Wind Tre hits the market

23 February 2017
Agenda

A. Who we are

B. Full year 2016 results

C. What we’ll do

D. What we accomplished

- The identity of the new market leader
- Combined financials and KPIs
- Strategy and ambitions
- First achievements
Agenda

A. Who we are

B. Full year 2016 results

C. What we’ll do

D. What we accomplished

- Strategy and ambitions
- First achievements

Combined financials and KPIs
Wind Tre identity

Our management team supported by 6 members supervisory board

Lead by:

Maximo Ibarra
Chief Executive Offer

Benoit Hanssen
Technology

Paolo Nanni
Business & Wholesale

Stefano Invernizzi
Finance, Control & Procurement

Michiel Van Eldik
Consumer & Digital

Mark Shalaby
Legal, Compliance & Regulatory

Massimo Angelini
PR Internal & External Communication

Luciano Sale
Human Resources

Dina Ravera
Merger Integration

Who we are
Agenda

A. Who *we* are
   - The identity of the new market leader

B. Full year **2016 results**
   - Combined financials and KPIs

C. What we’ll *do*
   - Strategy and ambitions

D. What we accomplished
   - First achievements
### Financial highlights FY16 combined data

#### Total Revenue
- **6.5Bn€** (FY 2016) vs **4.2Bn€** (FY 2015), +1.3% vs 2015, +0.8% in Q4 2016

#### EBITDA²
- **2.2Bn€** (FY 2016) vs **1.1Bn€** (FY 2015), +6.8% vs 2015, +7.5% in Q4 2016

#### Mobile TLC¹ rev.
- **4.4Bn€** (FY 2016) vs **2.0Bn€** (FY 2015), +1.7% vs 2015, +1.7% in Q4 2016

#### Fixed TLC rev.
- **1.1Bn€** (FY 2016) vs **1.5Bn€** (FY 2015), -2.0% vs 2015, +3.9% in Q4 2016

#### EBITDA² %
- **FY 2016**: 33.6% vs FY 2015, +170bps vs Q4 2015
- **Q4 2016**: 34.8% vs FY 2015, +220bps vs Q4 2015

#### Net Debt
- **FY 2016**: 9.2Bn€ vs FY 2015, 9.9Bn€

#### Leverage ratio³
- **FY 2016**: 4.2x vs FY 2015, 4.8x

#### Op. Cash Flow
- **~1.0Bn€** (FY 2016) vs **1.1Bn€** (FY 2015), +9.5% vs 2015

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1. 2015 mobile TLC revenue does not include 20M€ revenue related to previous year H3G termination rate adjustments and reclassified as other revenue
2. 2016 EBITDA net of approximately 60 M€ of one-off integration costs. 2015 EBITDA net of approximately 19 M€ of one-off restructuring costs
3. Leverage Ratio: Net debt on EBITDA
Total revenue increased +1.3% driven by:
- total service revenue\(^1\) growth of 0.9% as a result of a positive trend in mobile segment partially offset by a declining fixed-line business
- higher revenue from sale of mobile handset (+7.9%) as a result of continued widespread in the market of new generation smartphones

EBITDA\(^2\) showed a strong performance growing 6.8% YoY mainly driven by top line growth and costs efficiencies undertaken in the year

EBITDA\(^2\) margin increased by 170 bps reaching 33.6%

Highlights

Focus on Q4

1 2015 mobile TLC revenue does not include 20M€ revenue related to previous year H3G termination rate adjustments and reclassified as other revenue
2 2016 EBITDA net of approximately 60 M€ of integration costs. 2015 EBITDA net of approximately 19 M€ of restructuring costs
## Mobile – Revenue and EBITDA

### Highlights

- Mobile total revenue up 1.9% mainly driven by:
  - solid 1.7% growth in service revenue\(^1\) mainly driven by ARPU growth coupled with stable customer base
  - increase in CPE revenue (+7.0%) thanks to the continued success of bundle offers with smartphone
- EBITDA\(^2\) increased by 9.8% as a result of growing revenue and cost efficiencies realized in 2016
- EBITDA\(^2\) margin at 34.7%, up +250 bps compared with previous year

### Focus on Q4

- In Q4 2016 service revenue\(^1\) improved by 1.7% as well confirming the positive performance posted during all quarters of the year

### Revenue (M€)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>5,260</td>
<td>5,362</td>
</tr>
<tr>
<td>Service Revenue(^1)</td>
<td>4,320</td>
<td>4,392</td>
</tr>
<tr>
<td>Other(^1) and CPE</td>
<td>940</td>
<td>970</td>
</tr>
</tbody>
</table>

### EBITDA\(^2\) and Margin (M€, %)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,694</td>
<td>1,860</td>
</tr>
<tr>
<td>Margin</td>
<td>32.2%</td>
<td>34.7%</td>
</tr>
</tbody>
</table>

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1. 2015 mobile TLC revenue does not include 20M€ revenue related to previous year H3G termination rate adjustments and reclassified as other revenue
2. 2016 EBITDA net of integration costs. 2015 EBITDA net of restructuring costs
Wind Tre at the end of 2016 registered 31.3 million subscribers, the biggest mobile customer base in the Italian market with 37.2% market share.

Mobile customer base returned to growth at +0.4%.

Mobile ARPU improving +1.9% at 11.5 €/month driven by strong performance of the data component which showed a solid +5.1% increase and which accounted for half of the total 2016 ARPU.

Mobile service revenue recorded a positive YoY performance in each quarter of 2016.

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**Highlights**

1. 2015 mobile TLC revenue does not include 20M€ revenue related to previous year H3G termination rate adjustments and reclassified as other revenue.
Mobile – Focus on internet performance

**Mobile internet revenue (M€)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (M€)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,208</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1,329</td>
<td>+10.0%</td>
</tr>
</tbody>
</table>

**Mobile internet customer base\(^1\) (M)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (M)</th>
<th>Data ARPU</th>
<th>Percentage on total CB</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5.3</td>
<td>18.5</td>
<td>+59%</td>
</tr>
<tr>
<td>2016</td>
<td>5.6</td>
<td>19.2</td>
<td>+61%</td>
</tr>
</tbody>
</table>

**Highlights**

- Internet revenue increased double digit, +10.0%, driven by the 4.0% growth in data users\(^1\) coupled with a 5.1% higher data ARPU
- Mobile internet users\(^1\) at 19.2 million showed a +4.0% growth
- Active internet users reached an average data consumption\(^2\) of approximately 3.3 GB/month, +40% YoY

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1 Mobile Internet users includes customers that have performed at least one mobile Internet event in the previous month
2 Mobile average data usage measured on mobile Internet users
Fixed-line – Revenue and EBITDA

### Revenue (M€)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,150</td>
<td>1,129</td>
</tr>
<tr>
<td>Service Revenue</td>
<td>1,096</td>
<td>1,074</td>
</tr>
<tr>
<td>Other and CPE</td>
<td>54</td>
<td>55</td>
</tr>
</tbody>
</table>

- Fixed total revenue declined by 1.8% due to reduction in service revenue coupled with a change in mix between other revenue (decreasing) and CPE revenue (increasing).
- Full year service revenue declined by 2.0% as a consequence of the indirect customer base loss coupled with higher demand for the less expensive broadband-only tariff plan.
- EBITDA\(^1\) declined 7.6% following the service revenue decrease mainly related to the fixed-to-mobile phenomenon substitution coupled with lower other revenue and higher set-up costs related to direct customers.
- EBITDA\(^1\) margin at 28.7%, -180 bps YoY.

### EBITDA\(^1\) and Margin (M€, %)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>351</td>
<td>325</td>
</tr>
</tbody>
</table>

- Fixed-line service revenue trend sequentially improved, posting a 3.9% increase in the Q4 2016.

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1 2016 EBITDA net of integration costs. 2015 EBITDA net of restructuring costs.
### Highlights

- Fixed-line direct customer base increased by 2.4% YoY, reaching 2.45 million
- Total fixed-line customer base slightly decreased mainly due to the indirect segment
- ARPU slightly declined (-1.3%) on a full year basis but showed an improving trend

### Focus on Q4

- Q4 2016 ARPU increasing 2.8% compared with the Q4 2015
- Q4 2016 service revenue turning positive after several quarters
- Quarterly fixed-line service revenue trend improved over the year, posting a 3.9% increase in Q4
Focus on fixed-line broadband performance

**Broadband revenue (M€)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>563</td>
<td>586</td>
<td>+4.2%</td>
</tr>
</tbody>
</table>

**Highlights**

- Fixed-line broadband revenue increased +4.2%, driven by:
  - higher broadband customer base growing by 2.2% at over 2.3 million as a result of the increased demand for BB connections in both DSL and Fiber technologies
  - Broadband ARPU increase by 0.9% following the higher number of broadband-only tariff plans activated in the year
- ADSL remained the main technology chosen by broadband subscribers even if we saw an increase in appetite for fiber connections
- The agreements with Open Fiber / Metroweb for the FTTH and with TIM for the FTTC enabled Wind Tre to enhance its ultra-broadband coverage

**Focus on Q4**

- In Q4 2016 broadband revenue improved by 9.2% YoY
- Q4 Broadband ARPU increased by 6.9% at 22.3€

**Broadband customer base and ARPU (M, €/month)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>ARPU</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.26</td>
<td>2.31</td>
<td>+2.2%</td>
<td>+0.9%</td>
</tr>
</tbody>
</table>

**Highlights**

- In Q4 2016 broadband revenue improved by 9.2% YoY
- Q4 Broadband ARPU increased by 6.9% at 22.3€
CAPEX

CAPEX (M€, %)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAPEX (M€)</th>
<th>CAPEX on revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,120</td>
<td>17.5%</td>
</tr>
<tr>
<td>2016</td>
<td>1,172</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

**Network**

CAPEX at 1,172M€, reaching a ratio of 18.1% on revenue enabled Wind Tre to enhance its fixed and mobile networks

**Mobile WIND**
- 4G/LTE population coverage reached 73.0%
- HSPA network fully developed: 98.6% population coverage, with 97.4% at 21 Mbps and 78.8% at 42 Mbps
- GSM network completed: 99.9% population coverage

**Mobile Tre**
- 4G/LTE population coverage reached 76.0%
- HSPA network fully developed: 97.5% population coverage, with 94.7% at 21 Mbps and 92.3% at 42 Mbps

**Fixed Network and Backbone WIND**
- 1,938 LLU sites: 69.3% direct coverage
- Solid fiber optic backbone of 22,679 km, supporting both fixed and mobile businesses
- FTTH available in Milan, Turin, Bologna and Perugia

**Fixed Backbone Tre**
- 12,318 km of fiber optic backbone supporting the mobile business
<table>
<thead>
<tr>
<th>M€</th>
<th>2015</th>
<th>2016</th>
<th>Change</th>
<th>Change (%)</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>6,196</td>
<td>6,308</td>
<td>112</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>Other Revenue</td>
<td>214</td>
<td>183</td>
<td>(31)</td>
<td>(14.3)%</td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>6,410</td>
<td>6,491</td>
<td>81</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>EBITDA before integration costs</td>
<td>2,045</td>
<td>2,184</td>
<td>139</td>
<td>6.8%</td>
<td></td>
</tr>
<tr>
<td>Integration costs</td>
<td>(19)</td>
<td>(60)</td>
<td>(41)</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,027</td>
<td>2,124</td>
<td>98</td>
<td>4.8%</td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; amortization</td>
<td>(1,555)</td>
<td>(1,564)</td>
<td>(9)</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>EBIT before exceptionals</td>
<td>471</td>
<td>560</td>
<td>89</td>
<td>18.9%</td>
<td></td>
</tr>
<tr>
<td>Impairment &amp; write off</td>
<td>(30)</td>
<td>(1,737)</td>
<td>(1,707)</td>
<td>n.a.</td>
<td>2016 increase mainly due to write off of frequencies to be divested</td>
</tr>
<tr>
<td>Gains (losses) on disposal of non current assets</td>
<td>482</td>
<td>(2)</td>
<td>(484)</td>
<td>n.a.</td>
<td>2015 impacted by the capital gain arising from the Galata transaction</td>
</tr>
<tr>
<td>EBIT</td>
<td>923</td>
<td>(1,179)</td>
<td>(2,102)</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>158</td>
<td>489</td>
<td>331</td>
<td>n.a.</td>
<td>2016 impacted by positive fair value of embedded derivatives (non cash effect)</td>
</tr>
<tr>
<td>Finance expenses</td>
<td>(739)</td>
<td>(619)</td>
<td>120</td>
<td>(16.2)%</td>
<td>2015 impacted by acceleration of amortized costs due to refinancing</td>
</tr>
<tr>
<td>EBT</td>
<td>342</td>
<td>(1,309)</td>
<td>(1,651)</td>
<td>n.a.</td>
<td></td>
</tr>
<tr>
<td>Income Tax</td>
<td>13</td>
<td>(40)</td>
<td>(53)</td>
<td>n.a.</td>
<td>2015 income tax positively impacted by tax provision release</td>
</tr>
<tr>
<td>Net Result</td>
<td>355</td>
<td>(1,349)</td>
<td>(1,704)</td>
<td>n.a.</td>
<td></td>
</tr>
</tbody>
</table>

1 2015 mobile TLC revenue does not include 20M€ revenues related to previous year H3G termination rate adjustments and reclassified as other revenue.
## Capital structure

### M€

<table>
<thead>
<tr>
<th></th>
<th>As of Dec 31, 2015</th>
<th>As of Dec 31, 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Equivalents</td>
<td>(371)</td>
<td>(603)</td>
<td>(232)</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>672</td>
<td>680</td>
<td>8</td>
</tr>
<tr>
<td><strong>Net Bank Debt</strong></td>
<td>301</td>
<td>78</td>
<td>(224)</td>
</tr>
<tr>
<td>Senior Secured Notes 2019</td>
<td>149</td>
<td>150</td>
<td>0</td>
</tr>
<tr>
<td>Senior Secured Notes 2020</td>
<td>5,779</td>
<td>5,855</td>
<td>77</td>
</tr>
<tr>
<td><strong>Net Bank Debt + SSN</strong></td>
<td><strong>6,229</strong></td>
<td><strong>6,083</strong></td>
<td>(146)</td>
</tr>
<tr>
<td>Junior Secured Notes 2021</td>
<td>4,366</td>
<td>4,448</td>
<td>83</td>
</tr>
<tr>
<td>Derivatives and Other</td>
<td>(713)</td>
<td>(1,301)</td>
<td>(589)</td>
</tr>
<tr>
<td><strong>Total External Net Debt</strong> (excluding Intercompany Loans)</td>
<td><strong>9,882</strong></td>
<td><strong>9,230</strong></td>
<td>(652)</td>
</tr>
<tr>
<td>EBITDA¹</td>
<td>2,045</td>
<td>2,184</td>
<td></td>
</tr>
<tr>
<td><strong>Total External Net Debt / EBITDA¹ ratio</strong></td>
<td><strong>4.8x</strong></td>
<td><strong>4.2x</strong></td>
<td><strong>(0.6x)</strong></td>
</tr>
<tr>
<td>Intercompany Loans</td>
<td>1,511²</td>
<td>674³</td>
<td>(837)</td>
</tr>
<tr>
<td>Total Net Debt</td>
<td>11,393</td>
<td>9,904</td>
<td>(1,489)</td>
</tr>
<tr>
<td><strong>Total Net Debt / EBITDA¹ ratio</strong></td>
<td><strong>5.6x</strong></td>
<td><strong>4.5x</strong></td>
<td><strong>(1.0x)</strong></td>
</tr>
</tbody>
</table>

1. 2016 EBITDA net of approximately 60M€ of integration costs, 2015 EBITDA net of approximately 19M€ of restructuring costs
2. 2015 figure included 1,122M€ intercompany credit towards former WAHF and 2,633M€ intercompany loan towards former 3 Italia SpA and H3G Italy investments srl
3. 2016 figure included 1,043M€ intercompany credit towards former WAHF and 1,717M€ intercompany loan towards former 3 Italia SpA and H3G Italy investments srl

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1 2015 figure included 1,122M€ intercompany credit towards former WAHF and 2,633M€ intercompany loan towards former 3 Italia SpA and H3G Italy investments srl

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2 2016 figure included 1,043M€ intercompany credit towards former WAHF and 1,717M€ intercompany loan towards former 3 Italia SpA and H3G Italy investments srl

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3 2016 figure included 1,043M€ intercompany credit towards former WAHF and 1,717M€ intercompany loan towards former 3 Italia SpA and H3G Italy investments srl
Gross debt breakdown and maturity profile 2016

Average interest rate 5.5%

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

1 Notional amounts. USD tranche has been converted at CCS €/USD Exchange Rate
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   - The identity of the new market leader

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C. What we’ll do
   - Strategy and ambitions

D. What we accomplished
   - First achievements
Our goal is to become the **most innovative** digital Telco with the **largest and best** mobile 4G/LTE network.
Dual brand strategy

Brands positioning

- Two well-recognized, strong and perfectly harmonized brands
- Each brand focused on a specific value proposition
- Solid foundations strongly prepared to face both new attackers and incumbents

In B2B segment **one differentiated and 360° integrated brand approach**
Main financial goals

Cash generation

**Synergies**
- **Zero base rethinking** of all cost elements to gain efficiency
- **5 Bn€** NPV synergies mainly from network, commercial and SG&A
- **~700 M€** annual run rate savings of which 90% by YE ‘19

**De-leverage**
- Leverage target of net debt on EBITDA **<3.0x** in the long-term
- Exploring additional potential benefits coming from capital structure optimization

**Return to shareholders**
- Shareholders distribution based on the following:
  - Leverage\(^1\)
    - \(<4.0x\)
    - \(<3.5x\)
    - \(<3.0x\)
  - % FCF\(^2\)
    - 40%
    - 60%
    - 80%

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1 Defined as: Net debt/EBITDA. Target ratio to be reached for dividend payments
2 FCF defined as: Net cash from operating activities less net cash used in investing activities. Maximum % of FCF available for dividends distribution
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   Combined financials and KPIs

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   Strategy and ambitions

D. What we accomplished
   First achievements
Governance effectiveness

Well designed governance allows “fast track” on all main strategic decisions that have been already agreed with shareholders and put in place by the new management team.

- Brand strategy defined
- Network structure and consolidation plan finalized
- New digital IT stack framework finalized, being implemented
- Headquarter selected and rebranded
- New management appointed till CEO-4 level
- Business plan and Budget approved
- Incentive policy in place
Set-up of a single commercial strategy

- **Branding strategy** defined with a new ‘3’ campaign launched
- Offers portfolio harmonized fostering simplification and specialization across all segments
- **Cross-selling** activities launched with fixed-line corners active in ‘3’ shops
- Intercompany sales commissioning eliminated
- **VEON** (new digital engagement platform) communication campaign launched
- Structured approach on Christmas campaign
Fast-track to an integrated technology infrastructure

- Creating a **differentiated, single run and best 4G/LTE network** in Italy, the most modern and large in Italy
- **Single provider** selected: ZTE
- Targeting **21k radiating sites** most of which fiber backhauled with significant capacity uplift being implemented
- Targeting **99% population outdoor coverage 4G/LTE** by 2019 with
- External **redundant contracts streamlined** (network, IT)
Key takeaways

A. Who we are
   - #1 mobile operator
   - #2 fixed operator

B. Full year 2016 results
   - Return to top line growth,
   - profitability improvement
   - and sound op. cash flow

C. What we’ll do
   - Our goal is to become the most
   - innovative digital Telco with
   - the largest and best mobile
   - 4G/LTE network

D. What we accomplished
   - Fast integration
   - One company already in
   - place and operating at full
   - speed
Thank you

Q & A

WIND
Important notice

It should be noted that after the completion of the joint-venture between VimpelCom Ltd and CK Hutchison Holdings Ltd for the integration of their activities in Italy, WIND and 3 Italy, the two operating companies WIND Telecomunicazioni SpA and H3G SpA had been merged on December 30, 2016, incorporating the former into the latter, with a simultaneous change of Company name in WindTre SpA., and therefore no corresponding information from the previous year (i.e. full year financials report at 31 December 2015) is available.

However, for comparison purposes for 2016 and 2015, combined financial data has been prepared to simulate, according to evaluation criteria consistent with those used by the company and compliant with the relevant legislation, the main economic effects as if the Merger had been consummated at the beginning of the period to which the combined information presented refers.

Forward-looking statements

This document contains predictions of events and future results of Wind Tre that are based on the current expectations, estimates and projections regarding the sector in which the company operates and on the current opinions of its management. These elements have by their nature a component of risk and uncertainty, because they depend on future events taking place. It should be noted that the actual results may differ significantly from those announced due to a multiplicity of factors, including: global economic conditions, competition impact, and political, economic and regulatory developments in Italy.

Investor relations department

ir@windtre.it
+39 02 3011 3510
+39 06 83 111