

# Digital Financial Services

## The Italian experience

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Regulatory Affairs



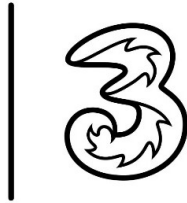


## Agenda:

1. Wind Tre at a glance
2. DFS market in Italy
3. Veon EP digital boost



# Wind Tre: the leading mobile operator in Italy



Wind Tre has over 31 million mobile customers and 2.7 million fixed line customers (of which 2.3 million are fixed broadband customers)

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Wind Tre will benefit from scale and synergies which will unlock €7 Billion investment in Italy's digital infrastructure

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Customers will enjoy significantly improved coverage, accelerated 4G/LTE mobile broadband rollout, digital IT platforms and innovative services

*The transaction of Wind and Tre is one of the largest M&A operations in Europe since 2007*



# Pillars of our strategy

**MARKET  
LEADERSHIP**



**DIGITAL  
ALL IN**



**BEYOND  
MOBILE B2C**



**LEAN  
COMPANY**



4

Become the **MOST INNOVATIVE** digital **TELCO**  
with the **LARGEST AND BEST** mobile broadband **NETWORK**

# Dual brand strategy

INNOVATION &  
TECHNOLOGY

YOUTH  
ORIENTED

TRANSPARENCY &  
SIMPLICITY

CI SONO MOMENTI CHE È PIÙ BELLO SALVARE NEL CUORE.

**WIND**  
Più vicini.

5

Cluser to you

The future you want

the future you want

SMART VALUE  
FOR MONEY

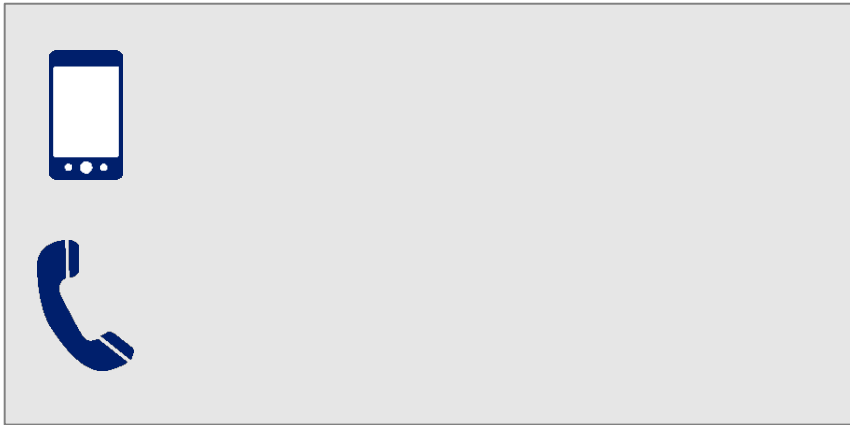
FAMILY & HOUSEHOLD  
ORIENTED

TRANSPARENCY &  
SIMPLICITY

Two **WELL-RECOGNIZED**, **STRONG** and **PERFECTLY HARMONIZED** brands



# Wind Tre in a nutshell



## A FULL-FLEDGED PORTFOLIO

MOBILE

FIXED-LINE  
(VOICE & BB)

CONVERGENT

CONSUMER / SME  
/ SOHO / BUSINESS

## JV REVENUES 2016 (proforma)

**6.5 Bn€**

## EBITDA 2016\*

**2.2 Bn€**

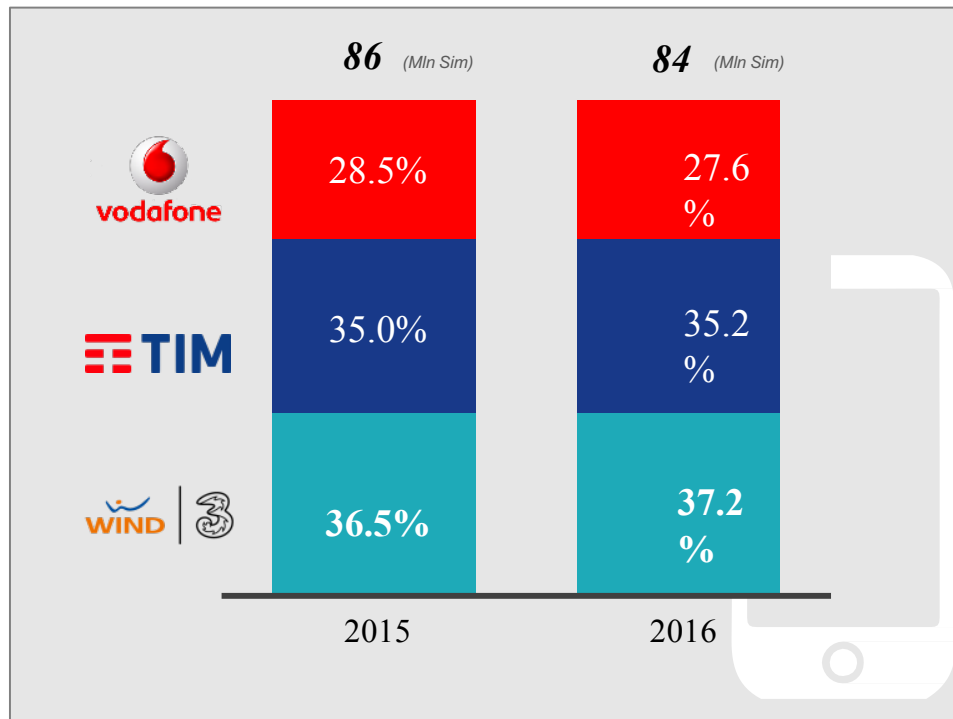
	FIXED	MOBILE
	15	85
	%	%



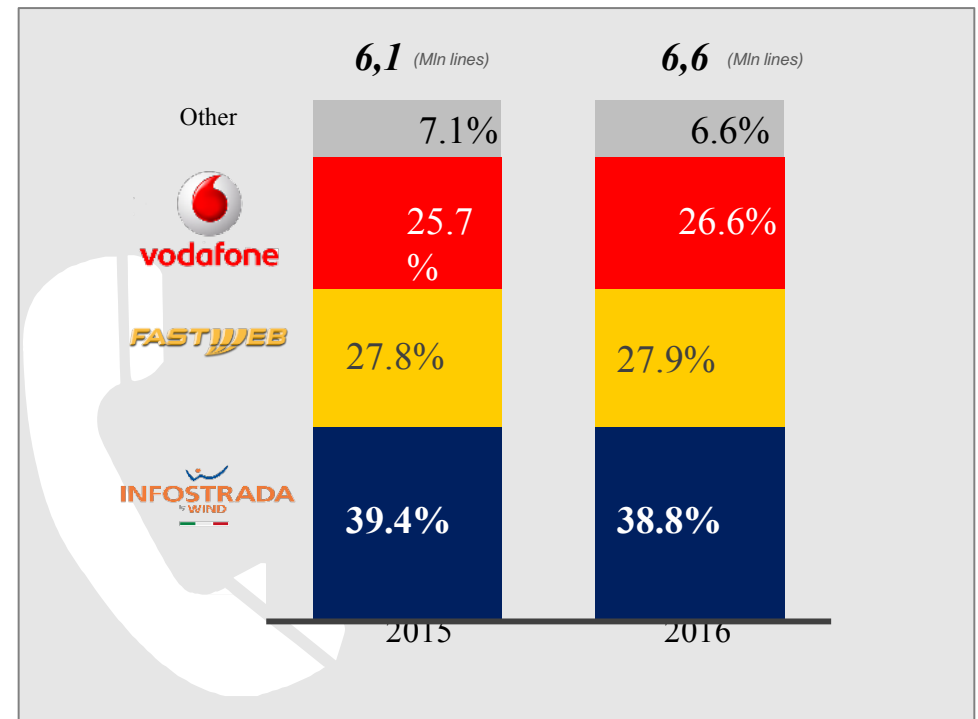
Note: Proforma values  
\* Before around €60 million integration cost

# Wind Tre in a nutshell

## Mobile Market Share' (excluding MVNO)



## Fixed Direct Market Share (Direct access; TIM excluded)





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# Wind Tre DFS overview



## Mobile Ticketing

- Transportation   
- Events, exhibitions and culture   



## P2P air time transfer, Wallet



## Carrier Billing



## Marketplace, other VAS (partnerships, utility bill payments, etc...)



## Digital payments (leveraging on existing assets and partnering with financial institution)



## Public administration


### DFS figures

Transaction value: **56 Mln€**

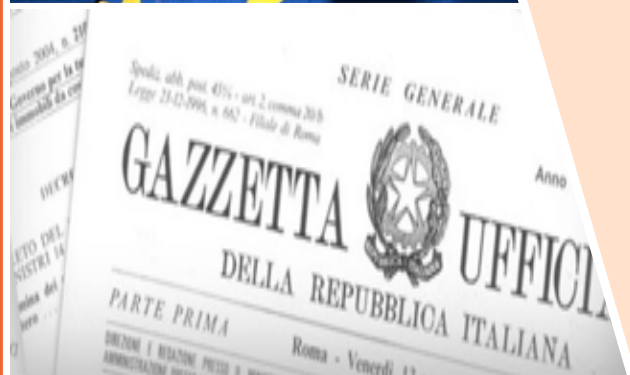
Revenues: **23 Mln€**

Source: Wind Tre 2017 forecast

 On air

 In roadmap

# Main Italian regulation on DFS (1/2)



## EU PSD 2007/64/EC à Leg. Dec. 11/2010

The EU Payment Service Directive of 2007 has been transposed in Italian Law and Bank of Italy has adopted specific guidelines.

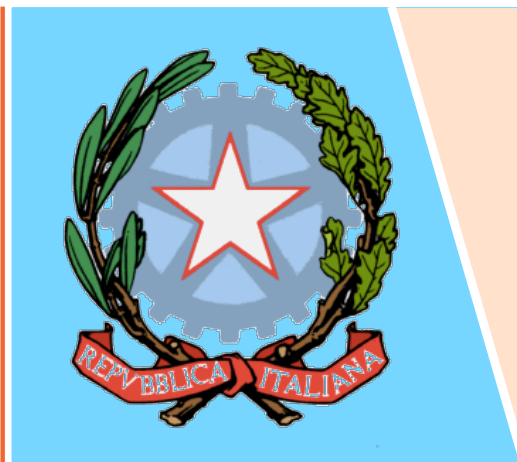
In order to **provide currency (not airtime) DFS** such as credit card, money transfer, etc..., it is necessary to **be a financial institution**

A tel.co. must be in **partnership** with a financial institution to develop such kind of DFS for its customers

**Telco DFS**, provided through **airtime credit**, are excluded from PSD scope if the following conditions are satisfied:

- a) payment transactions must be related to the purchase of **digital goods or services**
- b) tel.co. must **not act as a mere intermediary** of payment between the end user and the supplier of goods and services: **added value is needed**
- c) **delivery or use of digital goods** and services must be carried out **by means of the tel.co.**

# Main Italian regulation on DFS (2/2)



## **Min.Com. Decree 145/2006 (Decree Landolfi)**

Airtime credit cap is set to 12,50 Euro + VAT<sup>1</sup>

## **Law 221/2012 (Decree for system growth)**

Exemption on **mobile ticketing for public transportation**

- Introduces measures for innovation of transportation
- Allows use of **electronic ticketing** through mobile payment instruments, including charge on phone bills and airtime credit, subject to existing spending limits and local regulations
- Electronic ticket is delivered to communication device

## **Law 147/2013 (Stability law)**

Exemption on public transportation is extended also to

- **mobile parking** 1
- **bike sharing** 1
- access to **restricted traffic areas**
- and “**similar mobility and transportation systems**”

## **Law 124/2015 (Public Administration reform)**

Modifications to Digital Administration Code ("CAD") and Public Administration reform.

Use of the airtime credit as payment method for services of the PA, fines and taxes and for services of public utility providers (limited to small amounts / micro payments).

Waiting for implementation decrees.

1. A Lower limit has been actually introduced by AGCom in the National Numbering Plan

# Focus on upcoming PSD2

## EU PSD2 2015/2366 à

### Main pillars

On 24 July 2013 the European Commission proposed a new Directive (**PSD2**), approved on 23 December 2015, which includes the review of the previous Payment Service Directive

The new PSD2 modifies the **negative and positive scope** of the previous PSD and, among others, includes:

- modification of the rules that discipline, in derogation, use of airtime credit as payment method for:

- **cultural events**
- **digital contents**
- **entertainment**

- introduction of **new** thresholds (50/200 Euro)



1  
2

# Next steps for a successful DFS roadmap in Italy

## Anticipate adoption of relevant parts of PSD2

- Legislative Decree on Competition might help anticipating some parts of the PSD2
- AGCom review of Numbering Plan to raise Mobile Ticketing cap

## Implement an effective partnership with trusted financial institutions

- Needed to develop digital payment services
- Italian market is a “local market” and customers trust only “<sup>1</sup>known brands”<sup>2</sup>



## Digital boost

- Boost on Veon engagement platform development
- Implement an effective marketplace on Veon



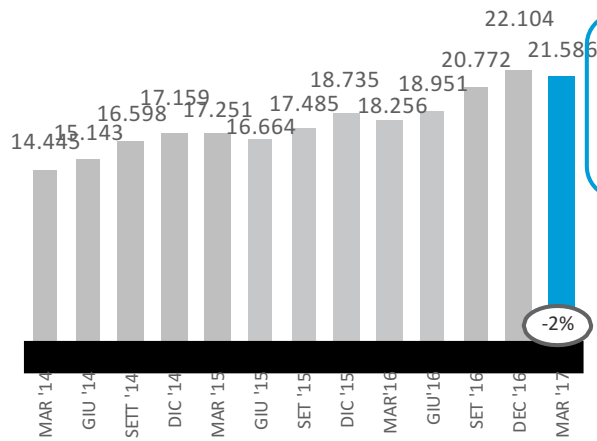
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# Italian market environment: messaging applications

Users of at least one app of IM/Voip ('000)



IM/Voip App ranking ('000)

App	Ranking ('000)	VAR audience vs. Dec '16	Time per month per person	Session of use per person
WhatsApp	20.702	+1%	13:29:15	100
Messenger	13.871	-	1:20:52	25
Telegram	2.855	+11%	3:22:57	41
Skype	2.653	+5%	0:32:49	10
Snapchat	1.557	-13%	2:16:39	20
Hangout	1.264	-4%	0:15:08	7
Viber	878	18%	1:39:51	17

Time per month per person	14:40:25	+7% vs. Dec. '16
Session of use per person	133	-4% vs. Dec. '16

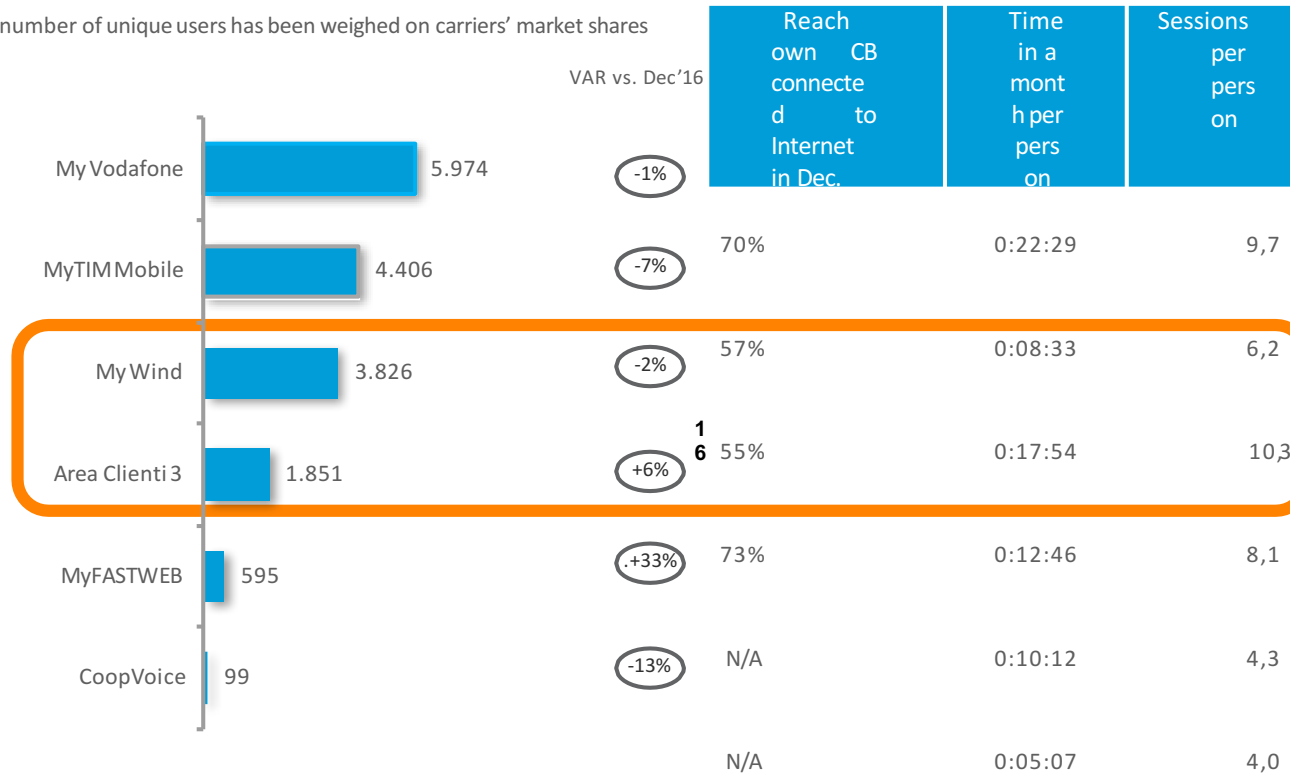
(Source: Nielsen)



# Italian market environment: self care applications

Application of Self Care ranked by mobile operators (000)

NB: number of unique users has been weighed on carriers' market shares



(Source: Nielsen Smartphone & Tablet Analytics, March 2017)





# VEON: the Messaging + Self Care application



Free communication

Seamless access

Digital convenience

[www.veon.it](http://www.veon.it)  
[www.wind.it/veon](http://www.wind.it/veon)

# Veon value explosion

## KEY FEATURES

### Free communication

UNLIMITED FREE VOICE & CHAT  
+  
ALL THE GIGA YOU NEED FOR  
FREE

Hero features and new advantageous **telco offers** as a key to attract new customers and boost CB migration

### Seamless access

INTEGRATION BETWEEN OTT  
AND TELCO FEATURES

Very **simple onboarding** process and OTT functionalities will facilitate Veon adoption from the current Wind CB









### Digital convenience

EASILY AND FREELY,  
EVERYTHING IS UNDER  
CONTROL

Veon as one place for communication and fun. Special benefits for real digital customers and for **credit card storage**

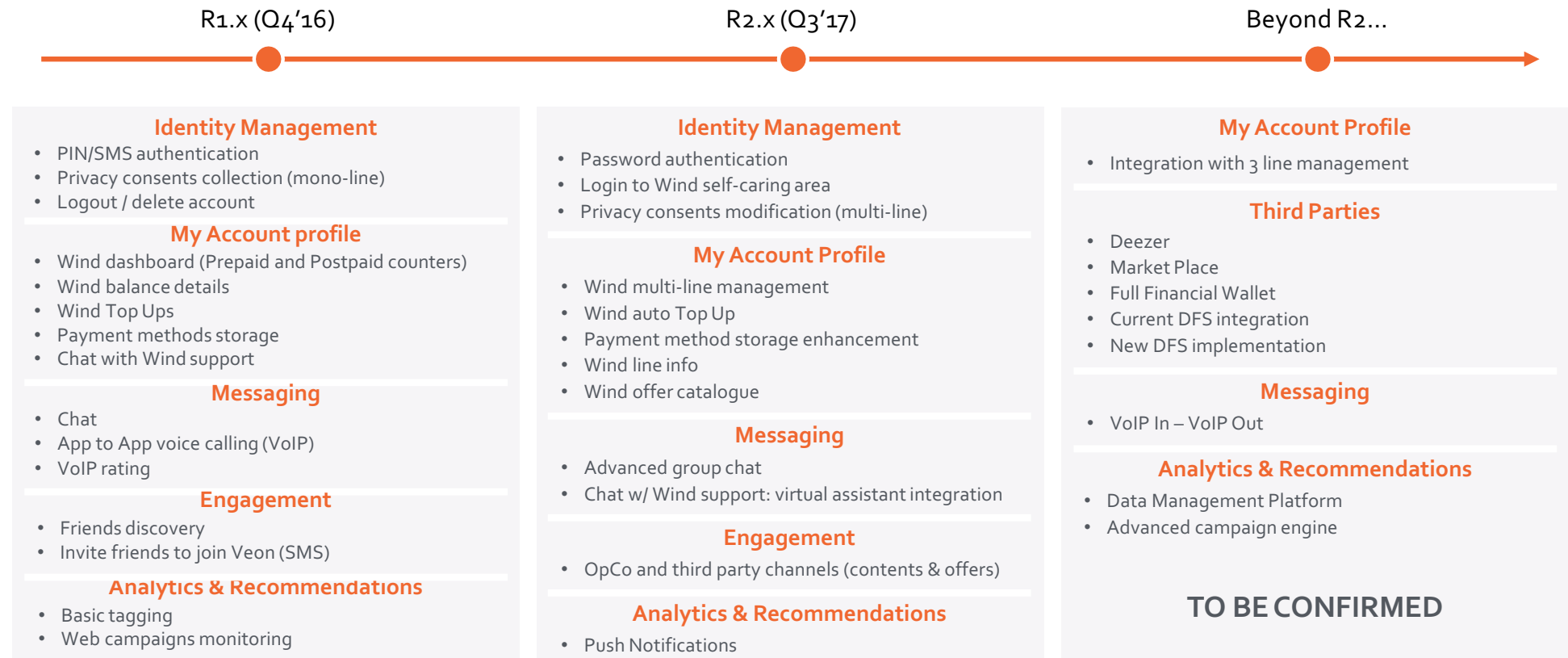
1  
8

# Pushing on Veon: Hero Features

	<b>Zero Rated</b>	<b>Zero Rated</b>	Wind customers will not consume data allowance when using Veon
	<b>Zero Balance Zero Credit</b>	<b>Zero Balance for 1 year</b>	Wind customers can use Veon even if out of credit and in case of failed bundle renewal. Unlimited for one year
	<b>Credit card signup incentives</b>	<b>10% discount for 6 months</b>	Bundle fee discount for Wind customers who store their credit card on Veon. Additional 2 months discount for AutoTop Up setting
	<b>Registration bonus</b>	<b>1 GB</b>	1GB Welcome Gift at registration, no expiration date
	<b>Usage booster benefits</b>	<b>100 MB/day</b>	Every first daily Veon access will be reward with 100MB, to be consumed within the day
	<b>Top Up bonus</b>	<b>1 GB</b>	1GB at Top Up to be consumed within 28 days
	<b>Promotions</b>	<b>Calendar of promotions</b>	Seasonal promo to boost Veon downloads. Based on attractive and limited benefits leveraging also on Instant winning mechanism
	<b>Member-get- member benefits</b>	<b>1 GB / 2GB</b>	<ul style="list-style-type: none"> <li>- 1GB for each Veon Friend (for inviter only)</li> <li>- 2GB for each new Wind Friend (both for inviter and invitee)</li> </ul> Not available yet

N.B. Not all the Hero Features active/on air at the same time

# From TELCO to OTT: Veon roadmap in Italy





**Thank You**

