

Europe & North America

Key Facts

Summary Financial

EUR mln	2012	2011	YoY
Total Revenue	5,427	5,570	-2.6%
EBITDA	2,062	2,120	-2.7%
EBITDA margin	38.0%	38.1%	
Mobile Subscribers ('000)	21,650	21,014	+3%
Fixed Voice Subscribers ('000)	3,110	3,142	-1%
Fixed Broadband Subscribers ('000)	2,210	2,135	+3.5%

Business Unit Strategy

In Italy we aim to increase the Company's revenue market share and to focus on high margins and cash flow generation. We will focus on growing our market share where we have less than our fair share, expanding and capturing the opportunities offered by mobile Internet and mobile data, and strengthening our presence in the SME/SOHO segment. These initiatives will be supported by our "smart, value for money" positioning characterized by simple and transparent tariffs, investments in network, distribution and brand. In Canada, our goal is to provide a value for money alternative to the incumbent operators by offering a nationwide high quality and affordable mobile service.

Priorities in Italy

- Create superior customer experience and clear offering positioning in order to deliver Customer Excellence
- Continue to outperform market in mobile data in order to deliver Profitable Growth
- Drive cost efficiency through initiatives such as "Network Transformation Project" and "Build The Network Project" in order to deliver Operational Excellence
- Network sharing in order to deliver Capital Efficiency



Maximo Ibarra
Head of Italy

"2012 was yet another strong year for WIND in which we managed to further consolidate our position in the mobile and fixed-line segment despite a challenging environment. We continue to explore and develop new areas of growth in the market in particular in mobile data, high value post-paid mobile offerings and in the SME/SOHO segments. At the same time we remain committed to maintaining our best in class customer satisfaction through all touch points and continuing to invest in our network in order to deliver an excellent experience in broadband."

Mobile Internet revenue increased by 41.3% in 2012 coupled with a 9.3% increase in revenues from traditional data services

5% increase YoY

Fixed Broadband revenue up 5% YoY

Year in review

WIND strengthened its competitive position in both mobile and fixed-line services in Italy in 2012 delivering solid results despite on-going competitive pressure, regulatory headwinds and macroeconomic uncertainties. The WIND brand is increasingly associated with the values of simplicity, transparency and innovation, its "smart value for money" positioning, which enabled the Company to outperform its competitors in 2012. Also thanks to the "All Inclusive" umbrella concept and the advertising slogan "Minuto vero" (effective per second billing). In 2012 WIND achieved 64% share of mobile network operator market net adds in Italy.

WIND's revenues in 2012 declined 2.6% over 2011 reaching EUR 5.4 billion; the decline was mainly due to the 53% cut in termination rates in July 2012, net of which, total revenues would have increased by 2%. EBITDA declined over the previous year mainly related to the service revenues pressure and increase in energy related to OPEX, partially offset by positive effect of MTR on costs and efficiency on advertising spend. EBITDA margin remained stable at a solid 38% YoY. As part of the Operational Excellence program, WIND launched its Network Transformation Project aimed at achieving OPEX savings of approximately EUR 40-45 million per annum starting from 2013. In late December, WIND signed an agreement with one vendor for the "Build the Network Project" aimed at delivering CAPEX savings of approximately EUR 40 million in 2013 in relation to the network build out services.

Additionally, in 2012, WIND continued to invest in key strategic areas primarily related to the strong growth opportunity in data services. Investments included further expansion of HSPA+ mobile data network coverage and capacity as well as increasing backhaul capacity to serve the strong growth in mobile and fixed data. As a result of the above, WIND was able to deliver a 2.8% increase in EBITDA-CAPEX over 2011 and going forward will continue to focus on delivering profitable growth.

WIND ended 2012 with over 21.6 million mobile subscribers, 3.1 million fixed-line voice subscribers and 2.2 million fixed Broadband subscribers. In mobile, growth was driven by the strong commercial success of the "All Inclusive" offerings. A key driver was also mobile Internet, which continued to deliver impressive growth as new devices, such as smartphones and tablets, become widespread. In fixed-line, 2012 saw a slight decrease in customer base mainly due to the new strategy focused on more profitable LLU customers.

Focus on ensuring sustainable profitable growth

During the course of 2012, WIND delivered the best performance in the Italian market. WIND aims to continue delivering sustainable profitable growth going forward by maintaining its positioning in key areas and by selectively focusing on new growth areas, while at the same time maintaining its focus on operational excellence, through initiatives aimed at preserving its leadership in customer satisfaction and at achieving cost efficiencies.

Opportunities for the future

The Value Agenda for 2013 – 2015 for Italy is based on four pillars with the aim to increase Net Cash from operating activities:

Profitable Growth

WIND aims to continue delivering profitable growth going forward by maintaining its positioning in core products and services, keeping its leadership on pricing innovation and by focusing on new growth areas. In terms of growth opportunities we plan to increase our focus on select segments of the market where WIND currently has less than its fair share of the market. In particular, the corporate segment represents a key growth opportunity for WIND, especially for SME/SOHO's. We also aim to increase our share in certain geographic locations in Italy where the incumbents enjoy a stronger position by leveraging our strong distribution and brand. WIND will continue to develop new innovative services, such as Mobile Financial Services, and pursue social media opportunities.

Customer Excellence

WIND will continue to invest significant resources to maintaining its leadership in customer service, in order to confirm its top performance in overall customer satisfaction since 2008. WIND will maintain its focus on developing its "smart value for money" proposition and expand the "All Inclusive" concept to mobile (pre- and post-paid), fixed-line and Business segments. Starting from 2012 WIND changed its strategy in the fixed-line segment reducing its focus on indirect and de-focusing from push sales channels in order to acquire more LLU subscribers and improve marginality.

Operational Excellence

As part of the Operational Excellence program, WIND kicked-off a number of initiatives to further enhance the Company's efficiency. In 2012 WIND launched its Network Transformation Project in order to achieve OPEX savings, reducing network maintenance through an increase in productivity of network personnel and a general reduction of HR costs.

In late December, WIND signed an agreement with one vendor for the "Build the Network Project" aimed at delivering CAPEX savings. This will help our plan to effectively leverage our extensive network coverage to serve fixed-line, mobile and convergent strategies while unlocking value. These are only a few of the initiatives undertaken as part of the Cost Efficiency Project in WIND that will involve all areas, including advertising and real estate.

Capital Efficiency

WIND will continue to develop a site sharing program with other operators for new infrastructure deployed, including the infrastructure for LTE, in order to reduce OPEX and CAPEX. In the meanwhile WIND will continue to focus its investments in data services where its goal is to remain a leading player in this market by leveraging our extensive experience in the field coupled with future investments. The significant investments made in 2011 to acquire LTE/4G spectrum and the investments made in the network in 2012 are a clear indication of the importance of the mobile data story for WIND.