain arising from the towers transaction in 1Q 2015
EBIT	945	573	n.m.	
Financial Income and Expenses & FX	(526)	(1,385)	n.m.	Reduction of Financial Expenses reflects interest savings resulting from 2014 and 2015 refinancing transactions; 2014 impacted by refinancing costs
EBT	419	(812)	n.m.	
Income Tax	9	103	n.m.	Positive income tax in 2015 due to the alignment to new tax rates which will start from 2017 on deferred tax calculation
Net Result	428	(709)	n.m.	

Capitalization

Cap Table Full Year 2015

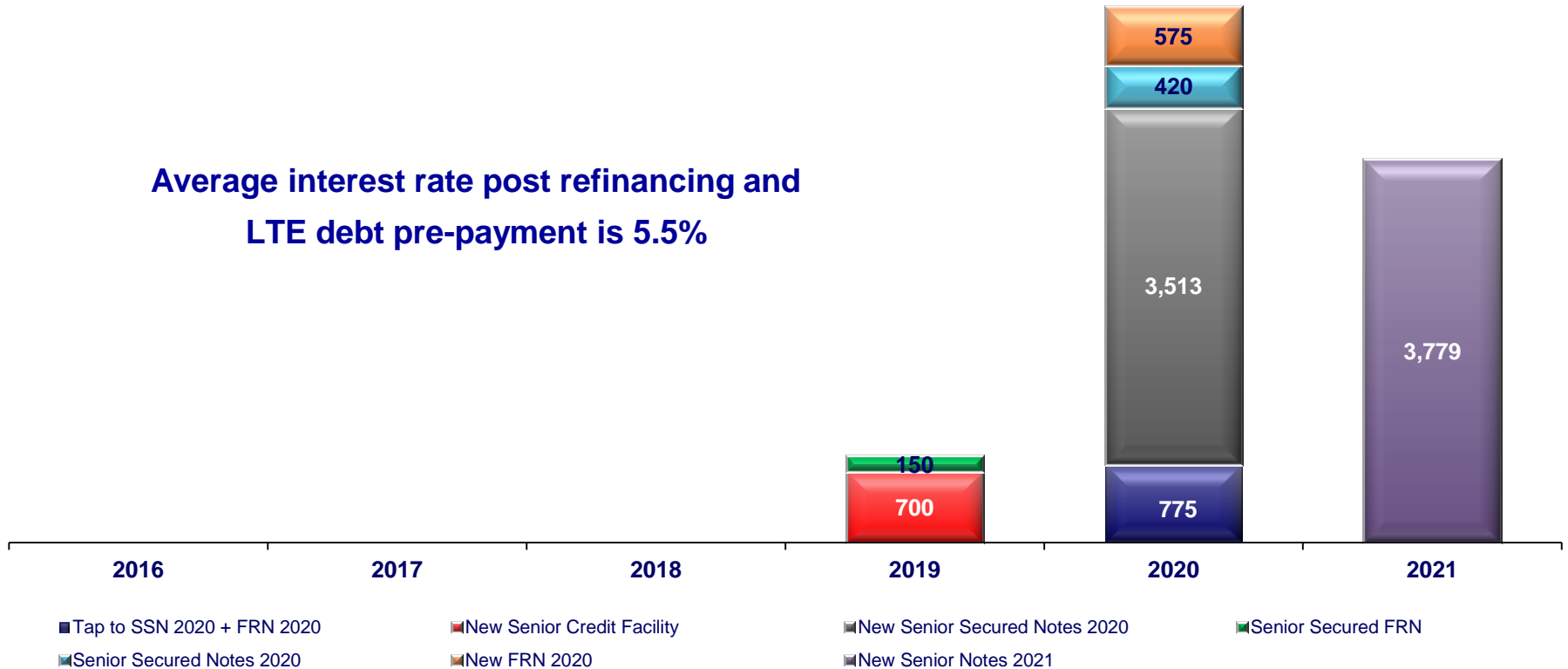
(€mln)	As of Dec 31, 2014	As of Dec 31, 2015	As of Dec 31, 2015 / EBITDA
Cash and Equivalents	(203)	(282)	(0.2x)
Bank Loan	1,874	672	0.4x
Total Bank Debt	1,671	390	0.2x
Senior Secured Notes 2019	149	149	0.1x
Senior Secured Notes 2020	4,751	5,779	3.5x
Total Bank Loan + SSN	6,571	6,318	3.8x
Senior Notes 2021	4,086	4,366	2.6x
Ministry LTE Liability	163	-	-
Derivatives and Other	(169)	(784)	(0.5x)
Total Net Debt excluding Intercompany Loan	10,651	9,899	5.9x
Intercompany Loan to WAHF	(997)	(1,122)	(0.7x)
Total Net Debt	9,654	8,777	5.3x
Cash Net Debt	9,822	9,514	
Interest Accrued	167	167	
Fees to be amortized	(166)	(119)	
Derivatives MTM	(169)	(784)	
2015 EBITDA			1,671

Optimizing Debt Maturity Profile

Full Year 2015*

(€mln)

Average interest rate post refinancing and
LTE debt pre-payment is 5.5%



* Notional amounts. USD tranche has been converted at CCS EUR/USD Exchange Rate

Thank You

Q&A